

MULTIPLE SYNDICATES BYELAW

Commencement

This byelaw commenced on 11 May 1989, although in some circumstances the provisions of paragraphs 3 and 21 did not apply until 1 January 1991 (see paragraph 22 below).

Amendments

This byelaw was amended by

- Multiple Syndicates (Amendment) Byelaw (No. 12 of 1989)
- Multiple Syndicates (Amendment No. 2) Byelaw (No. 4 of 1991)
- Syndicate Premium Income (Amendment No. 3) Byelaw (No. 12 of 1991)
- Multiple Syndicates (Amendment No. 3) Byelaw (No. 4 of 1993)
- Corporate Members (Consequential Amendments) Byelaw (No. 20 of 1993)
- Syndicate Accounting Byelaw (No. 18 of 1994)
- Multiple Syndicates (Amendment No. 4) Byelaw (No. 11 of 1995)
- Appeal Tribunal Byelaw (No. 18 of 1995)
- Multiple Syndicates (Amendment No. 5) Byelaw (No. 5 of 1997)
- Captive Corporate Members Byelaw (No. 19 of 1998)
- Underwriting Agents (Amendment No. 16) Byelaw (No. 15 of 1999)
- Delegated Underwriting Byelaw (No. 1 of 2004)
- Legislative Reform (Lloyd's) Order (Consequential Amendments) Byelaw (No. 6 of 2008)

Explanatory Note

(These notes are not part of the byelaw.)

This byelaw prohibits an underwriter, whether or not an active underwriter, acting as such for more than one syndicate concurrently without the consent of the Council. It also prohibits a managing agent permitting an individual employed by it from acting for more than one syndicate concurrently without the consent of the Council, whether or not the syndicates concerned are managed by the same managing agent. The byelaw specifies circumstances in which the Council may grant such consent and makes provision for the imposition of conditions in relation thereto.

The byelaw also imposes on managing agents requirements concerning syndicate reinsurances where two or more syndicates are managed by the same managing agent or by associated managing agents, whether or not those syndicates have an underwriter in common.

Section 1 - Introduction

1. These explanatory notes should be read in conjunction with the Multiple Syndicates Byelaw (No. 5 of 1989) ("the byelaw"). Their purpose is to provide guidance on certain provisions of the byelaw; these notes are a guide only and do not override the provisions of the byelaw.
2. Terms defined in the byelaw have the same meanings in these explanatory notes. Other terms not expressly defined in the byelaw but which are defined in section 2 of Lloyd's Act 1982 also have the meanings so defined when used in the byelaw or in these explanatory notes. Paragraph references in the explanatory notes are references to paragraphs of the byelaw except as otherwise stated.
3. The Multiple Syndicates Byelaw (No. 7 of 1985) no longer has effect, except for arrangements existing on 11 May 1989 (until 31 December 1990). The Code of Practice for Underwriting Agents and Active Underwriters—Multiple Syndicates (9 December 1985) and the amendments to the Code of Practice for Underwriting Agents and Active Underwriters—Multiple Syndicates (12 May 1986) remain in force for the time being. This is explained in more detail in note 37 below.
4. Readers of these explanatory notes should also refer to the Syndicate Accounting Byelaw (No. 11 of 1987), which contains requirements concerning the disclosure of information in syndicate annual reports.

Section 2 - Duties of agents under the general law

5. It is unlawful for an agent (including a managing agent or underwriter) improperly to prefer one principal (i.e. Name), or group of principals, over another; such conduct would be likely to render a person liable to disciplinary proceedings at Lloyd's.
6. The purpose of the byelaw is to address the conflicts of interest which arise where an individual is in a position to commit two or more syndicates (whether or not managed by the same managing agent or group of managing agents). Compliance with the provisions of the byelaw should ensure that managing agents and underwriters fulfil duties which they owe to their Names under the general law but there may be circumstances where compliance with the byelaw will not of itself be sufficient. Accordingly paragraph 2 provides that the byelaw does not derogate from the law applicable to agents.

Section 3 - General

7. The conflict of interest which arises in connection with the underwriting of insurance business where a managing agent (or group of managing agents) manages two or more syndicates able to accept the same business is largely overcome where the underwriting team of each syndicate underwrites solely for that syndicate. Accordingly, the byelaw focuses upon the underwriting responsibilities of a syndicate's underwriting team.
8. In addition, no conflict should arise in the following circumstances where one or more individual underwrites for more than one syndicate:
 - (i) where the syndicates are mirror syndicates;
 - (ii) where all the business of the respective syndicates is written on a split stamp basis;
 - (iii) where a syndicate is being run off.

The byelaw provides that consent may be given in these circumstances.

9. There is provision in the byelaw for consent to be granted in other circumstances but such consent will only be given after a rigorous examination of particulars of the case in question and *subject to the application of the strictest safeguards*. This is dealt with more fully in notes 24 to 29 below.
10. When considering whether to grant consent under the byelaw the Council will take into account conflicts of interest which may arise because a managing agent is "associated" with one or more other managing agents. The meaning of "associated" for this purpose is set out in note 3 to the schedule to the byelaw.
11. It should be noted that consents under this byelaw can be granted not only to individual underwriters, but also to "classes" of underwriters. Thus, for example, the Council may grant consent for "the deputy underwriter responsible for cargo risks" to underwrite for two specified syndicates.
12. The byelaw refers to consents being considered by the Council of Lloyd's. In practice, the Council will act by the Underwriting Agents Registration Committee.
13. Provisional Syndicates

Paragraph 8 of the Managing Agent's Agreement which will apply for the 1990 and subsequent years of account deals with the acceptance of risks on behalf of provisional insurers. The byelaw has been drafted so that no person shall be deemed to be acting on behalf of two or more syndicates solely because he accepts risks on behalf of provisional syndicates; paragraph 2 of

the schedule to the byelaw and paragraph 8(1)(c) of the byelaw refer.

