

**FROM:** Secretary to Lloyd's Disciplinary Board  
**LOCATION:** 58/SE1  
**EXTENSION:** 5530  
**DATE:** 29 February 2000  
**REFERENCE:** 24/2000  
**SUBJECT:** **JA CHAPMAN & CO LIMITED**

**SUBJECT AREA(S):** Formal Disciplinary Proceedings – Case No.  
LDB/9909/23a  
**ATTACHMENTS:** Notice of Censure  
**ACTION POINTS:** **For information**  
**DEADLINE:** **None**

JA Chapman & Co Limited ("Chapco") has admitted twelve charges of misconduct, namely conducting itself in a manner, which is dishonourable, disgraceful or improper.

Chapco is a Lloyd's broker now in liquidation. Prior to September 1991 it operated in the Lloyd's market under an umbrella arrangement. As a result of these proceedings the following penalties have been imposed on Chapco;

- a) That it be Censured in the terms of the attached Notice;
- b) That it shall have its permission to broke insurance business, or any class thereof revoked (although that revocation shall be postponed until, inter alia, such time as the run-off has been completed).

As Chapco is in liquidation no fine or order as to costs has been imposed.

Details of the events giving rise to the charges against Chapco are as set out in the Notice of Censure.

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

This bulletin has been sent to all underwriting agents, Lloyd's brokers, corporate members, market associations, the ALM and recognised accountants.

AP Barber  
Secretary to Lloyd's Disciplinary Board.

**NOTICE OF CENSURE**

**JA CHAPMAN & COMPANY LIMITED**

JA Chapman & Co Limited ("Chapco") has admitted 12 charges of misconduct, namely conducting itself in a manner which is dishonourable, disgraceful or improper.

Chapco is a Lloyd's broker albeit now in liquidation. Prior to September 1991 it operated in the Lloyd's market under an umbrella arrangement. It specialised in, inter alia, arranging insurance and reinsurance in respect of marine liability risks.

Chapco arranged cargo and crew reinsurance on behalf of the Liverpool & London P&I Association Limited for 1994 and 1995. Chapco without the client's consent or knowledge and with a lack of good faith, inflated the premium quoted by underwriters. The total amount of excess premium which Chapco charged was approximately US\$4.1million.

Chapco arranged for approximately US\$880,000 of excess premiums paid on the Liverpool & London accounts to be paid to Swiss and Cypriot bank accounts. The beneficiaries of those accounts were not entitled to any of the premium generated on the Liverpool & London account.

Following the inquiry by Lloyd's it was also established that in respect of a further 5 major accounts of Chapco, Chapco had without the clients' consent or knowledge and with a lack of good faith, substantially inflated the premiums as quoted by underwriters. The matters at issue in respect of these 5 accounts occurred between 1990 and 1993. The total amount of excess premium charged to the relevant clients was approximately US\$1.74m.

Chapco paid certain of that excess premium generated by these 5 accounts to various Liberian companies who held bank accounts in Jersey. None of these Liberian companies had any connection with the business placed and were not entitled to receive any such commission. The clients did not know that these payments were being made.

In 1995 Chapco went into Liquidation. The Liquidators, HLB Kidsons, having made their own inquiries of the company, concluded that Chapco had engaged in a pattern of behaviour involving lack of good faith over a number of years. As a result they accepted on behalf of the company all the charges brought against Chapco. The charges relate to the activities of the company prior to entering into Liquidation. These charges do not relate to, nor imply a criticism, of the company since the Liquidators were appointed.

Chapco seriously abused the trust of its clients. If Chapco was still an active broker it is to be expected that the most severe penalties would have been imposed for such conduct. However, given that it is in liquidation the penalties of Censure and revocation of Chapco's right to broke business (although postponed until such time as the run-off has been completed) are considered sufficient.

