

IMPORTANT NOTE:

This presentation was shown at the various Consultation Meetings held across the EC Region. The timeline presented was dependent on legislation being implemented in the Bahamas and throughout the EC Region. There have been delays in the implementation of the legislation resulting in a delay to the timeline. This is beyond the control of the Judicial Managers who nevertheless are making every effort to lobby Governments to implement as soon as possible.

The Bahamian Government and EC Governments are working towards the implementation of the legislation and progress is continually being made. As reported in the Consultation Meetings, Grenada, St. Vincent & the Grenadines and Antigua & Barbuda have all implemented the legislation. Since the Consultation Meetings were held, the legislation has also been implemented in Montserrat. A further update will be given to policyholders via the BAICO website (<http://www.kpmg.com/BS/en/Pages/BAICO.aspx>). Please check the website for further updates in due course.

British American Insurance Company Limited *(In Judicial Management)*

Policyholder update:
Proposed Plan of Arrangement

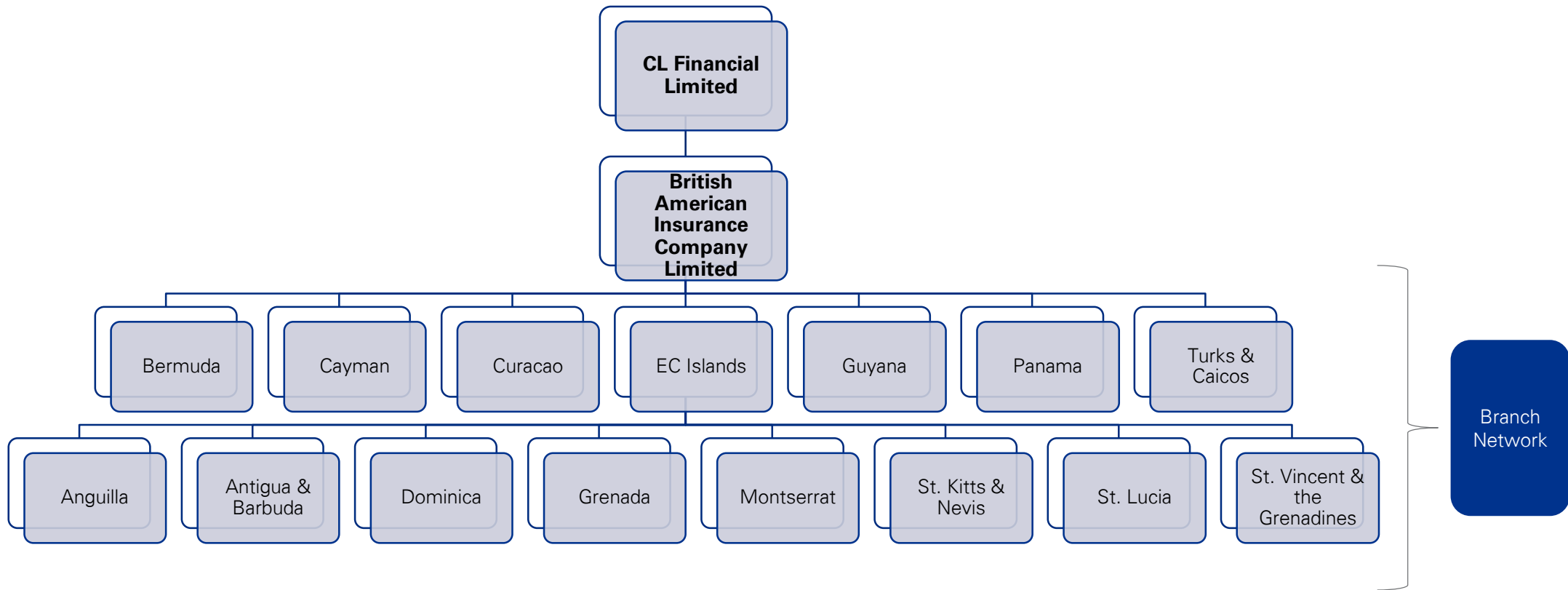
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**British American Insurance Company Limited
(in Judicial Management)**

