

**INSURANCE ACT 1973  
PART III, DIVISION 3A**

**SUMMARY OF SCHEME FOR THE TRANSFER OF CERTAIN  
INSURANCE BUSINESS OF MUNICIPAL MUTUAL INSURANCE  
LIMITED TO GORDIAN RUNOFF LIMITED**

**You are or may be a policyholder of Municipal Mutual Insurance Limited. Municipal Mutual Insurance Limited is applying to the Federal Court for confirmation of a scheme to transfer its Australian insurance policies to Gordian RunOff Limited. This Summary provides information concerning the proposed scheme, how your policy will be affected and your right to be heard on the scheme. As required by law, the summary has been approved by the Australian Prudential Regulation Authority to ensure that you receive adequate information with respect to the proposed transfer.**

**1. BACKGROUND**

- 1.1 Municipal Mutual Insurance Limited ARBN 007 509 873 (“**MMI**”) is a company incorporated in England and Wales. MMI is authorised under the *Insurance Act 1973* (Cth) (the “**Act**”) to carry on general insurance run-off business in Australia.
- 1.2 Gordian RunOff Limited ACN 052 179 647 (“**GRO**”) is a company incorporated in Australia. GRO is authorised under the Act to carry on general insurance run-off business in Australia.
- 1.3 MMI has not issued any new policies in Australia since 1992 and, in order to reduce ongoing costs and administration of MMI’s policies and to release excess capital, MMI proposes to transfer all of its Australian insurance policies to GRO.
- 1.4 It is proposed that the transfer be undertaken by means of a scheme to be confirmed by the Federal Court of Australia under Division 3A of Part III of the Act. If confirmed by the Court, the scheme will become binding on all persons.

**2. COURT APPLICATION**

- 2.1 MMI, on its own behalf and on behalf of GRO, will make an application to the Federal Court of Australia in Sydney on 27 February 2009 at 9:00 a.m., or on such later date or time as the Court appoints, for confirmation of the scheme.
- 2.2 Policyholders affected by the scheme may attend the Court hearing and request to be heard by the Court on the application for confirmation of the scheme. Any person who wishes to appear before the Court is requested to advise Mr John Edmond of Allens Arthur Robinson, Deutsche Bank Place, Corner of Hunter and Phillip Streets, Sydney, NSW 2000, (Ph: +612 9230 4287 or email: John.Edmond@aar.com.au) or Ms Naomi Moore of Bingham McCutchen LLP, Suites 4903-04, One Exchange Square, 8 Connaught Place, Central, Hong Kong (Ph: +852 3182 1706 or email: naomi.moore@bingham.com) at least seven days prior to the hearing date specified above.
- 2.3 **You do not need to take any action if you have no objection to the scheme.**

**3. INSPECTION OF SCHEME DOCUMENTS**

- 3.1 A copy of the scheme and the actuarial report of Mr Richard Wilkinson, FIA , FIAA, of KPMG Actuaries Pty Limited upon which the scheme is based, will be open for public

inspection in Australia by any policyholder of MMI or GRO between the hours of 9.00am and 5.00pm (local time) every day (except weekends and public holidays) for a period of at least 15 business days from 5 February 2009 at the offices of KPMG at the following addresses:

**New South Wales**

The KPMG Centre  
Level 15  
10 Shelley Street  
SYDNEY NSW 2000  
Tel: (02) 9335 7000  
Fax: 02 9229 7077

**Victoria**

KPMG House  
Level 5  
147 Collins Street  
Melbourne VIC 3000  
Tel: (03) 9288 5555  
Fax: (03) 9288 6666

**Queensland**

Riparian Plaza  
Level 16  
71 Eagle Street  
BRISBANE QLD 4000  
Tel: (07) 3233 3111  
Fax: (07) 3233 3100

**Western Australia**

Central Park  
Level 31  
152-158 St George's Terrace  
Perth WA 6000  
Tel: (08) 9263 7171  
Fax: (08) 9263 7129

**South Australia**

KPMG Building  
Level 7  
151 Pirie Street  
ADELAIDE SA 5000  
Tel: (08) 8236 3111  
Fax: (08) 8236 3299

**Tasmania**

Level 3  
100 Melville Street  
Hobart TAS 7000  
Tel: (03) 6230 4000  
Fax: (03) 6230 4040

**Australian Capital Territory**

Level 3  
20 Brindabella Circuit  
Brindabella Business Park  
Canberra Airport ACT 2609  
Tel: (02) 6248 1111  
Fax: (02) 6248 1122

**Northern Territory**

Ground Floor  
18 Smith Street  
Darwin NT 0800  
Tel: (08) 8982 9000  
Fax: (08) 8941 0238

