



# **CBL Insurance Limited (In Liquidation)**

**Company Number: 27582**

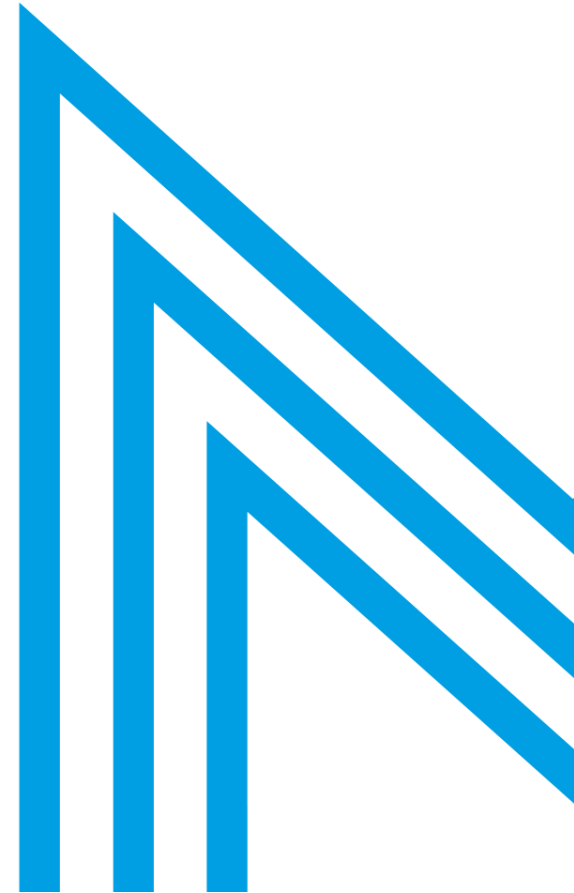
**New Zealand Business Number: 9429040858852**

Liquidators' six monthly statutory report  
for the period 12 November 2022 to 11 May 2023

12 June 2023



McGrathNicol



# CBL Insurance Limited (In Liquidation)

## Liquidators' six monthly statutory report for the period 12 November 2022 to 11 May 2023

### 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](http://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](http://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 2022 to 11 May 2023 (**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.

# CBL Insurance Limited (In Liquidation)

## Liquidators' six monthly statutory report for the period 12 November 2022 to 11 May 2023

### Conduct of the liquidation during the Reporting Period

- 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, Alpha Insurance A/S (In Bankruptcy) (**Alpha**) in respect of payments made by CBLI in February 2018 totalling c.€25.4m. The cedant objected to the notices to set aside the transactions and the matter is now before the High Court. During the Reporting Period, Alpha filed an application for discovery. The High Court made an order on 7 June 2023 (outside the Reporting Period) that the Liquidators provide documents as set out in the court order. In addition, the High Court ordered that the substantive application be set down for a three-day hearing commencing 6 November 2023.
- Alpha provides monthly reconciliations and explanations to the Liquidators to assist with reconciling the net claims position between Alpha and CBLI. The Alpha Trustee publicly reported in September 2022 that Alpha's position has deteriorated significantly due to what the Trustee referred to as "unwarrantable/incorrect recognition and valuation of a number of assets and liabilities" prior to its bankruptcy. The Alpha Trustee further stated that "the operations continued beyond the point of no return, which has resulted in Alpha, and ultimately its creditors, having suffered a significant loss". Once the claims in run-off have been determined (noting that they are long tail claims) the option of a commutation with Alpha, taking in to account the voidable payments referred to above, may be considered by the Alpha Trustee and CBLI's Liquidators.
- As previously reported, the Liquidators filed a Statement of Claim against CBLI's Directors and other parties on 20 December 2019. Although a High Court date had been allocated to hear the Liquidators' claim in early July 2025, the Liquidators have entered into a confidential Heads of Agreement (without any admission of liability) with all of its Directors to settle the claim, as well as the claims lodged by the Liquidators of CBL Corporation Limited (**CBLC**), and two class actions lodged by CBLC's shareholders. The Heads of Agreement became unconditional post the Reporting Period on 8 June 2023. Settlement proceeds are scheduled to be received in the next reporting period. Terms of the settlement are confidential therefore no further information can be provided.
- The investigations in respect of third parties have now completed, resulting in confidential full and final settlement agreements being entered into with CBLI's former professional advisors. Given the confidential nature of the agreements no further information can be provided.
- The Liquidators are continuing to liaise with the Inland Revenue regarding 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. An independent valuation of the shareholding was obtained and used in the first phase of the arbitration process held in April 2023. Although no date has as yet been set for the second phase of the arbitration, we anticipate that it could be held August/September 2023.
- 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 High 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.

