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

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30 September 2014

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 seventh report to creditors of FAI General Insurance Company Limited ("FAIG") by the English Scheme Administrators ("SAs") covering the period ended 30 June 2014. 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 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**

- The Bar Date for creditors to submit Final Claim Forms for Estimation ("FCFs") against FAIG passed on 2 September 2013 (see Section 3.1).
- No FCFs were received by the Bar Date and, as no claims had been previously agreed by the SAs as Established Scheme Claims ("ESCs"), there are no creditors of the Scheme (see Section 3.1).
- The current Scheme Payment Percentage for creditors with insurance liabilities and non-insurance liabilities in Australia is 59.15% and 57% respectively (see Section 3.2).
- Barry Gale replaced John Wardrop as one of the SAs, Joint Provisional Liquidators and Liquidators of a number of the HIH Group companies (see Section 6.1).

### **3 Claims Submission and Scheme Payment Percentages**

#### **3.1 Creditor claims**

All creditors without an ESC, or who wanted to increase their ESC, in respect of the English Scheme Companies were required to submit FCFs by the Bar Date.

No FCFs were submitted against FAIG by the Bar Date and, as no other claims had previously been agreed as ESCs by the SAs, there are no creditors of the Scheme.

#### **3.2 Current Scheme Payment Percentages**

Notwithstanding the fact that there are no creditors of the English Scheme, the current Scheme Payment Percentage for creditors of FAIG with insurance liabilities and non-insurance liabilities in Australia is 59.15% and 57% respectively.

The current ultimate expected outcome range for creditors with liabilities in Australia is between 60% and 68%.

Further information with regard to the current Scheme Payment Percentages for the various classes of assets for all the HIH Scheme companies, including FAIG is one, are set out on the HIH website [www.hih.com.au](http://www.hih.com.au).

### **4 Interaction between Australian and English Schemes**

The SAs continue to report trial balances, receipts and payments and ad hoc queries to the Australian SAs for incorporation into the overall financial ledgers. A number of further discussions have been held in this area focussed on streamlining the process between the UK and Australian estates during the closure period.

The SAs continue to attend Australian Creditors' Committee meetings. The Australian SAs likewise continue to attend the UK Committee meetings.

#### **4.1 Completion timetable**

The Australian SAs anticipate proposing a further uplift in the Scheme Payment Percentage for certain English Scheme Companies later in 2014. It is expected that the final uplifts in the Scheme Payment Percentage will be not be proposed until sometime in 2015, as it is anticipated that certain issues – such as the complex intercompany relationships and the appeals process in respect of any disputed claims – will not be resolved until 2015.

## 5 Financial position – receipts and payments to 30 June 2014

A summary of the English SAs' receipts and payments from 10 April 2001 to 30 June 2014 is set out below.

<b>FAI General Insurance Company Limited</b>		
<b>Receipts and payments for the period 10 April 2001 to 30 June 2014</b>		
	<b>1 July 2012 – 30 June 2014</b>	<b>10 April 2001 – 30 June 2014</b>
	£	£
<b>Receipts</b>		
Property	-	2,500,000
Insurance and reinsurance recoveries	120,446	7,923,784
Cash at Bank on appointment	-	18,233
Excess LOC collateral	-	111,575
Bank Interest and Sundry Receipts	219,504	2,237,677
Intragroup liquidation receipts	-	178,730
<b>Total receipts</b>	<b>339,950</b>	<b>12,969,999</b>
<b>Payments</b>		
Transfers to Australian SAs	68,450	5,677,169
Officeholders' fees and expenses	12,597	301,266
Legal fees & other professional fees	21,447	348,746
Payment of R/I recoveries to State Funds	-	142,627
Film Finance payments	-	153,384
Committee expenses	4,949	54,341
VAT	7,761	16,926
Exchange losses on currency transfers	-	15,612
Bank Charges	70	729
<b>Total payments</b>	<b>115,274</b>	<b>6,710,800</b>
<b>Equivalent GBP funds held as at 30 June 2014</b>		<b>6,259,199</b>

## **6 Responsibilities**

### **6.1 Change of Scheme Administrator**

Further to the acceptance of John Wardrop's resignation as one of the SAs, the Creditors' Committee passed a resolution to appoint Barry John Gale as SA of the following companies with effect from 20 August 2013 under clause 45.3 of the Scheme:

- HIH Casualty & General Insurance Limited
- FAI General Insurance Company Limited
- FAI Insurances Limited
- World Marine & General Insurances Pty Limited

In addition, an order was made by the High Court of Justice on 16 October 2013 removing Mr Wardrop and replacing him with Mr Gale in relation to the following Insolvency Act 1986 appointments:

- As Joint Provisional Liquidator of:
  - HIH Casualty & General Insurance Limited
  - FAI General Insurance Company Limited
  - FAI Insurances Limited
  - World Marine & General Insurances Pty Limited
- As Joint Liquidator of:
  - FAI Underwriting Limited
  - Cotesworth Capital Limited
  - HIH Systems International Limited

The SAs of FAIG are, therefore, Michael Walker and Barry Gale, based in London.

The Australian SAs are Tony McGrath and Chris Honey, of McGrathNicol, based in Sydney.

### **6.2 Creditors' Committee**

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

<b>Member</b>	<b>Represented by</b>
CIC Insurance Ltd (In Liquidation)	Chris Honey
HIH Casualty and General Insurance Limited (In Liquidation)	Chris Honey

## **7 Contact details**

Contact details for the SAs, the Australian SAs and the English and Australian run-off managers are set out on the HIH website, [www.hih.com.au](http://www.hih.com.au).

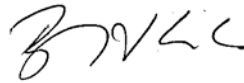
Scheme Creditors with FCF related queries in relation to UK branch business should call Asta Insurance Services on +44 (0) 20 7743 0900 or write to them at the following address: 5<sup>th</sup> Floor, Camomile Court, 23 Camomile Street, EC3A 7LL.

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, 8 Salisbury Square, London EC4Y 8BB.

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](http://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](http://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](http://www.hih.com.au).
- For at least the first five years, the Schemes will be “reserving” Schemes, under which claims are made in the normal course of business. During this reserving period, interim Scheme distributions will be paid to creditors with Established Scheme Claims at the current applicable Scheme Payment Percentage.
- The Australian and English Scheme Administrators co-operate fully. A unified principal to principal ledger system is operated, together with a unified dividend payment system. Creditors need to lodge claims in one location only, which is 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.