

UNDERWRITING BYELAW

Purpose

The purpose of this Byelaw is to implement the proposals of the Chairman's Strategy Group so as to provide the basis for the new Lloyd's market supervision framework for *underwriting agents* and *approved run-off companies*.

The Byelaw also revokes –

1. Information Relevant to the Operation of Sections 10, 11 and 12 of Lloyd's Act 1982 Byelaw (No. 1 of 1984)
2. Substitute Agents Byelaw (No. 20 of 1983)
3. Disclosure by Direction Byelaw (No. 21 of 1983)
4. The Underwriting Agents Byelaw (No. 4 of 1984)
5. The Syndicate Premium Income Byelaw (No. 6 of 1984)
6. The Agency Agreements Byelaw (No. 1 of 1985)
7. The Reinsurance to Close Byelaw (No. 6 of 1985)
8. The Related Parties Byelaw (No. 2 of 1986)
9. The Review Powers Byelaw (No. 5 of 1986)
10. Insurance Intermediaries Byelaw (No. 8 of 1990)
11. Run-Off Accounts (Intermediaries) Byelaw (No. 10 of 1991)
12. Reinsurance to Close (Restriction) Byelaw (No. 15 of 1993)
13. Pool Reinsurance Company Limited (Intermediaries) Byelaw (No. 23 of 1993)
14. Run-Off Companies Byelaw (No. 2 of 1995)
15. Core Principles Byelaw (No. 34 of 1996)
16. Training and Development Byelaw (No. 23 of 1998)
17. Proportional Reinsurance Syndicates Byelaw (No. 9 of 1999)
18. Financial Guarantee Insurance Regulation (No. 4 of 1989)
19. Insurance Intermediaries Regulation (No. 3 of 1990)

Amendments

This byelaw was amended by

Lloyd's Brokers Byelaw (No. 7 of 2004)

Underwriting (Amendment) Byelaw (No. 2 of 2007)

Amendments (Appointments to Senior Positions) Byelaw (No. 1 of 2008)

The Legislative Reform (Lloyd's) Order (Market Provisions) Byelaw (No.1 of 2009)

Intermediaries (Restricted Coverholder Revocation) Amendment Byelaw (No. 1 of 2014)

Underwriting (Amendment No. 2) Byelaw (No. 2 of 2018)

Constitutional Arrangements Amendment Byelaw (No. 2 of 2019)

Notes

These notes, the note setting out the purpose of this Byelaw and the part and paragraph headings are for guidance only and do not form part of the Byelaw.

Words and terms shown in italics have the meaning set out in the Definitions Byelaw (No 7 of 2005).

This Byelaw was made by the *Council* on 4 June 2003 in exercise of its powers under section 6(2) and 8(3) of, and paragraphs (4),(13), (14), (18), (19), (21), (24), (33), (34), and (37) of schedule 2 to, Lloyd's Act 1982 and may be referred to as the Underwriting Byelaw (No. 2 of 2003).

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**Part A – Permission to act as an underwriting agent
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Requirements for permission

1. No *person*, other than a *substitute agent*, may act as a *managing agent* or a *members' agent* without the *Franchise Board's* permission.
2. No *managing agent* may manage a *syndicate* without the *Franchise Board's* permission.
3. No *person* may act as an *approved run-off company* without the *Franchise Board's* permission.

Applications for permission

4. Any *person* that wishes to act as an *underwriting agent* or *approved run-off company* or manage a *syndicate* (an “*applicant*”) may apply to the *Franchise Board* for permission to do so.
5. Applications shall be made in accordance with such procedures and shall be accompanied by such documents and information as the *Franchise Board* may from time to time prescribe.

Grant of permission

6. The *Franchise Board* may –
 - (a) consider applications for permission to act as an *underwriting agent* or *approved run-off company* and grant or refuse any such application; and
 - (b) consider applications for permission to manage a *syndicate* and grant or refuse any such application.
7. Any permission granted under paragraph 6 may –

- (a) be limited to permission to undertake only specified functions;
 - (b) be granted either for a specific period or for an indefinite period.
8. The *Franchise Board* shall not –
- (a) grant permission to an *applicant* to act as an *underwriting agent* or to manage a *syndicate* unless the *applicant* complies with the Financial Services and Markets Act 2000 and the *Prudential Regulation Authority's requirements* and *Financial Conduct Authority's requirements* applicable to it;
 - (b) grant permission to an *applicant* to act as an *underwriting agent* or *approved run-off company* unless the *applicant* has demonstrated to the *Franchise Board's* satisfaction that it is a suitable company to be permitted to act in that capacity. In deciding whether an *applicant* is suitable to be an *underwriting agent* the *Franchise Board* shall have regard to such criteria as it may from time to time prescribe;
 - (c) grant permission to an *applicant* to manage a *syndicate* unless the *applicant* has demonstrated to the *Franchise Board's* satisfaction that it is a suitable company to be permitted to manage that *syndicate*. In deciding whether an *applicant* is suitable to manage a *syndicate* the *Franchise Board* shall have regard to such criteria as it may from time to time prescribe;
 - (d) grant permission to an individual or a partnership to act as an *underwriting agent*; or
 - (e) grant permission for a *underwriting agent* to act both as a *managing agent* and as a *members' agent*.

Register of underwriting agents and approved run-off companies

9. The *Franchise Board* shall maintain a register of all *underwriting agents* and *approved run-off companies* for the time being permitted to act under this Byelaw. The register shall be in such form and contain such information as the *Franchise Board* may from time to time determine.

Part B – Principles of relationship and service standards

Principles of relationship

10. The *Franchise Board* may, following consultation, from time to time make and issue statements setting out Lloyd's goals and market objectives and the principles in accordance with which Lloyd's and *managing agents* will generally be expected to work together and assist each other to achieve those goals and objectives.

