

FROM: Secretary, Lloyd's Disciplinary Board
LOCATION: 86/425
EXTENSION: 5530
DATE: 12 April 2002
REFERENCE: 013/2002
SUBJECT: **CROWE SYNDICATE MANAGEMENT LIMITED**
SUBJECT AREA(S): Formal Disciplinary Proceedings – Case No.
LDB/0201/01
ATTACHMENTS: Notice of Censure
ACTION POINTS: **For information**
DEADLINE: **None**

Crowe Syndicate Management Limited (“CSML”), a Lloyd's managing agent, has admitted one charge of detrimental conduct and one charge of failing to take reasonable steps in connection with the business of insurance to avoid the risk of harming Lloyd's policyholders, the Society, its members, or those doing business at Lloyd's.

As a result of these disciplinary proceedings, the following penalties have been imposed on CSML:

- 1) A fine of £10,000; and
- 2) The penalty of Notice of Censure (a copy of which is attached to this bulletin).

In addition, CSML is to pay the costs of Lloyd's of £3,500.

The charges that CSML has admitted relate to the fact that CSML failed to disclose for the years ending 1989 to 1995 inclusive an interest of one of its directors which needed to be disclosed to the capital providers as required pursuant to the Syndicate Accounting Byelaws. Details of the events giving rise to the charges admitted by CSML are as set out in the attached Notice of Censure.

This case was determined by the Lloyd's Disciplinary Board and its decision gives effect to a settlement of these proceedings agreed between CSML and the Council pursuant to paragraph 26.6 of the Lloyd's Disciplinary Rules (Schedule 2 of the Disciplinary Committees Byelaw (No. 31 of 1996) as amended).

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

AP Barber
Secretary
Lloyd's Disciplinary Board

NOTICE OF CENSURE

CROWE SYNDICATE MANAGEMENT LIMITED

Prior to the 1993 year of account syndicate 963 was managed by Crowe Underwriting Agency Limited ("CUAL"). Thereafter the syndicate was managed by Crowe Syndicate Management Limited ("CSML"). At all material times Andrew Wallace was a director of CUAL/CSML and was the deputy underwriter of Syndicate 963 between 1981 and 1993. In 1993 he became the active underwriter of Syndicate 963.

In 1989 CUAL entered into a business relationship with a company incorporated in the Republic of Ireland ("the Irish insurance company"). That company was a coverholder approved by Lloyd's and which conducted motor insurance business exclusively for CUAL under a binding authority first granted by Syndicate 963 in 1990 and renewed annually thereafter.

Mr Wallace became a director of the Irish insurance company on or around October 1989. The board of CUAL was aware of this directorship. Due to its common directorships the board of CSML was similarly aware of the directorship. Mr Wallace resigned his directorship of the Irish Insurance Company in March 2001.

During the relevant period Mr Wallace submitted to CUAL/CSML disclosure of interests forms. The purpose of these forms was that executives of the managing agent could disclose any interests that needed to be disclosed to Names pursuant to the Syndicate Accounting Byelaws. Mr Wallace formally declared his directorship in the Irish insurance company in several of his disclosure of interests forms.

In addition, in June 1992, Mr Wallace specifically disclosed to the board of CUAL that he would be receiving a director's fee of approximately IR£10,000 for the coming year and that "*the sum may differ from year to year*".

Therefore, as from June 1992 at the latest the board of CUAL/CSML was on notice that not only Mr Wallace was a director of the Irish insurance company but also that he was receiving fees in that position.

The fact that Mr Wallace held a directorship in a coverholder to which he had granted a binding authority and the fact that he was receiving director's fees were each material interests as defined by the Syndicate Accounting Byelaws and therefore should have been disclosed in the Syndicate's Annual Reports and Accounts.

However, CSML failed to disclose the fact that Mr Wallace held a directorship in the coverholder in the syndicate annual reports and accounts for the years ending 1989 to 1995 inclusive.

In the annual report and accounts as at 31 December 1996 CSML did disclose for the first time the fact that Mr Wallace held the directorship. However, it incorrectly stated that Mr Wallace had not received any remuneration for his services as a director of the Irish insurance company. This was in circumstances where CSML knew that Mr Wallace had received director's fees.

In addition CSML failed to take any or any adequate steps to ascertain what further fees or other remuneration Mr Wallace was receiving.

Accordingly, CSML had admitted one charge of detrimental conduct. In respect of misconduct after 7 August 1996 it has admitted one charge of failing to take responsible steps in connection with the business of insurance to avoid the risk of harming Lloyd's policyholders, the Society, its Members, or those doing business at Lloyd's.

As a result of these proceedings the following penalties have been imposed on CSML:

- i) Censure in the terms of this Notice; and
- ii) A fine of £10,000.

In addition, CSML is to pay £3,500 towards Lloyd's costs arising from these proceedings.

In assessing the penalties Lloyd's has taken into account the current financial position of CSML. Account has also been taken of the fact that CSML fully co-operated with the investigation into this matter and has settled these proceedings thereby avoiding the need for a contested hearing before a Disciplinary Tribunal. In addition, it is no part of the case against CSML that it knew of any relationship, apart from the directorship, that Mr Wallace had with the Irish insurance company or that it knew of any other remuneration Mr Wallace received from the Irish insurance company (as detailed in Lloyd's Regulatory Bulletin 2/2002 dated 17 January 2002).

LLOYD'S DISCIPLINARY BOARD