

CLICO INTERNATIONAL LIFE INSURANCE LIMITED
(Under Judicial Management)

Presentation to Barbados policyholders
October 01, 2011

Insurance Act of Barbados

Section 57 of the Insurance Act states that where the Supervisor of Insurance (now replaced by the FSC from April 1, 2011), by reason of the conclusion arrived at as result of an investigation under section 51 in respect of any company, is of the opinion that it is necessary or proper to do so, he may, with the leave of the court, present a petition for an order that the company be placed under **judicial management** on the ground that :

- The company is in financial difficulties;
- The insurance business of the company is not being conducted in accordance with sound insurance principles and practice; or
- It is otherwise in the interest of the policy-holders that such an order be made.

Background to appointment of a Judicial Manager for CIL

- On March 1, 2011 the Supervisor of Insurance petitioned for CLICO International Life Insurance (“CIL”) to be placed into Judicial Management on the basis that the company was in financial difficulties and has challenges paying its policyholders, annuitants, pension plan holders and creditors. The Supervisor also expressed concern that the financial condition of the company jeopardized its ability to continue as a going concern.
- On April 14, 2011 the High Court of Barbados ordered that CIL be placed into Judicial Management and appointed Deloitte Consulting Ltd. (acting through Oliver Jordan and Patrick Toppin) as Judicial Manager

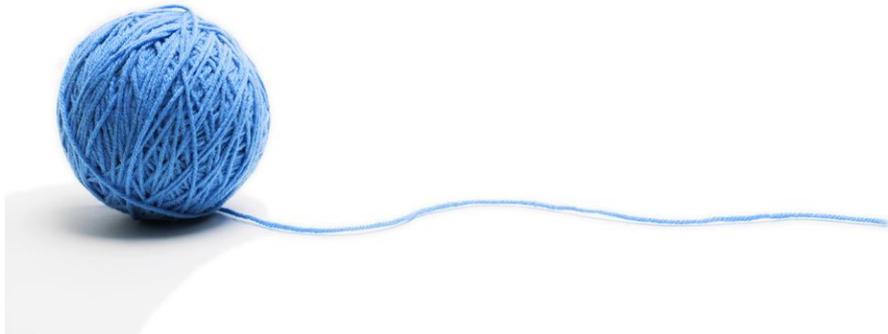
Primary Objective of the Judicial Manager

- To determine the best option available for CIL, including consideration of the liquidation of the company
- In considering the options available, it was necessary to conduct a review of the company's operations and financial condition and to determine the values of all available assets and liabilities

Other Objectives

In addition, the Judicial Manager has taken into consideration several other general principles in developing and considering the restructuring options. These include:

- seeking where possible, a consistent result for policyholders in all jurisdictions;
- recognition of the needs of the different policyholder groups (and within policyholder groups);
- Minimising potential impact on systemic risk in the region;
- Recognition of the current financial constraints facing many of the governments in Barbados and the ECCU.



Scope of CIL's Operations

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- CIL's head office is in Barbados and it operates branch operations in eight other countries in the Eastern Caribbean.
- The following is a summary of the Judicial Management appointments for each branch:

Country	Judicial Manager	Date appointed
St. Lucia	Richard Surage of PKF	April 11, 2011
Barbados	Deloitte Consulting Ltd. (acting through Oliver Jordan and Patrick Toppin)	April 14, 2011
St. Kitts & Nevis	Omax Gardner of PKF	April 28, 2011
Grenada	Oliver Jordan of Deloitte Consulting Ltd.	May 19, 2011
Anguilla	Oliver Jordan of Deloitte Consulting Ltd.	May 27, 2011
Antigua	Oliver Jordan and Patrick Toppin of Deloitte Consulting Ltd.	September 12, 2011
St. Vincent & the Grenadines	Oliver Jordan and Patrick Toppin of Deloitte Consulting Ltd	June 2, 2011
Montserrat & Dominica	Oliver Jordan and Patrick Toppin of Deloitte Consulting Ltd. to be appointed	To be confirmed