Service standards

11. The *Franchise Board* shall from time to time make and issue statements setting out –
 - (a) standards for the provision of services provided by the *Society* to *underwriting agents*; and
 - (b) arrangements for charging fees for those services.
12. The *Franchise Board* may where it thinks reasonably necessary or appropriate require any *underwriting agent* or any *approved run-off company* or any class or group thereof to –
 - (a) comply with such principles and standards for the conduct or administration of insurance business as the *Franchise Board* may from time to time prescribe, recognise or endorse;
 - (b) implement such systems, protocols or arrangements for the conduct or administration of insurance business as the *Franchise Board* may from time to time prescribe, recognise or endorse.

Use of services

13. The *Franchise Board* may where it thinks reasonably necessary or appropriate direct that any *member*, *underwriting agent*, *substitute agent* or *approved run-off company* or any class or group thereof shall use any service specified in the

Franchise Board's direction whether such service is provided or is to be provided by the *Society* or by any other *person*.

Part C – Business plans and performance monitoring

Business plans

- 14A. Every *managing agent* shall each year prepare and submit to the *Franchise Board* a *business plan* relating to each *syndicate* managed (or to be managed) by it (other than a *run-off syndicate*) setting out –
- (a) the parameters within which the *managing agent* will carry out *underwriting* on behalf of that *syndicate*; and
 - (b) information relating to any association or current or proposed *underwriting* transaction which may give rise to a conflict of interest including a transaction where a counterparty or an intermediary is or will be a member of the *managing agent*'s own group and a statement confirming that it has systems and controls in place for managing any such conflicts of interest fairly in accordance with applicable Lloyd's and FSA requirements. The *managing agent* shall make this information and statement available to the *members* of the relevant *syndicate* (or to their *members' agents*).
- 14B. The *Franchise Board* may prescribe requirements for *business plans* which may include –
- (a) the period or periods to which each plan is to relate;
 - (b) the format and content of each plan;
 - (c) the methods and assumptions to be used in the preparation of each plan and the definition of "group";
 - (d) the date or dates on which each plan is to be submitted to the *Franchise Board*; and
 - (e) in respect of a *syndicate* designated by the *Council* as a 'syndicate in a box' when permission to manage that *syndicate* was granted or regranted, such parameters within which the *managing agent* must carry out *underwriting* if the *managing agent*'s permission to manage that *syndicate* is not to be withdrawn in accordance with paragraph 67(e) of this byelaw.
15. A *managing agent* may at any time submit a request to the *Franchise Board* to amend an *agreed business plan* relating to a *syndicate* managed by it. The

- Franchise Board* may prescribe requirements for requests to amend an *agreed business plan* which may include the format of requests.
16. The *Franchise Board* may at any time direct or require a *managing agent* to submit such further information, explanation or justification in connection with a *business plan*, an *agreed business plan* or a request to amend an *agreed business plan* as the *Franchise Board* may specify.
 17. The *Franchise Board* may –
 - (a) agree to a *business plan* or to a request to amend to an *agreed business plan*;
 - (b) reject a *business plan* and require a *managing agent* to submit a new or revised *business plan* within such period as the *Franchise Board* may specify;
 - (c) reject a request to amend an *agreed business plan*;
 - (d) withdraw its agreement to an *agreed business plan* and require a *managing agent* to submit a new or revised *business plan* within such period as the *Franchise Board* may specify.
 18. The *Franchise Board* shall not agree to a *business plan* or to a request to amend an *agreed business plan* unless the *managing agent* has demonstrated to the *Franchise Board's* satisfaction that the *business plan* or the request to amend the *agreed business plan* is appropriate and justifiable having regard to the performance and capabilities of the *managing agent* in question and such other criteria as the *Franchise Board* may from time to time prescribe.
 19. Every *managing agent* shall keep under review the appropriateness of the *agreed business plans* relating to each *syndicate* managed by it.

Performance monitoring

20. Each quarter, a *managing agent* shall prepare and submit to the *Franchise Board* a *quarterly monitoring report* relating to each *syndicate* managed by it. The *Franchise Board* may prescribe requirements for *quarterly monitoring reports* which may include –
 - (a) the period or periods to which each report is to relate;

- (b) the format and content of each report;
 - (c) the methods and assumptions to be used in the preparation of each report;
and
 - (d) the date or dates on which each report is to be submitted to the *Franchise Board*.
21. The *Franchise Board* may at any time direct a *managing agent* to prepare and send to the *Franchise Board* a *supplementary monitoring report* including such information as the *Franchise Board* may require.
22. The *Franchise Board* may at any time direct a *managing agent* to submit such further information, explanation or justification in connection with a *performance report* as the *Franchise Board* may require.

Confidentiality of business plans and performance reports

23. The *Franchise Board* may from time to time prescribe requirements relating to the disclosure of information contained in a *business plan, agreed business plan* or a *performance report* to *members* of the *syndicate* in question. Every *managing agent* shall act in accordance with the requirements and compliance with the requirements shall constitute proper and sufficient performance of a *managing agent's* duties to the *members* of a *syndicate* with regard to the disclosure of information contained in a *business plan, agreed business plan* or *performance report*.
- 23A. Every *members' agent* must ensure that information provided pursuant to paragraph 14A(b) above or any agreed amendment to a *business plan* which may give rise to such a conflict of interest is drawn to the attention of *members* of the *syndicate* in question (and prospective *members* of the *syndicate*) for whom the *members' agent* acts.

Part D – Underwriting

Underwriting guidelines

24. The *Franchise Board* may from time to time make and publish *underwriting guidelines* for *managing agents*, *substitute agents* and *approved run-off companies* in respect of any matter relating to the business of insurance at Lloyd's.

Underwriting in accordance with agreed plans

25. A *managing agent* shall only *underwrite* on behalf of the *members* of a *syndicate* in accordance with an *agreed business plan* relating to that *syndicate* or, in the case of a *run-off syndicate* or *run-off account*, an *agreed run-off closure plan* relating to that *syndicate*.
26. In the event that a *managing agent* carries out *underwriting* on behalf of the *members* of a *syndicate* otherwise than in accordance with an *agreed business plan* or an *agreed run-off closure plan* relating to that *syndicate*, the *managing agent* must immediately notify the *Franchise Board*.

