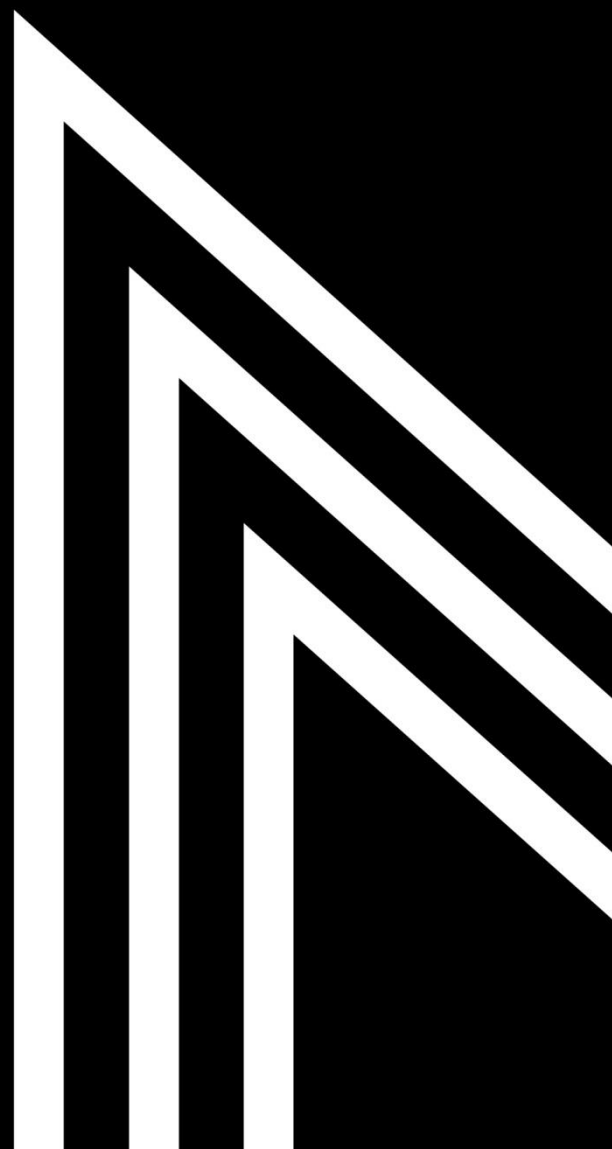

FAI General Insurance Company Limited
ACN 000 327 855
(In Liquidation and subject to a Scheme of Arrangement)

Scheme Administrators' Final Annual Report to Creditors

30 June 2021



McGrathNicol



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1 Introduction & Background

1.1 Introduction

This is the fifteenth and final annual report to the Creditors of FAI General Insurance Company Limited (In Liquidation and subject to a Scheme of Arrangement) (**FAIG**).

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".

This final report has been prepared for the period to 30 June 2021. 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 FAIG, 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, including FAIG, became effective in the UK on 13 June 2006. The FAIG English Scheme has terminated with effect from 19 April 2017.

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 (**Bar Date**). Under the terms of the Schemes, no further claims can be accepted after this date.

Five of the eight Schemes have been finalised and terminated in accordance with the Schemes.

The FAIG Scheme is now in the finalisation phase. The Australian Scheme Administrators have paid the final Scheme Payments to Scheme Creditors with Established Scheme Claims on 15 June 2021. In accordance with clause 63.1 of the Scheme, the Scheme terminates twelve months after the final Scheme Payment is made. Accordingly, the FAIG Australian Scheme will terminate on 15 June 2022.

2 Principal Developments To Report During The Period

The principal developments to report during the period were:

- resolution and payment of the dividends due to the remaining HIH Insurance Limited (**HIH Insurance**) shareholders whose claims are admitted in the Schemes of FAIG and HIH Casualty and General Insurance Limited, and in the liquidation of HIH Insurance.
- on 15 June 2021, the Scheme Administrators paid the final Scheme Payment to all FAIG Scheme Creditors bringing the total Scheme Payment Percentages paid to as follows. There will be no further Scheme Payments to Scheme Creditors.

Creditors with insurance liabilities in Australia	Creditors with non-insurance liabilities in Australia
69.51%	67.54%

3 Termination of the Scheme and Closure

With the final Scheme Payments paid to FAIG Scheme Creditors on 15 June 2021, the Scheme Administrators can now proceed to finalise the FAIG Scheme.

In accordance with clause 63.1 of the Scheme, the FAIG Scheme automatically terminates twelve months after the final Scheme Payment is made. Accordingly, the FAIG Scheme will terminate on 15 June 2022.

