

August 4th, 2009

Important Information for Healthcare Providers

Re: Status of Health Insurance Policy Holders of the Bermuda Branch of British American Insurance Company

Following today's press release by the Bermuda Monetary Authority (BMA) and the Ministry of Finance (MoF) regarding British American Insurance Co (BAICO), the Bermuda Health Council is writing to healthcare providers to advise that alternate mechanisms have been established to ensure patients with British American health insurance policies continue to be covered.

The MoF and the BMA have implemented a plan to transition the BAICO health insurance policyholders to an alternative local health insurance provider. While this transfer is completed, a claims-paying facility has been established to allow for the continued, uninterrupted payment of all health insurance claims on BAICO health insurance policies.

Healthcare providers should thus continue to accept patients with BAICO health insurance and submit claims for reimbursement as normal.

BAICO is a Bahamas-based health and life insurer that is majority owned by the CL Financial Group of Trinidad and Tobago. The BMA has advised that both companies have experienced severe financial difficulties recently resulting in regulatory interventions in a number of international jurisdictions. In Bermuda the BMA has commenced winding up proceedings against BAICO in the Supreme Court.

The Bermuda Health Council will endeavour to keep Health System Stakeholders abreast of all pertinent developments in this matter. The BMA/MoH press release is enclosed for your information.

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PRESS RELEASE

For Release: Monday 3rd August 2009

BMA Begins Winding up Proceedings against British American Insurance Company Limited for the Protection of Bermuda Branch Policyholders

Minister of Finance authorises short-term liquidity facility enabling the continuation of claims payments on existing health policies.

The Bermuda Monetary Authority (BMA) has commenced winding-up proceedings in the Supreme Court of Bermuda in relation to the Bermuda branch of British American Insurance Company (BAICO), a Bahamian insurance company which is a majority owned subsidiary of CL Financial Group of Trinidad and Tobago (CL). The Official Receiver of Bermuda has been appointed Provisional Liquidator of BAICO Bermuda branch (the "Official Receiver").

This action is necessary as a result of the continuing severe financial difficulties faced by BAICO and CL and the recent regulatory intervention that has been undertaken by a number of overseas regulatory authorities in jurisdictions where BAICO operates. The action that has been taken by the BMA is intended to protect local policyholders by securing the local assets of BAICO Bermuda branch. Prior to this action, the BMA had already imposed certain restrictions on BAICO Bermuda branch including the cessation of new business and a requirement to secure local assets for the benefit of local policyholders at a level exceeding normal statutory requirements.

It is apparent that as a result of the financial difficulties faced by BAICO, policyholders, particularly those with investment or savings products, will very likely face a potential shortfall. The BMA and the Official Receiver have been in negotiations with other domestic insurance companies to discuss options regarding the business of BAICO Bermuda branch. The Argus Group has agreed in principle to assume all of BAICO Bermuda branch's existing health policies to enable such policyholders to continue to receive healthcare benefits. The exact terms of these arrangements will be advised in due course to those policyholders and healthcare providers affected. Subject to final agreement it is likely that the assumption of the health book of business by the Argus Group will take a number of weeks to complete.

In the meantime, in order to minimise the impact on those policyholders with health insurance policies while those arrangements are finalised, the Minister of Finance has authorised a liquidity facility that will enable the Official Receiver to pay claims in full, to health policyholders and to health providers, on existing policies in the short-term.

The liquidity facility provided by the Government will allow all health policyholders of BAICO Bermuda branch to continue to receive payments in the short-term. Health care providers should note that the liquidity facility will enable all claims for periodic and on-going medical care to be paid in the short-term under the existing terms of the policies.



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PRESS RELEASE

Deputy Premier and Minister of Finance the Hon. Paula A. Cox, JP, MP said: “The BMA and the Government of Bermuda are very grateful to the domestic insurance companies who have worked hard to find this solution and in particular to the Argus Group for their efforts to assist BAICO Bermuda branch’s health policyholders during this difficult time. It is our hope that solutions for the non-health policyholders also will be identified as we work through the transition for the health insurance policies.”

BMA CEO Matthew Elderfield commented: “The financial problems of British American are affecting tens of thousands of policyholders across numerous jurisdictions. The actions being taken today to secure local assets will help minimise the impact on local policyholders, but it will take some time to assess the financial position and the options for the future before the exact size of any shortfall for non-health policyholders can be determined. I’m very grateful to the Government for providing a liquidity facility to ensure continuity in health coverage, and to the Argus Group for demonstrating this extended level of community support by offering to assume the health policyholders of BAICO Bermuda branch, which will ensure that local health policyholders will continue to receive medical care.”

It should be noted that without the short term liquidity facility provided by the Bermuda Government, the appointment of the Official Receiver would normally signal the cessation of all claims payments, including those made under healthcare policies. The Government recognizes the uncertainty and in certain cases severe hardship this would cause local health policyholders, and has established this facility for a period necessary to allow the assumption of the healthcare business by the Argus Group. Although the facility will be structured specifically to support a seamless transition of the health business to the Argus Group, please note that the Government, the BMA and the domestic insurance industry, in conjunction with the Official Receiver, are considering other options for the non-health policyholders of BAICO Bermuda branch. However, in the interim, all payments to non-health policyholders will be suspended.

Further press releases will be issued by the relevant parties concerning the status of the provisional liquidation in the next week.

The Provisional Liquidator of BAICO Bermuda branch has appointed KPMG Advisory Limited to assist with the administration of the provisional liquidation. Policyholders or creditors can obtain further information with regard to BAICO Bermuda branch at www.kpmg.bm/ba or by contacting KPMG Advisory Limited at infoba@kpmg.bm or by calling the BAICO hotline on **294-2651**.

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