

**REPORT OF THE CENTRAL BANK OF TRINIDAD AND TOBAGO  
TO THE HIGH COURT PURSUANT TO SECTION 44E(7) OF THE  
CENTRAL BANK ACT, CHAP 79:02 (AS AMENDED)  
FOR THE QUARTER ENDED**

**JUNE 30, 2016 RE: THE PROGRESS OF PROPOSALS TO RESTRUCTURE COLONIAL LIFE  
INSURANCE COMPANY (TRINIDAD) LIMITED (CLICO), BRITISH AMERICAN INSURANCE  
COMPANY (TRINIDAD) LIMITED (BAT) AND CLICO INVESTMENT BANK LIMITED (CIB)**

**Requirements of section 44E (7) of the Central Bank Act Ch. 79:02 (the Act):**

1. Pursuant to section 44D of the Act, the Central Bank of Trinidad and Tobago (the Central Bank/the Bank), being satisfied that the interests of depositors, creditors and policyholders were threatened; the institutions were likely to become unable to meet their obligations; and the institutions were not maintaining high standards of probity or sound business practices, and also being of the opinion that the financial system of Trinidad and Tobago was in danger of disruption, substantial damage, injury or impairment as a result of the said circumstances, exercised its emergency powers and assumed control of CIB on January 31, 2009 and of CLICO and BAT on February 13, 2009. The Central Bank, in accordance with section 44E (1) published notifications to that effect in Legal Notices Nos. 20, 32 and 33 of 2009, respectively [published in the Trinidad and Tobago Gazette (Extraordinary) Vol. 48 Nos. 15 and 21, respectively].
2. On September 20, 2011, section 44E of the Act was amended (by Act No. 18 of 2011) to provide for a stay of proceedings and a moratorium on certain rights on and after the publication of a notification under section 44E (1). A new section 44E(7) was also added which requires the Central Bank to report quarterly to the High Court on:
  - a) the proposal to restructure an institution in relation to which a notification has been published under subsection 44E(1); and
  - b) the progress of the proposals referred to in paragraph (a),until a notification under section 44E(5)(b) [lifting the 'stay'] or section 44G(1) [releasing the Bank's control] has been published in relation to that institution.
3. This is the Nineteenth Quarterly Report of the Central Bank pursuant to section 44E (7) of the Act.

**Report on the Proposals to Restructure CLICO and BAT**

4. On September 20, 2011, the Purchase of Certain Rights and Validation Act, No. 17 of 2011 was enacted to validate and facilitate Government's bailout plan. The plan included the purchase by Government of certain rights belonging to the holders of Short Term Investment Products (STIPs) with CLICO and BAT. Short Term Investment Products or STIPs, as defined by the Purchase of Certain Rights and Validation Act, means an Executive Flexible Premium Annuity, Executive Single Premium Annuity, Group Advanced Protection, Guaranteed Annuity Advanced Protection Policy, Colonial Life

Core Fund Series 6 issued by CLICO and an Executive Flexible Premium Annuity, Single Premium Annuity, Corporate Savings Contract and Flexible Premium Annuity II issued by BAT.

5. The plan to restructure CLICO and BAT involves two components:
  - The repayment of 27,927 Short Term Investment Products, in both CLICO and BAT with total liabilities amounting to approximately \$12.6 billion; and
  - The sale of the “traditional insurance portfolios” of CLICO and BAT to a suitable purchaser at a price consistent with the independent valuations.
6. A structured settlement offer funded by the Government was made to STIPs owners. This offer consists of two parts: cash payments for STIPs valued up to \$75,000 and a combination of cash and bonds for STIPs valued in excess of \$75,000. In addition to this offer, special arrangements under the Compassionate Relief Programme were put in place for the payments to persons suffering hardship and a total of \$128.4 million was paid out. Special arrangements were also made to repay Credit Unions and Trade Unions over a two-year period. Payment to STIPs holders who accepted Government’s offer has been completed.
7. The resolution plan for CLICO and BAT was made known to the public during a televised press conference held by the Governor of the Central Bank on March 27, 2015 and published in subsequent press releases. The CLICO Resolution Plan involves phased payments to CLICO’s policyholders and creditors from the monetization of CLICO’s assets. The First Partial Distribution constituted cash payments out of the Methanol Holdings (Trinidad) Limited (MHTL) sale proceeds to all statutory fund STIP holders, including the Government (as assignee of the rights of such STIP holders), amounting to 85% of contractual liability as at the end of the interest term. 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 to Government in lieu of cash, subject to an independent valuation pursuant to section 44D(vi) of the Act. The Second Partial Distribution of the remaining 15% (plus any accrued interest) will be met from the sale of Methanol Holdings (International) Limited (MHIL). A Third Distribution will be made to mutual fund holders and non-resident STIP holders, including the Government as assignee of the rights of mutual fund holders and non-resident STIP holders who accepted Government’s offer. Payments will then be made from the realization of other assets to other creditors outside the statutory fund and to the Government as Preference Shareholder in subordination to the unsecured creditors but in priority to payment to Ordinary Shareholders. The resolution plan for BAT also involves phased payments to BAT’s policyholders and creditors but with funding assistance from the Government. The First Partial Distribution constitutes cash payments to all statutory fund STIP holders amounting to 85% of the principal balance which will commence upon

receipt of funds from the Government. Thereafter a Second Partial Distribution of the remaining 15% will be made.