Acceptance and placement of business

27. A *managing agent* may accept business on behalf of the *members* of a *syndicate* which it manages only –
- (a) from a *Lloyd's broker*, provided that prior to accepting business the *managing agent* has entered into a *terms of business agreement* with the *Lloyd's broker*;
 - (b) directly from the insured or reinsured or, in the case of a *syndicate*, through a *managing agent*;
 - (c) through an *approved coverholder* in accordance with the terms of a *registered binding authority*
 - [(d) deleted by the Intermediaries (Restricted Coverholder Revocation) Amendment Byelaw (No. 1 of 2014)]

- (e) through a *service company coverholder* in accordance with the terms of a *binding authority* that is a *service company agreement*;
- (f) in respect of *personal lines business, commercial life business, and commercial motor business*, without limiting any other sub-paragraph, from or through a *person* who is not a *Lloyd's broker* where –
 - (i) that *person* is registered with a competent authority for the purposes of the Insurance Distribution Directive (EU) 2016/97 and complies with the provisions of the Financial Services and Markets Act 2000 and with the *Prudential Regulation Authority's requirements* and *Financial Conduct Authority's requirements* which are applicable to it; or
 - (ii) the *managing agent* accepting business on the *member's* behalf has obtained the consent of the *Franchise Board* to accept business from that *person*;
- (g) in respect of reinsurance of Lloyd's Insurance Company (China) Limited directly from Lloyd's Insurance Company (China) Limited;
- (h) in respect of reinsurance of Lloyd's Insurance Company S.A. directly from Lloyd's Insurance Company S.A.;
- (i) in respect of business constituting "Singapore policies" or "offshore policies" (as respectively defined in the Insurance Act (Cap 142) of the Republic of Singapore) and where the contracts in question are made in Singapore, through a *service company coverholder* registered with the Monetary Authority of Singapore; and
- (j) from or through any other *person* where, prior to accepting business, the *managing agent* has –
 - (i) satisfied itself that the *person* meets such criteria as the *Franchise Board* may from time to time prescribe for the purpose of this sub-paragraph; and
 - (ii) entered into a *terms of business agreement* with that *person*.

[Paragraphs 28 and 29 were deleted by The Legislative Reform (Lloyd's) Order (Market Provisions) Byelaw (No.1 of 2009).]

Part E – Risk management requirements

Prudential Regulation Authority and Financial Conduct Authority

30. Every *underwriting agent* shall at all times comply with the Financial Services and Markets Act 2000 and the *Prudential Regulation Authority's requirements* and *Financial Conduct Authority's requirements* applicable to it.

Codes of practice

31. The *Franchise Board* may from time to time make and issue *codes of practice* in respect of any matters relating to the business of insurance at Lloyd's.

Consent to changes

32. The *Franchise Board* may from time to time prescribe events which no *underwriting agent, approved run-off company* or *substitute agent* shall permit to occur without the prior consent of the *Franchise Board*.

Advance consents

33. The *Franchise Board* may from time to time waive a requirement contained in any *requirement of the Council* that an *underwriting agent* obtain the consent of the *Council* to any matter provided that the *underwriting agent* complies with such conditions and requirements as the *Franchise Board* may prescribe in respect of that matter.

Notification of changes

34. The *Franchise Board* may from time to time prescribe events which an *underwriting agent, approved run-off company* or *substitute agent* shall notify to the *Franchise Board* in writing should such an event occur. The *Franchise Board* may prescribe a period or periods in which each such prescribed event must be notified.

Disaster scenarios

35. The *Franchise Board* may prescribe details of hypothetical events and disaster scenarios that could give rise to claims being made on contracts of insurance underwritten at Lloyd's. Every *managing agent* shall calculate, prepare and submit to the *Franchise Board* a report setting out the effect that such hypothetical events or disaster scenarios would have on the underwriting results of each *syndicate* managed by it if such events happened. The *Franchise Board* may for the purposes of this paragraph prescribe –
- (a) the period or periods to which each report is to relate;
 - (b) the form and content of each report;
 - (c) the methods and assumptions to be used in the calculation and preparation of each report; and
 - (d) the date or dates on which each report is to be submitted to the *Franchise Board*.

Syndicate premium income

36. The *Franchise Board* may from time to time prescribe requirements setting out the manner in which *syndicate premium income* is to be calculated by *managing agents*. The requirements may include –
- (a) how premiums are to be allocated to years of account;
 - (b) when premiums are to be credited to a *member*;
 - (c) how premiums are to be converted into different currencies; and
 - (d) what premiums paid in respect of *qualifying quota share contracts* shall constitute *qualifying reinsurance premiums*.
37. Every *managing agent* shall, in respect of every *syndicate* managed by it –
- (a) take reasonable steps to ensure that the *syndicate premium income* allocable to that year of account does not exceed the *syndicate allocated capacity* for that year of account;
 - (b) establish and maintain effective systems for monitoring *syndicate premium income*; and
 - (c) keep the actual and forecast *syndicate premium income* allocable to every year of account under active review at all times.

38. Every *members' agent* shall take all reasonable steps to ensure that no *member's syndicate premium limit* for the time being applicable to any *member* for whom it acts is exceeded.
39. A *managing agent* shall prepare and submit to the *Franchise Board* reports relating to *syndicate premium income* forecasts and *syndicate premium income* monitoring. The *Franchise Board* may from time to time prescribe requirements relating to each type of report. The requirements may include –
- (a) the period or periods to which each report is to relate
 - (b) the format and content of each report;
 - (c) the methods and assumptions to be used in the preparation of each report; and
 - (d) the date or dates on which each report is to be submitted to the *Franchise Board*.

Compliance officer

40. Every *underwriting agent* and *approved run-off company* shall appoint a compliance officer who shall be a director or a company secretary of that *underwriting agent* or *approved run-off company* and who, without prejudice to the responsibilities and duties of the directors generally, shall be responsible for compliance with –
- (a) Lloyd's Acts 1871 to 1982 and the *requirements of the Council*; and
 - (b) in the case of an *underwriting agent*, its duties to the *members* for whom it acts.

