

**FROM:** The Secretary to Lloyd's Disciplinary Board  
**LOCATION:** 58/NW1  
**EXTENSION:** 5530  
**DATE:** 24 May 2001  
**REFERENCE:** 030/2001  
**SUBJECT:** **LLOYD'S DISCIPLINARY PROCEEDINGS -  
CASE NO. LDB0007/15 (LEUMI INSURANCE  
SERVICES (UK) LTD, MR WHITE & MRS ENC  
BRANNELLY**

**ATTACHMENTS:** Three Notices of Censure  
**ACTION POINTS:** For information  
**DEADLINE:** None

Lloyd's broker Leumi Insurance Services (UK) Ltd, its former managing director Mr Ian White and its finance director Mrs Elizabeth Brannelly have each admitted several charges of conducting themselves in a manner which was detrimental to the interests of Lloyd's policy holders, the Society, members of the Society, Lloyd's brokers, underwriting agents or others doing business at Lloyd's within the meaning of the Misconduct Penalties and Sanctions Byelaws of 1983 and 1993.

The disciplinary proceedings against Leumi Insurance Services (UK) Ltd, Mr White and Mrs Brannelly were settled before the Disciplinary Board in September 2000 and the following penalties and order for costs were imposed on the defendants:

Leumi Insurance Services (UK) Ltd

Penalties: (i) a fine of £25,000 and (ii) a Notice of Censure.  
Costs order: the payment of £1,873.64 towards Lloyd's costs

Mr I K White

Penalties: (i) a fine of £7,500 and (ii) a Notice of Censure.

Costs order: the payment of £3,890.00 towards Lloyd's costs

Mrs ENC Brannelly

Penalties: (i) a Notice of Censure.

Costs order: the payment of £4,265.00 towards Lloyd's costs

The events that gave rise to the preferment of disciplinary charges against Leumi Insurance Services (UK) Ltd, Mr White and Mrs Brannelly are set out in the attached Notices of Censure.

The publication of this bulletin has been deferred pending the outcome of related disciplinary proceedings which are the subject of separate regulatory bulletins.

This bulletin is being sent to all underwriting agents, Lloyd's brokers, corporate members, market associations, the ALM, recognised accountants and the General Insurance Standards Council.

A. P. Barber  
Secretary to Lloyd's Disciplinary Board

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**ANNEX 1**

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**NOTICE OF CENSURE****LEUMI INSURANCE SERVICES (UK) LTD**

Lloyd's broker Leumi Insurance Services (UK) Ltd ("Leumi") has admitted seven charges of conducting itself in a manner which was detrimental to the interests of Lloyd's policy holders, the Society, members of the Society, Lloyd's brokers, underwriting agents or others doing business at Lloyd's within the meaning of the Misconduct Penalties and Sanctions Byelaws of 1983 and 1993 during the period from 21 September 1992 until 7 August 1996. Leumi was registered as a Lloyd's broker on 21 September 1992 and became subject to Lloyd's disciplinary jurisdiction from that date.

The misconduct that Leumi has admitted involved four matters:

- (i) The payment of commissions totalling £330,111.54 and US\$28,724.93 to one I Persiguero during the period from 21 September 1992 to about 3 May 1995 without making appropriate enquiries as to the legitimacy of these payments. These payments formed part of a larger number of payments to I Persiguero by Leumi which commenced on or about 4 July 1991. They were made at the behest of Mr Martin Garvey who was a director of and underwriter employed by AXA Marine & Aviation Insurance (UK) Ltd ("AXA UK")'s subsidiary, Aviation Underwriting Agents Ltd ("AUAL"), until about October 1994 and who was thereafter a director of and underwriter for Redholm Underwriting Agents Ltd ("Redholm") which acted as an underwriting agent for the American International Group. Unbeknown to three of the four directors who authorised them the commission payments that Leumi made to I Persiguero were paid into bank accounts under the control of Mr Garvey who then paid some of the proceeds to Leumi's aviation director, Mr Ronald MacRo. These payments were made without the consent of the reinsured companies that paid the premiums from which the commission payments to I Persiguero were deducted.
- (ii) The issue of three cover notes to AXA UK which misrepresented the terms of the reinsurance policies to which they related.
- (iii) The production and/or issue of false and misleading accounting documents in connection with the payment of commissions to I Persiguero.
- (iv) The payment of commissions totalling US\$539,144.14 to a company called AFS during the period from 3 September 1993 to 4 August 1995 without making appropriate enquiries concerning the legitimacy of these payments. These payments were ostensibly made at the behest of Mr Jacques Paté through the intermediary of Mr Garvey. Mr Paté was the managing director of AXA S.A's Paris based subsidiary, GIE Aviafrance ("Aviafrance"). Unbeknown to three of the four directors who

