

FROM: Matthew Chandler
Head of Admissions and Coverholders

LOCATION: 86/G5

EXTENSION: 5743

DATE: 14 August 2003

REFERENCE: Y3116

SUBJECT: **ADVANCED CONSENT REGIME**

SUBJECT AREA(S): Introduction of an advanced consent regime for various types of applications previously made by managing agents to the Admissions department.

ATTACHMENTS: Yes

ACTION POINTS: **Managing agents to note and use for the future.**

DEADLINE: **Not applicable**

In order to ease the burden on managing agents Lloyd's is implementing, with immediate effect, an advanced consent regime that covers application types that were previously required to be considered by Lloyd's. These advance consents do not affect the rights of any member to object to a proposal made by the managing agent and in these cases full consent may be required.

The attached document and appendices identify, for each consent type, the conditions that must be met in order for the advanced consent to be granted and the action to be taken by the managing agent.

This market bulletin replaces all previous communications granting advanced consents.

Any queries regarding these advance consents should be addressed to Monique Alder (7327 6754) or Anthony Hipperson (7327 5622).

Matthew Chandler
Head of Admissions and Coverholders
Risk Management

Advance Consents applicable to managing agents

August 2003

Advance Consents

Following a review of applications the Admissions department receive, several different types of consent have been identified as representing minimal risk to the franchise. Lloyd's has therefore implemented an advanced consent regime for these types of application pursuant to paragraphs 32 and 33 of the Underwriting Byelaw.

Advance consents will allow agents that meet certain conditions to notify Lloyd's of their actions without the requirement for consent. This will be particularly useful for those syndicates with aligned capital, where the requirements for consent were introduced in byelaws designed to protect the interests of 3rd party capital. In developing these advance consents the Admissions department consulted with both managing agents and members' agents.

The following advance consents are included in this document:

- Increase in agency fees or profit commission (This advance consent applies from 2004)
- Conditional consent for agency agreement terminations (This advance consent applies from 2004)
- Appointment of recognised accountants as auditors for a syndicate and its managing agent or a related group company
- Multiple syndicates consent for underwriters where the additional syndicate is allocated on a split stamp basis, is a mirror syndicate or in run-off
- Appointment and retirement of premiums trust fund trustees that are directors or company secretary of the managing agency
- Consent not to hold a syndicate annual general meeting
- Existing advanced consents:
 - Reinsurance to close being treated as a transfer of assets following the merger of syndicates.
 - Appointment of a director of a corporate member

Each of the attached appendices detailing the advanced consent regime is divided into 4 main sections:

Advance Consent – This section describes what the advance consent is and what managing agents are allowed to do when using it. Where applicable it also sets out conditions that must be met before the advance consent can be used.

Lloyd's Requirements – This section details the byelaw, and relevant paragraph, that the advance consent is associated with.

Procedure – The procedure section details the steps the managing agent must go through in order to qualify for an advanced consent, including the conditions that must be met. Where applicable this section is divided between aligned and non-aligned syndicates.

Notes – Where appropriate, any further notes regarding the advance consent.

Notification to members

Where approval is required from members, managing agents should observe the following procedure:

- **Consultation**– prior to submitting the formal notification managing agents should discuss with members’ agents and direct corporate participants the application to be made;
- **Consultation Period** – all members should be given a period of consultation as set out in the relevant byelaw requirements in order to consider the proposal and raise objections where appropriate.

In all circumstances where consultation with members is required the Admissions department should be sent a copy of the application at the same time as it is sent to members and members’ agents.

All letters to members and members’ agents must indicate that the Admissions department should be contacted directly if there are any objections.

Objections from members and members’ agents

In circumstances where members and members’ agents object to a proposal by a managing agent the Admissions department should be consulted immediately. If the objection cannot be easily resolved it may not be possible for the agent to take advantage of the advanced consent and a full formal application for consent would be required.

Notification to Lloyd’s

In all circumstances where an agent uses an advanced consent Lloyd’s must be notified in writing within 10 working days. Notification must include confirmation of the advance consent used and, where applicable, that no objections were raised. This notification can be in the form of a letter or an email sent to admissions@lloyds.com with a subject line of ‘Advance Consent’.

