

Market Bulletin

Ref: Y5267

Title Merging the Franchise Board into the Council – Response Document and Amending Byelaw

Purpose In early May 2019 the Council and the Franchise Board launched a consultation with members and with all participants in the Lloyd's market on a proposal to merge the Franchise Board into the Council to create a single governing body for the Corporation and Lloyd's market. Following that consultation process, this market bulletin outlines the intention to proceed with the merger and:

- Provides a summary of the consultation process and feedback received;
 - Explains the final form of the revised Council including the changes that have been made to the original proposals in response to feedback received;
 - Sets out the next steps;
 - Seeks feedback on the draft byelaw amendments necessary to give effect to the proposals.
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Date 07 November 2019

Merging the Franchise Board into the Council – Response Document and Amending Byelaw

1. Introduction

In early May 2019 the Council and the Franchise Board (the “Board”) launched a consultation with members and with all participants in the Lloyd’s market on a proposal to merge the Board into the Council to create a single governing body for the Corporation and the Lloyd’s market.

The proposal had the unanimous support of the members of both the Council and the Board and we are very pleased to report that it received wide support of the market and membership with over 90% of respondents in favour of the merger. The Council & Board would particularly like to thank the Lloyd’s Market Association (LMA) and the Association of Lloyd’s Members (ALM) for their close engagement throughout this consultation process.

We now intend to proceed with the merger and this change will take effect from **1 June 2020**. This document therefore:

- Provides a summary of the consultation process and feedback received;
- Explains the final form of the revised Council including the changes that have been made to the original proposals in response to feedback received;
- Sets out the next steps;
- Seeks feedback on the draft byelaw amendments necessary to give effect to the proposals.

This Response Document has been sent to all managing agents, members’ agents, the Association of Lloyd’s Members, the Lloyd’s Market Association, the London and International Insurance Brokers Association and published as a Market Bulletin. The Response Document has also been sent to the Prudential Regulation Authority and the Financial Conduct Authority.

2. Summary of the consultation process and feedback received

2.1 Consultation process

The Consultation Document (copy at [Annex 1](#)) was sent to all members of the Society, to all managing agents, all members' agents, all Lloyd's brokers, and to the Association of Lloyd's Members (ALM), the High Premium Group, the Lloyd's Market Association (LMA) and the London & International Insurance Brokers' Association on 7 and 8 May 2019. The Consultation Document was also sent to the Prudential Regulation Authority and the Financial Conduct Authority.

We would like to thank everyone who has commented on the proposals. We received 59 formal responses; 32 from third party capital providers; 17 from managing agents; 3 from Lloyd's brokers; 3 from members' agents and 2 from other firms or individuals associated with the Lloyd's market as well as submissions from the leading market and members' associations.

2.2 Summary of feedback received

Key Themes

The clear majority (over 90%) were supportive of merging the Board into the Council and of the objective of ensuring that the governance structure is as efficient as possible with the optimum membership composition. Two key themes were highlighted by the feedback received;

- the balance to be struck between independent and market members; and
- whether the size of the revised Council would be manageable.

Several respondents stressed the importance of ensuring adequate market representation at Council level and a variety of views were expressed on the extent to which the UK Corporate Governance Code (the UK Code) – which would require a majority of independent non-executives – ought to apply in Lloyd's context and precisely how many market representatives there should be on Council. Suggestions included that there should always be a majority of elected members on Council.

Several respondents also expressed the view that at 17 (plus 2 executive attendees) the overall size of the Council would be too large. The general view seemed to be that the executive members of the Board should be members of rather than attendees at the revised Council.

2.3 Council Response and adjusted proposals

The UK Code is the starting point for the expectations of Lloyd's regulators and Lloyd's has always taken the approach that it supports the application of the principles of the UK Code so far as they can be applied to a Society of members and a market of competing entities.

We have however discussed this feedback with our regulators and we are very pleased to report that in principle, the PRA and FCA have no objection to the revised proposals set out below.

The Council has accordingly adjusted its original proposal and it is now proposed that there should be a balance of independent and market members and that **with effect from 1 June 2020** the revised Council should comprise **15 members** as follows:

- 6 independent nominated members (to include the Chairman);
- 3 working members;
- 3 external members (to include 1 individual external member and 2 corporate external members);
- 3 executive nominated members (the Chief Executive Officer, Chief Financial Officer, Performance Management Director).

A chart demonstrating the adjustments made to the Council's original proposals is at [Annex 2](#).

In addition, the Council proposes to implement the following to ensure appropriate representation of members and the market interests on the revised Council:

- ***Nominations & Governance Committee*** - A commitment to maintain not less than 2 elected market members on the Nominations & Governance Committee;
- ***Enhanced insurance expertise on Council*** - A commitment to include, amongst the 6 independent nominated members, at least one individual with previous Lloyd's market experience. This requires an amendment to the byelaw provisions relating to who can become a nominated member; this is included in the Amending Byelaw (see para 5.25);
- ***Representation of private capital*** - Removal of the sliding scale which requires individual external members to maintain at least 5% of market capacity to maintain their seat on Council. This requires a byelaw amendment and is included in the Amending Byelaw (see paras 2.2 and 2.3);
- ***Right to refer*** - Introduction of a new right for 6 or more members of Council to refer a matter discussed at a Council meeting to either the board of a relevant market association or to appropriate market consultation prior to a decision being taken by Council. This requires a byelaw amendment (see new para 4.19A);
- ***9 year rule*** – Removal of the 9 year limit on service on Council to allow scope (after a 3 year gap in service) for a retired market practitioner to return to Council as an independent nominated member and remove restrictions as to who the market and

members can elect to represent their interests. This requires a byelaw amendment (see para 5.27).

The above would be in addition to the following existing protections available to the market and members;

- **Special resolution procedure** – a special protection which is guaranteed under Lloyd’s Act 1982. A “special resolution” is required for key decisions including appointing the Chairman, appointing nominated members, making byelaws, setting Central Fund contributions and members’ subscriptions. For a “special resolution” to pass separate majorities are required of (i) the working members of the Council and (ii) the other members of the Council combined.
- **Deputy Chairman** – Lloyd’s Act 1982 requires that if the Chairman is not a working member then at least one of the Deputy Chairmen must be.
- **EGM** – 500 members may requisition an EGM to challenge a byelaw/byelaw amendment; alternatively, 10% of members by number or those in aggregate representing 10% of total voting capacity may requisition an EGM for any legitimate purpose.

Other feedback

- Some respondents highlighted the importance of adequate training and onboarding for the members of the revised Council recognising the challenge of the Council’s role as both a promoter and regulator of the market.

Council Response:

Members of the revised Council will receive a comprehensive on-boarding process and be given ongoing support in particular with regard to their regulatory responsibilities, Lloyd’s approach to managing conflicts of interest, and mitigation of other legal risk.

- Some respondents (from the members’ agent and private capital community) have suggested that the byelaw definition which governs who can stand for/vote in elections for “individual external” vs “corporate external” members should be reviewed with some unaligned capital not sitting naturally within either community (e.g. pension funds). This would require a byelaw change.

Council Response:

The relevant definitions will continue to be kept under review as we recognise the importance of moving with the market as it develops. No changes are however proposed at this point.

- Some respondents highlighted that the proposal to formally reserve elected seats for representatives of constituencies (e.g. reserving one of the 3 working member seats for a Lloyd's broker) will create practical difficulties.

Council Response:

We accept this point and no longer intend to implement this aspect of the proposals.

- A number of respondents have expressed an interest in understanding more about the proposed role of the Underwriting Advisory Panel.

Council Response:

The Underwriting Advisory Panel will be a committee of the Council but will not be a decision-making forum; it will be advisory only. Draft terms of reference are under development and will be shared with the leading market associations at an early stage. The existing committee structure of the Council and Board will remain unchanged as a result of these proposals albeit the existing committees will all become committees of the Council.

3. Next Steps

- 3.1 It is proposed that the revised Council should take effect from 1 June 2020 to allow time to bring the byelaw and other procedural amendments into effect.

Elected positions

- 3.2 There are 4 Council seats coming up for election at the end of 2019 – 2 working members and 2 external members. Their terms of office all come to an end on 31 January 2020. It is not possible to extend their terms of office to provide continuity to the date of the merger as this is prohibited by Lloyd's Act 1982. Instead, Lloyd's will:
- hold elections for these 4 seats as normal at the end of the year with the election process commencing in early November 2019; and
 - hold a second election in May 2020 for all current elected seats on Council, including the 4 noted above. This will enable the electorate to determine who should represent them in the working and external constituencies on the revised Council and will re-set all terms of office from 1 June 2020.
- 3.3 We originally proposed to work to achieving a rolling rotation of 1 external and 1 working member up for election each year. Owing to the change in the effective date of the merger this has not proved possible (or at least not without asking 1 external and 1 working member to stand in the May 2020 elections for a term of just 1 year, which was felt to be unreasonable). Instead it is proposed that the terms of office

available in the May 2020 elections should be for 3 terms of 3 years and 3 terms of 2 years. Under existing election rules the 3 candidates with the highest votes will be allocated the 3-year terms and the 3 candidates with fewer votes will be allocated the 2-year terms. When the seats carrying a 2-year term come up for re-election they shall carry a 3-year term. We will therefore be moving to a cycle of having no Council election every 3rd year.

Nominated members

- 3.4 In the Consultation Document we proposed that the Chairman would work with the Nominations & Governance Committee to identify the best combination of members from among the existing nominated members of Council and Board to populate the revised Council. That approach received wide support during the consultation process. Details of the nominated members who will be continuing onto the revised Council will be confirmed in the New Year.

4. Amending Byelaw

- 4.1 To give effect to the merger of the Board into the Council, Lloyd's is proposing to make certain amendments to the Constitutional Arrangements Byelaw (the Byelaw) and consequential amendments to other byelaws and requirements. At the same time, we are proposing an amendment to the Underwriting Byelaw so as to implement the arrangement known as "syndicate in a box" which has been consulted on separately as part of the Future at Lloyd's. An amending byelaw, marked up with the proposed amendments, is enclosed at [Annex 3](#).
- 4.2 Rule 6.2 of the Lloyd's chapter of the PRA Rulebook requires Lloyd's to notify the PRA of its intention to make amendments to Lloyd's byelaws, and Rule 6.4 requires Lloyd's to consult with interested parties in relation to any such amendments. Accordingly, this consultation is being sent to the Lloyd's managing agents, the LMA, the ALM (including for wider dissemination amongst members), the London and International Insurance Brokers Association, the three members' agents and is also being published as a Market Bulletin. Lloyd's is also required under the PRA Rulebook to provide the PRA with a summary of any significant responses to the consultation. There are similar rules in the FCA Handbook requiring Lloyd's to notify it of the proposed amendments and to provide a summary of significant responses.

Response and implementation

- 4.3 Interested parties wishing to provide comments in relation to this consultation are requested to send them to Peter Spires, General Counsel and Company Secretary (peter.spires@lloyds.com) or Caroline Sandeman-Allen, Head of Secretariat & Governance (caroline.sandeman-allen@lloyds.com) by **Friday 22 November 2019**.

Lloyd's will then notify the PRA and FCA of any significant responses (and depending on the comments received) review the proposed amendments.

- 4.4** Once the consultation process is complete and the byelaw amendments have been settled, the Council will be asked to pass an amending byelaw to bring the changes into effect.

Consultation Paper

Merging the Franchise Board into the Council

1. Introduction

The Council and the Franchise Board (the “Board”) are consulting with members and with all participants in the Lloyd’s market on a proposal to merge the Board into the Council to create a single governing body for the Corporation and the Lloyd’s market.

The proposal has the unanimous support of the members of both the Council and the Board.

The governance of the Corporation and the market is a relatively complex topic. This Consultation Document therefore sets out the background issues and explains –

- The composition of the Council;
- The establishment of the Board;
- The operation of the Board and Council; and
- The statutory constraints on the composition of Council.

The Consultation Document then goes on to set out the Council and Board’s proposal on –

- The optimum composition of Council;
- The optimum composition of Council within the statutory constraints;
- The establishment of an Underwriting Advisory Committee; and
- Consultation and implementation.

The Council and the Board invites you to carefully consider the Council and Board’s proposals and the questions set out in section 4 below.

This is an important issue and the Council and Board therefore invite you to submit written responses to the Secretary to the Council by no later than 30th June 2019. Responses may be sent by post to –

Peter Spires
General Counsel
Secretary to the Council & Franchise Board
Lloyd’s
One Lime Street
London
EC3M 7HA

Or by email to peter.spires@lloyds.com

If you have any questions on this Consultation Document please contact Caroline Sandeman-Allen, the Head of Secretariat & Governance on 020 7327 6182 or by email to caroline.sandeman-allen@lloyds.com.

This Consultation Document has been sent to all members of the Society, to all managing agents, all members' agents, all Lloyd's brokers, and to the Association of Lloyd's Members, the High Premium Group, the Lloyd's Market Association and the London & International Insurance Brokers' Association. The Consultation Document has also been sent to the Prudential Regulation Authority and the Financial Conduct Authority.

2. Background

2.1 Composition of Council

The Council of Lloyd's was established by Lloyd's Act 1982. It comprises three categories of Council member –

- Working members –
 - A working member (including a non-underwriting working member) is a member of the Society who occupies himself or herself principally with the conduct of business at Lloyd's by a Lloyd's broker or underwriting agent.
 - They are elected from amongst the working member constituency on a one member one vote basis.
 - In 1982, there were originally 16 working members of Council. There are currently 6.
- External members –
 - An external member is either a corporate member or an individual member who is not a working member.
 - Corporate members (companies, SLPs and LLPs) must appoint an individual as its nominated representative if elected.
 - External members are classified as either "individual external members of the Council" (essentially representing "unaligned capital") or "C-external members of the Council" (representing "aligned capital").
 - In 1982, there were originally 8 external members of Council. There are currently 6.
 - The number of individual external members of the Council is set by reference to the proportion of unaligned to aligned capital. Since this proportion dropped below 10% in 2018, there is currently only 1 individual external member of Council.
 - External members of Council are elected from amongst the external members of the Society on a capacity weighted basis. Further weighting is applied so that, effectively, individual external members of Council cannot vote for C-external members and vice versa.
- Nominated members –
 - These members cannot be members of the Society or have other close ties with the market.
 - In 1982, there were originally 3 nominated members of Council. There are now 6 including the Chairman of Lloyd's and the Chief Executive Officer.
 - They may be regarded, for the purposes of the UK Corporate Governance Code, as independent members of Council, with the exception of the Chairman of Lloyd's and the Chief Executive Officer.

The current rules for the Council are set out in Lloyd's Act 1982 which can be found here https://www.lloyds.com/market-resources/requirements-and-standards/acts-and-byelaws/lloyds_acts and in the Constitutional Arrangements Byelaw which can be found here <https://www.lloyds.com/market-resources/requirements-and-standards/acts-and-byelaws/lloyds-byelaws>

2.2 Establishment of the Franchise Board

With the changing nature of Lloyd's, particularly the reduction of Names and the introduction of corporate membership, considerable ingenuity has had to be applied to make the Council construct operable. This has led to a number of reports on the subject including the Task Force Report, the Morse Report, the Pen Kent Report and the Chairman's Strategy Group ("CSG") report. However, on analysis, whilst there would be considerable obstacles to removing the statutory requirement for the Council to exist there are relatively few statutory constraints on its make-up. These are dealt with below.

The CSG considered the governance of the Society in 2002. In summary, it stated that decision making at Lloyd's had been slow and based on trying to build consensus amongst constituencies with diverse interests. It sought to streamline Lloyd's governance which at that time operated in a tri-partite structure comprising the Council and its two sub-committees the Lloyd's Market Board (LMB) and the Lloyd's Regulatory Board (LRB). The LMB and LRB had in turn established their own sub-committees such that at the time of the CSG there were 21 committees involved in the running of the market.

The CSG's recommendations included the establishment of the Board. The Board is therefore a creation of the Council and no reference is made to the Board in Lloyd's Acts.

The Board met for the first time in 2003 and now comprises –

- The Chairman of Lloyd's;
- the Chief Executive Officer, the Performance Management Director and the Chief Finance Officer (the executive directors);
- 3 insurance professionals connected with the Lloyd's market (connected non-executive directors); and
- 6 individuals who are independent of the Lloyd's market (independent non-executive directors).

2.3 Operation of the Board and Council

The Board has operated well in conjunction with the Council over the last 15 years. However, the operation of both bodies does lead to duplication and, on occasion, to questions around which body should undertake specific activities. Experience suggests that no matter how carefully the terms of reference between the bodies are set up, these

questions will always arise. Governance reports have noted that the two bodies have been effective but have not always been efficient.

Having two governance bodies also makes Lloyd's more difficult to explain to its stakeholders and to external parties such as regulators and potential new entrants.

Lloyd's is currently consulting on the "future at Lloyd's" which is aiming to make the operation of the Lloyd's market much more efficient and both the Council and the Board felt that now was also a good time to simplify the governance of the market.

2.4 Statutory constraints

Lloyd's Act 1982 provides that "There shall be a Council of Lloyd's" so, without statutory amendment, the Council must continue to exist.

There is no realistic prospect of statutory amendment at this time. The aim now is to ensure that the governance structure is as efficient as possible with the optimum membership composition. To achieve this, it is proposed to merge the Board into the Council.

The powers of the Council would not change – they are set by statute – rather those functions which had been delegated by the Council to the Board would be brought back into the remit of the Council and the composition of the Council will be revised in line with the proposal set out in section 3.2 below.

With the benefit of assistance of leading counsel Lloyd's has explored the extent of the flexibility admitted by Lloyd's Act 1982 to the composition of the Council in terms of the number of members required from each constituency.

The absolute minimum number of Council members from each constituency, is 1. This would however not be practicable. It would, for example, give the 1 working member a veto on the passing of any special resolution (required for the passing of byelaws and other key decisions) which requires separate majorities of working members and non-working members (external and nominated members taken together). It would also limit the choice of Deputy Chairman (Lloyd's Act 1982 requires that if the Chairman of Lloyd's is not a working member then one of the Deputy Chairmen must be). It would also generate problems for succession planning and in the event that any of the members was conflicted on a matter. Accordingly, in practice, the minimum number of members from each constituency is 3.

