

**ECCU GOVERNMENT UPDATE:**

**BRITISH AMERICAN INSURANCE COMPANY (*BAICO*)**  
**AND**  
**CLICO INTERNATIONAL LIFE INSURANCE COMPANY (*CIL*)**

On July 15, 2011, the ECCU Governments through the communiqué of the Monetary Council provided an update on the implementation of the BAICO resolution strategy.

This release provides a further update on progress in respect of BAICO and CIL matters.

**1. BRITISH AMERICAN INSURANCE COMPANY**

**Progress of the sale of BAICO's Traditional Business**

When we announced the strategy to recapitalize and sell BAICO's traditional business in February 2011, we indicated that the transaction would be complex and would take at least 6-9 months to complete.

The ECCU Governments and the Judicial Managers have continued with this work, and the following progress has been made:

- The ECCU Governments and the Judicial Management team have worked together to identify some of the key technical and practical challenges involved in effecting this transfer.
- Actuaries have been engaged to undertake more detailed analysis of the portfolio and the financial contribution needed to recapitalize BAICO's traditional business.
- Legal advice has been sought on a number of issues, including the best way to effect the transfer of the traditional business across nine separate countries (ECCU and The Bahamas).
- Invitations to tender have been advertised, and a number of bidders have already registered their interest.

The ECCU Governments are very pleased with the number and quality of bidders which have registered. Next steps will include evaluating indicative proposals, and a due diligence phase to allow bidders to prepare and submit their detailed bids.

Once final documentation is agreed with the purchaser, the process of obtaining approvals of the transfers throughout the ECCU and in The Bahamas will commence. This is the final phase of the process of selling BAICO's traditional business, and is expected to be completed in the first half of 2012.

### **Assisting BAICO's non-traditional policyholders**

The ECCU Governments have been working as part of the CARICOM Regional Technical Committee to provide assistance to BAICO policyholders who have non-traditional policies, such as Executive Flexible Premium Annuities (EFPA). These policyholders include individuals, as well as important institutions within the ECCU, such as banks and credit unions.

Funding is still being sought from the Government of Trinidad and Tobago in order to provide financial support to these policyholders.

### **Other activities of the Judicial Managers**

The Judicial Managers of BAICO have been continuing to rationalize the liabilities of BAICO. Litigation has now been commenced in Trinidad and Tobago against CL Financial for the recovery of a US\$49.5 million debt owed by CL Financial to BAICO.

## **2. CLICO INTERNATIONAL LIFE INSURANCE COMPANY (CIL)**

On April 14, 2011, Deloitte Consulting Ltd. ("Deloitte") was appointed as Judicial Manager of CIL's head office operations in Barbados. Deloitte has also been appointed as Judicial Manager of CIL's branches in Grenada, St. Vincent, Dominica, Antigua and Anguilla. Richard Surage of PKF was appointed as Judicial Manager of CIL's St. Lucia branch and Omax Gardner also of PKF was appointed as Judicial Manager of CIL's St. Kitts & Nevis branch.

On September 20, Deloitte tabled an overall restructuring plan for CIL with the Barbados High Court. Restructuring plans for CIL's branches will be filed by Deloitte and PKF in all other ECCU jurisdictions

The good news for CIL policyholders is that, relative to policyholder liabilities, there are significantly more assets in CIL than in BAICO. However, based on the Judicial Manager's current valuations of those assets, they fall short of the required assets. As a consequence, the Judicial Manager estimates a gross recovery of 49 cents for each dollar of policyholder liability if the company is liquidated. Alternatively, a recovery of 60 cents is estimated for each dollar of policyholder liability if the company is maintained as a going concern.

The ECCU Governments are working with the Judicial Managers in Barbados and the local Judicial Managers in the ECCU and the Government of Barbados in order to identify the best solution for CIL policyholders. A CIL Advisory Committee has been established and meetings are ongoing.

Meetings with policyholders in several territories have also been held. Having completed the consultation process and noted the views, concerns and suggestions of policyholders, the Judicial Manager will review its previous recommendations and propose such additional or alternative actions deemed necessary.

As such, the Judicial Manager will be returning to the Court in Barbados in early November to report on the results of the consultative process and its subsequent review. After presenting this report to the Court and obtaining its guidance, further communications will be issued to all policyholders

## **IN CONCLUSION**

The ECCU Governments continue to work steadfastly to identify solutions for individuals and institutions affected by the BAICO and CLICO situation. We wish to reiterate our appreciation to the citizens of the region for their patience as this work progresses.

We will continue to provide updates as developments occur.

**The Governments of the Eastern Caribbean Currency Union**

October 21, 2011