

Life Insurance – Frequently Asked Questions (“FAQs”)

PLEASE NOTE THESE FAQs ARE ONLY RELEVANT TO THE 3,221 SURRENDERED POLICIES (DEFINED BELOW)

The responses to these FAQs were last updated on 28 April 2021.

Premier Assurance Group SPC Ltd. (in Official Liquidation) (the “Company”) and its segregated portfolio: Premier Assurance Segregated Portfolio (“PASP”)

On 14 September 2020, Jeffrey Stower and Jason Robinson, both of KPMG, were appointed as Joint Controllers of the Company by the Cayman Islands Monetary Authority (the “**Authority**”) pursuant to section 24(2)(h) of the Cayman Islands Insurance Act, 2010 (the “**Insurance Act**”).

On 27 October 2020, the Joint Controllers were appointed as joint provisional liquidators (the “**JPLs**”) of the Company by the Grand Court of the Cayman Islands (the “**Grand Court**”) pursuant to section 104(3) of the Companies Act (2020 Revision).¹

On 19 April 2021, the JPLs were appointed as joint official liquidators (“**JOLs**”) of the Company by the Grand Court pursuant to the Companies Act (2021 Revision).

FAQ 1: What was the basis for the Authority’s regulatory intervention in September 2020, which resulted in the appointment of the Joint Controllers and ultimately the JOLs?

Response 1:

On 23 September 2020, the Authority released a public notice advising of the Joint Controllers’ appointment.

The Joint Controllers were originally appointed pursuant to section 24(2)(g) of the Insurance Act in furtherance to the Authority’s finding that Jorge Eduardo Falcon and Leonardo Cornide, two of the Company’s directors, were not fit and proper to hold the position of director of a licensee. A copy of the Authority’s notice dated 23 September 2020 can be accessed via the below link.

https://www.cima.ky/upimages/noticedoc/PublicNotice-PremierAssuranceGroupAppointmentofControllers_1600878607.pdf

As required under the terms of their appointment, the Joint Controllers issued an interim report to the Authority dated 22 October 2020 in which the Joint Controllers recommended that the Authority present a winding up petition seeking the winding up of the Company pursuant to Section 24(5)(e) of the Insurance Act. This recommendation was based on several findings, including:

- an assessment of the financial position of the Company (including each of its segregated portfolios) concluding that the Company, PASP and the Company’s other segregated portfolio were balance sheet insolvent and that PASP was unlikely to be able to pay its debts in the future; and
- the identification of several significant regulatory breaches of the Insurance Act and the Insurance (Capital and Solvency) (Classes B, C and D Insurers) Regulations (2018 Revision).

¹ The appointment of JPLs, and subsequently JOLs, followed the presentation of a winding petition against the Company, presented by the Authority to the Grand Court on 26 October 2020.

The grounds for seeking the appointment of JPLs was to provide the Company with interim relief from creditor action while the JPLs had the opportunity to properly investigate selling or transferring the business of PASP as an alternative to a winding up of the Company in the best interests of the Company's creditors. This matter is addressed in further detail in Section 3.1 of the JPLs' Second Report dated 29 January 2021.

Despite running a robust sales process, no offers were received to purchase the PASP book of business or to inject capital into the Company to address the shortfall in its asset position, which may have allowed the Company and PASP to continue as a going concern.

Accordingly, the JOLs recommended that the Authority seek to have its winding up petition listed for hearing in the Grand Court for the purpose of proceeding with the winding up of the Company. This resulted in the appointment of the JOLs on 19 April 2021, as is set out above.

FAQ 2: What is the legal status of the purported transfer of policies to Puerto Rico?

Response 2:

This FAQ should be read in conjunction with the JOLs' Notice to Participants dated 24 March 2021, which can be accessed at the following link:

<https://home.kpmg/content/dam/kpmg/ky/pdf/2021/ky-notice-to-papr-participants-24-mar-2021.pdf>

The JOLs understand that the purported transfer of 3,221 certificate holders from PASP to Premier Assurance Segregated Portfolio Puerto Rico SAP ("**PAPR**") ("**Surrendered Policies**") on or around 15 June 2020 (the "**Purported Transfer**") was facilitated by Premier Trust purportedly exercising its powers to unilaterally surrender certain policies issued by PASP. PAPR then purportedly issued new policies to those 3,221 participants on substantially the same terms as the original policies with PASP.

The notice of 24 March 2021 sets out the Authority's view that the Purported Transfer has no legal effect as a matter of Cayman Islands law and is therefore invalid. Pursuant to section 31 of the Insurance Act, a "*transfer or amalgamation of the whole, or any part, of the long term business of any insurer to another insurer shall only be effected in accordance with the approval of the Authority*". The Authority is of the view that the Purported Transfer constitutes a 'transfer' pursuant to section 31 of the Insurance Act and required the Authority's prior approval. Approval for the Purported Transfer was not sought from the Authority or otherwise granted by the Authority.

The JOLs have also received a letter from the legal counsel instructed on behalf of former management of the Company indicating that they disagree with the Authority's view that the Purported Transfer constituted a "transfer" requiring approval from the Authority for the purposes of Section 31 of the Insurance Act.

The JOLs' view is consistent with that expressed by the Authority and the JOLs are presently considering appropriate next steps in this regard.