3. The Council and Board's Proposals

3.1 The optimum composition of Council

The Council and the Board have given careful thought to the optimum composition of a revised Council having regard to the need to –

- properly represent market constituents without becoming too inwardly focussed;
- set strategy having regard to developments in the Lloyd's insurance market, the insurance market worldwide and other global trends in commerce, technology and macro-economic developments;
- understand and engage with governments and regulators worldwide and bring insights from our key and emerging markets;
- draw from the Council ideal candidates to chair and populate essential committees including Audit, Risk, Nominations and Remuneration;
- appoint Deputy Chairmen and a senior independent director;
- reflect principles of good corporate governance (including the UK Corporate Governance Code), to balance elected members with non-elected members and the requirement that at least half the board excluding the chair should be independent non-executives;
- keep the Council at a workable size; and
- make the best use of existing members of Board and Council and allow Lloyd's to continue to attract the best talent and to promote diversity and inclusion in line with Lloyd's targets.

3.2 The optimum composition of Council within the statutory constraints

The Council and the Board have concluded, subject to consultation, that the following composition of Council would offer the optimum composition within the statutory constraints.

- Nominated members – a minimum of 9 and a maximum of 11. This would comprise –
 - The Chairman of Lloyd's (and chair of the Nominations Committee);
 - The Chief Executive Officer (who would not count as independent);
 - The senior independent director (and chair of the Remuneration Committee);
 - Individuals who can also chair the Audit and Risk Committees;
 - Individuals with regulatory, government and international expertise;
 - Individuals with experience of technology and change management;
 - Individuals with insurance market expertise from outside the Lloyd's market
 - A sufficient number of independent members to ensure they would always be in the majority in accordance with good corporate governance standards.
- Working members – 3. This would comprise –
 - At least one individual who works for a managing agent; and

- At least one representative of a Lloyd's broker;
- External members – 3. This would comprise –
 - One individual to represent unaligned capital; and
 - Two individuals to represent aligned capital one of whom would be a Deputy Chairman.
- Additional attendees – the Chief Finance Officer and the Performance Management Director.

This would give Council an overall size of up to 17 members (19 with the additional attendees) which is comparable to the existing size of Council (18) but considerably fewer than the 27 members of Board and Council combined.

The appointment process for members of Council would continue to be governed by the statutory framework which requires that the working and external members of Council be elected from among the working and external members of the Society and that nominated members be appointed by special resolution of the Council.

It is proposed that initially the Chairman of Lloyd's would work with the Nominations and Governance Committee to identify the best combination of nominated and elected members from amongst the existing members of Council and Board to populate the newly constituted Council. Both the Council and the Board support this process.

This will mean that certain elected members of the Council's terms of office may be concluded ahead of time on 31 December 2019. Adopting this process may avoid the need to hold Council elections for 2020 which will provide for better continuity as the new arrangements bed down. Arrangements would be adopted so that, in the ordinary course, in any one year one working member and one external member would be elected each for a 3 year term.

The existing committee structure of the Council and Board will remain unchanged albeit they will all become committees of the Council.

3.3 Underwriting Advisory Panel

The Council and the Board also propose to establish an Underwriting Advisory Panel as a committee of the Council to provide the Council and the Performance Management Director with regular, structured and externally informed views on insurance issues. This will also help to ensure that underwriting experience currently on the Council and the Board is not lost in the implementation of the proposals. It is proposed that the Council will appoint members of the Underwriting Advisory Panel after receiving a recommendation from the Nominations & Governance Committee.

3.4 Consultation and implementation

As mentioned above, this is an important issue and, therefore, this Consultation Document has been sent to all participants in the Lloyd's market with the consultation remaining open for an 8 week period. This period has been timed to coincide with the annual general meeting in order to allow members an opportunity to raise any questions they may have at that forum.

Lloyd's has kept the Prudential Regulation Authority and the Financial Conduct Authority informed of these proposals and will continue to work closely with them throughout this process.

The Council and the Board will consider the feedback from the consultation including the responses it receives to the questions set out in section 4, during July.

If, following careful consideration of the feedback, the Council and Board decide to implement the proposals (or modified proposals), this will involve –

- The Council amending the Lloyd's Constitutional Arrangements Byelaw;
- The Chairman of Lloyd's working with the Nominations and Governance Committee to identify the best combination of nominated and elected members to serve on the revised Council as referred to above;
- Council elections may, or may not, need to be held in the normal way at the end of 2019; and
- The Nominations and Governance Committee will review the effectiveness of the new arrangements after 18 months of operation.

4. Questions

Question 1.

Do you agree with the basic proposal to merge the Board into the Council to create a single governing body for the Corporation and the Lloyd's market ? If so, do you agree that this should happen with effect from 1.1.2020 ?

Question 2.

Do you agree with the criteria set out in paragraph 3.1 for the optimum composition of a revised Council ? Are there any factors that have been overlooked ?

Question 3.

Do you agree with how the criteria of the optimum composition of a revised Council have been converted into the proposal set out in paragraph 3.2 ? In particular

- a. do you agree with the proposal to have 3 working members ?*
- b. do you agree with the proposal to have 3 external members ?*
- c. do you agree with the proposed make-up of the nominated members ? and*
- d. do you agree with the proposed overall composition of the revised Council ?*

Question 4.

Do you agree with how Lloyd's proposes to identify the best combination of nominated and elected members from amongst the existing members of Council and Board to populate the revised Council ?

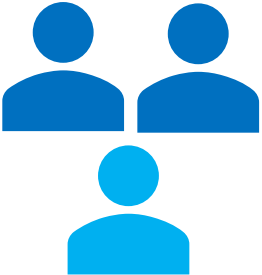

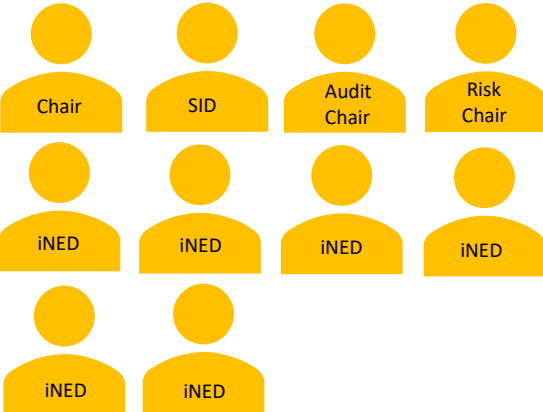




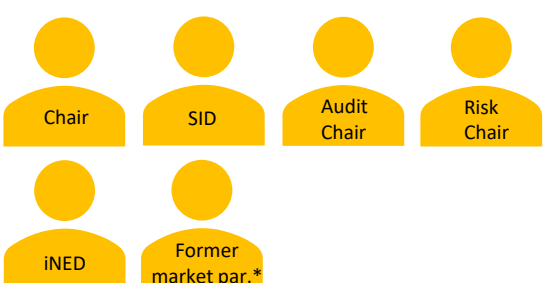

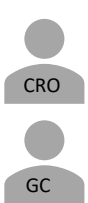
Question 5.

Do you have any other comments or observations on the proposals ?

If you have any questions on this consultation document please contact Caroline Sandeman-Allen, the Head of Secretariat & Governance on 020 7327 6182 or by email to caroline.sandeman-allen@lloyds.com.

Revised Proposal

Former market par* = A Former Market Participant who is now considered to be independent

	External	Working	Nominated (Appointed by Special Resolution)	Exec	Attendees	Notes
Original Proposal						Total: 17 members (and 4 attendees)
Revised Proposal						Total: 15 members (and 2 attendees) <ul style="list-style-type: none"> At least one iNED will be a former market participant and as such, Lloyd's market experience is increased within the nominated constituency. At least two elected members to be included within the Nominations & Governance Committee

CONSTITUTIONAL ARRANGEMENTS AMENDMENT BYELAW – (No.2 of 2019)

Purpose:

The purposes of this Byelaw are to –

- a. amend certain provisions of the Constitutional Arrangements Byelaw and other byelaws and requirements so as to give effect to the dissolution of the Franchise Board;
- b. amend the Underwriting Byelaw so as to implement the arrangement known as 'syndicate in a box'.

Notes:

Words and terms shown in italics have the meaning set out in the Definitions Byelaw.

This Byelaw was made by the Council on [insert date] in exercise of its powers under sections 3, 6(2) and 6(4)(d) of, and paragraphs (5) to (11) inclusive of Schedule 2 to, Lloyd's Act 1982 and may be referred to as the Constitutional Arrangements Amendment Byelaw (No. 2 of 2019).

The headings and these notes are for guidance only and do not form part of the Constitutional Arrangements Amendment Byelaw.

Amendments to the Constitutional Arrangements Byelaw

1. The Constitutional Arrangements Byelaw (No.2 of 2010) is amended by deleting the text struck out and by inserting the text underlined as shown at Appendix 1.

Amendments to the Definitions Byelaw (No.7 of 2005)

2. Paragraph 1 of the Definitions Byelaw (No.7 of 2005) is amended by deleting the text struck out and by inserting the text underlined as shown at Appendix 2.

Amendments to the Underwriting Byelaw (No.2 of 2003)

3. The Underwriting Byelaw (No.2 of 2003) is amended by replacing the words “*Franchise Board*” with “*Council*” in every instance and by deleting paragraph 93.
4. The Underwriting Byelaw (No.2 of 2003) is amended by –
 - (a) inserting as paragraph 14B(e) “in respect of a *syndicate* designated by the *Council* as a ‘syndicate in a box’ when permission to manage that syndicate was granted or regranted, such parameters within which the *managing agent* must carry out underwriting if the managing agent’s permission to manage that *syndicate* is not to be withdrawn in accordance with paragraph 67(f) of this byelaw.”; and
 - (b) inserting as paragraph 67(f) “if the *managing agent* has not carried out underwriting on behalf of the *syndicate* in accordance with the parameters set under paragraph 14(B)(e) of this byelaw.”

Amendments to the Requirements made under the Membership Byelaw

5. The Requirements made under the Membership Byelaw are amended by deleting the text struck out and by inserting the text underlined as shown at Appendix 3.

Amendments to the Intermediaries Byelaw (No. 3 of 2007)

6. The Intermediaries Byelaw (No. 3 of 2007) is amended by replacing the words “*Franchise Board*” with “*Council*” in every instance other than in the “Transitional and miscellaneous arrangements” section (paragraphs 72 to 76 conclusive) and by deleting paragraph 57.

Amendments to the Overseas Underwriting Byelaw (No.2 of 2004)

7. The Overseas Underwriting Byelaw (No.2 of 2004) is amended by replacing the words “*Franchise Board*” with “*Council*” in every instance.

Amendments to the Enforcement Byelaw (No.6 of 2005)

8. The Enforcement Byelaw (No.6 of 2005) is amended by replacing the words “*Franchise Board*” with “*Council*” in every instance.

Amendments to other Lloyd's byelaws

9. All other Lloyd's byelaws are amended by replacing the words “*Franchise Board*” with “*Council*”.

Amendments to other Requirements made under Lloyd's byelaws

10. All references in the requirements made under Lloyd's byelaws shall be amended by replacing the words “*Franchise Board*” with the word “*Council*” in every instance.
11. Paragraph 3 of the Requirements made under the Underwriting Byelaw (Principles of Relationship) shall be deleted.
12. The Requirements made under the Enforcement Byelaw are amended by deleting the text struck out in paragraph 3.1.3 below.

“3.1.3 Each member of the *Appeal Tribunal* shall be a *qualified lawyer* of at least ten years' standing or a *person* who holds or has held high judicial office except that no *person* shall be appointed to the *Appeal Tribunal* who is a –

- (a) *person* subject to the *enforcement jurisdiction* of the *Society*;
- (b) member of the *Council* ~~or the *Franchise Board*~~;
- (c) member of the *Enforcement Board*; or
- (d) member of a *Enforcement Tribunal* that has been involved in the matter referred to the *Appeal Tribunal*.”

Transitional and miscellaneous provisions

13. Nothing in this byelaw shall affect the validity of any act or decision of the *Franchise Board* or by any member of it or by any of its committees or sub-committees, officers, agents or delegates and, as from the date on which this byelaw shall come into force all such acts and decisions shall be deemed to be acts and decisions of the *Council*.

14. The Chairman of Lloyd's may give such consequential directions as may be necessary to implement the matters given effect to by this byelaw.
15. The terms of office of each of the *working members of the Council* and the *external members of the Council* shall come to an end on 31 May 2020.
16. Such of the provisions of this byelaw necessary to create and fill the vacancies arising on 1 June 2020 in accordance with paragraph 15 of this byelaw shall come into force on 1 March 2020. The provisions of paragraph 5 of this byelaw shall come into effect with immediate force. The remainder of this byelaw shall come into force on 1 June 2020.

CONSTITUTIONAL ARRANGEMENTS BYELAW –

Purpose:

The purpose of this Byelaw is to make provisions for the Society's constitutional and governance arrangements including the duties and responsibilities of Council members and the proper and orderly conduct of -

1. Council meetings;
2. elections to the Council; and
3. general meetings of the members, including the Annual General Meeting.

This Byelaw also revokes –

1. the Council Byelaw (No. 18 of 1996);
2. the Annual and Extraordinary General Meetings Byelaw (No. 17 of 1996);
3. the Quorums and Appointments of Committees and Sub-Committees Byelaw (No. 8 of 1992); and
4. the Suspension from Membership of the Council and any Sub-Committee Byelaw (No. 16 of 1983).

Amendments

This byelaw was amended by:

Constitutional Arrangements Amendment Byelaw (No.2 of 2019)

Words and terms shown in *italics* have the meaning set out in the Definitions Byelaw.

This Byelaw was made by the Council on 6 December 2010 in exercise of its powers under sections 3, 6(2) and 6(4)(d) of, and paragraphs (5) to (11) inclusive of Schedule 2 to, Lloyd's Act 1982 and may be referred to as the Constitutional Arrangements Byelaw (No. 2 of 2010).

The headings and these notes are for guidance only and do not form part of the Constitutional Arrangements Byelaw.

Contents

Part A Constitutional Requirements

Schedule 1 Constitutional Requirements

Part B Revocations and definitions

Part A – Constitutional Requirements

1. Schedule 1 to this Byelaw (the “*constitutional requirements*”) contains the constitutional and governance arrangements of the *Society*.
2. This Byelaw shall come into force on 7 December 2010.

Schedule 1

Constitutional requirements

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Part 1 Objects of the Society

1.1 The objects of the *Society* are as provided by section 4 of Lloyd's Act 1911, namely –

the carrying on by *members* of the *Society* of the business of insurance of every description including guarantee business;

the advancement and protection of the interests of *members* of the *Society* in connection with the business carried on by them as *members* of the *Society* and in respect of shipping and cargoes and freight and other insurable property or insurable interests or otherwise;

the collection, publication and diffusion of intelligence and information;

the doing of all things incidental or conducive to the fulfilment of the objects of the *Society*.

Part 2 Composition of the Council of Lloyd's

Number and Membership of the Council

2.1 The maximum number of members of the *Council* shall be 185 and shall comprise no more than –

- (a) 63 *working members of the Council*;
- (b) 62 *corporate external members of the Council*; and
- (c) 1 *individual external member of the Council*; and
- (d) 62 *nominated members of the Council* which shall include the three executive officers of Lloyd's who have respectively been one of whom shall be appointed by the *Council* as the Chief Executive Officer of Lloyd's, Performance Management Director of Lloyd's and Chief Financial Officer of Lloyd's (together the "Executive Officers").

External members of the Council

2.2 The *external members of the Council* shall be classified as either "*individual external members of the Council*" or "*C-external members of the Council*" with the respective number of *C-external members of the Council* and *individual external members of the Council* being determined by reference to the proportion which the *total C-external voting capacity* bears to the *total external voting capacity* in accordance with the following table –

Proportion of total C-external voting capacity to total external voting capacity	Number of C-external members	Number of individual external members
Not more than 5 per cent	None	Six
More than 5 per cent but not more than 10 per cent	One	Five
More than 10 per cent but not more than 36 per cent	Two	Four
More than 36 per cent but not more than 64 per cent	Three	Three
More than 64 per cent but not more than 90 per cent	Four	Two
More than 90 per cent but not more than 95 per cent	Five	One
More than 95 per cent	Six	None

- 2.3 ~~No external member of the Council shall vacate office by reason only of the fact that the proportion of total C external voting capacity to total external voting capacity at any time during his term of office differs from that which applied to the election at which he was elected to the Council.~~

Part 3 Duties and responsibilities of Council members

Duties

- 3.1 A member of the *Council* must –
- (a) act in accordance with the Lloyd's Acts 1871-1982, the *requirements of the Council* including these *constitutional requirements*; and
 - (b) only exercise powers for the purposes for which they are conferred.
- 3.2 A member of the *Council* must act in the way he considers, in good faith, would be most likely to promote the success of the *Society* for the benefit of the *members* as a whole and in accordance with the *Objects of the Society* and in so doing have regard (amongst other things) where relevant and so far as reasonably practicable, to –
- (a) the likely consequences of any decision in the long term;
 - (b) the need of the *Society* –
 - (i) to foster business relations with those who do business at Lloyd's;
 - (ii) to have regard to the interests of its employees;
 - (iii) to consider the impact of its operations on the community and the environment;
 - (iv) to maintain a reputation for high standards of business conduct;
 - (c) the need to act fairly as between different *members* and categories or classes of *members* who may have different interests; and
 - (d) the *Council's governance policies* and such strategies which may from time to time be adopted by the *Council*.

Responsibilities

- 3.3 A member of the *Council* must exercise independent judgment and must exercise reasonable care, skill and diligence which means the care, skill and diligence that would be exercised by a reasonably diligent member of the *Council* with –

- (a) the knowledge, skill and experience that may reasonably be expected of a member of the *Council*; and
- (b) any additional or particular knowledge, skill or ability that the member of *Council* in fact has.

Conflicts of interest

- 3.4 For the purposes of paragraph 3.5 to 3.6 a conflict of interest shall mean a situation in which a member of *Council* has, or can have, a direct or indirect interest that conflicts, or is likely to conflict, with the interests of the *Society* other than by reason that the matter affects the general interests of those members with the right to vote for that member of *Council*.
- 3.5 A member of *Council* must declare a conflict of interest in advance of the matter being considered by the *Council* in accordance with such procedures as the *Council* may from time to time prescribe and the *Council* member shall not participate in a decision of the *Council* unless the *Council* otherwise agrees.
- 3.6 A member of *Council* shall avoid situations such that he would not be able to participate in a significant number of decisions of the *Council* by reason of a conflict of interest.

