

## Chapter 1 Requirements made under the Underwriting Byelaw

### Permission to act as an underwriting agent – Part A of the Underwriting Byelaw

Criteria for deciding whether an *applicant* is suitable to be granted permission to act as an underwriting agent – paragraph 8(b) of the Underwriting Byelaw

1. In deciding whether an *applicant* is suitable to be granted permission to act as an *underwriting agent* the *Franchise Board* shall have regard to the following criteria and all other relevant matters –
  - (a) whether the *applicant* is a competent, proficient and capable organisation. In considering this the *Franchise Board* may have regard to the following matters –
    - (i) the nature of the *applicant's* business;
    - (ii) the *applicant's* compliance with appropriate principles of good corporate governance;
    - (iii) the quality and adequacy of the *applicant's* human resources including –
      - (i) the competence, reputation, character and suitability of each of the *applicant's* directors;
      - (ii) the collective suitability of the *applicant's* board of directors and of each of its committees;
      - (iii) the competence, reputation, character and suitability of the *applicant's* officers and trustees;
      - (iv) the competence, reputation, character and suitability of the *applicant's* staff;
      - (v) the quality and adequacy of the *applicant's* training and development programme; and
      - (vi) in the case of an *applicant* applying for permission to act as a *managing agent*, the past, present and forecast *underwriting* performance of the *applicant's* underwriters;
    - (iv) the quality and adequacy of the *applicant's* other resources including –
      - (i) the quality and adequacy of the *applicant's* information technology systems;
      - (ii) the quality and adequacy of the *applicant's* accounting and credit control systems;

- (iii) the quality and adequacy of the *applicant's* consultants, advisers, service providers and agents;
  - (iv) the quality and adequacy of the *applicant's* resources to set and comply with appropriate service standards for its customers;
  - (v) the quality and adequacy of the *applicant's* resources to comply with such principles and standards for the conduct or administration of insurance business as the *Franchise Board* may from time to time prescribe, recognise or endorse;
  - (vi) the quality and adequacy of the *applicant's* record keeping arrangements; and
  - (vii) in the case of an *applicant* applying for permission to act as a *managing agent*, the quality and adequacy of the *applicant's* resources and systems for *underwriting* administration;
- (v) the quality and adequacy of the *applicant's* controls and procedures to manage its business including –
- (i) the quality and adequacy of the *applicant's* risk management and internal audit arrangements;
  - (ii) the quality and adequacy of the *applicant's* compliance arrangements;
  - (iii) the quality and adequacy of the *applicant's* arrangements to manage its service providers and agents;
  - (iv) the *applicant's* arrangements for identifying, resolving or managing conflicts of interest; and
  - (v) in the case of an *applicant* applying for permission to act as an *managing agent*, the quality and adequacy of the *applicant's* controls and procedures for the management of *underwriting* risk;
- (b) whether the *applicant* is of appropriate reputation and standing;
  - (c) whether any *person* who *controls* the *applicant* or who is connected or associated with the *applicant* is of appropriate reputation and standing;
  - (d) whether the *applicant* has adequate capital and financial resources.

Criteria for deciding whether an *applicant* is suitable to be granted permission to manage a *syndicate* – paragraph 8(c) of the Underwriting Byelaw

2. In deciding whether a *managing agent* is suitable to manage a *syndicate* the *Franchise Board* shall have regard to the criteria set out in paragraph 1 above having regard to the nature and quality of the *business plan* prepared and submitted by the *managing agent* in respect of the *syndicate* in question.

## Principles of relationship – Part B of the Underwriting Byelaw

Principles of relationship – paragraph 10 of the Underwriting Byelaw

3. Following consultation, the *Franchise Board* made and issued the following statement setting out Lloyd's goals and market objectives and the principles in accordance with which Lloyd's and *managing agents* will generally be expected to work together and assist each other to achieve those goals and objectives.

### The Principles of Relationship

#### 1. The Franchise Board's Goal

The new franchise framework was developed to preserve the advantages that the Lloyd's market derives from being a marketplace of distinct independent businesses, whilst committing the Franchise Board to effectively promote the overall profitability of the market.

In order to ensure that the franchise framework is successful and that the Franchise Board can deliver the step-change in market performance that is required for Lloyd's to compete successfully in future in the global insurance market, the Franchise Board has been set a clear goal:

*“Creating and maintaining a commercial environment at Lloyd's in which the long term return to all capital providers is maximised”.*

#### 2. Achieving the Franchise Board's Goal

In order to achieve its goal, the Franchise Board's vision for the franchise is to ensure that Lloyd's is the “leading specialist insurance marketplace” and the preferred market of choice for policyholders, brokers, underwriters and capital. The purpose of this document is to set out the principles in accordance with which the Franchise Board and franchisees will generally be expected to work together to achieve that.