authorised them all but one of the commissions payments that Leumi made to AFS were paid into a bank account under the control of Mr Garvey with the remaining payment being paid into account under the control of Mr Paté; some of the proceeds of these commission payments were then paid to Mr MacRo by Mr Garvey. These commission payments were made without the knowledge or consent of the reinsured companies that paid the premiums from which the commission payments to AFS were deducted.

Mr MacRo informed Leumi's managing director and finance director that I Persiguero produced business to AUAL and that Mr Garvey wished Leumi to pay commission to I Persiguero on AUAL's behalf because that company lacked the facility to do so itself. Leumi's directors agreed to pay commission to I Persiguero without making adequate enquiries about the legitimacy of such payments. It was the understanding of Leumi's managing director and finance director that I Persiguero was to be remunerated for his services to AUAL and not necessarily for the introduction of business that was subsequently reinsured through Leumi. Leumi accepts that it should have obtained the following information before paying any commission to I Persiguero:

- (a) Verification of the existence and status of I Persiguero.
- (b) A detailed written statement from AUAL and later Redholm of the precise basis on which I Persiguero was to be remunerated.
- (c) Written confirmation from AUAL and later Redholm that their respective principals were content to pay more premium than that charged by underwriters for reinsuring them in order to allow Leumi to pay commission on their behalf to I Persiguero.
- (d) Written confirmation from I Persiguero that it was in order for Leumi to deliver its cheques in his favour to Mr Garvey before and after Mr Garvey's appointment as a director of Redholm in November 1994.

The commissions that were paid to I Persiguero by Leumi were generated by the inflation of premiums charged by the underwriters who reinsured AXA UK and its associated companies and by the cession by Leumi of part of its brokerage for placing such reinsurances. Mr Garvey determined the amount of commission that was paid to I Persiguero by Leumi.

Leumi produced and/or issued premium debit notes which showed inflated premiums rather than the premiums charged by the reinsuring underwriters and commission credit notes which showed the same premiums and which additionally gave the false impression that I Persiguero had been involved in the placement of reinsurance cover referred to therein. Conversely Leumi issued premium advice notes to Lloyd's Policy Signing Office and closings to company underwriters which showed gross premiums that were identical to those charged by the reinsuring underwriters. The production of these documents was improper as they were apt to mislead each person to whom they were shown who did have knowledge of the true nature of the arrangements relating to the payment of commission to I Persiguero.

In October and November 1992 Leumi issued three cover notes which misrepresented the premiums and certain other terms of the reinsurances policies to which they related and were accordingly false and misleading. These cover notes were prepared on the instructions of Mr MacRo and signed by Leumi's managing director and non-marine director. The policies to

which they related were ones which gave rise to the payment of commission to I Persiguero. Leumi should not have produced still less issued these cover notes because they did not accord with the terms of the underwriting slips to which they related and which they purported to evidence.

Mr MacRo informed Leumi's managing director and finance director that AFS was a subsidiary of Aviafrance and had agreed to place business through Leumi if Leumi ceded 50% of its brokerage to AFS. The directors of Leumi agreed to Leumi paying commission to AFS without making any or any adequate enquiries about the legitimacy of such payments. In the event AFS was paid commission by Leumi in respect of seven reinsurances of AXA UK and three reinsurances of Aviafrance (by AXA UK). These commission payments were funded out of brokerage ceded by Leumi save that in three instances they were additionally funded by the inflation of the premiums charged by the reinsuring underwriters. Mr Garvey determined the amount of commission that was paid to AFS by Leumi in respect of the latter contracts.

