Chapter 4 Requirements made under the Membership Byelaw

Admission to membership – Part A of the Membership Byelaw

Categories of membership – paragraph 2 of the Membership Byelaw

1. Within the category of non-underwriting membership, there shall be a class of members called *non-underwriting working members*.

2. The criteria for eligibility to be a *non-underwriting working member* are that the *non-underwriting working member* –

(a) that the individual is not an underwriting member; and

(i) that the individual occupies himself principally with the conduct of business at Lloyd's by a *Lloyd's broker* or an *underwriting agent*; *or*
(ii) that the individual has gone into retirement but immediately before his retirement occupied himself principally with the conduct of business at Lloyd's by a *Lloyd's broker* or an *underwriting agent*;

(b) that the individual was nominated (in accordance with such procedures as the Secretary to the Council may from time to time prescribe) to be a *non-underwriting working member* for a period of one year by the chairman or chief executive officer of a *Lloyd's broker* or an *underwriting agent* on behalf of that firm as one of the firm's annual allocation of *non-underwriting working members*;

(c) in the case of an individual nominated under paragraphs 2(a)(i) and (b) above on behalf of an *underwriting agent*, at the time of that nomination the individual was –

(i) the chairman of that *underwriting agent*;
(ii) in the case of a *managing agent,* an *active underwriter* of a *syndicate* managed by that *managing agent*;
(iii) an executive director of that *underwriting agent*;
(iv) a person who works for that *underwriting agent* provided that the individual had worked for an *underwriting agent* or *Lloyd's broker* for a period or periods in aggregate of at least 5 years prior to his nomination; or
(v) an executive director of a parent company of the *underwriting agent's*

(d) in the case of an individual nominated under paragraphs 2(a)(i) and (b) above on behalf of a *Lloyd's broker*, at the time of that nomination the individual was –

(i) the chairman of that *Lloyd's broker;*
(ii) an executive director (or equivalent within a limited liability partnership) of the *Lloyd's broker*;
(iii) a person who works for that *Lloyd's broker* provided that the individual had worked for an *underwriting agent* or *Lloyd's broker* for a period or periods in aggregate of at least 5 years prior to his nomination; or
(iv) an executive director (or equivalent within a limited liability partnership) of a parent company of the *Lloyd's broker*

For the purposes of the criteria set out above –

(a) "parent company" shall have the meaning given at section 1162 of Companies Act 2006 or its equivalent in the context of a Limited Liability Partnership;

(b) an individual shall remain eligible to be registered as a *non-underwriting working member* for the period in respect of which he was nominated notwithstanding that following nomination he left the position in respect of which he was nominated;

(c) an individual shall cease to be eligible to be a *non-underwriting working member* at the end of the period for which he was nominated unless he is validly re-nominated; and

(d) a firm's annual allocation of *non-underwriting working members* shall be calculated as follows –

(i) each *Lloyd's broker* shall be entitled to nominate 1 individual eligible for nomination under paragraphs 2(a)(i) and (d) above plus 1 additional such individual for each £200,000,000 (or part thereof) of calendar year premium placed at Lloyd's through its settlement number in the year prior to nomination plus 1 individual eligible for nomination under paragraph 2(a)(ii) above;

(ii) subject to (iv) below each *managing agent* shall be entitled to nominate a minimum of 3 individuals eligible for nomination under paragraphs 2(a)(i) and (c) above plus 1 additional such individual for each £50,000,000 (or part thereof) of aggregate syndicate capacity under its management in the year of nomination plus 1 individual eligible for nomination under paragraph 2(a)(ii) above;

(iii) each *members' agent* shall be entitled to nominate a minimum of 3 individuals eligible for nomination under paragraphs 2(a)(i) and (c) above plus 1 additional such individual for each £50,000,000 (or part thereof) of the aggregate of members' syndicate premium limits for each member for which they act in the year of nomination plus 1 individual eligible for nomination under paragraph 2(a)(ii) above;

(iv) each *managing agent* that solely manages *run-off syndicates* shall be

entitled to nominate a minimum of 3 individuals eligible for nomination under paragraphs 2(a)(i) and (c) above plus 1 additional such individual for each £50,000,000 (or part thereof) of aggregate syndicate capacity under its management in the year prior to nomination plus 1 individual eligible for nomination under paragraph 2(a)(ii) above.

