



FROM: Secretary to Lloyd's Disciplinary Board
LOCATION: 58/NW1
EXTENSION: 5530
DATE: 17 November 1997
REFERENCE: 106/97
SUBJECT: MICHAEL JOSEPH MCPHILIMEY
DEREK HENRY HEDGECK

ACTION POINTS: For Information
DEADLINE: None

Michael Joseph McPhilimey and Derek Henry Hedgecock have each admitted a charge of misconduct, namely conducting insurance business in a discreditable manner. At the time material to the proceedings Mr McPhilimey was a member of the Society of Lloyd's and Mr Hedgecock was a registered substitute at Lloyd's.

The defendants received the following penalties in respect of their admitted misconduct.

Mr McPhilimey

- 1) That he be excluded from membership of the Society of Lloyd's
- 2) That he be permanently suspended from the right of admission to the Room and other parts of the premises of Lloyd's.
- 3) That his right to transact, or be concerned or interested in the transaction of, the business of insurance at Lloyd's or any class or classes of such business be permanently and totally suspended.
- 4) That he pay a fine of £10,000
- 5) That he be censured
- 6) That he pay the costs of Lloyd's of £5,000.

Mr Hedgecock

- 1) That he be permanently suspended from the right of admission to the Room and other parts of the premises of Lloyd's.
- 2) That his right to transact, or be concerned or interested in the transaction of, the business of insurance at Lloyd's or any class or classes of such business be permanently and totally suspended.
- 3) That he pay a fine of £10,000
- 4) That he be censured
- 5) That he pay the costs of Lloyd's of £5,000

Details of the events giving rise to the charges are contained in the attached Notices of Censure.

These cases were determined by the Lloyd's Disciplinary Board and its decisions give effect to settlements of these proceedings agreed between each 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

MICHAEL JOSEPH MCPHILIMEY

Michael Joseph McPhilimey who, at the relevant time, was employed as an executive director of the Credit And Political Risk Division of Bain Hogg International Limited ("Bain Hogg") (a Lloyd's broker) and a member of the Society of Lloyd's has admitted a charge of Misconduct, namely conducting insurance business in a discreditable manner.

This misconduct arose through Mr McPhilimey accepting the sum of US\$33,333 from an agent of a third party to a prospective reinsurance transaction on which Bain Hogg was working at the time, although Bain Hogg were never requested actually to place the reinsurance and did not in fact place the reinsurance.

In February 1995, Bain Hogg were approached by a company to investigate the possibility of placing a prospective reinsurance contract. Mr McPhilimey was one of the Bain Hogg employees primarily involved in this work.

In or around August 1995 a freelance London agent ("the freelance agent") who was apparently retained on behalf of the client and/or third party companies contacted a person employed by Bain Hogg at that time to establish progress in this matter. That person introduced the freelance agent to Mr McPhilimey.

At sometime around December 1995, the freelance agent offered to give one third of his fee to Mr McPhilimey. Mr McPhilimey accepted this offer.

On 16 February 1996, the sum of US\$33,333 (£23,110.56) was transferred by the freelance agent into a personal bank account held by Mr McPhilimey. Mr McPhilimey did not disclose to his then employer the receipt of this personal payment. Mr McPhilimey believed in the particular circumstances of this case, that he was able to accept the payment consistently with his obligations to his employers. Mr McPhilimey accepts that he was wrong.

Mr McPhilimey subsequently admitted having received this payment and following internal disciplinary proceedings, Bain Hogg dismissed Mr McPhilimey.

This matter was reported to Lloyd's by Bain Hogg. Mr McPhilimey accepts that he accepted the sum of US\$33,333 from the freelance agent in circumstances where he believed the money was being offered as an inducement to show favour to the freelance agent and/or his principals. This amounted to the conduct of insurance business in a discreditable manner and the following penalties have been imposed upon Mr McPhilimey:

1. That he be excluded from membership of the Society of Lloyds.

2. That he be permanently suspended from the right of admission to the Room and other parts of the premises of Lloyd's;
3. That his right to transact, or be concerned or interested in the transaction of, the business of insurance at Lloyd's or any class or classes of such business be permanently and totally suspended;
4. That he pay a fine of £10,000;
5. That he be censured in accordance with the terms of this document; and
6. That he pay the costs of Lloyd's of £5,000.

