

EXPLANATORY STATEMENT

Pursuant to Section 100 of the Companies Act 1981

In respect of a Scheme of Arrangement

BETWEEN

BRITISH AMERICAN INSURANCE COMPANY LIMITED

(Provisional Liquidator Appointed)

and its

SCHEME CREDITORS

**(Being Bermuda residents or former Bermuda residents, as more particularly
defined in the Scheme of Arrangement)**

**THIS IS AN IMPORTANT DOCUMENT AND ALL SCHEME CREDITORS
SHOULD READ THIS CAREFULLY BEFORE VOTING ON THE SCHEME OF
ARRANGEMENT APPEARING AT APPENDIX 4.**

**ANY QUESTIONS SHOULD BE DIRECTED TO INFOBA@KPMG.BM OR BY
TELEPHONE TO 294 2651.**

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Please note that the complete actuarial report is available to Scheme Creditors for inspection during normal business hours at the British American Office, British American Building, Cnr. Front and King Street, Hamilton.

EXPLANATORY STATEMENT

Defined terms in this letter have the same meaning as those used in the Scheme.

KEY DATES AND PROPOSED TIMETABLE

Ascertainment Date	July 29, 2009
Directions Hearing	April 7, 2011
Return of Proxy deadline	May 18, 2011 (5 pm)
Meeting to vote on Scheme	May 19, 2011 (10 am)
Sanction Hearing*	May 27, 2011
Effective Date*	May 27, 2011
Bar Date*	June 30, 2011 (5 pm)
Earliest Distribution to Scheme Creditors*	10 business days after all Scheme Claims are Agreed Claims

* These dates are subject to change, and as a result, all dates subsequent to these dates may also change

Please note: All times listed above are Bermuda time

Summary of financial position

The Company is insolvent which means that there are insufficient assets available to meet the total amount of claims. It also means that the Company cannot continue to honour its contractual obligations to provide life insurance to its policyholders.

The Official Receiver has determined that the fairest way forward is to terminate the business of the Company that was undertaken in Bermuda, estimate the liabilities of the Company to its Life Insurance Creditors and Other Creditors, and then divide the Available Assets in Bermuda amongst all Scheme Creditors who have Agreed Scheme Claims. The value of Scheme Claims will be calculated as at July 29, 2009, being the date that the petition to wind up the Company was presented to the Court.

The Official Receiver believes, based on current information, that each Scheme Creditor will receive a payment representing approximately 50% of their Agreed Scheme Claim. However, this is an estimate only and could change depending on the total value of all Scheme Claims that are received, and the funds available to pay Scheme Claims.

What is a Scheme of Arrangement?

A scheme of arrangement is an arrangement or compromise, pursuant to the provisions of Section 99 of the Companies Act, between a company and its creditors. If a scheme is approved by the creditors and the Bermuda Court it will be legally binding on the Company and on all the creditors to whom it applies regardless of whether you voted for it, against it, or chose not to vote. There is a meeting called to vote on the Scheme (Scheme Meeting). In order to be approved, a scheme requires a majority of Scheme Creditors representing at least three quarters of the value of the Scheme Claims to vote for the Scheme at the Scheme Meeting. You do not have to attend the Scheme Meeting yourself. Instructions relating to the Scheme Meeting are at pages 11-12 of this document. **However your vote is important.**

If the Scheme is approved what will I be paid?

Life Insurance Creditors – These policyholders will have their policies valued by the Company using calculations which have been reviewed by the Scheme Actuary.

Other Creditors – Other Creditors will have their claims valued by reference to what is due, and owing to them, as reflected in the Company's records.

Life Insurance Creditors and Other Creditors, once their individual claims have been valued, will share as Scheme Creditors in the Available Assets proportionately. Payment will be made as soon as possible after all Scheme Claims have been finally agreed.

Example of Payments to be made – If your Scheme Claim is agreed at \$100, and the total of all Agreed Scheme Claims is \$10,000 and the Available Assets are \$5,000 there are only enough Available Assets to meet half of the total sum of Agreed Scheme Claims. This means that if an individual Agreed Scheme Claim is valued at \$100, there will be a Distribution of \$50, reflecting a pro-rata share of Available Assets.

Why have you been sent this document?

A copy of this document has been sent to those parties who, according to the Company's records are, or were at the time of entering into a contract with the Company, resident in Bermuda and have either a Life Insurance Claim, or an Other Claim against the Company.

Will you be affected?

The Company has received directions from the Court to call a Scheme Meeting to consider the Scheme. A Scheme Creditor is defined in the Scheme as a person who is either a Life Insurance Creditor or Other Creditor. In both cases the Scheme Claims must have been in existence on or before July 29, 2009 (the "Ascertainment Date"). A description of the Company's business is set out in Appendix 2 of this Explanatory Statement.

Why has a scheme been proposed?

The Scheme is being proposed as the fairest and most efficient way to estimate the value of over 5,000 Life Insurance Policies which were in existence at the Ascertainment Date. The policies written in Bermuda were written through a branch of British American Insurance Company Limited which is a Bahamian incorporated company. The Scheme will allow the Official Receiver to distribute the Available Assets to Bermuda resident Life Insurance Creditors and Other Creditors. Once the Scheme is effective, Scheme Creditors will have no further claims against the Company in Bermuda, in the Bahamas, or anywhere else that the Company operated.

As a result, the Official Receiver believes that the Scheme is the most effective method of maximising the payment to Scheme Creditors in the shortest practicable time and would urge you to use your vote at the Scheme Meeting to approve it.

Background information in relation to the history of the Company is at Appendix 2. The Company's estimated outcome statement is set out in Appendix 3.

How will the Scheme work?

The value of your Scheme Claim, as estimated by the Official Receiver, on advice from the Scheme Actuary and KPMG Advisory Limited, is outlined in the individualised green Voting Claim Form, which accompanies this document. This is the value that will be attributed to your vote at the forthcoming Scheme Meeting.

Should you agree with the valuation provided on the green Voting Claim Form attached and you wish to attend the Scheme Meeting to vote on the Scheme or appoint someone to vote on your behalf, you should sign and return the Voting Claim Form and the pink Proxy Form, accompanying this document. No further action will be necessary.

If you do not attend the Meeting, and if you do not take any further steps with respect to the green Voting Claim Form, you will still be entitled to participate in the Distributions made under the Scheme.

A Distribution representing your pro rata entitlement to the Available Assets, based on your Agreed Scheme Claim, will be paid after the Bar Date in accordance with the terms of the Scheme.

Main advantages of the Scheme

The Company considers that the Scheme offers Scheme Creditors the following advantages:

Certainty and finality - The Scheme offers Scheme Creditors the opportunity to receive final payment of their Scheme Claims, irrespective of the future outcome of the liquidation of the rest of the Company outside Bermuda.

Simplified claims agreement procedure - The Scheme offers Scheme Creditors a fast, practical and cost-effective process for determining all Scheme Claims with the Company.

Administrative cost savings - Without a scheme, Bermuda creditors would experience considerable further delay in a formal winding up of the Company and there will be significant further administrative costs incurred. This would result in a much lower payment at a later date.

Possible disadvantages of the Scheme

The Company considers that the Scheme has the following disadvantages:

No right to bring Proceedings against the Company - The Scheme prohibits alternative Proceedings to establish the existence or amount of a claim and Scheme Creditors are subject only to the processes set out in the Scheme for determining Scheme Claims.

Limited period to dispute valuation - The procedure set out in the Scheme gives Scheme Creditors a set period in which to dispute the value attributed to their Scheme Claims.

The Official Receiver, after reviewing the records, and consulting with KPMG and his legal advisors, believes that these are the principal advantages and disadvantages of the Scheme for Scheme Creditors. However, it is impossible to address each Scheme

Creditor's individual circumstances and therefore Scheme Creditors should not view the above list as exhaustive. Each Scheme Creditor is advised to make his/her own assessment of the Scheme and how it will affect his/her interest.

What should Scheme Creditors do now?

Scheme Creditors are entitled to vote at the Scheme Meeting for the purpose of considering and, if thought fit, approving the Scheme.

The Meeting will be held on May 19, 2011. A notice of the Scheme Meeting accompanies this document. The Scheme Meeting will be held at The Ruth Seaton James Auditorium, Cedarbridge Academy in Pembroke, and start at 10.00 a.m. Scheme Creditors may attend the Scheme Meeting in person (or, if the Scheme Creditor is a corporation/trust, by a duly authorised representative) or may vote by completing the pink Proxy Form accompanying this document. This allows you to appoint the Chairman of the Meeting or a representative to vote on your behalf and to your express instructions.

Proxy and Voting Claim Forms:

Accompanying this document are green form(s) which are your personalised Voting Claim Form(s). You will receive one green Voting Claim Form for each of your Scheme Claims.

The green Voting Claim Form sets out your name and address and includes the details of your policy or claim which appear in the Company's records. It includes a reference to the policy held and the value attributed to your Scheme Claim. Please note that the value does not represent the amount you will receive by way of Distribution. In addition, the green Voting Claim Form provides space for you to confirm or correct the personal and policy details appearing on the green Voting Claim Form and value of the Scheme Claim set out therein.

