



Ref. A083/0787

MR BUTLER

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Names at Lloyd's

You have sent me two minutes on this subject, on ~~31~~ January and ~~8~~ March.

2. I have considered, in the light of recent events, whether we ought to strengthen the rules on this matter.
3. First, the rules as now drafted require that certain Ministers "may not be names at Lloyd's". I understand that this may be a little imprecise. Clearly no problem arises if a Chancellor of the Exchequer (for instance) is not a name at Lloyd's: the effect of the rule is that he may not become a name so long as he holds office. If he is already a name at Lloyd's when appointed Chancellor of the Exchequer, the rule has been interpreted as requiring him to cease underwriting for the period while he is in office. This means (as I understand it) that he would continue to be liable in respect of risks underwritten before he took office, but underwrites no new risks. The advantage of this is that he does not have to resign from Lloyd's (though he may eventually do so, as some have), does not have to requalify for membership of Lloyd's if and when he leaves a disqualifying Ministerial office, and suffers the minimum of tax disadvantage.
4. I think that we should clarify the rules on this, so that it is clear that someone appointed to a disqualifying Ministerial office may not become a name at Lloyd's if he is not one already, and must cease underwriting for the period of his office if he is already a name.
5. Second, those Ministers now disqualified from being names at Lloyd's are the Prime Minister, the Chancellor of the Exchequer and the Secretary of State for Trade. I understand that in 1972 all members of Mr Heath's Cabinet were debarred from membership or required to cease underwriting if they were already members; two members of the Cabinet who were names at Lloyd's ceased underwriting and subsequently resigned from membership. It does not seem to me



that we need a general embargo of this kind. I think, however, that it should continue to be a rule that the Prime Minister, the Chancellor of the Exchequer and the Secretary of State for Trade should not be names at Lloyd's or, if they are already names when appointed to Ministerial office, should be required to cease underwriting forthwith.

6. The Secretaries of State for Health and Social Security and for Employment are excluded from membership of syndicates dealing in pensions and life insurance and in the employer's liability insurance responsibility. I think that this rule should be confirmed; and I consider that the Secretary of State for Transport should be excluded from membership of syndicates dealing in motor insurance business.

7. I should be inclined to add to the list of Ministers required to cease underwriting at Lloyd's, Junior Ministers in the Treasury concerned with taxation and the Junior Minister in the Department of Trade responsible for the insurance industry (currently Dr Vaughan, who is not (so far as I know) a name at Lloyd's).

8. I do not think that it is necessary to exclude the Secretary of State for Defence on the grounds that the Ministry of Defence may commandeer or charter merchant ships in connection with hostilities. In such cases, the Government normally bears the risk itself. A fortiori, I would see no need to require the Foreign and Commonwealth Secretary to cease underwriting at Lloyd's.

9. So much for instances in which the risk of conflicts of interest can reasonably be foreseen. Other conflicts of interest can arise ad hoc; and the risk of conflict should be reviewed on a new appointment. The rules provide for this but I do not think that it always happens. For example, so far as I know, the fact that Mr Pym was a name at Lloyd's was not specifically brought to attention when he was appointed Foreign and Commonwealth Secretary. When Mr Peter Rees became a Minister of State at the Treasury, it was decided that he need not cease to be a name at Lloyd's, provided that no conflict of interest arose; but I am not aware that this matter was reconsidered, as under the rules it should have been, when he became Minister of State, Department of Trade.



10. I propose, therefore, that, in addition to the existing duty placed upon newly appointed Ministers to obtain the permission of the Prime Minister before continuing a connection with Lloyd's, a duty should be placed upon the Secretary of the Cabinet to ask every Minister on appointment to a first or subsequent office whether he is, and if so whether he wishes to continue to be, a name at Lloyd's. This should provide us with a central and up to date list of Ministerial names at Lloyd's. The Secretary of the Cabinet would then be able to warn the Prime Minister, if she was contemplating the appointment to one of the disqualifying offices someone who was a name at Lloyd's; and, if a situation arose which created a risk of conflict of interest, the Secretary of the Cabinet would be in a position to consider whether he should raise the question of the position of the Minister concerned with the Prime Minister.

