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To all known creditors and brokers of
FAI General Insurance Company Limited

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30 November 2016

Dear Sir/Madam

FAI General Insurance Company Limited (In Provisional Liquidation and subject to Scheme of Arrangement)
English Scheme Administrators' Report to Creditors

1 Introduction

This is the ninth and final report to creditors of FAI General Insurance Company Limited ("FAIG") by the English Scheme Administrators ("SAs") covering the period ended 31 October 2016. It will be published on the HIH website as a supplement to the Report to creditors of the Australian Scheme Administrators ("Australian SAs").

Background information in relation to the failure of FAIG and the operation of the Scheme of Arrangement is contained in Appendix 1. The purpose of this report is to provide creditors with information on the progress of the English Scheme ("the Scheme") to date.

2 Key developments since the last Report

- In April 2016 the New South Wales Supreme Court handed down its judgement on the legal action brought by certain shareholders ("the Plaintiffs") of HIH Insurance Ltd ("HIH Insurance") which is the ultimate parent of FAIG. The Plaintiffs had sought to lodge claims as unsecured creditors of HIH Insurance, HIH Casualty and General Insurance Limited ("HIH C&G") and FAIG and the Australian Liquidators had rejected the claims. The judge upheld Plaintiffs' claims meaning that they are entitled to claim as unsecured creditors in any of the three affected HIH entities, HIH Insurance Ltd, HIH C&G and FAIG, subject to certain parameters prescribed by the judge.

The Australian SAs and their legal advisors are currently in discussions with Plaintiff's solicitors to finalise the quantum of Plaintiffs' claims in accordance with the Court's wishes.

30 November 2016

- Other than the Plaintiffs' claims, all other claims lodged against FAIG prior to the Final Claims Submission Date (2 September 2013) have been determined. There were no claims lodged by creditors in the English Scheme of Arrangement.
- Notwithstanding the Court's judgement, having consulted with their legal advisors and the Australian SAs, the English SAs and Joint Provisional Liquidators ("JPLs") have concluded that it is desirable for the English Scheme to be terminated and the Provisional Liquidation brought to a close as soon as practicable (intended to be by the end of March 2017), because there is no realistic prospect of the Australian proceedings having an impact on the English Scheme. (See Section 3).

3 Current and Projected Scheme Payment Percentages

There were no claims submitted by creditors in the English Scheme.

An extract from the Australian Scheme Administrators' Annual Report 2016 as it relates to current and projected Scheme Payment Percentages is attached at Appendix 2 and the full report is available on the HIH website, www.hih.com.au.

4 Termination of English Scheme of Arrangement and Provisional Liquidation

4.1 Rationale for Closure

In light of the New South Wales Supreme Court's judgement in April 2016, the English Scheme Administrators have consulted with their legal advisors and the Australian SAs to establish whether there was any legal or practical impediment, notwithstanding FAIG's ongoing involvement in the Australian proceeding, to the SAs' and JPLs' ability to bring to a close the FAIG English Scheme and Provisional Liquidation.

Following these consultations, the SAs and JPLs concluded that it is in the best interests of creditors generally if the English Scheme is terminated and the Provisional Liquidation closed as soon as practicable, on the basis that there is no realistic prospect of the Australian proceedings having any impact on their responsibilities as SAs or JPLs or on the interests of the Scheme Creditors or creditors of the company in the England. The grounds for this conclusion are:

- There were no claims submitted into the English Scheme, and nor are there any existing proceedings issued against FAIG in England.
- The English Courts would be extremely unlikely to consider ordering the English Scheme to pay a claim where a scheme creditor has missed the filing deadline, which passed in September 2013
- There is no reason to believe that any creditor affected by the Australian legal action would seek to claim in England rather than Australia.

30 November 2016

- Accordingly, there is no longer any legal justification for separate, parallel complementary proceedings in England.
- Furthermore, the costs of keeping separate English proceedings open will deplete the assets available to be distributed to the general body of creditors.

The Australian Scheme and Liquidation will continue after the English Scheme and Provisional Liquidation have terminated.

