

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

You should read it carefully and in its entirety before deciding whether or not to vote in favour of the Scheme. You should consult your insurance broker, financial adviser, legal adviser or other professional adviser before making any decision.

This document can be accessed at <https://www.ccinsurance.org.au/scheme-of-arrangement> and through the Creditor Portal. If you require a printed copy please contact scheme@ccinsurance.org.au.

EXPLANATORY STATEMENT

PURSUANT TO SECTION 412 OF THE *CORPORATIONS ACT 2001* (CTH)

FOR THE CREDITORS' SCHEME OF ARRANGEMENT

between

**CATHOLIC CHURCH INSURANCE LIMITED
(ABN 76 000 005 210)
(the "Company")**

and its

SCHEME CREDITORS

(as defined in the Scheme of Arrangement)

In order for the Scheme to proceed, it must be approved by the Scheme Creditors. The meeting of Scheme Creditors to consider the Scheme will be held virtually on 31 October 2023 commencing at 12.00pm (Melbourne time). Due to the disparate location of the Company's Scheme Creditors the meeting will be held virtually. No physical meeting will be held.

The action required to be taken by you is set out on page 8. **Whether or not Scheme Creditors intend to be present at the Scheme Meeting, they are requested to register as a Scheme Creditor on the Creditor Portal by 5.00pm on 16 October 2023. Scheme Creditors must then complete their Proof of Debt and proxy details through the Creditor Portal as soon as possible, and by no later than 5.00pm on 25 October 2023. The Company will contact Scheme Creditors it has identified on 28 September 2023 with login credentials to access the Creditor Portal. If a person who considers they are a Scheme Creditor does not receive login credentials on 28 September 2023, they must contact the Company by 5.00pm 9 October 2023. If that person fails to do so, they will no longer be eligible to receive and submit a Validation Form to be adjudicated as a Scheme Creditor and granted access to the Creditor Portal. That person will not be eligible to vote at the Scheme Meeting.** Further details on how to vote at the Scheme Meeting, as well as information about the proposed Scheme, are set out in this Explanatory Statement.

IMPORTANT NOTICE

This document pursuant to section 412 of the *Corporations Act 2001* (Cth) has been prepared in connection with a proposed Scheme between Catholic Church Insurance Limited and its Scheme Creditors (as defined in the Scheme) and is dated 27 September 2023.

Scheme Creditors should not construe the contents of this document as legal, tax, financial or other professional advice. Each Scheme Creditor should read this Explanatory Statement carefully and in its entirety before deciding whether or not to vote in favour of the Scheme. Scheme Creditors should consult their own professional advisers as to the legal, tax, financial or other matters relevant to the action they should take in connection with the Scheme.

In an endeavour to ensure that insurance brokers are in a position to advise their clients, a copy of this document (or instructions as to how to access it) will also be sent to brokers known to the Company to have placed business with it on behalf of clients with current or recently lapsed Insurance Contracts.

Responsibility statement

The statements, opinions and information contained in this document are made, held or given respectively as at the date of this document unless another time is specified and such statements, opinions and information are made, held or given solely by or on behalf of the Company and unless expressly attributed to another party. Service of this document shall not give rise to any implication that the facts set out in it since the date of service remain unchanged.

This document includes in Appendix 6 a copy of a report prepared for the Company and its Directors by FTI Consulting (Australia) Pty Ltd (ACN 160 397 811) (**FTI Consulting**) on certain matters (**FTI Consulting Report**). The FTI Consulting Report has been prepared for the sole purposes stated in it. It has been referred to in this document for those purposes only. It is not intended, and is not to be regarded as intended, as a recommendation by FTI Consulting as to how any person should vote or exercise any other right in relation to any financial product affected by the Scheme. It is not advice to any person other than the Company and its Directors. Any statements in this document recommending the Scheme are made by the Company and its Directors.

Investment decisions

The information in this document does not constitute financial advice or product advice. This document has been prepared without reference to the investment objectives, financial situation or particular needs of any Scheme Creditor or any other person. This document should not be relied on as the sole basis for any investment decision. Each Scheme Creditor's decision whether or not to vote in favour of the proposed Scheme will depend on an assessment of their individual circumstances. Independent legal, financial and tax advice should be sought before making any decision in relation to the Scheme.

No admission

Nothing contained in this document constitutes an admission of any fact or liability on the part of the Company or any other person in respect of any asset to which they may be entitled or any claim against them. **No estimate of the amount of any claim against the Company specified in the Creditor Portal, or otherwise provided for voting purposes, shall be admissible against the Company or any other party, or shall be taken into account in calculating payments under the Scheme.** Any such estimate shall only be used for voting purposes at the meeting of Scheme Creditors to consider the Scheme.

The furnishing of particulars of claims for voting purposes will be used for voting purposes only and will not constitute an admission by, or otherwise bind or be admissible against, a Scheme Creditor, the Company or any other person.

The summaries of the principal provisions of the Scheme and related matters contained in this Explanatory Statement are qualified by reference to the terms of the Scheme itself. Scheme Creditors are advised to read and consider carefully the full terms of the Scheme which are set out in full in Appendix 1.

No representation or warranty

The Company has not authorised any person to make any representation, whether oral, written, express or implied, concerning the proposed Scheme, which is inconsistent with the statements made in this document. Consequently, if such representations are made, they should not be relied upon.

Forward-looking statements

Certain statements in this Explanatory Statement relate to the future. The forward-looking statements in this Explanatory Statement are not based solely on historical facts, but rather reflect the current expectations of the Company as at the date of this Explanatory Statement. These statements generally may be identified by the use of forward-looking words or phrases such as “believe”, “aim”, “expect”, “anticipate”, “intend”, “foresee”, “likely”, “should”, “plan”, “may”, “estimate”, “potential”, or other similar words and phrases. Similarly, statements that describe the Company’s objectives, plans, goals or expectations are or may be forward looking statements.

Forward-looking statements are based on numerous assumptions regarding present and future circumstances. As such, forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual result, performance or achievement to be materially different from the future result, performance or achievement expressed or implied by those statements.

Given this, Scheme Creditors are advised not to place undue reliance on any forward-looking statements made in this Explanatory Statement or elsewhere.

Other than as required by law, none of the Company, its Directors, or any other person gives any representation, assurance or guarantee that the occurrence of any event, outcome, performance or achievement expressed or implied in any forward-looking statement in this Explanatory Statement will actually occur. The Company has no intention of updating or revising any forward-looking statements, or publishing prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Explanatory Statement, except as required by law.

Privacy and personal information

The Company and the Scheme Advisers may collect, use and disclose personal information in the process of conducting the Scheme Meeting and implementing the Scheme, including as required or authorised by the Act. This information may include the names, address, contact details and other details of Scheme Creditors and the names of persons appointed by Scheme Creditors to act as proxy at the Scheme Meeting. The purpose of collecting this information is to assist the Company and the Scheme Advisers in the conduct of the Scheme Meeting and to enable the Scheme to be implemented by the Scheme Advisers.

If this personal information is not collected, the Company and the Scheme Advisers may be hindered in, or prevented from, conducting the Scheme Meeting and implementing the Scheme.

The personal information may be disclosed by the Company and the Scheme Advisers to each other, and may further be disclosed to the Court, third party service providers, professional advisers (including the Company's actuary), ASIC, APRA and other Government Agencies and, without limitation, where disclosure is required or authorised by law or where you have consented to the disclosure. The personal information will not be disclosed to recipients located outside Australia, except where permitted by the *Privacy Act 1988* (Cth).

Scheme Creditors who are individuals, and any other individuals in respect of whom personal information is collected, have certain rights to access and correct the personal information collected about them. Scheme Creditors may contact the Company at the address listed in Appendix 5 if they wish to exercise such rights. The Company also has a privacy policy (www.ccinsurance.org.au/privacy-policy) that contains information about how individuals may seek access to, or correction of, personal information that is held about them. The privacy policy also contains information about how an individual may make a complaint in relation to their personal information.

Scheme Creditors who appoint an individual as their proxy to vote at the Scheme Meeting should inform that individual of the matters outlined above.

ASIC and APRA

A copy of this Explanatory Statement has been given to ASIC pursuant to section 412(7) of the Act. Neither ASIC nor its officers take any responsibility for the contents of this Explanatory Statement.

A copy of this Explanatory Statement has been given to APRA. Neither APRA nor its officers take any responsibility for the contents of this Explanatory Statement.

Rounding

A number of figures, amounts, percentages, estimates, calculations of values and fractions in this Explanatory Statement are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out.

Interpretation

Section 38 contains general guidelines for interpreting this Explanatory Statement.

Capitalised terms and certain abbreviations used in this Explanatory Statement have the meanings set out in section 38. The documents reproduced in the Appendices may have their own defined terms, which are sometimes different from those in section 38.

The financial amounts in this Explanatory Statement are expressed in Australian currency, unless stated otherwise. A reference to dollars, \$, A\$ or cents is to Australian currency, unless otherwise stated.

All times referred to in this Explanatory Statement are references to times in Melbourne, Victoria, Australia, unless stated otherwise.

Important Notice associated with Court Order under section 411(1) of the Act

The fact that under section 411(1) of the Act the Court has ordered that the Scheme Meeting be convened and directed that this Explanatory Statement accompany the Notice of Scheme Meeting does not mean that the Court:

- (a) has formed any view as to the merits of the proposed Scheme or as to how Scheme Creditors should vote in respect of the resolution to approve the Scheme (which Scheme Creditors must reach their own decisions on); or

- (b) has prepared, or is responsible for the content of, this Explanatory Statement;
or
- (c) has approved or will approve the terms of the Scheme.

The Court's order under section 411(1) of the Act is not an endorsement of, or makes any other expression of opinion on, the Scheme.

Supplementary information

The Company will issue supplementary information to this Explanatory Statement if it becomes aware of any of the following between the date of this Explanatory Statement and the Effective Date:

- (a) a material statement in this Explanatory Statement is or becomes false or misleading in a material respect;
- (b) a material omission from this Explanatory Statement;
- (c) a significant change affecting a matter included in this Explanatory Statement;
or
- (d) a significant new matter has arisen and it would have been required to be included in this Explanatory Statement if it had arisen before the date of this Explanatory Statement.

All supplementary information will be included on <https://www.ccinsurance.org.au/scheme-of-arrangement> and notice advertised in a prominently published newspaper which is circulated throughout Australia, which is expected to be The Australian newspaper.

Documents available for inspection

Documents referred to in this Explanatory Statement that are not reproduced in the Appendices or have not otherwise been provided to Scheme Creditors will be made available for inspection to Scheme Creditors on written request to the Company Secretary of the Company at the address set out in Appendix 5 and have been included on <https://www.ccinsurance.org.au/scheme-of-arrangement>.

To the extent that documents referred to in this Explanatory Statement are confidential to the Company, other members of the Group or third parties, or if the Company cannot legally disclose such documents, the Company reserves the right:

- (a) not to make such documents available for inspection; or
- (b) to make only redacted copies of, or extracts from, such documents available for inspection.

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PART A: IMPORTANT DATES AND NEXT STEPS

1 IMPORTANT DATES

Event	Scheduled Date
The Company emails a website link to download the Explanatory Statement to Scheme Creditors that it has identified	28 September 2023
The administrators of the Creditor Portal established for the Scheme Meeting (Data Kit) emails individualised login details for the Creditor Portal to Scheme Creditors the Company has identified	28 September 2023
Deadline for persons that have not received an email from Data Kit who claim to be Scheme Creditors to contact the Company at scheme@ccinsurance.org.au to request to be included as a Scheme Creditor	5.00pm on 9 October 2023
Deadline for Scheme Creditors to register on the Creditor Portal by completing Module 1: Creditor Registration in the Creditor Portal	5.00pm on 16 October 2023
Data Kit emails Scheme Creditors who have completed Module 1 in the Creditor Portal to advise that their respective Claims Estimate is available in the Creditor Portal	5.00pm on 18 October 2023
Deadline for completing Module 2: Proof of Debt and Module 3: Confirmation of Attendance or Appointment of Proxy in the Creditor Portal for voting purposes at the Scheme Meeting	5.00pm on 25 October 2023
Scheme Creditors who have completed Modules 1 to 3 of the Creditor Portal will be sent an email by Data Kit advising they can login to the Creditor Portal to access the value they have been admitted to vote for at the Scheme Meeting	5.00pm on 30 October 2023
Scheme Meeting Due to the disparate location of the Company's Scheme Creditors the meeting will be held virtually. No physical meeting will be held	12.00pm on 31 October 2023
Second Court Date	9.30am on 2 November 2023
Effective Date The date on which the Scheme becomes Effective	The Business Day after the day on which the Court makes the Court Orders Currently expected to be 3 November 2023

The times and dates set out in the above table are indicative only and may be subject to change. All times referred to in this Explanatory Statement are references to times in Melbourne, Victoria, Australia, unless stated otherwise.

The actual times and dates will depend on many factors outside the control of the Company, including the Court approval process and the satisfaction of the conditions precedent to the Scheme. The Company reserves the right to vary the times and dates set out above, subject to the Act and the approval of any variations by the Court and/or ASIC where required. Any changes to this timetable will be set out in the Creditor Portal and on the Company's website at <https://www.ccinsurance.org.au/scheme-of-arrangement>.

2 WHAT SHOULD YOU DO?

Scheme Creditors are encouraged to take the following steps in advance of the Scheme Meeting:

- (a) **Read this Explanatory Statement and take professional advice.**
- (b) **If you have not received an email from Data Kit and you believe you are a Scheme Creditor, you must contact the Company at scheme@ccinsurance.org.au to request to be included as a Scheme Creditor (by 5.00pm on 9 October 2023).**
- (c) **Register as a Scheme Creditor for voting purposes in the Creditor Portal (by 16 October 2023).**
- (d) **Review the Claims Estimate the Company has prepared in respect of your Scheme Claims as at 30 September 2023 (available from 18 October 2023).**
- (e) **Complete your Proof of Debt for voting purposes (by 25 October 2023).**
- (f) **Confirm if you will attend the Scheme Meeting personally (which is only allowed for natural persons) or appoint a proxy to vote on your behalf at the Scheme Meeting (by 25 October 2023).**
- (g) **Attend and vote at the Scheme Meeting on 31 October 2023.**

Further information in respect of each of these steps is set out below.

- (a) **Read this Explanatory Statement and take professional advice.**

Scheme Creditors should read this Explanatory Statement carefully and in its entirety before deciding whether or not to vote in favour of the Scheme.

The Company encourages you to consult with your professional advisers, before making any decisions in connection with the Scheme.

- (b) **If you have not received an email from Data Kit and you believe you are a Scheme Creditor, you must contact the Company at scheme@ccinsurance.org.au to request to be included as a Scheme Creditor (by 5.00pm on 9 October 2023).**

The last date for a person to contact the Company requesting to be a Scheme Creditor for the purposes of attending and voting at the Scheme Meeting is

5.00pm on 9 October 2023. The Returning Officer, in his discretion, may accept any Validation Form completed after this date if he considers it reasonable in the circumstances.

(c) **Register as a Scheme Creditor for voting purposes in the Creditor Portal**

A Creditor Portal hosted by Data Kit, PwC's secure digital platform, will be used to conduct creditor registration, lodge and adjudicate on Proofs of Debt for voting purposes, appoint proxies and vote at the Scheme Meeting.

All persons the Company has identified as Scheme Creditors will receive an email from **Data Kit (datakit@au.pwc.com)** on or about **28 September 2023** titled **'Welcome to the Catholic Church Insurance Limited Creditor Portal'** providing individualised login credentials to the Scheme Creditor's Portal Profile and information to assist login to the Creditor Portal, including a URL link to the Creditor Portal.

Please check your email junk / spam folders for this email.

Two instructional videos on how to use the Creditor Portal, including guidance on how to complete the Proof of Debt and proxy details, will be included in the 'Key Documents' section of the Creditor Portal. They are also accessible using the following links:

- <https://vimeo.com/864216720/bafe9a8403?share=copy>; and
- <https://vimeo.com/864213543/11e87ca7e7?share=copy>.

Scheme Creditors must complete Module 1: Creditor Registration in the Creditor Portal by **5.00pm on 16 October 2023** to be registered as a Scheme Creditor for the purposes of attending and voting at the Scheme Meeting.

If you do not complete Module 1 of the Creditor Portal by the deadline of 5.00pm on 16 October 2023, you will not have a vote at the Scheme Meeting and your attendance at the Scheme Meeting will be in the capacity as an observer only.

(d) **Review the Claims Estimate the Company has prepared in respect of your Scheme Claims as at 30 September 2023 (available from 18 October 2023)**

The Company will prepare a Claims Estimate for each Scheme Creditor who has completed Module 1: Creditor Registration in the Creditor Portal by the deadline of **5.00pm on 16 October 2023**.

The Claims Estimate will be a just estimate of each Scheme Creditor's claim value as at 30 September 2023. The valuation principles applied by the Company in arriving at the Claims Estimate are set out in Appendix 8.

The Claims Estimate will be uploaded in Module 2: Proof of Debt in the Creditor Portal by **5.00pm on 18 October 2023**. Scheme Creditors will receive an email from Data Kit advising that their Claims Estimate is available for review in the Creditor Portal.

The Claims Estimate recorded in the Creditor Portal is for voting purposes at the Scheme Meeting only and does not represent each Scheme Creditor's formal claim against the Company, nor an amount each Scheme Creditor will be paid under the Scheme or in respect of any claim.

(e) **Complete your Proof of Debt for voting purposes (by 25 October 2023)**

A Proof of Debt is a form completed by a Scheme Creditor which details how much a Scheme Creditor is owed and the value they can vote for at the Scheme Meeting.

Scheme Creditors who have completed Module 1: Creditor Registration in the Creditor Portal by **5.00pm on 16 October 2023** may log into the Creditor Portal from **5.00pm on 18 October 2023** to review their Claims Estimate and complete Module 2: Proof of Debt.

The deadline to complete Module 2: Proof of Debt in the Creditor Portal is **5.00pm on 25 October 2023**.

Where Scheme Creditors agree with their Claims Estimate in the Creditor Portal by 5.00pm on 25 October 2023, no supporting documentation is required and a Proof of Debt for the value of the Claims Estimate will be automatically generated in the Creditor Portal.

Scheme Creditors who disagree with the Claims Estimate will need to submit details of the calculation of their total Scheme Claims value into the Creditor Portal, together with supporting documentation to substantiate the claimed amount, for review and adjudication by Mr Tim Farren, General Manager Underwriting & Product (or another person designated to perform his functions in the event he is unable to) who will act as returning officer (**Returning Officer**) for the Scheme Meeting.

If Scheme Creditors have new Scheme Claims lodged with the Company after 30 September 2023, being the effective date of the Claims Estimate, these new Scheme Claims can be added to their Proof of Debt.

The Returning Officer will adjudicate the value of each Scheme Creditor's Proof of Debt. The Returning Officer has the power to adjust the value to be attributed for voting purposes to a Scheme Creditors' Proof of Debt and will consider additional information provided by a Scheme Creditor in the Creditor Portal when determining the value of each Scheme Creditor's vote at the Scheme Meeting. The Returning Officer's determination will be based on:

- (i) the information provided by the Scheme Creditors;
- (ii) the information available to the Company from its books and records; and
- (iii) the valuation principles set out in Appendix 8.

Account will also be taken of any known set-off, security, cross-claim or deduction in respect of balances due to the Company.

Failure to substantiate your claim value to the Returning Officer's satisfaction will likely result in Scheme Creditors only being admitted to vote at the Scheme Meeting for the Claims Estimate prepared by the Company.

The admission of a Proof of Debt for voting purposes does not constitute an admission of the existence or amount of any liability of the Company and will not bind the Company or any Scheme Creditor for any purposes other than voting at the Scheme Meeting. Estimates of claims, whether by Scheme Creditors or the Company, will not be taken into account in calculating payments under the Scheme or otherwise, but will be used for voting purposes only. The furnishing of particulars of claims for voting purposes will be for used for voting purposes only and will not constitute an admission by, or otherwise bind or be admissible against, a Scheme Creditor, the Company or any other person.

The adjudication of a Proof of Debt by the Returning Officer for the purposes of voting at the Scheme Meeting will be final.

Once the adjudication process is complete, Scheme Creditors who have registered to vote at the Scheme Meeting will be sent an email by Data Kit by **5.00pm on 30 October 2023** advising the Scheme Creditor:

- that the process undertaken by the Company to adjudicate the eligibility of Scheme Creditors and the value of their Proof of Debt for the purposes of voting at the Scheme Meeting has completed;
- the total number of Scheme Creditors who have been admitted to vote at the Scheme Meeting and the aggregate value of Proofs of Debt following the adjudication process; and
- that the Scheme Creditor can log into the Creditor Portal to see the adjudicated value of their Proof of Debt for the purposes of voting at the Scheme Meeting.

Scheme Creditors will need to complete Module 2: Proof of Debt in the Creditor Portal by 5.00pm 25 October 2023. If you do not meet this deadline, you will not have a vote at the Scheme Meeting and your attendance at the Scheme Meeting will be in the capacity as an observer only.

- (f) **Confirm if you will attend the Scheme Meeting in person (which is only allowed for natural persons) or appoint a proxy to vote on your behalf at the Scheme Meeting (by 25 October 2023)**

A Scheme Creditor who is a natural person and will attend the virtual Scheme Meeting themselves does not need to appoint a proxy, however, they must confirm their intention to attend the Scheme Meeting by completing Module 3: Confirmation of Attendance or Appointment of Proxy in the Creditor Portal by **5.00pm 25 October 2023**.

All other Scheme Creditors will need to complete and lodge a proxy form in Module 3 of the Creditor Portal by **5.00pm on 25 October 2023** to be able to vote at the Scheme Meeting. For example:

- If a corporate Scheme Creditor wants to be represented at the Scheme Meeting, it must appoint an individual (ie, a natural person) to act on its behalf by completing the proxy details in the Creditor Portal.
- Individuals (natural persons) may also choose to appoint another natural person to vote on their behalf by completing the proxy details in the Creditor Portal.

Any Scheme Creditor who wishes to vote using a corporate representative or attorney must appoint that person as proxy for the Scheme Creditor.

Persons who have been appointed proxy for a Scheme Creditor will receive an email from Data Kit with individualised login details for the Creditor Portal which they can use to login and vote at the Scheme Meeting.

There are two types of proxy a Scheme Creditor can appoint:

- (i) **General proxy:** a proxy that has a discretion how to vote at the resolution of the Scheme Meeting; or
- (ii) **Special proxy:** a proxy who is instructed by the Scheme Creditor how the proxy must vote on behalf of the Scheme Creditor at the Scheme Meeting.

A Scheme Creditor can choose to appoint the Chair of the Scheme Meeting as their proxy to vote on their behalf. The Chair will vote in accordance with the instructions for all special proxies. Using a special proxy in favour of the Chair effectively allows you to cast your vote in advance of the Scheme Meeting.

The Chair intends to vote all general proxies in favour of the Scheme Resolution.

If a Scheme Creditor has appointed a proxy, that proxy must attend the Scheme Meeting for that Scheme Creditor's votes to count. A proxy will be delegated access to the Creditor Portal on behalf of a Scheme Creditor as part of the process of completing Module 3: Confirmation of Attendance or Appointment of Proxy of the Creditor Portal.

If a person holds proxies for several Scheme Creditors, they will be able to cast votes for each proxy they hold using one Creditor Portal login provided all Scheme Creditors using the same proxy appointment details (name and email address) when appointing the proxy in the Module 3 of the Creditor Portal.

Scheme Creditors must complete Module 3: Confirmation of Attendance or Appointment of Proxy in the Creditor Portal by **5.00pm on 25 October 2023** if they wish to attend the meeting in person or appoint a proxy to attend the Scheme Meeting on their behalf (or wishes to vote in advance of the Scheme Meeting by appointing the Chair as special proxy).

If you do not meet the deadline of 5.00pm on 25 October 2023 to complete Module 3 in the Creditor Portal, you will not have a vote at the Scheme Meeting and your attendance at the Scheme Meeting will be in the capacity as an observer only.

(g) **Attend and vote at the Scheme Meeting on 31 October 2023**

The Notice of Scheme Meeting is set out at Appendix 9 to this Explanatory Statement.

The Scheme Meeting will be held using virtual meeting technology. Scheme Creditors (or their proxyholders) can view the virtual meeting through the Webcast link, being

https://event.webcasts.com/starthere.jsp?ei=1632017&tp_key=32ba2a8291.

Scheme Creditors can register in advance for the Webcast at any time prior to, or during, the Scheme Meeting using the Webcast link.

Scheme Creditors are encouraged to register for the Webcast as early as possible. During the Webcast registration process, Scheme Creditors may submit questions for the Chair of the Scheme Meeting. Scheme Creditors can also submit questions during the Scheme Meeting.

Voting at the Scheme Meeting will occur through Module 4: Day of Meeting & Voting in the Creditor Portal. This module will only be opened at the Scheme Meeting and will be used by those in attendance at the meeting to cast their votes when requested by the Chair.

On the day of the Scheme Meeting, once Scheme Creditors and proxyholders have logged into the Webcast, they must also login to the Creditor Portal to record their attendance and vote at the Scheme Meeting.

Scheme Creditors can also attend the Scheme Meeting in the capacity of an observer by simply registering your attendance using the Webcast link.

Observers are not required to submit a claim in the Creditor Portal before the Scheme Meeting. Observers are unable to vote on the Scheme Resolution proposed.

See sections 30 and 31 for detailed information in relation to the Scheme Meeting and voting.

If you have any questions in relation to this Explanatory Statement or the Scheme, or if you are unable to access the Creditor Portal, please email the Company at scheme@ccinsurance.org.au.

PART B: LETTER FROM THE CHAIR



ABN 76 000 005 210
AFSL No. 235415

Level 8, 485 La Trobe Street,
Melbourne VIC 3000

Telephone: 03 9934 3000

Facsimile: 03 9934 3464

www.ccinsurance.org.au

Dear Policyholders,

On behalf of the Board of Directors of Catholic Church Insurance Limited (CCI), I present this explanatory statement for a proposed Scheme of Arrangement for your attention.

As you are fully aware, the past few years in CCI's history have been continuously challenged by unprecedented demands on capital reserves, in large part due to high volumes of professional standards claims. Regrettably, those claims have not abated in either number or scale and at the end of May 2023, the Board took the decision to cease writing new business and to place CCI in 'run-off' whilst it had sufficient funds to meet its liabilities when they fall due.

Whilst we are operating in 'run-off', CCI continues to experience financial vulnerability especially as professional standards claims persist. Without material support from shareholders, CCI was, (and is), no longer able to meet regulatory capital requirements. In order to address that vulnerability, address regulator concerns and provide additional safeguards for policyholders, CCI has decided to propose a Scheme of Arrangement to bind all persons who have or may have an insurance claim against CCI (other than a claim in respect of workers' compensation). The Scheme aims to ensure that claims of those persons, called Scheme Creditors in this booklet, continue to be handled in as orderly a manner as possible in the event of further deterioration in the financial position of CCI. The Scheme does not impact upon the rights of the claimant to pursue their own claims against policyholders.

The Board's purpose in developing the Scheme is to ensure that, regardless of the financial position of CCI, CCI's current and future claimants, in respect of Insurance Contracts, are treated fairly and that claims are settled as quickly and as fully as possible. The Scheme will take effect if it is approved by Scheme Creditors and the Court.

This booklet explains all aspects of the Scheme and provides information to assist Scheme Creditors to make a decision and vote. You should read this Explanatory Statement carefully and in its entirety. The Scheme has been developed with the help and advice of several experts in such arrangements.

We strongly believe that this Scheme is in the best interests of CCI's Scheme Creditors and recommend you vote in favour of the Scheme.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Joan Fitzpatrick', written in a cursive style.

Joan Fitzpatrick
Chair

PART C: OVERVIEW OF THIS EXPLANATORY STATEMENT AND THE SCHEME

INTRODUCTION

Catholic Church Insurance Limited (**Company**) carried on an insurance business in Australia and is authorised as a general insurer under the Insurance Act. In the course of that business it has entered into insurance contracts covering a wide range of risks. Those contracts, other than contracts of worker's compensation, are referred to in this document as **Insurance Contracts**.

As at 30 June 2023 the value of the Company's assets exceeded its liabilities (measured on an accounting basis, and with the provision for outstanding claims including the "Risk Margin") by an amount of approximately \$11.0 million (\$142.3 million excluding Risk Margin), on an unconsolidated basis. See section 11. The Company's asset position is susceptible to change, including for example should the estimated value of potential liabilities change. In addition, the net asset value is subject to changes in each reporting period as reserves are released or created in the normal course. The Company has limited control over any deterioration attributed to changes in the value of its future insurance liabilities. The events from which those liabilities arise would have occurred in many cases long ago. The late reporting of these claims could result in additional incurred liabilities in future periods. No new insurance policies are being issued by the Company, and assets are being applied to meet insurance liabilities and the Company's limited operating costs.

In order to manage this uncertainty and mitigate the risk of potentially being the subject of an insolvency process, such as administration or a winding up, the Company proposes to enter into a scheme of arrangement under Part 5.1 of the Act to bind all persons who have or may have a valid claim under or in connection with an Insurance Contract. This includes the policyholder of the Insurance Contract and other persons entitled by the terms of the contract or by statute to bring a claim in respect of the contract, which may include, for example, where the party insured by the Company has died, been deregistered, or cannot be found.

In this document:

- (a) the scheme of arrangement is referred to as the **Scheme**;
- (b) a claim under or in connection with an Insurance Contract is referred to as a **Scheme Claim**; and
- (c) a person having a Scheme Claim is referred to in this document as a **Scheme Creditor**.

The Scheme binds a Scheme Creditor in respect of its Scheme Claims. The Scheme does not apply to creditors who do not have Scheme Claims (e.g. trade creditors or employees), Workers' Compensation policyholders, or persons claiming against a person insured under an Insurance Contract (except where they have a direct statutory right against the Company, which may include, for example, where the party insured by the Company has died, been deregistered, or cannot be found). The Scheme is not made with the Company's shareholders. Further detail on who will be affected by the Scheme is set out in section 6 below.

This Explanatory Statement contains information about the proposed Scheme and is required by section 412(1) of the Act to be issued together with the notice of the Scheme Meeting set out at Appendix 9.

The purpose of this Explanatory Statement is to:

- (a) provide background information in relation to the Company and its business;
- (b) explain how the proposed Scheme would work and its advantages and disadvantages; and
- (c) explain the main provisions of the Scheme (a full copy of the Scheme is set out in Appendix 1),

in order to assist Scheme Creditors in reaching an informed decision on whether to vote in favour of the Scheme at a forthcoming meeting.

You should read this Explanatory Statement carefully and in its entirety.

2 WHAT IS THE SCHEME OF ARRANGEMENT?

A scheme of arrangement is an arrangement between a company and some or all of its creditors as prescribed by Part 5.1 of the Act. The Company has prepared the proposed Scheme in respect of the Scheme Creditors, being the persons having claims under or in connection with the Insurance Contracts, see section 6 below. The Scheme requires the approval of Scheme Creditors and the Court.

If the Scheme is approved by Scheme Creditors and the Court, the Scheme will bind all Scheme Creditors, whether or not they voted in favour of the Scheme.

3 WHAT IS THE EFFECT OF THE SCHEME?

The Scheme has been designed to ensure that claims continue to be handled in as orderly a manner as possible in the event of further deterioration in the financial position of the Company.

The Scheme, if approved, will operate through two periods:

- first, the **Initial Scheme Period**. The Initial Scheme Period starts on the date that the Scheme becomes Effective and ends on the date that an event, called a Trigger Event, occurs (the **Trigger Date**); and
- second, the **Reserving Period** (if required). The Reserving Period starts on the Trigger Date and ends on the date that the Scheme terminates.

A Trigger Event occurs if Board has concluded that in its opinion, disregarding the effect of the Scheme on the Company:

- (a) the Company would be insolvent, or would be likely to become insolvent, at some future time (in each case as defined in section 95A of the Act); and/or
- (b) the value of the Company's assets would be, or would be likely to become, less than its liabilities taking into account its contingent and prospective liabilities.

For the purposes of this definition, “liabilities” means the Company’s liabilities as recorded in its statement of financial position but excludes:

- (i) Risk Margin; and
- (ii) any Shareholder Funding.

During the **Initial Scheme Period**, the Company will operate on the same basis as it does now. That means that Scheme Creditors can make claims under or in connection with a relevant Insurance Contract in the same way as they do now (please see the relevant Insurance Contract or <https://catholicinsurance.org.au/> for information about how to do this). The Company will assess if the Scheme Creditor’s claim is valid and, if valid, the amount payable by the Company in respect of it (such amount being an Established Scheme Liability). The Company will then pay any such Established Scheme Liability in full in accordance with the terms as set out in the relevant Insurance Contract.

If at any point the Board concludes that a Trigger Event has occurred, then the Initial Scheme Period will end and the Reserving Period will commence.

If a Trigger Event occurs, known Scheme Creditors will be notified by email and an advertisement will be placed in a newspaper which is circulated throughout Australia, which is expected to be *The Australian* newspaper. Notice will also be given to the Creditors’ Committee, APRA, ASIC and the Scheme Advisers.

During the Reserving Period, Scheme Creditors will continue to be entitled to make an insurance claim under their Insurance Contract in the same way as they do now and the Company will assess that claim. However, where the Company determines that a Scheme Creditor has an Established Scheme Liability, the Company will no longer pay it in full at that time. Instead, once a Payment Percentage has been set by the Scheme Advisers, the Company will pay a percentage of the Established Scheme Liability reflecting the Payment Percentage. If it is determined at one or more later dates that it has sufficient funds to do so, the Company may increase the percentage payable of the Established Scheme Liability so that it and subsequent Established Scheme Liabilities are paid at the same percentage. The relevant percentages will be determined as described in section 13.8 below. There will be a delay in payments while the Payment Percentages are set initially and reassessed (and potentially varied) after the Trigger Date. See sections 13.7 and 13.8 below.

It is important to note that there can be no guarantee that the amount of Scheme Assets retained will be sufficient for further payments to continue to be made at the Payment Percentage. A loss of expected Scheme Assets, or an increase in Scheme Claims beyond what is expected, may result in a need to decrease the Payment Percentage for future payments. No adjustment is made to amounts previously paid if this occurs. However, any such risk should be reduced by the prudent setting of the Payment Percentages by the Scheme Advisers.

It is also important to note that the Scheme does not impact on the rights of persons with claims against a party insured by the Company to pursue their own claims against the that party, including during the Reserving Period. The party insured by the Company will remain liable to claimants in respect of any such claims. In the circumstances where the Payment Percentage payable by the Company does not cover the full amount payable by a party insured by the Company to the claimant, this payment gap is the responsibility of

that party to satisfy the claim in full. However, a person who is a Scheme Creditor in relation to an Insurance Contract by statute (for example, where the party insured by the Company has died, been deregistered or is being wound up, or cannot be found) is subject to the Payment Percentage and its rights against the Company are affected in the same way as other Scheme Creditors.

Parties insured by the Company should take advice and arrange their finances and manage their cashflow in a manner that ensures they are in a position to satisfy all claims against them in full, even during the Reserving Period under the Scheme where the Payment Percentage payable by the Company may cover less than full value of the claim against that party. The Company gives no assurance as to the ability or willingness of any parties insured by the Company (or any of their affiliated entities or any other person) to meet claims against parties insured to the extent that parties insured receive less than the full value of claims against them.

During the Reserving Period, Scheme Creditors may resolve to bring the Scheme to an end early. This would activate a finalisation mechanism under which all remaining claims of Scheme Creditors (including contingent or prospective claims not yet due and payable) would be valued and paid out of the remaining Scheme Assets. Scheme Creditors with remaining (or prospective) claims would receive a lump sum, and would have no further rights to make claims under their policies on an ongoing basis.

Further details about how the Scheme will work are set out under the heading “How does the Scheme work?” at section 13 below.

4 HOW WILL THE SCHEME BE APPROVED?

The resolution to agree to the Scheme at the Scheme Meeting must be passed by:

- (a) a majority in number (more than 50%) of the Scheme Creditors who are present and voting at the Scheme Meeting (either attending themselves live or by proxy);
- (b) whose Scheme Claims together amount to at least 75% of the value owing to the Scheme Creditors present and voting at the Scheme Meeting (either attending themselves live or by proxy),

(Requisite Majority).

If the Scheme is agreed to by the Requisite Majority, in order to become Effective, the Scheme must then be approved by the Court at the Second Court Hearing. The Court may grant its approval subject to such modifications as it thinks fit. However, the Scheme will not take any effect if any modifications the Court makes or conditions the Court imposes change the substance of the Scheme in any material respect.

If the Scheme is approved by the Court, the Scheme will bind all Scheme Creditors, whether or not they voted in favour of the Scheme.

5 WHY HAS A SCHEME BEEN PROPOSED?

5.1 Introduction

On 29 May 2023, the Company’s Board voluntarily resolved to place the Company into ‘run-off’ given further material decline in its capital position and that it was unable to secure sufficient capital contributions from shareholders to enable it to continue

operations in line with regulatory requirements. Specifically, the Company is no longer able to satisfy the minimum prudential capital requirements for a general insurer. The Company's Board considered it to be unsustainable for the Company to continue trading in run-off in these circumstances without taking additional measures to protect against further potential adverse events.

The primary driver for the decline in the capital position of the Company stemmed from the impact of continued increases in the estimate of its professional standards liabilities. The claims situation will continue to develop and is subject to a high degree of complexity and uncertainty over many years.

5.2 What happens if the Scheme is not approved?

If the proposed Scheme is not approved, the Company will continue its run-off, but will remain vulnerable to claims deterioration and other factors which may endanger its solvency in the future. In this case, if, at some point in the future, the Directors conclude that the Company would or would be likely to become insolvent, they will consider the most appropriate action for the benefit of the Company's creditors as a whole.

This would most likely result in the Company being placed into an insolvency process (voluntary administration or liquidation). APRA may also exercise its enforcement powers. It is not possible to provide certainty as to if (or when) any such event may occur as it will depend on the exact financial position of the Company.

Prior to voluntary administration or liquidation, the Company would continue to trade in run-off, in substantially the same way as it would during the Initial Scheme Period. However, Scheme Creditors would be exposed to the risk that the Company might, due to a further deterioration, need to be placed into an insolvency process without the benefits that the Scheme would provide in those circumstances if the Scheme was already in place. There is also risk that, if the Company were placed into liquidation, a liquidator could 'clawback' payments made to particular Scheme Creditors who were paid claims in the lead up to liquidation (if it is established those payments were unfair preferences and the Company was insolvent at the time of those payments). Any 'clawed-back' payments would form part of the pool of assets ultimately available for distribution.

If the Scheme was not approved, Scheme Creditors would be in a similar position to that which they would be in during the Initial Scheme Period until (and unless) the Company was placed into voluntary administration or liquidation. It is likely that a Trigger Event would occur at around the same time as, absent the Scheme, the Company would be placed into voluntary administration or liquidation.

5.3 Liquidation

If the Company is placed into liquidation:

- (a) it is expected that:
 - (i) recoveries under reinsurance policies will likely be significantly reduced because:
 - (A) many of the reinsurance policies give the reinsurer the right to cancel policies and cease cover in respect of future losses suffered if the Company is insolvent or is in liquidation; and

- (B) the reinsurances may not respond to the usual proof of debt process that would apply in a liquidation – as a result, CCI’s appointed liquidators may need to propose a scheme of arrangement on terms similar to the proposed Scheme to maximise reinsurance recoveries;
- (ii) the costs of a liquidation would be significant and it would run for many years, reducing the return to creditors;
- (iii) a liquidation would impact all creditors, including employees and trade creditors;
- (iv) the liquidator may not be able to make any distributions to creditors until most of the Company’s assets have been realised and creditors’ claims have been determined – which may take several years;
- (v) partial distributions to creditors would occur in stages, and would not be finalised until the affairs of the Company are wound up after many years; and
- (b) there is no certainty that the Financial Claims Scheme would apply to provide protection to any or all Scheme Creditors. See the Frequently Asked Question “What is the Financial Claims Scheme and how is it relevant to the Scheme” for more information.

5.4 Proposal

The Company is therefore proposing a Scheme as a precaution to ensure an orderly run-off and certainty into the future. The Scheme is designed to ensure that, regardless of the financial position of the Company, its current and future claimants in respect of Insurance Contracts are treated fairly and that claims are settled as quickly and as fully as possible.

6 WHO WILL BE AFFECTED BY THE SCHEME?

All policyholders and any other persons entitled by the terms of the Insurance Contract or by statute to make a claim against the Company in respect of an Insurance Contract, now or in the future, will be bound by the Scheme. “Insurance Contracts” under the Scheme includes all insurance policies issued by the Company other than Workers’ Compensation. Claims in respect of Workers’ Compensation policies will continue to be dealt with in the usual way by the Company (and, if valid, paid in full). See Part D: Frequently Asked Questions as to why Workers’ Compensation policies are excluded from the Scheme.

Under certain types of Insurance Contract, claims may arise some time after the Insurance Contract expired. Details of the Scheme will be circulated widely to ensure that all potential, as well as actual, claimants are aware of the Scheme.

A person claiming against a party insured under an Insurance Contract is unlikely to be a creditor of the Company, except where statute confers on the claimant a direct right of action against the Company. This may include, for example, where the party insured by the Company has died, been deregistered, or cannot be found.

The Scheme does not apply to creditors who do not have Scheme Claims (e.g. trade creditors or employees). Creditors of the Company who have claims that are not Scheme Claims will have their claims dealt with (and, if valid, paid in full) by the Company in the usual way outside of the Scheme. Examples of these creditors are set out in the Frequently Asked Questions “Whose rights will not be altered under the Scheme?”. Such creditors are not entitled to vote on the Scheme.

The Scheme will not impact any previous settlements you have entered into with the Company, unless the settlement has not yet been paid or you expressly agree otherwise. This includes any arrangements (including the payment or settlement of claims) in the period before the Scheme becomes Effective.

If you have any doubts about whether you are affected by the Scheme, you should contact the Company at scheme@ccinsurance.org.au.

7 RECOMMENDATION OF THE COMPANY’S BOARD

7.1 Directors’ consideration of the Scheme

The Directors believe that the Scheme is the best way to ensure an orderly and equitable run-off of the Company’s business which improves the prospects of claims being paid in full. In any event, the Scheme provides for the fair and efficient handling and payment of claims whilst the Company remains solvent or should, at some point in the future, the Company be unable to meet its liabilities in full. The Directors also consider that, having regard to the advice it has received, including the FTI Consulting Report, the Scheme is in the best interests of the Scheme Creditors as compared with a potential winding-up of the Company, and that the Scheme will deal with all Scheme Creditors fairly in relation to their existing rights, irrespective of whether their claims have already been notified to the Company or whether they will be brought in the future.

For the reasons set out above, the Directors recommend that all Scheme Creditors who are entitled to vote, vote in favour of the Scheme.

In making this recommendation, the Directors have considered the advantages and the potential disadvantages of the Scheme. Some potential advantages and disadvantages of the Scheme are set out in more detail in sections 8 and 9.

8 REASONS TO VOTE IN FAVOUR OF THE SCHEME

The Board considers that the main advantages of the Scheme for Scheme Creditors are as follows:

- (a) **Certainty** – CCI is not able to satisfy the minimum prudential capital requirements or to raise any further capital to satisfy those requirements. As a consequence, CCI has moved into run-off. The adverse effects which would arise from any disruption in the run-off if the Company were to become insolvent will, as far as is reasonably possible, be removed by the Scheme;
- (b) **Orderly, seamless and efficient run-off** – the Scheme is designed and intended to ensure the continuation of an efficient claims handling operation in run-off whilst, at the same time, minimising the adverse effects which would arise from any disruption if the Company became insolvent;

- (c) **Potential insolvency** – if the Scheme is not approved or implemented, the Company will remain vulnerable to claims deterioration and other factors which may endanger its solvency in the future. If, at some point in the future, the Directors conclude that the Company is or is likely to become insolvent, the Company will likely be placed into an insolvency process (voluntary administration or liquidation). APRA may also exercise its enforcement powers. This would likely reduce the realisable value of the Company’s business and assets. A Scheme, which would have the consequences as set out above at section 3, is less costly than an insolvency;
- (d) **Minimal disruption** – the Scheme ensures that the liabilities of the Company will continue to be established in the normal course with the prospect of payments being made to Scheme Creditors by the Company earlier than would otherwise be likely if the Company were to become insolvent. In an insolvent liquidation it is unlikely that interim payments would be paid to creditors before substantially all claims were identified and quantified;
- (e) **Fairness** – if the Trigger Event occurs, the Company will make payments to Scheme Creditors in such a way as to be fair both to Scheme Creditors whose Established Scheme Liabilities are established quickly and those whose Established Scheme Liabilities may not be established for some time. This enables Established Scheme Liabilities to be settled quickly and as fully as possible. The Scheme is a transparent and open process which requires the support of Scheme Creditors and the approval of the Court;
- (f) **Reinsurance recoveries** – certain of the Company’s reinsurers may seek to cancel reinsurance contracts upon insolvency or regulatory action, resulting in the potential loss of reinsurance assets. The Scheme endeavours to protect the Company’s ability to maximise its reinsurance recoveries, given reinsurance assets are a key asset of the Company, and therefore increase the assets available to the Company and put it in a position to make greater payments to Scheme Creditors;
- (g) **Cost savings** – if the Company were to become insolvent and enter into liquidation, further significant costs would be incurred; and
- (h) **Creditors’ Committee** – it is not usual for a committee of creditors to be formed and provided with information when a company is solvent. However, a Creditors’ Committee, which is required to act in the best interests of Scheme Creditors as a whole, will be appointed immediately upon the Scheme becoming Effective. This should provide Scheme Creditors with an additional degree of comfort.

9 REASONS TO VOTE AGAINST THE SCHEME

Scheme Creditors may consider voting against the Scheme because:

- (a) **Inability to bring actions to enforce Scheme Claims** – subject to certain exceptions, if the Company has complied with its payment obligations under the Scheme during the Reserving Period in respect of an Established Scheme Liability, no Scheme Creditor will be entitled to take any proceeding or step (including by way of demand, legal proceedings, execution of judgment, arbitration or other dispute resolution proceedings) against the Company or its property in any jurisdiction whatsoever for the purpose of enforcing payment of

all or any part of a Scheme Claim. Although, such a stay would also apply in a voluntary administration or winding up of the Company;

- (b) **Priority of payment of Scheme Claims and other liabilities** – creditors with claims that are not Scheme Claims will be paid in full during the Reserving Period, whereas, during the Reserving Period, Scheme Creditors with Established Scheme Liabilities will only be paid the relevant Payment Percentage of that liability from time to time. This means that creditors in respect of Excluded Insurance Contracts (and other Non-Scheme Claims) will, in effect, be paid in priority to Scheme Creditors during the Reserving Period. This could reduce the Company's assets available to meet Established Scheme Liabilities. In a liquidation, both Scheme Claims and Non-Scheme Claims would usually rank equally unless impacted by statutory priorities (which would apply to some Non-Scheme Claims (e.g. Workers' Compensation claims)), and the Company's assets would usually be available pro rata. There are a number of costs that would continue to be paid to operate and run-off claims in both a liquidation and under the Scheme, including Claims handling costs and amounts paid in connection with claims that are not Scheme Claims (e.g. to trade creditors or employees);
- (c) **Costs** – the costs of the Scheme and costs of oversight by the Scheme Advisers and liaison with the Creditors' Committee during the Initial Scheme Period, may otherwise be avoided if the Company were to continue in run-off while the Company remains solvent; and
- (d) **Independent management** – Scheme Creditors may prefer having the Company administered by an independent insolvency practitioner in a voluntary administration or winding up in an insolvency scenario rather than having the Company continue to be administered by its existing management (albeit subject to the supervision of the Creditors' Committee and with certain functions to be performed by the Scheme Advisers) under the Scheme. This would come at a greater cost to the Company than the Scheme.

PART D: FREQUENTLY ASKED QUESTIONS

This Explanatory Statement contains detailed information regarding the Scheme. The following section provides summary answers to some questions you may have and will assist you to locate further detailed information in this Explanatory Statement.

Question	Answer
Why have I received or why am I eligible to receive or access this Explanatory Statement?	<p>You have received or are eligible to receive or access this Explanatory Statement because the Company believes that you may be a Scheme Creditor of the Company and are being asked to vote on the Scheme.</p> <p>This Explanatory Statement is intended to help you to decide how to vote on the resolution which needs to be passed at the Scheme Meeting to allow the Scheme to be implemented, and to provide instructions as to how to register to vote at the Scheme Meeting.</p>
What is the proposal?	<p>On 29 May 2023, the Board voluntarily resolved to place the Company into ‘run-off’. This means that the Company will not issue any new or renewal policies for any insurance business. The Company has been unable to secure sufficient capital contributions from shareholders to enable its business to continue operations in line with regulatory requirements. Specifically, the Company is no longer able to satisfy the minimum prudential capital requirements for a general insurer. The Company remains an APRA authorised insurer, and as such will continue to manage claims from existing policyholders using its capital reserves to conduct an orderly run-off of its business.</p> <p>As part of the orderly run-off of the business, the Company is now proposing to put in place a scheme of arrangement under Part 5.1 of the Act.</p> <p>The proposed Scheme is designed to ensure that claims continue to be managed in as orderly a manner as possible whatever the financial position of the Company.</p>
What is a Scheme of Arrangement?	<p>A scheme of arrangement is a Court approved procedure under Part 5.1 of the Act. A scheme of arrangement of the kind proposed by the Company is a compromise to take effect between a company and certain of its creditors (in this case, all Scheme Creditors) which becomes legally binding on the Company and on all Scheme Creditors to which it applies after it becomes Effective.</p> <p>Refer to section 2 for further information.</p>
Who will be affected by the Scheme?	<p>All policyholders and other persons who have, or may in the future have, a claim against the Company under or in connection with an Insurance Contract will be affected by the Scheme. This excludes all Workers’ Compensation policies (see “Whose rights will not be altered under the Scheme” below).</p>

	<p>The Scheme will not impact any previous settlements you have entered into with the Company, unless the settlement has not yet been paid or you expressly agree otherwise. This includes any arrangements (including the payment or settlement of claims) in the period before the Scheme becomes Effective.</p> <p>Refer to section 6 for further information.</p>
<p>Whose rights will not be altered under the Scheme?</p>	<p>The Scheme does not apply to creditors who do not have Scheme Claims. These creditors include:</p> <ul style="list-style-type: none"> • employees of the Company in respect of their claims for salaries and other benefits; • other service providers, such as trade creditors, of the Company in respect of their costs; • creditors with claims arising in respect of the costs of implementing the Scheme; • persons with actual or potential claims against the Company in respect of Workers’ Compensation policies written by the Company; and • persons with claims against a person insured under an Insurance Contract, but who do not have a direct right of action against the Company (e.g. where conferred on them by statute or otherwise, for example, where the party insured by the Company has died, been deregistered, or cannot be found.). <p>Creditors of the Company who have claims that are fully and finally settled prior to the Effective Date or Creditors of the Company who have claims that are not Scheme Claims will have their claims dealt with (and, if valid, paid in full) by the Company in the usual way outside of the Scheme. Such creditors are not entitled to vote on the Scheme.</p> <p>Creditors’ claims not subject to the Scheme will be taken in to account in full in assessing the application of any Payment Percentage.</p> <p>The Scheme is a creditor’s scheme and does not apply to shareholders. Shareholders of the Company will only receive a return of capital, dividend or distribution after all Scheme Liabilities have been paid in full and the Company is lawfully able to make such payments. See section 13.14(f).</p>
<p>Why are Workers’ Compensation policies excluded from the Scheme and what does this mean for Scheme Creditors?</p>	<p>Policyholders in respect of Workers’ Compensation policies issued by CCI have special rights and protections under applicable legislation in the relevant states and territories, including rights of security in respect of policies issued in New South Wales (which the relevant State Authority may require be</p>

	<p>increased from time to time). These special rights and protections would also apply in a winding up of CCI.</p> <p>On that basis, and in recognition of these special rights and protections, Workers' Compensation policies are excluded from the Scheme and claims under Workers' Compensation policies will continue to be managed by the Company in the usual way and paid in full outside of the Scheme.</p> <p>Any increase in or additional security granted to the relevant State Authority would decrease Scheme Assets available for distribution to Scheme Creditors, and this may result in a decrease in Payment Percentages.</p>
<p>Why has a Scheme been proposed?</p>	<p>Refer to section 3 for further information.</p>
<p>What would happen if CCI was wound up?</p>	<p>In a winding up, the Company will be prevented from carrying on business except for the limited purposes of the winding up.</p> <p>All policyholders who have rights to claim under Insurance Contracts written by the Company would have their rights converted to a right to prove in the Company's winding up. The Company or its liquidator may have certain rights to cancel or disclaim certain Insurance Contracts under statute.</p> <p>All policyholders and other creditors would be required to lodge proofs of debt in respect of debts payable by, and all claims against, the Company (being debts or claims the circumstances giving rise to which occurred before the commencement of the winding up).</p> <p>Net amounts received by the Company in respect of reinsurances would be distributed to policyholders in priority to other creditors in a winding up.</p> <p>The proofs of debt would be adjudicated by the liquidator. Where the debt or claim has an uncertain value (such as contingent claims and potential future claims under existing insurance policies), the liquidator would be required to make an estimate of its value or refer the question of its value to the Court.</p> <p>The Company's assets would then be applied in satisfaction of the Company's liabilities in accordance with the statutory priorities in a winding up. The available assets will likely be reduced in a winding up as some of the Company's reinsurances are subject to cancellation in a winding up.</p> <p>The liquidator may only pay a dividend to a creditor whose debt or claim has been admitted by the liquidator at the date of the distribution of dividends (and prior to doing so must give notice of their intention to declare a dividend to creditors and to ASIC).</p> <p>Workers' compensation policyholders are expected to be paid in full in a winding up (assuming there are sufficient funds) due to</p>

	<p>the rights afforded to them under legislation in the various States and Territories.</p> <p>The Court has no power to alter the way claims are dealt with as part of a winding up.</p>
<p>Does the Scheme affect how claims are managed and how much Scheme Creditors will be paid?</p>	<p>The Scheme has been designed to ensure that claims continue to be handled in as orderly a manner as possible.</p> <p>The Scheme, if approved, will consist of two key periods:</p> <ul style="list-style-type: none"> • first, the Initial Scheme Period. The Initial Scheme Period starts on the date that the Scheme becomes Effective and ends on the date that an event, called a Trigger Event, occurs (the Trigger Date); and • second, the Reserving Period. The Reserving Period starts on the Trigger Date and ends on the date that the Scheme terminates. <p>During the Initial Scheme Period, the Company will operate on the same basis as it does now. That means that Scheme Creditors can make claims under or in connection with a relevant Insurance Contract in the same way as they do now (please see the relevant Insurance Contract or https://catholicinsurance.org.au/ for information about how to do this). The Company will assess if the Scheme Creditor’s claim is valid and, if valid, the amount payable by the Company in respect of it (such amount being an Established Scheme Liability). The Company will then pay any such Established Scheme Liability in full in accordance with the terms as set out in the relevant Insurance Contract.</p> <p>During the Reserving Period, Scheme Creditors will continue to be entitled to make an insurance claim under their Insurance Contract in the same way as they do now and the Company will assess that claim. However, where the Company determines that a Scheme Creditor has an Established Scheme Liability, the Company will not pay it in full at that time. Instead, it will pay a percentage (called the Payment Percentage) of that Established Scheme Liability. Scheme Creditors would be accountable for meeting any difference between the Payment Percentage of that Established Scheme Liability and the amount of any claim against them. If it is determined at one or more later dates that it has sufficient funds to do so, the Company may pay further percentages of that Established Scheme Liability after it has made the initial payment. The relevant percentages will be determined as described in section 13.8 below.</p> <p>The Payment Percentage must be increased so that Scheme Creditors are paid to the maximum extent possible having regard to the Established Scheme Liabilities, Non-Scheme Claims and Scheme Costs of the Company. Scheme Creditors must have</p>

	<p>been paid in full before capital is returned to shareholders or dividends are paid.</p> <p>It is also possible that Payment Percentages may be decreased over time. If Payment Percentages are reduced after a payment has been made to a Scheme Creditor, that Scheme Creditor will not be required to repay any amounts to the Company. However, the Company may deduct amounts from any subsequent payments to that Scheme Creditor to reflect what that Scheme Creditor should have received in respect of that earlier payment had it been made at the reduced Payment Percentage.</p> <p>It is important to note that there can be no guarantee that the amount of Scheme Assets retained will be sufficient to pay Scheme Creditors in full. A loss of or decrease in expected Scheme Assets including as a result of a State Authority requiring the grant of security, or an increase in Scheme Claims beyond what is expected, may result in a need to decrease the Payment Percentage for future payments. However, any such risk may be reduced by the prudent setting of the Payment Percentages by the Scheme Advisers.</p> <p>With the approval of a Special Meeting, the Reserving Period may be brought to an end early by valuing all remaining actual and contingent or prospective claims and distributing all remaining assets to Scheme Creditors (as a lump sum (with the result that Scheme Creditors have no further claims)) — see “What is the finalisation mechanism and why is it included?” below.</p> <p>Further details about how the Scheme will work and the effect that the Scheme will have on the management of claims are set out under the heading “How does the Scheme work?” at section 13 below. Illustrative examples of how the Scheme may work in a Reserving Period in relation to Scheme Claims are set out in Appendix 11.</p>
<p>Will my claims be paid in full?</p>	<p>If no Trigger Event occurs, the Company’s intention is to settle and/or pay all claims in accordance with the usual course of business.</p> <p>If a Trigger Event occurs, and a Payment Percentage is set, claims subject to the Scheme will be paid at the Payment Percentage and it is possible that the Company will ultimately pay only a portion (rather than the whole) of Established Scheme Liabilities.</p> <p>The Company sees having a Scheme in place before circumstances giving rise to a Trigger Event occur as the most prudent way of allowing the Company to continue to pay claims in full during the Initial Scheme Period and to the extent possible in the Reserving Period without material disruption. The Scheme should provide the Company with the certainty that, if necessary in the future, claims (or a percentage thereof) are paid as fully</p>

