

Market Bulletin

Ref: Y5396

Title Byelaw Review: Consolidating, Simplifying, Updating – Publication of Byelaw Changes

Purpose To inform the market of changes to byelaws following consultation

Type Event

From Peter Spires, Lloyd's General Counsel & Secretary to the Council

Date 10 February 2023

Deadline Immediate

Related links <https://www.lloyds.com/conducting-business/market-oversight/acts-and-byelaws/lloyds-byelaws>

We consulted last year on a number of proposed changes to our byelaws. The consultation was issued under [Market Bulletin Y5378](#). The proposed changes were part of a review of the byelaws intended to help simplify our requirements and make them easier to follow and comply with.

The feedback we received was supportive of the changes, albeit, probably reflecting the relatively technical nature of the changes, only a few responses were received.

The amendments to the byelaws are set out in three amending byelaws, which have now been made by Council. The corresponding amendments to the relevant byelaws have been incorporated and the updated byelaws are shown on Lloyds.com. Those byelaws that have been revoked have been removed from the website.

The details of the changes we have made are set out in our original consultation document, which can be found at www.lloyds.com/byelawconsultation. In summary, the following are the main changes we have made:

- (a) Revoke the Multiple Syndicate Byelaw: Lloyd's expects managing agents to have appropriate arrangements in place to identify and manage conflicts of interest
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consistent with their fiduciary duty to their syndicate members, the PRA and FCA rules and also Lloyd's own requirements. However, the rules set out in this byelaw preventing underwriters writing for two or more syndicates without Lloyd's prior agreement and the restrictions on reinsurance arrangements between or involving two or more syndicates managed by the same managing agent pre-date Lloyd's performance management framework and the introduction of the 'Principles for Doing Business' at Lloyd's. The requirements are too rigid, add little value given the other controls in place and are burdensome for the Market. We believe that managing agents can manage the risks this byelaw is concerned with without Lloyd's prior agreement in each case and/or compliance with the strict conditions of this byelaw. Paragraph 17, which sets out a broad obligation on managing agents to ensure that when effecting reinsurance they have regard to the best interests of the members of the syndicates and that the premium and recoveries are dealt with properly has been retained and is now in the Underwriting Byelaw.

- (b) Amend the Underwriting Byelaw to allow flexibility to permit syndicates to write in excess of their capacity during an underwriting year of account:
- i. The Underwriting Byelaw provides that syndicates should not write above their capacity. In a limited number of instances, however, the inability to write more than the capacity of the syndicate has prevented syndicates writing profitable business. This has particularly been an issue for non-aligned syndicates that are not able to pre-empt their capacity mid-year. By amending the Underwriting Byelaw to allow Lloyd's to permit overwriting of capacity, we hope that the difficulties that this can cause can be addressed.
 - ii. Lloyd's will issue guidance to clarify that managing agents will only be able to write in excess of capacity if they have (1) member consent, (2) business plan approval and (3) the syndicate holds the appropriate levels of capital. Each case will be assessed by Lloyd's on its merits.
 - iii. In practice, we would expect any requests to overwrite capacity to be exceptional.
- (c) Consolidate Lloyd's powers to charge fees, levies and membership subscriptions into a single byelaw: At present the requirements are spread across several byelaws making them difficult to understand or apply.
- (d) Update the New Central Fund Byelaw and consolidating this with the New Central Fund & Funds and Property of the Society (Miscellaneous Provisions) Byelaw: Other than consolidating two related byelaws into a single byelaw, the changes being made are technical amendments to remove out of date provisions and update references. (Note that in the original proposals, we intended to make limited changes to the provisions relating to 'callable contributions', as described in paragraph 25(b) of the [original consultation document](#). On reflection we have decided not to proceed with that amendment.)

- (e) Update the provisions in the Miscellaneous Provisions Byelaw: This byelaw includes Lloyd's obligations, which we have updated and strengthened, for maintaining confidentiality of information provided to us and corresponding obligations of confidentiality expected of recipients of confidential information we provide. We have also included a new general power to require the provision of data in market returns.
- (f) Revoke a number of requirements and byelaws that have fallen into disuse and are redundant.
- (g) Make consequential amendments to other byelaws including the Definitions Byelaw.

The detailed changes can be found in the amending byelaws on Lloyds.com by following [this link](#).

The amendments take effect immediately.

Further information

Any questions regarding the byelaw amendments can be sent to Guy Holden in Lloyd's Legal at guy.holden@lloyds.com.