

**Ministerial Statement on British American Insurance Company
Limited
March 09, 2010**

Mr. Speaker,

I wish to take this opportunity to update the House on a matter of considerable importance to many of our citizens and indeed the financial system in the Eastern Caribbean Currency Union. The matter to which I refer is the status of British American Insurance Company (BAICO).

The branches of British American Insurance Company Limited (BAICO) in the eight Eastern Caribbean Currency Union (ECCU) countries remain under Judicial Management.

The Judicial Managers are accountable to the Courts in their respective jurisdictions, and have the powers and obligations as provided under the respective Insurance Acts. Last October, the Judicial Managers in each of the eight ECCU countries presented their findings and recommendations to their respective Courts. The key recommendation of these reports is the establishment of a new company to take over the liabilities of the Eastern Caribbean policyholders.

Last November, the Chairman of the Ministerial Sub-Committee on Insurance, Prime Minister Ralph Gonsalves articulated the strategy of ECCU Governments to work together on this issue based on the following guiding principles:

- (i) To ensure that British American does not become a systemic risk to the financial system;
- (ii) To protect, as far as practicable, the interests of depositors and investors;
- (iii) To keep British American as a “going concern” in a form to be determined; and
- (iv) To craft a solution that is regional in nature.

Our citizens were also informed that the proposal by the ECCU Governments would be subject to Court approval of the recommendations of the Judicial Managers. Consequently, it has been necessary to apply to the Court in each country for approval of these recommendations.

Court Approval

As of today, the High Courts in six of the ECCU jurisdictions have approved proposals for the establishment of a new company to assume the liabilities of BAICO. The countries with approval are: Antigua & Barbuda, Dominica, Grenada, St Kitts and Nevis, St Lucia and St Vincent & the Grenadines.

The hearing for Anguilla is scheduled for the 8th of March, and while no hearing date has been set for Montserrat, efforts are being made to have the matter heard within the next two weeks.

The New Company

The new company is to be capitalized by contributions from the ECCU Governments, the Liquidity Support Fund (to which the Government of Trinidad & Tobago has contributed US\$50 million from its Petroleum Fund), additional contributions from certain Caricom countries; the residual assets of BAICO; and by a capital injection from at least one significant Strategic Investor.

These prospective strategic Investors are highly respected International and Regional financial institutions. It is also expected that the Strategic Investors will play a significant role in the ownership and management of the new company, since the Governments preferred role is to stabilize rather than become directly involved in the long term management and ownership of an insurance company.

Discussions with prospective strategic Investors are progressing well, and pre due diligence is already underway; however, we are bound by non-disclosure agreements and cannot disclose their identities at this stage.

Though precise time frames are difficult to provide for such complex and multi-jurisdictional undertakings, it is our hope that the new company will become fully operational within the next several months. . Every effort is being made to ensure that policyholders, annuitants and other creditors will recover as much of their investment as possible. However, we have already signaled to them that the new company will not be able to continue to pay the unrealistic high interest rates that contributed to the difficulties of BAICO in the first place.

The United States Assets

The Judicial managers have also filed petitions in the United States seeking recognition by the US Courts, of the judicial management proceedings

currently taking place in the Bahamas and the Eastern Caribbean. These petitions were heard in the US in early February, and judgment is expected at any moment.

These petitions have been submitted to the United States Federal Bankruptcy Court, and are necessary to protect the assets of BAICO in the US, and stay litigation commenced against BAICO in the US.

British American has investment funds in the US that are managed by US based fund managers, as well as real estate that it owns through various subsidiaries.

The Medical Fund

The Governments of the ECCU are now finalising the establishment of a Medical Claims Support Fund to offer relief to persons who are awaiting funds from British American to settle their medical insurance claims.

This Fund is being established to assist, within certain parameters, those ECCU policy holders who would otherwise have been entitled to receive payments of claims under BAICO medical policies. It is being set up as an independent, Governmental fund rather than a part of the existing BAICO operations. However, the establishment of this fund is being achieved by collaboration with the Judicial Managers and will be incorporated into the new company.

However, the Fund will not apply to holders of annuities who are seeking funds to pay medical needs. Annuitants can expect some recovery only after the establishment of the proposed new company.

A team of legal persons is presently reviewing the terms of the Fund.

The Property Portfolio

The Judicial Managers are in the final stages of arrangements with a regional insurance company to take over BAICO's property insurance portfolio within the ECCU, subject to all appropriate court approvals.

The Governments of the ECCU are satisfied that ECCU property insurance policyholders would be best served by the proposed transfer to ensure that all property claims can properly be met.