

PM's Visit to Lloyds

PRIME  
MINISTER

JAN 1985

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>13-1-85</del>							
<del>31-1-85</del>							
1-2-85							
PREM 19/1601							



JR

bc JH

SUBJECT  
ce Master.



10 DOWNING STREET

From the Private Secretary

1 February 1985

PRIME MINISTER'S LUNCH AT LLOYD'S

Mr. Miller opened the discussion by reporting on business prospects in the insurance market. After a long period in which premiums had fallen, there had been an up-turn during 1984 in all sections of the market. With Lloyd's capital base in sterling, the rise in the dollar was limiting the extent to which Lloyd's could accept this improved business, much of which was in the United States. The problem was essentially a short-term one. By 1986 it would be possible to bring in new names - something like 5,000 with a combined capital of £1 billion would be needed. But it would be difficult to secure additional capital during the course of 1985 because of the practical problem of taking so many new names through the procedures needed to admit them as a member of Lloyd's. An alternative was to seek additional capital from existing names.

Mr. Miller said Lloyd's was determined to tackle the disciplinary problems that had arisen and he thought that much had been achieved. A number of disciplinary cases would be completed during the course of the year. There was a difference of emphasis from Mr. Davison who felt only that "good progress" had been made. The Prime Minister said it was essential for Lloyd's not only to eliminate malpractice but to be seen to have done so. The structure of Lloyd's should prevent such behaviour from re-occurring. She asked whether the practice of parallel underwriting created conflicts of interest and temptations to which some inevitably succumbed. Mr. Miller said there were often good commercial reasons for establishing a parallel syndicate. The solution was, therefore, not to outlaw them but to set up rules which would prevent abuse. As a last resort, there was always the law of agency.

The Prime Minister then asked about the practice whereby underwriters directed re-insurance to companies which they themselves controlled. Mr. Davison said the Council would be considering a recommendation that this practice should be prohibited.

TWJ



CONFIDENTIAL

2

There was a brief discussion of insurance in Europe, where the Prime Minister said the Government was committed to improving the internal market. There was no discussion of China, taxation, or the position of the Chief Executive.

I am copying this letter to John Bartlett at the Bank of England.

(ANDREW TURNBULL)

Miss Maureen Dodsworth,  
Department of Trade and Industry.



VISIT OF THE PRIME MINISTER, THE RT. HON. MARGARET THATCHER, M.P.

Friday, 1st February, 1985

- 12.45 p.m. - The Chairman and Miss Tessa Jorda descend to the Main Entrance of Lloyd's to await the Prime Minister's arrival.
- The Prime Minister, accompanied by Mr. Andrew Turnbull, Private Secretary, Economic Affairs, arrive at Lloyd's.
- 1.00 p.m. - The Party proceed, via the Chairman's lift, to the Second Floor Chairman's Ante Room, where the Lloyd's hosts at the luncheon are already assembled. (See guest list attached).
- The Prime Minister is invited by the Chairman to sign the Visitors' Book.  
(Photographs)
- Pre-luncheon drinks are served.
- The luncheon party proceed to the Special Dining Room for luncheon.
- 2.15 p.m. - The Prime Minister, accompanied by the Chairman, descend to the Non-Marine Gallery Floor of the Underwriting Room, via the Chairman's lift.
- The Prime Minister will be invited to view the Underwriting Room.  
(Photographs)
- The Party proceeds to Mr. H.R. Rokeby-Johnson's Box (R.W. Sturge Non-Marine Box No. 430) where a slip will be broked. If appropriate this will be explained to the Prime Minister.  
(Photographs)
- The Prime Minister descends, via the North Centre lifts, to the Marine Floor of the Underwriting Room to view the Loss Book, Lutine Bell etc.  
(Photographs)
- The Prime Minister proceeds to the Main Entrance of Lloyd's via Mr. S.R. Merrett's Box (No. 105) and the War Memorial.  
(Photographs)
- 2.40 p.m. - The Lloyd's hosts who attended the luncheon are present at the War Memorial to bid farewell to the Prime Minister.
- 2.45 p.m. - The Prime Minister and Mr. Andrew Turnbull depart from Lloyd's.



LUNCHEON IN HONOUR OF THE PRIME MINISTER,  
THE RT. HON. MARGARET THATCHER, M.P.

Friday, 1st February, 1985  
12.45 for 1.00 p.m. - Special Dining Room

GUESTS

THE RT. HON. MARGARET THATCHER, M.P.  
The Prime Minister, First Lord of the Treasury and  
Minister for the Civil Service