IT IS VERY IMPORTANT THAT YOU CONFIRM YOUR FULL CONTACT DETAILS WITH A PROPER MAILING ADDRESS SO THAT YOUR DISTRIBUTION REACHES YOU.

A. If you agree with the information on the green Voting Claim Form please do the following:

- (a) if you wish to attend the Scheme Meeting to vote on the Scheme please sign the green Voting Claim Form and return it to the address specified;
- (b) if you do not wish to attend the Scheme Meeting but wish to send someone to vote on your behalf, you should complete the pink Proxy Form with the name of the person you wish to attend and vote on your behalf, sign it and return it to the address specified. You can nominate the Chairman of the Scheme Meeting to vote for you, but you must state on the form how he must vote (i.e either for or against the Scheme); or
- (c) if you do not wish to attend the Scheme Meeting and you do not want anyone else to vote for you, you need to do nothing further and the amount on the green Voting Claim Form will be your Agreed Scheme Claim on which you will receive your Distribution.

B. If you do not agree with the value of the Scheme Claim as stated on the green Voting Claim Form you should do the following: *(you may ignore this section if you agree with the value given to your Scheme Claim)*

- (a) in order to vote at the Scheme Meeting, mark your green Voting Claim Form to show that you do not agree, providing information as to what you believe the value of your Scheme Claim should be and why (including documents to support your position). You must also check the box indicating that you wish to receive a Final Claim Form and then return the completed green Voting Claim Form to the address specified;
- (b) if you do not wish to attend the Scheme Meeting but object to the value attributed to your Scheme Claim and wish to send someone to vote on your behalf, follow the directions in B(a) above and sign and return the pink Proxy Form specifying who you are appointing to vote for you at the Scheme Meeting; or

- (c) if you do not agree the value of your Scheme Claim, do not wish to attend the Scheme Meeting and do not wish to appoint someone to vote on your behalf, check the box electing to receive a Final Claim Form. This will indicate to the Company that you do not agree to the value of your Scheme Claim appearing on the green Voting Claim Form being treated as your Agreed Claim for the purpose of Distribution. Sign and send the completed green Voting Claim Form to the address appearing on that form.

Should the Scheme become effective, if you do not agree the value attributed to your Scheme claim as appearing on the green Voting Claim Form, you will be entitled to amend your Scheme Claim at any time prior to the Bar Date to support your view of the value of your Scheme Claim by filing a Final Claim Form.

Further instructions to assist with the completion of the green Voting Claim Forms and pink Proxy Forms are set out in Appendix 5 of this document and on the green Voting Claim Form itself. In addition there will be information meetings held on 26 April and 3 May 2011 at 12 noon at the Cathedral Hall in Hamilton, at which time you can ask questions and seek assistance.

Completed green Voting Claim Forms should be returned as soon as possible, and in any event, so that they are received by 5.00 pm Bermuda time, on May 18, 2011 to KPMG, Crown House, 4 Par la Ville Road, Hamilton HM 08, Bermuda (Ref: British American). Alternatively, Scheme Creditors may send their forms by email to infoba@kpmg.bm by 5.00 pm on May 18, 2011. Completed green Voting Claim Forms and pink Proxy Forms may also be handed to the Chairman of the Scheme Meeting prior to its commencement.

If you have any questions about how to complete the documents that have been sent to you, please contact infoba@kpmg.bm or telephone 294 2651.

What is required for the Scheme to be approved?

In order for the Scheme to be approved, a majority in number of Scheme Creditors (either in person or by proxy) representing 75% of the total value of the claims of those attending the Scheme Meeting must vote in favour of the Scheme.

The Scheme will not become effective until the Court has sanctioned it following the approval by the Scheme Creditors at the Scheme Meeting, and a copy of the Court's sanction order is filed with the Registrar of Companies office in Bermuda. Once the Scheme is effective it will become binding on all Scheme Creditors, whether or not they voted, or whether they voted against the Scheme.

Conduct of the Meeting

The Court has directed that the Official Receiver, Mr Stephen Lowe, act as Chairman of the Meeting, or if he is unavailable that Mr Malcolm Butterfield, or if he is unavailable Mr Mike Morrison be the alternative Chairman (the "Chairman"). Messrs Butterfield and Morrison are managing directors of KPMG.

The value attributed to each Scheme Creditor's Scheme Claim for voting purposes will be as set out in the individualised green Voting Claim Form provided to each Scheme Creditor or in the event that the Scheme Creditor disputes the value of the Scheme Claim, the Chairman will determine the value of the Scheme Claim for voting purposes. The Chairman's determination shall be based on: (i) the information provided by the Scheme Creditor; and (ii) the information available to the Company.

The Chairman has the power to reject a Scheme Creditor's Scheme Claim in any amount exceeding the amount on that Scheme Creditor's green Voting Claim Form if he considers that the additional amount claimed is not reasonable. Where the Chairman has rejected an increase in a Scheme Creditor's Scheme Claim, he will use his best endeavours to notify the relevant Scheme Creditor of his reasons, before the Scheme Meeting, but if that is not possible, before the Court hearing at which he will report the results of the Scheme Meeting. The Court hearing to approve the Scheme is currently scheduled to take place on May 27, 2011. The decision of the Chairman as to the value of a Scheme Creditor's Claim for voting purposes will be final.

The value of those Scheme Claims that are allowed for voting at the Scheme Meeting will be the same as those used for the purpose of establishing or settling Scheme Claims under the Scheme unless a Scheme Creditor elects that he or she wishes to file a Final Claim Form. If a Final Claim Form is completed and returned, the Scheme Claim in that Final Claim Form will be considered by the Official Receiver, and if not agreed, passed to the Scheme Adjudicator for consideration. The disputed Scheme Claim process is set out at section 3.6 of the Scheme document.

What will happen if the Scheme becomes effective?

After the Scheme becomes effective, Scheme Creditors will be bound by the Scheme irrespective of whether:

- they were notified of the Scheme and/or the Scheme Meeting;
- they voted at the Scheme Meeting; and
- if they voted, whether they voted for or against the Scheme.

The Bar Date is the date after which you will no longer be able to file claims against the Company or amend your Scheme Claim. The Bar Date, which will be not less than 28 days from the Effective Date, is currently anticipated to be June 30, 2011. Notice of the Bar Date will be advertised in the Bermuda Sun and the Royal Gazette and will be posted on the Scheme website, www.kpmg.bm/ba.

Scheme Creditors who agree with the valuation provided by the Company and who return and signed the attached green Voting Claim Form or who did not return the green Voting Claim Form, are deemed to have accepted that the claim appearing on the green Voting Claim Form is their Agreed Claim and are not required to take any further action.

Those Creditors who checked the box on their green Voting Claim Form requesting a Final Claim Form may obtain the same by:

- (i) downloading one from the website;
- (ii) collecting one from the business office of the Company (namely British American Building, 133 Front Street, Hamilton); or

- (iii) calling 294 2651; or
- (iv) e-mailing info@kpmg.bm and requesting one be forwarded to a postal or e-mail address.

Final Claim Forms must be completed and filed with KPMG at Crown House, 4 Par-la-Ville Road, Hamilton HM 08, Bermuda (reference British American) in accordance with the instructions on or before the Bar Date.

If a Scheme Creditor has not returned his/her Final Claim Form by the Bar Date, i.e. at least 28 days after (but not including) the Effective Date, that Scheme Creditor's Scheme Claim shall be deemed to have been agreed at the value attributed to it on the green Voting Claim Form.

Distributions under the Scheme

Payment will be made as soon as practicable after the Bar Date. However, Scheme Creditors should be aware that if there are disputed Scheme Claims or significant unrealised assets, these will have to be resolved/collected before any Scheme Creditor can be paid.

If the Official Receiver believes that because of a large number of disputes or the complexity of the disputes, or that there are assets which might take additional time to monetise, the Official Receiver may elect to make an Interim Distribution to Scheme Creditors with Agreed Scheme Claims. In this event, Scheme Creditors will get a portion of their entitlement to their Distribution with a second payment being made once all disputes have been resolved.

Any unclaimed Distributions or unrepresented and uncashed cheques will be retained for the benefit of those payees, six months after the Scheme has terminated, at which time they will be paid into the Bermuda Government Consolidated Fund (“the Consolidated Fund”). Funds paid into the Consolidated Fund can be retrieved by the payee upon presentation of appropriate evidence of entitlement and identity. Such persons will be required to contact the office of the Accountant General.

Recommendations in respect of the Scheme

The Official Receiver believes that the Scheme is in the best interests of the Scheme Creditors and overall that the advantages to Scheme Creditors outweigh the disadvantages. For these reasons, he recommends that Scheme Creditors vote in favour of the proposed Scheme.

Scheme Creditors are urged to read the Scheme and supporting information contained in this document carefully. Scheme Creditors may wish to seek professional advice in relation to the proposed Scheme.

If you are unclear about, or have any questions concerning, the action you are required to take, please contact 294 2651.

APPENDIX 1

FREQUENTLY ASKED QUESTIONS

Q. Why am I being sent this document?

A. You are being sent this document because you are now, or were at the time of entering in a contract with the Company, a Bermuda resident and have either a Life Insurance Policy issued by the Company or are owed money by the Company. If you are owed money and do not have a Life Insurance Policy you are termed as an Other Creditor in the enclosed documents.

