

SCHEDULE 3

Regulations 18(6), (7) and 20

PROVISIONS APPLYING TO AGGREGATE ACCOUNTS

PART 1

GENERAL PROVISIONS AND ANNUAL REPORT

Disclosure required in notes to accounts: off-balance sheet arrangements

- 1.—(1) If for any financial year—
 - (a) a syndicate has noted in its annual accounts that it is or has been party to an arrangement that is not reflected in its balance sheet; and
 - (b) at the balance sheet date the risks or benefits arising from that arrangement are material, the information required by this paragraph must be given in notes to the aggregate accounts.
- (2) The information required is—
 - (a) the nature and business purpose of the arrangement; and
 - (b) the financial impact of the arrangement on the syndicate.
- (3) The information need only be given to the extent necessary for enabling the financial position of the Lloyd's market to be assessed.

Annual report: general requirements

- 2.—(1) The annual report on a financial year required by regulation 20 must state—
 - (a) the names of the persons who at any time during the financial year were members of the Council of Lloyd's; and
 - (b) the principal activities of the Lloyd's market in the course of the year and any significant change to those activities in the year.
- (2) The annual report must contain—
 - (a) particulars of any important events affecting the Lloyd's market which have occurred since the end of the financial year;
 - (b) an indication of likely future developments in the business of the Lloyd's market; and
 - (c) an indication of the activities (if any) of the members of Lloyd's in the field of research and development.

Annual report: business review

- 3.—(1) The annual report must contain a business review.
- (2) The business review must contain—
 - (a) a fair review of the business of the Lloyd's market; and
 - (b) a description of the principal risks and uncertainties facing the Lloyd's market.
- (3) The review required is a balanced and comprehensive analysis of—
 - (a) the development and performance of the insurance business carried on by the members of Lloyd's during the financial year; and
 - (b) the position of the insurance business of the members of Lloyd's at the end of that year, consistent with the size and complexity of the Lloyd's market.

Status: This is the original version (as it was originally made).

(4) The review must include to the extent necessary for an understanding of the development, performance or position of the insurance business of the members of Lloyd’s—

- (a) analysis using financial key performance indicators; and
- (b) where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employee matters.

(5) In sub-paragraph (4), “key performance indicators” means factors by reference to which the development, performance or position of the insurance business of the members of Lloyd’s can be measured effectively.

(6) The review must, where appropriate, include references to and additional explanations of amounts included in the aggregate accounts.

(7) Nothing in this paragraph requires the disclosure of information about impending developments or matters in the course of negotiation if the disclosure would, in the opinion of the Council of Lloyd’s, be seriously prejudicial to the interests of the members of Lloyd’s.

Statement as to disclosure of information to auditors

4.—(1) The annual report must contain a statement to the effect that, in the case of each of the persons who are members of the Council of Lloyd’s at the time the report is approved—

- (a) so far as the Council member is aware, there is no relevant audit information of which the auditor of the aggregate accounts is unaware; and
- (b) the Council member has taken all the steps that he or she ought to have taken as a member of the Council to become aware of any relevant audit information and to establish that the auditor of the aggregate accounts is aware of that information.

(2) In sub-paragraph (1) “relevant audit information” means information needed by the auditor of the aggregate accounts in connection with preparing the auditor’s report.

(3) For the purposes of sub-paragraph (1) the Council member is regarded as having taken all the steps that he or she ought to have taken as a member of the Council in order to do the things mentioned in sub-paragraph (1)(b) if he or she has—

- (a) made such enquiries of fellow Council members and of the auditors of the aggregate accounts for that purpose; and
- (b) taken such other steps (if any) for that purpose,

as were required by his or her duty as a member of the Council of Lloyd’s to exercise due care, skill and diligence.

(4) Where the annual report containing the statement required by this paragraph is approved but the statement is false, every member of the Council who—

- (a) knew that the statement was false, or was reckless as to whether it was false; and
- (b) failed to take reasonable steps to prevent the report from being approved,

commits an offence.

(5) A person guilty of an offence under sub-paragraph (4) is liable—

- (a) on conviction on indictment, to imprisonment for a term not exceeding two years or to a fine, or both;
- (b) on summary conviction to imprisonment for a term not exceeding three months or to a fine not exceeding the statutory maximum, or both.

PART 2

AUDITORS

Appointment of auditor for aggregate accounts

5.—(1) Subject to sub-paragraph (3), the members of the Society of Lloyd’s must appoint the auditor for the aggregate accounts for each financial year, unless the auditor is deemed to be re-appointed in accordance with paragraph 6(2).

(2) For each financial year for which the auditor is to be appointed, the appointment must be made before the end of the period of 28 days beginning with the end of the time allowed under regulation 18(3)(a) for preparing the accounts required by regulation 18. This is the “period for appointing auditors” for the purposes of this Part of this Schedule.

(3) The Council of Lloyd’s may appoint an auditor for the aggregate accounts to fill a casual vacancy in the office of auditor.

(4) Where no appointment has been made under paragraph (1) by the end of the period for appointing auditors, and the auditor in office is not deemed to be re-appointed under paragraph 6(2)

—

(a) the Council of Lloyd’s must within one week from the end of that period give notice in writing to the Authority of that fact; and

(b) the Authority must appoint an auditor for the aggregate accounts to fill the vacancy as soon as possible.

