

## Life Insurance – Frequently Asked Questions (“FAQs”)

The responses to these FAQs were last updated on 3 November 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 ("**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 ("**JPLs**") of the Company by an Order of the Grand Court of the Cayman Islands (the "**Grand Court**") pursuant to section 104(3) of the Cayman Islands' Companies Act (as Revised) (the "**Companies Act**").<sup>1</sup>

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

The first meeting of creditors of the Company was held on 16 June 2021 and the minutes of this meeting are available on the JOLs' website:

<https://home.kpmg/ky/en/home/services/advisory/deal-advisory/premier-assurance-group-spc.html>

Creditors were sent a notice containing a password to access the minutes on 28 July 2021.

#### ***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 announcing 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](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

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<sup>1</sup> 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.

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).

The grounds for seeking the appointment of the JPLs was to provide the Company with interim relief from creditor action whilst the JPLs had the opportunity to properly investigate selling or transferring the business of PASP as an alternative to winding up 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/or the business of PASP to continue as a going concern.

Accordingly, the JPLs recommended that the Authority seek to have the winding up petition listed for hearing in the Grand Court for the purposes 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 impact of the Company being placed into official liquidation and the appointment of the JOLs?***

Response 2:

As a result of the Company being wound up and the JOLs being appointed by the Grand Court on 19 April 2021, the JOLs control the affairs of the Company (and each of its segregated portfolios), subject to the Grand Court's supervision.

The JOLs are empowered to investigate the causes of the Company's failure and the promotion, business, dealings and affairs of the Company. The primary duties of the JOLs are to collect, realise and distribute the assets of the Company to its creditors and to report to the Company's creditors on the affairs of the Company and the manner in which it has been wound up.

All unsecured creditor claims rank equally and will be paid *pari passu* at the distribution percentage which will be confirmed by the JOLs in due course.

***FAQ 3: What is the role of the Liquidation Committee of PASP?***

Response 3:

The members of the Liquidation Committee of PASP (the "**PASP LC**") were elected at the first meeting of creditors of PASP held on 14 September 2021. The PASP LC was elected to represent the interests of the creditors of PASP. The JOLs will report to and consult with the members of the PASP LC with regard to the conduct of the liquidation of the Company referable to PASP and seek feedback on discrete aspects.

The JOLs have shared with the PASP LC detail on the work undertaken to date and the ongoing liquidation strategy. Information provided by the JOLs to the PASP LC may be legally privileged, commercially sensitive and/or confidential. Members of the PASP LC have agreed confidentiality undertakings with the JOLs. Accordingly, information provided to the PASP LC will not be available to the public or to the general body of creditors of the Company. The JOLs will, however, share as much information as is possible with the general body of creditors of the Company.

***FAQ 4: Is the money invested by participants in their plan(s) still secure?***

Response 4:

The JOLs have taken and continue to take steps to assume control of and collect all property or assets to which PASP appears to be entitled, in order to safeguard the interests of creditors.

Please refer to the JOLs' First Report to creditors dated 14 May 2021 for details of PASP's financial position.

***FAQ 5: What is the status of the policies/plans that participants have invested in?***

Response 5:

The JOLs continue to investigate PASP's financial position. The JOLs are undertaking an independent review of assets and reserves referable to PASP to assess the adequacy of the same. The JOLs have also taken steps to assume control of and collect all property or assets which appear to be referable to PASP, in order to safeguard the interests of participants and creditors.

As outlined in the JOLs' First Report to creditors dated 14 May 2021, there exists a significant shortfall in assets as compared to liabilities referable to PASP. The JOLs continue to investigate the reasons for the shortfall in assets, including the causes and parties responsible for such shortfall. The JOLs will creditors with a further update of the outcome of these investigations in due course.

As outlined above, the JOLs have provided more frequent and detailed reports to the members of the PASP LC in accordance with the requirements of Cayman Islands law, and on the basis of the confidentiality undertakings provided by those members.

***FAQ 6: Are the assets referable to PASP separate from the assets of the Company's other segregated portfolio, Global Assurance Segregated Portfolio ("GASP")?***

Response 6:

The assets and liabilities referable to PASP are legally separate from the assets and liabilities of GASP and from the general assets and liabilities of the Company (or the "Core"). The assets referable to PASP are only available, and may only be used, to meet the liabilities referable to PASP. A creditor referable to GASP has no recourse to the assets referable to PASP. A creditor referable to PASP has no recourse to the assets referable to GASP.

**FAQ 7: What is the payment status of surrender requests and can participants submit surrender requests at this time?**

Response 7:

The JOLs are not accepting surrender requests from participants. The value of a participant's claim will depend on that participant's policy status as at the date of the commencement of the liquidation (i.e. 26 October 2020).

Any participants who have submitted surrender requests and have had such requests approved before the commencement of the liquidation (i.e. before 26 October 2020) will rank as unsecured creditors in the liquidation. As outlined in Response 16 below, further information will be communicated directly to participants of the Company referable to PASP in respect of whether the JOLs have admitted their claims and the value of any such claims.

