

**BRITISH-AMERICAN INSURANCE COMPANY LIMITED (“BAICO”)  
(Judicial Manager Appointed)**

**PLAN OF ARRANGEMENT (“Plan”)**

**Frequently asked questions for Plan Creditors or those that believe they may be Plan Creditors**

**1) Plan**

**a) What is a Plan?**

The Plan of Arrangement (the “Plan”) is a legal process which is being promoted by BAICO in order to pay dividends to policyholder creditors in a more efficient and cost effective manner than would be possible within a liquidation (which is the only other realistic option).

Details of the Plan and how it can be implemented are at pages 23 - 31 of the Explanatory Statement sent to each Plan Creditor and also available on the website:

[www.kpmg.com/bs/baico](http://www.kpmg.com/bs/baico)

**b) Why have I been sent these Plan papers?**

You have been identified, from BAICO’s records, as a policyholder of one or more policies issued by BAICO which is/are included within the proposed Plan. In order for the Plan to become effective the Bahamian Court appointed Judicial Manager (the “JM”) has to comply with the legal formalities which are set out in legislation dealing with the promotion of a Plan for BAICO. This includes providing all Plan Creditors with details of the Plan proposals, notice of the Meeting called to vote on the Plan proposals and Voting and Claim Forms. Further details on what constitutes a Plan Creditor/Plan Claim are at pages 24 - 26 of the Explanatory Statement.

**c) What do I need to do with the Plan papers?**

You should read the Plan proposals, the accompanying statement setting out BAICO’s valuation of your claim and the Voting and Claim Form which was attached. This will direct you in detail in relation to how to vote and how the value attributed to your claim was arrived at, and how you can dispute such value.

**d) I am a BAICO policyholder but have not received any Plan papers?**

If you are a policyholder of a policy covered by the Plan (in the main, an annuity (EFPA, FPA or FPAII)) or a traditional life policy which lapsed sometime after 8 September 2009 and was not transferred to Sagicor, then you may be a Plan creditor. You should contact the JM or one of the EC Officeholders (whose addresses are at page 4 of the Plan Document) and request a blank Voting and Claim Form (or download one from the Plan website ([www.kpmg.com/bs/baico](http://www.kpmg.com/bs/baico)) together with the accompanying Plan documents.

**e) What happens if I don’t attend the Plan meeting or vote?**

You are not obliged to vote but you are encouraged to do so to ensure that the Plan proposals, which the JM and the EC Officeholders consider to be in the best interests of policyholders, become effective. If you do not vote and the voting majorities are still achieved at the Plan Meeting and the Plan is subsequently sanctioned by the Court, you will be bound by the Plan proposals.

**f) What do I do if I think the statement enclosed with the Plan document is not complete or wrong?**

If you believe any of the details on the statement accompanying your Voting and Claim form are incorrect or it is incomplete you should set out the details on the statement to what you consider to be the correct position and return it (together with your completed Claim and Voting Form and documentation supporting your valuation of your claim) to one of the addresses set out in the Plan Document and on the Voting and Claim form instructions. The JM will review your corrections and contact you and, if your amendment affects your claim valuation, seek to agree your claim value with you.

**g) Why are the only venues for the meeting in St. Kitts, St Vincent, Antigua and Grenada?**

The Plan Meeting and Sub Meetings are being held in those locations where most Plan creditors are present. It is not a requirement or general practice for more than one meeting to be held but the JM, in consultation with the EC Officeholders and advisers, considered that in this case it was appropriate to hold a Principal Meeting along with Sub Meetings in different locations in order to permit more creditors to attend if they wished. It would not be cost effective to hold sub-meetings in every jurisdiction in which BAICO operated and issued policies covered by the proposed Plan. The proposed locations cover approximately 65% by number of Plan policyholders.

**h) Why should I vote in favour of the Plan?**

The JM and the EC Officeholders consider that the Plan is in the best interests of policyholder creditors and recommend that they vote in favour of it. Details of the advantages of the proposed plan are set out in section 1.6 of the Explanatory Statement (page 27 - 29) to the Plan Document but in summary the key advantages are:-

- Preferable alternative to liquidation which will result in administrative cost savings and expedited payments to plan creditors
- A consistent approach across all EC jurisdictions
- A simplified claims agreement process

**i) How was my claim valued?**

All policies are valued as at 8 September 2009 being the date of the appointment of the JM. The method by which claims have been valued is set out at pages 56 -57 of the Explanatory Statement.

