

**HIH Casualty and General Insurance Limited**  
**ACN 008 482 291**  
**(In Liquidation and subject to Schemes of Arrangement)**

Scheme Administrators' annual report to  
creditors

30 June 2008

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# 1 Introduction & background

## 1.1 Introduction

This is the second annual report to the Creditors of HIH Casualty & General Insurance Limited - in liquidation and subject to Schemes of Arrangement (“HIH C&G”).

The report has been prepared in accordance with clause 43.2 of the Scheme of Arrangement, which became operative in Australia on 30 May 2006. Under the terms of the clause: “Within three months after each anniversary of the date, being either 31 December or 30 June, at the discretion of the Scheme Administrators, after The Australian Scheme becomes effective, the Scheme Administrators shall report to the Scheme Creditors on the progress of The Australian Scheme, including details of remuneration paid to the Office Holders, since the date of the last such report”. Accordingly this report has been prepared for the period to 30 June 2008.

An annual report has also been prepared by the Scheme Administrators of the UK Scheme of Arrangement for HIH C&G. This will be published on the HIH website as a supplement to the Australian annual report for this company.

## 1.2 Background

HIH Insurance Limited and certain of its major subsidiaries were placed into Provisional Liquidation on 15 March 2001, and subsequently into liquidation on 27 August 2001. To date, eighty-two HIH Group companies in Australia have been placed into liquidation.

Summary details of the history of the group; its failure; and background information are available on the HIH website at [www.hih.com.au](http://www.hih.com.au). Extensive information on the failure of the group, including the final report of the HIH Royal Commission established by the Australian Federal Government, is available on the website [www.hihroyalcom.gov.au](http://www.hihroyalcom.gov.au)

Schemes of Arrangement for the eight licensed insurance companies in the HIH Group in Australia became effective on 30 May 2006, following approval by Creditors and the Court. Schemes of Arrangement for the UK branches of the four of these companies, detailed in section 3 of this report, became effective in the UK on 13 June 2006. Each of the Schemes has a Record Date (the date at which liabilities are measured) of 27 August 2001. The earliest bar date permissible under the terms of the Schemes is 30 May 2011. At this stage the Scheme Administrators expect the actual bar dates to be 30 May 2013.

## 2 Principal developments to report during the period

The principal developments to report during the period were:

- + Agreement of Scheme Payment Percentages by the members of the requisite Scheme Creditor Committees, which now total as follows:

	Creditors with insurance liabilities in Australia	All other creditors worldwide
HIH C&G	12.64%	9.00%
FAIG	30.00%	30.00%
CIC	30.00%	30.00%
WMG	5.00%	5.00%

More detail on Scheme Payments and the estimated ultimate Scheme Payment Percentage for HIH C&G is included in section 3 of this report.

- + The Australian Scheme Administrators were successful in their appeal to the House of Lords. Their Lordships ruled that funds held by the English Scheme Administrators should be remitted to Australia for distribution by the Australian Scheme Administrators in accordance with Australian Corporations Act and Insurance Act priorities. This is explained in more detail in section 3.2 of this report.
- + Following receipt of the above judgement, application was made to the New York Bankruptcy Court for recognition of the HIH C&G Scheme of Arrangement in the United States. This has been granted subsequent to the date of this report and will allow finalisation of the release of the US Trust Funds to the Scheme Administrators, and payment to US creditors who are the beneficiaries of these funds. This is explained in more detail in section 3.1 of this report.
- + Following settlement with some of the defendants to the Liquidators' major litigation actions last year, discussions have continued with the defendants to the FAI Takeover claim. Further details of this, and other major litigation matters, are included in section 5 of this report.

## 3 Current and projected Scheme Payment Percentages

### 3.1 The current Scheme Payment Percentage

The current Scheme Payment Percentages for HIH C&G are:

Creditors with insurance liabilities in Australia	12.64%
All other creditors worldwide	9.00%

To date, the Australian Scheme Administrators have made distributions out of non-reinsurance assets in Australia, to creditors with liabilities in Australia, totalling 9%. The English Scheme Administrators have also made equal distributions to all other creditors worldwide (with the exception of those creditors eligible to be paid from the US Trust Fund Assets).