Revocation of Advance Consents

Lloyd’s reserves the right to revoke any advance consents that have been granted, and to stop the use of specific advance consents, for a single managing agent or the community as a whole.

Any queries regarding the advance consents included in this document should be directed to the Admissions department.

Increases in Agency Fees or Profit Commission

This advance consent applies from 1st January 2004

Advance consent:	Exemption from the requirement for managing agents and syndicates to seek Lloyd's consent to increase fees or profit commission.
Lloyd's requirements:	Agency Agreements Byelaw (No. 8 of 1998), Paragraph 11B
Procedure for aligned syndicates:	<div style="border: 1px solid black; border-radius: 10px; padding: 10px; text-align: center; margin-bottom: 10px;"> <p>Proposal to be agreed with the board of each corporate member participating in the syndicate.</p> </div> <p style="text-align: center;">↓</p> <div style="border: 1px solid black; border-radius: 10px; padding: 10px; text-align: center;"> <p>Managing agent of the syndicate to notify Lloyd's Admissions department and Members Services Unit in writing of the increase in fees or profit commission.</p> </div>
Procedure for non-aligned syndicates:	<div style="border: 1px solid black; border-radius: 20px; padding: 20px; text-align: center; margin-bottom: 20px;"> <p>All members are to be notified of the syndicate's intention to increase fees in accordance with the requirements of paragraph 11B of the Agency Agreements Byelaw and applicable market bulletin(s).</p> <p>The application shall include inter alia:</p> <ul style="list-style-type: none"> • details of proposed increase in fees and impact on each member in monetary and percentage terms; • statement of business and/or commercial case for increase; and • any additional information the agent considers to be relevant to the application. </div> <p style="text-align: center;">↓</p> <div style="border: 1px solid black; border-radius: 10px; padding: 10px; text-align: center; margin-bottom: 20px;"> <p>Decision to increase fees to be taken only when the 21 days allowed for responses have elapsed and no objections have been received from any member.</p> </div> <p style="text-align: center;">↓</p> <div style="border: 1px solid black; border-radius: 10px; padding: 10px; text-align: center;"> <p>Managing agent of the syndicate to notify Lloyd's Admissions department and Members Services Unit in writing of the increase in fees or profit commission.</p> </div>

Conditional Consent for Agency Agreement Termination

This advance consent applies from 1st January 2004

Advance consent:	<p>Exemption from requirement to seek conditional consent to terminate the agency agreement for agencies wishing to:</p> <ul style="list-style-type: none"> • increase fees or profit commission; or • effect a syndicate merger; or • obtain conditional consent for a minority buyout.
Lloyd's requirements:	Agency Agreements Byelaw (No. 8 of 1998), Paragraph 11B
Procedure for aligned syndicates:	<div style="text-align: center;"> <div style="border: 1px solid black; border-radius: 10px; padding: 10px; width: fit-content; margin: 0 auto;"> <p>Proposal to be agreed with the board of each corporate member participating in the syndicate.</p> </div> <div style="text-align: center; margin: 5px 0;">↓</div> <div style="border: 1px solid black; border-radius: 10px; padding: 10px; width: fit-content; margin: 0 auto;"> <p>Managing agent of the syndicate to notify Lloyd's Admissions department in writing of the decision to terminate agency agreement.</p> </div> </div>
Procedure for non-aligned syndicates:	<div style="text-align: center;"> <div style="border: 1px solid black; border-radius: 10px; padding: 10px; width: fit-content; margin: 0 auto;"> <p>All members are to be notified of the syndicate's intention to terminate the managing agents agreement in accordance with paragraph 11B of the Agency Agreements Byelaw and applicable market bulletin(s).</p> </div> <div style="text-align: center; margin: 5px 0;">↓</div> <div style="border: 1px solid black; border-radius: 10px; padding: 10px; width: fit-content; margin: 0 auto;"> <p>Decision to terminate agency agreement to be taken only when the 21 days allowed for responses have elapsed and no objections have been received from any member.</p> </div> <div style="text-align: center; margin: 5px 0;">↓</div> <div style="border: 1px solid black; border-radius: 10px; padding: 10px; width: fit-content; margin: 0 auto;"> <p>Managing agent of the syndicate to notify Lloyd's Admissions department in writing of the decision to terminate the agency agreement.</p> </div> </div>
Notes:	<p>In respect of syndicate mergers and minority buyouts this consent is conditional only. Any application to complete a syndicate merger or minority buyout must still be made in accordance with the requirements of the Major Syndicate Transactions Byelaw.</p>