The Franchise Board is committed to allowing franchisees in the Lloyd's marketplace to operate independently within a franchise framework which is committed to

delivering consistent underwriting profit, which benefits from a common rating and mutual security and which attracts the highest quality management and underwriting talent.

*The leading specialist insurance marketplace*

Lloyd's derives considerable strength from being a market offering specialist expertise. The marketplace is attractive both to policyholders and brokers and to underwriting businesses. Specialism and expertise are at the heart of Lloyd's competitive advantage. The Franchise Board is committed to developing that advantage.

*Independence within the franchise framework*

The Lloyd's franchise framework is one where franchisees are recognised as independent businesses with the freedom to participate in whichever types of business they choose, subject to their duties and provided they operate in accordance with a business plan which they have agreed with the Franchise Board.

*Commitment to delivering consistent underwriting profit*

The Franchise Board recognises that consistent profit does not mean constant profit. Insurance is a cyclical business. However, it is proposed that each franchisee strives to ensure that each syndicate makes an underwriting profit each year, consistent with the long-term profitability target that will be set by the Franchise Board.

*Licences, a common rating and mutual security*

These are key elements of the Lloyd's Franchise. Lloyd's licenses to underwrite insurance in the UK and overseas and the security behind the Lloyd's policy depend, to varying but critical degrees, on the existence of the New Central Fund. Lloyd's market security ratings reflect the strength of the chain of security, including the New Central Fund. The strength of the rating and the perception of security depend critically on franchisees' performance. The market pays a reputational price for the performance of the poorest businesses, as well as an economic price in higher New Central Fund contributions. The Franchise Board is therefore committed to encourage higher standards of underwriting and risk management.

*Attracting the highest quality management and underwriting talent*

Attracting the best people will help the Lloyd's market achieve and maintain profitability and make Lloyd's the most attractive insurance market to work in.

### 3. The Franchise Board's Commitments

The Franchise Board is committed to achieving the Franchise Goal working in conjunction with the market. In order to do that, the Franchise Board will seek to –

- operate in an open, constructive and flexible manner
- take into account the views of individual franchisees
- encourage regular dialogue and consultation with franchisees and with the market associations. The Franchise Board will develop effective working arrangements with the market associations to achieve this
- adopt a cost effective, commercial and efficient approach
- actively support market initiatives relating to franchise business processes, such as LMP, leading to improved service standards and reduced costs
- allocate charges, as far as possible, on a user pays basis
- deliver high levels of service in accordance with agreed service standards and develop a performance culture amongst Lloyd's employees
- rationalise the frequency and manner in which data and information is collected from franchisees and reduce the number of returns that have to be made to Lloyd's
- give adequate notice of proposed changes to requirements for franchisees
- protect the confidentiality of commercially sensitive information provided to it by franchisees in accordance with published guidelines
- assist franchisees which manage underperforming syndicates to improve their performance but take firm action where a franchisee is unable or unwilling to respond to that approach

More specifically, the Franchise Board will –

- from time to time publish guidelines and standards with which it will generally expect franchisees to comply. These guidelines and standards will cover a range of underwriting and risk management issues which are based on sound insurance industry practice
- develop the business planning process for syndicates and implement and operate it in a constructive and facilitative manner
- carefully monitor the performance of each syndicate against its business plan and assist franchisees to improve the results of underperforming syndicates. If, however, a franchisee does not respond to a facilitative approach the Franchise Board will take appropriate action which may ultimately include the removal of a franchisee from the franchise

In this way, the Franchise Board will seek to –

- improve performance and outperform the competition
- maintain and develop an outstanding risk management capability throughout the franchise
- improve standards of service to brokers and to policyholders and to be their market place of choice
- optimise flows of capital to the Lloyd's market
- reduce contributions to the Central Fund
- improve Lloyd's security rating
- protect, strengthen and develop Lloyd's licences and to have a competitive international trading platform

#### 4. Franchisees' commitments

In return, the Franchise Board will expect franchisees to operate in accordance with the following principles –