Leumi accepts that it should have obtained the following information before paying of any commission to AFS:

- (a) Verification of the existence of AFS and its relationship with Aviafrance and AXA UK.
- (b) Written confirmation from Aviafrance and AXA UK that AFS should be paid third party commission in relation to specified business placed on their behalf by Leumi.
- (c) Written confirmation from Aviafrance and AXA UK that it was in order for Leumi to deliver its cheques in favour of AFS to Mr Garvey before and after Mr Garvey's appointment as a director of Redholm.

While high standards of trustworthy conduct are to be expected of every member of the Lloyd's community that does not obviate the necessity for market practitioners to follow sound business practices so as to reduce the risk of fraud and other wrongdoing. Had Leumi taken the steps that it now accepts that it should have taken it is unlikely that any commission would have been paid to I Persiguero or AFS by the company and consequently no misleading accounting documentation would have been produced by the company in relation to business placed for AUAL.

Lloyd's acknowledges that on a number of occasions from 1991 Leumi's finance director requested Mr MacRo to obtain "something in writing" from Mr Garvey regarding the payment of commission to I Persiguero. However it notes that the letter that Mr Garvey eventually produced in reply in March 1993 did not refer to I Persiguero by name and provided no justification for the payment of commission to such person by Leumi although it was treated by Leumi's managing director and finance director as such.

In addition to accepting this notice of censure and agreeing to pay a fine of £25,000 Leumi has agreed to make a contribution towards Lloyd's costs of £1,873.64.

In assessing the penalty and costs order to be imposed these proceedings account has been taken of the following points:

1. When doubts were raised within Leumi about the existence of I Persiguero in the Summer of 1996 the company conducted an internal review and commissioned an investigation by its solicitors and auditors of the commission payments that had been made to I Persiguero. It reported the findings of these investigations to AXA Global Risks (UK) Ltd, the police and Lloyd's promptly. Later, after it had discovered that Mr Garvey's mother in law was called Isabel Persiguero, it learnt that Mr Garvey was a director of a company called AFS Ltd. Leumi duly reported the commission payments that had been made to AFS to AXA Global Risks (UK) Ltd, the police and Lloyd's.
2. Leumi has admitted the charges of misconduct made against it and has concluded a settlement without incurring the expense of contested disciplinary proceedings.
3. Leumi has no previous findings of misconduct.
4. Leumi is to be de-registered as a Lloyd's broker once it has discharged its servicing obligations in respect of business placed while it was an active Lloyd's broker.
5. Leumi has suffered financial loss in respect of the payment of commissions to I Persiguero and AFS and has settled civil proceedings that were instituted against it in relation to those commission payments.

## **LLOYD'S DISCIPLINARY BOARD**

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**ANNEX 2**

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**NOTICE OF CENSURE****IAN KENNETH WHITE**

Mr White has admitted seven charges of conducting himself in a manner which was detrimental to the interests of Lloyd's policy holders, the Society, members of the Society, Lloyd's brokers, underwriting agents or others doing business at Lloyd's within the meaning of the Misconduct Penalties and Sanctions Byelaws of 1983 and 1993 in his capacity as the managing director of Leumi Insurance Services (UK) Ltd ("Leumi") during the period from May 1991 until 7 August 1996. Leumi became a Lloyd's broker on 21 September 1992 and was party to registered umbrella arrangements with two Lloyd's brokers prior to that date.