Appointment of Recognised Accountant as Auditors

Advance consent:	Exemption from requirement for managing agents to seek consent for the appointment of a recognised accountant as auditor of the managing agent, syndicate and / or any related parties.
Lloyd's requirements:	Audit Arrangements Byelaw (No. 7 of 1998), Paragraph 14A
Procedure for aligned syndicates:	<div style="border: 1px solid black; border-radius: 10px; padding: 10px; text-align: center; margin-bottom: 10px;"> Proposal to be agreed with the board of each corporate member participating in the syndicate. </div> <div style="text-align: center; margin-bottom: 10px;">↓</div> <div style="border: 1px solid black; border-radius: 10px; padding: 10px; text-align: center;"> Managing agent of the syndicate to notify Lloyd's Admissions department in writing of the authorised accountant to be appointed as auditor. </div>
Procedure for non-aligned syndicates:	<div style="border: 1px solid black; border-radius: 15px; padding: 10px; margin-bottom: 10px;"> All members are to be informed of the syndicate's intention to appoint an authorised accountant as auditor, including details of any other group company the auditor acts for, in accordance with the Audit Arrangements Byelaw and conditions and requirements prescribed under that byelaw. Notification to include details on any conflict of interest that may arise from the appointment and the strategy of the managing agent in managing this conflict. </div> <div style="text-align: center; margin-bottom: 10px;">↓</div> <div style="border: 1px solid black; border-radius: 10px; padding: 10px; text-align: center; margin-bottom: 10px;"> Decision to appoint auditor to be taken only when the 21 days allowed for responses have elapsed and no objections have been received from any member. </div> <div style="text-align: center; margin-bottom: 10px;">↓</div> <div style="border: 1px solid black; border-radius: 10px; padding: 10px; text-align: center; margin-bottom: 10px;"> Managing agent of the syndicate to notify Lloyd's Admissions department in writing of the authorised accountant to be appointed as auditor. </div> <div style="text-align: center; margin-bottom: 10px;">↓</div> <div style="border: 1px solid black; border-radius: 10px; padding: 10px; text-align: center; margin-bottom: 10px;"> Members reserve the right to object to the appointment of an auditor. Concerns may be raised at any time during the year and these will be considered before the next anniversary of the appointment. </div> <div style="text-align: center; margin-bottom: 10px;">↓</div> <div style="border: 1px solid black; border-radius: 10px; padding: 10px; text-align: center;"> This process must be completed annually for each syndicate. </div>
Notes:	Any syndicate taking advantage of this advance consent and proposing not to hold an Annual General Meeting ("AGM") for the same year of account should notify capital providers of both proposals at the same time.