Collective responsibility

- 3.7 A member of the *Council* shall not publicly disagree with a decision reached by the *Council* unless the *Council* gives prior permission to that member of the *Council*.

Confidentiality and publication

- 3.8 Discussions at meetings of the *Council* and any record of discussions will remain in confidence unless the *Council* determines otherwise either generally or in respect of a specific matter and the *Council* member shall not use or disclose confidential information he receives in his capacity as a *Council* member for any purpose other than with respect to his duties and responsibilities as a *Council* member (other than where the *Secretary to the Council* has agreed in writing that he may use or disclose that confidential information).

Undertakings

- 3.9 The *Council* may require each member of the *Council* to provide an undertaking or declaration in such form and in such terms as the *Council* may require, including an undertaking or declaration to ensure that the member of the *Council* maintains suitable standards of conduct and confidentiality when acting as a member of the *Council*.

Part 4 Council proceedings

Council's authority to manage the Society

- 4.1 In accordance with Section 6(2), Lloyd's Act 1982, the *Council* –
- (a) shall have the management and superintendence of the affairs of the *Society* and the power to regulate and direct the business of insurance at Lloyd's; and
 - (b) may exercise all the powers of the *Society*.

Delegation and acting by

- 4.2 The *Council* may, by *special resolution*, delegate the exercise of such of its powers and functions as are not required to be exercised by *special resolution* to any one or more of the following -
- ~~(a) the *Franchise Board*;~~
 - (b) committees, sub-committees or other bodies of persons (whose members need not be *members*);
 - (c) any employee or officer of the *Society*; or
 - (d) any other person (whether or not a *member*)

and such delegation may be made to such an extent and on such conditions or subject to such restrictions as the *Council* considers appropriate.

- 4.3 A delegation under paragraph 4.2 may be amended or revoked by *special resolution* of the *Council* and shall not prevent the exercise of a power or performance of a function by the *Council* itself.
- 4.4 Nothing in paragraphs 4.2 and 4.3 shall operate to limit the power of the *Council* to act by persons, committees, sub-committees or other bodies of persons whose members may include persons who are not *members*, or by the employees or officers of the *Society*. The *Council* may appoint such agents and may at any time withdraw or revoke any appointment as agent in whole or part, or alter the terms of such appointment.
- 4.5 A delegation under paragraph 4.2 or an agency appointment under paragraph 4.4 may permit sub-delegation or a sub-agency appointment in respect of the exercise of that power or function.

- 4.6 The *Council* may make rules of conduct and procedure for anyone to whom it delegates powers and functions under paragraph 4.2 (or to whom those powers and functions have been sub-delegated) and any agent through whom the *Council* acts under paragraph 4.4.

Chairman and Deputy Chairmen

- 4.7 The *Council* shall annually elect by *special resolution* from among the members of the *Council* (other than the **Chief Executive Officers**) a Chairman of the *Council*, who shall be called the “Chairman of Lloyd’s”, and two or more Deputy Chairmen of the *Council*, each of whom shall be called a “Deputy Chairman of Lloyd’s”. Subject to paragraph 4.8, a person elected as Chairman or Deputy Chairman of Lloyd’s may, but need not, be a *member* of the *Society*.
- 4.8 Where the person elected as Chairman of Lloyd’s is not a *working member of the Society*, at least one of the Deputy Chairmen must be elected from among the *working members of the Council*.
- 4.9 Meetings of the *Council* shall be chaired by the Chairman of Lloyd’s, a Deputy Chairman of Lloyd’s or such other member of the *Council* as the *Council* may determine.

Notice of meetings

- 4.10 The *Council* shall meet at such intervals and at such times as it may determine from time to time or when a meeting of the *Council* has been called by the Chairman of Lloyd’s, a Deputy Chairman of Lloyd’s, or by any five members of the *Council*. Where a meeting of the *Council* is so called the *Secretary to the Council* shall give notice of that meeting in accordance with paragraph 4.11.
- 4.11 A meeting is called by giving reasonable notice, and not less than 24 hours’ notice, of the meeting to members of the *Council* and notice of the meeting –
- (a) must indicate the proposed date, time and place of the meeting;
 - (b) subject to sub-paragraph (c) below, must be given to each member of the *Council*, but need not be in writing;
 - (c) need not be given to a member of the *Council* to whom it is not reasonably possible to give reasonable notice.

- 4.12 In fixing the date and time of any *Council* meeting, the *Council* or the *person* calling the meeting must try to ensure, subject to the urgency of any matter to be decided by the *Council* and the period of notice to be given, that as many *Council* members as practicable are likely to be available to participate in the meeting.

Participation in meetings

- 4.13 Subject to these *constitutional requirements*, members of the *Council* participate in a *Council* meeting, or part of a *Council* meeting, when –
- (a) the meeting has been called and takes place in accordance with these *constitutional requirements*; and
 - (b) they can each communicate to the others any information or opinions they have on any particular item of the business of that meeting.
- 4.14 In determining whether members of the *Council* are participating in a *Council* meeting, it is irrelevant where any member of the *Council* is or how they communicate with each other.
- 4.15 If all the members of the *Council* participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is.

Quorum

- 4.16 The quorum for *Council* meetings shall be ~~nine~~ seven members of the *Council*, of which at least three shall be *nominated members of the Council* and at least 3 shall be members of the Council who are not nominated members of the Council, save that a resolution may only be made in accordance with the provisions at paragraphs 4.19 to 4.21 below.
- 4.17 A member of the *Council* who, in accordance with paragraph 3.5 may not participate in a decision of the *Council* shall not be counted for quorum or voting purposes.
- 4.18 At a *Council* meeting, unless a quorum is participating (in accordance with paragraphs 4.13 to 4.15), no proposal shall be voted on, except a proposal to call another meeting.

Resolutions made at a meeting

4.19 Each member of the *Council* participating in a *Council* meeting has one vote.

4.19A If, following discussion of a matter at a *Council* meeting, 6 or more members of the *Council* participating in the discussion consider that the matter should be subject to market consultation before a decision is made on it, the *Council* shall-

(a) put that matter to the board of the relevant market association for discussion or to such appropriate market consultation as the *Council* shall agree having regard to any previous consultation, the market participants affected by the decision and the urgency of the matter; and

(b) take account of the feedback to the consultation when the matter is brought back to *Council* for decision. The provisions of this paragraph cannot be reapplied to that decision.

4.20 An ordinary resolution is made at a *Council* meeting when a majority of the members of the *Council* participating in the *Council* meeting vote in favour of the resolution.

4.21 A *special resolution* is made at a *Council* meeting when a majority of both –

- (a) all the *working members of the Council* for the time being; and
- (b) all the members for the time being of the *Council* who are not *working members of the Council*;

vote in favour of the resolution.

Resolutions not made at a meeting

4.22 A *Council* written resolution may be proposed by the Chairman of Lloyd's, a Deputy Chairman of Lloyd's or by any five members of the *Council*.

4.23 A *Council* written resolution is proposed by giving notice in writing of the proposed resolution to each member of the *Council*.

4.24 Notice of a proposed *Council* written resolution must set out –

- (a) the proposed resolution; and
- (b) the time by which it is proposed that the members of the *Council* should adopt it.

4.25 A *Council* written resolution is made when –

- (a) in the case of a *special resolution*, it is agreed by a majority of both all the *working members of the Council* for the time being and all the members for the time being of the *Council* who are not *working members of the Council*; or
- (b) in any other case, it is agreed by not less than ~~nine~~ seven members of the *Council* of which at least three ~~shall be~~ who are not *nominated members of the Council*,

save that where any member of the *Council* objects to a decision being made pursuant to this paragraph, the proposed resolution shall be referred to the next meeting of the *Council*.

- 4.26 Once a *Council* written resolution has been adopted, it shall be treated as if it had been a decision taken at a meeting of the *Council*.

Discretion to make further rules

- 4.27 Subject to these *constitutional requirements*, the *Council* may make any rule which it thinks fit in respect of how it takes decisions and the conduct of meetings of the *Council*.

Part 5 Election and appointment of Council members

Terms of office

- 5.1 The term of office of a member of the *Council*, other than the members of the *Council* who ~~is~~ are the Chief-Executive Officers, shall be a period of three years other than where –
- (a) by reason of paragraph 5.27 of these *constitutional requirements* the member of *Council* may only serve a shorter period; or
 - (b) prior to the commencement of the term of office the *Council* sets a shorter period,

and the term of office of any member of the *Council* shall not be extended during that term of office.

External and working members

Elections

- 5.2 Subject to these *constitutional requirements*, the *Council* may from time to time make such rules, directions or requirements as it thinks fit for the proper and orderly conduct of an election in respect of any vacancy or vacancies that arise or are due to arise on the *Council*.

Timetable for elections

- 5.3 The *Council* shall set a timetable in respect of an election in respect of any vacancy that has arisen or is due to arise on the *Council* which shall include –
- (a) the date on which it shall send the *notice of election* to members in respect of the vacancy that has arisen or is due to arise on the *Council*;
 - (b) the date by which nomination forms are to be received from candidates in order to be valid (the “*nominations date*”) which date shall not be less than 14 days from the date on which the *notice of election* was sent;
 - (c) the date by which the *Council* shall send notice to members of the names of the eligible candidates who are standing in a contested election (the “*notice of candidates date*”);
 - (d) if relevant, the day on which each *external member’s voting capacity* for the purpose of the ballot shall be determined (“*the voting record date*”); and

- (e) the date by which completed ballot papers shall be received in order to be eligible to be counted for the purposes of the election (the “*ballot date*”) which date shall be not less than 28 days from the *notice of candidates date*.

Notice of election

- 5.4 *Notice of election* shall be sent to each *member* of the *Society* who is a *member* of the *Society* on the date that the *notice of election* is due to be sent save that *notice of election* need not be sent to a *member* who will cease to be a *member* on or before the *ballot date*.
- 5.5 The *notice of election* shall be in such form and contain such matters as the *Council* may determine which may include (without limitation) –
 - (a) a description of the number and class or category of vacancies on the *Council* in respect of which there is to be an election, and the date on which the term of office for each vacancy commences and the period of each term of office;
 - (b) details of the place at which nomination forms can be obtained and the *nominations date*; and
 - (c) the *ballot date*.

Eligibility for election to Council

- 5.6 Any *member* who is eligible to receive a *notice of election* and who, as at the date the *Council* is to send the *notice of election*, is –
 - (a) a *working member of the Society* may (subject to being nominated in accordance with paragraph 5.11) stand for election as a *working member of the Council*;
 - (b) an *individual external member of the Society* may (subject to being nominated in accordance with paragraph 5.12) stand as a candidate for election as an *individual external member of the Council*;
 - (c) a *C-external member of the Society* may (subject to being nominated in accordance with paragraph 5.13) stand as candidate for election as a *C-external member of the Council*.

Nominated representative of a corporate member

- 5.7 A *corporate member* who is standing for election shall notify the *Secretary to the Council* of the name of an individual who is a member of its governing body (or in the case of a partnership, is a partner in the partnership or is a member of the governing body of a body corporate which is a general partner in the partnership) and which the *corporate member* has authorised to be its nominated representative and who will, if the *corporate member* is elected, act as its nominated representative on *Council*. A *corporate member* shall not authorise an individual to be its nominated representative where that individual –
- (a) is the nominated representative of another *corporate member* that is a member of the *Council* or is the nominated representative of another *corporate member* that is standing for election to the *Council*;
 - (b) is or will be a member of the *Council*; or
 - (c) is or will be ineligible to act as the corporate member's nominated representative by reason of the operation of paragraph 5.27, or where any of the circumstances at paragraph 5.28 would apply if the nominated representative were a member of the *Council*.
- 5.8 A nominated representative of a *corporate member of the Council* has the same rights, duties and responsibilities, in relation to any *Council* meeting or a *Council* written resolution, as a member of the *Council*.

Nominations

- 5.9 No *person* shall be nominated for election as a member of *Council* without that *person's* written consent.
- 5.10 No *person* shall be nominated for election as a member of *Council* where that *person* would, if elected, be ineligible to be a member of the *Council* by reason of the operation of paragraph 5.27 of these *constitutional requirements* or where any of the circumstances at paragraph 5.28 apply or would apply if the *person* were elected.
- 5.11 A *working member* of the *Society* must be nominated for election as a *working member of the Council* by [46] other *members* of the *Society* who are registered as *working members of the Society* on the *nominations date*.
- 5.12 An *individual external member of the Society* must be nominated for election as an *individual external member of the Council* by [46] other *individual external members*

of the Society who are registered as *external members of the Society* on the *nominations date*.

5.13 A *C-external member of the Society* must be nominated for election as a *C-external member of the Council* by one or more *external members of the Society* who –

- (a) are *C- external members of the Society* who are registered as *external members of the Society* on the *nominations date*; and
- (b) who singly (or together) hold as at the *nominations date* 2% or more of the *voting capacity* attributable to all *C-external members*.

5.14 Nominations for election shall be submitted in such form and contain such information, details of interests and undertakings as the *Council* may require of the candidate and, where relevant, of its nominated representative.

Uncontested election

5.15 If, prior to the *ballot date* the number of eligible candidates validly nominated for election as a *working member of the Council*, an *individual external member of the Council* or a *C-external member of the Council* (as the case may be) does not exceed the number of vacancies for such a class or category, the candidates who have been nominated for that class or category shall be declared to be elected by the independent scrutineer appointed under paragraph 7.1. The declaration concludes the election for that class or category of member of the *Council*.

5.16 If, in any election, a vacancy is not filled, the *Council* shall declare that there remains a vacancy and the Council shall set a timetable for an election in respect of that vacancy in accordance with the provisions at paragraph 5.3.

Ballot papers

5.17 In the case of a contested election the *Council* shall on the *notice of candidates date* make available to each *member* who was given *notice of election* –

- (a) a ballot paper containing names of the eligible candidates nominated;
- (b) particulars of each eligible candidate nominated (and where relevant its nominated representative) including–
 - (i) any statement identifying any periods during which the candidate or its nominated representative was a member of the Council, a nominated

- representative of a *corporate member* or a member of the *Franchise Board*; and
- (ii) a statement (not exceeding 400 words) that the candidate may wish to make concerning his candidature; and
- (c) information regarding how and when the ballot paper is to be received-

Voting

5.18 In the election of a *C-external member of the Council* –

- (a) each *C-external member of the Society* shall have 1000 votes for every £500,000 or part thereof of *voting capacity* attributable to that *C-external member of the Society* on the *voting record date*; and
- (b) each *external individual member of the Society* shall have 1 vote for every £500,000 or part thereof of *voting capacity* attributable to that *external individual member of the Society* on the *voting record date*.

5.19 In the election of an *individual external member of the Council* –

- (a) each *individual external member of the Society* shall have 1000 votes for every £500,000 or part thereof of *voting capacity* attributable to that *individual external member of the Society* on the *voting record date*; and
- (b) each *C-external member of the Society* shall have 1 vote for every £500,000 or part thereof of *voting capacity* attributable to that *C-external member of the Society* on the *voting record date*.

5.20 In the election of a *working member* of the *Council* each *working member of the Society* shall have one vote.

5.21 Any vote cast by a *member* shall not be counted if, before the *ballot date*, that *member* ceases to be a *member* of the *Society*.

Results

5.22 The independent scrutineer appointed under paragraph 7.1 shall report the result of the election and declare the *member* duly elected.

5.23 If in any ballot any two or more candidates receive an equal number of votes, the election shall be determined by lot by the *Secretary to the Council* and such determination shall be final and binding for all purposes.

5.24 Where there are two or more vacancies for the same class or category of *Council* membership and one of those vacancies is for a shorter period of office, the identity of the candidate whose term of office will be for the shorter period shall be the elected candidate with the fewer or fewest votes or in the event of a tie or where the candidates have been declared elected in accordance with paragraph 5.15 above shall –

- (a) be determined by agreement between the candidates; or in the absence of such agreement
- (b) be determined by lot by the *Secretary to the Council* and such determination shall be final and binding for all purposes.

Nominated Members

Appointment of nominated members

5.25 A *person* who –

- (a) is a *member* of the *Society*; or
- ~~(b) is a director, partner, shareholder or controller of a member;~~
- ~~(c) is a director or partner in an underwriting agent or an insurance broker that places insurance business with a managing agent;~~
- ~~(d) exercises significant influence over or holds 3% or greater of the shares in an underwriting agent or an insurance broker that places insurance business with a managing agent; or~~
- ~~(e)~~ is an *annual subscriber*,

shall not be eligible for appointment as a *nominated member*.

5.26 The appointment of a *nominated member* of *Council* shall be by *special resolution* of the *Council*.

Re-election and re-appointment

5.27 No *person* who has served in one or more of the following roles –

- (a) a *nominated member* (other than an Executive Officer);
- (b) a *working member* of the *Council*;
- (c) an *individual external member* of the *Council*;
- (d) a *C-external member* of the *Council*;

- (e) as a nominated representative of a *corporate member* of the *Council*; or
- (f) as a member of the *Franchise Board*

for a period of more than 9 years in aggregate (whether or not such periods of service were consecutive) shall be eligible for election, re-election, appointment or re-appointment to the *Council*, or for service as a nominated representative of a *corporate member* of the *Council*, for a term commencing sooner than three years after the expiry of his previous last term or of the term of the *Corporate member* that he was representing. On any subsequent re-election or re-appointment as a member of *Council* the first term for which he is re-elected or re-appointed following a period out of office shall be treated for the purposes of this paragraph as his first term as a member of *Council*.