Section 4 - Commentary on specific aspects of the byelaw

Paragraph 3: restriction on acting as underwriter for multiple syndicates

14. This paragraph applies whether or not the managing agents of the syndicates are associated.
15. It should be noted that, in the context of this byelaw, "underwriter" means any underwriter for a syndicate (by whatever title he is known), not just the active underwriter. A full definition of "underwriter" is provided in the schedule to the byelaw. There is no "de minimis" provision in this definition; thus, even though a member of an underwriting team is only permitted to accept risks in limited circumstances and of a low premium value, he will be regarded as an "underwriter".
16. Sub-paragraph (4) provides, for the avoidance of doubt, that the byelaw does not apply to certain well-established market arrangements which cannot give rise to unfair allocation of risks between syndicates. In these arrangements, the respective syndicates' shares in every risk have been predetermined by agreement, and therefore cannot be altered by the underwriter.

Paragraph 4: business allocated in predetermined proportions (split stamp)

17. This paragraph allows consent to be given where all of the business of two or more syndicates is underwritten on a split stamp basis.
18. For the purpose of paragraph 4(1), which deals with the proportions in which risks are to be allocated among the syndicates concerned, it will be acceptable for the proportions to be stated as being pro-rata to the syndicates' relative allocated capacities. In this case, the actual percentage splits of business would not be finalised until approximately 1 January of the relevant year.
19. Sub-para. (2) only applies where the syndicates concerned are managed by the same managing agents or by associated managing agents. In considering such applications the other matters which the Council will wish to take into account are likely to include:
 - (a) the reason for the separate existence of the syndicates for which the underwriter is to act concurrently;
 - (b) whether and the extent to which any financial advantage is likely to accrue to the underwriter or managing agent, or to any person connected with either of them, as a result of the arrangements proposed, including but not limited to any financial advantage arising:

- (i) by way of profit-related remuneration (e.g. salary, bonus, profit commission or other remuneration); or
 - (ii) where the syndicates concerned are managed by associated managing agents, by virtue of any interests in shares in any of those managing agents or, where any such managing agent is a partnership, any interests in that partnership;
- (c) the degree of participation by way of underwriting membership of each syndicate concerned, both individually and in aggregate, of shareholders, directors or employees of or partners in the managing agent of that syndicate (or of any associated managing agent) or who are related to any such individuals. For this purpose an individual is to be regarded as "related to" another individual and that other "related to" him if he is the spouse or a child or step-child of that individual.

Paragraph 5: mirror syndicates

20. Syndicates are mirror syndicates where the Names and their relative participation on each syndicate are identical.

Paragraph 6: distressed or run-off syndicates

21. Consent can be given under this paragraph if an underwriter, not necessarily the active underwriter, becomes unable to act for a syndicate. For instance, the inability to act of a deputy writing a specialist type of business may require that a suitable specialist from another syndicate be engaged to write for both syndicates.
22. It must be emphasized that consents for distressed syndicates are intended to allow a temporary arrangement to be adopted until the agent makes longer term plans. Thus, the maximum period for which consent can be given is six months, by which time the managing agent would normally be expected to make alternative arrangements. If a managing agent is not able to make alternative arrangements within the period of the initial consent, further consent may be sought under sub-paragraph 3.
23. In considering applications for either distressed or run-off syndicates, the Council will normally take into account whether and the extent to which any financial advantage is likely to accrue to the underwriter or managing agent concerned, or to any person connected with either of them, as a result of the arrangements proposed.

Paragraph 7: power to grant consent in other cases

24. It is envisaged that consents under this paragraph will be granted only in exceptional cases. Managing agents will be expected to make a strong case to the Council for employing an underwriter to underwrite for more than one syndicate in circumstances other than those allowed for in paragraphs 4, 5 and 6 of the byelaw.
25. The Council will pay particular attention to the basis on which the managing agent or managing agents propose that insurance business be allocated between the syndicates concerned. When approval is given the managing agent should be able to show and explain how the basis has been followed.
26. For any multiple syndicate arrangement to be permitted under this paragraph it will be necessary for the managing agent to satisfy the Council that there were adequate safeguards in respect of the following:
 - (i) Financial incentives (other than those relating to syndicate participation);
 - (ii) Financial incentives relating to syndicate participation;
 - (iii) The disclosures that have been made or are to be made to Names.
27. Financial incentives (other than those relating to syndicate participation): the Council will wish to be satisfied that the arrangements ensured that no significant financial advantage would accrue to the underwriter or managing agent concerned by the allocation of insurance business to one syndicate rather than the other. Particular attention will be paid to profit related remuneration (of the underwriter and/or managing agent) and where syndicates are managed by different managing agents, interests in shares of the agents (including options or similar rights).
28. Financial incentives relating to syndicate participation: the applicant will need to demonstrate to the Council that the syndicate participations of the staff and of the underwriter in respect of whom consent is sought are not out of line with the relative sizes of the syndicates. It is recognised that valid reasons may exist for different proportionate participation. For example, it might be appropriate for individuals connected with a managing agency to have relatively high participations to show confidence in the early years of a new syndicate operating in a largely untested (possibly high risk) market. The onus will be on the managing agent to justify to the Council syndicate shares which differ significantly in proportionate terms between the syndicates under consideration. Regard will also be had to the deviation of such individuals' shares from the "standard" shares applicable to these syndicates.
29. In the context of this paragraph, "insurance business" includes any participation in any risk.