Mr. Andrew TURNBULL  
Private Secretary to the Prime Minister, Economic Affairs

---

HOSTS

Mr. P.N. MILLER

Mr. W.N.M. LAWRENCE

Mr. D.E. COLERIDGE

Mr. I.H. DAVISON

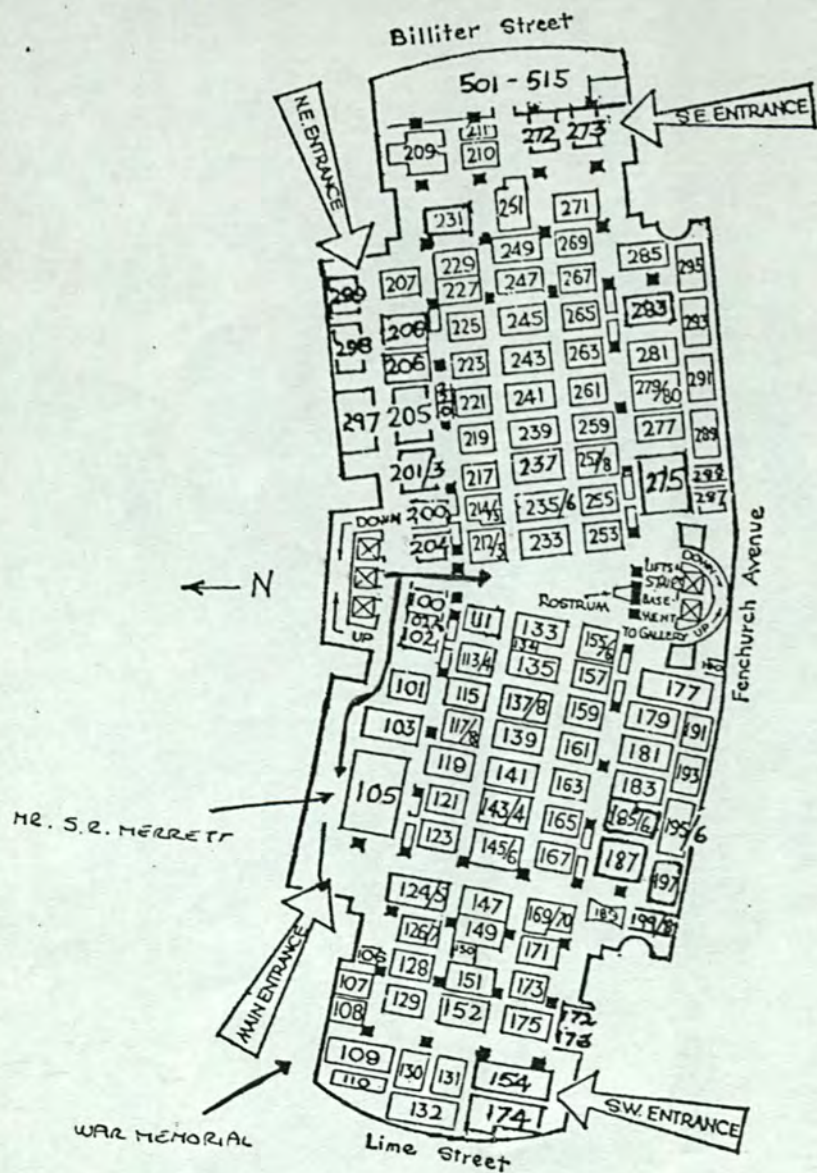
Mr. I.R. BINNEY

Mr. T.W. HIGGINS

Sir Marcus KIMBALL

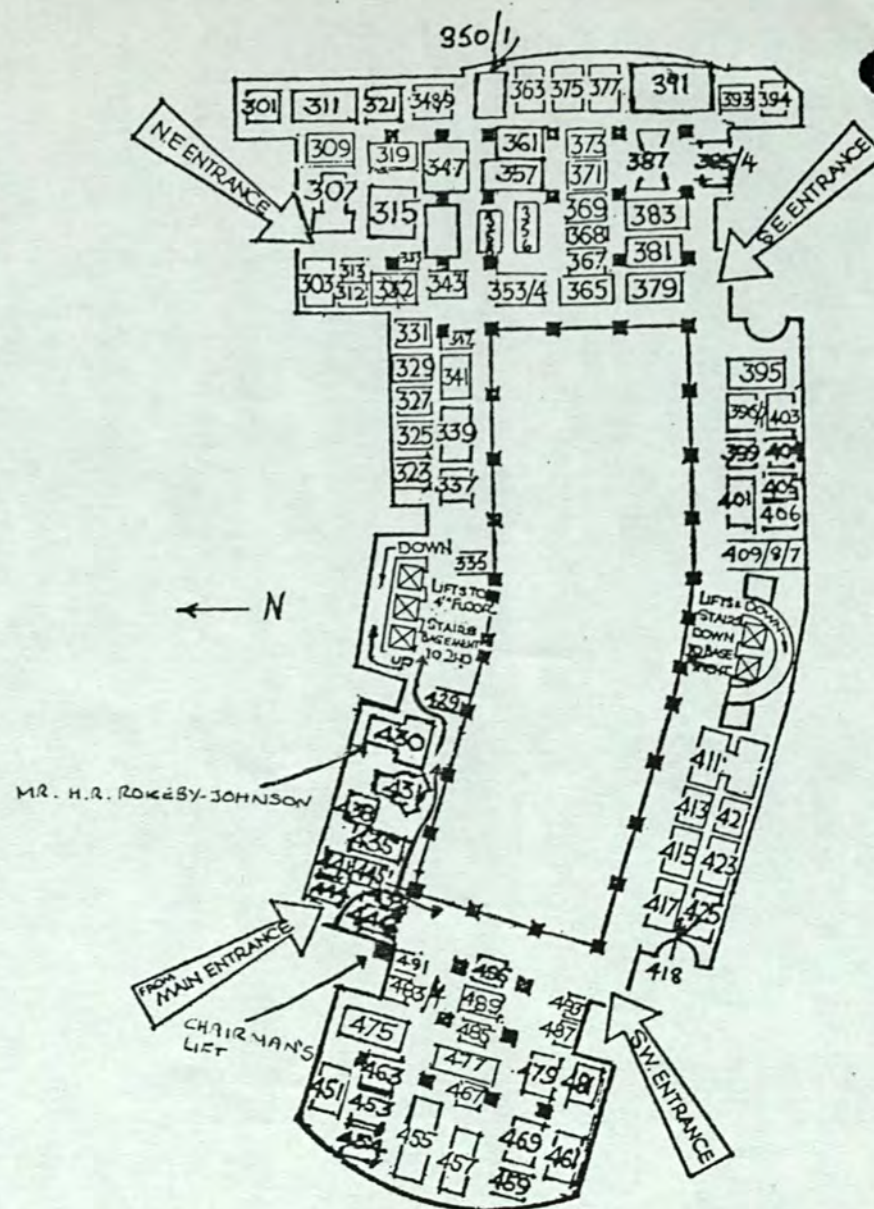
Mr. E.I. WALKER-ARNOTT





## MARINE ROOM

(GROUND FLOOR)  
 BOXES 100-199 WEST  
 BOXES 200-299 EAST  
 BOXES 501-515 EAST



## NON-MARINE ROOM

(GALLERY)  
 BOXES 301-409 EAST  
 BOXES 411-495 WEST



MILLER, Mr. Peter North

Born: 1930 - 28th September

Married: 1st 'Katharine' (2 sons, 1 daughter)

2nd 'Leni' (30.11.79) - dress designer

Educated: Rugby; Lincoln College, Oxford (MA Hons.)

CHAIRMAN OF LLOYD'S, 1984 -

Underwriting Member of Lloyd's since 1958

Member of the Committee of Lloyd's: 1st Jan. 1982 - 31st Dec. 1985

1st Jan. 1977 - 31st Dec. 1980

Member of Lloyd's Information Policy Board, 1978-

Chairman " " " " 1983

Member Baltic Exchange Apr. 1966-

Chairman, Thos. R. Miller & Son (Insurance) Group, 1974- 1983.

Senior Partner, Thos. R. Miller & Son (Insurance), 1972-

(Partner, 1960)

Director, Thos. R. Miller & Son (Underwriting Agents) Ltd. 1969-

Member Chief Pleas Sark.

Chairman, Bureau Veritas British Committee, 1980-

A Vice-President, British Insurance Brokers' Association, 1978-

Member, Insurance Brokers' Registration Council, 1977-1980.

Joined Lloyd's, 1953. Qualified as a Barrister, 1954.

Chairman, Lloyd's Insurance Brokers' Association, 1976-77

(Deputy Chairman, Lloyd's Insurance Brokers' Association, 1974-1976)

i/c Team responsible for passage of Lloyd's Bill (Fisher), 1980-82.





Clubs: Brooks's ; City; Vincent's; Thames Hare & Hounds.

Recreations: almost all sport other than cricket; wine; gardening; old churches; music; everything to do with the sea. Any form of classical music, pictures, tennis, running.



LAWRENCE, Mr. (Walter Nicholas) Murray

Born: .8-2-1935

Married: April 1961 'Sally' 2d

Educated: Winchester College; Trinity College, Oxford (B.A.)

Annual Subscriber of Lloyd's, 1970

Underwriting Member of Lloyd's since 1973



Deputy Chairman of Lloyd's, Jan. 1982-Dec. 31st 1982.