8. The arrangements being put in place to achieve these objectives are discussed below.

RESTRUCTURING PROPOSALS FOR CLICO AND BAT	PROGRESS TO DATE
<p>A. Settlement offer to holders of STIPs with principal balances of <b>less than \$75,000.</b></p>	<p>There are 12,020 eligible STIP holders with products valued at \$347.0 million. Over the period March 1, 2011 to May 31, 2016, \$335.6 million was paid to the 11,126 STIP holders who applied. These represent 96.7% of the total value outstanding. There remain 7.4% of STIP holders who have not applied for the offer. This represents 3.3% of the original outstanding liability.</p> <p>The Government payout closed on November 30, 2012 and re-opened on May 01, 2013 to May 29, 2013.</p>
<p>B. Compassionate Relief Programme for cash payments up to \$250,000.</p>	<p>Commencing April 2011, a programme was instituted to provide STIP holders who demonstrated a critical need with immediate cash up to \$250,000 in respect of their STIPs.</p> <p>Between April and November 2011, 637 applicants were paid \$128.4 million. The compassionate relief programme ended in November 2011 when arrangements for the processing of STIPs valued more than \$75,000 were finalised.</p>
<p>C. Settlement offer to holders of STIPs with principal balances of <b>over \$75,000</b> as follows:</p> <ol style="list-style-type: none"> <li>a. An initial cash payment of \$75,000 each,</li> <li>b. The remaining balance in equal instalments via twenty (20) year zero coupon bonds.</li> </ol>	<p>There are 15,907 eligible STIP holders with products valued at \$12.3 billion. On November 22, 2011, the Government issued a \$1.5 billion 20-year 6% bond to finance the initial cash payment of \$75,000 for STIP holders who hold principal balances exceeding \$75,000.</p> <p>Processing of applications for these STIP holders began on December 1, 2011. Applications were accepted in an alphabetical order during the period December 1, 2011 to February 29, 2012.</p> <p>15,042 STIP holders accounting for \$11.3 billion have applied for the offer as at November 30, 2014. This represents 94.6 % of the total STIP holders and 91.9% of the total value of STIPs.</p> <p>The Government payout closed on November 30, 2012 and re-opened on May 01, 2013 to May 29, 2013.</p>

RESTRUCTURING PROPOSALS FOR CLICO AND BAT	PROGRESS TO DATE
<p>D. Payments to Trade Unions and Credit Unions holding STIPs, to be made over two (2) years.</p>	<p>There are 183 STIPs belonging to credit unions and trade unions valued at \$860 million. Arrangements were made to pay 50% of this value before the end of the year 2011 and the remaining 50% in the year 2012.</p> <p>The processing of payments to credit union and trade union STIP holders commenced on September 26, 2011. As at March 5, 2015, 172 applications valued at \$ 732.4 million were processed. This represented 93.9% of the total applicants.</p> <p>The Government payout closed on November 30, 2012 and re-opened on May 01, 2013 to May 29, 2013.</p>
<p>E. The option to convert bonds to cash by STIP holders.</p>	<p>A facility has been put in place to enable STIP holders who may wish to convert their bonds to cash. Separate arrangements have been made for 1-10 and 11-20 year bonds as follows:</p> <p>(i) <b>1-10 year bonds</b>  Financial institutions made an agreement with the Government to purchase the bonds from STIP holders at an average price of \$0.80 cents on the dollar for the 1-10 year bonds if all 1-10 bonds are sold as one package. In early December 2011, financial institutions began advertising offers to purchase bonds at a minimum rate of \$0.80 on the dollar, at their branches.</p> <p>(ii) <b>11-20 year bonds</b>  Bondholders have the option to exchange their 11-20 year bonds for units in a closed-end trust on a dollar for dollar basis. The October 10, 2011 National Budget included a provision for units in this trust to be listed on the Trinidad and Tobago Stock Exchange as well as an exemption of the income and dividends from tax. In this way, unit holders would be able to sell their units for cash.</p> <p>The closed-end mutual fund called “CLICO Investment Fund (the “Fund”) was launched on November 1, 2012. The assets of the Fund consist of Republic Bank Limited shares and Government Securities. CLICO Trust Corporation Limited, which is wholly-owned by the Government of Trinidad and Tobago, is the Trustee of the Fund. The opening net asset value of each unit is \$25 and the offer price is 40 units for each \$1000 nominal value of Government 11-20 Bonds. The units in the</p>

