

Fifth Report of The Official Liquidator of

Clico (Bahamas) Limited
(In Liquidation)

For the period from July 1, 2010 to September 30, 2010

CLICO (BAHAMAS) LIMITED

(In Liquidation)

Fifth Report of the Official Liquidator (From July 1, 2010 to September 30, 2010)

C O N T E N T S

	Page
Introduction	1
Background and Basis of Appointment	1 - 2
Definitions	3
Steps Taken by the Official Liquidator	3 - 4
Concerns	5 - 18
Conclusion	19
Statement of Assets at Estimated Realizable Values and Liabilities - Bahamas Only	Appendix 1
Statement of Receipts and Disbursements - Bahamas Only	Appendix 2
Statement of Assets at Estimated Realizable Values and Liabilities - Turks & Caicos Only	Appendix 3
Statement of Receipts and Disbursements - Turks & Caicos Only	Appendix 4
The First Report of the Liquidator of Clico Belize	Appendix 5
Clico Enterprises Limited Third Report of the Official Liquidator	Appendix 6
Wellington Preserve Corporation First Report of the Debtor In Possession	Appendix 7

INTRODUCTION

The Fifth 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 July 1, 2010 to September 30, 2010.

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 Company Limited. The Company's name was changed to Clico (Bahamas) Limited on April 7, 2005. Clico (Bahamas) Limited operates 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 plan 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 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 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 and that I, Craig A. (Tony) Gomez be court supervised. 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 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.

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 team.

"The Company" means Clico (Bahamas) Limited.

"CBL" means Clico (Bahamas) Limited.

"Counsel" means Callenders & Co., the Liquidator's General Counsel.

"United States ("US") Counsel" means FowlerWhite Burnett.

"Court" means the Supreme Court of the Commonwealth of The Bahamas.

"ICB" means the Insurance Commission of The Bahamas.

"WPC" means Wellington Preserve Corporation

"CEL" means Clico Enterprises Limited

STEPS TAKEN BY THE LIQUIDATOR (for the period from July 1, 2010 to September 30, 2010)

1. I attended Court on a bi-monthly basis with General Counsel to provide a progress report on the liquidation to the Court. The Superintendent for the Insurance Commission, Legal Counsel for the Insurance Commission of The Bahamas and Counsel on behalf of the Attorney General also attended each bi-monthly meeting.
2. I met with the General Counsel to discuss matters related to the Suriname appeal matter.
3. I attended Court with General Counsel for the hearing of the Suriname appeal of the rejection of the "Proof of Debt" filed by Clico Suriname in the sum of US\$18,734,202.97.
4. I attended Court with General Counsel to apply for an Order to approve the recommendations for the creditor's committee and the creditor's committee guidelines.
5. I met with General Counsel to discuss the way forward for the Guyana appeal of the rejection of the "Proof of Debt" filed by Clico Guyana in the sum of US\$34M.
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.

STEPS TAKEN BY THE LIQUIDATOR (for the period from July 1, 2010 to September 30, 2010)
CONCERNS (continued)

7. Continued to make premium payments to the Life and Health reinsurers.
8. Continued to address questions and concerns of policyholders.
9. Continued to address staff members with regard to the payment of their severance pay.
10. Continued to address matters with the proposed buyer in relation to the transfer of the life, health and pension policies for The Bahamas portfolio.
11. Continued to follow-up with the Liquidator and the Superintendent of Insurance in Belize in relation to the amendment to the Belize Transfer Agreement.
12. Traveled to Belize and met with the Provisional Liquidator and his Belizean Counsel.
13. Traveled to Belize and met with the Superintendent of Insurance and the Financial Secretary to discuss the Belize liquidation and a possible Government Guarantee to assist the Belize Liquidator.
14. Met with the proposed buyer of The Bahamas' life, health and pension policies and to discuss the Transfer Agreement. Also in attendance was the Insurance Specialist.
15. Updated the valuations of the company's real estate assets in preparation for possible sales contracts.