Q. What is a scheme of arrangement?

A. A scheme is an arrangement and compromise between the Company and its Scheme Creditors which will result in Scheme Creditors being paid a proportional amount of their Scheme Claims, as actuarially assessed in the case of Life Insurance Policies and according to the Company's records or as agreed in all other cases. If sanctioned by the Bermuda Court, and once the sanction order is filed with the Registrar of Companies in Bermuda the Scheme will be binding on all Scheme Creditors.

Q. I hold, or did hold, a Life Insurance Policy – what will I receive?

A. You will receive a proportion of the actuarially estimated value of your policy. Your policy has been reviewed by a qualified actuary and a current value estimated based on the terms of the policy, the length of time you have held it and the amount of premium paid. The actuary's work has been reviewed and approved by the Scheme Actuary (see Appendix 6 for a summary of the Actuarial Report).

Q. I am a creditor and have a claim against the Company not arising from a Life Insurance Policy – what will I receive?

A. You will receive a proportion of the amount of your claim as agreed with the Official Receiver.

Q. What if I don't wish to vote in favour of the Scheme?

A. A scheme of arrangement under Bermuda law is binding on all those it affects, if it is approved by a majority in number of those policyholders who attend and vote at the Scheme Meeting held for that purpose, and that number represents 75% in value of the total value of the claims of those attending and voting at the Meeting. Should you not wish to approve the Scheme you should vote against the Scheme. However, if the majority vote in favour you will be bound to accept the terms of the Scheme.

Q. What will happen if the Scheme Creditors do not vote to approve the Scheme?

A. The Scheme will not become effective and the Official Receiver will have to deal with each policy and claim on a case by case basis once a full winding up has been commenced. This will result in a considerable delay in the payment of any distributions to creditors.

Q. Should I continue to pay premiums?

A. No, you should already have stopped paying premiums.

Q. What will happen if I die between the date the Scheme becomes Effective but before I receive payment?

A. Your estate representative will be entitled to apply for payment to your estate of the Distribution to which you are entitled under the Scheme upon both proof of your death and proof of your estate representative's authority to act. Where a Life Insurance Policyholder died prior to the Effective Date or if a policy matured prior to the Effective Date, the value attributable to the Scheme Claim will reflect the death benefit under your policy provided that you had continued to pay premiums up until the date of death. No further cover was afforded under policies with effect from September 7, 2010.

- Q. What happens in the event that I am unable to cash the cheque sent, or I have moved and do not get the cheque until after it expires?**
- A. If the cheque expires or is not cashed six months after the termination of the Scheme, the cash represented by those cheques will be paid into the Bermuda Government Consolidated Account and a list of those entitled to that cash, together with the amounts they are entitled, to will be provided to the Accountant General. You will be able to obtain your distribution from the Accountant General upon complying with the requirements of that office for identification. If you lose your cheque and require a replacement prior to its expiration, or you wish to change the payee, you will have to bear the administrative cost incurred in that regard which will be deducted from the amount of the replacement cheque. **Please ensure that all personal details on the green Voting Claim Form are correct and complete.**

APPENDIX 2

HISTORY OF THE COMPANY

British American Insurance Company Limited (“BAICL” or the “Company”) was incorporated in the Commonwealth of the Bahamas in 1920 to provide financial services in a number of countries where it marketed life, health and property insurance policies. The Company was licensed to write long-term business from a place of business in Bermuda to local residents under the provisions of the Non-Resident Insurance Undertaking Act 1967 (“NRIU Act”) and the Insurance Act 1978.

In addition to its operations in Bermuda, BAICL had subsidiaries, affiliates and/or branches throughout the Caribbean region, that offered local residents, life and non-life insurance policies. It is believed that BAICL was regulated locally in each of the jurisdictions in which it operated.

The Company is a wholly owned subsidiary of CL Financial Ltd. (“CL”), a financial services company incorporated and administered in Trinidad and Tobago (“T&T”).

The Company commenced business in Bermuda in 1953. In 1967 it was issued with a permit under the NRIU Act. The Company was licensed as a long term insurer under the Insurance Act 1978 and had a permit to carry on business in Bermuda issued under the provisions of the Companies Act 1981.

The Company ran its Bermuda branch business from a building at 133 Front and King Streets, Hamilton. The building is owned by Bram-Ber Holdings Limited which in turn is owned 40% by the Company and 60% by the pension fund set up to provide pension benefits for the former employees of the Company in Bermuda.

In Bermuda, the Company employed seven permanent staff, six agents working on commission only, Ms Wenda Krupp acting as a consultant, one underwriter and

one accountant who were retained on a part time basis under service contracts. Certain administrative support services were provided by CL in T&T.

The Minister of Finance appointed an Inspector to the Company in May 1997. The Inspector produced two written reports in March 2000 and May 2001. As a result of the work undertaken at that time, a letter of credit was provided by CL to the Registrar of Companies for the benefit of the Bermuda resident creditors of the Company in the amount of \$7.8 million. A second letter of credit was issued by the Company shortly thereafter, in which the sum of \$4.9 million was secured in a similar manner for the benefit of the Bermuda resident creditors of the Company. That second letter of credit was subsequently cancelled and the proceeds invested in Bermuda Asset Management Limited.

On or around December 23, 2008, the Bermuda Monetary Authority (“the BMA”) became aware that the Bahamian Regulator had issued a letter to place certain restrictions on the Company and its subsidiaries and branches. In addition, it became apparent from press reports and other publicly available information that CL was in financial difficulty.

On March 13, 2009 a directive was issued by the BMA under the provisions of section 32 of the Insurance Act limiting the ability of the Company to conduct further business in Bermuda.

On the same day, the Caribbean regulators met in T&T to discuss the financial crisis affecting the CL and BAICL group of companies. The BMA did not attend that meeting.

On March 30, 2009, there was a further meeting of Caribbean regulators in Nassau, Bahamas to discuss what actions, if any, the regulators had to date taken and what steps should be taken going forward. The BMA attended this meeting with representatives of CL and BAICL.

In early March 2009, in its capacity as regulator, the BMA took steps to understand the financial position of the Bermuda branch business. It became apparent that the Company's Bermuda branch business was facing severe financial difficulties.

The BMA consulted with other local insurance providers in Bermuda to seek a purchaser for the Bermuda branch business of the Company. However, these efforts were not successful.

Due to increasing concerns over the Company's solvency and to safeguard Bermuda resident policyholders, the BMA issued a petition on July 29, 2009 seeking a winding up order of the Company. On August 3, 2009 the Official Receiver was appointed as Provisional Liquidator.

At that time, the Bermuda branch business of the Company had approximately 7,200 policies in force, providing health and life insurance cover to approximately 5,500 Bermuda resident policyholders. Shortly after the appointment of the Official Receiver, and with the assistance of the Ministry of Finance and the BMA, benefits to health insurance policyholders were continued. Furthermore, all health insurance policyholders were provided with an opportunity to take out a health insurance policy from the Argus Group on the same terms and conditions that were previously provided by the Company.

Thereafter, the Official Receiver and his agents have sought a solution to provide ongoing coverage for Life Insurance policyholders but regrettably no solution was found.

The Official Receiver has entered into an agreement with the Judicial Manager of the Company appointed by the Commonwealth Court of the Bahamas whereby a substantial majority of the assets of the Company held in Bermuda remain available to the Official Receiver for payment to Scheme Creditors. This settlement has been approved by both the Bermuda and Bahamian Courts, and by the Bermuda and Bahamian regulators.

APPENDIX 3

The estimated outcome statement as at March 31, 2011

British American Insurance Company Limited
(Provisional Liquidator Appointed)
Estimated outcome statement – March 31, 2011

Assets

Cash and cash equivalents

Cash	9,882,155
Total	9,882,155

Other assets

Mortgages	523,421
Bram – Ber Holdings Limited *	1,280,000
Total	1,803,421

Total assets	11,685,576
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Liabilities

Estimated liquidators' and legal fees to completion	(585,657)
Estimate Company expenses	(185,000)
Cash in transit estimate	(15,000)
Uncollected premium refund cheques	(220,001)
Total	(1,005,658)

Preferential and proprietary claims

Preferential claims	(74,641)
Proprietary claims	(102,347)
Total	(176,988)

Total assets available for distribution to policyholders and unsecured creditors	10,502,930
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Life insurance policyholder and general unsecured claims

Unsecured creditor claims	(694,205)
Life insurance policyholder claims	(20,483,819)
Total unsecured claims	(21,178,024)

Estimated distribution to life policyholders and unsecured creditors **50%**

The Official Receiver (“OR”) hereby reserves the right to amend this estimated outcome statement from time to time and amongst other things to correct errors and omissions, revalue assets, amend their realizable values, add, remove and / or restate liabilities, or make such other changes as the OR sees fit.

* The approximate recovery from Bram – Ber Holdings Limited assumes a sale of the building for \$3,300,000. The Company owns a 40% share in Bram – Ber Holdings Limited, with the remaining 60% owned by the British American Insurance Bermuda Pension Fund. Recoveries from the sale of the building are uncertain, and the amount realized by the Company may vary dependant on the final sale price of the building, and related transfer costs.

