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)
10. Insurance Intermediaries Byelaw (No. 8 of 1990)
12. Reinsurance to Close (Restriction) Byelaw (No. 15 of 1993)
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)
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).
Contents

Part A  Permission to act as an underwriting agent or an approved run-off company

Requirements for permission
Applications for permission
Grant of permission
Register of underwriting agents and approved run-off companies

Part B  Principles of relationship and service standards

Principles of relationship
Service standards
Use of services

Part C  Business plans and performance monitoring

Business plans
Performance monitoring
Confidentiality of business plans and performance reports

Part D  Underwriting

Underwriting guidelines
Underwriting in accordance with agreed plans
Acceptance and placement of business other than through a Lloyd’s broker

Part E  Risk management requirements

Prudential Regulation Authority and Financial Conduct Authority
Codes of practice
Consent to changes
Advance consents
Notification of changes
Disaster scenarios
Syndicate premium income
Compliance officer
Active underwriter
Run-off manager
Appointments to Senior Positions
Ownership and control
Business at Lloyd’s
Confidentiality
Transactions and records

Part F  Financial resources, financial returns and auditors

Financial resources
Financial returns
Auditors

Part G  Professional standards and development

Requirements relating to qualifications and experience
Training and development plans
Continuing professional education and development
Exemptions

Part H  Review

Power to conduct reviews
Power to require production of reports

Part I  Directions, conditions and requirements
Part J  Withdrawal of permission

Withdrawal of permission to act as an underwriting agent or approved run-off company
Withdrawal of permission to manage a syndicate
Postponement

Part K  Substitute agents

Appointment of a substitute agent
Directions
Application of powers relating to substitute agents

Part L  Run-off

Requirement to keep prospects of a syndicate becoming a run-off syndicate under review
Run-off contingency and run-off closure plans
Run-off reports
Delegation of run-off functions

Part M  Dispute resolution and appeals

Dispute resolution
Steps to be taken in advance of proceedings
Amendments to the Appeal Tribunal Byelaw

Part N  Miscellaneous and transitional provisions

The Franchise Board
Fees
Revocation
Transitional and miscellaneous provisions
Commencement
Part A – Permission to act as an underwriting agent
or an approved run-off company

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.

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)]
through a **service company coverholder** in accordance with the terms of a **binding authority** that is a **service company agreement**;

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**;

in respect of reinsurance of Lloyd’s Insurance Company (China) Limited directly from Lloyd’s Insurance Company (China) Limited;

in respect of reinsurance of Lloyd’s Insurance Company S.A. directly from Lloyd’s Insurance Company S.A.;

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

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.
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

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
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)]
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.

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.

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 Bylaw (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.