CONCERNS

- **Accounting and Ongoing Operations**

Until a buyer is confirmed, the Company's operations are continuing on a limited basis. Principal activities include collection of premiums, payment of health and life claims in accordance with the Court Order dated June 17, 2009, and payment to reinsurers, to ensure that:

1. Premium payments are posted as received.
2. Claims are adjudicated and paid in accordance with court approval and stated policy benefits.
3. Essential operating expenses are paid in accordance with court approval.
4. Policyholder requests are acted upon in accordance with contracts and according to established Company policies and practices.
5. Life and health reinsurance premium payments are kept current.
6. Timely payment for and maintenance of the technical support for the policy and accounting systems.
7. Accounting records are kept current.

- **Clico's Selection of an Insurer**

The selection of a new insurance provider for Clico's policies is still ongoing. A buyer has been identified but due diligence procedures continue to be performed. At the time of this report, a Transfer Agreement was being drafted between the proposed buyer of Clico's life, health and pension policies, and the Liquidator. There was a need to revise the initial Transfer Agreement which was as a result of the receipt of an updated Actuarial valuation as at March 31, 2010. This was received by me on June 29, 2010.

The first draft of the Transfer Agreement was previously agreed by the Liquidator and the proposed buyer. The Transfer Agreement was sent to the Superintendent of the Insurance Commission for review and approval; however, it became necessary to obtain an updated Actuarial valuation as at March 31, 2010, which has resulted in necessary amendments to the Transfer Agreement and timetable.

I met with the proposed buyer on July 21, 2010 to discuss the updated actuarial report and prepare a new timetable for the delivery of the revised Transfer Agreement to the ICB.

I met with the proposed buyer on August 25, 2010 to discuss the revised Transfer Agreement and agree on an independent actuary to complete a valuation of the proposed buyer. A joint letter was finalized and sent to the ICB for approval to engage the independent actuary to complete the valuation of the proposed buyer. The recommendation of the independent actuary to complete a valuation on the proposed buyer was subsequently approved by the ICB.

CONCERNS

- **Government Guarantee**

The Government of The Bahamas announced that they would provide a Guarantee of B\$30 Million dollars to assist in the anticipated shortfall in the liquidation.

The guarantee in its proposed state 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.

The details of this Guarantee will be finalized once there is a final Transfer Agreement between the Official Liquidator and the prospective purchaser of Clico's Bahamas life, health and pension portfolios. Upon my receipt of the final Transfer Agreement and information received from the proposed buyer regarding risk reserves, I will provide for consideration, an amended Guarantee amount to the Government of The Bahamas. I am in preliminary discussions with the Attorney General's Office in an effort to prepare this document for presentation to the Government of The Bahamas and its subsequent presentation in Parliament, which is a requirement of the approval process.

- **Court Matters**

Bahamas

I attended Court on a bi-monthly basis with General Counsel, to provide the Judge with an overview, update and progress report on the liquidation. Also in attendance at the hearings were the Superintendent of the Insurance Commission and Counsel for the Insurance Commission and representatives from the Attorney General's Office ("AG").

I attended Court on July 14, 2010 with General Counsel. Also in attendance were the Superintendent of the ICB and Counsel for the ICB and representatives from the AG's Office.

At this hearing, the Court heard and was updated on the following matters:

- The Suriname appeal of the rejection of the "Proof of Debt" filed by Clico Suriname in the sum of US\$18,734,202.97.

CONCERNS

- **Court Matters (continued)**

- Bahamas (continued)**

The Suriname matter was subsequently adjourned pending receipt of documents by the Liquidator, previously subpoenaed by the Liquidator's US attorney from entities in the United States, which were formerly associated with Mr. Duprey and/or Clico. As at the date of this report, a new hearing date has not yet been determined.

I attended Court on July 22, 2010 with General Counsel. Also in attendance were the Superintendent of the ICB and Counsel for the ICB and representatives from the AG's Office.

At this hearing the Court was updated and presented with the following matters for approval:

- Approval of the recommendations for the Creditors' Committee.
- Approval of the Creditor's Committee guidelines.
- Court Order for the Gibson & Co. Summons of April 2009.
- Registrar & Transfer Agent for the Government of The Bahamas Bonds.
- The use of Morneau Sobeco to complete an independent actuarial valuation of the proposed buyer of Clico's policies.
- The use of Morneau Sobeco to complete the actuarial valuation of the Clico Turks & Caicos branch.

The Order was made to approve the recommendation for the Creditors' Committee and the Creditor's guidelines as amended.

