

LLOYD'S OF LONDON  
CENTRAL REGISTER

Registered Number:

4361

**FROM:** The Secretary to Lloyd's Disciplinary Board  
**LOCATION:** 58/NW1  
**EXTENSION:** 5530  
**DATE:** 30 September 1998  
**REFERENCE:** 090/98  
**SUBJECT:** HARRIS & DIXON INSURANCE BROKERS LIMITED

**ACTION POINTS:** For information  
**DEADLINE:** None

Harris & Dixon Insurance Brokers Limited ("Harris & Dixon") has admitted one charge of misconduct, namely a failure to take reasonable steps in connection with the business of insurance to avoid risk of harm to Lloyd's policyholders, the Society of Lloyd's, its members, or those doing business at Lloyd's, within the meaning of the Misconduct and Penalties Byelaw (No. 30 of 1996).

Harris & Dixon is a Lloyd's broker. The charge of misconduct relates to the operation of Harris & Dixon's Brussels Office and concerns failures to ensure the proper administration of that office; in particular, failure to control properly the issuance of cover notes, failure to control properly the Brussels office account, and failure to staff the Brussels office properly, with a consequent risk of harm to the reputation of the Society of Lloyd's. The failures and lack of controls resulted in the issuance by the Manager of the Brussels office of eleven false cover notes in respect of Continental European placements, the misappropriation by him of US\$552,370 and, on certain occasions, inadequate staffing and lax and untimely administration of the Brussels office.

Harris & Dixon have received the following penalty.

1. A fine of £23,000;
2. Harris & Dixon have also agreed to pay Lloyd's costs.

The penalty took into account that the Company brought the matter to Lloyd's attention, that the Company remains an innocent party in the misappropriation of the monies, that the clients affected by the shortfall in cover were reimbursed and so suffered no loss (financial or otherwise), and that Harris & Dixon co-operated fully with Lloyd's investigation obviating

the need for a lengthy investigation and contested formal proceedings and so kept costs to the minimum.

Harris & Dixon have admitted the Charge. Their Brussels Office Manager has left Brussels without notice. He has been summarily dismissed and the Brussels office has voluntarily been closed by Harris& Dixon.

The false cover notes were issued in respect of Continental European placements from the Brussels office having been countersigned by Harris & Dixon's London office. For Lloyd's and London market business Harris & Dixon London would only countersign cover notes after submission of the supporting placing documentation in verification. However, the Continental European placements did not require such supporting documentation. This absence of control allowed the false cover notes to be issued. The aggregate amount over each of the eleven separate policies was US\$11,602,500.

Between 2 January and 8 February 1997 twenty transfer authorisations enabling funds to be transferred from the Brussels IBA to the Brussels office account were presented to H & D's bankers. The transfer authorisations had been signed by the Manager of the Brussels office and then countersigned by an authorised London signatory. Once signed they were returned to Brussels where they were retained undetected for in some cases a lengthy period. H & D London had no procedure to monitor whether the transfers had been presented in a timely manner.

The twenty authorisations were presented by the Manager to H & D's Bankers in swift succession, transferring US\$604,870.21 from the Brussels IBA to the office account. On eight occasions, the Manager had altered the transfer, after it had been countersigned, to increase the brokerage sums to be transferred. Harris & Dixon's bankers accepted the transfers. Thereafter US\$552,370 was withdrawn by the Manager from the office account by payments against false invoices.

Harris & Dixon accept that there was a failure to control properly the operation of the Brussels office, insofar as the occurrence of two prolonged periods of absence by responsible staff was concerned, and that the Brussels office administration was, on certain occasions, lax and untimely.

This case was determined by Lloyd's Disciplinary Board and its decision gives effect to a settlement of these proceedings on terms agreed between the Council and Harris & Dixon and approved by the Disciplinary Board.

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



A P Barber  
Secretary to Lloyd's Disciplinary Board