

FREQUENTLY ASKED QUESTIONS

Why were joint provisional liquidators appointed?

The Bermuda Regulatory Authority (“BMA”) presented a winding up petition (the “Petition”) dated 24 November 2024 against Custodian Life Limited (in Provisional Liquidation) (the “Company”) and subsequently applied to the Supreme Court of Bermuda (“Bermuda Court”) for the appointment of Joint Provisional Liquidators (“JPLs”) of the Company.

The Petition was presented by the BMA based upon the grounds specified in Section 35 (1) (b) – (c) of the Insurance Act 1978 (“IA1978”). This statute provides that the Court may make a winding up order in respect of an insurer such as the Company where it is established by the BMA that:

- I. the insurer has failed to satisfy an obligation under IA1978, including a failure to prepare or file accounts and financial statements of the insurer in accordance with the IA1978;
- II. the Authority is otherwise unable to ascertain the financial position of the insurer.

The Petition was not presented on the grounds specified in Section 35 (1) (a) of the IA1978 which provides that the Court may make a winding up order in respect of an insurer such as the Company where it is established by the BMA that the Company is unable to pay its debts (i.e. is insolvent) within the meaning of sections 161 and 162 of the Companies Act 1981.

The Company disputed the facts alleged by the BMA in support of the Petition and did not oppose the appointment of the JPLs for restructuring purposes pursuant to the Petition.

Accordingly, by order of the Bermuda Court dated 24 November 2023 (the “Order”), Edward Willmott and John Johnston of Deloitte Financial Advisory Ltd., were appointed as JPLs of the Company for restructuring purposes only.

The hearing of the Petition has currently been adjourned to 15 March 2024.

What is the purpose of the provisional liquidation?

The primary purpose of the provisional liquidation is to restructure the Company. In doing so, and in accordance with the Order, the JPLs function is to safeguard the Company’s assets and ascertain their views on the Company’s financial position generally and current or future prospects of compliance with the IA1978.

The JPLs are independent restructuring professionals appointed by the Court to serve the interests of stakeholders in the Company, including policyholders. Based on the information available to them at this time, the JPLs have determined that the best interests of all stakeholders, and specifically Policyholders, are best served by expeditiously progressing these efforts to achieve a successful restructuring of the Company in an expeditious manner with cooperation from the Company itself.

While, the JPLs have received some information, pending receipt of the information necessary to ascertain the financial position of the Company and thereby prepare sufficient evidence to support an application to the Supreme Court of Bermuda validating payments to policyholders pursuant to Section 166 of the Companies Act 1981, the JPLs have taken the precautionary measure of suspending the payment of all redemption and withdrawal requests as well as individual portfolio trades. This suspension on

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policyholder redemptions, and trade requests is intended to be temporary and is necessary to ensure that no disposition of assets of the Company, including any redemption payments will not be subsequently rendered void.

At present and in light of the impact of these temporary measures, the JPLs' immediate and urgent priority is to obtain sufficient information from the Company's management to ascertain the financial position of the Company. It is expected that upon receipt of this information the JPLs will be in a position to seek sanction from the Bermuda Court in relation to such steps as are necessary to achieve a successful restructuring and discharge of the JPLs. It is expected that any such order will also provide appropriate mechanisms for addressing policyholder redemption and trade requests pending implementation of such restructuring. In the event that the financial information provided by the Company is sufficient to eliminate any realistic prospect that the Company will be wound up or otherwise become unable to pay its debts, the JPLs would expect any order sanctioning the restructuring plan to include directions for immediate payments to redeeming policyholders either in full or in part in advance of the conclusion of the restructuring and discharge of the JPLs.

What is the current status?

The process of obtaining and analyzing the complete financial and corporate records from Company is ongoing.

The JPLs priority is and has been since the commencement of their appointment to urgently complete their assessment of the financial position of the Company as the prerequisite to a return to normal processing of policyholder requests and sanction of a restructuring plan resulting in a return to normal operation of the Company. The JPLs have pursued this priority in parallel with measures to ensure adequate protection for policyholders' interests during the course of their appointment.

