

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)

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 256 of the Companies Act 1985;

“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* 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 *Financial Services Authority*;

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

“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 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* 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* 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);

“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 *Financial Services Authority*;

“central file” means the central file of annual reports of *syndicates* maintained under paragraph 12(1) of the Syndicate Accounting Byelaw (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* under paragraph 31 of the Underwriting Byelaw (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 Byelaw (No. 2 of 2003);

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

“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;

“counterparty” has the meaning given in the Glossary made by the *Financial Services 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;

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

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

“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 established by the *Council* with that name;

“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 Insurance Standards Council” means the company limited by guarantee with the registered number 3705388;

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

“GENPRU” means the General Prudential sourcebook made by the *Financial Services Authority*;

“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 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);

“INSPRU” means the Prudential sourcebook for Insurers made by the *Financial Services Authority*;

“insurance business” has the meaning given in the Glossary made by the *Financial Services Authority*;

“insurance functions” means, in relation to an *approved run-off company*, the functions prescribed by the *Franchise Board* 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);

“IPRU(INS)” means the Interim Prudential sourcebook for Insurers made by the *Financial Services Authority*;

“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 Glossary made by the FSA, as modified in its application to Lloyd’s by *GENPRU 2.3*;

“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

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- (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);

“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;

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

“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;

“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*;

“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*;

“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;

“relevant liabilities” means liabilities calculated in accordance with *GENPRU* 1.3;

“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* in accordance with the Intermediaries Byelaw (No. 3 of 2007);

“registered individual” shall, for the purposes of the Members’ Ombudsman Byelaw and the 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;

“restricted binding authority” means a *binding authority* which –

- (a) prescribes the terms and conditions to be included in each contract of insurance to be entered into by the *coverholder* under the *binding authority*;
- (b) contains comprehensive arrangements for the determination of the premium to be charged in respect of each contract of insurance to be entered into under the *binding authority* which do not afford the *coverholder* or any third party any material discretion in calculation of the premium or of any adjustment to it; and
- (c) only authorises the *coverholder* to enter into contracts of insurance where –
 - (i) the contract will concluded in the United Kingdom and the insured has his habitual residence in the UK, or in the case of a company, the company is registered in the UK; and
 - (ii) where –
 - (i) the property to be insured under the contract is situated in the United Kingdom; or
 - (ii) the property to be insured is a motor vehicle which is registered in the United Kingdom; or
 - (iii) the risk to be insured is a travel or holiday risk and the contract is for a duration of 4 months or less;

(iv) the risk to be insured is a *liability risk*;

“restricted coverholder” means any company or partnership whose name has been entered in the register of *restricted coverholders* by the *Franchise Board* in accordance with the Intermediaries Byelaw (No. 3 of 2007);

“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;

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 value of *admissible assets* held in respect of the *member* (after deduction of the amount by which those assets exceed the limits set out in *INSPRU 2.1* and disregarding any *central assets*) falls short of the aggregate value of the member's *relevant liabilities* and *MCR*;

“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;

“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*;

“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;

“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* under paragraph 24 of the Underwriting Byelaw (No. 2 of 2003).

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.