



CIC Insurance Limited
ACN 004 078 880
(In Liquidation and subject to a Scheme of Arrangement)

Scheme Administrators' Annual Report to Creditors

30 June 2018



McGrathNicol



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1 Introduction & Background

1.1 Introduction

This is the twelfth annual report to the Creditors of CIC Insurance Limited (In Liquidation and subject to a Scheme of Arrangement) (**CIC**).

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 2018. It also covers any significant events between that date and completion of the report.

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. In total, 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. The HIH Royal Commission established by the Australian Federal Government has also prepared an extensive report on the failure of the group.

Schemes of Arrangement for the eight licensed insurance companies in the HIH Group in Australia, including CIC, became effective on 30 May 2006, following approval by Creditors and the Court. Schemes of Arrangement for the UK branches of four of these companies 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 and an estimation date of 31 May 2013 wherein all outstanding claims are valued.

The bar date for submission of Final Claim Forms by Scheme Creditors against the eight licensed insurance companies in the HIH Group was set at midnight British Summer Time on 2 September 2013. Under the terms of the Schemes, no further claims can be accepted after this date.

Five of the eight Schemes have now been finalised and terminated in accordance with clause 63.1. The three remaining Schemes of the HIH Group are in respect of CIC, HIH Casualty and General Insurance Limited (**HIH C&G**) and FAI General Insurance Company Limited (**FAIG**).

The CIC Scheme remains in the "Estimation" phase. All claims lodged prior to the bar date have been agreed and quantified.

2 Principal Developments To Report During The Period

The principal developments to report during the period were:

- As previously anticipated, no further liquidations of the HIH group of companies were completed during the period. There are nine HIH Group companies remaining in liquidation.

Since the last report, the HIH Underwriting and Insurance (Australia) Pty Ltd Scheme terminated on 15 August 2018 and its liquidation will shortly close following Court approval.

Thereafter, of the seven group entities remaining below HIH Insurance Ltd (**HIH Insurance**), the group's ultimate holding company, three are subject to Schemes of Arrangement and four remain in liquidation to preserve the group structure for tax purposes.

No further liquidations will be completed until a definitive position on the HIH Insurance shareholders potential claims against the HIH C&G and FAIG Schemes is determined.

3 Current and Projected Scheme Payment Percentages

3.1 The Current Scheme Payment Percentages

During the period, there has been no change to the current Scheme Payment Percentages. The Scheme Payment Percentages paid to date are 92.89% for creditors with insurance liabilities in Australia and 92.5% for all non-insurance Australian creditors.

3.2 Estimated ultimate Scheme Payment Percentages

The quantum and timing of further Scheme Payment(s) remains wholly dependent on the realisation values of CIC's only remaining assets, being intercompany debts due from HIH C&G and FAIG.

As stated in the previous report, HIH C&G & FAIG had claims by various groups of HIH Insurance shareholders admitted in their Schemes following determination by the Court in April 2016. In light of the 2016 Court judgment, the HIH C&G and FAIG Scheme Administrators and HIH Insurance Liquidators have applied to Court seeking directions on their proposed method of dealing with the remaining HIH Insurance shareholders with potential claims. The application was heard by the NSW Supreme Court in December 2017 and the Scheme Administrators are currently awaiting directions by the Court.

As the pending Court directions may have an implication on the composition of the HIH C&G and FAIG Schemes creditor pools, their Scheme Administrators cannot determine the ultimate Scheme Payment Percentages and make a final distribution to their Scheme Creditors until such time as the directions are received.

In light of the above, the CIC Scheme Administrators are currently not in a position to determine the timing of the final Scheme Payments.

The Scheme Administrators' estimate of the ultimate Scheme Payment Percentages for the various CIC creditor groups as stated in the previous report remains the same and is set out below:

	Range as at 30 June 2018
Creditors with insurance liabilities in Australia	94.78% - 95.26%
Creditors with non-insurance liabilities in Australia	94.5% - 95.0%

The high / low variances reflect the range of potential outcomes arising from the realisation of the intercompany debts due from HIH C&G and FAIG which are subject to potential claims by new HIH Insurance shareholders.

4 Financial Position

4.1 Estimated balance sheet at 30 June 2018

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 CIC as at 30 June 2018 is included as Appendix 1 to this report.

4.2 Receipts and payments to 30 June 2018

A summary of the Scheme Administrators' receipts and payments from 1 July 2017 to 30 June 2018 is set out in Appendix 2 to this report.

Since the last annual report dated 30 June 2017, \$84,080 has been approved by the CIC Scheme Creditors' Committee for payment to the Scheme Administrators in their role as Office Holders covering the period from 25 February 2017 to 27 April 2018.

5 Closure

5.1 Finalisation of the Scheme

The only issue preventing the finalisation of the CIC Scheme is realising the remaining intercompany debts owing by HIH C&G and FAIG which are subject to potential claims from HIH Insurance shareholders.

