

# MARKET BULLETIN

REF: Y4126

<b>Title</b>	Streamlining Approval of Appointments to Senior Positions (Individual Registration), Advance Consents for fully-aligned syndicates and Change of Control for Underwriting Agents.
<b>Purpose</b>	To notify market participants of the new procedures and requirements in respect of appointments to senior positions, advance consents for fully-aligned syndicates and change of control for underwriting agents.
<b>Type</b>	Event
<b>From</b>	Sean McGovern, Director and General Counsel 020 7327 6142 sean.mcgovern@lloyds.com
<b>Date</b>	22 February 2008
<b>Deadline</b>	Amended byelaws, requirements and procedures effective immediately
<b>Related links</b>	<a href="#">Lloyd's market bulletin Y4080</a> dated 23 November 2007 <a href="#">Underwriting Byelaw</a> <a href="#">Requirements made under the Underwriting Byelaw</a> <a href="#">Lloyd's market bulletin Y3116</a> dated 14 August 2003 <a href="#">lloyds.com: Appointments to senior positions</a> <a href="#">lloyds.com: Change of control for underwriting agents</a> <a href="#">lloyds.com: Advance Consents</a>

A key priority for Lloyd's is to make it easier to do business at Lloyd's. Consequently, we are determined to remove unnecessary administration and duplication of effort between Lloyd's and the FSA.

In light of these priorities, and following consultation with the Lloyd's Market Association (LMA), the Association of Lloyd's Members (ALM) and market participants, the Council has approved simplified procedures and arrangements with regard to:

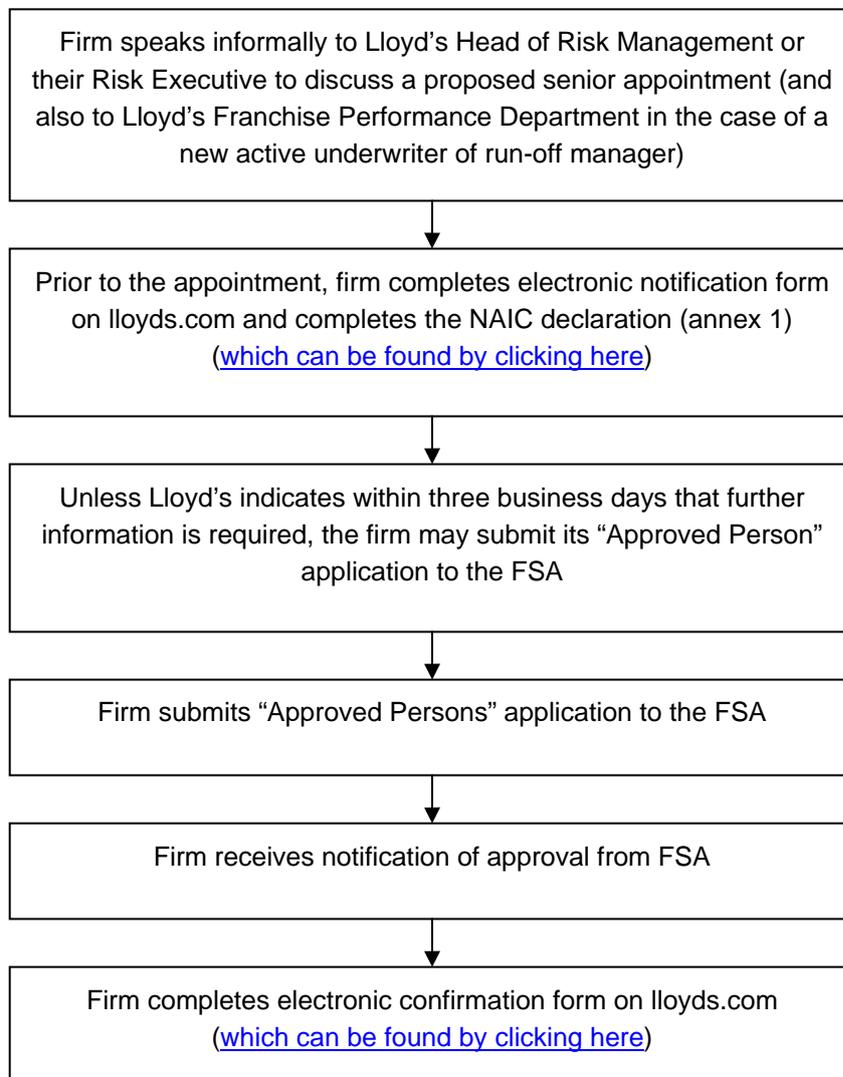
1. Appointments to senior positions at underwriting agents and approved run-off companies;
2. Change of control for underwriting agents; and
3. Advance consents for fully-aligned syndicates.

