

Twelfth Report of The Official Liquidator of

**Clico (Bahamas) Limited
(In Liquidation)**

For the period from April 1, 2012 to June 30, 2012

CLICO (BAHAMAS) LIMITED

(In Liquidation)

Twelfth Report of the Official Liquidator (From April 1, 2012 to June 30, 2012)

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INTRODUCTION

The Twelfth Report of the Official Liquidator of Clico (Bahamas) Limited (“the Company”) is intended for use by the Supreme Court of the Commonwealth of The Bahamas. This report sets out the steps taken by the Official Liquidator during the period from April 1, 2012, to June 30, 2012.

DEFINITIONS

In this Report, the words and expressions hereunder shall mean, as follows:

“The Official Liquidator” means Craig A. (Tony) Gomez or any member of his (the Liquidation) team.

“I” or “Me” means Craig A. (Tony) Gomez or any member of his (the Liquidation) team.

“The Company” means Clico (Bahamas) Limited (In Liquidation”).

“CBL” means Clico (Bahamas) Limited (In Liquidation”).

“CEL” means Clico Enterprises Limited (In Liquidation)

“General Counsel” means Callenders & Co., the Liquidator’s Bahamian Counsel.

“Counsel” means Lennox Paton, the Liquidator’s Bahamian Counsel for a specific Court action.

“Court” means the Supreme Court of the Commonwealth of The Bahamas.

“WPC” means Wellington Preserve Corporation.

“ICB” means the Insurance Commission of The Bahamas.

BACKGROUND AND BASIS OF APPOINTMENT

Clico (Bahamas) Limited is a Bahamian Company, incorporated under the Companies Act, 1992, on May 10, 1960, as British Fidelity Assurance Limited. The Company's name was changed to Clico (Bahamas) Limited on April 7, 2005. Clico (Bahamas) Limited operated branches in The Bahamas, Belize and the Turks & Caicos Islands. Clico's parent company is Clico Holdings (Barbados) Limited. Clico's ultimate parent company is CL Financial Limited, incorporated in the Republic of Trinidad & Tobago. The Company is registered to conduct insurance business within the Bahamas pursuant to Section 5(1) of the Insurance Act, Chapter 347.

Several months prior to the liquidation, the Company experienced cash flow problems as evidenced by its inability to pay US\$2.6M of claims in the Turks and Caicos Islands. The Company had no immediate plans or means to pay policy surrenders or maturities prior to the liquidation date.

Prior to the aforementioned claims and since 2003, the Company had advanced funds to CLICO Enterprises Limited ("CEL"). These advances were made by the Company apparently for the purpose of paying the ongoing expenses for CEL and for its subsidiary investment properties. As at December 31, 2008 approximately US\$73M had been advanced to CEL (December 31, 2007 audited amount was \$57,010,248), and it is unlikely that this loan can be recovered at full value as CEL's December 31, 2008 unaudited financial statements reflect assets of US\$108M and its liabilities are US\$129M, leaving a deficit of US\$21M. Current market conditions and a series of litigious issues continue to place downward pressure on the Company's ability to fully recover in the short-term.

Among the many concerns arising out of the transfer of funds to related parties was whether or not the Company circumvented Exchange Control Regulations in The Bahamas to:

- Purchase real estate in The Bahamas without regulatory approval.
- Purchase real estate outside The Bahamas without regulatory approval.
- Repatriate revenue without the approval of the Central Bank of The Bahamas.
- Transfer funds from CBL to persons outside The Bahamas.

As a result of various inter-company loans from the Company to its subsidiaries, the Company faced liquidity problems and was challenged to fund its daily operations. This, together with ongoing regulatory matters and concerns, in particular, the inter-company loan extended to CEL on February 24, 2009, resulted in the Company being placed into provisional liquidation.