The misconduct that Mr White has admitted involved four matters:

- (i) The joint authorisation of commission payments totalling £292,612.02 and US\$28,724.93 by Leumi to one I Persiguero during the period from 4 July 1991 to 3 May 1995 without making appropriate enquiries as to the legitimacy of these payments. These payments formed part of a larger number of payments to I Persiguero by Leumi which commenced on or about 4 July 1991. They were made at the behest of Mr Martin Garvey who was a director of and underwriter of AXA Marine & Aviation Insurance (UK) Ltd ("AXA UK")'s subsidiary, Aviation Underwriting Agents Ltd ("AUAL") until about October 1994 and who was thereafter a director of and underwriter for Redholm Underwriting Agents Ltd ("Redholm") which acted as an underwriting agent for the American International Group. Unbeknown to Mr White the commission payments that Leumi made to I Persiguero were paid into bank accounts under the control of Mr Garvey who then paid some of the proceeds to Leumi's aviation director, Mr Ronald MacRo. These payments were made without the knowledge or consent of the reinsured companies that paid the premiums from which the commission payments to I Persiguero were deducted.
- (ii) Signing and making available for issue to AXA UK cover notes and cover note addenda which misrepresented the terms of the reinsurance policies to which they related.
- (iii) The toleration of the production and/or issue by Leumi of false and misleading accounting documents in connection with the payment of commissions to I Persiguero.
- (iv) The joint authorisation of commission payments totalling US\$351,079.14 by Leumi to a company called AFS during the period from 3 September 1993 to 4 August 1995 without making appropriate enquiries concerning the legitimacy of these payments. These payments formed part of a larger number of payments to AFS by Leumi and

were ostensibly made at the behest of Mr Jacques Paté through the intermediary of Mr Garvey. Mr Paté was a director of AUAL and the managing director of AXA S.A's Paris based subsidiary, GIE Aviafrance ("Aviafrance"). Unbeknown to Mr White all but one of the commissions payments that Leumi made to AFS were paid into a bank account under the control of Mr Garvey with the remaining payment being paid into account under the control of Mr Paté. Some of the proceeds of the commission payments that Leumi made to AFS were subsequently paid to Mr MacRo by Mr Garvey. These payments were made without the knowledge or consent of the reinsured companies that paid the premiums from which the commission payments to I Persiguero were deducted.

Mr White was informed by Mr MacRo that I Persiguero produced business to AUAL and that he wished Leumi to pay commission to I Persiguero on AUAL's behalf because that company lacked the facility to do so itself. Mr White agreed to Leumi paying commission to I Persiguero without making adequate enquiries about the legitimacy of such payments. He did so on the basis that I Persiguero was to be remunerated for the introduction of business to AUAL but not necessarily for the introduction of business that was subsequently reinsured through Leumi.

Mr White accepts that as a director of Leumi he should have obtained the following information before authorising the payment of any commission to I Persiguero:

- (a) Verification of the existence and status of I Persiguero.
- (b) A detailed written statement from AUAL and later Redholm of the precise basis on which I Persiguero was to be remunerated.
- (c) Written confirmation from AUAL and later Redholm that their respective principals were content to pay more premium than that charged by underwriters for reinsuring them in order to allow Leumi to pay commission on their behalf to I Persiguero.
- (d) Written confirmation from I Persiguero that it was in order for Leumi to deliver its cheques in his favour to Mr Garvey before and after Mr Garvey's appointment as a director of Redholm in November 1994.

The commissions that were paid to I Persiguero by Leumi were generated by the inflation of premiums charged by the underwriters who reinsured AXA UK and its associated companies and by the cession by Leumi of part of its brokerage for placing such reinsurances. Mr Garvey determined the amount of commission that was paid to I Persiguero by Leumi.

Leumi produced and/or issued premium debit notes which showed inflated premiums rather than those charged by the reinsuring underwriters and commission credit notes which showed the same premiums and which additionally gave the false impression that I Persiguero had been involved in the placement of reinsurance cover referred to therein. Conversely Leumi issued premium advice notes to Lloyd's Policy Signing Office and closings to company underwriters which showed gross premiums that were identical to those charged by the reinsuring underwriters. Mr White was aware of this situation in general terms but took no action to remedy it. He failed in his duties as a director of Leumi in this regard.