The Australian Scheme Administrators have also made a distribution out of reinsurance assets in Australia, to creditors with insurance liabilities in Australia, of 4%. As any distribution to Australian creditors with insurance liabilities in Australia from assets other than reinsurance recoveries, is made after taking account of any recoveries they may have received from reinsurance assets, their effective total Scheme Payment percentage to date is 12.64%.

A Scheme Payment Percentage of 9% for those US domiciled creditors eligible to be paid from the US Trust Fund assets has been approved by the HIH C&G Creditors' Committee, under the terms of the Scheme.

The Scheme Administrators have signed a Deed of Release with the Superintendent of Insurance in New York to secure release of the Trust funds to allow payment to those creditors eligible to participate in any distribution from the Trust. The Trust Agreement defines such policyholders as: "the holders of an American Policy resident or doing business in the United States, and any other persons or associations who are assignees, pledgees, or mortgagees named therein".

The terms of the Release of the Trust funds include an undertaking to distribute them strictly in accordance with the terms of the Trust Agreement, and are conditional upon recognition by the US Federal Bankruptcy Court of the Australian Scheme of Arrangement. Subsequent to the date of this report, the Scheme Administrators have obtained such recognition from the Court, and application will now be made for NY State Conservation Court ratification of the Deed of Release for the Trust funds. It is hoped that this will be obtained in time to allow payment of the interim 9 cents in the dollar to any US domiciled creditors who have yet to receive a distribution under the Scheme, in the next quarterly Scheme distribution payment run at the end of December 2008.

### 3.2 The House of Lords appeal decision

Before reviewing the timing and quantum of future dividend payments, it is necessary to consider the implications of the decision of their Lordships following the Australian Scheme Administrators' appeal to the House of Lords.

The English Scheme of Arrangement was originally designed to complement the Australian Scheme by adopting most of the provisions of the Australian Scheme, with the exception of the distribution priorities that were to apply to the English Assets.

As a result of the different statutory distribution priorities that apply to liquidators' distributions in Australia and the UK, and following a formal request to the UK Court by the Australian Court under section 426 UK Insolvency Act, the English Provisional Liquidators sought directions from the English High Court as to whether the assets they controlled should be released to the Australian Liquidators for distribution in accordance with the Australian statutory distribution priorities.

The High Court directed that the English Assets should not to be remitted to the Australian Liquidators for distribution in accordance with the Australian statutory distribution priorities. The English Scheme therefore applied the distribution priorities of the English statutory regime to the English Assets.

The Australian Liquidators and two Australian creditors (the James Hardie Trusts) unsuccessfully appealed the initial court directions obtained by the English Provisional Liquidators, and subsequently appealed that decision further to the House of Lords. The appeal was heard in December 2007.

In anticipation that the appeal process would otherwise hold up the adoption of the Schemes and the commencement of payments to creditors, the English Scheme contained an inbuilt alternative – if the House of Lords maintained the status quo of the first instance judgment and the Court of Appeal decision, the English Assets would continue to be distributed *pari passu* to all creditors worldwide. If however the House of Lords overturned the Appeal Court decision, the English Assets would be distributed in accordance with the Australian distribution priorities.

In May 2008, judgement was handed down in favour of the Australian Scheme Administrators. The practical effect of the judgement is that assets realised and held by the English Scheme Administrators will now be distributed to creditors in accordance with Australian priorities. The recent recognition by the US Bankruptcy Court of the Australian Scheme of Arrangement means that, with the exception of the US Trust Funds, the same will apply to US assets. From the perspective of distribution of assets, there is now effectively one global Scheme applying Australian distribution priorities worldwide.

### 3.3 Distribution priorities

In light of the above, it is helpful to summarise the different distribution priorities as set out in section H of the Australian Scheme of Arrangement:

<b>Asset funds</b>	<b>Creditors eligible to participate in distribution</b>
1. Reinsurance assets in Australia	Creditors with insurance liabilities in Australia
2. Rest of the world reinsurance assets	Creditors with insurance liabilities outside of Australia until they have received an equivalent Scheme Payment percentage to 1. above, and then all Creditors with insurance liabilities worldwide
3. Non reinsurance assets in Australia	Creditors with insurance liabilities in Australia, net of any payments received under 1. and 2. above, and all other Creditors with liabilities in Australia at face value
4. Rest of the world non reinsurance assets	Creditors with insurance liabilities outside of Australia net of any payments received under 2. above, and all other Creditors with liabilities outside of Australia at face value. Once this group of creditors has received the same Scheme Payment percentage as those creditors under 3. above, then the latter also participate in any further Scheme payment to the extent that there are available funds
5. US Trust Funds	Paid exclusively to eligible US domiciled creditors.