Elected a Member of the Committee of Lloyd's, Jan. 1979 - Dec. 31st 1982.

Deputy Chairman of Lloyd's, 1984-

Elected a Member of the Committee of Lloyd's Underwriters' Non-Marine Association in 1970 and was appointed Deputy Chairman of that Association for 1977 and Chairman for 1978.

Retired Non-Marine Underwriter, C.T. Bowring (Underwriting Agencies)

Lloyd's Policy Boards:- Chairman: Classification of Risks Committee

" War and Civil Risks Board

Member: Financial Guarantee Board

" Staff Policy Board

" Staff Pension Scheme

Senior Partner; Murray Lawrence & Partners, 1.1.85-

Chairman of C.T. Bowring (Underwriting Agencies) since June 83 - Dec. 1984.

Director of C.T. Bowring & Co. Ltd., July 76-Dec.84.

and was previously a Director of C.T. Bowring (Underwriting) Management Ltd. (This company changed its name to the English & American Insurance Co. Ltd on 1st January 1982 and Mr. Lawrence resigned from his directorship in Feb. 82)

Chairman of Fairway Underwriting Agencies Ltd since 1979.

Chairman - Bowring Agencies Ltd. (resigned 31-12-84)

Director - Bowring Members Agency Ltd.(resigned 31-12-84)



Joined Lloyd's in January 1952 with C.T. Bowring & Co. For five years he worked in various departments of the Insurance Broking Company, ending up Manager of the Treaty Department.

In April 1962, he transferred to the Underwriting side of the business as an Assistant Underwriter in the Contract Department of Harvey Bowring & Others. He was appointed Deputy Underwriter of Harvey Bowring & Others in the summer of 1968 and took over as Underwriter on 1st Jan. 1970. (Resigned as Underwriter July 1984)

Recreations: sport generally, particularly golf; music & opera; travelling.



COLERIDGE, David Ean

Born: 7.6.32

Married: Susan; 19.7.55

3 Sons - Nicholas - 1983 Junior Reporter  
of the Year  
(Evening Standard)

Timothy - Works for Sturge Marine  
Box

Christopher - 13 yrs. old - at Eton

Educated: Eton

Underwriting Member of Lloyd's since 1955. (Wife & 2 eldest sons also U.M.L.)

Committee of Lloyd's 1982 - Deputy Chairman of Lloyd's 1985-

Chairman, Lloyd's Underwriting Agents' Association, 1981/82

Deputy Chairman, Lloyd's Underwriting Agents' Association 1980

1950-57, Glanvill Enthoven; 1957-date, Sturge (Holdings) PLC

Chairman: . Sturge (Holdings) PLC  
A.L. Sturge (Management) Ltd.  
A.L. Sturge (Services) Ltd.  
R.W. Sturge (Motor Underwriting) Ltd.  
A.L. Sturge (Syndicates Management) Ltd.  
Charles Parnell Underwriting Agencies Ltd.

Director: PA International & Sturge Underwriting Agency Ltd.  
D.E.C. (Underwriting Agency) Ltd.

Recreations: Golf, racing and Country life.



DAVISON, Mr. Ian Frederic Hay, BSc (Econ), FCA

Born: 30th June, 1931  
Married: 1955 Maureen Patricia Blacker (one s, two ds) "Horny"  
Educated: Dulwich Coll; LSE (BScEcon) Univ. of Michigan.  
ACA 1956, FCA 1966. Awarded Harkness Fellowship  
for study in the U.S. 1957-58.



Deputy Chairman and the Chief Executive of Lloyd's w.e.f.14.2.83

Became partner in Arthur Andersen & Co. 1966, Managing partner 1966-82,  
Senior partner 1982, -1983.

Chairman of the Accounting Standards Committee of the Consultative Committee  
of Accountancy Bodies since July 1982.

Member of the Lloyd's Working Party on Accounting and Disclosure Nov.82-Feb 83.

Member of the Audit Commission for Local Government

Member of Council of the Institute of Chartered Accountants in England and  
Wales since 1974.

NEDC - Construction Industry Member 1971-77 (Chairman 1977)

- Food & Drink Industry - Chairman 1981-83.

Price Commission Member 1977-79

Dept. of Trade Inspector, London Capital Securities,  
1975-77; Inspector, Grays Building Soc., 1978-79. London Borough of Greenwich:  
Councillor and Alderman, 1961-73;

Governor, Greenwich Theatre, 1968-1981  
(Chmn, 1968-71); Treasurer Byam Shaw School of Art, 1977-1983. Chairman;  
Stravinsky Festival Trust, 1978-79; Monteverdi Trust, 1979-. Trustee of the  
Victoria & Albert Museum 1983-. Trustee of the Conran Foundation.

Member of the Oxford University Appointments Board; Governor of the LSE.

Director & Dep. Chairman of the Trustees of the Royal Opera House, Covent Gard  
Recreations; Theatre, music, squash, ski-ing.



KIMBALL, Sir Marcus Richard, DL

---

Born: 18.10.1928  
Married: 1956, June Mary Fenwick (2 daughters)  
Educated: Eton; Trinity College, Cambridge



Conservative Member of Parliament for Gainsborough Division of Lincolnshire  
February 1956 - June 1982.  
Company Director; Farmer.

Elected an External Member of the Council of Lloyd's - 17 Nov. 1982  
Underwriting Member of Lloyd's since 1953.

Contested Derby South, General Election, 1955.  
Privy Council Rep, Royal Coll. of Vet. Surgeons 1969 (Hon. Associate 1982)  
Jt. Master and Huntsman: Fitzwilliam Hounds, 1950-51 & 52; Cottessmore  
Hounds, 1952-56. (Jt. Master, 1956-58).  
Chm., British Field Sports Soc., 1966-82. Chm., Naver & District Fishery Bd.  
Lt. Leics. Yeo (TA), 1947; Capt., 1951.  
Member, Rutland CC, 1955-62.  
Deputy Lieutenant Leicestershire 1984.  
Director, Royal Trust Company of Canada  
Director, Royal Trust Fund Management Ltd.  
Chairman, (NonExecutive) Maybox plc.  
Director, North Clebrig Farms Ltd.

Clubs: White's, Pratt's.

---



HIGGINS, Mr. Terence William (Terry)

---

Born: 5.12.1925

Married: 1953 'Jean' two sons

Educated: Midhurst Grammar School, West Sussex



Underwriting Member of Lloyd's since 1955  
(Annual Subscriber, 1953)

Member of the Committee of Lloyd's: 1st Jan. 1982 - 31st Dec. 1985  
1st Jan. 1977 - 31st Dec. 1980

Managing Agent

Chairman, Langton Underwriting Agents Ltd., Dec. 1981- (Director, 1964-)

Director, Leslie Langton Holdings Ltd., 1973-

Director, Glanvill Enthoven and Co. (Underwriting) Ltd. 1984-

Marine Underwriter, 1956-1981.