Between May 1991 and November 1992 Mr White signed and made available for issue to

AXA UK Leumi issued six cover notes and two cover note addenda which misrepresented the premiums and certain other terms of the reinsurances policies to which they related and were accordingly false and misleading. These cover notes and cover note addenda were prepared on the instructions of Mr MacRo and the policies to which they related were ones which gave rise to the payment of commission to I Persiguero. Mr White accepts that he should not have signed these cover notes and cover note addenda because they did not accord with the terms of the underwriting slips and endorsements to which they related and which they purported to evidence. He failed in duties as a director of Leumi in this regard.

Mr White was informed by Mr MacRo that AFS was a subsidiary of Aviafrance and had agreed to place business through Leumi if Leumi ceded 50% of its brokerage to AFS. Mr White agreed to Leumi paying commission to AFS without making any or any adequate enquiries about the legitimacy of such payments. In the event AFS was paid commissions by Leumi in respect of seven reinsurances of AXA UK and three reinsurances of Aviafrance (by AXA UK). These commission payments were funded out of brokerage ceded by Leumi save that in three instances they were additionally funded by the inflation of the premiums charged by the reinsuring underwriters. Mr Garvey determined the amount of commission that was paid to AFS by Leumi in respect of the latter contracts.

Mr White accepts that as a director of Leumi he should have obtained the following information before authorising the payment of any commission to AFS:

- (a) Verification of the existence of AFS and its relationship with Aviafrance and AXA UK.
- (b) Written confirmation from Aviafrance and AXA UK that AFS should be paid third party commission in relation to specified business placed on their behalf by Leumi.
- (c) Written confirmation from Aviafrance and AXA UK that it was in order for Leumi to deliver its cheques in favour of AFS to Mr Garvey before and after Mr Garvey's appointment as a director of Redholm.

While high standards of trustworthy conduct are to be expected of every member of the Lloyd's community that does not obviate the necessity for market practitioners to follow sound business practices so as to reduce the risk of fraud and other wrongdoing. Had Mr White taken the steps that he now accepts that he should have taken it is unlikely that any commission would have been paid to I Persiguero or AFS by Leumi and consequently no misleading documentation would have been produced by the company in relation to business placed for AUAL.

Lloyd's accepts that on a number of occasions from 1991 Leumi's finance director requested Mr MacRo to obtain "something in writing" from Mr Garvey regarding the payment of commission to I Persiguero and that Mr White was aware that such requests had been made. However the letter that Mr Garvey eventually produced in reply in March 1993 did not refer to I Persiguero by name and provided no justification for the payment of commission to such person by Leumi although it was treated as such by Mr White.

In addition to accepting this notice of censure Mr White has agreed to pay a fine of £7,500 and to make a contribution towards Lloyd's costs of £3,890.

In assessing the penalty and costs order to be imposed these proceedings account has been taken of the following points:

1. Lloyd's accepts that Mr White derived no benefit from the payment of commission to I Persiguero and AFS by Leumi and that when doubts were raised about the existence of I Persiguero by one of Leumi's staff in the Summer of 1996 he commissioned an investigation of the payments made to I Persiguero and reported the findings of this investigation to AXA Global Risks (UK) Ltd, the police and Lloyd's. Later, after Leumi had learnt that Mr Garvey's mother in law was called Isabel Persiguero, it was discovered that Mr Garvey was a director of a company called AFS Ltd. The commission payments that had been made to AFS were then reported to AXA Global Risks (UK) Ltd, the police and Lloyd's
2. Mr White has admitted the charges of misconduct made against him and concluded a settlement without incurring the expense of contested disciplinary proceedings.
3. Mr White has no previous findings of misconduct.