The proposed changes were previously set out for consultation in market bulletin Y4080.

## 1 Appointments to senior positions

Lloyd's has adopted a new simplified procedure for notifying appointments to senior positions. This replaces the Individual Registration scheme, which has been revoked.

Until now individuals who carry out certain regulated functions could only do so if registered by Lloyd's under our Individual Registration scheme. This regime was introduced prior to the establishment of the FSA. However, since the introduction of the FSA Approved Person regime any individual who requires registration by Lloyd's also requires FSA approval as an "Approved Person". In order to avoid duplication of processes, Lloyd's has decided, following discussion with the FSA and the market, to replace the Individual Registration scheme with the following procedure:



This process applies when an appointment is made to any one of the following positions:

- (1) Director of a managing agent or members' agent;
- (2) Director or partner of an approved run-off company;
- (3) Active underwriter;
- (4) Run-off manager.

There is no requirement to give notification of non-director compliance officers. Separate to the above process, Lloyd's Franchise Performance Department will continue to approve intended changes to Active Underwriters or Run-Off Managers.

A separate electronic notification will be required for termination of appointments or changes of details. This can be found on lloyds.com by [clicking here](#).

With regard to surplus lines business transacted in the USA, Lloyd's will continue to report to the NAIC on behalf of the Market in respect of all persons appointed to the above senior positions. To facilitate this, individuals to be appointed to one of the senior positions listed above will be required to make a declaration in a form prescribed by the NAIC (as set out at annex 1).

Although the status of "registered individual" has been removed, it is very important that only individuals who are fit and proper or otherwise suitable are appointed to senior positions. A new provision (paragraph 42A) has been added to the Underwriting Byelaw which provides that managing agents, members' agents and approved run-off companies may not permit a person to continue in one of the above senior positions if the Council decides the person is not fit and proper or otherwise suitable.