	<p>and as quickly as possible, regardless of the Company’s financial position.</p> <p>Payments previously made during the Initial Scheme Period or during the Reserving Period (if applicable) will not be impacted if a lower Payment Percentage is subsequently set. However, the Company may deduct amounts from any subsequent payments to that Scheme Creditor to reflect what that Scheme Creditor should have received in respect of that earlier payment had it been made at the reduced Payment Percentage.</p> <p>With the approval of a Special Meeting, the Reserving Period may be brought to an end early by valuing all remaining actual and contingent or prospective claims and distributing all remaining assets to Scheme Creditors (as a lump sum (with the result that Scheme Creditors have no further claims)) — see “What is the finalisation mechanism and why is it included?” below.</p>
<p>Is the Scheme likely to delay payment of my claim?</p>	<p>During the Initial Scheme Period it is not anticipated that there will be any delays in the handling and settlement of claims, which will continue to be managed and paid in the normal course.</p> <p>If a Trigger Event occurs, there would be a short period of delay (up to 90 days) to allow the Scheme Advisers to set appropriate Payment Percentages. Once Payment Percentages are set, amounts will be paid within 60 days of the relevant Established Scheme Liabilities being determined. Under the Scheme, payments to Scheme Creditors would be likely to be made significantly earlier than if the Company entered into formal insolvency proceedings.</p>
<p>What is a stay of proceedings and how does it work?</p>	<p>As part of the Scheme, Scheme Creditors will be prevented from taking certain action (such as suing the Company) where they are seeking to receive more than they would otherwise be entitled to receive under the Scheme. This helps to ensure that the Scheme is administered in an orderly fashion, and that assets are not distributed to creditors unfairly as a result of separate action taken by those creditors.</p> <p>The stay does not prevent Scheme Creditors from:</p> <ul style="list-style-type: none"> • lodging an insurance claim with the Company under an Insurance Contract in accordance with its terms; or • taking action against the Company to recover amounts owed under the Scheme where the Company has failed to make payment as required by the Scheme.
<p>What are the main advantages of the Scheme?</p>	<p>See section 8 for further information.</p>

Are there any disadvantages to the Scheme?	See section 9 for further information.
Who will be the Scheme Advisers?	<p>Stephen Longley and Michael Fung of PwC are the proposed Scheme Advisers. Details of their experience are set out in Appendix 4 of this Explanatory Statement.</p> <p>See section 21 for further detail on role of Scheme Advisers</p>
Following a Trigger Event, who sets the Payment Percentage?	<p>The Payment Percentages will be determined by the Scheme Advisers. In setting a Payment Percentage, the Scheme Advisers will consult with the Creditors' Committee and consider a range of factors including current and projected levels of assets of the Company relative to its liabilities, after reserving for Non-Scheme Claims and Scheme Costs and recognising any specific rights that Scheme Creditors or State Authorities may have over assets, for example, if it is determined that certain reinsurance amounts should be applied to certain insurance liabilities.</p> <p>This consultation will require the Scheme Advisers to take account of the views expressed by the Creditors' Committee in good faith. However, the Scheme Advisers will not be bound by those views and the Creditors' Committee will not have approval rights in respect of the Payment Percentage.</p> <p>The occurrence of a Trigger Event must be notified to the Scheme Creditors as soon as practicable. This may be notified by email, newspaper advertisement or by placing notice on the Company's website.</p>
Who will pay for the Scheme?	<p>The costs of the Scheme Advisers, like all other costs in relation to the operation of the Scheme, will be met out of the assets of the Company, subject to the terms of the Scheme.</p> <p>See section 13.16 for further detail on the payment of Scheme Costs.</p>
Why is there a Creditors' Committee established under the Scheme and who will be its members?	<p>Although it is not usual for a committee of creditors to be formed when a company is solvent, such a committee, required to act in the best interests of Scheme Creditors as a whole, will be established upon the Scheme becoming Effective.</p> <p>This Creditors' Committee will play an important role in monitoring the implementation of the Scheme and, in particular, provide the Directors, and after a Trigger Event, the Scheme Advisers with views on important issues.</p> <p>The Creditors' Committee will also consider and, if thought fit, approve the remuneration of the Scheme Advisers during the Reserving Period.</p> <p>In this case an informal initial committee of Scheme Creditors was formed prior to the Scheme being proposed in order to consult with relevant creditors on the Scheme proposal and it is proposed that certain members of this informal committee will</p>

	become members of the Creditors' Committee that will continue after the Scheme becomes Effective.
Who is on the Creditors' Committee and why were they chosen/ how were they appointed?	<p>The Creditors' Committee consists of Michael Cooper, Christopher Mackenzie, John Loy, Tim O'Leary, Geoff Officer, David Penney, Alison Brown and Andrea Fogarty.</p> <p>See section 22 for further detail on role of Creditors' Committee.</p>
How do I participate in and vote at the meeting of Scheme Creditors?	<p>Scheme Creditors are encouraged to take an active interest in the Scheme proposal and any queries should be directed to the Company by email at scheme@ccinsurance.org.au.</p> <p>All Scheme Creditors with unpaid, outstanding or potential future claims as at the Scheme Meeting Date are entitled to vote on the Scheme proposal. If you have a Scheme Claim that is fully and finally settled prior to the Scheme Meeting Date, such that you no longer have a Scheme Claim for that amount against the Company, you will not be entitled to vote on the Scheme unless you have other claims or potential future claims.</p> <p>Scheme Creditors must contact the Company by email at scheme@ccinsurance.org.au to obtain login credentials to the Creditor Portal by 5.00pm on 9 October 2023 (if they have not yet received access to the Creditor Portal), Scheme Creditors are then required to register as a Scheme Creditor via the Creditor Portal by 5.00pm on 16 October 2023, and then complete their Proof of Debt and proxy details (if relevant) through the Creditor Portal as soon as possible, and no later than 5.00pm on 25 October 2023. See section 2 for details as to how to register and vote.</p> <p>In summary, the value of each Scheme Creditor's vote at the meeting of Scheme Creditors should represent a just estimate of the value of its actual or potential Scheme Claim; it should be noted that the value of the Scheme Claim is for voting purposes only and will not be relevant for the purposes of establishing and determining Scheme Claims under the Scheme. Liability for actual Scheme Claims will always be established at the time payment is due under the Scheme. The Valuation Principles to be applied by the Company in making a just estimate are set out in Appendix 8.</p>
What reporting will the Creditors' Committee receive? Will we receive it too?	<p>See section 22 for further detail on the role of Creditors' Committee.</p> <p>During the Reserving Period Scheme Creditors are entitled to receive, free of charge, an annual report on:</p> <ul style="list-style-type: none"> • the conduct of the affairs of the Company and the operation of the Scheme during the period since the last such report was prepared; and • if the Trigger Date has occurred prior to delivery of that report, whether the Scheme Advisers recommend a Special Meeting should be convened to approve the

	<p>finalisation mechanism described in “What is the finalisation mechanism and why is it included?” below.</p>
<p>When does the Scheme become Effective?</p>	<p>The Scheme will become Effective once it has been approved by the Court and a copy of the order of the Court lodged with ASIC. A high level outline of the Court approval process is as follows:</p> <ul style="list-style-type: none"> • On the First Court Date, the Court made procedural orders in relation to holding a meeting for Scheme Creditors to vote on the proposed Scheme. • The Scheme is then voted on at the Scheme Creditors’ meeting which will take place virtually at 12.00pm on 31 October 2023 on Webcast. • Once the results of the vote at the Scheme Creditors’ meeting are known the Company will then present those results to the Court at the Second Court Hearing, currently scheduled to be held at 9.30am on 2 November 2023. • At the Second Court Hearing, the Company will apply for final approval of the Scheme. The Court will consider the outcome of the meeting, and will hear from any Scheme Creditor who has filed a Form 4 Notice of Appearance and wishes to be heard. The Court may also hear from any interested party who has filed a Form 4 Notice of Appearance and seeks leave to be heard. • Assuming that the Scheme is duly approved by Scheme Creditors and the Court, and filed with ASIC, and therefore becomes Effective, Scheme Claims will be managed in the manner outlined above.
<p>How can I be sure that my vote will be valued fairly?</p>	<p>The value to be attributed for voting purposes to a Scheme Creditor’s Scheme Claim will be the amount of the claim subject to any adjustment by Mr Tim Farren as Returning Officer of the meeting. If the Scheme Creditor’s Scheme Claim is a prospective claim, a just estimate of its value will be made. Mr Farren will consider any additional information provided by a Scheme Creditor in the Creditor Portal when determining the value of each Scheme Creditor’s vote at the meeting.</p> <p>Mr Farren’s determination will be based on (i) the information provided by the Scheme Creditors; and (ii) the information available to the Company from its existing records. Account will also be taken of any known set-off, security, cross-claim or deduction in respect of balances due to the Company.</p> <p>Note that the values have allocated the IBNR provision across policyholders with cover for professional standards but not any other policyholders. No allocation of the Company’s Risk</p>

	<p>Margin has been made as this provision does not apply to specific claims.</p> <p>An indicative summary of how value will be attributed for voting purposes is set out below. The Valuation Principles to be applied by the Company in making a just estimate are set out in full in Appendix 8.</p> <table border="1" data-bbox="584 443 1369 1346"> <thead> <tr> <th data-bbox="584 443 1007 517">Type of claim</th> <th data-bbox="1007 443 1369 517">What is the Value</th> </tr> </thead> <tbody> <tr> <td data-bbox="584 517 1007 707">1. Creditors who have made claims that have been accepted by CCI but not yet paid</td> <td data-bbox="1007 517 1369 707">Full value</td> </tr> <tr> <td data-bbox="584 707 1007 891">2. Creditors who have made claims that have not yet been accepted by CCI</td> <td data-bbox="1007 707 1369 891">Estimate only, consistent with CCI's provision for the claim at the relevant time</td> </tr> <tr> <td data-bbox="584 891 1007 1346">3. Incurred but not reported (IBNR)</td> <td data-bbox="1007 891 1369 1346"> <p><i>Professional standards policies:</i> Estimated value only based on high level actuarial assessment by the external appointed actuary</p> <p><i>All other policies:</i> absent any other evidence, admitted for \$1</p> </td> </tr> </tbody> </table>	Type of claim	What is the Value	1. Creditors who have made claims that have been accepted by CCI but not yet paid	Full value	2. Creditors who have made claims that have not yet been accepted by CCI	Estimate only, consistent with CCI's provision for the claim at the relevant time	3. Incurred but not reported (IBNR)	<p><i>Professional standards policies:</i> Estimated value only based on high level actuarial assessment by the external appointed actuary</p> <p><i>All other policies:</i> absent any other evidence, admitted for \$1</p>
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<p>How can I be sure that my claims and those of others will be valued fairly during the operation of the Scheme?</p>	<p>During both the Initial Scheme Period and the Reserving Period, the Company will assess claims in accordance with its usual policies and procedures. Under the Scheme, in all its dealings with Scheme Creditors (including establishing liabilities), the Company is required to:</p> <ul style="list-style-type: none"> • treat Scheme Creditors fairly and without regard to any relationship the Company may have with that Scheme Creditor outside of the debtor/creditor relationship; • perform all its obligations, including making decisions, on their merits and with regard to the overall purpose of the scheme; • deal with all creditors of the Company on reasonable terms and at arm's length; and • comply with its conflicts of interest policy. 								

	<p>This means that the Company is not able to give preferential treatment to Scheme Creditors who also happen to be members of the Company because they are members.</p>
<p>Are APRA and ASIC aware of the proposed Scheme?</p>	<p>Both APRA and ASIC have been advised of the proposed Scheme and have received a copy of this Explanatory Statement. ASIC and APRA do not approve the Scheme.</p> <p>Neither ASIC, APRA nor any of its respective officers take any responsibility for the contents of this Explanatory Statement.</p>
<p>What will happen if the Scheme is not approved?</p>	<p>If the Scheme does not go ahead, the Company will continue to run off its liabilities in the ordinary course of business but will remain vulnerable to claims deterioration and other factors which may endanger its solvency in the future. In this case, if at some point in the future, the Directors conclude that the Company is, or is likely to be, insolvent, it will likely be placed into an insolvency process (voluntary administration or liquidation). APRA may also exercise its enforcement powers in respect of the Company.</p> <p>If the Company is placed into liquidation, it is expected that:</p> <ul style="list-style-type: none"> • recoveries under reinsurance policies will likely be significantly reduced because: <ul style="list-style-type: none"> • many of the reinsurance policies give the reinsurer the right to cancel policies and cease cover in respect of future losses suffered if the Company is insolvent or is in liquidation; and • the reinsurances may not respond to the usual proof of debt process that would apply in a liquidation – as a result, CCI’s appointed liquidators may need to propose a scheme of arrangement on terms similar to the proposed Scheme to maximise reinsurance recoveries; • costs of a liquidation would be significant and it would run for many years, materially reducing the return to creditors; • a liquidation would impact all creditors, including employees and trade creditors; • the liquidator may not be able to make any distributions to creditors until most of the Company’s assets have been realised and creditors’ claims have been determined – which may take several years; • partial distributions to creditors would occur in stages, and would not be finalised until the affairs of the Company are wound up after many years; and

	<ul style="list-style-type: none"> there is no certainty that the Financial Claims Scheme would be available to any or all Scheme Creditors. See the Frequently Asked Question “What is the Financial Claims Scheme and how is it relevant to the Scheme” for more information.
What will happen when the Scheme becomes Effective?	<p>Once the Scheme becomes Effective, the Company will notify known Scheme Creditors for which it has contact details that the Scheme is Effective.</p> <p>The Company will also post a notice on its website and in a prominently published newspaper which is circulated throughout Australia, which is expected to be <i>The Australian</i> newspaper.</p>
When will the Scheme end?	<p>It is anticipated that the claims management under the Scheme could continue for a number of years since claims on some Insurance Contracts may be made at any time, provided the loss giving rise to the claim occurred or is deemed to have occurred during the contract period.</p> <p>As a result it is not possible to set a precise end date for the Scheme.</p> <p>After a Trigger Event, the Scheme may be brought to an end early using the mechanism described immediately below.</p>
What is the finalisation mechanism and why is it included?	<p>The Insurance Contracts issued by the Company fall into 2 general categories – short tail policies (claims will run off within 2-3 years) and long tail policies (claim may be made for up to or beyond 20 years). Once the short tail policies have run off, the number of Insurance Contracts that remain available for Scheme Creditors to make Scheme Claims will be significantly reduced. At that point, the costs associated with the Company maintaining full claims assessment capability into the future may not be justified in light of the volume of Scheme Claims being received by the Company at that time. Such costs will reduce the assets of the Company available for distribution to Scheme Creditors.</p> <p>In light of this, during the Reserving Period, Scheme Creditors may resolve to bring the Scheme to an end early. This would activate a finalisation mechanism under which all remaining claims of Scheme Creditors (including contingent or prospective claims not yet due and payable) would be valued and paid out of the remaining Scheme Assets. This means that Scheme Creditors with remaining (or prospective or potential future) claims (including IBNR claims) would receive a lump sum, and would have no further rights to make claims under their policies on an ongoing basis.</p> <p>Scheme Creditors would be accountable for meeting any difference between the lump sum paid to them and the amount of any claim against them.</p> <p>The finalisation mechanism is designed to align with what would occur if the Company was placed in a winding up. It would finally settle all claims and prospective claims of Scheme</p>

	<p>Creditors at a single point in time, which may reduce Scheme Costs and allow certain Scheme Creditors to receive payments which are larger and/or made earlier than if the Scheme continued to run for a longer period into the future.</p> <p>The approval of the Company and the Scheme Advisers is required before the finalisation mechanism is activated.</p> <p>If a Trigger Event does occur, the Company does not currently expect that the finalisation mechanism would be activated until material progress had been made on clearing current claims and the short tail claims. Due to the nature of some long tail claims, this may take up to 10 years after the Effective Date. Before activating the finalisation mechanism, any potential impact of any remaining reinsurances would need to be considered.</p> <p>For more detail on the finalisation mechanism itself and what would happen if it was activated, please see section 15 below.</p>
<p>Can the Scheme be terminated?</p>	<p>The Scheme will terminate:</p> <ul style="list-style-type: none"> • if a Statutory Manager or Judicial Manager is appointed in respect of the Company pursuant to the Insurance Act and the Scheme has been terminated by that appointment in accordance with applicable law or the Statutory Manager or Judicial Manager elects not to continue the Scheme; • if all of the Scheme Liabilities of the Company have been discharged in full; • 90 days after the last to occur of: <ul style="list-style-type: none"> • all of the Company’s Scheme Assets having been distributed in accordance with the Scheme; and • the Scheme Advisers issuing a notice to Scheme Creditors that all of the Scheme Assets have been distributed pursuant to the Scheme; • if the Company, with the approval of the Creditors’ Committee and the Scheme Advisers, gives notice to Scheme Creditors that the Scheme is no longer in the best interests of Scheme Creditors as a whole and the Company should be wound up; • if a resolution that the Scheme should be terminated and the Company should be wound up is passed by more than 50% in number and 75% in value of Scheme Creditors present and voting at a meeting of Scheme Creditors; or • if the Court makes an order that the Scheme be terminated.

	<p>A termination will not prejudice any right or obligation which has arisen under the Scheme prior to such termination.</p>
<p>What is the Financial Claims Scheme and how is it relevant to the Scheme?</p>	<p>The relevant Minister has the power to declare that the Financial Claims Scheme applies to the Company in certain circumstances where APRA has advised the Minister it believes the Company is unable to pay its debts as they fall due. If the Minister is entitled to make the declaration and has exercised their discretion to do so, certain Scheme Creditors holding a protected policy (as defined in the Insurance Act) would be entitled to payment by APRA or to have their claims transferred to another insurer in each case subject to the conditions more fully described in Part VC of the Insurance Act.</p> <p>The application of the Financial Claims Scheme if the Scheme is approved is unknown, as it is a matter in the discretion of the responsible Minister if and at the relevant time the circumstances permitting the exercise of the power arise.</p> <p>If the Company is placed into liquidation (whether or not the Scheme goes ahead):</p> <ul style="list-style-type: none"> • activation of the Financial Claims Scheme (and, if activated, the Scheme Creditors to be covered) would be in the discretion of the Minister; and • it is not known whether the Minister would exercise that discretion or, if exercised, which Scheme Creditors the Financial Claims Scheme might apply to. <p>Scheme Creditors should therefore not place reliance on the Financial Claims Scheme being activated or applying in respect of their claims when making a decision as to whether to approve the Scheme.</p>
<p>What will happen to the Large Retrospective Deductible transactions (LRDs)?</p>	<p>As policyholders are aware, the Company entered into transactions with certain policyholders in late 2021 and early 2023 which provided for those parties agreeing to assume a \$2,000,000 deductible in respect of specified professional standard claims (known as the LRDs). The LRDs will not be impacted by the Scheme. The parties to the LRDs remain insured and are Scheme Creditors. The value of their claims under the Scheme will take into account the LRDs.</p>
<p>Will the LRDs be clawed back if there is a Trigger Event?</p>	<p>No. The Company was solvent at the time the LRDs were undertaken and the LRDs delivered a considerable capital benefit to the Company.</p> <p>Also, if the Scheme is approved and the Trigger Event occurs, the Scheme Advisers will review any potential causes of action that might be available in an insolvent liquidation of the Company and report the results to the Creditors' Committee.</p>

PART E: BACKGROUND TO THE COMPANY

10 COMPANY BACKGROUND

Catholic Church Insurance Ltd (originally known as The Catholic Church Property Insurance Company Australasia Ltd) was first registered in NSW as a company on 22 November 1911 and has continuously operated in Australia since incorporation.

The Company's Constitution requires it to be owned solely by Australasian Catholic entities. There are presently 78 shareholders in the Company holding 100% of the share capital in the Company which is fully paid up, all domiciled in Australia.

The Company is an APRA authorised general insurer and was also licensed to provide workers' compensation insurance in NSW, ACT, Northern Territory, Western Australia and Tasmania until it ceased issuing new or renewal business. The Company also operated as a workers' compensation claims administrator in South Australia. The Company's general insurance products are primarily made up of non-residential property, casualty (liability) and some specialty classes of insurance. The majority of the Company's retail insurance product offerings (being retail motor, home and contents, travel and personal accident insurance) were distribution arrangements with other general insurers underwriting those products.

The Company has 2 operating subsidiary companies which do not form part of the proposed Scheme but are referenced here for completeness. They are:

- (a) CCI Asset Management Ltd (ACN 006 685 865) which manages investment funds on behalf of various Australian Catholic entities under two unit trusts or under direct investment mandates.
- (b) CCI GF Pty Ltd (ACN 619 941 874) which is the trustee for CCI Giving, a public ancillary fund registered with the Australian Charities and Not-for-Profit Commission.

PART F: FINANCIAL SUMMARY

11 FINANCIAL SUMMARY

11.1 Recent financial information extracted from management's unaudited accounts

Set out below is a summary of the Company's recent financial information as extracted from management's unaudited accounts (on an unconsolidated basis). This information has been prepared on the basis of management's unaudited accounts on the basis that the Company does not expect audited accounts to be available until after the Scheme Meeting.

Table 1: CCI management's unaudited statement of financial position as at 30 June 2023

\$ in 000's	2023	2022	Variance
Assets			
Cash and cash equivalents	68,027	656,428	(588,400)
Trade and other receivables	34,894	130,681	(95,788)
Reinsurance Recoveries	635,710	551,545	84,164
Financial assets at fair value through profit and loss	702,484	353,420	349,064
Deferred reinsurance expense	38,743	55,801	(17,057)
Plant and equipment	11,357	15,771	(4,413)
Other assets	6,375	6,445	(70)
Tax assets	2,246	3,288	(1,042)
Intangible assets	230	3,669	(3,439)
TOTAL ASSETS	1,500,066	1,777,049	(276,983)
Liabilities			
Trade and other payables	83,872	65,896	17,976
Other liabilities	9,182	13,207	(4,024)
Unearned premium reserve	109,873	210,515	(100,642)
Provisions	18,743	9,171	9,572
Outstanding claims	1,252,644	1,192,501	60,143
Unexpired risk reserve	14,789	-	14,789
TOTAL LIABILITIES	1,489,104	1,491,291	(2,187)
NET ASSETS	10,962	285,758	(274,796)
Shareholders' Equity			
Contributed equity	179,333	179,333	-
Retained profit / (loss)	(168,371)	106,425	(274,796)
TOTAL SHAREHOLDERS' EQUITY	10,962	285,758	(274,796)

Source: Unaudited management accounts

This financial information includes the appointed external actuary's assessment for insurance related liabilities at 30 June 2023.

The reduction in the Company's net asset position in the year to 30 June 2023, as shown above, is primarily due to a combination of (i) an increase in outstanding claims liabilities, in particular the strengthening of professional standards claims; and (ii) payments to complete the six Large Retrospective Deductible transactions in March 2023 as outlined in greater detail below. It was the combination of these factors that led to the reduction in the Company's net asset position and the decision by the Company in late May to cease writing new business and enter run-off on 29 May 2023.

An independent actuarial peer review of the insurance related liabilities was completed by Ernst & Young (EY) on 5 September 2023. As a result of this peer review, the

Company's net asset position improved by \$9.3m from the financial position previously reported to Scheme Creditors at the virtual briefing sessions held on 25 August and 1 September 2023. The financial audit for the Company for the year ending 30 June 2023 will be completed as soon as practical after the second Court date and the outcome of the proposed Scheme is known.

Table 2: CCI management's unaudited comprehensive income for the year ended 30 June 2023

\$ in 000's	2023	2022	Variance
Premium revenue	357,301	331,884	25,417
Outwards reinsurance expense	(171,943)	(166,092)	(5,851)
Net premium revenue	185,358	165,792	19,566
Gross claims incurred	(681,992)	(459,142)	(222,850)
Reinsurance and other recoveries revenue	286,195	366,758	(80,563)
Net claims incurred	(395,797)	(92,384)	(303,413)
Gross commission expense	(5,242)	(4,270)	(972)
Reinsurance commission revenue	21,721	24,006	(2,285)
Net commission	16,479	19,736	(3,257)
Other underwriting expenses	(84,536)	(64,849)	(19,688)
Underwriting result	(278,496)	28,295	(306,792)
Net investment income/(expense)	33,119	(3,756)	36,876
General administration expenses	(30,906)	(25,312)	(5,594)
Catholic entity distributions	-	-	-
Revenue from contracts with customers	991	1,029	(37)
Other Revenue	494	62	433
Profit / (Loss) for the period	(274,797)	318	(275,115)
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	(274,797)	318	(275,115)

Source: Unaudited management accounts

The Company certifies that true copies of its annual reports for the years 2009 to 2022 are available at <https://www.ccinsurance.org.au/annual-reports>. To the extent required, those annual reports are incorporated into this Explanatory Statement.

11.2 Performance since 30 June 2023

During the month of July 2023, the Company recorded a total profit of \$5.4m in part due to the release of one month of unearned premium reserve liability which is recognised as revenue over the term of the various policies. As a result, the Company's net asset position as at 31 July 2023 increased to \$16.4m.

While the Company continues operating in run-off, the Company has been exploring and evaluating potential measures with a view to increasing the Company's capital position. As part of this process, the Company is actively considering potential corporate transactions where the Board considers that these transactions may increase value that could be available to the Company's creditors and shareholders. Potential transactions could include, by way of example only, the sale of certain lines of business or the "renewal rights" associated with a line of business.

No binding agreements have been reached in relation to any transactions as at the date of this Explanatory Statement. The Company does not expect that any such corporate transactions would be completed before the Scheme becomes effective.

11.3 Actuarial assessments as at 30 June 2023

The appointed external actuary completes assessments on a biannual basis. This includes a complete portfolio valuation at each 30 June, while on 31 December each year valuations are conducted on the long-tail liabilities only. The next valuation conducted by the appointed external actuary will occur at 31 December 2023.

A summary of the Company's insurance liabilities, by insurance product, as at 30 June 2023 is outlined in the section below.

Table 3: CCI management's unaudited outstanding long tail claims liabilities at 30 June 2023

\$ in 000s	General liability	Professional standards	Professional indemnity	Workers compensation	Total
Gross central estimate (inflated, undiscounted)	56,377	487,173	13,706	163,496	720,752
Discount effect	(6,300)	(68,961)	(1,067)	(14,643)	(90,971)
Gross central estimate (inflated, discounted)	50,077	418,212	12,640	148,853	629,781
Third-party recoveries	(763)	-	(334)	(817)	(1,915)
Reinsurance recoveries	(973)	(141,954)	(2,529)	(1,334)	(146,790)
Net central estimate (inflated, discounted)	48,341	276,258	9,777	146,701	481,077
Claim Handling Expenses (CHE)	2,219	19,121	554	17,764	39,658
Risk Margins (RM)	6,826	85,968	2,634	23,273	118,701
Total including CHE & RM	57,386	381,347	12,965	187,738	639,435

Source: Management information

Table 4: CCI management's unaudited outstanding short tail claims liabilities at 30 June 2023

\$ in 000s	MV domestic	MV commercial	House	Accident	Marine	Fire and ISR	Total
Gross central estimate (inflated, undiscounted)	38	2,806	4,642	6,427	(4)	344,076	357,984
Discount effect	-	-	-	-	-	-	-
Gross central estimate (inflated, discounted)	38	2,806	4,642	6,427	(4)	344,076	357,984
Third-party recoveries	(6)	(506)	(54)	(53)	0	(5,695)	(6,313)
Reinsurance recoveries	-	(0)	(2,929)	(2)	0	(297,012)	(299,942)
Net central estimate (inflated, discounted)	33	2,300	1,659	6,373	(4)	41,369	51,729
Claim Handling Expenses (CHE)	2	138	275	382	0	4,230	5,027
Risk Margins (RM)	10	731	580	1,013	(1)	10,260	12,594
Total including CHE & RM	45	3,169	2,515	7,768	(5)	55,859	69,350

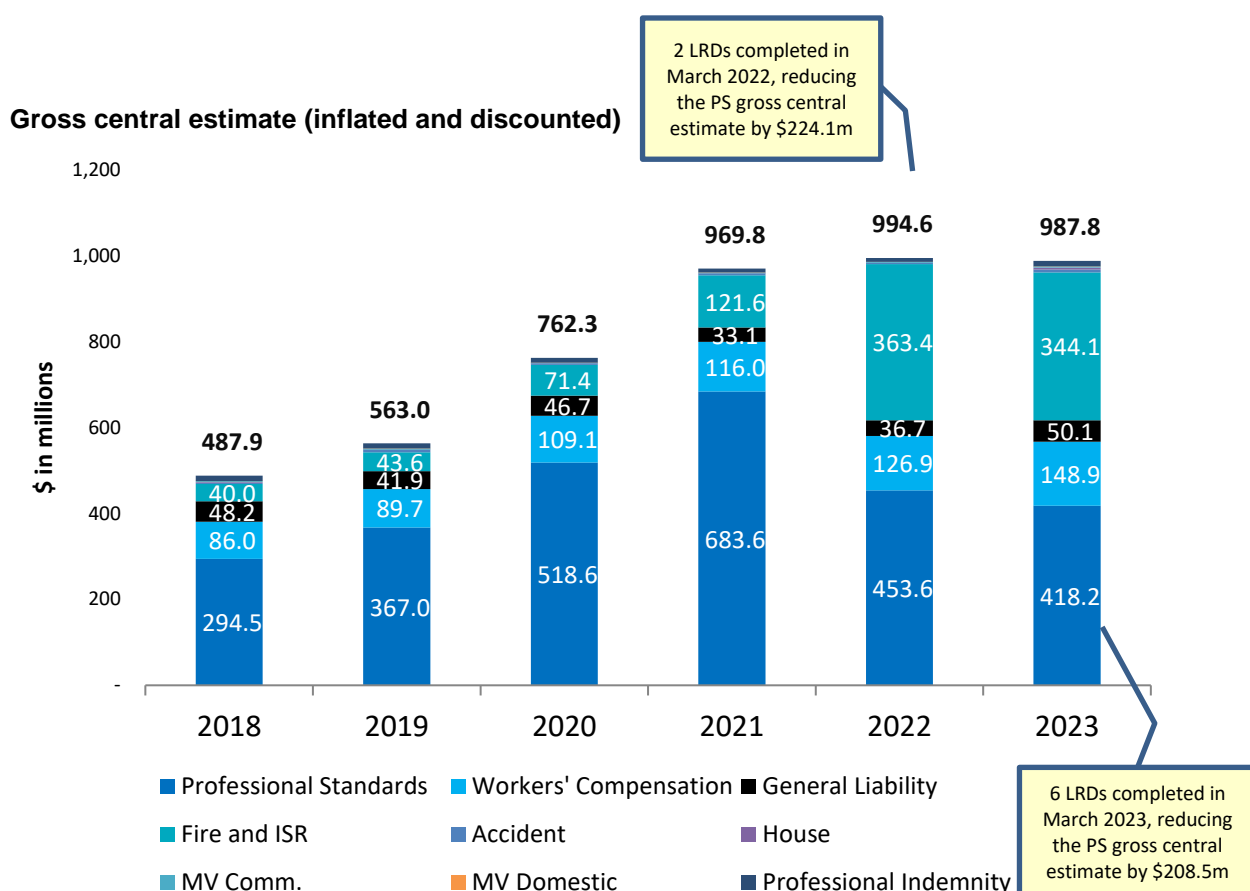
Source: Management information

Trend analysis of the Company's portfolio over time (as highlighted in the chart below), demonstrates the Company's gross central estimate of outstanding claim liabilities has consistently increased year on year. This has resulted in a gross estimate of c.\$988m in 2023, which is a material increase from c.\$488m in 2018. The increase in gross central estimate is primarily due to:

- a continued pattern of ‘strengthening’ in professional standards liabilities;
- an increase in Fire and ISR liabilities resulting from the Lismore floods in February 2022. We note that while this catastrophic event drove a material increase in the gross exposure, at a net exposure level the Company was mitigated by the available reinsurance assets (refer to section below for further detail); and
- the remainder of the Company’s portfolio has been relatively steady over time, with some strengthening in Workers’ Compensation liabilities in more recent periods.

Across 2021, 2022 and 2023, the Company took steps to address the volatility in the professional standards claims estimates and entered into eight transactions (Large Retrospective Deductible transactions) with certain policyholders to, in effect, partially commute the relevant policies and ultimately reduce the exposure to professional standards claims (as highlighted by the reductions in the chart below) through the introduction of a retrospective deductible on those policies. The Company was in the process of conducting further deals with twenty-six professional standards policyholders, however, given the capital challenges the Company was unable to complete the transactions prior to entering run-off.

Illustration 1: Historical trend analysis of the Company's gross central estimate



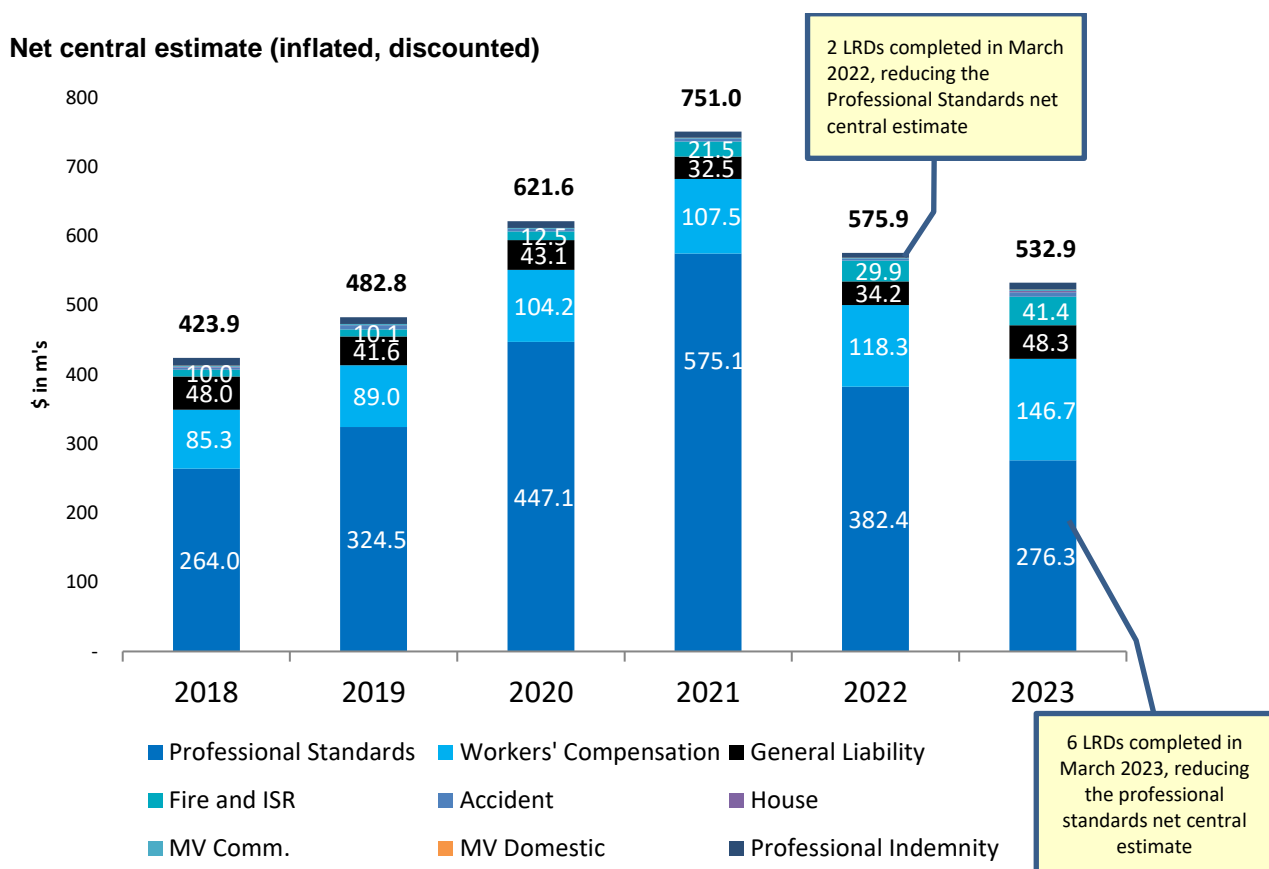
11.4 Reinsurance

The Company's portfolio is heavily reinsured, especially the short tail insurance products where reinsurance mitigates 84% of the gross estimated claims. For example, as a result of the reinsurance the estimated net exposure from Fire and ISR claims at 30 June 2023 drops to \$41.4m from \$344.1m once the available reinsurance policies are factored in. The Company also has in place an adverse development cover reinsurance agreement which indemnifies CCI for certain claims under professional standards policies.

Given the significance of reinsurance to policyholders, the Scheme has been developed to maximise the preservation of reinsurance for the benefit of all stakeholders during run-off to protect the available capital. The Company recently renewed relevant parts of its reinsurance cover from 1 July 2023.

The trend analysis chart below highlights the net central estimate for the Company over time once the available reinsurance policies have been applied.

Illustration 2: Historical trend analysis of the Company's net central estimate



Scheme Creditors should note that recovery of reinsurance monies is subject to risks, including that reinsurers dispute their liability to pay, or delay or fail to make payments.

11.5 Solvency

Assessing solvency for insurance companies is unique and requires careful consideration. The Company is currently solvent with sufficient assets available to meet its liabilities as they fall due given:

- the Company has a strong liquidity position with ~\$68m in available cash and ~\$702m in liquid assets to fund all known obligations;
- the Company has a reported net asset position of ~\$11.0m (on an AASB 1023 basis); and
- included in the appointed external actuary's assessment of outstanding claims liabilities is ~\$131.3m of Risk Margin, which is taken into account in the accounting assessment of net asset position above as a liability (provision).

For insurance companies, the assessment of solvency should consider contingent and prospective liabilities, namely the outstanding claims liabilities for which the Company accounts using valuations prepared by the appointed external actuary.

Insurance companies should also consider the treatment of the Risk Margin portion of the claims liability recognised on the balance sheet. While the Risk Margin is included in the balance sheet liabilities under AASB 1023, it should not be considered as a liability for the purposes of assessing solvency. Given the Company's strong liquidity position, Risk Margin is not factored into the Net Asset Value (NAV) when assessing CCI's solvency.

This is supported by Australian case law. The Company is not aware of any cases in which a Court has concluded that an insurer, with a strong liquidity position such as the Company, was insolvent solely on the basis that it had negative assets due to the Risk Margin.

Once the ~\$131.3m Risk Margin liability is accounted for, the adjusted net asset position of the Company improves to ~\$142.3m. This supports the assessment that the Company is solvent with a strong liquidity position and a net asset buffer to withstand strengthening in future actuarial valuations.

11.6 FTI Consulting Report

The Company and its Directors have obtained advice from FTI Consulting as to the following matters:

- 1 The expected dividend that would be available to be paid to the Scheme Creditors if the Company were to be wound up within six months of the hearing of the application for an order under section 411(a) and (1A) of the Act, and
- 2 The expected total Payment Percentage that would be respectively available to be paid to the Scheme Creditors if the Scheme becomes Effective as proposed and the Trigger Event occurred within six months of the hearing of the application for an order under section 411(1) and (1A) of the Act.

The table below summarises the advice that was provided to the Company and its Directors on these matters by FTI Consulting:

	The expected dividend that would be available to be paid to the Scheme Creditors if the Company were to be wound up within six months of the hearing of the application for an order under section 411(a) and (1A) of the Act		The expected total Payment Percentage that would be respectively available to be paid to the Scheme Creditors if the Scheme were put into effect as proposed and the Trigger Event occurred within six months of the hearing of the application for an order under section 411(1) and (1A) of the Act	
	High Cents/\$	Low Cents/\$	High Cents/\$	Low Cents/\$
No Future Catastrophic Event	97.99	87.54	100.00	88.23
Future Catastrophic Event – Scenario 1	90.54	82.33	100.00	87.38

Future Catastrophic Event – Scenario 2	60.87	59.54	100.00	87.55
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The key assumptions underpinning the FTI Consulting Report, including details of the future catastrophic event scenarios, are detailed in the FTI Consulting Report set out in Appendix 6.

Warning: The FTI Consulting Report has been prepared for the Company and its Directors and for sole purposes stated in it. It has been included in this Explanatory Statement for those purposes only. It is not intended, and is not to be regarded as intended, as a recommendation by FTI Consulting as to how any person should vote or exercise any other right in relation to any financial product affected by the Scheme. It is not advice to any person other than the Company and its Directors. Any statements in this document recommending the Scheme are made by the Company and its Directors.

The information above as to expected dividends and Payment Percentages includes forward-looking statements and is based on numerous assumptions regarding present and future circumstances. It involves known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual result to be materially different from the future result expressed or implied by those statements. Accordingly, Scheme Creditors should not place undue reliance on this information.

PART G: SUMMARY OF MAIN SCHEME TERMS

12 OVERVIEW

The main provisions of the Scheme are summarised below to help Scheme Creditors understand how the Scheme will operate. This summary should not be relied upon as a substitute for reading the Scheme itself in its entirety.

13 HOW DOES THE SCHEME WORK?

13.1 Application of the Scheme

- (a) If the Scheme becomes Effective, it will apply to, and bind, all Scheme Creditors who have a Scheme Claim (broadly, a claim against the Company under or in connection with an Insurance Contract other than Workers' Compensation policies).
- (b) The Scheme Advisers will also be bound by the Scheme by entering into a Scheme Adviser Deed Poll.
- (c) If you are a Scheme Creditor and you do not vote at the Scheme Meeting, or you vote against the Scheme, you will be bound by the Scheme, provided that the Scheme is approved by the Requisite Majority and is approved by the Court.
- (d) The Scheme will not affect any person who has a claim against the Company which arises otherwise than under an Insurance Contract or claims that arise in respect of Workers' Compensation policies. For the avoidance of doubt (but without limitation), the following claims will not be affected by the Scheme:
 - (i) claims arising in respect of the costs of implementing the Scheme;
 - (ii) employee salaries and benefits;
 - (iii) service provider fees; and
 - (iv) claims arising under Excluded Insurance Contracts, including claims under Workers' Compensation policies.

Any claim not arising under an Insurance Contract is not covered by the Scheme and will therefore be paid by the Company in the ordinary course of business. Creditors in respect of Excluded Insurance Contracts are not "Scheme Creditors", and claims in respect of such contracts are not covered by the Scheme.

13.2 Who is a Scheme Creditor?

A Scheme Creditor is a creditor of the Company in respect of an actual or potential claim against the Company (other than a Non-Scheme Claim) under or in connection with, or which may arise under or in connection with, any Insurance Contract. This includes (without limitation) all actual, future and prospective claims (including incurred but not reported claims) by any person under or in connection with an Insurance Contract and any claims arising under statute in connection with an Insurance Contract (this may include, for example, where the party insured by the Company has died, been deregistered or is being wound up, or cannot be found), or in each case its termination or cancellation. If you have no actual or potential Scheme Claim against the Company, you will not be entitled to attend or vote at the Scheme Creditors' meeting.

Creditors of the Company who have a Scheme Claim that is fully and finally settled, such that they no longer have a Scheme Claim against the Company, will cease to be a Scheme Creditor in respect of that claim from the date that the Scheme Claim is settled.

Any claim against the Company other than in connection with an Insurance Contract is not covered by the Scheme (e.g. claims by trade creditors or employees) and will be paid by the Company in the ordinary course of business. Policies of insurance issued by the Company in relation to Workers' Compensation are "Excluded Insurance Contracts", and are excluded from the definition of "Insurance Contract" as it is used in the Scheme. Creditors in respect of Excluded Insurance Contracts are not "Scheme Creditors", and claims in respect of such contracts are not covered by the Scheme.

13.3 When will the Scheme come into effect?

The Scheme will only come into effect if it receives the approval of the Requisite Majority of Scheme Creditors at the Scheme Meeting and the Court approves it. If the Scheme is supported by Scheme Creditors and approved by the Court, the Company expects it to become Effective on or shortly after the day immediately after the Second Court Hearing which is expected to be 3 November 2023. The Company will notify Scheme Creditors of the exact Effective Date by posting a notice on the Website and in appropriate newspapers or other publications.

13.4 What will happen if the Scheme becomes Effective?

The Scheme, if implemented, will consist of two key periods:

- (a) first, the Initial Scheme Period; and
- (b) second, the Reserving Period.

With the approval of a Special Meeting, the Reserving Period may be brought to an end early by valuing all remaining actual and contingent or prospective claims and distributing all remaining assets to Scheme Creditors (as a lump sum (with the result that Scheme Creditors have no further claims)) —see Part D "What is the finalisation mechanism and why is it included?" above.

13.5 Operation of the Scheme during the Initial Scheme Period

The Scheme has been designed to ensure that the Company's business continues to be run off in as orderly a manner as possible. It will be managed by the Directors who will be supported by the Scheme Advisers and a Creditors' Committee whose members will represent the interests of Scheme Creditors.

The Initial Scheme Period starts on the date that the Scheme becomes Effective (the **Effective Date**) and ends on the day before the date that a Trigger Event occurs (the **Trigger Date**).

During the Initial Scheme Period, the Directors will continue to closely monitor the Company's financial position and the Company will operate on the same basis as it does now. That means that:

- (a) Scheme Creditors can make a Scheme Claim under the relevant Insurance Contract in the same way as they do now;

- (b) The Company will assess whether any Scheme Claim made gives rise to an Established Scheme Liability; and
- (c) in the event that the Company considers that a Scheme Creditor has an Established Scheme Liability, it will pay that Established Scheme Liability as and when it falls due in full in the ordinary course of business, in accordance with the terms set out in the relevant Insurance Contract.

It is the responsibility of the Board to monitor the position of the Company in the Initial Scheme Period and decide if at any time the situation of the Company necessitates the declaration of a Trigger Event. However, the Scheme Advisers and the Creditors' Committee will be provided with information in relation to the performance of the Company and the Directors will notify the Scheme Advisers and the Creditors' Committee of any matters which they consider are material in this respect.

If at any point the Board concludes that a Trigger Event has occurred, then the Initial Scheme Period will end and the Reserving Period will commence.

Scheme Creditors should continue to present their Scheme Claims in the ordinary course, whether or not a Trigger Event occurs.

13.6 Trigger Event

A Trigger Event occurs if the Board determines that in its opinion, disregarding the effect of the Scheme on the Company:

- (a) the Company would be insolvent, or would be likely to become insolvent at some future time (in each case as defined in section 95A of the Act); and/or
- (b) the value of the Company's assets would be, or would be likely to become, less than its liabilities taking into account its contingent and prospective liabilities.

For the purposes of this definition, "liabilities" means the Company's liabilities as recorded in its statement of financial position but excludes:

- (c) Risk Margin; and
- (d) any Shareholder Funding.

The Company's preference is that the Board's decision in relation to the determination of a Trigger Event would be unanimous, however a decision can be taken by a majority of Directors if a unanimous decision is not practicable.

If a Trigger Event occurs, known Scheme Creditors will be notified by email and an advertisement will be placed in a newspaper which is circulated throughout Australia, which is expected to be *The Australian* newspaper. Notice will also be given to the Creditors' Committee, APRA, ASIC and the Scheme Advisers.

The Scheme Advisers are required to set the initial Payment Percentages within 90 days of the Trigger Event. While the initial Payment Percentages are being set, there will be a period when claims settlements are temporarily suspended. Scheme Creditors who have unpaid Established Scheme Liabilities on the Trigger Date will be paid the initial Payment Percentages of their Established Scheme Liabilities as soon as practicable thereafter.

13.7 Operation of the Scheme during the Reserving Period

During the Reserving Period, the Scheme has been designed to follow, as closely as possible, the order and process for settling Scheme Claims which would apply if the Company were to be wound up under applicable law (including the Act and the Insurance Act). The regime which would apply if a general insurer is wound up is complex. Broadly, and amongst other things, that regime requires that:

- (a) an insurer's assets in Australia must not be applied in the discharge of its liabilities other than its liabilities in Australia (unless it has no liabilities in Australia), and
- (b) after certain deductions, amounts received by the Company under certain Contracts of Reinsurance are applied to pay amounts that are payable by the Company under certain contracts of insurance, unless the court makes an order that those amounts so received are to be applied in a different manner (described further in section 13.10).

If the Trigger Event takes place, and the Reserving Period occurs:

- (c) Payment Percentages in respect of Established Scheme Liabilities in Australia and Established Scheme Liabilities outside Australia, as described in more detail in section 13.8 below, will be set by the Scheme Advisers. Pending the setting of the Payment Percentages, claims settlements may be temporarily suspended for up to 90 days;
- (d) Scheme Creditors can continue to make their Scheme Claims under the relevant Insurance Contract in the same way as they do now and:
 - (i) the Company will assess whether any Scheme Claim made gives rise to an Established Scheme Liability; and
 - (ii) where the Company determines that the Scheme Creditor has an Established Scheme Liability, the Company will not immediately pay it in full. Instead, it will pay the Scheme Creditor the relevant Payment Percentage of that Established Scheme Liability (once the Payment Percentages have been set) in accordance with the Scheme. Once Payment Percentages are set, payment should occur within 60 days of their claim being established.
- (e) In the event a dispute arises between a Scheme Creditor and the Company, the Scheme does not restrain actions by Scheme Creditors against the Company to establish a claim (provided that notice is first given to the Company) or actions by the Company against Scheme Creditors. During the Reserving Period, proceedings for the enforcement of payment of a Scheme Claim beyond payments provided for in the Scheme are prohibited. During the Reserving Period, Scheme Creditors also have appeal rights under the Act for acts, omissions or decisions of the Company in relation to whether it agrees to an Established Scheme Liability, and any arrangements for the varying or discharging liabilities or commutations with Scheme Creditors. See also Part D "What is a stay of proceedings and how does it work?" above and section 13.12 below.

13.8 Setting the Payment Percentage(s)

- (a) As soon as practicable following the Trigger Date, the Scheme Advisers, in consultation with the Creditors' Committee, shall set percentages, being the percentage of each relevant Established Scheme Liability which is payable by the Company from time to time under the Scheme (the **Payment Percentages**). The Scheme Advisers are required to set the Payment Percentages within 90 days of the Trigger Date.
- (b) The Payment Percentage in respect of certain Established Scheme Liabilities will be the amount which the Scheme Advisers, after consultation with the Creditors' Committee, consider that the Company is able to pay in respect of those Established Scheme Liabilities, having regard, amongst other things, to:
 - (i) the Company's assets available to meet those liabilities;
 - (ii) the Company's other assets and liabilities; and
 - (iii) the creation of reserves to enable the Company to meet its liabilities for Non-Scheme Claims and Scheme Costs as and when they fall due.
- (c) In setting the Payment Percentages, the Scheme Advisers will be required to estimate on a prudent basis (after obtaining and considering such financial or actuarial information and advice as the Scheme Advisers, following consultation with the Creditors' Committee, shall consider appropriate) the amount of the Company's potential liabilities, including claims which have been incurred and not yet reported, or reported but not yet agreed and claims which may be made in the future as a result of events which would be covered by Insurance Contracts underwritten by the Company.
- (d) The Payment Percentage for a Scheme Liability that is a liability in Australia may differ from the Payment Percentage for a Scheme Liability that is not in Australia. The Payment Percentage for a Scheme Liability for which there is an Allocated Reinsurance Asset may differ from the Payment Percentage applicable to any other Scheme Liability. The Company believes that it does not have any assets or liabilities outside Australia. In case the Company is found to have assets and/or liabilities outside Australia, the Scheme contains provisions for the application of such assets and payment of such liabilities.
- (e) Once set, the Payment Percentages will be reviewed ahead of 30 April and 31 October of each year during the Reserving Period (or such other date as the Scheme Advisers may from time to time decide in their absolute discretion, but in consultation with the Directors and the Creditors' Committee) and on each such date the Scheme Advisers will determine whether the Payment Percentages should be revised and new Payment Percentages (whether higher or lower than the then current percentages) set.
- (f) If information becomes available to the Scheme Advisers concerning the financial position of the Company as a result of which they determine that they should reduce one or more Payment Percentages, the Scheme Advisers can suspend payments to Scheme Creditors in respect of the Established Scheme Liabilities to which the relevant Payment Percentage (or Payment Percentages, as applicable) apply for up to six months to allow them to reassess the Company's

financial position and the level of the Payment Percentage(s). As soon as practicable, and in any event by the end of such period, the Scheme Advisers will set reduced Payment Percentages (as relevant), or conclude that no such reduction is required, and continue to make payments accordingly. The Scheme Advisers may suspend payments under the mechanism described above on multiple occasions if information becomes available to them in multiple (and separate) instances. The circumstances where this mechanism might be employed would likely be where there has been a deterioration in the financial position of the Company (e.g., due to changes in the valuation of claims, or a loss of investment revenue or reinsurance recoveries) which means that it is no longer prudent for the Company to continue to pay at the then current Payment Percentage. Given the many factors that go into assessing the Company's capacity to pay, it is not possible to state these circumstances exhaustively.

- (g) In the event a Payment Percentage is reduced, Scheme Creditors to whom that Payment Percentage applies and whose Established Scheme Liabilities have been paid at the higher level will not be required to make any repayment of sums received in respect of their Established Scheme Liabilities because such repayment would be impractical and would create uncertainty. Nevertheless, in such circumstances, the Scheme Advisers shall be entitled to make appropriate adjustment by way of deduction from any subsequent payment to which the Scheme Creditor becomes entitled. In effect, this means that such Scheme Creditors will have to wait until the Payment Percentage has been increased to a level beyond that at which they have already been paid before they receive any further payments.
- (h) In the event that a Payment Percentage is increased, Scheme Creditors to whose Established Scheme Liabilities that Payment Percentage applies and whose Established Scheme Liabilities have been paid at the lower percentage will be entitled to receive a further amount calculated by reference to the amount they would have received had they been paid at the higher Payment Percentage.
- (i) Except as expressly provided otherwise, an obligation to consult with another person in the Scheme will be construed as an obligation to take account of the views expressed by that person in good faith, and will not be construed as though the consulting person is bound by those views or that the other person has approval rights in relation to the relevant matter.

For a worked illustration of the setting of Payment Percentages during the Reserving Period, please see Appendix 2.

13.9 Interest on Established Scheme Liabilities

Scheme Creditors will receive payments in respect of any interest which has accrued on their Scheme Claims as part of an Established Scheme Liability where such interest has accrued in respect of a period or periods ending on or before the Trigger Date (or in case of an Established Scheme Liability determined after the Trigger Date, the date of determination). The rate of interest is as may be from time to time prescribed pursuant to 563B of the Act, currently 8% a year.

Subject to certain exceptions, any interest which has accrued on a Scheme Claim after the Trigger Date will not be payable unless all liabilities of the Company in respect of Scheme Claims have become Established Scheme Liabilities and have been paid in full

(or the Scheme Advisers otherwise determine that there will be no further Established Scheme Liabilities), and Scheme Assets remain available for distribution. In such circumstances, the Company will pay additional interest pro rata in respect of each such Established Scheme Liability. The amount of such additional interest will be an amount determined at the rate of interest as may be from time to time prescribed pursuant to 563B of the Act, provided that the amount of such additional interest will not exceed the surplus assets of the Company after adequate provision has been made for all other liabilities of the Company (otherwise than in respect of share capital) in existence at the time of payment of such additional interest.

13.10 Exemption Decisions and Allocated Reinsurance Assets

If the Company was being wound up, the Act would require, broadly, that amounts received under certain Contracts of Reinsurance are shared rateably across all holders of policies of insurance written by the Company.

However, in a winding up of the Company the Court would have the power to determine that amounts received under a particular Contract of Reinsurance be applied in a particular way (e.g., by being paid to a particular policyholder). This may be appropriate where a particular Contract of Reinsurance (eg facultative reinsurance) relates to a specific Insurance Contract.

During the Reserving Period, the Scheme allows Scheme Creditors to make applications (called “**Exemption Applications**”) to the Scheme Advisers in connection with Contracts of Reinsurance. The Scheme Advisers are required to consider such applications and decide whether to apply the relevant amounts received in the way requested in the application. If they do so, such amounts will be treated as “Allocated Reinsurance Assets” and will not be available to other Scheme Creditors.

The Scheme Advisers are required to give at least 60 days’ notice to Scheme Creditors before making payments of amounts received by the Company under facultative Contracts of Reinsurance, specifying certain details including the amount received under that contract and the payment proposed to be made. This is intended to allow Scheme Creditors the opportunity to make Exemption Applications.

13.11 Elections to Defend and Elective Defence Costs

- (a) From time to time, the Company may make a decision to advance defence costs for the benefit of a Scheme Creditor either pursuant to a Contract of Insurance or otherwise. If such a decision is made, the total amount which the Company has paid out on behalf of the Scheme Creditor to the lawyer or other adviser is taken into account in calculating the amount payable to the Scheme Creditor under the Scheme.
- (b) For example, if a Scheme Creditor has a Scheme Claim against the Company for \$100 and the cost of defending the claim against the Scheme Creditor amounted to \$20, the Established Scheme Liability of the Company would be a total of \$120 (provided that this amount is within the policy limit).
- (c) If the Trigger Event has occurred and the Payment Percentage is 50%, the Scheme Creditor’s normal entitlement to payment under the Scheme would be \$60. However, since the Company has already paid \$20, the Scheme Creditor would be entitled to receive a payment of \$40 only. If the Payment Percentage

were increased to 75% at a later date, the Scheme Creditor would be entitled to receive in addition the difference between 50% and 75% of \$120, namely \$30.

- (d) **Please note the Payment Percentages used in the above calculations are for illustrative purposes and are not an indication of any Payment Percentage that may be set if the Trigger Event occurs.**

13.12 Enforcement of rights outside the Scheme

- (a) During the Reserving Period a Scheme Creditor is prohibited from taking any proceedings against the Company or its assets for the purpose of enforcing payment of a Scheme Claim where the Company has complied with its obligations under the Scheme.
- (b) If a Scheme Creditor does take such proceedings and as a result obtains any money, property or advantage at the expense of the Company, then without prejudice to any other remedy which the Company may have, the Scheme Creditor will be treated in any such case as having received an advance payment on account of its Scheme Claim and any Established Scheme Liability in respect of that Scheme Claim shall be taken to be reduced by an amount equal to the amount of any money, property, benefit or advantage obtained by the Scheme Creditor at the expense of the Company and the extent, if any, to which the Scheme Creditor is entitled to be paid any payment by way of Payment Percentage under the Scheme will be reduced.

13.13 Rights in relation to security interests, trusts, letters of credit and set-off

- (a) Nothing in the Scheme affects the proper enforcement of the letter of credit, trust or other security interest (other than any statutory charge over reinsurance monies or Exemption Application). The balance, if any, of a Scheme Claim, after any letter of credit, trust or security interest (other than any statutory charges over reinsurance monies or Exemption Application) has been enforced or right of set-off has been exercised (subject to certain restrictions) will be treated as an advance payment received by the Scheme Creditor on account of its relevant Scheme Claim. Any Established Scheme Liability in respect of the Scheme Claim shall be taken to be reduced by an amount equal to the amount or gross value of any money, property, benefit or advantage obtained by the Scheme Creditor at the expense of the Company as a result of such action. A Scheme Creditor is entitled to receive the relevant payment in respect of any such balance.
- (b) A Scheme Creditor who is under any liability to the Company may rely on any set-off or cross claim upon which they could have relied if the Company were being wound up and if the Trigger Date was deemed to be the date on which the Company was wound up. However, certain restrictions on set-off rights apply, in particular that no Scheme Claim against the Company which has been assigned to a person after the Trigger Date may be applied in extinguishing or reducing any liability of that person to the Company.

13.14 Commutations and other arrangements

- (a) The Scheme does not prevent the Company from entering into contractual arrangements (known as commutations) with Scheme Creditors whereby either:

- (i) all or part of the liability of the Company to a Scheme Creditor is discharged in full or varied in consideration of a payment made by the Company outside of the payment provisions governing payments of Scheme Claims; or
- (ii) the Company agrees to accept an Established Scheme Liability with respect to that Scheme Creditor without reference to a specific claim under the related Insurance Contract, on the basis that no other claim or claims may be made in respect of that Insurance Contract (or part of it).