4.2 Process for terminating the English Scheme of Arrangement

Clause 56.1 of the Scheme states that the Scheme shall terminate:

- a) 12 months after the final Payment Date;
- b) If all of the Liabilities of the Company have been discharged in full; or
- c) By resolution of the SAs, after consultation with the Creditors' Committee.

Clauses 56.1 a) & b) are not available to the English Scheme Administrators; that is to say, because there were no claims submitted in the English Scheme, neither a final distribution to Scheme Creditors was made, nor have the liabilities of FAIG been discharged in full.

Therefore, in accordance with clause 56.1 c), the English SAs are required to consult with the English Scheme Creditors Committee as a pre-requisite to terminating the English Scheme. Following and subject to the outcome of that consultation, it is expected that the English SAs will resolve to terminate the English Scheme of Arrangement.

We anticipate that this consultation process will be completed and the Scheme will terminate by March or April 2017.

In accordance with Clause 56.4 of the Scheme, the JPLs will, on behalf of the Company, publish notices stating that the Scheme has terminated on the Company's website for a period of six months and in newspapers which they consider appropriate for one day a week for four consecutive weeks following termination.

4.3 Process for terminating the Provisional Liquidation

Immediately after the Scheme has terminated the Provisional Liquidation will be brought to a close. The legal and practical steps required in order to terminate the Provisional Liquidation are as follows:

- Any surplus funds that are being held by the JPLs on behalf of FAIG will be passed to the Australian SAs after deduction of relevant fees and expenses.

30 November 2016

- The JPLs will make an application to the High Court to dismiss the winding-up petition which will automatically terminate the Provisional Liquidation by the following means:
 - a) the petitioning creditor (HIH Systems International Limited – of which Mike Walker and Barry Gale of KPMG are Joint Liquidators) must contact the court to set up a hearing date for the petition;
 - b) FAIG will file witness statements giving evidence in support of the petition at least five business days before the hearing;
 - c) The petitioning creditor will write to the court giving its consent to the dismissal; and
 - d) Once the petitions are dismissed, and the provisional liquidation is terminated, two kinds of notices must be published in the London Gazette and otherwise advertised as appropriate. The Registrar of Companies must be informed as soon as practicable.

There is no practical reason why this process should not be completed immediately following the termination of the Scheme and we therefore estimate that the Provisional Liquidation will have been terminated by March or April 2017.

30 November 2016

5 Financial position – receipts and payments to 31 October 2016

A summary of the English SAs' receipts and payments from 10 April 2001 to 31 October 2016 is set out below.

FAI General Insurance Company Limited		
Receipts and payments for the period 10 April 2001 to 31 October 2016		
	1 July 2015 – 31 October 2016	10 April 2001 – 31 October 2016
	£	£
Receipts		
Property	-	2,500,000
Insurance and reinsurance recoveries	-	8,898,440
Cash at Bank on appointment	-	18,233
Excess LOC collateral	-	111,575
Bank Interest and Sundry Receipts	55,098	2,565,717
Intragroup liquidation receipts	-	178,730
Total receipts	55,098	14,272,695
Payments		
Transfers to Australian SAs	6,000	6,581,716
Officeholders' fees and expenses	-	394,140
Legal fees & other professional fees	5,324	359,958
Payment of R/I recoveries to State Funds	-	161,101
Film Finance payments	-	153,384
Committee expenses	-	54,341
VAT	1,065	37,744
Exchange losses on currency transfers	-	4,600
Bank Charges	(20)	736
Total payments	12,369	7,747,720
Equivalent GBP funds held as at 31 October 2016		6,524,975

30 November 2016

6 Creditors' Committee

The interests of creditors in the Scheme are represented by the Creditors' Committee ("the Committee"). The Committee sanctions significant transactions, is involved in the setting of the Scheme Payment Percentage, and approves the SAs' fees. The constitution of the Committee is as follows:

Member	Represented by
CIC Insurance Ltd (In Liquidation)	Jason Preston
HIH Casualty and General Insurance Limited (In Liquidation)	Jason Preston

7 Contact details

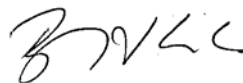
Scheme Creditors with enquiries in relation to the Scheme or Scheme Payments should call the SAs on +44 (0) 20 7694 3169 or write to them at KPMG LLP, 15 Canada Square, London E14 5GL.

