



CBL Insurance Limited (In Liquidation)

Company Number: 27582

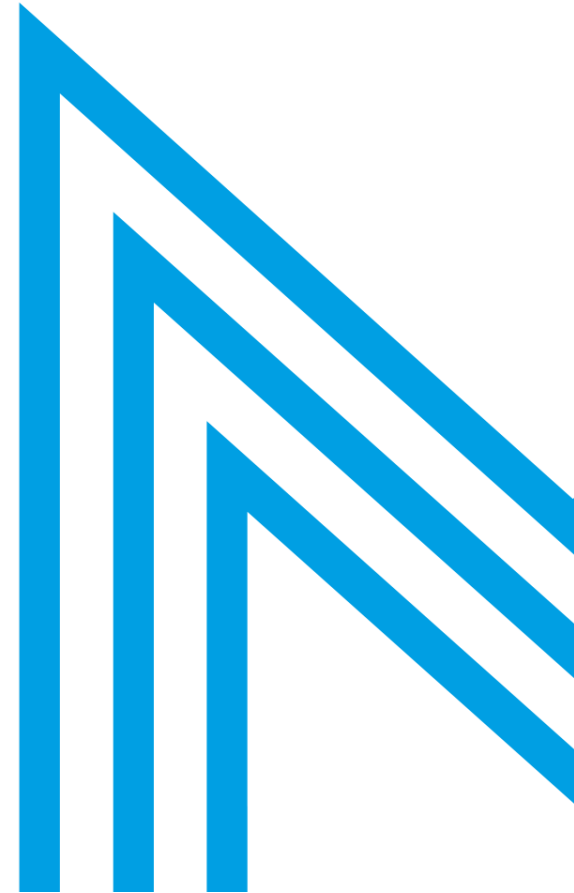
New Zealand Business Number: 9429040858852

Liquidators' six monthly statutory report
for the period 12 November 2021 to 11 May 2022

10 June 2022



McGrathNicol



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Appointment

- Pursuant to an application under section 246 of the Companies Act 1993 (**Companies Act**) by CBL Insurance Limited's (**CBLI** or the **Company**) prudential supervisor, the Reserve Bank of New Zealand (**RBNZ**), the Company was placed into interim liquidation by an Order of the High Court dated 23 February 2018, pending the determination of the RBNZ's liquidation application. Kare Johnstone and Andrew Grenfell were appointed joint and several interim liquidators.
- Following a number of adjournments, the RBNZ's application to appoint liquidators to CBLI was heard in the Auckland High Court on 12 November 2018, which resulted in an Order by the High Court placing the Company into liquidation and the appointment of Kare Johnstone and Andrew Grenfell (**Liquidators**) as joint and several liquidators.
- A copy of the High Court Order dated 12 November 2018 and the Judgment of Justice Courtney were attached as Appendix 1 to our first report dated 17 December 2018 (**Liquidators' First Report**). A copy of the Liquidators' First Report, together with all statutory reports, is available at www.mcgrathnicol.com/creditors/cbl-insurance-limited.
- Kare Johnstone (registration number IP29) and Andrew Grenfell (registration number IP24) are Licensed Insolvency Practitioners pursuant to the Insolvency Practitioners Regulation Act 2019. Further information on the regulation of insolvency practitioners can be obtained from the Registrar of Companies.
- As members of the Restructuring Insolvency & Turnaround Association of New Zealand (**RITANZ**), the Liquidators are bound by the Code of Professional Conduct, a copy of which can be located on RITANZ's website (www.ritanz.org.nz).

Disclaimer

- The purpose of this report is to report to CBLI's creditors and its shareholder in accordance with section 255 of the Companies Act and covers the six month reporting period 12 November 2021 to 11 May 2022 (**Reporting Period**).
- This report has been prepared based on the information known to the Liquidators as at the date of this report. We reserve the right (but will be under no obligation) to review this report, and if we consider it necessary, to revise the report in light of any information existing at the date of this report that becomes known to us after that date. We have not independently verified the accuracy of information provided to us, nor have we conducted an audit in respect of the Company. We express no opinion on the reliability, accuracy, or completeness of information provided to us and upon which we have relied.

- The Liquidators do not accept responsibility or liability for any losses occasioned to any party as a result of the circulation, publication, reproduction, or use of this report.
- Certain numbers included in tables in the report have been rounded and therefore may not add exactly. Unless otherwise stated, all amounts are in New Zealand dollars.