It should be noted that should there be insufficient Trust Funds available to pay eligible US creditors an equivalent Scheme Payment percentage to that received by all other Creditors with insurance liabilities outside of Australia, they will receive payment under 2. and 4. above to “hotchpot” them to this level.

### 3.4 Projected further Scheme payments

The Scheme Administrators are currently reviewing the reclassification of assets within the categories set out in 3.3 above, following the outcome of the House of Lords appeal. Based on this review, the Scheme Administrators hope to make a second interim Scheme Payment of 3 cents in the dollar to all Creditors with insurance liabilities in Australia by the end of December 2008. This Scheme Payment will be made from reinsurance assets in Australia, and will bring the total Scheme distribution to these creditors to 15.37%. This Scheme payment percentage is based on receipt of a total of 7% (a first interim payment of 4% and the proposed second interim payment of 3%) on the face value of their claims, from Fund 1. above, as well as receipt of a total of 9% (a first interim payment of 5% and a second interim payment of 4%) from Fund 3. above, based on the net value of their claims after receipt of the 7% from Fund 1.

As part of the review, there will need to be a reallocation of UK assets between Funds 2 and 4. Once this is done the Scheme Administrators would hope to be in a position to make a further payment to Creditors with insurance liabilities outside of Australia from Fund 2. This should ensure that they will have received the same total interim Scheme payment percentage (15.37%) as Creditors with insurance liabilities in Australia. Assuming that US Court approval has been received for the release to the Scheme Administrators of the US Trust funds, payment of this percentage will also be made to US insurance creditors

At this stage it is not possible to estimate the timing and quantum of a second interim Scheme Payment from non-reinsurance assets in Australia, or non-reinsurance assets outside of Australia. The timing of such payment is likely to be dependent upon any settlement of the remaining major litigation, as well as the receipt of intercompany dividends from other HIH Group companies. It is hoped that a further Scheme Payment may be possible, however, towards the middle of 2009.

### 3.5 Agreement of the current Scheme Payment Percentage

The Scheme Administrators review the Scheme Payment percentages on a regular basis, as major asset recoveries are made and claims estimates are updated. This review is undertaken in consultation with the Creditors’ Committees. Factors taken into account when estimating these percentages include current cash held, expected future agreed claims levels and the remaining potential volatility of the account.

### 3.6 Scheme Payments for reinsurance creditors

In the last annual report to creditors it was explained that agreed claims (described as “Acknowledged Creditor Claims” under the Scheme) of HIH C&G’s reinsurance creditors had generally not yet been accepted as Established Scheme Claims by the Scheme Administrators, and so reinsurance creditors would not generally have yet been paid any Scheme distributions.

The reason for this is the difficulty in identifying all potential future set-off. The HIH companies wrote both inwards reinsurance business and outwards reinsurance business, in more than one location, and significant set-off is expected. In common with many solvent insurers, prior to insolvency the HIH Group did not maintain their insurance records on a principal to principal basis, which meant that the Scheme Administrators were not able readily to identify all transactions with a particular principal.

The Scheme Administrators have been willing to consider making Scheme Payments to reinsurance creditors with Acknowledged Creditor Claims before all potential set off has been finalised, provided the creditor is willing to give an undertaking to refund any amounts which subsequently prove to have been overpaid. Payment has been made to a number of such

creditors over the last year and creditors interested in this should continue to contact the Scheme Administrators.

### 3.7 Estimated ultimate Scheme Payment Percentage

The Scheme Administrators' current best estimates of the ultimate Payment Percentage for HIH C&G is shown below. This estimate remains dependent on a wide range of factors including the volatility of claims; levels of set-off; levels of reinsurance recovery; the class of creditor claim; and litigation outcomes. It is possible that the ultimate Payment Percentage could vary significantly either above or below that predicted.

Scheme Company	Estimated Total Scheme Payment Percentage at Scheme date	Updated Total Scheme Payment Percentage at 30 June 08
HIH C&G	15% to 25%	10% to 35%

A large part of HIH C&G's realisable assets are future reinsurance recoveries, the size and recoverability of which are dependent upon a number of factors including:

- + future claims development;
- + contract commutations; and
- + the credit risk of certain reinsurers.

