

Chapter 8

General provisions applying INSPRU and GENPRU to Lloyd's



8.1 Application

- 8.1.1 **R** ■ INSPRU 8.1 applies to:
 - (1) the *Society*;
 - (2) *managing agents*.
- 8.1.2 **R**
- 8.1.3 **G**

8.1.4 **R**

8.1.5 **G**

8.2 Special provisions for Lloyd's

8.2.2 **R**

8.2.11 **R**

Management of risk

The *Society* must establish and maintain effective arrangements to monitor and manage risk arising from:

- (1) conflicts of interest (including in relation to (2) to (4));
- (2) inter-*syndicate* transactions, including *reinsurance to close* and *approved reinsurance to close*;
- (3) related party transactions; and
- (4) transactions between *members* and itself.

8.2.12 **R**

8.2.13 **R**

8.2.17 **R**

8.2.18 **R**

Insurance receivables to be carried to trust funds

8.2.19 **R**

The *Society* must take all reasonable steps to ensure that each *member*:

- (1) executes the appropriate *Lloyd's trust deeds*; and
- (2) carries to the appropriate *Lloyd's trust fund* all amounts received or receivable by the *member*, or on its behalf, in respect of any *insurance business* carried on by it.

8.2.20 **R**

The *Society* must carry all amounts it receives on behalf of any *member* in respect of that *member's insurance business* to the appropriate *Lloyd's trust fund*.

8.2.21 **R**

A *managing agent* must carry all amounts it receives on behalf of any *member* in respect of that *member's insurance business* to the appropriate *Lloyd's trust fund*.

8.2.22 **R**

In complying with ■ INSURU 8.2.19 R to ■ INSURU 8.2.21 R, the *Society* and *managing agents* must take all reasonable steps to ensure that amounts received or receivable by a *member* in respect of *general insurance business* and *long-term insurance business* are carried to separate *Lloyd's trust funds*.

Amendments to byelaws, trust deeds and standard form letters of credit and guarantees

8.2.23 **R**

The *Society* must, as soon as it is practical to do so, notify the *appropriate regulator* of its intention to approve the form of any new *Lloyd's trust deed*.

8.2.24 **R**

The *Society* must, as soon as it is practical to do so, notify the *FCA* of its intention to make any amendment which may alter the meaning or effect of any *byelaw*, including:

- (1) any *Lloyd's trust deed*;
- (2) any standard form letter of credit prescribed by the *Society* from time to time; or
- (3) any standard form guarantee agreement prescribed by the *Society* from time to time.

8.2.25 **R**

The *Society* must provide the *FCA* with full details of:

- (1) the form of any new *Lloyd's trust deed* it intends to approve, as described in ■ INSURU 8.2.23 R and
- (2) any amendments falling within ■ INSURU 8.2.24 R.

- 8.2.26 **R** The *Society* must consult interested parties in relation to any new *Lloyd's trust deed* and in relation to any amendment falling within **INSPRU 8.2.24 R**.
- 8.2.27 **G** Except in urgent cases, the *Society* should consult in relation to any new *Lloyd's trust deed* or amendments before the new deed or amendments take effect.
- 8.2.28 **R** The information provided to the *FCA* by the *Society* under **INSPRU 8.2.25 R** must include:
- (1) a statement of the purpose of any proposed amendment or new *Lloyd's trust deed* and the expected impact, if any, on *policyholders, managing agents, members, and potential members*; and
 - (2) a description of the consultation undertaken under **INSPRU 8.2.26 R** including a summary of any significant responses to that consultation.
- 8.2.29 **G** The *FCA* would normally expect to receive the information required under **INSPRU 8.2.25 R** and **INSPRU 8.2.28 R** not less than three months in advance of the proposed change.

8.4 Capacity Transfer Market

Application

8.4.1 **R** This section applies to the *Society*.

Purpose

8.4.2 **G** The *rules* and *guidance* in this section are intended to promote confidence in the market at Lloyd's, and to protect certain *consumers* of services provided by the *Society* in carrying on, or in connection with or for the purposes of, its *regulated activities*. They do this by ensuring that the *Society* appropriately and effectively regulates the *capacity transfer market* so that it operates in a fair and transparent manner.

Requirement to make byelaws governing conduct in the capacity transfer market

8.4.3 **R** The *Society* must make appropriate *byelaws* governing conduct in the *capacity transfer market*.

8.4.4 **G** The *byelaws* referred to in ■ INSPRU 8.4.3 R should:

- (1) ensure that adequate and effective arrangements are in place to enable *members* and *persons* applying to be admitted as *members* to enter into transactions to transfer *syndicate* capacity and settle these transactions in a timely manner;
- (2) give clear and comprehensive guidance about the dissemination of information that is, or may be, relevant to the price of *syndicate* capacity and the transparency of the *capacity transfer market*; and
- (3) prohibit unfair and abusive practices (including market manipulation), the misuse of information not generally available, and the dissemination of false or misleading information.

8.4.5 **G** The *Society* should have adequate and effective arrangements to:

- (1) record and monitor transactions in the *capacity transfer market*, and maintain adequate audit trails; and
- (2) suspend or annul transactions where appropriate.

- 8.4.6** **G** The *Society* should regularly review the *byelaws* referred to in ■ INSURU 8.4.3 R, taking account of the standards of conduct required in other *UK* financial markets.
- 8.4.7** **G** The *Society* should consult *members* and *underwriting agents* before it finalises material changes in the *byelaws* referred to in ■ INSURU 8.4.3 R, and should have timely and effective arrangements for notifying them of changes in these *byelaws*.
- 8.4.8** **R**
- (1) The *Society* must give the *FCA* a report as at the end of each calendar quarter in which any capacity is transferred.
 - (2) The report referred to in (1) must reach the *FCA* within one month of the end of the relevant calendar quarter and must include information on:
 - (a) the total capacity in *syndicates* transferred during the quarter, analysed by *syndicate* and method of transfer;
 - (b) the number, and nature, of all investigations by the *Society* into conduct in the *capacity transfer market* undertaken or continued during the quarter; and
 - (c) the number, and nature, of all complaints received during the quarter about the operation of the *capacity transfer market*.