The Company may only enter into such arrangements after consultation with the Scheme Advisers and if considers it would be in the best interests of the Scheme Creditors (excluding the interests of the Scheme Creditor with whom the arrangement is made) to do so.

- (b) After the Trigger Event, such commutations can only be entered into after consultation with the Scheme Advisers.
- (c) If a Scheme Creditor wishes to enter into a commutation or other arrangement with the Company at any time they should contact the Company in writing with details of their proposals.
- (d) The Scheme also allows the Company to, if the Company considers it would be in the best interests of the Scheme Creditors, and after consultation with the Scheme Advisers:
 - (i) exercise any contractual right or option to extend, renew or take out further reinsurance cover under any existing Contract of Reinsurance;
 - (ii) enter into reinsurance arrangements in respect of the Scheme Liabilities;
 - (iii) enter into arrangements with any reinsurer for the discharge of its obligations to the Company for a cash payment;
 - (iv) realise some or all of the Company's assets other than Liquid Assets or reinsurance assets;
 - (v) outsource claims handling in respect of some or all Scheme Liabilities;
 - (vi) enter into any Shareholder Funding which may be available; and
 - (vii) terminate the employment of, or employ, senior executives of the Company, specifically those with the following titles or equivalent: CEO / Head of / General Manager CCI, General Manager, Liability Management, Head of Technical Claims Management, Head of Complex Claims Management, General Manager, Risk, Legal and Compliance, General Manager, Finance and Corporate Services.
- (e) The Company may only realise or dispose of assets, constituting all or substantially all of any line or lines of business following consultation with the Scheme Advisers and the Creditors' Committee. The Company may look to realise parts of its business if the Company considers it would be in the best interests of the Scheme Creditors.

- (f) The Company will not make any dividend, distribution or other return of capital to shareholders until all Scheme Liabilities have been paid in full and the Company is lawfully able to make such payments.

13.15 Investigation into possible causes of action

- (a) Certain causes of action are available to a liquidator which are not available under a scheme of arrangement outside such a process. In particular, a liquidator may be able to recover monies for the benefit of a company where there has been wrongful or fraudulent trading in respect of which its past or present directors or others may be liable to contribute to its assets, or where it has given any voidable preferences or been party to any voidable transaction at an undervalue.
- (b) If the Trigger Event occurs the Scheme Advisers must ensure (or must procure) that a review of any potential causes of action which might be available in an insolvent liquidation of the Company is carried out and that the results of such review are reported to the Creditors' Committee. If deemed necessary, and after consultation with the Creditors' Committee, subject to applicable law, the Company may be put into liquidation so that such causes of action can be pursued. The Scheme will, however, survive the Company being put into liquidation.

13.16 Costs of the Scheme

Scheme Costs, being those costs relating to the operation of the Scheme such as remuneration and expenses of the Scheme Advisers, will be paid in full as they are incurred before and after the Trigger Event. This is because these costs are necessary to allow the Scheme to operate and payments to be made to the Scheme Creditors in accordance with the terms of the Scheme.

14 SCHEME TERMINATION

It is anticipated that the Scheme could continue for some time, since claims on some Insurance Contracts may be made at a future time. Consequently, it is not possible to set a termination date for the Scheme because the Directors are not able to determine when all Scheme Claims will have arisen. Claims on some Insurance Contracts may be made at any time, provided the loss giving rise to the claim occurred or is deemed to have occurred during the contract period.

However, the Scheme will terminate:

- (a) if a Statutory Manager or Judicial Manager is appointed in respect of the Company and the Statutory Manager or Judicial Manager issues a written notice to the Company electing to not continue the Scheme (unless the Scheme has been terminated by the appointment in accordance with applicable law);
- (b) if all the Scheme Liabilities of the Company have been discharged in full;
- (c) 90 days after the last to occur of:
 - (i) all of the Scheme Assets having been distributed in accordance with the Scheme; and

- (ii) the Scheme Advisers issuing a notice to Scheme Creditors that all of the Scheme Assets have been distributed pursuant to the Scheme;
- (d) if the Company, with the approval of the Creditors' Committee and the Scheme Advisers, gives notice to all Scheme Creditors that it has been determined after due enquiry that this Scheme is no longer in the best interests of the Scheme Creditors as a whole and that the Company should be wound up;
- (e) if a resolution that this Scheme should be terminated and the Company should be wound up is passed by more than 50% in number, representing not less than 75% in value, of Scheme Creditors present and voting at a meeting of the Scheme Creditors; or
- (f) if the Court makes an order that the Scheme be terminated.

It is possible that the Scheme will continue until all the liabilities of the Company have been paid in full or, if a Trigger Event has occurred, all assets have been realised and all payments have been made to Scheme Creditors in accordance with the terms of the Scheme.

In the unlikely event of the Company being put into liquidation before the Scheme has terminated, the Scheme will continue unless successfully challenged in Court. Payments to Scheme Creditors in respect of Established Scheme Liabilities will continue to be made in accordance with the terms of the Scheme.

15 FINALISATION MECHANISM

Under the Scheme, Scheme Creditors may pass a resolution (by more than 50% in number and 75% in value of Scheme Creditors present and voting) to finalise the Scheme early. Scheme Creditors may wish to pass such a resolution when, for example, all of the short tail Scheme Liabilities have been dealt with under the Scheme and only the long tail Scheme Liabilities remain. Should the Scheme Creditors pass such a resolution, and with the approval of the Company and the Scheme Advisers, the finalisation mechanism will be triggered pursuant to which:

- (a) the provisions of the Scheme relating to the calculation of Established Scheme Liabilities, the calculation of the Payment Percentage and payments to Scheme Creditors calculated on the basis of that Payment Percentage will cease to operate;
- (b) the powers of the Board to manage and control the business and affairs of the Company will be subject to the powers of the Scheme Advisers;
- (c) the Scheme Advisers will take possession of the Scheme Assets and deal with them in accordance with the Scheme;
- (d) the Scheme Advisers will seek to value remaining Scheme Liabilities as if the Company was being wound up, and will invite Scheme Creditors to lodge all claims for outstanding Scheme Liabilities (including IBNR and other contingent claims) on the Valuation Platform by a specified date. (The valuation is likely to involve the engagement of an independent actuary to assist with the valuation of IBNR and contingent claims. The date for lodgement of claims will be set by reference to the nature and complexity of potential claims remaining at the

relevant time and in a manner consistent with the process that would apply if the Company was being wound up);

- (e) the Scheme Advisers will adjudicate all claims lodged in respect of Scheme Liabilities as if the Scheme Advisers were liquidators and the Company was being wound up, and in a manner consistent with the Valuation Principles;
- (f) Scheme Liabilities admitted by the Scheme Advisers in accordance with this adjudication will become Established Scheme Liabilities for the purposes of the Scheme;
- (g) the Scheme Advisers will realise the remaining Scheme Assets and apply the proceeds of the Scheme Assets in accordance with the priorities that would apply in a winding up of CCI; and
- (h) Scheme Creditors will be accountable for meeting any difference between the lump sum paid to them in respect of Established Scheme Liabilities and the amount of any claim against them.

Subject to the above and to certain other exceptions as set out in clause 50 of the Scheme, the provisions of the Scheme which apply during the Reserving Period (including without limitation the moratorium described at section 13.12(a) above) would continue to apply during implementation of the finalisation mechanism described above.

To assist Scheme Creditors in making a decision as to whether to vote at any meeting to approve the finalisation mechanism, the Company expects to furnish a report to Scheme Creditors before the meeting, setting out further information on the process, illustrative examples, and likely overall impact of the mechanism on Scheme Creditors, and other information relevant to making a decision as to how to vote.

16 MODIFICATION OF THE SCHEME

16.1 Modifications by the Scheme Creditors

Scheme Creditors may, with the approval of the Company and in consultation with Scheme Advisers, at any time after the Scheme becomes Effective, by resolution passed by more than 50% in number representing not less than 75% in value, at a meeting of the Scheme Creditors modify the Scheme to the extent that such modifications are necessary to achieve the purpose of the Scheme.

16.2 Modifications by the Court

Under section 411(6) of the Act, the Court may approve the proposed Scheme at the Second Court Hearing subject to alterations or conditions as it thinks just.

The proposed resolution for the Scheme Meeting includes that the Scheme is agreed to only if the Court's alterations or conditions (if any) to the Scheme do not change the substance of the Scheme in any material way.

17 CLAIMS HANDLING ARRANGEMENTS

The Company will continue to manage claims and the day-to-day run-off of the business. Accordingly appropriate staff with the requisite expertise will be retained to ensure that all claims are appropriately dealt with.

18 ASSIGNED CLAIMS

Some parties may have, with or without the Company's knowledge, made payments to Scheme Creditors in respect of claims against the Company. The Scheme does not envisage that any parties who have engaged in such funding will become Scheme Creditors in respect of the amounts so paid. The Company will need to be provided with evidence of a written assignment or other authority to pay the relevant Scheme Liability to such parties, or be satisfied that any payment by such parties was made under pre-existing contractual obligations with the Company or at the request of the Company or pursuant to a statutory or other legal obligation. Notwithstanding that Scheme Liabilities claimed by any such parties in respect of such funding may be disputed, such parties may be entitled to vote at the Scheme Meeting at the absolute discretion of the chair of the meeting.

19 AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

In accordance with the Insurance Act, the Directors have kept APRA informed of their proposals. A copy of this document has been provided to APRA. It is anticipated that during the term of the Scheme the Company will continue to be an authorised general insurer regulated by APRA in accordance with the Insurance Act.

20 THE BOARD

20.1 The Directors

The current Directors of the Company are:

- (a) Joan Fitzpatrick;
- (b) Gregory Cooper;
- (c) Eamonn Cunningham;
- (d) Noel Condon;
- (e) Matthew Doquile;
- (f) David Issa;
- (g) Reverend Dr Philip Marshall; and
- (h) Sr Mary Ellen O'Donoghue.

Joan Fitzpatrick, Gregory Cooper, Eamonn Cunningham, Noel Condon, Matthew Doquile, David Issa, Reverend Dr Philip Marshall, and Sr Mary Ellen O'Donoghue have each given and have not withdrawn their consent to serve as members of the Board from the Effective Date (**Remaining Directors**). Their brief curricula vitae are set out in Appendix 3. The Directors will continue to have the statutory responsibilities of directors.

The appointment, removal and resignation of Directors continues to be governed by the Act and the Company's constitution.

20.2 Interests of Directors

None of the current Directors has any beneficial interest in the shares of the Company (all the shares in the Company being owned by the Shareholders) nor are they creditors of the Company, save that in the ordinary course of business they may be insured by the Company. The Directors are paid their salaries and expenses by the Company in the ordinary course of business.

None of the Company directors have any material interest in the Scheme.

For completeness we note, Reverend Dr Philip Marshall is an ordained priest and serves several parishes within the bounds of the Archdiocese of Adelaide which is a shareholder and policyholder of the Company. Sister Mary-Ellen O’Donoghue is a Sister of St Joseph of the Sacred Heart (which is a shareholder and policyholder of the Company) and is a member of their Congregational Leadership team.

20.3 Governance structure during the Scheme

As noted above, the Scheme will be managed by the Directors who will be supported by the Scheme Advisers and a Creditors’ Committee whose members will represent the interests of Scheme Creditors.

The table below sets out a high-level summary of the governance structure of the Company during the Initial Scheme Period and the Reserving Period, including the roles of the Board, the Scheme Advisers and the Creditors’ Committee. Further detail on the roles of the Board, the Scheme Advisers and the Creditors’ Committee is set out in sections 20.4, 21 and 22 respectively.

INITIAL SCHEME PERIOD	RESERVING PERIOD (and including finalisation mechanism)
The Board	
<p>Consistent with the Company continuing to operate on a business as usual basis:</p> <ul style="list-style-type: none"> • Directors and management continue to manage the Company in an orderly run-off and subject to providing reports to the Scheme Advisers and the Creditors’ Committee at least every 6 months and notifying any material circumstances which in its opinion might lead to it concluding that a Trigger Event should occur. • The current Board will remain in place, appointed as usual in accordance with the Constitution. 	<ul style="list-style-type: none"> • Directors and management continue to manage CCI subject to the Scheme (except where the finalisation mechanism applies). • Once a Payment Percentage is set, an orderly run-off of claims will continue to be managed by the Company as usual but Scheme Claims will be paid on a partially-paid basis as set by the Scheme Advisers (assessed and managed in normal course and Payment Percentage paid on accepted claims).

INITIAL SCHEME PERIOD

- Claims will be assessed, managed and paid in full.
- The Company's financial position monitored closely with Scheme Advisers and Creditors' Committee.
- The Board will determine if and when a Trigger Event has occurred.
- Accounts prepared and audited as usual with half year accounts taking account of actuarial assessment as at 31 December.

RESERVING PERIOD (and including finalisation mechanism)

- Non-Scheme Liabilities continue to be paid as usual including costs of claims management.
- The Board must consult with the Scheme Advisers (and the Creditors' Committee, where required) in relation to certain decisions including certain reinsurance matters, outsourcing claims handling, commutations, selling assets, appointment of directors and varying the Investment Policy.

The Scheme Advisers

- The Scheme Advisers are appointed and are entitled to meet with the Board monthly.
- The Scheme Advisers have access to Company books and may request information and will monitor the Company's financial position.
- The Scheme Advisers are entitled to attend all Creditors' Committee meetings.
- The Scheme Advisers report as required to APRA and ASIC.
- The Scheme Advisers will engage and pay (with the approval of the Board) accountants, actuaries, lawyers and other professional advisers or agents.
- The Scheme Advisers' role will expand to set Payment Percentages, and consider whether Payment Percentages should be revised at each Review Date.
- The Scheme Advisers will consult with the Board on any proposed commutation or sale of assets constituting all or substantially all of any line or lines of business.
- The Scheme Advisers also assist the Board with conduct of business/implementing the Scheme as required.
- The Scheme Advisers report to and assist the Creditors' Committee as reasonably required.
- Oversight of application of reinsurance to specific lines/claims.
- On a date not later than the first anniversary of the Effective Date and within 3 months of each subsequent anniversary of the Effective Date (or such other date as the Scheme Advisers may determine

INITIAL SCHEME PERIOD

RESERVING PERIOD (and including finalisation mechanism)

following consultation with the Creditors' Committee), submit to the Creditors' Committee a report on:

(a) the conduct of the affairs of the Company and the operation of the Scheme during the period since the last such report was prepared; and

(b) whether they recommend a special meeting should be convened to approve finalising the Scheme early by valuing all remaining actual and contingent claims and distributing all remaining assets to Scheme Creditors.

- The Scheme Advisers' role increases if the finalisation mechanism applies – see foot of table.

The Creditors' Committee

- The Creditors' Committee is established and monitors the carrying out of the Scheme.
- The Creditors' Committee ensures that there are Scheme Advisers in place at all times.
- The Creditors' Committee consult with the Company and the Scheme Advisers where reasonably required.
- The Creditors' Committee will receive a report in relation to the affairs of the Company at least once every six months.
- The Creditors' Committee monitors the Scheme Advisers carrying out of the Scheme including reviewing reports re affairs of the Company and consulting with the Company and the Scheme Advisers.
- The Creditors' Committee ensures that there are Scheme Advisers in place at all times.
- The Creditors' Committee consider and, if thought fit, approve the remuneration of the Scheme Advisers.
- The Creditors' Committee consult with the Company and the Scheme Advisers where reasonably required.

The governance structure which applies after implementation of the finalisation mechanism is broadly the same as that which applies during the Reserving Period, except for the increased role of the Scheme Advisers as summarised in section 15 above.

20.4 Role of the Board

The Scheme provides for the Directors to manage and control the business and affairs of the Company during the Scheme (including in compliance with applicable regulatory obligations including in relation to its Australian Financial Services Licence).

One of the main functions of the Directors is to determine whether a Trigger Event has occurred. In deciding on this issue it is likely that, in practice, they will consult with APRA, the Creditors' Committee and the Scheme Advisers. If a Trigger Event occurs, the Directors will retain day-to-day management of the run-off but they will work in close co-operation with the Scheme Advisers to ensure that the Scheme operates in the best interests of all Scheme Creditors. The table in section 20.3 provides further detail as to the roles of the various governance bodies.

21 PROPOSED SCHEME ADVISERS

The Company has also appointed third parties, called the Scheme Advisers, to assist with and support the Company in connection with the Scheme. The first Scheme Advisers will be Stephen Longley and Michael Fung, each Partners at the Australian professional services firm PricewaterhouseCoopers (also referred to as PwC). Mr Longley and Mr Fung are both Chartered Accountants and are registered liquidators for the purposes of the Act. Their curricula vitae are available in Appendix 4.

In carrying out their functions under the Scheme, the Scheme Advisers must act bona fide and with due care and diligence in the interests of Scheme Creditors as a whole and shall use their powers under the Scheme for the purpose of ensuring that the Scheme is operated in accordance with its terms. In carrying out their functions and exercising their powers and duties during the Reserving Period, the Scheme Advisers will consult with and take account of (but are not bound by) the views expressed by, the Creditors' Committee.

The Scheme Advisers are entitled to delegate their rights to certain persons who have been approved by the Board. The Scheme Advisers are also entitled to engage and remunerate professional advisers (with the approval of the Board) as necessary to perform their functions and powers under the Scheme.

The Scheme Advisers are entitled to be remunerated for carrying out their functions and powers under the Scheme and for all expenses reasonably and properly incurred by them in carrying out their role.

A Scheme Adviser may be removed or replaced by any other person qualified to be a Scheme Adviser by a resolution passed by Scheme Creditors by the Requisite Majority at a meeting convened by Scheme Creditors. If a Scheme Adviser is removed or ceases to hold office for any reason, and is not replaced by Scheme Creditors at a meeting, the Creditors' Committee may appoint any other person qualified to be a Scheme Adviser.

The scale of charges that the Scheme Advisers propose to charge in relation to the Scheme is set out in Appendix 10 to this Explanatory Statement.

21.1 The Scheme Advisers during the Initial Scheme Period.

During the Initial Scheme Period, the Scheme Advisers will:

- (a) have full access to the books and records of the Company and receive all such information as they may require in relation to its affairs;
 - (b) monitor the Company's financial position;
 - (c) meet with the Board every month to discuss the affairs of the Company;
- receive notice of, attend and speak at all meetings of the Creditors' Committee;
- be remunerated for carrying out their functions and powers under this Scheme and for all expenses reasonably and properly incurred by them in connection with the exercise of such functions and powers;
- (f) report as required to APRA and ASIC in relation to the Company's financial position and possible Trigger Events;
- employ any person to assist them in the performance or exercise of the functions, powers, rights, authorities and discretions conferred upon the Scheme Advisers under this Scheme (**Delegate**) and from time to time revoke any such delegation, provided that such person is a partner or staff in the same firm as the Scheme Advisers;
- engage and remunerate (with the approval of the Board) accountants, actuaries, lawyers and other professional advisers or agents whether in Australia or other jurisdictions provided such engagement is necessary for the purpose of performing their functions and powers under this Scheme; and
- do all other things incidental to the exercise of the functions and powers contemplated by the Scheme.

21.2 The Scheme Advisers during the Reserving Period

In addition to their rights, powers and duties in section 21.1, the Scheme Advisers will during the Reserving Period:

- (a) assist the Board, as reasonably required by the Board, in relation to the conduct of the Company's business and the implementation of the Scheme;
 - (b) report to the Creditors' Committee as reasonably required by the Creditors' Committee in relation to the conduct of the Company's business and the implementation of the Scheme;
 - (c) determine the Payment Percentage, in consultation with the Creditors' Committee;
- be remunerated, in accordance with the approval of the Creditors' Committee pursuant to the Scheme from time to time, for the carrying out of such functions and powers and to be reimbursed for all expenses reasonably and properly incurred by them in connection with the exercise of such functions and powers;
- (e) on a date not later than the first anniversary of the Effective Date and within 3 months of each subsequent anniversary of the Effective Date (or such other date as the Scheme Advisers may determine following consultation with the Creditors' Committee), submit to the Creditors' Committee a report on:

- (i) the conduct of the affairs of the Company and the operation of the Scheme during the period since the last such report was prepared; and
 - (ii) whether they recommend a Special Meeting should be convened to approve the procedure set out in clause 50 of the Scheme.
- (f) perform any other functions as required by the Creditors' Committee from time to time; and
- (g) as soon as reasonably practicable following a Trigger Event:
- (i) procure that a review of any potential causes of action which might be available in an insolvent liquidation of the Company is carried out and that the results of such review are reported to the Creditors' Committee; and
 - (ii) if deemed necessary, and after consultation with the Creditors' Committee, procure that the Company is put into liquidation so that such causes of action can be readily pursued.

22 CREDITORS' COMMITTEE

22.1 The Initial Committee

The Company established the Initial Committee of Scheme Creditors to ensure that Scheme Creditors' views and interests on the Scheme were considered when the Scheme was being designed. When forming the Initial Committee, the Company contacted 13 Scheme Creditors representing a cross section of Scheme Creditors with interests in the Company's Insurance Contracts spanning different lines of business underwritten by the Company.

The Initial Committee consisted of:

- Michael Cooper, Uniting Church;
- Christopher Mackenzie, Baptist Insurance Services;
- John Loy, Anglicare SA;
- Sister Josephine Dubiel, Sisters of St Joseph;
- Tim O'Leary, Archdioceses Melbourne;
- John Ogilvie; Diocese of Bunbury;
- Geoff Officer, Diocese of Parramatta;
- David Penney, ISMA - PNG;
- Alison Brown, Loreto Sisters; and
- Andrea Fogarty, Diocese of Cairns.

The Initial Committee has:

- (a) reviewed the Scheme proposal and provided feedback, which was taken into account in drafting the Scheme and this Explanatory Statement; and
- (b) consulted with the Scheme Advisers.

22.2 The Creditors' Committee

The Company has proposed that the members of the Initial Committee of Scheme Creditors will become the inaugural members of the Creditors' Committee appointed under the Scheme.

The main function of the Creditors' Committee is to monitor the implementation of the Scheme and, in particular, to provide the Directors or, if appropriate, the Scheme Advisers, with the Creditors' Committee's views on important issues relating to the Scheme. The Creditors' Committee must act bona fide and in the interests of Scheme Creditors as a whole.

The Creditors' Committee is able to meet at any time it chooses.

The Creditors' Committee may consist of up to 10 members but must have at least 3 members. The procedure for the appointment of the inaugural members of the Creditors' Committee is set out in section 22.3. The procedure for the appointment of subsequent members to the Creditors' Committee is set out in section 22.4.

22.3 Appointment of inaugural members to the Creditors' Committee at the Scheme Meeting

The Creditors' Committee will be formally appointed under the Scheme. It is proposed that the initial members of the Creditors' Committee will be Michael Cooper, Christopher Mackenzie, John Loy, Tim O'Leary, Geoff Officer, David Penney, Alison Brown and Andrea Fogarty.

22.4 Appointment of subsequent members to the Creditors' Committee

When filling any vacancy and appointing additional Creditors' Committee members, the Creditors' Committee will endeavour to ensure that the composition of the Creditors' Committee is such as to secure a proper balance of the interests of Scheme Creditors.

Eligible new members to the Creditors' Committee may, with the agreement of the Company, be appointed at a meeting of the Creditors' Committee, by resolution of at least two thirds of the members of the Creditors' Committee present, subject to:

- (a) ratification of the appointment at the next meeting of Scheme Creditors; and
- (b) the maximum number of members of the Creditors' Committee.

A member of the Creditors' Committee may be removed from office by a resolution passed by at least two thirds of Scheme Creditors present at a meeting, subject to the minimum number of members of the Creditors' Committee.

A member of the Creditors' Committee will automatically cease to be a member in certain circumstances including if they die, become bankrupt, are deemed to be mentally incapacitated, or are not qualified to be a member.

23 MEETINGS OF SCHEME CREDITORS

The Scheme provides for meetings of Scheme Creditors to be held. Meetings will be held when convened by the Company or the Scheme Advisers or when the Creditors’ Committee or Scheme Creditors holding Scheme Claims with more than 25% in value of the total Scheme Claims (as at that time) request that meetings be held.

A resolution may only be passed at a meeting of Scheme Creditors if it is passed by 50% in number, representing at least 75% in value, of the Scheme Creditors voting at the meeting (whether attending themselves live, by proxy).

24 RESPONSIBILITY AND INDEMNITY OF THE DIRECTORS, THE SCHEME ADVISERS AND THE CREDITORS’ COMMITTEE

The Scheme provides that acts done or omitted to be done in good faith and with due care by any Director, any of the Scheme Advisers, their respective employees or agents or any member of the Creditors’ Committee (or its nominated representative or alternate) in carrying out their duties or exercising their powers under the Scheme may not be challenged by any Scheme Creditor, and that no such person will be liable for any loss caused by such acts done or omitted to be done, unless such loss is attributable to their own negligence, default, breach of duty, breach of trust, fraud or dishonesty.

Such persons are entitled to an indemnity out of the assets of the Company in accordance with the Scheme.

25 INVESTMENT POLICY

During the Reserving Period the Company will invest any monies held by the Company in accordance with then current Board approved Investment Policy Statement of the Company. The Investment Policy may be amended following consultation with the Scheme Advisers and the Creditors’ Committee. The Board will not be bound by the views of the Creditors’ Committee expressed during such consultation.

26 TAXATION

CCI is exempt from Australian income tax and considers that the entry into that Scheme will not affect that exemption.

Each Scheme Creditor who receives this document is strongly advised to consult their professional advisers as to their own tax position.

27 PRESCRIBED INFORMATION

Under section 412(1) of the Act and regulation 5.1.01 of the Corporations Regulations, this Explanatory Statement must contain certain information to assist the Scheme Creditors in deciding whether or not to vote in favour of the proposed Scheme. The below table indicates where in this Explanatory Statement that information can be found.

Prescribed information	Section of this Explanatory Statement
An explanation of the effect of the proposed scheme	Sections 13.4 to 13.7

The material interests of the Directors (including the effect of the scheme on those interests)	Section 20.2
The expected dividend that would be available to Scheme Creditors if the Company were to be wound up within 6 months after the First Court Date	Section 11
The expected dividend that would be paid to the Scheme Creditors if the Scheme were put into effect as proposed	Section 11
A list of the names of the known Scheme Creditors and debts owed to those Scheme Creditors by the Company	Not included
A report on the affairs of the Scheme Company in accordance with ASIC Form 507 (<i>Report on company activities and property</i>)	Appendix 7
The criteria and the date for determining the participants in the Scheme, the persons entitled to vote at the Scheme Meeting, and the persons who will be bound by the Scheme.	Section 1 Section 13.1 Appendix 8
Certified copies of all financial statements to be lodged by the Company with ASIC	Section 11
The scale of charges that the Scheme Advisers propose to charge in relation to the Scheme	Appendix 10
Must contain a statement that an order under subsection 411(1) and (1A) of the Act is not an endorsement of, or any other expression of opinion on, the Scheme.	Important Notice Important Notice associated with Court order under section 411(1) of the Act
There is a clear and prominent statement of the advantages and disadvantages of the Scheme	Section 8 Section 9

28 REPORT ON COMPANY ACTIVITIES AND PROPERTY – ASIC FORM 507

The report and information in respect of the Company required by ASIC Form 507 and paragraph 8203(a) of Schedule 8 of the Corporations Regulations is set out at Appendix 7 to this Explanatory Statement.

29 ASIC RELIEF

Given the complexity of the Company's financial position and the potential impact of the Scheme, the Company has sought relief from ASIC to extend the last date for the Company to finalise and release its audited financial statements to 31 December 2023.

PART H: SCHEME MEETING, VOTING AND SECOND COURT HEARING

30 MEETING OF SCHEME CREDITORS

- (a) The Scheme Meeting will be held virtually through the Webcast link, being https://event.webcasts.com/starthere.jsp?ei=1632017&tp_key=32ba2a8291. Due to the disparate location of the Company's Scheme Creditors the meeting will be held virtually. No physical meeting will be held.
- (b) If you want to virtually attend the Scheme Meeting you will need to register for the Webcast at any time prior to, or during, the Scheme Meeting using the Webcast link. If you want to vote at the Scheme Meeting, you must have also registered on the Creditor Portal as a Scheme Creditor by 5.00pm 9 October 2023 and have completed your Proof of Debt and, if necessary, your proxy details, on the Creditor Portal by no later than 5.00pm on 25 October 2023.
- (c) The Company's chair, Joan Fitzpatrick, will act as the chair of the Scheme Meeting (**Chair**). Joan's experience is explained in Appendix 3. The Chair of the Scheme Meeting will have the benefit of independent legal advice (paid for by the Company) to assist her in discharging her duties as Chair of the Scheme Meeting. If, for whatever reason, Joan Fitzpatrick is unable to act as the Chair the Scheme Meeting, the Company will appoint Gregory Cooper to act as the Chair of the Scheme Meeting.
- (d) Mr Tim Farren will undertake the Returning Officer actions of the Chair for the Scheme Meeting. Mr Farren will:
 - (i) adjudicate Scheme Claims for the purposes of determining voting at the Scheme Meeting;
 - (ii) conduct the voting process at the Scheme Meeting; and
 - (iii) determine the results of the resolutions at the Scheme Meeting.

If, for whatever reason, Tim Farren is unable to act as the Returning Officer for the Scheme, the Company will appoint Jeremy Yipp to act as the Returning Officer for the Scheme.

- (e) It may be possible for the Chair of the Scheme Meeting to announce at the end of it whether or not the Scheme has received the required votes in favour. If it is not possible to do that then the Company will announce the outcome of the votes as soon as possible after the Scheme Meeting by placing a notice on the Website.
- (f) The Notice of Scheme Meeting is set out at Appendix 9 to this Explanatory Statement.
- (g) Technical difficulties may arise during the Scheme Meeting. The Chair has discretion as to whether, and how, the Scheme Meeting should proceed in the event that a technical difficulty arises. In these circumstances, where the Chair considers it appropriate, the Chair may continue to hold the meeting and transact business, including conducting the vote and voting in accordance with valid proxy instructions. For this reason, Scheme Creditors are encouraged to complete

and submit the registration of its proxy details in the Creditor Portal, by 5.00pm on 25 October 2023, even if they plan to attend the Scheme Meeting.

31 WHAT SHOULD YOU DO NOW?

All Scheme Creditors are entitled to vote on the Scheme.

Any obligations of the Company not arising in respect of an Insurance Contract will not be covered by the Scheme and the relevant rights will be unaffected by the Scheme.

The Company will provide login credentials to the Creditor Portal to Scheme Creditors it identifies from its books and records on or about 28 September 2023. If you do not receive login credentials to the Creditor Portal and you think that you are a Scheme Creditor, please contact by email the Company at scheme@ccinsurance.org.au by 5.00pm on 9 October 2023. You then need to register as a Scheme Creditor via the Creditor Portal by no later than 5.00pm on 16 October 2023. You must then complete your Proof of Debt and proxy details (if relevant) through the Creditor Portal as soon as possible, and no later than 5.00pm on 25 October 2023. Your claim will be assessed in accordance with the Voting Rules and Valuation Principles set out in Appendix 8.

If you are a Scheme Creditor, you are entitled to vote at the Scheme Meeting either by attending yourself live (if you are an individual) or attending by proxy. If you wish to appoint a proxy, you will need to complete the relevant section in the Creditor Portal by 5.00pm on 25 October 2023. This will not prevent you from attending to observe live at the Scheme Meeting. A Scheme Creditor who is a natural person and will attend the virtual Scheme Meeting themselves does not need to appoint a proxy, however, they must confirm their intention to attend the Scheme Meeting by completing Module 3: Confirmation of Attendance or Appointment of Proxy in the Creditor Portal by 5.00pm 25 October 2023.

Every Scheme Creditor who wishes to vote (whether themselves attending the Scheme Meeting live or by proxy) must register its Proof of Debt in the Creditor Portal by 5.00pm on 25 October 2023. Each Scheme Creditor must register an intention to attend and vote at the Scheme Meeting or appoint a proxy to attend and vote on their behalf by this date to be eligible to vote at the Scheme Meeting.

The Company will identify Scheme Creditors of which it will be aware as at 30 September 2023. All persons which the Company believes are Scheme Creditors as at that date will receive an email from **Data Kit (datakit@au.pwc.com)** titled **‘Welcome to the Catholic Church Insurance Limited Creditor Portal’** with detailed instructions on how to activate your account. This email will contain a link to the Creditor Portal and login credentials to complete the registration of your Scheme Claims on or about 28 September 2023. Please check your email junk / spam folders for this email. If you do not receive login credentials to the Creditor Portal and you think that you are a Scheme Creditor, please contact the Company by email at scheme@ccinsurance.org.au by no later than 5.00pm on 9 October 2023.

You are required to complete a Proof of Debt in the Creditor Portal if you wish to vote. You can do this by accepting the pre-filled valuation of your claims in the Creditor Portal. If you do not accept the pre-filled valuation of your claims in the Creditor Portal, you will need to provide detailed information as to your estimated valuation of your claim(s) along with supporting documents. The total value of your

claims (whether agreed and unpaid, not yet agreed or not yet reported) will be stated in the Creditor Portal for voting purposes only.

Tim Farren, in his role as Returning Officer for the Scheme, will adjudicate the value of your Scheme Claim(s) and you will be notified of the outcome of this adjudication by no later than 5.00pm on 30 October 2023. Once the adjudication process is complete, Scheme Creditors who have registered to vote at the Scheme Meeting will be sent an email by no later than **5.00pm on 30 October 2023** that advises the Scheme Creditor to login to the Creditor Portal to confirm:

- that the process undertaken by the Company to adjudicate the eligibility of Scheme Creditors and the value of their Scheme Claim(s) for the purposes of voting at the Scheme Meeting has completed;
- the total number of Scheme Creditors who have been admitted to vote at the Scheme Meeting and the aggregate value of Scheme Claims following the adjudication process; and
- that the Scheme Creditor can log into the Portal to see the adjudicated value of their Scheme Claim(s) for the purposes of voting at the Scheme Meeting.

Mr Farren will have the power to adjust the value to be attributed for voting purposes to a Scheme Creditors' claim and will consider additional information provided by a Scheme Creditor in the Creditor Portal when determining the value of each Scheme Creditor's vote at the Scheme Meeting. Mr Farren's determination will be based on (i) the information provided by the Scheme Creditors; and (ii) the information available to the Company from its existing records. Account will also be taken of any known set-off, security, cross-claim or deduction in respect of balances due to the Company. The Valuation Principles to be applied by the Company in making a just estimate are set out in Appendix 8.

If, for whatever reason, Tim Farren is unable to act as the Returning Officer for the Scheme, the Company will appoint Jeremy Yipp to act as the returning officer for the Scheme.

The adjudication of a Scheme Claim for the purposes of voting at the Scheme Meeting will be final. If you have any questions in relation to this process, you can contact the Company by email at scheme@ccinsurance.org.au.

The admission of a Scheme Claim for voting purposes does not constitute an admission of the existence or amount of any liability of the Company and will not bind the Scheme Advisers, the Company or any Scheme Creditor. Estimates of Scheme Claims, whether by Scheme Creditors or by the Chair of the Meeting, will not be taken into account in calculating payments under the Scheme, but will be used for voting purposes only. The furnishing of particulars of claims for voting purposes will be for used for voting purposes only and will not constitute an admission by, or otherwise bind or be admissible against, a Scheme Creditor, the Company or any other person.

Information submitted to the Company will be dealt with in accordance with the *Privacy Act 1988* (Cth).

You should consult your own legal adviser as to the consequences for you of furnishing such particulars in the event you may be, or may become, involved in any litigation.

32 ARRANGEMENTS FOR VOTING

The Company is asking Scheme Creditors to vote on the Scheme.

32.1 What votes does the Company need for the Scheme to be able to go ahead?

- (a) The Scheme can only go ahead if:
- (i) a majority in number (more than 50%) of the Scheme Creditors who are present and voting at the Scheme Meeting (either attending themselves live or by proxy);
 - (ii) Scheme Creditors whose claims together amount to at least 75% of the value of Scheme Liabilities owing to the Scheme Creditors present and voting at the Scheme Meeting (either attending themselves live or by proxy),

vote to approve the Scheme.

- (b) If the Scheme receives enough votes to pass both of these thresholds, the Company will ask the Court to approve the Scheme. If the Scheme does not receive enough votes to pass these thresholds, then the Company cannot ask the Court to approve the Scheme.

32.2 How to vote on the Scheme

- (a) There are two options for voting on the Scheme:
- (i) the first option is to vote at the Scheme Meeting either yourself live having followed the registration process and completed the relevant modules in accordance with the Voting Rules and Valuation Principles outlined in Appendix 8; or
 - (ii) the second option is to appoint a proxy to attend the meeting and vote on your behalf. If you wish to appoint a proxy, you will need to complete the relevant section in the Creditor Portal. This will not prevent you from attending the Webcast link live to observe the Scheme Meeting.

If voting using the option in 32.2(a)(ii) above, the Scheme Creditor may appoint a representative or the Chair to vote on its behalf at the Scheme Meeting. There are two types of proxies, a general and a special proxy. A general proxy allows your proxy to vote as they see fit on the resolution. A special proxy allows you to direct your proxy how to vote on the resolution. If you appoint the Chair as your proxy, the Chair will vote in accordance with instructions for special proxies.

The Chair will vote all general proxies given to them in favour of the Scheme Resolution.

However, the Scheme Creditor can ask another person to attend the Scheme Meeting and vote in its place and at its discretion.

- (b) A Scheme Creditor wishing to attend and vote at the Scheme Meeting themselves (or wishing to ask someone else to attend and vote in the Scheme Creditor's place as proxy), must:
 - (i) register as a Scheme Creditor in the Creditor Portal by 5.00pm on 16 October 2023 and complete their Proof of Debt and proxy details, if any, in the Creditor Portal by no later than 5.00pm on 25 October 2023; and
 - (ii) register through the Webcast link, being https://event.webcasts.com/starthere.jsp?ei=1632017&tp_key=32ba2a8291 at any time prior to, or during, the Scheme Meeting.
- (c) Instructions for how to vote during that meeting will be given at the meeting.
- (d) On the day of the Scheme Meeting, once Scheme Creditors or proxyholders have logged into the Webcast, they must also then login to the Creditor Portal to record their attendance at the Scheme Meeting and to vote on the resolution.
- (e) The Court hearing to approve the Scheme is expected to be heard on 2 November 2023. Scheme Creditors are entitled to attend that hearing and speak if they wish. Scheme Creditors can find more information about this in section 34 below.
- (f) If a Scheme Creditor requires additional assistance when voting, they can email the Company at scheme@ccinsurance.org.au.

32.3 How will votes be valued?

Votes will be valued by the Returning Officer, in his absolute discretion, by assessing any agreed but unpaid claims, outstanding and incurred but not reported claims together with any supporting documentation provided by Scheme Creditors with their vote, against the records of the Company in accordance with the Voting Rules and Valuation Principles set out in Appendix 8.

Important note: Whatever value is ultimately applied to your vote for voting at the Scheme Meeting, you should note that this does not necessarily mean that you have a valid Scheme Claim.

32.4 Scheme Creditor Classes

- (a) When determining whether Scheme Creditors should be separated into different classes, the Court will look at each Scheme Creditor's legal rights going into the Scheme, and their legal rights coming out of the Scheme. Scheme Creditors with the same, or substantially the same, legal rights going into and coming out of the Scheme will be placed into the same class for voting on the Scheme.
- (b) The Company is of the view that all Scheme Creditors should be placed into one class for the purpose of voting at the Scheme Meeting.

33 SCHEME CREDITORS SHOULD OBTAIN ADVICE

The Company is not in a position to make an assessment of the prospects of success of any individual Scheme Creditor's Scheme Claims or the quantum of recovery which may be available to individual Scheme Creditors if the Scheme does not proceed. These are matters for each Scheme Creditor to consider.

As the legal, financial and taxation consequences of the Scheme may be different for each Scheme Creditor, Scheme Creditors should seek professional legal, financial and taxation advice in relation to the Scheme.

34 APPROVAL BY THE COURT

Following the Scheme Meeting, Court approval of the Scheme will be sought at the Second Court Hearing on 2 November 2023. During the course of the approval hearing, the Company may consent on behalf of all those concerned to any modification of the terms of the Scheme, provided that any such modification would not directly or indirectly have a materially adverse effect on the interest of any Scheme Creditor under the Scheme. The Scheme will become Effective once it has been approved by the Court and a copy of the order of the Court lodged with ASIC.

Scheme Creditors have the right to appear and be heard by the Court at the Second Court Hearing to approve the Scheme. Any interested person also has the right to seek to be heard. Any Scheme Creditor or other interested person who wishes to appear and be heard must file a Federal Court Form 4 Notice of Appearance (containing an address for service) and, if they oppose the application for orders approving the Scheme, any affidavits and a memorandum of submissions on which they intend to rely, at least **one day** before the Second Court Date.

On the same day, the Scheme Creditor or interested person must also serve a copy of these documents on the Company at the following address for service:

Address: King & Wood Mallesons, Reference: 603-0081853/SJK, Level 27, Collins Arch, 447 Collins Street, Melbourne VIC 3000

Email: CCIFedCt@au.kwm.com

Fax: +61 3 9643 5999

The Scheme Creditor can then attend and appear at the Second Court Hearing and be heard by the presiding Judge. Any interested person can attend the Second Court Hearing and seek leave to be heard by the presiding Judge.

The Second Court Hearing will take place at 9.30am on the Second Court Date at Owen Dixon Commonwealth Law Courts Building on the corner of William and La Trobe Streets in Melbourne. Scheme Creditors and interested parties can ask the Court in advance to appear virtually if required. Please inform the Company of this request at the time of serving your documents. The legal advisers for the Company will then contact the Court to arrange a virtual appearance.

35 EFFECTIVE DATE OF THE SCHEME

It is anticipated that if the Scheme is sanctioned by the Court it will become Effective on the day immediately after the Second Court Hearing which is expected to be 3 November 2023.

36 Consents

The following parties have given and have not withdrawn, before the filing of this Explanatory Statement by ASIC, their written consent to be named in this Explanatory Statement in the form and context in which they are named:

- (a) King & Wood Mallesons as legal adviser to the Company;
- (b) PwC Securities as financial adviser to the Company;
- (c) Stephen Longley and Michael Fung of PwC as proposed Scheme Advisers;
- (d) FTI Consulting, as described below; and
- (e) Mr Bruce Harris as CCI's appointed external actuary and am actuaries, as adviser to the Company and Directors.

FTI Consulting has also given and has not withdrawn, before the time of filing of this Explanatory Statement with ASIC, its written consent to the inclusion of the FTI Consulting Report as an annexure to this Explanatory Statement, noting that it does not form a part of the body of this Explanatory Statement and is not intended to be relied upon by anyone other than the Company and its Directors, and to all references in this Explanatory Statement to the FTI Consulting Report in the form and context in which they appear.

None of the persons referred to in this section 36 have authorised or caused the issue of this Explanatory Statement and do not make or purport to make any statement in this Explanatory Statement other than those statements made in the capacity and to the extent the person has provided its consent, as referred to above.

To the maximum extent permitted by law, each person referred to in this section 36 disclaims all liability in respect of, makes no representation regarding and takes no responsibility for, any part of this Explanatory Statement other than as described in this section with that person's consent.

37 FURTHER INFORMATION AND DOCUMENTS

Further information and copy documents, including the Company's application to the Court, may be obtained from the Company's website: <https://catholicinsurance.org.au>.

Or will be available at the offices of the Company at:

Level 8

485 La Trobe Street

Melbourne VIC 3000

PART I: DEFINITIONS

38 INTERPRETATION AND GLOSSARY

38.1 Glossary

The Explanatory Statement is intended to explain the main provisions of the Scheme. The definitions will apply throughout the Explanatory Statement. They correspond to defined words and phrases in the Scheme and are in some instances summaries of longer definitions. They are not intended to be comprehensive and if there is any inconsistency with the terms as used in the Scheme, the Scheme prevails over them. The full definitions are those which appear in the Scheme.

“**AASB**” means Australian Accounting Standards Board;

“**Act**” means the *Corporations Act 2001* (Cth);

Allocated Reinsurance Asset means any Reinsurance Asset which is, from time to time, the subject of an Exemption Decision pending settlement of the relevant Scheme Claim(s);

“**APRA**” means the Australian Prudential Regulation Authority;

“**ASIC**” means the Australian Securities and Investments Commission;

“**Board**” means the board of Directors for the time being of the Company;

“**Business Day**” means a day on which banks are open for general banking business in Melbourne, Victoria, Australia (not being a Saturday, Sunday or public holiday);

“**Chair**” means Ms Joan Fitzpatrick, or an alternate appointed by the Board from time to time as required;

“**Claims Estimate**” means the Company’s estimate of the aggregate value of your Scheme Claim(s) as described in section 2.

“**Committee Member**” means a member of the Creditors’ Committee appointed in accordance with the Scheme;

“**Company**” means Catholic Church Insurance Limited (ABN 76 000 005 210) whose registered office is at Level 8, 485 La Trobe Street, Melbourne, Victoria 3000;

“**Contract of Reinsurance**” means a contract of reinsurance within the meaning of s 562A of the Act (whether entered into before, on or after the Trigger Date) under which the Company is insured in respect of an Insurance Contract entered into before the Trigger Date. Where, in accordance with the Scheme, the Company exercises any contractual right or option to extend, renew or take out further insurance under any existing Insurance Contract which, immediately prior to that exercise, was a Contract of Reinsurance, regardless of when that option was exercised, that Insurance Contract shall continue to be a “Contract of Reinsurance”;

“**Corporations Regulations**” means the *Corporations Regulations 2001* (Cth) and a reference to the Corporations Regulations or a provision of it includes as modified by applicable ASIC relief.

“**Court**” means the Federal Court of Australia (Victorian Registry) or such other court of competent jurisdiction under the Act;

“**Court Orders**” means the orders of the Court:

- (a) approving the Scheme under section 411(4)(b) (and, if applicable, section 411(6)) of the Act; or
- (b) giving effect to the Scheme or any provision of it;

“**Creditor Portal**” means Data Kit’s portal to register as a Scheme Creditor and complete Proof of Debt and proxy details, and vote on the Scheme Resolution during the Scheme Meeting, made available to Scheme Creditors who have registered with the Company via scheme@ccinsurance.org.au and received login credentials.

“**Creditors’ Committee**” means the committee established in accordance with the provisions of the Scheme to represent the interests of the Scheme Creditors;

“**Delegate**” means in respect of a delegate of the Scheme Advisers, has the meaning given in the Scheme;

“**Directors**” means the directors of the Company from time to time, and Director will be construed accordingly;

“**Effective**” means when used in relation to the Scheme, the coming into effect, subsection 411(10) of the Act, of the order of the Court made under subsection 411(4)(b) of the Act in relation to the Scheme.

“**Effective Date**” means the date on which the Scheme becomes Effective;

“**Election to Defend**” means, in relation to any Insurance Contract, a decision by the Company to provide a Scheme Creditor with, or to engage on behalf of a Scheme Creditor, a lawyer or other adviser to defend a claim made against that Scheme Creditor, notwithstanding the fact that the Insurance Contract may not give rise to an obligation to do so;

“**Elective Defence Costs**” means, in relation to any Election to Defend, the reasonable professional costs incurred by the lawyer or other adviser in defending the claim which the Company has paid or which have been agreed to be paid by the Company in either case after the Effective Date;

“**Established Scheme Liability**” means a liability of the Company in respect of a Scheme Claim in relation to which a present obligation of the Company to pay an ascertained sum of money has been established by agreement or Final Order;

“**Excluded Assets**” are assets of the Company that are:

- (a) any Secured Assets; and
- (b) with respect to any Reinsurance Asset or any proceeds thereof, the subject of rights of any State Authority under any State Cut-Through Legislation;

“Excluded Insurance Contract” means any contract of insurance entered into by or on behalf of the Company as insurer, or under which the Company has assumed any liability as insurer, to which the State Workers Compensation Legislation applies;

“Exemption Application” means an application to the Scheme Advisers seeking an Exemption Decision;

“Exemption Decision” means:

- (a) unless the Company becomes subject to a Liquidation Event, a decision made by the Scheme Advisers under the Scheme that an amount received under a Contract of Reinsurance is to be applied not in accordance with the Scheme but as an Allocated Reinsurance Asset in the manner specified in that decision; and
- (b) if the Company becomes subject to a Liquidation Event, an order made by the Court under section 562A(4) of the Act;

“Explanatory Statement” means this explanatory statement (including the appendices to such statement) explaining the effect of the Scheme in accordance with the Court’s procedural orders;

“External Administrator” has the meaning given in the Insurance Act;

“Final Order” means an order, judgement, decision or award of a court or tribunal of competent jurisdiction which is not subject to any appeal, rehearing, reconsideration or similar relief, and in relation to which the time to seek a stay or to appeal, rehearing, reconsideration, or similar relief has expired or been refused;

“Financial Claims Scheme” means the scheme for the payment of protected policies under part VC of the Insurance Act described in the Frequently Asked Question “What is the Financial Claims Scheme and how is it relevant to the Scheme”;

“First Court Date” means the first date of the hearing of an application for the First Court Orders or, if the hearing of that application is adjourned, the first date to which the hearing is adjourned;

“First Court Orders” means the orders of the Court convening the Scheme Meeting under section 411(1) of the Act;

“FTI Consulting” means FTI Consulting (Australia) Pty Ltd (ACN 160 397 811);

“FTI Consulting Report” means the report of FTI Consulting, as set out in Appendix 6;

“IBNR” means a Scheme Claim in respect of a loss which has been incurred but has not been reported;

“Initial Committee” means the committee established of Scheme Creditors as set out in section 22.1;

“Initial Scheme Period” means the period beginning on the Effective Date and ending on the day before the Trigger Date;

“Insurance Act” means the *Insurance Act 1973* (Cth);

“Insurance Authorisation” means the Company’s authorisation to carry on insurance business, as granted and applied by APRA under the Insurance Act;

“Insurance Contract” means any contract of insurance entered into by or on behalf of the Company as insurer, or under which the Company has assumed any liability as insurer other than an Excluded Insurance Contract;

“Investment Policy” means the Company’s “investment policy statement” identified as policy number BP17 dated March 2023 (version 9), or any variation, update or replacement of that policy made in accordance with the Scheme;

“Judicial Manager” has the meaning given in the Insurance Act;

“Liquid Assets” means the aggregate at any time of:

- (a) any cash deposits; and
- (b) any other assets of the Company at that time which are invested in accordance with the Investment Policy, other than investments in subsidiaries and property trusts which are, at that time, determined by the Company or the Scheme Advisers to be illiquid;

but excluding any such assets subject to a Security Interest;

“Liquidation Event” means the appointment of a liquidator in respect of the Company pursuant to the Act;

“Nominal Insurer” has the meaning given in the Workers Compensation Act 1987 (NSW);

“Non-Scheme Claim” means any claim against the Company that is not a Scheme Claim;

“Non-Scheme Liability” means all liabilities or potential liabilities of the Company in respect of actual or potential Non-Scheme Claims and includes Scheme Costs and any amount payable or which may become payable as contemplated by the Scheme;

“Payment Percentage” means in relation to an Established Scheme Liability, the percentage of such Established Scheme Liability which is payable by the Company from time to time under the Scheme in respect of that Established Scheme Liability, as set out and described in the Scheme, and **Payment Percentages** will be construed accordingly;

“Permitted Security Interest” means:

- (a) a lien or similar security interest over a Scheme Asset in favour of a custodian or a banker’s right of set-off or combination of accounts on ordinary commercial terms;
- (b) in the ordinary course of terms of trade, title retention arrangements with suppliers etc;

a Security Interest securing liabilities incurred in accordance with the terms of the Scheme; or

a Security Interest granted for the purpose of any Proceeding in relation to any liabilities of the Company;

a Security Interest required by any Government Agency in accordance with applicable law;

“Proof of Debt” has the meaning given in section 2;

“PwC” means the Australian professional services firm PricewaterhouseCoopers;

“PwC Securities” means PricewaterhouseCoopers Securities Limited (ACN 003 311 617).

“Reinsurance Asset” means any amount or amounts in respect of a liability under an Insurance Contract received by the Company or the Scheme Advisers under a Contract of Reinsurance net of the costs and expenses of or incidental to acquiring such Reinsurance Asset;

“Requisite Majority” has the meaning given in section 2.

“Reserving Period” means the period beginning on the Trigger Date and ending on the earlier of:

- (a) The day that the Scheme is terminated in accordance with clause 46 of the Scheme; or
- (b) the day on which a resolution contemplated by clause 50 of the Scheme applies;

“Returning Officer” means Mr Tim Farren, or an alternate appointed by the Company from time to time as required;

“Review Date” means:

- (a) the Trigger Date; and
- (b) during the Reserving Period, 30 April and 31 October of each year, or such other date as the Scheme Advisers may from time to time decide in their absolute discretion, but in consultation with the Creditors’ Committee;

“Risk Margin” means a liability recognised under AASB1023 (General Insurance Contracts) over and above the central estimate of insurance liabilities to reflect the inherent uncertainty with regard to that estimate and the effect of Reinsurance Assets and other recoveries.

“Scheme” means the scheme of arrangement under Part 5.1 of the Act between the Company and the Scheme Creditors, a copy of which is set out at Appendix 1, subject to any modification, addition, provision or condition which may be approved or imposed in accordance with the Scheme;

“Scheme Adviser Deed Poll” means a deed poll substantially in the form of Annexure A to the Scheme;

“Scheme Advisers” means Stephen Longley and Michael Fung, partners of PwC, or any other person who accepts the appointment to the role of scheme adviser to the Scheme, and satisfies the requirements of section 411(7) of the Act provided, in each case, they have each executed a deed poll in substantially the same form as the Scheme Adviser Deed Poll;

“Scheme Assets” means, after making allowance for Non-Scheme Liabilities, all assets of the Company (whether present or future, actual or contingent), including any assets which are held or recovered for the benefit of the Company by an External Administrator, which are made available to the Company to be applied in accordance with the terms of this Scheme, excluding Excluded Assets;

“Scheme Claims” means any claim against the Company under or in connection with, or which may arise under or in connection with, any Insurance Contract including:

(a) all actual, future and contingent claims (including incurred but not reported claims) by any person under or in connection with; and

(b) any claims arising under statute in connection with,

an Insurance Contract or its termination or cancellation;

“Scheme Costs” means the costs, charges, expenses, disbursements and remuneration relating to the operation of the Scheme as referred to in the Scheme;

“Scheme Creditors” means a creditor of the Company in respect of an actual or potential Scheme Claim;

“Scheme Liabilities” means all liabilities or potential liabilities of the Company in respect of actual or potential Scheme Claims, including Scheme Claims which have been reported and not yet agreed and Scheme Claims which may be reported in the future;

“Scheme Meeting” means the meeting of Scheme Creditors ordered by the Court to be convened under subsection 411(1) of the Act to consider and vote on the Scheme, and includes any meeting convened following any adjournment or postponement of that meeting;

“Scheme Meeting Date” means the date of the Scheme Meeting;

“Scheme Resolution” means the resolution set out in the Notice of Scheme Meeting in Appendix 9 to this Explanatory Statement to agree to the terms of the Scheme;

“Second Court Date” means the first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Act approving the Scheme is heard;

“Second Court Hearing” means the hearing of an application made to the Court for orders under section 411(4)(b), including any adjourned hearing;

“Secured Asset” means an asset of the Company subject to a Security Interest (other than a Permitted Security Interest), securing a Scheme Liability or any other liability to the extent of the relevant Security Interest;

“Security Interest” means any:

- (a) security interest as defined in section 12(1) or section 12(2) of the *Personal Property Securities Act 2009* (Cth); and
- (b) vested security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power or title retention or flawed deposit arrangement;

“Shareholder Funding” means any funding from Shareholders:

- (a) for which recourse for repayment is limited to assets financed by that funding; or
 - (b) the repayment of which is fully subordinated to the claims of Scheme Creditors;
- in each case on terms satisfactory to the Company;

“SIRA” means the State Insurance Regulatory Authority of New South Wales;

“Special Meeting” has the meaning given in clause 50 of the Scheme.

“State Authority” means each of the following State authorities:

- (a) SIRA;
- (b) the Nominal Insurer; and
- (c) each other authority given rights under State Cut-Through Legislation;

“State Cut-Through Legislation” means the following statutory provisions in force as at the Trigger Date:

- (a) section 169A of the *Workers Compensation Act 1951* (Australian Capital Territory);
- (b) section 235 of the *Workers Compensation Act 1987* (New South Wales);
- (c) section 137(3) of the *Return to Work Act 1986* (Northern Territory);
- (a) section 129 of the *Workers Rehabilitation and Compensation Act 1988* (Tasmania);
- (b) section 36 of the *Employers’ Indemnity Supplementation Fund Act 1980* (Western Australia);

“State Workers Compensation Legislation” means the following:

- (a) the *Workers Compensation Act 1951* (Australian Capital Territory);
- (b) the *Workers Compensation Act 1987* (New South Wales);
- (c) the *Return to Work Act 1986* (Northern Territory);
- (d) the *Workers Rehabilitation and Compensation Act 1988* (Tasmania);

- (e) the *Workers' Compensation and Injury Management Act 1981* (Western Australia);

“Statutory Manager” means a statutory manager as defined in the Insurance Act;

“Trigger Date” means the date and time on which the Trigger Event occurs;

“Trigger Event” means if the Board determines that in its opinion, disregarding the effect of the Scheme on the Company:

- (a) the Company would be insolvent, or would be likely to become insolvent, at some future time (in each case as defined in section 95A of the Act); and/or
- (b) the value of the Company’s assets would be, or would be likely to become, less than its liabilities taking into account its contingent and prospective liabilities.

For the purposes of this definition, “liabilities” means the Company’s liabilities as recorded in its statement of financial position but excludes:

- (i) risk margin; and
- (ii) any Shareholder Funding;

“Unallocated Assets” means the Scheme Assets less Reinsurance Assets;

“Unallocated Liabilities” means Scheme Liabilities which are not (or to the extent that they are not) capable of being met from Reinsurance Assets from time to time;

“Unallocated Reinsurance Assets” means Reinsurance Assets which are not the subject of an Exemption Decision or required to be dealt with in accordance with State Cut-Through Legislation;

“Valuation Platform” means the “Data Kit” platform or such platform nominated by the Scheme Advisers from time to time;

“Workers’ Compensation” means a policy issued by the Company to provide workers’ compensation.

38.2 Interpretation

Headings and labels used for definitions are for convenience only and do not affect the interpretation of this Explanatory Statement. Unless the contrary intention appears, in this Explanatory Statement the same interpretive provisions as set out in the Scheme apply, including:

- (a) a reference to a section or Appendix is to a section in or Appendix to this Explanatory Statement;
- (b) the singular includes the plural and vice versa;
- (c) the words “including”, “for example” or “such as” when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind;

- (d) a reference to “person” includes an individual, a body corporate, a partnership, a joint venture, an unincorporated association, an authority or any other entity or organisation;
- (e) except as expressly provided otherwise, an obligation to consult with another person will be construed as an obligation to take account of the views expressed by that person in good faith, and will not be construed as though the consulting person is bound by those views or that the other person has approval rights in relation to the relevant matter;
- (f) a reference to a time of day is a reference to Melbourne, Victoria, Australia time; and
- (g) a reference to dollars, \$, A\$ or cents is to Australian currency, unless otherwise stated.