Active underwriter

41. Every *managing agent* shall appoint an individual as an *active underwriter* in respect of each *syndicate* managed by it other than a *run-off syndicate*.

Run-off manager

42. Every *managing agent* shall appoint an individual as a *run-off manager* in respect of each *run-off syndicate* managed by it.

Appointments to Senior Positions

- 42A No *underwriting agent* or *approved run-off company* shall permit, as applicable, any person to act –

- (a) as a director of that *underwriting agent* or as a director or partner of that *approved run-off company*;
- (b) as an *active underwriter* of a *syndicate* managed by that *underwriting agent*; or
- (c) as a *run-off manager* of that *run-off company*;

if the *Franchise Board* decides that the *person* is not fit and proper or otherwise suitable to act in that capacity. In deciding whether a person is fit and proper or otherwise suitable the *Franchise Board* shall have regard to such criteria as it may from time to time prescribe.

Ownership and control

43. No *person* shall, without the prior written consent of the *Franchise Board*, be a *controller* of an *underwriting agent*.
44. The *Franchise Board* may at any time require the *controller* of an *underwriting agent* or *approved run-off company* to execute and deliver or otherwise become a party to such deeds, contracts, bonds, guarantees, undertakings and other documents as the *Franchise Board* may specify.

Business at Lloyd's

45. An *underwriting agent's* business shall consist only of (i) its business as such at Lloyd's, (ii) in the case of a *managing agent*, acting as an outsourced service provider to Lloyd's Insurance Company S.A. pursuant to an outsourcing agreement with Lloyd's Insurance Company S.A., and (iii) any other business which the *Franchise Board* may permit.

Confidentiality

46. No *underwriting agent, substitute agent or approved run-off company* shall, without the prior consent of the *Franchise Board* disclose, or permit to be disclosed, to any *person* other than the directors, officers, employees or legal advisers of that *person* or the *Prudential Regulation Authority* or *Financial Conduct Authority*, any information, document or material provided to it by Lloyd's where that information, document or material is stated to be confidential and does not otherwise provide or set out the terms on which it may be disclosed.
47. An *underwriting agent, substitute agent or approved run-off company* shall indemnify and hold harmless the *Society* for and against any and all claims, damages, losses, costs and expenses arising out of its breach or the breach of any of its directors, officers, employees, agents or advisers of paragraph 46 of this Byelaw.

Transactions and records

48. Every *underwriting agent* and *approved run-off company* shall establish and maintain an adequate system of control over its transactions and records.

Part F – Financial resources, financial returns and auditors

Financial resources

49. The *Franchise Board* may from time to time prescribe requirements regarding the possession by *underwriting agents* and *approved run-off companies* of financial resources and capital and the maintenance of solvency margins and professional indemnity insurance. The requirements may include different requirements for *managing agents*, *members' agents* and *approved run-off companies*. The requirements may include –
- (a) the assets, liabilities and other matters to be taken into account in determining financial resources, capital and solvency margins;
 - (b) the manner in which such assets are to be held and maintained; and
 - (c) restrictions or prohibitions on *underwriting agents* incurring liabilities or granting guarantees or indemnities in favour of a specified *person* or class of *persons*.

Financial returns

50. Each quarter, every *underwriting agent* and every *approved run-off company* shall prepare, compile and submit to the *Franchise Board* a *quarterly financial return*.
51. Each year, every *underwriting agent* and *approved run-off company* shall prepare, compile and submit to the *Franchise Board* an *annual financial return*.
52. The *Franchise Board* may prescribe requirements for *quarterly financial returns* and *annual financial returns*. The requirements may make different requirements for *managing agents*, *members' agents* and *approved run-off companies*. The requirements may include, but shall not be limited to –
- (a) the period or periods to which each return is to relate or be made up to;
 - (b) the format and content of each return including documents required by law to be submitted to the Registrar of Companies by the *underwriting agent* or by any company within the same group as the *underwriting agent*;
 - (c) the examination of the return by the directors of the *underwriting agent* and the completion of a declaration by them;

- (d) examination of the return by a *recognised accountant* and the completion of a report by that *recognised accountant*;
- (e) the date or dates on which each return is to be submitted to the *Franchise Board*.

Auditors

- 53. Every *underwriting agent* shall appoint a *recognised accountant* in accordance with the Audit Arrangements Byelaw (No. 7 of 1998).

Part G – Professional standards and development

Requirements relating to qualifications and experience

54. The *Franchise Board* may make requirements that any *person* shall, as a condition of exercising such functions in relation to the conduct of insurance business at Lloyd's as may be specified, have –
- (a) met such examination, standards and qualification requirements as are prescribed by the *Franchise Board*;
 - (b) such relevant experience as may be specified by the *Franchise Board*.

Training and development plans

55. Every *underwriting agent* and *approved run-off company* shall –
- (a) prepare a training and development plan; and
 - (b) nominate a director, whose identity shall be notified to the *Franchise Board*, responsible for the preparation and implementation of the training and development plan (without prejudice to the responsibilities of the directors generally) and who shall ensure that the training and development plan and its implementation are considered and reviewed by the directors at such periods as the *Franchise Board* may specify and that such review is documented and capable of production to the *Franchise Board* on request.

Continuing professional education and development

56. The *Franchise Board* may make requirements that such directors, officers and employees of *underwriting agents* or *approved run-off companies* as the *Franchise Board* may from time to time prescribe participate in programmes of continuing professional education and development.

Exemptions

57. The *Franchise Board* may grant exemptions to any requirements made under part G of this Byelaw for such period and on such conditions as it thinks fit.