I attended Court on September 16, 2010 with General Counsel. Also in attendance were the Superintendent of the ICB and Counsel for the ICB and representatives from the AG's Office.

At this hearing the Court was updated and presented with the following matters for approval:

- The Transfer Agreement.
- Progress of the pending real estate sales.
- Turks & Caicos liquidation.
- Belize liquidation.
- Creditor's Committee.
- CL Financial Guarantee.
- Application to examine former Officers and Directors of Clico.
- Clico Suriname and Clico Guyana appeal hearings.

CONCERNS

- **General Counsel**

I met with General Counsel on July 13, 2010 to discuss details relative to the next Court hearing for the Suriname appeal matter.

- **United States**

Subpoenas were issued to Greenberg Traurig, P.A. ("Greenberg") whom I understand were the former counsel or present counsel to a host of other entities affiliated in one fashion or another with Clico, Lawrence Duprey, and/or CL Financial Limited. A total of over 65 entities were identified, and records of financial transactions were requested. The original deadline to respond to these inquiries was August 25, 2009.

As other potential targets are identified, I will pursue further discovery.

Lawrence Duprey and Sylvia Baldini Protective Order

On August 19, 2009, Mr. Duprey and Mrs. Baldini filed a Motion for Protective Order against Clico (Bahamas) Limited, to relieve Greenberg Traurig, P.A. ("Greenberg") of any obligation to produce:

1. Documents showing transfers to and from and/or on behalf of, or for the benefit of, Duprey or Baldini to the extent that the funds belonged to Clico.
2. Copies of corporate records reflecting ownership of any entity except if owned by Clico.

Mr. Duprey is claiming that the disclosure is overly broad and purports to request documents of a privileged, confidential and proprietary nature. He also claimed that these documents have no relationship to Clico's liabilities or financial condition.

United States Counsel attended Court on September 3, 2009, on the hearing of the Protective Order Motion filed by Mr. Duprey and Mrs. Baldini. The Complainants argued that the request for documents is in violation of their attorney-client privilege and is invading their privacy.

They further went on to say that we should look for alternative means to track monies being passed out of Clico.

The Protective Order Motion filed by Mr. Duprey and Mrs. Baldini was granted in part and denied in part, as follows:

CONCERNS

- **United States** (continued)

- Lawrence Duprey and Sylvia Baldini Protective Order** (continued)

The Court will not restrict Clico in the scope of the discovery, but will impose certain conditions upon Clico, Mr. Duprey, Mrs. Baldini and Greenberg Traurig, P.A. (the deponent), as follows:

- i) If Greenberg chooses to withhold materials on the ground of attorney-client privilege, then they must prepare a "privilege log" with adequate details explaining the privilege in order to give the Official Liquidator of Clico an opportunity to consider and potentially challenge the withholding of a particular document.
- (ii) Clico's Liquidator will have an opportunity to object to their claim for withholding documents. The material obtained by Clico must only be used in Court proceedings in The Bahamas and in the United States pending or in the future. The material must not be disseminated to anyone else.

I received communication from the United States Counsel that Greenberg had advised that they will be forwarding the first set of document production to them, together with Greenberg's Privilege Log as ordered by the US Court.

United States Counsel stated that no documents were received from Mr. Duprey, Mrs. Baldini or Greenberg as at the date of this report.

United States Counsel is following up on this matter and if necessary, a further Order will be filed against Mr. Duprey, Mrs. Baldini and Greenberg arising from their non-compliance with the Discovery Order.

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

See Appendix 6 for the Third Liquidator's Report on Clico Enterprises Limited and Appendix 7 for the First Debtor In Possession Report for Wellington Preserve Corporation ("WPC") for further matters related to CEL and WPC.

- **Policyholders**

1. 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.
2. Policyholders are continuing to make their premium payments to keep their policies in force. It appears that policyholders' confidence increased after the Court's approval was received to pay medical expenses up to \$5,000.00 and death benefits up to \$10,000.00.