5.27 ~~No person shall be eligible to serve as a member of the *Council*, a nominated representative of a *corporate member* of *Council*, or as a *Non-Executive Director* of the *Franchise Board* if that person has served in one or more of the following roles—~~

- ~~(a) as a member of the *Council*;~~
- ~~(b) as a nominated representative of a *corporate member* of *Council*;~~
- ~~(c) as a member of the *Franchise Board* (whether as an *Executive Director* of the *Franchise Board* or a *Non-Executive Director* of the *Franchise Board*)~~

~~for a period of more than 9 years in aggregate (whether or not such periods of service were consecutive) unless that person~~

- ~~(i) is the Chief Executive Officer; or~~
- ~~(ii) has sought and obtained permission of the *Council*, by special resolution, to serve as a member of the *Council*, a nominated representative of a *corporate member* of *Council*, or as a *Non-Executive Director* of the *Franchise Board* for a period in excess of 9 years in aggregate.~~

Cessation and disqualification from Council

5.28 The *Secretary to the Council* shall declare that a member of *Council* has ceased to be a member of *Council* if –

- (a) the *Council* member has given written notice of resignation to the *Secretary to the Council* and such resignation shall take effect in accordance with its terms;
- (b) the *Council* member has been declared insolvent or bankrupt;
- (c) the *Council* member is prohibited from being or acting as a director of a company by law;
- (d) a registered medical practitioner has given a written opinion to the *Secretary to the Council* stating that the *Council* member has become incapable of acting as a *Council* member and is likely to remain so for more than three months;

- (e) by reason of that *Council* member's mental health, an order is made which wholly or partly prevents that member from personally exercising any powers or rights which he would otherwise have;
- (f) in the case of a *working member of the Council* the member has ceased to be a *working member of the Society*;
- (g) in the case of an *external member of the Council* the member has ceased to be an *external member of the Society*;
- (h) in the case of a *nominated member of the Council* the member has ceased to be eligible to be a *nominated member of the Council* in accordance with paragraph 5.25; or
- (i) the *Council* member is a *working member of the Council* or an *external member of the Council* and becomes connected with another *working member of the Council* or an *external member of the Council*. For the purposes of this sub-paragraph two such members of the *Council* are connected where -
 - (a) they are companies in the same corporate group which corporate group includes a *corporate member*, an *underwriting agent* or a *Lloyd's broker*;
 - (b) they are directors or employees in the same corporate group which corporate group includes a *corporate member*, an *underwriting agent* or a *Lloyd's broker*; or
 - (c) one member of the *Council* is a director, partner, employee, agent or controller of or in the other member of the *Council*;

and the member of the *Council* that shall be declared to cease to be a member of the *Council* shall be the member of the *Council* with the longer term of office to continue (or otherwise shall be determined by lot drawn by the *Secretary to the Council* and such determination shall be final and binding for all purposes).

5.29 The *Council* may declare that a member of the *Council* shall cease to be, or shall be suspended as, a member of the *Council* if –

- (a) the member has been convicted of a crime which, in the opinion of the *Council*, involves dishonesty or lack of good faith or otherwise merits cessation of membership of the *Council*;
- (b) the member has been subject to an adverse finding in any *enforcement proceedings* or proceedings brought by any regulator or professional body which, in the opinion of the *Council*, merits cessation of membership of the *Council*; or
- (c) the member ceases to meet any applicable requirements of the *Financial Services Authority* that relate to his membership of the *Council*; or

- (d) in the case of a *nominated member of Council* a notice of no confidence has been served on the *Secretary to the Council* signed by all the other *Council* members.
- 5.30 A notice of no confidence in respect of an *external member of the Council* or a *working member of the Council* may be served on the *Secretary to the Council* where that notice has been signed by all the other *Council* members. In those circumstances the *Council* member's membership of the *Council* shall be subject to an election held in accordance with these *constitutional requirements* as if a vacancy had arisen (although for the avoidance of doubt the member of *Council* in respect of whom a notice of no confidence has been served shall remain a member of the *Council* until the results of that election are reported). In the event that –
- (a) the *Council* member is not elected at that election his membership of *Council* shall at that time cease;
 - (b) the *Council* member is elected at that election he may serve the remainder of the term of office when the notice of no confidence was served.
- 5.31 Other than where paragraph 5.30 applies, where a *working member of the Council* or an *external member of the Council* ceases for whatever reason to be a member of the *Council* prior to that member's term of office having expired, the *Council* shall as soon as reasonably practical, and in any event not later than 3 months after the date that the vacancy arose, send *notice of election to members* in respect of that vacancy and set a timetable for the election in accordance with the provisions at paragraph 5.3.
- 5.32 Where an individual nominated by a *corporate member of the Council* as its nominated representative ceases to be its appointed nominated representative or ceases to be eligible to be its nominated representative in accordance with paragraph 5.7 –
- (a) the member of the *Council* shall be required within 28 working days to nominate another eligible individual to be its nominated representative and inform the *Secretary to the Council* of the identity of the new nominated representative; and
 - (b) a vacancy shall be deemed to have arisen in respect of the *corporate member of the Council* in question on 31 January next following the date that the first nominated representative ceased to be the *corporate member's* nominated representative or ceased to be eligible to be the *corporate member's* nominated representative (or such earlier date as the *Council* may determine) and the *Council* shall set a timetable for the election in accordance with the provisions at paragraph 5.3.

Remuneration

5.33 Members of the *Council* are entitled to such remuneration for their services as the *Council* may determine –

- (a) for their general services to the *Society* as members of the *Council*; and
- (b) for any specific services which they undertake for the *Society*,

save that the *Council* may determine not to pay such sums to any individual or class or category of member of the *Council*. The *Council* may decide to pay different sums to different classes or categories of *Council* member and to the Chairman of Lloyd's or a Deputy Chairman of Lloyd's and to the **Chief Executive Officers**.

5.34 Unless the *Council* decides otherwise, members of the *Council* are not accountable to the *Society* for any remuneration in any other capacity.

Council members' expenses

5.35 The *Council* shall pay any reasonable expenses which a *Council* member properly incurs in connection with the exercise of his powers and the discharge of his responsibilities in relation to the *Society*.

Legal advice

5.36 Where a *Council* member considers that he requires independent advice in his capacity as a *Council* member, the *Council* member shall first liaise with the *Secretary to the Council* or the Chairman of Lloyd's or a Deputy Chairman of Lloyd's prior to obtaining that advice. Following that the Chairman of Lloyd's, or a Deputy Chairman of Lloyd's, may direct the *Secretary to the Council* to arrange for the provision of the independent advice and any reasonable costs reasonably incurred will be reimbursed by Lloyd's.

Part 6 Decision making by members

Resolutions at general meetings

General provisions about resolutions at meetings

- 6.1 A resolution of the *members* may only be passed at a *general meeting* in accordance with Lloyd's Acts 1871 to 1982 and these *constitutional requirements*.
- 6.2 No resolution may be moved at a *general meeting* unless notice is given in accordance with these *constitutional requirements*.

Calling Meetings

Council's power to call general meetings and requirement to call an Annual General Meeting

- 6.3 Subject to these *constitutional requirements* the *Council* –
- (a) may call a *general meeting* of the *Society*; and
 - (b) shall call a *general meeting* of the *Society* as the *annual general meeting* to be held not **before 1 May or** later than 30 June of each year.

Members' power to require the Council to call a general meeting

- 6.4 The *Council* is required to call a *general meeting* once the *Council* has received requests to do so either –
- (a) from –
 - (i) members constituting at least 10% by number of the *members* of the *Society*; or
 - (ii) any number of *members* of the *Society* to whom in the aggregate there is attributable at least 10% of *total voting capacity*;
 - or
 - (b) where notice is served upon the *Council* in accordance with section 6(4) of Lloyd's Act 1982.
- 6.5 A request under paragraph 6.4 must –

- (a) be in hard copy form or electronic form;
- (b) state the nature of the business to be dealt with at the meeting;
- (c) include the text of a resolution that may properly be moved and is intended to be moved at the meeting; and
- (d) be authenticated by each of the *members* requesting the meeting.

Notice required of general meeting

6.6 Where the *Council* calls a *general meeting* of the *Society* under paragraph 6.3 it shall give notice to the *members* –

- (a) in the case of an *annual general meeting*, at least 28 days prior to the meeting; and
- (b) in any other case, at least 14 days prior to the meeting.

6.7 Where the *Council* is required under paragraph 6.4 to call a *general meeting* of the *Society*, it shall –

- (a) call that meeting by giving notice of that *general meeting* to the *members* within 21 days from the date on which the *Council* became subject to the requirement; and
- (b) hold the meeting on a day no more than 28 days after the *Council* has called the *general meeting*.

Persons entitled to receive notice of meetings

6.8 Notice of a *general meeting* of the *Society* must be sent to every *member* of the *Society* whose name is shown in the *Register of Members* on the date of the notice.

Content of notice of meetings

6.9 Notice of a *general meeting* of the *Society* shall –

- (a) state whether the meeting will be an *annual general meeting*;
- (b) provide the time, date and place of the meeting; and
- (c) set out in full the text of all resolutions intended to be moved at the meeting and include, where relevant, a polling card.

6.10 A notice of a *general meeting* shall include a statement informing the *member* of the *Society* of his right to appoint another *member* of the *Society* or a member of the *Council* as his proxy to exercise all or any of his rights to attend and speak and vote at

the *general meeting* of the *Society* and shall include the *proxy notification address* (paragraph 6.24).

Members' statements prior to a general meeting

6.11 The *Council* shall, where it has received requests to do so from –

- (i) members constituting at least 10% by number of the *members* of the *Society*;
or
- (ii) any number of *members* of the *Society* to whom in the aggregate there is attributable at least 10% of *total voting capacity*,

circulate to each *member* of the *Society* entitled to receive notice of a *general meeting* called under paragraph 6.3 or 6.4 a statement of not more than 1,000 words with respect to –

- (a) a matter referred to in a proposed resolution to be dealt with at that meeting; or
- (b) other business to be dealt with at that meeting.

6.12 A request under paragraph 6.11 –

- (a) must be in hard copy form or in electronic form;
- (b) must set out the statement to be circulated;
- (c) be authenticated by each of the *members* of the *Society* making it; and
- (d) must be received by the *Secretary to the Council* at least one week before the meeting to which it relates.

Members' power to require circulation of resolution for AGM

6.13 The *Council* shall, where it has received requests to do so from –

- (i) members constituting at least 10% by number of the *members* of the *Society*;
or
- (ii) any number of *members* of the *Society* to whom in the aggregate there is attributable at least 10% of *total voting capacity*,

give to each *member* of the *Society* entitled to receive notice of the next *annual general meeting* notice of a resolution which may properly be moved and is intended to be moved at that meeting.

6.14 A request under paragraphs 6.13 –

- (a) must be in hard copy form or in electronic form;
- (b) must identify the resolution to be circulated;
- (c) be authenticated by each of the *members* of the *Society* making it; and
- (d) must be received by the *Secretary to the Council* not later than 1 April prior to the *annual general meeting* at which it is proposed that the resolution be considered.

Council's duty to circulate members' statement and members' resolutions

6.15 The *Council*, when required under paragraphs 6.11 or 6.13 to circulate a *members' statement* or to give notice of a resolution, shall send a copy of it to each *member* of the *Society* entitled to receive notice of the meeting –

- (a) in the same manner as the notice of the meeting; and
- (b) at the same time as, or as soon as reasonably practicable after, it gives notice of the meeting.

Expenses of circulating members' statement

6.16 The expenses of the *Council* in complying with a request under paragraph 6.11 shall be met by the *members* who requested the circulation of the *members' statement* unless –

- (a) the statement is to be circulated for consideration at an *annual general meeting*; or
- (b) the *Council* determines otherwise

and the *Council* may require before it complies with that request the deposit of a sum reasonably sufficient to meet its expenses in doing so.

Proxies

Right to appoint proxies

- 6.17 A *member* of the *Society* is entitled to appoint another *member* of the *Society* or a member of the *Council* (but no other *person*) as his proxy to exercise all or any of his rights to attend and to speak and vote at a *general meeting* including any adjournment of that *general meeting*.
- 6.18 The appointment of a proxy to vote on a matter at a meeting of the *Society* authorises the proxy to demand, or join in demanding, a poll on that matter.
- 6.19 A proxy must vote in accordance with any instructions given by the member by whom the proxy is appointed.

Content of proxy notices

- 6.20 Proxies may only validly be appointed by a notice in writing (a “*proxy notice*”) which –
- (a) states the name and address of the *member* of the *Society* appointing the proxy;
 - (b) identifies the *person* appointed to be that *member* of the *Society*’s proxy and the *general meeting* in relation to which that *person* is appointed;
 - (c) is signed by or on behalf of the *member* of the *Society* appointing the proxy, or is authenticated in such manner as the *Council* may determine; and
 - (d) is delivered in accordance with the *constitutional requirements* and any instructions contained in the notice of the *general meeting* to which they relate, and received by such *person* or at such place as the *Council* may from time to time require.
- 6.21 The *Council* may require a *proxy notice* be received in a particular form, and may specify different forms for different purposes.
- 6.22 A *proxy notice* may specify how the proxy appointed under it is to vote (or that the proxy is to abstain from voting) on one or more resolutions.
- 6.23 Unless a *proxy notice* indicates otherwise, it must be treated as –
- (a) allowing the *person* appointed under it as a proxy discretion as to how to vote on any ancillary or procedural resolutions put to the *general meeting*; and

- (b) appointing that *person* as a proxy in relation to any adjournment of the *general meeting* to which it relates as well as the *general meeting* itself.

Delivery of proxy notices

- 6.24 Any notice of a *general meeting* must specify the address or addresses (“*proxy notification address*”) at which the *Council* will receive *proxy notices* relating to that meeting, or any adjournment of it, and identify whether they are to be received by the *Council* in hard copy or electronic form.
- 6.25 A *member* of the *Society* who is entitled to attend, speak or vote at a *general meeting* remains so entitled in respect of that meeting or any adjournment of it, even though a valid *proxy notice* has been received by the *Council* by or on behalf of that *member* of the *Society*, although the *member* attending, speaking or voting invalidates that *proxy notice*.
- 6.26 Where a *proxy notice* is given in relation to a *general meeting* or adjourned *general meeting*, it must be received at the *proxy notification address* not less than 48 hours before the *general meeting* or adjourned *general meeting* at which the *person* named in the *proxy notice* proposes to vote.

Termination of proxy's authority

- 6.27 The termination of the authority of a *person* to act as proxy does not affect –
 - (a) whether his attendance counts in deciding whether there is a quorum at a *general meeting*; or
 - (b) the validity of a vote cast by him or the validity of a poll demanded by him at a *general meeting*,

unless the *Secretary to the Council* or other *person* authorised by the *Council* receives notice of the termination in writing not less than twelve hours before the commencement of the *general meeting* or the adjourned *general meeting* or the time appointed for taking the poll to which his authority relates.

Representation of corporate members at meetings

Appointment of corporate member's representative

- 6.28 A *corporate member* may by resolution of its directors or its governing body authorise a *person* to act as its representative at any *general meeting* of the *Society*.
- 6.29 Evidence of authorisation, giving the name and title of the *person* authorised to act as a *corporate member's* representative must be received by the *Secretary to the Council* or other *person* appointed by the *Council* not less than 48 hours before the time of the *general meeting* in question. If evidence of authorisation is not received in accordance with this paragraph the *person* authorised shall not be entitled to act as the *corporate member's* representative at the *general meeting*.

Organisation of general meetings

Council to determine arrangements for meeting

- 6.30 The *Council* may determine when and where any *general meeting* is to be held and may, subject to these *constitutional requirements*, make such other arrangements or requirements that appear necessary or appropriate to ensure the orderly and fair conduct of the meeting.

Chairman of the meeting

- 6.31 The chairman of a *general meeting* shall be the Chairman of Lloyd's, a Deputy Chairman of Lloyd's or any other member of the *Council* appointed by the *Council* to act as chairman of such *general meeting*.
- 6.32 The chairman of the *general meeting* may make any arrangements for the conduct of the meeting including in respect of the security of the meeting.
- 6.33 The chairman of the *general meeting* shall ensure that discussion of any proposed resolution or any other business of the *general meeting* is kept within reasonable time, scope and conduct and may prohibit further consideration at the meeting of a particular matter once, in his opinion, such matter has been sufficiently debated and a fair cross-section of views has been heard. In particular no answer need to be given to a question asked at a *general meeting* if in the opinion of the chairman of the *general meeting*. –

- (a) to do so would –
 - (i) interfere unduly with the preparation for or conduct of the *general meeting*, or
 - (ii) involve the disclosure of confidential information;
- (b) the answer has already been given on a website in the form of an answer to a question; or
- (c) it is undesirable in the interests of the *Society* or the good order of the *general meeting* that the question be answered.

6.34 Any point of order shall (unless the chairman of the *general meeting*, in his absolute discretion, otherwise permits) be submitted in writing to the chairman of the *general meeting* in accordance with the procedures determined by him and his decision on any point of order shall be final.

Quorum at meetings

6.35 The quorum of *members* of the *Society* necessary for the holding of a *general meeting* shall be –

- (a) 100 *members* of the *Society* attending in person or by proxy or in the case of a *corporate member* its nominated representative or in the case of a deceased *member* his executor or personal representative; or
- (b) the number of *members* of the *Society* present in person or by proxy or in the case of a *corporate member* its nominated representative or in the case of a deceased *member* his executor or personal representative to which in the aggregate there is attributable at least 1% of the *total voting capacity* attributable to all *members* of the *Society* entitled to attend and vote at the meeting.

6.36 No business is to be transacted at a *general meeting* if the *persons* attending it do not constitute a quorum.

Attendance and speaking at general meetings

6.37 A *person* is able to exercise the right to speak at a *general meeting* when that *person* is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that *person* has on the business of the meeting.

- 6.38 A *person* is able to exercise the right to vote at a *general meeting* when –
- (a) that *person* is able to vote, during the meeting, on resolutions put to the vote at the meeting; and
 - (b) that *person*'s vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other *persons* attending the meeting.
- 6.39 The chairman of the meeting may make whatever arrangements he considers appropriate to enable those attending a *general meeting* to exercise their right to speak or vote at it.
- 6.40 In determining attendance at a *general meeting*, it is immaterial whether any two or more members of the *Society* attending it are in the same place as each other.
- 6.41 Two or more *members* of the *Society* who are not in the same place as each other attend a *general meeting* if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

Attendance by non-members

- 6.42 A *person* who is not a *member* of the *Society* or otherwise entitled to exercise the rights of a *member* in relation to *general meetings* may only attend and speak (but not vote) at a *general meeting* if the *person* –
- (a) is a member of the *Council*, ~~the Franchise Board~~, or is a director of the *Society* or is the *Secretary to the Council*; or
 - (b) has the permission of the Chairman of Lloyd's (or if different the chairman of the meeting).