BACKGROUND AND BASIS OF APPOINTMENT (continued)

On February 24, 2009, I appeared with General Counsel, The Insurance Commission of The Bahamas (“ICB”) (formerly Registrar of Insurance) and Counsel from the Attorney General’s Office before the Supreme Court of the Bahamas. The petition for the winding-up of Clico was presented to the Court and an Order was granted by Her Ladyship, the Honourable Justice Mrs. Cheryl Albury, appointing me as Provisional Liquidator subject to court supervision. Further, it was ordered that the Liquidator be assisted by Callenders & Co. as General Counsel and that an insurance specialist be appointed to assist in the liquidation.

It was also Ordered that a Notice of the Petition be published in the local gazette and a further hearing was scheduled for March 18, 2009, at which time the hearing of the Petition for a winding-up order of the Company would be heard. However, the mentioned date for the hearing was postponed to March 27, 2009.

I appeared with General Counsel before the Supreme Court of The Bahamas on March 27, 2009, on the application to place the Company into liquidation. The hearing was adjourned to April 7, 2009.

I appeared with General Counsel before the Supreme Court of The Bahamas on April 7, 2009, and an Order was granted by Her Ladyship the Honourable Justice Mrs. Cheryl Albury for the liquidation to be Court supervised, and that I, Craig A. (Tony) Gomez, be appointed Official Liquidator of Clico (Bahamas) Limited, and I was authorized to appoint Callenders & Co. as General Counsel to assist me in the performance of my duties. On April 26, 2009, notices were published in the local gazettes in The Bahamas, to advertise the granting of the Order for the liquidation of the Company subject to the supervision of the Court.

STEPS TAKEN BY THE LIQUIDATOR (for the period from April 1, 2012 to June 30, 2012)

1. I attended Court with General Counsel to provide a progress report on the liquidation to the Court. Representatives of the Insurance Commission of The Bahamas and the Office of the Attorney General also attended the meetings.
2. I met with General Counsel to discuss in particular the sale of Clico's real estate, the transfer agreement, the Government Guarantee, the Demand on the CL Financial guarantee and other matters in the liquidation.
3. I attended Court with General Counsel for the approval of the 10th and 11th Official Liquidator's Reports and the Order was granted.
4. I attended Court with General Counsel and provided an update to the Court on the demand on CL Financial Guarantee.
5. Continued to address questions and concerns of policyholders.
6. Continued the payment of medical and death claims in accordance with the Order of the Supreme Court, dated and filed on June 17, 2009.
7. Continued to follow-up with the Liquidator in Belize in relation to the amendment to the Belize Transfer Agreement as Ordered by The Bahamian Court.
8. Met with Counsel for Clico Suriname to discuss details of Suriname's Counsel's request for documents.
9. Communicated with the Insurance Commission on the status of CBL's external insurance license and a letter was received confirming that Clico only held a license for domestic insurance purposes.
10. Met with the Insurance Commission to provide an update on the sale of Clico's portfolio and the continuation of the policy operations.
11. Met with General Counsel to discuss the outstanding FirstCaribbean International Bank Limited mortgage.
12. Met with the data migration team to discuss post migration matters.

CONCERNS

- **Ongoing Operations**

I am continuing the Company's operations on a limited basis, attending to the existing policies.

I continue to urge policyholders to continue making premium payments on their respective policies. Only policies currently in force will be assumed by the new insurance provider.

- **Insurance Commission of The Bahamas ("ICB")**

On April 4, 2012, I received a letter from the ICB on the status of Clico's external insurance status, confirming that Clico only held an insurance license for domestic business.

On May 16, 2012, I met with the ICB and a member of the ICB board to discuss another strategy for the continuation of Clico's policy operations and maintenance.

- **Clico's Selection of an Insurer and transfer of Portfolios**

I am currently in discussion with three (3) prospective buyers seeking to acquire Clico's life, health and pension policies.

As at the date of this report all of the interested parties had signed the confidentiality agreement.

- **General Counsel**

On April 24, 2012, I met with General Counsel and discussed the following matters:

- The escrow fund
- Clico's real estate
- Call on CL Financial Guarantee
- The Government Guarantee
- General matters in the liquidation

I and/or members of my team are in daily communication with General Counsel regarding various outstanding matters in the liquidation.