CONCERNS

- **Policyholders (continued)**

3. Medical service providers continue to accept Clico's medical cards. Once again this renewed confidence in Clico was as a result of settling claims submitted by the medical service providers in accordance with the Court Order. I continue to discuss with additional service providers the need to accept Clico's medical cards.
4. Policyholders are being encouraged to read all public notices issued by the Liquidator and visit the liquidator's website to keep current on liquidation matters.
5. Policyholders are also encouraged to direct all questions they have regarding the liquidation directly to the Liquidator's office.
6. The liquidation is challenged as policyholders who wish to utilize U.S.A. medical service providers, must seek advance approval for the services from the Official Liquidator, as this is the policy implemented by many, if not, all Bahamian insurance companies. Failure to obtain pre-approval of medical services outside of The Bahamas by the Liquidator will result in a claim being denied.
7. Clico in July 2008 advised all MedExec policyholders by mail and delivery by respective insurance Agents of Clico that their premiums will increase on their policy anniversary date, over the period from August 2008 to July 2009.

I have been receiving inquiries from these policyholders, whose policies had lapsed due to incorrect premium payments, stating that they were not informed by Clico that their policy premium would be increasing.

- **Staff**

Former staff members of the Company have continued to increase their calls to me inquiring the exact date when they will receive their staff pension and/or severance packages.

Some former staff members continue to express concerns about why their severance pay is being delayed, as they are experiencing financial hardship due to unemployment and in some cases re-establishing their client base in the insurance market. They are being reminded that creditors cannot be settled until assets are sold and funds are realized.

- **First Caribbean International Bank (Bahamas) Limited**

I was served with an Affidavit of proof of claim from FirstCaribbean International Bank ("FCIB") in the amount of B\$363,215.91, representing the balance for loans that the Company had with FCIB. I have since placed this claim on the list of creditors in the liquidation in the order of its ranking as shown in appendix.

CONCERNS

- **First Caribbean International Bank (Bahamas) Limited** (continued)

FCIB is also concerned about Clico's policies that are assigned to FCIB by loan-holders. I performed a review of all such policies and a report was delivered to FCIB on September 6, 2010. I am currently awaiting their response.

I have kept the Court updated with respect to the FCIB's mortgage which must be settled to allow me to proceed with the sale of Clico's real estate assets without encumbrances.

It has been agreed by the concerned parties that the mortgage will be settled with proceeds from the sale of real estate.

- **Real Estate**

I commenced advertising for the sale of Clico's real estate assets in January 2010.

Updated appraisals were prepared for all properties in July 2010.

I have completed my review of the property offers received from companies and persons interested in acquiring Clico's real estate.

Acceptance letters and contracts have been prepared and have already been issued to five (5) prospective buyers. Once the down payments and contracts are executed I will proceed to the Court to get approvals to enter into the sales agreements with these individuals/companies.

As at the date of this report I have received down payments from three (3) buyers, as follows:

- (1) Six (6) properties located at Sears Hill - The sales were expected to close in September 2010. This date has been delayed and the sale is now expected to close in December 2010.
- (2) Centreville Medical Center - due diligence required to consummate this sale is in progress and the sale is expected to close in December 2010.
- (3) Golden Gates - due diligence required to close this sale is in progress.

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

I have received documents from Clico Guyana ("Guyana") and Clico Suriname ("Suriname"), representing claims amounting to US\$34M and US\$18.7M, respectively.

CONCERNS

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

My preliminary review of the documentation suggests that valid insurance policies were never issued by the Company. The purported premiums received from both Guyana and Suriname were remitted directly to a bank account held in the name of the Company at Ocean Bank, Miami Florida, United States and to another account held by the Company in Trinidad at First Citizens Bank Limited.

U.S. Counsel has subpoenaed records from the United States bank that was the recipient of the funds transferred from Guyana and Suriname. A similar process will be done in Trinidad. Once the bank's records are received our tracing procedures to determine how the funds were utilized, will continue.

Upon completion of my review of the claims submitted to me, I rejected both the Guyana and Suriname claims. Subsequent to my rejection, I was served with an application on behalf of Clico Guyana, to appeal my rejection of Clico Guyana's proof of debt. A similar appeal application was filed and served on behalf of Clico Suriname.

I met with General Counsel on July 13, 2010 to discuss the appeal hearing for Suriname and further information being requested by Suriname's counsel.

The hearing dates set for Suriname's appeal were July 14, 2010 and July 15, 2010.

