

**FROM:** Secretary to Lloyd's Disciplinary Board,  
**LOCATION:** 58/NW1  
**EXTENSION:** 5530  
**DATE:** 22 December 2000  
**REFERENCE:** 094/2000  
**SUBJECT:** **NICHOLSON LESLIE LIMITED**  
**SUBJECT AREA(S):** Disciplinary Proceedings  
**ATTACHMENTS:** None  
**ACTION POINTS:** **For information**  
**DEADLINE:** **None**

Nicholson Leslie Limited (“NL”) has admitted two charges of engaging in or being associated with discreditable conduct.

This case was concluded before Lloyd’s Disciplinary Board. A fine of £37,500 has been imposed on Nicholson Leslie Limited. Nicholson Leslie Limited has also agreed to pay a contribution of £5,000 towards the costs of Lloyd’s.

The facts giving rise to the charges are as follows:

The Philippine Account

Nicholson Leslie Marine Limited (“NLM”) was a subsidiary of and an unregistered agency broker of NL. From about 1994 NLM acted as placing broker in arranging marine cargo re-insurance in respect of world voyages to and from the Philippines. The reinsured was a Philippine insurance company and the reinsurance was in respect of its insurance of a Philippine company (“the Philippine Account”). The Philippine Account was originally introduced to NLM by a Philippine insurance broker (“the Philippine broker”).

The policy was renewed in respect of the 1996 year of account. The terms of the policy included requirements that additional premiums were to be payable in respect of vessels, in excess of a specified age at the “Full London Scale” rate, declarations were to be made by or

on behalf of the Philippine Account in respect of journeys made by “over-age” vessels, and an annual deposit premium of PPS 7,500,000 was payable half yearly in advance.

During the currency of the policy period, a number of voyages were made which necessitated the payment by the Philippine Account of “over-age” premiums. These totalled US\$162,523, which was in excess of the rates agreed on the slip by \$18,299. NLM allowed the Philippine broker to provide inflated rates, which were used to calculate the “over-age” premiums. The Philippine Account paid the premiums to NLM.

In respect of a proportion of those inflated premiums NLM made payments totalling US\$144,223 from a commission account. It had set up this account for the benefit of a third party. The payments were made to a Philippine bank account with the China Banking Corporation in the name of the third party (“the third party account”). The payments made to the third party account were made by NLM on the instructions of John Woodhouse who was responsible for the Philippine Account. He had agreed with the Philippine broker that payments in respect of inflated over-age premiums would be paid to the third party account. NLM retained the balance of the inflated premiums (US\$ 18,299) as its own commission.

NLM failed to have in place any or any adequate internal accounting and compliance systems to ensure that the Philippine Account was properly controlled and monitored and failed to make and to keep proper records. NL failed to have in place adequate internal accounting and compliance systems which would have identified and remedied the control, compliance and record keeping failures of its agent, NLM.

#### The Second Philippine Account

In July 1996, NLM, together with Nicholson Leslie International Limited (“NLI”), acted as placing broker in arranging marine and non-marine re-insurance cover (“the Second Philippine account”) for the re-insured, a Philippine organisation. The cover commenced on 1.6.96 for twelve months. The Second Philippine account was arranged through an intermediary, another Philippine insurance company (“the Insurance Company”).

On 6.9.96, by fax, the Insurance Company asked an employee of NL to prepare a “dummy debit note”. This should show that net premiums totalling PES 18,709,915.95 (US\$ 364,188) on the Second Philippine account were due from the insured and were payable in two instalments in June and December 1996. The employee passed the request to John Woodhouse. Subsequently, an individual, acting on behalf of the Insurance Company, instructed John Woodhouse to forward the money to a third party company (“the third party company”) and gave him details of the third party company’s bank account with the Hong Kong Bank in Makath City in the Philippines into which the money was to be paid.

John Woodhouse instructed a technician working for NLM, to draw up a dummy debit note and to make the necessary arrangements so that the money would be forwarded to the third party company in due course. On 15.10.96, the individual acting on behalf of the Insurance Company, by fax on the notepaper of another broker rather than the Insurance Company confirmed the instruction given to John Woodhouse to remit the money to the third party company and repeated the banking details already given to John Woodhouse. In order to receive the money from the Insurance Company, NLM arranged to open a commission account, which arrangement required the authorisation of two executive directors (or alternatively one executive director and the managing director) independent of the account,

and which authorisation was given on 16.10.96. Around that date, US\$ 364,188 was paid into the commission account and forwarded on to the bank account of the third party company.

NLM failed to have in place adequate internal accounting and compliance systems to ensure that the Second Philippine account was properly controlled and monitored and failed to make and to keep proper records. NL failed to have in place any or any adequate internal accounting and compliance systems which would have identified and remedied the control, compliance and record keeping failures of its agent, NLM.

Mr Woodhouse left NL in 1997. Aon reported this matter promptly to Lloyd's. They have taken this matter seriously and co-operated fully with Lloyd's investigations into this matter. It has admitted liability at the earliest possible opportunity, thereby avoiding the necessity of a hearing before a disciplinary tribunal. Aon has already taken a number of preventative measures in respect of its internal procedures.

This bulletin has been sent out to all underwriting agents and members agents (corporate advisers), corporate members, market associations, the ALM and recognised accountants.

A.P Barber  
Secretary to Lloyd's Disciplinary Board