All unsecured creditor claims rank equally and will be paid *pari passu* at the distribution percentage to be confirmed by the JOLs.

**FAQ 8: Why are claims being valued at 26 October 2020 and not 19 April 2021?**

Response 8:

By operation of Cayman Islands law, all claims in the liquidation are valued as of the commencement of the liquidation. For the purpose of this process, that date is the date that the winding up petition was presented by the Authority, being 26 October 2020. Accordingly, all claims will be valued as at 26 October 2020. The JOLs have no discretion in this regard.

All unsecured creditor claims rank equally and will be paid *pari passu* at the distribution percentage which will be confirmed by the JOLs when a dividend has been declared. Any investments gains on assets referable to PASP between 26 October 2020 and 19 April 2021 will reduce the current asset shortfall and increase the quantum of funds available for distribution to creditors at the appropriate time.

**FAQ 9: Will the value of a participant's claim be at the account or surrender value?**

Response 9:

The value of each individual claim is dependent on the status of the participant's policy on 26 October 2020 and is subject to the outcome of the adjudication process.

Participants with an active policy status as at 26 October 2020 are eligible to claim in the liquidation of PASP at a value which is equal to their account value on the date the winding up petition was originally presented (i.e. 26 October 2020). Policies with a status other than active as at 26 October 2020 may also be eligible to claim in the liquidation estate and the JOLs will contact all creditors to confirm their claim value or eligibility. Further details on the adjudication process will be released by the JOLs as soon as possible.

**FAQ 10: Should participants continue to make payments towards premiums payable on PASP policies?**

Response 10:

No, participants should **not** be making payments in respect of policies referable to PASP whether via credit card or otherwise.

In the event that participants have been charged premiums by the Company or any other party (via credit card or otherwise) after 26 October 2020, please notify the JOLs of the same providing relevant support, via email to [pag-info@kpmg.ky](mailto:pag-info@kpmg.ky).

Relevant support includes (but is not limited to):

- The participant's policy number; and
- A copy of a bank or credit card statement which evidences the charge being processed to an account in the participant's name.

**FAQ 11: Will premiums paid to PASP between 14 September 2020 (being the date of the appointment of the Joint Controllers) and 26 October 2020 be returned to participants?**

Response 11:

Premiums paid in respect of PASP policies between 14 September 2020 and 26 October 2020 have been accounted for in each participant's account value to 26 October 2020. As such there will not be a refund of any premiums received by the Company during these dates.

**FAQ 12: Can participants obtain a refund of any premiums paid directly to the Company or PASP via wire transfer after 26 October 2020?**

Response 12:

The JOLs are preparing an application to the Grand Court seeking approval to return or refund all premiums paid directly to the Company or PASP after the commencement of the liquidation, being 26 October 2020, or any premiums that were paid directly to the Company in error.

In the event that the Grand Court approves the return or refund of such payments, the JOLs will notify the affected participants and provide further information of the relevant KYC/AML required in order for those participants to receive payment.

**FAQ 13: Is there an update on the purported transfer of policies to Puerto Rico?**

Response 13:

As outlined in Section 4.2.3 of the JOLs' First Report dated 14 May 2021, the JOLs understand that on or about 15 June 2020 the interests of 3,221 plan participants holding insurance policies referable to PASP (together, the "**PAPR Participants**") were purportedly transferred to Premier Assurance Segregated Portfolio Puerto Rico SAP ("**PAPR**") ("**Purported Transfer**").

The validity of the Purported Transfer remains subject to an ongoing dispute with the former directors of the Company and ongoing legal proceedings in the United States. Accordingly, the JOLs are not yet in a

position to determine the legal effect or validity of the Purported Transfer or whether the PAPR Participants have any claim in the liquidation of the Company referable to PASP.

Once the abovementioned dispute has been resolved, the JOLs will contact the PAPR Participants in writing to inform them whether any claim they may have has been admitted in the liquidation and/or whether they are required to take any further steps.

***FAQ 14: Can the JOLs comment on the financial viability of PAPR?***

Response 14:

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 15: Have the JOLs approved the ongoing communications from the management of PAPR to PAPR Participants?***

Response 15:

As outlined above, the JOLs have no control over or insight into the ongoing management of PAPR. The Company is not a party to any agreements which may have been entered into between PAPR and the PAPR Participants. All questions concerning the contractual rights and obligations of any contracts entered into between PAPR and the PAPR Participants should be addressed to PAPR or Premier Trust.

***FAQ 16: How do participants submit a claim in the liquidation of the Company (referable to PASP)?***

Response 16:

On 24 August 2021, the Grand Court approved a procedure by which the JOLs could admit the claims of plan participants in the liquidation of the Company referable to PASP by reference to the records of the Company without further action by those participants. Should participants disagree with the decision of the JOLs and/or the claim amount, participants will be given an opportunity to lodge a separate proof of claim.