Once the shareholders claims have been resolved, the Scheme Administrators will be in a position to make the final Scheme Payments and close the Scheme, hopefully towards the end of 2019.

6 Responsibilities

6.1 Scheme Administrators

The Australian Scheme Administrators are Tony McGrath and Jason Preston, partners of McGrathNicol based in Sydney.

6.2 Run-off Managers

All insurance claims handling and reinsurance recovery activities of CIC have been finalised.

6.3 Creditors' Committee

The interests of the CIC creditors are represented by a Creditors' Committee. The Committee sanctions significant transactions, is involved in the setting of the Scheme Payment Percentage and approves the Scheme Administrators' fees. It is currently reported to, and meets, on an ad-hoc basis. The constitution of the Committee at 30 June 2018 was as follows:

Member	Represented By
ACT Workers Compensation Supplementation Fund	Mr John Fletcher
Motor Accidents Authority of New South Wales	Ms Mary Maini
Lawcover Pty Limited	Mr Peter Candotti
Queensland Motor Accident Insurance commission	Ms Lina Lee
HCSL – Australian Government Treasury	Ms Angela Baum
Avant Insurance Limited	Ms Vikki Sellars-Jones
WA Workers Compensation & Rehabilitation Commission	Mr Harry Neesham
Motor Traders Association of NSW	Mr Greg Patten

7 Contact Details

Contact details for the Australian Scheme Administrators are set out on the HIH website, www.hih.com.au.

7.1 Creditor Enquiries in Australia

Scheme Creditors with claims queries should call the HIH Help Desk on +61 (0) 2 9650 5777. Written claims queries should be directed to HIH at the following address: HIH Group, GP Box 2707, Sydney NSW 2001, Fax +61 (0) 2 8117 9000.

Scheme Creditors with enquiries in relation to the Scheme or Scheme Payments should call the HIH Help Desk on +6 (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 enquiries@hih.com.au.

Yours faithfully

For CIC Insurance Limited (In Liquidation and subject to a Scheme of Arrangement)



Tony McGrath
Scheme Administrator



Jason Preston
Scheme Administrator

Appendix 1

Updated balance sheet at 30 June 2018

CIC Insurance Limited (In Liquidation and subject to a Scheme of Arrangement)

All values in AUD

	RATA as at 30 June 2018 \$'000	RATA as at 30 June 2017 \$'000
<i>Assets not specifically charged</i>		
Cash		
Cash at bank	1,115	1,191
	<u>1,115</u>	<u>1,191</u>
Receivables		
Amounts owing by related bodies corporate	7,337	7,539
	<u>7,337</u>	<u>7,539</u>
Investments		
Short term deposits	2,457	2,600
ADD back: Dividends Paid	413,655	413,245
	<u>416,112</u>	<u>415,844</u>
TOTAL ASSETS	<u>424,564</u>	<u>424,574</u>
<i>Unsecured creditors</i>		
Accounts payable		
Trade Creditors	(24,039)	(24,039)
Goods and services tax	(52)	(144)
Sundry creditors - ARS	(152)	(152)
	<u>(24,243)</u>	<u>(24,335)</u>
ACCs - ESC at Estimation Date	(442,612)	(441,168)
Commutations - ESC Verified	(710)	(710)
Add back: Creditors with Statutory Cut Through & s. 562A (4) claims paid	30,226	30,226
Outstanding claims	<u>(413,096)</u>	<u>(411,652)</u>
Other liabilities		
Amounts owing to related bodies corporate	(8,501)	(9,466)
	<u>(8,501)</u>	<u>(9,466)</u>
TOTAL LIABILITIES	<u>(445,840)</u>	<u>(445,453)</u>
NET DEFICIT	<u>(21,276)</u>	<u>(20,879)</u>

Appendix 2

Summary of the Scheme Administrators' receipts and payments from 1 July 2017 to 30 June 2018

	\$	\$
Opening balance at 1 July 2017		3,790,746
Receipts		
Dividends Received from Non-Scheme Companies	199,291	
Interest on Cash and Deposits	62,028	
GST Refund	14,196	
Claim Recoveries	10,445	
Other Receipts	10	
Total Receipts		285,971
Payments		
Central Expense Reimbursement paid to HIH C&G	(452,321)	
Scheme Administrators' Fees	(84,080)	
Legal and Taxation Fees	(11,754)	
GST Paid	(10,910)	
Insurance	(10,758)	
Other Payments	(6,173)	
Scheme Administrators' Disbursements	(2,569)	
Liquidators' Fees	(637)	
Total Payments		(579,201)
Adjustment for Unrealised Foreign Exchange Gain on Foreign Cash Accounts		74,785
Balance at 30 June 2018		3,572,301