## CBL Insurance Limited (In Liquidation)

### Liquidators' six monthly statutory report for the period 12 November 2022 to 11 May 2023

#### Creditors' claims

- In November 2022 the Liquidators obtained an actuarial valuation of the outstanding claims reserves for all of CBL's books of business. The valuation was in line with earlier valuations and supported that CBL's reserving was significantly inadequate prior to interim liquidators being appointed by the High Court in February 2018.
- There are a number of long-tail insurance products that cover exposures that could take a further five years to materialise or for CBL to come off risk and there are several matters currently still before the courts, in various jurisdictions, that will impact the likely return to creditors.
- As a result of the above, the Liquidators have not 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.
- Following entering into the confidential settlement agreements referred to on page 3, the Liquidators are now estimating the potential return to creditors. Due to the long-tail nature of some of the insurance claims and matters before the courts in various jurisdictions, the estimate will include a range on a low and high basis. The estimated range will be provided in our next statutory report.
- 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 claims liabilities, combined with 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 that 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 High 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: 12 June 2023**



**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 2022 to 11 May 2023 (GST inclusive)								
(in thousands)	AUD	EUR	GBP	NOK	SGD	USD	NZD	Total NZD
<b>Cash held 11 November 2022 brought forward</b>	<b>487</b>	<b>397</b>	<b>53</b>	<b>527</b>	-	<b>52</b>	<b>117,725</b>	
<b>Receipts</b>								
Claims recoveries	-	-	-	-	3	46	-	
GST refunds	-	-	-	-	-	-	257	
Interest received	2	-	-	-	-	1	1,701	
Recoveries/settlements	-	-	-	-	-	-	5,666	
Funds transferred from foreign bank accounts	-	-	-	-	-	200	-	
Funds transferred from NZ bank account	-	-	-	-	-	-	4	
<b>Total receipts</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>247</b>	<b>7,628</b>	
<b>Payments</b>								
Actuarial fees	-	-	-	-	-	-	(73)	
Claims expenses	(9)	(16)	-	(91)	-	(7)	(25)	
Liquidators' fees	-	-	-	-	-	-	(677)	
Liquidators' disbursements	-	-	-	-	-	-	(24)	
Legal fees and disbursements	-	-	-	-	-	(69)	(668)	
Operating and occupancy expenses	-	-	-	-	-	-	(164)	
Salaries	-	-	-	-	-	-	(206)	
Tax advisory fees	-	-	-	-	-	-	(14)	
Funds transferred to foreign bank accounts	-	-	-	-	(3)	-	-	
Funds transferred to NZ bank account	-	(190)	-	-	-	-	-	
<b>Total payments</b>	<b>(9)</b>	<b>(205)</b>	<b>-</b>	<b>(91)</b>	<b>(3)</b>	<b>(76)</b>	<b>(1,851)</b>	
<b>Cash held as at 11 May 2023 in foreign currency</b>	<b>481</b>	<b>191</b>	<b>53</b>	<b>436</b>	-	<b>223</b>	<b>123,502</b>	
Conversion rate	1.0635	1.7235	1.9816	0.1497	1.1926	1.5690	1.0000	
<b>Cash held as at 11 May 2023 in NZ dollars</b>	<b>512</b>	<b>330</b>	<b>106</b>	<b>65</b>	-	<b>350</b>	<b>123,502</b>	<b>124,864</b>

