



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

Scheme Administrators' Annual Report to Creditors

30 June 2019



McGrathNicol



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1 Introduction & Background

1.1 Introduction

This is the thirteenth 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 2019. 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 where all claims lodged prior to the bar date have been agreed and quantified.

2 Principal Developments To Report During The Period

There have been no principal developments to report during the period.

3 Current and Projected Scheme Payment Percentages

3.1 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 of CIC's only remaining assets, being intercompany debts due from HIH C&G and FAIG.

Previous reports have advised that the quantum and timing of further Scheme Payments by HIH C&G and FAIG were wholly dependent on whether the remaining HIH Insurance Limited (**HIH Insurance**) shareholders claims would be admitted in the Schemes.

In December 2018, the NSW Supreme Court handed down its judgement on the HIH C&G and FAIG Scheme Administrators application for directions on the method of dealing with the remaining HIH Insurance shareholders claims. The judgment found that the shareholders were entitled to have their damages claims, calculated in accordance with the methodology approved by the Court, admitted as Acknowledged Creditors Claims in the HIH C&G and FAIG Schemes. As such, the Supreme Court granted the Scheme Administrators an extension of time to determine the damages claims of the shareholders in the Schemes, within a specified timeframe.

The HIH C&G and FAIG Scheme Administrators are currently dealing with the shareholder claims and cannot determine the ultimate Scheme Payment Percentages and make a final distribution to their Scheme Creditors until the claims are finalised, which they currently hope to complete by the end of 2019.

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

The Scheme Administrators' estimate of the ultimate Scheme Payment Percentages for the various CIC creditor groups is set out below:

	As at 30 June 2019
Creditors with insurance liabilities in Australia	94.78%
Creditors with non-insurance liabilities in Australia	94.5%

The above estimate remains the same as the low estimate stated in our previous report which assumed that the HIH Insurance shareholders damages claims are admitted in the HIH C&G and FAIG Schemes. Once the shareholders claims have been fully settled and the HIH C&G and FAIG Scheme Administrators have reassessed their ultimate Scheme Payment Percentages, the CIC Scheme Administrators will reassess the ultimate Scheme Payment Percentages to its creditors.

4 Financial Position

4.1 Estimated balance sheet at 30 June 2019

Included as Appendix 3 to the Australian Explanatory Statement section of the Scheme of Arrangement documentation (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 2019 is included as Appendix 1 to this report.

4.2 Receipts and payments to 30 June 2019

A summary of the Scheme Administrators' receipts and payments from 1 July 2018 to 30 June 2019 is set out in Appendix 2 to this report.

Since the last annual report dated 30 June 2018, \$10,086.50 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 28 April 2018 to 25 January 2019.

5 Closure

5.1 Finalisation of the Scheme

The only issue preventing the finalisation of the CIC Scheme is realisation of the remaining intercompany debts owing by HIH C&G and FAIG.

Once HIH C&G and FAIG have resolved the shareholders claims and paid further Scheme Payments to their Scheme Creditors, the CIC Scheme Administrators hope to be in a position to make the final Scheme Payments by the middle of 2020, and terminate the Scheme 12 months after the final Scheme Payments are made.

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 2019 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 Danielle Jakubowski
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 2019

<i>All values in AUD</i>	As at 30 June 2019 \$'000	As at 30 June 2018 \$'000
Assets not specifically charged		
Cash		
Cash at bank	1,107	1,115
	<u>1,107</u>	<u>1,115</u>
Receivables		
Amounts owing by related bodies corporate	8,787	7,337
	<u>8,787</u>	<u>7,337</u>
Investments		
Short term deposits	2,202	2,457
ADD back: Dividends Paid	414,278	413,655
	<u>416,480</u>	<u>416,112</u>
TOTAL ASSETS	<u>426,375</u>	<u>424,564</u>
Unsecured creditors		
Accounts payable		
Trade Creditors	(24,039)	(24,039)
Goods and services tax	(53)	(52)
Sundry creditors - ARS	(152)	(152)
	<u>(24,245)</u>	<u>(24,243)</u>
ACCs - ESC at Estimation Date	(443,283)	(442,612)
Commutations - ESC Verified	(710)	(710)
Add back: Creditors with Statutory Cut Through & s. 562A (4) claims paid	30,226	30,226
	<u>(413,767)</u>	<u>(413,096)</u>
Outstanding claims		
Other liabilities		
Amounts owing to related bodies corporate	(8,501)	(8,501)
	<u>(8,501)</u>	<u>(8,501)</u>
TOTAL LIABILITIES	<u>(446,512)</u>	<u>(445,840)</u>
NET DEFICIT	<u>(20,138)</u>	<u>(21,276)</u>

Appendix 2

Summary of the Scheme Administrators' receipts and payments from 1 July 2018 to 30 June 2019

	\$	\$
Opening balance at 1 July 2018		3,572,301
Receipts		
Interest on Cash and Deposits	57,302	
GST Refund	4,828	
Total Receipts		62,130
Payments		
Central Expense Reimbursement paid to HIH C&G	(306,665)	
Insurance	(10,951)	
Scheme Administrators' Fees	(10,087)	
Legal and Taxation Fees	(9,944)	
Scheme Administrators' Disbursements	(4,785)	
Other Payments	(3,845)	
GST Paid	(3,508)	
Liquidators' Fees	(315)	
Total Payments		(350,099)
Adjustment for Unrealised Foreign Exchange Gain on Foreign Cash Accounts		25,332
Balance at 30 June 2019		3,309,664