

**STATEMENT ON THE RESOLUTION OF COLONIAL LIFE
INSURANCE COMPANY**

AS PRESENTED IN THE SENATE

**BY HON. COLM IMBERT, MP
MINISTER OF FINANCE**

ON JULY 7th, 2016

Mr. Vice President, I am authorized by the Cabinet to make this statement on the Resolution of Colonial Life Insurance Company (Trinidad) Limited.

In 2009, being of the opinion that the financial system of Trinidad and Tobago was in danger, the Central Bank of Trinidad and Tobago (CBTT), pursuant to section 44D of the Central Bank Act, Chap. 79:02, exercised its emergency powers and assumed control of CLICO Investment Bank (CIB), Colonial Life Insurance Company (Trinidad) Limited (CLICO) and British American Insurance Company (Trinidad) Limited (BAT).

Further, in 2011, the Purchase of Certain Rights and Validation Act, No. 17 of 2011 was enacted to validate and facilitate the then Government's "Bailout" plan;

The 2011 Proposal to restructure CLICO and BAT involved the purchase by the Government of certain rights belonging to the holders of Short Term Investment Products (STIPs) with CLICO and BAT, also known as policies. This plan included two (2) components:

- (a) The repayment of 27,927 STIPs in both CLICO and BAT with total liabilities amounting to \$12.6-Bn.
- (b) The sale of the "traditional insurance portfolios" of CLICO and BAT to a suitable purchaser at a price consistent with independent valuations;

In March 2015, the CBTT, after consultation with the then Minister of Finance, announced the 2015 CLICO Resolution Plan.

Pursuant to this CLICO Resolution Plan, which started on May 1, 2015, the Government received the cash component of its first partial distribution of 85% of its Statutory Fund liability as assignee of rights of Statutory Fund policyholders who accepted the Government's 2011 bailout offer.

In addition, over the period May 1, 2015 to August 31, 2015, approximately \$688.7-Mn. was paid to 473 non-assenting STIP holders, representing 53.7% of the total statutory fund STIP liability to non-assenting STIP holders;

The 2015 Plan also assumed that the sale of CLICO's remaining methanol asset would proceed and would provide sufficient cash to fund a second distribution to Government and equivalent policyholders.

It is to be noted that the 2015 Resolution Plan intended that the Government be repaid the first tranche of its STIPS policies by way of \$4.0-Bn. in cash (which was paid in March 2015) and approximately \$3.0-Bn. by transfer of three (3) assets, that is, shares in Angostura Holdings Limited (AHL), shares in CL World Brands (CLWB whose main asset is shares in AHL) and shares in Home Construction Limited (HCL). These three (3) assets were tentatively valued at \$3.0-Bn in 2015, but the transfer was to be accomplished based on independent valuations.

In this context, the valuations of AHL and CLWB have now been completed at \$935.0-Mn. and TT\$973.0-Mn respectively.

The valuation of HCL has not been completed and, therefore, the CBTT has offered to settle the balance with an immediate cash payment, which has the advantage of

providing the Government with immediate cash while the transfer of the shares in AHL and CLWB will allow for an ultimate disposal strategy that can consider all the options available for AHL with the appreciation that the majority interest of these assets is still controlled by CLF.

Members should note that Methanol Holdings International Limited (MHIL) is the holding company owned by CLICO and Consolidated Energy Limited (CEL) which in turn has as its main asset ownership of Oman Methanol Company (OMC) – a methanol plant in Oman.

The sale of CLICO's shares in MHIL (and previously MHTL, the Trinidad Methanol Company) has always been one of the assets intended by the original shareholder's agreement between the Government and CLF as being sold to repay Government and other creditors.

The valuation of MHI has been completed by a reputable international independent valuator agreed to by CLICO, CLF and the Government. It should be noted that CLICO is bound by a shareholder's agreement with CEL which requires it to first offer the shares to existing shareholders of MHIL at a price to be determined by CLICO (using the independent valuation).

However, notwithstanding the fact that not all of the assets of CLICO have been disposed of, it is now proposed that all outstanding resident Statutory Fund STIPs be paid in full, which will result in a cash payment to the Government of about \$1.3-Bn. for the balance of their STIPs (otherwise known as EFPAs) and the payment of about \$100.0-Mn. to other policyholders. This has the advantage of resulting in a positive cash flow for the Government while also enabling a positive public statement that all

outstanding resident Statutory Fund STIP policyholders are now able to access all their funds.

It should be noted that there remain two (2) categories of third party policyholders who have yet to receive any payment. These are the non-residential STIP policyholders who did not accept the Government's buyout offer and the mutual fund policyholders who also did not accept the Government's offer. The money owed to these two (2) groups amounts in value to approximately \$400.0-Mn. and the Government has outstanding policies valued approximately \$2.1-Bn. in respect of the non-residential and mutual fund policyholders that accepted the 2011 offer.

However, CLICO does not currently have sufficient cash to repay the whole of this amount (to all parties) and the Government has thus agreed that CLICO can repay the \$400.0-Mn. due to third party policyholders in advance of making payment to the Government on their \$2.1-Bn. This will not likely affect the amount which the Government received on sale of MHIL or given value on the completion of the valuation of HCL, whichever comes first.

At this stage, it is necessary to clarify some issues.

There two groups of policyholders, i.e. "Assenting" and "Non-Assenting" policyholders. Quite often one group is confused with the other.

The "Assenting" policyholders took advantage of the Government's 2011 offer to transfer their policies to the Government and accepted zero coupon bonds and CLICO Investment Fund shares in exchange. This group gave up their right to accrued interest

and these individuals no longer have a contractual arrangement with CLICO, and do not form part of the Resolution Plan.

It should also be understood that in the terms of the agreement signed between CLICO and the then Government in 2011 to cover the legal basis of the then Government assuming ownership of the offered policies, owned by the assenting policyholders, the Government **is not entitled to any interest** on its acquired policies and that it will only be repaid by CLICO **exactly the amount that it paid to the “Assenting” policyholders**. As a consequence, the Government has not received any interest for the period between the offer and now, and **no claim for interest can now be made** on CLICO on behalf of the “Assenting” policyholders.

However, the “Non-Assenting” policyholders (**the group that was the subject of a recent Privy Council decision**) will now be paid the value of the remaining 15% of their policies owed to them

Honorable Senators should note that the CLICO Resolution plan is ongoing and as the Plan unfolds, further information will be made available on a regular basis. In due course, announcements will be made with respect to the arrangements proposed for other creditors of CLICO, CIB and BAT.

Suffice it to say that as of July 2016, the auditors have confirmed that the amount expended by, or due to, the Government for the CLICO bailout is close to \$22 billion (less amounts already paid).

The Government is hopeful at this stage that it can recover a significant amount of this sum, but this will depend on the success of the disposal of the remaining assets of CLICO and CIB, among other things.

Finally, and in conclusion, I wish to confirm that **CLICO is still insolvent with an excess of liabilities over assets of the order of \$1 billion, i.e. a deficit of \$1 billion,** and as a result the CBTT has indicated that it is not in a position to relinquish control of CLICO at this time.