



UPDATE ON THE RESOLUTION OF COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED (CLICO) AND BRITISH AMERICAN INSURANCE COMPANY (TRINIDAD) LIMITED (BAT)

By way of Legal Notices Nos. 32 and 33 of 2009, the Central Bank on February 13, 2009 assumed control of CLICO and BAT, respectively, pursuant to its special emergency powers under Section 44D of the Central Bank Act Ch. 79:02 (the Act). This regulatory action was taken in order to safeguard the interests of policyholders and creditors and to prevent the disruption, substantial damage or impairment of the country's financial system.

From 2012 to the present, significant progress has been achieved in the resolution strategies for CLICO and BAT. The Central Bank, pursuant to its special emergency powers, has ensured that the following major steps have been accomplished:

1. Supporting the Government's continued pay out offer to Short Term Investment Product (STIP¹) Holders.
2. The cessation of new business in CLICO and BAT.
3. The streamlining of operations and resources of CLICO and BAT.
4. The implementation of Voluntary Separation Employee Packages and rationalization of agent arrangements with the re-hiring of a core group to maintain necessary operations.
5. The independent valuation of the "traditional insurance" business with a view to its transfer to an appropriate buyer has been completed for CLICO and is near completion for BAT. The Central Bank is now at the stage of engaging an investment advisor to assist with the portfolio sale.
6. The sale of CLICO's shares in Methanol Holdings (Trinidad) Ltd in keeping with the Order of the ICC International Court of Arbitration on October 9, 2014.
7. The concerted and significant reduction of commercial liabilities and the acquisition of assets to meet statutory fund requirements in CLICO over time.

In keeping with its obligations under section 44F of the Act, the Central Bank has been

in consultation with the Minister of Finance and the Economy with a view to developing a plan for this phase of the resolution of CLICO. Having regard to the commitments required from the Government in order to implement such a plan, the Central Bank has obtained the Government's agreement to certain measures to facilitate payment to the creditors of CLICO.

The key elements of this phase of the resolution plan for CLICO are as follows:

1. **A First Partial Distribution** of cash to all **statutory fund STIP holders including the Government (as assignee of the rights of such holders)** amounting to **85% of contractual liability on maturity**. Government's First Partial payment under the statutory fund shall comprise (a) approximately \$4 billion in cash; and (b) the transfer of CLICO's shareholdings in Angostura Holdings Limited (AHL), CL World Brands Limited (CLWB) and Home Construction Limited (HCL) to Government in lieu of cash, subject to an independent valuation pursuant to section 44D(vi) of the Act.
2. **A Second Partial Distribution** will meet the balance owed to **statutory fund STIP holders including the Government**, from the proceeds of sale of CLICO's Methanol Holdings (International) Limited (MHIL) shares, such sale to be subject to an independent valuation per section 44D(vi) of the Act and in accordance with the MHIL Shareholders' Agreement.
3. **A Third Distribution** from the realization of other assets to meet liabilities (outside of the statutory fund) to **mutual fund holders and non-residential STIP holders including the Government** as assignee of the rights of mutual fund holders and non-residential STIP holders who accepted Government's offer.
4. Payment to **other creditors** outside the statutory fund from the realization of other assets and the payment to the Government

as **Preference Shareholder** (investment plus interest) in subordination to the unsecured creditors but in priority to payment to Ordinary Shareholders from the remaining assets.

The resolution plan for BAT comprises the following:

1. Owing to the financial constraints in BAT, Government will make available funding assistance to BAT in order to provide the assets necessary to enable the potential transfer of BAT's "traditional insurance" portfolio. The funding will also be sufficient to provide STIP holders with payment of their principal balance without interest which will result in a more favourable outcome for such persons than would have been possible without the support of Government.
2. Payments to BAT's statutory fund STIP holders will be disbursed by way of a **First Partial Distribution of cash (85% of the principal balance) to commence upon receipt of funds from Government**.
3. Thereafter, a **Second Partial Distribution** (of the remaining 15% payment) will be made.

To facilitate an orderly payment process, CLICO and BAT will soon publish announcements in the media for the payment sequence for the **First Partial Distribution** which will be in alphabetical order, similar to the process used for the Government pay out. It is the objective to have all payments for the **First Partial Distribution** completed in approximately three (3) months from the commencement of this process.

The Central Bank will continue to provide updates on the progress of the implementation of this significant phase of the resolution of CLICO and BAT.

27th March, 2015

¹Executive Flexible Premium Annuity, Executive Single Premium Annuity, Group Advanced Protection or Guaranteed Annuity Advanced Protection Policy issued by CLICO and Executive Flexible Premium Annuity, Single Premium Annuity, Corporate Savings Contract and Flexible Premium Annuity II issued by BAT