Further information will be communicated directly to participants referable to PASP in respect of this process. This communication is expected to be issued on 12 November 2021.

***FAQ 17: How do any other unsecured creditors lodge a claim in the liquidation of the Company referable to PASP?***

Response 17:

Any persons who do not hold or have not held insurance policies referable to PASP are required to lodge a Proof of Debt, together with supporting documentation, in order to make a claim in the liquidation of the Company referable to PASP.

A copy of the Proof of Debt form can be found on the JOLs' website. Completed Proof of Debt forms and supporting documentation must be returned to the JOLs by email at [pag-info@kpmg.ky](mailto:pag-info@kpmg.ky). The JOLs will consider Proofs of Debts and supporting documentation to determine whether to admit or reject such claims.

Further information in respect of the claims adjudication process will be communicated directly to those unsecured creditors who have already submitted a Proof of Debt on 12 November 2021.

***FAQ 18: What is the process for participants who are deceased?***

Response 18:

In the event of a participant's death, the JOLs will require:

- evidence of the participant's death (i.e. a certified copy of a death certificate or similar);
- appropriate KYC/AML documentation in respect of any representative of the estate of the deceased participant and/or beneficiary entitled to payment under the participant's policy (as applicable); and
- in the event that a claim is made in the liquidation on behalf of the participant's estate, evidence of the entitlement of any representative of the participant's estate to administer the affairs of that participant's estate (i.e. a certified copy of any relevant grant of representation and/or testamentary document).

Subject to the circumstances of the case, the JOLs may require further documentation to be provided. Any documents must be provided to the JOLs via email to [pag-info@kpmg.ky](mailto:pag-info@kpmg.ky).

The value of any claims in the liquidation of the Company (referable to PASP) depend on the status of the participant's policy on 26 October 2020 and is subject to the outcome of the claims adjudication process.

***FAQ 19: How long will it take for creditors to receive payment of dividends from the PASP liquidation estate?***

Response 19:

The JOLs intend to declare an interim dividend in respect of the creditors of the Company referable to PASP. However, in advance of an interim dividend being declared, there are a number of statutory steps and timeframes to be adhered to, including the adjudication of creditor claims.

Further information with respect to timeframes and the information required from participants is expected to be communicated directly to participants on 12 November 2021.

***FAQ 20: How much will creditors get paid in the interim dividend?***

Response 20:

The distribution amount of any interim dividend payable to creditors will be communicated by the JOLs when declaring such interim dividend.

**FAQ 21: Can a creditor entitled to receive a dividend in the liquidation of PASP request that his or her dividend is paid to some other person?**

Response 21:

Yes, a creditor entitled to receive a dividend in the liquidation of the Company referable to PASP may request that his or her dividend is paid to some other person as follows:

- (1) Firstly, a creditor may assign his or her right to receive a dividend in the liquidation to some other person pursuant to O.18, r.9(1) and (2) of the Companies Winding Up Rules, 2018 ("**CWR**") in the Cayman Islands. If a creditor entitled to receive a dividend gives notice of the assignment to the JOLs, then the JOLs are required to pay the dividend to the assignee.
- (2) Secondly, it is also possible for a creditor to instruct the JOLs in writing to pay his or her dividend to some other person pursuant to CWR O.18, r.9(3). If a creditor entitled to receive a dividend gives written instructions to the JOLs that the dividend be paid to some other person, then the JOLs will pay the dividend in accordance with those instructions.

In advance of making any payments of dividends, the JOLs will provide creditors with an opportunity to request that their dividend is paid to some other person in accordance with one of the above options.

Please note that in advance of any dividend payments being made, creditors (or another person entitled to receive the dividend as set out above) will need to provide adequate KYC/AML documentation. The KYC/AML information required will be communicated directly to creditors (or the other person entitled to receive a dividend as set out above).

**FAQ 22: Will there be any upcoming meetings for participants to attend? Do I need to submit another Proxy?**

Response 22:

At this time there are no further meetings of creditors scheduled. All creditors will be issued with notice of any future meetings and will be invited to complete a proxy in advance of any meetings.

**FAQ 23: Who will contact me requesting information relating to the liquidation?**

Response 23:

At this time, requests for information required by the JOLs will come directly from [pag-info@kpmg.ky](mailto:pag-info@kpmg.ky) or a member of the liquidation team with an email address with an @kpmg.ky domain name. Should the JOLs engage a third-party service provider to collect any information, the JOLs will communicate the same with creditors in advance of such request.

You should only provide personal details to trusted sources. Please exercise caution in handling emails with attachments or hyperlinks, and those which request your personal details, **even if they appear to originate from a trusted source**. Typically, cyber-hackers will impersonate a specific individual within an organization, or a trusted external contact in sending a targeted email. Attachments or links sent to the victim in the email will masquerade as a file or site they should trust.

Please report any unauthorized sources requesting information to the JOLs at [pag-info@kpmg.ky](mailto:pag-info@kpmg.ky) in order for us to confirm if it is in relation to the liquidation process.