Amendments to Resolutions

- 6.43 No amendment to a resolution may be considered or voted upon (other than a mere clerical amendment to correct a patent error) unless –
- (a) notice of the proposed amendment is received by the *Secretary to the Council* in writing by a *member* of the *Society* (or in the case of a *corporate member*, its representative) entitled to vote at the *general meeting* at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the chairman of the meeting may determine); and

- (b) the chairman of the meeting, in his absolute discretion, decides that the amendment may be considered and voted upon.

Adjournment

- 6.44 If the *persons* attending a *general meeting* within half an hour from the time appointed for the meeting do not constitute a quorum, or if during the *general meeting* a quorum ceases to be present, the chairman of the meeting shall adjourn it.
- 6.45 The chairman of the meeting in his discretion may adjourn a *general meeting* at which a quorum is present if –
- (a) the meeting consents to an adjournment;
 - (b) it appears to the chairman of the meeting that an adjournment is necessary to protect the safety of any person attending the meeting or to ensure that the business of the meeting is conducted in a proper and orderly manner; or
 - (c) in the view of the chairman of the meeting there has been a material change in the circumstances since the despatch of the notice calling the *general meeting* and it is in the interests of the *Society* that the business for which the meeting has been called should not proceed at the time for which the meeting has been called. A meeting adjourned under this sub-paragraph (c) shall be adjourned until such time as *members* of the *Society* have been adequately informed about the relevant material change in circumstances.
- 6.46 When adjourning a *general meeting*, the chairman of the meeting shall specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the *Council*.
- 6.47 When a continuation of an adjourned *general meeting* is to take place more than 14 days after it was adjourned, the *Council* must give at least seven clear days' notice of it (that is, excluding the day of the adjourned meeting and the day on which the notice is given) –
- (a) to the same persons to whom notice of the *general meeting* was required to be given; and
 - (b) containing the same information which such notice is required to contain.

Otherwise, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned *general meeting* if the chairman of the meeting has on the day of the *general meeting* specified the time and place to which the meeting will be adjourned.

- 6.48 No business may be transacted at an adjourned *general meeting* which could not properly have been transacted at the *general meeting* if the adjournment had not taken place.
- 6.49 Where a resolution is passed at an adjourned *general meeting*, the resolution is for all purposes to be treated as having been passed on the date on which it was in fact passed, and is not to be deemed passed on any earlier date.

Voting at general meetings

Voting - general

- 6.50 Only *members* in person or by proxy (or in the case of *corporate members* their nominated representatives or in the case of a deceased member his executor or personal representative) shall be entitled to vote on resolutions moved at *general meetings*.
- 6.51 A resolution put to the vote of a *general meeting* shall be decided on a show of hands unless a poll is taken on it in accordance with these *constitutional requirements*.

Declaration by chairman on a show of hands

- 6.52 On a vote on a resolution at a *general meeting* on a show of hands a declaration by the chairman of the meeting that the resolution –
- (a) has or has not been passed, or
 - (b) passed with a particular majority,

is conclusive evidence of that fact (other than where a poll is subsequently taken on that resolution).

Demanding a poll

- 6.53 A poll on a resolution at a *general meeting* may be demanded –
- (a) in advance of the *general meeting* where it is to be put to the vote; or
 - (b) at a *general meeting*, either before a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.
- 6.54 A poll on a resolution at a *general meeting* may be demanded by –

- (a) the chairman of the meeting;
- (b) the *Council*;
- (c) 50 or more *members* of the *Society* having the right to vote on the resolution;
or
- (d) a *corporate member* or *corporate members* representing in aggregate 2% or more of *voting capacity* attributable to all *members* other than *individual external members of the Society*.

6.55 A demand for a poll may be withdrawn if –

- (a) the poll has not yet been taken; and
- (b) the chairman of the meeting consents to the withdrawal.

Procedure on a poll

6.56 Subject to these *constitutional requirements*, polls at *general meetings* shall be taken at the end of the meeting or at such time as the chairman of the meeting in his discretion directs and the chairman of the meeting shall decide how and when the result of the poll is to be declared.

6.57 The result of a poll shall be the decision of the *general meeting* in respect of the resolution on which the poll was demanded.

6.58 A demand for a poll shall not prevent a *general meeting* from continuing as the chairman of the *general meeting* considers appropriate.

6.59 No notice need be given of a poll not taken immediately or at the end of the meeting if the time and place at which it is to be taken are announced at the meeting at which it is demanded. In any other case, at least seven days notice must be given specifying the time and place at which the poll is to be taken.

Voting on a poll

6.60 In any poll at a *general meeting* (other than a poll in respect of a *section 6(4) meeting*) each *member* shall have one vote for every £500,000 or part of £500,000 of *voting capacity* attributable to that *member*. The voting right for each *member* shall be calculated as at a *voting record date* determined by the *Council* which shall be not more than 48 hours before the time of the *general meeting*.

- 6.61 The *Secretary to the Council* may issue a certificate stating the voting entitlement of any *member* in relation to any *general meeting* which shall be conclusive evidence of the voting entitlement of the *member* to which it relates.

Errors and disputes

- 6.62 Any objection raised to the qualification of any *person* voting at a *general meeting* may only be raised at the meeting or adjourned meeting at which the vote objected to is tendered and any such objection shall be referred to the chairman of the meeting whose decision shall be final and binding.
- 6.63 If any votes are counted which ought not to have been counted, or might have been rejected, the error shall not vitiate the result of the voting unless it is pointed out at the same meeting, or at any adjournment thereof, and, in the opinion of the chairman of the meeting, it is of sufficient magnitude to vitiate the result of the voting.

Section 6(4) Meetings

Procedure

- 6.64 Where the *Council* is required to call a meeting in accordance with section 6(4) Lloyd's Act 1982 (a *section 6(4) meeting*) the notice of the meeting shall include a copy of the notice served on the *Council* in accordance with section 6(4)(a) Lloyd's Act 1982.
- 6.65 A resolution put to the vote at a *section 6(4) meeting* to revoke a byelaw or an amendment of a byelaw or to annul a revocation of a byelaw shall be decided by a poll in accordance with these *constitutional requirements* and each *member* shall have one vote.
- 6.66 A resolution passed in accordance with paragraph 6.65 shall only be passed where –
- (a) the resolution has been passed by a majority of *members* voting in *person* or by proxy or in the case of *corporate members* their nominated representatives or in the case of a deceased *member* by his executor or personal representative; and
 - (b) the number of *members* voting in favour of the resolution represents at least one third of the total membership of the *Society*.

- 6.67 The *Secretary to the Council* or other *person* authorised by the *Council* shall announce the result of a vote taken in accordance with paragraphs 6.65 and 6.66 .
- 6.68 The result shall be announced by a notice posted in the Room which shall state whether –
- (a) the requirements at paragraph 6.66 have been met; and
 - (b) the byelaw or amendment has been revoked or the revocation of the byelaw has been annulled.

Part 7 Miscellaneous

Independent scrutineer

- 7.1 In respect of any ballot to elect members of *Council* or at a poll taken at a *general meeting*, the *Council* shall appoint a *person* to be the independent scrutineer (who shall not a *member* or employee of the *Society*) to take the vote and report the result.

No requirement to forward defamatory, misleading or inaccurate information

- 7.2 The *Council* is not required to circulate any statement, notice, resolution or document that a *member* or *members* of the *Society* (including a candidate for election to the *Council*) has requested be circulated in accordance with these *constitutional requirements*, and a resolution may not be properly moved at a *general meeting*, if the *Council* considers that –
- (a) the rights conferred on *members* under these *constitutional requirements* are being abused;
 - (b) the statement, notice, resolution or document is –
 - (i) defamatory of any *person*;
 - (ii) inaccurate, false or misleading; or
 - (iii) frivolous or vexatious; or
 - (c) in the case of a resolution it would, if passed, be ineffective (whether by reason of inconsistency with Lloyd’s Acts 1871-1982 or otherwise).

Service of notice

Giving notice to the Council

- 7.3 Subject to the *constitutional requirements*, any notice or document to be sent or given by a *member* or *members* of the *Society* to be received by the *Council* under the *constitutional requirements* shall be sent or given to the *Secretary to the Council* or to such other *person* or *persons* as the *Council* may specify or authorise for receipt of that communication and by such means as the *Council* may permit.
- 7.4 For the purposes of this byelaw and throughout these *constitutional requirements*, the words “receipt”, “receive” and “received” by the *Council* or the *Secretary to the*

Council refer only to actual receipt by the *Council* or the *Secretary to the Council* or such other person as nominated by the *Council*.

Giving notice to members

7.5 Subject to the *constitutional requirements*, any notice or document to be sent or supplied by the *Council* to a *member* of the *Society* may be sent or supplied –

- (a) in hard copy form;
- (b) in electronic form; or
- (c) by means of a website (see paragraph 7.8 below)

or partly by one means and partly by another.

7.6 Anything sent or supplied to a *member* of the *Society* under the *constitutional requirements* shall be sent or supplied to that *member's* address as stated in the register of *members* of the *Society* or to his *members' agent* or in the case of a deceased *member* to his executor or personal representative, unless –

- (a) the *member* and the *Council* have agreed another means of communication is to be used; and
- (b) the *member* has supplied the *Council* with the information it needs in order to be able to use that other means of communication.

7.7 If pursuant to these *constitutional requirements* –

- (a) the *Council* sent or supplied three consecutive documents to a *member* over a period of at least 12 months; and
- (b) each of those documents is returned undelivered, or the *Council* receives notification that the documents have not been delivered,

that *member* ceases to be entitled to receive notices under these *constitutional requirements* until such time as the *member* provides a valid address.

7.8 When the *Council* notifies a *member* of the *Society* of the presence of a notice of a *general meeting* on the *Society's* website –

- (a) the notice shall be available on the *Society's* website during the period beginning with the date of that notification and ending with the conclusion of the meeting; and
- (b) the notification shall –

- (i) state that it concerns a notice of a *general meeting*;
- (ii) specify the place, date and time of the meeting; and
- (iii) state whether the meeting will be an *annual general meeting*.

Calculation of time periods

- 7.9 In calculating the periods mentioned in paragraphs 6.26, 6.29, 6.43 and 6.60 no account shall be taken of any day that is not a working day.

Errors

- 7.10 Where the *Council* sends, supplies or gives any notice or provides any document in accordance with these *constitutional requirements* any –

- (a) accidental failure to give notice or the document to a *person* or *persons*;
- (b) non-receipt of the notice or document by a *person* or *persons*; or
- (c) accidental error in the notice or document,

shall be disregarded for the purpose of determining whether the notice or document has been duly given and the result of any vote, poll or decision shall not be invalidated other than where the *Council* is satisfied that the failure to give notice or accidental error is material in that in the *Council's* opinion it would reasonably have affected the result of the vote, poll or decision.

- 7.11 No ballot to elect a member of *Council* or vote or poll taken at a *general meeting* shall be challenged or otherwise declared to be invalid by reason of any process of objection under Schedule 1 of Lloyd's Act 1982 or paragraph 15 of the Membership Byelaw (No 5 of 2005) not being determined or completed by the date of the ballot, vote, poll or decision or for any other reason relating to the classification of a *member* of the *Society*.

Records; Destruction and Inspection of documents

- 7.12 Records shall be kept of the proceedings of any election or *general meeting* and minutes shall be maintained of the proceedings of the *Council* and any such record of any vote, poll, decision or resolution shall be conclusive evidence of that fact.
- 7.13 Except as provided by law or authorised by the *Council* or by resolution of the *members* of the *Society*, no *person* is entitled to inspect any of the *Society's* accounting or other records or documents merely by virtue of being a *member*.

Common seal

- 7.14 The common seal of the *Society* may only be used with the authority of the *Council*. The *Council* may decide by what means and in what form the seal of the *Society* is to be used.
- 7.15 Unless otherwise decided by the *Council*, where the seal is affixed to a document, the document must also be signed and sealed by an authorised *person* in the presence of a witness who attests the signature. For the purposes of this paragraph, an authorised *person* is –
- (a) any member of the *Council*;
 - (b) the General Counsel of the *Society*, any director of the *Society* or the *Secretary to the Council*; or
 - (c) any *person* authorised by the *Council*, Chief Executive Officer, the General Counsel of the *Society* or the *Secretary to the Council*.

Indemnities

- 7.16 The *Council* may from time to time grant an indemnity to –
- (a) any member of the *Council*;
 - ~~(b) any member of the *Franchise Board*;~~
 - (c) any member of any committee of the *Council* ~~or *Franchise Board*~~;
 - (d) any employee of the *Society* or any employee of a subsidiary of the *Society*; and
 - (e) such other *person* or *persons* as the *Council* may from time to time determine,
- against such liability and in such form as the Chairman of Lloyd's, the General Counsel of the *Society*, the Chief Financial Officer ~~Finance Director~~ of the *Society* or the *Secretary to the Council* may determine.

Waiver

- 7.17 Subject to Lloyd's Acts 1871 – 1982, the *Council* may at any time, following reasonable notice to the *Financial Services Authority*, by *special resolution* waive any of these *constitutional requirements* provided -

- (a) the *Council* is satisfied that the legitimate interests of the *members* of the *Society* will not be unfairly prejudiced by that waiver and that the waiver is appropriate or necessary; and
- (b) no *Council* member objects to the waiver being made.

Part B – Revocations and definitions

Revocations

1. The following byelaws are revoked –
 - (a) the Suspension from Membership of the Council and any Sub-Committee Byelaw (No. 16 of 1983);
 - (b) the Council Byelaw (No. 18 of 1996);
 - (c) the Quorums and Appointments of Committees and Sub-Committees Byelaw (No. 8 of 1992); and
 - (d) the Annual and Extraordinary General Meetings Byelaw (No. 17 of 1996).

save that nothing in this byelaw shall affect the validity of any election, term of office, appointment, act or decision made or taken pursuant to the above byelaws and any election, term of office, appointment, act or decision made under those byelaws shall from 7 December 2010 be deemed to be an election, term of office, appointment, act or decision made pursuant to this byelaw and the *Council* may make such requirements or give such directions as may be necessary or appropriate to ensure the orderly transition between byelaws.

Definitions

2. The Definitions Byelaw (No. 7 of 2005) is amended by including in the appropriate alphabetical positions the definitions as set out in the following table –

Definition
“annual general meeting” means a <i>general meeting</i> called pursuant to paragraph 6.3(b) of the <i>constitutional requirements</i> .
“ballot date” means the date determined by <i>Council</i> pursuant to paragraph 5.3(e) of the <i>constitutional requirements</i> .
“C-external member of the Council” means an <i>external member of the Council</i> who is a <i>C-external member of the Society</i> .
“C-external member of the Society” means a <i>corporate member</i> who, for the purposes of the <i>constitutional requirements</i> , is not deemed to be an <i>individual</i>

Definition
<i>external member of the Society.</i>
“constitutional requirements” means the requirements set out in Schedule 1 of the Constitutional Arrangements Byelaw.
“corporate member of the Council” mean an <i>external member of the Council</i> who is a <i>corporate member</i> .
“external member of the Council” has the meaning provided by section 2(1) Lloyd’s Act, 1982.
“external member of the Society” has the meaning provided by section 2(1) Lloyd’s Act, 1982
“general meeting” means a general meeting of the <i>members</i> called pursuant to part 6 of the <i>constitutional requirements</i> .
<p>“individual external member of the Society” means, for the purposes of the <i>constitutional requirements</i> –</p> <p>(a) a <i>member</i> who is an individual; or</p> <p>(b) a <i>corporate member</i> whose <i>members</i> consist only of, or of nominees for, a single individual or a group of connected individuals (together with (i) in the case of a Scottish limited partnership, other persons who are either the general partner or a continuity limited partner in that partnership, or (ii) in the case of a limited liability partnership, other persons who are Non-Contributing Members of the limited liability partnership) shall be deemed to be an <i>individual external member of the Society</i> and not a <i>corporate member</i> and for the purpose of this definition only –</p> <p>(i) a “group of connected individuals” means a group of individuals each of whom is a director or manager of, or a partner in, or a <i>member</i> of, the <i>corporate member</i> or a close relative of any such person;</p> <p>(ii) “close relative” means an individual’s spouse, his children and his step-children, his parents and step-parents, his brothers and sisters and his step-brothers and step-sisters;</p> <p>(iii) “continuity limited partner” means a body corporate so designated in</p>

Definition
<p>the limited partnership agreement for any Scottish limited partnership whose partners include a continuity limited partner;</p> <p>(iv) “Non-Contributing Member” means a body corporate so designated in the members’ agreement of the limited liability partnership.</p>
<p>“individual external member of the Council” means an <i>external member of the Council</i> who is an <i>individual external member of the Society</i>.</p>
<p>“nominated member of the Council” has the meaning given in section 2(1) Lloyd’s Act, 1982.</p>
<p>“nominations date” means the date set by the <i>Council</i> pursuant to paragraph 5.3(b) of the <i>constitutional requirements</i>.</p>
<p>“notice of candidates date” means the date set by <i>Council</i> pursuant to paragraph 5.3(c) of the <i>constitutional requirements</i>.</p>
<p>“notice of election” means a notice of election issued pursuant to paragraphs 5.4 and 5.5 of the <i>constitutional requirements</i>.</p>
<p>“Objects of the Society” means the Objects as provided by section 4 Lloyd’s Act, 1911.</p>
<p>“proxy notice” has the meaning given in paragraph 6.21 of the <i>constitutional requirements</i>.</p>
<p>“proxy notification address” has the meaning given in paragraph 6.25 of the <i>constitutional requirements</i>.</p>
<p>“Register of Members” means the register of <i>members</i> kept and maintained by <i>Council</i> pursuant to Schedule 1 Lloyd’s Act, 1982.</p>
<p>“Secretary to the Council” means the <i>person</i> appointed from time to time as the secretary to the <i>Council</i>.</p>
<p>“Section 6(4) meeting” means a meeting called pursuant to section 6(4) Lloyd’s</p>

Definition
Act, 1982.
<p>“special resolution” has the meaning given in section 2 (1) Lloyd’s Act 1982, namely a resolution of the <i>Council</i> passed by separate majorities of both –</p> <p>(a) all the <i>working members of the Council</i> for the time being; and</p> <p>(b) all the <i>members</i> for the time being of the <i>Council</i> who are not <i>working members of the Council</i> as aforesaid, that is to say, the <i>external members of the Council</i> and the <i>nominated members of the Council</i>.</p>
“total voting capacity” means the total <i>voting capacity</i> attributable to all <i>members</i> of the <i>Society</i> .
“total C-external voting capacity” means, for the purposes of the <i>constitutional requirements</i> , the aggregate <i>voting capacity</i> of all C-external <i>members</i> of the <i>Society</i>
“total external voting capacity” means, for the purposes of the <i>constitutional requirements</i> , the aggregate <i>voting capacity</i> of all <i>external members of the Society</i> .
"voting capacity", means in relation to a <i>member</i> and for the purposes of the <i>constitutional requirements</i> only, the aggregate of the <i>member's syndicate premium limit</i> for each <i>syndicate</i> for each year of account (including the year of account when, in respect of an election to the <i>Council</i> the term of office will commence or in respect of a <i>general meeting</i> the <i>general meeting</i> will be held) other than a year of account which has been closed by <i>reinsurance to close</i> .
“voting record date” means the date determined by <i>Council</i> for the purpose of calculating <i>capacity</i> in respect of a ballot or poll held or taken in accordance with the <i>constitutional requirements</i> .
“working member of the Council” has the meaning provided at section 2(1) Lloyd’s Act, 1982.
“working member of the Society” has the meaning provided at section 2 (1) Lloyd’s Act, 1982.