4 Receipts and Payments to 31 August 2021

A summary of the Scheme Administrators' receipts and payments from commencement of the Scheme on 30 May 2006 to 31 August 2021 is set out in Appendix 1 to this report.

Since the last annual report dated 30 June 2020, \$525,758.50 has been approved by the FAIG Scheme Creditors' Committee for payment of the Scheme Administrators' final remuneration for the period from 28 March 2020 to completion of the FAIG Scheme. Of the approved amount approved, \$238,048.50 has been paid for the period from 28 March 2020 to 2 April 2021.

The cash balance at 31 August 2021 will be used to settle all remaining Scheme expenses, notably holding costs to wind up the Estate, document storage and destruction costs and termination costs (advertising, legal and statutory).

5 Responsibilities

5.1 Scheme Administrators

The Australian Scheme Administrators are Jason Preston and Kathy Sozou, partners of McGrathNicol based in Sydney. The Scheme Administrators will resign once the Scheme has terminated.

5.2 Creditors' Committee

The interests of the FAIG creditors in the Australian Scheme 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. The constitution of the Committee at 30 June 2021 was as follows:

Member	Represented By
ACT Workers Compensation Supplementation Fund	Ms Penny Shields
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
Hong Kong Solicitors Indemnity Fund	Ms Orla McCoy
Building Insurers Guarantee Corporation NSW	Mr Michael Kelly
Motor Accidents Authority of New South Wales	Vacant
Motor Traders Association of New South Wales	Vacant

6 Contact Details

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

6.1 Creditor Enquiries in Australia

Please direct all enquiries to the HIH Help Desk at the following:

Email: enquiries@hih.com.au

Address: GPO Box 2707, Sydney NSW 2001

Yours faithfully

For FAI General Insurance Company Limited (In Liquidation and subject to a Scheme of Arrangement)



Jason Preston
Scheme Administrator



Kathy Sozou
Scheme Administrator

Appendix 1

Receipts and Payments - 30 May 2006 to 31 August 2021

	\$	\$
Opening Cash at Scheme Date		578,968,300
Receipts		
Allocation of Swiss Re Reinsurance Recoveries	228,809,383	
Dividends/Distributions from HIH Non-Scheme Companies	215,661,087	
Reinsurance Recoveries	101,052,644	
FAIG's Share of Allianz Distribution	58,148,135	
Interest on Cash and Deposits	58,118,654	
Gain on Investment Portfolio	57,117,122	
Scheme Payments from Other HIH Scheme Companies	29,430,523	
Dividend Funding/Repatriation of Funds from FAIG UK Scheme	21,027,587	
Reimbursement of Sundry Trading/Intercompany Expenses	12,426,177	
Settlement Proceeds reallocated from HIH C&G	11,042,921	
Recovery of US Trust Funds	7,622,912	
GST/Tax Refund from ATO	6,122,191	
Refund of Legal Fees	2,812,588	
Claims Recoveries	1,614,907	
Iora Property Settlement	684,250	
Other Receipts	581,400	
Sale of US Equities	202,511	
Insurance Recoveries	72,048	
Asset Recoveries	50,499	
Bank Guarantees Recovered	35,795	
Winding Up of Treaty Services Trust	18,843	
Total Receipts		812,652,176
Payments		
Scheme Payments to Creditors	(1,278,122,635)	
Central Expense reimbursement paid to HIH C&G	(30,717,991)	
Outsourced Claims Management Fees	(17,588,061)	
Professional Fees	(17,115,619)	
Scheme Administrators' Fees	(14,090,285)	
Dividend to HIH Insurance Shareholders	(10,804,891)	
GST on Payments	(5,135,460)	
Other Sundry Payments	(2,111,019)	
Computer Costs	(1,408,938)	
Claims Run-Off Expenses	(1,258,425)	
Liquidators' Fees	(1,125,791)	
Shareholders' Legal Proceedings Costs	(1,118,333)	
Rental Property Expenses	(697,105)	
Letter of Credit Movements	(237,570)	
Insurance Costs	(394,652)	
Reallocation of Recoveries to HIH C&G	(372,960)	
Pre-Liquidation GST Settlement with ATO	(219,079)	
Contractors & Temporary Staff	(113,243)	
Other Staff Costs	(98,669)	
Scheme Administrators' Disbursements	(70,354)	
Total Payments		(1,382,801,079)
Adjustment for Foreign Exchange Movements		(7,152,464)
Balance at 31 August 2021		1,666,932