Multiple Syndicates – Underwriters

Advance consent:	<p>Exemption from requirement for managing agents and syndicates to seek consent for the appointment of an underwriter or underwriting teams to multiple syndicates. This advance consent will only operate where the syndicates have the same managing agent and:</p> <ul style="list-style-type: none"> • the business of the additional syndicate is allocated in pre-determined proportions (split stamp) and no risk is accepted by any syndicate unless it is accepted on behalf of the other syndicates; or • the additional syndicate is a mirror syndicate with the same members and identical participation in the syndicates; or • the additional syndicate is in run-off and the individual is already approved as a run-off manager.
Lloyd's requirements:	Multiple Syndicates Byelaw (No. 5 of 1989), Paragraphs 4, 5 & 6
Procedure for aligned and non-aligned syndicates:	<div style="border: 1px solid black; border-radius: 10px; padding: 10px; margin-bottom: 10px; text-align: center;"> <p>The managing agent of the syndicates must be satisfied that no conflict of interest will arise from the appointment.</p> </div> <p style="text-align: center;">↓</p> <div style="border: 1px solid black; border-radius: 15px; padding: 10px; margin-bottom: 10px; text-align: center;"> <p>Lloyd's Admissions department to be notified in writing, including the following points:</p> <ul style="list-style-type: none"> • the name and job title of the underwriter(s); • date of new arrangement coming into effect; • the status of the original syndicate(s); • the status of the additional syndicate i.e. split stamp, mirror syndicate or run-off syndicate; and • statement that the appointment meets the conditions as set out in the 'Advance Consent' section above. </div>
Notes:	Where the appointment of an underwriter, or underwriting team, to multiple syndicates is sought as a result of a merger this consent will be considered as a part of the merger application.

Appointment and Retirement of Premiums Trust Fund Trustees

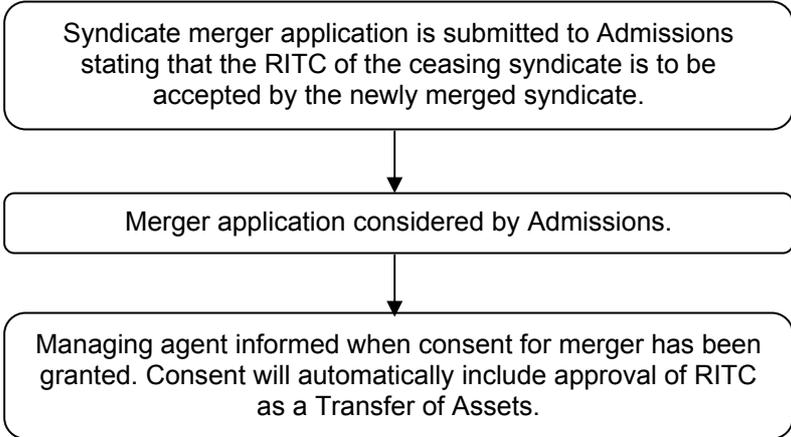
Advance consent:	<p>Exemption from requirement for managing agents to seek consent to appoint and remove individuals as Trustees under the Premiums Trust Deed where:</p> <ul style="list-style-type: none"> • the individual to be appointed is a director or compliance officer; and • the individual to be appointed is already Individually Registered; and • the managing agent has a minimum of 2 trustees and a maximum of 3 at all times; and • a fully completed and signed Deed of Appointment and Deed of Undertaking is completed.
Lloyd's requirements:	Premiums Trust Deed and the Underwriting Byelaw (No. 2 of 2003) and the Underwriting Requirements prescribed under that byelaw.
Procedure for aligned and non-aligned syndicates:	<pre> graph TD A[Managing agent to fully complete Deed of Appointment and Deed of Undertaking as per execution instructions and submit to Members' Services Unit ("MSU") in Chatham. Deeds to be accompanied by a covering letter confirming that all criteria have been met.] --> B[MSU to check Deeds and seal where appropriate.] B --> C[Original sealed Deeds to be returned to Managing Agent.] </pre>
Notes:	<p>All relevant Premiums Trust Fund forms and execution instructions are available from MSU.</p> <p>Clauses within the Deeds refer to an effective date of appointment. This date must be after the date when approval is given to the appointment / retirement. To allow the approval to be processed the agent should contact MSU to agree a date to be inserted.</p> <p>In the case of the removal of a trustee, where it is not possible to obtain the signature of a trustee who will not be continuing, for whatever reason, it will be necessary to obtain formal consent from Lloyd's.</p>