**j) Why has there been a delay in implementing the Plan?**

As was mentioned at the Creditor Consultation meetings, the progression of the Plan is dependent on specific BAICO Plan legislation being passed in The Bahamas (the jurisdiction in which BAICO is incorporated) before the Plan can be promoted. Prior to the Consultation Meetings in March 2016 the JM was of the view (based on feedback from legislative representatives) that the BAICO Plan Act would be enacted in sufficient time to ensure a distribution to Plan Creditors by December 2016. Unfortunately despite the lobbying by the JM there was a long delay in the enactment of the required legislation. As soon as the Plan Act was passed in April 2017 in The Bahamas the Plan implementation process began. Based on the current timetable, it is anticipated that payment of first distributions will commence in late November 2017.

**k) The policyholder has died and I am a beneficiary/representative of the Plan creditor's estate – how do I obtain the distribution due to that policyholder from BAICO on the policy?**

The representative or beneficiary, as appropriate, of the Plan Creditor's estate, is entitled to apply for Plan distributions to be paid to the Plan Creditor's estate or legal beneficiary. The estate representative or legal beneficiary will be required to submit both proof of the Plan Creditor's death and proof that they are either the officially appointed representative of the Plan Creditor's estate or, in the event the estate has already been distributed, the beneficiary entitled as a matter of law to receive the Plan distribution(s).

**l) What happens if I am unable to cash my distribution cheque or it has expired?**

You may return the expired cheque to the JM and request it to be re-issued. If the Plan has already terminated at that time, you will need to apply to The Eastern Caribbean Central Bank ("ECCB") or an ECCB supervised bank for payment of your distribution. The JM will be transferring all unclaimed monies to the ECCB or an ECCB supervised bank upon termination of the Plan with a list of those Plan Creditors who have an entitlement to receive payment from that fund. The ECCB account will be open for two years from termination of the Plan after which, under the terms of the Plan, you will not be entitled to claim any payment.

**m) Can I receive my distribution in cash?**

All distributions under the Plan will be paid by cheque. However, if the amount of the cheque is below EC\$20 you can exchange the cheque for cash. You will need to attend either a BAICO branch office or the office of an EC Officeholder to return the cheque and receive the cash. You will also be required to sign a release form.

**n) I believe my [father/mother etc. now deceased] was a BAICO policyholder but I can't find any records – can you let me know the position?**

If you contact BAICO by email ([baicomail@kpmg.com.bs](mailto:baicomail@kpmg.com.bs)) or telephone (on any telephone number listed on Page 2 of the Plan document) and provide full details of your father/mother (i.e. full name, date of birth, address, and date of death) we shall review BAICO's records and advise if that person held any policies covered by the proposed Plan.

**o) The policyholder died before the 8 September 2009 but this does not appear to be reflected in the statement. Will this affect the policy value and what should I do if it does?**

If the policyholder died before the 8 September 2009 his/her policy will need to be valued at the date of death. In these circumstances please contact the Company ([baicomail@kpmg.com.bs](mailto:baicomail@kpmg.com.bs) or telephone on any number listed on page 2 of the Plan Document) and advise full details of the policyholder (i.e. full name, date of birth, address and date of death) and the Company shall prepare an amended claim valuation and supporting statement.

## **2) Payments to policyholders**

### **a) What distributions will I receive and when?**

Based on information currently available, it is currently anticipated that a first distribution of approximately 10% will be paid shortly after the Final Claims Submission Date. Distributions should commence in November 2017. Further distributions will be payable in such an amount and at such time as assets are realised or recovered by BAICO out of the proceeds of pending and possible further litigation. It is not possible to advise at this time the precise initial or final distribution percentages; until final claim forms are received and adjudicated the total value of Plan Claims are not known with certainty. Based on the JM's current assessment, it is currently anticipated that the ultimate total distribution will be between 20% to 25%, however certain assumptions have been made about the asset values, level of claims against the Company and future expenses which may subsequently prove to be inaccurate.

### **b) What chance is there for a further distribution and if so, how much will it be?**

See answer to 2)(a) above

### **c) Why is the dividend so low – what happened to my money and the promises made?**

Unfortunately BAICO is massively insolvent and cannot pay all of its debts in full. BAICO lost substantial sums of money on unwise and ill-fated property investments in Florida. It struggled to service the debt it had taken on to finance these acquisitions. In order to meet its debt obligations, the Company issued many annuity and corporate savings products at attractive, but unrealistic, rates of return which it would not be able to pay. BAICO had become increasingly dependent on its parent company, CL Financial Ltd., to maintain both its solvency and liquidity. Unfortunately when BAICO needed help, CL Financial Ltd. was unable to provide any funding, and could not pay the debts it owed to BAICO due to its own financial problems.