APPENDIX 4

THE SCHEME

BRITISH AMERICAN INSURANCE COMPANY LIMITED

Provisional Liquidator Appointed

IN THE SUPREME COURT OF BERMUDA

COMMERCIAL LIST

CIVIL JURISDICTION

2011 : No. 103

SCHEME OF ARRANGEMENT

Pursuant to Section 99 of the Companies Act 1981

between

**BRITISH AMERICAN INSURANCE COMPANY LIMITED
(PROVISIONAL LIQUIDATOR APPOINTED)**

and its

SCHEME CREDITORS

(as defined in the Scheme of Arrangement)

BRITISH AMERICAN INSURANCE COMPANY LIMITED

Provisional Liquidator Appointed

1 Part 1: Preliminary

1.1 Definitions

In the Scheme, unless the context otherwise requires or otherwise expressly provides, the following expressions shall bear the meanings set opposite them:

“Agreed Scheme Claim”	A Scheme Claim as agreed, determined under or adjudicated upon in terms of the Scheme after taking into account set off
“Ascertainment Date”	July 29, 2009
“Available Assets”	The assets in Bermuda under the control of the Official Receiver that are for the benefit of the Scheme Creditors
“Bar Date”	5 pm Bermuda time, at least 28 days after the Effective Date
“Business Day”	Any day other than Saturday, Sunday or any other day on which banks are not open for business in Bermuda
“Companies Act”	The Companies Act 1981, as amended
“Company”	British American Insurance Company Limited, a Bahamian registered company and in respect of which the Court appointed the Official Receiver to act as Provisional Liquidator
“Court”	The Supreme Court of Bermuda
“Disputed Claim(s)”	A Claim referred to the Scheme Adjudicator in accordance with Clause 3.6

BRITISH AMERICAN INSURANCE COMPANY LIMITED

Provisional Liquidator Appointed

“Distribution”	A payment, or payments, made to a Scheme Creditor in respect of an Agreed Scheme Claim
“Effective Date”	The date on which the Scheme becomes effective
“Estimation of Values”	The basis of valuation for all Life Insurance Claims, which will be used for the purpose of calculating each Life Insurance Creditor’s percentage of Distribution of the Available Assets
“Explanatory Statement”	The statement explaining the effect of the Scheme to Scheme Creditors in compliance with Section 100 of the Act
“Final Claim Form”	The claim form that will be forwarded to all those Scheme Creditors who have elected not to accept the value of their Claim as set out in the Voting Claim Form, which must be returned on or before the Bar Date
“Insurance Act”	The Insurance Act 1978 of Bermuda
“KPMG”	KPMG Advisory Limited
“Liability”	Any liability of the Company to a Scheme Creditor
“Life Insurance Policy”	A policy issued by the Company to a person who was at the time of issue of the policy, resident in Bermuda and which was valid and in force at the Ascertainment Date (excluding the health and fire and contents policies

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which either expired or were otherwise terminated by the Company)

“Life Insurance Claim”

A Scheme Claim arising from and made by a Life Insurance Creditor

“Life Insurance Creditor”

The holder of a Life Insurance Policy or a person who otherwise has crystallised benefits payable which arise from and under the terms of a Life Insurance Policy

“Official Receiver”

The Provisional Liquidator of the Company in Bermuda having been appointed by the Court on August 3, 2009

“Other Claim”

Any claim against the Company by a person who is, or was at the time of contracting with the Company, resident in Bermuda and which does not arise under a Life Insurance Policy

“Other Creditor”

The holder of a Scheme Claim other than a Life Insurance Claim

“Payment Date”

Shall have the meaning ascribed to it in Clause 4.2.2 herein

“Post”

Delivered by hand, pre-paid first class post or air mail

“Proceeding”

Any action, step or other legal proceeding including, without limitation, any demand, arbitration, alternative dispute resolution procedure, judicial review, adjudication, execution, seizure, distraint, forfeiture, re-entry, lien, enforcement of judgment or

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	enforcement of any security (including without limitation enforcement of any letters of credit)
“Property”	All forms of property and obligations (including money, goods, things in action, land and every description of property wherever situated) and every description of interest, whether present, future, vested or contingent or arising out of or incidental to, property
“Scheme”	The scheme of arrangement in its present form or subject to any modification, addition or condition approved or imposed by the Court
“Scheme Actuary”	Stephen J Sullivan, Fellow of the Canadian Institute of Actuaries, Fellow of the Society of Actuaries and Consulting Actuary with Eckler Ltd
“Scheme Adjudicator”	Mark W. R. Smith of Deloitte & Touche, Corner House, Parliament Street, Hamilton, Bermuda
“Scheme Claim(s)”	A claim under the Scheme by either a Life Insurance Creditor or Other Creditor
“Scheme Creditor”	A Life Insurance Creditor or Other Creditor
“Scheme Meeting”	The meeting of Scheme Creditors to vote on the Scheme that was convened by order of the Supreme Court of Bermuda dated April 7,

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2011 and to be held on May 19, 2011

“Scheme Website”

www.kpmg.bm/ba

“Termination Date”

The day upon which the Scheme terminates in accordance with Part 8 of the Scheme

“Unclaimed Balance”

Amounts represented by the aggregate of Distributions in respect of which (a) any cheque has not been presented by its payee before it expires (namely six months from its issue) and (b) amounts relating to any Scheme Creditor in respect of whom the Company has not received either a Voting Claim Form or a Final Claim Form and in respect of whom the Company has been unable to make a Distribution during the period of the Scheme

“Voting Claim Form”

The completed Voting Claim Form (which was provided to each Scheme Creditor in advance of the Scheme Meeting and returnable on or before 5pm Bermuda time on May 18, 2011) providing information as to the value of Scheme Creditors' claims for the purpose of voting at the Scheme Meeting and which, unless a policyholder expressly elects otherwise, will be treated as a Final Claim Form

1.2 Interpretation

In the Scheme, unless the context otherwise requires or the Scheme expressly provides otherwise:

- (i) references to Parts, Clauses, Sub-Clauses and Appendices are references to the Parts, Clauses, Sub-Clauses and Appendices respectively of the Scheme;
- (ii) references to a “person” include references to an individual, firm, partnership, company, corporation, unincorporated body of persons or any state or state agency;
- (iii) references to a statute or a statutory provision include the same as subsequently modified, amended or re-enacted from time to time;
- (iv) the singular includes the plural and vice versa and words importing one gender shall include all genders; and
- (v) headings to Parts, Clauses, Sub-Clauses and Appendices are for ease of reference only and shall not affect the interpretation of the Scheme.

1.3 The Company

1.3.1 British American Insurance Company Limited (“BAICL”) was incorporated in the Bahamas in 1920. The Company operated throughout the Caribbean through subsidiaries and branches. In 1953 BAICL commenced underwriting insurance to residents of Bermuda from a place of business in Bermuda and was licensed as a Non-Registered Insurance Undertaking under the Non-Registered Insurance Undertaking Act 1967 on January 23, 1990. Insurance written by BAICL in Bermuda is referred to herein as the Bermuda Branch Business.

1.3.2 BAICL was registered as a long term insurer initially under the provisions of section 13(1) of the Insurance Act on January 1, 1981. That certificate of registration was cancelled on December 31, 1996 and replaced by a license issued under section 4 of the Insurance Act effective January 1, 1997.

1.4 Parties other than the Company and the Scheme Creditors

1.4.1 On July 29, 2009, the Bermuda Monetary Authority filed a winding up petition in respect of the Company and on August 3, 2009, the Official Receiver for Bermuda was appointed as provisional liquidator.

1.4.2 Mr Mark Smith, a partner of Deloitte & Touche in Bermuda will act as the Scheme Adjudicator for the purpose of determining Disputed Claims.

1.4.3 Stephen J. Sullivan, consulting actuary at Eckler Ltd., a Canadian firm of actuaries, has performed an actuarial analysis of the Life Insurance Policies upon which the Estimation of Values is based in the Scheme.

1.4.4 KPMG Advisory Limited and Conyers Dill & Pearman Limited are agents to the Official Receiver.

1.5 The purpose of the Scheme

The purpose of the Scheme is to establish a value for the Life Insurance Policies based on the Estimation of Values and to make a distribution of the Available Assets based on those values to all Life Insurance Creditors and Other Creditors representing their pro rata percentage of the Available Assets.

2. Part 2: The Scheme

2.1 Application of the Scheme

On the Effective Date, the Scheme shall apply to Life Insurance Creditors and Other Creditors only.

2.2 Proceedings

2.2.1 Without prejudice to Clause 2.2.3, save with the consent of the Company, no Scheme Creditor shall be permitted to institute or continue any Proceeding or other judicial, quasi-judicial, administrative or regulatory process whatsoever

against the Company in Bermuda or elsewhere to establish the existence or amount of a claim.

2.2.2 If, and to the extent that, a Scheme Creditor obtains an order, judgment, decision or award of a court or tribunal against the Company in relation to a Scheme Claim in contravention of Clause 2.2.1 such order, judgment, decision or award shall not give rise to an Agreed Scheme Claim and shall be disregarded when determining the liability of the Company in respect of the relevant Scheme Claim.