I attended Court on July 14, 2010 with General Counsel. Also in attendance were the Superintendent of the ICB and Counsel for the ICB and representatives from the AG's Office. At this hearing, the Court heard the Suriname appeal matter of the rejection of the Proof of Debt filed by Clico Suriname in the sum of US\$18,734,202.97.

This matter was subsequently adjourned pending receipt of documents by the Liquidator, previously subpoenaed by the Liquidator's US attorney from entities in the United States, which were formerly associated with Clico. A new hearing date has not yet been determined.

Both matters, Guyana and Suriname are now delayed pending receipt of documents subpoenaed in the United States.

- **Bonds**

I am continuing my communication with Societe Generale (formerly SG Hambros) and the Central Bank of The Bahamas to determine the Registrar and Transfer Agent ("RTA") for Clico's \$449,000 of Bahamas Government Registered Bonds ("BGRS") 2020.

CONCERNS

- **Bonds (continued)**

The Central Bank of The Bahamas has confirmed to me that the Bonds are registered in the name of British Fidelity Assurance Ltd. Notice of interest payments on the bond is being received by notice from the Central Bank.

As at the date of this report, neither institution could provide me with any definite answer as to the RTA for Clico's BGRS. I was advised by both institutions that further investigation is required to determine the RTA for the bonds. I am continuing my follow-ups to resolve this matter.

Noted below is a list of the Bonds held by Clico:

Name	Coupon rate	Start date	Maturity date	Principal
B.E.C. Bond	6.41%	Dec. 22, 2006	2021	B\$2,005,013
B.E.C. Bond	6.43%	Dec. 22, 2006	2016	2,005,012
BGRS 2020-2021 64024	6.03%	1999	2020	449,000
Student Loan Bond		May 31, 2003	Dec.31, 2015	85,148
Total				B\$4,544,173

I have continued to address this matter with the institution known to me to be the Registrar and Transfer Agent for Clico's Government of The Bahamas Bonds but no confirmation of the same is forthcoming from them.

I have to re-address this matter with the Governor of the Central Bank.

- **Creditors' Committee**

A Creditor's Meeting was held at the British Colonial Hilton Hotel on June 21, 2010. In attendance at the meeting were members of the liquidation team, the Superintendent and members of the Insurance Commission, representatives from the Attorney General's Office and 63 Creditors, from all classes to include life, health, pension, EFPA and staff.

The meeting was called to consider establishing a Creditor's Committee to act in an advisory role to the Liquidator and provide the other Creditors with current updates on the liquidation further to the publications on the liquidator's web-site. The Creditors were also provided with an update on the progress of the liquidation. General Counsel is in the process of filing the necessary court documents to have the Credit's Committee established.

I attended Court on July 22, 2010 with General Counsel to obtain a Court Order for the recommendations presented for the Creditor's Committee and an Order to approve the Creditor's Committee guidelines.

CONCERNS

- **CL Financial Guarantee**

I have requested General Counsel to actively pursue the enforceability of CL Financial's US\$58M Guarantee to Clico (Bahamas) Limited. I was subsequently advised that a statutory demand had to be made first before a debt recovery action could commence in Trinidad.

I have asked General Counsel to instruct the Counsel in Trinidad to proceed with the statutory demand. A statutory demand was served on CL Financial. At the date of this Report, no response was received.

The current real estate market in the United States remains extremely soft and it is very unlikely that I will be able to realize a more than favorable price for the Wellington Property to guarantee sufficient funds for me to satisfy Creditors of CBL. In light of these conditions, I have requested General Counsel to instruct Trinidadian Counsel to proceed with the call on the CL Financial Limited Guarantee.

General Counsel is corresponding with Trinidadian Counsel and Trinidadian Counsel is expected to file a demand claim against CL Financial. The draft claim has been forwarded to General Counsel for their review and comments.

I am continuing my follow-up with General Counsel on updates from the Trinidadian Counsel. I expect that this process will prove to be challenging.