Note: Amounts displayed above may not add exactly 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 2022 to 11 May 2023 (GST exclusive)													
Position	\$/hour (excl GST)	Asset realisation/transfer		Creditors/policyholders		Investigations		Operational		Reporting		Total	
		Hours	\$'000	Hours	\$'000	Hours	\$'000	Hours	\$'000	Hours	\$'000	Hours	\$'000
Partners	645	3.1	2.0	83.5	53.9	281.6	181.6	8.9	5.7	8.8	5.7	385.9	248.9
Directors	550	0.8	0.4	86.7	47.7	149.9	82.4	34.4	18.9	21.4	11.8	293.2	161.3
Senior Managers	485	11.4	5.5	62.3	30.2	123.5	59.9	87.6	42.5	26.8	13.0	311.6	151.1
Managers	425	0.3	0.1	-	-	1.4	0.6	57.1	24.3	5.6	2.4	64.4	27.4
Administrators	275	-	-	-	-	-	-	1.2	0.3	0.1	0.0	1.3	0.4
<b>Total (GST exclusive)</b>		<b>15.6</b>	<b>8.1</b>	<b>232.5</b>	<b>131.8</b>	<b>556.4</b>	<b>324.6</b>	<b>189.2</b>	<b>91.7</b>	<b>62.7</b>	<b>32.9</b>	<b>1,056.4</b>	<b>589.0</b>

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

### Liquidators' disbursements for the period 12 November 2022 to 11 May 2023

\$'000	Total
Office service charge	20.6
International couriers	0.2
<b>Total (GST exclusive)</b>	<b>20.8</b>

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			
Task area	General description	Task area	General description
<b>Asset realisation / Transfers</b>	<ul style="list-style-type: none"> <li>Dealing with residual issues in respect of assigned assets included in one of the completed commutations.</li> <li>Ongoing liaison with one of the largest ceding insurers to reconcile the premium receivables and complex claims position.</li> <li>Continued the High Court process to set aside the payments totalling c.€25.4m made by CBLI to Alpha in February 2018.</li> <li>Collation of documents in anticipation of the discovery application made by Alpha.</li> <li>Participating in an arbitration process in respect of the realisation process of shares in an offshore entity.</li> <li>Ongoing assessing of de-risking strategies across various books of business.</li> </ul>	<b>Investigations</b>	<ul style="list-style-type: none"> <li>Ongoing investigation into the affairs of the Company and settlement negotiations with the Directors in respect of the period leading up to the appointment of interim liquidators and the Statement of Claim filed against various parties in December 2019.</li> <li>Attending to ongoing litigation requirements, including but not limited to discovery obligations, both in New Zealand and overseas jurisdictions.</li> <li>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.</li> </ul>
<b>Creditors / Policyholders</b>	<ul style="list-style-type: none"> <li>Managing the claims assessment and processes to record and approve claims for liquidation purposes.</li> <li>Ongoing liaison with brokers and various parties holding offshore reinsurance collateral funds.</li> <li>Monitoring claims administration outsourced to external claims managers in Norway and Sweden.</li> <li>Overseeing and managing progress on complex legal proceedings in Philippines, Romania and Mexico.</li> <li>Managing complex high value claims in multiple jurisdictions.</li> <li>Recovery actions under Deposit Power bonds.</li> <li>Review reconciliations and deal with matters arising from claims bordereaux and regular correspondence therein.</li> <li>Investigating the history and transactions in respect of various claims and bonds.</li> <li>Review and consideration of the findings from CBLI's Appointed Actuary valuation of the outstanding claims reserves.</li> </ul>	<b>Operational</b>	<ul style="list-style-type: none"> <li>Undertaking the Treasury function for the Company including operational payments, payroll and funds investment.</li> <li>Attendance to both pre and post appointment tax (corporation tax, PAYE, GST) matters, including pursuing a potential tax recovery.</li> <li>Attending to employee and occupancy matters.</li> <li>Ongoing review and monitoring of IT and record retention requirements.</li> <li>Keeping the CBLI website up to date and dealing with claims and communications that are received.</li> </ul>
		<b>Reporting / Statutory</b>	<ul style="list-style-type: none"> <li>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.</li> <li>Complying with statutory obligations in relation to regulatory matters.</li> <li>Complying with the reporting/filing requirements of the Inland Revenue.</li> <li>Preparation and issuing of statutory reports to creditors and the shareholder.</li> <li>Liaising with the Appointed Actuary on various reporting matters.</li> </ul>