Company information

- Company number: 27582
- Date of incorporation: 19 April 1973
- Previous trading address: Level 8, CBL House, 51 Shortland Street, Auckland
- Type of business: Provision of insurance and reinsurance
- Date ceased trading: 23 February 2018
- Shareholder: LBC Holdings New Zealand Limited (Subject to Deed of Company Arrangement)
- Ultimate parent: CBL Corporation Limited (In Liquidation)
- Directors at date of liquidation: Peter Alan Harris
Alistair Leighton Hutchison (now deceased)
- Director resignations since the date of interim liquidation: Sir John Wells
Ian Kelvin Marsh
Anthony Charles Russell Hannon
Norman Gerald Paul Donaldson

Events leading to the appointment of liquidators

- The events leading to the appointment of liquidators are set out in the Liquidators' First Report.

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Conduct of the liquidation during the preceding six months

- The Liquidators have continued their efforts to reduce the Company's balance sheet risk and liabilities, where possible, to enhance recoveries to creditors, together with managing the adjudication of claims and continued run-off of policies and bonds.
- As reported previously, the Liquidators issued two voidable notices against one of CBLI's major ceding insurers in respect of payments made in February 2018 totalling c.€25.4m. The insurer objected to the notices to set aside the transactions and the matter is now before the New Zealand High Court.
- Discussions with the same major cedant to reconcile the net claims position are ongoing.
- Other potential voidable transactions have been reviewed and the merits of whether legal action should be pursued are currently under consideration.
- As previously reported, the Liquidators filed a Statement of Claim against CBLI's Directors and other parties on 20 December 2019. Statement of Defences have been filed by all the Directors. Some of the other parties were successful in obtaining a strike-out order, which has been appealed by the Liquidators. A fixture to hear the appeal has been scheduled in the Court of Appeal for mid September 2022. The Liquidators have been attending to significant discovery and other matters in respect of the proceedings. Given the matter is before the Court, we are unable to provide details of the specific claims as doing so could prejudice the proceedings.
- Our investigation in respect of other third parties has been progressed during the Reporting Period and is ongoing.
- The Liquidators have provided further information requested by the Inland Revenue in support of CBLI's section 113 application under the Tax Administration Act 1994 with a view to obtaining a recovery of income taxes paid prior to the liquidation.
- The Liquidators have continued with their realisation process in respect of a minority shareholding in an offshore entity. Arbitration proceedings have been commenced and an independent valuation is currently being obtained to ascertain the value of the shares being sold.

- In addition, during the Reporting Period, the Liquidators have attended to the following:
 - Assessed and processed insurance claims (note while valid claims are being recorded they are not yet being paid);
 - Management of a number of disputed major claims, including dealing with foreign entities, multiple jurisdictions and legal systems and courts;
 - Management of CBLI's claims and finance functions. CBLI currently has two employees undertaking claims management and financial reporting functions;
 - Liaised with various parties relating to other proceedings issued against the Directors of entities in the CBL Group;
 - Compliance with statutory obligations in relation to regulatory matters; and
 - Compliance with Insurance (Prudential Supervision) Act 2010 (**IPSA**) statutory requirements.

Receipts and payments

- A summary of receipts and payments for the Reporting Period is attached as Appendix 1.

Liquidators' remuneration

- Our remuneration is charged on an hourly basis at hourly rates approved by the High Court, subject to the power of the Court to review the overall remuneration under section 284(1)(e) of the Companies Act.
- The Liquidators' remuneration received for the Reporting Period totalled \$0.59m, exclusive of GST. All time and disbursements incurred and billed in the liquidation are reasonable and necessary.
- A detailed breakdown of the Liquidators' remuneration and disbursements for the Reporting Period is attached as Appendix 2.
- The qualifications and experience of staff at each level, were set out in the Liquidators' First Report. There have been no changes in this regard since the Liquidators' First Report.
- A schedule of the work undertaken during the Reporting Period is summarised in Appendix 3.

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Creditors' claims

- While the Liquidators have not yet formally called for creditor claims, claims that are received in the normal course of business are being reviewed and either accepted (but not paid) or declined by the Liquidators with these decisions being communicated to claimants. Given that the majority of potential claims in the liquidation are contingent and based on actuarial estimates, which could take in excess of 10 years to materialise or for CBLI to come off risk, it is too early at this stage of the liquidation to formally call for claims.
- We have arranged for an actuarial valuation of the claims reserves in respect of all of CBLI's books of business as at 31 December 2021. The valuation report is due by 30 June 2022.
- Once the actuarial valuation referred to above has been completed we expect to be in a position to provide creditors with an initial estimated range of potential distributions to creditors.
- In the event the Liquidators consider a scheme of arrangement is in the best interests of creditors, we would expect to convene a meeting of creditors to allow creditors to consider and vote on any proposed scheme.