Paragraph 8: formation of new additional syndicates having commonunderwriters

30. This paragraph governs the allocation of capacity where consent is granted under paragraph 7 to the establishment of a new multiple syndicate.
31. Sub-para. (2) requires the managing agent to follow certain procedures regarding the allocation of capacity, “so far as is reasonably practicable”. The managing agent will need to demonstrate that it has complied with the requirements as far as is reasonably practicable, and will need to satisfy the Council in the light of the following:
 - (a) the number of relevant members’ agents;
 - (b) the number of members of the existing syndicate for whom any relevant members’ agent acts and the size of their shares, whether individually or in aggregate, in the existing syndicate;
 - (c) the size of the standard share in the existing syndicate or in the new syndicate;
 - (d) the cost to the managing agent of acting as managing agent for a member of the new syndicate.
32. Initially, capacity on the new syndicate can only be offered, via the members’ agents, to Names who are members of the existing syndicate. It will be a matter of judgement for each members’ agent whether it offers capacity to all, some or none of its Names who are on the existing syndicate; this judgement will be influenced by the size of the new syndicate, the minimum share, the balance of the Names’ portfolios, the Names’ spare capacity, etc.
33. Once the initial allocation is arranged, sub-paragraph (4) allows managing agents to offer any capacity not taken up to any members’ agents (and members’ agents in turn to any Names).

Paragraph 9: other cases—prior disclosure

34. This paragraph sets out the disclosure requirements to Names where a new multiple syndicate is to be established under paragraph 7. It should be noted that 30 June is normally the latest date by which disclosure must be given to Names; this will enable Names who are members of the existing syndicate to have time to consider whether they should resign from the syndicate by the deadline date of 31 August. The Council is therefore unlikely to grant extensions to the notification date of 30 June. It should also be noted that agents will need to have their application details fully developed well before 30 June, as these details will form the disclosure which is to be made to Names.

Paragraph 14: revocation of consent

35. To enable the Council to monitor compliance with any conditions of consent, managing agents will be required to make disclosures to Lloyd's in the annual "shuttle document" return.

Section 5 - reinsurance arrangements

36. It should be noted that paragraphs 17 and 18 apply to *all* situations where a managing agent (together with any associated managing agents) manages more than one syndicate, whether or not there are any underwriters in common.

Paragraph 22: commencement and transitional provisions

37. The byelaw comes into effect on 11 May 1989; any new arrangements which commence after that date will need to comply with the byelaw. Arrangements in place on 11 May 1989 will be allowed to continue as regards the positions held by the underwriter concerned i.e. it will *not* be necessary for applications under the byelaw to be made during the transitional period if the arrangements remain unchanged but a different underwriter is appointed.

The Council of Lloyd's in exercise of its power under section 6(2) of Lloyd's Act 1982 by special resolution hereby makes the following byelaw.

Part A – Preliminary

1. Interpretation

The provisions of Schedule 1 to this byelaw (interpretation) shall have effect.

2. Duties of agents and misconduct

This byelaw shall not be taken as derogating from:

- (a) any duty or liability of a managing agent or an underwriter under any rule of law or equity; or
- (b) any provision of the byelaw entitled “Misconduct, Penalties and Sanctions” (No. 5 of 1983), and in particular, in relation to the selection of one syndicate as against another, the prohibition of any conduct which is improper.

Part B – Restrictions Applying to the Management of Multiple Syndicates

3. Restriction on acting as underwriter for multiple syndicates
 - (1) No individual shall act as underwriter for more than one syndicate concurrently except where the Council has granted him consent under part C of this byelaw.
 - (2) No managing agent shall permit an individual employed by it to act as underwriter for more than one syndicate concurrently except where the Council has granted it consent under part C of this byelaw.
 - (3) Sub-paragraphs (1) and (2) apply whether or not the syndicates concerned are managed by the same managing agent.
 - (4) An individual shall not for the purposes of this byelaw be regarded as acting as underwriter for a syndicate by reason only that:
 - (a) he is named or otherwise designated in a line slip as having authority to accept risks on behalf of a syndicate named in that line slip;
 - (b) *he has authority to act on behalf of a consortium of syndicates;*
 - (b) he has authority to act on behalf of a consortium where the participating syndicates are not all managed by the same managing agent or by associated managing agents;
 - (c) he is named or otherwise designated in a binding authority as having authority to accept risks on behalf of a syndicate named in that binding authority; or
 - (d) in relation to the insurance of a particular risk subscribed by him he is authorised by other underwriters subscribing that insurance to vary at his discretion the terms of such insurance, whether by extension of period, by alteration of scope of cover or of interest insured, by addition of further assureds or otherwise.
 - (5) The provisions of Schedule 2 shall have effect in relation to consortia.