Scheme of Arrangement (pursuant to Part 5.1 of the *Corporations Act 2001* (Cth))

Dated

Catholic Church Insurance Limited (ABN 76 000 005 210) (**Company**)

and its

Scheme Creditors (as defined in this Scheme)

King & Wood Mallesons

Level 27
Collins Arch
447 Collins Street
Melbourne VIC 3000
Australia
T +61 3 9643 4000
F +61 3 9643 5999
DX 101 Melbourne
www.kwm.com

Scheme of Arrangement (pursuant to Part 5.1 of the Corporations Act 2001 (Cth))

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Scheme of Arrangement (pursuant to Part 5.1 of the Corporations Act 2001 (Cth))

Details

Parties	Company and Scheme Creditors	
Company	Name	Catholic Church Insurance Limited
	ABN	76 000 005 210
	Address	Level 8, 485 La Trobe Street Melbourne, Victoria 3000
Scheme Creditors	As defined in this Scheme	
Business Day place	Melbourne, Victoria, Australia	
Governing law	Victoria, Australia	

Scheme of Arrangement (pursuant to Part 5.1 of the Corporations Act 2001 (Cth))

General terms

Part A - Preliminary

1 Definitions and Interpretation

1.1 In this Scheme, unless inconsistent with the subject or context, the following expressions bear the meanings respectively set opposite them:

Act means the *Corporations Act 2001 (Cth)*;

Allocated Reinsurance Asset means any Reinsurance Asset which is, from time to time, the subject of an Exemption Decision pending settlement of the relevant Scheme Claim(s);

Appointor means a Scheme Creditor who has either granted a general power of attorney to a Committee Member or otherwise appointed a Committee Member as their or its representative in accordance with clause 36.3;

APRA means the Australian Prudential Regulation Authority;

ASIC means the Australian Securities and Investments Commission;

Board means the board of Directors for the time being of the Company;

Business Day means a day on which banks are open for general banking business in Melbourne, Victoria, Australia (not being a Saturday, Sunday or public holiday);

Committee Member means a member of the Creditors' Committee appointed in accordance with clause 36 and as further described in clause 36.3;

Committee Member Deed Poll means a deed poll substantially in the form of Annexure B;

Company means Catholic Church Insurance Limited (ABN 76 000 005 210) whose registered office is at Level 8, 485 La Trobe Street, Melbourne, Victoria 3000;

Contract of Reinsurance means a contract of reinsurance within the meaning of s 562A of the Act (whether entered into before, on or after the Trigger Date) under which the Company is insured in respect of an Insurance Contract entered into before the Trigger Date. Where, in accordance with clause 17.3(a), the Company exercises any contractual right or option to extend, renew or take out further insurance under any existing Insurance Contract which, immediately prior to that exercise, was a Contract of Reinsurance, regardless of when that option was exercised, that Insurance Contract shall continue to be a "Contract of Reinsurance";

Court means the Federal Court of Australia (Victorian Registry) or such other court of competent jurisdiction under the Act;

Creditors' Committee means the committee established pursuant to Part H to represent the interests of the Scheme Creditors;

Delegate means in respect of a delegate of the Scheme Advisers, has the meaning given in clause 33.1(g);

De Minimis Amount has the meaning given to it in clause 15.3;

Directors means the directors of the Company from time to time, and Director will be construed accordingly;

Effective means, when used in relation to this Scheme, the coming into effect, under subsection 411(10) of the Act, of the order of the Court made under subparagraph 411(4)(b) of the Act in relation to this Scheme;

Effective Date means the date on which this Scheme becomes Effective;

Election to Defend means, in relation to any Insurance Contract, a decision by the Company to provide a Scheme Creditor with, or to engage on behalf of a Scheme Creditor, a lawyer or other adviser to defend a claim made against that Scheme Creditor, notwithstanding the fact that the Insurance Contract may not give rise to an obligation to do so;

Elective Defence Costs means, in relation to any Election to Defend, the reasonable professional costs incurred by the lawyer or other adviser in defending the claim which the Company has paid or which have been agreed to be paid by the Company in either case after the Effective Date;

Employee means any partner or member in, or director of, the same firm (or another member of its group) as any of the Scheme Advisers, or any individual employed (whether under a contract of service or for services by that firm or by any part of its group) in accordance with clause 33.1(h). For the purposes of this definition of Employee, "group" will include, in respect of the initial Scheme Advisers, any entity or firm within the worldwide network of PricewaterhouseCoopers firms and entities and, in respect of any other person or persons for the time being appointed as a Scheme Adviser who are partners, members, directors or employees in respect of a firm or entity outside such network, then such entities or firms within any analogous network of which that firm or entity is a part;

Established Scheme Liability means a liability of the Company in respect of a Scheme Claim in relation to which a present obligation of the Company to pay an ascertained sum of money has been established in accordance with clause 13.1;

Excluded Assets are assets of the Company that are:

- (a) any Secured Assets; and
- (b) with respect to any Reinsurance Asset or any proceeds thereof, the subject of rights of any State Authority under any State Cut-Through Legislation;

Excluded Insurance Contract means any contract of insurance entered into by or on behalf of the Company as insurer, or under which the Company has assumed any liability as insurer, to which the State Workers Compensation Legislation applies;

Exemption Application means an application to the Scheme Advisers seeking an Exemption Decision;

Exemption Decision means:

- (a) unless the Company becomes subject to a Liquidation Event, a decision made by the Scheme Advisers under clause 20.3(c) that an amount received under a Contract of Reinsurance is to be applied not in accordance with clause 24.1(b) or (c) but as an Allocated Reinsurance Asset in the manner specified in that decision; and
- (b) if the Company becomes subject to a Liquidation Event, an order made by the Court under section 562A(4) of the Act;

External Administrator has the meaning given in the Insurance Act;

Explanatory Statement means the statement dated 27 September 2023 (including the appendices to such statement) explaining the effect of this Scheme in accordance with the Court's procedural orders;

Final Order means an order, judgement, decision or award of a court or tribunal of competent jurisdiction which is not subject to any appeal, rehearing, reconsideration or similar relief, and in relation to which the time to seek a stay or to appeal, rehear, reconsider, or similar relief has expired or been refused;

Government Agency means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal, statutory or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian (including ASIC, APRA and each State Authority);

Initial Scheme Period means the period beginning on the Effective Date and ending on the day before the Trigger Date;

Insurance Act means the *Insurance Act 1973* (Cth);

Insurance Authorisation means the Company's authorisation to carry on insurance business, as granted and applied by APRA under the Insurance Act;

Insurance Contract means any contract of insurance entered into by or on behalf of the Company as insurer, or under which the Company has assumed any liability as insurer other than an Excluded Insurance Contract;

Investment Policy means the Company's "investment policy statement" identified as policy number BP17 dated March 2023 (version 9), or any variation, update or replacement of that policy made in accordance with clause 18.3;

Judicial Manager has the meaning given in the Insurance Act;

Liquid Assets means the aggregate at any time of:

- (a) any cash deposits; and
- (b) any other assets of the Company at that time which are invested in accordance with the Investment Policy, other than investments in subsidiaries and property trusts which are, at that time, determined by the Company or the Scheme Advisers to be illiquid,

but excluding any such assets subject to a Security Interest;

Liquidated Claim means a Scheme Claim in respect of which both the existence and amount of the Company's liability have been determined by agreement between the parties or by Final Order;

Liquidated Receivable means a claim by the Company against a Scheme Creditor in respect of which both the existence and amount of that Scheme Creditor's liability have been determined by agreement between the parties or by a Final Order;

Liquidation Event means the appointment of a liquidator in respect of the Company pursuant to the Act;

Net Liquidated Balance means the net balance from time to time between the Company and a Scheme Creditor arising after off-setting all Liquidated Receivables against all Liquidated Claims as between the Company and that Scheme Creditor;

Nominal Insurer has the meaning given in the *Workers Compensation Act 1987* (NSW);

Non-Scheme Claim means any claim against the Company that is not a Scheme Claim;

Non-Scheme Liability means all liabilities or potential liabilities of the Company in respect of actual or potential Non-Scheme Claims and includes Scheme Costs and any amount payable or which may become payable as contemplated by clause 17.3;

Payment Percentage means in relation to an Established Scheme Liability, the percentage of such Established Scheme Liability which is payable by the Company from time to time under this Scheme in respect of that Established Scheme Liability, as set out and described at clause 26, and **Payment Percentages** will be construed accordingly;

Permitted Security Interest means:

- (a) a lien or similar security interest over a Scheme Asset in favour of a custodian or a banker's right of set-off or combination of accounts on ordinary commercial terms;
- (b) in the ordinary course of terms of trade, title retention arrangements with suppliers, etc;
- (c) a Security Interest securing liabilities incurred in accordance with the terms of this Scheme;
- (d) a Security Interest granted for the purpose of any Proceeding in relation to any liabilities of the Company; or
- (e) a Security Interest required by any Government Agency in accordance with applicable law;

Priority Claim means any debt or claim described in sections 556 or 562 of the Act;

Proceedings means any action, step or other legal proceedings in any jurisdiction including any judicial action or proceeding, or any execution of judgment or enforcement action, but excluding any dispute resolution procedure which does not involve submission to the courts other than any arbitration that is provided for under the terms of a contract giving rise to a Scheme Claim;

Property means any legal or equitable estate or interest (whether present or future and whether vested or contingent) in real or personal property of any description and includes a thing in action and any money or property recovered under or pursuant to provisions of the Act dealing with voidable transactions;

Prudential Law means the Insurance Act, the *Australian Prudential Regulation Authority Act 1998* (Cth) and the *Financial Sector Transfer and Restructure Act 1998* (Cth) and any related legislation administered by APRA applicable to the Company;

Regulations means *Corporations Regulations 2001* (Cth);

Reinsurance Asset means any amount or amounts in respect of a liability under an Insurance Contract received by the Company or the Scheme Advisers under a Contract of Reinsurance net of the costs and expenses of or incidental to acquiring such Reinsurance Asset;

Reserving Period means the period beginning on the Trigger Date and ending on the earlier of:

- (a) the day that the Scheme is terminated in accordance with clause 46; or
- (b) the day on which a resolution contemplated by clause 50 applies;

Review Date means:

- (a) the Trigger Date; and
- (b) during the Reserving Period, 30 April and 31 October of each year, or such other date as the Scheme Advisers may from time to time decide in their absolute discretion, but in consultation with the Creditors' Committee;

Risk Margin means a liability recognised under AASB1023 (General Insurance Contracts) over and above the central estimate of insurance liabilities to reflect the inherent uncertainty with regard to that estimate and the effect of Reinsurance Assets and other recoveries;

Rules means the *Insolvency Practice Rules (Corporations) 2016* (Cth);

Scheme means this scheme of arrangement under Part 5.1 of the Act between the Company and the Scheme Creditors in its original form or with or subject to any modification, addition, provision or condition which may be approved or imposed in accordance with clause 49 or clause 50;

Scheme Adviser Deed Poll means a deed poll substantially in the form of Annexure A;

Scheme Advisers means Stephen Longley and Michael Fung, partners of PricewaterhouseCoopers Australia or any other person who accepts the appointment to the role of scheme adviser to the Scheme, and satisfies the requirements of section 411(7) of the Act provided, in each case, they have each executed a deed poll in substantially the same form as the Scheme Adviser Deed Poll;

Scheme Assets means, after making allowance for Non-Scheme Liabilities, all assets of the Company (whether present or future, actual or contingent), including any assets which are held or recovered for the benefit of the Company by an External Administrator, which are made available to the Company to be applied in accordance with the terms of this Scheme, excluding Excluded Assets;

Scheme Claims means any claim against the Company under or in connection with, or which may arise under or in connection with, any Insurance Contract including:

- (a) all actual, future and contingent claims (including incurred but not reported claims) by any person under or in connection with; and
- (b) any claims arising under statute in connection with,

an Insurance Contract or its termination or cancellation;

Scheme Costs means the costs, charges, expenses, disbursements and remuneration relating to the operation of the Scheme as referred to in clause 48;

Scheme Creditors means a creditor of the Company in respect of an actual or potential Scheme Claim;

Scheme Liabilities means all liabilities or potential liabilities of the Company in respect of actual or potential Scheme Claims, including Scheme Claims which have been reported and not yet agreed and Scheme Claims which may be reported in the future;

Scheme Meeting means the meeting of Scheme Creditors ordered by the Court to be convened under subsection 411(1) of the Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting;

Second Court Date means the first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Act approving this Scheme is heard;

Secured Asset means an asset of the Company subject to a Security Interest (other than a Permitted Security Interest), securing a Scheme Liability or any other liability to the extent of the relevant Security Interest;

Security Interest means any:

- (a) security interest as defined in section 12(1) or section 12(2) of the *Personal Property Securities Act 2009* (Cth); and
- (b) vested security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power or title retention or flawed deposit arrangement;

Shareholder Funding means any funding from Shareholders:

- (a) for which recourse for repayment is limited to assets financed by that funding; or
- (b) the repayment of which is fully subordinated to the claims of Scheme Creditors;

in each case on terms satisfactory to the Company;

SIRA means the State Insurance Regulatory Authority of New South Wales;

Special Meeting has the meaning given in clause 50 of this Scheme.

State Authority means each of the following State authorities:

- (a) SIRA;
- (b) the Nominal Insurer; and
- (c) each other authority given rights under State Cut-Through Legislation;

State Cut-Through Legislation means the following statutory provisions in force as at the Trigger Date:

- (a) section 169A of the *Workers Compensation Act 1951* (ACT);
- (b) section 235 of the *Workers Compensation Act 1987* (NSW);
- (c) section 137(3) of the *Return to Work Act 1986* (NT);
- (d) section 129 of the *Workers Rehabilitation and Compensation Act 1988* (Tas);
- (e) section 36 of the *Employers' Indemnity Supplementation Fund Act 1980* (WA);

State Workers Compensation Legislation means the following:

- (a) the *Workers Compensation Act 1951* (ACT);
- (b) the *Workers Compensation Act 1987* (NSW);
- (c) the *Return to Work Act 1986* (NT);
- (d) the *Workers Rehabilitation and Compensation Act 1988* (Tas);
- (e) the *Workers' Compensation and Injury Management Act 1981* (WA);

Statutory Manager means a statutory manager as defined in the Insurance Act;

Trigger Date means the date and time at which the Trigger Event occurs;

Trigger Event means when the Board determines that in its opinion, disregarding the effect of the Scheme on the Company:

- (a) the Company would be insolvent, or would be likely to become insolvent at some future time (in each case as defined in section 95A of the Act); and/or
- (b) the value of the Company's assets would be or would be likely to become less than its liabilities taking into account its contingent and prospective liabilities.

For the purposes of this definition, "liabilities" means the Company's liabilities as recorded in its statement of financial position but excludes:

- (i) Risk Margin; and
- (ii) any Shareholder Funding.

Unallocated Assets means the Scheme Assets less Reinsurance Assets;

Unallocated Liabilities means Scheme Liabilities which are not (or to the extent that they are not) capable of being met from Reinsurance Assets from time to time;

Unallocated Reinsurance Assets means Reinsurance Assets which are not the subject of an Exemption Decision or required to be dealt with in accordance with State Cut-Through Legislation;

Valuation Platform means the "Data Kit" platform or such other platform nominated by the Scheme Advisers from time to time.

1.2 In this Scheme:

- (a) headings to Parts, clauses and Schedules are for ease of reference only and will not affect the interpretation of this Scheme;
- (b) references to Parts and clauses are references to the Parts and clauses respectively of this Scheme;
- (c) references to a provision of this Scheme will be construed as a reference to that provision as in force from time to time;
- (d) **liabilities** includes duties and obligations of every description (whether present or future, actual or contingent), but for the avoidance of doubt excluding any obligation or liability under a contract or policy which is void or, being voidable, has been duly avoided;
- (e) references to an asset or liability being located in Australia or outside Australia have the meaning such terms would have for the purposes of section 116 of the Insurance Act if the Company were being wound up in a winding up commencing on the Trigger Date (whether the asset is acquired, or the liability incurred, before or after that date);
- (f) references to a **person** include references to an individual, firm, partnership, company, corporation, unincorporated body of persons or any state or state agency;
- (g) **property** and **asset** includes property, assets, rights and powers of every description (whether present or future, actual or contingent) and includes property held on trust and securities, benefits, powers of any description and any interest whatsoever in any of the foregoing;
- (h) a reference to a party to a document includes that party's successors and permitted assignees;
- (i) transfer includes (as the context may require) novate or novation, assign or assignation or assignment, dispose or disposal, convey or conveyance;
- (j) any reference to the singular includes a reference to the plural and vice versa and any words of any gender include all genders;
- (k) the words "including", "for example" or "such as" when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind;
- (l) any reference to an enactment, a statutory provision or any subordinate legislation will be deemed to include a reference to that enactment, statutory provision or subordinate legislation as amended, replaced or re-enacted from time to time and to any instrument or order or prudential standard made from time to time under such enactment, statutory provision or subordinate legislation;
- (m) unless the context otherwise requires expressions used which are defined in the Act will bear those meanings;
- (n) any reference to writing will include any mode of reproducing words in a legible and non-transitory form;
- (o) nothing in this Scheme:
 - (i) varies the Company's constitution; or

- (ii) restricts the rights or actions of the Company except as expressly provided herein;
- (p) except as expressly provided otherwise, an obligation to consult with another person will be construed as an obligation to take account of the views expressed by that person in good faith, and will not be construed as though the consulting person is bound by those views or that the other person has approval rights in relation to the relevant matter;
- (q) no provision of this Scheme will be construed adversely to a party because that party was responsible for the preparation of this Scheme or that provision;
- (r) a reference to '\$', 'A\$' or 'dollar' is to Australian currency;
- (s) a reference to any time is, unless otherwise indicated, a reference to that time in Melbourne, Victoria;
- (t) if a period of time is specified from a given day or date or from the day or date of any act or event, it will be calculated exclusive of that day or date;
- (u) where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day;
- (v) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (w) if an act prescribed under this Scheme to be done by a party on or by a given day is done after 5.00pm on that day, it is taken to be done on the next day; and
- (x) nothing in this Scheme or in the Explanatory Statement will give any person any right to enforce any term of this Scheme, except as expressly provided for under the provisions of this Scheme.

2 The Company and other parties

- 2.1 The Company agrees to be bound by this Scheme, and to execute or do, or procure to be executed or done, all such documents, acts or things as may be necessary or desirable to be executed or done for the purposes of giving effect to this Scheme.
- 2.2 Joan Fitzpatrick, Gregory Cooper, Eamonn Cunningham, Noel Condon, Matthew Doquile, David Issa, Reverend Dr Philip Marshall, and Sr Mary Ellen O'Donoghue have each given and have not withdrawn their consent to serve as members of the Board from the Effective Date.
- 2.3 Stephen Longley and Michael Fung, partners of PricewaterhouseCoopers Australia, have each given and have not withdrawn their consent to act as the initial Scheme Advisers from the Effective Date and will be the Scheme Advisers on and from the Effective Date, provided they have each executed a deed poll in substantially the same form as the Scheme Adviser Deed Poll in substantially the same form as Annexure A and delivered it to the Company not later than the Effective Date.
- 2.4 The Scheme Advisers, pursuant to the Scheme Adviser Deed Poll, have consented to this Scheme, agreed to be bound by this Scheme as if they were a

party to this Scheme and have undertaken to perform all obligations and actions attributed to them under this Scheme.

- 2.5 The members of the Creditors' Committee will be as established pursuant to Part H. The initial Committee Members, pursuant to one or more Committee Member Deeds Poll, have consented to this Scheme, agreed to be bound by this Scheme as if they were a party to this Scheme and undertaken to perform all obligations and actions attributed to them under this Scheme.
- 2.6 In all of its dealings with Scheme Creditors under this Scheme (including in relation to the establishment of liabilities as contemplated by clause 13 and the entry into contractual arrangements as contemplated by clause 17.1), the Company must:
- (a) treat all Scheme Creditors fairly and without regard to any relationship the Company may have with any Scheme Creditor other than in its capacity as Scheme Creditor;
 - (b) perform its obligations and duties under this Scheme, make any decision, determination or agreement, and take (or omit to take) any other action in each case on its merits and with regard to the purpose of the Scheme as set out in clause 3;
 - (c) deal with any Scheme Creditor that is a member of the Company on terms that are reasonable in the circumstances (or less favourable to the member than those terms) as if the Company and that member were dealing at arm's length; and
 - (d) comply with its conflicts of interest policy to the extent relevant to the Scheme.

3 Purpose of this Scheme

- 3.1 The purpose of this Scheme is to enable the Company's liabilities in respect of Scheme Claims to be established, ascertained, handled and paid in the ordinary course until the Trigger Event and to manage payments after the Trigger Event in an orderly manner to reflect the rights of Scheme Creditors in accordance with this Scheme.
- 3.2 Written notice of the Trigger Event must be given:
- (a) by the Board to the Creditors' Committee and the Scheme Advisers as soon as practicable after the occurrence of the Trigger Event (and in any case no later than 5:00pm on the day that the Board reaches its conclusion or, if such conclusion is reached by the Board after 5:00pm or it is not a Business Day, no later than 9.00am on the next Business Day); and
 - (b) by the Company (or failing the Company, by the Scheme Advisers) to:
 - (i) ASIC and APRA; and
 - (ii) the Scheme Creditors in accordance with clause 51,as soon as reasonably practicable after the Board reaches its conclusion.

- 3.3 After the Trigger Event, the Company will cease to pay Scheme Claims in full and the Company will be managed during the Reserving Period with the intention that:
- (a) the Company's Non-Scheme Liabilities continue to be met;
 - (b) the Company's liabilities in respect of Scheme Claims continue to be established and ascertained in the ordinary course;
 - (c) payments are made to those of the Company's creditors whose Scheme Claims have from time to time become Established Scheme Liabilities; and
 - (d) sufficient Liquid Assets are retained by the Company to enable the same payments to be made by the Company to those of its creditors whose Scheme Claims become Established Scheme Liabilities at a later date.

4 Conditions

4.1 Conditions precedent

This Scheme is conditional on and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) **Scheme Adviser Deed Poll:** As at 8.00am on the Second Court Date, each Scheme Adviser has executed and delivered to the Company a duly signed copy of the Scheme Adviser Deed Poll;
- (b) **Court approval:** The Court having approved the Scheme, with or without modification or condition, pursuant to section 411(4)(b) of the Act, including with any alterations or conditions made or required by the Court under subsection 411(6) of the Act and agreed to by the Company; and
- (c) **Scheme Effective:** The orders of the Court made under paragraph 411(4)(b) (and, if applicable, subsection 411(6)) of the Act approving this Scheme coming into effect, pursuant to subsection 411(10) of the Act.

4.2 Certificate

- (a) The Company must provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within its knowledge) whether or not all of the conditions precedent in clause 4.1 have been satisfied; and
- (b) The certificate referred to in clause 4.2(a) constitutes conclusive evidence (in the absence of manifest error) that such conditions precedent were satisfied.

Part B – The Scheme Periods

5 Application of this Scheme

- 5.1 This Scheme will become effective pursuant to section 411(10) of the Act on the Effective Date.
- 5.2 This Scheme applies to all Scheme Liabilities of the Company in respect of Scheme Claims.
- 5.3 The Initial Scheme Period begins on the Effective Date and ends immediately before the Reserving Period begins.
- 5.4 The Reserving Period begins on the Trigger Date and ends on the earlier of:
- (a) the date that the Scheme is terminated in accordance with clause 46; and
 - (b) the day on which a resolution contemplated by clause 50 applies.

6 Initial Scheme Period

The provisions of this clause 6 apply during the Initial Scheme Period:

- 6.1 Subject to the restrictions noted in clause 6.2, all liabilities of the Company will be paid by the Company in the ordinary course of business as and when they fall due, or otherwise in accordance with the Company's usual business practices.
- 6.2 The Board will have management and control of the business and affairs of the Company as provided for in the Company's constitution from time to time or as otherwise provided or required by law, subject to:
- (a) the restrictions on the Company and its activities set out in clause 6.5; and
 - (b) the provisions for production of reports set out in clause 29.3.
- 6.3 The powers and duties of the Scheme Advisers are as set out in clause 33.
- 6.4 The Creditors' Committee will be established in accordance with Part H and its functions will be as set out in clause 39.
- 6.5 The Company must not carry on business except as permitted by its Insurance Authorisation.
- 6.6 Except as expressly stated in this Scheme, no other restrictions apply to the Company or the conduct of its business during the Initial Scheme Period.

7 Reserving Period

The provisions of this clause 7 apply during the Reserving Period:

- 7.1 The Company must stop paying Scheme Liabilities as and when they fall due on and from the Business Day following the Trigger Date and the rights of the Scheme Creditors in relation to their respective Scheme Claims (including, in

respect of payments of Scheme Claims which are deferred by this Scheme) will be modified in accordance with the provisions of Part D.

- 7.2 The management and control of the business and affairs of the Company will continue to be carried on by the Board subject to the terms of this Scheme, including:
- (a) the restrictions on the Company and its activities set out in clause 16;
 - (b) the provisions for production of reports set out in clause 29.3; and
 - (c) any provisions that require the Company to consult with the Scheme Advisers or the Creditors' Committee.
- 7.3 The powers, functions and duties of the Scheme Advisers and the Creditors' Committee will be as set out in clause 34 and clauses 39 and 40 respectively.

8 Non-Scheme Claims — all periods

The Company shall pay all Non-Scheme Liabilities in respect of Non-Scheme Claims as they fall due but nothing herein shall oblige it to pay any such debt at any time before the date on which such debt would, apart from this Scheme, otherwise have become due and payable.

Part C – General Reserving Period Scheme Provisions

9 Application of Part C of this Scheme

The provisions of this Part only apply during the Reserving Period.

10 Stay of Proceedings

- 10.1 Without the prior written approval of the Scheme Advisers, no Scheme Creditor will be permitted to institute or continue any Proceedings or any other judicial, quasi-judicial, administrative or regulatory process whatsoever against the Company to establish the existence or amount of any Scheme Claim unless the Scheme Creditor has first given notice to the Company of such Scheme Claim (in accordance with the notice provisions set out in clause 51) including:
- (a) fully particularised details of how and when the Scheme Claim arose, of the Insurance Contract pursuant to which it arose and of the quantum of the Scheme Claim (if reasonably calculable); and
 - (b) legible copies of all contracts, orders, judgments, decisions and awards which are relevant to the Scheme Claim, and of all other items required to be provided to the Company pursuant to the terms of the Insurance Contract between the Company and the Scheme Creditor, together with such other supporting information and documentation as the Company will reasonably require.
- 10.2 Clause 10.1 applies to the maximum extent permitted by applicable law and does not apply to an Exemption Application.
- 10.3 If and to the extent that a Scheme Creditor obtains an order, judgment, decision or award against the Company in contravention of clause 10.1, such order, judgment, decision or award will not give rise to an Established Scheme Liability in respect of the Scheme Claim and will be disregarded when determining the liability of the Company in respect of the Scheme Claim.
- 10.4 Nothing in this Scheme precludes:
- (a) the Company from either:
 - (i) commencing or continuing any Proceedings against a Scheme Creditor; or
 - (ii) seeking to be joined into any subsisting Proceedings between a Scheme Creditor and any insurer or reinsurer; or
 - (b) a Scheme Creditor from lodging an insurance claim with the Company under an Insurance Contract in accordance with its terms.
- 10.5 The Company, in relation to whether it agrees to an Established Scheme Liability under clause 13.1 and in relation to whether it decides to enter into contractual arrangements under clause 17.1(a), constitutes a person “administering the

compromise or arrangement” that constitutes the Scheme for the purposes of section 599 of the Act.

11 Enforcement of Scheme Claims

11.1 Subject to the rights of Scheme Creditors under clauses 11.5 and 12, no Scheme Creditor will be entitled to take any proceeding or step (including by way of demand, legal proceedings, execution of judgment, arbitration or other dispute resolution proceedings) against the Company or its property in any jurisdiction whatsoever for the purpose of enforcing payment of all or any part of a Scheme Claim except to the extent that the Company:

- (a) is liable to make payment in respect of an Established Scheme Liability out of the Scheme Assets available for distribution in respect of that Established Scheme Liability in accordance with this Scheme; and
- (b) has failed to make such payment.

Nothing in this clause 11.1 affects the determination of the amount of any Established Scheme Liability or any Scheme Asset, or the rights of Scheme Creditors to take the action set out in clause 10.4(b).

11.2 If any Scheme Creditor takes any action which is prohibited by clause 11.1, including where expressly permitted by this Scheme, it will be treated as having received an advance payment on account of its Scheme Claim and any Established Scheme Liability in respect of that Scheme Claim shall be taken to be reduced by an amount equal to the amount or gross value of any money, property, benefit or advantage obtained by it at the expense of the Company as a result of such action and the extent, if any, to which it is entitled to any payment under clause 27 will be reduced accordingly.

11.3 For the purposes of clause 11.2 and clause 11.5, the gross value of any such property, benefit or advantage will in the absence of agreement be conclusively determined by the Scheme Advisers and, without limitation, may include such amount as the Scheme Advisers may consider to be appropriate by way of interest, costs, charges or expenses incurred by or on behalf of the Company as a consequence of the relevant Scheme Creditor acting in a manner prohibited by clause 11.1.

11.4 Where the Company has performed its obligation to make a payment to a Scheme Creditor under the provisions of this Scheme, the following provisions apply, without prejudice to any rights the Company may have under or pursuant to the relevant Insurance Contract(s):

- (a) the Company will be subrogated to all rights such Scheme Creditor may have against any third party that relates to the Scheme Claim (including all rights of recovery);
- (b) the Company will be entitled, but not obliged, to enforce those rights against such third parties;
- (c) the proceeds of any recovery from such a third party will be applied in the following order:
 - (i) first, to pay the costs of the recovery process;
 - (ii) second, to any portion of the Scheme Creditor’s loss that has not in fact been compensated by a payment by the Company (except any excess or deductible amount);

- (iii) third, to the Company, up to the amount paid by the Company to the Scheme Creditor in accordance with the Scheme (such funds to be received as Unallocated Assets in accordance with the provisions of this Scheme); and
 - (iv) fourth, to the Scheme Creditor, any excess or deductible amount.
- 11.5 Nothing in this clause 11 or this Scheme affects the rights of any person to take any appropriate action to enforce any Security Interest, letter of credit or trust which could have been enforced if the Company was being wound up pursuant to a winding-up commencing on the Trigger Date. Any amounts received by or for the benefit of a Scheme Creditor as a result of taking such action (whether before or after the Trigger Date) will be treated as an advance payment received by the Scheme Creditor on account of its relevant Scheme Claim and any Established Scheme Liability in respect of that Scheme Claim shall be taken to be reduced by an amount equal to the amount or gross value of any money, property, benefit or advantage obtained by it at the expense of the Company as a result of such action and the extent, if any, to which it is entitled to any payment under clause 27 will be reduced accordingly.
- 11.6 Nothing in this Scheme affects the right of the Company against any person in respect of any wrongful drawdown or enforcement of any Security Interest, letter of credit issued or trust created in respect of the Company.
- 11.7 This clause 11 does not apply to an Exemption Application.

12 Set-off

- 12.1 Subject to the provisions set out in clauses 13.2 and 13.3 in respect of the treatment of the Net Liquidated Balance, where a Scheme Creditor has a liability to the Company, the Scheme Creditor and the Company may rely on any set-off or cross claim upon which it could have relied if the Company were being wound up pursuant to a winding-up that commenced on the Trigger Date.
- 12.2 Subject to and without limiting clause 12.1:
 - (a) no Scheme Claim which has been assigned to a person after the Trigger Date may be applied in extinguishing or reducing any liability of that person to the Company; and
 - (b) no liability of a Scheme Creditor to the Company which arises out of an obligation incurred by such Scheme Creditor after the Trigger Date may be extinguished or reduced by any Scheme Claim which such Scheme Creditor has against the Company.

13 Established Scheme Liabilities

- 13.1 Subject to clauses 10, 11, 13.2, 13.3, 14 and 17.1(a)(ii), a liability of the Company in respect of a Scheme Claim will become an **Established Scheme Liability** when by either: (i) agreement; or (ii) Final Order in Proceedings, a present obligation of the Company to pay an ascertained sum of money has been established after taking into account:
 - (a) any Security Interest over the property of the Company that the Scheme Creditor is entitled (or claims to be entitled) to enforce in accordance with clause 11.5;

- (b) any letter of credit issued or trust created in respect of the Company which the Scheme Creditor is entitled (or claims to be entitled) to enforce in accordance with clause 11.5;
 - (c) any set-off or cross claim which may be taken into account from time to time in accordance with clause 12; and
 - (d) any other recoveries (net of the costs of recovery) from any third party made by the Scheme Creditor in respect of (and which reduce) such Scheme Claim.
- 13.2 The Company will be entitled (but not obliged) to treat a Scheme Creditor's Net Liquidated Balance (or any part thereof) as an Established Scheme Liability and to pay the Scheme Creditor concerned the applicable Payment Percentage accordingly, subject to the following:
- (a) if such Scheme Creditor has a further Liquidated Claim against the Company, the Net Liquidated Balance in such Scheme Creditor's favour (and the associated Established Scheme Liability) may be increased accordingly and, subject to clause 13.2(b)(ii), the Company may (at its discretion) pay the then current applicable Payment Percentage in respect of the increased Net Liquidated Balance (or any part thereof); and
 - (b) if a Liquidated Receivable becomes due to the Company from such Scheme Creditor, the Net Liquidated Balance in such Scheme Creditor's favour (and the associated Established Scheme Liability) may be reduced accordingly and the Company may (at its discretion) either:
 - (i) make a written demand to the Scheme Creditor for repayment of a sum equivalent to the difference between (i) the sum already received by the Scheme Creditor by way of Payment Percentage from the Company and (ii) the sum that the Scheme Creditor would have received by way of Payment Percentage if it had been calculated in respect of the reduced Net Liquidated Balance (or any part thereof); or
 - (ii) on a subsequent increase of the applicable Payment Percentage, withhold any further payment to the Scheme Creditor until the sums paid under the Scheme to the Scheme Creditor are equivalent to the then current applicable Payment Percentage in respect of the Net Liquidated Balance (or any part thereof) as adjusted in accordance with clause 13.2(a) and 13.2(b).
- 13.3 Notwithstanding any payment made (or treated as having been made) under this Scheme, the amount of an Established Scheme Liability for the purposes of this Scheme will be the amount established in accordance with this clause 13.

14 Interest

- 14.1 Other than interest to which a Scheme Creditor is entitled by reason of contract, statute or Final Order against the Company for a period or periods prior to and ending on the Trigger Date (or in case of an Established Scheme Liability determined after the Trigger Date, the date of determination) (**Admissible Interest**):
- (a) no liability the Company may have to pay interest will be included as part of an Established Scheme Liability for the purpose of paying or providing for payments under this Scheme; and

- (b) subject to clause 27 of this Scheme, no payment will be made under this Scheme in respect of any part of a Scheme Claim which represents interest.

14.2 For the avoidance of doubt, this clause 14 does not affect any entitlement a Scheme Creditor may have to assert a Scheme Claim in respect of its liability for interest to a third party.

15 Method of payment

15.1 Payments to a Scheme Creditor under this Scheme may be made, in the absolute discretion of the Company:

- (a) by electronic funds transfer to such bank account as the Scheme Creditor concerned may from time to time notify to the Company; or
- (b) in such other manner or in favour of such other person (including any third party) as the Company may from time to time in its absolute discretion determine. The cost of using any such payment method in a particular case will be an expense of the Scheme Creditor concerned.

15.2 Payment under or pursuant to the Scheme will be deemed to have been made on the day that the electronic transfer instruction is given to the relevant bank. Receipt of the amount of such electronic transfer into such account will be taken as satisfaction of the monies in respect of which it was paid.

15.3 The Company may determine that any payment under the Scheme of less than \$100 or its equivalent in any other currency from time to time (or such greater amount as the Company may reasonably determine from time to time) (the **De Minimis Amount**) will not be sent to a Scheme Creditor because of the costs involved in making and/or receiving such payment. Any De Minimis Amount so withheld will be paid to such Scheme Creditor upon the earlier of:

- (a) demand being made by that Scheme Creditor; or
- (b) such time as the aggregate of sums owed to such Scheme Creditor under the Scheme exceed the De Minimis Amount; or
- (c) the termination of the Scheme.

15.4 Without prejudice to clause 15.2, payment by or on behalf of the Company in respect of an Established Scheme Liability:

- (a) to a Scheme Creditor;
- (b) if a Scheme Creditor is comprised of two or more persons, to any one such person;
- (c) to any person acting on behalf of a Scheme Creditor (whether actually or ostensibly); or
- (d) otherwise pursuant to clause 15.1,

will for all purposes be a good discharge and full satisfaction in respect of such Established Scheme Liability to the extent of such payment.

- 15.5 Subject to applicable laws, including laws relating to unclaimed moneys, if from time to time the Company has in its hands or its control:
- (a) any amount being a dividend or other money that has remained unclaimed for more than 6 months after the day when the dividend or other money became payable; or
 - (b) after making a final distribution, any unclaimed or undistributed amount of money arising from the property of the Company,

such amount shall be dealt with by the Company in accordance with section 544 of the Act as if references to “liquidator” in that section were references to the Company.

- 15.6 Any amount payable to a Scheme Creditor under this Scheme in respect of an Established Scheme Liability which was incurred in any currency other than Australian Dollars shall be paid in Australian dollars. In respect of any such amount, the amount shall be converted to, and paid in, Australian Dollars, at the opening carded on demand airmail buying rate in relation to the foreign currency available at the Commonwealth Bank of Australia on the date on which such Established Scheme Liability is to be paid or, if no such rate is so published or quoted, such rate as may reasonably be determined by the Company or the Scheme Advisers for the purchase of such currency at close of business on the Business Day prior to the date on which such Established Scheme Liability is to be paid.

- 15.7 If any applicable law requires the Company to withhold or deduct an amount in respect of any taxes, levies, imposts, charges or duties (together with any related interest, penalties, fines and expenses in connection with them, except if imposed on, or calculated having regard to, the overall net income of the Company) from a payment to a Scheme Creditor:
- (a) the Company may withhold or deduct the amount;
 - (b) the Company shall pay an amount equal to the amount withheld or deducted to the relevant authority in accordance with applicable law; and
 - (c) the Company shall not be liable to pay any additional amount to the Scheme Creditor in respect of such withholding or deduction.

16 Restrictions on carrying on insurance business

- 16.1 The Company must not:
- (a) carry on business other than in accordance with its Insurance Authorisation and this Scheme; or
 - (b) grant a Security Interest over or otherwise set aside any Scheme Asset to meet any of its liabilities except:
 - (i) in accordance with the terms of this Scheme; or
 - (ii) by way of a Permitted Security Interest, provided that a Security Interest within paragraphs (c) and (d) of the definition of the term “Permitted Security Interest” in clause 1.1 is only a Permitted Security Interest if granted following consultation with the Scheme Advisers.
- 16.2 Nothing in clause 16.1 shall be taken to prevent the Company from procuring the issue or renewal of any letter of credit (whether as applicant or as beneficiary)

which it is required to provide or entitled to receive in respect of an Insurance Contract or contract of reinsurance (as the case may be), or from receiving a Security Interest granted in its favour by any person.

17 Commutations, settlements, reinsurance and other matters

- 17.1 If the Company considers it would be in the best interests of the Scheme Creditors (excluding the interests of the Scheme Creditor with whom the contract is made in the case of contracts referred to in clause 17.1(a)), the Company may, after consultation with the Scheme Advisers, enter into contractual arrangements:
- (a) with a Scheme Creditor under which all or part of the Company's liability to that Scheme Creditor:
 - (i) (which may include a liability to provide or fund the costs of that Scheme Creditor's defence) is discharged in full or varied in consideration of a payment made by the Company; or
 - (ii) becomes an Established Scheme Liability otherwise than as a result of an obligation to pay being established in accordance with clause 13.1; and
 - (b) with any of its reinsurers for the discharge of any such reinsurer's liabilities to the Company under reinsurance contracts in consideration for payment to the Company.
- 17.2 Without prejudice to clause 17.1, the Company will consider any request made by a Scheme Creditor, supported by appropriate actuarial and other relevant information, for the Company to enter into any such contractual arrangements as referred to in clause 17.1 with such Scheme Creditor.
- 17.3 If the Company considers it would be in the best interests of the Scheme Creditors, the Company may, after consultation with the Scheme Advisers:
- (a) exercise any contractual right or option to extend, renew, increase or take out further reinsurance cover under any existing Contract of Reinsurance and make any payment or otherwise apply any asset of the Company as consideration for, in fulfilment of any condition to or in payment of any premium in respect of, the exercise of such right or option;
 - (b) enter into reinsurance arrangements in respect of the Scheme Liabilities and make any payment or otherwise apply any asset of the Company as consideration for or in payment of premium in respect of such arrangements;
 - (c) subject to clauses 17.4 and 18.4, realise some or all of the Company's assets;
 - (d) outsource claims handling in respect of some or all Scheme Liabilities;
 - (e) enter into any Shareholder Funding which may be available; and
 - (f) terminate the employment of, or employ, any person with any of the following titles (or equivalent):
 - (i) "Chief Executive Officer";

- (ii) “Head” or “General Manager” in each case of the Company;
- (iii) “General Manager, Liability Management”;
- (iv) “Head of Technical Claims Management”;
- (v) “Head of Complex Claims Management”;
- (vi) “General Manager, Risk, Legal and Compliance”; and
- (vii) “General Manager, Finance and Corporate Services”.

17.4 Subject to clause 18.4, the Company may only realise or dispose of assets constituting all or substantially all of any line or lines of business following consultation with the Scheme Advisers and the Creditors’ Committee.

17.5 The Company must not make any dividend, distribution or other return of capital to shareholders until:

- (a) all Scheme Liabilities have been paid in full; and
- (b) the Company is lawfully able to make such dividend, distribution or other return of capital.

18 Investment

18.1 Subject to clause 18.2, the Company will have power to invest all or any of its assets in such manner as it considers prudent from time to time, and to vary, alter or transpose any such investments into others of any nature.

18.2 The Company must not invest any of its assets otherwise than in accordance with the Investment Policy.

18.3 The Company may, following consultation with the Scheme Advisers and the Creditors’ Committee, make such variations, updates or replacements of its then current Investment Policy from time to time.

18.4 Subject only to clause 18.2, nothing in this Scheme shall restrict the Company from (or require the approval of or consultation with any person in each case in connection with) disposing of:

- (a) Liquid Assets;
- (b) assets which would, but for the fact that such assets are subject to a Security Interest, be Liquid Assets; or
- (c) Reinsurance Assets.

19 Scheme Creditors to assist the Company

19.1 The Scheme Creditors must provide to the Company and the Scheme Advisers all reasonable assistance that they may require in connection with this Scheme and must provide such assistance as the Company or the Scheme Advisers may reasonably require in connection with the recovery of any Scheme Assets or the

enforcement of obligations or liabilities which are or may become owed to the Company.

- 19.2 A Scheme Creditor must either:
- (a) take all reasonable and practicable steps to recover any sums which any third party may be liable to pay in respect of its Scheme Claim; or
 - (b) at the request of the Company or the Scheme Advisers allow, consent to and facilitate the recovery of any such sums by the Company (by way of right of subrogation) in the name of the relevant Scheme Creditor but at the expense of the Company.

20 Exemption Applications and Exemption Decisions

- 20.1 A Scheme Creditor may make an application to the Scheme Advisers seeking a decision that an amount received by the Company under a Contract of Reinsurance not be applied in accordance with clause 24 and that the amount received is, instead, to be applied by the Scheme Advisers in the manner determined by them pursuant to such application.
- 20.2 Before making any payment out of the Scheme Assets of an amount received by the Company under a facultative Contract of Reinsurance, the Scheme Advisers must give to any Scheme Creditor in relation to whose claim under an Insurance Contract such amount was received not less than 60 days' notice in writing specifying:
- (a) the amount received;
 - (b) that the amount has been received under a facultative Contract of Reinsurance relating to that Scheme Creditor's Claim; and
 - (c) that the Scheme Advisers propose to make payment pursuant to this Scheme of the amount received unless an Exemption Application is made in relation to the amount.
- 20.3 Upon receipt of an Exemption Application in respect of an Insurance Contract and an amount received under a Contract of Reinsurance, the Scheme Advisers:
- (a) must promptly consider that Exemption Application;
 - (b) in considering that Exemption Application, must take into account the factors which a Court would be entitled to take into account if an application in respect of that Insurance Contract and amount received the relevant Contract of Reinsurance were made to the Court under section 562A(4) of the Act;
 - (c) may make an Exemption Decision in respect of the Exemption Application if it is just and equitable to do so in the circumstances; and
 - (d) may apply to the Court to seek orders or directions in respect of the Exemption Application or any anticipated Exemption Decision.
- 20.4 In making the determinations required by clause 20.3, the Scheme Advisers must consult with the Creditors' Committee.
- 20.5 Promptly upon making an Exemption Decision or determining not to make an Exemption Decision in connection with an Exemption Application, the Scheme Advisers must give notice of their decision together with their reasons for such

decision or determination (as applicable) to the Scheme Creditors in accordance with clause 51.

20.6 If an Exemption Application is made to the Scheme Advisers in accordance with clause 20.1 in relation to any amount which has been or is received by the Company under a Contract of Reinsurance, and such amount has been or is received by or made available to the Company, the Company will:

- (a) hold the amount which is the subject of that Exemption Application pending the making of an Exemption Decision in respect of that Exemption Application; and
- (b) as soon as practicable after being permitted to do so under this Scheme and after the first to occur of either:
 - (i) the making of an Exemption Decision in respect of that Exemption Application; or
 - (ii) the Scheme Advisers determining not to make an Exemption Decision,

(as applicable) apply that amount as an Allocated Reinsurance Asset in the manner specified in any Exemption Decision (in the case of paragraph (i) above) or, if the Scheme Advisers give notice that no such Exemption Decision is to be made, as an Unallocated Reinsurance Asset in accordance with this Scheme.

21 Elections to Defend and Elective Defence Costs

21.1 The Company may from time to time resolve to make Elections to Defend and to pay the associated Elective Defence Costs.

21.2 If, in connection with an Insurance Contract, at any time the Company has paid or has agreed to pay Elective Defence Costs, the following provisions will apply to limit (but not to increase) the amount payable to the relevant Scheme Creditor under the Scheme in respect of any Established Scheme Liability so arising:

- (a) the Company must calculate:
 - (i) the Established Scheme Liability (which will include, for the avoidance of doubt, the amount of the Elective Defence Costs (less any amounts received from third parties on account of such costs) which the Company has paid or agreed to pay pursuant to clause 21.1); and
 - (ii) the amount which, but for the provisions set out below, would have been payable by the Company under the Scheme in respect of such Established Scheme Liability pursuant to clause 27.1(a) or clause 27.1(b) (as the case may be);
- (b) the amount payable by the Company under clause 27.1(a) must not exceed the amount by which the then current Payment Percentage of such Established Scheme Liability exceeds the amount of the Elective Defence Costs;
- (c) the amount payable by the Company under clause 27.1(b) must not exceed the amount by which the Payment Percentage (as increased) of such Established Scheme Liability exceeds the aggregate of:

- (i) the amount of that Established Scheme Liability which has actually been paid by the Company or is treated as having been discharged under clause 11.2 (disregarding, for these purposes, any amounts which the Company has paid or agreed to pay in respect of Elective Defence Costs); and
- (ii) the amount of the Elective Defence Costs.

21.3 Where the total amount of the Elective Defence Costs (including any disbursements and goods and services tax) exceeds the maximum amount recoverable under the relevant Insurance Contract the following will apply:

- (a) the Established Scheme Liability, in respect of which such payments of Elective Defence Costs have been made by the Company, will be deemed to have been paid in full under the Scheme (and the Insurance Contract) and the Scheme Creditor will not be entitled to any further payments under the Scheme (or the Insurance Contract) in respect of that Established Scheme Liability; and
- (b) the amount by which the Elective Defence Costs exceeds the maximum amount recoverable under the Insurance Contract will not be recoverable by the Company from the Scheme Creditor.

21.4 Notwithstanding the fact that the Company has made an Election to Defend and the Company has paid or agreed to pay the Elective Defence Costs, the Company may from time to time decide, subject to the terms of the relevant Insurance Contract, to revoke such Election to Defend. Subject to that, if the Company decides to revoke an Election to Defend:

- (a) unless the Company otherwise decides, the Company will not be responsible for the costs involved in defending the claim which are incurred after its decision to revoke the Election to Defend and any such costs incurred by the Scheme Creditor in defending the claim after such decision has been notified to that Scheme Creditor in accordance with this clause 21.4 will not constitute a Liability (save insofar as provided for under the relevant Insurance Contract);
- (b) the Company will remain liable to the lawyer or other adviser for the Elective Defence Costs incurred before and outstanding to be paid at the time when the decision to revoke the Election to Defend is taken by the Company and the legal adviser or other adviser is sent written notice by the Company of the termination of their instructions; and
- (c) the Company will notify (in writing) the Scheme Creditor affected as soon as practicable of its decision to revoke the Election to Defend and will notify the Scheme Creditor of the effect of such decision.

Part D – Application of assets during the Reserving Period

22 Application of Part D of this Scheme

- 22.1 The provisions of this Part only apply during the Reserving Period.
- 22.2 During the Reserving Period, the Scheme Assets will be applied in accordance with Part D in payment to Scheme Creditors in accordance with Part E.
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23 Accounts

- 23.1 The Company shall establish separate bank accounts for the receipt of each of:
- (a) Allocated Reinsurance Assets;
 - (b) Unallocated Reinsurance Assets that are assets in Australia; and
 - (c) Unallocated Reinsurance Assets that are not assets in Australia.
- 23.2 The Company will be entitled at any time to hold the Scheme Assets, or any or parts thereof on trust to apply the same in accordance with the terms of the Scheme, and the Company is authorised to execute any deed or document necessary or desirable to constitute or otherwise give effect to such trust arrangements.
- 23.3 Any trust constituted in accordance with clause 23.2 will determine upon the Scheme determining in accordance with clause 46. For the avoidance of doubt, the trust and the objects and conduct thereof will continue notwithstanding the occurrence of any Liquidation Event.
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24 Application of assets in and out of Australia

- 24.1 Scheme Assets are to be applied as follows:
- (a) Allocated Reinsurance Assets are to be applied only in accordance with the applicable Exemption Decision;
 - (b) Unallocated Reinsurance Assets that are assets in Australia are to be applied only in payment of Established Scheme Liabilities that are liabilities in Australia until the Company has no liabilities in Australia, following which they may be applied to the payment of Established Scheme Liabilities that are outside Australia;
 - (c) Unallocated Reinsurance Assets that are not assets in Australia are to be applied:
 - (i) if the Company has Established Scheme Liabilities that are liabilities in Australia after application of clause 24.1(b), in the following order:
 - (A) first, in payment of Established Scheme Liabilities that are liabilities outside Australia until the same payment percentage with respect to Established Scheme Liabilities that are liabilities in Australia has been achieved; and

- (B) next, in payment pari passu and pro rata of Established Scheme Liabilities (whether in or outside Australia, in each case to the extent unpaid), until the Company has no Established Scheme Liabilities; or
 - (ii) if the Company has satisfied in full its Established Scheme Liabilities in Australia, in payment of Established Scheme Liabilities outside Australia;
 - (d) Unallocated Assets that are assets in Australia are to be applied only in payment pari passu and pro rata of Established Scheme Liabilities that are liabilities in Australia (to the extent unpaid after application of clauses 24.1(a) to (c), inclusive), until the Company has no liabilities in Australia, following which they may be applied pari passu and pro rata to the payment of Established Scheme Liabilities that are liabilities outside Australia; and
 - (e) Unallocated Assets that are not assets in Australia are to be applied in payment pari passu and pro rata of Established Scheme Liabilities, whether in or outside Australia (to the extent unpaid after application of clauses 24.1(a) to (d), inclusive).
- 24.2 Any assets remaining after all Scheme Liabilities have been paid in full will be applied in the following order:
- (a) first, in accordance with clause 27.3;
 - (b) second, in repayment of any Shareholder Funding in accordance with its terms; and
 - (c) third, will be available to the Company following termination of the Scheme and may be dealt with by the Company in accordance with the Company's constitution and otherwise at law.

Part E – Payments and Payment Percentages

25 Application of Part E of this Scheme

The provisions of this Part only apply during the Reserving Period.

26 Computation of Payment Percentages

- 26.1 The Scheme Advisers will, in accordance with the remaining provisions of this clause 26, determine the percentages of Established Scheme Liabilities that will be payable by the Company from time to time under this Scheme (**Payment Percentages**), by:
- (a) setting an initial **Payment Percentage**, which will be the Payment Percentage applied to all Scheme Liabilities:
 - (i) that are liabilities in Australia; and
 - (ii) that are not liabilities in Australia; and
 - (b) from time to time revising the Payment Percentages previously set by setting new Payment Percentages of a greater or lesser amount,
- in each case in accordance with the remaining provisions of this clause 26.
- 26.2 The Payment Percentages for a Scheme Liability that is a liability in Australia may differ from the Payment Percentage for a Scheme Liability that is not in Australia.
- 26.3 The Payment Percentage for a Scheme Liability for which there is an Allocated Reinsurance Asset may differ from the Payment Percentage applicable to any other Scheme Liability.
- 26.4 Before setting any Payment Percentages from time to time the Scheme Advisers will, for the purposes of the computation of Payment Percentages, estimate on a prudent basis:
- (a) all Scheme Liabilities that are:
 - (i) liabilities in Australia;
 - (ii) not liabilities in Australia;
 - (b) each Scheme Liability for which there is an Allocated Reinsurance Asset;
 - (c) all liabilities or potential liabilities of the Company in respect of Excluded Insurance Contracts;
 - (d) all liabilities or potential liabilities of the Company in respect of actual or potential Non-Scheme Liabilities;
 - (e) all liabilities or potential liabilities of the Company in respect of actual or potential liabilities for Scheme Costs;
 - (f) any Elective Defence Costs;
 - (g) the Scheme Assets (after making allowance for Non-Scheme Liabilities and excluding Excluded Assets) and classifying them as:

- (i) assets in Australia;
 - (ii) not assets in Australia;
 - (iii) Unallocated Assets;
 - (iv) Unallocated Reinsurance Assets;
 - (v) Allocated Reinsurance Assets (along with the Scheme Liability to which such asset is allocated);
- (h) future investment income derived from the Scheme Assets; and
- (i) any other liability or asset which the Scheme Advisers consider appropriate for the purpose of setting the Payment Percentages.

26.5 Subject to clause 26.7, the Scheme Advisers shall set or vary the Payment Percentages applicable for a period in respect of Established Scheme Liabilities with a view to ensuring that all the relevant Scheme Assets of the Company remaining after:

- (a) any Allocated Reinsurance Assets are applied towards the relevant Established Scheme Liabilities;
- (b) the Company has retained relevant Scheme Assets which it considers sufficient to enable it to comply with the provisions of clause 27 (by reference to the Payment Percentages at that rate) in relation to existing and anticipated Established Scheme Liabilities in Australia and outside Australia (as the case may be); and
- (c) the creation of the reserves referred to in clause 26.7(b),

will be distributed proportionately in respect of all the Established Scheme Liabilities and that period.

26.6 The Scheme Advisers, having regard to clause 26.8:

- (a) will set the initial Payment Percentages as soon as practicable after the Trigger Date and, in any event, no later than 90 days after the Trigger Date;
- (b) will consider in connection with each Review Date, whether the Payment Percentages should be revised and new Payment Percentages set; and
- (c) on each Review Date, will determine whether the Payment Percentages should be revised and new Payment Percentages set.

26.7 The Scheme Advisers will not set, or increase, Payment Percentages unless they consider, on the basis of the information and advice referred to in clause 26.9, that after:

- (a) the Company has, by reference to Payment Percentages at that rate, complied with the provisions of clause 27 in relation to all Established Scheme Liabilities owed by it as at the relevant Review Date; and
- (b) such reserves have been created by the Company as they consider to be prudent to enable the Company to meet its liabilities for Non-Scheme Claims and Scheme Costs as and when they fall due,

the Company will retain sufficient Liquid Assets to enable it to comply with the provisions of clause 27 (by reference to Payment Percentages at those rates) in

relation to all Scheme Liabilities which have become, or which the Scheme Advisers consider may become, Established Scheme Liabilities after the relevant Review Date.

- 26.8 If on considering the current Payment Percentages in accordance with clause 26.7 the Scheme Advisers consider that there are insufficient relevant Liquid Assets for such Payment Percentages to be set at that level whilst complying with the provisions of clause 26.7, they will reduce such Payment Percentages to such level as they consider appropriate.
- 26.9 No reduction made to the Payment Percentages in accordance with clause 26.8 will give rise to any obligation on the part of any Scheme Creditor to repay the difference between the amount which would be payable in respect of an Established Scheme Liability of such Scheme Creditor in accordance with such revised Payment Percentages and the amount actually paid to such Scheme Creditor in respect of such Established Scheme Liability under previously existing Payment Percentages.
- 26.10 For the purpose of setting the Payment Percentages as at the Trigger Date or in connection with a particular Review Date, the Scheme Advisers shall obtain and consider such financial or actuarial information and advice as the Scheme Advisers, following consultation with the Creditors' Committee, shall consider appropriate including information in relation to any Exemption Application which has been made to, or any Exemption Decision made by, the Scheme Advisers.

27 Payments to Scheme Creditors

- 27.1 Subject to clause 11 (Enforcement of Scheme Claims) and clause 48 (Scheme Costs), in respect of an Established Scheme Liability the Company will:
- (a) as soon as reasonably practicable, but in any event within 60 days following the later of the day on which it becomes an Established Scheme Liability and the date on which the initial Payment Percentages are set, pay to the relevant Scheme Creditor an amount equal to the applicable Payment Percentage(s) of such Established Scheme Liability; and
 - (b) as soon as reasonably practicable, but in any event within 60 days following any increase in the applicable Payment Percentage(s), pay to the relevant Scheme Creditor (whether or not the same person who received payment under clause 27.1(a)) a further amount equal to the difference between:
 - (i) the applicable Payment Percentage(s) (as increased) of such Established Scheme Liability; and
 - (ii) the amount of such Established Scheme Liability which has previously been discharged by the Company or is treated as having been discharged under clause 11.2.
 - (c) No amount is payable under clause 27.1(b) to the extent it is a De Minimis Amount.
- 27.2 If information becomes available to the Scheme Advisers concerning the financial position of the Company as a result of which they determine that they should set reduced Payment Percentages or which in their opinion would mean that Non-Scheme Liabilities would be likely not to be capable of being paid as they fall due, the Scheme Advisers will give notice of the same to the Company and the Company will suspend payments under clause 27.1 for such period (not

exceeding six months) that the Scheme Advisers consider appropriate. As soon as practicable, and in any event by the end of such period, the Scheme Advisers will set reduced Payment Percentages, or conclude that no such reduction is required, and continue to make payments under clause 27.1 accordingly.

