

Defendant's Exhibit Number 2

THE MEMBERSHIP BYELAW

(No. 9 of 1984)

PART A - INTERPRETATION

1. Interpretation

(a) In this byelaw the following expressions have the following meanings -

"arrangement" includes any agreement or arrangement whether or not intended to be enforceable by legal proceedings and whether or not evidenced in writing;

"authorised person" means in any provision of this byelaw an officer or employee of the Society authorised by the Committee to discharge the duties and functions specified therein;

"class of insurance business" means a class of insurance business for the time being designated by the Committee as forming a separate class for the purposes of this byelaw and comprising risks of such description as the Committee may specify, and so that different classes may be so designated for the purposes of different provisions of this byelaw;

"class premium limit" means, in relation to an underwriting member, the limit for the time being

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~~underwriting insurance business at Lloyd's by way of remuneration for his services; or~~

~~(C) entering into reinsurance arrangements whether by way of quota share or otherwise~~

~~19. Members Broking at Lloyd's~~

~~Except with the consent of the Committee, no member of the Society shall broke insurance business at Lloyd's.~~

PART F - CESSATION OF MEMBERSHIP

20. Resignation

(a) An underwriting member may resign from membership of the Society by giving to the authorised person written notice of resignation expressed to take effect -

(i) not less than thirty months after the day on which the notice is given; and

(ii) at the end of a year.

(b) Subject to sub-paragraph (g) below, an underwriting member who has given notice of resignation under this paragraph shall at the end of the year in which the notice is given (or, if the notice is given after 30th June of that year, at the end of the following year) cease to be an underwriting member and become a non-underwriting member, and shall not thereafter undertake any insurance business at Lloyd's: provided that he shall not be treated as being in breach of this sub-paragraph by reason only that after he becomes a non-underwriting member business may continue to be underwritten on his behalf under a contract entered into before the date of his notice of resignation.

* See Amendment No. 6, infra.

(c) A non-underwriting member (other than a former underwriting member who has become a non-underwriting member by virtue of sub-paragraph (b) above) may at any time resign from membership of the Society by giving to the authorised person written notice of resignation.

(d) Subject to sub-paragraph (g) below and to Lloyd's Acts 1871 to 1982 and any other byelaws made or to be made thereunder, a member of the Society who has given a notice of resignation under this paragraph (the "resigning member") shall upon the expiry of the notice (but not before) cease to be a member of the Society.

(e) The resigning member shall after the expiry of the notice of resignation, unless he has previously made arrangements concerning the winding up of his underwriting business which are in the opinion of the Council satisfactory, do all such acts and things and make all such arrangements in relation to the winding up of his underwriting business as the Council may in its sole discretion direct: provided that the Council may delegate to the Committee the power to approve any arrangements so made by the resigning member and to give any such directions.

(f) If the resigning member fails to comply with any direction given under sub-paragraph (e) above the Council or the Committee (as the case may be) may -

- (i) wind up the underwriting accounts of the resigning member and make such other arrangements in relation thereto as it considers appropriate; and
- (ii) pay or compromise any claims made against the resigning member;

and the resigning member shall pay to the Society on demand such sums (if any) as the Council or the Committee may from time to time certify to be in its opinion required for the discharge of the liabilities of the resigning member or for any other purpose incidental to such winding up,

MEMBERSHIP (AMENDMENT NO. 6) BYELAW

(No. 16 of 1989)

(made on 6th December 1989)

The Council of Lloyd's in exercise of its powers under section 6(2) of Lloyd's Act 1982 by special resolution hereby makes the following byelaw.

1. Resignation

The Membership Byelaw (No. 9 of 1984) is amended as follows:

- (a) in paragraph 1, by inserting after the definition of "prescribed form" the following new definitions:

"reinsurance to close" has the meaning given in paragraph 1 of Schedule 1 to the Syndicate Accounting Byelaw (No. 11 of 1987);

"resigning member" means a member of the Society who has given a notice of resignation under paragraph 20 below;"; and

- (b) in paragraph 20:

(i) in sub-paragraph (a), by deleting all after "notice of resignation" and substituting "which shall take effect at the year end following the date as from which the last year of account of every syndicate of which the resigning member was a member remaining open was closed by reinsurance to close.";

(ii) in sub-paragraph (b), by deleting "30th June" and substituting "31st August";

(iii) in sub-paragraph (c),

(aa) by deleting "at any time";

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(bb) by deleting the full stop at the end of the sub-paragraph, substituting a colon and adding the following proviso:

"provided that such a notice of resignation shall not take effect before the year end following the date as from which the last year of account of every syndicate of which the resigning member was a member remaining open was closed by reinsurance to close.";

(iv) in sub-paragraph (d), by deleting all after "made thereunder," and substituting "a resigning member shall cease to be a member of the Society -

(i) in the case of a notice of resignation given under sub-paragraph (a), at the end of the period referred to in that sub-paragraph; and

(ii) in the case of a notice of resignation given under sub-paragraph (c), the later of -

(aa) the expiry of the notice of resignation; or

(bb) the end of the period referred to in the proviso to that sub-paragraph.";

(v) in sub-paragraph (e), by deleting "expiry of the notice of resignation," and substituting "end of the appropriate period referred to in sub-paragraphs (a) and (c).";

(vi) in sub-paragraph (g):

(aa) in sub-paragraph (i):

(A) by deleting "an underwriting member to give" and substituting "the giving of";

(B) by deleting "expressed to take effect less than thirty months" and substituting "to take effect before the end of the period referred to in sub-paragraph (a)";

- (C) by deleting "less than two years) after the day on which it is given," and substituting "before the year end of the year following that in which it is given),";
- (D) by deleting "30th June" and substituting "31st August";
- (E) by deleting "and" at the end of the sub-paragraph;

(bb) in sub-paragraph (ii):

- (A) by deleting "a notice of resignation given under this paragraph is expressed to expire" and substituting "the end of the appropriate period referred to in sub-paragraphs (a) and (c)";
- (B) by deleting "giving that notice";
- (C) by deleting the full stop at the end of the sub-paragraph and substituting a semicolon followed by "and"; and

(cc) by adding the following new sub-paragraph (iii):

"(iii) may at any time before the resigning member ceases to be a member of the Society accept written notice of the resigning member's withdrawal of his resignation on such terms and conditions as it thinks fit: provided that such notice has been given before the date on which the resigning member would have ceased to be a member of the Society under the provisions of this paragraph."

2. Commencement

This byelaw shall come into force on 1st January 1990 and shall apply to all notices of resignation given on or after that date.