Part H – Review

Power to conduct reviews

58. The *Franchise Board* may at any time order a review of –
- (a) any *underwriting agent* or *approved run-off company*'s permissions;
 - (b) the performance and capabilities of any *underwriting agent, substitute agent* or *approved run-off company*;
 - (c) the affairs or any aspect of the affairs of any *underwriting agent, substitute agent* or *approved run-off company*; and
 - (d) the fitness, properness or suitability of any director of an *underwriting agent, director* or partner of an *approved run-off company, active underwriter* or *run-off manager*.
59. Any review ordered pursuant to part H of this Byelaw may be conducted by such *person* or *persons* as may from time to time be nominated by the *Franchise Board*.
60. A *person* conducting a review of an *underwriting agent, approved run-off company* or *substitute agent* pursuant to part H of this Byelaw may require any *underwriting agent, approved run-off company* or *substitute agent* or any director, partner, officer, *active underwriter, run-off manager, agent* or employee thereof –
- (a) to attend before him at such time and such place as he may specify;
 - (b) to answer questions or otherwise provide information to him;
 - (c) to produce or give to him all such documents or other materials in its or his possession, custody or power
- as the *person* conducting the review may reasonably require for the purposes of the review.
61. Where a *person* conducting a review requires the production of documents or other materials, that *person* may require the *underwriting agent, approved run-off company* or *substitute agent* –
- (a) to provide to him with all reasonable facilities in its premises for the purposes of examining or reviewing any such document or other materials;

- (b) to permit him to copy or take extracts from them on the premises or elsewhere;
- (c) by a director, officer, *active underwriter*, *run-off manager*, agent or employee thereof, to provide an explanation of them and if any of such documents or materials are not produced, to state, to the best of his knowledge and belief, where such documents or other materials are.

Power to require production of reports

62. The *Franchise Board* may require any *underwriting agent*, *substitute agent* or *approved run-off company* to provide it with a report on any matter about which the *Franchise Board* may order a review of under paragraph 58 of this Byelaw. The *Franchise Board* may require that the report –
- (a) be undertaken by a *person* nominated or approved by the *Franchise Board* with every assistance of the *underwriting agent*, *substitute agent*, or *approved run-off company* as that *person* may reasonably require;
 - (b) contain such information and be in such form as the *Franchise Board* may determine;
 - (c) be undertaken at the cost of the *underwriting agent*, *substitute agent*, *approved run-off company* or a *member* or *members* of the *syndicate* in question; and
 - (d) be submitted to the *Franchise Board* on such date as it may prescribe.

Part I – Directions, conditions and requirements

Directions, conditions and requirements

63. The *Franchise Board* may at any time give such directions or impose such conditions or requirements on any *underwriting agent, substitute agent* or *approved run-off company* (or any class or group thereof) as it thinks reasonably necessary or appropriate. A direction, condition or requirement given or imposed under this paragraph may include a direction, condition or requirement for the purposes of –
- (a) ensuring that the *underwriting agent, approved run-off company* or *substitute agent* will be or will continue to be suitable to act in that capacity and, in the case of a *managing agent* or *substitute agent*, will be or will continue to be suitable to manage a *syndicate*;
 - (b) improving or seeking to improve the *underwriting* or the performance of the *underwriting* carried out by a *managing agent* or a *substitute agent*;
 - (c) protecting –
 - (i) the name, reputation or standing of the *Society* or of its *members*;
 - (ii) the general rating or ratings of the Lloyd’s market applying to policies of insurance underwritten by *members* of the *Society*;
 - (iii) the assets of the *Society* including the assets of the *New Central Fund*; and
 - (iv) the authorisation of *members* of the *Society* to conduct insurance business in the United Kingdom and overseas;
 - (d) ensuring compliance by that *underwriting agent, approved run-off company* or *substitute agent* with the provisions of the Financial Services and Markets Act 2000 and the *Prudential Regulation Authority’s requirements* and *Financial Conduct Authority’s requirements* applicable to the *person* in that capacity;
 - (e) ensuring compliance by that *underwriting agent, approved run-off company* or *substitute agent* with the requirements of Lloyd’s Acts 1871 to 1982 and the *requirements of the Council*; or
 - (f) ensuring that any director of an *underwriting agent*, director or partner of an *approved run-off company, active underwriter* or *run-off manager* is fit and proper or otherwise suitable to act in that capacity.

64. The *Franchise Board* may from time to time add to, amend or withdraw any direction, condition or requirement given or imposed under part I of this Byelaw.
65. An *underwriting agent, approved run-off company* or *substitute agent* shall act in accordance with any direction, condition or requirement given or imposed upon it under this Byelaw.

Part J – Withdrawal of permission

Withdrawal of permission to act as an underwriting agent or approved run-off company

66. The *Franchise Board* may at any time withdraw the permission of an *underwriting agent* or *approved run-off company* to act as such if –
- (a) deleted by The Legislative Reform (Lloyd’s) Order (Market Provisions) Byelaw (No.1 of 2009).]
 - (b) the *underwriting agent* or *approved run-off company* is not suitable to act in that capacity;
 - (c) the *underwriting agent* or *approved run-off company* has failed to comply with any provision of Lloyd’s Acts 1871 to 1982 or with any *requirement of the Council*;
 - (d) the *underwriting agent* or *approved run-off company* ceases to act as such;
or
 - (e) the *underwriting agent* or *approved run-off company* so requests.

Withdrawal of permission to manage a syndicate

67. The *Franchise Board* may at any time withdraw the permission of a *managing agent* to manage a *syndicate* if –
- (a) the *managing agent* is not suitable to manage that *syndicate*;
 - (b) the *managing agent* has failed to comply with any *requirement of the Council*;
 - (c) the *managing agent* has ceased to manage that *syndicate*;
 - (d) the *managing agent* so requests; or
 - (e) if the *managing agent* has not carried out underwriting on behalf of the *syndicate* in accordance with the parameters set under paragraph 14(B)(e) of this byelaw.

Postponement

68. Where the *Franchise Board* considers that there are grounds for withdrawing the permission of an *underwriting agent* or *approved run-off company* to act as such or withdrawing the permission of a *managing agent* to manage a *syndicate* under

any of the preceding provisions of this part the *Franchise Board* may if it considers that there is good reason to do so –

- (a) postpone the withdrawal of permission for such period or periods as the *Franchise Board* may from time to time specify or until the *Franchise Board* shall otherwise determine; and
- (b) in connection with such postponement, at any time give such directions as it may think fit, including without limitation a direction that the *underwriting agent* shall not carry on any business or business activity of a specified class or description.