Member of the Committee of Lloyd's Underwriters' Association, 1969 - 1981.

Clubs: MCC; City of London.

Member, Worshipful Company of Insurers

Recreations: Travel, gardening & 'collecting things'.

---



BINNEY, Mr. Ivor Ronald



Born: 11th October, 1929  
Married, 1957, Susan (1s 3d)  
Educated: The Haberdashers's Askels School, Hampstead.

Member of Lloyd's 1957

Group Deputy Chairman, C.T. Bowring & Co. Ltd.

Director, Bowring Agencies Ltd and Bowring Members Agency Ltd  
Member of the Committee of Lloyd's, 1st Jan. 1978-81: 83-

Member, Committee on Invisible Exports (Dec. 1975)

Chairman, L.I.B.A. (1975) (served on LIBA Cttee, 1969-72)

Deputy Chairman, Lloyd's Insurance Brokers' Association, 1974

Chairman, C.T. Bowring & Co. (Insurance) Ltd, since 1975 and

Chief Executive and Joint Deputy Chairman of C.T. Bowring (Insurance Holdings)  
Ltd 1976-Dec. 1977.

A Vice-President of The British Insurance Brokers' Association, 1978-

A Member of the Government Insurance Advisory Panel; 1976-

Vice President of the Insurance Institute of London, 1977-

Member of Council of the Insurance Institute of London, 1978-

Member of the Monopolies & Mergers Commission, 1984-

Member of the Court of Worshipful Company of Insurers, 1979-

Military Service: British Army 1948/50 - Captain.

Clubs: Piltdown Golf Club, M.C.C., The Pilgrims

Recreation: Golf, Cricket & football enthusiast - Rugby & Soccer.

\* Succeeds Edgar Bowring



WALKER-ARNOTT, Mr. Edward Ian

---



Born: 18.9.1939  
Married: 11.9.71 Jane (2d, 1s)  
Educated: Haileybury.

A Nominated Member of the Council of Lloyd's, January 1983-

Partner, Herbert Smith & Co., Solicitors, May 1968-  
(employee with Herbert Smith, 1963-68; articled - Herbert Smith, 1958-63)

Admitted a solicitor, 1963.

Member of the Insolvency Law Review Committee (the Cork Committee), 1977-82.  
Report published June 1982.

Haileybury College: Governor & Member of the Council, 1968-

Recreations: squash racquets and cricket



ROKEBY-JOHNSON, Mr. Henry Ralph

Married — Bridget

Underwriting Member of Lloyd's - 1956

Chairman, L.U.N.M.A. 1984-1985  
Underwriter for R.W. Sturge & Co. and R.W. Sturge (Motor  
Underwriting) Ltd. (In September 1974 succeeded Mr. J.N. Creswell as  
Underwriter for Sturge Syndicate)

also with Michael Baxter (Underwriting Agency) Ltd.

Deputy Chairman, L.U.N.M.A., 1983-1984  
A Member of the Committee of Lloyd's Underwriters'  
Non-Marine Association since 1965.

(a member of the Binding Authorities Working Party - 1978)

Recreations: Golf (Member & Past Captain of Lloyd's Golf Club)



MERRETT, Mr. Stephen Roy

---

Born: 30.5.1939

Married: 12th July 1980 Helen Fearnley

Educated: Rendcomb College, Gloucestershire & Oxford University



Underwriting Member of Lloyd's since 1965

Member of the Committee of Lloyd's: 1st Jan. 1981 - 31st Dec. 1984

Member of the Committee of Lloyd's Underwriters' Association, 1974-

Chairman: Merrett Syndicates Ltd. 1976-

Marine Underwriter, Merrett Syndicates Ltd., 1975-

Chairman: Merrett Holdings P.L.C., 1981-

Director of various companies in the Merrett Group

Fellow, Chartered Insurance Institute

Member of the Committee of Lloyd's Aviation Underwriters' Association, 1972-

Recs: as time permits.



E. R.  
PRIME MINISTER

LUNCH AT LLOYDS

You are having lunch at Lloyds tomorrow. After lunch Lloyds will take you on a short visit to the Underwriting Room. The programme and guest list, with their CVs, is at Annex A.

Lloyds have suggested three subjects for discussion and notes on these are attached at Annex B.

- Capital bank in sterling*
- (i) On exchange rates they will be particularly anxious to hear from you your interpretation of recent events and your views on the future of the £/\$ exchange rate. The note explains how a strong dollar limits Lloyds' scope for expansion.
  - (ii) On pursuit of financial fraud cases they may complain that the DPP is taking too long to bring offenders to book. You will have to stress that the DPP acts independently from Ministers.
  - (iii) On China, they may like to have your first hand impressions of the opportunities that are opening up. Lord Young is including an insurance broker in the party for his visit.

In addition they may raise:

- (iv) Financial services in the Community. You will want to stress the Government's total commitment to a free market despite the opposition that is being encountered.

In addition to these issues, there are three others you might raise. The Chief Executive of Lloyds, Mr. Ian Hay Davison, has been in contact with us. He is anxious to prevent the discussion being an occasion for Lloyd's to put



E.R.

its concerns to Government without the Government probing them on their weak spots. Privately he has sent us a note about three issues he thinks you should put to them (Annex C):

- (i) Should preferred underwriting be outlawed? (M) (Sub)
- (ii) Should re-insurance with companies owned or controlled by syndicate managers be prohibited? (O) → offshore
- (iii) Should the role of the Chief Executive be made permanent?

The latter issue is a delicate one. While Mr. Davison's arrival at Lloyds has done much to restore confidence, a number of feathers have been ruffled, not least with the Chairman, Mr. Miller. Mr. Davison is anxious that the Chief Executive post should be made permanent and not filled by a tame insider. DTI feel this is a particularly delicate subject and would rather you did not raise it. If, however, a natural opportunity arises, you might ask Mr. Miller for his views. At Annex D is a note by the Bank of England who were, of course, instrumental in securing the appointment of a Chief Executive.

Attached at Annex E is a note by the Press Office on the visit to the Underwriting Room.

AF



31 January 1985

MR TURNBULL

LLOYD'S

David Hobson has mentioned to me:

Dollar/Sterling Exchange Rate

Since much of Lloyd's business is denominated in dollars, the dollar capacity of individual syndicates to write business may be reduced.

Some syndicates may have lost money by having more dollar liabilities than assets.

Self-Regulation

Progress has been made in some directions, including:

- a. strengthening the audit arrangements for syndicates;
- b. requiring publication of syndicates' accounts; and
- c. divestment arrangements separating brokers and underwriters.

Disciplinary proceedings have been taken against certain members, and others are pending.



No criminal proceedings have been brought against anyone by the DPP. The wheels of justice grind exceedingly slowly, even though it was indicated, when DTI inspectors were appointed for Howden and Minet, that the police would be kept in touch with their work as it progressed. Remember that, unlike other City outfits, those with most of the capital (the names) have no say in the management at Lloyds. It was this divorce which led to the outrages of the late 1970s.