Part C – Permission to Act as Underwriter for Multiple Syndicates

4. Business allocated in predetermined proportions
 - (1) The Council may, on the application of the managing agent of each syndicate concerned, grant consent that an individual act as underwriter for two or more syndicates concurrently on condition that, save in the case of a resinsurance to close of any of those syndicates or of arrangements referred to in paragraph 19(2A) of this byelaw:
 - (a) no risk shall be accepted on behalf of any of those syndicates unless it is accepted also on behalf of all of the others; and
 - (b) the proportions in which every risk is to be allocated among the syndicates concerned for any year of account shall be determined at or before the beginning of that year of account and shall not subsequently be varied without the consent of the Council.
 - (2) In any case where the syndicates concerned are managed by the same managing agent or by associated managing agents, the Council shall in deciding whether to grant permission under sub-paragraph (1) have regard to the following matters:
 - (a) the proportions in which it is proposed that risks be allocated among the syndicates concerned and, where such proportions are other than those of the respective syndicate allocated capacities, the reason for such inequality;
 - (b) the proposals for disclosure of the arrangements in relation to which permission is sought to members of any of the syndicates concerned and to persons who are invited to become members of any of the syndicates concerned; and
 - (c) any other matters which in the opinion of the Council should be taken into account.
5. Mirror syndicates
 - (1) The Council may, on the application of the managing agent of each syndicate concerned, grant consent that an individual act as underwriter for two or more syndicates concurrently on condition that the syndicates concerned shall consist exclusively of the same members and that the apportionment among those members of the risks underwritten by each syndicate shall be the same for each syndicate.

- (2) In deciding whether to grant consent under sub-paragraph (1) the Council shall have regard to the following matters:
 - (a) the manner in which and the extent in which any financial advantage is likely to accrue to the underwriter or to the managing agent concerned, or to any person connected with either of them, as a result of the arrangements proposed, including but not limited to any financial advantage arising by way of profit-related remuneration (whether salary, bonus, profit commission or other remuneration); and
 - (b) any other matters which in the opinion of the Council should be taken into account.

6. Distressed or run-off syndicates
 - (1) The Council may, on the application of the managing agent of each syndicate concerned, grant consent that an individual who acts as underwriter for a syndicate shall act concurrently as underwriter for another syndicate if it is necessary or expedient in the interests of the members of that other syndicate for him to do so:
 - (a) where any underwriter of that other syndicate has died or become indisposed or has been suspended from transacting insurance business at Lloyd's or has for any other reason become unable or unwilling to act as underwriter for that other syndicate; or
 - (b) for the purpose of winding up the business of that other syndicate.

 - (2) In deciding whether to grant consent under sub-paragraph (1) the Council shall have regard to the following matters:
 - (a) the basis on which it is proposed that insurance business be allocated among the syndicates concerned; and
 - (b) any other matters which in the opinion of the Council should be taken into account.

 - (3) The Council shall not grant consent under paragraph (1)(a) (distressed syndicate) for a period exceeding six months but may, on the application of the managing agent of each syndicate concerned, renew the grant of consent for such further period not exceeding six months and subject to such conditions as it thinks appropriate; and the grant of consent may be renewed under this sub-paragraph more than once.

7. Power to grant consent in other cases
 - (1) Subject to sub-paragraphs (2) to (5) of this paragraph and to paragraphs 8 and 9, if in circumstances not falling within paragraphs 4, 5 or 6 it is satisfied that there is good reason to do so the Council may on the application of the managing agent of each syndicate concerned consent that an individual act as underwriter for two or more syndicates concurrently.
 - (2) In deciding whether to grant consent under sub-paragraph (1) the Council shall have regard to the basis on which the managing agent concerned proposes that insurance business be allocated between the syndicates concerned.
 - (3) The Council shall not grant consent under sub-paragraph (1) unless it is satisfied that no significant financial advantage will accrue to the underwriter or managing agent concerned (or to any person connected with either of them) as a result of his accepting any insurance business on behalf of one of the syndicates concerned rather than another, including but not limited to any financial advantage arising:
 - (a) by way of profit-related remuneration (whether salary, bonus, profit commission or other remuneration);
 - (b) where the syndicates concerned are managed by different managing agents, by virtue of any interests in shares in any of those managing agents or, where any such managing agent is a partnership, any interests in that partnership; or
 - (c) by virtue of his share as a member of any of the syndicates concerned in the profits thereof.
 - (4) The Council shall not grant consent under sub-paragraph (1) unless the proportion borne by the staff allocated capacity to the syndicate allocated capacity is not significantly different as between the syndicates to which the consent relates or the Council is satisfied that there is good reason why those proportions should be significantly different.
 - (5) In this paragraph:
 - (a) “staff allocated capacity” means the aggregate of the member’s syndicate premium limits of all of the members of a syndicate who are shareholders, directors or employees of or partners in the managing agent of that syndicate (or any associated managing agent in relation to which the permission is granted) or who are related to any such individuals; and
 - (b) an individual is to be regarded as “related to” another individual and that other as “related to” him if he is:

- (i) the spouse, or
- (ii) a child or step-child of that individual.