Part K – Substitute agents

Appointment of a substitute agent

69. The *Franchise Board* may appoint a specified *person* to act as agent or sub-agent (a “*substitute agent*”) for any *member* of the *Society* as to the whole or any part of that *member*’s underwriting business –
- (a) where such *member* has no *underwriting agent* for the whole or part of his underwriting business;
 - (b) where in the opinion of the *Franchise Board* –
 - (i) such appointment is in the interests of such *member*; or
 - (ii) it is essential for the proper regulation of the business of insurance at Lloyd’s; or
 - (c) where the *underwriting agent* of such *member* is subject, either totally or in part, to a direction of administrative suspension or to a direction of suspension pursuant to a penalty or sanction imposed, confirmed or modified following disciplinary proceedings.

Directions

70. Where a *substitute agent* is or has been appointed, the *Franchise Board* may give such directions as it considers appropriate –
- (a) to the *substitute agent*;
 - (b) to any *underwriting agent* who at any time has acted for such *member* whether or not in the capacity of *underwriting agent* or who is subject to suspension (the “*prior underwriting agent*”);
 - (c) to any other *person* conducting the business of insurance at Lloyd’s

in connection with the appointment of the *substitute agent* and the continuation of the agency business of the *prior underwriting agent* or concerning the underwriting business of any *member* of the *Society* or for the protection of any Lloyd’s policyholder, the *Society*, any *member* or any other *person* doing business at Lloyd’s.

71. Where a direction is given under paragraph 70 of this Byelaw, such direction shall take effect notwithstanding any contrary or inconsistent provision contained in any agreement between the *prior underwriting agent* and any *member*.
72. The *Franchise Board* may from time to time add to, amend or withdraw any direction given under paragraph 70 of this Byelaw.

Application of powers relating to substitute agents

73. The powers of the *Franchise Board* to appoint a *substitute agent* or to issue directions incidental thereto shall apply in relation to a *member* or a *former member* notwithstanding that he or it may at the date of the appointment or direction or subsequently have ceased to be a *member* for any reason.
74. Except where the context otherwise requires, references in this part of this Byelaw to a *member* or a *former member* include references to his personal representatives, trustee in bankruptcy, curator bonis, receiver or committee or any other *persons* by law entitled or bound to administer his affairs.

Part L – Run-off

Requirement to keep prospects of a syndicate becoming a run-off syndicate under review

75. A *managing agent* shall keep the prospects of a *syndicate* under its management becoming a *run-off syndicate* under review and comply with such requirements in this regard as the *Franchise Board* may from time to time prescribe. The requirements may include requirements to notify and report to the *Franchise Board* on the prospects of a *syndicate* becoming a *run-off syndicate*.

Run-off contingency and run-off closure plans

76. The *Franchise Board* may require a *managing agent* to prepare and submit to the *Franchise Board* a *run-off contingency plan* in respect of any *syndicate* or *syndicates* managed by it.
77. The *Franchise Board* may require a managing agent or a substitute agent to prepare and submit to the *Franchise Board* a *run-off closure plan* in respect of any run-off syndicate or run-off account managed or to be managed by it. The *run-off closure plan* shall include information relating to any association or *underwriting* transaction which may give rise to a conflict of interest including a transaction where a counterparty or an intermediary is a member of the *managing agent's* or *substitute agent's* own group and a statement confirming that it has systems and controls in place for managing any such conflicts of interest fairly in accordance with applicable Lloyd's requirements and any applicable *Prudential Regulation Authority's requirements* and *Financial Conduct Authority's requirements*. The *managing agent* or *substitute agent* shall make this information and statement available to the *members* of the relevant syndicate (or to their *members' agents*).
78. The *Franchise Board* may for the purposes of paragraphs 76 and 77 prescribe requirements in respect of *run-off contingency plans* and *run-off closure plans*. The requirements may make different requirements for *run-off contingency plans* and *run-off closure plans*. The requirements may include –
- (a) the period or periods in which each plan is to be prepared and submitted to the *Franchise Board*;

- (b) the format and content of each plan;
 - (c) the methods and assumptions to be used in the preparation of each plan;
 - (d) that each plan is prepared by a *person* with the necessary skills, expertise and experience; and
 - (e) the date or dates on which each plan is to be submitted to the *Franchise Board*.
79. A *managing agent* or *substitute agent* may at any time submit a request to amend an *agreed run-off contingency plan* or an *agreed run-off closure plan* in respect of a *syndicate* managed by it. The *Franchise Board* may prescribe requirements in respect of such requests which may include the format of requests.
80. The *Franchise Board* may at any time direct or require a *managing agent* or a *substitute agent* to submit such further information, explanation or justification in connection with a *run-off contingency plan*, *agreed run-off contingency plan*, *run-off closure plan* or *agreed run-off closure plan* or a request to amend any such plan as the *Franchise Board* may specify.
81. The *Franchise Board* may –
- (a) agree to a *run-off contingency plan* or to a *run-off closure plan*;
 - (b) agree to a request to amend an *agreed run-off contingency plan* or an *agreed run-off closure plan*;
 - (c) reject a *run-off contingency plan* or a *run-off closure plan* and require a *managing agent* or a *substitute agent* to submit a new or revised plan within such period as the *Franchise Board* may specify;
 - (d) reject a request to amend an *agreed run-off contingency plan* or an *agreed run-off closure plan*;
 - (e) withdraw its agreement to an *agreed run-off contingency plan* or an *agreed run-off closure plan* and require the *managing agent* or *substitute agent* to submit a new or revised plan within such period as the *Franchise Board* may specify.
82. The *Franchise Board* shall not agree to a *run-off contingency plan* or to a *run-off closure plan* or to a request to amend an *agreed run-off contingency plan* or a *run-off closure plan* unless the *managing agent* or the *substitute agent* in question has demonstrated to the *Franchise Board's* satisfaction that the plan is appropriate and justifiable having regard to the performance and capabilities of the *managing*

agent or substitute agent in question and such other criteria as the *Franchise Board* may from time to time prescribe.

