

**World Marine & General Insurances Pty Limited**  
**ACN 000 093 112**  
**(In liquidation and subject to Schemes of Arrangement)**

Scheme Administrators' annual report to  
creditors

30 June 2014



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# 1 Introduction & background

## 1.1 Introduction

This is the eighth annual report to the Creditors of World Marine & General Insurances Pty Limited - in liquidation and subject to Schemes of Arrangement (“WMG”).

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 2014. It also covers any significant events between that date and completion of the report.

An annual report has also been prepared by the Scheme Administrators of the UK Scheme of Arrangement for WMG. This will be published on the HIH website as a supplement to the Australian annual report for this company.

## 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](http://www.hih.com.au). Extensive information on the failure of the group, 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).

Schemes of Arrangement for the eight licensed insurance companies in the HIH Group in Australia 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. The earliest estimation date permissible under the terms of the Schemes was 31 May 2011.

In light of the progress made in the administration of the “Run-off” phase of the Schemes, the estimation date at which all outstanding claims are valued, was set at 31 May 2013. The bar date for submission of Final Claims Forms by the 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 will be accepted after this date.

The Schemes are currently in the “Estimation” phase where the claims received are being determined to be Acknowledged Creditor Claims.



## 2 Principal developments to report during the period

The principal developments to report during the period were:

- + Agreement of Scheme Payment Percentages by the Scheme Creditor Committee, which brings the total Scheme Payments paid to creditors with Established Scheme Claims, of 100 cents in the dollar.

More detail on Scheme Payments and the estimated ultimate Scheme Payment Percentages for WMG is included in section 3 of this report.

- + All claims lodged against WMG prior to the bar date have been substantially determined.



### 3 Current and projected Scheme Payment Percentages

#### 3.1 The current Scheme Payment Percentage

The current Scheme Payment Percentages for WMG are:

Creditors with insurance liabilities in Australia	100.0%
Creditors with insurance liabilities outside of Australia	100.0%
Creditors with non insurance liabilities in Australia	100.0%

The Scheme Administrators have made distributions to all creditors with Established Scheme Claims, of 100 cents in the dollar.

#### 3.2 Payment of Established Scheme Claim

Creditors whose claims are agreed as Established Scheme Claims subsequent to the last payment date will be paid in accordance with Clause 38.6 of the Scheme, within 3 months of the last payment date.

#### 3.3 Payment of statutory interest

The Scheme Administrators expect that WMG will be in a position to pay statutory interest on all Established Scheme Claims. In light of the provisions of s563B(2) of the Australian Corporations Act 2001, which state that payment of statutory interest is to be postponed "*until all other debts and claims in the winding up have been satisfied....*", the Scheme Administrators will not be able to make such a payment until all claims have been finalised.

#### 3.4 Scheme Payments for reinsurance creditors

As explained in previous reports, the Scheme Administrators are willing to consider making Scheme Payments to reinsurance creditors with Acknowledged Creditor Claims before all potential set off has been finalised, provided the creditor is willing to give an undertaking to refund any amounts which subsequently prove to have been overpaid.



## 4 Interaction between Australian and English Schemes

### 4.1 Claims under the Australian and English Schemes

All creditors worldwide are entitled to claim in both the Australian and English Schemes for WMG. The Australian and English Scheme Administrators co-operate fully. Claims lodged in one jurisdiction become under both Schemes.

The Australian and English Scheme Administrators, and the respective run-off managers, operate a unified principal to principal ledger system and a unified distribution payment system.

The entitlements of individual creditors under both Schemes are automatically calculated, and when a scheme payment is made, the creditor receives a statement showing how their liability has been classed, and from which classes of assets their distribution has been paid.

Both the Australian and English Schemes contain a “hotchpot” clause. The effect of the hotchpot clause is to prevent a creditor who has already been paid a distribution under one of the schemes, from receiving further payments under the other Scheme until such time as all other creditors with similarly ranked claims have received an equal proportionate distribution.

### 4.2 Distribution Priorities

The English Scheme is designed to complement the Australian Scheme. Following receipt of the House of Lords judgement the English Scheme has adopted all of the provisions of the Australian Scheme, including the Australian distribution priorities, which will now apply to the English Assets.