- deal with Lloyd's in an open, constructive and cooperative manner

- protect –
  - the brand and reputation of Lloyd’s
  - Lloyd’s security rating
  - the security behind Lloyd’s policies including the New Central Fund
  - Lloyd’s licences and authorisations to conduct insurance business in the UK and overseas
- deliver high levels of service to brokers and policyholders in accordance with set service standards, systems and protocols
- prepare high quality business plans in accordance with the relevant guidelines with a view to achieving the Franchise Board’s long term profitability targets
- operate and underwrite in accordance with agreed business plans
- accurately report syndicate performance in a timely manner and assist Lloyd’s in understanding the factors which may have affected syndicate performance
- notify the Franchise Board in good time of any matters which may have a material effect on the franchisee, its syndicates or on Lloyd’s as a whole
- protect the confidentiality of confidential information provided by Lloyd’s

Service standards – paragraph 12 of the Underwriting Byelaw

3A. The *Franchise Board* has prescribed the following standards and arrangements for the conduct and administration of insurance business at Lloyd’s provided always that failure to comply with these standards and arrangements shall not invalidate or call into question any contract or agreement entered into by or on behalf of a *managing agent* or *syndicate* nor shall failure to comply with these standards and arrangements create any right of action or claim in any third party against a *managing agent* or *syndicate*, the authority to enforce compliance being exclusively vested in the *Franchise Board* –

- (a) a *managing agent* shall not permit the syndicate stamp of a *syndicate* managed by it to be affixed to any slip which relates to a contract or contracts of insurance unless –
  - (i) the slip is in the format of a Market Reform slip from time to time issued by the Market Reform Programme Office and the information

contained in the slip has been properly completed in accordance with the relevant Market Reform slip guidance;

- (ii) the slip is marked “MR Exempt – Client Requirement”; or
  - (iii) the slip relates to *motor business, personal lines business or term life insurance business* and the slip will not be processed by LPSO Limited;
- (b) a *managing agent* shall not permit the *syndicate* stamp of a *syndicate* managed by it to be affixed to any slip which relates to a *binding authority* in respect of the 2005 or later year of account unless the slip has been completed in accordance with the relevant slip guidelines from time to time issued by the Market Reform programme office;
- (c) a *managing agent* shall not permit the *syndicate* stamp of a *syndicate* managed by it to be affixed to any *line slip* unless the slip has been completed in accordance with the relevant slip guidelines from time to time issued by the Market Reform programme office.

## Underwriting – Part D of the Underwriting Byelaw

### Underwriting guidelines

4. The *underwriting guidelines* made and issued by the *Franchise Board* relating to run-off are set out in Market Bulletin Y3085 ([The Underwriting Byelaw, Underwriting Requirements, Definitions Byelaw and Run-off Guidelines](#)) issued on 30 June 2003.

## Risk management requirements – Part E of the Underwriting Byelaw

Codes of practice – paragraph 31 of the Underwriting Byelaw

5. The *codes of practice* made and issued by the *Franchise Board* are set out in Lloyd's Codes Handbook.

Consent to changes – paragraph 32 of the Underwriting Byelaw

6. No *underwriting agent* shall permit any of the following events to occur without the prior written consent of the *Franchise Board* –
  - (a) In the case of a *managing agent*, the appointment or removal of a *person* as a *managing agent's trustee* or the appointment by any *managing agent's trustee* (in his capacity as such) of any *person* as attorney.

Notification of changes - paragraph 34 of the Underwriting Byelaw

7. An *underwriting agent*, and in the case of paragraph 7(e), also an *approved run-off company*, shall without delay notify the *Franchise Board* in writing if any of the following events occur –
  - (a) an event that must be notified to the *Financial Services Authority* via Lloyd's in accordance with the Supervision Arrangements for Underwriting Agents between the *Financial Services Authority* and the *Society*. Namely –
    - (i) the appointment of an auditor and information about the auditor in accordance with the *Financial Services Authority's Handbook* (SUP 3.3.2 R(2) and (5));
    - (ii) the notification of matters raised by an auditor in accordance with the *Financial Services Authority's Handbook* (SUP 3.7.2 G);
    - (iii) the termination of an auditor's term of office in accordance with the *Financial Services Authority's Handbook* (SUP 3.8.11 R and SUP 3.8.12 R);