- **Bahamas - Portfolio as at September 30, 2010:**

Plan Type	No. of Policies	Sum Assured	Surrender Value
Life	10,259	\$ 617,309,476	B\$11,816,642
Annuity	172	5,382,144	6,845,398
Group Life	35	700,000	(6,326)
Individual Pension	722	394,033	6,018,076
BFA Staff Group Pension	74	245,385	993,188
Pension - Reduced Paid-Up (5D)	868	595,426	-
Life - Extended Term (5C)	115	498,250	-
Life - Reduced Paid-Up (5D)	70	237,890	-
Flexible Group Pension	13	22,898	104,124
Medical	4,226	862,020,260	(93,531)
Group Medical	31	155,000,000	(21,538)
Total	16,585	\$1,642,405,762	B\$25,656,033

CONCERNS

- **Bahamas - Portfolio as at September 30, 2010** (continued)

Policyholders are of the view that the process is taking too long, especially as this is delaying the following:

- (1) Receipt of college education funds;
- (2) Receipt of endowment pay-outs;
- (3) Receipt of dividends;
- (4) Full pay-out on policy claims;
- (5) Loan requests from certain policyholders;
- (6) Requests for policy cash values;
- (7) Pay-out of Annuity funds.

I am presently aggressively working with the proposed buyer of the life, health and pension policies to bring closure to the process in the quickest possible time and expect to have the Transfer Agreement completed in the shortest possibly time.

See chart below for attrition by policy category.

- **Bahamas - Policies surrendered July 1, 2010 to September 30, 2010:**

Plan Type	No. of Policies
Life	106
Individual Pension	22
Total	128

- **Intercompany / Related party balances**

Differences exist between the intercompany/related party balances in the accounting records of Clico and its related parties. The balances reflected in this report have been brought forward from the Company's records and at the date of this report, these differences are still being investigated and reconciled.

As the records reflect, Clico had a significant level of intercompany and related party activity and it is necessary that these transactions be properly identified.

After further review of the intercompany and related party balances, I have preliminarily concluded that these balances are unlikely to be collected. In due course it is probable that provisions may be needed to reflect the uncollectible status of these balances as reported in the unaudited financial statements.

CONCERNS

- **Intercompany / Related party balances (continued)**

Further review and a conclusion about these numbers is contingent upon disclosures made by my examination of documents subpoenaed from the United States, which to date, I have not received. This will then allow for an enhanced assessment of net realizable value assisting a determination about how I proceed in the future.

- **Statement of affairs**

See Appendix 1 for the unaudited statement showing assets at estimated realizable values, and liabilities as at September 30, 2010.

- **Cash Receipts and Disbursements**

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

- **Belize**

I was served with a notice of the petition dated March 9, 2010, to wind up the Clico (Bahamas) Limited - Belize Branch and to appoint the Judicial Manager, Mr. Mark C. Hulse of the accounting firm, Baker Tilly Hulse, as the Provisional Liquidator. The Order to appoint Mr Hulse as Provisional Liquidator was approved on May 14, 2010.

Mr. Hulse appeared with his Belizean Counsel before the Supreme Court of Belize on July 23, 2010 to hear the Petition to extend the period of the appointment of the Provisional Liquidator from July 9, 2010 to August 6, 2010.

The Order was granted to extend the period of the appointment of the Provisional Liquidator to August 6, 2010.

I visited Belize on August 1, 2010 and I met with Mr. Hulse and his Belizean Counsel and discussed matters related to the liquidation of Clico Belize and the way forward.

During this visit I also met with the Belizean Superintendent of Insurance ("SOI") and Mr. Joseph Waight, The Financial Secretary, to discuss the Government of Belize's position on providing a Guarantee for the Belize liquidation. At this meeting we also discussed in particular, the current ring fencing of the Belize's liquidation assets, as well as other matters affecting the policyholders' of Belize.

Mr. Hulse appeared with his Belizean Counsel before the Supreme Court of Belize on August 6, 2010 to hear the winding-up Petition to place Clico Belize into liquidation.

CONCERNS

- **Belize (continued)**

The Order was granted by the Belize Court to place Clico Belize into liquidation with the liquidation to be Court supervised, and that Mr. Mark Hulse be appointed the Official Liquidator of Clico Belize.

The next Court hearing is scheduled for October 1, 2010.

The selection of a substitute insurer in Belize has been completed, inclusive of the approval by the Superintendent of Insurance of Belize. The Court of Belize also granted an order approving the transfer of the Portfolio to RF&G Life Insurance Company Limited.