It should be noted that the range of estimated payment percentages has increased since the last annual report to creditors, when it was kept at the original rates set at the Scheme date.

The estimated range is a function of two factors:

1. The difficulty in estimating the total final asset recoveries, and the final level of agreed creditor claims, in light of the issues listed above; and
2. The fact that in view of the application of Australian distribution priorities, certain groups of creditors are likely to receive a higher final Scheme Payment percentage than others.

Following receipt of the judgement in the House of Lords appeal, the Scheme Administrators are better able to estimate the range of Scheme Payment percentages for the different creditor groups. Accordingly, whilst the total estimated Scheme Payment range for creditors is now 10% to 35%, this may be further analysed as:

	Range of estimated Scheme Payment percentage
Creditors with insurance liabilities in Australia	25% - 35%
Creditors with insurance liabilities outside of Australia (including the beneficiaries of the US Trust fund)	20% - 30%
Creditors with non insurance liabilities in Australia	15% - 20%
Creditors with non insurance liabilities outside of Australia	10% - 15%



## 4 Interaction between Australian and English Schemes

### 4.1 Claiming under the Australian and English Schemes

All creditors worldwide are entitled to claim in both the Australian and English Schemes for HIH C&G. The Australian and English Scheme Administrators co-operate fully. Creditors do not need to lodge separate claims in each jurisdiction. Creditors need to lodge claims in one location only, which is then effective under both Schemes.

The Australian and English Scheme Administrators, and the respective run-off managers, operate a unified principal to principal ledger system and a unified distribution payment system.

The entitlements of individual creditors under both Schemes are automatically calculated, and when a scheme payment is made, the creditor receives a statement showing how their liability has been classed, and from which classes of assets their distribution has been paid.

Both the Australian and English Schemes contain a “hotchpot” clause. The effect of the hotchpot clause is to prevent a creditor who has already been paid a distribution under one of the Schemes, from receiving further payments under the other scheme until such time as all other creditors with similarly ranked claims have received an equal proportionate distribution.

### 4.2 Distribution Priorities

The English Scheme is designed to complement the Australian Scheme. Following receipt of the House of Lords judgement the English Scheme will adopt all of the provisions of the Australian Scheme, including the Australian distribution priorities, which will now apply to the English Assets.

## 5 Major Litigation

### 5.1 Background

Following the collapse of the HIH Group in 2001, the Australian Government established the HIH Royal Commission to inquire into the reasons for the failure of the Group. The Hon Justice Neville Owen was appointed as Royal Commissioner and began his enquiry in September 2001. He presented his findings on the outcome of the enquiry in April 2003.

Considerable work was undertaken by the Commissioner and his team in investigating the circumstances behind the HIH collapse. This provided an extremely useful background against which the Liquidators could assess which of those HIH Directors, auditors and former advisors may be liable under any successful recovery action.

Having reviewed the potential courses of action open to them, the Liquidators decided to focus on two major recovery actions:

- + The Trading Loss & Dividend claim; and
- + The FAI Takeover claim

### 5.2 The Trading Loss & Dividend claim

The Trading Loss and Dividend claims were brought by the Liquidators against a number of defendants including HIH and FAI directors, the Groups' auditors, the Groups' actuaries, reinsurers and a broker.

In June 2007, after filing but before serving the claims, the Liquidators settled with certain of the defendants. One of the consequences of those settlements is that the Liquidators have discontinued all of the Trading Loss and Dividend claims.

### 5.3 FAI Takeover claim

This claim arises from the takeover by the HIH Group of the FAI Group in 1998/99. The defendants to the claim include General Cologne Re, Guy Carpenter, Arthur Andersen and Goldman Sachs, who the Liquidators allege should compensate HIH for losses suffered through the takeover of the FAI Group.

The Liquidators have requested that the Court allow a three month standstill to the Court timetable to allow settlement discussions to be further explored. The matter is before the Court again on 18 December 2008 at which time it will be provided with a further update on the settlement discussions.

## 6 Financial position

### 6.1 Estimated balance sheet at 30 June 2008

Included as Appendix 3 to the Australian Explanatory Statement section of the Scheme of Arrangement documentation, which was sent to creditors prior to the creditors' meeting on 29 March 2006, were balance sheets for each of the Scheme companies at 25 September 2005. An updated balance sheet for HIH C&G, as at 30 June 2008 is included as Appendix 1 to this report.