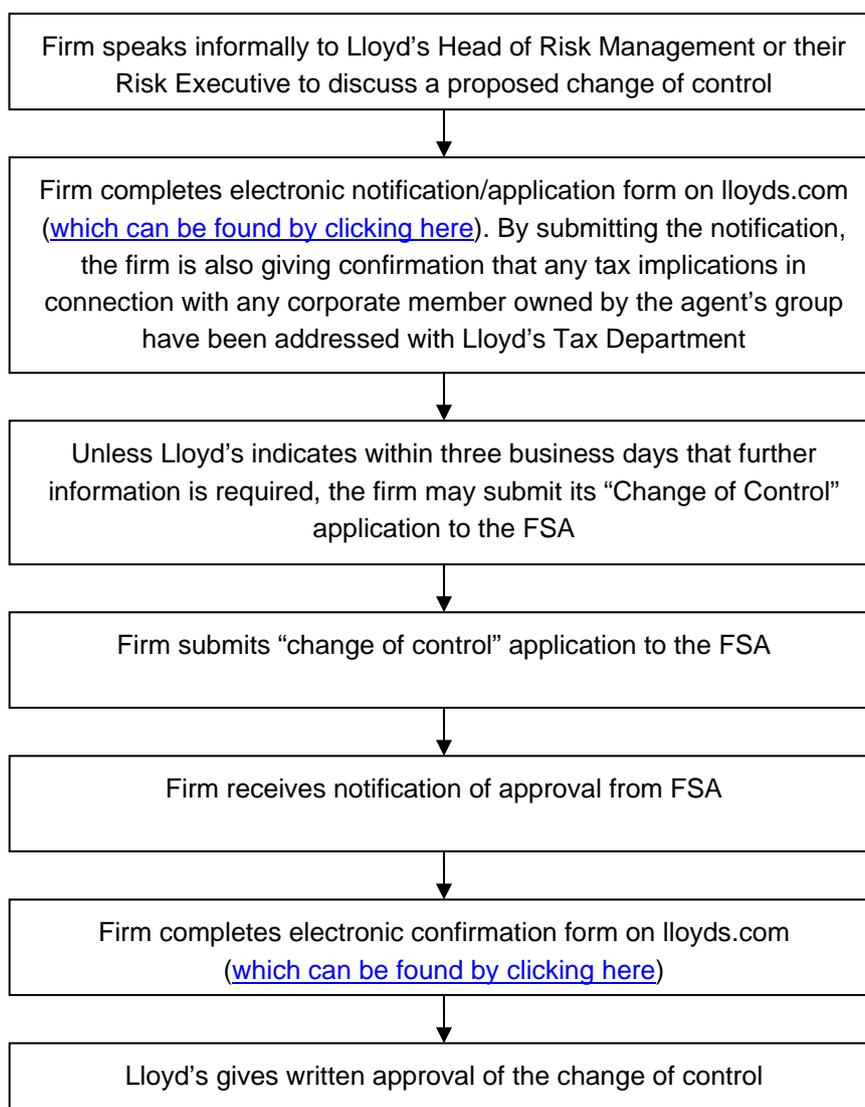
The new process is effective immediately. Any Individual Registration applications already submitted will be processed as before. Any new applications should be made as set out above.

## 2 Change of control for underwriting agents

The approval of controlling interests in an underwriting agent requires both Lloyd’s approval (paragraph 43 of the Underwriting Byelaw) and the approval of the FSA. In broad terms, the overriding principle is that where a company or individual acquires 10% or more of the shares and/or voting interests in an underwriting agent (as defined in FSMA 2000) or its parent company, the firm needs prior approval from the FSA and Lloyd’s.

At present, firms submit their FSA application (which primarily focuses on whether the new controller is a fit and proper person and additionally considers whether there is a threat to the interests of consumers) and the firm then copies that application to Lloyd’s. In addition, Lloyd’s also sets out (on a case by case basis) the additional information that it requires to consider the application. Typically this will include a request for the rationale for the acquisition, changes to the board, future (three year) strategy and retention of key directors and resources. Lloyd’s consent, where given, is provided in writing to the underwriting agent.

Going forward, it will continue to be the case that Lloyd’s written consent will be required for any change in controlling interest. However, Lloyd’s is adopting the following simplified process:



In most cases, it is expected that Lloyd's will not require further information beyond the basic information required on notification via Lloyds.com and Lloyd's will rely on the firm obtaining FSA change of control approval when giving its own consent to the change of control. It should be noted, however, that in the case of a new majority controller, it is likely that Lloyd's will perform further due diligence.

The new process is effective immediately. Any changes of control already submitted will be processed as before. Any new changes of control should be dealt with as set out above.

### **3 Advance consent for fully-aligned syndicates**

The current Advance Consent Regime is set out in Market Bulletin Y3116 dated 14 August 2003. In order to ease further the burden on managing agents of syndicates with fully-aligned capital there will no longer be a requirement to inform Lloyd's about the following events (the references to appendices are references to appendices in Market Bulletin Y3116):

- Agency agreement terminations (Appendix 2);
- Appointment of recognised accountants as auditors for a syndicate and its managing agent or a related group company (Appendix 3);
- Multiple syndicates consent for underwriters where the additional syndicate is allocated on a split stamp basis, is a mirror syndicate or is in run-off (Appendix 4);
- Decision not to hold a syndicate annual general meeting (Appendix 6); and
- Reinsurance to close being treated as a transfer of assets following the merger of syndicates (Appendix 7);

Note, the change in rules only applies to fully aligned syndicates. In the case of syndicates which are not fully aligned, the existing Advance Consent Regime will continue to remain in force as before and unchanged. In addition, the change in the rules only applies to the cases listed above and to the existing requirement to notify Lloyd's of the relevant event. All other requirements of the Advance Consent Regime continue to apply to aligned syndicates as before.