Mr McPhilimey has apologised unreservedly to Lloyd's in respect of this offence.

In assessing the relevant penalties, account has been taken of the fact that Mr McPhilimey has accepted the charge of Misconduct and has concluded a settlement without incurring the expense of full disciplinary proceedings.

In assessing the level of fine in this case, account has been taken of Mr McPhilimey's present earnings and his means. In addition, account has been taken of the fact that Mr McPhilimey had been a Lloyd's broker for over 20 years during which he had an otherwise unblemished record.

LLOYD'S DISCIPLINARY BOARD

NOTICE OF CENSURE

DEREK HENRY HEDGECOCK

Derek Henry Hedgecock who, at the relevant time, was employed as an executive director of the Reinsurance Division of Bain Hogg International Limited ("Bain Hogg") (a Lloyd's broker) and was registered as a substitute at Lloyd's has admitted a charge of Misconduct, namely conducting insurance business in a discreditable manner.

This misconduct arose through Mr Hedgecock accepting the sum of US\$35,000 from an agent of a third party to a prospective reinsurance transaction on which Bain Hogg was working at the time, although Bain Hogg were never requested actually to place the reinsurance and did not in fact place the reinsurance.

In February 1995, Bain Hogg were approached by a company to investigate the possibility of placing a prospective reinsurance contract.

Mr Hedgecock was not initially involved in this proposed transaction. However, in or around August 1995 a freelance London agent ("the freelance agent") who was apparently retained on behalf of the client and/or third party companies contacted Mr Hedgecock to establish progress in this matter. Mr Hedgecock introduced the freelance agent to the relevant Bain Hogg employees and thereafter continued to be involved in this matter.

At sometime around December 1995, the freelance agent offered to give one third of his fee to Mr Hedgecock. Mr Hedgecock accepted this offer.

On 16 February 1996, the sum of US\$35,000 (£23,110.56) was transferred by the freelance agent into a personal bank account held by Mr Hedgecock. Mr Hedgecock did not disclose to his then employer the receipt of this personal payment.

Bain Hogg subsequently discovered the existence of the personal payment and following internal disciplinary proceedings, dismissed Mr Hedgecock. In the course of these internal disciplinary proceedings, Mr Hedgecock said that he had not received any money from the freelance agent.

This matter was reported to Lloyd's by Bain Hogg. Mr Hedgecock has since accepted that he did in fact receive the payment from the freelance agent. Mr Hedgecock therefore accepts that he accepted the sum of US\$35,000 from the freelance agent in circumstances where he knew or believed the money was being offered as an inducement to show favour to the freelance agent and/or his principals. This amounted to the conduct of insurance business in a discreditable manner and the following penalties have been imposed upon Mr Hedgecock:

1. That he be permanently suspended from the right of admission to the Room and other parts of the premises of Lloyd's;
2. That his right to transact, or be concerned or interested in the transaction of, the business of insurance at Lloyd's or any class or classes of such business be permanently and totally suspended;
3. That he pay a fine of £10,000;
4. That he be censured in accordance with the terms of this document; and
5. That he pay the costs of Lloyd's of £5,000.

In assessing the relevant penalties account has been taken of the fact that Mr Hedgecock has accepted the charge of Misconduct and has concluded a settlement without incurring the expense of full disciplinary proceedings.

In assessing the level of fine in this case, account has been taken of Mr Hedgecock's present earnings and his means. In addition, account has been taken of the fact that Mr Hedgecock had been a Lloyd's broker for 43 years during which he had an otherwise unblemished record.

LLOYD'S DISCIPLINARY BOARD