The Scheme Administrators have not commissioned a further full actuarial review of the insurance liabilities of the eight Scheme companies since the last annual report. It is their intention, however, to commission a further such review in the coming months, in order that there is an updated estimate of the final total insurance liabilities for the next annual report.

Factors that have led to adjustment to the HIH C&G balance sheet over the last year include:

- + Further work on the validity of large inter-company balances;
- + The ongoing collection and commutation of outstanding reinsurance balances owing to HIH C&G;
- + Removal of the provision for claims lodged on behalf of the shareholders of HIH Insurance Limited, which were rejected by the Scheme Administrators. This decision has been endorsed by both the Supreme Court and the Court of Appeal;
- + Settlement of a claim for inclusion as an unsecured creditor, by a large subordinated creditor, and the subsequent inclusion of the agreed settlement balance.

### 6.2 Receipts and payments to 30 June 2008

A summary of the Scheme Administrators receipts and payments from the commencement of the Scheme on 30 May 2006 to 30 June 2008 is set out in Appendix 2 to this report.

During this period \$3,388,070.50 has been approved by the HIH C&G Scheme Creditors' Committee, and paid to the Scheme Administrators in their role as Office Holders.

## 7 Closure

The Scheme for HIH C&G provides for an Estimation Date of seven years after the Australian Scheme became effective, which means that the Estimation Date is expected to be in June 2013. By that time the Scheme Administrators expect that the majority of the reinsurance asset will have been collected or commuted, and the remaining tail of insurance liabilities will be sufficiently small to justify closure of the insolvency on cost benefit grounds.

The Scheme provides that the Estimation Date may be moved two years either way from the expected seven years (to be as early as five years or as late as nine years after the Effective Date) by special resolution of creditors, on the recommendation of the Scheme Administrators and Creditors' Committees. Under the terms of the Scheme all creditors will be given notice of the actual Estimation Date between six and three months prior to the time.

Following the Estimation Date all remaining outstanding and IBNR creditor claims will be crystallised by estimation, to allow for the closure of the insolvency.

At the date of this report, the Scheme Administrators consider that June 2013 remains the most likely Estimation Date for the Scheme.

## 8 Responsibilities

### 8.1 Scheme Administrators

The Australian Scheme Administrators are Tony McGrath and Chris Honey, partners of McGrathNicol, based in Sydney. The English Scheme Administrators of HIH C&G are John Wardrop and Tom Riddell, partner and senior adviser respectively of KPMG LLP, based in London.

### 8.2 Run-off Managers

The day to day claims handling and reinsurance recovery activities of HIH C&G have been outsourced to specialist run-off organisations in Sydney and London, who work in close co-operation. The run-off managers for all business of the company, except business written with the UK branch, are Capita CMGL. The run-off managers for all business written by the UK branch of HIH C&G are Whittington Insurance Services Limited.

### 8.3 Creditors' Committee

The interests of creditors in the Australian Scheme are represented by a Creditors' Committee. The Committee sanctions significant transactions (such as commutations), is involved in the setting of the Scheme Payment Percentage, and approves the Scheme Administrators' fees. It is reported to, and meets on a quarterly basis. The current constitution of the Committee is as follows:

<b>Member</b>	<b>Represented by</b>
ACT Insurance Authority	Mr Peter Mathews
ACT Workers Compensation Supplementation Fund	Mr Peter Mathews
Department of Treasury & Finance Victoria	Mr Peter Coatman
Law Cover Pty Limited	Mr David Martin
Queensland Motor Accident Insurance Commission	Mr Ashur Merza
HCSL – Australian Government Treasury	Mr Trevor King
Australasian Medical Insurance Limited	Mr Chris Bratchford
WA Workers Compensation & Rehabilitation Commission	Mr Adrian Warner
HIH Holdings (Asia) Limited	Mr Jan Blauuw
Hong Kong Solicitors Indemnity Fund	Mr David Cowling
Motor Traders Association of NSW	Mr James McCall
Building Insurers Guarantee Corporation NSW	Mr Michael Hanna
Manly Council	Ms Mary Rawlings

## 9 Contact Details

Contact details for the Australian Scheme Administrators, the English Scheme Administrators, and the Australian and English Run-Off Managers are set out on the HIH website, [www.hih.com.au](http://www.hih.com.au).