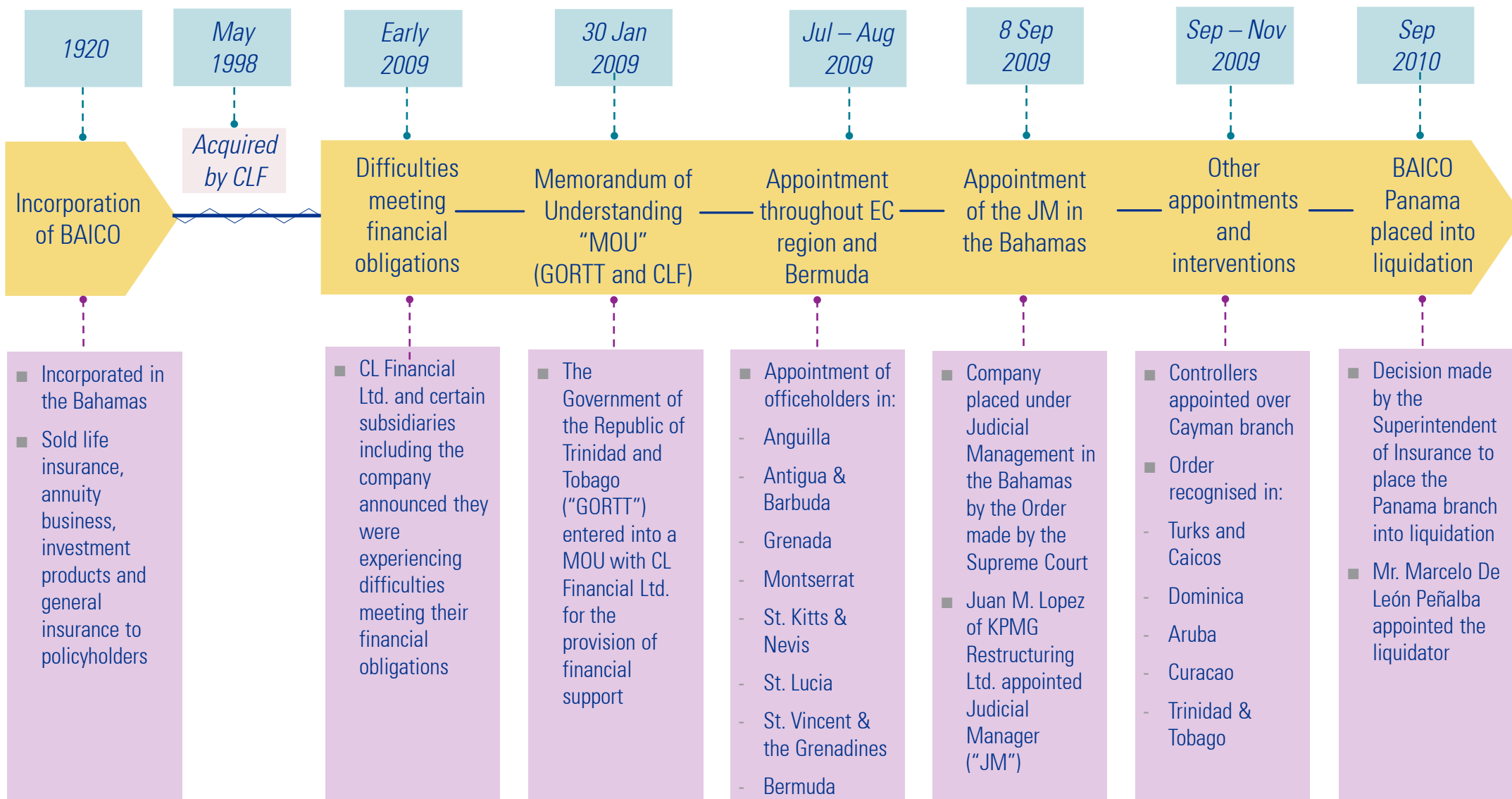
Introduction

Background

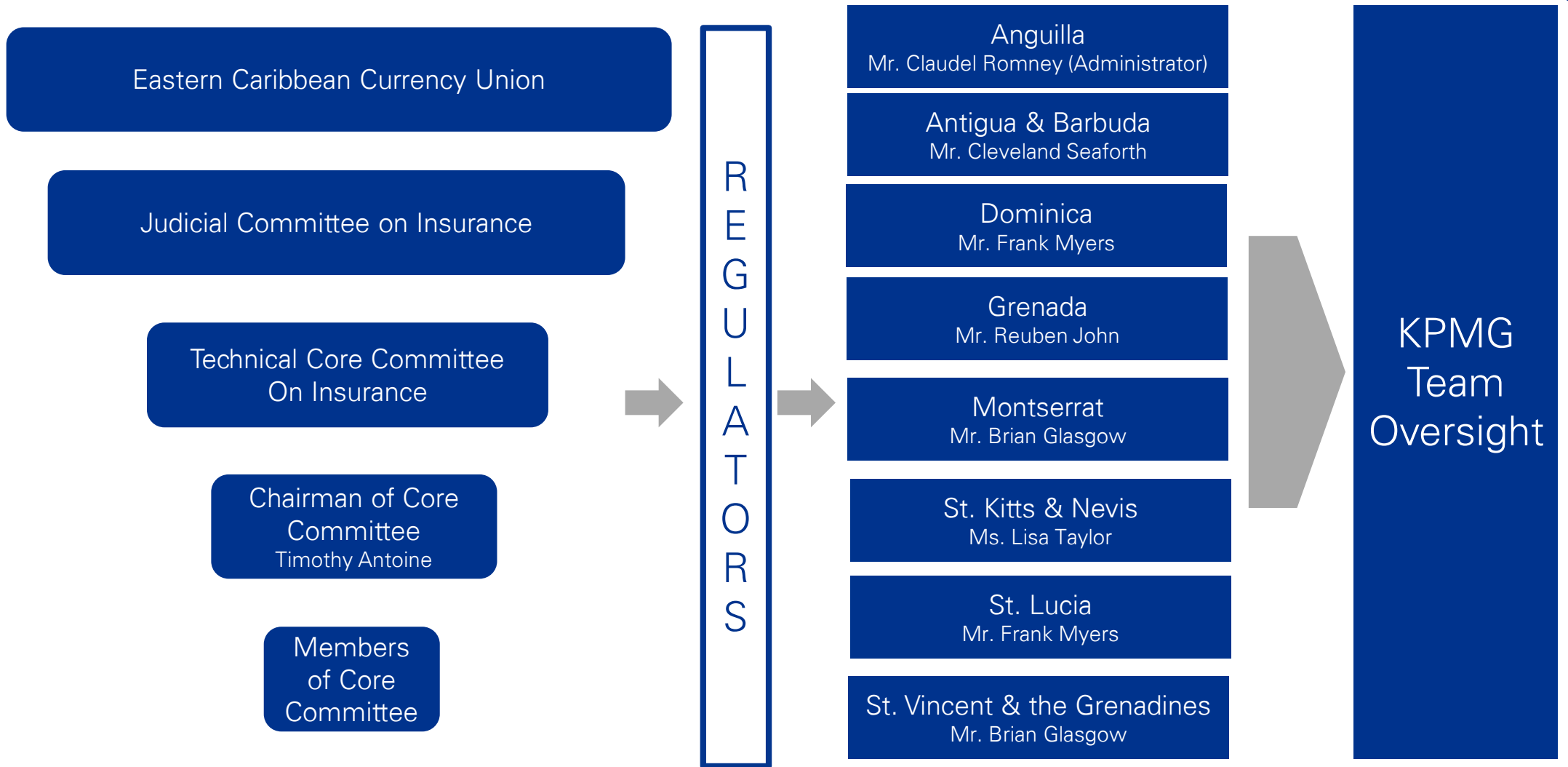


British American Insurance Company Limited (in Judicial Management)