- (iv) the general notification requirements in accordance with the *Financial Services Authority's Handbook* (SUP 15.3) including –
    - i. matters having serious regulatory impact (SUP 15.3.1 R);
    - ii. communication with the FSA in accordance with Principle 11 (SUP 15.3.7 G);
    - iii. breaches of rules and other requirements in or under the Financial Services and Markets Act 2000 (SUP 15.3.11 R);
    - iv. civil, criminal or disciplinary proceedings against a firm (SUP 15.3.15 R);
    - v. fraud, errors or other irregularities (SUP 15.3.17 R);
    - vi. insolvency, bankruptcy and winding up (SUP 15.3.21 R);
  - (v) the Core information requirements in accordance with the *Financial Services Authority's Handbook* (SUP 15.5);
  - (vi) where an *underwriting agent* becomes aware that inaccurate, false or misleading information has previously been provided, in accordance with the *Financial Services Authority's Handbook* (SUP 15.6);
  - (vii) the change of an accounting reference date in accordance with the *Financial Services Authority's Handbook* (SUP 16.3.17 R);
  - (viii) annual controllers report in accordance with the *Financial Services Authority's Handbook* (SUP 16.4); and
  - (ix) annual close links report in accordance with the *Financial Services Authority's Handbook* (SUP 16.5);
- (b) [deleted by The Legislative Reform (Lloyd's) Order (Market Provisions) Byelaw (No.1 of 2009).]
  - (c) in the case of a *managing agent*, the death or resignation of, or the occurrence of any *notifiable event* in relation to any *managing agent's trustee*; and
  - (d) in the case of a *managing agent*, if at any time the *syndicate premium income* allocable to any year account of a *syndicate* managed by it exceeds or appears to have exceeded or likely to exceed the *syndicate allocated capacity* for that year of account. The notification shall include full particulars of the extent of the excess or expected excess, the reasons why the excess has arisen or is expected to arise and what remedial action the *managing agent* has taken or proposes to take.
  - (e) in the case of an *underwriting agent* or *approved run-off company*, there are any changes of a kind prescribed from time to time by the *Franchise Board* relating to the appointment of directors (and in the case of an *approved run-off company*, partners), *active underwriters* or *run-off managers*. The detailed requirements prescribed by the *Franchise Board* for the provision of

information are set out in Market Bulletin Y4126 ([Streamlining Approval of Appointments to Senior Positions \(Individual Registration\), Advance Consents for fully-aligned syndicates and Change of Control for Underwriting Agents.](#)) issued on 22 February 2008.

Disaster scenarios – paragraph 35 of the Underwriting Byelaw

8. Details of the disaster scenarios prescribed by the *Franchise Board* and the requirements relating to the realistic disaster reports are set out in Market Bulletin Y3029 ([Realistic Disaster Scenarios 2003](#)) issued on 3 April 2003.

Syndicate premium income – paragraph 36 of the Underwriting Byelaw

9. When calculating *syndicate premium income*, *managing agents* shall –
  - (a) allocate insurance business underwritten through a *syndicate* to a year of account in accordance with the accounting policies adopted in respect of that *syndicate*;
  - (b) allocate *premium income* to the same year of account as the insurance business out of which it arises unless that year of account of the *syndicate* has been reinsured to close in which case any payments subsequently received or made by way of additional premiums or returns in respect of such business shall be allocated to the reinsuring *syndicate*;
  - (c) where a year of account of a *syndicate* is closed by reinsuring all liabilities outstanding in respect of insurance business allocated to it into a later year of account of –
    - (i) the same *syndicate*, the premium in respect of such reinsurance to close shall not itself be treated as *premium income* allocable to the later year of that *syndicate*;
    - (ii) another *syndicate*, the premium in respect of such reinsurance to close shall, unless the *Franchise Board* otherwise directs, be treated as *premium income* allocable to the later year of that *syndicate*;
  - (d) treat *premium income* as being credited to a *member* –
    - (i) where it arises out of insurance business in respect of which a policy has been or is to be issued and signed by *LPSO*, in accordance with the central accounting system;
    - (ii) where it arises out of other insurance business, in accordance with the accounting policies adopted by the *managing agent* of the *syndicate* through which that business is underwritten;

(e) convert *premium income* which is credited in a currency other than sterling using the following rates of exchange for 2003 year of account –

- (i) US Dollar 1.50;
- (ii) Canadian Dollar 2.28;
- (iii) Euro 1.56;
- (iv) Australian Dollar 2.62;
- (v) South African Rand 13.52;
- (vi) Japanese Yen 183.20;
- (vii) Swiss Franc 2.40;

(f) treat premiums paid by a *member* of a *syndicate* under a reinsurance contract which satisfies the requirements for *qualifying quota share contracts* set out in Market Bulletin Y3024 (Qualifying Quota Share Reinsurance Arrangements For The 2003 Year Of Account) issued on 2 April 2003 as *qualifying reinsurance premiums*.