### 9.1 Creditor Enquiries in Australia

Scheme Creditors with claims adjustment queries (excluding those in relation to branch business) should call Capita CMGL on +61 (0) 2 9650 5777. Written claims adjustment queries should be directed in the first instance to Capita CMGL at the following address: Capita CMGL Level 2, 117 Clarence Street, Sydney, NSW, 2000, Fax +61 (0) 2 9650 5710.

Scheme Creditors with enquiries in relation to the Scheme or Scheme Payments should call the HIH Help Desk on +61 (0) 2 9650 5777. Written scheme queries should be directed to the Scheme Administrators at the following address: McGrathNicol, GPO Box 9986, Sydney, NSW, 2001 or to the HIH Help Desk at [enquires@hih.com.au](mailto:enquires@hih.com.au).

Yours faithfully

*For HIH Casualty & General Insurance Limited – in liquidation and subject to Schemes of Arrangement*



Tony McGrath  
*Scheme Administrator*



Chris Honey  
*Scheme Administrator*

## Appendix 1

Updated balance sheet for HIH C&G as at 30 June 2008

**HIH Casualty & General Insurance Limited**  
**(In Liquidation and subject to Schemes of Arrangement)**  
**Balance Sheet**  
**as at 30th June 2008**  
**All values in AUD**

	<b>RATA as at 30 June 2008</b>	<b>RATA as at 30 June 2007</b>
<b>Assets not specifically charged</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cash</b>		
Cash on hand	1	1
Cash at bank	193,583	129,843
	<u>193,584</u>	<u>129,844</u>
<b>Receivables</b>		
Amounts due from reinsurers, other insurers and statutory bodies (US Security Dep)	5,610	6,363
Amounts owing by related bodies corporate (Interco rec)	163,942	122,033
GST Recoverable	2,010	1,607
	<u>171,562</u>	<u>130,002</u>
<b>Investments</b>		
Short term deposits (inc. PEE funds)	85,828	218,344
Less: Allianz Recovery Held in Trust for Other HIH Companies	(40,000)	
Managed Investments	317,169	195,069
ADD back: Dividends Paid	245,406	95,583
Shares in controlled entities (Surplus assets)	30,312	27,290
Swiss Re Monies (32.116%)	285	104,353
	<u>638,999</u>	<u>640,639</u>
<b>Reinsurance recoveries receivable</b>	327,414	254,864
Hannover Commutation @ 75%	8,811	8,227
	<u>336,225</u>	<u>263,091</u>
<b>Renewal rights</b>	0	0
<b>Other</b>		
Prepayments	0	0
Other receivables (MAMS)	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
<b>Sub - Total assets not specifically charged</b>	<b><u>1,341,370</u></b>	<b><u>1,164,576</u></b>
<b>Provisions</b>		
Adverse Litigation Outcomes	(120,000)	(120,000)
	<u>(120,000)</u>	<u>(120,000)</u>
<b>Total assets not specifically charged</b>	<b><u>1,221,370</u></b>	<b><u>1,044,576</u></b>
<b>Assets subject to specific charges</b>		
<b>Investments</b>		
LOC related deposits	7,362	1,990
Statutory Reinsurance Cut-Through	9,159	10,426
Other	0	0
<b>Total assets subject to specific charges</b>	<b><u>16,521</u></b>	<b><u>12,416</u></b>
<b>TOTAL ASSETS</b>	<b><u>1,237,891</u></b>	<b><u>1,056,992</u></b>
<b>Amounts payable in advance of secured creditors</b>		
Provision for redundancy, employee entitlements and employee claims	(1,864)	(1,827)
<b>Total amounts payable in advance of secured creditors</b>	<b><u>(1,864)</u></b>	<b><u>(1,827)</u></b>
<b>Liabilities secured by specific charge over assets</b>		
<b>Accounts payable</b>		
Statutory Reinsurance Cut-Through	(9,159)	
Amounts payable in relation to letters of credit***	(7,362)	(1,990)
	<u>(16,521)</u>	<u>(1,990)</u>
<b>Total liabilities secured by specific charge over assets</b>	<b><u>(16,521)</u></b>	<b><u>(1,990)</u></b>
<b>Unsecured creditors</b>		
<b>Accounts payable</b>		
Trade Creditors (A/P and Special Principals)	(61,270)	(52,998)
Amounts payable to or on behalf of reinsurers, other insurers and statutory bodies	0	0
Sundry creditors - Return Premiums	(25,739)	(28,618)
	<u>(87,010)</u>	<u>(81,617)</u>
<b>Provisions</b>		
Other - class action	0	(100,000)
	<u>0</u>	<u>(100,000)</u>
<b>ACCs</b>		
<b>Outstanding claims (Reserves)</b>	(2,294,176)	(1,974,817)
IBNR Claims	(508,976)	(582,508)
Less: 15% provision	(263,776)	(651,117)
	<u>0</u>	<u>0</u>
<b>Outstanding claims</b>	<b><u>(3,066,928)</u></b>	<b><u>(3,208,442)</u></b>
<b>Unearned premiums</b>	0	0
<b>Other liabilities</b>		
Other creditors and accruals (MAIC & Eurobonds)	(653,529)	(687,852)
Amounts owing to related bodies corporate (Interco liabilities)	(513,766)	(514,066)
	<u>(1,167,295)</u>	<u>(1,201,918)</u>
<b>Total unsecured creditors</b>	<b><u>(4,321,233)</u></b>	<b><u>(4,591,977)</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>(4,339,618)</u></b>	<b><u>(4,500,211)</u></b>
<b>NET DEFICIT</b>	<b><u>(3,101,726)</u></b>	<b><u>(3,443,219)</u></b>



