

MMI SCHEME OF ARRANGEMENT

Questions and Answers

To assist understanding of Second Levy
to be effective 1 April 2016

The Levy

Q1. What has caused this additional levy.

A1. As stated in the company's Annual Report and Accounts for the year ended 30 June 2015, deterioration in the assessment of the number and value of future claims, particularly in respect of abuse and mesothelioma claims, has resulted in a substantial deficit in MMI's financial position.

Q2. How will the further levy be calculated.

A2. The Scheme Administrator has declared a total Levy of 25%. Allowing for the first Levy of 15%, this further Levy will be 10% to be calculated as at the date of the Levy Notice. It will apply to all Scheme Liability and Elective Defence Costs (including CRU) payments paid by MMI to or on behalf of the Scheme Creditor since the Record Date, 30 September 1993, less the first £50,000 of total payments.

Q3. When will the Levy Notice be issued.

A3. The Levy Notice for the further 10% will be issued around mid-April 2016.

Q4. What are the settlement terms for the further 10% Levy Notice

A4. The Levy Notice must be paid within 28 days of the issue of the Levy Notice

Q5. How will Scheme Creditor transactions to 31 March 2016 be treated.

A5. The monthly settlement cycle for March transactions will be conducted in the usual way. Where balances are due to Scheme Creditors, being reimbursements at the 85% Payment Percentage less any recoverable costs payable at 15%, these will be settled by MMI by cheque or BACS in approximately the second week of April.

Where Scheme Creditors owe costs at 15%, statements and invoices will be sent in the usual way and settlement terms remain 30 days.

Q6. How will Scheme Creditor transactions be treated from 1 April 2016.

A6. Following the Levy Notice all payment reimbursements from 1 April 2016 will be at the reduced Payment Percentage of 75% and all leviable costs will be recoverable at the new Levy rate of 25%. These rates will apply to transactions from 1 April 2016 and will be reflected in the monthly statements produced for the month of April 2016 and subsequently. These statements will also show an entry for the amount due in respect of the Levy Notice, unless this has been settled by the 30 April 2016.

Q7. Will there be any further changes to the Levy notified by the Scheme Administrator beyond this additional 10%.

A7. The Levy is regularly reviewed by the Scheme Administrator. Future significant changes to the financial position of MMI may result in the Levy being increased or reduced.

Q8. How will the £50,000 apply where a current Scheme Creditor has responsibility for two or more former policyholders that were also Scheme Creditors.

A8. 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 insured bodies these may have been 're-organised' and the current entity has assumed responsibility for the rights under the former insurances that comprise the Scheme. Please refer to sections 2.3 and 5.4 of the Scheme document.

The Financial Services Compensation Scheme (FSCS)

Q9. Which Scheme Creditors will be protected by the FSCS.

A9. 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 under this heading.

Scheme Creditors with agreed FSCS protection arising from the first Levy do not need to make further application.

Q10. What is the effect of FSCS protection on the Levy.

A10. 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.