2.2.3 Nothing in the Scheme shall preclude the Company from commencing or continuing any Proceeding against a Scheme Creditor provided that, without prejudice to the relevant Scheme Creditor's rights of set-off and such Scheme Creditor's right to argue that the relevant Proceeding has been commenced or is continuing in an inappropriate forum, nothing in the Scheme shall preclude the relevant Scheme Creditor from asserting and prosecuting a Claim against the Company in the relevant Proceeding (whether by way of claim or counterclaim) so long as:

- (i) the relevant Scheme Claim arises out of the same transaction or occurrence that is the subject matter of the Company's claim in the relevant Proceeding; and
- (ii) the relevant Scheme Claim does not require the presence of third parties over whom the court or tribunal in question cannot acquire jurisdiction for its adjudication.

2.3 Enforcement of Claims

Save to the extent that the Company has failed to perform any obligation to make a payment to a Scheme Creditor under the provisions of the Scheme, no Scheme Creditor shall be entitled to take any Proceeding or step (whether by way of demand, legal proceedings, execution of judgment, arbitration proceedings or otherwise) against the Company or its Property in any jurisdiction whatsoever to enforce payment in whole or in part of any Scheme Claim.

2.4 Acts prohibited by Clauses 2.2 and 2.3

2.4.1 Without prejudice to Clauses 2.2 and 2.3, if any Scheme Creditor takes any action after the Effective Date which is prohibited by Clause 2.2 or Clause 2.3 in any jurisdiction that may permit the taking of such action notwithstanding such prohibition, he shall be treated as having received an advance distribution on account of his Scheme Claim equal to the amount or gross value of any money, Property, benefit or advantage obtained by him at the expense of the Company as the result of such action and the extent to which he is entitled to participate in any distribution under the Scheme shall be determined accordingly.

2.4.2 For the purpose of this Clause 2.4, the gross value of any money, Property, benefit or advantage obtained by a Scheme Creditor shall be conclusively determined by the Company and, without limitation, may include such amount as the Company may consider to be appropriate by way of interest, costs, charges or expenses incurred by the Company as a consequence of acting in a manner prohibited by this Clause 2. If any advance distribution to a Scheme Creditor exceeds the amount of its Agreed Scheme Claim, the balance shall be repaid immediately.

2.5 Interest

No interest will be paid with respect to any Scheme Claim, save that any interest that accrued on a Scheme Claim prior to the Ascertainment Date, will be included in the value attributed to that Scheme Claim for Distribution purposes.

2.6 Set-Off

Any Liability of a Scheme Creditor to the Company and any cross claim the Company may have against a Scheme Creditor may be set-off in determining the value of that Scheme Creditor's Agreed Claim.

2.7 Currency of payment

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All Distributions will be paid in Bermuda dollars.

3. Part 3: Determination of Claims

3.1 Ascertainment Date

All Scheme Claims shall be valued as at the Ascertainment Date being July 29, 2009, the date upon which the winding up commenced.

3.2 Valuation of Claims

3.2.1 Life Insurance Claims will be valued in accordance with the Estimation of Values prepared by the Company and approved by the Scheme Actuary. With effect from the Effective Date, Life Insurance Creditors will be prohibited from disputing the Estimation of Values as the basis upon which their Life Insurance Claim has been valued. Life Insurance Creditors will only be able to challenge the factual basis upon which their Life Insurance Claim has been valued or categorised in the Estimation of Values. Details of the Estimation of Values can be found in the report of the Scheme Actuary which is available for inspection by all Scheme Creditors.

3.2.2 Other Claims will be valued based on the value attributed by the Official Receiver to the Other Claim by reference to the books and records of the Company, as set out on the Voting Claim Form provided with this Scheme, together with any additional information provided by the Other Creditor in support of a different value.

3.3 Voting Claim Form and Final Claim Form

3.3.1 Information to enable Scheme Claims to be agreed or determined has been provided by the Company in the Voting Claim Form forwarded to each Scheme Creditor prior to the Scheme Meeting.

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- 3.3.2 If the Scheme Creditor did not tick the box in the Voting Claim Form confirming that he wishes to receive a Final Claim Form, the Voting Claim Form will be treated as the Agreed Scheme Claim of that Scheme. In those circumstances, there will be no further communication from the Company to that Scheme Creditor until payment of the Distribution.
- 3.3.3 If a Scheme Creditor has ticked the box on the Voting Claim Form electing to receive a Final Claim Form and returned the Voting Claim Form in accordance with the instructions on it, he will be forwarded a Final Claim Form as soon as practicable after the Effective Date. Each Final Claim Form provided will contain the same information as that which was provided in the Voting Claim Form for the same Scheme Creditor, unless the Scheme Creditor and the Company have previously agreed to amend that information.
- 3.3.4 Final Claim Forms must be received by the Company on or before the Bar Date. A Final Claim Form submitted prior to the Bar Date can be amended by a Scheme Creditor at any time until the Bar Date.
- 3.3.5 If a Scheme Creditor submits a Final Claim Form that sets out a value which differs from the amount appearing in the Final Claim Form provided to him, evidence in support of the value which the Scheme Creditor gives to their Scheme Claim should be attached to the Final Claim Form. Details of what will be required are set out in the instructions accompanying the Final Claim Form.
- 3.3.6 No Scheme Creditor shall have any right after the Bar Date to make any additional claims or revise or provide further information in respect of a Scheme Claim, except in response to a request for such further information by the Company or the Scheme Adjudicator.

3.4 Failure to return a Voting Claim Form or Final Claim Form

If a Scheme Creditor fails to return a Voting Claim Form, or if he has elected in his Voting Claim Form to receive a Final Claim Form and he fails to return that Final Claim Form on or before the Bar Date, that Scheme Creditor's Agreed Scheme Claim

shall be the amount reflected on the Voting Claim Form subject to any additional information that becomes available to the Company prior to Distribution; and in each case, his Agreed Scheme Claim.

3.5 Determination of Claims

- 3.5.1 Where a Scheme Creditor has not filed a Final Claim Form, the amount appearing on their Voting Claim Form, with agreed amendments where appropriate, will be their Agreed Scheme Claim.
- 3.5.2 The Company will endeavour to agree the amount of the Scheme Claim which each Scheme Creditor has made in their Final Claim Form if it differs from the Company's calculation (i.e. disputing the Company's calculation of such Scheme Claim as appearing in the Voting Claim Form) as soon after the Effective Date as practicable.
- 3.5.3 The Company will be entitled, in a notice to the Scheme Creditor concerned, to require the production of such further information or documentary or other evidence as they may reasonably require in order to assist the Company in agreeing or resolving the relevant Scheme Claim.
- 3.5.4 If a Scheme Claim is not agreed within 21 Business Days of the Bar Date, the Company shall forthwith refer such Claim to the Scheme Adjudicator as a Disputed Claim and shall send a notice by Post, or email, if the Scheme Creditor has provided an email address to the Company, to the relevant Scheme Creditor to the effect that such Scheme Claim has become a Disputed Claim and that the dispute regarding such Scheme Claim will be determined by the Scheme Adjudicator.

3.6 Adjudication of Disputed Claims

- 3.6.1 In referring a Scheme Claim to the Scheme Adjudicator in accordance with Clause 3.5.3 the Company shall provide the Scheme Adjudicator with a copy of the Final Claim Form and its attached documentation relating to such Disputed Claim and a copy of any notice, statement or correspondence sent or received

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by the Company in connection with such Disputed Claim. The Scheme Adjudicator shall have access to all of the Company's records and information which the Scheme Adjudicator considers necessary to resolve the dispute concerning such Scheme Claim.

3.6.2 The Scheme Adjudicator shall consider the papers and documents before him in relation to any Scheme Claim referred to him and shall, within ten (10) Business Days of receipt of the records and information referred to in Clause 3.6.1, notify the Scheme Creditor and/or the Company if he requires:

- (i) further documents, data or information from the relevant Scheme Creditor or the Company in which case the relevant person or persons shall within 7 days after receipt of such notice provide the Scheme Adjudicator with the required documents, data or information; and/or
- (ii) the relevant Scheme Creditor (or his duly authorised representative) and or a representative of the Company to attend a meeting or telephone conference with the Scheme Adjudicator on any matters he shall determine, in which case the relevant Scheme Creditor (or his duly authorised representative) or representative of the Company shall be at liberty to attend such meeting or telephone conference on such date and at such place or on such number as the Scheme Adjudicator shall prescribe. The Scheme Adjudicator shall be entitled to prescribe and lay down such procedures or provisions or deadlines for such purposes as he in his absolute discretion deems appropriate and shall be entitled to call for such evidence, documents, data and information as he may require to assist him in reaching his decision.

3.6.3 The Scheme Adjudicator shall be entitled to consult with such advisors, including legal advisors, actuaries and/or experts, as he may deem appropriate in considering any Disputed Claim referred to him.

3.6.4 If any person concerned fails to provide further documents, data or information in accordance with Clause 3.6.2 (i) above or fails to appear before the Scheme

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Adjudicator in accordance with Clause 3.6.2 (ii) above, the Scheme Adjudicator shall make such determination as he sees fit in relation to the relevant Disputed Claim on the basis of the information then available to him in relation to such Disputed Claim.

