

HOW DOES THE MUTUAL WORK?

MEMBERSHIP ISSUES

How do we join the Mutual?

Membership of the Mutual is restricted to London Authorities, as defined by the London Government Act 1963, the City Corporation of London, the Greater London Authority or any successor authority (Article 3).

Application for membership is made to the Board of Directors of the Mutual in writing (Article 7). The Board will at their discretion decide on membership and need give no reason for declination (Article 8). Membership is non-transferable (Article 10).

London Authorities may apply to join the Mutual as Members (Rule 4) (to show their support for the mutual concept prior to their application for Participating membership). Members do not participate financially in the Mutual and are not entitled to vote at general meetings (Rule 4).

Upon admission as Members of the Mutual, London Authorities must subscribe to the Memorandum and Articles of Association of the Mutual (Rule 4).

Upon admission and acceptance by the Mutual of a policy of insurance, a London Authority becomes a Participating Member of the Mutual and participates financially in the Mutual and is entitled to vote at general meetings (Rule 4).

The terms and conditions of membership of the Mutual and the terms and conditions of the insurances provided by the Mutual to the Participating Member are evidenced by a Schedule of Insurance and a Confirmation of Insurance (Rule 6). These documents may be endorsed from time to time to reflect any changes in cover (Rule 7).

In all cases, membership is subject to the Memorandum and Articles of Association and the Rules of the Mutual (Article 4).

What are the obligations of being a Participating Member?

Participating Members participate financially in the Mutual.

Participating Members are required from time to time to pay to the Mutual

- Premiums – this is the amount of premium required to be paid at the start of an

insurance year for the cover provided by the Mutual to the Participating Member (Rule 12)

- Capital Contributions – at the option of the Board of Directors capital contributions are payable to support the capitalisation of the Mutual (Rule 11).
- Supplementary Calls - the Board of Directors of the Mutual has the right at its discretion to require Participating Members to pay supplementary calls to replenish the Mutual's capital (no more in respect of each Participating Member than 100% of the premium paid by that Participating Member in respect of such Financial Year. (Rule 12).

The insurances available from the Mutual are defined in Rule 16.

The liability of Participating Members is limited (Memorandum 4).

Upon the winding up of the Mutual its remaining assets, after all liabilities have been satisfied, are distributed equally amongst the Participating Members equally (Article 74). If the assets are insufficient, then each Participating Member will be liable to pay a maximum of £100 in respect of such shortfall (Memorandum 5).

What are the Mutual's and our obligations in relation to claims?

In return for the Premiums the Mutual undertakes to indemnify the Participating Members in respect of any liabilities or losses arising from the insurances provided by the Mutual (Rule 5).

The Participating Member must promptly advise the Mutual of details of any claim or any potential loss, including the circumstances, and keep the Mutual informed of all developments as they occur, in accordance with the Schedule of Insurance or Policy Wording (Rule 20).

The Mutual has the right to take control of any claim and to appoint experts to assist in the defence of the claim (Rule 21).

The Board of Directors has the power to consider any claim but may delegate such powers to the Managers (Rule 22). If the Board considers a claim, a Director representing the Member whose claim is being considered may not be involved in that consideration (Rule 22).

How are claims dealt with when our indemnity from the Mutual ceases?

If a Participating Member fails to pay any amount due to the Mutual after a final notice, then indemnity ceases (Rule 23) and the Mutual is entitled not to consider any

claim relating to any financial year which is not closed (Rule 24).

If the Period of Indemnity has ceased naturally, then the Mutual will be required to deal with all claims relating to any financial year for which the Participating Member was entitled to indemnity (Rule 24).

If indemnity has ceased because the Participating Member has been dissolved, then the Mutual will be required to deal with all claims relating to any financial year for which the Participating Member was entitled to indemnity (Rule 24).

How are surpluses distributed and shortfalls allocated between Participating Members?

A Participating Member participates in the fortunes of the financial years in which it was a Participating Member of the Mutual.

Any financial year of the Mutual will be declared closed when the Board of Directors of the Mutual deem it expedient to so do (Rule 27).

Closed Years

If a financial year has been declared closed and then subsequently it appears to the Board that the assets associated with that financial year exceed liabilities, then the balance will be transferred to the Mutual's General Reserve (Rule 27(4)).

If a financial year has been declared closed and then subsequently it appears to the Board that the assets associated with that financial year are less than liabilities, then the deficit will be transferred from the Mutual's General Reserve or a demand on Capital Contribution (Rule 27(4)).

Open Years

If during the currency of a financial year, it appears to the Board of the Mutual that the assets associated with that financial year will exceed the liabilities associated with that financial year, then the balance at the discretion of the Board of Directors will be either in whole or in part

- Transferred to the Mutual's reserves (Rule 27(2)) or
- Returned in whole or in part to the Participating Members in proportion to their respective Premiums and Supplementary Calls in respect of that financial year (Rule 27(2))

How does the Mutual handle renewal of a Participating Member's insurances?

Before the end of a Participating Member's Period of Indemnity the Participating Member shall make an application to renew its Indemnity (Rule 10(3)).

Indemnity with the Mutual shall recommence in accordance with the information and requests in each application and upon the same terms and conditions for the current Period of Indemnity unless otherwise requested (Rule 10(3)).

Notice must be given in writing by a Participating Member no later than 6 months before the end of the current Period of Indemnity that they wish to withdraw from membership (Rule 10(3)).

What happens if a Participating Member leaves the Mutual?

If a Participating Member elects to leave the Mutual, then it can remain as a Participating Member and participate in the fortunes of the Mutual's financial years in which it was a Participating Member.

Alternatively, the Participating Member can apply to the Board of Directors of the Mutual for release from its obligations as a Participating Member (Rule 14). In acceding to such a request the Board of Directors at its absolute discretion will make an assessment of such Participating Member's potential liability for further Premiums and Supplementary Calls in relation to those financial years in which it was a Participating Member of the Mutual.

In respect to its Schedule of Insurance the Participating Member will be released from any further liability in respect of such financial years but will forego its right to any subsequent distribution of surplus relating to any one or all of those financial years (Rule 14).

In what other circumstances can a Participating Member leave the Mutual?

A Participating Member ceases to be a Member of the Mutual upon dissolution or if the Board of Directors determines it is undesirable for the Participating Member to continue as a Participating Member, provided written notice is given by the Board. (Article 11). They shall still retain liability for any Supplementary Calls or premiums that may be due in relation to their period of membership of the Mutual.