#### Consumer Protection

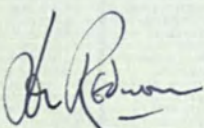
Gordon Borrie has been trying to get Lloyd's into the insurance Ombudsman arrangements. It is understood that they are moving in this direction after some initial hesitation.

#### Inland Revenue

Lengthy negotiations with the Inland Revenue have been going on for some time, with the tax authorities examining accounts of previous years with a view to claiming back tax.

#### China

The Chairman of Lloyd's is going to China in April.

  
JOHN REDWOOD



PRIME MINISTER

You are to lunch with the Chairman and senior members of Lloyds Council on Friday, 1 February, and afterwards visit the Underwriting Room.

On arrival you will be met by the Chairman, Mr Peter Miller, who will take you, by lift, to the second floor where you will be introduced to the other lunch guests and invited to sign the Visitors' Book in the Chairman's Ante Room. There will be a photographer present. You last signed the book on 24 November 1975, when you visited Lloyds with Sir Geoffrey Howe.

Over pre-lunch drinks and at lunch you will meet the three Deputy Chairmen, including Mr I H Davidson who is also Chief Executive, and four senior members of the Council, including Sir Marcus Kimball.

After lunch the Chairman will take you, again by lift, to the Gallery Floor where you will get a good view of the main (Marine) Underwriting Room, which is likely to be crowded (with perhaps as many as four thousand underwriters, associates etc). Nearby on the Gallery Floor it is hoped that you will see a slip being broked by Mr Ralph Rokeby-Johnson or one of his associates. He is the underwriter for the R W Sturge syndicate (Box 430) and specialises in American non-Marine business.

Walking downstairs to the Marine Floor you will be shown the Lutine Bell and the Loss Book, which is still written by quill pen; also open, as usual, will be the Loss Book of 100 years ago to the day.

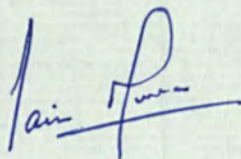


Finally, you will visit Mr Stephen Marrett's Box (No 105). He received considerable publicity recently when he scored a memorable 'first' masterminding the recovery by a NASA space shuttle of a satellite insured by his syndicate which, on launching from an earlier shuttle, had failed to go into its correct orbit. It was the first time anyone had made such a contract with NASA and, while expensive, saved the syndicate from a considerable loss. He was later congratulated personally by President Reagan.

You will re-join the other luncheon guests at the War Memorial, which is in the main entrance, to say farewell.

Lloyds will have two photographers of their own present when you sign the visitors' book and while you are on the Underwriting Floors. It is intended to be a private visit and therefore no press photographers will be admitted, but Lloyds will make their photographs available to Fleet Street if requested.

Content?



IAIN R MURRAY  
PRESS OFFICE

31 January 1985





DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET  
TELEPHONE DIRECT LINE 01-215 5422  
SWITCHBOARD 01-215 7877

PS/  
Secretary of State for Trade and Industry

31 January 1985

Andrew Turnbull Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London SW1

Dear Andrew,

This note is a supplement to the briefing for the Prime Minister's lunch at Lloyd's on 1 February, concerning the future role of the Chief Executive at Lloyd's. I have not circulated this letter as this is a delicate matter.

2 On the whole the Department's counsel is to keep off the question of the Chief Executive. In strictest confidence we know that relations between Mr Miller and Mr Hay Davison are often tense. If the subject comes up, the Prime Minister might like to say that the appointment of a Chief Executive from outside Lloyd's does look to have been advantageous at the time when it was done. When the time comes for a new appointment, care will be needed to take into account both the public reputation of Lloyd's and the necessity for efficient and impartial management supervision in Lloyd's.

Yours sincerely

Maureen Dodsworth.

MAUREEN DODSWORTH  
Private Secretary

JH2AEO



# Chief executive points way ahead for Lloyd's

By Lee Coppack, Insurance Correspondent

TWO years ago Mr Ian Davison left the comparative obscurity of his position as managing partner of accountants Arthur Andersen to become the first chief executive of Lloyd's at the request of the Governor of the Bank of England.

Since then he has scarcely been out of the news despite his announced intention to bore the press out of its fascination with Lloyd's simply by overwhelming journalists with information.

Looking back this week, he admitted that he knew little about Lloyd's two years ago, but felt it had allowed him to come fresh to a market that was eager for change.

Parliament had just passed a major new law to reform the market, the first significant Lloyd's Act for more than a century, and there had been a series of scandals involving some of its best known figures.

Mr Davison said: "When I came here I had no doubts that this would be a difficult job, and I have not been disappointed."

His breezy, sometimes abrasive style has produced occasional off-the-record mutterings from the market, but generally the City feels that having arrived at a critical time for Lloyd's, he has helped restore its credibility and give it a professional look.

Restoration of Lloyd's confidence with Parliament, the Department of Trade and Industry, Britain's insurance regulatory authority, and the press was one of the four main tasks facing the new chief executive who added that he was "working with the wind because the market and committee were very supportive."

Part of achieving this confidence was for Lloyd's to establish formal disciplinary procedures separate from its governing committee or council. "Lloyd's had been attacked by its critics as operating a kangaroo court," said Mr Davison.

The new council addressed itself



Mr Ian Davison

to the issue early, but it took time to get the machinery in place and has taken even longer to complete major actions.

Mr Davison admitted: "The slow progress has been a problem. We are now looking at the procedures to see if things can move faster."

He said this would not include a radical change in method to an inquisitorial hearing from the adversarial system in use where Lloyd's and the accused member put their cases to leading counsel, but could include offering the defendant a chance to dispense with referral from the disciplinary committee to the council for confirmation or reduction of penalties.

However, Mr Davison believed: "The disciplinary process is standing the test of time."

Other important areas of work were rule making and the management or civil service of the Corporation of Lloyd's where there had been an "officers and men" type relationship between the committee, made up of working members of the market, and staff.

The character of Lloyd's government has also changed significantly with the introduction of a council including external names and three

eminent non-members in addition to the committee elected from within the market.

Mr Davison said he arrived as the council started and it was originally suggested that it might delegate most of its powers to the committee, but this idea was quickly quashed by the external and nominated members.

He said there was still work to be done in these areas, completing various disciplinary actions and introducing rules to regulate Lloyd's brokers, for example.

But with confidence in the market restored, Mr Davison stressed that Lloyd's now needed to concentrate on areas "fundamental to its commercial survival."

These were the capacity squeeze caused by hardening rates and the strong dollar, computerisation, cash flow and market services including claims handling.

In the background is Lloyd's continuing discussion with the Inland Revenue. Mr Davison felt that the general tax concessions were in no peril but that the outstanding issues on reinsurance allowances needed to be settled as Lloyd's drew in more members to increase its capacity.

