



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

**Company Number: 27582**

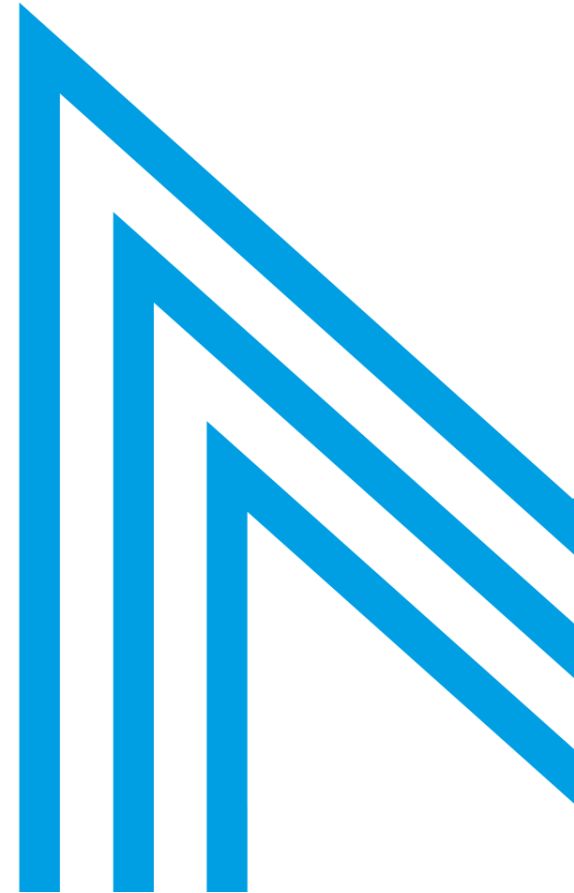
**New Zealand Business Number: 9429040858852**

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

10 December 2021



McGrathNicol



# CBL Insurance Limited (In Liquidation)

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

### 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 May 2021 to 11 November 2021.
- 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
- 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)

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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 have issued two voidable notices against one of CBL's major ceding insurers in respect of payments made in February 2018 totalling c.€25.3m. The insurer objected to the notices to set aside the transactions and the matter is now before the New Zealand High Court. In order to determine the claims position between the parties we are continuing to reconcile the premium receivables and claims, which would also assist with discussions regarding a potential commutation to remove the risk from CBL's balance sheet.
- Other potential voidable transactions have been reviewed and the merits of whether legal action being pursued are currently under consideration.
- As previously reported, the Liquidators filed a Statement of Claim against CBL's directors and other parties on 20 December 2019. Statement of Defences have been filed by all of the directors. The other parties were successful in obtaining a strike-out order, which is being appealed by the Liquidations. All defendants are attending to discovery and interlocutory requirements in respect of the proceedings. Given the matter is before the Court, we are unable to provide details of the specific claim as doing so could prejudice the proceedings.
- We expect the investigations in respect of other third parties to be completed by the end of December 2021.
- We have now met with the Inland Revenue in respect of the section 113 application under the Tax Administration Act 1994 with a view to seeking to obtain a recovery of income taxes paid prior to the liquidation.

- In addition, during the six month reporting period, the Liquidators have attended to the following:
  - Ongoing assessment and processing of insurance claims (note while valid claims are being recorded they are not yet being paid);
  - Ongoing management of a number of disputed major claims, including dealing with foreign entities, jurisdictions and legal systems and courts;
  - Overview of CBL's claims and finance functions. CBL currently has three employees undertaking claims management and financial reporting functions;
  - Ongoing liaison with various parties relating to different 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 period 12 May 2021 to 11 November 2021 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 period 12 May 2021 to 11 November 2021 totalled \$0.67m, 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 six month 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 six month reporting period is summarised in Appendix 3.

# CBL Insurance Limited (In Liquidation)

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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. However, 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 are arranging for an actuarial valuation of the claims reserves in respect of all of CBLI's books of business as at 31 December 2021. Once the actuarial valuation has been completed we expect to be in a position to provide creditors with an initial estimated range of potential distributions.
- In the event the Liquidators consider a scheme of arrangement is in the best interests of creditors, we would also 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, AIG Building, 41 Shortland Street, Auckland.
- Telephone enquiries should be directed to Helen Gair, direct dial +64 (09) 926 5111.

