

**LOYD'S OF LONDON
CENTRAL REGISTER**

4207

FROM: Secretary to Lloyd's Disciplinary Board
LOCATION: 58/NWI
EXTENSION: 5530
DATE: 12 May 1998
REFERENCE: 044/98
SUBJECT: JOHN WILLIAM SMITH

ACTION POINTS: For information
DEADLINE: None

John William Smith has admitted two charges of misconduct, namely conducting insurance business in a discreditable manner within the meaning of paragraph 1 (e) of the Misconduct, Penalties and Sanctions Byelaw (No. 9 of 1993) and engaging in discreditable conduct contrary to paragraph 3(9) of the Misconduct and Penalties Byelaw (No. 30 of 1996).

These charges related to approximately 40 incidents over a period of three years where Mr Smith exceeded his authority and/or falsified documents in respect of claims.

At the time relevant to the charges, Mr Smith was the Claims Supervisor of Holman Insurance Brokers Limited ("HIBL"), a Lloyd's Broker. As soon as they discovered his actions, HIBL dismissed Mr Smith.

As a result of Mr Smith's actions, there was a loss to HIBL of £18,310.48. All the other claims were reassessed and agreed by underwriters and no further losses were incurred by any party. Neither Mr Smith nor HIBL profited by Mr Smith's actions, nor did Mr Smith intend to make any profit.

The following penalties have been imposed on Mr Smith:-

- 1 That he pay a fine of £5,000.
- 2 That he be censured.

Mr Smith is to pay a contribution to the costs of the Council of Lloyd's in the sum of £1,750.

In assessing the relevant penalties, credit was given to Mr Smith for admitting the charges and concluding a settlement at an early stage of the proceedings.

Details of the events giving rise to the charges are contained in the attached Notice of Censure.

This case was determined by Lloyd's Disciplinary Board and its decision gives effect to settlement of these formal disciplinary proceedings on terms agreed between the Defendant and the Council pursuant to paragraph 3 of the Lloyd's Disciplinary Rules (Schedule 2 to the Disciplinary Committees Byelaw (No. 31 of 1996)).

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

A P Barber
Secretary to the Lloyd's Disciplinary Board

**NOTICE OF CENSURE
JOHN WILLIAM SMITH**

John William Smith has admitted two charges of misconduct, namely conducting insurance business in a discreditable manner within the meaning of paragraph 1(e) of the Misconduct, Penalties and Sanctions Byelaw (No. 9 of 1993) and engaging in discreditable conduct contrary to paragraph 3(f) of the Misconduct and Penalties Byelaw (No. 30 of 1996). These charges related to approximately 40 incidents over a period of three years where Mr Smith exceeded his authority and/or falsified documents in respect of claims.

Mr Smith was the Claims Supervisor for Holman General Facilities Limited ("HGF"), a subsidiary of Holman Insurance Brokers Limited ("HIBL"), a Lloyd's Broker. He joined the company in 1992. He managed the Claims Department by himself. His main responsibility was handling personal lines business arising out of HGF contracts. He was also responsible for a limited number of claims arising out of insurances broked by Holman Special Risks Limited.

In August 1996, it was alleged to HIBL that Mr Smith had exceeded his authority and falsified documents in respect of two claims. HIBL had not formerly been aware of such conduct. He was dismissed from HIBL on 16 August 1996. HIBL subsequently ascertained that Mr Smith had exceeded his authority and/or falsified documents in respect of approximately 40 claims. He had falsified the documents in that he had initialled them in the name of underwriters without their knowledge or consent. HIBL reported the matter to Lloyd's on 23 September 1996.

There was a loss of £18,310.48 to HIBL as a result of Mr Smith's actions. All the other claims were reassessed and agreed by underwriters and no further losses were incurred by any other party. Neither Mr Smith nor HIBL profited by Mr Smith's actions nor did Mr Smith intend to make any profit.

The following penalties have been imposed on Mr Smith:-

- i) a fine of £5,000
- ii) a Censure in the terms of this Notice.

Mr Smith is to pay the costs of the Council of Lloyd's in the sum of £1,750.

In assessing the relevant penalties, account has been taken of the fact that Mr Smith has accepted the charges of misconduct and has concluded a settlement without incurring the expense of full disciplinary proceedings.

In assessing the level of fine in this case, account has been taken of Mr Smith's present earnings and his means. In addition, account has been taken of the fact that Mr Smith has an otherwise unblemished record and that he has committed no acts of misconduct since the events set out in this document.

LLOYD'S DISCIPLINARY BOARD