Appendix 2 – Amendments to the Definitions Byelaw

DEFINITIONS BYELAW

Purpose

The purpose of this Byelaw is to define terms and expressions used in the *requirements of the Council*.

Amendments

This byelaw was amended by

Insurance Certificates Byelaw (No. 1 of 2006)
Agency Agreements (Amendment No. 27) Byelaw (No.2 of 2006)
Miscellaneous Provisions Byelaw (No.4 of 2006)
Intermediaries Byelaw (No. 3 of 2007)
Solvency and Reporting Byelaw (No. 5 of 2007)
Amendments (Appointments to Senior Positions) Byelaw (No. 1 of 2008)
Intermediaries (Service Company Amendment) Byelaw (No. 5 of 2008)
The Legislative Reform (Lloyd's) Order (Market Provisions) Byelaw (No. 1 of 2009)
The Constitutional Arrangements Byelaw (No. 2 of 2010)
Intermediaries (Claims Determination) Amendment Byelaw (No. 2 of 2012)
Intermediaries (Restricted Coverholder Revocation) Amendment Byelaw (No. 1 of 2014)
Amendments to the Definitions Byelaw (No. 4 of 2014)
Amendments to the Definitions Byelaw (No. 5 of 2014)
Underwriting (Amendment (No. 2) Byelaw (No. 2 of 2018)
Constitutional Arrangements Amendment Byelaw (No.2 of 2019)

Notes

This byelaw revokes the Definitions Byelaw (No. 3 of 2004).

Words and terms shown in italics have the meaning set out elsewhere in this Byelaw.

This byelaw was made by the *Council* on 7 December 2005 in exercise of its powers under section 6(2) Lloyd's Act 1982 and may be referred to as the Definitions Byelaw (No. 7 of 2005).

These notes, the note setting out the purpose of this Byelaw and the headings are for guidance only and do not form part of the Definitions Byelaw.

Definition of terms and expressions

1. In every byelaw and regulation made under Lloyd's Act 1982, save where that byelaw or regulation expressly provides to the contrary or the context otherwise requires –

“accounting standards” has the meaning given in section 464 of the Companies Act 2006;

“active underwriter” means, in relation to a *syndicate*, the individual at or deemed by the *Council* to be at, the underwriting box with principal authority to accept risks on behalf of the *members* of the *syndicate*;

“Additional Securities Limited” means a subsidiary of the *Society* incorporated by that name under the laws of England and Wales with limited liability;

“administrative and processing functions” means, in relation to an *approved run-off company*, the functions prescribed by the Franchise Board Council in accordance with paragraph 86 of the Underwriting Byelaw (No. 2 of 2003);

“admissible asset” has the meaning given in the Glossary made by the *Prudential Regulation Authority*;

“agreed business plan” means a *business plan*, as amended from time to time, agreed by the Franchise Board Council pursuant to paragraph 17 of the Underwriting Byelaw (No. 2 of 2003);

“agreed run-off closure plan” means a *run-off closure plan*, as amended from time to time, agreed by the Franchise Board Council pursuant to paragraph 81 of the Underwriting Byelaw (No. 2 of 2003);

“agreed run-off contingency plan” means a *run-off contingency plan*, as amended from time to time, agreed by the Franchise Board Council pursuant to paragraph 81 of the Underwriting Byelaw (No. 2 of 2003);

“allocation record date” means the date determined by the Secretary to the Council for the purpose of calculating the annual allocation available to each *underwriting agent* and *Lloyd's broker* in respect of the nomination of *non-underwriting working members*.

“annual financial return” means a return prepared by an *underwriting agent* in accordance with paragraph 51 of the Underwriting Byelaw (No. 2 of 2003);

“annual general meeting” means a *general meeting* called pursuant to paragraph 6.3(b) of the *constitutional requirements*;

“annual subscriber” means, a *person* who is registered in the register of annual subscribers maintained under the Annual Subscribers Byelaw (No. 15 of 2000);

“appeal proceedings” means, proceedings before the *Appeal Tribunal*;

“appellant” means, a *person* who brings an appeal before the *Appeal Tribunal*;

“Appeal Tribunal” means the appeal tribunal established pursuant to section 7(1)(b) of Lloyd’s Act 1982;

“approved coverholder” means a company or partnership which the **Franchise Board Council** has approved to act as an *approved coverholder* in accordance with the Intermediaries Byelaw (No. 3 of 2007);

“approved run-off company” means a company with the ~~Franchise Board’s~~ Council’s permission to perform *executive functions*, *insurance functions* or *administrative and processing functions* on behalf of a *managing agent* or a *substitute agent*;

“approved transfer agreement” has the meaning given in paragraph 2(2) of the Conversion and Related Arrangements Byelaw (No. 22 of 1996);

“ballot date” means the date determined by *Council* pursuant to paragraph 5.3(e) of the *constitutional requirements*;

“binding authority” means an agreement between a *managing agent* and a *coverholder* under which the *managing agent* delegates its authority to enter into a contract or contracts of insurance to be underwritten by the *members* of a syndicate managed by it to the *coverholder* in accordance with the terms of the agreement;

“business plan” means a business plan prepared by a *managing agent* in accordance with paragraph 14 of the Underwriting Byelaw (No. 2 of 2003);

“cash call” means a request for funds made by a *managing agent* to *members* of a *syndicate* under the terms of the *standard managing agent’s agreement*;

“central assets” has the meaning given in the Glossary made by the *Prudential Regulation Authority*;

“central file” means the central file of annual reports of *syndicates* maintained under paragraph 12(1) of the Syndicate Accounting Bylaw (No. 8 of 2005);

“central syndicate sub-fund” means the sub-fund referred to in clause 11 of the *premiums trust deed*;

“codes of practice” means the codes of practice from time to time made and issued by the Franchise Board Council under paragraph 31 of the Underwriting Bylaw (No. 2 of 2003);

“commercial life business” means *life business* which is not *personal lines business*;

“commercial motor business” means *motor business* which is not *personal lines business*;

“compliance officer” means the individual appointed by an *underwriting agent* or an *approved run-off company* in accordance with paragraph 40 of the Underwriting Bylaw (No. 2 of 2003);

“connected company” means any body corporate which is under common control with a *corporate member*;

“constitutional requirements” means the requirements set out in Schedule 1 of the Constitutional Arrangements Bylaw;

“contract of insurance” has the meaning given in Article 3(1) of the *Regulated Activities Order*;

“controller” shall have the meaning given in section 422 of the Financial Services and Markets Act 2000 and control shall be construed accordingly;

“corporate adviser” means a *members’ agent* which acts solely on behalf of a *corporate member*;

“corporate member” means a *member* of the *Society* which is a body corporate (including for the avoidance of doubt limited liability partnerships) or a Scottish limited partnership;

“corporate member of the Council” mean an *external member of the Council* who is a *corporate member*;

“counterparty” has the meaning given in the Glossary made by the *Prudential Regulation Authority*;

“country” means any country, state, province or territory;

“coverholder” means a company or partnership authorised by a *managing agent* to enter into a contract or contracts of insurance to be underwritten by the *members* of a *syndicate* managed by it in accordance with the terms of a *binding authority*;

“Council” means the council constituted by section 3 of Lloyd’s Act 1982;

“C-external member of the Council” means an *external member of the Council* who is a *C-external member of the Society*;

“C-external member of the Society” means a *corporate member* who, for the purposes of the *constitutional requirements*, is not deemed to be an *individual external member of the Society*;

“defendant” means, a *person* subject to the *enforcement jurisdiction* against whom the *Council* has instituted *enforcement proceedings* in accordance with paragraph 16 of the Enforcement Byelaw (No. 6 of 2005);

“definitive insurers” has the meaning given to “Definitive Insurers” in clause 8.3 of the *standard managing agent’s agreement*;

“deposit company” means *Additional Securities Limited, Lloyd’s Japan Inc* or any other company for the time being nominated by the *Franchise Board Council* under one or more *premiums trust deeds* as a person with whom *premiums trust funds* may be deposited or to whom *premiums trust funds* may be lent;

“Disciplinary Committees” means, the committees established pursuant to paragraph 7(1)(a) of Lloyd’s Act 1982 which are the *Enforcement Committees*;

“Enforcement Board” means, the board appointed by the *Council* in accordance with paragraph 12 of the Enforcement Byelaw (No. 6 of 2005);

“Enforcement Committees” has the meaning given in paragraph 10 of the Enforcement Byelaw (No. 6 of 2005);

“enforcement jurisdiction” means, the power of the *Council* to bring *enforcement proceedings*;

“enforcement proceedings” means, proceedings instituted by the *Council* against any *person* subject to the *enforcement jurisdiction* in accordance with paragraph 16 of the Enforcement Byelaw (No. 6 of 2005);

“Enforcement Tribunal” means, a tribunal appointed by the *Enforcement Board* under paragraph 13(d) of the Enforcement Byelaw (No. 6 of 2005);

~~“executive director of the Franchise Board” means the Chief Executive Officer and any other directors of the Corporation of Lloyd’s appointed to the *Franchise Board* that the Council shall so designate~~

“executive functions” means, in relation to an *approved run-off company*, the functions prescribed by the *Franchise Board Council* in accordance with paragraph 86 of the Underwriting Byelaw (No. 2 of 2003);

“external member of the Council” has the meaning provided by section 2(1) Lloyd’s Act, 1982;

“external member of the Society” has the meaning provided by section 2(1) Lloyd’s Act, 1982;

“Financial Conduct Authority” means the body corporate known by that name with the functions conferred on it by or under the Financial Services and Markets Act 2000;

“Financial Conduct Authority’s requirements” means any rule, direction, requirement, principle, evidential provision, code or guidance made, given or issued by the Financial Conduct Authority;

“financial guarantee insurance” means contracts of insurance (which includes any indemnity, guarantee, bond, contract of surety, slip or other similar instrument and references to “insurance” include “reinsurance”) where -

- (a) the insurer agrees that on the occurrence of an event specified in the contract he will indemnify the assured against loss caused by the specified event or pay or otherwise benefit the assured to the extent provided by the contract;
- (b) the specified event is any of the following -
 - (i) the financial failure, default, insolvency, bankruptcy, liquidation or winding up for any person whether or not a party to the contract of insurance;

- (ii) the financial failure of any venture;
 - (iii) the lack of or insufficient receipts, sales or profits of any venture;
 - (iv) the lack of or inadequate response or support by sponsors or financial supporters;
 - (v) a change in levels of interest rates;
 - (vi) a change of rates in exchange of currency;
 - (vii) a change in the value or price of land, buildings, securities or commodities;
 - (viii) a change in levels of financial or commodity indices;
 - (ix) any liability or obligation under an accommodation bill or similar instrument; and
- (c) the specified event is not directly caused by another specified event which is not of a description falling within (b) above, save that the Franchise Board Council may on the application of any person conclusively determine whether or not a proposed contract of insurance is a contract of financial guarantee insurance;

“Financial Services Group” means a parent undertaking and its subsidiaries (as defined by s.1162 Companies Act 2006) one of which is an underwriting agent, Lloyd’s broker or otherwise has regulatory authorisation to engage in effecting or carrying out of insurance or reinsurance business (as an insurer other than as a member of Lloyd’s) or for accepting deposits (as a bank) or has any equivalent authorisation overseas.

“financial year” means the period of 12 months beginning on 1 January;

“former member” means any *person* who was a *member* of the *Society* but who has ceased to be a *member* of the *Society*;

“Franchise Board” means the board that was established by the *Council* with that name and which was dissolved on 31 May 2020;

“general business” means the business of effecting and carrying out general insurance contracts;

“general insurance contract” means any contract of insurance falling within Part I of Schedule 1 to the *Regulated Activities Order*;

“general partner” means a company which is registered as a general partner of a *Scottish limited partnership* pursuant to the Limited Partnerships Act 1907;

“general meeting” means a general meeting of the *members* called pursuant to part 6 of the *constitutional requirements*;

“gross claims” means claims under contracts of insurance underwritten by the *members* of a *syndicate* plus internal and external claims settlement expenses less salvage or other recoveries, but before the deduction of reinsurance recoveries;

“gross premiums” means original and additional inward premiums, plus any amount in respect of administration fees or policy expenses remitted with a premium but before the deduction of outward reinsurance premiums;

~~“independent non executive directors of the Franchise Board” means the directors for the time being of the *Franchise Board* designated by the *Council* as being the independent non executive directors of the *Franchise Board*;~~

“individual external member of the Council” means an *external member of the Council* who is an *individual external member of the Society*;

“individual external member of the Society” means, for the purposes of the *constitutional requirements* –

- (a) a member who is an individual;
- (b) a *corporate member* which is not beneficially owned in whole or in part by;
 - i. a *Financial Services Group*
 - ii. a publicly traded company, or
 - iii. an *Investment Fund*,

and which has elected in good faith to be an individual external member of the Society and that election being accepted by the Council following such review as may be appropriate.

“individual member” means a *member* of the *Society* who is an individual;

“inquiry” means, an inquiry ordered by the *Council* under paragraph 5 of the Enforcement Byelaw (No. 6 of 2005);

“insurance business” has the meaning given in the Glossary made by the *Prudential Regulation Authority*;

“insurance functions” means, in relation to an *approved run-off company*, the functions prescribed by the *Franchise Board Council* in accordance with paragraph 86 of the Underwriting Byelaw (No. 2 of 2003);

“intervention order” means, an order imposed by the *Council* in accordance with paragraph 37 of the Enforcement Byelaw (No. 6 of 2005);

“Investment Fund” means any investment fund administered by a professional management firm other than a members’ agent (including pension funds and ‘hedge funds’) unless that fund may only invest in the corporate member or in another corporate member.

“Japanese local insurance” means insurance business in Japan which is carried out under business authorisation granted to Lloyd’s from the Minister of Finance of Japan pursuant to Article 219 of the Insurance Business Law (No 105 of 1995) of Japan;

“liability risk” means a risk where an insured is liable to a third party as a result of or caused by any act, error, omission, representation or statement by the insured;

“life business” means contracts of insurance on human life or contracts to pay annuities on human life;

“limited liability partnership” means a limited liability partnership incorporated in accordance with section 2 of the Limited Liability Partnerships Act 2000”;

“line slip” means an agreement by which a *managing agent* delegates its authority to enter into contracts of insurance to be underwritten by the *members* of a syndicate managed by it to another *managing agent* or authorised insurance company in respect of business introduced by a *Lloyd’s broker* named in the agreement;

“Lloyd’s broker” means a *person* which is listed in the register of Lloyd’s brokers maintained under the Intermediaries Byelaw (No. 3 of 2007);

“Lloyd’s deposit” means assets, having such aggregate value and being in such form as the *Council* may prescribe, that are paid, transferred or provided by or for the benefit of a *member* to the *Society* to be held as trustee upon and subject to the terms of such trusts as the *Council* may prescribe and of any directions which the *Council* may make;

“Lloyd’s Japan Inc” means a subsidiary of the *Society* incorporated by that name under the law of Japan with limited liability;

“Lloyd’s Claims Settling Agent” means a person appointed as a Lloyd’s Settling Agent for the purpose of the Marine Insurance Certificates Byelaw (No. 3 of 2002) or as a Lloyd’s claims settling agent for the purpose of the Insurance Certificates Byelaw (No. 1 of 2006);

“Lloyd’s syndicate accounting rules” means: (a) the Syndicate Accounting Byelaw (No. 8 of 2005); (b) the Audit Arrangements Byelaw (No. 7 of 1998); (c) every other byelaw or regulation made under the Lloyd’s Acts 1871 to 1982 and for the time being in force

relating to the form or manner in which managing agents are to account to underwriting members for whom they act as such; and (d) every requirement for the time being prescribed pursuant to any byelaw or regulation referred to in (a) to (c) above;

"Lloyd's Syndicate Accounts Regulations" means the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 (S.I. 2004/3219);

"LPSO" shall, as the context requires, mean Lloyd's Policy Signing Office and/or any service provider (as that expression is defined in the Lloyd's Policy Signing Office Byelaw (No. 11 of 2000)) for the time being carrying on or out (under whatever name) all or any of the services and operations formerly carried on or out by the *Society* under the name of Lloyd's Policy Signing Office or the acronym LPSO;

"long term business" means the business of effecting and carrying out long term insurance contracts;

"long term insurance contract" means any contract of insurance falling within Part II of Schedule 1 to the *Regulated Activities Order*;

"managing agent" means an *underwriting agent* which has permission to manage a *syndicate* and carry on *underwriting* and other functions for a *member*;

"managing agent's trustee" means, in regard to a *managing agent*, any trustee of one or more *premiums trust deeds* designated under the terms of that deed or those deeds as the managing agent's trustee in respect of that *managing agent*;

"MAPA" means an arrangement of the kind described in paragraph 10 of the Agency Agreements Byelaw (No. 8 of 1988) operated by a *members' agent*;

"member" means a *person* admitted to membership of the *Society* and shall include references to any administrator, administrative receiver, committee, curator bonis, executor, liquidator, manager, personal representative, supervisor or trustee in bankruptcy, or any other person by law entitled or bound to administer the affairs of the *member* concerned;

