

## **MMI / Scheme of Arrangement**

### **List of principles**

We have taken advice in the past from a leading firm of solicitors, Slaughter and May, and from two senior Counsel in relation to the operation of the provisions of the Scheme. This document sets out a list of key principles in relation to the operation of the Scheme (in particular where there has been a reorganisation of local authorities) which reflects that advice. Capitalised terms used in this document have the same meanings as in the Scheme.

- To become a Scheme Creditor, a policyholder must meet both the £25,000 test on the Record Date and the £50,000 test before, on or after the Record Date.
- Once a policyholder has qualified as a Scheme Creditor, it will remain bound by the Scheme, irrespective of any later transfer by that Scheme Creditor (transferor) of its MMI insurance policy(ies) to one or more successor authorities (transferee(s)).
- Scheme Liabilities which were counted, pursuant to a transfer, as due to a successor should also continue to be counted as due to the transferring policyholder for the purposes of identifying whether each is a Scheme Creditor.
- If a transferor Scheme Creditor satisfied the £50,000 threshold, so will any successor transferee.
- The Estimated Scheme Liabilities of a transferor Scheme Creditor are aggregated with the Established Scheme Liabilities of the transferee Scheme Creditor.
- A transferee Scheme Creditor can only take the benefit of one £50,000 threshold and not aggregate the £50,000 threshold(s) of any transferring Scheme Creditor(s) for which it is the successor. This is also the case where the successor Scheme Creditor is successor in respect of multiple local authorities.
- Where Scheme Liabilities are transferred to more than one successor Scheme Creditor, each successor will be jointly and severally liable for the Levy in respect of the total amount treated of the Scheme Liabilities transferred. MMI is entitled, therefore, to seek payment of the Levy from one successor local authority. In practice, this will be the authority that administers the insurance on behalf of successor authorities.