CONCERNS

- **Actuary**

On April 18, 2012, I met with Clico's Actuary to discuss the December 31, 2011 actuary valuation and other policy related matters.

On June 12, 2012, I met with Clico's Actuary to discuss the opinion received from them with regards to the group of medical policies not covered by reinsurance.

- **Data Migration matters**

I met with the data migration team to discuss post migration matters, which includes additional request for modifications to the system for the policy and accounting modules.

- **Government Guarantee**

The Government of The Bahamas has stated that it will provide a guarantee of B\$30 Million to Clico to assist in the anticipated shortfall in the liquidation.

The guarantee in its proposed state as communicated to me will provide the following:

- (a) Death coverage up to B\$300,000.00 per person;
- (b) Executive Flexible Premium Annuity ("EFPA") would receive up to B\$100,000.00 per person;
- (c) Annuity holders (fixed deposits and pensioners) would receive up to B\$100,000.00 per person;
- (d) Life insurance - full coverage;
- (e) Accident and sickness - full coverage.

However, it is anticipated that the Government will be reimbursed for any funds utilized under the guarantee from funds received by Liquidator from the sale of Clico's assets and from funds otherwise recovered.

The Guarantee is being drafted by the Office of The Attorney General ("AG's office") and as at the date of this report the document has not been completed.

I am preparing to meet with Prime Minister Christie's administration to continue my discussion on the guarantee. A meeting with the Ministry of Finance is tentatively scheduled for July 30, 2012.

CONCERNS

- **Court Matters
(Bahamas)**

- **June 19, 2012**

At this hearing the Court heard the following matters:

- Summons and an Affidavit regarding a request to approve the 10th Report of the Official Liquidator. The Order was granted.
- Summons and an Affidavit regarding a request to approve the 11th Report of the Official Liquidator. The Order was granted.

- **June 20, 2012**

At this hearing the Court heard the following matter:

- Summons and an Affidavit regarding a request to approve an adjustment to the Official Liquidator's hourly rate. The Order was granted.

At this hearing the Court was updated on the following matters:

- Transfer of the life, health and pension policies.
- The Government Guarantee.
- Status of the sale of vacant land at Mt. Royal Ave.
- Clico Belize liquidation.
- Clico Turks & Caicos liquidation.
- Clico Suriname and Clico Guyana litigations.

- **Clico Enterprises Limited & Wellington Preserve Corporation**

See the Tenth Official Liquidator's Report of Clico Enterprises Limited, which includes the Debtor In Possession Report for Wellington Preserve Corporation ("WPC") for the corresponding period for matters related to CEL and WPC.

- **FirstCaribbean International Bank (Bahamas) Limited**

On March 25, 2010 FirstCaribbean International Bank (Bahamas) Limited ("FCIB") filed an Affidavit of Proof of Claim in the amount of B\$363,215.91, representing the balance of loans that the Company had with FCIB. I had accepted this claim and included it on the list of creditors in the liquidation.

CONCERNS

- **FirstCaribbean International Bank (Bahamas) Limited** (continued)

It had been agreed by the concerned parties that the mortgage will be settled with proceeds from the sale of the appropriate real estate being held as a lien on Clico's outstanding mortgage.

General Counsel has been involved in discussions with FCIB regarding the sums claimed by FCIB.

On June 11, 2012, General Counsel received an email from FCIB with their amended claim for Clico's outstanding mortgage in the amount of B\$359,796.19.

I have concluded my review on this matter and have instructed General Counsel to proceed with settlement of the outstanding mortgage in the amount of B\$359,796.19, as agreed by FCIB and to obtain the corresponding Satisfactions of Mortgage.

- **Real Estate**

As at the date of this report General Counsel and I continue to move the due diligence process forward for the contracted sale of the following property:

Vacant property on Mt. Royal Ave (Hawkins Hill)

The completion of the above property sale is being protracted by a title defect in the property involving third parties and General Counsel is addressing this matter.

