

## **UPDATE ON BRITISH AMERICAN INSURANCE COMPANY IN THE EASTERN CARIBBEAN AND CLICO**

In November 2009, the ECCU Governments announced a strategy to address the collapse of British American Insurance Company within the Eastern Caribbean (“EC”). Following this, we provided further information about the acceptance of the proposal for a new entity by a number of the Courts within the region. All Courts within the EC have now approved the proposal.

The purpose of this release is to provide an update on activities to date.

### **Achievements to Date**

The ECCU Governments and the Judicial Managers have worked to achieve the following results over the past seven months:

- Transfer of the BAICO Property Portfolio
- Recognition of the Judicial Managers/ Administrator (referred to as the “Judicial Managers”) in the United States
- Launch of the Medical Insurance Support Fund now imminent
- Identification of, and continuing negotiation with, strategic investors
- Ongoing discussions with the Government of Trinidad and Tobago, including engagement with the new administration

### **The Property Portfolio**

We are pleased to confirm that, in May 2010, the Judicial Managers for the EC, except for Dominica<sup>1</sup>, completed the transfer of BAICO’s property insurance portfolio to Caribbean Alliance Insurance Company. This meant that those policyholders had the opportunity to take up new insurance coverage on substantially the same terms with the new insurer, with little or no interruption to their cover.

### **The United States Assets**

Previously, we mentioned that the Judicial Managers had approached the Courts in the US seeking recognition of the judicial management proceedings so they could protect BAICO’s unencumbered assets in the US.

On 14 May 2010, Mr Brian Glasgow (the Judicial Manager of St Vincent and the Grenadines branch) was successful in achieving recognition as the judicial manager of the assets of BAICO that are located in the US, and Mr Glasgow is now in the process of obtaining control of those assets.

---

<sup>1</sup> In Dominica, the sale of the property insurance portfolio is subject to Caribbean Alliance Insurance Company obtaining registration as an insurer.

Such recognition stays all actions against BAICO and its assets located in the US, and would therefore allow the Judicial Managers to conduct certain investigations and facilitate an orderly insolvency proceeding.

### **The Governments' Medical Insurance Support Fund for BAICO policyholders**

Some time ago we announced that the Governments of the Eastern Caribbean would work together to establish a Fund to provide resources to assist, within certain parameters, persons who were insured under BAICO's medical insurance policies for the payment of their medical claims.

Regrettably, the process of establishing the Fund has proved to be more complex than was originally expected, but its establishment is now imminent. We expect to make a further, more detailed, announcement about what the Fund will cover, and how it will operate, by the end of next month.

### **Update on Establishing a New Insurance Company**

The ECCU Governments have, over the past several months, been engaging in ongoing discussions and negotiations with the Judicial Managers and a strategic investor regarding the proposed establishment of a new insurance company. The intention is that the new company would take on some of the business of BAICO, such as the traditional life, annuity and investment business, which would in many or all cases be on reduced terms to that which policyholders had with BAICO.

In addition, the ECCU Governments, in keeping with the objective of a regional solution to the crisis, have been liaising with the Government of Trinidad and Tobago regarding a contribution to help capitalise the new company in a way that minimises the losses of policyholders and also ensures that a viable business can be established.

Prior to the recent elections our discussions with the Government of Trinidad and Tobago had been encouraging. As is to be expected the recent elections in Trinidad and Tobago have slowed this process, and we have now engaged the new administration, which is considering the matter. We are hopeful that the Government of Trinidad and Tobago will be in a position to meet with representatives of the ECCU governments shortly.

As previously indicated, this process has proven to be an extremely challenging task, and a number of events outside of our control have extended the length of the process beyond that initially anticipated. Nonetheless, we continue to strive toward the best solution that we can deliver for stakeholders within the region given the financial state of BAICO, and the tools and funding at our disposal.

## **Potential Recoveries and other actions**

The Governments are working closely with the Judicial Managers to identify whether BAICO is able to recover funds from certain individuals or organisations who may have contributed to BAICO's financial and other problems.

The relevant authorities within each of the EC countries where BAICO conducted business may also need to evaluate and pursue potential criminal activity regarding BAICO.

Although success in relation to potential recovery actions can result in more assets being available to creditors, including policyholders, it is important to understand that the pursuit of both civil and criminal legal options is a long and often costly road, inevitably punctuated by legal and other complexities, and often taking many years to resolve.

Nonetheless, the ECCU Governments and the Judicial Managers all recognise the importance of ensuring that those responsible are pursued wherever feasible, and that those who contributed to the losses are required to compensate those who have suffered the brunt of them.

## **Latest Developments on CLICO**

The ECCU Governments have continued to discuss with the Government of Barbados the ongoing issues arising from CLICO International Life Insurance Limited ("CLICO Life"). Also the ECCU regulators continue to consider and pursue options to protect the interest of policy holders within the ECCU.

## **In conclusion**

The ECCU Governments appreciate that this has been a difficult time for those who placed their trust in BAICO. Please rest assured that the ECCU Governments and the Judicial Managers are making every effort to resolve of these matters. However, as we have said before, these are difficult issues and it will continue to take time to work through them.

On behalf of the ECCU Governments, we would like to thank everyone for their continuing patience as we continue to work on a solution.

**Issued by Governments of the ECCU**

**July 16, 2010**