

MARKET BULLETIN

From Secretary to the Lloyd's Disciplinary Board (extn 5016)

Date 18 December 2006

Reference Y3927

Subject **Peter Alan Trend**

Subject areas Formal Disciplinary Proceedings - Case No. LDB/0511/01

Attachments Notice of Censure

Action points None

Deadlines None

In proceedings before a Lloyd's Disciplinary Tribunal, Peter Alan Trend has been found guilty of two charges of discreditable conduct within the meaning of paragraph 3(f) of the Misconduct & Penalties Byelaw (No 30 of 1996).

At the time relevant to these proceedings (1999 – 2002) Mr Trend was a bloodstock underwriter for Syndicate 2488 which was managed by ACE Underwriting Agencies Limited ("ACE").

These proceedings related to Mr Trend's dealings with two Kentucky based bloodstock agencies with whom he dealt and in particular that he received substantial personal inducements from those agencies.

ACE fully investigated Mr Trend's dealings with the Kentucky agents, reported the matter to Lloyd's and brought civil proceedings in the High Court against Mr Trend as a result of which Mr Trend agreed to enter into a consent order in favour of ACE dated 1 March 2004. ACE subsequently provided Lloyd's with further assistance in the preparation of the Lloyd's disciplinary proceedings.

As a result of the Lloyd's disciplinary proceedings, the Tribunal imposed the following penalty and costs orders on Mr Trend:-

1. Permanent suspension of the right of admission to the Room and all other parts of the premises of the Society both in the United Kingdom and abroad;

2. Permanent suspension of the right to transact, or be concerned or interested in the transaction of, any class of the business of insurance at Lloyd's;
3. A censure in the terms of the Notice of censure attached to this bulletin; and
4. Payment of costs in the amount of £22,599.69.

The findings made by the Tribunal following a hearing on 21 September 2006 at which Mr Trend chose not to attend.

Further details of the events giving rise to the charges found proved against Mr Trend are set out in the attached Notice of Censure.

This bulletin has been sent to all underwriting agents, Lloyd's brokers, corporate members, market associations, the ALM and recognised accountants.

Secretary to the Lloyd's Disciplinary Board

Case No: LDB 0511/01

IN THE MATTER OF DISCIPLINARY PROCEEDINGS UNDER
LLOYD'S ACTS 1871-1982 AND LLOYD'S BYELAWS

PETER ALAN TREND

NOTICE OF CENSURE

In proceedings before a Lloyd's Disciplinary Tribunal the Defendant, **Peter Alan Trend**, was found guilty of two charges of discreditable conduct arising out of his behaviour when he was a bloodstock underwriter with the ACE group of companies ("ACE"). The charges against the Defendant concerned his dealings with two Kentucky agencies known as Bluegrass and Equus, which placed a considerable amount of insurance business with ACE. The Defendant did not attend the hearing or otherwise participate in the proceedings apart from writing a letter in response to the Notice of Formal Disciplinary Proceedings.

The first charge concerned the acceptance by the Defendant of substantial personal inducements from these agencies which he did not disclose to his employers. These inducements included payments to the Defendant for work on his house, payments in connection with personal land and horse transactions, so-called consultancy fees and a number of unspecified cash payments. In the Tribunal's view the acceptance by the Defendant of these personal favours without disclosing them to his employers gave rise to an obvious conflict of

interest and represented clear breaches of fiduciary duty by the Defendant. The Tribunal also noted that the Defendant had admitted as much in a Consent Order made by the Commercial Court on 1 March 2004 in an action brought against him by two companies in the ACE group.

The second misconduct charge of which the Defendant was found guilty concerned the grant to Mr Trontz of Bluegrass of exceptionally favourable premiums on insurances taken out by Mr Trontz personally and the payment of Bluegrass claims without any inquiry at all as to their justification. Such claims even included on one occasion a dead foal claim under a policy written after the foal had already died. It was plain to the Tribunal that Bluegrass received this preferential treatment in its dealings with ACE on account of Mr Trontz's close personal and financial relationship with the Defendant.

The Tribunal had no doubt that this was discreditable conduct on the part of the Defendant. He was acting to the detriment of ACE, and hence to the detriment of members of Syndicate 2488 which ACE managed, for his own personal advantage. The proper conduct of business at Lloyd's depends on the probity and personal integrity of those conducting the business. In the circumstances the Tribunal concluded that permanent suspension of both the right of admission to the Society's premises and the right to transact any class of insurance business at Lloyd's was the only appropriate sanction. The Tribunal also directed both this Notice of Censure and that the Defendant pay £22,599.69 towards the costs. The Defendant is now bankrupt. But for that fact the Tribunal would also have considered the imposition of a very substantial fine.