"members' agent" means an *underwriting agent* which has permission to be appointed by a *member* to provide services and perform duties of the same kind and nature as those set out in the standard members' agent's agreement;

"member's syndicate premium income" means *premium income* of a *member* of a *syndicate* arising out of insurance business underwritten through that *syndicate*;

“member’s syndicate premium limit” means –

- (a) the limit prescribed by or on behalf of a *member* of a *syndicate* on the amount of insurance business allocable to a year of account which is to be underwritten on his behalf through that *syndicate* (such limit being expressed as the maximum permissible amount of his *member’s syndicate premium income* allocable to that year of account); or
- (b) where a limit lower than that referred to in (a) above is prescribed by the *Council* that lower limit;

“minimum capital requirement” has the meaning given in the Part of the PRA Rulebook by that name applicable to Solvency II firms, as modified in its application to Lloyd’s;

“misconduct” has the meaning given in paragraph 3 of the Enforcement Byelaw (No. 6 of 2005);

“motor business” means insurance business of any one or more of the following classes –

- (a) risks of bodily injury to or the death of the person insured while driving or travelling as a passenger (which expression shall include a person getting into, onto, out of or off a motor vehicle) in or on a motor vehicle;
- (b) risks of loss of or damage to property or of bodily injury to or the death of any party caused by, or arising out of, the use of motor vehicles including third-party risks and carrier’s liability;
- (c) risks of loss of or damage to –
 - (i) vehicles used on land, including motor vehicles but excluding railway rolling stock or
 - (ii) such vehicles as are referred to in sub-paragraph (c)(i) while in the course of transportation by land, rail, air, sea or inland waterway;
- (d) risks of loss of or damage to merchandise, baggage and all other goods in transit by motor vehicle or trailer; or
- (e) risks of loss arising out of or in connection with the mechanical or electrical breakdown or failure of a motor vehicle, or any part thereof, under which insurance the purchaser of the motor vehicle is the assured;

“MCR” means the “*minimum capital requirement*”;

“New Central Fund” means the fund held, managed and applied by the *Society* pursuant to the New Central Fund Byelaw (No. 23 of 1996);

“nominated member of the Council” has the meaning given in section 2(1) Lloyd’s Act, 1982;

“nominations date” means the date set by the *Council* pursuant to paragraph 5.3(b) of the *constitutional requirements*;

~~“non-executive director of the Franchise Board” means any person appointed to the Franchise Board who is not the Chairman of Lloyd’s or an Executive Director of the Franchise Board.~~

“non-Lloyd’s broker” means any broker or other intermediary, not being a Lloyd’s broker, engaged in the broking of insurance business;

“non-underwriting working member” means any person that satisfies the criteria for eligibility set out in paragraph 2 of Chapter 4 of the Underwriting Requirements;

“notice of candidates date” means the date set by *Council* pursuant to paragraph 5.3(c) of the *constitutional requirements*;

“notice of election” means a notice of election issued pursuant to paragraphs 5.4 and 5.5 of the *constitutional requirements*;

“notifiable event” has the meaning given in paragraph 4 of the Premiums Trust Fund and Regulating Trustee Byelaw (No. 22 of 1998);

“Objects of the Society” means the Objects as provided by section 4 Lloyd’s Act, 1911;

“order of restitution” has the meaning given in paragraph 19 of the Enforcement Byelaw (No. 6 of 2005);

“outward reinsurance premiums” means premiums in respect of reinsurance ceded net of overriding commission and profit commission and includes deposit and adjustment premiums;

“overall premium limit” means, in relation to a *member*, the limit for the time being prescribed on the amount of insurance business which is to be underwritten on his behalf from time to time, such limit being expressed as the maximum permissible amount of his premium income allocable to any year of account;

“overseas deposits” means deposits provided or maintained in respect of the *overseas insurance business* of *members* of the *Society* (whether or not underwriting members)

in accordance with statutory or other requirements from time to time in force in various parts of the world;

“overseas insurance business” means insurance business underwritten by *members* transacted in or emanating from any *country* outside the United Kingdom;

“own funds” has the meaning given in the Glossary made by the *Prudential Regulation Authority*;

“performance report” means either a *quarterly monitoring report* or a *supplementary monitoring report*;

“person” shall include any natural person, firm, partnership, corporation, association, or other body of persons (whether corporate or unincorporate);

“personal lines business” means insurance business of any nature in relation to which the insured has an insurable interest which satisfies both of the following requirements –

- (a) the insured must be an individual (which expression shall exclude any body whether corporate or unincorporate or any other legal person not being a natural person); and
- (b) the insured in concluding the contract of insurance must be acting –
 - (i) on his own behalf and (where appropriate) in his private capacity; or
 - (ii) on behalf of any member of his family ordinarily residing in his household; or
 - (iii) in furtherance of a business (other than the underwriting business of a *member*) carried on by him as a sole trader;

“personal reserve funds” means all monies and other assets paid to or retained by the trustees of a *premiums trust fund* who are not managing agent’s trustees (as defined in the *premiums trust deed* constituting that *premiums trust fund*) and held by them subject to the trusts of that *premiums trust deed*;

“PRA Rulebook” means the rules made and enforced by the *Prudential Regulation Authority*;

“premium income” means, in relation to a *member*, the aggregate of the premiums credited to him less, or net of, *qualifying reinsurance premiums*, brokerage, discount, commission, *premium tax* and returns;

“premium tax” means any tax charged upon or any monies withheld from a premium by or on behalf of any statutory, governmental, state, provincial or local governmental authority, body or official;

“premiums trust deed” means a trust deed, in the form for the time being required by the *Council*, constituting a premiums trust fund;

“premiums trust funds” means a fund of premiums and other monies held from time to time upon the trusts of a *premiums trust deed*;

“provisional insurers” has the meaning given to “Provisional Insurers” in clause 8.2 of the *standard managing agent’s agreement*;

“proxy notice” has the meaning given in paragraph 6.21 of the *constitutional requirements*;

“proxy notification address” has the meaning given in paragraph 6.25 of the *constitutional requirements*;

“Prudential Regulation Authority” means the Bank of England, whose functions as the Prudential Regulation Authority conferred on it by or under the Financial Services and Markets Act 2000 are exercised by it acting through its Prudential Regulation Committee;

“Prudential Regulation Authority’s requirements” means any rule, direction, requirement, principle, evidential provision, code or guidance made, given or issued by the Prudential Regulation Authority;

“qualified lawyer” means, a barrister or solicitor, holding a full practising certificate;

“qualifying quota share contract” means a reinsurance contract which satisfies the requirements specified by the *Franchise Board* in accordance with paragraph 36 of the Underwriting Byelaw (No. 2 of 2003);

“qualifying reinsurance premiums” means premiums paid by a *member* of a *syndicate* under a reinsurance arrangement which is a *qualifying quota share contract*;

“quarterly monitoring report” means a report prepared by a *managing agent* in accordance with paragraph 20 of the Underwriting Byelaw (No. 2 of 2003);

“quasi-individual member” means a *corporate member* whose members consist only of, or of nominees for, a single individual or a group of connected individuals (together

with, in the case of a Scottish limited partnership, another person who is the general partner in that partnership) and for the purposes of this definition only –

- (a) a “group of connected individuals” means a group of individuals each of whom is a director or manager of, or a partner in, the *corporate member* or a close relative of any such person;
- (b) “close relative” means an individual's spouse, his children and step-children, his parents and step-parents, his brothers and sisters and his step-brothers and step-sisters;

“recognised accountant” means an individual or firm entitled to act as a recognised accountant in accordance with the Audit Arrangements Byelaw (No. 7 of 1998);

“reference date” means 31 December of the preceding year;

“Register of Members” means the register of *members* kept and maintained by *Council* pursuant to Schedule 1 Lloyd’s Act, 1982;

“registered binding authority” means a *binding authority* under which the *managing agent* delegates its authority to enter into a contract or contracts of insurance to be underwritten by the members of a *syndicate* or *syndicates* managed by it to an *approved coverholder* and which has been registered with the Franchise Board Council in accordance with the Intermediaries Byelaw (No. 3 of 2007);

“registered individual” shall, for the purposes of the Members’ Ombudsman Byelaw and The Lloyd’s Arbitration Scheme (Members and Underwriting Agents Arbitration Scheme) Byelaw, mean a *person* appointed to act in one of the capacities specified in paragraph 42A of the Underwriting Byelaw (No. 3 of 2003);

“registered office” means, in relation to an underwriting agent which is not a company within the meaning of the Companies Act 1985, its principal place of business for the time being (other than the Room);

“Regulated Activities Order” means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544);

“reinsurance recoveries” means amounts receivable from reinsurers in respect of claims and contributions to claims settlement expenses less any refunds to reinsurers in respect of: (a) claims and contributions to claims settlement expenses; and (b) salvage and other recoveries;

“reinsurance to close” means either -

- (a) an agreement under which underwriting members (the “reinsured members”) who are *members* of a *syndicate* for a year of account (the “closed year”) agree with underwriting members who constitute that or another single *syndicate* for a later year of account (the “reinsuring members”) that the reinsuring *members* will discharge or procure the discharge of, or indemnify the reinsured *members* against, all known and unknown liabilities of the reinsured *members* arising out of insurance business underwritten through that *syndicate* and allocated to the closed year of account, in consideration of-
 - (i) a premium; and
 - (ii) either
 - (aa) the assignment, or agreement to assign, to the reinsuring *members* of all the rights of the reinsured *members* arising out of or in connection with that insurance business (including without limitation the right to receive all future premiums, recoveries and other monies receivable in connection with that insurance business); or
 - (bb) an agreement by the reinsured *members* that the reinsuring *members* shall collect on behalf of the reinsured *members* the proceeds of all such rights and retain them for their own benefit so far as they are not applied in discharge of the liabilities of the reinsured *members*;
- (b) an agreement underwritten by *members* of one or more *syndicates* and complying with requirements made under paragraph 1(2) of the Syndicate Accounting Byelaw (No. 8 of 2005);
- (c) a syndicate run-off reinsurance contract between *members* of a *syndicate* for a year of account and Centrewrite Limited, Lioncover Insurance Company Limited, Equitas Reinsurance Limited or any other insurance company which is designated by the *Council* for the purposes of this definition and an authorised person with permission to effect or carry out contracts of insurance; whereby that insurance company agrees to indemnify the members of the syndicate for that year of account against all known and unknown liabilities arising out of insurance business underwritten through the syndicate and allocated to that year of account; or
- (d) in the case of a *syndicate* consisting only of a single *corporate member* which is not closed by reinsurance to close by another person, the inclusion in the underwriting account of that *syndicate* for the next following year of account of an amount representing a provision for all known and unknown liabilities attributable to the year of account which is closing; and for the purposes of this

byelaw, the amount representing such provision shall be treated as premium in respect of such reinsurance to close;

“reportable criminal offence” means

- (a) any offence in respect of which a court has imposed a sentence of imprisonment or other custodial sentence of more than 12 months other than a suspended sentence;
- (b) any offence involving any of the following: theft, robbery, burglary, blackmail, handling stolen property, forgery or fraud;
- (c) conspiracy, incitement or attempt to commit any offence referred to in subparagraph (b) or aiding, abetting, counselling or procuring the commission of such an offence;

“Representative of the Council” means, the individual appointed by the Council to conduct the *enforcement proceedings* instituted by the *Council* or to represent the *Council* in any *appeal proceedings*;

“requirements of the Council” means any requirement imposed by any byelaw or regulation made under Lloyd’s Acts 1871 to 1982 or under the authority given by any *premiums trust deed*, any code of practice, *underwriting guideline*, condition or requirement made or imposed or direction given under any such byelaw regulation or authority and any direction given under section 6 of Lloyd’s Act 1982, any requirement imposed by or under any agreement, deed or other instrument between Lloyd’s or the *Council* and any *member*, *underwriting agent*, or any trustee of any premiums trust deed, or by or under any undertaking in favour of Lloyd’s or the *Council* given by a *member*, any *underwriting agent* or any trustee of any *premiums trust deed*, and any other direction or requirement given or made by the *Council* under Lloyd’s Acts;

“run-off account” means a year of account which has not been closed as at the date at which it would normally have been closed in accordance with the policies and practices generally adopted in respect of the *syndicate* concerned and which remains open;

“run-off account result” means, in relation to underwriting year accounts, the amount payable or receivable at the reference date, in respect of a run-off account to which the underwriting year accounts relates, to or from the underwriting member or members for whom the underwriting year accounts are prepared;

“run-off closure plan” means a plan prepared by a *managing agent* in accordance with paragraph 77 of the Underwriting Byelaw (No. 2 of 2003);

“run-off contingency plan” means a plan prepared by a *managing agent* in accordance with paragraph 76 of the Underwriting Byelaw (No. 2 of 2003);

“run-off manager” means, in relation to a *run-off syndicate*, the *person* who has principal authority to negotiate or place contracts of reinsurance or negotiate and settle the payment of claims on contracts of insurance or reinsurance on behalf of the *members* of the *syndicate*;

“run-off monitoring report” means a report prepared by a *managing agent* which manages a *run-off syndicate* or a *run-off account* in accordance with paragraph 85 of the Underwriting Byelaw (No. 2 of 2003);

“run-off syndicate” means a *syndicate* which no longer accepts new or renewal insurance business (other than the variation or extension of risks previously underwritten, or *reinsurance to close* of an earlier year of account of that *syndicate*);

“sanction” means, any sanction imposed by an *Enforcement Committee* or the *Appeal Tribunal* in *enforcement proceedings*;

“Scottish limited partnership” means a limited partnership formed under the laws of Scotland;

“Secretary to the Council” means the *person* appointed from time to time as the secretary to the *Council*;

“Section 6(4) meeting” means a meeting called pursuant to section 6(4) Lloyd’s Act, 1982;

“service company agreement” means a *binding authority* which authorises a *service company coverholder* to enter into a contract or contracts of insurance only to be underwritten by -

- (a). *members* of a *syndicate* managed by the *associated managing agent* (as defined at paragraph (b) of the definition of “*service company coverholder*”);
- (b). an insurance company which is a member of the same group as the *associated managing agent* (as defined at paragraph (b) of the definition of “*service company coverholder*”);
- (c). such other person or persons with the prior consent of the **Council**
Franchise Board.

“service company coverholder” means an *approved coverholder* that –

- (a). is associated with a *managing agent* by reason of –
 - (i). it being a wholly owned subsidiary of the *managing agent*;
 - (ii). it being a wholly owned subsidiary of the *managing agent*’s holding company; or
 - (iii). such other matters as the ~~Franchise Board~~ Council may determine in any particular case or generally; and
- (b). will be authorised by the *managing agent* referred to in (a) above (the “*associated managing agent*”), to enter into a contract or contracts of insurance in accordance with the terms of a *service company agreement*
where the expressions “wholly owned subsidiary” and “holding company” shall have the meanings provided in the Companies Act 2006.

the “Society” means the Society incorporated by Lloyd’s Act 1871 by the name of Lloyd’s;

“solvency shortfall” means, in relation to a member, the amount by which the value of *own funds* attributable to the *member* falls below the reporting point for the *member* as determined under the Minimum Capital Requirement Part of the *PRA Rulebook*;

“solvency statement” means the document referred to in paragraph 6 of the Solvency and Reporting Byelaw (No. 5 of 2007);

“solvency test date” means 31st December of the preceding year;

“special reserve funds” means any fund so designated and set up in relation to an individual member in accordance with arrangements referred to in section 175 of and Schedule 20 to the Finance Act 1993;

“special resolution” has the meaning given in section 2 (1) Lloyd’s Act 1982, namely a resolution of the *Council* passed by separate majorities of both –

- (a). all the *working members of the Council* for the time being; and

- (b). all the *members* for the time being of the *Council* who are not *working members of the Council* as aforesaid, that is to say, the *external members of the Council* and the *nominated members of the Council*;

“standard managing agent’s agreement” means: (a) in relation to any member, the standard managing agent’s agreement (general) (as defined in the Agency Agreements Byelaw (No. 8 of 1988)); and (b) in relation to a corporate member, the standard managing agent’s agreement (corporate member) (as defined in the Agency Agreements Byelaw (No. 8 of 1988) or any agreement in such form;

“substitute agent” means a person or body appointed in accordance with the Substitute Agents Byelaw (No. 20 of 1983) or in accordance with part K of the Underwriting Byelaw;

“supplementary monitoring report” means a report prepared by a *managing agent* in accordance with paragraph 21 of the Underwriting Agents Byelaw;

“syndicate” means a *member* or group of *members* underwriting insurance business at Lloyd’s through the agency of a *managing agent* or a *substitute agent* to which a syndicate number is assigned by the *Council*. Except where it is expressly otherwise provided the several groups of *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 *members* with the same individual participations;

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

“syndicate auditor” means, in relation to a *syndicate*, the person for the time being holding the office of syndicate auditor under Lloyd’s Acts 1871 to 1982 and the byelaws made thereunder;

“syndicate list” has the meaning given in the Agency Agreements Byelaw (No. 8 of 1988);

“syndicate premium income” means, in relation to a *syndicate*, the aggregate of the *member’s syndicate premium income* of all the *members* for the time being of the *syndicate*;

“terms of business agreement” means an agreement between a *managing agent* and a *person* recording the general terms and conditions on which business will be conducted

between them and which includes such matters as the Franchise Board Council may from time to time prescribe that are to be recorded in such an agreement.”

“third party administrator” means for the purposes of Part G of the Intermediaries Byelaw a person appointed by a managing agent with authority to determine claims arising under a contract of insurance entered into under a binding authority on behalf of the members of a syndicate;

“third party depositor” means a person who, in relation to a *member*, provides all or part of that member's *Lloyd's deposit* and who is a party to the relevant deposit trust deed as depositor or covenantor;

“total C-external voting capacity” means, for the purposes of the *constitutional requirements*, the aggregate *voting capacity* of all *C-external members* of the *Society*;

“total external voting capacity” means, for the purposes of the *constitutional requirements*, the aggregate *voting capacity* of all *external members* of the *Society*;

“total voting capacity” means the total *voting capacity* attributable to all *members* of the *Society*;

“transferor” has the meaning given in relation to an *approved transfer agreement* in the Conversion and Related Arrangements Byelaw (No. 22 of 1996);

“underwriting” shall, unless the context otherwise requires, mean the business of underwriting and all related activities including the acceptance of risks, the purchasing of reinsurance and the settlement and payment of claims and the word “underwrite” shall be construed accordingly;

“underwriting account” means an account prepared on an underwriting year basis.

