



HIH Casualty and General Insurance Limited
ACN 008 482 291
(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 HIH Casualty and General Insurance Limited (In Liquidation and subject to a Scheme 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".

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 HIH C&G, 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 HIH C&G, became effective in the UK on 13 June 2006. The HIH C&G English Scheme has terminated with effect from 30 September 2020.

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 in Australia have been finalised and terminated in accordance with the Schemes.

The HIH C&G 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 HIH C&G 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 HIH C&G and FAI General Insurance Company Limited, and in the liquidation of HIH Insurance.
- on 15 June 2021, the Scheme Administrators paid the final Scheme Payment to all HIH C&G 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 insurance liabilities outside of Australia	Creditors with non-insurance liabilities in Australia	Creditors with non-insurance liabilities outside of Australia
54.25%	48.21%	42.58%	35.0%

3 Termination of the Scheme and Closure

With the final Scheme Payments paid to HIH C&G Scheme Creditors on 15 June 2021, the Scheme Administrators can now proceed to finalise the HIH C&G Scheme.

In accordance with clause 63.1 of the Scheme, the HIH C&G Scheme automatically terminates twelve months after the final Scheme Payment is made. Accordingly, the HIH C&G 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, \$965,753.50 has been approved by the HIH C&G Scheme Creditors' Committee for payment of the Scheme Administrators' final remuneration for the period from 28 March 2020 to completion of the HIH C&G Scheme. Of the amount approved, \$366,053.50 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 Katherine 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 HIH C&G 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 Insurance Authority	Ms Penny Shields
ACT Workers Compensation Supplementation Fund	Ms Penny Shields
Lawcover Pty Limited	Mr Peter Candotti
NSW Motor Accidents Authority	Vacant
Queensland Motor Accident Insurance Commission	Ms Lina Lee
HCSL – Australian Government Treasury	Ms Danielle Jakubowski
United Medical Protection	Ms Vikki Sellars-Jones
WA Workers Compensation & Rehabilitation Commission	Mr Harry Neesham
HIH Holdings (Asia) Limited	Mr Peter Whalley
Hong Kong Solicitors Indemnity Fund	Ms Orla McCoy
Building Insurers Guarantee Corporation NSW	Mr Michael Kelly
Motor Traders Association of NSW	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 HIH Casualty & General Insurance Limited (In Liquidation and subject to a Scheme of Arrangement)



Jason Preston
Scheme Administrator



Katherine Sozou
Scheme Administrator

Appendix 1

Receipts and Payments - 30 May 2006 to 31 August 2021

	\$	\$
Opening Cash at Scheme Date		516,647,911
Receipts		
Scheme Payments from Other HIH Scheme Companies	258,316,375	
Other Reinsurance Recoveries	215,492,170	
Dividend Payment Funding/Surplus Funds from HIH C&G UK Scheme	160,711,643	
Dividends/Distributions from HIH Non-Scheme Companies	145,751,243	
Swiss Re Reinsurance Recoveries	98,294,788	
Re-imburement of Professional Fees from Group Companies	82,735,560	
Interest on Cash and Deposits	74,721,090	
MAIC Guarantee Recoveries from FAIG and HIH Insurance	71,613,390	
Central Expense Reimbursement from Other HIH Companies	48,343,119	
Realised Gain on Investment Portfolio	45,541,231	
Settlement Proceeds including Reallocations to Group Companies	38,610,050	
Allianz Finance Recoveries	25,095,000	
GST Refund from ATO	22,220,466	
Pacific Eagles Equities	13,199,606	
Pre-Liquidation GST Refund	8,477,913	
Recovery of US Trust Funds	7,241,123	
Claims Recoveries (Includes Reallocations to Other Entities)	5,936,055	
Hannover Re Commutation (includes Reallocations to Other Entities)	5,000,000	
Received from Clayton Utz Trust Account	4,875,000	
Net Transfers from HIH Insurance on Bank Guarantees	2,005,000	
Outsourced Claims Management Fees Refund	1,107,000	
Debtors Collection	1,028,694	
Income Tax Refund	959,445	
Asset Recoveries	753,461	
Provision of IT Services to AAA,QBE,NRMA,WGB	679,617	
Other Receipts	646,897	
Other Recoveries	544,979	
GST Collected on All Receipts	409,726	
Sale of Fixed Assets	124,750	
Rental Income	36,332	
Reallocation of Recoveries from FAIG	30,000	
Total Receipts		1,340,501,723

Receipts and Payments - 30 May 2006 to 31 August 2021 (continued)

	\$	\$
Payments		
Scheme Payments to Creditors	(1,468,210,418)	
Professional Fees	(64,444,253)	
Reallocation of Recoveries to FAIG	(42,328,188)	
Salaries / Annual Leave / LSL	(34,121,561)	
Outsourced Claims Management Fees	(32,302,425)	
IT Outsource Costs	(29,838,287)	
Reallocation of Recoveries to CIC	(24,529,813)	
Scheme Administrators' Fees	(23,636,546)	
GST on Payments	(21,822,597)	
Rent and Outgoings	(21,244,972)	
Liquidators' Fees	(16,537,818)	
Reallocation of Recoveries to Other HIH Entities	(8,976,626)	
Contractors & Temporary Staff	(8,420,378)	
Computer/Systems Costs	(6,771,595)	
Dividends to HIH Insurance Shareholders	(6,145,406)	
Other Sundry Payments	(4,955,496)	
Claims Run-Off Expenses	(4,405,642)	
Other Staff Costs	(2,986,915)	
Superannuation Contributions	(2,842,722)	
Transfers to HIH Insurance	(2,023,573)	
Reallocation of Pre-Liquidation GST Refunds	(1,423,531)	
Shareholders' Legal Proceedings Costs	(1,118,333)	
Redundancy Payments	(837,624)	
Communication Costs	(713,574)	
Transfer to CIC re Profit Share on Business Sale	(689,000)	
Reallocation GST Refund	(609,517)	
Refund of Surplus Reinsurance Recoveries	(596,339)	
Pre-liquidation GST settlement with ATO	(411,183)	
Reallocation of LOC Recoveries	(144,400)	
Scheme Administrators' Disbursements	(116,824)	
Trade Debtors	(10,754)	
Total Payments		(1,833,216,309)
Adjustment for Foreign Exchange Movements		(18,938,821)
Balance at 31 August 2021		4,994,505