

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

Management of risk

8.2.11 R

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	
8.2.19	R	<p>Insurance receivables to be carried to trust funds</p> <p>The <i>Society</i> must take all reasonable steps to ensure that each <i>member</i>:</p> <ol style="list-style-type: none"> (1) executes the appropriate <i>Lloyd's trust deeds</i>; and (2) carries to the appropriate <i>Lloyd's trust fund</i> all amounts received or receivable by the <i>member</i>, or on its behalf, in respect of any <i>insurance business</i> carried on by it.
8.2.20	R	The <i>Society</i> must carry all amounts it receives on behalf of any <i>member</i> in respect of that <i>member's insurance business</i> to the appropriate <i>Lloyd's trust fund</i> .
8.2.21	R	A <i>managing agent</i> must carry all amounts it receives on behalf of any <i>member</i> in respect of that <i>member's insurance business</i> to the appropriate <i>Lloyd's trust fund</i> .
8.2.22	R	In complying with ■ INSPRU 8.2.19 R to ■ INSPRU 8.2.21 R , the <i>Society</i> and <i>managing agents</i> must take all reasonable steps to ensure that amounts received or receivable by a <i>member</i> in respect of <i>general insurance business</i> and <i>long-term insurance business</i> are carried to separate <i>Lloyd's trust funds</i> .
8.2.23	R	<p>Amendments to byelaws, trust deeds and standard form letters of credit and guarantees</p> <p>The <i>Society</i> must, as soon as it is practical to do so, notify the <i>appropriate regulator</i> of its intention to approve the form of any new <i>Lloyd's trust deed</i>.</p>
8.2.24	R	<p>The <i>Society</i> must, as soon as it is practical to do so, notify the <i>FCA</i> of its intention to make any amendment which may alter the meaning or effect of any <i>byelaw</i>, including:</p> <ol style="list-style-type: none"> (1) any <i>Lloyd's trust deed</i>; (2) any standard form letter of credit prescribed by the <i>Society</i> from time to time; or (3) any standard form guarantee agreement prescribed by the <i>Society</i> from time to time.
8.2.25	R	<p>The <i>Society</i> must provide the <i>FCA</i> with full details of:</p> <ol style="list-style-type: none"> (1) the form of any new <i>Lloyd's trust deed</i> it intends to approve, as described in ■ INSPRU 8.2.23 R and (2) any amendments falling within ■ INSPRU 8.2.24 R.

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8.2.26

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The *Society* must consult interested parties in relation to any new *Lloyd's trust deed* and in relation to any amendment falling within ■ INSURU 8.2.24 R.
- 8.2.27

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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

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The information provided to the *FCA* by the *Society* under ■ INSURU 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 ■ INSURU 8.2.26 R including a summary of any significant responses to that consultation.
- 8.2.29

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The *FCA* would normally expect to receive the information required under ■ INSURU 8.2.25 R and ■ INSURU 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 ■ **INSPRU 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 ■ **INSPRU 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*.