8. Other cases: new syndicates

(1) Where:

- (a) the Council grants consent under paragraph 7 that an individual who acts as underwriter for a syndicate (the “existing syndicate”) shall act as underwriter for another syndicate; and
- (b) those syndicates are to be managed by the same managing agent or by associated managing agents; and
- (c) save to the extent that risks may be accepted on behalf of provisional insurers, that other syndicate (the “new syndicate”) will not begin to carry on insurance business until the year of account in relation to which permission is granted, the managing agent of the new syndicate shall allocate participation in the new syndicate for its first year of account among the persons and in the manner provided in sub-paragraphs (2), (2A) and (3), save that the provisions of this sub-paragraph shall not apply where the new syndicate is a captive syndicate which derives the totality of its premium income from underwriting group company insurance business.

(2) Where sub-paragraph (1) applies the managing agent of the new syndicate shall before 1st July next before the first year of account of the new syndicate and so far as is reasonably practicable

- (a) offer to each corporate member of the existing syndicate a share in the risks to be underwritten on behalf of the new syndicate during the first year of account of that syndicate proportionate to the share of that corporate member in risks underwritten on behalf of the existing syndicate shown in the most recent syndicate constitution submitted to the Society; and
- (b) invite each relevant members’ agent to allocate in its discretion among those members of the existing syndicate for whom that members’ agent acts as such in respect of the existing syndicate shares in the risks to be underwritten on behalf of the new syndicate during the first year of account of that syndicate the aggregate of which is proportionate to the aggregate of the shares of those members in risks underwritten on behalf of the existing syndicate shown in the most recent syndicate constitution submitted to the Society.

(2A) Where sub-paragraph (1) applies, the managing agent shall admit as members of the new syndicate for its first year of account

- (a) each corporate member to whom an offer has been made in accordance with sub-paragraph (2)(a) and for so much of the share offered to that corporate member in the risks to be underwritten as that corporate member has accepted; and
 - (b) each member of the existing syndicate to whom an allocation has been made by a relevant members' agent in response to an invitation made in accordance with sub-paragraph 2(b) and for the share in the risks to be underwritten so allocated.
- (3) Where sub-paragraph (1) applies and
- (a) any share offered to a corporate member in accordance with sub-paragraph (2)(a) has not been accepted or has not been accepted in full; or
 - (b) any share available for allocation by a relevant members' agent has not been allocated or has not been allocated in full;

the managing agent which is to manage the new syndicate may make such arrangements as it thinks fit for the allocation of any share or part share which has not been accepted or allocated (as the case may be).

- (4) In this paragraph "relevant members' agent" means, in relation to an existing syndicate, a members' agent which acts as a members' agent for any member of that syndicate in respect of that syndicate.

9. Other cases: prior disclosure

- (1) Where a managing agent applies to the Council for consent under paragraph 7 it shall disclose in a written statement at the times and to the persons specified in sub-paragraph (3) the matters specified in sub-paragraph (4).
- (2) The Council may from time to time prescribe the form and content of the written statement required by sub-paragraph (1) to be made.
- (3) The managing agent or agents concerned shall make the written disclosure required by sub-paragraph (1):
- (a) to every member of any of the relevant syndicates, and to his members' agent; and
 - (b) to every person who is invited to become a member of any of the relevant syndicates (not being already such a member) or of any new syndicate, and to his members' agent

before whichever is the earliest of the date on which application is made for consent and 1st July next before the first year of account in relation to which that application is made, except that where the Council is satisfied that it is not reasonably practicable for the managing agent concerned adequately to disclose by that date one or more of the matters specified in sub-paragraph (4) that managing agent shall make such disclosure of that matter or those matters so soon thereafter as is reasonably practicable.

- (4) The matters which are required by sub-paragraph (1) to be disclosed in a written statement are:
- (a) particulars of any consent for which that managing agent intends to apply under this byelaw in relation to any relevant syndicate or any new syndicate (including the grounds on which such consent is to be applied for);
 - (b) the Lloyd's syndicate number of each of the relevant syndicates;
 - (c) the current syndicate allocated capacity of and the number of underwriting members in each of the relevant syndicates;
 - (d) the intended or estimated approximate prospective syndicate allocated capacity for the first year of account in relation to which application for consent is made or to be made of each of the relevant syndicates and of any new syndicate;
 - (e) the class or classes of insurance business in respect of which each of the relevant syndicates is currently registered in the register of underwriting agents maintained under the Underwriting Agents Byelaw (No. 4 of 1984) and a description of the categories of insurance business which the managing agent intends should be underwritten on behalf of each of the relevant syndicates or of any new syndicates during the first year of account in relation to which application for consent is made or to be made;
 - (f) the managing agent of each relevant syndicate and of any new syndicate;
 - (g) the participation of each director of, or partner in, or underwriter acting on behalf of each such managing agent and of any person connected with such persons:
 - (i) in any such managing agent, whether by way of any directorship, partnership, contract of employment, or interest in the managing agent; or
 - (ii) as a member of any relevant syndicate or any new syndicate;
 - (h) the policy which the managing agent or managing agents intend to adopt as to the allocation of insurance business among the relevant syndicates and any new syndicates; and
 - (i) the policy which the managing agent or managing agents of the relevant syndicates and any new syndicates intend to adopt:
 - (i) as to the reinsurance of any two or more of those syndicates under the same contract of reinsurance; and

- (ii) as to the reinsurance by one or more of those syndicates of any other of those syndicates.