27.3 Notwithstanding clause 14, if:

- (a) all liabilities of the Company in respect of Scheme Claims shall have become Established Scheme Liabilities and been paid in full (including for this purpose only liabilities for interest, other than Admissible Interest referred to in clause 14.1, which shall then become payable); or
- (b) the Scheme Advisers determine the Company does not have, and will not in future have, any Established Scheme Liabilities,

the Company will pay additional interest in respect of each such Established Scheme Liability in accordance with this Clause 27.3. The amount of such additional interest shall be an amount equal to the rate of interest as may be from time to time prescribed pursuant to section 563B of the Act on the unpaid amount of such Established Scheme Liability from time to time (such additional interest to be calculated on a daily basis from the later of the Effective Date and the date on which the Scheme Claim became an Established Scheme Liability up to the date of payment of such additional interest), provided that the amount of such additional interest shall not exceed the surplus assets of the Company after adequate provision has been made for all other liabilities of the Company (otherwise than in respect of share capital) in existence at the time of payment of such additional interest (and so that the amount of additional interest payable in respect of each such Established Scheme Liability shall, if necessary, be reduced pro rata accordingly).

27.4 If, at any time it appears to the Scheme Advisers that the Company has made payments on the basis of an estimate which turns out to be inaccurate or otherwise requires adjustment and, as a result, a particular Scheme Creditor has received, under one or more previous payments, an amount in excess of what the Scheme Creditor should have received, the Scheme Advisers shall be entitled to cause the Company to make appropriate adjustment by way of deduction from any subsequent payment to which the Scheme Creditor becomes entitled, irrespective of whether the payment is in respect of the same Established Scheme Liability and irrespective of the clause in Part H under which the subsequent payment is made.

27.5 Where, as a result of a change in law or a new interpretation by a court of the law (in either case which would affect the entitlement of a Scheme Creditor in a liquidation of the Company and which change or interpretation took effect on or after the Trigger Date), a Scheme Creditor has received a payment to which it is not entitled by reason of that change in law or interpretation, or has failed to receive a payment to which it would have been entitled having regard to that change in law or interpretation, the Scheme Advisers shall cause the Company to adjust any future distributions or payments so that, in so far only as the Scheme Assets then available permit them to do so, the relevant Scheme Creditor receives a payment in accordance with its entitlements in accordance with the law, taking account of that change in law or interpretation. Any such adjustment will not disturb any distributions already made by the Company.

27.6 Nothing in clause 26 or this clause 27 will be taken to reduce an Established Scheme Liability except to the extent of the payment and, any except to the extent of any such payment, such Established Scheme Liability shall be taken to remain until it is discharged in accordance with clause 46.

Part F – The Board

28 The Board generally

- 28.1 The Board will consist of such Directors validly appointed and in office from time to time pursuant to the Company's constitution.
- 28.2 The initial members of the Board will be the persons whose names are set out in clause 2.2.
- 28.3 Without prejudice to the Act and the provisions of the Company's constitution, a Director may be a creditor or a Scheme Creditor of the Company, or have an interest in a creditor or Scheme Creditor of the Company (whether by being a director or shareholder of such creditor or Scheme Creditor or otherwise), but will not be entitled to receive any confidential information relating to any matter where they, or the relevant creditor or Scheme Creditor, has an interest in conflict with the Company (whether in respect of carrying out their duties as a Director of the Company or otherwise).
- 28.4 The Company will ensure that its:
- (a) audited financial accounts (including for the 2022 / 2023 financial year); and
 - (b) half year financial accounts for the period ending December 31 of each year (and taking into account any actuarial assessment made by the Company's appointed actuary for such period),
- are uploaded onto the Company's website as soon as reasonably practicable each year after such accounts are available.

29 The Board during the Initial Scheme Period

During the Initial Scheme Period:

- 29.1 The Company must use all reasonable endeavours to ensure that:
- (a) the Board's composition complies with the Act and the Company's constitution and the Insurance Act; and
 - (b) so far as it is able, there are sufficient number of Directors in office at all times.
- 29.2 Directors may be appointed or dismissed in accordance with the Company's constitution and the Act.
- 29.3 At least every 6 months, commencing on the Effective Date, the Board will produce reports on the affairs of the Company and send the same to the Scheme Advisers and the Creditors' Committee and it will in addition from time to time notify the Scheme Advisers and the Creditors' Committee of any material circumstances which in its opinion might lead to it concluding that a Trigger Event should occur.
- 29.4 Subject to clauses 6.5 and 29.3, the management and control of the business and affairs of the Company will be carried on by the Board as provided for in the Company's constitution from time to time and as required by law and the Board will monitor the position of the Company and determine, in its discretion but

subject to this Scheme, if at any time it should conclude that a Trigger Event should occur.

30 The Board during the Reserving Period

During the Reserving Period:

- 30.1 The Company must use all reasonable endeavours to ensure that:
- (a) the Board's composition complies with the Act, the Company's constitution and the Insurance Act; and
 - (b) so far as it is able, there is a sufficient number of Directors in office at all times.
- 30.2 The Company will only be permitted to appoint or co-opt other persons to act as Directors following consultation with the Scheme Advisers and the Creditors' Committee.
- 30.3 The management and control of the business and affairs of the Company will continue to be carried on by the Board, subject to any delegation by the Board pursuant to clause 33.1(g) and the powers and functions of the Scheme Advisers, provided that nothing will relieve the Board from its duty to act in accordance with all applicable Prudential Laws.

31 Responsibilities and indemnity of the Board

- 31.1 If the Board, or any one or more of its members, acts, omits to act, or exercises any power conferred upon them in good faith and with due care in accordance with and to implement, or otherwise for the purposes of, this Scheme:
- (a) no Scheme Creditor will be entitled to challenge the validity of such act, omission to act or exercise of power; and
 - (b) such member will not be liable for any resultant loss except to the extent that it is attributable to their negligence, default, breach of duty, breach of trust, fraud or dishonesty.
- 31.2 Subject to the Act and to the Company's constitution, the Company will indemnify each Director for any costs incurred by them in any Proceeding:
- (a) that relates to liability for any act or omission in their capacity as a Director in the course of implementing this Scheme in accordance with its terms; and
 - (b) in which judgment is given in their favour, or in which they are acquitted, or which is discontinued.
- 31.3 Subject to the Act and to the Company's constitution, the Company will indemnify each Director in respect of any:
- (a) liability to any person other than the Company for any act or omission in their capacity as a Director in the course of implementing this Scheme in accordance with its terms; and
 - (b) costs incurred by that Director in defending or settling any claim or Proceeding relating to any such liability, not being criminal liability or liability in respect of a breach of the duty specified in section 181 of the Act.

- 31.4 Subject to the provisions of the Act and the Company's constitution, the Company may, during the Reserving Period, and following consultation with the Scheme Advisers, effect insurance for a Director in respect of any:
- (a) liability, not being criminal liability, for any act or omission in their capacity as a Director in the course of implementing this Scheme in accordance with its terms; or
 - (b) costs incurred by that Director in defending or settling any claim or Proceeding relating to any such liability; or
 - (c) costs incurred by that Director in defending any criminal Proceedings that have been brought against them in relation to any act or omission in their capacity as a Director in the course of implementing this Scheme in accordance with its terms and in which they are acquitted.

Part G – The Scheme Advisers

32 Appointment, resignation and removal of the Scheme Advisers

- 32.1 The initial Scheme Advisers will be Stephen Longley and Michael Fung, provided they have each executed a deed poll in substantially the same form as the Scheme Adviser Deed Poll in substantially the same form as Annexure A and delivered it to the Company no later than 5 Business Days prior to the Second Court Date.
- 32.2 A Scheme Adviser may resign their appointment at any time by giving not less than six months' notice (or such shorter period as the Creditors' Committee may agree) in writing to the Company and to the Creditors' Committee.
- 32.3 A Scheme Adviser ceases to be a Scheme Adviser if they:
- (a) cease to be qualified pursuant to section 411(7) of the Act;
 - (b) resign from office in accordance with clause 32.2;
 - (c) are removed from office by an order of the Court;
 - (d) cease, for any reason, to be a partner of PricewaterhouseCoopers, or takes or is placed on leave from their position for a period immediately prior to retirement from the partnership of PricewaterhouseCoopers and the Creditors' Committee resolves that the Scheme Advisers' appointment should terminate;
 - (e) become incapacitated through injury or illness which renders the Scheme Adviser incapacitated to such an extent that they are unfit or unlikely to be able to carry out their duties under this Scheme;
 - (f) become of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental health;
 - (g) become bankrupt; or
 - (h) die.
- 32.4 Scheme Advisers may be removed from office and any other person qualified to act be appointed to be a Scheme Adviser in their place and/or as additional Scheme Adviser(s) by a resolution passed by Scheme Creditors at a meeting convened at the request of the Creditors' Committee (approved by a majority in number, representing at least 50% in value, of Scheme Creditors present and voting at the meeting).
- 32.5 Upon removal of a Scheme Adviser, or if a Scheme Adviser ceases to hold office for any other reason, the Creditors' Committee will be entitled to appoint any other person qualified to act to be a Scheme Adviser in their place. Any such appointment must be in accordance with clause 32.7.
- 32.6 Following the appointment of a Scheme Adviser by the Creditors' Committee pursuant to clause 32.4, a resolution requiring ratification of such appointment will be proposed at the next meeting of the Scheme Creditors (which the Scheme Advisers must convene as soon as practicable), but until such resolution has

been passed or rejected by the relevant meeting such Scheme Adviser will have full power to act as a Scheme Adviser.

- 32.7 A person may only be appointed as a Scheme Adviser under this Scheme if that person has executed and delivered to the Company a duly signed copy of the Scheme Adviser Deed Poll in substantially the same form as Annexure A.
- 32.8 Where more than one person has been appointed as a Scheme Adviser, the functions and powers of the Scheme Advisers under this Scheme may be performed and exercised jointly or severally and any act required to be done by the Scheme Advisers pursuant to this Scheme may be done by all or any one or more of them.
- 32.9 The Scheme Advisers from time to time constitute persons “administering the compromise or arrangement” that constitutes the Scheme for the purposes of the Act (including sections 411(9) and 599 of the Act).

33 Functions, powers and duties of the Scheme Advisers during the Initial Scheme Period

- 33.1 During the Initial Scheme Period, the Scheme Advisers will, and will be entitled to:
- (a) have full access to the books and records of the Company and receive all such information as they may require in relation to its affairs;
 - (b) monitor the Company’s financial position;
 - (c) meet with the Board every month to discuss the affairs of the Company;
 - (d) receive notice of, attend, chair and speak at all meetings of the Creditors’ Committee;
 - (e) be remunerated for carrying out their functions and powers under this Scheme and for all expenses reasonably and properly incurred by them in connection with the exercise of such functions and powers;
 - (f) report as required to APRA and ASIC in relation to the Company’s financial position and possible Trigger Events;
 - (g) employ any person to assist them in the performance or exercise of the functions, powers, rights, authorities and discretions conferred upon the Scheme Advisers under this Scheme (**Delegate**) and from time to time revoke any such delegation, provided that such person is a partner or staff in the same firm as the Scheme Advisers;
 - (h) engage and remunerate (with the approval of the Board) accountants, actuaries, lawyers and other professional advisers or agents whether in Australia or other jurisdictions provided such engagement is necessary for the purpose of performing their functions and powers under this Scheme; and
 - (i) do all other things incidental to the exercise of the functions and powers contemplated by this clause 33.

- 33.2 Except as expressly provided, in exercising or performing any of their duties, obligations, responsibilities or powers under the Scheme, the Scheme Advisers are taken not to act as, nor to have any of the duties of, a trustee.

34 Functions, powers and duties of the Scheme Advisers during the Reserving Period

- 34.1 With immediate effect from the Trigger Date, in addition to their rights, powers and duties in clause 33, Scheme Advisers will:
- (a) determine the Payment Percentages in accordance with clause 26;
 - (b) assist the Board as reasonably required by the Board in relation to the conduct of the Company's business and the implementation of the Scheme;
 - (c) report to the Creditors' Committee as reasonably required by the Creditors' Committee in relation to the conduct of the Company's business and the implementation of the Scheme;
 - (d) be remunerated, in accordance with the approval of the Creditors' Committee pursuant to clause 39.3(b) from time to time, for the carrying out of such functions and powers and to be reimbursed for all expenses reasonably and properly incurred by them in connection with the exercise of such functions and powers;
 - (e) on a date not later than the first anniversary of the Effective Date and within 3 months of each subsequent anniversary of the Effective Date (or such other date as the Scheme Advisers may determine following consultation with the Creditors' Committee), submit to the Creditors' Committee a report on:
 - (i) the conduct of the affairs of the Company and the operation of the Scheme during the period since the last such report was prepared; and
 - (ii) if the Trigger Date has occurred prior to delivery of that report, whether they recommend a Special Meeting should be convened to approve the procedure in clause 50;
 - (f) together with the Company, each appoint a representative to attend any meeting of the Creditors' Committee at which a report prepared in accordance with clause 34.1(e) is considered to provide such explanations and information as the Creditors' Committee may require;
 - (g) provide a copy of each report produced pursuant to clause 34.1(e) free of charge to Scheme Creditors, incorporating such amendments (if any) as the Scheme Advisers and the Creditors' Committee may agree;
 - (h) (or the Company, as applicable) promptly supply such information as is reasonably requested by or on behalf of the Creditors' Committee pursuant to clause 39.3(e);
 - (i) subject to their duties under this Scheme use reasonable endeavours to respond to such questions or to comply with any such request for a meeting pursuant to clause 39.3(f);
 - (j) perform any other functions as reasonably required by the Creditors' Committee from time to time; and

- (k) be entitled do all other things incidental to the exercise of the functions and powers contemplated by this clause 34.
- 34.2 As soon as reasonably practicable following the Trigger Date, the Scheme Advisers must ensure (or must procure) that a review of any potential causes of action which might be available in an insolvent liquidation of the Company is carried out and that the results of such review are reported to the Creditors' Committee.
- 34.3 If deemed necessary, and after consultation with the Creditors' Committee, subject to applicable law, the Company may be put into liquidation so that such causes of action can be readily pursued. The Scheme will, however, survive the Company being put into Liquidation.
- 34.4 The Scheme Advisers must consult with, and take account of (but are not bound by) the views expressed by, the Creditors' Committee on any matter material to this Scheme (which for the avoidance of doubt includes setting and revising Payment Percentages pursuant to clause 26) when carrying out their functions and exercising their powers and duties under this Scheme during the Reserving Period.
- 34.5 Notwithstanding anything to the contrary in clause 34.1, neither the Scheme Advisers nor the Company will be obliged to disclose any of the Company's confidential information to a Committee Member if the information relates to a matter where such member or the Appointor(s) that the member represents has an interest in conflict with the Company, other than a general conflict arising solely as a result of the status of the Committee Members (or their respective Appointors) as creditors of the Company.

35 Responsibility and indemnity of the Scheme Advisers

- 35.1 The Scheme Advisers must:
- (a) act bona fide and with due care and diligence in the interests of Scheme Creditors as a whole in carrying out their functions and exercising their powers under this Scheme; and
 - (b) use their powers under this Scheme for the purpose of ensuring that this Scheme is operated in accordance with its terms.
- 35.2 Subject to the Act and so far as the law permits, if the Scheme Advisers act, or omit to act, or exercise any power conferred upon them in good faith and with due care in accordance with and to implement, or otherwise for the purposes of, this Scheme:
- (a) no Scheme Creditor will be entitled to challenge the validity of such act, omission to act or exercise of power; and
 - (b) the Scheme Advisers will not be liable for any resultant loss except to the extent that it is attributable to their own negligence, default, breach of duty, breach of trust, fraud or dishonesty (or to that of any Employee or Delegates).
- 35.3 Subject to the Act and so far as the law permits, if any Employee or Delegate acts, or omits to act, in good faith and with due care in accordance with and to implement, or otherwise for the purposes of, this Scheme:
- (a) no Scheme Creditor will be entitled to challenge the validity of such act or omission to act; and

- (b) the Employee or Delegate will not be liable for any resultant loss except to the extent that it is attributable to their own negligence, default, breach of duty, breach of trust, fraud or dishonesty.
- 35.4 Subject to the Act and to the Company's constitution, the Company will indemnify each Scheme Adviser (and each Employee and Delegate) for any costs incurred by them in any Proceeding:
- (a) that relates to liability for any act or omission in their capacity as a Scheme Adviser, Employee or Delegate in the course of implementing the Scheme, or arising from, their conduct in respect of this Scheme in accordance with its terms; and
- (b) in which judgment is given in their favour, or in which they are acquitted, or which is discontinued,
- unless attributable to fraud, gross negligence, wilful misconduct or breach of trust.
- 35.5 Subject to the Act, each Scheme Adviser (in their capacity as such) (and each Employee and Delegate) shall be entitled to an indemnity out of the assets of the Company against:
- (a) all actions, claims, proceedings and demands brought or made against such Scheme Adviser (or Employee or Delegate) in respect of any act done or omitted to be done by such Scheme Adviser (or Employee or Delegate) in good faith without negligence, default, breach of duty, breach of trust, fraud or dishonesty in the course of implementing the Scheme in accordance with its terms;
- (b) any liability of the Company incurred by the Company in the course of implementing the Scheme; and
- (c) all expenses and liabilities properly incurred by such Scheme Adviser (or Employee or Delegate) in carrying out that person's functions and powers (or the functions for which such Employee is employed by the Scheme Adviser or any Delegate) in the course of implementing this Scheme in accordance with its terms.
- 35.6 Without prejudice to the generality of clause 35.5, each such person as is expressed to be entitled to an indemnity in accordance with that clause (in the capacity in which that person is entitled to such an indemnity) shall be entitled to an indemnity out of the assets of the Company:
- (a) against any Liability incurred by them in defending any proceedings, whether civil or criminal, in respect of any negligence, default, breach of duty, breach of trust, fraud or dishonesty in which judgment is given in their favour or in which that person is acquitted; or
- (b) in connection with any application in any such proceedings in which relief is granted to them by a court from Liability for negligence, default, breach of duty, breach of trust, fraud or dishonesty in relation to the affairs of the Company.
- 35.7 Subject to the provisions of the Act and the Company's constitution, and during the Reserving Period following consultation with the Scheme Advisers and the Creditors' Committee, the Company may (with the prior approval of the Board) effect insurance for a Scheme Adviser, Employee or Delegate in respect of any:
- (a) liability, not being criminal liability, for any act or omission in their capacity as a Scheme Adviser, Employee or Delegate in the course of

implementing the Scheme, or arising from, their conduct in respect of this Scheme in accordance with its terms; or

- (b) costs incurred by that Scheme Adviser, Employee or Delegate in defending or settling any claim or Proceeding relating to any such liability; or
- (c) costs incurred by that Scheme Adviser, Employee or Delegate in defending any criminal Proceedings that have been brought against the Scheme Adviser, Employee or Delegate in relation to any act or omission in their capacity as a Scheme Adviser, Employee or Delegate in the course of implementing the Scheme, or arising from, their conduct in respect of this Scheme in accordance with its terms and in which they are acquitted.

Part H – The Creditors’ Committee

36 Constitution of the Creditors’ Committee

- 36.1 From the Effective Date, the Company will use reasonable endeavours to ensure that there is a Creditors’ Committee under the Scheme.
- 36.2 The Company will use reasonable endeavours to ensure that the Creditors’ Committee is constituted so as to be representative of categories and geographies of Scheme Creditors.
- 36.3 The Company will use reasonable endeavours to ensure that the Creditors’ Committee consists of not less than 3 nor more than 10 individuals (each a **Committee Member**) each of whom:
- (a) is, at all times:
 - (i) a Scheme Creditor; or
 - (ii) a person holding a general power of attorney from one or more Scheme Creditors; or
 - (iii) an authorised representative of one or more Scheme Creditors; and
 - (b) has executed and delivered to the Company a duly signed Committee Member Deed Poll in substantially the same form as Annexure B.
- 36.4 Any Committee Member may, by notice in writing to the Creditors’ Committee, appoint any person qualified to act as a Committee Member as their alternate to attend and vote at any meeting of the Creditors’ Committee in their place. Such alternate will have the same powers and be subject to the same duties and limitations as the Committee Member who has appointed them.
- 36.5 Any person entitled to appoint an alternate under clause 36.4 may, by notice in writing to the Creditors’ Committee, from time to time revoke such appointment and appoint another person qualified to act as that Committee Member’s alternate.

37 Membership of the Creditors’ Committee

- 37.1 The initial Creditors’ Committee will consist of Michael Cooper, Christopher Mackenzie, John Loy, Tim O’Leary, Geoff Officer, David Penney, Alison Brown and Andrea Fogarty.
- 37.2 The Creditors’ Committee may, with the agreement of the Company, resolve in a meeting by at least two thirds of the members present, to appoint any eligible person to be a member, either to fill a vacancy or as an additional member, subject to:
- (a) the maximum number of members provided for in clause 36.3; and
 - (b) a resolution requiring ratification of such appointment being put before the next meeting of the Scheme Creditors, pending which such appointee will have full power to act as a Committee Member.
- 37.3 The Scheme Creditors in a meeting may, with the agreement of the Company or, during the Reserving Period, the Scheme Advisers by at least two thirds of

members present, remove any Committee Member from office, subject to the minimum number of members provided for in clause 36.3.

37.4 A Committee Member will automatically cease to be a member of the Creditors' Committee if they:

- (a) cease to be, or is found never to have been, qualified to act as a Committee Member in accordance with clause 36.3;
- (b) resign by notice in writing addressed to the Creditors' Committee;
- (c) die;
- (d) become bankrupt;
- (e) are, or are deemed to be, mentally incapacitated;
- (f) without the leave of the Creditors' Committee, fail to attend three consecutive meetings of the Creditors' Committee and the Creditors' Committee resolves, by a majority of two thirds of the members present, to remove them; or
- (g) are removed by resolution at a meeting of the Scheme Creditors in accordance with clause 37.3,

or if the Scheme Creditor that they represent is dissolved, struck off or has a liquidator, administrator, receiver or statutory or judicial manager appointed.

37.5 Whenever there is a proposed change in the composition of the Creditors' Committee, the Creditors' Committee (in consultation with the Scheme Advisers and, during the Initial Scheme Period, the Company) will endeavour to ensure that such composition will between the Committee Members secure a proper balance of the interests of the Scheme Creditors.

38 Meetings of the Creditors' Committee

38.1 Subject to the provisions of this Scheme:

- (a) the Scheme Advisers will chair all meetings of the Creditors' Committee unless otherwise requested by the Creditors' Committee; and
- (b) the Creditors' Committee may convene, adjourn and otherwise regulate its meetings as it considers appropriate.

38.2 The quorum of any meeting of the Creditors' Committee will be at least 50 per cent of its members from time to time, provided that if a quorum is not present within half an hour from the time appointed for a meeting, or if during a meeting such a quorum ceases to be present, the meeting will stand adjourned to such time and place as may be determined by the majority of members present and the members present at any such adjourned meeting will constitute a quorum.

38.3 Each Committee Member will have one vote and, except as otherwise provided in this Scheme, matters arising at a meeting will be decided by a majority of

votes cast at the meeting. In the case of equality of votes, the Company's representative under clause 38.9 shall have a casting vote.

- 38.4 During the Initial Scheme Period, the Creditors' Committee will meet in accordance with clauses 38.6 to 38.9 as it considers desirable for the purpose of performing its functions under this Scheme during that period.
- 38.5 During the Reserving Period, the Creditors' Committee will meet for the purpose of receiving a report from the Scheme Advisers on the progress of this Scheme as referred to in clause 34.1(e) and will hold such other meetings in accordance with clauses 38.6 to 38.9 as it considers desirable for the purpose of performing its functions under this Scheme during that period.
- 38.6 The Scheme Advisers will convene a meeting of the Creditors' Committee:
- (a) if reasonably required by any Committee Member; or
 - (b) at any other time that the Company or the Scheme Advisers consider appropriate.
- 38.7 Except with the consent of all Committee Members and, during the Initial Scheme Period, the Company, no meeting of the Creditors' Committee may be called on less than 14 days' notice and, except with the consent of all Committee Members, no business may be transacted at any such meeting other than that set out in the notice of that meeting.
- 38.8 Each Committee Member, the Company and the Scheme Advisers will be entitled to attend and will receive notice of all meetings of the Creditors' Committee.
- 38.9 The Company must be represented at all meetings of the Creditors' Committee by one Director or a member of its senior management team duly appointed by the Board. Any such duly appointed Director or member of its senior management team and the Scheme Advisers (or their respective representatives) will be entitled to attend, but, subject to clause 38.3, not to vote, at all meetings of the Creditors' Committee.
- 38.10 The Scheme Advisers must ensure proper minutes are kept of all meetings of the Creditors' Committee and must, subject to clause 40.4, be open to inspection at all reasonable times by any Committee Member.
- 38.11 All or any of the Committee Members, the Company and the Scheme Advisers may participate in a meeting of the Creditors' Committee by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to hear and speak to each other throughout the meeting. A person so participating will be deemed to be present in person at the meeting and will, in the case of a Committee Member, be entitled to vote or be counted in a quorum accordingly.
- 38.12 A resolution executed by all the Committee Members for the time being, in each case who would have been entitled to vote on the matter had it been proposed as a resolution at a meeting of the Creditors' Committee, will be as valid and effectual as if it had been passed at a meeting of the Creditors' Committee, which in every case was duly convened and held.
- 38.13 For the purposes of a resolution in writing under clause 38.12:
- (a) a resolution must consist of one or more written instruments (including emails) or one or more communications by electronic means sent to an address specified for the purpose by or on behalf of the Creditors' Committee from time to time, provided that each such written instrument

and communication by electronic means (if more than one) is to the same effect;

- (b) a written instrument is executed when the person executing it signs it;
- (c) a communication by electronic means is executed when the person executing it sends it provided that it has been authenticated in such manner (if any) as the Creditors' Committee may prescribe from time to time;
- (d) the members need not execute the same written instrument or electronic communication; and
- (e) a resolution will be effective when the Scheme Advisers certify that sufficient evidence has been received that the resolution has been executed in accordance with clause 38.12 and this clause 38.13.

39 Functions of the Creditors' Committee

39.1 During the Initial Scheme Period the Creditors' Committee will:

- (a) monitor the carrying out of this Scheme by the Company; and
- (b) be entitled to receive from the Company reports on its affairs in accordance with clause 29.3.

39.2 During both the Initial Scheme Period and during the Reserving Period the Creditors' Committee will:

- (a) so far as it is able, ensure that there is a Scheme Adviser in office at all times;
- (b) have the powers as provided in clause 32.4 to appoint a replacement Scheme Adviser if a Scheme Adviser ceases to hold office, in accordance with the provisions of that clause;
- (c) consider and, if thought fit, approve or agree (as relevant):
 - (i) any Delegate proposed by the Scheme Advisers in accordance with clause 33.1(g);
 - (ii) to request the Scheme Advisers to perform additional functions in respect of the implementation of the Scheme; and
 - (iii) any proposal to terminate this Scheme pursuant to clause 46.1(d),

and the Creditors' Committee may, with the consent of the Company or, during the Reserving Period, the Scheme Advisers, delegate such consideration and approval or agreement to one or more of its members to act on its behalf; and

- (d) consult with the Scheme Advisers in relation to any modification of this Scheme pursuant to clause 49.2.

39.3 During the Reserving Period:

- (a) the Creditors' Committee must monitor the Scheme Advisers in the exercise of their functions under this Scheme;

- (b) the Creditors' Committee must consider and, if thought fit, approve or agree (such approval not to be unreasonably withheld or delayed), on behalf of the Company the level and payment of the fees and expenses of the Scheme Advisers from time to time, and the Scheme Advisers must provide all information requested by the Creditors' Committee in relation to such consideration;
- (c) the Creditors' Committee may, with the consent of the Scheme Advisers, delegate such consideration and approval or agreement to one or more of its members to act on its behalf;
- (d) the Creditors' Committee must consult with the Scheme Advisers and the Company as requested in relation to any proposed investment of any monies pursuant to clause 18.2 otherwise than in accordance with the Investment Policy;
- (e) the Creditors' Committee may from time to time resolve what further information it is desirable to seek from the Scheme Advisers or the Company concerning the affairs of the Company and/or the operation of this Scheme, and may depute to any one Committee Member to apply in writing to the Scheme Advisers for, and to receive, such information; and
- (f) each Committee Member will be entitled to raise questions or to request a meeting with the Scheme Advisers at any time in connection with the performance of their responsibilities as a Committee Member.

40 Duties of the Creditors' Committee

- 40.1 Each Committee Member and their respective alternates must, in performing their functions as Committee Members in relation to the Company, act bona fide in the interests of the Scheme Creditors as a whole.
- 40.2 Each:
- (a) Committee Member who is in any way interested, directly or indirectly; or
 - (b) Committee Member whose Appointors (or any one of them) are in any way interested, directly or indirectly,
- in a contract or proposed contract with the Company (other than a contract arising as a result of the provisions of this Scheme) will be under a duty to declare the nature of such interest at a meeting of the Creditors' Committee.
- 40.3 For the purposes of clause 40.2 a general notice given to the Creditors' Committee to the effect that a member or an Appointor is a related entity (within the meaning of the Act) of a specified company and is to be regarded as interested in any contract with that company or firm is deemed a sufficient declaration of interest in relation to any such contract.
- 40.4 A Committee Member in respect of whom the duty to declare an interest in a contract, or proposed contract, with the Company arises under clause 40.2:
- (a) will not be counted in the quorum at the meeting(s), or parts of such meeting(s) during which the matter is discussed and voted upon;
 - (b) will not be entitled to vote in relation to any matter relating specifically to any such contract;
 - (c) must retire from the meeting for so long as the matter is discussed and voted upon; and

- (d) notwithstanding the rights of Committee Members to inspect minutes of its meetings pursuant to clause 38.10, must not receive any information, nor be entitled to inspect any part of the minutes of a meeting of the Creditors' Committee relating to such matter.
- 40.5 Subject to clauses 40.6 and 40.7, each Committee Member will be entitled to report to their Appointor(s) on the proceedings of the Creditors' Committee and, so far as necessary for this purpose, to disclose the Company's confidential information to those officers, employees and professional advisers of any such Appointor(s) who need to know it in connection with the Committee Member's performance of their responsibilities as a Committee Member.
- 40.6 No information may be disclosed by a Committee Member to their Appointor(s) that to their knowledge (after due enquiry) relates to any matter where any such Appointor has an interest in conflict with the Company (other than a general conflict arising solely as a result of the status of the Committee Members or their respective Appointors as creditors of the Company).
- 40.7 Each Committee Member must, and must procure that their respective Appointors (and Appointors' officers and employees) and professional advisers preserve the confidentiality of any such information of the Company and use such information only for the purposes of performing their responsibilities and functions in relation to the Creditors' Committee.
- 40.8 Without limiting clauses 40.2 to 40.4 (inclusive), in performing their roles as Committee Members, each Committee Member must:
- (a) perform its obligations and duties under this Scheme; and
 - (b) make any decision, determination or agreement, and take (or omit to take) any other action, in each case on its merits,
- and with regard to:
- (i) the purpose of the Scheme as set out in clause 3; and
 - (ii) the best interests of Scheme Creditors as a whole.

41 Responsibilities and indemnity of Creditors' Committee

- 41.1 If the Committee Members (or any alternates) act, or omit to act, or exercise any power conferred upon them in good faith and with due care in accordance with and to implement, or otherwise for the purposes of, this Scheme:
- (a) no Scheme Creditor will be entitled to challenge the validity of such act, omission to act or exercise of power; and
 - (b) the Committee Members will not be liable for any resultant loss except to the extent that it is attributable to their own wilful default, fraud, dishonesty or wilful breach of duty or trust.
- 41.2 Subject to the Act and to the Company's constitution, the Company must indemnify each Committee Member for any costs incurred by them in any Proceeding:
- (a) that relates to liability for any act or omission in their capacity as a Committee Member in the course of implementing this Scheme or arising from conduct in respect of this Scheme in accordance with its terms; and

- (b) in which judgment is given in their favour, or in which they are acquitted, or which is discontinued.
- 41.3 Subject to the Act and to the Company's constitution, the Company must indemnify each Committee Member in respect of any:
 - (a) liability to any person other than the Company for any act or omission in their capacity as a Committee Member in the course of implementing this Scheme or arising from conduct in respect of this Scheme in accordance with its terms; and
 - (b) costs incurred by that Committee Member in defending or settling any claim or Proceeding relating to any such liability, not being criminal liability or liability in respect of a breach of the duty specified in section 181 of the Act.
- 41.4 Subject to the provisions of the Act and the Company's constitution, and during the Reserving Period following consultation with the Scheme Advisers and the Creditors' Committee, the Company may (with the prior approval of the Board) effect insurance for a Committee Member in respect of any:
 - (a) liability, not being criminal liability, for any act or omission in their capacity as a Committee Member in the course of implementing this Scheme or arising from conduct in respect of this Scheme in accordance with its terms; or
 - (b) costs incurred by that Committee Member in defending or settling any claim or Proceeding relating to any such liability; or
 - (c) costs incurred by that Committee Member in defending any criminal Proceedings that have been brought against the Committee Member in relation to any act or omission in their capacity as a Committee Member in the course of implementing this Scheme in accordance with its terms and in which they are acquitted.

42 Validation of acts of the Creditors' Committee

Notwithstanding that it is subsequently discovered that there is any defect in the appointment of a Committee Member, or of an alternate, or that any of them were disqualified, all acts done by such persons acting in such capacities will be valid as if every such person had been duly appointed and qualified.

43 Expenses of the Creditors' Committee

Each Committee Member and their respective alternates will be entitled to be reimbursed by the Company for their reasonable expenses of attending meetings of the Creditors' Committee, provided that such meetings are held in Melbourne or in such other place as the Company may from time to time agree with the Creditors' Committee.

44 Insufficient members of the Creditors' Committee

- 44.1 If at any time there are less than 3 Committee Members:
 - (a) the Creditors' Committee may continue to exercise all its functions under this Scheme for a period of 28 days, other than those functions provided for in the following clauses, which will not be exercised:

- (i) clause 26 (computation of Payment Percentages);
- (ii) clause 32.3 (appointing a replacement for Scheme Advisers);
and
- (iii) clause 46 (termination of this Scheme),

and during such 28 day period the remaining Committee Members will endeavour to fill the vacancies;

- (b) if the remaining Committee Members fail to fill the vacancies within such 28 day period, the Company will, within a further period of 14 days, appoint such additional members from the Scheme Creditors (**Interim Appointees**) as are required to fill such vacancies;
- (c) when appointing any Interim Appointees, the Company will endeavour to ensure that the composition of the Creditors' Committee, including such Interim Appointees, secures a proper balance of the interests of the Scheme Creditors as between themselves in relation to the Company;
and
- (d) if such vacancies are filled, whether by appointees of the Creditors' Committee or by Interim Appointees, the full powers and functions of the Creditors' Committee under this Scheme will be restored, provided that no Interim Appointee will be entitled to vote in relation to any resolution to appoint an additional member of the Creditors' Committee.

44.2 Whilst any Interim Appointees are appointed as Committee Members from time to time pursuant to clause 44.1:

- (a) the Committee Members (excluding any such Interim Appointees) must use their reasonable endeavours to fill any vacancy held by such an Interim Appointee as soon as possible; and
- (b) any such Interim Appointee will be liable to be removed as Committee Members at any time without notice if the Creditors' Committee (excluding any such Interim Appointees) appoints a Scheme Creditor to fill the vacancy which had been filled by such Interim Appointee.

44.3 If, following the procedure set out in clause 44.1, there are still less than 3 Committee Members (including any Interim Appointees appointed pursuant to clause 44.1) then until there are 3 or more such members the Creditors' Committee will not exercise any functions or have any powers under this Scheme and the following provisions will apply:

- (a) the Company or, during the Reserving Period, the Scheme Advisers must use all reasonable endeavours to find additional Committee Members to enable the Creditors' Committee to regain its functions and powers;
- (b) a Scheme Adviser may resign under clause 32.2, and a new Scheme Adviser may only be appointed in their place, at a meeting of the Scheme Creditors pursuant to a resolution proposed by the Company or, during the Reserving Period, the Scheme Advisers;
- (c) the remuneration of the Scheme Advisers will be payable at the same rate as last set by the Creditors' Committee, except to the extent varied by the Scheme Creditors, and where no such rate has been previously set by the Creditors' Committee, at a rate set by resolution at a meeting of the Scheme Creditors; and

- (d) the requirement to obtain the consent, approval or agreement of, or for consulting with or notifying or providing reports to the Creditors' Committee under this Scheme will be modified so that such consent, approval or agreement from, consultation with, notification or provision of reports to, will instead be from, with or to the Scheme Creditors or a meeting of the Scheme Creditors (as appropriate).

Part I – Meetings of Scheme Creditors

45 Convening of meetings of Scheme Creditors

- 45.1 Meetings of Scheme Creditors may (and, in the case of clause 45.1(b), must) be convened in accordance with the Act, the Regulations and the Rules (with such modifications as are necessary to give effect to this Scheme but without, for the avoidance of doubt, proposing another compromise or arrangement) from time to time by the Company or the Scheme Advisers:
- (a) to consider resolutions for:
 - (i) the remuneration of the Scheme Advisers pursuant to clause 44.3(c);
 - (ii) consent, approval or agreement of, or for consulting with the Scheme Creditors in place of the Creditors' Committee pursuant to clause 44.3(d);
 - (iii) removal of the Scheme Advisers;
 - (iv) the termination of this Scheme pursuant to clause 46.1(e);
 - (v) the modification of this Scheme as contemplated by clause 49.3; or
 - (vi) any other reason or matter; or
 - (b) if requested to do so by:
 - (i) the Creditors' Committee; or
 - (ii) Scheme Creditors holding Scheme Claims with more than 25% in value of the total Scheme Claims.
- 45.2 The Company (or failing the Company, the Scheme Advisers) will, if recommended by the Scheme Advisers in any report delivered on or after the Trigger Date in accordance with clause 34.1(e)(ii), convene a Special Meeting of the Scheme Creditors in accordance with the Act, the Regulations and the Rules (with such modifications as are necessary to give effect to this Scheme but without, for the avoidance of doubt, proposing another compromise or arrangement) for the Scheme Creditors to consider the resolutions contemplated by clause 50 of this Scheme.
- 45.3 The Scheme Advisers shall act as Chairman of any meeting of Scheme Creditors convened pursuant to the Scheme.
- 45.4 Where there is any inconsistency between the Act, the Regulations and the Rules and this Scheme, the Scheme will prevail.

Part J – Duration of the Scheme

46 Termination events

- 46.1 This Scheme will terminate:
- (a) immediately if a Statutory Manager or Judicial Manager is appointed in respect of the Company and the Statutory Manager or Judicial Manager issues a written notice to the Company electing to not continue the Scheme (unless the Scheme has been terminated by the appointment in accordance with applicable law);
 - (b) immediately if all the Scheme Liabilities of the Company have been discharged in full;
 - (c) 90 days after the last to occur of:
 - (i) all of the Scheme Assets having been distributed in accordance with the Scheme; and
 - (ii) the Scheme Advisers issuing a notice to Scheme Creditors that all of the Scheme Assets have been distributed pursuant to the Scheme;
 - (d) if the Company, with the approval of the Creditors' Committee and the Scheme Advisers, gives notice to all Scheme Creditors that it has been determined after due enquiry that this Scheme is no longer in the best interests of the Scheme Creditors as a whole and that the Company should be wound up (in which case this Scheme will terminate on the date set out in such notice or, if no such date is set out, on the date the notice is delivered or taken to be delivered in accordance with clause 51.2);
 - (e) if a resolution that this Scheme should be terminated and the Company should be wound up is passed by more than 50% in number, representing not less than 75% in value, of Scheme Creditors present and voting at a meeting of the Scheme Creditors (in which case this Scheme will terminate on the date so resolved or, if no such date is resolved, on the date the resolution is passed); or
 - (f) if the Court makes an order that the Scheme be terminated (in which case this Scheme will terminate on the date so ordered or, if no such date is ordered, on the date the order is made).
- 46.2 If this Scheme terminates the following provisions apply:
- (a) termination will not prejudice any right or obligation which has arisen under this Scheme as a result of an act or omission prior to such termination, including any right to an indemnity out of the assets of the Company as a result of an act or omission that took place, or expenses which were incurred, prior to termination;
 - (b) the provisions of this clause 46.2 continue in full force and effect;
 - (c) immediately upon the occurrence of a termination pursuant to clause 46.1(c), the Company will be fully and finally released from all Scheme Liabilities and all such Scheme Liabilities will be deemed to have been paid in full except to the extent that clause 46.2(e) applies;

- (d) as soon as practicable following termination, the Company or the Scheme Advisers must cause notices stating that this Scheme has terminated to be placed in such newspaper(s) as the Company or the Scheme Advisers consider appropriate for one day a week for three consecutive weeks following termination; and
- (e) if this Scheme is terminated in accordance with clause 46.1(c), notwithstanding such termination, if any assets which, but for such Termination, would have been Scheme Assets are recovered or otherwise come into the possession of the Company, its agents or any External Administrator, such assets shall be applied as if such termination had not occurred.

47 Effect of Liquidation Event

47.1 Unless this Scheme has terminated in accordance with clause 46.1, this Scheme will not terminate and will continue in full force and effect if the Company becomes subject to a Liquidation Event or some other process pursuant to Chapter 5 of the Act to the maximum extent possible under applicable law.

47.2 If there is a conflict or inconsistency between the provisions of this Scheme and the provisions of the Act as they apply to the Company following the Liquidation Event or the commencement of any other process pursuant to Chapter 5 of the Act, for the purposes of this Scheme its provisions prevail.

47.3 If the Company becomes subject to a Liquidation Event either before or after this Scheme is terminated in accordance with clause 46.1, the Scheme Assets of the Company (to the extent not subject to a Security Interest) will be applied in discharge of its liabilities in the following order of priority (and rateably within each such category):

- (a) first:
 - (i) Allocated Reinsurance Assets are to be applied to the relevant Scheme Liability only in accordance with the applicable Exemption Decision;
 - (ii) Unallocated Reinsurance Assets that are Assets in Australia are to be applied only in payment of Established Scheme Liabilities and liabilities in respect of any Excluded Insurance Contracts in each case that are liabilities in Australia (until the Company has no liabilities in Australia, following which they may be applied to the payment of Established Scheme Liabilities and liabilities in respect of Excluded Insurance Contracts in each case that are outside Australia); and
 - (iii) Unallocated Reinsurance Assets that are not assets in Australia are to be applied:
 - (A) if the Company has Established Scheme Liabilities that are liabilities in Australia after application of clause 47.3(a)(ii), in the following order:
 - (aa) first, in payment of Established Scheme Liabilities and liabilities in respect of any Excluded Insurance Contracts in each case that are liabilities outside Australia until the same payment percentage with respect to Established Scheme Liabilities and liabilities in respect of any Excluded Insurance Contracts in

each case that are liabilities in Australia has been achieved; and

- (ab) next, in payment pari passu and pro rata of Established Scheme Liabilities and liabilities in respect of any Excluded Insurance Contracts (in each case whether in or outside Australia, to the extent unpaid), until the Company has no Established Scheme Liabilities or liabilities in respect of any Excluded Insurance Contracts;
- (b) second:
 - (i) Unallocated Assets in Australia are to be applied to Priority Claims in Australia (until the Company has no liabilities in Australia, following which they may be applied to the payment of liabilities outside Australia); and
 - (ii) Unallocated Assets that are not Assets in Australia are to be applied only in payment pari passu and pro rata of Priority Claims whether in or outside Australia;
- (c) third:
 - (i) Unallocated Assets in Australia are to be applied pari passu and pro rata to all other liabilities in Australia proved in its winding up, including Established Scheme Liabilities and liabilities in respect of any Excluded Insurance Contracts in Australia to the extent not discharged under clause 47.3(a) and (b) above (until the Company has no liabilities in Australia, following which they may be applied to the payment of liabilities outside Australia); and
 - (ii) Unallocated Assets that are not Assets in Australia are to be applied in payment pari passu and pro rata of all other liabilities proved in the winding up including Established Scheme Liabilities and liabilities in respect of any Excluded Insurance Contracts to the extent not discharged under clause 47.3(a) and (b); and
- (d) fourth, any remaining assets are to be applied to repay any Shareholder Funding.

47.4 If the Company becomes subject to a Liquidation Event either before or after this Scheme is terminated in accordance with clause 46.1, the entitlement of each Scheme Creditor who has received payment during the Reserving Period under this Scheme in respect of a Scheme Claim to dividends in the winding up of the Company will be determined as follows:

- (i) the amount which such Scheme Creditor proves in the winding up will be treated as having been increased by the aggregate amount of payments received by them in respect of the Scheme Claim under clause 27.1, or treated as having been received under clause 11 or otherwise under or pursuant to this Scheme (**Scheme Amount**);
- (ii) such Scheme Creditor will be treated as having received an amount equal to the Scheme Amount by way of dividend in the winding-up and will not be entitled to any other dividend in the winding-up unless and until all the Scheme Creditors proving in the winding-up have received an equivalent percentage dividend

in accordance with the principles set out in clauses 26 and 27;
and

- (iii) such Scheme Creditor will be entitled to receive dividends in the winding-up (calculated by reference to the amount for which they are treated as having proved pursuant to this clause 47.4, *pari passu* with all the Scheme Creditors of the Company).

Part K – General Scheme Provisions

48 Scheme Costs

Subject to clause 47, whilst the Scheme remains in force the following amounts will be paid in full as Non-Scheme Liabilities (as they are incurred and without prior approval of the Scheme Advisers or the Creditors' Committee):

- (a) all costs, charges, expenses and disbursements incurred by the Company in the course of carrying out this Scheme and of complying with the provisions of the Act and the Insurance Act, including costs which were payable prior to the Effective Date in connection with this Scheme and are outstanding;
- (b) without prejudice to the provisions of clause 39.3(b), all costs, charges, expenses and disbursements incurred by, and the remuneration of, the Directors, Scheme Advisers and/or any liquidator or similar officeholder appointed to the Company, to the extent that such costs, charges, expenses, disbursements and remuneration are referable to the affairs of the Company;
- (c) the expenses of the Creditors' Committee payable under clause 43; and
- (d) any sum which the Company is obliged to pay in respect of the indemnities and related insurance and costs in favour of the Directors, the Scheme Advisers and the members of the Creditors' Committee under clauses 31, 35 and 41 respectively.

49 Modification of this Scheme

- 49.1 Each Scheme Creditor irrevocably consents to the Company, at any hearing to approve this Scheme, consenting on behalf of the Scheme Creditor to any modification of this Scheme or any terms or conditions which the Court may think fit to approve or impose and which would not directly or indirectly have a materially adverse effect on the interests of any Scheme Creditor under this Scheme.
- 49.2 If there is any change in law or regulation after the date of this Scheme which, in the opinion of the Scheme Advisers in consultation with the Creditors' Committee, would mean that the provisions of this Scheme are no longer in the best interests of the Scheme Creditors as a whole, or could be amended as a result of such change(s) to materially improve the position of the Scheme Creditors as a whole or the fairness of this Scheme as between the Scheme Creditors as a whole, the Company or (during the Reserving Period) the Scheme Advisers may seek approval of the Court to modify this Scheme to take account of that change in law or regulation and may consent on behalf of all those concerned to any such modification which the Court may think fit to approve.
- 49.3 Scheme Creditors may, with the approval of the Company and in consultation with the Scheme Advisers, by resolution passed by more than 50% in number, representing not less than 75% in value, of Scheme Creditors present and voting at a meeting of the Scheme Creditors, modify this Scheme to the extent that any

such modifications are necessary to achieve the purpose of the Scheme as set out in clause 3.

- 49.4 No modifications made pursuant to clause 49.2 or 49.3 will:
- (a) affect the validity of any act, omission or exercise of power by the Directors, the Scheme Advisers and/or the Creditors' Committee in good faith and with due care in accordance with and to implement this Scheme, or otherwise for the purposes of this Scheme;
 - (b) give rise to any obligation on the part of a Scheme Creditor to repay any difference between the amount which would be payable in respect of the relevant Established Scheme Liabilities in accordance with the provisions of this Scheme after such modifications and the amount actually paid to such Scheme Creditor under the provisions in effect prior to such modifications; or
 - (c) subject to any increase in the Payment Percentages in accordance with clause 26, without prejudice to clause 49.4(a), give rise to any obligation on the part of the Company to make any additional payment(s) in respect of a liability which has already been paid in whole or in part in accordance with the provisions of this Scheme, or to otherwise amend any payment which has already been determined in accordance with the provisions of this Scheme.

50 Finalisation mechanism

At any time after the occurrence of the Trigger Date, the Scheme Creditors may resolve (by resolution passed by more than 50% in number, representing not less than 75% in value of those Scheme Creditors present and voting at the meeting (**Special Meeting**)), with the approval of the Company and the Scheme Advisers, that:

- (a) clauses 13, 26 and 27 of this Scheme will cease to operate in respect of the outstanding Scheme Liabilities at that time;
- (b) the powers of the Board to manage and control the business and affairs of the Company pursuant to clause 30 of this Scheme will be subject to the powers of the Scheme Advisers set out in clause 50(c);
- (c) the Scheme Advisers will take possession of the Scheme Assets and deal with them in accordance with this Scheme;
- (d) in exercising or performing any of their duties, obligations, responsibilities or powers under the Scheme, the Scheme Advisers shall be taken:
 - (i) to act as agent for the Company; and
 - (ii) not to act as, nor to have any of the duties of, a trustee;
- (e) within 21 days after the date of the Special Meeting, the Scheme Advisers will give notice to every Scheme Creditor to whom notice was given of the Special Meeting, and to every other person whom the Scheme Advisers believe to be a Scheme Creditor:
 - (i) stating that the resolution has been passed at the Special Meeting;

- (ii) providing a link to the Valuation Platform for the lodgement of all claims for outstanding Scheme Liabilities on and from the Operative Date; and
 - (iii) clearly specifying the date by which claims for outstanding Scheme Liabilities must be made in order to be eligible to share in the distribution of Scheme Assets under the Scheme;
- (f) all claims in respect of Scheme Liabilities which remain outstanding on and from the date of the Special Meeting must be lodged on the Valuation Platform by the date specified by the Scheme Advisers in the notice referred to in clause 50(e) of this Scheme;
- (g) the Scheme Advisers will adjudicate all claims lodged in respect of Scheme Liabilities in the Valuation Platform in a manner consistent with Part 5.6 of the Act as if:
- (i) all references to the “liquidator” were replaced with the “Scheme Adviser”;
 - (ii) all references to “creditors” were replaced with “Scheme Creditors”; and
 - (iii) the Trigger Date was the “relation back date”,
- and with any other amendments necessary to reflect this clause 50;
- (h) to the extent that any Scheme Liabilities are admitted by the Scheme Advisers as a result of an adjudication carried out pursuant to clause 50(g) above, those Scheme Liabilities will become Established Scheme Liabilities for the purposes of the Scheme;
- (i) as soon as possible after all remaining Scheme Liabilities have been adjudicated by the Scheme Advisers and have either been rejected or admitted as Established Scheme Liabilities in accordance with this clause 50, the Scheme Advisers will:
- (i) realise the remaining Scheme Assets; and
 - (ii) apply the proceeds of the Scheme Assets in the manner set out in clause 47.3 of this Scheme; and
- (j) other than as expressly provided for by the remainder of this clause 50, the remaining provisions of this Scheme which are expressed to apply during or are otherwise applicable in respect of the Reserving Period shall continue to apply.

51 Notices

- 51.1 Any notice or other communication to be given under or in relation to this Scheme must be given in writing and will be deemed to have been duly given if it is delivered by hand, sent by pre-paid post or airmail, or sent by electronic means (including email) to:
- (a) in the case of the Company, Level 8, 485 La Trobe Street, Melbourne, Victoria 3000 (attention: Company Secretary), or such address as may be notified to the Scheme Advisers and the Creditors’ Committee from time to time for such purpose;

- (b) in the case of the Scheme Advisers, 2 Riverside Quay Southbank 3004, attention Stephen Longley, stephen.longley@au.pwc.com, or such address as may be notified to the Company and the Creditors' Committee from time to time for such purpose;
- (c) in the case of the Creditors' Committee, such group email address as may be notified to the Company and the Scheme Advisers from time to time for such purpose; and
- (d) in the case of a Scheme Creditor:
 - (i) its last email address (or, in the absence of an email address, postal address) known to the Company or the Scheme Advisers (as applicable);
 - (ii) by placing the notice or other communication on the Company's website; or
 - (iii) by placing advertisements containing the requested information in such newspaper or newspapers as the Company considers appropriate.

51.2 Except as otherwise provided in this Scheme, any notice or other written communication to be given under this Scheme will be deemed to have been served or received:

- (a) if delivered by hand, at the time of actual delivery to the recipient's address;
- (b) if sent by pre-paid post where the recipient is in the country of despatch, on the second Business Day after posting;
- (c) if sent by airmail, on the seventh Business Day after posting;
- (d) if posted to the Company's website, at the time so posted; and
- (e) if sent by any electronic means (including email):
 - (i) when the sender receives an email from the recipient confirming receipt of the email; or
 - (ii) four hours after the time sent (as recorded on the device from which the email was sent), provided that the sender does not receive an automated message that the email has not been delivered,

whichever happens first,

provided that, if a notice or other written communication is received or deemed to have been received after 5.00pm on a Business Day in accordance with the above provisions, it will not be deemed to have been received until the next Business Day.

51.3 In proving service it will be sufficient proof:

- (a) in the case of a notice sent by pre-paid post or airmail, that the envelope containing it was properly stamped, addressed and placed in the post; and
- (b) in the case of a notice sent by electronic means (including email), that it was properly addressed.

- 51.4 The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a Scheme Creditor will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

52 Governing law and jurisdiction

- 52.1 Subject to clause 52.3, this Scheme is governed by, and construed in accordance with, the laws of the State of Victoria.
- 52.2 Scheme Creditors agree that the courts of the State of Victoria (including the Victorian Registry of the Federal Court of Australia) have exclusive jurisdiction to hear and determine any Proceedings and to settle any dispute which may arise out of the Explanatory Statement or any provision of this Scheme, including this clause 52.2, or out of any action taken or omitted to be taken under this Scheme or in connection with the administration of this Scheme, and for such purposes the Scheme Creditors irrevocably submit to the jurisdiction of the Court.
- 52.3 Nothing in clauses 52.1 or 52.2 affects the validity of any of the provisions determining governing law and/or jurisdiction as between the Company and any of the Scheme Creditors, whether contained in any Insurance Contract or otherwise.

53 General

- 53.1 This Scheme binds the Company and all of the Scheme Creditors (including those who did not attend the Scheme Meeting to vote on this Scheme, did not vote at the Scheme Meeting, or voted against this Scheme at the Scheme Meeting) on and from the Effective Date.
- 53.2 Nothing in the Scheme affects or limits:
- (a) the powers of APRA, any other relevant Government Agency;
 - (b) the rights of any Government Agency holding security for the benefit of any class of Scheme Creditors to enforce that security;
 - (c) the powers of any Judicial Manager, or the orders of the Court which may be made in respect of the appointment or conduct of the Judicial Manager, or the powers of any Statutory Manager;
 - (d) any entitlement a Scheme Creditor may have to compensation in respect of any Scheme Claim under applicable law or the exercise of any discretion by any Government Minister or authority in relation thereto; or
 - (e) the operation of the State Cut-through Legislation.
- 53.3 Each of the Scheme Creditors consents to the Company doing all things necessary or incidental to, or to give effect to, the implementation of this Scheme

and the transactions contemplated by it, whether on behalf of the Scheme Creditors, the Company or otherwise.

- 53.4 The Company must do all things and execute all documents (whether on its own behalf or on behalf of each Scheme Creditor) necessary to give full effect to this Scheme and the transactions contemplated by it.
- 53.5 Each Scheme Creditor agrees that neither the Company nor any of its respective directors, officers, secretaries or employees will be liable for anything done or omitted to be done in the performance of this Scheme in good faith.

Dated [●]

Scheme of Arrangement (pursuant to Part 5.1 of the Corporations Act 2001 (Cth))

Annexure A Scheme Adviser Deed Poll

THIS DEED POLL is made on

By [Stephen Longley / Michael Fung] of [address] (the “Executing Scheme Adviser”) in favour of the Company and each Scheme Creditor.

RECITALS

- A** The Company has proposed a compromise or arrangement to the Scheme Creditors, the terms of which are provided in accordance with the Scheme.
- B** The Executing Scheme Adviser has agreed to administer the Scheme for the purposes of section 411(7) of the Corporations Act, and has entered into this document to give effect to that arrangement.
- C** The appointment of each Scheme Adviser is subject to the execution and delivery of each Scheme Adviser of this Deed Poll.

2 Definitions and interpretation

2.1 Definitions

Unless the contrary intention appears, these meanings apply:

Company means Catholic Church Insurance Limited (ABN 76 000 005 210).

Corporations Act means the *Corporations Act 2001* (Cth).

Effective has the meaning given in the Scheme.

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between the Company and each Scheme Creditor in its original form or with or subject to any modification, addition, provision or conditions which may be approved or imposed, including by the Court pursuant to section 411(6) of the Corporations Act.

Scheme Adviser has the meaning given in the Scheme.

Scheme Creditors has the meaning given in the Scheme.

All other words and phrases used in this document have the same meaning as given to them in the Scheme.

2.2 General interpretation

Clause 1.2 of the Scheme applies to this document.

3 Deed Poll Effective Time

This document becomes effective at the time that the Scheme become Effective (“**Deed Poll Effective Time**”).

4 Consent to act

The Executing Scheme Adviser consents to act as a Scheme Adviser in accordance with the terms and conditions of the Scheme.

5 Covenant

From the Deed Poll Effective Time, the Executing Scheme Adviser, for the benefit of the Company and each Scheme Creditor (even though the Company and each Scheme Creditor are not parties to this document):

- (a) covenants that they will be bound by the terms of the Scheme as if they are a party to the Scheme; and
- (b) undertakes
 - (i) to accept all appointments, authorisations and directions, to perform all obligations and undertake all actions attributed to the Scheme Adviser in accordance with the Scheme;
 - (ii) to do all things necessary and execute all further documents necessary to give full effect to the Scheme and all transactions contemplated by it; and
 - (iii) not to act inconsistently with any provision of the Scheme.

6 Representations and warranties

The Executing Scheme Adviser:

- (a) represents and warrants that they are not disqualified from acting as a Scheme Adviser of the Scheme by reason of section 411(7) of the Act; and
- (b) undertakes to notify the Company and each Scheme Creditor immediately if the representation and warranty in clause 6(a) ceases to be correct.

7 Acknowledgment

The Executing Scheme Adviser acknowledges and agrees that:

- (a) the benefit of this deed poll can be enforced directly by the Company or a Scheme Creditor against the Executing Scheme Adviser; and
- (b) the Executing Scheme Adviser will cease to hold office if their removal is approved by the Scheme Creditors in accordance with clause 32.4 of the Scheme.