#### **LLOYD'S DISCIPLINARY BOARD**

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**ANNEX 3**

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**NOTICE OF CENSURE****ELIZABETH NIVEN CAIRNS BRANNELLY**

Mrs Brannelly has admitted six charges of conducting herself in a manner which was detrimental to the interests of Lloyd's policy holders, the Society, members of the Society, Lloyd's brokers, underwriting agents or others doing business at Lloyd's within the meaning of the Misconduct Penalties and Sanctions Byelaws of 1983 and 1993 in her capacity as the finance director and Lloyd's compliance officer of Lloyd's broker Leumi Insurance Services (UK) Ltd ("Leumi") during the period from 1 January 1992 until 7 August 1996. Mrs Brannelly became a registered annual subscriber of Leumi on 1 January 1992 and thereby became subject to Lloyd's disciplinary jurisdiction from that date.

The misconduct that Mrs Brannelly has admitted involved three matters:

- (i) The joint authorisation of commission payments totalling £359,413.96 and US\$55,209.07 by Leumi to one I Persiguero during the period from 1 January 1992 to 3 May 1995 without making appropriate enquiries as to the legitimacy of these payments. These payments formed part of a larger number of payments to I Persiguero by Leumi which commenced on or about 4 July 1991. They were made at the behest of Mr Martin Garvey who was a director of and underwriter of AXA Marine & Aviation Insurance (UK) Ltd ("AXA UK")'s subsidiary, Aviation Underwriting Agents Ltd ("AUAL") until about October 1994 and who was thereafter a director of and underwriter for Redholm Underwriting Agents Ltd ("Redholm") which acted as an underwriting agent for the American International Group. Unbeknown to Mrs Brannelly the commission payments that Leumi made to I Persiguero were paid into bank accounts under the control of Mr Garvey who then paid some of the proceeds to Leumi's aviation director, Mr Ronald MacRo. These payments were made without the knowledge or consent of the reinsured companies that paid the premiums from which the commission payments to I Persiguero were deducted.
- (ii) The toleration of the production and/or issue by Leumi of false and misleading accounting documents in connection with the payment of commissions to I Persiguero.
- (iii) The joint authorisation of commission payments totalling US\$302,771.72 by Leumi to a company called AFS during the period from 3 September 1993 to 4 August 1995 without making appropriate enquiries concerning the legitimacy of these payments. These payments formed part of a larger number of payments to AFS by Leumi and were ostensibly made at the behest of Mr Jacques Paté through the intermediary of Mr Garvey. Mr Paté was a director of AUAL and the managing director of AXA S.A's

Paris based subsidiary, GIE Aviafrance (“Aviafrance”). Unbeknown to Mrs Brannelly all but one of the commissions payments that Leumi made to AFS were paid into a bank account under the control of Mr Garvey with the remaining payment being paid into account under the control of Mr Paté. Some of the proceeds of the commission payments that Leumi made to AFS were subsequently paid to Mr MacRo by Mr Garvey. These payments were made without the knowledge or consent of the reinsured companies that paid the premiums from which the commission payments to I Persiguero were deducted.

Mrs Brannelly was informed by Mr MacRo that I Persiguero produced business to AUAL and that he wished Leumi to pay commission to I Persiguero on AUAL’s behalf because that company lacked the facility to do so itself. Mrs Brannelly agreed to Leumi paying commission to I Persiguero without making adequate enquiries about the legitimacy of such payments. She did so on the basis that I Persiguero was to be remunerated for his services to AUAL and not necessarily for the introduction of business that was subsequently reinsured through Leumi. Mrs Brannelly accepts that as a director and the compliance officer of Leumi she should have obtained the following information before authorising the payment of any commission to I Persiguero:

- (a) Verification of the existence and status of I Persiguero.
- (b) A detailed written statement from AUAL and later Redholm of the precise basis on which I Persiguero was to be remunerated.
- (c) Written confirmation from AUAL and later Redholm that their respective principals were content to pay more premium than that charged by underwriters for reinsuring them in order to allow Leumi to pay commission on their behalf to I Persiguero.
- (d) Written confirmation from I Persiguero that it was in order for Leumi to deliver its cheques in his favour to Mr Garvey before and after Mr Garvey’s appointment as a director of Redholm in November 1994.

The commissions that were paid to I Persiguero by Leumi were generated by the inflation of premiums charged by the underwriters who reinsured AXA UK and its associated companies and by the cession by Leumi of part of its brokerage for placing such reinsurances. Mr Garvey determined the amount of commission that was paid to I Persiguero by Leumi.