History



Team



Regional Solution

Activities undertaken in Judicial Management

Actions taken to date in respect of the EC Branches

1 Proposed initial solution: formation of a new company (“NewCo”)

- NewCo was to be capitalised with funds from the Eastern Caribbean Monetary Union, independent investors and funds from GORTT
- NewCo was to assume the liabilities of BAICO and the prospects of recovery for policyholders, whilst not receiving a full payment, would have been enhanced
- Unfortunately after 18 months, the funding solution did not materialise and the NewCo solution was discontinued

2 Transfer of property insurance business

- Negotiations were held with third parties interested in acquiring the property insurance business of the Company
- An agreement between Caribbean Alliance Insurance (“CAI”) and the Company concluded in May 2010
- The Judicial Managers arranged for all Property policies with BAICO to be replaced with coverage from CAI

3 Creation of EC Health Fund

- Launched May 18, 2011 to ensure eligible EC resident policyholders had their agreed health related claims paid in full
- Total of c.1,500 applications were received resulting in payments of c.EC\$3.5 million to policyholders. No further payments are due to be made
- The Health Fund is now closed to applications in accordance with its terms and all Health policies were cancelled

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Sale of the Traditional Business to Sagicor Life, Inc. (“Sagicor”)

- The sale closed on March 15, 2013 and resulted in the transfer of all inforce policies along with the liability for any Traditional Life policyholder debt that existed as of March 15, 2013
- Sagicor completed its integration of the EC Traditional Business policies into its own operations in February 2014
- 15,688 life and pension policies with an actuarial liability of c.EC\$90.4 million have been transferred to Sagicor with the policyholders having their full value restored through funding from the EC Governments

Activities undertaken in Judicial Management

Actions taken to date in respect of the EC Branches cont.

Annuity Relief Programme

- Phase 1 of the ARP assisted FPA policyholders with individual policy values of less than EC\$30,000.
- Phase 2 of the ARP assisted EFPA and FPAII policyholders with individual policy values of less than EC\$30,000.
- Phase 3 of the ARP assisted EFPA and FPAII policyholders with individual policy values over EC\$30,000 and FPA policyholders who had an accumulated value at 1 August 2009 of over EC\$30,000.
- The following table summarises the three phases of the ARP:

	Eligible Policyholders		Applications		Total Relief Payments	
	Count	Value EC\$ millions	Count	Value EC\$ millions	Count	Value EC\$ millions
Phase 1	5,073	25.0	3,146	19.8	3,146	19.8
Phase 2	2,680	32.1	2,542	30.5	2,418	29.0
Phase 3	2,669	80.1	2,575	77.3	1,820	54.6
Total	10,422	137.2	8,263	127.6	7,384	103.4

- As can be seen from the above table, certain applications have been received but not yet paid.
- The EC Governments are in discussions with the Government of Trinidad & Tobago to attempt to obtain the funding required to make further payments. Other avenues of funding are also being explored.

Activities undertaken in Judicial Management

Non-EC branches

- Sale of the Cayman, Turks & Caicos, Curacao and Aruba branches and subsidiaries
- Bermuda: Plan of Arrangement fully implemented
- Guyana: successful asset realisation with the sale of property in September 2014 representing the final significant asset in Guyana
- Panama: information received from the local liquidator indicates that c. EC\$11.6 million has been paid to policyholders in Panama from assets located in Panama.



Activities undertaken in Judicial Management

Litigation



Litigation in the United States of America

- Action against Directors et al
 - relates to breach of fiduciary duty, fraudulent transfer, fraud and aiding and abetting claims and generally in relation to the Company's failure.
- Action to recover sums invested in funds known as the Corban Fund II
 - relating to civil theft, unjust enrichment and fraud claims.
- Action to recover funds held at Wells Fargo Advisors ("WFA")
 - in July 2014 a settlement was reached in this matter which was approved by the USBC in September 2014.

