

**FROM:** Secretary to Lloyd's Disciplinary Board  
**LOCATION:** G4/86  
**EXTENSION:** 5530  
**DATE:** 8 August 2002  
**REFERENCE:** 024/2002  
**SUBJECT:** **CROWE SYNDICATE MANAGEMENT LIMITED**  
**SUBJECT AREA(S):** Disciplinary Proceedings  
**ATTACHMENTS:** Notice of Censure  
**ACTION POINTS:** For information  
**DEADLINE:** **None**

Crowe Syndicate Management Limited ("Crowe") a registered Lloyd's managing agent has admitted three charges of misconduct as follows:

- (i) Engaging in or being associated with discreditable conduct within the meaning of paragraph 3(f) of the Misconduct and Penalties Byelaw (No. 30 of 1996).
- (ii) Failing to take reasonable steps in connection with the business of insurance to avoid the risk of harm to Lloyd's policyholders, the Society, its members, or those doing business at Lloyd's within the meaning of paragraph 3(e) of the Misconduct and Penalties Byelaw (No 30 of 1996).
- (iii) Contravention of and/or failure to observe Core Principles No. 2 and No. 9 within the meaning of paragraph 3(d) of the Misconduct and Penalties Byelaw (No. 30 of 1996).

The following penalties have been imposed on Crowe:

- (i) A fine of £55,000.
- (ii) A censure in the terms of the Notice of Censure attached to this bulletin.

Crowe is to pay the costs of the Council of Lloyd's in the sum of £16,500.

The charges arose out of events from January 1997 to March 1999 when Crowe was responsible for the management of the Syndicate 1204. Between these dates there was a series of failures in the management and control of Syndicate 1204 by Crowe. Details of the events giving rise to the charges against Crowe are set out in the Notice of Censure.

Crowe admitted the charges of misconduct and concluded a settlement without incurring the costs of a full disciplinary hearing. In addition, Crowe co-operated fully with Lloyd's inquiry.

This case was determined by Lloyd's Disciplinary Board and its decision gives effect to terms of settlement of these formal disciplinary proceedings agreed between the Defendant and the Council of Lloyd's pursuant to Part 5 of 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.

A P Barber  
Secretary to Lloyd's Disciplinary Board

**NOTICE OF CENSURE**

**CROWE SYNDICATE MANAGEMENT LIMITED**

Crowe Syndicate Management Limited (“Crowe”) a registered Lloyd’s managing agent has admitted three charges of misconduct.

Crowe has admitted one charge of engaging in or being associated with discreditable conduct within the meaning of paragraph 3(f) of the Misconduct and Penalties Byelaw (No. 30 of 1996). Crowe has admitted a second charge of failing to take reasonable steps in connection with the business of insurance to avoid the risk of harm to Lloyd’s policyholders, the Society, its members, or those doing business at Lloyd’s within the meaning of paragraph 3(e) of the Misconduct and Penalties Byelaw (No 30 of 1996). Crowe has admitted a third charge of contravention of and/or failure to observe Core Principles No. 2 and No. 9 within the meaning of paragraph 3(d) of the Misconduct and Penalties Byelaw (No. 30 of 1996).

The charges arose out of events from January 1997 to March 1999 (“the relevant period”) when Crowe was responsible for the management of the Syndicate 1204. Between January 1997 and March 1999 there was a series of failures in the management and control of Syndicate 1204 by Crowe. In particular:

- i) The information provided to Crowe in relation to the Syndicate was inadequately detailed and/or broken down to enable Crowe effectively to manage the Syndicate.
- ii) Crowe did not conduct any or any adequate enquiry into whether the Syndicate was writing and/or had written business within its business plan and its authority.
- iii) The reviews conducted by the Expert Review Underwriter and the Internal Audit Department were inadequate.
- iv) The Codified procedures of the Syndicate were inadequate or non-existent.
- v) The Syndicate's controls over its coverholders were inadequate.
- vi) The Syndicate's risk recording system was inefficient and in some cases inaccurate.
- vii) The Syndicate failed to produce appropriate or sufficient realistic disaster scenarios.
- viii) The Syndicate failed to have any, or any effective systems in place for the monitoring and controlling receipt of premiums.

The scale and seriousness of Crowe's failures in the management and control of Syndicate 1204 was of such seriousness as to bring Crowe into discredit and therefore to justify the most serious of the charges, engaging in or being associated with discreditable conduct. It also amounted to a failure to take reasonable steps to avoid the risks of harm to Lloyd's policyholders, the Society, its members, or those doing business at Lloyd's. Reasonably competent and effective management and control is a prerequisite to avoiding the risks of such harm. Crowe also contravened and/or failed to observe Core Principles No. 2 (the duty of an agent to act with due skill and care) and No. 9 (the duty of an agent to organise and control its internal affairs in a responsible manner and to maintain proper records and systems for the conduct of its business and the management of risk).

The case was concluded before the Lloyd's Disciplinary Board. The following penalties have been imposed on Crowe.

- (i) Crowe is to pay a fine of £55,000.
- (ii) Crowe is to receive a censure in the terms of this Notice.

Crowe is to pay the costs of the Council of Lloyd's in the sum of £16,500.

In assessing the relevant penalties, account has been taken of the fact that all of the failures identified related to the period prior to the acquisition of the Crowe Group by Stockton Reinsurance Limited in March 1999. Following that acquisition, major changes were made to the management of the Crowe Group and the composition of the Boards of the various Crowe Group companies by the new management. Once it was in place, the new management immediately set about the task of identifying problems within the business of the Crowe Group, including the underwriting and management of Syndicate 1204. Many of the problems identified in the charges were specifically identified by the new management.

In view of the problems concerning Syndicate 1204 which were identified, the new management instructed the Syndicate to cease writing new business after the end of 1999, and terminated certain of the Syndicate's business (specifically the International Property and Engineering Account) prior to the end of 1999. The underwriting team of Syndicate 1204 has left Crowe. Syndicate 1204 is no longer a Crowe managed syndicate.

Further, Crowe has admitted the charges of misconduct and concluded a settlement without incurring the costs of a full disciplinary hearing. In addition, Crowe has co-operated fully with Lloyd's inquiry.

## **LLOYD'S DISCIPLINARY BOARD**