

UPDATE ON THE RESOLUTION PLAN FOR COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED (CLICO)

Background

On February 13 2009, Central Bank of Trinidad and Tobago assumed control of CLICO in accordance with its special emergency powers under Section 44D of the Central Bank Act Ch. 79:02. Central Bank took this regulatory action to safeguard the interests of CLICO's policyholders and creditors and to prevent substantial disruption posed to the domestic financial system by CLICO's collapse.

On March 27 2015, Central Bank announced its Resolution Plan for CLICO. Central Bank's CLICO Resolution Plan was developed to repay CLICO's debts to its creditors and policyholders through the sale/transfer of CLICO's own assets and facilitate the sale of CLICO's traditional insurance portfolio to a suitable buyer.

The process of selling/transferring CLICO's own assets requires oversight by the Central Bank for accountability and transparency, statutory independent valuations in accordance with Section 44D of the Central Bank Act and consultations with the Minister of Finance under Section 44F (5) of the said Act.

The 2015 CLICO Resolution Plan

The 2015 CLICO Resolution Plan has three phases:

1. The first phase involves payment to Government, as the single largest creditor of CLICO, and to nearly 1,700 policyholders 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. These policyholders are referred to as non-assenting STIPs policyholders. Government will receive an 85% payout of its \$7 billion claim on CLICO's Statutory Fund. This payment comprises at least \$4 billion in cash, and the balance of around \$3 billion will be settled upon the transfer to Government of CLICO's shares in three of CLICO's assets, Angostura Holdings Limited (AHL), CL World Brands Limited (CLWB) and Home Construction Limited (HCL). The non-assenting STIPs policyholders will equally receive an 85% payout of their \$1 billion claim on CLICO's Statutory Fund. Proceeds from the sale of CLICO's shareholding in Methanol Holdings Trinidad Limited (MHTL) will fund this first phase.
2. The second phase will meet the remaining 15% of the claims of Government and non-assenting STIPs policyholders on CLICO's Statutory Fund. Proceeds from the sale of CLICO's shareholding in Methanol Holdings (International) Limited (MHIL) are intended to fund this second phase.
3. In the third phase, creditors outside of CLICO's Statutory Fund such as non-Government mutual fund holders and non-residential STIPs policyholders will be paid following the sale of CLICO's shareholding in Republic Bank Limited (RBL) and other assets.

Progress under the 2015 CLICO Resolution Plan

Since March 2015, Central Bank has made significant progress towards achieving the objectives of its CLICO Resolution Plan. The milestones are as follows:

First Partial Distribution

1. On March 27 2015, CLICO made the first partial payment of \$4.2 billion to the Ministry of Finance. On May 14 2015, CLICO began payments to non-assenting STIPs policyholders. At the end of October 2015, CLICO paid \$695 million to 486 non-assenting STIPs policyholders. This represented 68% of the total value of claims paid to 34% of these policyholders. The remaining non-assenting STIPs policyholders are yet to submit their claims to CLICO for processing and CLICO stands ready to make the payments as soon as the claims are submitted.

Valuation of Assets

1. Following consultations with Central Bank, CLICO engaged PAF Securities, a Miami-based investment banking firm, on May 6 2015 to conduct independent valuations of CLICO's shareholdings in AHL and CLWB. On August 12 2015, CLICO received final independent valuation reports on AHL and CLWB from PAF Securities. After review, Central Bank forwarded these two valuation reports on August 26 2015 to the Minister of Finance. Consultations are progressing with the Minister of Finance on the valuations of AHL and CLWB.
2. Based on changes in the global energy markets, Central Bank instructed CLICO on May 6 2015 to update a November 2014 valuation of MHIL done by Duff and Phelps, a global financial advisory and investment banking firm. On August 3 2015, Duff and Phelps completed the final independent valuation report of MHIL. After review, Central Bank forwarded the MHIL valuation report to the Minister of Finance on August 26 2015 and consultations were completed on September 28 2015. Central Bank subsequently instructed CLICO on October 27 2015 to proceed to sell CLICO's shareholding in MHIL to a suitable buyer, consistent with the independent valuation and with the requirements of the MHIL Shareholders' Agreement. This Agreement regulates the relations among Consolidated Energy Limited (CEL), CLICO and CL Financial, the three shareholders of MHIL.
3. Following consultations with Central Bank, CLICO engaged G.A. Farrell and Associates Limited (a leading local firm of Chartered Valuation Surveyors) and PAF Securities on September 8 2015 and September 21 2015, respectively, to conduct an independent valuation of CLICO's shareholding in HCL. The final valuation report on HCL is expected to be completed and submitted to Central Bank in early 2016, following which consultations will take place with the Minister of Finance on the sale of HCL.

Sale of Traditional Insurance Portfolio

1. On October 14 2015, CLICO and Central Bank engaged the international firm of Oliver Wyman as Advisor to assist with the sale of CLICO's traditional insurance portfolio. Oliver Wyman is a leading global management consulting firm with specialized expertise in corporate finance, economics and actuarial science.

Payment to Other Creditors outside the Statutory Fund

1. Payments to other creditors outside of CLICO's Statutory Fund will commence upon completion of the sale of RBL shares and other CLICO assets. Central Bank has started work on this third phase.

Central Bank will continue to provide relevant updates to the public as the CLICO Resolution Plan advances.