(e) a firm's annual allocation of *non-underwriting working members* shall be calculated as at the *allocation record date* determined by the Secretary to the Council.

Criteria for deciding whether a candidate is suitable to be admitted to the membership of the Society – paragraph 11 of the Membership Byelaw

3. In deciding whether a *candidate* which is a body corporate is suitable to be admitted as a *member* the *Council* shall have regard to the following criteria and all other relevant matters –

a. the competence, reputation, character and suitability of each of the directors of the body corporate;
b. the collective suitability of the board of directors of the body corporate and of each of its committees;
c. the competence, reputation, character and suitability of the officers and staff of the body corporate;
d. the competence, reputation, financial standing, character and suitability of any *controller* of the body corporate;
e. the competence, reputation, financial standing, character and suitability of any *connected company* of the body corporate;
f. the competence, reputation, character and suitability of any director of or partner in any *controller* of the body corporate;
g. the competence, reputation, character and suitability of any director of or *controller* of a *connected company* of the body corporate;
h. the adequacy of the capital of the body corporate; and
i. the location of the accounting and other records of the body corporate.

4. No individual shall be eligible to be an underwriting member other than an individual who was admitted as an underwriting member on or before 6 March 2003 and who has at all times since ceasing to be an underwriting member been a non-underwriting member. In deciding whether a Scottish limited partnership is suitable to be a *member* the *Council* shall have regard to the following criteria and all other relevant matters –

a. the competence, reputation, character and suitability of each of the directors of any *general partner*;
b. the collective suitability of the board of directors of the *general partner* and each of its committees;
c. the competence, reputation, character and suitability of the officers and staff of the *Scottish limited partnership*;
d. the competence, reputation, financial standing, character and suitability of any *controller* of the *Scottish limited partnership* or any *general partner*;
e. the competence, reputation and financial standing, character and suitability of any *connected company* of the *Scottish limited partnership* or any *general partner*;
f. the competence, reputation, character and suitability of any director of or partner in any *controller* of the *Scottish limited partnership* or any *general partner*;
g. the competence, reputation, character and suitability of any management company;
h. the competence, reputation, character and suitability of any director of or *controller* of a connected company of the *Scottish limited partnership* or the *general partner*;
i. the adequacy of the capital of the *Scottish limited partnership* and any *general partner*; and
j. the location of the accounting and other records of the *Scottish limited partnership* and any *general partner*.

Conditions and Requirements for admission of corporate candidates to membership of the Society – paragraphs 6 and 7 of the Membership Byelaw

5. The requirements prescribed under paragraphs 6 and 7 of the Membership Byelaw for the purpose of admission of candidates to membership of the Society are the Membership & Underwriting Conditions and Requirements as updated from time to time.

Funds at Lloyd's – Part B of the Membership Byelaw

Conditions and requirements for the provision of Funds at Lloyd's – paragraph 16 of the Membership Byelaw

6. The requirements prescribed under paragraph 16 of the Membership Byelaw in respect of funds at Lloyd's are set out in Market Bulletin Y3612 (Membership and Underwriting Conditions and Requirements (Funds at Lloyd's)) issued on 8 August 2005.

Notification of and consent to changes – Part D of the Membership Byelaw

Consent to changes – paragraph 27 of the Membership Byelaw

7. No *member* shall knowingly permit any of the following events to occur without the prior written consent of the *Council* –

(a) the acquisition of any *interest in securities* of another *corporate member*, a *controller* of a *corporate member*, *Lloyd's broker* or *underwriting agent* provided that a *member* may acquire an *interest in securities* of another *corporate member* where the acquisition is the consequence of accepting an invitation to participate in a surrender arrangement or share swap arrangement which complies with the requirements made under paragraph (5)(1) of the Conversion and Related Arrangements Byelaw (No. 22 of 1996) for the time being in force

(b) a change in the *controller* of the *member*;

(c) the appointment of a director of the *member*;

(d) a merger between the *corporate member* and another body corporate;

(e) the appointment of a *corporate member* as a director of another *corporate member*.