- **Annuities with Clico Guyana and Clico Suriname**

I have received documents from Clico Guyana ("Guyana") and Clico Suriname ("Suriname"), representing claims amounting to US\$34,069,961 and US\$18,734,202.97, respectively.

On April 20, 2012, Counsel received a request from Clico Suriname's Counsel for Clico's list of creditors. This information was subsequently sent to Clico Suriname's Counsel.

On May 30, 2012, Counsel sent a letter to Clico Suriname's Counsel, requesting an amount for security of cost as Clico Suriname apparently has no assets in The Bahamas to cover litigation costs. This security is required before we can proceed with the litigation. However, as at the date of this report Counsel has not received a response to this request.

CONCERNS

- **Annuities with Clico Guyana and Clico Suriname** (continued)

On June 21, 2012, Counsel received a letter from Clico Suriname's Counsel requesting clarity/confirmation of Clico Suriname's status in the liquidation.

- **CL Financial Guarantee**

I have requested the Trinidadian Counsel to actively pursue the enforceability of the CL Financial's (US\$58M) Guarantee to Clico (Bahamas) Limited.

I have received an amended Demand Letter from General Counsel and I am in the process of reviewing same for serving on the relevant party.

- **Bahamas - Portfolio as at June 30, 2012**

Plan Type	No. of Policies	Sum Assured	Surrender Value
Ordinary Life	7,354	\$ 450,512,760	\$12,957,060
Term Life	355	43,152,370	46,775
Home Service Life	736	4,735,746	764,070
Home Service Health	313	420,987	0
Group Life	4	80,000	0
Life - Extended Term (5C)	1,686	4,435,183	0
Group Health	3	15,000,000	0
Ordinary Health	1,483	571,562,325	0
Student Plan (STP)	124	992,000	0
Pension - Reduced Paid-Up (5D)	1,255	1,583,421	0
Individual Pension	444	212,938	5,047,447
Clico Staff Pension	65	231,440	1,142,679
Group Pension	13	22,898	116,339
Total	13,835	\$1,092,942,068	\$20,074,370

- **Statement of affairs**

See Appendix 1 for the unaudited statement showing assets at estimated realizable values, and liabilities as at June 30, 2012.

- **Cash Receipts and Disbursements**

See Appendix 2 for cash receipts and disbursements for the period.

CONCERNS

- **Belize**

An Order was granted by the Belize Court on August 6, 2010, to place Clico Belize into liquidation with the liquidation to be Court supervised and that Mr. Mark Hulse of Baker Tilly Hulse be appointed the Official Liquidator of Clico Belize.

The sale of the Clico Belize Life & Health insurance portfolio was approved by an Order of Her Ladyship the Honourable Justice Mrs. Claire Hepburn dated March 11, 2010, subject to a specific amendment, that Section 9 (b) of Clico Belize's Transfer Agreement be amended as follows, "The Liquidator" should be changed to "Clico Belize Liquidator". Further, that the Transfer Agreement should be approved by the Insurance Commission of The Bahamas.

Since then the Government of Belize has refused to offer a Guarantee to the Belize Liquidator to support Mr. Hulse's signing of the Promissory Note, to support the transfer of the Belize policies to RF&G Life Insurance Company Limited ("RF&G"), the purchaser of Belize Life and Health portfolio.

The litigation against the Belize Liquidator and the Government of Belize by RF&G due to the Belize Liquidator not signing the Promissory Note to support the transfer is being protracted. This is as a result of the continuous adjournment of the matter by the Belize Court.

The portfolio transfer matter is being further protracted by the legal action being taken out against the Belize Government by the Liquidator of Clico Belize. The hearing date for this matter has not being set.

- **Turks & Caicos**

During my visit to Clico's Turks & Caicos branch ("TCI") on January 19, 2012, I met with the proposed buyer of the life, health and discussed matters to progress the sale of the portfolio.