Syndicate Annual General Meetings

Advance consent:	Exemption from requirement for syndicates to hold an AGM.
Lloyd's requirements:	Syndicate Meetings Byelaw (No. 11 of 1994), Part B, Paragraph 2, and the bulletin issued 08/12/2000, Ref: 085/2000.
Procedure for aligned syndicates:	<div style="text-align: center;"> <p>Proposal to be agreed with the board of each corporate member participating in the syndicate.</p> <p>↓</p> <p>Managing agent of the syndicate to notify Lloyd's Admissions department in writing of the decision not to hold an AGM.</p> </div>
Procedure for non-aligned syndicates:	<div style="text-align: center;"> <p>All members are to be informed of the syndicate's intention not to hold an AGM in accordance with the requirements set out in the Syndicate Meetings Byelaw and the conditions and requirements prescribed under that byelaw.</p> <p>↓</p> <p>Decision not to hold an AGM to be taken only when the 21 days allowed for responses have elapsed and no objections have been received from any capital provider.</p> <p>↓</p> <p>Managing agent of the syndicate to notify Lloyd's Admissions department in writing of the decision not to hold an AGM.</p> <p>↓</p> <p>This process must be completed annually for each syndicate.</p> </div>
Notes:	Any syndicate taking advantage of this advance consent and proposing to appoint a recognised accountant as auditor for the same year of account should notify members of both proposals at the same time.

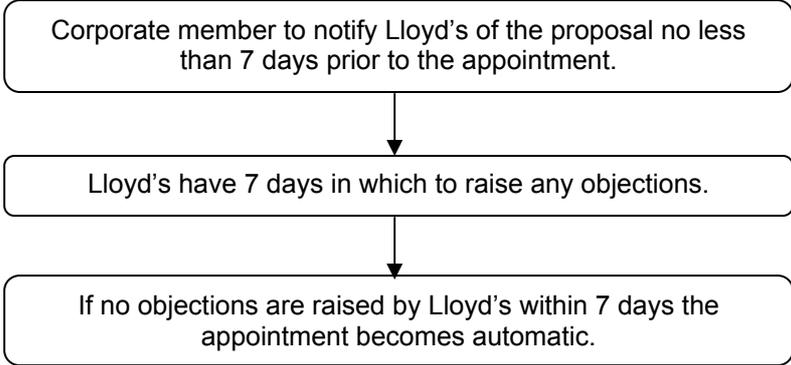
Existing Advance Consents

Reinsurance to close treated as a transfer of assets

Advance consent:	Where a merger has taken place under the Major Syndicate Transactions Byelaw and the merger documentation confirmed that the RITC of the ceasing syndicate(s) was to be accepted by the merged entity. Any such RITC can be considered as a transfer of assets and thus a separate application under the Syndicate Premium Income Byelaw need not be made.
Lloyd's requirements:	Underwriting Byelaw (No. 2 of 2003) and the Underwriting Requirements prescribed under that byelaw.
Summary:	 <pre> graph TD A["Syndicate merger application is submitted to Admissions stating that the RITC of the ceasing syndicate is to be accepted by the newly merged syndicate."] --> B["Merger application considered by Admissions."] B --> C["Managing agent informed when consent for merger has been granted. Consent will automatically include approval of RITC as a Transfer of Assets."] </pre> <p>Syndicate merger application is submitted to Admissions stating that the RITC of the ceasing syndicate is to be accepted by the newly merged syndicate.</p> <p>Merger application considered by Admissions.</p> <p>Managing agent informed when consent for merger has been granted. Consent will automatically include approval of RITC as a Transfer of Assets.</p>

Existing Advance Consents

Appointment of a director to the board of a corporate member

Advance consent:	Exemption from requirement for corporate members to seek consent for the appointment of a director where that individual is already individually registered or is a director of an existing corporate member.
Lloyd's requirements:	Membership Byelaw (No. 17 of 1993), Paragraph 14(2)(a) and the bulletin issued 12/01/2000, Ref: 005/2000
Summary:	 <pre> graph TD A[Corporate member to notify Lloyd's of the proposal no less than 7 days prior to the appointment.] --> B[Lloyd's have 7 days in which to raise any objections.] B --> C[If no objections are raised by Lloyd's within 7 days the appointment becomes automatic.] </pre>