Dated: 10 December 2021



**Kare Johnstone**  
Liquidator



**Andrew Grenfell**  
Liquidator

# Appendix 1

## Summary of receipts and payments for the period 12 May 2021 to 11 November 2021 (GST inclusive)

(in thousands)	AUD	EUR	GBP	NOK	SGD	USD	NZD	Total NZD
<b>Cash held 11 May 2021 brought forward</b>	<b>422</b>	<b>441</b>	<b>37</b>	<b>118</b>	-	<b>105</b>	<b>121,289</b>	
<b>Receipts</b>								
Claims recoveries	26	-	-	-	9	-	-	
GST refunds	-	-	-	-	-	-	678	
Interest received	-	-	-	-	-	-	472	
Refund of tenancy bond	-	-	-	-	-	-	9	
Funds transferred from foreign bank accounts	-	-	-	-	-	-	9	
Funds transferred from NZ bank account	-	-	-	292	-	69	-	
<b>Total receipts</b>	<b>26</b>	<b>-</b>	<b>-</b>	<b>292</b>	<b>9</b>	<b>69</b>	<b>1,168</b>	
<b>Payments</b>								
Actuarial fees	-	-	-	-	-	-	(2)	
Claims expenses	(5)	(18)	-	(133)	-	(110)	(56)	
Liquidators' fees	-	-	-	-	-	-	(768)	
Liquidators' disbursements	-	-	-	-	-	-	(23)	
Legal/litigation fees and disbursements	-	-	-	-	-	-	(1,429)	
Operating and occupancy expenses	-	-	-	-	-	(1)	(232)	
Salaries	-	-	-	-	-	-	(201)	
Tax advisory fees	-	-	-	-	-	-	(11)	
Funds transferred to foreign bank accounts	-	-	-	-	-	-	(150)	
Funds transferred to NZ bank account	-	-	-	-	(9)	-	-	
<b>Total payments</b>	<b>(5)</b>	<b>(18)</b>	<b>-</b>	<b>(133)</b>	<b>(9)</b>	<b>(111)</b>	<b>(2,870)</b>	
<b>Cash held as at 11 November 2021 in foreign currency</b>	<b>442</b>	<b>423</b>	<b>37</b>	<b>276</b>	-	<b>63</b>	<b>119,587</b>	
Conversion rate	1.0362	1.6250	1.8975	0.1645	1.0524	1.4152	1.0000	
<b>Cash held as at 11 November 2021 in NZ dollars</b>	<b>458</b>	<b>687</b>	<b>70</b>	<b>45</b>	-	<b>89</b>	<b>119,587</b>	<b>120,936</b>

Note 1: Amounts displayed above may not add to the total shown due to rounding.

## Appendix 2

### Liquidators' remuneration and disbursements for the period 12 May 2021 to 11 November 2021

Charged on an hourly basis at the hourly rates approved by the High Court on 12 November 2018 and 30 March 2021

Liquidators' remuneration for the period 12 May 2021 to 11 November 2021													
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	13.4	9	88.8	57	95.5	62	18.4	12	48.2	31	264.3	170
Directors	550	6.1	3	180.7	99	47.5	26	64.6	36	25.2	14	324.1	178
Senior Managers	485	45.4	22	139.6	68	148.8	72	81.4	39	154.0	75	569.2	276
Managers	425	1.5	1	-	-	8.5	4	13.9	6	1.2	1	25.1	11
Assistant Manager	375	-	-	16.1	6	2.7	1	1.2	0	6.3	2	26.3	10
Insolvency Assistant	295	-	-	6.4	2	-	-	58.3	17	5.1	2	69.8	21
Administrators	275	-	-	5.7	2	-	-	0.7	0	0.1	0	6.5	2
<b>Total (excl GST)</b>		<b>66.4</b>	<b>35</b>	<b>437.3</b>	<b>234</b>	<b>303.0</b>	<b>165</b>	<b>238.5</b>	<b>111</b>	<b>240.1</b>	<b>124</b>	<b>1,285.3</b>	<b>668</b>

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

\$'000	Total
Office service charge	20.0
Postage/couriers	0.2
International couriers	0.1
<b>Total (excl GST)</b>	<b>20.3</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 period 12 May 2021 to 11 November 2021

Summary of work performed		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 regarding a potential commutation to reduce significant exposures from CBLI's balance sheet.</li> <li>Continuing with the realisation process of shares held in an offshore entity.</li> <li>Assessing and implementing 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 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.</li> <li>Responding to the Statements of Defences filed by the various defendants.</li> <li>Attending to ongoing litigation requirements including discovery and the provision of data held on the CBLI server.</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> <li>Ongoing forensic investigation and analysis of the affairs of the Company in respect of other potential claims.</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 litigation in Philippines, Romania and Mexico.</li> <li>Working with outwards reinsurers to ensure ongoing coverage and recovery of CBLI exposures.</li> <li>Managing complex high value claims in multiple jurisdictions.</li> <li>Recovery actions under Deposit Power bonds and assessment of a claim lodged by the Administrators of Deposit Power.</li> <li>Review reconciliations and deal with matters arising from claims bordereaux.</li> <li>Investigating the history and transactions in respect of various claims and bonds.</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>

