

WYPCC – Decision

From: Judith Heeley

Date: 8 January 2014

Circulation list:

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| Isabel Owen | |

Timing: Pressing

Purpose: To agree payment of the MMI Levy

Cleared by: Nigel Brook

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SUBJECT OF ADVICE Payment of the MMI Levy

Summary: MMI was a mutual insurance provider which became technically insolvent in 1992. A scheme of arrangement is in place which allows for the clawback of previous claims settlements. A Supreme Court judgement in 2011/12 made it unlikely that a solvent run off would be achieved and as a result, on the advice of insurance brokers, a provision of 25% of the potential liability was made in the Accounts. Notification has now been received from MMI (attached) that a Levy of 15% is being raised, with payment required by 14 February.

Recommendation: The PCC is recommended to approve payment of the Levy.

Consideration: The liabilities of the former Authority, including the contractual provisions in respect of the MMI Scheme of Arrangement, passed to the PCC on 21 November 2012. There is documentation which confirms that the Scheme of Arrangement applies.

Affordability: The actual amount, which will be notified no later than 15 January, will be met from the provision made in the 2011/12 Accounts.

Handling: MMI are to provide a full claims listing from Zurich's database to substantiate the 15% claimed. The maximum clawback is £2,246,618.29 which is the total amount paid by MMI net of the first 50,000 of aggregate payments which doesn't apply to the clawback. 15% will therefore be £336,993. Gallagher Heath, the Force Insurance Brokers have forecast that it may be likely that we will be required to pay an additional 13% which equates to £292,060 over the next 20-25 years when the scheme will eventually be run off. We are already reserving 25% so if the 15% is paid in February 2014 then we will need to maintain the 10% already in the reserves.

Risks/Legal Opinion: Legal Services have confirmed that the Scheme of Arrangement does apply to the PCC.

Supporting and Dissenting Views: There is agreement that this is a true liability of the PCC.

APPENDICES: Levy Notice from MMI



MUNICIPAL MUTUAL

(subject to a Scheme of Arrangement under section 425 of the Companies Act 1985 which was triggered on 13 November 2012, with Gareth Hughes appointed as Scheme Administrator)

Beverley Nichol-Culff
West Yorkshire Police Authority
Finance Department
P.O. Box 9 Laburnum Road
Wakefield
WF1 3QP

Scheme Creditor No: SOA702

1 January 2014

Dear Scheme Creditor

Levy Notice pursuant to the Scheme of Arrangement (the "Scheme") between Municipal Mutual Insurance Limited (the "Company") and its Scheme Creditors (the "Creditors")

Further to my letter dated 30 October 2013 in which I indicated that the Levy Notice would be issued on 1 January 2014, please now find enclosed a notice setting out details of the Levy (the "**Notice**"). The Notice is issued as of and with effect from 1 January 2014 (the "**Levy Notice Date**"). Terms defined in the Scheme have the same meaning in this letter unless otherwise defined.

As I have previously indicated, a review of the assets and liabilities was undertaken in accordance with the requirements of the Scheme and I concluded, based on that review, that the Levy should be set at 15%. This shall not apply, however, to the first £50,000 of aggregate payments made to you or on your behalf by the Company or any such payment that has been agreed by the Financial Services Compensation Scheme as being a Protected Liability.

The Company is in the process of calculating the amount payable by you in respect of the Levy based on the financial information available as at 31 December 2013. A statement will be sent to you separately detailing the amounts that have been paid to you by the Company since the Record Date and the corresponding amount payable by you in respect of the Levy (the "**Statement**"). It is intended to send the Statement to you by no later than 15 January 2014.

The Notice and the Statement shall together constitute the Levy Notice for the purposes of the Scheme, and shall both be taken to be issued as of and with effect from the Levy Notice Date.

Payment of the Levy is required by no later than 14 February 2014. Please ensure that you quote your above Scheme Creditor number when making payment by either payment option.

If you have any questions regarding the arrangements detailed in this letter or the attached Notice, please do not hesitate to contact me.