Profile of CIL's policyholder liabilities

	<u>Consolidated</u>	<u>Barbados</u>	<u>EC Islands</u>
Traditional Business*	\$325m	\$168m	\$157m
EFPAs	\$510m	\$188m	\$322m
Total	\$835m	\$356m	\$479m

** Includes Life Insurance, Health, Pension Plans, FPAs*



Restructuring of CIL

Reports of the CIL Judicial Manager

- The High Court Order of April 29, 2011 specified that the Judicial Manager file an Interim Report within 30 days of that date and a Restructuring Plan within 90 days of that date
 - The Interim Report was filed on May 27, 2011
 - The Restructuring Plan was filed on July 28, 2011

Valuation of assets and policyholder liabilities

- To establish a basis for restructuring of CIL the JM undertook to:
 - Establish the current value of all assets of CIL (on both liquidation and going concern basis)
 - The assets of CIL's parent company CLICO Holdings were also valued as these assets are to be available for CIL's policyholders
 - Commission a reassessment of the actuarial reserves reported by the Company's actuary to establish the required reserves for policyholder liabilities.

CIL Current Financial position

	Forced Liquidation	Going Concern
Current Value of Assets	\$409m	\$512m
Reserves for policyholder liabilities	\$835m	\$835m
Unfunded liabilities	\$426m	\$323m
Value of assets a % of policyholder liabilities	49%	60%

Impact on policyholders – Forced Liquidation

- It was estimated that based on the current value of available assets the return to policyholders under a forced liquidation would be less than **50¢** for every dollar of liability and could well be between **40¢** and **45¢** when the costs of liquidation are factored in.
- There is also the social costs of liquidation (impact on individuals, credit unions, etc).

Impact on policyholders – Going Concern

- It is estimated that based on the current value of CIL's available assets the return to policyholders under a going concern would be 60¢ for every dollar of liability.
- The remaining 40% of policyholder liabilities are not backed by available assets.

JM Recommendations as of July 28, 2011

- In considering the options for restructuring CIL the Judicial Manager has been cognisant of finding a solution which minimises the financial impact on policyholders of the existing traditional insurance (Life, Health, Pension and FPAs) and EFPA (Executive Flexible Premium Annuity) business of the company.

JM Recommendations as of July 28, 2011

- Proposed that 60% of all policyholder liabilities be transferred to a new company to match the value of available assets:
 - ✓ The traditional policies would be transferred at 60% of current value.
 - ✓ The EFPA policies transferred would be converted into annuities equivalent to 60% of current value.
- Assumed no external funding from Barbados and ECCU Governments.

JM Recommendations as of July 28, 2011

- All policyholders receive common shares in the new company for the other 40% of their policy value.
- The shares would have nominal value at the date of conversion but there is the possibility of future value based on support from policyholders for the new company.
- It is proposed that the ultimate aim be that these shares be listed on the BSE and ECSE.

JM Recommendations as of July 28, 2011

	Current	New Company
Assets	\$512m	\$512m
Reserves for policyholder liabilities	\$835m	\$511m
Equity - say	(\$323m)	\$1m

- If the deficit of \$323m could be funded by Governments, shareholders or asset recoveries there would be no need for the recommendation to establish a new company.

JM Recommendations for Forensic Audit

- In the Interim Report of May 27, the JM noted that the Company was unable to provide documentation to support approx. \$350 million of the assets recorded on its balance sheet as of the date the Judicial Manager was appointed (primarily associated with intercompany transaction).
- The JM has therefore recommended that a Forensic Audit be commissioned to identify other assets that could be identified for the benefit of policyholders. The recommendation was approved by the Court on September 20, and the Audit will commence in early October 2011.



CIL Advisory Committee

CIL Advisory Committee

- A CIL Advisory Committee was created to provide advice to the Judicial Managers on the options and possible resolution strategies given the systemic risk posed to the Barbados and ECCU financial systems by the financial difficulties of CIL.