Proposals for completing the liquidation

- Given the ongoing level of uncertainty remaining in respect of the outcome of a number of significant claims and contingent long-tail insurance outstanding liabilities, combined with the various investigations and legal proceedings, it is not practicable to estimate the date of the completion of the liquidation at this stage.

Further information

- If you have any information you consider would lead to realisations for the benefit of creditors, please set it out in writing, attaching copies of all documentary evidence, and send it to the Liquidators. Please note that the Liquidators may only act on written information as telephone, or other conversations may be regarded as hearsay by the Court.

Contact details

- The Liquidators can be contacted at:
 - PO Box 106-733, Auckland 1143; or
 - Level 17, 41 Shortland Street, Auckland.
- Telephone enquiries should be directed to Helen Gair, direct dial +64 (09) 926 5111.

Dated: 10 June 2022



**Kare Johnstone
Liquidator**



**Andrew Grenfell
Liquidator**

Appendix 1

Summary of receipts and payments for the Reporting Period (GST inclusive)

| Summary of receipts and payments for the period 12 November 2021 to 11 May 2022 (GST inclusive) | | | | | | | | |
|---|------------|-------------|-----------|--------------|------------|-------------|----------------|----------------|
| (in thousands) | AUD | EUR | GBP | NOK | SGD | USD | NZD | Total NZD |
| Cash held 11 November 2021 brought forward | 442 | 423 | 37 | 276 | - | 63 | 119,587 | |
| Receipts | | | | | | | | |
| Claims recoveries | 54 | - | - | - | 5 | - | - | |
| GST refunds | - | - | - | - | - | - | 982 | |
| Interest received | - | - | - | - | - | - | 789 | |
| Funds transferred from foreign bank accounts | - | - | - | - | - | - | 5 | |
| Funds transferred from NZ bank account | - | - | - | - | - | 136 | - | |
| Total receipts | 54 | - | - | - | 5 | 136 | 1,776 | |
| Payments | | | | | | | | |
| Actuarial fees | - | - | - | - | - | - | (28) | |
| Claims expenses | (3) | (20) | - | (236) | - | (8) | (92) | |
| Liquidators' fees | - | - | - | - | - | - | (688) | |
| Liquidators' disbursements | - | - | - | - | - | - | (21) | |
| Legal/litigation fees and disbursements | - | - | - | - | - | (63) | (1,841) | |
| Operating and occupancy expenses | - | - | - | - | - | - | (185) | |
| Salaries | - | - | - | - | - | - | (219) | |
| Tax advisory fees | - | - | - | - | - | - | (47) | |
| Funds transferred to foreign bank accounts | - | - | - | - | - | - | (200) | |
| Funds transferred to NZ bank account | - | - | - | - | (5) | - | - | |
| Total payments | (3) | (20) | - | (236) | (5) | (71) | (3,321) | |
| Cash held as at 11 May 2022 in foreign currency | 493 | 403 | 37 | 40 | (0) | 128 | 118,041 | |
| Conversion rate | 1.1025 | 1.6703 | 1.9543 | 0.1634 | 1.1429 | 1.5858 | 1.0000 | |
| Cash held as at 11 May 2022 in NZ dollars | 544 | 673 | 73 | 7 | (0) | 203 | 118,041 | 119,539 |

Note: Amounts displayed above may not add to the total shown due to rounding.



Appendix 2

Liquidators' remuneration and disbursements for the Reporting Period (GST exclusive)

Charged on an hourly basis at the hourly rates approved by the High Court on 30 March 2021