8 Limitation of liability

In the performance or exercise of the Executing Scheme Adviser's powers, obligations and duties as a Scheme Adviser, their liability is limited in accordance with the Scheme.

9 Continuing obligations

This document is irrevocable and remains in full force and effect from the Deed Poll Effective Time until the Executing Scheme Adviser has fully performed their obligations under this document.

10 Notices

Any notice to be given to the Executing Scheme Adviser under or in relation to this document:

- (a) must be given in writing and addressed to the following:

The Scheme Adviser
Catholic Church Insurance Limited
Attention: **[Stephen Longley / Michael Fung]**

- (b) may be given in writing by:

- (i) hand delivery or pre-paid post to:

[address]

- (ii) email to:

[email address]

11 General

11.1 Variation

A provision of this document or any right created under it may not be varied, altered or otherwise amended unless:

- (b) the variation is agreed to by the Company in writing; and
(c) the Court indicates that the variation, alteration or amendment would not itself preclude approval of the Scheme,

in which event the Executing Scheme Adviser must enter into a further deed poll in favour of the Company and each Scheme Creditor giving effect to the variation, alteration or amendment.

11.2 Partial exercising of rights

Unless this document expressly states otherwise, if the Executing Scheme Adviser does not exercise a right, power or remedy in connection with this document fully or at a given time, it may still exercise it later.

11.3 Assignment or other dealings

The rights and obligations of the Executing Scheme Adviser, the Company and each Scheme Creditor under this document are personal and must not be assigned or otherwise dealt with at law or in equity.

11.4 Waiver of rights

A right may only be waived in writing, signed by the person giving the waiver, and:

- (a) no other conduct of a person (including a failure to exercise, or delay in exercising, the right) operates as a waiver of the right or otherwise prevents the exercise of the right;
- (b) a waiver of a right on one or more occasions does not operate as a waiver of that right or as an estoppel precluding enforcement of that right if it arises again; and
- (c) the exercise of a right does not prevent any further exercise of that right or of any other right.

11.5 Operation of this document

- (a) Subject to clause 11.5(b), this document contains the entire agreement about its subject matter. Any previous understanding, agreement, representation or warranty relating to that subject matter is replaced by this document and has no further effect.
- (b) Any right that a person may have under this document is in addition to, and does not replace or limit, any other right that the person may have.
- (c) Any provision of this document which is unenforceable or partly unenforceable is, where possible, to be severed to the extent necessary to make this document enforceable, unless this would materially change the intended effect of this document.

11.6 Exclusion of contrary legislation

Any legislation that adversely affects an obligation of a person or the exercise of a right or remedy by a person, under or relating to this document is excluded to the full extent permitted by law.

11.7 Giving effect to documents

The Executing Scheme Adviser must do anything (including execute any document), and must ensure that its employees and agents do anything (including execute any document), to give full effect to this document.

12 Governing law

This document is governed by the laws of Victoria, Australia. The Executing Scheme Adviser submits to the non-exclusive jurisdiction of the courts exercising jurisdiction there in connection with matters concerning this document.

EXECUTED as a deed poll

SIGNED, SEALED AND DELIVERED)
by **[STEPHEN LONGLEY / MICHAEL**)
FUNG] in the presence of:)

.....)
Signature of witness)

.....)
Name of witness (block letters))

.....
Signature of **[STEPHEN LONGLEY /**
MICHAEL FUNG]

Annexure B Committee Member Deed Poll

THIS DEED POLL is made on

BY [CREDITORS' COMMITTEE MEMBER] ("**Committee Member**") in favour of the Company and each Scheme Creditor.

RECITALS

- D** The Company has proposed a compromise or arrangement to the Scheme Creditors, the terms of which are provided in accordance with the Scheme.
- E** The Committee Member has agreed to act as a member of the Creditors' Committee, and has entered into this document to give effect to that arrangement.
- F** The appointment of each Committee Member is subject to the execution and delivery by the Committee Member of this Deed Poll.
- G** The Committee Member consents to the Scheme and undertakes to be bound by it on the terms of this document.

1 Definitions and interpretation

1.1 Definitions

Unless the contrary intention appears, these meanings apply:

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between the Company and each Scheme Creditor, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act.

Company means Catholic Church Insurance Limited (ABN 76 000 005 210).

All other words and phrases used in this document have the same meaning as given to them in the Scheme.

1.2 General interpretation

Clause 1.2 of the Scheme applies to this document.

2 Deed Poll Effective Time

This document becomes effective upon the last to occur of ("**Deed Poll Effective Time**") the Committee Member:

- (a) receiving notice that the Scheme has become Effective; and
- (b) executing this document.

3 Consent to Scheme and covenants

From the Deed Poll Effective Time, the Committee Member consents to the Scheme and irrevocably covenants in favour of the Company and each Scheme Creditor that it will:

- (a) be bound by the terms of the Scheme as if it were a party to the Scheme in its capacity as a Committee Member and undertakes to perform all obligations and duties of a Committee Member under the Scheme; and
- (b) do everything necessary or desirable to be done by it, including executing any document, for the purposes of giving effect to the Scheme.

4 Governing law

This document is governed by the laws of Victoria, Australia. The Committee Member submits to the non-exclusive jurisdiction of the courts exercising jurisdiction there in connection with matters concerning this document.

EXECUTED as a deed poll

SIGNED, SEALED AND DELIVERED)
by [Committee Member] in the)
presence of:)
)
)
.....)
Signature of witness)
)
.....)
Name of witness (block letters))
)

.....
Signature of [Committee Member]

1 PAYMENT PERCENTAGES

1.1 Illustrative example

As described in sections 13.6 and 13.8, the regime which would apply if a general insurer is wound up is complex. In part, this is because, in a winding up, account must be taken of whether an insurer's assets and liabilities are in or outside Australia, and of the requirement to pay amounts received in respect of Contracts of Reinsurance to amounts payable under relevant contracts of insurance.

The Company believes that it does not have any assets or liabilities outside Australia. In case the Company is found to have assets and/or liabilities outside Australia, the Scheme contains provisions for the application of such assets and payment of such liabilities.

Assuming zero assets or liabilities outside Australia simplifies the process for setting the Payment Percentages and describing the related application of funds. Based on that assumption, the following example is intended to illustrate the approach to setting the Payment Percentages during the Reserving Period.

1.2 Scheme Costs

During the Reserving Period, Scheme Costs will normally be reserved for before Established Scheme Claims are paid. To the extent that Scheme Costs were incurred in getting in a Reinsurance Asset, those costs will be paid out of the relevant Reinsurance Asset. Payment of the Scheme Costs will help to ensure reinsurance recoveries continue to be maximised and facilitate the use of those recoveries to make payments to Scheme Creditors. The Scheme Costs will be paid in full (as they are incurred and without prior approval of the Scheme Advisers or the Creditors' Committee).

1.3 Other important matters

In setting the Payment Percentages, the Scheme Advisers will seek to ensure that similar proportions of Established Scheme Liabilities are paid to all Scheme Creditors with such Established Scheme Liabilities, irrespective of whether those liabilities are established earlier or later in the run-off. This allows the Company to make payments to Scheme Creditors in such a way as to be fair both to Scheme Creditors whose Established Scheme Liabilities are established quickly and to those whose Established Scheme Liabilities may not be established for some time. The position of Scheme Creditors will differ according to the nature of their Scheme Claims. Absent the Scheme, earlier payment to Scheme Creditors with "shorter-tail" Scheme Claims may be a disadvantage to Scheme Creditors with "longer-tail" Scheme Claims (which could take some years to become established) if too much cash is paid to those Scheme Creditors with "shorter-tail" claims. The Scheme is intended, so far as possible, to ensure the equitable treatment of both types of Scheme Claims by requiring that sufficient assets are retained to enable an equal percentage of Established Scheme Liabilities to be paid as they are established in the future.

It is important to note that there can be no guarantee that the amount of Scheme Assets retained will be sufficient to do this. However, any such risk should be greatly reduced by the prudent setting of the Payment Percentages by the Scheme Advisers.

If there is any change in law which affects the rights that Scheme Creditors would otherwise have in respect of Allocated Reinsurance Assets, or which otherwise changes the principles on which the payment mechanism under the Scheme has been based, the Company or, during the Reserving Period, the Scheme Advisers may (having consulted with the Creditors' Committee) seek approval of the Court to modify the Scheme accordingly.

2 ILLUSTRATIVE EXAMPLE

2.1 Setting the Payment Percentage

During the Reserving Period, the payments made from time to time in respect of Established Scheme Liabilities will be a percentage of every Established Scheme Liability. Such percentage will be the amount which the Scheme Advisers, after consultation with the Creditors' Committee, consider that the Company is able to pay, having regard, amongst other things, to its assets and liabilities. Accordingly, the Scheme Advisers are required to estimate on a prudent basis (after taking actuarial advice) the amount of the Company's potential liabilities, including claims which have been reported but not yet agreed and claims which may be made in the future as a result of events which would be covered by policies underwritten by the Company.

It is likely that the approach to setting the initial Payment Percentage that the Scheme Advisers will adopt will be to divide the total existing unencumbered assets of the Company by the aggregate liabilities including an estimate for IBNR claims, after adding a margin of safety to the liabilities. Appropriate provision will be made for estimated Scheme costs and expenses and other operating costs of the business, net of estimated investment income and other non-insurance liabilities.

2.2 Safety for Scheme Creditors

For illustrative purposes, the balance sheet of the Company is assumed to be:

	\$ m
Assets	
Investments	200
Reinsurance	45
Debtors and prepayments	2
Cash	3
Total	250
Liabilities	
Insurance reserves	180
Creditors and accruals	20

Total	200
NET ASSETS	50

The effect of the Scheme is that, if the Trigger Event occurs and the initial Payment Percentage is set at, say, 50%, the Company will then make a part payment of 50% on every claim which becomes an Established Scheme Liability. The Scheme Advisers will review the Payment Percentage on a regular basis (in consultation with the Creditors' Committee) and, if appropriate, will increase the Payment Percentage. The Scheme does not reduce or in any way compromise the Company's liabilities, so that reinsurance recoveries are not prejudiced.

Accordingly, on the assumption that the Trigger Event has already occurred, it is possible to compare the assets of the Company with the estimated total payout at an initial Payment Percentage of 50% based on the reserves and other liabilities

	\$ m
Assets	250
Payment at the notional initial Payment Percentage:	
Insurance reserves (\$180m at 50%)	90
Other liabilities (\$20m at 100%)	20
Total	100
MARGIN FOR INCREASE IN TOTAL LIABILITIES	140

The effect of setting the initial Payment Percentage at 50% would be to create a margin for any increase in the total liabilities of the Company of \$140 million. The consequence is that, assuming the initial Payment Percentage is set at the above level, the total estimated liabilities of the Company could double and all Scheme Creditors with Established Scheme Liabilities would still receive the same initial Payment Percentage. The margin will decrease if the Payment Percentage increases or if total liabilities increase. The Payment Percentage will only be increased when it is considered appropriate to do so, such as when estimated liabilities become agreed.

The notional initial Payment Percentage referred to above is for illustrative purposes only and is not an indication of any Payment Percentage that may be set if the Trigger Event occurs.

The position of Scheme Creditors will differ according to the nature of their claims. Earlier payment may be a disadvantage to Scheme Creditors with "long-tail" claims (which could take many years to become established) if too much cash is paid to Scheme Creditors with "short-tail" claims. The Scheme is intended, so far as possible, to ensure

the equitable treatment of both types of claims by requiring that sufficient assets are retained to enable an equal percentage of claims to be paid as they are established in the future.

Nevertheless, there can be no absolute guarantee that the amount of assets retained will be sufficient, which is a risk Scheme Creditors should consider carefully. However, any such risk should be greatly reduced by the prudent setting of the Payment Percentages by the Scheme Advisers.

Joan Fitzpatrick BA, LLB, ANZIIF, Fellow CIP, FAICD**Appointed: 8 March 2016****Chair of the Board, Non Executive Director***Member of the Audit Committee, Risk Committee and Nominations, Remuneration & Culture Committee.*

Joan joined the Board in 2016 and became Chair of the Board in 2020. She is an experienced company director and leader of business success. Her executive and director experience covers the corporate, government and not-for-profit sectors and she has a strong track record of working collaboratively across different stakeholders. Joan has delivered successful business results in complex change environments. Originally qualified as a barrister, she was attracted to a management career which began at 20th Century Fox's fast-moving consumer goods enterprise in London. She went on to hold senior management roles in heavy manufacturing industries, large start-up projects in Europe, and international insurance operations in Asia. For over 16 years she worked as CEO and Director of the Australian and New Zealand Institute of Insurance and Finance (ANZIIF).

Joan currently works within a diverse portfolio of non-executive director roles, her private consulting business, Alvearium Pty Ltd, and a range of pro bono charity work. She is a Fellow of ANZIIF, a Fellow of the Australian Institute of Company Directors.

Gregory Cooper BEc (Actuarial Studies), FIA, FIAA**Appointed: 29 June 2020****Non Executive Director***Member of the Audit Committee, Chair of the Asset & Liability Committee and Member of the CCI Asset Management Limited Board.*

Gregory joined the Board in June 2020. He retired as Chief Executive Officer of Schroder Investment Management Australia in December 2018. His professional career spans actuarial consulting and funds management across Asia Pacific and the UK. He has worked in various roles across Hong Kong, Singapore, London and Sydney. Gregory is a Director of Perpetual Limited, Avanteos Investments Limited (collectively known as Colonial First State), Australian Payments Plus Ltd and its subsidiaries, NSW Treasury Corporation, the Australian Indigenous Education Foundation and OpenInvest Holdings Limited. He is also a member of the St Ignatius College Investment Committee. Gregory was previously Chairman, Deputy Chairman and Director of the Financial Services Council, the industry body representing funds management, retail superannuation and the life insurance industries for 10 years.

Eamonn Cunningham B.Com, GAICD**Appointed: 23 June 2021****Non Executive Director***Member of the Audit Committee and the Risk Committee.*

Eamonn Cunningham joined the Board in June 2021. As a risk management professional, he has held Chief Risk Officer roles with Westfield Group and Scentre Group. In 2017, he was awarded the Lifetime Achievement Award by StrategicRisk, in 2014 he was inducted into the Business Insurance Risk Manager of the Year Honour Roll, while in

2010 he was awarded Risk Manager of the Year by the Australian and New Zealand Institute of Insurance and Finance (ANZIF). He has substantial involvement in Board Committees and been a longstanding Director and current Chair of the Risk and Insurance Management Society Australasia. He was a member of the M200 Association and Chair of the Risk Management Committee of the Property Council of Australia. Eamonn has extensive experience in establishing and leading local and global Risk Management and Insurance teams and gained significant experience in a multinational company. He currently runs his own consulting business with a specific emphasis on Enterprise Risk Management and Strategic Risk Management.

Noel Condon

Appointed: 20 October 2020

Non Executive Director

Chair of the Risk Committee, Member of the Asset & Liability Committee and the CCI Asset Management Limited Board.

Noel joined the Company Board in October 2020. His extensive sector expertise includes insurance and reinsurance markets across Europe and Asia Pacific where he identified business opportunities and led projects that required specialist risk management oversight. His most recent role was as CEO of AIG in Australia. Noel continues to build strong networks and relationships in financial services and has served on other boards throughout his career. In addition to his role on the Board for the Company, he is an independent nonexecutive Director for Unimutual.

Matthew Doquile, B.Ec, MBA (Exec), GAICD

Appointed: 22 October 2018

Non Executive Director

Chair of the Audit Committee, Member of the Asset & Liability Committee and the Risk Committee.

Matthew joined the Board during 2018 and is a long-standing and accomplished insurance professional with more than 25 years of industry experience in Australia and Asia Pacific. Matthew has held senior executive roles at Chubb Insurance Group in Asia and Australia including that of CEO of Chubb in Australia, and at Auto & General Insurance as Director, Partnerships. Earlier in his career Matthew also held various roles at one of Australia's most important trading banks where he developed expertise in Corporate Banking and Finance. Matthew's areas of expertise include General Insurance and Reinsurance, Distribution, Financial Services and Risk. He holds a Bachelor of Economics Degree along with an Executive MBA from the Australian Graduate School of Management and is a Graduate Member of the Australian Institute of Company Directors.

David Issa

Appointed: 19 October 2022

Non Executive Director

David joined the Board in October 2022 and is an experienced leader in technology and digital transformation. David's professional experience includes 10 years at Westpac, culminating in the role of Chief Information Officer, Institutional Banking, followed by roles at Insurance Australia Group including as Chief Executive Officer, Personal Insurance. David currently sits on the Boards of IFS Insurance Solutions and Industry Fund Services and was previously a Non-Executive Director of ME Bank prior to its

acquisition by Bank of Queensland in 2021. David also holds a Bachelor of Science majoring in Mathematics from Macquarie University.

Reverend Dr Philip Marshall Ph.D

Appointed: 26 October 2015

Non Executive Director

Chair of the Nominations, Remuneration & Culture Committee and Member of the CCI Asset Management Board.

Fr Philip joined the Board in 2015 and is a priest of the Adelaide Archdiocese. He was previously Vicar-General of the Archdiocese. He studied Classics at Adelaide University and then worked in the area of community welfare in youth unemployment, before joining the St Francis Xavier Seminary at Rostrevor. Following his ordination, Fr Philip served in several parishes, and was Principal of Adelaide Theological College for many years. He is a Doctor of Philosophy in the area of ecclesiology. In Canada, he studied the theology of Church with well-known Dominican theologian Father Jean- Marie Tillard. Fr Philip currently has oversight of the Adelaide Archdiocese “Renewing Parishes” program, which embraces ongoing Parish Visitation and the support of clergy and lay leaders in church renewal.

Sr Mary Ellen O’Donoghue, M.EdL, B.Theol, Dip.Teaching

Appointed: 17 February 2021

Non-Executive Director

Member of Nominations, Remunerations & Culture Committee.

Sr Mary Ellen joined the Board in February 2021. As a Sister of St Joseph of the Sacred Heart for over 40 years, she has held significant leadership roles in education and other ministries, including secondary Principal and Chief Executive Officer of Good Grief Ltd. Sr Mary Ellen’s board experience includes appointment as Chair of St Anthony’s Family Care. Formally Regional Leader of Sisters of Saint Joseph (NSW), she is currently a member of the Congregational Leadership Team. Sr Mary was also recently appointed as Non-Executive Director to Marymead Catholic Care.

1 CURRICULA VITAE OF THE SCHEME ADVISERS

Stephen Longley

Stephen leads PwC Australia's Business Restructuring Services practice, is a member of PwC's Global Restructuring leadership team and the Australian firm's Deals Leadership Team. He has been a trusted corporate adviser for over 30 years and has worked on Australia's largest and most sensitive restructurings and corporate advisory engagements.

His experience spans a broad range of restructuring, recovery and advisory roles for major corporations, governments, financial institutions, boards and other key stakeholders.

Some of Stephen's major client assignments include:

- Dixon Advisory & Superannuation Services Pty Ltd – Stephen is the lead voluntary administrator and deed administrator of this financial advice business with over 4,000 clients who have suffered losses of over \$350m due to poor and conflicted financial advice. He is currently implementing a Deed of Company Arrangement for the Company.
 - Nine Entertainment Group – Independent Expert on the Scheme Proposal and then Scheme Administrator of the \$3b debt for equity restructure. At the time of the Scheme, the group consisted of Channel Nine, Ticketek and other entertainment businesses.
 - Financial advisor to the State of Tasmania on the solvency and restructuring options for Basslink, an undersea electricity interconnector between Tasmania and Victoria, including advising the State throughout the receivership and voluntary administration process culminating in a successful transaction which recovered the State's debt in full.
 - Victorian Government – adviser to the Victorian Government in respect of the financial viability and funding options for various businesses important to the State. In recent times this role has expanded to include assessing funding and viability options for COVID-19 impacted businesses under the Institutional and Major Business Sustainability Scheme, the Regional Tourism Investment Scheme, the Sustainable Event Business Support Package, and the Night-time Economy Business Support Initiative.
 - Redcape Hotel Group/National Leisure & Gaming Ltd – restructure and merger of these two ASX listed companies. Redcape was a property trust which owned hotel freeholds and NLG was a leasehold operator of hotel venues, many of which were owned by Redcape. Stephen acted as Receiver and Manager of NLG.
 - Caledon Coal – Voluntary Administrator and Liquidator of this underground coal mine operator and "WICET" shipper with debts in the order of \$4b, owed primarily to its Chinese State Owned Entity (SOE) shareholder, Chinese banks and Wiggins Island Coal Export Terminal (WICET).
 - Cockatoo Coal Ltd – Voluntary Administrator and Deed Administrator for the restructure of this ASX listed coal miner and WICET shipper via a Deed of Company Arrangement sponsored by Liberty Metals and Mining which restructured circa \$1b of debt.
-

-
- Linc Energy Limited – Voluntary Administrator and then Liquidator of this Singapore (SGX) listed energy producer and explorer with substantial coal, oil and gas assets in Australia and the USA. The Group’s debt structure included over \$500m of secured and unsecured notes.

Qualifications and membership:

- Bachelor of Commerce, University of Melbourne
- Member, Chartered Accountants Australia & New Zealand (CAANZ)
- Member, Australian Restructuring Insolvency & Turnaround Association (ARITA)
- Member, Turnaround Management Association (TMA)
- Registered Liquidator since 2002

Michael Fung

Michael is a Partner in PwC Australia’s Business Restructuring Services practice with over 25 years’ experience in restructuring in Australia and the United Kingdom. He advises financiers, shareholders, government departments, and education institutes on strategic and financial viability, business cases, benefits analysis, and general commercial matters. His specialist skills include:

- Commercial advice to government particularly in the areas of financial stability and viability, the preparation of business cases, grant funding programs, and special situations requiring financial and commercial advice.
- Independent financial analysis on behalf of all stakeholders
- Development and implementation of restructuring and turnaround plans, and
- Managing external administrations.

Some of Michael’s major client assignments include:

- Appointed Administrator of the Framlingham Aboriginal Trust by Department of Premier and Cabinet since October 2018 to oversee the day to day management of the Trust and develop the strategic reform of the Trust’s governance structure.
 - Slater & Gordon - Key strategic advisor to the Executive and Board during negotiations with financiers and other stakeholders resulting in the restructuring of the balance sheet and operations across Australia and overseas, which ultimately led to the restructure by way of a Scheme of Arrangement.
 - Receiver and Manager of Soul luxury apartment complex in Gold Coast – Managed the sale of c200 luxury apartments, let and developed retail precinct, dispute resolution with pre-sale purchasers, managed hotel, and managed syndicate of hedge funds, retail and investment banks. Significant value returned to lenders through series of successful strategic decisions and material tax opportunities.
 - Ausjet Aviation – Receiver and Manager of a local airline with approximately 20 fixed wing aircraft and helicopters. The role included managing the ongoing operations in
-

compliance with air safety requirements, liaison with CASA, sale of aircraft, and successful refinance of the debt.

- DJ Wightman - Appointed Voluntary Administrator (VA) of freight transport company after an assessment of the options available for the business. The strategy was to enter VA with the ongoing financial support of the key customer. The company was successfully restructured through the VA process.
- Voluntary Administrator of Sleep City – Appointed VA by Chinese parent company directors of five group companies with 80 stores Australia wide. Traded the business for a period of 8 weeks while seeking buyers. Ultimately liquidated the stock through the stores via 3rd party stock liquidation specialists. Key role was to protect the reputation of Chinese based directors and shareholders.

Qualifications and membership:

- Bachelor of Business (Accountancy)
 - Member, Chartered Accountants Australia & New Zealand (CAANZ)
 - Member, Australian Restructuring Insolvency & Turnaround Association (ARITA)
 - Member, Australian Institute of Company Directors
 - Registered Liquidator
-

1 LIST OF DOCUMENTS AVAILABLE FOR INSPECTION

- (a) *Constitution of the Company;*
- (b) *Audited financial statements of the Company for the year ended 30 June 2022;*
- (c) *Deed polls signed by Stephen Longley and Michael Fung consenting to act in relation to the Scheme and perform their obligations as Scheme Advisers, once signed; and*
- (d) *Deed polls signed by Michael Cooper, Christopher Mackenzie, John Loy, Tim O'Leary, Geoff Officer, David Penney, Alison Brown and Andrea Fogarty. consenting to and perform their obligations as members of the Creditors' Committee, once signed.*

The above documents or copy documents will be placed on the website and available for inspection on reasonable notice by Scheme Creditors (until the close of the Scheme Creditors' meeting) at the following locations during ordinary business hours on weekdays:

Level 8

485 La Trobe Street

Melbourne VIC 3000

24 September 2023



Catholic Church Insurance Limited

REPORT TO CATHOLIC CHURCH INSURANCE LIMITED AND ITS
DIRECTORS REGARDING EXPECTED DIVIDENDS UNDER A PROPOSED
SCHEME OF ARRANGEMENT

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1. Introduction

1.1 Purpose of Report

Catholic Church Insurance Limited ('the Company' or 'The Scheme Company') proposes to apply for orders under section 411 of the *Corporations Act 2001* (Cth) (the **Act**) in relation to a proposed creditors' Scheme of Arrangement (**Scheme**) that in its view, (among other things) ensures that regardless of the financial position of the Scheme Company, that its current and future claimants in respect of Insurance Contracts are treated fairly and that claims are settled quickly and as fully as possible.

The Scheme Company has estimated that there are approximately 2,210 claimants in respect of Insurance Contracts. These claimants will comprise creditors of the Scheme Company in respect of an actual or potential Scheme Claim (**Scheme Creditors**).

FTI Consulting (Australia) Pty Ltd has been engaged by the Scheme Company to provide advice to the Company and its directors addressing financial matters relating to the Proposed Scheme (**Report**).

This Report has been prepared and may be relied upon solely for the purposes contemplated in the letter of engagement at **Appendix A** and should not be used for any other purpose. Specifically, this Report is prepared solely for the benefit of the Company and its Directors and is not intended, and is not to be regarded as intended, as a recommendation as to how any person should vote or exercise any other right in relation to any financial product affected by the Scheme or as advice to any person other than the Company and its Directors. It should not be relied on by any person other than the Company and its Directors as a basis for any decision in relation to the Scheme.

Any capitalized terms in this Report that are not defined have the same meaning as defined in the Explanatory Statement of the Scheme.

1.2 Scope of work

As per the Letter of Engagement dated 24 September 2023 attached at **Appendix A**, we have been engaged by the Scheme Company to provide advice that addresses the following matters:

1. The expected dividend that would be available to be paid to the Scheme Creditors if the Scheme Company were to be wound up within six months of the hearing of the application for an order under section 411(1) of the Act (in accordance with paragraph 8201(a) in Part 2 of Schedule 8 of the Regulations).
2. The expected dividend (or, in the terminology of the Scheme, the total "Payment Percentage") that would be respectively available to be paid to the Scheme Creditors if the Scheme were put into effect as proposed and the Trigger Event occurred within six months of the hearing of the application for an order under section 411(1) of the Act (in accordance with paragraph 8201(b) in Part 2 of Schedule 8 of the Regulations).
3. In determining the expected dividend that would be available under scope item #1 and #2 above, having regard to the following matters:
 - a) The impact on the Company's assets (including any reinsurance assets);
 - b) The impact on the Company's liabilities (including its contingent liabilities); and
 - c) The impact on costs (including Liquidators' costs and the other costs associated with a winding up as compared with the costs of implementing the Scheme).
4. Consideration of timing of payment to the Scheme Creditors.

1.3 Assumptions

In addressing the Scope, we have been provided with a number of assumptions, as set out in the Letter of Engagement. The conclusions in this Report are based on those assumptions, including those outlined in **Section 8**.

1.3.1 Operation of Reinsurance Agreements under the Proposed Scheme and in a winding up

Table 1 sets out a high-level summary of the cancellation rights of reinsurers and the operation of the Company’s reinsurance agreements under the Scheme as compared with a potential winding up of the Company pursuant to Part 5.6 of the Act.

Table 1: Operation of Reinsurance Agreements

	Scheme	Winding up of the Company
Reinsurer cancellation rights	<p>No reinsurer cancellation rights to be available unless the Company were put into Liquidation (or administration) after the Scheme comes into effect.</p> <p>Under the Scheme:</p> <ul style="list-style-type: none"> ■ The Company will not ever become “insolvent”; ■ The Scheme Adviser will have limited functions and is not performing the role of an Administrator; ■ There is no change in control of the Company which remains under the control of its Board; ■ Permission to transact the Company’s business is not withdrawn; ■ The Company’s paid-up capital will not be reduced 	<p>All Reinsurance Agreements (other than ADC Agreement) can be cancelled in a winding up.</p> <ul style="list-style-type: none"> ■ For risk attaching policies – cancellation will not impact the reinsurer’s liability. ■ For loss occurring policies – losses occurring after the date of cancellation will not be indemnified. ■ We have been advised that the appointed actuary has quantified the impact of the termination of loss occurring reinsurance policies (if that were to occur) would be a reduction in the reinsurance assets recorded on the 30 June 2023 balance sheet of \$10.9m. In Section 6.3 we have illustrated the impact of this on the balance sheet via a reduction in assets available for the benefit of creditors.
Contractual operation of reinsurance	<p>Reinsurance should respond to claims in the usual way.</p> <p>Reinsurers should be required to indemnify Established Scheme Liabilities in full during the Reserving Period (subject to the terms of the Reinsurance Agreements and general principles affecting recovery on reinsurance).</p> <p>Use of the Finalisation Mechanism will likely have an impact on the reinsurance if and when used.</p>	<p>Reinsurance will not respond well to the usual proof of debt process in a winding up. Specifically, the Reinsurance Agreements will only respond to actual crystallised and accepted claims pursuant to Insurance Contracts. The Reinsurance Agreements will not respond to contingent claims (such as IBNR) proved by policyholders in the winding up.</p> <p>A separate process for Scheme Creditor claims would need to be administered over time to fully activate the reinsurances in respect of all Reinsurance Agreements (including the ADC Agreement). While this could be done, it is unlikely that a Liquidator would be in a position to pay any amount in respect of those claims (including by way of any interim dividend) until the vast majority of anticipated claims have been made or the reinsurance has been exhausted.</p> <p>A Scheme of Arrangement would need to be proposed as part of the winding up in order for a Liquidator to pay claims at a percentage as and when claims are made as part of that process.</p> <p>An inability to claim on the loss occurring policies would result in the loss of a \$10.9m asset on the 30 June 2023 balance sheet.</p>

Source: Letter of Engagement

1.3.2 Winding Up

As outlined in our Letter of Engagement, the analysis undertaken in this Report is based on the following assumptions, that would apply in a winding up of the Company:

- The Company is prevented from carrying on business except for the limited purposes of winding up;
- Scheme Creditors' rights to claim under Insurance Contracts written by the Company will be converted to a right to prove in the Company's winding up. The Company or its liquidator may have certain rights to cancel or disclaim certain Insurance Contracts under statute;
- The Company's debts and claims are to be computed for the purposes of the winding up as at the commencement of the winding up;
- Scheme Creditors will be required to lodge proofs of debt in respect of debts payable by, and all claims against, the Company (being debts or claims the circumstances giving rise to which occurred before the commencement of the winding up);
- Net amounts received by the Company in respect of reinsurances would be distributed to policyholders in priority to other creditors in a winding up by reason of the operation of section 562A of the Act;
- All proofs of debt are then adjudicated by the Liquidator;
- To the extent that the debt or claim has an uncertain value (for example, and IBNR claim) the Liquidator is required to make an estimate of the value of the debt or claim as at the commencement of the winding up or to refer the question of the value of the debt or claim to the Court;
- The Company's assets will then be applied in satisfaction of the Company's liabilities in accordance with the statutory priorities in a winding up and, otherwise, in discharge of the Company's liabilities rateably;
- The Company's Liquidator may only pay a dividend in the winding up of the affairs of the Company to a creditor whose debt or claim has been admitted by the Liquidator at the date of distribution of dividends;
- The Company's Liquidator must give notice of his or her intention to declare a dividend to creditors and to ASIC;
- The Court does not have a general power to alter the way claims are dealt with as part of a winding up because Part 5.6 of the Act does not contain an equivalent provision to section 447A of the Act (which applies during an administration pursuant to Part 5.3A of the Act); and
- Workers' compensation policyholders will be paid in full in a winding up of the Company (assuming that there are sufficient funds) due to the rights afforded to them under legislation in the various States and Territories.

The usual proof of debt process does not reflect the claims process that is required to occur in order to activate the reinsurer's obligation to indemnify the Company under the Reinsurance Agreements, especially as regards IBNR claims. In a winding up of the Company, Scheme Creditors would lodge a proof of debt in respect of an IBNR claim (in lieu of making claims under their policies from time to time in the usual way) and the Liquidator would make an estimate of the value of the IBNR claim as part of the adjudication process. However, such an adjudication would not trigger an indemnification obligation under the Reinsurance Agreements. Even though in a winding up of the Company, the Insolvency Clause (IUA G86 Australian Amendment) would apply, the operation of this clause would alter the essential requirement in the Reinsurance Agreements for there to be a 'loss occurrence' within the terms and conditions of the original Insurance Contracts before the reinsurer's liability to indemnify is triggered.

The ADC Agreement, which does not contain an Insolvency Clause (IUA G86 Australian Amendment), contains provisions that might potentially be relied upon by the reinsurer to avoid liability under the ADC Agreement in a winding up of the Company, in the absence of a separate claims process as set out above:

- the reinsurer shall have no liability under this Agreement to the extent it arises out of any amendment, alteration or extension of the "Subject Business" or any part of it made on or after the Effective Date that has not been approved in advance by the Reinsurer in writing (clause 3.2);

- the reinsurer shall not have any liability to the Company in respect of any commutation of the “Subject Business” entered into by the Company without the Reinsurer’s prior written consent (clause 3.3); and
- the Company shall use best endeavours to investigate, defend or negotiate settlements of all “MOL Claims” made against it under the “Subject Business” as if it did not have the benefit of this Agreement and in accordance with its existing claims policies and practices (clause 3.4).

1.3.3 Claims process for Reinsurance Agreements

The assumptions in the Letter of Engagement also outline that in order to maintain access to the Reinsurance Arrangements, it would be necessary for the Liquidator to make arrangements for Scheme Creditors’ claims in respect of Insurance Contracts to be made and assessed in the usual way during the winding up in order for the Reinsurance Agreements to respond.

There would be several challenges for the Liquidator in conducting such a process:

- A Liquidator could potentially provide Scheme Creditors with an opportunity to make claims in the usual way as part of an extended proof of debt adjudication process (that is, the Liquidator could take into account any claims made by Scheme Creditors as they arose in the usual way in adjudicating proofs of debt calculated as at the commencement of the winding up). However, a Liquidator would not be in a position to declare and pay an interim dividend until the Liquidator had complied with the process set out in **Section 1.3.2** and **Section 1.3.1** above. It is unlikely that a Liquidator will be in a position to do so until the vast majority of anticipated claims from Scheme Creditors have been made (or the reinsurance has been exhausted) due to the requirement that dividends (including interim dividends) be paid to all admitted creditors at the same time. Further, in the event of declaring an interim distribution, a Liquidator would have to hold back sufficient funds, which are likely to be significant, to cover future unquantified claims. This would significantly reduce any interim distribution to Scheme Creditors until all claims and recoveries are known.
- A Liquidator risks personal liability if the Liquidator distributes assets other than in accordance with the priorities set out in Part 5.6 of the Act. On that basis, a Liquidator will likely be conservative in declaring and paying any interim dividends in the winding up of the Company.

However, a Scheme of Arrangement containing provisions similar to those that would apply under the Scheme during the Reserving Period could be proposed as part of the winding up in order for Scheme Creditors’ claims to be made in the usual way and for a Liquidator to pay those claims at a percentage as part of that process.

Therefore, even if the issues with respect to a Liquidation and the Proof of Debt process are able to be managed such that access to the Reinsurance Agreements is maintained, there would be significant additional costs and/or material delays in making payments to Scheme Creditors in a Liquidation scenario.

1.4 Limitations and restrictions

There are no specific limitations and restrictions within the scope of work we have been instructed to perform. However, in preparation of this Report we note the following:

- We have been provided with information from the Company as detailed in **Appendix D** and footnotes to this Report and obtained additional information from public sources. Where we have been provided with financial information, we have not had access to all underlying data supporting that information. While we have relied upon the accuracy and completeness of information provided to me by Management and its advisors, we confirm that we consider the information provided to be sufficient for the purposes of conducting the analysis and further there is a reasonable basis to rely on this information;
- The analysis undertaken in this Report is based upon a number of assumptions which are material to the conclusions we have reached in relation to each scope item. These assumptions are set out in detail in the Letter of Engagement and **Section 1.3.1** above. We also refer to them in the relevant sections of this Report;

- We have not been provided with copies of the Company's Reinsurance Agreements or any independent legal analysis with respect to the operation of those contracts. In assessing the operation of the Reinsurance Agreements in a Scheme and a winding up, we have relied upon the assumptions set out in **Section 1.3.2** and calculations supplied by Management;
- We have not instructed an independent actuary to assess the Claims liability and Reinsurance Assets for the purpose of this Report, due to the time required to complete such an assessment. We have reviewed and based our analysis upon actuarial reports prepared for the Company and in this regard, note that these have not been prepared for the specific purpose of this Report. However, we note that the actuary has confirmed that we are able to rely on the figures contained within the Actuarial Report for the purpose of this Report;
- FTI Consulting does not warrant the accuracy of the information supplied to us and we are not responsible in any way whatsoever to any person in respect of errors in this Report arising from incorrect information supplied to us;
- This Report has been prepared for the sole benefit of the Company and its directors.
- While this Report is for the sole benefit of the Company and its directors, on the basis that it is clear that it is not intended, and is not to be regarded as intended, as a recommendation by FTI Consulting as to how any person should vote or exercise any other right in relation to any financial product affected by the Scheme and is not advice to any person other than the Company and its Directors, we acknowledge and consent for the Report to be referred to in the Explanatory Statement for a scheme of arrangement that the Company intends to propose pursuant to section 411 of the Act with Scheme Creditors and for it to be included as an annexure to the Explanatory Statement and note that as a consequence, this Report will be shared with advisors of parties (including Scheme Creditors) related to the Scheme;
- We do not assume any responsibility to any other party as a result of their reliance on this Report for any other purpose;
- The statements and opinions given in this Report are given in good faith and in the belief that such statements are not false or misleading. Except where otherwise stated, we reserve the right to alter our conclusions reached on the basis of any changed or additional information which may be provided to us between the date of this Report and the date of the meetings called pursuant to section 411(1) of the Act; and
- We note that our statements and opinions are based on assumptions detailed throughout this Report, along with the rationale for these assumptions. Unless otherwise noted, we have not been instructed to make these specific assumptions.

1.5 Pre-existing relationships

We confirm we hold the opinion that there is no:

- Actual, or perceived, conflict of interest; or
- Other reason for which the engagement could not be accepted.

With regard to this, we have summarised below FTI Consulting's relationships with the Company and its legal advisors.

The Company

FTI Consulting has not previously undertaken any work for the Company.

King & Wood Malleons

From time to time King & Wood Malleons is legal advisor to FTI Consulting on unrelated matters. In our opinion, this relationship does not result in a conflict of interest or duty. We have not identified any issue in relation to this relationship that would give rise to a conflict in undertaking the completion of this engagement.

1.6 Sources of information

We have relied on the sources of information listed in **Appendix D**.

Unless otherwise specified in the Report, we have carried out the financial analysis based on the actual financial performance and position of the Company as at 30 June 2023, as this was the latest information made available (the Company's financial year is 1 July to 30 June).

Where particular documents have been used in support of our conclusions and calculations, these have been referred to in this Report.

In preparing this Report, we have not conducted an audit of the information or documents provided to us. In reaching our conclusions, we have assumed that the information and documents provided throughout the engagement are accurate, complete, and reliable unless otherwise stated. We confirm that the information provided has been sufficient for the purposes of this Report. Further, we do not have any basis to believe that the information provided is inaccurate or incomplete and nor is there any indication that the information may not reasonably be relied upon.

FTI Consulting does not warrant the accuracy of the information supplied to us and we are not responsible in any way whatsoever to any person in respect of errors in this Report arising from incorrect information supplied to us.

1.7 Reliance on this Report

This Report has been solely prepared, and may be relied on, solely for the purposes contemplated in the letter of engagement at **Appendix A** and as outlined in **Section 1.1** above, this Report is prepared solely for the benefit of the Company and its Directors and is not intended, and is not to be regarded as intended, as a recommendation as to how any person should vote or exercise any other right in relation to any financial product affected by the Scheme or as advice to any person other than the Company and its Directors. It should not be relied on by any person other than the Company and its Directors as a basis for any decision in relation to the Scheme.

1.8 Use of experts

In relation to the analysis of the Company's asset and liability position, we note the Company has an appointed external actuary, Bruce Harris of am actuaries, who performs analysis that compares and appraises the Company's insurance specific assets and liabilities. We note that Mr Harris is appointed by the Company to meet their regulatory requirements with APRA and that his findings are subject to independent peer review.

One of the key pieces of information utilised in the analysis is the actuarial valuation of the Company's claims and Reinsurance Assets set out in the Actuarial Report prepared by am actuaries. This actuarial information is also included in the Company's 30 June 2023 management accounts which underpins the bulk of the analysis in this Report. While the Actuarial Report was not prepared for the specific purpose of assisting us with this Report, we have been provided with the Actuarial Report on the basis that we are able to rely on the figures provided within the Actuarial Report for the purpose of this Report. We note that it was not practical for us to commission an actuarial analysis prepared specifically for the purposes of this Report and upon which we could directly rely, particularly given the complexity of that analysis and the limited time available to complete this Report.

2. Summary of conclusions

With reference to the Letter of Engagement, we provide a summary of the conclusions for each scope item with reference to the appropriate section in this Report.

Table 2: Summary of Conclusions

Scope item	Opinion															
<p>1. The expected dividend that would be available to be paid to the Scheme Creditors if the Company were to be wound up within six months of the hearing of the application for an order under section 411(1) of the Act.</p>	<p>The dividend available to Scheme Creditors in assuming the Company is wound up is expected to be as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="3" style="text-align: center;">Liquidation</th> </tr> <tr> <th></th> <th style="text-align: center;">High Cents/\$</th> <th style="text-align: center;">Low Cents/\$</th> </tr> </thead> <tbody> <tr> <td>No Future Catastrophic Event</td> <td style="text-align: center;">97.99</td> <td style="text-align: center;">87.54</td> </tr> <tr> <td>Future Catastrophic Event – Scenario 1</td> <td style="text-align: center;">90.54</td> <td style="text-align: center;">82.33</td> </tr> <tr> <td>Future Catastrophic Event – Scenario 2</td> <td style="text-align: center;">60.87</td> <td style="text-align: center;">59.54</td> </tr> </tbody> </table> <p>Note that we have shown the expected dividend rate for Scheme Creditors with and without two illustrative Future Catastrophic Events. The purpose of these Scenarios is to illustrate the impact on returns to Scheme Creditors if certain loss occurring catastrophe reinsurance policies, which we have assumed would be subject to termination in a winding up, were to be so terminated.</p> <p>There is no certainty that either of these Future Catastrophic Events will occur and so they are illustrative in nature only.</p> <p>Further, if the time value of money was applied to the recoveries above, it is likely that the return to Scheme Creditors in a Liquidation as set out above would further reduce relative to the return to Scheme Creditors under the Scheme, as set out in the next section of this table. The key assumptions underpinning this analysis are in Section 6.</p>	Liquidation				High Cents/\$	Low Cents/\$	No Future Catastrophic Event	97.99	87.54	Future Catastrophic Event – Scenario 1	90.54	82.33	Future Catastrophic Event – Scenario 2	60.87	59.54
Liquidation																
	High Cents/\$	Low Cents/\$														
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Future Catastrophic Event – Scenario 1	90.54	82.33														
Future Catastrophic Event – Scenario 2	60.87	59.54														
<p>2. The expected total Payment Percentage that would be respectively available to be paid to the Scheme Creditors if the Scheme were put into effect as proposed and the Trigger Event occurred within six months of the hearing of the application for an order under section 411(1) of the Act.</p>	<p>The total Payment Percentage paid to the Scheme Creditors assuming the Scheme is put into effect as proposed is expected to be as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="3" style="text-align: center;">Scheme</th> </tr> <tr> <th></th> <th style="text-align: center;">High Cents/\$</th> <th style="text-align: center;">Low Cents/\$</th> </tr> </thead> <tbody> <tr> <td>No Future Catastrophic Event</td> <td style="text-align: center;">100.00</td> <td style="text-align: center;">88.23</td> </tr> <tr> <td>Future Catastrophic Event – Scenario 1</td> <td style="text-align: center;">100.00</td> <td style="text-align: center;">87.38</td> </tr> <tr> <td>Future Catastrophic Event – Scenario 2</td> <td style="text-align: center;">100.00</td> <td style="text-align: center;">87.55</td> </tr> </tbody> </table> <p>Note that we have shown the expected dividend rate for Scheme Creditors with and without two illustrative Future Catastrophic Event Scenarios described in the section above.</p> <p>We have assumed that the Company’s existing loss occurring catastrophe reinsurance policies are not subject to termination and will remain in place. Accordingly, the impact of the Future Catastrophic Events under the Scheme is significantly less, as compared with a Liquidation, due to the protection afforded under these policies.</p>	Scheme				High Cents/\$	Low Cents/\$	No Future Catastrophic Event	100.00	88.23	Future Catastrophic Event – Scenario 1	100.00	87.38	Future Catastrophic Event – Scenario 2	100.00	87.55
Scheme																
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Future Catastrophic Event – Scenario 1	100.00	87.38														
Future Catastrophic Event – Scenario 2	100.00	87.55														

Scope item	Opinion
	<p>There is no certainty that either of these Future Catastrophic Events will occur and so they are illustrative in nature only.</p> <p>The key assumptions underpinning this analysis are in Section 6.</p>
<p>3. In determining the expected dividend that would be available, having regard to:</p> <ul style="list-style-type: none"> • The impact on the Company’s assets • The impact on the Company’s liabilities • The impact on costs 	<p>In determining the expected dividend that would be available, the impacts outlined below have been considered:</p> <p>Impact on assets</p> <p>Under the Scheme there is less risk of a deterioration in the Company’s existing Reinsurance Assets, as compared with a Liquidation where:</p> <ul style="list-style-type: none"> ■ As a result of the enlivenment of insolvency termination clauses in certain loss occurring reinsurance contracts some components of reinsurance coverage could be lost if reinsurers terminate those contracts; and ■ There may be difficulties for the Liquidator in complying with the claims process required to activate the reinsurers’ liability to indemnify the Company in respect of the underlying claims. <p>Impact on claims</p> <p>Under the Scheme:</p> <ul style="list-style-type: none"> ■ The Company’s existing loss occurring catastrophe reinsurance is expected to remain in place, whereas in a Liquidation we have assumed that the loss occurring catastrophe reinsurance policies are subject to termination as a result of the enlivenment of insolvency termination clauses in the relevant reinsurance contracts, and therefore may be terminated. Therefore, if a Future Catastrophic Event were to occur in a Liquidation, it is possible that substantial claims would be added to the Company’s balance sheet without any offsetting reinsurance recoveries. We have provided illustrative examples of the impact of two different Future Catastrophic Events under the Scheme and a Liquidation in Scope items 1 and 2 above. ■ Defence costs available to Scheme Creditors under some types of Insurance Contracts would be paid in the ordinary course, as compared to a Liquidation where it would be problematic for the Liquidator to fund such defence costs given the uncertainty as to whether those costs were a provable claim in the Liquidation. If defence costs could not be paid to Scheme Creditors, it is possible that claims would be materially higher (given Scheme Creditors’ inability to mitigate them). <p>Costs</p> <p>Under the Scheme the cost of completing the run-off of the Company is likely to be lower than it would be in a Liquidation, primarily as a result of the Scheme:</p> <ul style="list-style-type: none"> ■ Avoiding the fees associated with the Liquidator. We have provided an illustrative estimate of these costs in Scope item 1. ■ Avoiding the costs of litigation that would likely arise as a result of the Liquidation, in relation to: <ul style="list-style-type: none"> — The Liquidator having to either propose the Scheme or seek directions from the Court as to the conduct of the Liquidation.

Scope item	Opinion
	<ul style="list-style-type: none"> — The Liquidator likely having to enforce the Company’s rights against counterparties seeking to use the Liquidation to avoid complying with their existing contractual obligations.
<p>4. Consideration of timing of payment to the Scheme Creditors.</p>	<p>Timing of payments</p> <p>Under the Initial Scheme Period, payments to the Company’s Scheme Creditors are expected to be processed and paid in the ordinary course and if a Trigger Event occurs, there would be a short delay (up to 90 days), as opposed to a Liquidation where the Liquidator would need to comply with the process for distributions to creditors under Part 5.6 of the Act, which would be expected to materially delay dividends to Scheme Creditors because, amongst other things:</p> <ul style="list-style-type: none"> ■ The Liquidator would need to treat all policyholders equally and would not be able to pay interim dividends to those creditors with accepted claims, without paying a dividend to those policyholders with contingent but not as yet accepted claims. In the event a Liquidator determined it possible to declare an interim distribution, they would have to hold back sufficient funds, which are likely to be significant, to cover future unquantified claims. This would significantly reduce any interim distribution to Scheme Creditors until all claims and recoveries are known. ■ As a result, it is possible the Liquidator would need to wait until the vast majority of claims had crystallised and been admitted in the form of a proof of debt, which may not occur until several years after the commencement of the Liquidation. <p>The Liquidator would need to follow the statutory framework for distributions which provides for minimum and maximum notice periods, making it difficult to make regular, ordinary course style payments to policyholders as would occur under the Scheme.</p>

3. The Company

3.1 Background

The Company was incorporated in 1911. It is an APRA regulated insurance company providing a range of insurance products including:

- **Commercial Insurance:** Policies include Commuter Cover, Composite Risks Property Insurance, Construction Insurance, Cyber Insurance, Directors and Officers Liability Insurance, Electronic Equipment Insurance, Employment Practices Liability Insurance, Fidelity Guarantee Insurance, Goods in Transit Insurance, Machinery Breakdown Insurance, Malpractice Liability Insurance, Management Liability, Motor Fleet Insurance, Professional Indemnity Insurance, Public Liability Insurance (including professional standards), Residential Buildings and Contents Insurance, Statutory Liability Insurance, Student Care, and Voluntary Workers Personal Accident Insurance.
- **Personal Insurance:** Products include Car Insurance, Caravan and Trailer Insurance, Home Insurance, Landlord Insurance, and Travel Insurance.

Over recent years the Scheme Company has experienced unprecedented demands on capital reserves, in the large part due to high volumes of Professional Standards claims. This culminated in the Board of the Company resolving on 29 May 2023 to voluntarily place the business into 'run-off' as, amongst other things, the Scheme Company was unable to secure sufficient capital contributions from shareholders to enable its business to continue operations in line with regulatory requirements. Specifically, the Company is no longer able to satisfy the minimum prudential capital requirements for a general insurer.

The Company remains an Australian Prudential Regulatory Authority (**APRA**) authorised insurer, and as such will continue to manage claims from existing policyholders using its capital reserves to conduct an orderly run-off of its business. It will not issue any new or renewal policies for all insurance business.

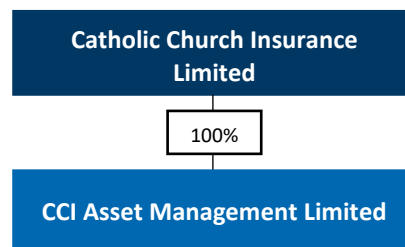
As part of the orderly run-off of the business the Company is now proposing to put in place a Scheme of Arrangement (**Scheme or Proposed Scheme**) under Part 5.1 of the Act 2001.

The Scheme is designed to, in the view of the Company, ensure that regardless of the financial position of the Company, its current and future claimants, in respect of Insurance Contracts, are treated fairly and that claims are settled as quickly and as fully as possible.

3.2 Corporate structure

The Company is the parent entity of a corporate group comprised of itself and its sole subsidiary. The Company's corporate structure as at the date of this Report is summarised below.

Figure 1: Corporate structure



We make the following comments with regards to the Group structure:

- Catholic Church Insurance Limited is the APRA regulated insurance entity and is the only entity undertaking insurance activity within the Group;
- CCI Asset Management Limited (**CCIAM**) is a wholly owned subsidiary of the Company, and is the Trustee/Manager of the Catholic Values Trust, Income Trust as well as Individually Managed Accounts, detailed further below:

- Asset Management Trusts – Comprised of two pre-structured products. The Income Trust offers a mix of credit style investments, while the Catholic Values Trust includes a range of fixed interest products and cash and growth assets including property and Australian and overseas equities. Only tax-exempt entities associated with the Catholic Church are able to invest in CCIAM Trusts.
- Individually Managed Accounts – These accounts are individually managed and provide Catholic entities with an opportunity to invest in tailored investment strategies. Per the above, only tax-exempt entities associated with the Catholic Church can invest in Individually Managed Accounts.

CCIAM had assets under management totalling \$874.3m as at 30 June 2023. The vast majority of the assets held by CCIAM are client funds / assets held on trust by CCIAM for the benefit of its clients and would not be available to the Scheme Creditors.

3.3 Financial information

Throughout this Report, we generally refer to financial information of the Company and in preparing this Report we have utilised a variety of financial information prepared by the Company, including:

- Audited financial statements up to 30 June 2022;
- Unaudited management accounts as at 30 June 2023; and
- Various supporting subsidiary schedules.

As per the Letter of Engagement, we have not audited the financial information or otherwise sought to independently verify its accuracy and make no representation as to the completeness or accuracy of the financial information. However, we have taken steps to satisfy ourselves that there are reasonable grounds to rely on the unaudited management accounts as at 30 June 2023 and the various supporting subsidiary schedules. In particular, these have been reviewed in the context of:

- historical financial information, to assess trends in the business and to provide context for the results to 30 June 2023 and the associated balance sheet;
- information prepared by the Company's advisors in relation to the Scheme, to assess consistency with other information that has been provided;
- verbal confirmation/discussions provided by the Company's CFO and finance team to clarify aspects of the accounts; and
- other historical financial information prepared for the purpose of reporting to APRA, to enable a comparison with the position as at 30 June 2023.

3.4 Business and financial overview

3.4.1 Business overview

As detailed in **Section 3.1**, the Company provides a number of insurance products which can be broadly categorised as either:

- Short tail insurance services including motor vehicle, home, accident and fire and industrial special risks where claims are usually made during the term of the policy or shortly after the policy has expired. These policies are typically renewed annually and, given the Company's decision to enter into run-off at 29 May 2023, the majority of the Company's exposure under these policies is expected to expire prior to 30 June 2024; and
- Long tail insurance products with long settlement periods including professional standards and indemnity, workers compensation and general liability. Claims under these insurance policies with respect to events that occurred whilst the relevant policies were in place can in some instances take many years to materialise.

3.4.2 Claims exposure as at 30 June 2023

Table 3 below sets out the Company's claims exposure as at 30 June 2023 across its Short Tail and Long Tail portfolios, broken down by class of insurance product.

The table shows the Central Estimate on a gross and net basis, the latter after taking account of estimated recoveries from third parties and reinsurance policies that reduce the Company's total liability.

As explained in AASB 1023, the Central Estimate is described as "If all the possible values of the outstanding claims liability are expressed as a statistical distribution, the Central Estimate is the mean of that distribution". The Central Estimate has been prepared by the Company's third party actuary, am actuaries.

Essentially, the Gross Central Estimates are unbiased estimates quantifying the amount that remains to be paid on reported and future claims, while Net Central Estimates are the value of gross estimates less third party and reinsurance recoveries (an estimate of the expected total cash liability of the Company).

In addition to the Net Central Estimate, the Company reports the following Claims related liabilities on its balance sheet:

- Claims Handling Expense: AASB 1023 defines this as "costs associated with achieving settlements with those insured. Claims handling costs include costs that can be associated directly with individual claims, such as legal and other professional fees, and costs that can only be indirectly associated with individual claims, such as administration costs."
- Risk Margin: As defined under AASB 1023 and detailed in **Section 3.4.4**, the Risk Margin is effectively a contingency over and above the Gross Central Estimate to account for potential future increases in claims and does not represent a crystallised liability.

Table 3: Long and Short Tail Outstanding Claims Liabilities to 30 June 2023

Outstanding claims liabilities to 30 June 2023 - Long Tail						
\$m	General Liability	Professional Standards	Professional Indemnity	Workers Comp.	Total Long Tail	
Gross Central Estimate (inflated, discounted*)	50.1	418.2	12.6	148.9	629.8	
Third-Party Recoveries	(0.8)	-	(0.3)	(0.8)	(1.9)	
Reinsurance Recoveries	(1.0)	(142.0)	(2.5)	(1.3)	(146.8)	
Net Central Estimate (inflated, discounted)	48.3	276.3	9.8	146.7	481.1	
Claim Handling Expenses (CHE)	2.2	19.1	0.6	17.8	39.7	
Risk Margin (RM)	6.8	86.0	2.6	23.3	118.7	
Net Central Estimate (incl. CHE & RM)	57.4	381.3	13.0	187.7	639.4	

Outstanding claims liabilities to 30 June 2023 - Short Tail						
\$m	Motor Vehicle	House	Accident	Fire and ISR	Marine	Total Short Tail
Gross Undiscounted Central Estimate	2.8	4.6	6.4	344.1	(0.0)	358.0
Third Party Recoveries	(0.5)	(0.1)	(0.1)	(5.7)	0.0	(6.3)
Reinsurance Recoveries	(0.0)	(2.9)	(0.0)	(297.0)	-	(299.9)
Net Central Estimate	2.3	1.7	6.4	41.4	(0.0)	51.7
Claim Handling Expenses (CHE)	0.1	0.3	0.4	4.2	(0.0)	5.0
Risk Margin (RM)	0.7	0.6	1.0	10.3	(0.0)	12.6
Net Central Estimate (incl. CHE & RM)	3.2	2.5	7.8	55.9	(0.0)	69.4

Outstanding claims liabilities to 30 June 2023 - Total	
\$m	Total
Gross Central Estimate (inflated, discounted) - Total	987.8
Total Recoveries	(455.0)
Net Central Estimate (inflated, discounted) - Total	532.8
Claim Handling Expenses (CHE)	44.7
Risk Margin (RM)	131.3
Net Central Estimate (incl. CHE & RM)	708.8

Source: Actuarial Report

Note: *The Actuarial Report presents inflated and discounted estimates. The adopted discount and inflation rates are based on market interest rates and yields as at 30 June 2023 and expected economic conditions over future years. Effectively, the discounted mean term is based on the net cash flow inflated and discounted weighted by the period to payment.