While the JPLs continue to review the solvency and the segregation status of the Company based on the information provided, the JPLs will not be in a position to provide any further substantive update on the progress of the restructuring plan until they have been provided full access to the information requested by management and the service providers to the Company controlled by management.

While the JPLs cannot guarantee that a successful restructuring leading to the continuation of the Company as a going concern will be possible, the JPLs are exercising their powers having regard to the interests of all stakeholders, including policyholders, until such time as a restructuring is implemented. The JPLs are working closely with the Company's management and the BMA in these efforts to ensure the best possible outcome for all stakeholders.

When will redemption/trading be resumed?

As detailed above, the JPLs are unable to process transaction requests unless and until they are able to obtain sufficient evidence to justify the making of an Order by the Supreme Court of Bermuda validating dispositions of the Company's assets pursuant to Section 166 of the Companies Act 1981.

The measures taken pending receipt of such information apply equally to any trading and/or redemption requests submitted prior to the JPLs appointment which were not paid as of the date of Presentation of the Petition. For the avoidance of doubt the JPLs have currently suspended:

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- The processing any trade requests between investment options at this time.
- The processing of any requests to transfer assets to other financial providers or institutions.
- The processing of any withdrawal requests.

The JPLs will communicate any changes in this position as appropriate.

What effect does the Segregated Accounts Companies Act 2000 have on my rights against the Company or its assets?

As part of the JPLs' investigations and in anticipation of receiving full information from the management of the Company in relation to the assets held by it, the JPLs have engaged attorneys for the purpose of confirming the effect of the arrangements between individual policyholders under the Segregated Accounts Companies Act 2000. The JPLs will intend to provide a further update to policyholders in connection with this matter pending receipt of further information and in advance of seeking sanction of any restructuring plan in the Supreme Court of Bermuda.

In the meantime, the JPLs confirm that they have not approved any modification to the legal rights of the policyholders pursuant to SACA persisting as of the date of the Petition and intend to take all necessary steps to preserve the *status quo* in this regard until such time as further information can be provided to policyholders.

Is the entity insolvent?

As part of their ongoing review, the JPLs are investigating the Company's solvency.

What happens if the Company is wound up?

The JPLs will update all policyholders should this occur. The JPLs will act in accordance with the Bermuda Companies Act and the Segregated Accounts Act which provides, among other things, that the unless the Bermuda Court otherwise orders, the JPLs shall carry on the business of Company with a view to its being transferred as a going concern to another insurer.

When will I receive an update from the JPLs?

The JPLs will update all policyholders as and when there are material developments with regards to the restructuring that can be shared without compromising the commercial interests of the policyholders.

Can I submit a claim to the JPLs?

At this stage, the JPLs are not seeking claims from policyholders.

Who will pay the JPL fee?

The JPLs fees will be paid out of the Company's assets, subject to the approval of the Bermuda Court.

On what frequency should I expect updates from the JPLs?

The JPLs will provide an update to all policyholders following the hearing of the Winding-Up Petition which is currently scheduled for the 15th of March 2024. In addition, the JPLs will also communicate any material

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updates to policyholders on an ad-hoc basis, where the JPLs consider they are able to do so without compromising the interests of policyholders' interests.

Will I still be able to access the Company's portal to view my transactions?

You should be able to access the Company's portal during the review period. Despite the trading restrictions noted above all other system functionality should operate in the normal way.

Will the Company be redomiciled to an offshore jurisdiction?

The JPLs are not in a position to comment on the re-domiciliation of the Company at this stage. Any re-domiciliation will form part of a restructuring plan which will require approval from the policyholders in advance of its implementation.

Next Steps

The JPLs do not currently require any action from policyholders. The JPLs will continue to keep policyholders and creditors updated on the next steps in the provisional liquidation process, including in relation to the outcome of the Petition hearing.

Where can I find further information from the JPLs?

Please continue to liaise with your financial advisor and the back-office in the first instance. However, should you wish to contact the JPLs directly, please do so at cbcbmcustodianlife@deloitte.com