As at the date of this report the interested party had signed the confidentiality agreement and discussions regarding the sale are on-going.

- **TCI - Portfolio as at June 30, 2012:**

Plan Type	No. of Policies	Sum assured
Ordinary Life	120	\$ 13,237,000
Medical	5	3,000,100
Term LIFE	9	559,000
Life - Extended Term (5C)	24	43,364
Pension – Paid Up (5D)	21	66
Total	179	\$16,839,530

CONCERNS

- **Turks & Caicos** (continued)
- **TCI - USD EFPA Portfolio as at June 30, 2012:**

Plan Type	No. of Policies	Surrender value
Annuity (EFPA)	34	US\$47,260,267

- **TCI - USD Portfolio as at June 30, 2012:**

Plan Type	No. of Policies	Sum Assured	Surrender Value
Group Health	1	US\$5,000,000	US\$ 0
Life	1	500,000	553
Total	2	US\$5,500,000	US\$ 553

- **TCI - Statement of affairs**

See Appendix 3 for the unaudited statement showing assets at estimated realizable values and liabilities as at June 30, 2012.

- **TCI - Cash Receipts and Disbursements**

See Appendix 4 for cash receipts and disbursements for the period.

CONCLUSION

From an operational perspective, I will continue to process policyholder's claims; perform the accounting and policy administration functions and address requests and concerns while performing other functions considered necessary in the circumstances, all in an effort to continue to progress the liquidation to an orderly and proper conclusion. In doing so, among other actions and requests, I am encouraging policyholders to continue to make premium payments so as to maintain a current status of their policies with the Company.

I will continue to identify assets and when possible, realize maximum values of the said assets for the benefit of creditors.

The primary challenges facing the liquidation are:

1. Transfer of the life, health and pension policies to a qualified licensee of the ICB;
2. The sufficiency of the asset base required to transfer the policy portfolio to a new insurance provider;
3. Securing a Government guarantee to support the sale of the portfolio;
4. Funding the costs in the Liquidation;
5. Sale of the Wellington Preserve property in Florida;
6. Realizing assets to satisfy creditors;
7. Sale of the Turks & Caicos policies;
8. Obtaining an amendment to the Belize portfolio Transfer Agreement and completion of the transfer in Belize;
9. Support for the Belize Liquidator in the lawsuit filed by the buyer of the Belize life and health portfolio and the law suit filed by the Belize Liquidator against the Belize government for not providing the Guarantee;;
10. Obtaining The Bahamas Insurance Commission and The Bahamian Court approval for the transfer of the Belize portfolio; and
11. Tracking assets considered to be the property of Clico.

Very truly yours

Craig A. (Tony) Gomez
Official Liquidator
Clico (Bahamas) Limited
(In Liquidation)
Nassau, Bahamas
June 30, 2012

**Clico (Bahamas) Limited
(In Liquidation)**

Statement of Assets at Estimated Realizable Values
And Liabilities As Expected to Rank

(Bahamas only)

As at June 30, 2012

(Expressed in Bahamian dollars)

ASSETS:	
Due from Clico Enterprises Limited	\$ 15,533,954
Short-term deposits	8,867,012
Cash	6,281,969
Real estate	4,606,000
Loans due from policyholders	4,811,274
Bonds	4,544,177
Security deposits	134,192
Loan due from Wellington Preserve Corporation	14,906
Loan due from Clico Enterprises Limited	500
Total assets	44,793,984
LIABILITIES:	
Policy and contract claims payable	31,994,454
Future policies benefit reserves - Life	22,072,033
Future policies benefit reserves - Guaranteed Retirement (Pension)	10,013,997
Future policies benefit reserves - Group Annuities	1,211,759
Premium taxes	774,399
Mortgage First Caribbean International Bank Ltd.	360,357
Real property taxes	427,871
Future policies benefit reserves - Accident & Health	66,956
Future policies benefit reserves - Accident & Health (Group)	33,116
Future policies benefit reserves - Life (Group)	1,519
Total liabilities	66,956,461
ESTIMATED LOSS AS REGARDS MEMBERS	\$(22,162,477)