Leumi produced and/or issued premium debit notes which showed inflated premiums rather than those charged by the reinsuring underwriters and commission credit notes which showed the same premiums and which additionally gave the false impression that I Persiguero had been involved in the placement of reinsurance cover referred to therein. Conversely Leumi issued premium advice notes to Lloyd’s Policy Signing Office and closings to company underwriters which showed gross premiums that were identical to those charged by the reinsuring underwriters. Mrs Brannelly was aware of this situation in general terms but took no action to remedy it. She failed in her duties as a director and the compliance officer of Leumi in this regard.

Mrs Brannelly was informed by Mr MacRo that AFS was a subsidiary of Aviafrance and had agreed to place business through Leumi if Leumi ceded 50% of its brokerage to AFS. Mrs Brannelly agreed to Leumi paying commission to AFS without making any or any adequate

enquiries about the legitimacy of such payments. In the event AFS was paid commissions by Leumi in respect of seven reinsurances of AXA UK and three reinsurances of Aviafrance (by AXA UK). These commission payments were funded out of brokerage ceded by Leumi save that in three instances they were additionally funded by the inflation of the premiums charged by the reinsuring underwriters. Mr Garvey determined the amount of commission that was paid to AFS by Leumi in respect of the latter contracts.

Mrs Brannelly accepts that as a director and the compliance officer of Leumi she should have obtained the following information before authorising the payment of any commission to AFS:

- (a) Verification of the existence of AFS and its relationship with Aviafrance and AXA UK.
- (b) Written confirmation from Aviafrance and AXA UK that AFS should be paid third party commission in relation to specified business placed on their behalf by Leumi.
- (c) Written confirmation from Aviafrance and AXA UK that it was in order for Leumi to deliver its cheques in favour of AFS to Mr Garvey before and after Mr Garvey's appointment as a director of Redholm.

While high standards of trustworthy conduct are to be expected of every member of the Lloyd's community that does not obviate the necessity for market practitioners to follow sound business practices so as to reduce the risk of fraud and other wrongdoing. Had Mrs Brannelly taken the steps that she now accepts that she should have taken it is unlikely that any commission would have been paid to I Persiguero or AFS by Leumi and consequently no misleading accounting documentation would have been produced by the company in relation to business placed for AUAL.

Lloyd's accepts that on a number of occasions from 1991 Mrs Brannelly requested Mr MacRo to obtain "something in writing" from Mr Garvey regarding the payment of commission to I Persiguero. However the letter that Mr Garvey eventually produced in reply in March 1993 did not refer to I Persiguero by name and provided no justification for the payment of commission to such person by Leumi although Mrs Brannelly treated it as such.

In addition to accepting this notice of censure Mrs Brannelly has agreed to make a contribution towards Lloyd's costs of £4,265.

In assessing the penalty and costs order to be imposed these proceedings account has been taken of the following points:

1. Lloyd's accepts that Mrs Brannelly derived no benefit from the payment of commission to I Persiguero and AFS by Leumi and that when doubts were raised about the existence of I Persiguero by one of her staff in the Summer of 1996 she reported this matter to the Chairman and the Managing director of Leumi as soon as practicable. Leumi then commissioned an investigation of I Persiguero and reported its findings to AXA Global Risks (UK) Ltd, the police and Lloyd's. Later, after Leumi had discovered that Mr Garvey's mother in law was called Isabel Persiguero, Mrs Brannelly was made aware that Mr Garvey was a director of a company called AFS Ltd. She then caused enquiries to be made into the payments that Leumi had to

AFS, the findings of which were duly reported to AXA Global Risks (UK) Ltd, the police and Lloyd's.

2. Mrs Brannelly has admitted the charges of misconduct made against her and concluded a settlement without incurring the expense of contested disciplinary proceedings.
3. Mrs Brannelly has no previous findings of misconduct.

### **LLOYD'S DISCIPLINARY BOARD**