“underwriting agent” means a *managing agent* or a *members' agent*;

“underwriting guidelines” means the guidelines made and issued by the Franchise Board Council under paragraph 24 of the Underwriting Byelaw (No. 2 of 2003);

“voting capacity”, means in relation to a *member* and for the purposes of the *constitutional requirements* only, the aggregate of the *member's syndicate premium limit* for each *syndicate* for each year of account (including the year of account when, in respect of an election to the *Council* the term of office will commence or in respect of a *general meeting* the *general meeting* will be held) other than a year of account which has been closed by *reinsurance to close*;

“voting record date” means the date determined by *Council* for the purpose of calculating *capacity* in respect of a ballot or poll held or taken in accordance with the *constitutional requirements*;

“working member of the Council” has the meaning provided at section 2(1) Lloyd’s Act, 1982;

“working member of the Society” has the meaning provided at section 2 (1) Lloyd’s Act, 1982;

Interpretation provisions

Closed years of account

2. A year of account of a *syndicate* shall be treated as being closed at the time as from which reinsurance to close that year of account takes effect; and a year of account shall be treated as open until it is closed.

Construction of references to syndicates

3. In the *Lloyd's syndicate accounting rules*, except where it is expressly otherwise provided, references to assets or liabilities of a *member* of a *syndicate*, or to anything done by or to a *member* of a *syndicate* or by or to any person on his behalf, shall be construed as references to assets or liabilities employed or incurred by him, or to things done by or to him or such other person on his behalf, in the course of or in relation to the underwriting business carried on by him through that *syndicate*.

Underwriting Agents Byelaw, Membership Byelaw and Syndicate Accounting Byelaw

4. Every reference in the *requirements of the Council* to a definition set out in the Underwriting Agents Byelaw (No. 4 of 1984), the Membership Byelaw (No. 17 of 1993) or the Syndicate Accounting Byelaw (No. 18 of 1994) shall be deemed to be a reference to this Byelaw.

Revocation

5. The Definitions Byelaw (No. 3 of 2004) is revoked.

Commencement

6. This byelaw shall come into force on 7 December 2005.

Chapter 4 Requirements made under the Membership Byelaw

Admission to membership – Part A of the Membership Byelaw

Categories of membership – paragraph 2 of the Membership Byelaw

1. Within the category of non-underwriting membership, there shall be a class of members called *non-underwriting working members*.
2. The criteria for eligibility to be a *non-underwriting working member* are that the *non-underwriting working member* –
 - (a) the individual is not an underwriting member; and
 - (i) that the individual occupies himself principally with the conduct of business at Lloyd's by a *Lloyd's broker* or an *underwriting agent*; or
 - (ii) that the individual has gone into retirement but immediately before his retirement occupied himself principally with the conduct of business at Lloyd's by a *Lloyd's broker* or an *underwriting agent*;

the individual is not an underwriting member; and
 - (eb) that the individual was nominated (in accordance with such procedures as the Secretary to the Council may from time to time prescribe under paragraph 4 below) to be a *non-underwriting working member* for a period of one year by the chairman or chief executive officer of a *Lloyd's broker* or an *underwriting agent* on behalf of that firm as one of the firm's annual allocation of *non-underwriting working members*; and
 - (~~dc~~) in the case of an individual nominated under paragraphs 2(a)(i) and (b) above on behalf of an *underwriting agent*, at the time of that nomination the individual was –
 - (i) the chairman of that *underwriting agent*;
 - (ii) in the case of a *managing agent*, an *active underwriter* of a *syndicate* managed by that *managing agent*;
 - (iii) an executive director of that *underwriting agent*;
 - (iv) a person who works for that *underwriting agent* provided that the individual had worked for an *underwriting agent* or *Lloyd's broker* for a period or periods in aggregate of at least 5 years prior to his nomination; or
 - (v) an executive director of a parent company of the *underwriting agent's*
 - (ed) in the case of an individual nominated under paragraphs 2(a)(i) and (b) above

on behalf of a *Lloyd's broker*, at the time of that nomination the individual was –

- (i) the chairman of that *Lloyd's broker*;
- (ii) an executive director (or equivalent within a limited liability partnership) of the *Lloyd's broker*;
- (iii) a person who works for that *Lloyd's broker* provided that the individual had worked for an *underwriting agent* or *Lloyd's broker* for a period or periods in aggregate of at least 5 years prior to his nomination; or
- (iv) an executive director (or equivalent within a limited liability partnership) of a parent company of the *Lloyd's broker*.

For the purposes of the criteria set out above –

- (a) “parent company” shall have the meaning given at section 1162 of Companies Act 2006 or its equivalent in the context of a Limited Liability Partnership;
- (b) an individual shall remain eligible to be registered as a *non-underwriting working member* for the period in respect of which he was nominated notwithstanding that following nomination he left the position in respect of which he was nominated;
- (c) an individual shall cease to be eligible to be a *non-underwriting working member* at the end of the period for which he was nominated unless he is validly re-nominated; and
- (d) a firm's annual allocation of *non-underwriting working members* shall be calculated as follows –
 - (i) each *Lloyd's broker* shall be entitled to nominate 1 individual eligible for nomination under paragraphs 2(a)(i) and (d) above plus 1 additional such individual for each £200,000,000 (or part thereof) of calendar year premium placed at Lloyd's through its settlement number in the year prior to nomination plus 1 individual eligible for nomination under paragraph 2(a)(ii) above;
 - (ii) subject to (iv) below each *managing agent* shall be entitled to nominate a minimum of 3 individuals eligible for nomination under paragraphs 2(a)(i) and (c) above plus 1 additional such individual for each £50,000,000 (or part thereof) of aggregate syndicate capacity under its management in the year of nomination plus 1 individual eligible for nomination under paragraph 2(a)(ii) above;
 - (iii) each *members' agent* shall be entitled to nominate a minimum of 3 individuals eligible for nomination under paragraphs 2(a)(i) and (c) above plus 1 additional such individual for each £50,000,000 (or part thereof) of the aggregate of members' syndicate premium limits for each member for which they act in the year of nomination plus 1

individual eligible for nomination under paragraph 2(a)(ii) above;

- (iv) each *managing agent* that solely manages *run-off syndicates* shall be entitled to nominate a minimum of 3 individuals eligible for nomination under paragraphs 2(a)(i) and (c) above plus 1 additional such individual for each £50,000,000 (or part thereof) of aggregate syndicate capacity under its management in the year prior to nomination plus 1 individual eligible for nomination under paragraph 2(a)(ii) above.
- (e) a firm's annual allocation of *non-underwriting working members* shall be calculated as at the *allocation record date* determined by the Secretary to the Council.

Criteria for deciding whether a candidate is suitable to be admitted to the membership of the Society – paragraph 11 of the Membership Byelaw

- 3. In deciding whether a *candidate* which is a body corporate is suitable to be admitted as a *member* the *Council* shall have regard to the following criteria and all other relevant matters –
 - a. the competence, reputation, character and suitability of each of the directors of the body corporate;
 - b. the collective suitability of the board of directors of the body corporate and of each of its committees;
 - c. the competence, reputation, character and suitability of the officers and staff of the body corporate;
 - d. the competence, reputation, financial standing, character and suitability of any *controller* of the body corporate;
 - e. the competence, reputation, financial standing, character and suitability of any *connected company* of the body corporate;
 - f. the competence, reputation, character and suitability of any director of or partner in any *controller* of the body corporate;
 - g. the competence, reputation, character and suitability of any director of or *controller* of a *connected company* of the body corporate;
 - h. the adequacy of the capital of the body corporate; and
 - i. the location of the accounting and other records of the body corporate.
- 4. In deciding whether a *candidate* which is a *Scottish limited partnership* is suitable to be admitted as a *member* the *Council* shall have regard to the following criteria and all other relevant matters –

- a. the competence, reputation, character and suitability of each of the directors of any *general partner*;
- b. the collective suitability of the board of directors of the *general partner* and each of its committees;
- c. the competence, reputation, character and suitability of the officers and staff of the *Scottish limited partnership*;
- d. the competence, reputation, financial standing, character and suitability of any *controller* of the *Scottish limited partnership* or any *general partner*;
- e. the competence, reputation and financial standing, character and suitability of any *connected company* of the *Scottish limited partnership* or any *general partner*;
- f. the competence, reputation, character and suitability of any director of or partner in any *controller* of the *Scottish limited partnership* or any *general partner*;
- g. the competence, reputation, character and suitability of any management company;
- h. the competence, reputation, character and suitability of any director of or *controller* of a connected company of the *Scottish limited partnership* or the *general partner*;
- i. the adequacy of the capital of the *Scottish limited partnership* and any *general partner*; and
- j. the location of the accounting and other records of the *Scottish limited partnership* and any *general partner*.

Conditions and Requirements for admission of corporate candidates to membership of the Society – paragraphs 6 and 7 of the Membership Byelaw

- 5. The requirements prescribed under paragraphs 6 and 7 of the Membership Byelaw for the purpose of admission of *candidates* which are body corporates to membership of the Society are the Membership and Underwriting Requirements (corporate members) as set out in Market Bulletin Y2086 ([Membership and Underwriting Requirements](#)) issued on 5 July 1999.

Funds at Lloyd's – Part B of the Membership Byelaw

Conditions and requirements for the provision of Funds at Lloyd's – paragraph 16 of the Membership Byelaw

6. The requirements prescribed under paragraph 16 of the Membership Byelaw in respect of funds at Lloyd's are set out in Market Bulletin Y3612 ([Membership and Underwriting Conditions and Requirements \(Funds at Lloyd's\)](#)) issued on 8 August 2005

Notification of and consent to changes – Part D of the Membership Byelaw

Consent to changes – paragraph 27 of the Membership Byelaw

7. No *member* shall knowingly permit any of the following events to occur without the prior written consent of the *Council* –
- (a) the acquisition of any *interest in securities* of another *corporate member*, a *controller* of a *corporate member*, *Lloyd's broker* or *underwriting agent* provided that a *member* may acquire an *interest in securities* of another *corporate member* where the acquisition is the consequence of accepting an invitation to participate in a surrender arrangement or share swap arrangement which complies with the requirements made under paragraph (5)(1) of the Conversion and Related Arrangements Byelaw (No. 22 of 1996) for the time being in force
 - (b) a change in the *controller* of the *member*;
 - (c) the appointment of a director of the *member*;
 - (d) a merger between the *corporate member* and another body corporate;
 - (e) the appointment of a *corporate member* as a director of another *corporate member*.

Notification of changes - paragraph 29 of the Membership Byelaw

8. A *member* shall without delay notify the *Council* in writing if any of the following events occur –
- (a) in the case of an *individual member* –
 - (i) a change of his address;
 - (ii) a decision to change his nationality;
 - (b) in the case of a *corporate member* –
 - (iii) a director ceases to be a director;
 - (iv) it becomes aware that a person has ceased or is proposing to cease to be a *controller* of that *member*;
 - (v) the appointment of an auditor;
 - (vi) the auditor of the *corporate member* vacates office, in which case the *corporate member* shall also provide a copy of any notice given or

representations or statements made by the auditor (under the Companies Act 1985 or otherwise) on or in connection with the auditor vacating office;

- (vii) a decision to change the date to which the accounts of the *corporate member* are prepared;
- (viii) any change to the *corporate member's* memorandum and articles of association;
- (ix) any reduction in the *corporate member's* issued share capital;
- (x) a decision to appoint an agent, or terminate the appointment of an agent appointed by the member, for service of notices under paragraph 13 of these requirements;

(c) in the case of any *members* –

- (xi) a material change in the information provided to the *Council* in connection with any application by that *member* for membership or in connection with a review under paragraph 35 of the Membership Byelaw of that *member* and not required to be disclosed under any other provision of this paragraph;
- (xii) an *insolvency event*;
- (xiii) the *member* or director of the *member* or any *controller* or director of or partner in any *controller* of the *member* or, in relation to a *Scottish limited partnership*, a *general partner*, director of a *general partner* or a controller of a *general partner* or a management company being convicted of a *reportable criminal offence* by a court in the United Kingdom or elsewhere, in which case the *member* shall also provide full details of the offence and any sentence that was imposed.

**Corporate Members: Accounting, Audit and
Declarations of Compliance – Part E of the Membership Byelaw**

Audit – paragraph 31 of the Membership Byelaw

9. A person shall be eligible to act as auditor for a *corporate member* if –
- (a) in the case of a *corporate member* to which Part VII of the Companies Act 1985 applies, he has been appointed as the auditor of that *corporate member* in accordance with the provisions of the Companies Act 1985;
 - (b) in the case of a *corporate member* which is incorporated in any member state of the European Community other than the United Kingdom, he is qualified to act as an auditor of a company for the purposes of the legislation of that member state which implements the Eighth Council Directive (84/253/EEC);
 - (c) in any other case, the *Council* has given its prior written consent.

Dispute resolution – Part I of the Membership Byelaw

Dispute resolution – paragraph 51 of the Membership Byelaw

10. The following arrangements and procedures are designed to resolve disputes between a *syndicate* (through the *managing agent* which manages that *syndicate*) and the ~~*Franchise Board*~~ *Council* in the event that, as part of the calculation of the *syndicate members'* capital requirements, the ~~*Franchise Board*~~ *Council* decides to substitute a higher number for the *syndicate ICA* submitted by the *managing agent*.

1. *"Minded to" decision*

- 1.1 Before such a decision (a "*relevant decision*") is taken on behalf of the ~~*Franchise Board*~~ *Council* the decision taker will, unless he considers the circumstances make it inappropriate or impractical to do so –

- (a) inform the *managing agent* that the decision taker is minded to decide the matter in that way;
- (b) provide the *managing agent* with the decision taker's reasons for deciding the matter in that way; and
- (c) allow the *managing agent* 5 working days to make representations to the decision taker prior to the *relevant decision* being taken.

2. *Provision of reasons for the decision*

- 2.1 When a *relevant decision* has been taken the decision taker will, unless he considers the circumstances make it inappropriate or impractical to do so, provide the *managing agent* with his reasons for deciding the matter in that way.

3. *Request to review a relevant decision*

Step 1 – submitting a request for the decision to be reviewed

- 3.1 Where the *managing agent* reasonably and objectively considers the *relevant decision* to be unreasonable it may request that the decision is reviewed (a "*request*").
- 3.2 A *request* shall be made in writing within 5 working days of the receipt of the *relevant decision*. The *request* shall include an explanation as to why the *managing agent* considers that the *relevant decision* is unreasonable. The

request shall be made on behalf of the board of directors of the *managing agent* and shall be signed by a director of the *managing agent*. The *request* shall be submitted to the decision taker.

Step 2 – review of the decision by the original decision taker

- 3.3 Following receipt of the *request*, the decision taker shall review the *request* and may, where he considers appropriate, amend, modify or withdraw the *relevant decision*.

Step 3 – Review of the decision by the Chief Financial Officer ~~Director, Finance and Risk Management~~

- 3.4 Where the decision taker does not propose to amend, modify or withdraw the *relevant decision* he shall refer the *request* to the Chief Financial Officer ~~Director, Finance and Risk Management~~ (the “Director”). The *request* shall be reviewed by the Director and where the Director considers appropriate, the *relevant decision* may be amended, modified or withdrawn.

Step 4 – Review of the decision by the Market Supervision and Review Committee

- 3.5 If, following the review of the request by the Director, the *managing agent* still reasonably and objectively considers the decision to be unreasonable, the *managing agent* may within 5 working days apply to the Market Supervision and Review Committee (“MSARC”) to review the *request*. The application shall be made on behalf of the board of directors and shall be signed by two directors of the *managing agent*. The application shall be submitted to the Secretary to the ~~Franchise Board~~ Council.
- 3.6 MSARC may give such directions as it considers appropriate for the determination of the *request*. MSARC shall review the *request* and may, where it considers appropriate, direct that the *relevant decision* is redetermined by the decision taker and may give the decision taker any directions it considers appropriate in respect of that redetermination, or in exceptional circumstances, MSARC may amend, modify or withdraw the *relevant decision*.

Miscellaneous and Transitional Provisions – Part J of the Membership Byelaw

Service of notices on members – Paragraph 53 of the Membership Byelaw

11. All notices and other communications by the *Society* which require to be served on or given to an *individual member* of the *Society* shall for all purposes be deemed to be effectively served on such *member* if sent through the post to or left at the address of his *members' agent*. If an *individual member* does not at any time have a *member's agent*, such notices and communications shall be deemed to be effectively served on the *member* if given to him personally or sent to him by post at the latest correspondence address of the *member* shown in the records of the *Society*.
12. Where an *individual member* is deceased or bankrupt, all notices and other communications shall be deemed to have been effectively served on his personal representatives or trustee in bankruptcy if sent through the post to the address supplied to the *Society* by such personal representatives or trustee in bankruptcy or (until such address has been supplied) if sent through the post to the latest correspondence address of the *individual member* shown in the records of the *Society*.
13. Each *corporate member* which is incorporated in a jurisdiction outside the United Kingdom shall at all times maintain an agent for service of process in England which shall be any *member's agent* appointed by the *corporate member* or such other person with a place of business in the United Kingdom as the *corporate member* may have appointed for the purpose of this paragraph and whose name and address has been notified to the *Society*.
14. All notices and communications by the *Society* to be sent to or served on a *corporate member* shall be deemed to have been effectively served on the *corporate member* –
 - (a) if it has a *member's agent*, if it is sent through the post to or left at the address of its *members' agent*;
 - (b) if it has no *members' agent*, in the case of a *corporate member* incorporated in the United Kingdom, if sent through the post to or left at the registered office for the time being and in the case of a *corporate member* incorporated outside the United Kingdom, if sent through the post to or left at the address of the agent appointed under paragraph 13.
15. Any notices or other communications which are –
 - (a) sent to a *member* or its agent by post shall be deemed to have been effectively served by properly addressing, prepaying and posting such proceedings, notice

or communication and shall be deemed to have been received 72 hours from the time of posting;

- (b) left at the address of the *members' agent* or left for collection by the *members' agent* at the address of the *Society* in accordance with arrangements made between the agent and the *Society* shall have been deemed to have been received on the date so left;
- (c) left at the address of an agent appointed under paragraph 13 or at the registered office of the *corporate member* shall be deemed to have been received on the date so left.