## **3) Eastern Caribbean Currency Union (“ECCU”) Government Funding and the Annuity Relief Programme (“ARP”)**

### **a) I have not received my ARP payment – will this now be paid? When will the balance of outstanding ARP payments be paid?**

The terms and funding of the ARP payments were managed by the ECCU Governments and not the Judicial Manager or EC Officeholders, who merely facilitated the distribution of the payments. Unfortunately, not all eligible policyholders received payments under the ARP programme as the funding was exhausted before such payments could be made. It is unclear whether the ECCU Governments will make further funding available to pay those policyholders who have not yet received payments under phases 1, 2 or 3 of the ARP programme. Under the proposed Plan, Plan Creditors who have not received a payment under the ARP programme will receive a dividend based on their Annuity and Investment Contracts valued at 8 September 2009 which will include all unpaid and accrued interest to

that date. ARP payments were only made on Principal Balances which essentially equated to original premiums paid less any partial withdrawals and so excluded all reinvested, accrued and unpaid interest. If further payments are subsequently made by the ECCU Governments there will be an equalisation whereby sums due to Plan Creditors will be reduced by the amount which is the lower of distributions received on such Plan Claim and the value of the ARP payment being made. The effect and intention is that all Plan Creditors who have received the benefit of the ARP programme will be treated the same and so receive the same cash whether or not they received cash under the ARP programme before or after distributions paid under the Plan.

**b) I participated in the ARP programme; why am I not receiving any distribution on my claim?**

Under the release agreement you signed when you received your payment from the ARP it was highlighted that programme payments were to be treated as advance distributions. This was a condition established by the ECCU Governments who funded and organised the ARP. The effect of this condition is that you only receive a further payment under the Plan when the distribution payable to you in respect of your Plan Claim exceeds the amount of ARP already received. The amount received at that point would equal the excess over the amount already received.

**c) Why have some policyholders been fully compensated (e.g. medical benefit policyholders, traditional life policyholders) but I, and others, have suffered a significant shortfall?**

Some groups of Policyholders received specific funding because of the type of insurance risk covered (e.g. medical benefits where there were life or death situations dependent on payment) and/or where there was an overall benefit to the estate from the sale of a branch or block of business. In all cases the funding was not made from the assets held by BAICO. In fact, as liabilities were settled in many cases from third party funds, this means that BAICO's available assets are now shared between a reduced number of Plan Creditors. This in turn will result in a higher distribution percentage than otherwise would have been the case.

**d) Why do annuity claims include interest when the ARP payments covered only the original principal? Can I claim interest on my under EC\$30k policies on which I have been repaid the original principal only under the ARP programme?**

The terms of the ARP programme were determined by the ECCU Governments and these provided that compensation would only be made against policyholders' principal balance, being essentially the original premiums/deposits paid less any partial drawdowns. The Plan seeks to mirror the practice that would apply under the insolvency law of The Bahamas which provides that claims are admitted at their value at the date of liquidation. Under the Plan, the date of the appointment of the JM (8 September 2009) has been taken as the date upon which all Plan Claims, including all unpaid and accrued interest to that date, are valued as at that date.

ARP payments made under Phases 1 and 2 of the ARP programme covered policies where the Principal Balance was less than EC\$30,000. Upon receipt of those ARP payments, the recipients signed a document which released BAICO from any further claims against it by that policyholder. As a result, policyholders who received ARP payments of less than EC\$30,000 are not entitled to make a further claim for interest in the Plan.

**4) Creditors who are not policyholders and therefore not part of the Plan**

**a) I am a former sales agent and am due commission from BAICO, will I receive any distribution?**

Your claim for unpaid commission is an unsecured non-policyholder claim. Under the Plan, and in accordance with the Insurance Law of The Bahamas, policyholder (insurance) claims have a priority over non insurance claims. This means that all policyholder claims need to be settled in full before non-insurance creditors can be paid. Unfortunately BAICO is massively insolvent and does not have sufficient funds to pay policyholder creditors in full and so there will be no distribution to any unsecured creditors.

**5) Mortgages**

**a) I have a mortgage with BAICO – how will this affect my Plan Claim and distributions payable under the Plan?**

If you have a mortgage with BAICO any Plan Claim you have against BAICO will be deducted from any mortgage monies due to BAICO. If the net balance is an amount due to you by BAICO, you will receive a distribution on this amount.