83. An *agreed run-off contingency plan* shall be deemed to amend and be part of the corresponding *agreed business plan* relating to the *syndicate* in question.
84. A *substitute agent* shall only carry out the management of a *run-off syndicate* or a *run-off account* in accordance with an *agreed run-off closure plan*.

Run-off reports

85. The *Franchise Board* may at any time require a *managing agent* or *substitute agent* which manages a *run-off syndicate* or a *run-off account* to prepare and submit a *run-off monitoring report*. The *Franchise Board* may prescribe requirements for *run-off monitoring reports* which may include –
 - (a) the period or periods to which each report is to relate;
 - (b) the format and content of each report;
 - (c) the methods and assumptions to be used in the preparation of each report; and
 - (d) the date or dates on which each report is to be submitted to the *Franchise Board*.

Delegation of run-off functions

86. The *Franchise Board* may for the purposes of paragraph 87 from time to time prescribe functions undertaken in the management of a *syndicate* which shall be called *executive functions*, *insurance functions* and *administrative and processing functions*.
87. Save where the *Franchise Board* otherwise permits or directs, no *managing agent* or *substitute agent* shall delegate any of its *executive functions*, *insurance functions* or *administrative and processing functions* in respect of a *run-off syndicate* or a *run-off account* managed by it –
 - (a) without the *Franchise Board's* prior consent; and

- (b) otherwise than to an *approved run-off company* or another *managing agent*.
88. The *Franchise Board* may require a *managing agent* or a *substitute agent* to comply with such requirements and procedures as it may from time to time prescribe prior to delegating any of its *executive functions*, *insurance functions* or *administrative and processing functions* to an *approved run-off company* or another *managing agent*. The requirements may include obtaining a number of competitive quotes for the performance of the functions in question following a formal tendering process.
89. No *managing agent* shall delegate any of its *executive functions*, *insurance functions* or *administrative and processing functions* to another *managing agent* or to an *approved run-off company* other than by way of a written contract which shall contain such terms and provisions and be in such form as the *Franchise Board* may from time to time prescribe.

Part M – Dispute resolution and appeals

Dispute resolution

90. The *Franchise Board* may from time to time prescribe arrangements and procedures to resolve disputes between an *underwriting agent, approved run-off company, or substitute agent* and the *Franchise Board* in a timely, constructive and cost effective manner. The arrangements and procedures may include requirements that an *underwriting agent, approved run-off company or substitute agent* must follow.

Steps to be taken in advance of proceedings

91. In the event that any *underwriting agent, approved run-off company or substitute agent* intends to commence proceedings to challenge, review or appeal against any decision or action of the *Franchise Board* other than in accordance with paragraph 90 of this Byelaw or the Enforcement Byelaw (No. 6 of 2005) it must immediately inform the secretary to the *Franchise Board* in writing.

Amendments to the Appeal Tribunal Byelaw

- [92. deleted by the Underwriting (Amendment No. 2) Byelaw (No. 2 of 2018)]

Part N – Miscellaneous and transitional provisions

The Franchise Board

93. All references in this Byelaw to the *Franchise Board* shall be deemed to also be references to the *Council*. The *Franchise Board* may reasonably exercise all of the powers, discretions and functions set out in this Byelaw as the agent of the *Council*.

Fees

94. The *Franchise Board* may in connection with any application, submission or request made in accordance with this Byelaw, charge such fee as the *Franchise Board* may from time to time prescribe.

Revocation

95. The following byelaws and regulations are revoked –
- (a) Information Relevant to the Operation of Sections 10, 11 and 12 of Lloyd’s Act 1982 Byelaw (No. 1 of 1984);
 - (b) Substitutes Agents Byelaw (No. 20 of 1983);
 - (c) Disclosure by Direction Byelaw (No. 21 of 1983);
 - (d) The Underwriting Agents Byelaw (No. 4 of 1984);
 - (e) The Syndicate Premium Income Byelaw (No. 6 of 1984);
 - (f) The Agency Agreements Byelaw (No. 1 of 1985);
 - (g) The Reinsurance to Close Byelaw (No. 6 of 1985);
 - (h) The Review Powers Byelaw (No. 5 of 1986);
 - (i) Insurance Intermediaries Byelaw (No. 8 of 1990);
 - (j) Run-Off Accounts (Intermediaries) Byelaw (No. 10 of 1991);
 - (k) Reinsurance to Close (Restriction) Byelaw (No. 15 of 1993);
 - (l) Pool Reinsurance Company Limited (Intermediaries) Byelaw (No. 23 of 1993);
 - (m) Run-Off Companies Byelaw (No. 2 of 1995);
 - (n) Core Principles Byelaw (No. 34 of 1996);
 - (o) Training and Development Byelaw (No. 23 of 1998);
 - (p) Proportional Reinsurance Syndicates Byelaw (No. 9 of 1999); and
 - (q) Insurance Intermediaries Regulation (No. 3 of 1990).

96. The following byelaws and regulations shall be revoked on 1 January 2004 –
- (a) The Related Parties Byelaw (No. 2 of 1986); and
 - (b) Financial Guarantee Insurance Regulation (No. 4 of 1989).

Transitional and miscellaneous provisions

Substitute Agents Byelaw

97. Every reference in the *requirements of the Council* to the Substitute Agents Byelaw (No. 20 of 1983) shall be deemed to also be a reference to part K of this Byelaw.
98. Every reference in the *requirements of the Council* to a *substitute agent* appointed under, in accordance with or within the meaning of the Substitute Agents Byelaw (No. 20 of 1983) shall be deemed to also be a reference to a *substitute agent* appointed under part K of this Byelaw.
99. Nothing in this Byelaw shall affect the validity of the appointment of any *substitute agent* appointed under the Substitute Agents Byelaw (No. 20 of 1983) or of any direction given under that byelaw.
100. Every subsisting direction as at 30 June 2003 given under the Substitute Agents Byelaw (No. 20 of 1983) shall from 1 July 2003 be deemed to be a direction given under part K of this Byelaw.