- 3.6.5 The Scheme Adjudicator shall be required to make a finding that the Disputed Claim is valued in the amount set out in the Voting Claim Form if the only dispute raised by the relevant Scheme Creditor relates to a dispute as to the Estimation of Values.
- 3.6.6 In adjudicating any Disputed Claim, the Scheme Adjudicator shall act as an expert and not as an arbitrator.
- 3.6.7 The Scheme Adjudicator shall notify the Company and the relevant Scheme Creditor of his determination in respect of a Disputed Claim in writing, by Post or email, if an electronic address has been provided, not more than 28 days from the date on which such Disputed Claim is referred to him. Any such determination shall be final and binding and the relevant Scheme Creditor and the Company shall not have any right to appeal or to make any claim against the Scheme Adjudicator in respect of such determination, save in respect of his wilful breach of duty or trust, fraud or dishonesty.
- 3.6.8 The costs, charges and expenses of the Scheme Adjudicator, including the expenses of any advisors consulted by him in accordance with Clause 3.6.3 shall be paid by the Company.

3.7 Extension of time limits

The Official Receiver may extend any time period referred to in the Scheme other than the Bar Date. Any such extension shall be notified to Scheme Creditors by posting details of the extension on the Scheme Website.

4. Part 4: Payments to Scheme Creditors

4.1 Payment of Distribution

- 4.1.1 All Agreed Scheme Claims will be paid as soon as practicable following the date upon which all Scheme Claims have been finally resolved by way of agreement or under the Scheme Adjudication Procedure.
- 4.1.2 Tendering of the Distribution to a Scheme Creditor in respect of his Agreed Scheme Claim will be in full and final settlement of any and all Scheme Claims that a Scheme Creditor may have had against the Company, save to the extent that the Distribution is an interim Distribution in accordance with the provisions of clause 4.1.3 below, in which case it shall be in full and final settlement of a Scheme Creditor's rights to receive that interim Distribution.
- 4.1.3 In the event that there are a large number of Disputed Claims and the resolution of such Disputed Claims will delay the Distribution to Scheme Creditors by any unacceptable period, the Official Receiver reserves the right to make a first distribution to those Scheme Creditors with Agreed Scheme Claims and, to the extent that there are funds available, a second Distribution will be made once all Disputed Claims have been resolved. Funds will be held in reserve for those Scheme Creditors who have Disputed Claims as at the date of declaring the first Distribution.
- 4.1.4 For the avoidance of doubt, upon the Effective Date, Scheme Creditors are precluded from taking any action to make claims or take part in the liquidation or any other judicial or non judicial proceedings relating to the Company in any jurisdiction outside Bermuda. The Scheme and the Distributions under the Scheme represent full and final settlement of the Scheme Creditor's claims against the Company.

4.2 Method of Distribution

- 4.2.1 All Distributions to Scheme Creditors under the Scheme shall be made by cheque in favour of the Scheme Creditor concerned or to such other person as

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he may direct in writing (subject to verification of the Scheme Creditor's identity). The Official Receiver shall notify Scheme Creditors of the date when Distribution cheques will be posted to Scheme Creditors. Such notification shall be by advertisement in the Royal Gazette and The Bermuda Sun and by posting such notification on the Scheme Website.

- 4.2.2. Distributions in respect of an Agreed Scheme Claim shall be deemed to have been made on the Payment Date, i.e. the day that the relevant cheque is posted to the Scheme Creditor or other person as he may direct in writing. Payment of any such cheque by the banker on whom it is drawn shall be a good discharge and satisfaction of the Agreed Scheme Claim in respect of which it was paid.
- 4.2.3 In the event of a Distribution to be made to the estate of a Scheme Creditor, such Distribution will be paid to the lawful representative of the deceased Scheme Creditor upon proof, satisfactory to the Official Receiver, that the representative is entitled to receive the Distribution on behalf of the estate of the deceased Scheme Creditor.
- 4.2.4 In the event that the relevant deceased Scheme Creditor's estate has not provided satisfactory evidence of entitlement under the provisions of Clause 4.2.3 by the Termination Date, the Distribution will be retained for a period of six months by the Official Receiver and thereafter shall be treated as an Unclaimed Balance and dealt with in accordance with the provisions of clause 4.2.6 below.
- 4.2.6 Any Unclaimed Balance will be paid into the Consolidated Fund account of the Bermuda Government and can be claimed by the relevant Scheme Creditor upon providing sufficient evidence of entitlement to the Office of The Accountant General.

5. Part 5: The Scheme Actuary

- 5.1 The Scheme Actuary shall advise and assist the Company in determining the value to be attributed to any Scheme Creditor's Scheme Claim.

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- (i) The Scheme Actuary shall initially be Stephen J Sullivan. The Official Receiver shall have the power to appoint a suitably qualified successor.
- (ii) The Company shall enter into an agreement with the Scheme Actuary with respect to his remuneration, expenses, resignation and removal from office.
- (iii) In exercising his duties under the Scheme, the Scheme Actuary shall act as the advisor to the Company and the Official Receiver. and shall owe no duty to Scheme Creditors. The Scheme Creditors shall not rely, in any respect, on information or opinions expressed by, or provided by, the Company or the Scheme Actuary to such Scheme Creditor except for the information set forth in the Scheme.
- (iv) No Scheme Creditor shall be entitled to challenge the validity of any act done, or omitted to be done, by the Scheme Actuary in connection with the Scheme and by law the Scheme Actuary shall not be liable for any loss suffered by any Scheme Creditor or third party unless such loss is attributable to the Scheme Actuary's fraud or dishonesty. Accordingly, no Scheme Creditor shall bring or institute any proceedings, claims or complaints against the Scheme Actuary.

5.2 Responsibility and indemnity

- 5.2.1 No Scheme Creditor shall be entitled to challenge the validity of any act done or permitted to be done in good faith and with due care by the Scheme Actuary pursuant to the provisions of the Scheme or in the exercise or performance of any power, right, duty or function conferred upon him under the Scheme and the Scheme Adjudicator shall not be liable for any loss unless any such loss is attributable to his own negligence, wilful default, wilful breach of duty or trust, fraud or dishonesty.
- 5.2.2 Subject to the Act, the Scheme Actuary shall be entitled to an indemnity out of the Property of the Company against:

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- (v) all actions, claims, Proceedings and demands brought or made against him in respect of any act done or omitted to be done by him in his capacity as a Scheme Adjudicator in good faith and without negligence, wilful default, wilful breach of duty or trust, fraud or dishonesty on his part, in the course of exercising or performing his powers, rights, duties or functions under the Scheme; and
- (vi) all costs, charges, expenses and liabilities properly incurred by him in the course of exercising or performing his powers, rights, duties or functions under the Scheme.

5.2.3 Without prejudice to the generality of Clause 5.2.3, the Scheme Actuary shall be entitled to an indemnity out of the Property of the Company:

- (i) against any Liability incurred by him in defending any Proceedings, whether civil or criminal, in respect of any negligence, wilful default, wilful breach of duty or trust, fraud or dishonesty on his part in relation to any act done or omitted to be done by him in his capacity as Scheme Adjudicator in which judgment is given in his favour or in which he is acquitted; or
- (ii) in connection with any application in any such Proceedings in which relief is granted to him by a court from liability for negligence, wilful default, wilful breach of duty or trust, fraud or dishonesty on his part in relation to any act done or omitted to be done by him in his capacity as Scheme Actuary.

6. Part 6: The Scheme Adjudicator

6.1 Qualification, appointment, resignation and removal

6.1.1 There shall be one Scheme Adjudicator who shall be an individual who is duly qualified in the reasonable opinion of the Company to discharge the function of the Scheme Adjudicator under the Scheme. The Scheme Adjudicator shall be Mark W. R. Smith of Deloitte & Touche in Bermuda.

6.1.2 The office of Scheme Adjudicator shall be vacated if the appointee to that office shall:

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- (i) die, become bankrupt or mentally disordered;
- (ii) be convicted of an indictable offence;
- (iii) resign his office by giving 30 days notice in writing to the Company or such shorter period of notice as may be agreed by the Company; or
- (iv) be removed for good cause by the Company, and therefore the Company shall forthwith appoint a person who is qualified to act pursuant to Clause 6.1.1 and not disqualified to act pursuant to this Clause 6.1.2 as Scheme Adjudicator.

6.2 Powers, rights, duties and functions

6.2.1 The Scheme Adjudicator shall be responsible for the adjudication and determination of Disputed Claims and shall have the powers, rights, duties and functions conferred upon him by the Scheme for such purposes.

6.2.2 The Company shall pay such remuneration to the Scheme Adjudicator for the exercise and performance of his powers, rights, duties and functions under the Scheme as may be agreed between the Scheme Adjudicator and the Company, together with the costs and expenses of any professional advisors retained by the Scheme Adjudicator to assist in his adjudication. The Company shall pay all such amounts in full out of the Property of the Company.

