

MMI SCHEME OF ARRANGEMENT

Questions and Answers

The Levy

Q1. Will the amount of the Levy be the same as the figure shown on the Ernst & Young letter dated 13 May 2013.

A1. No. The actual levy will be calculated as at the date of the Levy Notice. The amount shown in the letter was for estimation purposes only.

Q2. When will the Levy Notice be issued.

A2. We are working with Zurich (our claims handlers) to determine the extent of claims data that can be provided in support of the Levy and also the subsequent claims handling procedures. This process is on-going but we anticipate being able to send out Levy Notices during the Autumn, and probably by end of September.

Until our discussions with Zurich are complete, please note that we are unable to provide details of claims payments beyond the information shown on the Scheme Statements of claims activity which have been issued every six months since inception of Scheme.

Q3. Will there be any change to the 15% Levy notified by the Scheme Administrator.

A3. Unless there is a significant change to the financial position of MMI the rate of Levy will remain at 15%.

Q4. How will the £50,000 apply where a current authority has responsibility for two or more former councils that were also Scheme Creditors.

A4. In accordance with the provisions of the Scheme the retention of £50,000 applies to the liability of the particular Scheme Creditor at the Levy Notice Date. It is the timing of the Levy which determines the definition of the Scheme Creditor to which the levy applies and how it is calculated. Whilst at the outset of the Scheme there were separate councils these may have been 're-organised' and the current authority has assumed responsibility for the rights under the former councils' insurances that comprise the Scheme. Please refer to sections 2.3 and 5.4 of the Scheme document.

The Financial Services Compensation Scheme (FSCS)

Q5. Which Scheme Creditors will be protected by the FSCS.

A5. Protection under the rules of the FSCS falls into two areas.

1. Protected policyholders
2. Protected classes of insurance

The FSCS provides compensation at 100% for all claims arising under Statutory insurances. These are Employers Liability and Third Party Motor. Such compulsory insurance obligations are not applicable to 'exempt persons/bodies' as, for example local authorities, and these classes of policyholders would not be protected for Scheme liabilities.

Compensation to the extent of 90% is available to certain classes of policyholders for all other types of general insurance policies. Eligibility for such protection is determined solely by the FSCS and a form has been provided by the company which should be completed and returned to MMI for transmission to the FSCS. It is clear, however, that local authorities and similar public bodies together with most commercial enterprises would not be protected.

Q6. What is the effect of FSCS protection on the Levy.

A7. If the FSCS agrees your status as 'protected' then you will not be called upon to pay that part of the Levy to which such protection applies. For example, if only the 'statutory' classes of insurance apply then you will not be levied on the amount of claims payments for these classes. If the FSCS accepts that your status is one to which protection applies for both statutory and all other classes of insurance, then no levy will be set against any of the claims payments made since inception of the Scheme.