



Press Conference

**Announcement of the
Central Bank's CLICO Resolution Plan**

Friday March 27th, 2015

Port of Spain, Trinidad & Tobago

Jwala Rambarran

Governor

Central Bank of Trinidad and Tobago

Good morning Ladies and Gentlemen.

Today is a significant day in the painful story that was the CLICO financial crisis.

For CLICO creditors and policyholders the end of this traumatic experience is finally drawing near.

Today, six years after CLICO collapsed, the company is in a position to make its first payment of just over 7 billion dollars to its single largest creditor: the Government of Trinidad and Tobago. This represents more than 40 per cent of CLICO's debt to Government.

Today is also a turning point for the thousands of policyholders, who've endured unimaginable hurt and pain as a result of the CLICO crisis. CLICO is also in a position to pay out about 950 million dollars to policyholders. These two creditors are receiving an equal 85 per cent payout at this stage.

These two payments are being made according to the terms of the CLICO Resolution Plan developed by Central Bank and finalized last week Monday after consultation with the Minister of Finance and the Economy as required under Section 44F of the Central Bank Act. Central Bank's CLICO Resolution Plan was developed to repay all creditors and policyholders and to ultimately facilitate the transfer of CLICO's traditional insurance portfolio to a suitable buyer by ensuring that enough appropriate assets are put aside.

They say timing is everything...and the question for many is why start these payments now? The answer is: CLICO is now in a position to make payments to its creditors in order to advance the resolution of the company. CLICO's ability to meet its obligations to creditors and policyholders is based on its most recent Management Accounts as at December 2014 and our up to date understanding of CLICO's Statutory Fund position.

These numbers indicate CLICO now has sufficient assets to pay its liabilities in its Statutory Fund. The improvement in CLICO's Statutory Fund position resulted mainly from the sale of CLICO's shareholding in Methanol Holdings Trinidad Limited (MHTL) in October 2014. This sale added just over 7 billion dollars of cash to CLICO's Statutory Fund. The

bottom line is, the sale of the MHTL asset injected the funds needed to move CLICO's resolution forward and to help define our resolution plan.

Central Bank's Resolution Plan for CLICO has 3 phases.

We are sharing the details of this Plan with the country so you fully understand how the Plan will work... if you are a policyholder or creditor... how our plan will impact you.

There are at least five principles, heavily based in law we used to determine how we would proceed with the Resolution. The most important guiding principle of our Resolution Plan was to take action for the benefit of CLICO policyholders and creditors without reference to shareholder value. This is consistent with Central Bank's duties upon assuming control of CLICO under Section 44D of the Central Bank Act. On this basis, Central Bank determined the categories of creditors to whom CLICO owes money and this dictates the order of priority in which payment will be made in these three phases.

The first phase I've just spoken about is payment today to Government and a payment to a specific group of policyholders. In this first stage, the first creditors to be paid as established by the Resolution Plan are Government and the group of policy holders who held Short Term Investment Products (STIPs) but opted, not to take up Government's offer to be paid their money through Government bonds and shares in the CLICO Investment Fund.

Government and these 1500 policyholders will receive first priority for payment as their policy obligations are accorded legal protection through assets held in CLICO's Statutory Fund. Of course, CLICO's 100 hundred thousand odd traditional policyholders have equal protection through the Statutory Fund and our process has ensured that sufficient assets are available to meet their obligations.

Government will initially receive an 85 per cent payout of its claims on CLICO's Statutory Fund. This will comprise a payment of 4 billion dollars in cash today and potentially around 3 billion dollars in lieu of cash through the transfer of CLICO's shareholdings in Angostura Holdings Limited, CL World Brands Limited and Home Construction Limited. This transfer of these 3 CLICO assets to Government will be subject to an independent valuation pursuant to section 44D of the Central Bank Act.

The 1500 non-assenting STIPs policyholders are also first in line to equally receive an 85 per cent payout of their claims on CLICO's Statutory Fund. This payment will amount to about 950 million dollars of just over the 1 billion dollars owed to them. CLICO will communicate its processing schedule for the payout to these policyholders next week. The first payout to the non-assenting STIPs policyholders is expected to take no more than three months.

The second phase of Central Bank's CLICO Resolution Plan will meet the remaining 15 per cent of the claims of Government and the balance of non-assenting STIPs policyholders on CLICO's Statutory Fund. This payout will be funded from the proceeds of the sale of CLICO's 57 percent shareholding in Methanol Holdings (International) Limited (MHIL). This sale which is expected to realize proceeds in the region of at least 2 billion dollars will be subject to an independent valuation and done in accordance with the MHIL Shareholders Agreement. This second payout will clear CLICO's debt to all its Statutory Fund creditors and leave sufficient assets to fully and appropriately cover the needs of CLICO's traditional policyholders. The timing of this second payout will of course be dependent on the sale of MHIL.

