

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

Scheme Administrators' Annual Report to Creditors

30 June 2020



McGrathNicol



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1 Introduction & Background

1.1 Introduction

This is the fourteenth 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 2020. 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

The principal developments to report during the period were:

- the agreement of a further Scheme Payment Percentage of one cent in the dollar by the Scheme Creditors' Committee, bringing total Scheme Payment Percentages to those detailed below:

Creditors with insurance liabilities in Australia	Creditors with non-insurance liabilities in Australia
93.84%	93.50%

Further details on Scheme Payments to date and estimated future Scheme Payment Percentages are included in section 3 of this report.

3 Current and Projected Scheme Payment Percentages

3.1 The Current Scheme Payment Percentages

The Scheme Payment Percentages paid to date are 93.84% for creditors with insurance liabilities in Australia and 93.5% for all non-insurance Australian creditors.

3.2 Estimated ultimate Scheme Payment Percentages

Previous reports have stated that 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.

Since our last report, the HIH C&G and FAIG Scheme Administrators have determined all of the HIH Insurance Limited (**HIH Insurance**) shareholders claims in the Schemes and paid most of the admitted claims. In light of the progress, the HIH C&G and FAIG Scheme Administrators distributed further Scheme Payments to their Creditors, including CIC. This enabled the CIC Scheme Administrators to pay a further Scheme Payment to its Creditors in October 2019 bringing the Scheme Payment Percentages paid to those stated in section 3.1 above.

While the HIH C&G and FAIG Scheme Administrators have dealt with most of the shareholders claims, they are not in a position to pay the final Scheme Payments until the shareholders claims are finalised and the outstanding intercompany debts are realised, which they currently hope to resolve by mid 2021.

In light of the above, the CIC Scheme Administrators hope to be in a position to pay the final Scheme Payments by the second half of 2021, subject to receipt of the final intercompany dividends.

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	Updated as at 30 June 2020
Creditors with insurance liabilities in Australia	94.78%	95.7%
Creditors with non-insurance liabilities in Australia	94.5%	95.5%

The latest estimates are marginally higher due to the improved realisation expected from the intercompany debts owing by HIH C&G and FAIG.

4 Financial Position

4.1 Estimated balance sheet at 30 June 2020

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 2020 is included as Appendix 1 to this report.

4.2 Receipts and payments to 30 June 2020

A summary of the Scheme Administrators' receipts and payments from 1 July 2019 to 30 June 2020 is set out in Appendix 2 to this report.

Since the last annual report dated 30 June 2019, \$27,679.50 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 26 January 2019 to 27 March 2020.

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 the HIH C&G and FAIG Scheme Administrators distribute the final Scheme Payments to their Scheme Creditors, the CIC Scheme Administrators will be in a position to make the final Scheme Payments which they currently hope to pay by the second half of 2021. The CIC Scheme will terminate 12 months after the final Scheme Payments are made.

6 Responsibilities

6.1 Scheme Administrators

The Australian Scheme Administrators are Jason Preston and Katherine Sozou, partners of McGrathNicol based in Sydney. Katherine Sozou replaced Tony McGrath as the Australian Scheme Administrator of CIC following Tony McGrath's resignation on 1 July 2020.

6.2 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 2020 was as follows:

Member	Represented By
ACT Workers Compensation Supplementation Fund	Vacant
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

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

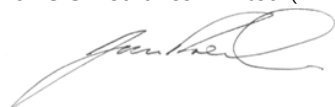
Email: enquiries@hih.com.au

Tel: +61 (0) 2 9650 5777

Address: GPO Box 2707, Sydney NSW 2001

Yours faithfully

For CIC Insurance Limited (In Liquidation and subject to a Scheme of Arrangement)



Jason Preston
Scheme Administrator



Katherine Sozou
Scheme Administrator

Appendix 1

Updated balance sheet at 30 June 2020

All values in AUD

	As at 30 June 2020 \$'000	As at 30 June 2019 \$'000
Assets not specifically charged		
Cash		
Cash at bank	834	1,107
	<u>834</u>	<u>1,107</u>
Receivables		
Amounts owing by related bodies corporate	2,004	8,787
	<u>2,004</u>	<u>8,787</u>
Investments		
Short term deposits	4,512	2,202
ADD back: Dividends Paid	418,389	414,278
	<u>422,900</u>	<u>416,480</u>
TOTAL ASSETS	<u>425,738</u>	<u>426,375</u>
Unsecured creditors		
Accounts payable		
Trade Creditors	(24,039)	(24,039)
Goods and services tax	(47)	(53)
Sundry creditors - ARS	(152)	(152)
	<u>(24,238)</u>	<u>(24,245)</u>
ACCs - ESC at Estimation Date	(443,097)	(443,283)
Commutations - ESC Verified	(710)	(710)
Add back: Creditors with Statutory Cut Through & s.562A(4) claims paid	30,226	30,226
Outstanding claims	<u>(413,580)</u>	<u>(413,767)</u>
Other liabilities		
Amounts owing to related bodies corporate	(8,501)	(8,501)
	<u>(8,501)</u>	<u>(8,501)</u>
TOTAL LIABILITIES	<u>(446,319)</u>	<u>(446,512)</u>
NET DEFICIT	<u>(20,581)</u>	<u>(20,138)</u>

Appendix 2

Summary of the Scheme Administrators' receipts and payments from 1 July 2019 to 30 June 2020

	\$	\$
Opening balance at 1 July 2019		3,309,664
Receipts		
Distribution from Other Scheme Companies	6,728,761	
Interest on Cash and Deposits	42,879	
GST Refund	1,552	
Total Receipts		6,773,192
Payments		
Scheme Payments to Creditors	(4,294,470)	
Central Expense Reimbursement Paid to HIH C&G	(380,266)	
Scheme Administrators' Fees	(27,680)	
Legal and Taxation Fees	(17,813)	
Insurance	(10,669)	
Other Sundry Payments	(7,183)	
GST Paid	(6,038)	
Scheme Administrators' Disbursements	(5,109)	
Liquidators' Fees	(193)	
Total Payments		(4,749,421)
Adjustment for Unrealised Foreign Exchange Gain on Foreign Cash Accounts		11,956
Balance at 30 June 2020		5,345,391