FAQ 3: What are the consequences of the Purported Transfer being determined to be invalid or of no legal effect as a matter of Cayman Islands law?

Response 3:

In the event that the Purported Transfer is determined to be invalid or otherwise of no legal effect as a matter of Cayman Islands law:

- (1) participants with Surrendered Policies may have a claim in the official liquidation of PASP, the value of which will be determined during the statutory claims adjudication process; and
- (2) the funds allegedly paid to the Company's parent (Premier Assurance Group LLC) as a result of the Purported Transfer would be subject to recovery actions by the JOLs.

The Company is not a party to any agreements entered into between PAPR and the participants of the Surrendered Policies. Accordingly, the JOLs are unable to comment on the effect of any new contractual arrangement(s) entered into between PAPR and the participants of the Surrendered Policies, which would be a matter between PAPR and those participants.

FAQ 4: Were any assets transferred from PASP to PAPR as a result of the Purported Transfer?

Response 4:

Subject to the validity of the Purported Transfer, the JOLs understand that the Surrendered Policies had a net cash surrender value of US\$43,529,621. Prior to the appointment of the Joint Controllers approximately US\$37 million had been transferred to the Company's parent, Premier Assurance Group LLC. The JOLs have been informed by management that these funds were paid to Premier Assurance Group LLC in relation to the Purported Transfer.

These funds are currently held with a third-party custodian based in the United States and are subject to possible recovery actions by the JOLs. Further information will be provided in due course.

FAQ 5: If the Purported Transfer is determined to be invalid or otherwise of no legal effect as a matter of Cayman Islands law, how does this impact upon the new agreements and/or policies entered into between PAPR and the participants of the Surrendered Policies?

Response 5:

PAPR purportedly issued a new policy to Premier Trust and new certificates to the participants of the Surrendered Policies. Neither the Company, nor the JOLs have control over the ongoing management of PAPR. All questions with respect to the nature of the contractual relationship between participants and PAPR and the terms of any contractual agreements should be directed to PAPR or Premier Trust.

FAQ 6: Can the JOLs comment on the financial viability of PAPR?

Response 6:

As noted in the JPLs' Second Report, the JOLs understand that PAPR is owned by the shareholder of the Company, Premier Assurance Group LLC. However, the JOLs have no control over or insight into the ongoing management of PAPR. The JOLs also have no visibility over the financial position of PAPR.

FAQ 7: Should PAPR plan participants continue to make payments towards premiums payable on PAPR policies?

Response 7:

The JOLs have no authority over the ongoing management of PAPR. All questions relating to the contractual rights and obligations of the contract entered into between PAPR and respective participants should be directed to PAPR or Premier Trust.

FAQ 8: How do participants of the Surrendered Policies submit a claim in the PASP liquidation?

Response 8:

Further information with respect to the claim process and the specific documentation required will be communicated directly to participants. This communication is expected to be issued on or before 17 May 2021.

FAQ 9: How long will it take for participants to receive payment of dividends from the PASP liquidation estate?

Response 9:

The JOLs are currently taking steps to ensure that an interim dividend can be paid to creditors as soon as practical.

However, in advance of any dividend being paid, there are a number of statutory steps and timeframes to be adhered to, including the adjudication of creditor and participant claims.

Further information with respect to timeframes and the information required from participants is expected to be communicated directly to participants on or before 17 May 2021.

FAQ 10: Can a participant request that the JOLs pay his dividend from the PASP liquidation estate to a third party?

Response 10:

Yes, a creditor or member may assign his right to receive a dividend or instruct the JOLs to pay his dividend to some other person pursuant to Order 18, rule 9 of the Companies Winding Up Rules, 2018 ("CWR") in the Cayman Islands.

The creditor entitled to receive a dividend must give notice of the assignment to the JOLs or give written instructions to the JOLs that his dividend be paid to some other person.

FAQ 11: If I assign my right to a dividend to a third party, can I reverse that decision at a later point?

Response 11:

If the JOLs receive notice of an assignment in accordance with Order 18, rule 9(2) of the CWR, the JOLs are required to pay the dividend to the assignee. The JOLs are unable to comment on the terms of any

assignment agreement between a participants and a third party, including the rights (if any) of a participant to vary or terminate any such agreement.

If the JOLs receive written instructions from a creditor entitled to receive a dividend in accordance with Order 18, rule 9(3) of the CWR, the JOLs are required to pay any dividend in accordance with those instructions.

FAQ 12: Why is the Premier Trust portal (the “Portal”) being shut down?

Response 12:

As set out in the notice dated 24 March 2021, the Portal which hosts information for PASP participants will be shut down and remain inaccessible to all PASP participants effective on 30 April 2021 to reduce the Company’s expenses.

For the avoidance of doubt, neither the JOLs nor any PASP participant will have access to the Portal after 30 April 2021.

The JOLs are taking separate steps to secure a backup of the Company’s data.

FAQ 13: What information should participants download from the Portal?

Response 13:

Participants should ensure that, in advance of 30 April 2021, they download the following documents the Portal:

- (1) a copy of their statement dated 15 June 2020;
- (2) a copy of their statement dated 26 October 2020; and
- (3) any and all other historical account information they might require.

The above information may help to support the basis of your claim in the liquidation. The claim process will be described in more detail in due course.