- 3.2 The scheme and actuarial report may also be viewed on the website of MMI at [www.mminsurance.co.uk](http://www.mminsurance.co.uk).
- 3.3 Any policyholder of MMI or GRO may obtain a copy of the scheme free of charge by contacting Mr Mark Thornton of McGrathNicol, advisers to MMI, Level 31, 60 Margaret Street, Sydney NSW 2000, Australia (Ph: +61 2 9338 2600 or email: [mthornton@mcgrathnicol.com](mailto:mthornton@mcgrathnicol.com)).
- 3.4 If you have any other enquiries or are unsure of the action you should take, you may contact either:

**McGrathNicol**

Mr Mark Thornton (see contact details in paragraph 3.3 above)

**Gordian RunOff Limited**

Mr Vu Pham  
Manager, Actuarial Services  
Enstar Australia Limited  
Level 9, 220 George Street  
Sydney  
NSW 2000

(Ph: +612 8062 4237 or  
email: [vu.pham@enstargroup.com.au](mailto:vu.pham@enstargroup.com.au))

- 3.5 We recommend that each policyholder obtains and reviews the scheme and actuarial report. In particular, the policyholder should review the actuarial report's discussion on the benefits and disadvantages of the transfer.

#### **4. SUMMARY OF SCHEME**

The following is a summary of the scheme:

- 4.1 All of the general insurance business carried on by MMI that was written through or by MMI in Australia (the "**Transferring Business**") will be transferred to GRO. All liabilities and obligations of MMI in respect of Transferring Business will become liabilities and obligations of GRO. Upon the transfer becoming effective, MMI will be released and discharged from its liabilities and obligations under the Transferring Business and will cease to operate an insurance business in Australia.
- 4.2 Any proceedings which are pending or current by or against MMI in respect of Transferring Business will, from the date that the transfer becomes effective, be continued by or against GRO.
- 4.3 A transfer sum in the amount of AU\$1,850,000 (subject to adjustment should certain developments occur between the date of the transfer agreement between the parties and the date the transfer takes effect) will be paid to GRO by MMI as consideration for GRO's assumption of the Transferring Business.
- 4.4 Except as noted below, the transfer will not result in any change to policy benefits or policy terms under the policies to be transferred to GRO ("**Transferring Policies**").
- 4.5 GRO will be substituted for MMI as insurer under all of the Transferring Policies. The rights, benefits, obligations and liabilities of policyholders and any person claiming through or under them will be the same as if those policies had been issued or underwritten by GRO instead of MMI.
- 4.6 Your policy forms a part of the Transferring Policies and will be transferred with the rest of the Transferring Policies.
- 4.7 It is expected that the transfer will take effect 14 days after the confirmation of the scheme by the Court. It is anticipated that the scheme will be confirmed by the Court on 27 February 2009.
- 4.8 Once the transfer becomes effective, policyholders of MMI will be required to direct all future claims and correspondence in respect of Transferring Business to GRO at the contact details referred to in paragraph 3.4 above, or, if they ordinarily deal with a broker or intermediary, to continue to submit such documents to the relevant broker or intermediary in the ordinary course. Brokers and intermediaries known to have placed or administered Transferring Business will be notified of the transfer.
- 4.9 The scheme will only affect the Transferring Business. All other business written by or on behalf of MMI outside Australia will remain with MMI.

#### **5. ACTUARIAL REPORT**

- 5.1 The scheme is based on an actuarial report prepared by Mr Richard Wilkinson, FIA, FIAA, of KPMG Actuaries Pty Ltd. The actuarial report is statutorily required pursuant to the Act. The purpose of the report is to assist the Federal Court and the Australian Prudential Regulation Authority in reviewing the scheme. The report, amongst other things, considers

potential advantages and disadvantages of the proposed transfer for policyholders of MMI and GRO.

5.2 In his actuarial report, Mr Wilkinson has expressed the following opinion as to the effect of the scheme on the interests of policyholders:

- (a) the financial security of Gordian will remain well above the minimum APRA levels after the Scheme has been completed. Furthermore, that level of security supporting the MMI policyholders is stronger in APRA terms once the Scheme is completed than that for MMI prior to the Scheme;
- (b) the Scheme will not alter the policy terms and conditions in respect of the MMI policyholders or Gordian policyholders in any material way;
- (c) there are not expected to be any material additional operational risks arising for MMI policyholders following the proposed scheme; and
- (d) neither the policyholders of MMI or GRO will be detrimentally affected by the proposed scheme in any material way and that the scheme appears to provide advantages for the policyholders of MMI.

## **6. HOW YOU ARE AFFECTED**

As a result of the transfer, GRO will be substituted for MMI (or its predecessors where MMI has assumed business) as insurer under your policy. There will be no other change to the rights, benefits, obligations and liabilities you have under your policy.

**THIS SUMMARY HAS BEEN PREPARED BY MUNICIPAL MUTUAL INSURANCE LIMITED  
AND GORDIAN RUNOFF LIMITED**

Dated: 30 January 2009