The sale of the Clico Belize Life & Health insurance portfolio was approved by the Order of Her Ladyship the Honourable Justice Mrs. Claire Hepburn dated March 11, 2010 subject to a specific amendment being completed to the Transfer Agreement and on approval of the transfer by the Insurance Commission of The Bahamas. This amendment cannot be made until an Official Liquidator is appointed by the Belize Supreme Court. Once the appointment of the Belize's Official Liquidator is completed, it is hoped that the amendment to the Transfer Agreement will be perfected.

I am working closely with the SOI and Liquidator in Belize to ensure that the conditions directed in the March 11, 2010 Order of Justice Hepburn are complied with.

- **Statement of affairs**

See Appendix 5 for the First Report of the Liquidator of Clico Belize, for the period from August 6, 2010 to September 24, 2010.

- **Turks & Caicos**

I am in discussions with a prospective buyer for the Turks & Caicos ("TCI") life and health policies. Documents requested by the proposed buyer have been sent to that company in the Turks & Caicos Islands and discussions are ongoing in respect of this matter.

I received a letter of intent on May 17, 2010 from the proposed buyer, to acquire TCI's life and health policies.

CONCERNS

- **Turks & Caicos (continued)**

The Actuary who was initially engaged to complete the valuation declared a conflict of interest and I am in the process of securing another Actuary to complete the valuation.

- **TCI - Portfolio as at September 30, 2010:**

Plan Type	No. of Policies	Surrender assured
Life	145	\$ 15,656,000
Medical	5	2,000,140
Total	150	\$ 17,656,140

- **TCI - USD Portfolio as at September 30, 2010:**

Plan Type	No. of Policies	Surrender value
Annuity (EFPA)	34	US\$56,587,375
Life	1	6,757
Medical	1	0
Total	36	US\$56,594,132

The Turks & Caicos branch continues to remain open for the acceptance of premium payments and coordinating claims. The office is located at Tropicana, Ledeck Road, The Bight in Grace Bay, Providenciales. The administrator at the office is Mrs. Catherine Henfield, a former employee of Clico TCI branch.

- **TCI - Statement of affairs**

See Appendix 3 for the unaudited statement showing assets at estimated realizable values and liabilities as at September 30, 2010.

- **TCI - Cash Receipts and Disbursements**

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

CONCLUSION

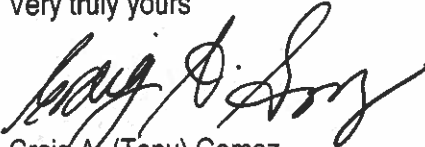
From an operational perspective, I will continue to process policyholder's claims; perform the accounting and policy administration functions, and address requests and concerns while performing other functions considered necessary in the circumstances, all in an effort to continue to progress the liquidation 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.

Discussions are continuing with a local insurer for the assumption of the Company's life, health and pension policies. 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 new insurance company.
- (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) Shortfall in cash needed to meet operating expenses;
- (6) The continuation of the use of the accounting and policy systems hosted in Trinidad;
- (7) Adjudicating and managing ongoing claims;
- (8) Payment of claims received prior to February 24, 2009;
- (9) Funding of staff severance pay;
- (10) Sale of the Wellington Preserve property in Florida;
- (11) Realizing assets to satisfy creditors;
- (12) Sale of the Turks & Caicos policies;
- (13) Obtaining amendment to the Belize portfolio Transfer Agreement;
- (14) Obtaining The Bahamas Insurance Commission and The Bahamian Court approval for the transfer of the Belize portfolio; and
- (15) Tracking assets considered to be the property of Clico.
- (16) The impact of policy lapses either due to a delayed portfolio transfer, or loss of confidence by current policyholders.