6.3 Responsibility and indemnity

6.3.1 No Scheme Creditor shall be entitled to challenge the validity of any act done, or permitted to be done, in good faith and with due care by the Scheme Adjudicator pursuant to the provisions of the Scheme or in the exercise or performance of any power, right, duty or function conferred upon him under the Scheme and the Scheme Adjudicator shall not be liable for any loss unless any such loss is attributable to his own negligence, wilful default, wilful breach of duty or trust, fraud or dishonesty.

6.3.2 Subject to the Act, the Scheme Adjudicator shall be entitled to an indemnity out of the Property of the Company against:

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- (v) all actions, claims, Proceedings and demands brought or made against him in respect of any act done or omitted to be done by him in his capacity as a Scheme Adjudicator in good faith and without negligence, wilful default, wilful breach of duty or trust, fraud or dishonesty on his part in the course of exercising or performing his powers, rights, duties or functions under the Scheme; and
- (vi) all costs, charges, expenses and liabilities properly incurred by him in the course of exercising or performing his powers, rights, duties or functions under the Scheme.

6.3.3 Without prejudice to the generality of Clause 6.3.2, the Scheme Adjudicator shall be entitled to an indemnity out of the Property of the Company:

- (i) against any Liability incurred by him in defending any Proceedings, whether civil or criminal, in respect of any negligence, wilful default, wilful breach of duty or trust, fraud or dishonesty on his part in relation to any act done or omitted to be done by him in his capacity as Scheme Adjudicator in which judgment is given in his favour or in which he is acquitted; or
- (ii) in connection with any application in any such Proceedings in which relief is granted to him by a court from liability for negligence, wilful default, wilful breach of duty or trust, fraud or dishonesty on his part in relation to any act done or omitted to be done by him in his capacity as Scheme Adjudicator.

6.3.4 The Company may:

- (i) (insofar as it is practicable) purchase and maintain for the Scheme Adjudicator insurance against any Liability in respect of which the Company would be obliged to indemnify him in accordance with this Clause 6.3.2 or 6.3.3; or
- (ii) pay costs incurred by the Scheme Adjudicator in defending Proceedings of the nature described in Clause 6.3.3, provided that the Company obtains from the Scheme Adjudicator an undertaking to reimburse the Company (with interest) for any amount which would not, in the event, have been payable by the Company under Clause 6.3.3.

7. Part 7: The Official Receiver

No Scheme Creditor shall be entitled to challenge the validity of any act done or omitted to be done in good faith and with due care by the Official Receiver or his advisors in accordance with, or in the implementation of the provisions of the Scheme or in the performance or exercise of any power, right, duty or function conferred upon him under the Scheme.

8. Part 8: Termination of the Scheme

8.1 Not less than 14 days from the date upon which notice is given that the final Distribution cheques have been posted in accordance with the provisions of Clause 4.2, the Official Receiver shall place a notice on the Scheme Website and in the Royal Gazette and the Bermuda Sun confirming that the Scheme has been implemented in accordance with its terms and that accordingly it has been terminated and no further payments shall be made to Scheme Creditors by the Company in respect of Scheme Claims except as provided for in Clauses 4.2.

8.2 At the expiration of six (6) months from the Termination Date, the amounts represented by any uncollected or uncashed cheques shall be paid into the Consolidated Fund account of the Bermuda Government together with a list of those Scheme Creditors and their entitlements to such amounts and such Scheme Creditors may, upon providing acceptable identification, seek payment from the Registrar of Companies thereafter.

9. Part 9: General Scheme provisions

9.1 Modifications of the Scheme

The Company may, at any hearing by the Court to sanction the Scheme, consent on behalf of Scheme Creditors to any modification of or addition to the Scheme of any terms or conditions which the Court may think fit to approve or impose and which would not directly or indirectly have a materially adverse effect on the interests of any Scheme Creditor under the Scheme.

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9.2 Notices

9.2.1 Any notice or other written communication to be given under or in relation to the Scheme shall be given in writing and shall be deemed to have been duly served if it is delivered by hand or sent by Post to:

- (i) in the case of the Company and the Official Receiver c/o KPMG Advisory Limited, Crown House, 4 Par-la-Ville Road, Hamilton, HM 08, Bermuda (Ref: British American);
- (ii) in the case of KPMG Advisory Limited, Crown House, 4 Par-la-Ville Road, Hamilton, HM 08, Bermuda (Ref: British American) or such other address as KPMG may notify to Scheme Creditors for the purpose of this Clause 9.2;
- (iii) in the case of the Scheme Adjudicator, Mr Mark Smith, c/o Deloitte & Touche, Corner House, Parliament Street, Hamilton HM 12, Bermuda or such other address as the Scheme Adjudicator may notify to Scheme Creditors for the purposes of this Clause 9.2;
- (iv) in the case of the Scheme Actuary, Stephen J Sullivan, c/o Eckler Limited, 110 Sheppard Avenue E., Suite 900, Toronto, Ontario M2N 7A3, Canada or such other address as the Scheme Actuary may notify to Scheme Creditors for the purpose of this Clause 9.2; and
- (iv) in the case of a Scheme Creditor, his last address known to the Company or the Official Receiver.

9.2.2 Any notice or other written communication to be given under the Scheme shall be deemed to have been served:

- (i) if delivered by hand or by e-mail or by fax, on the first Business Day following delivery or transmission of fax; and
- (ii) if sent by Post, on the fourth Business Day after posting if the recipient is in the country of despatch and otherwise on the seventh Business Day after posting;

9.2.3 In proving service, it shall be sufficient proof in the case of a notice sent by Post that the envelope was properly stamped, addressed and placed in the Post

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and in the case of a notice sent by fax, a confirmation generated by the transmitting fax machine that the fax has been successfully transmitted.

- 9.2.4 For the purposes of Part 9, the accidental omission to send any notice, written communication or other document in accordance with this Clause or the non-receipt of any such notice by any Scheme Creditor, shall not affect the provisions of that Part.

9.3 Governing law and jurisdiction

The Scheme shall be governed by, and construed in accordance with, the laws of Bermuda, and the Scheme Creditors hereby agree that the Court shall have exclusive jurisdiction to hear and determine any suit, action or Proceeding and to settle any dispute which may arise out of the Explanatory Statement or any provision of the Scheme, or out of any action taken or omitted to be taken under the Scheme or in connection with the administration of the Scheme, and for such purposes the Scheme Creditors irrevocably submit to the jurisdiction of the Court provided, however, that nothing in this Clause 9.3 shall affect the validity of any other provisions determining governing law and jurisdiction as between the Company and any of its Scheme Creditors whether contained in any contract or otherwise.

APPENDIX 5

Sample Green Voting Claim Form and Pink Proxy form together with instructions for completing the forms

**BRITISH AMERICAN INSURANCE COMPANY LIMITED
(PROVISIONAL LIQUIDATOR APPOINTED)**

**GENERAL INSTRUCTIONS FOR THE COMPLETION OF THE
VOTING CLAIM FORM**

- 1) Please read the instructions listed in the Green Voting Claim Form carefully; failure to complete all sections of the Voting Claim Form correctly may result in the Voting Claim Form being returned and/or rejected for voting purposes.
- 2) Scheme Creditors can make an election to receive a Final Claim Form for the purposes of submitting their Scheme Claims under the Scheme by ticking the relevant box on the form. If Scheme Creditors elect this option they will receive a Final Claim Form. Those who do not elect to receive a Final Claim Form will be deemed to have accepted the value of their Scheme Claim, as that set out in the Green Voting Claim Form and Distributions under the Scheme will be calculated on that basis.
- 3) If the Scheme becomes effective and you elected not to designate your Voting Claim Form as a Final Claim Form you should return the Final Claim Form prior to the Bar Date.
- 4) The Scheme Creditors will receive payments by check through the post. It is important to please read your name and address details carefully and amend any of those details that are incorrect and initial any such amendments when returning the form. This will ensure that you receive your Distribution on a timely basis.
- 5) You are requested to complete and return the green Voting Claim Form as soon as possible and in any event no later than 5pm (Bermuda time) on May 18, 2011 to KPMG Advisory Limited, Crown House, 4 Par-la-Ville Road, Hamilton HM 08, Bermuda (reference British American). Alternatively, Scheme Creditors may also send their Voting Claim Form by 5pm on May 18, 2011 by email to infoba@kpmg.bm. Voting Claim Forms submitted by email will only be considered if legible.
- 6) Any alteration to the Green Voting Claim Form must be initialed by the person who signs the Voting Claim Form.

**BRITISH AMERICAN INSURANCE COMPANY LIMITED
(Provisional Liquidator Appointed)
VOTING CLAIM FORM**

(Please complete the name of the Scheme Creditor, including all former names)(Note 1)

(the address of the Scheme Creditor)

For each claim relating to you under the Policy detailed, please see the table below. Note (2)

Policy number	Claim Value BD\$ ^(Note 3)
<i>To be filled out by BAICL</i>	<i>To be filled out by BAICL</i>

No, I do not agree to the claim amount in the table above for the following reasons **AND** if you do not tick the box you are deemed to agree the value:

**SAMPLE
YOUR VOTING CLAIM FORM WILL BE GREEN**

Notes

1. Full name and address of the Scheme Creditor. In the event that there are errors or omissions in your address, please amend these before returning the form.
2. Please note that each policy will be entered on a separate green Voting Claim Form. Please return a Voting Claim Form for each policy. Each scheme creditor need only return one pink Scheme Proxy form confirming how you wish to vote in relation to the total value of your claims.
3. Value of the claim against British American Insurance Company Limited.

