

## **Chiltington's guide to Schemes of Arrangement**

Schemes of Arrangement (Schemes) emanate from a provision in the UK Companies Act and are an increasingly used mechanism for closing down insurance companies or discontinued portfolios of insurance policies. Schemes were originally used on insolvent insurance companies but over recent years there has been an increasing trend of so called "Solvent Schemes" whereby this Court driven process has been used on a solvent company or even just a book of business to effectively carry out a mandatory commutation with all of its policyholders in one go.

Policyholders, whether they are a commercial entity or an insurance company will all be affected in the same way. They will be;

- 1) Advised that a Scheme is going to be proposed and what meetings of creditors are going to be arranged
- 2) Invited to raise any concerns about the constitution of the meetings in a UK court hearing
- 3) Invited to vote on the Scheme proposals
- 4) Advised of the outcome of the vote(s) held at the meeting(s) of creditors and, if the appropriate percentages in support of the scheme were achieved, policyholders will be advised of the date of the UK Court hearing to sanction the Scheme.
- 5) If the application by the company to sanction the scheme was successful, the policyholders will be advised of the outcome of the Court hearing and, the 'Bar Date' also sometimes called the 'Final Claims Submission Deadline'.

There are various ways in which a policyholder can / should interact with this process and it will depend on the level of claims that they have (or expect to have in the future) and how strongly they feel about the process. In summary these might include;

- 1) Consider the Practice Statement Letter (which includes details of the number of scheme meetings that will be held) and decide whether to make an objection at the "Leave to Convene" Court hearing.
- 2) Consider the Scheme Document and how it will affect them (which policies are covered, what the terms of the scheme are etc).
- 3) Calculate a value for all of their current and future claims against the scheme company (for the business affected by the scheme) and submit these as a vote at the Scheme Meeting(s).
- 4) If a Sanction hearing is held, decide whether to raise objections to the scheme.
- 5) If the Scheme is sanctioned by the UK court then, within the stipulated timeframe, they must calculate a value for all of their current and future claims against the scheme company and submit these as a Scheme Claim.
- 6) Liaise with the scheme company regarding the value of their scheme claim and ultimately come to a value, either by agreement or by use of the adjudication process laid down within the Scheme Document.

The information contained on this page is of a general nature and is not intended to constitute formal advice or guidance. No one should act on the information contained in this document without appropriate professional advice after a thorough review of the particular situation.