| Liquidators' remuneration for the period 12 November 2021 to 11 May 2022 (GST exclusive) | | | | | | | | | | | | | |
|--|-----------------------|----------------------------|-----------|-------------------------|------------|----------------|------------|--------------|------------|---------------------|-----------|----------------|------------|
| Position | \$/hour (excl GST) | Asset realisation/transfer | | Creditors/policyholders | | Investigations | | Operational | | Reporting/Statutory | | Total | |
| | | Hours | \$'000 | Hours | \$'000 | Hours | \$'000 | Hours | \$'000 | Hours | \$'000 | Hours | \$'000 |
| Partners | 645 | 12.7 | 8 | 103.9 | 67 | 144.7 | 93 | 18.3 | 12 | 20.2 | 13 | 299.8 | 193 |
| Directors | 550 | 2.6 | 1 | 126.5 | 70 | 68.3 | 38 | 52.1 | 29 | 2.6 | 1 | 252.1 | 139 |
| Senior Managers | 485 | 26.6 | 13 | 77.4 | 38 | 186.0 | 90 | 106.4 | 52 | 104.2 | 51 | 500.6 | 243 |
| Managers | 425 | - | - | - | - | 7.9 | 3 | 0.6 | 0 | - | - | 8.5 | 4 |
| Assistant Manager | 375 | - | - | - | - | 3.6 | 1 | 0.5 | 0 | 6.9 | 3 | 11.0 | 4 |
| Insolvency Assistant | 295 | - | - | 6.3 | 2 | - | - | 47.5 | 14 | - | - | 53.8 | 16 |
| Secretary | 170 | - | - | 0.2 | 0 | - | - | - | - | - | - | 0.2 | 0 |
| Total (GST exclusive) | | 41.9 | 23 | 314.3 | 176 | 410.5 | 226 | 225.4 | 107 | 133.9 | 68 | 1,126.0 | 598 |

Note: Amounts displayed above may not add to the total shown due to rounding.

Liquidators' disbursements for the period 12 November 2021 to 11 May 2022

| \$'000 | Total |
|------------------------------|-------------|
| Office service charge | 18.0 |
| Couriers | 0.2 |
| Total (GST exclusive) | 18.2 |

The Liquidators declare that all disbursements were necessary and proper.

Appendix 3

Summary of work performed in relation to the Liquidators' remuneration for the Reporting Period

| Summary of work performed | | Summary of work performed | |
|--------------------------------------|--|------------------------------|--|
| Task area | General description | Task area | General description |
| Asset realisation / Transfers | <ul style="list-style-type: none"> Dealing with residual issues in respect of assigned assets included in one of the completed commutations. Ongoing liaison with one of the largest ceding insurers to reconcile the premium receivables and complex claims position. Continued the High Court process to set aside the payments of c.€25.4m made by CBLI in February 2018. Continuing the realisation process, including an independent valuation of shares, held in an offshore entity. Ongoing assessing of de-risking strategies across various books of business. | Investigations | <ul style="list-style-type: none"> Ongoing investigation into the affairs of the Company and its directors, officers and other parties in the period leading up to the appointment of interim liquidators in respect of the Statement of Claim filed against various parties in December 2019. Attending to ongoing litigation requirements including significant discovery obligations in respect of the data held on the CBLI server and information on hardcopy files. Continuing to pursue voidable transactions, transfers of assets and payments made by the Company in the period leading up to the RBNZ's liquidation application. Ongoing forensic investigation and analysis of the affairs of the Company in respect of other potential claims. |
| Creditors / Policyholders | <ul style="list-style-type: none"> Managing the claims assessment and processes to record and approve claims for liquidation purposes. Ongoing liaison with brokers and various parties holding offshore reinsurance collateral funds. Monitoring claims administration outsourced to external claims managers in Norway and Sweden. Overseeing and managing progress on complex litigation in the Philippines, Romania and Mexico. Working with outwards reinsurers to ensure ongoing coverage and recovery of CBLI exposures. Managing complex high value claims in multiple jurisdictions. Recovery actions under Deposit Power bonds and assessment of a claim lodged by the Administrators of Deposit Power. Review reconciliations and deal with matters arising from claims bordereaux. Investigating the history and transactions in respect of various claims and bonds. | Operational | <ul style="list-style-type: none"> Undertaking the Treasury function for the Company including operational payments, payroll and funds investment. Attendance to both pre and post appointment tax (corporation tax, PAYE, GST) matters, including pursuing a potential tax recovery. Attending to employee and occupancy matters. Ongoing review and monitoring of IT and record retention requirements. Keeping the CBLI website up to date and dealing with claims and communications that are received. |
| | | Reporting / Statutory | <ul style="list-style-type: none"> Attendance to all IPSA licence and statutory reporting requirements, including but not limited to the preparation of monthly management accounts, insurer solvency returns, report on progress of the liquidation, etc. Complying with statutory obligations in relation to regulatory matters. Complying with the reporting/filing requirements of the Inland Revenue. Preparation and issuing of statutory reports to creditors and the shareholder. Liaising with the Appointed Actuary on various reporting matters. |

