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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

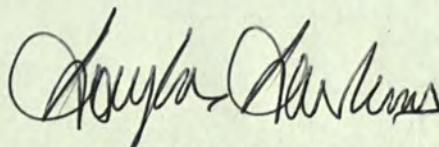
I had not seen your letter of 21st January when I wrote to you on 23rd January.

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

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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.