



FROM: Secretary to Lloyd's Disciplinary Board
LOCATION: 58/NW1
EXTENSION: 5530
DATE: 3 December 1998
REFERENCE: 118/98
SUBJECT: MICHAEL FREDERICK RADFORD

SUBJECT AREA(S): Disciplinary proceeding
ATTACHMENTS: Notice of Censure
ACTION POINTS: For information
DEADLINE: None

At a special meeting of the Council of Lloyd's on 2 December 1998 held pursuant to the Council Stage of Disciplinary Proceedings Byelaw (No. 33 of 1996), as amended, the Council Council confirmed the following penalties imposed on Mr Michael Frederick Radford by a Lloyd's Disciplinary Tribunal:

- (i) the permanent suspension of his right of admission to the Room and all other parts of the premises of the Society both in the United Kingdom and abroad;
- (ii) the permanent and total suspension of his right to transact, or be concerned or interested in the transaction of, the business of insurance at Lloyd's or any class or classes of such business;
- (iii) the posting of a Notice of Censure in the Room in the terms of the Notice attached to this bulletin.

In addition, the Tribunal made supplementary orders relating to Mr Radford's suspension as follows:-

- (a) that he is to cease to be involved or interested, whether directly or indirectly, in the broking of any insurance business or any class thereof at Lloyd's; and
- (b) that he is to cease to be involved or interested in, whether directly or indirectly, in the management or conduct of the business of a Lloyd's broker.

In the proceedings before the Disciplinary Tribunal, Mr Radford admitted three charges of conducting insurance business with a lack of good faith, namely the issuing of false and

misleading debit notes with intent to cause a Lloyd's policyholder to believe that the gross premium charged by underwriters was greater than in fact was the case,

At the time of the offence, Mr Radford was employed as a director in the Marine Division of Hogg Insurance Brokers Limited ("Hoggs"), a Lloyd's broker. Mr Radford was the broker at Hoggs who was primarily responsible for obtaining insurance on behalf of Hellenic Shipyards of Athens ("Hellenic"). For the 1991 year of account the terms of insurance that Hoggs quoted to Hellenic included a full rebate of the commission of 20% allowed by underwriters on the principal classes of cover. For 1992 to 1994 inclusive, Mr Radford caused debit notes to be sent to Hellenic showing a discount of 20% on the gross premium. In fact the debit notes were false. In each case, the gross premium shown on the debit notes had been inflated to allow for the discount. Over the three year period, the sums by which the gross premium had been inflated amounted to more than \$million.

In mitigation of Mr Radford's dishonesty Hoggs have since paid \$600,000 to Hellenic in respect of the 1993 and 1994 years of account.

The Tribunal stated that such conduct as Mr Radford's would normally merit the imposition of a substantial fine in addition to the penalties imposed. In not fining Mr Radford, the Tribunal took into account the costs he had incurred in his defence, the costs he will have to pay as a result of the order, his financial circumstances, and the effect that the suspension and proceedings may have on his current and future employment.

The Disciplinary Tribunal ordered that Mr Radford pay the sum of £26,000 towards the costs of the Council of Lloyd's.

Mr Radford appealed against the Tribunal's decision on penalty and costs, The appeal was dismissed by the Appeal Tribunal who stated in particular that "the message must go out again from Lloyd's Appeal Tribunal that dishonesty will never be tolerated in the Lloyd's market."

The Appeal Tribunal ordered that Mr Radford pay the sum of £ 10,000 in respect of the costs of the appeal.

Further details relating to the findings of the Disciplinary Tribunal are set out in the attached Notice of Censure.

Copies of the full report of the disciplinary proceedings are available from the Disciplinary Secretariat, telephone nos. 0171327 6989/5530.

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 Tribunal

and

The Council of Lloyd's

NOTICE OF CENSURE

MICHAEL FREDERICK RADFORD

Michael Frederick Radford has admitted three charges of conducting insurance business with a lack of good faith, namely the issuing of false and misleading debit notes with intent to cause a Lloyd's policyholder to believe that the gross premium charged by underwriters was greater than was in fact the case.

At the time of the offences Mr Radford was employed by Hogg Insurance Brokers Limited ("Hogg") as a director in the Marine Division.

At Hogs, Mr Radford was the broker primarily responsible for obtaining insurance on behalf of Hogs' client, Hellenic Shipyards of Athens ("Hellenic"). For 1991 Hogs quoted terms to Hellenic that reflected a rebate in full of the commission of 20% allowed by underwriters on the principal classes of cover. For each of the years 1992 to 1994 inclusive, Hogs submitted debit notes to Hellenic that similarly purported to show a 20% discount on the gross premium. In fact the debit notes were false. In each case, the gross premium shown had been artificially inflated by sums that over the three years totalled more than \$1 million. In mitigation of Mr Radford's dishonesty, Hogs have since paid \$600,000 to Hellenic in respect of the 1993 and 1994 years of account.

Mr Radford has admitted that he was responsible for the issue of the false debit notes, and that he issued them knowing they were false with intent to cause Hellenic to believe that the gross premium was that shown on the notes.

This was a gross breach of a broker's duties to its client, sustained over a period of three years. Such conduct cannot be tolerated in any insurance market. The Disciplinary Tribunal has ordered the permanent suspension of Mr Radford's right to transact or to be concerned or interested in the transaction of any kind of insurance at Lloyd's, and of his right of admission to the Room and other parts of the premises of the Society. In addition, the Tribunal ordered this notice of censure (as modified by the Council of Lloyd's), made certain supplementary orders to ensure the suspension is effective, and ordered Mr Radford to pay Lloyd's costs.

It is accepted by Lloyd's that Mr Radford neither stood to receive nor received any personal benefit from the deception. Nevertheless, conduct of this sort would normally merit -in addition - a substantial fine. The Tribunal decided not to impose a fine in this case, having taken account of

the £50,000 costs that Mr Radford has incurred in his defence,

the further costs of £26,000 that he will have to pay as a result of the order,

the effect that the suspension and the proceedings maybe expected to have on his current employment at Robert Fleming Marine Limited, and his prospects of future employment,

his financial circumstances.

The Tribunal also took into account the fact that Mr Radford ultimately admitted the charges and settled the proceedings, and had a previously unblemished record.

A. A. Duguid
Secretary to the Council

2 December 1998