- (5) In this paragraph:

“new syndicate” means a prospective syndicate in relation to which an application for consent under paragraph 7 is made or to be made and which will not begin to carry on insurance business until the first year of account to which that application relates, save to the extent that risks may be accepted on behalf of provisional insurers; and

“relevant syndicate” means a syndicate in relation to which an application for consent under paragraph 7 is made or to be made and which is carrying on insurance business during the year of account next before the year of account to which that application relates.

- (6) Every written statement of disclosure required by this paragraph shall contain the confirmation by two named directors or partners acting on behalf of the directors of, or partners in, the managing agent issuing the statement that all information required by this paragraph to be included in the statement is so included.

Part D – General Provisions about Consent

10. Consent in respect of individuals

The Council may grant consent under part C either in respect of a named individual or, in relation to any specified managing agent, in respect of a class of individuals.

11. Joint applications by managing agents

The Council shall not grant consent under part C or part E in relation to any group of two or more syndicates unless the application for consent is made jointly by all of the managing agents of the respective syndicates.

12. Duration of consent

The Council may grant consent under paragraphs 4, 5, 6(1)(b), 7 or 17 for a specific period or for an indefinite period.

13. Conditions

The Council may in granting any consent under this byelaw impose such conditions as it thinks fit, whether applying to the managing agent or the individual concerned or both, and may from time to time during the currency of any consent vary or revoke any condition or impose additional conditions.

14. Revocation of consent

- (1) The Council may at any time revoke wholly or in part any consent granted under part C or part E:
 - (a) if any of the persons to whom it is granted fails or ceases to comply with any condition imposed in connection with that consent or with any provision of this byelaw; or
 - (b) if any circumstance regarded by the Council as material to its decision to grant consent changes during the currency of the consent.

- (2) Where the Council has granted consent for an indefinite period it may at any time by written notice revoke that permission wholly or in part but, without prejudice to sub-paragraph (1) or any other power conferred on the Council by Lloyd's Act 1982 or any byelaw or regulation made thereunder, such revocation shall not be expressed to take effect on a date sooner than two years thereafter or otherwise than 31 December.
- (3) This sub-paragraph amended the Underwriting Agents Byelaw (No. 4 of 1984).

15. Notice of revocation of consent or condition, etc.

- (1) Where the Council proposes to revoke any consent granted under part C or part E or to vary any condition or to impose any additional condition the Council shall give to the managing agent and the individual concerned notice in writing of the Council's intention specifying the reasons why the Council proposes to act and, before taking any action under paragraph 13 or 14, the Council shall take into account any representations made by or on behalf of that managing agent or individual within the period of 14 days beginning with the date of the service of the notice.
- (2) After taking account of any representations made by a managing agent or an individual under sub-paragraph (1) the Council shall decide whether to:
 - (a) take the course of action originally proposed;
 - (b) take no further action; or
 - (c) take some other course of action open to it under any byelaw or regulation for the time being in force,

and shall notify the managing agent or the underwriter, as the case requires, of its decision.

16. Rights of appeal

Part E – Reinsurance Arrangements

17. Reinsurance arrangements generally

Subject to paragraph 18(3), every managing agent shall ensure that:

- (a) the reinsurance programme for each syndicate managed by it is effected having regard to the best interests of the members of that syndicate;
- (b) reinsurance premiums for each syndicate managed by it are charged to it and paid out of funds held, controlled or managed in respect of insurance business carried on by the members of that syndicate as members thereof; and
- (c) recoveries under any syndicate reinsurance effected for the benefit of any syndicate managed by it are credited only to that syndicate.

18. Shared reinsurance arrangements

(1) Subject to sub-paragraphs (2) and (3), a managing agent shall not permit any syndicate managed by it to be reinsured under the same contract as another syndicate managed by it or by an associated managing agent unless:

- (a) the premium, or the proportion of premium, chargeable to each such syndicate is commensurate with the protection afforded by the contract to that syndicate having regard to the premium, or the proportion thereof, chargeable to every other such syndicate and the protection afforded thereto;
- (b) the amount which a syndicate is entitled to recover under the contract cannot be reduced by reason of recoveries made by another syndicate reinsured under the contract; and
- (c) the limit, the rate, any deductible or excess, the terms and the conditions applicable in respect of each syndicate are clearly set out on the slip.

(2) Where:

- (a) a managing agent manages two or more syndicates which consist exclusively of the same members among whom the apportionment of risks underwritten by each syndicate is the same for each syndicate;
- (b) that managing agent in accordance with paragraph 3(3) of Schedule 1 to the Syndicate Accounting Byelaw (No. 18 of 1994) groups those syndicates together and treats them as a single syndicate for the purposes of that byelaw; and

- (c) the profit-related remuneration of that managing agent, its employees and, as the case may be, its directors or partners to be charged to a member as a member of any of those syndicates is calculated by reference to the aggregate of the profit or loss of all those syndicates,

those syndicates shall be treated for the purposes of sub-paragraph (1) as a single syndicate.