The third phase of Central Bank's CLICO Resolution Plan is the realization of other assets to meet all liabilities (outside of the Statutory Fund) to non-Government mutual fund holders and non-residential STIPs policyholders. These are persons who either had STIPs policies but were resident outside of Trinidad and Tobago and, therefore, not eligible for Statutory Fund protection, or persons who had invested in the CLICO mutual funds which, not being insurance policies, were also not eligible for Statutory Fund protection. In both cases, Government had made a voluntary offer to each group and as a result, outside of the Statutory Fund, the Government has a 2.1 billion dollar claim on CLICO from those that accepted the offer. CLICO's obligations to the group that did not accept the Government's voluntary offer amount to about 410 million dollars. The third phase payout is expected to be funded by the sale of CLICO's 7 per cent shareholding in Republic Bank Limited and the sale of other assets. The timing of the payout will be dependent on the sale of these assets.

At this stage we would have accounted for all of CLICO's Statutory Fund and Non-Statutory Fund creditors. Government would then be left with 5 billion dollars of Preference Shares along with approximately 1 billion dollars of accrued but unpaid dividends on these Preference Shares. The projections suggest the residual assets of CLICO would, when ultimately realized, likely be sufficient to fully repay this 6 billion dollar liability to Government.

As we've started the first phase of the CLICO Resolution Plan, we will also be moving ahead with the process to sell CLICO's traditional insurance portfolio which comprises its life, group health and pension policies. CLICO's traditional portfolio was independently valued and we are in the process of appointing an Investment Advisor to lead the portfolio sale. Appropriate assets have also been identified to enable the ultimate transfer to a suitable buyer.

Now that I've explained the three phases of Central Bank's CLICO Resolution Plan, there are two matters I'd like to address. The first matter relates to CLICO's 18,000 assenting policyholders. These are the majority of CLICO's policyholders who accepted Government's offer. Government is committed, in principle, to making these policyholders whole, that is, they will not be made worse off under this Resolution Plan for accepting Government's offer. The Minister of Finance and the Economy will provide details on this issue shortly.

The second matter relates to British American Insurance Company Trinidad Limited, commonly known as BAT. The Resolution Plan for BAT entails a broadly similar payment plan for the creditors of BAT, but owing to financial constraints within BAT, requires some assistance in order to achieve a more comprehensive outcome. As a result, Government will provide funding assistance to BAT to meet Statutory Fund and other creditor liabilities and to provide the necessary assets to enable the potential transfer of BAT's traditional insurance portfolio to a suitable buyer.

I started off by saying today is an important day, a turning point in the story that was the CLICO crisis...Looking ahead Central Bank's CLICO Resolution Plan has now given it an end, it is an end subject to disposal of certain CLICO assets but we would like to assure the country, this plan will be executed in the manner outlined and this grueling six year journey will come to an end.

As I indicated before the most important guiding principle of our CLICO Resolution Plan was to take action for the benefit of CLICO policyholders and creditors and we wholeheartedly believe this will be accomplished.

It's all a bit technical and complex, indeed the entire matter was unprecedented not only in Trinidad and Tobago but in the Caribbean. Let me then recap the broad elements of our CLICO Resolution Plan that you need to remember:

1. Government, as the single largest creditor of CLICO, will receive 4 billion dollars in cash today, and the balance of around 3 billion in lieu of cash upon the transfer of three CLICO assets, Angostura Holdings Limited, CL World Brands Limited and Home Construction Limited.
2. The 1500 non-assenting STIPs policyholders will receive 85 per cent of their claim or about 950 million dollars in 3 months, and the remaining balance after the sale of Methanol Holdings International Limited.
3. Creditors outside of the Statutory Fund such as non-Government mutual fund holders and non-residential Short Term Investment Products policyholders will be paid following the sale of CLICO's RBL shares and other assets.
4. The policyholders who accepted Government's offer of bonds and shares in the CLICO Investment Fund will be no worse off. The Minister of Finance and the Economy will provide details shortly on how these policyholders will be treated.
5. The claims of BAT policyholders will also be settled.

As I wrap up I want to repeat Central Bank's CLICO Resolution Plan will bring closure to this deep financial wound inflicted on thousands of CLICO policyholders and Central Bank is doing all in its power and more to ensure such a financial trauma will never again be inflicted on you.

I thank you. I'm now open for questions.