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To all known creditors and brokers of  
FAI General Insurance Company Limited

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1 October 2015

Dear Sir/Madam

**FAI General Insurance Company Limited (In Provisional Liquidation and subject to  
Scheme of Arrangement)  
English Scheme Administrators' Report to Creditors**

**1 Introduction**

This is the eighth report to creditors of FAI General Insurance Company Limited ("FAIG") by the English Scheme Administrators ("SAs") covering the period ended 30 June 2015. It will be published on the HIH website as a supplement to the Report to creditors of the Australian Scheme Administrators ("Australian SAs").

Background information in relation to the failure of FAIG is contained in Appendix 1. The purpose of this report is to provide creditors with information on the progress of the English Scheme ("the Scheme") to date.

**2 Scheme Payment Percentages**

**2.1 Current Scheme Payment Percentages**

Notwithstanding the fact that there are no creditors of the English Scheme, the current Scheme Payment Percentage for creditors of FAIG with insurance liabilities and non-insurance liabilities in Australia was raised to 64.75% and 62.5% respectively.

Further information with regard to the current Scheme Payment Percentages for the various classes of assets for all the HIH Scheme companies, including FAIG, are set out on the HIH website, [www.hih.com.au](http://www.hih.com.au).

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### **3 Interaction between Australian and English Schemes**

The SAs continue to hold discussions with the Australian SAs focussed on streamlining the process between the UK and Australian estates during the closure period.

The Australian SAs anticipate proposing a further uplift in the Scheme Payment Percentage later in 2015. It is expected that the final uplifts in the Scheme Payment Percentage will be not be proposed until sometime in 2016, as it is anticipated that certain issues – such as the complex intercompany relationships and the appeals process in respect of the remaining disputed shareholder claims (see below) – will not be resolved until 2016.

### **4 Claim to be resolved prior to closure**

Claims from shareholders of HIH Insurance Ltd, seeking to prove as unsecured creditors in certain of the Australian Schemes (including FAIG), were rejected by the Australian SAs and are subject to appeal under S1321 of the Australian Corporations Act.

The final hearing was held earlier in 2015 and the judgment was expected on 30 June 2015 but the plaintiffs applied to reopen proceedings in order to adduce further evidence. The application was dismissed with costs by the Court on 6 July 2015.

At the same hearing, the Australian SAs' counsel pressed the Judge for a date when he might give his judgment on the main matter but he gave no indication of when that may be. The plaintiffs may appeal the decision if the ruling goes in favour of the HIH companies.

1 October 2015

## 5 Financial position – receipts and payments to 30 June 2015

A summary of the English SAs' receipts and payments from 10 April 2001 to 30 June 2015 is set out below.

<b>FAI General Insurance Company Limited</b>		
<b>Receipts and payments for the period 10 April 2001 to 30 June 2015</b>		
	<b>1 July 2014 – 30 June 2015</b>	<b>10 April 2001 – 30 June 2015 £</b>
<b>Receipts</b>		
Property	-	2,500,000
Insurance and reinsurance recoveries	-	7,073,620
Cash at Bank on appointment	-	18,233
Excess LOC collateral	-	111,575
Bank Interest and Sundry Receipts	62,219	2,126,316
Intragroup liquidation receipts	-	178,730
<b>Total receipts</b>	<b>62,219</b>	<b>12,008,474</b>
<b>Payments</b>		
Transfers to Australian SAs	183,475	5,236,907
Officeholders' fees and expenses	92,875	394,140
Legal fees & other professional fees	5,888	354,634
Payment of R/I recoveries to State Funds	-	126,514
Film Finance payments	-	153,384
Committee expenses	-	54,341
VAT	19,752	36,679
Exchange losses on currency transfers	-	25,218
Bank Charges	(5)	695
<b>Total payments</b>	<b>301,984</b>	<b>6,382,510</b>
<b>Equivalent GBP funds held as at 30 June 2015</b>		<b>5,625,964</b>

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## **5.1 Creditors' Committee**

The interests of creditors in the Scheme are represented by the Creditors' Committee ("the Committee"). The Committee sanctions significant transactions, is involved in the setting of the Scheme Payment Percentage, and approves the SAs' fees. The constitution of the Committee is as follows:

<b>Member</b>	<b>Represented by</b>
CIC Insurance Ltd (In Liquidation)	Chris Honey
HIH Casualty and General Insurance Limited (In Liquidation)	Chris Honey

## **6 Contact details**

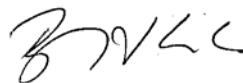
Scheme Creditors with enquiries in relation to the Scheme or Scheme Payments should call the SAs on +44 (0) 20 7694 3169 or write to them at KPMG LLP, 15 Canada Square, London E14 5GL.

Further information is available on the HIH website, [www.hih.com.au](http://www.hih.com.au).

Yours faithfully  
*For FAI General Insurance Company Limited*



Michael S Walker  
*English Scheme Administrator*



Barry J Gale  
*English Scheme Administrator*

## **Appendix 1**

### Background information on the insolvency

- The HIH Group failed on 15 March 2001. FAIG was one of the licensed insurers in the group.
- Summary details of the history of the group; its failure; and other background information are available on the website maintained by the Australian Scheme Administrators at [www.hih.com.au](http://www.hih.com.au).
- Extensive information on the failure 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)
- On 30 May 2006, Schemes of Arrangement became effective for the eight licensed insurance companies in the HIH Group in Australia. Complementary Schemes of Arrangement became effective for four of those companies in England on 13 June 2006, following approval by creditors and the courts. Copies of the Scheme documents are available on the HIH website [www.hih.com.au](http://www.hih.com.au).
- For at least the first five years, the Schemes will be “reserving” Schemes, under which claims are made in the normal course of business. During this reserving period, interim Scheme distributions will be paid to creditors with Established Scheme Claims at the current applicable Scheme Payment Percentage.
- The Australian and English Scheme Administrators co-operate fully. A unified principal to principal ledger system is operated, together with a unified dividend payment system. Creditors need to lodge claims in one location only, which is then effective under both Schemes.
- The Record Date (the date at which liabilities are measured) for each of the Schemes is 27 August 2001.
- In accordance with clause 24 of the Australian and English Schemes of Arrangement, the Estimation Date was set at 31 May 2013. Final Claim Forms for Estimation (FCFs) were required to be submitted so as to reach the Scheme Companies by midnight 2 September 2013 (British Summer Time); being three months after the Estimation Date.
- No FCFs were received by the Bar Date and, as no claims had been previously agreed by the English Scheme Administrators as Established Scheme Claims, there are no creditors of the English Scheme.



*KPMG LLP*  
*FAI General Insurance Company Limited*  
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