Further information is available on the HIH website, www.hih.com.au.

Yours faithfully
For FAI General Insurance Company Limited



Michael S Walker
English Scheme Administrator



Barry J Gale
English Scheme Administrator

Appendix 1

Background information on the insolvency

- The HIH Group failed on 15 March 2001. FAIG was one of the licensed insurers in the group.
- Summary details of the history of the group; its failure; and other background information are available on the website maintained by the Australian Scheme Administrators at www.hih.com.au.
- Extensive information on the failure including the final report of the HIH Royal Commission established by the Australian Federal Government is available on the website www.hihroyalcom.gov.au
- On 30 May 2006, Schemes of Arrangement became effective for the eight licensed insurance companies in the HIH Group in Australia. Complementary Schemes of Arrangement became effective for four of those companies in England on 13 June 2006, following approval by creditors and the courts. Copies of the Scheme documents are available on the HIH website www.hih.com.au.
- For the first seven years, the Schemes operated as “reserving” Schemes, under which claims were made in the normal course of business. During this reserving period, interim Scheme distributions were paid to creditors with Established Scheme Claims at the applicable Scheme Payment Percentage.
- The Australian and English Scheme Administrators have co-operated fully. A unified principal to principal ledger system has been operated, together with a unified dividend payment system. Creditors were required to lodge claims in one location only, which was then effective under both Schemes.
- The Record Date (the date at which liabilities are measured) for each of the Schemes is 27 August 2001.
- In accordance with clause 24 of the Australian and English Schemes of Arrangement, the Estimation Date was set at 31 May 2013. Final Claim Forms for Estimation (FCFs) were required to be submitted so as to reach the Scheme Companies by midnight 2 September 2013 (British Summer Time); being three months after the Estimation Date.
- No FCFs were received by the Bar Date and, as no claims had been previously agreed by the English Scheme Administrators as Established Scheme Claims, there are no creditors of the English Scheme.

30 November 2016

Appendix 2

Extract from Australian Scheme Administrators' Annual Report dated 30 June 2016

1 Current and Projected Scheme Payment Percentages

1.1 The Current Scheme Payment Percentage

The current Scheme Payment Percentage for FAIG is 64.78% for creditors with insurance liabilities in Australia (in the case of FAIG this encompasses all insurance creditors) and 62.5% for all non-insurance creditors.

1.2 Projected further Scheme Payments

The Scheme Administrators have paid Scheme Payments percentages close to the forecast minimum levels as set out in section 3.3 of this report. The Scheme Administrators continue to review the available funds and level of claims and final costs to the date of dissolution of the company and hope to be in a position to pay the final Scheme Payment to all classes of creditors with agreed claims by the second half of 2017. However, timing of payment will be dependent on the finalisation of the HIH Insurance shareholders claims.

1.3 Estimated ultimate Scheme Payment Percentage

With the exception of the HIH Insurance shareholder claims, determination of the Scheme Creditors' claims is now complete.

The Scheme Administrators' latest estimate of the ultimate Scheme Payment Percentages for FAIG as at 30 June 2016 is shown below:

Total Scheme Payment Percentage			
Scheme Company	Estimated at Scheme date	Updated at 30 June 2015	Updated at 30 June 2016
FAIG	25% to 35%	63% to 70%	63% to 69%



30 November 2016

The total estimated Scheme Payment range for creditors can be further analysed as:

	Updated range as at 30 June 2015	Updated range as at 30 June 2016
Creditors with insurance liabilities in Australia	65.5% - 70%	65.3% - 69.4%
Creditors eligible to be paid from US Trust Funds	65.5% - 70%	65.3% - 69.4%
Creditors with non-insurance liabilities in Australia	63% - 68%	63% - 67.5%

The difference in the high / low estimates reflects provision for the HIH Insurance shareholder claims.”