Mr Davison did not speculate on his own future. His contract with Lloyd's has a minimum of one year and maximum of three years to run, and he wants to ensure his successor takes over a "smoothly run ship" though there was still some way to go.

At the end he expects to go back to Arthur Andersen. He said it could be a little tame, but while at Lloyd's he has become involved with both the Royal Opera House and Victoria and Albert Museum and would have time to spend with them.

"I said when I came that I was an agent of change. Those changes are coming about. I think when I leave Lloyd's will need someone more capable of sailing the ship on the high seas."



CONFIDENTIAL



DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET  
TELEPHONE DIRECT LINE 01-215 5422  
SWITCHBOARD 01-215 7877

PS/  
Secretary of State for Trade and Industry

31 January 1985

Andrew Turnbull Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London SW1

Dear Andrew,

LUNCH AT LLOYD'S

I am enclosing briefing for the Prime Minister's engagement at Lloyd's on Friday. This takes into account some comments by the Treasury.

2 Your letter of 21 January mentioned three subjects raised by Lloyd's themselves. They are covered in the briefing.

3 The subject of the exchange rate and its effects on Lloyd's is a rather technical one to raise with the Prime Minister, and we are not clear what Mr Miller wants to propose. Official level contacts with Lloyd's suggest that Lloyd's officials are not clear either. We recommend that the Prime Minister steers Lloyd's towards finding their own solutions to any technical problems.

4 On the three subjects that the Prime Minister herself might put to Lloyd's, we agree that it would be useful to raise the questions of preferred underwriting and also of related party reinsurance. On the question of the role of the Chief Executive, I enclose a separate letter.

5 I am copying this letter to John Bartlett (Governor of the Bank of England's Office) and Leigh Lewis (Office of the Minister without Portfolio).

Yours sincerely

Maureen Dodsworth

MAUREEN DODSWORTH  
Private Secretary

JH2AEN





BRIEF FOR THE PRIME MINISTER'S VISIT TO LLOYD'S,  
FRIDAY 1 FEBRUARY 1985

PURPOSE OF MEETING

Lloyd's invitation offers the Prime Minister the opportunity to see how the Lloyd's market works. Lloyd's have also indicated three particular topics for discussion: the effect on Lloyd's of exchange rate changes; the prosecution of financial offenders; and prospects for trade with China. We also expect Lloyd's to mention freedom of trade in services in the European Community. From the Government's point of view, the lunch is a useful occasion to stress to Lloyd's that they must keep up the development of their self-regulation to eliminate abuses. Background notes on these and some additional issues are attached. A line to take is suggested below.

LINE TO TAKE: SPEAKING NOTES

GENERAL

Welcome this chance to see how Lloyd's works and discuss its problems. Lloyd's makes an important contribution to the national economy: Government therefore has an interest in its welfare. Impressed by Lloyd's efforts to make necessary reforms. But still concerned at the extent of speculation and adverse publicity about financial abuses. This is damaging not only to Lloyd's but to the reputation of the City and the credibility of self-regulation in the financial sector. Lloyd's deserve credit for the measures already taken, but cannot afford to relax. Must be seen to be tackling abuses. Some reforms still needed - eg control of reinsurance with connected companies, and "preferred underwriting". What steps do Lloyd's still expect to take?





#### EFFECT ON LLOYD'S OF EXCHANGE RATES

Interested to hear of Lloyd's special problems in relation to exchange rates and the capacity of the market, but not clear that the Government can do anything to help.

Commercial enterprises must adapt to market forces in this area as in others. It is primarily for Lloyd's to find solutions to their own problems. Not aware of any special problems for Lloyd's under UK legislation, but DTI would be glad to listen if Lloyd's think there are.

#### PROSECUTION OF FINANCIAL OFFENDERS

Government determined to crack down on financial fraud. The new Fraud Investigation Group, and the DTI proposals on regulation of financial services, show the Government's concern. But decisions on individual prosecutions must be left to the DPP in conjunction with the Law Officers. The Attorney General has emphasised his personal interest in these cases. Gathering evidence is bound to take time, especially when important witnesses and documents are abroad.

#### TRADE WITH CHINA

Wish the Chairman success on his forthcoming visit. Hope very much that Lloyd's will be able to take advantage of current expansion of Chinese insurance to increase the business they do with that market. Government always ready to help in those areas where it can usefully assist Lloyd's own efforts.

#### EUROPEAN COMMUNITY

##### FREEDOM OF SERVICES (IF RAISED)

Completion of internal common market in services, including insurance, is a UK priority. Made this clear in





Fontainebleau paper for other Heads of Government  
/ "Europe the Future" /. Hope the European Court cases on  
insurance will help in achieving Community insurance regime  
which is UK's aim.

#### REGULATION OF FINANCIAL SERVICES (IF RAISED)

Lloyd's will not be covered by the proposed legislation on  
financial services. However, if underwriting agents invest  
other funds unconnected with the insurance business, we  
think they should be treated under the financial services  
legislation in the same manner as solicitors, accountants  
and actuaries - that is, regulated by the Council of Lloyd's  
under rules which will take account of the requirements of  
the appropriate Board, unless the investment business  
concerned is a significant part of their activities, in  
which case they may need to seek separate authorisation.  
Do Lloyd's see any difficulties?

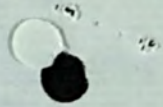
#### TAXATION (IF RAISED)

Inland Revenue are bound to investigate possible under-  
payment of tax. Government recognises the need for  
insurers to maintain adequate reserves, but existing tax  
law allows for this.

Insurance Division 1  
Department of Trade and Industry  
January 1985



lunch at Hayes.







BRIEF FOR PRIME MINISTER'S VISIT TO LLOYD'S,  
FRIDAY 1 FEBRUARY 1985

BACKGROUND NOTES

EFFECT OF MOVEMENTS IN EXCHANGE RATES

1 The USA is Lloyd's largest market, and about 70% of Lloyd's business is rated in dollars. The high exchange rate of the dollar against sterling normally gives UK exporters of goods and services a competitive advantage. In so far as Lloyd's operating costs are sterling-based, this applies to them too. But Lloyd's, like other insurers, can only safely accept business up to a certain multiple of their capital base. In Lloyd's case this consists of mainly sterling assets, and the premium income ceilings are fixed in sterling. If business is already flowing at full capacity, Lloyd's cannot take advantage of the potential for an increase in business; indeed, the amount of business accepted may have to be curtailed. We understand there is already a serious capacity problem in the non-marine market. Lloyd's are looking at ways to relieve the pressure. This might have some technical implications for DTI supervisory purposes but we are not aware of any fundamental problems in legislation. DTI would be glad to discuss this with Lloyd's if they wish.