Reports relating to syndicate premium income – paragraph 39 of the Underwriting Byelaw

10. The requirements prescribed by the *Franchise Board* regarding *syndicate premium income* monitoring are set out in Market Bulletin Y3057 ([Premium Income Data Collection](#)) issued on 12 May 2003.

Criteria for determining whether a person is fit and proper or otherwise suitable – Paragraph 42A of the Underwriting Byelaw

- 10A In determining whether a *person* is fit and proper or otherwise suitable to act as a director of an *underwriting agent*, director or partner of an *approved run-off company*, as an *active underwriter* or *run-off manager*, the *Franchise Board* may take into account any consideration it thinks fit including but not limited to:

- (a) the *person's* integrity;
- (b) the *person's* professional competence;
- (c) the *person's* compliance with any regulatory requirements or any *requirements of the Council*;
- (d) the *person's* business conduct;
- (e) the professional and administrative support to be provided to the *person*;
- (f) whether the *person* has passed or secured exemption from any examinations required by the *Franchise Board*.

Financial resources and financial returns – Part F of  
the Underwriting Byelaw

Financial resources – paragraph 49 of the Underwriting Byelaw

11. The requirements prescribed by the *Franchise Board* regarding the possession by *underwriting agents* of financial resources and capital and the maintenance of solvency margins are set out in the Market Bulletin ([Underwriting Agents Financial Resource Requirements \(FRRs\)](#)) issued on 30 June 2003.

Financial returns – paragraphs 50 and 51 of the Underwriting Byelaw

12. The requirements prescribed by the *Franchise Board* in respect of *quarterly financial returns* and *annual financial returns* are set out in the Market Bulletin ([Underwriting Agents Financial Resource Requirements \(FRRs\)](#)) issued on 30 June 2003.

## Run-off – Part L of the Underwriting Byelaw

Delegation of run-off functions – paragraph 86 of the Underwriting Byelaw

13. The following functions undertaken in the management of a *run-off syndicate* or a *run-off account* shall be called *executive functions* –
  - (a) responsibility for *syndicate* strategy, including –
    - (i) approval of forecasts and budgets;
    - (ii) claims reserving and commutation policy and approval;
    - (iii) annual solvency and *syndicate* accounts;
    - (iv) compliance with the *requirements of the Council*;
    - (v) management and control of expenses;
  - (b) reporting and accounting to *members*;
  - (c) performance of duties under *premiums trust deed* – including (but not limited to) investment management policy;
  - (d) management of conflicts of interest between *syndicates* and years of account; and
  - (e) responsibility for the performance of any delegated or sub-contracted functions.
14. The following functions undertaken in the management of a *run-off syndicate* or a *run-off account* shall be called *insurance functions* –
  - (a) claims adjusting;
  - (b) identifying reinsurance recoveries;
  - (c) purchasing reinsurance;
  - (d) evaluating reinsurance security;
  - (e) effecting commutations, negotiations and set-off of inwards and outwards business;
  - (f) preparing and maintaining reserving and actuarial data; and
  - (g) undertaking cash and investment management.
15. The following functions undertaken in the management of a *run-off syndicate* or a *run-off account* shall be called *administrative and processing functions* –
  - (a) maintaining policy risk records;
  - (b) administering and processing claims;
  - (c) aggregating claims and calculating reinsurance recoveries;
  - (d) credit control in collecting reinsurance recoveries; and
  - (e) maintaining statistical records.

## Dispute resolution and appeals – Part M of the Underwriting Byelaw

### Dispute resolution

16. The following arrangements and procedures are designed to resolve disputes between *underwriting agents* and the *Franchise Board* arising under the Underwriting Byelaw in a timely, constructive and cost effective manner.
  1. “Minded to” decisions and reasons
    - 1.1 Before a decision is taken by or on behalf of the *Franchise Board* which will be unfavourable to a specific *underwriting agent* the decision taker will, unless he considers that the circumstances make it inappropriate to do so –
      - (a) inform the *underwriting agent* that the decision taker is minded to decide the matter in that way;
      - (b) provide the *underwriting agent* with the decision taker’s reasons for deciding the matter in that way; and
      - (c) provide the *underwriting agent* with an opportunity to make representations to the decision taker prior to the decision being taken.
    - 1.2 Where a decision is taken by or on behalf of the *Franchise Board* which is unfavourable to a specific *underwriting agent* the decision taker will unless he considers that the circumstances make it inappropriate to do so, provide the *underwriting agent* with the decision taker’s reasons for deciding the matter in that way.
  2. Requests to review decisions taken on behalf of the Franchise Board
    - Step 1 – Submitting a request for a decision to be reviewed*
    - 2.1 In the event that a decision is taken on behalf of the *Franchise Board* which is unfavourable to a specific *underwriting agent*, the *underwriting agent* may, where it reasonably and objectively considers the decision to be wrong or unreasonable, request that the decision is reviewed (a “*request*”).
    - 2.2 A *request* shall be made in writing as soon as reasonably practicable following receipt of the decision. The *request* shall include an explanation as to why the *underwriting agent* considers that the decision is either wrong or unreasonable. The *request* shall be made on behalf of the board of directors of