This change is effective immediately.

If you have any general questions regarding this bulletin, please contact Olly Reeves, Head of Risk Management (Tel: 020 7327 6229; email: [olly.reeves@lloyds.com](mailto:olly.reeves@lloyds.com)) or Judith Hall, Manager, Operational Risk (Tel: 020 7327 6869; email: [judith.hall@lloyds.com](mailto:judith.hall@lloyds.com)).

## Declaration (Surplus Lines Business)

**Notes:** This declaration can be made by the person being appointed to the senior position as part the electronic notification process on Lloyds.com. The declaration may also be confirmed on behalf of the person being appointed, provided the person completing the electronic notification process has the authority of the individual in question to confirm the declaration. In all cases, it is recommended that a record is kept evidencing that the individual making the declaration has seen it and, where appropriate, has agreed to it being made on his behalf.

As a condition of transacting insurance business in the United States, the NAIC requires that individuals must provide an NAIC Biographical Affidavit. Lloyd's has agreed with the NAIC that where individuals make the following declaration it is no longer required that the NAIC Biographical Affidavit be submitted. Lloyd's therefore requires that all individuals appointed to one of the following positions must provide a declaration in the terms set out here (by clicking on the button below). Individuals required to make the declaration include anyone appointed to be:

- (a) A director of a managing agent or member's agent
- (b) An active underwriter
- (c) A director or partner of an approved run-off company
- (d) A run-off manager of an approved run-off company

If you are not the individual giving the declaration, then by clicking on the "I accept" button you are taken to be confirming that you have shown the declaration to the individual making the declaration (the "Applicant") and that you have their authority to confirm the following on their behalf. In all instances it is recommended that a record is kept evidencing that the individual making the declaration has seen it and, where appropriate, has agreed to it being made on his behalf.

### Declaration

I, the Applicant, understand, acknowledge, agree and confirm:

1. that references to my FSA Application to Perform Controlled Functions under the Approved Persons Regime (FSA Handbook Reference SUP10 Annex 4D) (the "Application") include any subsequent correspondence, data or information submitted by me to the FSA to supplement or amend the Application; and
2. that, at the request of Lloyd's, I will provide forthwith to Lloyd's a copy of the Application and that all or part of the contents of the Application, and any copies thereof, whether in electronic form or otherwise, may be transmitted between Lloyd's and the International Insurers Department of the National Association of Insurance Commissioners in the United States; and
3. that all or part of the contents of the Application, and any copies thereof, may be submitted on my behalf, whether in electronic form or otherwise, to insurance regulatory officials in any of the fifty states of the United States, the District of Columbia or any of the territories of the United States as a condition and specifically for the purpose of enabling me to transact insurance business in the United States and its jurisdictions; and
4. that governmental regulatory officials in the United States and its jurisdictions will rely on the completeness and accuracy of the information contained in the Application and on my representation of its completeness and accuracy; and
5. that if misleading information is contained in the Application, including by omission, I may be subject to criminal and civil penalties in the United States under the law of the United States and/or any of its states, territories or jurisdictions, including possible imprisonment for a period of up to fifteen (15) years; and
6. that I have thoroughly read the information provided in the Application and that it is complete and accurate to the best of my knowledge and belief; and
7. to submit to the regulatory and disciplinary jurisdiction of Lloyd's and be bound by and to comply with the provisions of Lloyd's Acts 1871-1982, the rules, byelaws and requirements made thereunder and any condition or penalty imposed or requirement made thereunder and every direction or code of practice made by or under the authority of the Council under Lloyd's Acts 1871-1982.

I confirm the above/I confirm that I have shown this Declaration to the person making the declaration and have his/her authority to make the declaration on his/her behalf.