The composition of the CIL Advisory Committee is as follows:

- Dr. DeLisle Worrell (Co-Chair), Barbados, Governor of the Central Bank of Barbados
- Mr. Timothy Antoine (Co-Chair), Grenada, Chairman of the ECCU Technical Core Committee
- Mr. Calixte Leon, St. Lucia, Chairman, ECCU Technical Committee of Regulators
- Ms. Margaret Sivers, Barbados, Permanent Secretary (Ag.) Ministry of Finance in Barbados

CIL Advisory Committee

Meetings of the CIL Advisory Committee also include:

- Mr. Oliver Jordan and Mr. Patrick Toppin of Deloitte Consulting Ltd. – Judicial Manager of CIL in Barbados
- Mr. Richard Surage of PKF – Judicial Manager of CIL's branch operations in St. Lucia
- Mr. Omax Gardner of PKF St. Kitts - Judicial Manager of CIL's branch operations in St. Kitts & Nevis
- Ms. Desiree Cherebin, Consultant to the Central Bank of Barbados

CIL Advisory Committee

- Through consultation with the CIL Advisory Committee, we have developed other restructuring options primarily based on the possibilities of capital injections from the Barbados and ECCU Governments



Addendum to the July 28th Report

Additional restructuring options for CIL

- As a result of the consultations with the CIL Advisory Committee the Judicial Manager has developed four additional options that enhance recovery for policyholders beyond that contemplated in the JM's July 28 report to the Court (which assumed that the only recovery available would be from the Company's existing assets).
- All the options develop on the initial recommendations that a new company be established.
- Additionally the possibility that the traditional business (Life, Health, Pensions, FPAs) would be fully covered (100%) and that Corporate EFPAs would only receive shares in the new company is consistent in all four options.

Option #1

- Individual EFPAs and Quasi Government EFPAs policies are transferred to the new company at full value (principal and accrued interest) but converted into annuities.
- Corporate EFPAs policies receives shares in the new company based on their outstanding principal and accrued interest.
- **The required investment by Governments under this option is Bds\$152MM.**

Option #2

- Individual EFPAs policies are transferred to the new company at full value (principal and accrued interest) but converted into annuities.
- Corporate EFPAs and Quasi-Government EFPA policies receives shares in the new company based on their outstanding principal and accrued interest.
- **The required investment by Governments under this option is Bds\$103MM.**

Option #3

- Individual EFPAs and Quasi Government EFPAs policies are transferred to the new company at but only the **principal balance** is converted into annuities.
- All **accrued interest** on Individual EFPAs and Quasi Government EFPAs policies are converted into shares in the new company.
- Corporate EFPAs policies receives shares in the new company based on their outstanding principal and accrued interest.
- **The required investment by Governments under this option is Bds\$94MM.**

Option #4

- Individual EFPAs policies are transferred to the new company at but only the **principal balance** is converted into annuities.
- All **accrued interest** on Individual EFPAs and are converted into shares in the new company.
- Corporate EFPAs and Quasi Government EFPAs policies receive shares in the new company based on their outstanding principal and accrued interest.
- **The required investment by Government under this option is Bds\$56MM.**



Conclusion

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- The JM has developed 5 options for restructuring by transferring the existing assets and liabilities into a new company along with the conversion of some of the liabilities into shares in the new company.
- The first option assumes no external funding.
- The remaining options are subject to confirmation from regional governments as to available funding .



Keys to Success

Critical Success Factors

- Policyholder support for the restructuring plan and ongoing support for the new company.
- Special dispensation from the insurance regulators to allow CIL to pledge certain real estate assets to meet its Statutory Insurance Fund obligations.
- Agreement on a model to ensure that all assets of the company are held for the benefit of all policyholders.
- Regulatory approval to write new business in the jurisdictions in which the CIL currently operates.
- Policyholder support for the restructuring plan and ongoing support for the new company.



Next Steps

Deloitte.

Next Steps

- The proposed restructuring options for CIL will now require extensive consultation with various stakeholders across the region.

Therefore we are pursuing the following courses of action:

- Continued consultation with regional Governments and Insurance Regulators;
- Extensive consultations with policyholders in all jurisdictions;
- Confirming the possibility of funding from Barbados and ECCU Governments;
- Obtaining final Court approval in all jurisdictions after one option is selected.

**THANK YOU TO ALL
POLICYHOLDERS**



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