(5) If the Council of Lloyd’s fail to give the notice required by this paragraph, an offence is committed by—

(a) the Society of Lloyd’s; and

(b) every member of the Council who was in default.

(6) A person guilty of an offence under this paragraph is liable on summary conviction to a fine not exceeding level 3 on the standard scale and, for continued contravention, a daily default fine not exceeding one-tenth of level 3 on the standard scale.

Term of office of auditors of the aggregate accounts

6.—(1) An auditor of the aggregate accounts holds office in accordance with the terms of his or her appointment, subject to the requirements that—

(a) the auditor does not take office until any previous auditor ceases to hold office; and

(b) the auditor ceases to hold office at the end of the next period for appointing auditors unless re-appointed.

(2) Where no auditor has been appointed by the end of the next period for appointing auditors, any auditor in office immediately before that time is deemed to be re-appointed at that time, unless—

(a) Lloyd’s byelaws require actual re-appointment; or

(b) the deemed re-appointment is prevented by the members of the Society of Lloyd’s under paragraph 7; or

(c) the members of the Society of Lloyd’s have resolved that the auditor should not be re-appointed.

Prevention by members of deemed re-appointment of auditor

7.—(1) An auditor of the aggregate accounts is not deemed to be re-appointed under paragraph 6(2) if the Council of Lloyd's has received notices under this paragraph from members of the Society of Lloyd's representing at least the requisite percentage of the total voting rights of all members of the Society who would be entitled to vote on a resolution that the auditor should not be re-appointed.

(2) The "requisite percentage" is 5%, or such lower percentage as is specified for this purpose in Lloyd's byelaws.

(3) A notice under this paragraph—

- (a) may be in hard copy or electronic form;
- (b) must be authenticated by the person or persons giving it; and
- (c) must be received by the managing agent before the end of the financial year immediately preceding the time when the deemed re-appointment would have effect.

Removal of auditors on improper grounds

8.—(1) Where an auditor of the aggregate accounts is removed from office, an application may be made to the High Court under this paragraph.

(2) The persons who may make such an application are—

- (a) any member of the Society of Lloyd's; or
- (b) the Authority.

(3) Where the Court is satisfied that the removal was—

- (a) on grounds of divergence of opinion on accounting treatments or audit procedures; or
- (b) on any other improper grounds,

it may make such order as it thinks fit for giving relief in respect of the removal.

(4) The Court may, in particular—

- (a) declare that any decision to remove an auditor, or to appoint a new auditor in place of the auditor, is void;
- (b) require the members of the Society of Lloyd's to re-appoint the auditor; or
- (c) give directions as to the conduct of the Council of Lloyd's affairs in the future.

Duty of auditor to notify appropriate audit authority

9.—(1) Where the auditor of the aggregate accounts ceases to hold office before the end of his or her term of office, the auditor must notify in writing the appropriate audit authority.

(2) The notice must—

- (a) inform the appropriate audit authority that the auditor has ceased to hold office; and
- (b) be accompanied by a statement of the reasons for the auditor's ceasing to hold office.

(3) The auditor must give notice under this paragraph—

- (a) if the auditor resigns, at the same time as the auditor informs the Council of Lloyd's of his or her resignation (whether by notice or otherwise);
- (b) in any other case, not later than the end of the period of fourteen days beginning with the date on which the auditor ceases to hold office.

(4) A person ceasing to hold office as auditor who fails to comply with this paragraph commits an offence.

(5) If that person is a firm an offence is committed by—

- (a) the firm; and
 - (b) every officer of the firm who is in default.
- (6) A person guilty of an offence under this paragraph is liable—
- (a) on conviction on indictment, to a fine;
 - (b) on summary conviction, to a fine not exceeding the statutory maximum.
- (7) In proceedings for an offence under this paragraph it is a defence for the person charged to show that he or she took all reasonable steps and exercised all due diligence to avoid the commission of the offence.

Duty of Council of Lloyd's to notify the appropriate audit authority

10.—(1) Where the auditor of the aggregate accounts ceases to hold office before the end of his or her term of office, the Council of Lloyd's must notify in writing the appropriate audit authority.

- (2) The notice must—
- (a) inform the appropriate audit authority that the auditor has ceased to hold office; and
 - (b) be accompanied by a statement of the reasons for the auditor's ceasing to hold office.
- (3) The Council of Lloyd's must give notice under this paragraph—
- (a) if the auditor resigns, not later than the end of the period of fourteen days beginning with the date on which the auditor first informs the Council of his or her resignation (whether by notice or otherwise); and
 - (b) in any other case, not later than the end of the period of fourteen days beginning with the date on which the auditor ceases to hold office.
- (4) If the Council of Lloyd's fails to comply with this paragraph, an offence is committed by—
- (a) the Society of Lloyd's; and
 - (b) every member of the Council who was in default.
- (5) A person guilty of an offence under this paragraph is liable—
- (a) on conviction on indictment, to a fine;
 - (b) on summary conviction, to a fine not exceeding the statutory maximum.
- (6) In proceedings for an offence under this paragraph it is a defence for the person charged to show that he or she took all reasonable steps and exercised all due diligence to avoid the commission of the offence.