Notification of changes - paragraph 29 of the Membership Byelaw

8. A *member* shall without delay notify the *Council* in writing if any of the following events occur –

(a) in the case of an *individual member* –

(i) a change of his address;

(ii) a decision to change his nationality;

(b) in the case of a *corporate member* –

(iii) a director ceases to be a director;

(iv) it becomes aware that a person has ceased or is proposing to cease to be a *controller* of that *member*;

(v) the appointment of an auditor;

(vi) the auditor of the *corporate member* vacates office, in which case the *corporate member* shall also provide a copy of any notice given or

representations or statements made by the auditor (under the Companies Act 2006 or otherwise) on or in connection with the auditor vacating office;

(vii) a decision to change the date to which the accounts of the *corporate member* are prepared;

(viii) any change to the *corporate member's* memorandum and articles of association;

(ix) any reduction in the *corporate member's* issued share capital;

(x) a decision to appoint an agent, or terminate the appointment of an agent appointed by the member, for service of notices under paragraph 13 of these requirements;

(c) in the case of any *members* –

(xi) a material change in the information provided to the *Council* in connection with any application by that *member* for membership or in connection with a review under paragraph 35 of the Membership Byelaw of that *member* and not required to be disclosed under any other provision of this paragraph;

(xii) an *insolvency event*;

(xiii) the *member* or director of the *member* or any *controller* or director of or partner in any *controller* of the *member* or, in relation to a *Scottish limited partnership*, a *general partner*, director of a *general partner* or a controller of a *general partner* or a management company being convicted of a *reportable criminal offence* by a court in the United Kingdom or elsewhere, in which case the *member* shall also provide full details of the offence and any sentence that was imposed.

Corporate Members: Accounting, Audit and Declarations of Compliance – Part E of the Membership Byelaw

Audit – paragraph 31 of the Membership Byelaw

9. A person shall be eligible to act as auditor for a *corporate member if* –

(a) in the case of a *corporate member* to which Part 16 of the Companies Act 2006 applies, he has been appointed as the auditor of that *corporate member* in accordance with the provisions of the Companies Act 2006;

(b) in the case of a *corporate member* which is incorporated in any member state of the European Union, he is qualified to act as an auditor of a company for the purposes of the legislation of that member state which implements the Eighth Council Directive (84/253/EEC);

(c) in any other case, the *Council* has given its prior written consent.

Dispute resolution – Part I of the Membership Byelaw

Dispute resolution – paragraph 51 of the Membership Byelaw

10. The following arrangements and procedures are designed to resolve disputes between a *syndicate* (through the *managing agent* which manages that *syndicate*) and the *Council* in a timely, constructive and cost effective manner, in the event that, as part of the calculation of the *syndicate members'* capital requirements, a decision is taken by or on behalf of the *Council* to substitute a higher number for the syndicate ICA submitted by the *managing agent*.

1. *"Minded to" decision and reasons*

1.1 Before such a decision (a "*relevant decision*") is taken by or on behalf of the *Council* which will be unfavourable to a specific *syndicate*, the decision taker will, unless he considers the circumstances make it inappropriate or impractical to do so –

(a) inform the *managing agent* that the decision taker is minded to decide the matter in that way;
(b) provide the *managing agent* with the decision taker's reasons for deciding the matter in that way; and
(c) provide the *managing agent* with an opportunity to make representations to the decision taker prior to the *relevant decision* being taken.

1.2 Where a *relevant decision* is taken which is unfavourable to a specific *syndicate*, the decision taker will, unless he considers that the circumstances make it inappropriate or impractical to do so, provide the *managing agent* with the decision taker's reasons for deciding the matter in that way.

