

LLOYD'S OF LONDON

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FROM: The Secretary to Lloyd's Disciplinary Board
LOCATION: 58/NW1
EXTENSION: 5530
DATE: 30 July 1997
REFERENCE: 074/97
SUBJECT: SIMON RUPERT HOWARD RICE

ACTION POINTS: For information

DEADLINE: None

Mr Simon Rupert Howard Rice, a member of Lloyd's and at the relevant time an executive director of Nelson Hurst International Limited, has been fined £9,500 and has been censured in formal disciplinary proceedings brought by the Council of Lloyd's. In addition, Mr Rice has been ordered to pay £5,500 costs.

Mr Rice admitted a charge of misconduct, namely conducting insurance business in a discreditable manner or with the lack of good faith. Details of the events giving rise to the charge are contained in the Notice of Censure which appears overleaf.

This case was determined by Lloyd's Disciplinary Board and its decision gives effect to a settlement of the proceedings agreed between the Defendant and the Council pursuant to paragraph 3 of Lloyd's Disciplinary Rules (Schedule 2 to the Disciplinary Committees Byelaw (No. 31 of 1996).

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

NOTICE OF CENSURE

of

SIMON RUPERT HOWARD RICE

Simon Rupert Howard Rice, a member of Lloyd's and at the relevant time an executive director of Nelson Hurst International Limited ("Nelson Hurst") (a Lloyd's broker), has admitted a charge of misconduct brought by the Council of Lloyd's, namely conducting insurance business in a discreditable manner or with a lack of good faith.

The misconduct arose out of the placing of certain layers of reinsurance in 1993 and 1994 by Mr Rice at the request of a producing broker on behalf of an overseas assured.

The events in question included the sending of faxes and debit notes to the producing broker which purported to show the premium due to Lloyd's and Company Market insurers. In fact, as Mr Rice was aware, the premium actually due was significantly less. The events also included the sending of copies of placing slips to the producing brokers which purported to reflect the premium due. These slips, however, differed materially from the actual placing slips in that they again significantly misrepresented the premium due. Mr Rice had prepared these slips by amending copies of the originals.

In 1993, Mr Rice originally inflated the amount of premium due with the intention that any surplus should provide a safety margin. However, after he became aware that this safety margin would not be utilised he determined that the excess which the producing broker erroneously believed to be due should be retained by Nelson Hurst in addition to the agreed fee. The quantum of overcharge in 1993 was US\$143,642.54 representing approximately 5% of the actual premium due.

In 1994, Mr Rice again determined that the excess amounts advised to the producing broker but not utilised to secure placement of the risk should be retained by Nelson Hurst. The quantum of overcharge in 1994 was US\$157,026.55 again representing approximately 5% of the actual premium due.

The Council of Lloyd's accepts that:

- i) Mr Rice now appreciates that his conduct was wrong and represented a serious breach of the law of agency which prohibits the taking of a secret profit;
- ii) Mr Rice's conduct occurred before the publication of either a Market Bulletin dated 1st May 1995 which stressed that the practice of inflating premiums quoted by underwriters without the informed consent of the assured was unacceptable, or a Regulatory Bulletin of 6 September 1996 which gave further guidance in this respect;

- iii) Mr Rice apologises unreservedly to the Council of Lloyd's and to the parties concerned;
- iv) Mr Rice's actions did not result in any personal financial gain for him;
- v) Mr Rice did not attempt to conceal from the Council of Lloyd's the nature and extent of his activities, fully co-operated with the inquiry into his activities and concluded a settlement without incurring the expense of full disciplinary proceedings; and
- vi) Nelson Hurst reimbursed the producing broker in full once the amount of the overcharge was known.