The Voting Claim Form will be subject to verification by the Company and, if required, adjudication as detailed in the Scheme.

Box 1	TO BE SIGNED BY THE SCHEME CREDITOR
To the best of my knowledge and belief, the information on this Claim Form is correct.	
Signed:	
Name:	
Email address:.....Telephone number:	

Box 2
ONLY CHECK THIS BOX IF YOU DO <u>NOT</u> WISH TO DESIGNATE THIS VOTING CLAIM FORM AS YOUR FINAL CLAIM FORM
<input type="checkbox"/>
(Please note that if you check this box and the scheme becomes effective you will be required to return a Final Claim Form prior to the Bar Date. Those who check this box will need to return further forms). See Note 2 and 3 on Page 1

**BRITISH AMERICAN INSURANCE COMPANY LIMITED
(PROVISIONAL LIQUIDATOR APPOINTED)**

INSTRUCTIONS FOR PROXY FORM

- 1) Enter the name and address of the Scheme Creditor in block capitals on the pink Proxy Form. If you are the duly authorized agent and/or attorney of a Scheme Creditor or a number of Scheme Creditors, complete a form in respect of each Scheme Creditor (photocopying the form as many times as necessary), and provide evidence (which must be satisfactory to the Chairman of the Scheme Meeting) of your authority to execute the form on each Scheme Creditor's behalf.
- 2) Please state the total claim of the Scheme Creditor.
- 3) If you wish to appoint a person other than the Chairman of the Scheme Meeting as your proxy, delete the words "the Chairman of the Scheme Meeting" and enter the name of the person to be appointed. The person to be appointed as your proxy need not be a Scheme Creditor. If you appoint a person other than the Chairman of the Scheme Meeting as your proxy, that person must attend the meeting in person in order to vote on your behalf.
- 4) If you are appointing the Chairman as your proxy, you must tick the box directing him to vote either "FOR" or "AGAINST" the Scheme. If you do not, or if you tick the box marked "AT DISCRETION" the Chairman will not be able to vote for you and your vote will not be counted.
- 5) If you wish to instruct your proxy to vote for the Scheme please sign the box marked "FOR". If you wish to instruct your proxy to vote against the Scheme, please sign the box marked "AGAINST". If you wish to leave your vote to the discretion of your proxy, please sign the box marked "AT DISCRETION" in which event you must appoint a person other than the Chairman of the Scheme Meeting to be your proxy, otherwise the form will not operate as a valid appointment of a proxy at the Scheme Meeting.
- 6) If you are the duly authorized representative of a corporation or a partnership or other unincorporated body of persons, or the duly authorized agent and/or attorney of a Scheme Creditor or a number of Scheme Creditors, enter the capacity in which you have signed the form of proxy (for example, director, partner or agent and/or attorney). You must provide evidence (which must be satisfactory to the Chairman of the Creditors' Meeting) of your authority to execute the form on each Scheme Creditor's behalf.
- 7) You are requested to complete and return the Pink Proxy Form as soon as possible and in any event no later than 5pm (Bermuda time) on May 18, 2011 to KPMG Advisory Limited, Crown House, 4 Par-la-Ville Road, Hamilton HM 08, Bermuda (reference British American). Alternatively, Scheme Creditors may also send their Proxy Form by 5pm on May 18, 2011 by email to infoba@kpmg.bm. Proxy Forms submitted by email will only be considered if legible. Alternatively creditors may vote in person at the Scheme Meeting.

BRITISH AMERICAN INSURANCE COMPANY LIMITED

PROXY FORM

To be used at the Scheme Meeting of **BRITISH AMERICAN INSURANCE COMPANY LIMITED** (Provisional Liquidator Appointed) to be held on May 19, 2011 at 10:00 am (Bermuda time) at the Ruth Seaton James Auditorium at Cedarbridge Academy in Pembroke.

I (Enter the name of the Scheme Creditor).....

Of (Enter the address of the Scheme Creditor).....

..... being a Scheme Creditor of
 BRITISH AMERICAN INSURANCE COMPANY LIMITED (Provisional Liquidator Appointed) in the
 sum of ⁽²⁾.....

I HEREBY APPOINT⁽³⁾ the Chairman of the Scheme Meeting or
 as my/our proxy to act for
 me/us at the Scheme Meeting for the purpose of considering and, if thought fit, approving (with or
 without modification) the Scheme referred to in the notice summoning the Scheme Meeting, and at such
 Scheme Meeting, or any adjournment thereof, to vote for me/us and in my/our name(s) for, or against the
 Scheme (either with or without modification as my/our proxy may approve) as hereinafter indicated.

If you wish to vote for the Scheme, sign in the box marked "FOR". If you wish to vote against the Scheme, sign in the box marked "AGAINST".

If you wish your proxy to have discretion to vote for or against the Scheme, sign in the box marked "AT DISCRETION". Note that if you have appointed the Chairman of the Scheme Meeting as your proxy, you must sign either the box marked "FOR" or the box marked "AGAINST", not the box marked "AT DISCRETION". If you sign the box marked "AT DISCRETION", this Form of Proxy will not operate as a valid appointment of the Chairman as your Proxy and the Chairman will abstain from voting on your behalf. If you do not sign in any of the boxes, this Form of Proxy will not operate as a valid appointment of your proxy.

FOR the Scheme	AGAINST the Scheme	AT DISCRETION ⁽⁵⁾
Signature	Signature	Signature
.....

If you are not the Policyholder / Scheme Creditor but authorized to act on their behalf please complete the following in accordance with instructions under section (6) over leaf.

Name:
Position/Capacity ⁽⁶⁾ :
Date:

APPENDIX 6

SUMMARY OF THE REPORT OF THE SCHEME ACTUARY

Summary of the actuarial report performed by Stephen J. Sullivan of Eckler Limited, dated April 1, 2011

Details of the calculation performed when valuing Life Insurance Creditors claims.

The Official Receiver engaged a firm of actuarial consultants (whose full report is available for inspection at British American's Front Street office during business hours) to advise and assist the Company in determining the value to be attributed to the claims of the Life Insurance Creditors and to review the accuracy of the calculation of those values. Except where identified, all policies have been valued at July 29, 2009 being the Ascertainment Date.

In determining the value of each life insurance policyholder claim, the following features were taken into account.

- 1) **Cash Surrender Value** ("CSV") – The CSV has been calculated in accordance with the tables as set out in the policy contracts. The CSV considers the length of time the policyholder has been paying the policy, the age of the policyholder and the death benefit payable under the policy. It should be noted that the CSV will not equal the death benefit that would have been paid out if the insured person had died.

There are 2 types of policy issued by the Company which have a valuation methodology different to the CSV. Annuity and Universal Life policyholders' values are based on the 'Accumulated Value' because the CSV for these policies includes a punitive surrender charge which would unfairly disadvantage these policyholders.

- 2) **plus: Accrued Bonus** – Several policies issued by the Company included regular bonus payouts. Where a policy was up to date with its premium payments, the bonus earned to July 29, 2009 on a pro-rata basis has been included in the value of the policy.
- 3) **plus: Unearned Premium Reserve** – Any premiums paid in advance for periods after July 29, 2009 have been included in the value of the policy. These are known as unearned premiums.
- 4) **plus: Other monies crystallized before July 29, 2009** – When a policy matured or a bonus became payable, the policyholder had the option to either take this money or to place it on deposit at the Company earning a fixed rate of interest. Included within this balance are any surrendered policies or death benefit claims that were unpaid at July 29, 2009.
- 5) **less: Automatic Premium Loans** ("APL") On certain policies if a scheduled premium payment was unpaid, the Company would automatically 'loan' the policyholder the unpaid premium, known as an APL. The security of the 'loan' was the CSV of the policy such that once successive missed premium payments exceeded the CSV, the policy was lapsed. Where a policy has an outstanding APL balance the value of the life insurance policy is reduced accordingly.
- 6) **less: Other Policyholder Loan** Certain policies allowed for cash loans to be made to the policyholder secured against the value of the policy. Any outstanding loans as at July 29, 2009 reduce the value of the life insurance policy.

Where a policyholder continued to pay their premiums after July 29, 2009 so that the policy was in good standing, and there was a claim on the policy due to a death of the insured the value of the life insurance policy is the value of the death benefit payable on the policy after consideration of those items listed at 4 to 6 above.

Ordinary Term, Accident & Sickness and Accidental Death and Dismemberment policies issued by the Company do not have CSV features or other non-forfeiture values. The Scheme Creditor claim on such policies is limited to the unearned premium reserve as described at 3 above.

Life Insurance Creditors with policies which have a zero value will not participate in the Scheme as they have no claim.

A substantial amount of work has been undertaken to ensure both the accuracy of the data used to calculate the value for each of the Scheme Creditors' Claims as well as the accuracy of the calculations.

Any Scheme Creditor who has questions, please direct these to infoba@kpmg.bm or to 294 2651.