

**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
SEPTEMBER 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 Chap. 79:02 (the Act):

1. On February 13, 2009, 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. The Central Bank, in accordance with section 44E (1) of the Act, published notifications to that effect, being 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 and Parliament on:
 - a) the proposals 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 Twentieth Quarterly Report of the Central Bank pursuant to section 44E (7) of the Act.

Restructuring of CLICO and BAT

4. On September 20, 2011, the Purchase of Certain Rights and Validation Act, No. 17 of 2011 (PCRVA) was enacted to validate and facilitate Government's funding of the bailout plan. The plan included an offer by Government to the policyholders of STIPs with CLICO and BAT to purchase their rights under their policies. STIPs, as defined by

the PCRVA, 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 Government's offer consisted of two parts: cash payments to purchase 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 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. The payments to owners of STIPs who accepted Government's offer were made between 2011 and 2013. Details of these payments are discussed in the table below.
6. The proposal to restructure CLICO and BAT includes the following components:
 - Monetization of assets to repay 27,927 policyholders in both CLICO and BAT, of Short Term Investment Products (STIPs), with total liabilities amounting to approximately \$12.6 billion;
 - The sale of the "traditional insurance portfolios" of CLICO and BAT to a suitable purchaser at a price consistent with independent valuations;
 - Monetization of assets to repay other creditors including the Government of the Republic of Trinidad and Tobago (the Government).
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, which is currently underway, involves phased payments to CLICO's policyholders and creditors from the monetization of CLICO's assets. Under the Plan:
 - The First Partial Distribution constituted cash payments of 85% of contractual liability as at the end of the interest term, made to statutory fund STIP holders, including the Government (as assignee of the rights of such STIP holders). The First Partial payment to the Government under the Statutory Fund comprised (a) approximately \$4 billion in cash funded from the proceeds of the sale of Methanol Holdings (Trinidad) Limited (MHTL); and would include (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) would be met from the sale of Methanol Holdings (International) Limited (MHIL).

- A Third Distribution would 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 would 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, which is also underway, also involves phased payments to BAT's policyholders and creditors but with funding assistance from the Government. The First Partial Distribution constituted cash payments to all statutory fund STIP holders amounting to 85% of the principal balance only which commenced upon receipt of funds from the Government. Thereafter, a Second Partial Distribution of the remaining 15% would be made.
8. On July 13, 2016, following consultation between the Central Bank and the Minister of Finance, special directions with respect to CLICO and BAT were issued to the Central Bank pursuant to section 44F(5) of the Act regarding a strategy to facilitate an earlier settlement of liabilities to unconnected "third party" STIP holders and mutual fund holders including the Government, as assignee of the rights of mutual fund holders and STIP holders. The Central Bank has issued these special directions to CLICO and BAT accordingly, which are being followed at present.
9. The following table sets out the progress in more detail for each of the elements of the restructuring.

ELEMENTS OF THE RESTRUCTURING	PROGRESS TO DATE
<p>A. Settlement offer to holders of STIPs with principal balances of less than \$75,000.</p>	<p>There were 12,020 eligible STIP holders with products valued at \$347.0 million. Over the period March 1, 2011 to August 31, 2016, \$335.6 million was paid to the 11,126 STIP holders who applied. These represent 96.7% of the total value outstanding. Approximately 7.4% of the STIP holders did not apply for the offer. This represents 3.3% of the original outstanding liability.</p> <p>The Government's payout closed on November 30, 2012 and re-opened from May 01, 2013 to May 29, 2013.</p>
<p>B. Compassionate Relief Programme for cash payments up to \$250,000.</p>	<p>In 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 over \$75,000 as follows:</p> <ol style="list-style-type: none"> An initial cash payment of \$75,000 each, The remaining balance in equal instalments via twenty (20) year zero coupon bonds. 	<p>There were 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 held 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 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's payout closed on November 30, 2012 and re-opened on May 01, 2013 to May 29, 2013.</p>