DISCIPLINARY CASES AND PROSECUTION

2 Lloyd's have completed much of their work on the investigation of major "scandals". The next step is to bring disciplinary proceedings against those individuals or firms within Lloyd's jurisdiction. Proceedings are completed in the Brooks & Dooley case, and in progress in the Howden, Minet and Multi Guarantee cases. Lloyd's intend to make full announcements of their findings and the actions taken. If, as expected, the main allegations are confirmed, the pressure will increase for the DPP to pursue criminal prosecutions. As Lloyd's well know, investigation of financial malpractice is very complex. It has taken Lloyd's themselves over two years to bring offenders to book. The standards of evidence needed to convince a jury in a criminal trial are even higher. The Attorney General has given public assurances that hee takes a personal interest in financial fraud cases.

TRADE WITH CHINA

3 The Chairman intends to visit China in April this year. Lloyd's does significant business with China at the moment, particularly in the reinsurance field, and relations between the UK industry and China are generally good (eg the Chinese state-owned company sends trainees to the London





Offices of Lloyd's Brokers; the Sedgwick Group have a representative office in Peking). With the current expansion of insurance business in China, Lloyd's clearly hope to expand their activities in that market. Lloyd's are in touch with the FCO and our Embassy in Peking about arrangements for the visit. We understand that the Chairman may seek the Prime Minister's advice on the general trend of relations with China, how Lloyd's activities fit into this, and how Lloyd's can best promote UK interests. There is little to say beyond encouraging Lloyd's to pursue their plans and keep in close touch with the FCO. The Government is aware of the desirability of strengthening insurance links with China and it is planned that an insurance broker should accompany Lord Young when he visits China in March.

*From Sedgwick's*

#### EUROPEAN COMMUNITY: FREEDOM OF SERVICES

4 Freedom of Insurance Services in the Community, that is freedom for an insurer to write insurance in a country without being established there, is a UK priority and an important element in the completion of the Community internal market in services. It is of particular importance to Lloyd's. Lloyd's constitution makes it more difficult for them than for companies to establish abroad, although they have done so in some Community countries including France and Belgium and are seeking to do so in Italy. The purpose of the proposed non-life insurance services directive is to facilitate the exercise of the Treaty right of freedom of services. The directive has made little progress in some nine years because we want a liberal directive and eight of our partners want a restrictive one. Negotiations on the directive are continuing but there are unlikely to be any developments until the European Court has given its judgments in the first two of four "co-insurance" cases that the Commission has brought against four other Member States (France, Denmark, Germany and Ireland). The cases are to be heard in March. The judgments might help our position if they provide a liberal interpretation of freedom of insurance services.

#### SELF-REGULATION (GENERAL)

5 Since the passage of the Lloyd's Act 1982 Lloyd's have taken important steps to improve regulation of the market. The Council has made major byelaws and regulations. The matters covered include improved accounting and auditing standards; proper disclosure of the financial interests of underwriting agents; stricter monitoring of premium income limits which limit the amount of business written; and detailed rules for the separation of brokers and syndicate managers, as required by the Lloyd's Act.





6 Lloyd's deserve credit for having done so much, in the past two years. But there are still important matters to be dealt with, including control or prohibition of reinsurance with companies owned or controlled by syndicate managers; tighter control of brokers (at present relatively unregulated); and prevention of "preferred underwriting", where a syndicate manager controlling more than one syndicate give preferential treatment to syndicates containing his own associates. (These are often small syndicates known as "baby syndicates"). Proposals have been made on all these topics, in response to known abuses, but action is still under consideration.

7 Some within Lloyd's are resistant to further changes because they fear the stifling of flexibility and competition which are Lloyd's greatest strengths. However, reform of the market is essential to restore Lloyd's reputation. Government takes an interest in progress because the national and commercial consequences of a breakdown in Lloyd's control of its market are incalculable.

#### THE CHIEF EXECUTIVE POST

8 Mr Ian Hay Davison was appointed Chief Executive and titular Deputy Chairman of Lloyd's after strong pressure from the Government and the Bank of England. His position is not always easy; his constitutional role in Lloyd's is weak and ill-defined. Last year there were rumours that he would resign by the end of the year. The crisis passed and he is now expected to stay for at least another year. The reform programme should then be near to completion, but there will still be a need for a high-calibre and independent-minded chief executive.

#### REGULATION OF FINANCIAL SERVICES

9 The Financial Services White Paper, published on 29 January, excludes non-life insurance from the scope of the proposed legislation because it is not commonly regarded or sold as investment. Under the proposals, the Secretary of State will delegate powers to practitioner based regulatory bodies. The arrangements recommended by the Governor of the Bank of England and the life insurance/unit trust industries envisage two boards - a "Securities and investment board" and a "marketing of investments board". The latter would cover marketing of life assurance and unit trusts. However, the legislation will not prevent delegation to a single body.





## TAXATION

10 Lloyd's are in discussion with the Inland Revenue over the taxation treatment of underwriting reserves and other matters. The Revenue are currently enquiring into the computation of tax liabilities of Lloyd's underwriters for both past and future years. Lloyd's may argue that the Revenue should not be too restrictive towards reserving for unreported claims, which cannot be calculated with prevision. The present position is that reasonable estimates of outstanding claims are allowable for tax purposes but underwriters must be able to satisfy the Revenue that they conform to tax law.

Insurance Division 1  
Department of Trade and Industry  
January 1985



1.2.25

AT

D A DAWKINS  
Assistant Director

BANK OF ENGLAND  
Threadneedle Street  
London  
EC2R 8AH

25th January 1985

A. Turnbull, Esq.,  
Private Secretary to the Prime Minister,  
10 Downing Street,  
London, SW1.

Dear Turnbull,

Lunch at Lloyd's

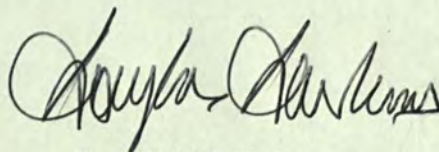
I had not seen your letter of 21st January when I wrote to you on 23rd January.

The Higgins Working Party recommended that baby syndicates should be banned and parallel syndicates not normally permitted. We understand a policy paper on preferred underwriting is being prepared for consideration by the Council of Lloyd's in the early part of this year. We agree with the recommendations of the Higgins Working Party.

A 1984 bye-law required underwriters to maintain a register of their own insurance interests and those of related persons and to give details of all transactions with related party interests in their annual reports and accounts (which are now open to public inspection). However, the investigators into the Brooks and Dooley case recommended that related party reinsurance be banned. A consultative document on the question is being prepared as a matter of priority. Disclosure is a powerful safeguard but we think it would be more satisfactory to prohibit the practice.

We are in no doubt that for the foreseeable future Lloyd's will need a Chief Executive and Deputy Chairman who is independent of the market. At some later stage it might be possible to consider a former practitioner for the job, but our view is that the next holder of the job - to take over when Davison, the present incumbent, moves on - should not have any connection with insurance as a practitioner.

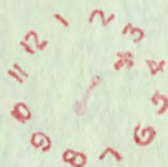
Yours sincerely,



D.A. DAWKINS.