The key observations with regards to the outstanding claims liabilities are:

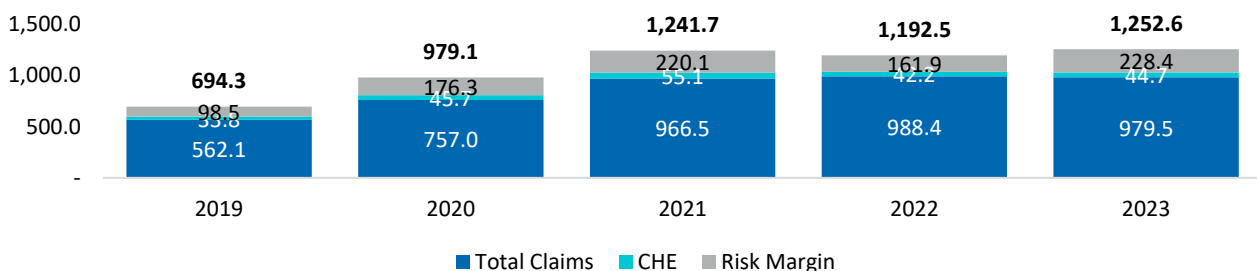
- The vast majority of the Company's Net Central Estimate (including CHE and RM) relates to the Long Tail portfolio, which represents \$639.4m (or 90.2%) of the \$708.8m of Net Central Estimate (including CHE and RM).
- The Short Tail portfolio is heavily reinsured with \$299.9m of estimated reinsurance recoveries as at 30 June 2023. The Long Tail portfolio's net exposure is significantly higher relative to the short tail portfolio, due to a lower quantum of reinsurance recoveries.
- The Net Central Estimate of Professional Standards claims is \$381.3m. This is the single largest component of the Company's Net Central Estimate by class of insurance product and accounts for 53.8% of the total Net Central Estimate. These claims have been strengthening in recent years, as explained further in **Section 3.4.3** below.
- Management has advised that further reinsurance cover for the Professional Standards claims is difficult to obtain. Historically Management has put in place the Adverse Development Cover (**ADC**) and that this cover is fully placed. Further, Management have advised that there is no appetite amongst reinsurers for a similar reinsurance policy and that absent commutation or a similar large deductible arrangement there is no economically viable solution to mitigate further strengthening of the actuarial assessment of claims in this component of the book.
- Almost all of the reinsurance recoveries in the Short Tail portfolio relate to Fire and ISR policies. As these policies primarily provide cover for damage to buildings as a result of fire or other external factors, it is the class of insurance most at risk of large variances in claims as a result of difficult to predict one-off events (e.g. catastrophic environmental circumstances such as flooding and other extreme weather events).

3.4.3 Historical development of claims exposure

The Company's claims exposure has increased significantly since 2019.

Set out in **Figure 2** below is a summary of the Company's total claims, CHE and Risk Margin as at 30 June, as presented on the balance sheet of the Company for each of the years between 2019 and 2023.

Figure 2: Historical Change in Total Claims Estimate (\$'m)



Source: Annual Reports; Management Accounts

We comment on **Figure 2** as follows:

- The Company's claims exposure has increased materially since 2019, reflected in:
 - Total claims estimate increasing from \$562.1m in 2019 to \$979.5m in 2023; and
 - Risk Margin increasing from \$98.5m in 2019 to \$228.4m in 2023.
- Management have advised that the primary driver of this increase has been the strengthening of claims in the professional standards class, whilst the remainder of the book has been relatively steady over time (on a net exposure basis);
- Management have further advised that whilst there is a trend in Fire and ISR claims liabilities increasing from 2019, this portfolio has historically been highly reinsured, resulting in reduced exposure at a net level compared to all other portfolios; and
- Further, Management has advised that there was a sharp increase in gross claims for Fire and ISR cover in 2022 due to the claims arising from the Lismore floods (noting that the reinsurance was such that the Net Central estimate was largely unchanged).

3.4.4 Financial position – balance sheet

Set out below is an overview of the financial position of the Company over the period FY19 to FY23.

Table 4 sets out the Company's balance sheet as at 30 June for each of the financial years FY19 through FY23. Note FY19 to FY22 are based on audited accounts, whilst FY23 is based on the Company's management accounts, as the 30 June 2023 audit is not yet complete.

Table 4: Summarised Balance Sheet

\$'m	Audited Jun-19	Audited Jun-20	Audited Jun-21	Audited Jun-22	Mgmt Acc. Jun-23
Assets					
Cash and cash equivalents	155.4	192.8	628.3	656.4	68.0
Trade and other receivables	131.3	111.0	119.1	130.7	34.9
Reinsurance recoveries	101.4	178.2	274.9	551.5	635.7
Financial assets at fair value through profit and loss	1,006.9	972.8	690.8	353.4	702.5
Deferred reinsurance expense	35.0	43.6	49.2	55.8	38.7
Deferred acquisition costs	0.6	-	-	-	-
Plant and equipment	9.2	25.8	20.7	15.8	11.4
Other assets	4.8	6.1	5.8	6.4	6.4
Tax assets	9.6	4.8	3.3	3.3	2.2
Intangible assets	14.2	10.4	6.9	3.7	0.2
Total Assets	1,468.2	1,545.6	1,799.0	1,777.0	1,500.1
Liabilities					
Trade and other payables	40.1	52.1	64.5	65.9	83.9
Other liabilities	4.0	28.5	17.1	13.2	9.2
Unearned premium reserve	157.9	170.1	184.9	210.5	109.9
Provisions	15.7	8.8	9.4	9.2	18.7
Outstanding claims	694.3	979.1	1,241.7	1,192.5	1,252.6
Unexpired risk reserve	-	-	-	-	14.8
Total Liabilities	912.1	1,238.6	1,517.6	1,491.3	1,489.1
Net Assets	556.0	307.0	281.4	285.8	11.0

\$'m	Audited Jun-19	Audited Jun-20	Audited Jun-21	Audited Jun-22	Mgmt Acc. Jun-23
Shareholders' equity					
Contributed equity	8.1	8.1	175.3	179.3	179.3
Reserves	546.6	-	-	-	-
Retained profit / (loss)	1.3	298.9	106.1	106.4	(168.4)
Total Shareholders' Equity	556.0	307.0	281.4	285.8	11.0

Source: Annual Financial Reports; Management Accounts

The key observations with regards to the balance sheet are:

- Overall, net assets have declined from \$556.0m at 30 June 2019 to \$11.0m as at 30 June 2023. This is consistent with the observed strengthening of claims referenced earlier in this Section. This strengthening has resulted in claims reported on the balance sheet increasing from \$694.3m at 30 June 2019 to \$1,252.6m in 30 June 2023.
- The claims reported on the balance sheet include a Risk Margin. According to AASB 1023:

“An outstanding claims liability shall be recognised in respect of direct business and reinsurance business and shall be measured as the central estimate of the present value of the expected future payments for claims incurred with an additional risk margin to allow for the inherent uncertainty in the central estimate.”
- Accordingly, the Risk Margin is effectively a contingency over and above the Gross Central Estimate to account for potential future increases in claims and does not represent a crystallised liability.
- Further, as stipulated under AASB 1023, the Company's balance sheet includes a liability for claims handling expenses which are costs associated with achieving settlements with those insured and extends to the cost of any external advisor costs associated with settlement of the respective claim.
- Over the period 30 June 2019 to 30 June 2022, the Company's current assets increased, whilst non-current assets decreased, reflecting Management's efforts to exit longer term investments in favour of more liquid investments to position the balance sheet more appropriately in the context of the increasing claims liabilities.
- This position was reversed to a degree as at 30 June 2023, as cash and cash equivalents declined from \$656.4m at 30 June 2022 to \$68.0m as at 30 June 2023. Management have advised this is as a result of the Company's capital base falling, which led to a large decline in maximum allowable counterparty limits. For the Company to not attract additional risk charges due to concentration risks, management switched out of cash and cash equivalents held with Australian banks and invested in short-term government and semi-government bonds as these counterparties do not have limits that attract risk charges.
- Trade and other receivables have declined from \$131.3m at 30 June 2019 to \$34.9m as at 30 June 2023. Management have advised this is due to minimal business being written following 29 May 2023 and no new business being written following 15 June 2023.
- Total Reinsurance Recoveries have increased from \$101.4m at 30 June 2019 to \$635.7m as at 30 June 2023. The majority of this increase occurred in 2022 and was connected with the increased Fire & ISR claims associated with the Lismore Floods, given these risks were significantly reinsured, and assumed reinsurance coverage related to the strengthening in Professional Standards claims.
- The increasing claims liability and decreasing net assets position has led the Company to voluntarily enter run-off in May 2023 and cease writing new business from 15 June 2023.

In **Table 5** the outstanding claims liabilities as per the information detailed in **Section 3.4.2** has been reconciled to the balance sheet described in this section. This reconciliation has been performed in order to illustrate the relationship between the Gross Central Estimate of claims liabilities to the current and non-current liabilities on the balance sheet, net of CHE and Risk Margin.

Table 5: Reconciliation of Outstanding Claims Liabilities from Table 3 to Balance Sheet

Reconciliation of Outstanding Claims Liabilities from Table 3 to Balance Sheet	
Breakdown of Total Claims Liabilities per Balance Sheet	\$m
Outstanding Claims Liabilities as at June 2023	1,252.6
Less: Claims Handling Expenses (CHE)	(44.7)
Less: Risk Margin (RM)*	(228.4)
Total Outstanding Claims Liabilities (excl. CHE & RM) (per Balance Sheet)	979.5
Breakdown of Total Claims Liabilities per Table 3	\$m
Long Tail Gross Central Estimate (inflated, discounted)	629.8
Long Tail Third-Party Recoveries	(1.9)
Total Long Tail Outstanding Claims Liabilities	627.9
Short Tail Gross Central Estimate (inflated, discounted)	358.0
Short Tail Third-Party Recoveries	(6.3)
Total Short Tail Outstanding Claims Liabilities	351.7
Total Outstanding Claims Liabilities per Table 3	979.5

**Risk Margin on the Balance Sheet is \$228.4m, which is presented prior to the application of \$97.1m of Reinsurance Recoveries on that Risk Margin. The Risk Margin in Table 3 is presented net of those Reinsurance Recoveries on the Risk Margin.*

Source: Management Accounts and Actuarial Report

4. The Scheme

4.1 Overview

A scheme of arrangement is a Court approved procedure under Part 5.1 of the Act 2001. A Scheme of the kind proposed by the Scheme Company is a compromise to take effect between a company and certain of its creditors (in this case, all Scheme Creditors in respect of Insurance Contracts) which becomes legally binding on the Scheme Company and on all Scheme Creditors to which it applies after:

- It is voted on at the meeting of Scheme Creditors, such vote to be passed by a majority in number (more than 50%) representing not less than 75% in value, of those Scheme Creditors who are present and voting at the meeting (either attending themselves live or by proxy, corporate representatives or attorney); and
- the Court subsequently approves the Scheme.

Once the Scheme becomes Effective it will bind the Scheme Creditors to the terms of the Scheme, irrespective of whether or not they voted in favour of Scheme or at all.

4.2 Scheme Creditors

The Scheme Creditors include creditors of the Company with a claim arising out of an Insurance Contract issued by the Company.

The following creditors of the Company are not Scheme Creditors:

- creditors who have claims arising out of Excluded Insurance Contracts;
- employees of the Company in respect of their claims for salaries and other benefits;
- creditors with claims arising in respect of the costs of implementing the Scheme;
- other service providers such as trade creditors and
- persons with claims against a person insured under an Insurance Contract, but who do not have a direct right of action against the Company (e.g. where conferred on them by statute or otherwise).

Excluded Insurance Contract claims are covered by State Workers Compensation Legislation, which is the relevant legislation covering workers compensation arrangements in the Australian Capital Territory, New South Wales, Northern Territory, Tasmania and Western Australia. Management has advised that c.\$8m of workers compensation claims in South Australia were recorded on the Company's balance sheet as at 30 June 2023 and were subsequently transferred on 1 July 2023 such that these claims no longer exist in the accounts of the Company. For simplicity and consistency, these have been treated as Excluded Insurance Contracts as part of the analysis.

State Workers Compensation Legislation operates to endorse workers compensation insurance and reinsurance policies written by the Company such that in the event of the Company's insolvency, the reinsurer will pay any loss covered by the reinsurance contract directly to the insured.

As a result, Creditors with Excluded Insurance Contract claims have direct recourse to the Company's reinsurance assets that relate specifically to these claims (**Excluded Assets**).

Any creditors who are not Scheme Creditors are not impacted by the Scheme and are not entitled to vote on the Scheme.

4.3 Scheme Assets

The assets available to Scheme Creditors include all assets of the Company, excluding:

- Assets required to settle the Non-Scheme Liabilities;

- Any Secured Assets (noting that we are not aware of any material secured assets); and
- Excluded Assets.

As noted above, the Excluded Assets are for the benefit of the Excluded Insurance Contract Claims.

4.4 Operation of the Scheme and impact on Scheme Creditors

The purpose of the Scheme is to enable the Company's liabilities in respect of Scheme Claims to be established, ascertained, handled and paid in the ordinary course until a Trigger Event (if one occurs) and to manage payments after the Trigger Event in an orderly manner to reflect the rights of Scheme Creditors in accordance with this Scheme.

4.4.1 Operation of the Scheme

The Scheme proposed by the Company is a contingent Scheme. This means that, following Implementation of the Scheme, the Scheme Company is set to follow an Initial Scheme Period whereby the Directors remain in control of the Company, payments to Scheme Creditors continue to be made in full and the financial position of the Scheme Company is closely monitored in liaison with Scheme Advisors and Creditors' Committee and the appointed Actuary.

This Initial Scheme Period ends on the date that an event, called a Trigger Event occurs. A Trigger Event occurs if the Directors have concluded in their opinion that:

- the Company would be insolvent, or would be likely to become insolvent at some future time (in each case as defined in section 95A of the Act 2001); and/or
- the value of the Company's assets would be or would be likely to become less than its liabilities taking into account its contingent and prospective liabilities.

For the purposes of this definition, "liabilities" means the Company's liabilities as recorded in its statement of financial position but excludes:

- risk margin; and
- any Shareholder Funding.

Upon the occurrence of a Trigger Event, the Company will cease to pay Scheme Claims in full and the Company will be managed during the Reserving Period with the intention that:

- the Company's Non-Scheme Liabilities continue to be met;
- the Company's liabilities in respect of Scheme Claims continue to be established and ascertained in the ordinary course;
- payments are made to those of the Company's creditors whose Scheme Claims have from time to time become Established Scheme Liabilities; and
- sufficient Liquid Assets are retained by the Company to enable the same payments to be made by the Company to those of its creditors whose Scheme Claims become Established Scheme Liabilities at a later date.

The above objectives will be met through the application of a Payment Percentage, to be set by the Scheme Advisors in consultation with the Creditors' Committee and the appointed Actuary. The Payment Percentage will be applied to agreed claims such that Scheme Creditors are paid a cents in the dollar amount in respect of those agreed claims. It is possible that over time the Payment Percentage will be increased, in which case the Scheme Creditors will receive a top-up payment, so that all Scheme Creditors are paid the same cents in the dollar amount.

The Proposed Scheme Advisors are Stephen Longley and Michael Fung of PwC Australia. The Creditors' Committee will be comprised of 3 to 10 individuals representing Scheme Creditors. The membership of the Creditors' Committee will be determined at the Scheme Meeting to be held on 31 October 2023.

During the Reserving Period the Scheme Creditors will be unable to enforce or otherwise pursue their Scheme Claims against the Scheme Company where they are seeking to receive more than they would otherwise be entitled to receive under the Scheme.

To the extent that the Scheme Advisers consider there is insufficient relevant Liquid Assets to pay the Scheme Creditor claims in full, the Payment Percentage will be set at a level to effectively cap the claims of the Scheme Claims at the realisable value of the Scheme Assets.

Based on the above and the fact that the Company is already in run-off, the practical reality of the Scheme is that, assuming a Trigger Event occurs at some future point, it will allow for a solvent wind down of the Company outside of a formal Liquidation process.

4.4.2 Purpose of the Scheme

The overarching purpose of the Scheme is to enable the Company's liabilities in respect of Scheme Claims to be established, ascertained, handled and paid in the ordinary course until the Trigger Event and to manage payments after the Trigger Event in an orderly manner to reflect the rights of Scheme Creditors and avoid the possibility that the Company becomes insolvent and it is ultimately placed into Liquidation, which, as set out in the Explanatory Statement would have the following negative impacts:

- Recoveries under reinsurance policies will likely be significantly reduced because:
 - Reinsurers with “loss occurring” reinsurance policies have the right to cancel policies and cease cover in respect of future losses suffered if the Company is insolvent or is in Liquidation. Based on the assumptions outlined in the Letter of Engagement, if these policies were cancelled it would have two potential impacts, which are explained in more detail in **Section 5**:
 - Some reinsurance assets recorded on the Company's balance sheet would be lost, although the quantum of the impact would not be material with \$10.9m estimated by the Company; and
 - If a Future Catastrophic Event were to occur, particularly in the period prior to 30 June 2024 when most Fire & ISR policies are expected to run off, then catastrophe reinsurance would not respond, which could significantly increase the pool of Claims, without any corresponding increase in the Company's assets.
 - The reinsurances may not respond to the usual proof of debt process that would apply in a Liquidation – as a result, the Company's appointed Liquidators may need to propose a scheme of arrangement on terms similar to the Proposed Scheme to maximise and manage reinsurance recoveries and enable payments to be made to affected parties. This would make the Liquidation more expensive relative to the Scheme.
- Costs of a Liquidation would be significant and it would run for many years given the statutory claim adjudication process and realisation of reinsurance recoveries. Further, pursuant to the Act, the costs of a Liquidation would be paid in priority to all other creditors which would materially reduce the return to creditors;
- A Liquidation would impact all creditors, including policyholders, employees and trade creditors;
- The Liquidator may not be able to make any distributions to creditors until most of the Company's assets have been realised and creditors' claims have been determined – which may take several years;
- A Liquidator may have issues funding defence costs in respect of some claims, which in turn may increase the ultimate liabilities due to the inability to appropriately mitigate the underlying claims;
- Partial distributions to creditors would occur in stages and would not be finalised until the affairs of the Company are wound up after many years; and
- There is no certainty that the Financial Claims Scheme would be available to any or all Scheme Creditors.

5. Comparison of the Scheme to a Liquidation

5.1 Overview

We have been engaged to provide advice in relation to:

- The expected dividend that would be available to be paid to the Scheme Creditors if the Company were to be wound up in within six months of the hearing of the application for an order under section 411(1) of the Act; and
- The expected dividend (or, in the terminology of the Scheme, total “Payment Percentage”) that would be respectively available to be paid to the Scheme Creditors if the Scheme were put into effect as proposed and the Trigger Event occurred within six months of the hearing of the application for an order under section 411(1).

The assumptions underpinning the calculations of the expected dividend available in a Liquidation and the Payment Percentage available under the Scheme are set out in **Section 6**.

In this Section, we outline:

- A high-level comparison between the expected Dividend and the expected Payment Percentage; and
- An explanation of the key differences between the Scheme and a Liquidation

5.2 Date of analysis

The engagement seeks advice in relation to the expected dividend for the Scheme Creditors under the Scheme or Liquidation, assuming the Trigger Event or the Liquidation occur within six months of the hearing of the application for orders under section 411(1) of the Act.

The present Scheme timetable envisages the application final orders occurring on or around early November 2023. Therefore, if the Trigger event or Liquidation were to occur within six months of the hearing date, this would be during the period covering approximately November 2023 to April 2024.

To assess the expected dividend for the Scheme Creditors from either the Scheme or Liquidation commencing on a date during that period would require the Company to prepare a forecast balance sheet at a particular date during that window.

Because the Company is an insurance company whose assets and liabilities are formally valued by an external actuary twice per year, at 30 June and 31 December, any forecast balance sheet prepared by the Company would be necessarily based on Management’s assumptions as to the roll off of existing liabilities post 30 June 2023 and not an updated actuarial valuation.

For this reason, it remains appropriate to base an assessment of the expected dividend for Scheme Creditors if the Trigger Event or liquidation were to occur in November 2023 to April 2024 on the 30 June 2023 balance sheet as this reflects the most up to date assessment of the Company’s actuarial assets and liabilities.

Accordingly, in answering Scope items 1 and 2 the calculations are based off the 30 June 2023 balance sheet and the Actuarial Report.

5.3 Key differences between the Scheme and a Liquidation

The key purpose of the Scheme is to avoid the Company becoming insolvent and entering administration or Liquidation.

Under the Scheme, if a Trigger Event occurs, the Company would continue to process and pay claims in the ordinary course, subject to a Payment Percentage set by the Scheme Advisers.

The Liquidation provisions set out in Part 5.6 of the Act are primarily designed to allow a Liquidator to calculate the claims of the creditors of a company as at the date of Liquidation and then realise the company’s assets so as to pay a dividend to those creditors.

These provisions are not particularly well suited to an insurance company where:

- The total quantum of creditor claims is highly uncertain as at the date of Liquidation and may not be known with any certainty until several years after the Liquidation commences; and
- A material proportion of the company's assets are reinsurance assets which cannot be recovered until such time as a claim is made by a holder of the company's policies which the company can then use as a basis for a claim under its reinsurance policies.

Part 5.6 of the Act sets out an arrangement for paying dividends to creditors which:

- Includes a highly prescriptive approach to admitting proofs of debt and paying dividends which means that each dividend requires a number of months to implement; and
- Is designed such that all creditors, including contingent creditors, participate in a dividend payment concurrently, which is problematic in circumstances where it may take some years to determine the actual quantum of debts that are currently contingent.

Furthermore, the proof of debt process set out in Part 5.6 does not align well with recovering reinsurance assets, where the Reinsurance Agreements typically will only respond to actual crystallised and accepted claims.

We have also assumed that a court would not have the power to vary the operation of Part 5.6 of the Act and, accordingly, the only way to mitigate the timing issues with regards to distributions would be for the Liquidator to propose a Scheme on a similar basis to the Scheme that is currently proposed.

If the Liquidator did not propose the Scheme (or it did not achieve the requisite approval thresholds), the Liquidator would need to manage the Liquidation within the limitations of Part 5.6 of the Act, in which circumstances the Liquidator's general approach to the Liquidation would likely be to, as far as possible, undertake an orderly run-off of the Company's insurance book by:

- Retaining as much of the Company's staff and infrastructure as required to enable claims to be assessed and processed, with a phased reduction over time in accordance with diminished workload as the book unwinds;
- Delaying calling for proofs of debt and instead allowing the Company's employees to continue to handle claims in the ordinary course subject to existing processes and procedures, with appropriate delegated authorities to deal with approvals required from the Liquidator;
- Seeking to maximise recoveries from reinsurance assets; and
- Declaring and paying dividends to creditors as frequently as possible within the bounds of Part 5.6 of the Act.

While the above approach may protect the reinsurance assets, there would be significant additional costs in implementing these procedures as compared to the Scheme.

However, there are a number of fundamental differences between the Scheme and a Liquidation which could not be resolved through the above approaches, which are summarised in **Table 6**.

Table 6: Differences between the Scheme and Liquidation

Issue	Scheme	Liquidation
Termination risk associated with reinsurance policies	Under the Scheme the Company would avoid insolvency so any risks associated with insolvency termination clauses in its Reinsurance Agreements would be avoided.	<p>We have been requested to assume that all Reinsurance Agreements (other than the ADC Agreement) can be cancelled in a Liquidation. For risk attaching policies this will not impact the reinsurers' liability.</p> <p>For loss occurring policies – losses occurring after the date of cancellation will not be indemnified.</p> <p>As foreshadowed in 1.3 are two potential financial impacts arising from this assumed cancellation:</p> <ul style="list-style-type: none"> ■ Loss of a portion of the loss occurring Reinsurance Assets included on the Company's 30 June 2023 balance sheet – based on information provided by the Company, this impact is assumed to be \$10.9m; and ■ The loss of loss occurring reinsurance cover associated with a Future Catastrophic Event, if such an event were to occur after the termination of the relevant reinsurance policies has occurred. <p>We have provided two examples of potential Future Catastrophic Events to illustrate how this issue may impact on recoveries to Scheme Creditors under the Scheme as compared with a Liquidation.</p>
Costs	<p>Once the Scheme is implemented, the only incremental material costs over the existing cost of operating the Company's business are the costs of the Scheme Advisers.</p> <p>The costs of the Scheme Advisers are likely to be materially less than the costs of a Liquidation because:</p> <ul style="list-style-type: none"> ■ The Board remains in control of the Company and the Scheme Advisers would not have responsibility for managing the Company (even after a Trigger Event had occurred) ■ There is likely to be a much lower level of litigation under the Scheme as compared with a Liquidation. 	<p>The costs of a Liquidation are likely to be substantially higher than a Scheme because:</p> <ul style="list-style-type: none"> ■ The Liquidator would either need to seek to implement a Scheme similar to the Proposed Scheme or otherwise manage the Liquidation within the bounds of Part 5.6 of the Act, which would be a less efficient process as compared with the Scheme and therefore incur material costs. ■ The Liquidator would have responsibility for the operation of the business and personal liability for any debts incurred. As a result, the Liquidator (or their staff) would need to oversee the business more closely than the Scheme Advisers and approve all debts / expenses incurred by the Company. ■ There is a significantly higher probability of litigation in a Liquidation, which would most likely arise from reinsurers or other parties

Issue	Scheme	Liquidation
		<p>seeking to use the Liquidation to avoid meeting contractual obligations and the Liquidator being required to commence litigation to enforce the Company's rights.</p> <ul style="list-style-type: none"> ■ The Liquidator may also need to seek directions from the Court on various issues, particularly given the limitation on a Liquidator entering into contracts with a duration in excess of three months, adding to the overall cost of the Liquidation.
<p>Timing of payments to creditors</p>	<p>Under the Scheme the Company is expected to continue to handle and pay claims in the ordinary course, subject to the Payment Percentage set by the Scheme Advisers.</p> <p>From a timing perspective, other than a short pause of up to 90 days after a Trigger Event has occurred to allow for the Payment Percentage to be set, Scheme Creditors can expect to receive payment of their claims in the same timeframes as the Company processed claims prior to commencement of the Scheme, and at most 60 days.</p>	<p>The timing of distributions to Scheme Creditors under a Liquidation would be uncertain.</p> <p>Even if the Liquidator was able to successfully implement a Scheme similar to the Proposed Scheme, there would likely be a delay of several months following the commencement of the Liquidation whilst the Scheme was prepared and approved.</p> <p>If the Liquidator was unable to implement a Scheme, the Liquidator would be required to manage the Liquidation within the bounds of Part 5.6 of the Act, in which case it is possible that the Liquidator may need to wait until the vast majority of claims had crystallised so as to be in a position to assess and admit the claims of all creditors and pay an interim or final dividend to all creditors on a pro-rata basis.</p> <p>As a matter of practical reality, it is not possible to model the timing of any interim or final dividends to creditors in a theoretical insolvency with any degree of certainty.</p>
<p>Quantum of claims</p>	<p>Under the Scheme, defence costs available to Scheme Creditors under some types of Insurance Contracts would be paid in the ordinary course.</p> <p>This would allow Scheme Creditors to mitigate claims against them, therefore potentially reducing the overall quantum of Scheme Creditor claims.</p>	<p>In a Liquidation it may be problematic for the Liquidator to pay such defence costs given uncertainty as to whether those costs were a provable claim in the Liquidation, and if they were, the requirement of the Liquidator to treat them in the same manner as other unsecured claims and pay them in accordance with the dividend procedures set out in Part 5.6 of the Act. If defence costs could not be paid to creditors, it is possible that claims would be materially higher (given creditors' inability to mitigate their own claims).</p>

Issue	Scheme	Liquidation
		It is not possible to quantify the impact of this with any degree of accuracy.

5.3.1 Clawback Actions

In a winding up there would be the potential for clawback actions available to a Liquidator with respect to voidable transactions as defined in the Act.

Pursuant to clause 34.2 and 34.3 of the Scheme, the Scheme Advisors must, as soon as reasonably practicable following the Trigger Date, ensure that a review of any potential causes of action which might be available in an insolvent liquidation of the Company be carried out and that the results of such review are reported to the Creditors' Committee.

Further, if deemed necessary, and after consultation with the Creditors' Committee, subject to applicable law, the Company may be put into liquidation so that such causes of action can be readily pursued. In this scenario, the Scheme will survive the Company being put into Liquidation.

We note that we have not undertaken an investigation into possible voidable transactions that may be available to a Liquidation for the purposes of this Report, as the Company is not currently insolvent.

5.3.2 Financial Claims Scheme

The Financial Claims Scheme (**FCS**) is an Australian Government Scheme that provides protection to deposit holders with Australian incorporated banks, building societies and credit unions (known as authorised deposit-taking institutions or ADIs) and general insurance policyholders and claimants, in the unlikely event that one of these financial institutions fails.

If the Company were to enter Liquidation, the relevant Minister may activate the FCS. The FCS covers most general insurance policies for claims up to \$5,000, with claims above \$5,000 eligible if they fulfil certain criteria.

Recoveries from the FCS have not been included in any calculation of the expected dividend available to Scheme Creditors in the event of a Liquidation because:

- It is not certain that the FCS would apply in a Liquidation; and
- Even if the FCS did apply, calculating the benefit from it would require:
 - An analysis of the total debt owing to Scheme Creditors on a claim by claim basis; and
 - Forming an opinion as to whether any claims above \$5,000 would be eligible based on the criteria set out by the FCS.
- Any analysis undertaken based on the above would have to be completed on a portfolio basis based on assumptions as to the composition of IBNR claims (number and value) and would be highly theoretical.

5.4 Impact of Future Catastrophic Event

The Claims reported on the Company's balance sheet do not assume a Future Catastrophic Event occurs. As outlined above, a Future Catastrophic Event is particularly relevant to the expected dividend for Scheme Creditors if the Company were to go into Liquidation because:

- As set out in assumptions in the Letter of Engagement:
 - the Company's loss occurring reinsurance cover is subject to cancellation; and
 - if the reinsurance cover is cancelled then there would be no reinsurance recoveries available in respect of the Company's loss occurring catastrophe reinsurance program.

- A key component of the Company’s reinsurance program is catastrophe cover. The Company has advised that it currently has c.\$600m of catastrophe coverage in place to cover claims arising from catastrophic events through to 31 December 2023, with this coverage stepping down to c.\$200m for the period 1 January 2024 to 30 June 2024.
- If a catastrophic event were to occur prior to the bulk of the Fire & ISR policies running off in mid-2024, then there could be substantial claims liabilities added to the Company’s balance sheet, which would increase the overall pool of Scheme Creditor claims without any corresponding increase in assets available to meet those claims.

In order to illustrate the impact of a Future Catastrophic Event, two illustrative examples have been considered:

- **Future Catastrophic Event 1:** we have sought to replicate the impact of the Lismore Floods, which occurred in the Northern Rivers region of New South Wales in early 2022, as representative of the type of event that could theoretically occur.
- **Future Catastrophic Event 2:** we have been provided with an illustrative calculation of the potential insurance consequences, losses and associated reinsurance recoverable in the event there was a malicious attack on a large church, similar to St Mary’s Cathedral in Sydney, New South Wales during mass on a Sunday. This scenario has been developed by the Company as a means of determining other accumulations, which are required for the submission of their capital adequacy calculations to APRA.

5.4.1 Future Catastrophic Event – Lismore Flood

Based on information provided by the Company, the impact of the Lismore Floods (including the benefit of the reinsurance recoveries) can be summarised as follows:

Table 7: Impact of Lismore Flood Event

Impact of Lismore Flood Event		\$'m
Total claims incurred		165.5
<i>Less: Quota share and surplus reinsurance recoveries (risk attaching policies)</i>		89.0
Claims incurred after risk attaching reinsurance recoveries		76.5
<i>Less: Catastrophe reinsurance recoveries (net of \$10m deductible)</i>		66.5
Net exposure		10.0

Source: 24.36 CAT 2023.7 – July – Finance.

As **Table 7** above explains:

- The gross claims liability incurred by the Company arising from the Lismore Floods was \$165.6m.
- This liability was reduced by \$89.0m to \$76.5m as a result of recoveries under risk attaching insurance policies. Risk attaching policies operate such that the reinsurer pays the Company for losses arising from policies issued (or renewed) or in force during the reinsurance contract period, regardless of when the losses occur. The Company has risk attaching reinsurance policies in place covering the remaining period during which it will have underlying Fire & ISR risk exposure (i.e. through to mid-2024) and it is not expected this reinsurance cover could be terminated in a Liquidation (or if it was terminated the reinsurance would continue to respond to claims associated with the underlying insurance contracts in force during the reinsurance period).
- Of the remaining \$76.5m of claims after deducting the risk attaching reinsurance recoveries, the Company recovered \$66.5m from its catastrophe reinsurance policies, with the exception of the \$10m deductible, which comprised the Company’s net exposure. The Company’s catastrophe reinsurance is contracted on a loss occurring basis which means that the reinsurer pays the Company for all losses incurred during the reinsurance contract period. If the Future Catastrophic Event occurred after the termination of this coverage as a result of a Liquidation, then this reinsurance cover would not be available.

Based on the above, if the Lismore Flood event occurred again in circumstances where the Company had entered Liquidation and its catastrophe reinsurance cover had been cancelled, it is assumed that the total creditor pool would

increase by \$76.5m being the net exposure before reinsurance recoveries, whereas in the Scheme scenario, it is assumed the impact would be an increase of \$10m to the Scheme Creditor pool, being the Company's net exposure (i.e. essentially the reinsurance deductible set out in Table 8) in circumstances where the loss occurring catastrophe reinsurance policy was available.

It is important to note that this is a theoretical and highly simplified analysis that has been provided purely for illustrative purposes to provide an indication of the potential impact a Future Catastrophic Event could have on the Scheme Creditors should the Company proceed into Liquidation and its reinsurance policies be cancelled.

Whether such an event would have an impact of the magnitude equivalent to the example applied in this case would depend upon numerous factors including:

- The size and scale of the event and its location. The Lismore Floods was the largest catastrophe event that the Company has experienced in its history – it is possible that any future event could have a materially smaller financial impact;
- The point in time at which the event occurred, having regard to the fact that the Company is in run off, with the bulk of its Fire & ISR book expected to largely run off by mid-2024 (i.e. the further into the future the event occurred, the lower the likely impact given the Company's underlying exposure is expected to reduce over time);
- The number, type and value of the assets insured by the Company in the particular area impacted by the event; and
- The value of any refund of the reinsurance premiums paid recoverable by the Company from the reinsurer. It is assumed that no premium is recoverable in this illustrative example.

5.4.2 Future Catastrophic Event – Church Attack

According to APRA, specifically Prudential Standard GPS 116, insurers must determine their portfolio's Other Accumulations (**OA**) Probable Maximum Loss (**PML**) if they are exposed to accumulations of losses which arise from a common dependent source or non-natural perils. OA PML refers to the gross loss arising from the occurrence of a single event, such that the size of the loss from the event is equal to the whole of the portfolio loss with a 0.5% probability of occurrence. All business classes should be considered in determining the scenario causing the largest loss, and allowances for potential reinsurance recoverables should not be included.

Insurers with exposure to other accumulations are able to reduce their OA PML for losses within their other accumulations scenario that are already allowed for in their premium liabilities. This amount is to be determined by the Company's Appointed Actuary and should be included in the Insurance Liability Valuation Report.

Consequently, Future Catastrophic Event 2 has been prepared by the Company as a means of determining Other Accumulations required for the submission of their capital adequacy calculations to APRA. This scenario relies on loss-occurring excess public and products and catastrophe reinsurance and is therefore considered appropriate, as these insurance covers may be lost to the Company in the event of becoming insolvent or going into administration.

In the illustrative example provided by the Company, an individual or group of individuals undertake a bombing on one of the largest churches in Sydney during mass on a Sunday, noting that the incident is deemed to not be an act of terror.

The consequences are:

- The bomb causes significant damage to the church and surrounding areas including the car park, cars and neighbouring Catholic school; and
- The bomb results in 645 deaths and 1,505 injuries across parishioners, church employees, students and volunteers.

Based on information provided by the Company, the impact of a hypothetical church attack can be summarised as follows:

Table 8: Impact of Church Attack Event

Impact of Church Attack Event		\$'m
Total claims incurred		633.3
Less: Reinsurance recoveries from risk attaching policies		88.0
Net exposure following risk attaching policies		545.3
Less: Catastrophe reinsurance recoveries (loss occurring policy)		(537.3)
Net exposure following loss occurring policies		8.0

Source: 24.36 CAT 2023.7 – July – Finance

As **Table 8** above explains:

- The potential gross claims liability incurred by the Company arising from such an event would be \$633.3m.
- This liability would be reduced by \$88.0m as a result of recoveries under risk attaching insurance policies. Risk attaching policies operate such that the reinsurer pays the Company for losses arising from policies issued (or renewed) or in force during the reinsurance contract period, regardless of when the losses occur.
- Of the remaining \$545.3m of theoretical claims remaining after deducting the risk attaching reinsurance recoveries, the Company would expect to recover \$537.3m from its loss occurring catastrophe reinsurance policies, leaving the Company's net exposure at \$8m.

Based on the above, if the event outlined were to occur in circumstances where the Company had entered Liquidation and its catastrophe reinsurance cover had been cancelled, it is assumed that the total creditor pool would increase by \$545.3m, being the Company's assumed net exposure; whereas in the Scheme scenario, it is assumed the impact would be an increase of \$8m to the Scheme Creditor pool, being the Company's net exposure in circumstances where the catastrophe reinsurance policy was available.

As set out earlier in relation to the Lismore Flood event example, this example event is a theoretical and highly simplified analysis that has been provided purely for illustrative purposes to provide an indication of the potential impact a Future Catastrophic Event could have on the Scheme Creditors should the Company proceed into Liquidation and its reinsurance policies be cancelled.

5.5 Summary comparison of expected Dividend and Payment Percentage

The estimate of recoveries on a cents in the dollar basis for Scheme Creditors in the three scenarios is summarised in **Table 9** below:

Table 9: Summary of Estimated Return to Scheme Creditors

Scenario	Scheme		Liquidation	
	High Cents/\$	Low Cents/\$	High Cents/\$	Low Cents/\$
No Future Catastrophic Event	100.00	88.23	97.99	87.54
With Future Catastrophic Event 1	100.00	87.38	90.54	82.33
With Future Catastrophic Event 2	100.00	87.55	60.87	59.54

Source: FTI Analysis; Company Financials

As noted above, **Section 6** details the methodology and assumptions utilised in arriving at these estimated returns to Scheme Creditors.

Note that a High and Low case for each of the Scheme and Liquidation scenarios has been prepared, the key differences between these being:

- The company records a Risk Margin of \$228.4m on its balance sheet, which net of reinsurance assets is \$131.3m, reflecting the inherent uncertainty in the Central Estimate of outstanding claims liabilities. It is therefore possible that this contingency will be crystallised in the form of further claims. Equally it is possible that those claims do not

materialise. In order to demonstrate the variation this could have on returns to Scheme Creditors, in both the Scheme or a winding up:

- In the High case, it is assumed the Risk Margin does not materialise, so this provision has been excluded from the total quantum of Scheme Creditors / unsecured creditors;
- In the Low case, the Risk Margin materialises in full, so it has effectively been treated as a claim sitting alongside the other claims forming the total quantum of Scheme Creditors / unsecured creditors.
- \$97.1m of the Company's Reinsurance Assets are attributable to the aforementioned Risk Margin associated with various outstanding claim liabilities. As it is assumed that the Risk Margin will not crystallise in the High case for either the Scheme or a winding up, the potential asset recovery associated with this potential liability has also been excluded;
- Treatment of the Company's Unearned Premium Reserve which represents the unearned portion of gross premiums on current policies. Following implementation of the Scheme, this liability would unwind in the ordinary course in both the High and Low case. However, in the event of a winding up, it is assumed:
 - In the High case that this liability is unwound through ongoing operations; and
 - In the Low case that the appointed external administrator would disclaim onerous contracts representing 50% of the Unearned Premium Reserve and the corresponding refund due to those policyholders would constitute an unsecured claim in the winding up.
- In the Liquidation scenario only \$10.9m of reinsurance recoveries has been removed in line with the assumption that it will not be recoverable, on the basis they are associated with loss occurring reinsurance policies that will be terminated in a Liquidation;
- The cost of administering either the Scheme or the winding up of the Company, as it is inherently difficult to predict with any degree of accuracy the costs of the Scheme administration or the Liquidation of an insurance company - the High and Low range assumptions for this cost component are detailed in **Section 6.5**; and
- Similarly, it is difficult to predict litigation costs with any degree of accuracy, however illustrative provisions for additional litigation costs in a Liquidation of \$5m in the High case and \$10m in the Low case have been included.

6. Expected dividend to Scheme Creditors

6.1 Overview

As detailed in **Section 5** we have been engaged to provide advice in relation to both the expected dividend that would be available to be paid to the Scheme Creditors if the Scheme Company were to be wound up and the expected dividend (or Payment Percentage) that would be respectively available to be paid to the Scheme Creditors if the Scheme were put into effect as proposed.

In doing so, we have had regard to:

- The impact on the Company's assets (including any reinsurance assets);
- The impact on the Company's liabilities (including its contingent liabilities); and
- The impact on costs (including Liquidators' costs and the other costs associated with a winding up as compared with the costs of implementing the Scheme).

The analysis has been conducted based on calculations off the 30 June 2023 balance sheet and Actuarial Report for the reasons outlined in **Section 5.2**.

6.2 Approach and summary of outputs

The analysis has been approached in the following order:

- Firstly, we have estimated the total value of the assets available to satisfy the claims of the Scheme Creditors under the Scheme and in a Liquidation – this is set out in **Section 6.3**;
- Secondly, we have adjusted this total value of assets to take account of payment of Non-Scheme Creditors and allocation of Excluded Assets to the Excluded Insurance Contract claims – this is set out in **Section 6.4**;
- Thirdly, we have estimated the total Costs of Administration for both the Scheme and the Liquidation – this is set out in **Section 6.5**;
- Fourthly, we have illustrated the impact of the priority which Scheme Creditors would have over Reinsurance Assets in a potential winding up of the Company – this is set out in **Section 6.6**;
- Fifthly, we have estimated the Priority Claims that would need to be settled prior to any distribution to the Scheme Creditors – this is set out in **Section 6.7**. These amounts include:
 - In the case of the Scheme, payments to Non-Scheme Creditors; and
 - In a Liquidation, payments to creditors afforded priority under s556 of the Act (i.e. employee claims).
- Finally, in **Section 6.7** we have estimated:
 - The assets available to Scheme Creditors (in the Scheme) and unsecured creditors (in the Liquidation), by deducting the Costs of Administration and the Priority Claims from the total available assets.
 - The Payment Percentage under the Scheme and the expected dividend in a Liquidation, in cents in the dollar terms, based on the net available assets as calculated above and the estimated Scheme Creditors (In a Scheme) and total unsecured claims (in a Liquidation).

We step through each of these calculations in the remainder of this Section.

As a result of the analysis detailed above, the expected dividend respectively available to Scheme Creditors if the Scheme was effectuated as proposed and in the event of a winding up, is calculated as per **Table 10**.

Table 10: Return for Scheme Creditors

\$'m	Scheme			Liquidation	
	Ref.	High	Low	High	Low
Total Available Assets	6.3	1,347.4	1,347.4	1,336.5	1,336.5
Settlement of Working Capital Liabilities	6.4	(230.6)	(230.6)	(183.6)	(124.2)
Net Excluded Insurance Contract Settlement	6.4	(39.2)	(62.5)	(39.2)	(62.5)
Risk-Margin Reinsurance	6.4	(97.1)	-	(97.1)	-
Assets after Deducting Priority Workers Compensation Claims		980.5	1,054.3	1,016.6	1,149.9
Cost of Administration	6.5	(130.4)	(135.4)	(150.4)	(160.4)
Assets Available after costs of Administration		850.1	919.0	866.3	989.5
Reinsurance Assets applied as priority to Scheme Creditors	6.6	-	-	(564.0)	(661.1)
Amount Available for Priority Creditors		850.1	919.0	302.3	328.4
Net Priority Creditor Claims	6.7	(2.2)	(4.4)	(15.0)	(17.6)
Surplus Available to Scheme Creditors / Unsecured Creditors		847.9	914.6	287.2	310.8
Total Scheme Creditors / Unsecured Claims	6.7	(831.5)	(1,036.7)	(306.4)	(473.8)
Unsecured cents/\$		100.00	88.23	93.75	65.60
Scheme Creditor Amount Received from Reinsurance Assets		-	-	564.0	661.1
Scheme Creditor Amount Received as part of Unsecured Creditor Pool		831.5	914.6	250.8	246.4
Total Scheme Creditor Amount Received		831.5	914.6	814.8	907.5
Total Scheme Creditor Claims		831.5	1,036.7	831.5	1,036.7
Scheme Creditors cents/\$		100.00	88.23	97.99	87.54

Source: FTI Analysis; Company Financials

6.3 Value of the assets of the Scheme Company

Table 11: Value of the assets of the Scheme Company

\$'m	#	Jun-23	Scheme		Liquidation			
			Excluded Insurance Contracts Adj	Jun-23 excl. Excluded Insurance Contracts	High	Low	High	Low
Cash and cash equivalents		68.0	-	68.0	68.0	68.0	68.0	68.0
Trade and other receivables		34.9	-	34.9	34.9	34.9	34.9	34.9
Reinsurance assets	1,2	674.5	(2.5)	672.0	672.0	672.0	661.1	661.1
Investment assets	2	702.5	(130.0)	572.5	572.5	572.5	572.5	572.5
Other assets	3	20.2	-	20.2	-	-	-	-
Total Available Assets		1,500.1	(132.5)	1,367.6	1,347.4	1,347.4	1,336.5	1,336.5

Source: Management Accounts and Actuarial Report

In calculating the value of the assets of the Scheme Company, the analysis is based on the total assets presented on the balance sheet as at 30 June 2023 which are \$1,500.1m.

The following adjustments have then been made:

1. In the Liquidation scenario only, \$10.9m of reinsurance recoveries has been removed, in line with the assumption that they will not be recoverable on the basis they are associated with loss occurring reinsurance policies that will be terminated in a Liquidation.
2. Assets that specifically relate to Excluded Insurance Contracts have been removed, including Excluded Insurance Contract Reinsurance of \$2.5m and associated assets held as security of \$130.0m, with those amounts applied

directly to the relevant Excluded Insurance Contracts in **Section 6.4**. This adjustment is relevant in both the Scheme and Liquidation scenarios as Excluded Insurance Contracts have priority recourse to these assets pursuant to relevant state Workers' Compensation legislation.

- The asset base has been reduced by \$20.2m of assets which comprise right of use, intangibles, prepayments, tax assets and immaterial miscellaneous fixed assets which are unlikely to be capable of being converted into cash for the purposes of funding policyholder claims in either the Scheme or a winding up.

6.4 Assets available after adjusting for Non-Scheme Creditor payments and Excluded Insurance Contracts

The total value of assets set out in the previous sub section has then been adjusted to take account of payment of Non-Scheme Creditors and allocation of Excluded Assets to the Excluded Insurance Contracts. These assumptions can be summarised as:

- Any Non-Scheme Creditors, including ordinary trade creditors, are paid in full in the ordinary course pursuant to the terms of the Scheme. In contrast, in the event of Liquidation, these liabilities would crystallise and form part of all unsecured creditors, ranking on par with Scheme Creditors.
- Under the Scheme, the Company's existing catastrophe reinsurance is expected to remain in place, whereas in a Liquidation it is potentially subject to termination as a result of the enlivenment of insolvency termination clauses in the relevant reinsurance contracts. Therefore, if a Future Catastrophic Event were to occur in a Liquidation, it is possible that substantial claims would be added to the Company's balance sheet without any offsetting reinsurance claims. Illustrative examples of Future Catastrophic Events demonstrating the potential impact of the loss of catastrophe reinsurance on the Company's liabilities are also included – i.e. liabilities could materially increase if there is a Future Catastrophic Event after the reinsurance policies have been terminated in a Liquidation.

Further, defence costs available to Scheme Creditors under some types of Insurance Contracts would be paid in the ordinary course in the Scheme, as compared to a Liquidation where it would be problematic for the Liquidator to fund such defence costs given uncertainty as to whether those costs were a provable claim in the Liquidation and the potential issues created with attempting to fund these via dividends. If defence costs could not be paid to policyholders, it is possible that claims would be materially higher (given policyholders' inability to mitigate them). It is not possible to quantify the impact of this with any degree of accuracy.

The calculations are set out in the following table:

Table 12: Assets available after adjusting for Non-Scheme Creditor payments and Excluded Insurance Contracts

\$'m					Scheme		Liquidation	
	#	Jun-23	Excluded Insurance Contracts Adj	Jun-23 excl. Excluded Insurance Contracts	High	Low	High	Low
Total Available Assets		1,500.1	(132.5)	1,367.6	1,347.4	1,347.4	1,336.5	1,336.5
Working Capital / Other Liabilities								
Trade and Other Payables	1	(19.1)	-	(19.1)	(19.1)	(19.1)	-	-
Reinsurance Payables	2	(64.8)	-	(64.8)	(64.8)	(64.8)	(64.8)	(64.8)
Other Liabilities	3	(9.2)	-	(9.2)	(9.2)	(9.2)	-	-
Provisions	4	(10.6)	-	(10.6)	(10.6)	(10.6)	-	-
Unearned Premium Reserve	5	(124.7)	5.9	(118.8)	(118.8)	(118.8)	(118.8)	(59.4)
Employee Entitlements		(8.2)	-	(8.2)	(8.2)	(8.2)	-	-
Total Working Capital / Other Liabilities				(230.6)	(230.6)	(230.6)	(183.6)	(124.2)
Assets Available after Settling Net Working Capital Liabilities					1,116.8	1,116.8	1,152.9	1,212.3

\$'m				Scheme		Liquidation		
	#	Jun-23	Excluded Insurance Contracts Adj	Jun-23 excl. Excluded Insurance Contracts	High	Low	High	Low
Adjustments to Asset Recoveries								
Total Excluded Insurance Contracts		N/A	(194.9)	N/A	(171.7)	(194.9)	(171.7)	(194.9)
Less: Excluded Insurance Contracts Collateral Assets		N/A	130.0	N/A	130.0	130.0	130.0	130.0
Less: Excluded Insurance Contracts Reinsurance Assets	6	N/A	1.5	N/A	1.5	1.5	1.5	1.5
Less: Excluded Insurance Contracts Third Party Recoveries		N/A	0.9	N/A	0.9	0.9	0.9	0.9
Net Excluded Insurance Contract					(39.2)	(62.5)	(39.2)	(62.5)
Risk-Margin Reinsurance Asset	7				(97.1)	-	(97.1)	-
Assets after Deducting Excluded Insurance Contracts					980.5	1,054.3	1,016.6	1,149.9

Source: Management Accounts and Actuarial Report

The key observations with regards to the calculation of assets are:

1. Represents trade creditors, accrued expenses, levies and other trade payables. In the event that the Scheme were put into effect as proposed, this would fall into the definition of Non-Scheme Creditors. Non-Scheme Creditors are paid in full in the ordinary course pursuant with the terms of the Scheme. In the event of a winding up of the Company, these creditors would crystallise as at the date of appointment of an external administrator and would be able to lodge a claim in the winding up.
2. Reinsurance Payables are amounts currently payable to reinsurers. Following the Scheme coming into effect as proposed, and similar to ordinary trade creditors, Non-Scheme Creditors, which include premiums due to the reinsurers, are paid in full pursuant with the terms of the Scheme. In a winding up scenario, whilst these might relate to pre-appointment claims, it is assumed that the Company would seek to pay the relevant insurance policies, so as to maximise the recoveries under those policies and preserve the value of the Reinsurance Agreements, to the extent possible, for the benefit of all creditors. It is assumed that the loss occurring portion of the reinsurance policies would be subject to termination in a Liquidation. If those policies were terminated, it is possible that any related reinsurance payable would not need to be paid (and there may be a pro-rata refund of any amounts that had been paid) but based on the information provided, it has not been possible to individually identify those items (from the total balance of Reinsurance payables) and it is assumed the entire reinsurance payable balance is settled by the Liquidator along with any pro-rata refund of premium already paid.
3. Other Liabilities represent deferred lease liabilities which pursuant to the Scheme would be paid out in full, whilst in a winding up would crystallise and form a claim in the external administration.
4. Provisions on the balance sheet as at 30 June 2023 comprise provisions for onerous contracts and make good on office leases. Pursuant to the Scheme, any Non-Scheme Creditors including any amounts which become payable under onerous contracts and lease obligations must be satisfied in full. In a winding up, these claims would crystallise and form a claim in the external administration.
5. Unearned Premium Reserve represents the unearned portion of gross premiums on current policies issued by CCI. Of this, \$5.9m of this relates to Workers Compensation policies which are excluded from the Scheme and therefore the 30 June 2023 balance sheet has been adjusted accordingly when performing the analysis. Following implementation of the Scheme, this liability would unwind in the ordinary course. However, in the event of a winding up, it is assumed:
 - a. In the High case that this liability is unwound through ongoing operations; and

- b. In the Low case that the appointed Liquidator would disclaim 50% of the onerous contracts and the refund of the remaining premiums would constitute an unsecured claim in the winding up.
6. Pursuant to the Scheme, creditors in respect of Excluded Insurance Contracts, and associated assets that secure these claims, are Non-Scheme Creditors. These have therefore been adjusted when performing the assessment of the assets available for Scheme Creditors. It is noted that any deficit in the net position of creditors in respect of Excluded Insurance Contracts (after taking account of assets secured in favour of these policies) are Non-Scheme Creditors and are therefore paid in advance of Scheme Creditors pursuant to the terms of the Scheme. These are summarised as follows:
- Total workers compensation claims represent all claims, claims handling expense and Risk Margin of the total outstanding creditors in respect of Excluded Insurance Contracts;
 - Fixed income held as collateral for Excluded Insurance Contracts being \$130.0m as at 30 June 2023;
 - Excluded Insurance Contracts portion of total reinsurance recoveries being \$1.5m; and
 - Excluded Insurance Contracts portion of third party recoveries being \$0.9m.
- In a Liquidation, it is assumed that any deficit in the net position of the Excluded Insurance Contracts (i.e. any amounts owing to creditors with claims under these contracts, after taking account of assets secured in favour of these policies) would be paid out in full, in line with the assumption that workers' compensation policyholders will be paid in full in a winding up of the Company as a consequence of the special rights afforded to these policyholders under the relevant state based legislation (see **Section 1.3.2**).
- Therefore, the treatment of Excluded Insurance Contracts is essentially the same under the Scheme and a Liquidation.
7. A portion of the Company's Reinsurance Assets are attributable to the Risk Margin associated with various outstanding claim liabilities. As it is assumed that the Risk Margin will not crystallise in the High case for either the Scheme or a winding up, the potential asset recovery associated with this potential liability has been excluded in the High case.

6.5 Cost of administering Scheme or winding up

This section sets out the costs that the Scheme Company (in the case of the Scheme) or the Liquidator (in the case of a winding up) would incur in completing the run-off of the Company.

It is assumed that under either the Scheme or a Liquidation, the underlying business of the Company (i.e. employees, IT, offices and other infrastructure) would need to remain in place for a number of years, primarily to facilitate the processing of creditors' claims and associated claims against reinsurers, as well as to manage and realise the Company's portfolio of investment assets to enable payment of claims.

Under both the Scheme and Liquidation, there is an allowance for an estimated 5 years of operating costs, which is assumed to step down over time as the business infrastructure shrinks to fit the reducing claims and asset pool. The illustrative estimate of the Costs of Administration for the Scheme and Liquidation is set out below.

Table 13: Costs of Scheme Administration or Liquidation

\$'m	#	Scheme		Liquidation	
		High	Low	High	Low
Assets after Deducting Workers Compensation Claims		980.5	1,054.3	1,016.6	1,149.9
Ongoing Expenses	1	(125.4)	(125.4)	(125.4)	(125.4)
Liquidators' Remuneration and Fees	2	-	-	(20.0)	(25.0)
Litigation	3	-	-	(5.0)	(10.0)
Scheme Administrators' Remuneration and Fees	4	(5.0)	(10.0)	-	-
Total Operating Costs		(130.4)	(135.4)	(150.4)	(160.4)
Amount Available after cost of Administration		850.1	919.0	866.3	989.5

Source: FTI Analysis; Company Financials

1. The July 2023 management accounts of the Company illustrates \$3.5m of costs were incurred in the month in relation to managing existing claims and the continued day to day operation of the Company. It is assumed that costs of this nature will occur throughout the course of either the Scheme Administration or Liquidation over a period of five years.

Specifically, over the period from November 2023, after the Scheme is forecast to implemented, to the conclusion of FY24 in June 2024 it is assumed that the \$3.5m of costs incurred in July 2023 will continue. Thereafter a 33% decrease in monthly expenses for the following two years is assumed, in light of the reduced claims balance associated with the Company's short tail portfolio. For the remaining periods out to five years from the implementation of the Scheme, we have forecast a gradual decline in expenses of 25% each financial year. We note that the balance sheet of the Company as at 30 June 2023 includes claims handling expenses of \$44.7m which is a provision required under AASB 1023 for the costs associated with receiving, managing and settling claims which is anticipated to unwind as part of the forecast ongoing expenses.

Table 14: Run-off Costs

Run-off Costs			
Period	Months	\$'m/Month	Total (\$'m)
Nov-23 to Jun-24	8	3.5	28.0
FY25	12	2.3	28.2
FY26	12	2.3	28.2
FY27	12	1.8	21.1
FY28	12	1.3	15.9
FY29	4	1.0	4.0
Total	60		125.4

Source: FTI Analysis; Company Financials

2. The costs of a Liquidation are likely to be substantially higher than a Scheme as under a Scheme the board remains in control of the Company and the Scheme Advisors would not have responsibility for managing the Company on a day to day basis as a Liquidator would. Further, the Liquidator would have responsibility for the operation of the business and personal liability for any debts incurred. As a result, the Liquidator (or their staff) would need to oversee the business more closely than the Scheme Advisers and approve all debts / expenses incurred by the Company, which would increase the cost of the Liquidation as compared to the Scheme. It is difficult to predict with any degree of accuracy the costs of Liquidation of an insurance company, however the following illustrative assumptions have been made in in the High and Low Cases:
 - a. High: \$6.0m in the first two years of the Liquidation as the appointed Liquidator will be required to expend significant effort in establishing control of the Company. Thereafter \$4.0m in year three, followed by \$2.0m in year four and five as short tail liabilities expire and the volume of claims outstanding declines.
 - b. Low: An additional 25% to the costs outlined in the High case above reflecting a greater degree of complexity which may unfold in the winding up of the Company.
3. Further, there is likely to be a much lower level of litigation under the Scheme as compared with a Liquidation, which would most likely arise from reinsurers or other parties seeking to use the Liquidation to avoid meeting contractual obligations and the Liquidator being required to commence litigation to enforce the Company's rights. Again, it is difficult to predict litigation costs with any degree of accuracy, but we have included illustrative provisions for litigation costs in a Liquidation of \$5m in the Low case and \$10m in the High case.
4. Scheme Advisers' fees are assumed to be approximately \$5m over the course of the 5 year period in the High case and \$10m in the Low case. This is a high level, illustrative estimate, given it is difficult to forecast these costs with any degree of accuracy. These costs would not apply in Liquidation.

6.6 Scheme Creditors priority over Reinsurance Assets

In a winding up, pursuant to Section 562A of the Act, creditors with insurance claims have priority over Reinsurance Assets. In this Section we show the effect of this priority and calculate the net Scheme Creditor claim amount for use in **Section 6.7** in detailing the overall recovery to Scheme Creditors in a winding up.