2. *Request to review a relevant decision*

Step 1 – Submitting a request for the decision to be reviewed

2.1 In the event that a *relevant decision* is taken by the decision taker which is unfavourable to a specific *syndicate*, the *managing agent* may, where it reasonably and objectively considers the *relevant 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 *relevant decision*. The *request* shall include an explanation as to why the *managing agent* considers that the *relevant decision* is either wrong or unreasonable. The *request* shall be made on behalf of the board of directors of the *managing agent* and shall be signed by a director of the *managing 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*, and at the request of either the original decision taker or the *managing agent*, the original decision taker shall review the *request* and may, where he considers appropriate, amend, modify or withdraw the *relevant decision.* Where neither the original decision taker nor the *managing agent* have requested for the original decision taker to review the *request*, the *request* shall be handled in accordance with Step 3.

Step 3 – Review of the decision by a director

2.4 Where neither the original decision taker nor the *managing agent* have requested that the original decision taker reviews the request, or where the original decision taker, after review of the *request*, does not propose to amend, modify or withdraw the *relevant decision* the *managing agent* may request that a director review the *request*. The *request* shall be reviewed by a director and where the director considers appropriate, the *relevant decision* may be amended, modified or withdrawn.

Step 4 – Review of the decision by a Sub-Committee of the Council

2.5 If, following the review of the *request* by a director, the *managing agent* still reasonably and objectively considers the decision to be wrong or unreasonable, the *managing agent* may request a sub-committee of the *Council* to review the *request*. The *request* shall be reviewed by a sub-committee of the *Council* and, where they consider appropriate, the *relevant decision* may be amended, modified or withdrawn.

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

2.6 Where, following a review of the *request* by the sub-committee of the *Council*, the *managing agent* wishes to apply for permission to appeal to the *Appeal Tribunal*, the *managing agent* may make an application to the *independent non-executive members of the Council* 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 *managing agent* and shall be signed by two directors. The application shall be submitted to the Secretary to the *Council*.

2.7 The *independent non-executive members of the Council* may, where they consider appropriate, give permission to the *managing agent* to appeal to the *Appeal Tribunal*.

Miscellaneous and Transitional Provisions – Part J of the Membership Byelaw

Service of notices on members – Paragraph 53 of the Membership Byelaw

11. All notices and other communications by the *Society* which require to be served on or given to an *individual member* of the *Society* shall for all purposes be deemed to be effectively served on such *member* if sent through the post to or left at the address of his *members' agent*. If an *individual member* does not at any time have a *member's agent*, such notices and communications shall be deemed to be effectively served on the *member* if given to him personally or sent to him by post at the latest correspondence address of the *member* shown in the records of the *Society*.

12. Where an *individual member* is deceased or bankrupt, all notices and other communications shall be deemed to have been effectively served on his personal representatives or trustee in bankruptcy if sent through the post to the address supplied to the *Society* by such personal representatives or trustee in bankruptcy or (until such address has been supplied) if sent through the post to the latest correspondence address of the *individual member* shown in the records of the *Society*.

13. Each *corporate member* which is incorporated in a jurisdiction outside the United Kingdom shall at all times maintain an agent for service of process in England which shall be any *member's agent* appointed by the *corporate member* or such other person with a place of business in the United Kingdom as the *corporate member* may have appointed for the purpose of this paragraph and whose name and address has been notified to the *Society*.

14. All notices and communications by the *Society* to be sent to or served on a *corporate member* shall be deemed to have been effectively served on the *corporate member* –

    (a) if it has a *member's agent*, if it is sent through the post to or left at the address of its *members' agent*;
    (b) if it has no *members' agent*, in the case of a *corporate member* incorporated in the United Kingdom, if sent through the post to or left at the registered office for the time being and in the case of a *corporate member* incorporated outside the United Kingdom, if sent through the post to or left at the address of the agent appointed under paragraph 13.

15. Any notices or other communications which are –

    (a) sent to a *member* or its agent by post shall be deemed to have been effectively served by properly addressing, prepaying and posting such proceedings, notice

or communication and shall be deemed to have been received 72 hours from the time of posting;

(b) left at the address if the *members' agent* or left for collection by the *members' agent* at the address of the *Society* in accordance with arrangements made between the agent and the *Society* shall have been deemed to have been received on the date so left;

(c) left at the address of an agent appointed under paragraph 13 or at the registered office of the *corporate member* shall be deemed to have been received on the date so left.