Underwriting Agents Byelaw

101. Every body which as at 30 June 2003 had the *Council's* permission, granted under paragraph 6 of the Underwriting Agents Byelaw (No. 4 of 1984), to act either as a *managing agent* or a *members' agent* shall from 1 July 2003 be deemed to have been granted a corresponding permission under paragraph 6(a) of this Byelaw.
102. Every *managing agent* which as at 30 June 2003 had the *Council's* permission, granted under paragraph 6 of the Underwriting Agents Byelaw (No. 4 of 1984), to manage a specific *syndicate* or *syndicates* shall from 1 July 2003 be deemed to

- have been granted a corresponding permission or permissions under paragraph 6(b) of this Byelaw.
103. Every *underwriting agent* which as at 30 June 2003 was subject to a condition or conditions, imposed under paragraph 9 of the Underwriting Agents Byelaw (No. 4 of 1984), shall from 1 July 2003 be deemed to be subject to a corresponding condition or conditions imposed under paragraph 63 of this Byelaw.
 104. Every review of any permission granted to an *underwriting agent* which as at 30 June 2003 was being conducted pursuant to the terms of paragraph 8 of the Underwriting Agents Byelaw shall from 1 July 2003 be deemed to be a review ordered by the *Franchise Board* in accordance with paragraph 58 of this Byelaw.
 105. The *Franchise Board* may direct that, to the extent specified, any *underwriting agent* which is a partnership, be dispensed from compliance with any provision of this Byelaw which cannot be applied to a partnership. The direction may include alternative requirements with which the partnership must comply.
 106. Every undertaking, guarantee or commitment given to Lloyd's in accordance with the terms of the Underwriting Agents Byelaw (No. 4 of 1984) which subsisted as at 30 June 2003 shall remain valid and enforceable by Lloyd's notwithstanding the revocation of the Underwriting Agents Byelaw (No. 4 of 1984).
 107. Every reference in the *requirements of the Council* to the Underwriting Agents Byelaw (No. 4 of 1984) shall, save where the context otherwise requires, be deemed to also be a reference to this Byelaw or, in the case of a definition, to the Definitions Byelaw (No. 3 of 2003).

Related Parties Byelaw

108. Every reference in the *requirements of the Council* to consent given under the Related Parties Byelaw (No. 2 of 1986) shall be deemed to be reference to consent given under paragraph 32 of this Byelaw.

Review Powers Byelaw

109. Every review of any *person* which as at 30 June 2003 was being conducted pursuant to the terms of the Review Powers Byelaw (No. 5 of 1986) shall from 1

July 2003 be deemed to be a review ordered by the *Franchise Board* in accordance with paragraph 58 of this Byelaw.

Insurance Intermediaries Byelaw

110. Every subsisting permission of the *Council* as at 30 June 2003 given under paragraph 2(ii) of the Insurance Intermediaries Byelaw (No. 8 of 1990) shall from 1 July 2003 be deemed to be the prior consent of the *Franchise Board* for the purposes of paragraph 28(b) of this Byelaw.

Run-Off Companies Byelaw

111. Every body whose name was entered in the register of approved run-off companies maintained under paragraph 5 of the Run-Off Companies Byelaw (No. 2 of 1995) as at 30 June 2003 shall from 1 July 2003 be deemed to have been granted permission to act as an *approved run-off company* under paragraph 6(a) of this Byelaw provided that any such permission shall be limited under paragraph 7(a) of this Byelaw so as to reflect any qualification imposed on it under paragraph 7(3) of the Run-Off Companies Byelaw (No. 2 of 1995).
112. Every *approved run-off company* which as at 30 June 2003 was subject to a condition or conditions, imposed under paragraph 9 of the Run-Off Companies Byelaw (No. 2 of 1995), shall from 1 July 2003 be deemed to be subject to a corresponding condition or conditions imposed under paragraph 63 of this Byelaw.
113. Every review being conducted pursuant to the terms of paragraph 10 of the Run-Off Companies Byelaw (No. 2 of 1995) on 30 June 2003 shall from 1 July 2003 be deemed to be a review ordered by the *Franchise Board* in accordance with paragraph 58 of this Byelaw.
114. Every undertaking, guarantee or commitment given to Lloyd's in accordance with the terms of the Run-Off Companies Byelaw (No. 2 of 1995) which subsisted as at 30 June 2003 shall remain valid and enforceable by Lloyd's notwithstanding the revocation of the Byelaw.
115. Every reference in the *requirements of the Council* to the Run-Off Companies Byelaw (No. 2 of 1995) shall be deemed to be a reference to this Byelaw.

Misconduct and Penalties Byelaw

116. The Misconduct and Penalties Byelaw (No. 30 of 1996) is amended by –
- (a) deleting paragraph 3(d); and
 - (b) in schedule 1 (interpretation) deleting the words “ “Core Principles” means any Core Principle regarding the conduct of business at Lloyd’s, either generally or in respect of certain classes of person, promulgated in any byelaw made under Lloyd’s Acts 1871 to 1982”.

Core Principles Byelaw

117. Every code of practice made under paragraph 2A of the Core Principles Byelaw (No. 34 of 1996) which as at 30 June 2003 was in force shall from 1 July 2003 be deemed to be a *code of practice* made by the *Franchise Board* under paragraph 31 of this Byelaw notwithstanding any reference in a *Code of Practice* to the core principles made under the Core Principles Byelaw.

Definitions

118. Every reference in the *requirements of the Council* to a definition set out in a byelaw or regulation revoked or to be revoked in accordance with paragraphs 95 and 96 of this byelaw shall be deemed to be a reference to the Definitions Byelaw (No. 3 of 2003).

Supplementary directions, conditions and requirements

119. The *Franchise Board* may at any time give such directions or impose such conditions or requirements as may be necessary in order to clarify or supplement the matters set out in paragraphs 95 to 118 of this Byelaw.

Commencement

120. This Byelaw shall come into force on 1 July 2003.