11. If the Prime Minister agrees that we should proceed to strengthen the rules governing membership of Lloyd's as proposed in this minute; I would propose to talk to Sir Peter Green before preparing an amendment to Questions of Procedure for Ministers accordingly.

A handwritten signature in dark ink, appearing to read 'RtA'.

ROBERT ARMSTRONG

10 March 1983



Markets : Outside Interests  
5/79

Chairman

A

Memorandum for discussion at 'O' Group on 31st August, 1982

UNDERWRITING MEMBERS  
APPOINTED TO CABINET POSITIONS

Purpose

The purpose of the paper is to review the current position relating to Members of Lloyd's who are appointed to posts in the Cabinet and to seek approval to a letter to be sent to the Prime Minister's Parliamentary Private Secretary.

Background

In 1952 discussions took place between the Chairman of Lloyd's and Lord Salisbury on behalf of the Government and at the Government's instigation. It was considered that those Ministers whose function directly or indirectly affected Lloyd's could be in a difficult position and it was decided by the Government that Members of Lloyd's appointed to the following Cabinet posts should cease underwriting for the period of their appointment:

President of the Board of Trade  
Minister of Transport  
Chancellor of the Exchequer

As a result of this decision, a number of Members of Lloyd's have been obliged to cease underwriting for temporary periods.

Variations to the above general rule occurred as follows:-

- 1) In 1957 Mr. E.N.C. Birch was appointed Economic Secretary to the Treasury and voluntarily ceased underwriting.
- 2) In 1964 Mr. J. Diamond was appointed Chief Secretary to the Treasury and ceased underwriting, although in his case it was not clear if this was at his request or at the Prime Minister's.
- 3) In 1972 the Right Honourable Edward Heath decided that all Cabinet Ministers in his Government should cease underwriting while they held office. This decision affected Mr. Peter Walker and Sir Keith Joseph. Both ceased underwriting and subsequently resigned their Membership.

Mr. Heath's decision does not appear to have been followed by subsequent Prime Ministers.

Current Position

The current position is that there is no Committee of Lloyd's rule requiring a Member appointed to a Cabinet post to cease underwriting or resign his Membership. Members who are appointed Cabinet Ministers at the present time are not, therefore, advised to cease underwriting except in the case where they are appointed to one of the three posts originally agreed in 1952.

'O' Group decided that, in view of the publicity arising at the time of the Falklands Crisis, it would be sensible to review the procedures followed when Members of Lloyd's are appointed Cabinet Ministers. It was also agreed to delay any approach to Parliament until the crisis had passed in order that the matter could be considered more dispassionately.

The attached letter is presented for comment and approval.

A. Rayner  
Membership Department

Draft Letter to Parliamentary Private Secretary  
to the Prime Minister

Dear Sir,

I am writing to seek your guidance as to the views of the Prime Minister in relation to Cabinet Ministers actively participating as Underwriting Members of Lloyd's.

On several occasions recently, particularly in relation to the Falklands Crisis, articles have appeared in the national press drawing attention to the fact that certain Cabinet Ministers are Members of Lloyd's and that the Syndicates on which they underwrite cover Marine Risks in the South Atlantic. For example, reference has been made to the Right Honourable Francis Pym, Mr. Nicholas Edwards and Mr. Adam Butler.

It is my understanding that, following discussions in 1952 between the Chairman of Lloyd's and Lord Salisbury on behalf of the Government, it was agreed that there was no objection in principle to Ministers continuing to underwrite at Lloyd's. It was, however, agreed that Ministers whose functions directly or indirectly affected Lloyd's would be in a difficult position and it was decided, therefore, that should any Underwriting Member hold the position of President of the Board of Trade, Minister of Transport or Chancellor of the Exchequer, he should stop underwriting at Lloyd's for the period of his appointment.

In 1972 the Right Honourable Edward Heath decided that all Cabinet Ministers in his Government should cease underwriting while they held office. This decision affected Mr. Peter Walker and Sir Keith Joseph. Both ceased underwriting and subsequently resigned their Membership.

The purpose of this letter is to establish, if possible, an agreed course of action to be followed if a Member of Lloyd's is appointed a Cabinet Minister. It may also be felt that other Government appointments should be treated similarly. I should be grateful, therefore, if you would let me know the Prime Minister's views on this matter in due course.