## Appendix 2

Summary of the Scheme Administrators' receipts and payments from 30 May 2006  
to 30 June 2008

**HIH Casualty & General Insurance Limited (In Liquidation and subject to Schemes of Arrangement)  
Receipts and Payments Account 1 July 2007 to 30 June 2008**

	\$
<b>Balance brought forward 1 July 2007</b>	<b>420,389,984.15</b>
<b>Receipts</b>	
Swiss Re Reinsurance Recovery	98,294,787.71
Reinsurance recoveries	31,533,856.28
Settlement proceeds including reallocations to group companies	35,510,655.68
Interest on cash and deposits	7,868,076.17
HIH C&G Funds received in relation to Pacific Eagles Equities	13,199,605.78
Dividend Payment Funding from UK	7,906,410.78
Central expense reimbursement received from other HIH Companies	4,100,106.11
GST Refund from ATO	3,970,787.92
Claims recoveries (Includes reallocations to other entities)	1,477,087.97
Debtors	415,734.38
Dividends Received from Non-Scheme Companies	668,036.34
Asset Recoveries	46,869.48
Provision of IT Services to AAA,QBE,NRMA,WGB	217,992.60
Sale of fixed assets	124,750.00
GST collected on all receipts	16,927.80
Other receipts (amounts<\$1m)	82,526.83
	<hr/>
<b>Total Receipts</b>	<b>205,434,211.83</b>
<b>Payments</b>	
Unrealised Exchange rate movements on foreign cash accounts	(15,937,913.81)
Professional Fees	(14,389,323.26)
Liquidators Fees	(9,092,310.50)
Outsourced Claims Management Fees	(6,981,795.02)
GST on payments	(5,340,105.26)
IT Outsource costs	(2,856,499.19)
Rent and Outgoings	(2,755,457.25)
Salaries / Annual Leave / LSL	(2,087,906.37)
Scheme Administrator Fees	(3,388,070.50)
Transfer to HIH Insurance re Bank Guarantee	(1,875,000.00)
Computer/Systems Costs	(829,559.89)
Contractors & Temporary Staff	(782,290.36)
Claims run-off expenses	(447,883.23)
Redundancy payments	(312,354.88)
Other Staff Costs	(321,705.64)
Superannuation contributions	(244,008.04)
Unrealised Loss on Investment Portfolio	(211,355.21)
Communication costs	(98,067.47)
Trade debtors	(6,990.36)
Other Sundry Payments (amounts <\$1m)	(587,802.49)
	<hr/>
<b>Sub Total Payments</b>	<b>(68,546,398.73)</b>
Scheme Payments to Creditors	(146,348,937.90)
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<b>Total Payments</b>	<b>(214,895,336.63)</b>
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<b>Balance at 30 June 2008</b>	<b>410,928,859.35</b>

\*It should be noted that any unrealised exchange rate gains or losses on foreign currency holdings are fully offset by corresponding movements in the Australian dollar liability of foreign currency denominated creditors.