Litigation in Trinidad & Tobago

- Amount owed by CLF under the terms of a Promissory Note.
- Recovery of an amount loaned to a former director of the Company, Brian Branker.

There are various other legal actions ongoing or anticipated.

Suggested approach: Plan of Arrangement

Legislation



- There is currently **no consistent process** available to implement **across the regions** which will allow for the distribution of funds equally across all territories
- The Judicial Managers in conjunction with the Core Committee have proposed **new legislation**, specifically for the use of BAICO, to allow the Company to propose a **“Plan of Arrangement”** to its policyholders
- The legislation will provide **a mechanism for a payment** to insurance creditors in a much reduced time frame than may otherwise be the case
- The Act has already been passed in **Grenada, St. Vincent & the Grenadines, Antigua & Barbuda and Montserrat**

Suggested approach: Plan of Arrangement

Meeting of Creditors



- **Plan Creditors** are entitled to **vote** at the Plan Meeting either **in person or by proxy**.
- It is proposed that the **Principal Meeting** will be held in St. Kitts & Nevis at the **Offices of the Eastern Caribbean Central Bank**. Sub-meetings in Antigua, Grenada and St. Vincent & the Grenadines. The Principal Meeting and the sub-meetings will, together, be treated as one “Meeting”.
- The **proposed Chairman** of the Meeting is **Sir Errol Allen** and he will be situated at the Principal Meeting in St. Kitts & Nevis. The Chairman will produce a report detailing the results from the Meeting.
- In order for the Plan to be approved, **a simple majority in number** of those attending the Meeting (either in person or by proxy) must vote in favour of the Plan. That majority must represent **at least 75% in value** of the claims of those attending the Meeting. If these thresholds are not reached, the Plan will not be implemented.
- **If a Plan is approved** by the creditors and the Court **it will be legally binding** on all the creditors to whom it applies regardless of whether they have voted for it, against it or if they chosen not to vote.

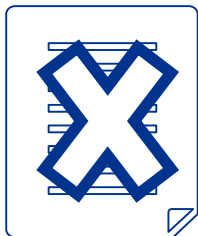
Suggested approach: Plan of Arrangement

Policies covered by the Plan



- The Plan defines Plan Creditors as those persons who have a claim arising out of a residual policy of insurance, issued by the Company being, principally, policies issued in the EC Territories entitled:
 - Executive Flexible Premium Annuity policies
 - Flexible Premium Annuity policies
 - Flexible Premium Annuity II policies
 - Policies which lapsed after the appointment of the Judicial Manager but prior to the transfer of the life business to Sagicor Life, Inc. ("Sagicor") (and not subsequently reinstated with Sagicor);

Policies not affected by the Plan



- Other business not affected by the Plan, including but not limited to:
 - Business which has been transferred or sold by the Judicial Manager
 - Business for which other parties have assumed responsibility for claims e.g. Annuity Relief Programme
 - Policies issued by the Company's branch in Bermuda which have been settled under a separate Plan of Arrangement

Plan documentation



- All policyholders will receive the following Plan documentation:
 - Explanatory Statement and Plan of Arrangement
 - Notice of Plan Meeting
 - Green Voting Claim and Proxy Form
 - Answers to Frequently Asked Questions
- Claims will be valued as at the Ascertainment Date

Completion of Voting Claim Section

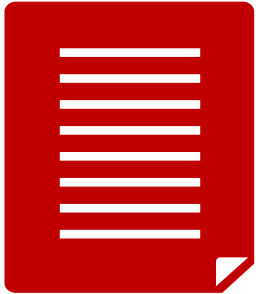
- All policyholders will receive a green Voting Claim Form. If you do not receive one, please request from the Judicial Manager or download from the BAICO website
- Review the form and consider whether you agree with the policy values and your contact details
- If you do agree and wish to vote at the Meeting in person, please bring your Voting Claim Form and ID to the Meeting
- If you do not agree, please provide support for your claim value/change of details

If you wish to appoint a Proxy, please complete the Proxy section of the Form

Completion of Proxy Section

- If you wish to appoint the Chairman of the meeting to act as your proxy please indicate on the Form that you wish to do so and how you wish the Chairman to vote on your behalf
- If you wish to appoint someone else to vote on your behalf, complete the Form indicating who you are appointing and how you would like them to vote (or leaving voting to their discretion)
- "Proxy" will attend the meeting on your behalf and should bring the Form and Photo ID

Final Claim Form



If the Plan becomes effective, the Judicial Manager will **send notice by post** with completed Final Claim Forms **to all Plan Creditors** with known addresses (“Final Claims Submission Date Notice”).