Very truly yours



Craig A. (Tony) Gomez
Official Liquidator
Clico (Bahamas) Limited
(In Liquidation)
Nassau, Bahamas
September 30, 2010

Clico (Bahamas) Limited
(In Liquidation)
 Statement of Assets at Estimated Realizable Values
 And Liabilities As Expected to Rank
(Bahamas only)

As at September 30, 2010
 (Expressed in Bahamian dollars)

ASSETS:

Due from Clico Enterprises Limited	\$ 15,533,954
Cash	9,511,177
Real estate	6,226,000
Loans due from policyholders	3,826,739
Bonds	4,544,177
Loan due from Clico Enterprises Limited	3,070,349
Investment property	2,100,000
Loan due from Wellington Preserve Corporation	730,225
Total assets	45,542,621

LIABILITIES:

Future policies benefit reserves – Life	20,504,853
Policy and contract claims payable	21,685,406
Future policies benefit reserves - Guaranteed Retirement (Pension)	9,801,163
Future policies benefit reserves – EFPA	6,714,822
Future policies benefit reserves - Group Annuities	1,048,256
Accounts payable and accrued expenses – Premium taxes	216,074
Future policies benefit reserves - Accident & Health	102,399
Future policies benefit reserves - Accident & Health (Group)	47,413
Future policies benefit reserves – Life (Group)	2,327
Total liabilities	60,122,713

ESTIMATED LOSS AS REGARDS MEMBERS

B\$(14,580,092)

Note

As at September 30, 2010, cash held in Escrow amounted to \$9,779,802.00. See page 21.

Appendix 1 (continued)**Clico (Bahamas) Limited
(In Liquidation)
Escrow Cash Accounts
(Bahamas only)**

As at September 30, 2010
(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	\$ 6,779,236
Royal Bank of Canada	Pension - Escrow	Nassau	2,342,483
Royal Bank of Canada	Health - Escrow	Nassau	583,356
Royal Bank of Canada	Annuity - Escrow	Nassau	74,727
Total BSD Cash			\$ 9,779,802

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

For the period from July 1, 2010 to September 30, 2010
 (Expressed in Bahamian dollars)

OPENING CASH POSITION **B\$8,764,565**

Receipts:

Premiums collected	1,911,397
Rent collected	30,886
	1,942,283

Disbursements:

Claims - medical	333,280
Claims - death	157,375
Re-insurance premiums (life)	192,446
Administration staff salaries	111,148
Professional fees	99,439
Premium refund - funds received in error/intended policy not booked	68,918
Utility - electricity	47,142
Security services	43,376
Utility - cable	30,051
Re-insurance premiums (medical)	24,867
Actuary	16,800
Utilities - telephone	15,823
IT services	14,904
Bank charges	11,225
Sundry	9,694
Miscellaneous	5,091
Maintenance - building	4,376
Grand Bahama Port Authority	3,874
National Insurance Board	1,875
Utilities	1,610
Office supplies	1,474
Courier	520
Vehicle	113
Maintenance - system	250
	1,195,671

CLOSING BALANCE

B\$9,511,177

Clico (Bahamas) Limited
(In Liquidation)
Statement of Assets at Estimated Realizable Values
And Liabilities As Expected to Rank
(Turks & Caicos only)

As at September 30, 2010
(Expressed in United States dollars)

ASSETS:

Due from Clico Enterprises Limited (cash advances)	US\$73,801,867
Due from Clico Belize	2,575,811
Cash held with FirstCaribbean International Bank	842,142
Fixed deposit held with FirstCaribbean International Bank	217,496
Due from policyholders (loans)	43,577
Due from Clico Barbados	41,191
Investment in Clico Enterprises Limited	5,000
Total assets	77,527,084

LIABILITIES:

Future policies benefit reserves - Annuities EFPA	60,166,861
Due to Clico U.S. Virgin Islands	16,346,394
Due to Parent - Clico (Bahamas) Limited	291,512
Future policies benefit reserves - Life	233,609
Due to Clico Cayman	58,769
Due to Head Office - CL Financial	57,350
Due to Clico Suriname	27,156
Future policies benefit reserves - Accident & Health	7,086
Due to Clico Guyana	2,639
Total liabilities	77,191,376

ESTIMATED SURPLUS AS REGARDS MEMBERS**US\$335,708**

Appendix 4

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

For the period from July 1, 2010 to September 30, 2010
(Expressed in United States dollars)

OPENING CASH POSITION	US\$834,794
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Receipts:	
Premiums collected	19,497
Interest on savings a/c	203
Interest on fixed deposit	137
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	19,837
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Disbursements:	
Administration staff salaries	7,341
Rent	4,600
National Insurance Board	416
Bank charges	132
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	12,489
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Closing balance	US\$842,142
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