- (3) Without prejudice to the application of paragraph 17(a), where a syndicate permanently ceases to accept insurance business (other than variations or extensions of risks previously underwritten, or reinsurance to close an earlier year of account of the syndicate) the managing agent may, if the Council consents, arrange for that syndicate to be reinsured under the same contract as another syndicate managed by that managing agent, or by an associated managing agent, which is to continue to accept such insurance business, notwithstanding that in doing so the managing agent may fail to comply with paragraph 17(b) or (c) or with sub-paragraph (1) of this paragraph.

19. Inter-syndicate reinsurances

- (1) Subject to sub-paragraphs (1A), (2) and (2A) below, a managing agent shall not permit a syndicate managed by it to reinsure or be reinsured by another syndicate managed by it or an associated managing agent unless:
 - (a) the managing agent of each syndicate is satisfied on reasonable grounds that the reinsurance is in the interests of all of the members of its respective syndicate;
 - (b) the reinsurance is on terms which are fair and reasonable as respects both the reinsured syndicate and the reinsuring syndicate;
 - (c) the reinsurance is of a category normally underwritten on behalf of the reinsuring syndicate and is of a category which would normally be procured for the benefit of the reinsured syndicate in respect of the insurance business reinsured;
 - (d) the reinsuring syndicate is not the leading syndicate on the slip and no underwriter acting on its behalf takes any part in the negotiation of rates, wordings (or any alteration or extension thereof) or claims in relation to the reinsurance; and
 - (e) the reinsuring syndicate underwrites not more than 25% of the amount of the reinsurance cover or of any layer thereof.
- (1A) Sub-paragraphs (1)(d) and (e) shall not apply to the renewal of a contract at the commencement of which one syndicate agrees to reinsure another syndicate which is not managed by the same managing agent or a managing agent associated therewith but where both those syndicates become managed by the same managing agent or by

managing agents associated with each other before the date of renewal; provided that the Council approves the terms of the new contract prior to the date of its commencement.

(2) Sub-paragraph (1)(c), (d) and (e) shall not apply in respect of reinsurance to close.

(2A) In any case where:

- (a) the same individual is permitted under paragraph 4 to act as underwriter for two or more syndicates managed by the same managing agent, one of which consists only of a single corporate member (the “single member syndicate”) and the other or others of which include individual members (each a “parallel syndicate”); and
- (b) some but not all of the members of any of the parallel syndicates, being authorised under the law of a particular state, province or territory to accept risks in that state, province or territory, accept risks which neither the other members of that syndicate nor the single member syndicate are so authorised to accept and reinsure such risks with such other members of that syndicate;

sub-paragraph (1)(d) and (e) shall not apply to any quota share reinsurance between the single member syndicate and the parallel syndicate whereby the single member syndicate reinsures such proportion of the risks so accepted by the authorised members of that parallel syndicate as it would otherwise have borne if such risks had instead been allocated as between the single member syndicate and the parallel syndicate in accordance with paragraph 4(1)(b).

(3) Where a reinsurance to which sub-paragraphs (1) or (1A) applies is effected the managing agent (or each managing agent, as the case may be,) shall make and retain proper records of all material terms thereof for not less than the period for which a prudent underwriting agent in the position of that managing agent would consider it necessary to fulfil its obligations to the members of that syndicate or persons who were at any material time members of that syndicate.

Part F – Miscellaneous and Supplemental

20. Provision of information to managing agents

- (1) A managing agent shall take all reasonably practicable steps to obtain from all its directors, partners, employees, underwriters acting on its behalf and persons owning an interest in that managing agent all such information as may be necessary to enable it to comply with this byelaw.
- (2) Every director or employee of or partner in a managing agent and every underwriter acting on its behalf shall supply to that managing agent all such information pertaining to himself and persons connected with him as may be necessary to enable that managing agent to comply with this byelaw.
- (3) No person shall be taken to be in breach of this byelaw if, having made all due enquiries, he had, at the time of an alleged breach of this byelaw, no knowledge of the circumstances which, but for the provisions of this sub-paragraph, would have rendered him so in breach.

21. Revocation

Subject to paragraph 22(2), the Multiple Syndicates Byelaw (No. 7 of 1985) is revoked.

22. Commencement and transitional provisions

- (1) This byelaw shall come into force on 11th May 1989.
- (2) Paragraphs 3 and 21 shall not apply until 1st January 1991 as respects any two or more syndicates for which the same individual was acting as underwriter on 11th May 1989.

Schedule 1 - Interpretation

1. In this byelaw, unless the context otherwise requires:

“captive syndicate” has the meaning given in the Schedule to the Membership Byelaw (No. 17 of 1993);

“consortium” means a group of underwriters and, as the case may be, insurance companies who have agreed that in respect of a specific class of insurance business certain named or otherwise designated underwriters or insurance companies within that group may accept risks on behalf of all members of the group in accordance with the terms of the agreement between them;

“line slip” means an agreement between a group of underwriters and, as the case may be, insurance companies and a Lloyd’s broker whereby in respect of a specific class of insurance business certain named or otherwise designated underwriters or insurance companies within the group may accept risks introduced by that Lloyd’s broker on behalf of all of the members of the group in accordance with the terms of the agreement;

“managing agent” means an underwriting agent which is listed as a managing agent on the register of underwriting agents maintained under the Underwriting Agents Byelaw (No. 4 of 1984);