[I shall, of course, be more than happy to provide additional information if required or to come and discuss the situation with you if that would be preferable.]

Yours faithfully,

Manager  
Membership Department

B

*"Names" at Lloyds*

74. A Minister should not be a "name" at Lloyds while holding office as Prime Minister, Chancellor of the Exchequer or Secretary of State for Trade. As regards other Ministers who, on appointment to office, are "names", it is clearly inappropriate that they should take an active part in the management of the affairs of the syndicates of which they are members; and there may be cases in which, because of the emphasis of a syndicate's business, any continued participation in it must be regarded as inconsistent with the holding of a particular Ministerial office. All Ministers are therefore required, on appointment whether to their first or to any subsequent Ministerial office, to obtain the permission of the Prime Minister before continuing a connection with Lloyds, however nominal, which they had established before appointment or establishing any such connection during their term of appointment. Before granting permission, the Prime Minister will need to be satisfied that the conditions indicated above will be met.

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Ministers  
See AG

10 DOWNING STREET

*From the Principal Private Secretary*

RESTRICTED

SIR ROBERT ARMSTRONG

MINISTERS WHO ARE "NAMES" AT LLOYD'S

I sent you a minute about the approach to me from Sir Peter Green, Chairman of Lloyd's, about the rules governing the continuance of Ministers as "names" at Lloyd's while they are in office.

I recently saw Sir Peter Green and told him that we were looking at this question and he volunteered to send me, on a personal basis, a copy of the Lloyd's Working Paper on it. I enclose a copy of his letter and of the paper attached to it, which indicates that Lloyd's taking up this question is a more considered act than I had previously appreciated.

The attached papers have been sent to me on a personal basis, and I should be grateful if no reference is made to them in any dealings with Lloyd's.

If Mr Hatfield would keep me in touch with the progress of consideration of this matter, I should be very grateful since I see Sir Peter Green from time to time.

F.E.R.B.

8 March 1983

AW

Ministerial "Namee" at Lloyd's



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THE CHAIRMAN  
SIR PETER GREEN

C/H

9th March, 1983

Dear Robin

Thank you for your letter of the 8th March and I confirm my approach to you is at this stage in the place of the planned letter. It may well be that you advise us to write in due course but we will take your advice on what should be done.

I hope I will be down at Harrow in time for the meeting tomorrow but if something crops up here I will let you know via the Harrow secretary. I will certainly be there in time for dinner.

Yours  
Robin

F.E.R. Butler Esq.,  
Principal Private Secretary,  
10 Downing Street,  
London SW1



200000  
AH

10 DOWNING STREET

*From the Principal Private Secretary*

8 March 1983

PERSONAL

Dear Peter,

Thank you so much for your letter of 3 March enclosing a copy of the Working Paper on Cabinet Ministers and Members of Lloyd's. This is extremely helpful and sets out some background which I did not know. I will now carry this forward. Unless you let me know to the contrary, I will take it that your approach to me replaces the planned letter to the Prime Minister's Parliamentary Private Secretary attached to the 'O' Group paper.

Yours ever,

Robin.

Sir Peter Green

AH

THE CHAIRMAN  
SIR PETER GREEN



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3rd March, 1983

C/H

PRIVATE AND CONFIDENTIAL

*Jan Rubin,*

As promised I enclose a copy of the Working Paper on Cabinet Ministers and Members of Lloyd's. I think it is quite self-explanatory and I am not quite certain why the draft letter of the 31st August was not sent but I was on holiday at the time and it may have been decided to leave it until I got back and at that moment, of course, we became embroiled in the Howden and other problems.

The usual course of action has been for the person concerned to suspend their underwriting for the period that they hold Cabinet or under Mr. Heath, Government, office and re-start underwriting as soon as they leave office. This has the advantage that they do not have to resign from Lloyd's, they do not have to re-qualify for Membership and most importantly, they suffer the minimum of tax disadvantage.

If you want any further information please ask or if you would like myself or one of the experts here to talk to you about it we would be happy to do so.

Enc.

F.E.R. Butler Esq.,  
10 Downing Street,  
London SW1

*Janus*  
*eliv*