## **5 Financial position**

### **5.1 Estimated balance sheet at 30 June 2014**

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 WMG as at 30 June 2014, is included as Appendix 1 to this report.

### **5.2 Receipts and payments to 30 June 2014**

A summary of the Scheme Administrators' receipts and payments from the commencement of the Scheme on 30 May 2006 to 30 June 2014 is set out in Appendix 2 to this report.

Since the last annual report dated 30 June 2013, \$53,094.50 has been approved by the WMG Scheme Creditors' Committee for payment to the Scheme Administrators in their role as Office Holders.



## 6 Closure

### 6.1 Estimation Period

The WMG Schemes are currently in the “Estimation” phase where the claims received prior to the Schemes cut-off date are being determined to be Acknowledged Creditor Claims.

Under the terms of the Schemes, creditors will only be entitled to have their claims determined to be Acknowledged Creditor Claims if:

- + prior to the Estimation Date of 31 May 2013, the creditors’ claims have already been determined to be an Acknowledged Creditor Claim. Creditors whose existing claims have been agreed by the Scheme Administrators would have received a notice from the Scheme Administrators in early 2013 confirming their Acknowledged Creditor Claims;
- + a final claim form for Estimation was completed and returned to the Scheme companies by 2 September 2013 (the Scheme cut-off date); or
- + prior to the Estimation Date, the creditor commenced a proceeding in relation to their claim in accordance with the terms of the Scheme which has not been determined by the Estimation Date.

Determination of claims lodged by Scheme Creditors is substantially complete.

### 6.2 Determination after Estimation Date

Under the terms of the Schemes, the Scheme Administrators shall determine whether the creditors’ claims are Established Scheme Claims within three months of 2 September 2013.

Following their assessment, the Scheme Administrators shall notify the Scheme Creditors in writing of their decision in respect of the claims received.

If, after a period of a further three months from the Scheme Administrators’ written notice of their determination, the Scheme Administrators have not reached an agreement with the Scheme Creditor as to whether any part of the claim gives rise to an Established Scheme Claim, the Scheme Administrators shall refer the creditor’s claim to a Scheme Adjudicator for determination.

### 6.3 Scheme Claim Adjudication

The Scheme Adjudicators appointed to the WMG Schemes are as follows:

<b>Scheme Adjudicator</b>	<b>Representing</b>
Mr Tim Andrews (Finity Solutions)	Australian Scheme Administrators
Mr Gary Wells (Milliman)	English Scheme Administrators

The role of the Scheme Adjudicator is principally to determine whether liabilities notified to the Scheme companies by a potential creditor under the estimation process, and referred to the Scheme Adjudicator by the Scheme Administrator, should be accepted as Established Scheme Claims. The Scheme Adjudicator must also determine the value of such claims.

The creditors’ claims which were referred to the Scheme Adjudicators have all been determined.





## 7 Responsibilities

### 7.1 Scheme Administrators

The Australian Scheme Administrators are Tony McGrath and Chris Honey, partners of McGrathNicol, based in Sydney. The English Scheme Administrators of WMG are Michael Walker and Barry Gale, partner and director respectively of KPMG LLP based in London.

### 7.2 Run-off Managers

The day to day claims handling and reinsurance recovery activities of WMG in Australia are managed in-house by the HIH run-off team.

The run-off managers for all business written by the UK branch of WMG are Asta Insurance Services Limited.

### 7.3 Creditors' Committee

The interests of creditors in the Australian Scheme are represented by a Creditors' Committee. The Committee sanctions significant transactions (such as commutations), is involved in the setting of the Scheme Payment Percentage, and approves the Scheme Administrators' fees. It is reported to, and meets on average, on an annual basis. The current constitution of the Committee is as follows:

<b>Member</b>	<b>Represented by</b>
HCSL – Australian Government Treasury	Mr Nicholas Creagh
CIC Insurance Limited – In liquidation	Mr Harry Neesham



## 8 Contact Details

Contact details for the Australian Scheme Administrators, the English Scheme Administrators, and the Australian and English Run-Off Managers are set out on the HIH website, [www.hih.com.au](http://www.hih.com.au).