“member of a syndicate” means an underwriting member underwriting insurance business as a member of a syndicate at Lloyd’s;

“members’ agent” means an underwriting agent which is listed as a members’ agent on the register of underwriting agents maintained under the Underwriting Agents Byelaw (No. 4 of 1984);

“member’s syndicate premium limit” has the meaning given in paragraph 16(c)(ii) of the Membership Byelaw (No. 9 of 1984);

“provisional insurer” has the meaning given in clause 8.2 of standard managing agents’ agreement set out in Schedule 3 to the Agency Agreements Byelaw (No. 8 of 1988);

“reinsurance to close” has the meaning given in Schedule 1 to the Syndicate Accounting Byelaw (No. 18 of 1994);

“staff allocated capacity” has the meaning given in paragraph 7(5) of the byelaw;

“syndicate” means an underwriting member or group of underwriting members of Lloyd’s underwriting insurance business at Lloyd’s through the agency of a Lloyd’s underwriting agent to which member or group a particular syndicate number is assigned by the Council;

“syndicate allocated capacity” means, in relation to a syndicate, the aggregate of the member’s syndicate premium limits of all of the members for the time being of the syndicate; and

“underwriter” means the person or persons at the underwriting box, or deemed by the Council to be at the underwriting box, with authority to accept risks on behalf of the members of a syndicate.

2. Construction of references to syndicates

For the purposes of this byelaw the several groups of underwriting members to which in different years a particular syndicate number is assigned by or under the authority of the Council shall be treated as the same syndicate, notwithstanding that they may not comprise the same underwriting members with the same individual participations, and an underwriter shall not be regarded as acting for more than one syndicate concurrently by reason only that he accepts risks on behalf of provisional insurers.

3. Construction of references to managing agents

(1) A managing agent is an “associated managing agent” in relation to another managing agent (and such other managing agent is an “associated managing agent” in relation to it) for the purposes of this byelaw if:

- (a) that managing agent is a related company of the other managing agent; or
- (b) any of the following persons:

- (i) that managing agent; or
- (ii) any director of or partner in that managing agent; or
- (iii) any related company of that managing agent; or
- (iv) any director of such related company; or
- (v) any person who controls that managing agent;

controls the other managing agent.

(2) For the purposes of sub-paragraph (1):

- (a) a person controls a body corporate if, either alone or with any associate or associates, he is entitled to exercise or control the exercise of, one third or more of the voting power at any general meeting of the body corporate or another body corporate of which it is a subsidiary; and
- (b) a person controls a partnership if:
 - (i) the partners are accustomed to act in accordance with instructions or directions given by him, either alone or with those of any associate or associates (other than by reason only that they act on advice given in a professional capacity); or
 - (ii) either alone, or with any associate or associates, he is entitled to exercise, or control the exercise of, one-third or more of the voting power at any meeting of the partners.

(3) In sub-paragraph (2) “associate” in relation to any person, means that person’s spouse or minor child or step-child, any body corporate of which that person is a director, any person who is an employee or partner of that person and, if that person is a body corporate, any subsidiary of that body corporate and any employee of any such subsidiary.

4. Interests

For the purposes of this byelaw:

- (a) a person owns an interest in a company if:
 - (i) he has a beneficial interest in any of the stock, shares or other securities of such company; or
 - (ii) he has a right to call for delivery to himself or to his order of any of the stock, shares or other securities of such company where on exercise of that right he would acquire a beneficial interest therein; or
 - (iii) he is a party to a contract for the purchase by him of any of the stock, shares or other securities of such company where on the performance of such contract he would acquire a beneficial interest therein; and

- (b) a person owns an interest in a partnership if he is beneficially entitled to participate in a partnership share or in any profits or assets of such partnership or is entitled to exercise a vote on a resolution of such partnership.

5. Connected persons

For the purposes of this byelaw:

- (a) a person is connected with an individual if that person:
 - (i) is the individual's spouse, dependant, minor child or minor stepchild;
 - (ii) stands to the individual in any other relationship or has with the individual any other connection (whether or not similar to one specified in sub-paragraph (i)) such that, in considering whether or not any financial advantage is likely to accrue to that individual as a result of any proposed arrangements, his interests cannot reasonably be regarded as independent of those of that person; or
 - (iii) is a person acting in his capacity as the trustee of any trust (not being a trust the objects of which are exclusively charitable) the objects of which include the individual or any person specified in sub-paragraphs (i) or (ii); and
- (b) a person is connected with a managing agent if he is a director of, or partner in, or underwriter acting on behalf of that managing agent or owns any interest in that managing agent or is a person connected with any such individual.

Schedule 2 – Consortia

1. Application of parts B to D and F of byelaw

An underwriter authorised to accept risks on behalf of a consortium consisting exclusively of underwriters acting on behalf of syndicates all managed by the same managing agent or by associated managing agents shall be treated for the purposes of this byelaw as acting as underwriter for more than one syndicate concurrently; and parts B to D and F of the byelaw shall apply accordingly.

2. Written authority of consortium underwriter

The authority of any underwriter or insurance company to accept risks on behalf of a consortium including more than one underwriter shall be contained in or evidenced by a written document specifying the classes or descriptions of insurance business to be accepted.

3. This paragraph amended byelaw No. 9 of 1990