<b>RESTRUCTURING PROPOSALS FOR CLICO AND BAT</b>	<b>PROGRESS TO DATE</b>
	Fund are traded on the Trinidad & Tobago Stock Exchange at a price determined by supply and demand conditions. Unit-holders receive distribution payments from the income of the Fund.
<p>F. Restructure CLICO and BAT by transferring its traditional insurance business portfolio to an adequately capitalised insurance company</p>	<p>Pursuant to section 44D(1)(vi) of the Central Bank Act Chap. 79:02, the independent valuation of the traditional portfolios of CLICO and BAT have both been completed and received.</p> <p>The international firm Oliver Wyman was engaged to advise on the sale of the traditional insurance business portfolios of CLICO and BAT to a suitable purchaser and the sales process for both CLICO and BAT has commenced. From a pool of interested bidders and in accordance with the sales process, four companies for the CLICO portfolio and four companies for the BAT portfolio were shortlisted to submit a binding offer by July 14, 2016.</p> <p>The streamlining of the human resources of CLICO and BAT has been completed.</p> <p>The proceeds of sale of the MHTL shares have been converted to TT dollar short-term instruments which have been pledged to CLICO's statutory fund.</p>
<p>G. Resolution Plan effective March 27, 2015 – Re: CLICO –phase 1</p>	<p>Pursuant to the CLICO Resolution Plan, on March 27, 2015, Government received the cash component of its first partial distribution of 85% of its Statutory Fund liability, as assignee of rights of statutory fund policyholders who accepted Government's 2011 bail out offer. The processing of applications from the other statutory fund policyholders as part of the First Partial Distribution under Resolution Plan started on May 1, 2015.</p> <p>Over the period May 1, 2015 to May 31, 2016, approximately \$ 695.4 million was paid to 512 STIP holders. This sum represents 54.0% of the total statutory fund STIP liability to non-assenting STIP holders.</p> <p>The independent valuations of Angostura Holdings Limited and CL World Brands Limited earmarked for transfer or monetization under the Resolution Plan have been received and the Bank has begun to engage in consultations with the Minister of Finance pursuant to section 44F(5) of the CBA thereon.</p>

<b>RESTRUCTURING PROPOSALS FOR CLICO AND BAT</b>	<b>PROGRESS TO DATE</b>
Re: BAT	<p>Independent valuers were engaged to conduct a valuation of Home Construction Limited and this is in progress.</p> <p>CLICO was instructed to proceed to sell its shareholding in MHIL to a suitable buyer, consistent with the independent valuation and with the requirements of the MHIL Shareholders' Agreement. The independent valuation was completed by Duff &amp; Phelps as at August 3<sup>rd</sup> 2015. Since 7.53% of the MHIL shareholding is held by CLF in trust for CLICO, CLF has been directed to sign the offer letter to CEL which has the right of first refusal under the MHIL Shareholder Agreement. The process under the MHIL Shareholder Agreement for the sale of the shares is being followed.</p> <p>The Government advanced funds to BAT on July 10, 2015 to meet "traditional insurance" policyholder liabilities in the Statutory Fund, the principal balance only (without interest) of the non-assenting STIP holders and other key operational expenditures. The processing of applications for BAT STIP holders for the First Partial Distribution under the Resolution Plan for BAT began on October 26, 2015. To date, 23 out of 82 policyholders have been paid the sum of \$6,881,006.85 under the First Partial Distribution. This represents 28% of the total number of non-assenting STIP holders and 58% of the total amount to be paid.</p>

### **Report on the Proposals to Restructure CIB**

- 1 On June 15, 2012, the Board of Directors of the Central Bank agreed that the license of CIB be mandatorily revoked with effect from October 17, 2011 (i.e. the date of the winding up Order) in accordance with section 23(14) of the Financial Institutions Act, 2008.
- 2 An updated Statement of Affairs of CIB as of October 17, 2011 was submitted to the Official Receiver on June 21, 2012 listing CIB's assets as \$5,991,441,453 and liabilities as \$11,579,905,339 resulting in a negative solvency gap of \$5,588,463,886.
- 3 The Official Receiver forwarded a copy of the Statement of Affairs on August 22, 2012 to the Liquidator for his review. The review was completed and the Official Receiver informed that the Statement of Affairs was filed with the Court on October 26, 2012.
- 4 The Deposit Insurance Corporation Trinidad and Tobago, as the Court appointed Liquidator of CIB, submits bi-annual reports on the progress and status of the liquidation to the Official Receiver and Registrar of Companies.