Yours faithfully,

Gareth Hughes
Scheme Administrator

Municipal Mutual Insurance Limited 29 Buckingham Gate Westminster London SW1E 6NF
Tel No: 020 7821 6444 Fax No: 020 7821 1556 www.mminsurace.co.uk

Registered Office: 29 Buckingham Gate Westminster London SW1E 6NF Registered No: 76678 England

MUNICIPAL MUTUAL INSURANCE LIMITED
(the "Company")

LEVY NOTICE
PURSUANT TO THE SCHEME OF ARRANGEMENT
between
THE COMPANY
and
ITS SCHEME CREDITORS
(the "Scheme")

*This notice (the "**Notice**"), together with the Statement (as defined below), constitutes a Levy Notice for the purposes of Section 5.5 of the Scheme. Capitalised terms used in this Notice shall have the same meanings as in the Scheme.*

*This Notice is issued as of and with effect from 1 January 2014 (hereafter the "**Levy Notice Date**").*

WHEREAS

- (1) Section 5.4 of the Scheme provides that the Scheme Administrator has the ability to impose a Levy on all Scheme Creditors, who, at the Levy Notice Date, have been paid (or have been treated as having been paid) since the Record Date an amount or amounts in respect of Established Scheme Liabilities which, together with the amount of Elective Defence Costs, if any, paid by the Company on its behalf since the Record Date, exceed £50,000 in aggregate.
- (2) The Scheme Administrator has determined that a Levy of 15% shall be imposed on Scheme Creditors as described in (1) above.

THE SCHEME ADMINSTRATOR HEREBY NOTIFIES YOU THAT

- (1) A Levy of 15% is imposed on you as of and with effect from the Levy Notice Date.
- (2) A statement shall be sent to you separately detailing the Established Scheme Liabilities and the Elective Defence Costs paid on your behalf since the Record Date, and the amount payable by you in respect of the Levy (the "**Statement**"). It is intended that the Statement will be sent to you by no later than 15 January 2014.
- (3) Payment by you of the Levy shall be made in accordance with the payment provisions set out below.
- (4) In accordance with Section 5.2 of the Scheme, any payment made by the Company to you on or after the Levy Notice Date in respect of an Established Scheme Liability shall, to the extent that such payment, when aggregated with other such payments since the Record Date, exceeds £50,000, be made subject to the application of the Payment Percentage. The Payment Percentage shall be 85%.

THE LEVY SHALL BE PAID IN ACCORDANCE WITH THE FOLLOWING:

1. Payment of the Levy shall be made within 45 days of the Levy Notice Date (hereafter the "**Payment Date**"). Accordingly the payment of the Levy is required by no later than 14 February 2014.
2. Payment of the Levy shall be made:
 - a) by cheque in favour of the Company and sent through the post at the risk of the Scheme Creditor making payment to the address of the registered office of the Company; or
 - b) at the expense of the Scheme Creditor making payment, by telegraphic transfer to the following bank account of the Company:

Account name: *Municipal Mutual Insurance Limited*

Bank: *The Royal Bank of Scotland
5-10 Great Tower Street, London, EC3P 3HX*

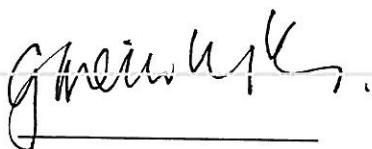
Account number: *11221915*

Sort code: *15-20-25*

Reference: *please include your Scheme Creditor number as the reference for the telegraphic transfer.*

3. If you fail to pay, by the Payment Date, any amount of any Levy imposed by this Notice, then in accordance with Section 5.8 of the Scheme:
 - a) interest shall accrue on the amount of such Levy remaining outstanding after the Payment Date at the rate of 4 per cent. above the base lending rate from time to time of National Westminster Bank Plc, such interest to accrue on a daily basis; and
 - b) until such Levy has been paid in full, you shall not under the Scheme be entitled to receive from the Company any payment in respect of any Scheme Liability.

Signed:



Gareth Hughes
Scheme Administrator
1 January 2014