the *underwriting agent* and shall be signed by a director of the *underwriting agent*. The *request* shall be submitted to the decision taker.

*Step 2 – Review of the decision by the original decision taker*

- 2.3 Following receipt of the *request*, the decision taker shall review the *request* and may, where he considers appropriate, amend, modify or withdraw his decision.

*Step 3 – Review of the decision by a director or the Executive Committee*

- 2.4 Where the decision taker does not propose to amend, modify or withdraw his decision he shall refer the *request* to a director or, where appropriate, to the Executive Committee. The request shall be reviewed by the director or the Executive Committee and, where the director or the Executive Committee considers appropriate, the decision may be amended, modified or withdrawn.

*Step 4 – Review of the decision by the Market Supervision and Review Committee*

- 2.5 If, following the review of the *request* by a director or the Executive Committee (including where the original decision taker was the Executive Committee), the *underwriting agent* still reasonably and objectively considers the decision to be wrong or unreasonable, the *underwriting agent* may apply to the Market Supervision and Review Committee to review the *request*. The application shall be made in writing as soon as reasonably practicable. The application shall be made on behalf of the board of directors of the *underwriting agent* and shall be signed by two directors. The application shall be submitted to the Secretary to the *Franchise Board*.

- 2.6 The Market Supervision and Review Committee shall review the *request* and may, where it considers appropriate, amend, modify or withdraw the decision.

*Step 5 – Application for permission to appeal to the Appeal Tribunal*

- 2.7 Where, following a review of the *request* by the Market Supervision and Review Committee, the *underwriting agent* wishes to apply for permission to appeal to the *Appeal Tribunal*, the *underwriting agent* may make an application to the Market Supervision and Review Committee to do so. The application shall be made in writing as soon as reasonably practicable. The application shall be made on behalf of the board of directors of the *underwriting agent* and shall be signed by two directors. The application shall be submitted to the Secretary to the *Franchise Board*.

2.8 The Market Supervision and Review Committee may, where it considers appropriate, give permission to the *underwriting agent* to appeal to the *Appeal Tribunal*.

### 3. Request to review decisions taken by the Franchise Board itself

#### *Step 1- submitting a request for a decision to be reviewed*

3.1 In the event that a decision is taken by the *Franchise Board* which is unfavourable to a specific *underwriting agent*, the *underwriting agent* may, where it reasonably and objectively considers the decision to be wrong or unreasonable, request that the decision is reviewed (a “*request*”).

3.2 A *request* shall be made in writing as soon as reasonably practicable following receipt of the decision. The *request* shall include an explanation as to why the *underwriting agent* considers that the decision is either wrong or unreasonable. The *request* shall be made on behalf of the board of directors of the *underwriting agent* and shall be signed by two directors of the *underwriting agent*. The *request* shall be submitted to Secretary to the *Franchise Board*.

#### *Step 2 – Review of the decision by the Franchise Board*

3.3 The *Franchise Board* shall review the *request* and may, where it considers appropriate, amend, modify or withdraw the decision.

#### *Step 3 – Application for permission to appeal to the Appeal Tribunal*

3.4 Where, following a review of the *request* by the *Franchise Board*, the *underwriting agent* wishes to apply for permission to appeal to the *Appeal Tribunal*, the *underwriting agent* may make an application to the *independent non-executive directors of the Franchise Board* to do so. The application shall be made in writing as soon as reasonably practicable. The application shall be made on behalf of the board of directors of the *underwriting agent* and shall be signed by two directors. The application shall be submitted to the Secretary to the *Franchise Board*.

3.5 The *independent non-executive directors of the Franchise Board* may, where they consider appropriate, give permission to the *underwriting agent* to appeal to the *Appeal Tribunal*.