The deadline for submitting completed Final Claim Forms is the Final Claims Submission Date, which **is 28 days after** (and not including) **the date of the Final Claims Submission Date Notice**.



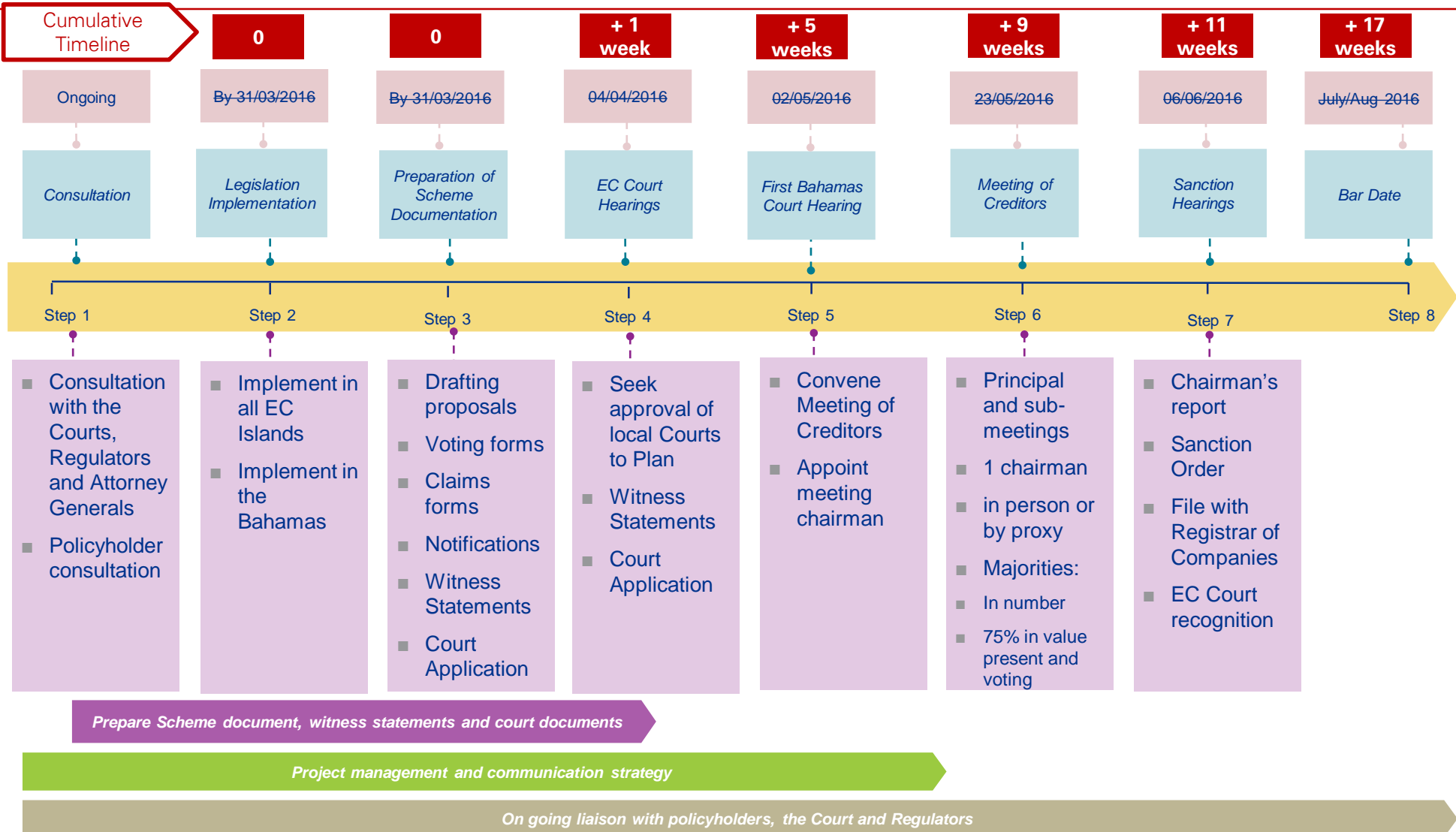
If a **Plan Creditor does not agree** with the value attributed to their Plan Claim appearing on the Final Claim Form or has not received a Final Claim Form, he/she **should notify the Company** before the Final Claims Submission Date.