### 8.1 Creditor Enquiries in Australia

Scheme Creditors with claims queries (excluding those in relation to branch business) 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 9814, Sydney NSW 2001, Fax +61 (0) 2 9650 5710.

Scheme Creditors with enquiries in relation to the Scheme or Scheme Payments should call the HIH Help Desk on +61 (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](mailto:enquiries@hih.com.au)

Yours faithfully

*For World Marine & General Insurances Pty Limited – in liquidation and subject to Schemes of Arrangement*

Tony McGrath  
Scheme Administrator

Chris Honey  
Scheme Administrator



## Appendix 1

Updated balance sheet for WMG as at 30 June 2014



**World Marine and General Insurance Pty Limited - (In Liquidation and subject to Schemes of Arrangement)**

**All values in AUD**

	RATA as at 30 June 2014 \$'000	RATA as at 30 June 2013 \$'000
<b>Assets not specifically charged</b>		
<b>Cash</b>		
Cash at bank	7,154	11,332
	<u>7,154</u>	<u>11,332</u>
<b>Receivables</b>		
Amounts owing by related bodies corporate	4,992	1
	<u>4,992</u>	<u>1</u>
<b>Investments</b>		
Short term deposits	12,850	17,269
ADD back: Dividends Paid	19,527	8,315
	<u>32,377</u>	<u>25,583</u>
<b>TOTAL ASSETS</b>	<b><u>44,524</u></b>	<b><u>36,915</u></b>
<b>Unsecured creditors</b>		
<b>Accounts payable</b>		
Trade Creditors	(257)	(203)
Goods and services tax	(55)	(62)
Sundry creditors	(12)	(9)
	<u>(324)</u>	<u>(274)</u>
ACCs - ESC at Estimation Date	(19,684)	(12,439)
Outstanding claims (Reserves)	-	(2,260)
IBNR Claims	-	(2,908)
ACCs - Additional Notified Claims (FCF not finalised - Not Accepted)	(282)	-
Commutations - ESC Verified	(12)	-
<b>Outstanding claims</b>	<u>(19,978)</u>	<u>(17,608)</u>
<b>Other liabilities</b>		
Other creditors and accruals (Shareholder Claims - potential 1321 application)	(276)	-
Amounts owing to related bodies corporate	(2,575)	(2,575)
	<u>(2,851)</u>	<u>(2,575)</u>
<b>Total unsecured creditors</b>	<b><u>(23,153)</u></b>	<b><u>(20,457)</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>(23,153)</u></b>	<b><u>(20,457)</u></b>
<b>NET ASSET</b>	<b><u>21,371</u></b>	<b><u>16,459</u></b>



## Appendix 2

Summary of the Scheme Administrators' receipts and payments from 30 May 2006 to 30 June 2014



**World Marine & General Insurance Pty Limited (In Liquidation and subject to Schemes of Arrangement)**  
**Receipts and Payments Account 1 July 2013 to 30 June 2014**

	\$	\$
<b>Balance at 1 July 2013</b>		<b>24,661,611.50</b>
<b>Receipts</b>		
Scheme Payment received	2,373,195.76	
Repatriation of funds from UK Liquidators	1,156,759.91	
Interest on cash and deposits	616,879.76	
Reinsurance recoveries	9,375.40	
Claims recoveries	1,251.19	
GST refund from ATO	1,242.31	
Other receipts	24.70	
	<hr/>	
<b>Total receipts</b>		<b>4,158,729.03</b>
<b>Payments</b>		
Scheme Payments to creditors	(11,152,776.97)	
Central expense paid to HIH C&G	(54,381.62)	
Unrealised foreign exchange movements	(53,475.61)	
Scheme Administrators' fees	(53,094.50)	
Professional fees	(13,146.96)	
GST	(6,618.62)	
Other sundry payments	(4,883.87)	
IT charges	(4,087.49)	
Computer costs	(2,747.91)	
Liquidators' fees	(440.00)	
	<hr/>	
<b>Total payments</b>		<b>(11,345,653.55)</b>
<b>Balance at 30 June 2014</b>		<hr/> <b>17,474,686.98</b> <hr/>