28 JAN 1985





D A DAWKINS  
Assistant Director

BANK OF ENGLAND  
Threadneedle Street  
London  
EC2R 8AH

23rd January 1985

A. Turnbull, Esq.,  
Private Secretary to the Prime Minister,  
10 Downing Street,  
LONDON SW1

Dear Turnbull,

LLOYD'S

I understand the Prime Minister is lunching with Peter Miller and some of his colleagues at Lloyd's on 1st February.

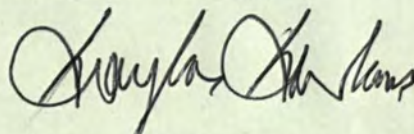
The situation in Lloyd's is much different from what it was two years ago, when Ian Davison was appointed Deputy Chairman and Chief Executive and, although at the time many feelings were bruised by the introduction of an outsider into so senior a position, few if any people in the market would now deny that he has done a first-rate job. Some of the changes which have been introduced were the fruit of work done earlier but Davison, aided by his independent position, has provided the drive and commitment necessary to implement the reforms.

When Peter Miller was appointed Chairman just over a year ago, the relationship between him and Davison was very awkward and there were fears that Davison might find it impossible to work with Miller. Things have since settled down and a satisfactory modus vivendi seems to have been established.

At the outset, Davison saw the job as one which was unlikely to take less than three or more than five years. Although no decision has yet been reached about the appropriate time for his departure, preliminary thought is being given to the problem of finding and grooming a successor. Miller accepts that the Governor retains a close interest in both the job specification and the appointment.

There are no specific points we would wish the Prime Minister to raise during her visit.

Yours sincerely,



D.A. DAWKINS.



CF

File



cc: John Redwood

Briefing due from DTI  
on 30/1

10 DOWNING STREET

From the Private Secretary

21 January, 1985

LUNCH AT LLOYDS

The Prime Minister is having lunch at Lloyd's on Friday, 1 February. I would be grateful if DTI could prepare some briefing for the occasion. Mr. Miller's office have indicated three subjects which they wish to raise with the Prime Minister.

(i) Disciplinary action where Lloyd's will want to press the Government on why the DPP is taking so long in bringing charges.

(ii) Access to China. Mr. Miller is travelling to China in April or May and will want to talk to the Prime Minister about the way Lloyd's should go about this and the ways in which the Government can help open doors.

(iii) £/\$ exchange rate and the impact, for good or ill, this has on Lloyd's business. The Prime Minister will be able to deal with exchange rate policy so the briefing can confine itself to the impact of a strong dollar on Lloyds.

We have also identified three other subjects which the Prime Minister might put to Lloyd's, on which it would be helpful to know the Department's views.

(i) Preferred or parallel underwriting, i.e. the practice of underwriters writing insurance for a main syndicate and for a "baby syndicate", with the danger that the riskier business is put into the main syndicate and the more attractive business into a smaller syndicate controlled by friends and relatives. Should such arrangements be outlawed?

(ii) Related party re-insurance. Should the practice whereby underwriters re-insure risks with a re-insurance company, usually overseas, in which they have a personal interest be allowed?

(iii) Chief Executive. Should the post of Chief Executive and Deputy Chairman be made permanent with the nomination to it of a non-Lloyd's independent figure.



CONFIDENTIAL

-2-

Finally there may be other points which the Department would like the Prime Minister to put to Lloyds. ~~Could this~~ briefing reach me by close of play on Wednesday, 30 January? //

I am sending a copy of this letter to John Bartlett (Governor of the Bank of England's Office) and, in relation to the reference to China, to Leigh Lewis (Office of the Minister without Portfolio).

Andrew Turnbull

A. Lansley, Esq.  
Department of Trade and Industry



Note

Draft of a letter to Ian Hey Davison  
was going to send to FERB. In the event  
it was agreed he did not need to turn into  
it into final form. AT 31/11

©

R. Butler, Esq.,  
10 Downing Street,  
ETC.

ER/ca

18 January 1984

I understand that you would welcome a short brief on some  
issues facing Lloyd's at the moment, which may not arise  
spontaneously in a lunch-table conversation. I am assuming  
that the Prime Minister will have a Departmental brief, and I  
will therefore not take up time with factual description.

(i) "Preferred (or parallel) underwriting". It has been  
a not uncommon practice in the past for one underwriter to  
write insurance for more than one syndicate, one being the  
main syndicate and the other commonly called a "baby  
syndicate" consisting of relatively few Names. The theory was  
that new members of Lloyd's could be introduced to  
underwriting via membership of the baby without diluting the  
interest of existing Names on the main syndicate; in fact,  
the baby has usually been a vehicle for giving preferred  
treatment (by way of carefully selected risks) to a few



people - directors or employees of the underwriting agency, or even family friends. Without the strictest prior agreement on the respective shares of the total underwriting book to be taken by the two syndicates, this situation is an invitation, not invariably refused, to favouritism and venality - as some disciplinary cases have been revealing. In fact, objectively the only reliably safe rule is that there must be no "parallel underwriting" whatever; but there is still some weight of current practice and tradition against such a rule.

(ii) Related party reinsurance. Recent disciplinary cases have demonstrated the case with which illicit profits may be made if the underwriter for a syndicate reinsures the risks with a reinsurance company, usually overseas, in which he has a personal interest. The potential corruption of his underwriting judgment is obvious - as is the temptation to go further, and take personal benefit (by way of investment interest) on reinsurance premiums paid by the reinsured syndicate, i.e. the Names. Lloyd's has recently enacted bye-laws requiring full disclosure of any related insurance interests of underwriters: but in principle such relationships, if they are at all significant, inescapably constitute a conflict of interest which should not exist, however honestly individual underwriters may seek to overlook it, and the argument is strong for a rule banning any significant reinsurance with a related party.



(iii) Chief Executive. The creation of the post of Chief Executive and Deputy Chairman, and the nomination to it of a non-Lloyd's independent figure, was at the insistence of the Secretary of State for Trade and the Governor of the Bank two years ago; such an outsider, with an independent judgment and his own City position and career, was seen as the best public guarantor that Lloyd's would genuinely change its ways and become demonstrably "clean". Much has been done, notably in the way of introducing new and modernised rules for the proper conduct of business and for monitoring their observance, but two years is a short time for such a task as is needed, and some time will also be needed for the new ethos to become genuinely accepted and to flourish in the minds of Members. There is, inevitably and understandably, some resentment, some nostalgia, and some hope of an early departure for the Chief Executive; but if the reforms are to take root and to become accepted practice rather than enjoy reluctant lip-service, it is essential that the first Chief Executive should be known to be a fixture for some years to come, and that Lloyd's should not expect to be able to replace him eventually with someone of their own choosing - a continuing external guarantor of proper behaviour is an essential element in the future self-regulation of what has become an introverted and complacent institution.





IT8.7/2-1993  
2007:03

[FTP://FTP.KODAK.COM/GASTDS/Q60DATA](ftp://ftp.kodak.com/gastds/q60data)

Q-60R2 Target for  
KODAK  
Professional Papers