Any Plan Claims which are not agreed between the relevant Plan Creditor and the Judicial Manager will be **treated as Disputed Plan Claims** and referred to the Plan Adjudicator.

Draft Timeline

PLEASE NOTE: This timeline has been updated since the Consultation Meetings due to a delay in the implementation of legislation. The timeline shown at the Consultation Meetings was the optimum timeline but was based on legislation being passed in the Bahamas and throughout the EC Region by the end of March. From the date the legislation is successfully implemented in the Bahamas it is expected that the Meeting of Creditors will be held 9 weeks after this point and the Bar Date 17 weeks after this point as illustrated below, however, this is subject to court availability



Estimated Outcome

	Low Estimate	High Estimate
Estimated net assets (EC\$m) – see Note below	148.2	157.8
Estimated Ultimate dividend range	25%	27%
Estimated Initial dividend range	15%	17%

The dividend payment to annuity creditors is **not** in addition to any payments received from the Annuity Relief Program (“ARP”)

Annuity creditors with principal balances (i.e. original premium less any withdrawals but excluding any reinvested or accrued interest) of greater than EC\$30,000 will have already received EC\$30,000 under the ARP. As was stated at the time, as a condition of receiving these funds, this is treated as an advance dividend from the Company.

If, for example, the ultimate dividend rate is 25%, qualifying annuity creditors with balances (before any ARP payments) but including interest to 8 September 2009) of less than EC\$120,000 will receive no further dividend payments while those with balances over EC\$120,000 will receive a dividend equal to 25% of the excess over EC\$120,000.

Notes

- Estimated Net Assets have been determined after allowance for expenses and other liabilities but exclude any additional realizations that may arise from litigation actions currently in progress or contemplated.
- Certain assumptions have been made as to asset values which may subsequently prove not to be accurate.
- Assumptions have been made about the level of claims against BAICO.

EXAMPLE DIVIDEND CALCULATIONS

- Creditor who has received no payment under the Annuity Relief Program (“ARP”)

	Amount (EC\$)
Total Plan Liability	20,000
Total Plan Distribution (25%)	25%
Amount to be paid to Plan Creditor	5,000

- Creditors who have received payment under the ARP

	Amount (EC\$)	Amount (EC\$)
Principal amount	100,000	250,000
Accrued / unpaid interest to 8 September 2009	10,000	25,000
	<i>110,000</i>	<i>275,000</i>
Total Plan Distribution (25%)	27,500	68,750
<i>Less ARP</i>	(30,000)	(30,000)
Amount to be paid to Plan Creditor in total	-	38,750

What next?

- Once the legislation is enacted, all Plan policyholder creditors will receive Plan documentation
- Policyholders should read the Plan proposals and decide whether they wish to vote in favour or not
- Policyholders should review the details on the Green Voting Claim form and advise any change in their contact details and provide support if they do not agree with the Claim amount
- Attend and vote at Plan Meeting or policyholders should complete the Proxy section of the Form if they wish the Chairman to act as proxy at the Meeting of Creditors or if they wish to appoint someone else to vote on their behalf

Q+A

Contact Information

WEBSITE: <http://www.kpmg.com/BS/en/Pages/BAICO.aspx>

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