Clico (Bahamas) Limited
(In Liquidation)
Escrow Cash Accounts
(Bahamas only)

As at June 30, 2012
(Expressed in Bahamian dollars)

Cash and due from Banks (BSD)	Account Type	Location	Balance
Escrow Cash on hand:			
Royal Bank of Canada	Life - Escrow	Nassau	\$11,481,870
Royal Bank of Canada	Pension - Escrow	Nassau	3,733,767
Royal Bank of Canada	Health - Escrow	Nassau	1,047,345
Royal Bank of Canada	Annuity - Escrow	Nassau	86,699
Total Cash held in Escrow			\$16,349,681

Clico (Bahamas) Limited
(In Liquidation)
Statement of Cash Receipts & Disbursements
(Bahamas Only)

For the period from April 1, 2012 to June 30, 2012
(Expressed in Bahamian dollars)

OPENING CASH POSITION **B\$5,433,184**

Receipts:

Premiums collected	1,656,173
Proceeds from sale of property	387,529
Interest earned on time deposits	22,070
Rent collected	7,500
	2,073,272

Disbursements:

Claims - medical	282,552
Professional fees	208,010
Claims - death	128,392
Administration staff salaries	108,138
Reinsurance - Life	103,766
Insurance - buildings	78,444
Migration (policy data from Clico Trinidad's system)	38,865
Actuary	38,800
Security services	38,000
Premium refund - funds received in error/intended policy not booked	32,261
Reinsurance - Health	31,984
Utility - electricity	24,098
IT services	22,918
Interest earned and transferred to time deposits	22,070
Utility - cable	19,001
Bank charges	12,493
Utility - telephone	12,259
Repairs and Maintenance	7,685
National Insurance	6,968
Office supplies	2,715
Grand Bahama Power	1,931
Sundry	1,355
Courier	1,146
Balance carried forward	1,223,851

Appendix 2
(continued)

Clico (Bahamas) Limited
(In Liquidation)
Statement of Cash Receipts & Disbursements (continued)
(Bahamas Only)

For the period from April 1, 2012 to June 30, 2012
(Expressed in Bahamian dollars)

Balance brought forward	B\$1,223,851
Grand Bahama Utility	300
Utilities - water and sewage	180
Advertising	156
	<hr/> 1,224,487 <hr/>
CLOSING BALANCE	B\$6,281,969

Clico (Bahamas) Limited

(In Liquidation)

Statement of Assets at Estimated Realizable Values

And Liabilities As Expected to Rank

(Turks & Caicos only)

As at June 30, 2012

(Expressed in United States dollars)

ASSETS:

Due from Clico Enterprises Limited (cash advances)	US\$73,801,867
Cash held with FirstCaribbean International Bank	823,517
Fixed deposit held with FirstCaribbean International Bank	219,870
Due from policyholders (loans)	43,577
Investment in Clico Enterprises Limited	5,000
Total assets	74,893,831

LIABILITIES:

Future policies benefit reserves - Annuities EFPA	56,388,537
Future policies benefit reserves - Life	268,369
Future policies benefit reserves - Pension	7,234
Future policies benefit reserves - Accident & Health	1,087
Future policies benefit reserves - Group Accident & Health	505
Future policies benefit reserves - Group Life	14
Total liabilities	56,665,746

ESTIMATED SURPLUS AS REGARDS MEMBERS

US\$18,228,085

Clico (Bahamas) Limited
(In Liquidation)
Statement of Cash Receipts & Disbursements
(Turks & Caicos only)

For the period from April 1, 2012 to June 30, 2012
(Expressed in United States dollars)

OPENING CASH POSITION	US\$831,331
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Receipts:	
Premiums collected	11,412
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Disbursements:	
Administration staff salaries	12,235
Rent	5,750
National Insurance	693
Claims - medical	277
Bank charges	271
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	19,226
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Closing balance	US\$823,517
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