ELEMENTS OF THE RESTRUCTURING	PROGRESS TO DATE
D. Payments to Trade Unions and Credit Unions holding STIPs, to be made over two (2) years.	<p>There were 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's payout closed on November 30, 2012 and re-opened on May 01, 2013 to May 29, 2013.</p>
E. The option to convert bonds to cash by STIP holders.	<p>A facility was put in place to enable STIP holders who may wish to convert their bonds to cash. Separate arrangements were made for 1-10 and 11-20 year bonds as follows:</p> <p>(i) 1-10 year bonds 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 were 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) 11-20 year bonds Bondholders had 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 were 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, 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 Fund are traded on the Trinidad & Tobago Stock Exchange at a price determined</p>

ELEMENTS OF THE RESTRUCTURING	PROGRESS TO DATE
	by supply and demand conditions. Unit-holders receive distribution payments from the income of the Fund.
F. Restructure CLICO and BAT by transferring its traditional insurance business portfolio to an adequately capitalised insurance company	<p>Pursuant to section 44D(1)(vi) of the Central Bank Act Chap. 79:02, the independent valuation of the traditional insurance business portfolios of CLICO and BAT were both completed and received by the Bank.</p> <p>The international firm Oliver Wyman was engaged to advise on the sale of these 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 which was further extended to July 21, 2016. The bids received by the extended deadline were reviewed. Certain clarifications were sought and the feasibility of the proposals received is being assessed.</p>
G. Resolution Plan effective March 27, 2015 – Re: CLICO –phase 1	<p>Pursuant to the CLICO Resolution Plan, on March 27, 2015, Government received a payment of \$4.2 billion. These payments to the Government represent settlement of the First Partial Distribution of 85% of its Statutory Fund liabilities, as assignee of rights of Statutory Fund policyholders who accepted Government’s 2011 bail out offer.</p> <p>The processing of applications from the other statutory fund STIP holders as part of the First Partial Distribution under the Resolution Plan started on May 1, 2015. Over the period May 1, 2015 to July 25, 2016, approximately \$695.6 million (85% of contractual liability plus interest) was paid to 515 STIP holders under the First Partial Distribution. 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 Act thereon.</p> <p>An independent valuation of Home Construction Limited has been completed and is currently under review.</p>

ELEMENTS OF THE RESTRUCTURING	PROGRESS TO DATE
<p>Re: BAT</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 & Phelps as at August 3, 2015. Since 7.53% of the MHIL shareholding is held by CLF in trust for CLICO, CLF was directed to sign the offer letter to CEL which has the right of first refusal under the MHIL Shareholder Agreement and the process under the MHIL Shareholder Agreement for the sale of the shares is currently being followed.</p> <p>The Government advanced funds to BAT on July 10, 2015 to meet key operational expenditures and the "traditional insurance" policyholder liabilities in the Statutory Fund and to pay the principal balance only (without interest) of the non-assenting STIP holders. The processing of applications for BAT STIP holders (85% of the principal value) for the First Partial Distribution under the Resolution Plan began on October 26, 2015.</p>
<p>H. Revised Resolution strategy effective July 14, 2016 Re: CLICO</p> <p>Re: BAT</p>	<p>Pursuant to further directions from the Minister of Finance on July 13, 2016, Government received two (2) further payments on July 29 and August 18, 2016 totalling \$2.6 billion. These further payments to the Government represent settlement of its Statutory Fund liabilities, as assignee of rights of Statutory Fund policyholders who accepted Government's 2011 bail out offer.</p> <p>The processing of applications for all non-assenting third party resident and non-resident STIP holders and holders of mutual fund contracts (including the Government) commenced on July 25, 2016.</p> <p>Over the period July 25 to August 31, 2016, approximately \$176.8 million (15% balance or, where applicable, 100% of contractual liability plus interest) was paid to 356 STIP and mutual fund holders. This sum represents 29.0% of the total value payable.</p> <p>The processing of applications for final payments (15% balance, or, where applicable, 100% of principal value) to BAT STIP holders began from mid-August 2016. To date, 63% of the total amounts payable have been made.</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.