Table 15: Net Scheme Creditor Claims

Net Scheme Creditor Claims	#	Scheme		Liquidation	
		High	Low	High	Low
Outstanding Claims Liabilities Long Tail (Excl. Workers Comp. Claims)	1	(479.8)	(479.8)	(479.8)	(479.8)
Outstanding Claims Liabilities Short Tail	2	(351.7)	(351.7)	(351.7)	(351.7)
Risk Margin (RM)	3	-	(205.1)	-	(205.1)
Total Scheme Creditor Claims		(831.5)	(1,036.7)	(831.5)	(1,036.7)
Reinsurance Assets	4	-	-	661.1	661.1
Risk-Margin Reinsurance Asset	5	-	-	(97.1)	-
Net Scheme Creditor Claims	6	(831.5)	(1,036.7)	(267.5)	(375.5)

Source: Management Accounts and Actuarial Report

- Reflects the long tail portion of outstanding claims liabilities. In the event the Scheme is put into effect, these claims would effectively comprise the balance of Scheme Creditors and the claims would be paid out in the ordinary course at the Payment Percentage. In a winding up scenario, it is assumed that any claims following the application of relevant Reinsurance Assets would crystallise and form an unsecured claim in the external administration and first recovery as a priority creditor against Reinsurance Assets, with any balance comprising a Net Scheme Creditor Claim, participating in recoveries from other assets pro-rata with unsecured creditors. We have utilised the book value of these claims as at 30 June 2023 without any adjustments.
- Reflects the short tail portion of outstanding claims liabilities (excluding Excluded Insurance Contracts which have been dealt with separately). In the event the Scheme is put into effect, these claims would effectively comprise the balance of Scheme Creditors and have first recovery as a priority creditor against Reinsurance Assets, with any balance comprising a Net Scheme Creditor Claim, participating in recoveries from other assets pro-rata with unsecured creditors paid out in the ordinary course at the Payment Percentage. In a winding up scenario, any claims following the application of relevant Reinsurance Assets, are assumed to crystallise and form an unsecured claim in the external administration, participating pro-rata in a distribution from the Company's assets, alongside other unsecured creditors. We have utilised the book value of these claims as at 30 June 2023 without any adjustments.
- Represents the Risk Margin, excluding the portion which relates to creditors with respect to Excluded Insurance Contracts. The nature of the Risk Margin is commented on in **Section 3.4.4**. Essentially the Risk Margin is a provision recorded on the balance sheet reflecting the inherent uncertainty in the Central Estimate. It is therefore possible that this provision will be crystallised in the form of further claims. Equally it is possible that those claims do not materialise. In order to demonstrate the variation this could have on returns to Scheme Creditors, in both the Scheme or a winding up:
 - In the High case, it is assumed the Risk Margin does not materialise so this liability has been excluded from the total quantum of Scheme Creditors / unsecured creditors;
 - In the Low case, it is assumed the Risk Margin materialises in full, so it has effectively been treated as a claim sitting alongside the other claims forming the total quantum of Scheme Creditors / unsecured creditors.
- In a Liquidation scenario, the Reinsurance Assets as presented on the balance sheet of the Company would first be made available to Scheme Creditors who have a priority over these assets under Part 5.6 of the Act as noted above.
- A portion of the Company's Reinsurance Assets are attributable to the Risk Margin associated with various outstanding claim liabilities. As it is assumed that the Risk Margin will not crystallise in the high case for either the Scheme or a winding up, the potential asset recovery associated with this potential liability has been excluded in the high case.
- Any surplus Scheme Creditor Claims following the application of Reinsurance Assets would constitute an unsecured claim and rank equal to ordinary unsecured creditors in relation to recoveries from other assets.

6.7 Priority claims and return to Scheme Creditors

In **Table 16** below we have estimated the quantum of priority creditors that would need to be paid in the Scheme and a Liquidation (to the extent not already accounted for in the sections above).

We have then calculated the quantum of the Scheme Creditors (Scheme) and the unsecured creditors (Liquidation) to determine the estimated return to Scheme Creditors under the Scheme, as compared with a Liquidation.

Table 16: Debts owed to Scheme Creditors

Debts owed to Scheme Creditors	#	Scheme		Liquidation	
		High	Low	High	Low
Assets Available after costs of Administration		850.1	919.0	866.3	989.5
Reinsurance Assets	6.6	-	-	(661.1)	(661.1)
Risk-Margin Reinsurance Asset		-	-	97.1	-
Amount Available for Priority Creditors		850.1	919.0	302.3	328.4
Priority Creditors					
Employee Entitlements	2	-	-	(8.2)	(8.2)
Redundancy and PILN	3	(2.2)	(4.4)	(6.9)	(9.4)
Net Priority Creditor Claims		(2.2)	(4.4)	(15.0)	(17.6)
Surplus Available to Unsecured Creditors		847.9	914.6	287.2	310.8
Unsecured Creditors					
Trade and Other Payables	4	-	-	(19.1)	(19.1)
Other Liabilities	4	-	-	(9.2)	(9.2)
Provisions	4	-	-	(10.6)	(10.6)
Unearned Premium Reserve		-	-	-	(59.4)
Net Scheme Creditor Claims	6.6	(831.5)	(1,036.7)	(267.5)	(375.5)
Total Unsecured Claims		(831.5)	(1,036.7)	(306.4)	(473.8)
Unsecured Creditors cents/\$		100.00	88.23	93.75	65.60
Scheme Creditor Amount Received from Reinsurance Assets		-	-	564.0	661.1
Scheme Creditor Amount Received as part of Unsecured Creditor Pool		831.5	914.6	250.8	246.4
Total Scheme Creditor Amount Received		831.5	914.6	814.8	907.5
Total Scheme Creditor Claims		831.5	1,036.7	831.5	1,036.7
Scheme Creditors cents/\$		100.00	88.23	97.99	87.54

Source: Management Accounts and Actuarial Report

- In a Liquidation scenario, the Reinsurance Assets as presented on the balance sheet of the Company would first be made available to Scheme Creditors who have a priority over these assets under Part 5.6 of the Act
- Employee entitlements represent provisions for long service leave and annual leave. Following the Scheme coming into effect, employee entitlements would be paid out in full in the ordinary course, pursuant with the terms of the Scheme and are captured in **Section 6.4** above. In the event of a winding up of the Company, any pre-appointment employee entitlements would not be paid in the ordinary course as they are effectively unsecured claims that benefit from priority treatment under the Act.
- Redundancy and PILN refers to the provision for redundancy and payment in lieu of notice (PILN) payments. We have been provided with a calculation of redundancy and PILN prepared by the Company as at 30 June 2023, which we have not sought to verify. It is assumed that:
 - Under the Scheme, 50% of the Company's employees would be made redundant over the course of the Scheme (with the remainder leaving of their own accord) in the high case and 100% of employees in the Low case. Furthermore, it is assumed that PILN is not paid in the Scheme scenario as the Company would manage notice periods so as to reduce PILN obligations; and
 - In the winding up scenario, 100% of employees are ultimately made redundant and that in the high case 50% of PILN is paid out in the ordinary course of operations whilst in the Low case their PILN is required to be paid out in full.

4. We refer to **Table 12** of this Report whereby Non-Scheme Creditors are paid in full in the ordinary course pursuant with the terms of the Scheme. In the event of a winding up of the Company, these creditors would crystallise as at the date of appointment of an external administrator and would be able to lodge a claim in the winding up.

6.8 Impact of One-off Events

Section 5.4 details the potential impact of future catastrophic events with respect to the Company's claims liability exposure. The associated impact of this on any return to Scheme Creditors is detailed below.

Table 17: Impact of One-off Future Catastrophic Event – Scenario 1

With Future Catastrophic Event - Scenario 1				
	Scheme		Liquidation	
	High	Low	High	Low
Surplus Available to Unsecured Creditors	847.9	914.6	287.2	310.8
Total Unsecured Claims	(831.5)	(1,036.7)	(306.4)	(473.8)
Net Claims Exposure related to Future Catastrophic Event	(10.0)	(10.0)	(76.5)	(76.5)
Total Unsecured Claims	(841.5)	(1,046.7)	(382.9)	(550.3)
Unsecured Creditors cents/\$	100.00	87.38	75.02	56.49
Scheme Creditor Amount Received from Reinsurance Assets	-	-	564.0	661.1
Scheme Creditor Amount Received as part of Unsecured Creditor Pool	841.5	914.6	258.1	255.3
Total Scheme Creditor Amount Received	841.5	914.6	822.1	916.4
Total Scheme Creditor Claims	841.5	1,046.7	908.0	1,113.1
Scheme Creditors cents/\$	100.00	87.38	90.54	82.33

Source: FTI Analysis; Company Financials

In this scenario we have sought to illustrate the impact of the Lismore Floods, which occurred in the Northern Rivers region of New South Wales in early 2022, as representative of the type of event that could theoretically occur. The net claims exposure from such an event is detailed in **Table 7** and **Section 5.4.1**.

The impact of this Scenario 1 is:

- No change in the return to Scheme Creditors in the High Case, whilst the Low Case reduces from 88.23 to 87.38. This is because the vast majority of excess claims created by this theoretical event are covered by catastrophe reinsurance; and
- More material in a Liquidation with the return to Scheme Creditors reducing from 97.99 to 90.54 cents in the dollar in the in the High Case, reducing from 87.54 to 82.33 in the Low Case, due to the catastrophe reinsurance becoming unavailable.

Table 18: Impact of One-off Future Catastrophic Event – Scenario 2

With Future Catastrophic Event - Scenario 2				
	High	Low	High	Low
	Surplus Available to Unsecured Creditors	847.9	914.6	287.2
Total Unsecured Claims	(831.5)	(1,036.7)	(306.4)	(473.8)
Net Claims Exposure related to Future Catastrophic Event	(8.0)	(8.0)	(545.3)	(545.3)
Total Unsecured Claims	(839.5)	(1,044.7)	(851.7)	(1,019.1)
Unsecured Creditors cents/\$	100.00	87.55	33.72	30.50
Scheme Creditor Amount Received from Reinsurance Assets	-	-	564.0	661.1
Scheme Creditor Amount Received as part of Unsecured Creditor Pool	839.5	914.6	274.1	280.9
Total Scheme Creditor Amount Received	839.5	914.6	838.1	942.0
Total Scheme Creditor Claims	839.5	1,044.7	1,376.8	1,582.0
Scheme Creditors cents/\$	100.00	87.55	60.87	59.54

Source: FTI Analysis; Company Financials

In this scenario we have sought to illustrate the impact of a political violence or malicious attack on a church in similar size to St Marys Cathedral in Sydney, New South Wales. The net claims exposure from an event is detailed in **Table 8** and **Section 5.4.2**.

The impact of this Scenario 2 is:

- No change in the return to Scheme Creditors in the High Case, whilst the Low Case reduces from 88.23 to 87.55. This is because, like Future Catastrophic Event – Scenario 1, the vast majority of excess claims created by this theoretical event are covered by catastrophe reinsurance; and
- Significantly more material in a Liquidation, with the return to Scheme Creditors reducing from 97.99 to 60.87 cents in the dollar in the in the High Case and from 87.54 to 59.54 cents in the dollar in the Low Case, due to the catastrophe reinsurance becoming unavailable.

7. Timing of Payment

7.1 Delays in payment

Under the Scheme, payments to the Company's Scheme Creditors are expected to be processed and paid in the ordinary course (subject to the Payment Percentage), as opposed to a Liquidation where the Liquidator would need to comply with the process for distributions to creditors under Part 5.6 of the Act, which would be expected to materially delay dividends to Scheme Creditors because, amongst other things:

- The Liquidator would need to treat all creditors equally and would not be able to pay interim dividends to those creditors with accepted claims, without paying a dividend to those creditors with contingent but as yet accepted claims. In the event a Liquidator determined it possible to declare an interim distribution, they would have to hold back sufficient funds, which are likely to be significant, to cover future unquantified claims. This would significantly reduce any interim distribution to Scheme Creditors until all claims and recoveries are known.
- As a result, it is possible the Liquidator would need to wait until the vast majority of claims had crystallised and been admitted in the form of a proof of debt, which may not occur until several years after the commencement of the Liquidation.
- The Liquidator would need to follow the statutory framework for distributions which provides for minimum and maximum notice periods, making it more challenging and costly to make regular, ordinary course style payments to policyholders as would occur under the Scheme.
- There would be a significantly higher risk of litigation occurring in a Liquidation, which could potentially delay and / or reduce returns to creditors. It is most likely that this would impact reinsurance recoveries where reinsurance counterparties may use the Liquidation appointment to attempt to deny reinsurance coverage, which may require the Liquidators to incur further costs litigating these positions, which would also likely delay returns to Scheme Creditors.
- There may be difficulties for the Liquidator in complying with the claims process required to activate the reinsurers' liability to indemnify the Company in respect of the underlying claims.

8. Conclusion

Based on the analysis contained in this Report, including the assumptions outlined throughout this Report and the Letter of Engagement, the expected dividends under the various scenarios are set out below.

No Future Catastrophic Event

The expected Payment Percentage or dividend to the Scheme Creditors:

- In the event the Scheme is implemented as proposed and a Trigger Event occurs within six months of the Hearing Date, the Payment Percentage is estimated to be in the range of: 100.00 to 88.23 cents in the dollar.
- In the event the Company is wound up within six months of the Hearing Date, the expected dividend to Scheme Creditors is estimated to be in the region of 97.99 to 87.54 cents in the dollar.

With Future Catastrophic Event 1

The expected Payment Percentage or dividend to the Scheme Creditors if Future Catastrophic Event 1 were to occur shortly after the commencement of the Scheme or Liquidation:

- In the event the Scheme is implemented as proposed and a Trigger Event occurs within six months of the Hearing Date, the Payment Percentage is estimated to be in the range of: 100.00 to 87.38 cents in the dollar.
- In the event the Company is wound up within six months of the Hearing Date, the expected dividend to Scheme Creditors is estimated to be in the region of 90.54 to 82.33 cents in the dollar.

With Future Catastrophic Event 2

The expected Payment Percentage or dividend to the Scheme Creditors if Future Catastrophic Event 2 were to occur shortly after the commencement of the Scheme or Liquidation:

- In the event the Scheme is implemented as proposed and a Trigger Event occurs within six months of the Hearing Date, the Payment Percentage is estimated to be in the range of: 100.00 to 87.55 cents in the dollar.
- In the event the Company is wound up within six months of the Hearing Date, the expected dividend to Scheme Creditors is estimated to be in the region of 60.87 to 59.54 cents in the dollar.

We note that the returns set out in **Section 6** are not discounted and therefore do not take account of the time value of money. In **Section 5.3**, it is highlighted that it is likely Scheme Creditors will receive payments under the Scheme earlier than they would receive corresponding dividends in a Liquidation. It is not reasonably practical to estimate the impact of the time value of money given the size of the claims pool and inherent uncertainty as to when claims will be lodged and settled in either the Scheme or a Liquidation.

However, if the time value of money was applied to the recoveries above, it is likely that the difference between the return to Scheme Creditors under the Scheme as compared with a Liquidation would increase.

Appendix A: Letter of Engagement

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Appendix B: Limitations & disclosures

Disclaimers

This Report is prepared solely for the benefit of the Company and its Directors and is not intended, and is not to be regarded as intended, as a recommendation as to how any person should vote or exercise any other right in relation to any financial product affected by the proposed creditors' Scheme of Arrangement or as advice to any person other than the Company and its Directors. It should not be relied on by any person other than the Company and its Directors as a basis for any decision in relation to the proposed creditors' Scheme of Arrangement. FTI Consulting does not accept any responsibility to any other person for the use of the Report outside the stated purpose without the written consent of FTI Consulting. Except in accordance with the stated purpose, no extract, quote or copy of this Report, in whole or in part, should be reproduced without prior written consent from FTI Consulting, as to the form and context in which it may appear.

Other than this Report, FTI Consulting has not been involved in the preparation of the Explanatory Statement or any other document prepared in respect of the Scheme. Accordingly, we take no responsibility for the content of the Explanatory Statement as a whole, or other documents prepared in respect of the Scheme.

We note that the forward-looking financial information prepared by the Group and its advisors does not include estimates as to the potential impact of any future changes in taxation legislation or accounting policies.

Current market conditions

The conclusions in this Report are based on economic, market and other conditions prevailing at the Valuation Date and the Report Date. Such conditions can change significantly over relatively short periods of time. Changes in those conditions may result in any valuation or other opinion becoming quickly outdated and in need of revision. We reserve the right to revise any valuation or other opinion in the light of material information existing at the Valuation Date or the Report Date that subsequently becomes known.

Currency

All references to '\$' and 'dollars' are references to Australian dollars unless stated otherwise.

Rounding

Due to rounding, numbers presented throughout this document may not add up to the totals provided and percentages may not reflect the absolute figures.

Reliance on information

The statements and conclusions contained in this Report are given in good faith and are based upon consideration and assessment of information provided by Management and its advisors.

We believe the information provided to be reliable, complete, and not misleading, and have no reason to believe that any material facts have been withheld. The information provided has been evaluated through analysis, inquiry, and review for the purpose of forming the conclusions.

The procedures adopted in forming the conclusions may have involved an analysis of financial information and accounting records. This did not include verification work nor constitute an audit or review in accordance with Australian Auditing and Assurance Standards Board standards and consequently does not enable us to become aware of all significant matters that might be identified in an audit or review. Accordingly, we do not express an audit or review opinion.

It was not our role to undertake, and we have not undertaken, any commercial, technical, financial, legal, taxation or other due diligence, or other similar investigative activities in respect of the Group or the Scheme.

We understand that the Group have been advised by legal, accounting, and other appropriate advisors in relation to such matters, as necessary. FTI Consulting does not provide any warranty or guarantee as to the existence, extent, adequacy, effectiveness and/or completeness of any due diligence or other similar investigative activities by the Group and/or their advisors.

It is understood that, except where noted, the accounting information provided was prepared in accordance with Australian Accounting Standards and prepared in a manner consistent with the method of accounting used by the Group in previous accounting periods.

Prospective financial information

In preparing the Report, we have had regard to prospective financial information in relation to the Group (**Prospective Financial Information**). We understand that the Prospective Financial Information has been prepared as part of the ongoing management processes of the Group, and in particular in connection with the Proposed Scheme.

For the purposes of this Report, we understand and have assumed that the Prospective Financial Information has been prepared fairly and honestly, on a reasonable basis and is based on the best information available to the Management of the Group and its advisors.

We understand that the Prospective Financial Information has been based on assumptions concerning future events and market conditions, and while prepared with due care and attention and Management and its advisors consider the assumptions to be reasonable, future events and conditions are not predictable and the assumptions and outcomes are subject to significant uncertainties. Actual results are likely to vary from the Prospective Financial Information and variations may be materially positive or negative. Accordingly, neither FTI Consulting, the Group, its Management or its advisors, guarantee that the Prospective Financial Information or any other prospective statement contained in this Report or otherwise relied upon will be achieved.

FTI Consulting has not been engaged to undertake an independent review of the Prospective Financial Information in accordance with Australian Auditing and Assurance Standards Board standards and has not undertaken such a review.

However, in order to disclose and to rely on the Prospective Financial Information in this Report, we are required to be satisfied that the Prospective Financial Information has a reasonable basis.

Set out below are some of the indicative factors that would support a conclusion that the Prospective Financial Information has a reasonable basis:

- A material portion of the Prospective Financial Information incorporates established trends in the Group's business life cycle and current arrangements in place with key stakeholders. The Prospective Financial Information reflects Management's best assessment at the time of preparation;
- The Prospective Financial Information has been prepared as part of the ongoing management of the Group, and in particular in connection with the proposed restructuring of the Group via the Proposed Scheme of Arrangement;
- The reporting and budgeting processes of the directors of the Group have been in place for some time and involve regular reporting of actual performance to budget variances, management follow up, and input from senior management and its advisors, and that the process itself is under continuous review;
- The Prospective Financial Information is based on the Group's Financial Model that has been created from a 'bottom up' basis;
- The Prospective Financial Information has been endorsed by the directors and Management of the Group.
- In addition, we have:
 - Obtained details of the Prospective Financial Information and the process by which this information was prepared;

- Held discussions with Management of the Group regarding the basis on which the Prospective Financial Information was formulated and where possible on a 'desktop' level, undertaking evaluation of such information, by reference to past trading performance, available evidence and/or other documentation provided;
- Reviewed assumed growth against historical earnings; and
- Reviewed the most recently available monthly management accounts.

Appendix C: Glossary

Term	Definition
\$ or AUD	Australian Dollars
%	Percentage
AASB	Australian Accounting Standards Board
the Act	<i>Corporations Act 2001</i> (Cth)
Actuarial Report	Catholic Church Insurance Ltd 30 June 2023 Actuarial Valuation Report
ADC Agreement	Adverse Development Cover Reinsurance Agreement
ADI	Authorised deposit-taking institution
am actuaries	The Company's third party actuary
APES	Accounting Professional & Ethical Standards
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Board	Board of Directors for the time being of the Company
C	cents
CAANZ	Institute of Chartered Accountants Australia & New Zealand
CCIAM	CCI Asset Management Limited
Central Estimate	If all the possible values of the outstanding claims liability are expressed as a statistical distribution, the Central Estimate is the mean of that distribution.
Claims Handling Expense or CHE	AASB 1023 defines this as "costs associated with achieving settlements with those insured. Claims handling costs include costs that can be associated directly with individual claims, such as legal and other professional fees, and costs that can only be indirectly associated with individual claims, such as administration costs."
Court	The Federal Court of Australia (Victorian Registry) or such other court of competent jurisdiction under the Act
Court Orders	The orders of the Court: (a) Approving the Scheme under section 411(4)(b) (and, if applicable, section 411(6)) of the Act; or (b) Giving effect to the Scheme or any provision of it
Creditors' Committee	The committee established in accordance with the provisions of the Scheme to represent the interests of the Scheme Creditors.
Effective Date	The date on which the Scheme becomes Effective
Established Scheme Liability	A liability of the Company in respect of a Scheme Claim in relation to which a present obligation of the Company to pay an ascertained sum of money has been established by agreement or Final Order.
Excluded Assets	Excluded Insurance Contract claims have direct recourse to the Company's reinsurance assets that relate specifically to these claims
Excluded Insurance Contracts	Means any contract of insurance entered into by or on behalf of the Company as insurer, or under which the Company has assumed any liability as insurer, to which State Workers Compensation Legislation applies
Explanatory Statement	The statement dated 24 September 2023 (including the appendices to such statement) explaining the effect of the Scheme in accordance with the Court's procedural orders.
External Administrator	Has the meaning given in the Insurance Act
Financial Claims Scheme or FCS	An Australian Government scheme that provides protection to deposit holders with Australian incorporated banks, building societies and credit unions (known as authorized deposit-taking institutions or ADIs) and general insurance policyholders and claimants, in the unlikely event that one of these financial institutions fails.

FTI Consulting or FTI	FTI Consulting (Australia) Pty Ltd
G&A	General and Administrative Expenses
the Group or CCIAM	CCI Asset Management Limited ABN 65 006 685 856
Gross Central Estimate	The unbiased estimates to cover the amount that remains to be paid on reported and future claims.
FY##	Financial year 20##
IBNR	Incurred But Not Reported
IFRS	International Financial Reporting Standards
Initial Scheme Period	The period beginning on the Effective Date and ending on the day before the Trigger Date.
Insurance Act	The Insurance Act 1973 (Cth)
Insurance Contract	Any contract of insurance entered into by or on behalf of the Company as insurer, or under which the Company has assumed any liability as insurer other than an Excluded Insurance Contract.
ISR	Industrial Special Risks Insurance
Letter of Engagement	Letter of Engagement dated 24 September 2023
Liquid Assets	Means the aggregate at any time of: <ul style="list-style-type: none"> (a) any cash deposits; and (b) any other assets of the Company at that time which are invested in accordance with the Investment Policy, other than investments in subsidiaries and property trusts which are, at that time, determined by the Company or the Scheme Advisors to be illiquid
Long tail liabilities	Insurance products whereby claims are usually known and settled over durations greater than 12 months
Loss occurring policies	Policies whereby only claims relating to events which occurred within the contract period (prior to policy cancellation) are valid
LRD	Large Retrospective Deductibles
M	Millions
Management	Management of the Company
MOL	Molestation
Net Central Estimate	The value of gross estimates less third party and reinsurance recoveries.
Non-Scheme Creditor	Any Creditor of the Company that is not a Scheme Creditor
Non-Scheme Liability	All liabilities or potential liabilities of the Company in respect of actual or potential Non-Scheme Claims and includes Scheme Costs and any amount payable or which may become payable as contemplated by the Scheme.
OA	Other Accumulations
OA PML	The gross loss arising from the occurrence of a single event, such that the size of the loss from the event is equal to the whole of the portfolio loss with a 0.5% probability of occurrence.
Payment Percentage	The expected dividend that would be available to be paid to the Scheme Creditors if the Scheme Company were to be wound up within six months of the hearing of the application for an order under section 411(1) of the Act (in accordance with paragraph 8201(b) in Part 2 of Schedule 8 of the Regulations.
PILN	Payment in Lieu of Notice
PML	Probable Maximum Loss
Priority Claim	Any debt or claim described in sections 556 or 562A of the Act
Professional Standards	A type of public liability insurance product which covers policy types including ethical standards, molestation and other abuse
Prospective Financial Information	Prospective financial information in relation to the Group
Regulations	Corporations Regulations 2001 (Cth)

Reinsurance	Contract between reinsurer and insurer that allows the insurer to transfer risk stemming from issued policies to the reinsurance company
Reinsurance Asset	Any amount or amounts in respect of a liability under an Insurance Contract received by the Company or the Scheme Advisors under a Contract of Reinsurance net of the costs and expenses of or incidental to getting in such Reinsurance Asset.
Report	This report.
Report Date	24 September 2023
Reserving Period	The period beginning on the Trigger Date and ending on the earlier of: <ul style="list-style-type: none"> (a) The day that the Scheme is terminated in accordance with clause 45; or (b) The day on which a resolution contemplated by clause 49 applies.
Risk Attaching Policies	Policies whereby claims can be made during the contract period, regardless of when the losses occurred
Risk Margin or RM	According to AASB 1023: "An outstanding claims liability shall be recognised in respect of direct business and reinsurance business and shall be measured as the central estimate of the present value of the expected future payments for claims incurred with an additional risk margin to allow for the inherent uncertainty in the central estimate."
Run-off	An operational phase whereby an insurer ceases writing new insurance business and renewing policies
Scheme or Scheme of Arrangement or Proposed Scheme	The proposed compromise or arrangement under Part 5.1 of the Act between the Scheme Company and the Scheme Creditors as set out in the Explanatory Statement, subject to any alterations or conditions made or required by the Court.
Scheme Advisers	Stephen Longley and Michael Fung, partners of PwC, or any other person who accepts the appointment to the role of scheme adviser to the Scheme and satisfies the requirements of section 411(7) of the Act provided, in each case, they have each executed a deed poll in substantially the same form as the Scheme Adviser Deed Poll.
Scheme Assets	After making allowance for Non-Scheme Liabilities, all assets of the Company (whether present or future, actual or contingent), including any assets which are held or recovered for the benefit of the Company by an External Administrator, which are made available to the Company to be applied in accordance with the terms of this Scheme, excluding Excluded Assets;
Scheme Claims	Any claim against the Company under or in connection with, or which may arise under or in connection with, any Insurance Contract including: <ul style="list-style-type: none"> (a) All actual, future and contingent claims (including incurred but not reported claims) by any person under or in connection with; and (b) Any claims arising under statute in connection with, an Insurance Contract or its termination or cancellation.
Scheme Company or the Company	Catholic Church Insurance Limited ABN 76 000 005 210
Scheme Creditors	A creditor of the Scheme Company in respect of an actual or potential Scheme Claim.
Scheme Liabilities	All liabilities or potential liabilities of the Company in respect of actual or potential Scheme Claims, including Scheme Claims which have been reported and not yet agreed and Scheme Claims which may be reported in the future
Scheme Meeting	The meeting of Scheme Creditors ordered by the Court to be convened under subsection 411(1) of the Act to consider and vote on the Scheme, and includes any meeting convened following any adjournment or postponement of that meeting.
Secured Asset	An asset of the Company subject to a Security Interest (other than a Permitted Security Interest), securing a Scheme Liability or any other liability (to the extent of the relevant Security Interest)
Shareholder Funding	Means any funding from Shareholders: <ul style="list-style-type: none"> (a) For which recourse for repayment is limited to assets financed by that funding; or (b) The repayment of which is fully subordinated to the claims of Scheme Creditors; in each case on terms satisfactory to the Company
Short tail liabilities	Insurance products whereby claims are usually known and settled within 12 months

State Workers Compensation Legislation	<p>Means the following:</p> <ul style="list-style-type: none"> (a) the <i>Workers Compensation Act 1951</i> (Australian Capital Territory); (b) the <i>Workers Compensation Act 1987</i> (New South Wales); (c) the <i>Return to Work Act 1986</i> (Northern Territory); (d) the <i>Workers Rehabilitation and Compensation Act 1988</i> (Tasmania); (e) the <i>Workers' Compensation and Injury Management Act 1981</i> (Western Australia).
Trigger Date	The date and time at which the Trigger Event occurs.
Trigger Event	<p>If the Board determines that in its opinion:</p> <ul style="list-style-type: none"> (a) The Scheme Company is insolvent, or is likely to become insolvent at some future time (in each case as defined in section 95A of the Act); and/or (b) The value of the Scheme Company's assets is likely to become less than its liabilities taking into account its contingent and prospective liabilities. <p>For the purposes of this definition, "liabilities" means the Scheme Company's liabilities as recorded in its statement of financial position but excludes:</p> <ul style="list-style-type: none"> (i) Risk margin; and (ii) Any Shareholder Funding.
Valuation	Analysis performed by an actuary that compares and appraises the assets and liabilities of an insurer

Appendix D: Sources of information

In preparing this Report, we have been provided with, and considered, the following sources of information.

Company information

- Annual Audited Reports for the FY19, FY20, FY21 and FY22 periods
- Unaudited management accounts for the FY23 period and July 2023
- Actuarial Report and supporting documentation prepared by Bruce Harris of am actuaries
- Ancillary supporting schedules to unaudited financial accounts
- Company assessment and quantification of potential future catastrophic events
- Company quantification of potential loss occurring insurance contracts subject to termination in a Liquidation

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APPENDIX 7

**REPORT ON COMPANY ACTIVITIES AND
PROPERTY (ASIC FORM 507)**



ASIC
Australian Securities &
Investments Commission

Office only box

Report on Company Activities and Property

Form 507 Corporations Act 2001
s421A(1) & (2)
s429(2)(b) & (c)
s475(1) & (7)
s497(4) & (6)
s438B(2A)

Part A (Form 507)

Download *INSTRUCTIONS* for Part A (Form 507) and for Part B
www.asic.gov.au/forms/507

You will need them to help you complete the forms

The information you provide to ASIC in this Report may include personal information.

Please see our privacy policy (www.asic.gov.au/privacy) for information on how we handle your personal information, your rights to seek access to and correct personal information, and how to complain about breaches of your privacy.

External Administrator use only

External Administrator (lodging party)

Organisation

ASIC Registered Liquidator number (if applicable)

Name of External Administrator

Contact person

Phone number during business hours

Address

Street/Unit number and name

Suburb/City

State/Territory

Postcode

Please tick appropriate box.

Receiver and Manager - s421A(1) 507G

Appointment date

Managing Controller of property - s421A(1) 507H

Date person took control

Receiver, Receiver and Manager or Controller (Director Report) - s429(2)(b) 507F

Date received Report

Liquidator/Provisional Liquidator appointed by the court - s475(1) 507C

Date received Report

Liquidator-creditors' voluntary winding up -s497(4) 507D

Date received Report

Voluntary Administrator - s438B(2) 507K

Date received Report

Make up the Report as at the following dates

Receiver & Manager, Managing Controller - s421A(1)

Your Report must include the business activities the Company had undertaken up to 30 days before you write your Report.

For example, if you write your Report on 31 August, it must include the Company's activities up to at least 31 July of that year, not earlier.

Controller - s429(2)

The control day.

Liquidator or Provisional Liquidator - s475(1)

The date of the winding-up order or an earlier date, if specified by you.

Administrator - s438B(2)

The date you become the Administrator, or an alternative date specified by you.

Date the Director must send you the Report

This applies to Director(s), Secretary or other relevant person completing the Report. Put the date for return of the Report to you in the box on p3.

Lodge Part A

Lodge Part A of the Report with ASIC by the date specified below, or a late fee may be applied.

SECTION	LODGEMENT PERIOD
s421A(2)	2 months after control day
s429(2)(c)*	1 month after receipt of Report
s438B(2A)	5 business days after receipt of Report
s475(7)*	5 business days after receipt of Report
s497(6)	10 business days after receipt of Report

* Use Form 911 to verify a copy of Part A

Regulation 5.2.02 requires a copy of Part A of this Report that is lodged with ASIC to be certified in writing as a true copy of the original Report (Part A).

a) for a copy lodged for the purposes of s429(2)(c) - by the controller of property of the corporation; or

b) for a copy lodged for the purposes of s475(7) - by the liquidator/provisional liquidator of the company.

Form 911 is prescribed for this purpose.

For controllers (s429), under s429(2)(c)(i), a notice setting out any comments relating to Part A of this Report, or a statement that no comment is made, should accompany Part A of the Report. Form 911 Verification of a document should also be lodged.

External Administrator to complete

Director to provide the Company's records for the following period

From

To

(appointment date)

Director to return this Report to the External Administrator by the date shown below

(not applicable for Managing Controllers)

/ /

End of External Administrator section

Director to complete

Director(s), Secretary, Managing Controller, or other relevant person

A1 Provide Company records for the dates shown in the box on the opposite column of this page.

Complete this form, and send it to the External Administrator by the date shown in the box on the opposite column of this page.

A2 Do you have the **INSTRUCTIONS** for completing this form?

No You must download a copy from www.asic.gov.au/forms/507

Yes Before you start, **READ PART A INSTRUCTIONS p2-p4**

They explain:

- why you received this Report
- your role in completing it
- how to complete it.

A3 **READ PART A INSTRUCTION A3 p5**

It explains the information you should provide and how to attach it to this Report

Name of Company under external administration

ACN/ABN

Registered office

Street/Unit number and name

Suburb/City

State/Territory

Postcode

Principal place of business

Street/Unit number and name

Suburb/City

State/Territory

Postcode

Date the Company commenced trading

22/11/1911

Date the Company ceased trading

Does the Company have other places of business?

- No
- Yes Give details below

Street/Unit number and name

Refer to details included on page Part A Appendix Page 1

Suburb/City State/Territory Postcode

Is the Company a trustee of a Trust?

- No Go to Question **A4**
- Yes **READ PART A INSTRUCTION A3 p6**

Name of Trust

What the Company owns and owes

(Assets and Liabilities)

A4 Does the Company own any assets as listed below?

Tick the boxes below as appropriate and provide information as an attachment.

READ PART A INSTRUCTION A4 p6. It explains the information you should provide and defines terms, and shows how to attach it to this Report.

Bank accounts

- No
- Yes Give the account name and account number to the External Administrator.

Crypto assets or cryptocurrency

- No
- Yes Give the public and private crypto keys to the External Administrator.

Motor vehicles

- No
- Yes

Plant and equipment

- No
- Yes

Inventory

- No
- Yes

Real property

- No
- Yes

Other assets

- No
- Yes

Does the Company hold property on trust?

- No
- Yes

Is the Company a trustee of a superannuation fund?

- No
- Yes

If you ticked NO to all the items, explain why the Company has no assets.

A5 Is the Company owed money?

(Debtors)

- No Go to Question **A6**
- Yes **READ PART A INSTRUCTION A5 p9.** It explains the information you should provide and how to attach it to this Report.

A6 Does the Company owe money to its employees?

No Go to Question **A7**

Yes **READ PART A INSTRUCTION A6 p11.** It explains the information you should provide and how to attach it to this Report.

Wages or salary

No

Yes

Annual leave (holiday pay)

No

Yes

Long service leave

No

Yes

Superannuation

No

Yes

Redundancy

No

Yes

Payment in lieu of notice

No

Yes

Other (such as reimbursement of expenses)

No

Yes

A7 Does the Company owe money, goods or services to others (other than to employees)?

READ PART A INSTRUCTION A7 p12.

Suppliers of goods/services (including contractors and subcontractors)

No

Yes

Government bodies (e.g. ASIC, local council)

No

Yes

Landlords (e.g. rent)

No

Yes

Leased equipment or transport

No

Yes

Utilities (gas, electricity, telephone, water)

No

Yes

Email and web service providers

No

Yes

Banks (including credit cards)

No

Yes

Personal loans

No

Yes

Tax (ATO for company tax/GST/PAYG, State Revenue office for payroll tax/land tax)

No

Yes

Other

No

Yes (please specify)

Claimants, reinsurers loss adjusters, legal panel, policyholder iro cancellations

A8 Have you provided the full details asked for in Questions **A4 to A7** including all attachments?

No **PLEASE BE AWARE:**
You must provide information in this Report to the best of your ability. You can be penalised for giving false information.
READ PART A INSTRUCTION A8 p15.
It explains what can happen if you give false information.

Yes Go to Question **A9**

A9 Declaration by Director, Secretary, Managing Controller, or person nominated by the External Administrator

Part A (Form 507) of this Report is a legal document.

READ PART A INSTRUCTION A9 p15. It describes the Report's legal status.

It also explains the information you should provide and how to attach it to this Report.

Part A (Form 507) and, where relevant, Part B of this Report should be completed and delivered to the External Administrator by the date at **A1 p3.**

The External Administrator will then lodge Part A with ASIC.

Part B does not form part of ASIC Form 507 and is not lodged with ASIC. But section 530A of the *Corporations Act 2001* requires Company Directors to help liquidators and provisional liquidators where they reasonably require. Failure to comply with such a request is a strict liability offence. Part B is not applicable for managing controllers.

❖ I declare that the answers to the questions contained in Part A (Form 507) of the Report and the contents of all attachments to Part A of the Report are true, correct and complete to the best of my knowledge and belief at the date of this declaration.

Name

Position

Signature

Date

A director of a court liquidation, s475(1), must also sign Form 507A.

A10 Declaration by Managing Controller

READ PART A INSTRUCTION A10 p16.

❖ In my capacity as the Managing Controller, I declare that where I have omitted information, I have done so in accordance with Section 421A(4) of the *Corporations Act 2001* and have included the notice required by s421A(5) with this Report.

Name

Signature

Date

Catholic Church Insurance Limited

A3 - Other places of business

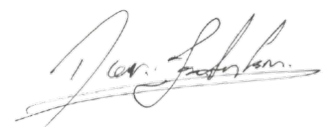
STATE	ADDRESS
NSW	Level 13, 309 Kent Street, Sydney NSW 2000
QLD	Level 2 143 Edward Street, Brisbane QLD 4000
WA	Level 1 61 Fitzgerald Street, Northbridge WA 6003
SA	Office 113, Level 1, 89 Pirie Street Adelaide SA 5000

Catholic Church Insurance Limited

Table A4 - Assets owned by the Company

This is the annexure of Page/s 4 of 6 marked with * mentioned in Part A signed byDion GooderhamAnd dated 26 / 09 / 2023

ASSET DESCRIPTION	LOCATION/ADDRESS WHERE ASSET IS LOCATED	SECURITY HELD BY (SUBJECT TO FINANCE) (IF APPLICABLE)	ESTIMATED ASSET VALUE	VALUE OF SECURITY	NET REALISABLE VALUE	TICK IF DISPOSED OF IN THE LAST 6 MONTHS
Cash and cash equivalents	Various		\$ 17,993,000			
Financial assets	Various		\$ 685,149,000			
Plant and equipment	Various	Perpetual Trustee Company Limited Kent Street Pty Limited	\$ 10,506,000	\$ 700,000		
Other assets	Various		\$ 10,061,000			
Intangible assets	Various		\$ 220,000			

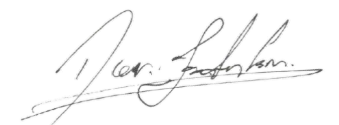


Catholic Church Insurance Limited

Table A5 - Money owed to the Company

This is the annexure of Page/s 4 of 6 marked with * mentioned in Part A signed byDion Gooderham..... And dated 26 / 09 / 2023

DEBTOR NAME	DESCRIPTION	DEBTOR ADDRESS	AMOUNT OUTSTANDING	ESTIMATED AMOUNT	*PPSR IF	SECURITY TYPE	DATE SECURED
				REALISABLE	APPLICABLE		
Various	Trade and other receivables	Various	\$ 11,378,000				
Various	Reinsurance recoveries	Various	\$ 507,940,498				
Mapfre	Reinsurance recoveries	Paseo De Recoletos,25 E-28004 Madrid, Spain	\$ 23,090,711			Letter of Credit	03/08/2023
Partner Re	Reinsurance recoveries	8 Temasek Boulevard, #13-01/02 Suntec Tower Three, Singapore 038988	\$ 5,126,969			Letter of Credit	30/08/2023
Sompo (Endurance)	Reinsurance recoveries	12 Marina Boulevard, #38-03 Marina Bay Financial Centre Tower 3, Singapore	\$ 570,397			Letter of Credit	30/06/2023
R & V (RVERSHOLD)	Reinsurance recoveries	Abraham-Lincoln-Park 1, 65189 Wiesbaden, Germany	\$ 9,255,425			Letter of Credit	12/09/2023
Accredited Insurance (Europe) Limited - ADC	Reinsurance recoveries	3rd Floor, Development House, St Anne Street, Floriana, FRN 9010, Malta	\$ 55,000,000			Letter of Credit	30/06/2023
Various	Tax assets	Various	\$ 1,913,000				
CCIAM	Intercompany loan	CCI	\$ 328,000				



Catholic Church Insurance Limited

Table A6 - Amounts the Company owes to its unrelated employees (priority creditors)

This is the annexure of Page/s 5 of 6 marked with * mentioned in Part A signed byDion Gooderham And dated 26 / 09 / 2023

EMPLOYEE'S NAME	START DATE	WAGES OR SALARY OWED	ANNUAL LEAVE (HOLIDAY PAY) OWED	LONG SERVICE LEAVE OWED	SUPERANNUATION OWED	REDUNDANCY OWED	OTHER	TOTAL OWED	RELATED PARTY YES/NO
1	9/05/2022	\$ 3,057	\$ 14,390	\$ 4,891	\$ 336	\$ 17,289	\$ -	\$ 39,963	No
2	1/12/2014	\$ 1,713	\$ 14,880	\$ 18,011	\$ 188	\$ 33,281	\$ -	\$ 68,074	No
3	2/10/2017	\$ 3,353	\$ 22,160	\$ 24,234	\$ 369	\$ 47,351	\$ -	\$ 97,467	No
4	23/03/2020	\$ 2,476	\$ 16,134	\$ 10,227	\$ 272	\$ 24,052	\$ -	\$ 53,162	No
5	10/08/2020	\$ 4,908	\$ 24,536	\$ 18,141	\$ 540	\$ 48,027	\$ -	\$ 96,152	No
6	3/07/2017	\$ 3,304	\$ 13,755	\$ 24,970	\$ 363	\$ 51,487	\$ -	\$ 93,879	No
7	9/06/2020	\$ 2,386	\$ 10,115	\$ 9,439	\$ 262	\$ 23,675	\$ -	\$ 45,877	No
8	1/12/2008	\$ 1,776	\$ 3,903	\$ 32,414	\$ 195	\$ 40,583	\$ -	\$ 78,871	No
9	24/08/2015	\$ 2,768	\$ 8,277	\$ 25,967	\$ 304	\$ 54,843	\$ -	\$ 92,159	No
10	21/03/2022	\$ 1,560	\$ 4,720	\$ 2,701	\$ 172	\$ -	\$ -	\$ 9,153	No
11	6/04/2022	\$ 718	\$ 1,760	\$ 1,102	\$ 79	\$ -	\$ -	\$ 3,658	No
12	5/04/2022	\$ 1,521	\$ 2,341	\$ 2,529	\$ 167	\$ -	\$ -	\$ 6,559	No
13	26/04/2022	\$ 1,525	\$ 5,117	\$ 2,459	\$ 168	\$ -	\$ -	\$ 9,268	No
14	23/05/2022	\$ 3,386	\$ 22,837	\$ 5,161	\$ 372	\$ -	\$ -	\$ 31,757	No
15	16/05/2022	\$ 2,298	\$ 11,821	\$ 3,556	\$ 253	\$ -	\$ -	\$ 17,928	No
16	20/05/2022	\$ 1,322	\$ 3,955	\$ 2,028	\$ 145	\$ -	\$ -	\$ 7,450	No
17	23/05/2022	\$ 2,326	\$ 2,098	\$ 3,546	\$ 256	\$ -	\$ -	\$ 8,226	No
18	14/06/2022	\$ 2,481	\$ 3,312	\$ 3,602	\$ 273	\$ -	\$ -	\$ 9,668	No
19	6/06/2022	\$ 2,243	\$ 4,822	\$ 3,315	\$ 247	\$ -	\$ -	\$ 10,626	No
20	23/05/2022	\$ 936	\$ 3,451	\$ 1,779	\$ 103	\$ -	\$ -	\$ 6,269	No
21	20/06/2022	\$ 1,322	\$ 2,562	\$ 1,893	\$ 145	\$ -	\$ -	\$ 5,922	No
22	27/06/2022	\$ 1,602	\$ 2,934	\$ 2,257	\$ 176	\$ -	\$ -	\$ 6,969	No
23	23/05/2022	\$ 990	\$ 1,095	\$ 238	\$ 109	\$ -	\$ -	\$ 2,432	No
24	4/07/2022	\$ 2,340	\$ 6,089	\$ 3,243	\$ 257	\$ -	\$ -	\$ 11,930	No
25	27/06/2022	\$ 975	\$ 2,925	\$ 1,374	\$ 107	\$ -	\$ -	\$ 5,381	No
26	18/07/2022	\$ 2,786	\$ 7,471	\$ 3,733	\$ 306	\$ -	\$ -	\$ 14,296	No
27	27/06/2022	\$ 1,713	\$ 4,389	\$ 2,414	\$ 188	\$ -	\$ -	\$ 8,705	No
28	28/06/2022	\$ 2,020	\$ 4,849	\$ 2,839	\$ 222	\$ -	\$ -	\$ 9,930	No
29	20/06/2022	\$ 1,811	\$ 10,385	\$ 2,593	\$ 199	\$ -	\$ -	\$ 14,988	No
30	18/07/2022	\$ 1,254	\$ 4,094	\$ 1,680	\$ 138	\$ -	\$ -	\$ 7,166	No
31	18/07/2022	\$ 1,184	\$ 3,651	\$ 1,586	\$ 130	\$ -	\$ -	\$ 6,551	No
32	19/07/2022	\$ 1,184	\$ 2,232	\$ 1,582	\$ 130	\$ -	\$ -	\$ 5,128	No
33	5/09/2022	\$ 2,159	\$ 4,901	\$ 2,495	\$ 237	\$ -	\$ -	\$ 9,793	No
34	10/10/2022	\$ 3,343	\$ 15,442	\$ 3,555	\$ 368	\$ -	\$ -	\$ 22,708	No
35	29/08/2022	\$ 947	\$ 1,868	\$ 1,138	\$ 104	\$ -	\$ -	\$ 4,057	No
36	29/08/2022	\$ 632	\$ 4,637	\$ 1,131	\$ 70	\$ -	\$ -	\$ 6,469	No
37	5/09/2022	\$ 1,148	\$ 5,720	\$ 1,353	\$ 126	\$ -	\$ -	\$ 8,348	No
38	27/09/2022	\$ 3,016	\$ 14,181	\$ 3,466	\$ 332	\$ -	\$ -	\$ 20,995	No



EMPLOYEE'S NAME	START DATE	WAGES OR SALARY OWED	ANNUAL LEAVE (HOLIDAY PAY) OWED	LONG SERVICE LEAVE OWED	SUPERANNUATION OWED	REDUNDANCY OWED	OTHER	TOTAL OWED	RELATED PARTY YES/NO
39	2/11/2022	\$ 1,811	\$ 2,442	\$ 1,788	\$ 199	\$ -	\$ -	\$ 6,240	No
40	27/09/2022	\$ 1,003	\$ 2,799	\$ 1,050	\$ 110	\$ -	\$ -	\$ 4,962	No
41	31/10/2022	\$ 1,170	\$ 1,613	\$ 1,163	\$ 129	\$ -	\$ -	\$ 4,075	No
42	10/10/2022	\$ 3,694	\$ 9,510	\$ 3,928	\$ 406	\$ -	\$ -	\$ 17,538	No
43	19/10/2022	\$ 1,003	\$ 2,005	\$ 1,037	\$ 110	\$ -	\$ -	\$ 4,155	No
44	24/10/2022	\$ 1,184	\$ 3,203	\$ 1,204	\$ 130	\$ -	\$ -	\$ 5,721	No
45	31/10/2022	\$ 1,231	\$ 4,953	\$ 1,224	\$ 135	\$ -	\$ -	\$ 7,544	No
46	12/12/2022	\$ 1,532	\$ 3,110	\$ 1,286	\$ 169	\$ -	\$ -	\$ 6,097	No
47	9/01/2023	\$ 2,155	\$ 5,084	\$ 1,646	\$ 237	\$ -	\$ -	\$ 9,122	No
48	9/01/2023	\$ 990	\$ 2,337	\$ 756	\$ 109	\$ -	\$ -	\$ 4,192	No
49	5/12/2022	\$ 1,282	\$ 2,302	\$ 1,126	\$ 141	\$ -	\$ -	\$ 4,850	No
50	5/12/2022	\$ 1,142	\$ 4,637	\$ 1,004	\$ 126	\$ -	\$ -	\$ 6,909	No
51	16/01/2023	\$ 1,847	\$ 5,240	\$ 1,368	\$ 203	\$ -	\$ -	\$ 8,658	No
52	1/02/2023	\$ 1,713	\$ 5,945	\$ 1,179	\$ 188	\$ -	\$ -	\$ 9,026	No
53	16/01/2023	\$ 3,001	\$ 6,937	\$ 2,223	\$ 330	\$ -	\$ -	\$ 12,492	No
54	23/01/2023	\$ 1,801	\$ 5,970	\$ 1,293	\$ 198	\$ -	\$ -	\$ 9,262	No
55	16/01/2023	\$ 1,385	\$ 3,930	\$ 1,026	\$ 152	\$ -	\$ -	\$ 6,494	No
56	16/01/2023	\$ 2,001	\$ 4,033	\$ 1,482	\$ 220	\$ -	\$ -	\$ 7,736	No
57	16/01/2023	\$ 1,114	\$ 3,812	\$ 825	\$ 123	\$ -	\$ -	\$ 5,874	No
58	27/02/2023	\$ 2,599	\$ 1,159	\$ 1,566	\$ 286	\$ -	\$ -	\$ 5,610	No
59	1/02/2023	\$ 1,003	\$ 2,909	\$ 690	\$ 110	\$ -	\$ -	\$ 4,712	No
60	15/03/2023	\$ 1,950	\$ 4,938	\$ 1,072	\$ 215	\$ -	\$ -	\$ 8,175	No
61	1/03/2023	\$ 990	\$ 223	\$ 590	\$ 109	\$ -	\$ -	\$ 1,912	No
62	23/02/2023	\$ 1,100	\$ 2,145	\$ 1,066	\$ 121	\$ -	\$ -	\$ 4,432	No
63	20/03/2023	\$ 1,114	\$ 2,737	\$ 594	\$ 123	\$ -	\$ -	\$ 4,568	No
64	15/03/2023	\$ 905	\$ 2,293	\$ 498	\$ 100	\$ -	\$ -	\$ 3,796	No
65	6/03/2023	\$ 1,149	\$ 2,899	\$ 666	\$ 126	\$ -	\$ -	\$ 4,841	No
66	19/04/2023	\$ 1,184	\$ 2,370	\$ 514	\$ 130	\$ -	\$ -	\$ 4,198	No
67	3/05/2023	\$ 905	\$ 1,620	\$ 352	\$ 100	\$ -	\$ -	\$ 2,977	No
68	11/04/2023	\$ 1,184	\$ 1,905	\$ 503	\$ 130	\$ -	\$ -	\$ 3,722	No
69	17/07/2023	\$ 2,301	\$ 862	\$ 326	\$ 253	\$ -	\$ -	\$ 3,742	No
70	16/08/2023	\$ 1,116	\$ 220	\$ 48	\$ 123	\$ -	\$ -	\$ 1,506	No
71	21/08/2023	\$ 2,000	\$ 243	\$ 53	\$ 220	\$ -	\$ -	\$ 2,516	No
72	21/08/2023	\$ 2,615	\$ 317	\$ 69	\$ 288	\$ -	\$ -	\$ 3,289	No
73	9/08/2023	\$ 1,247	\$ 378	\$ 82	\$ 137	\$ -	\$ -	\$ 1,845	No
74	13/10/1997	\$ 2,270	\$ 21,571	\$ 42,024	\$ 250	\$ -	\$ -	\$ 66,115	No
75	24/11/1998	\$ 1,331	\$ 5,819	\$ 8,624	\$ 146	\$ -	\$ -	\$ 15,921	No
76	20/09/1999	\$ 1,170	\$ 14,381	\$ 17,143	\$ 129	\$ -	\$ -	\$ 32,823	No
77	2/10/2000	\$ 2,009	\$ 20,599	\$ 56,791	\$ 221	\$ -	\$ -	\$ 79,620	No
78	14/05/2001	\$ 1,985	\$ 11,078	\$ 53,208	\$ 218	\$ -	\$ -	\$ 66,489	No
79	31/07/2006	\$ 4,739	\$ 27,969	\$ 98,421	\$ 521	\$ -	\$ -	\$ 131,650	No
80	15/05/2007	\$ 953	\$ 7,833	\$ 14,295	\$ 105	\$ -	\$ -	\$ 23,186	No
81	19/11/2007	\$ 1,874	\$ 10,745	\$ 33,357	\$ 206	\$ -	\$ -	\$ 46,182	No

EMPLOYEE'S NAME	START DATE	WAGES OR SALARY OWED	ANNUAL LEAVE (HOLIDAY PAY) OWED	LONG SERVICE LEAVE OWED	SUPERANNUATION OWED	REDUNDANCY OWED	OTHER	TOTAL OWED	RELATED PARTY YES/NO
82	13/01/2010	\$ 1,275	\$ 15,019	\$ 19,628	\$ 140	\$ -	\$ -	\$ 36,062	No
83	9/02/2010	\$ 2,079	\$ 22,966	\$ 32,466	\$ 229	\$ -	\$ -	\$ 57,740	No
84	26/07/2010	\$ 2,105	\$ 13,658	\$ 33,138	\$ 232	\$ -	\$ -	\$ 49,132	No
85	31/01/2011	\$ 1,220	\$ 7,517	\$ 15,456	\$ 134	\$ -	\$ -	\$ 24,327	No
86	18/04/2011	\$ 1,114	\$ 12,165	\$ 14,534	\$ 123	\$ -	\$ -	\$ 27,936	No
87	23/05/2011	\$ 2,410	\$ 29,614	\$ 36,397	\$ 265	\$ -	\$ -	\$ 68,686	No
88	19/11/2012	\$ 3,461	\$ 27,953	\$ 46,381	\$ 381	\$ -	\$ -	\$ 78,176	No
89	17/03/2014	\$ 1,915	\$ 10,176	\$ 21,764	\$ 211	\$ -	\$ -	\$ 34,066	No
90	10/06/2014	\$ 1,978	\$ 4,656	\$ 21,926	\$ 218	\$ -	\$ -	\$ 28,778	No
91	7/07/2014	\$ 2,084	\$ 11,350	\$ 17,811	\$ 229	\$ -	\$ -	\$ 31,475	No
92	21/09/2015	\$ 12,666	\$ 132,396	\$ 71,060	\$ 1,393	\$ -	\$ -	\$ 217,515	No
93	11/01/2016	\$ 4,426	\$ 28,223	\$ 41,405	\$ 487	\$ -	\$ -	\$ 74,540	No
94	15/03/2016	\$ 3,134	\$ 10,886	\$ 27,969	\$ 345	\$ -	\$ -	\$ 42,334	No
95	8/08/2016	\$ 4,962	\$ 33,430	\$ 41,170	\$ 546	\$ -	\$ -	\$ 80,108	No
96	8/08/2016	\$ 5,776	\$ 22,104	\$ 49,055	\$ 635	\$ -	\$ -	\$ 77,570	No
97	29/08/2016	\$ 4,704	\$ 52,230	\$ 40,067	\$ 517	\$ -	\$ -	\$ 97,519	No
98	22/08/2016	\$ 2,145	\$ 26,921	\$ 18,105	\$ 236	\$ -	\$ -	\$ 47,407	No
99	20/03/2017	\$ 2,230	\$ 13,161	\$ 12,937	\$ 245	\$ -	\$ -	\$ 28,574	No
100	5/09/2017	\$ 478	\$ 1,516	\$ 3,376	\$ 53	\$ -	\$ -	\$ 5,423	No
101	8/11/2017	\$ 1,198	\$ 4,393	\$ 8,361	\$ 132	\$ -	\$ -	\$ 14,084	No
102	11/12/2017	\$ 1,251	\$ 11,908	\$ 8,595	\$ 138	\$ -	\$ -	\$ 21,892	No
103	12/02/2018	\$ 1,208	\$ 4,921	\$ 8,024	\$ 133	\$ -	\$ -	\$ 14,286	No
104	5/03/2018	\$ 1,212	\$ 2,369	\$ 8,996	\$ 133	\$ -	\$ -	\$ 12,710	No
105	28/05/2018	\$ 5,324	\$ 35,530	\$ 30,906	\$ 586	\$ -	\$ -	\$ 72,345	No
106	1/10/2018	\$ 2,438	\$ 4,487	\$ 13,967	\$ 268	\$ -	\$ -	\$ 21,160	No
107	19/11/2018	\$ 3,691	\$ 23,486	\$ 21,192	\$ 406	\$ -	\$ -	\$ 48,775	No
108	4/02/2019	\$ 2,382	\$ 11,009	\$ 9,445	\$ 262	\$ -	\$ -	\$ 23,098	No
109	1/02/2019	\$ 1,214	\$ 18,377	\$ 8,339	\$ 134	\$ -	\$ -	\$ 28,063	No
110	25/03/2019	\$ 3,115	\$ 15,606	\$ 16,592	\$ 343	\$ -	\$ -	\$ 35,656	No
111	8/04/2019	\$ 1,226	\$ 8,745	\$ 6,472	\$ 135	\$ -	\$ -	\$ 16,578	No
112	26/05/2019	\$ 2,111	\$ 16,052	\$ 10,813	\$ 232	\$ -	\$ -	\$ 29,208	No
113	8/07/2019	\$ 1,066	\$ 474	\$ 3,950	\$ 117	\$ -	\$ -	\$ 5,607	No
114	21/10/2019	\$ 2,438	\$ 26,911	\$ 11,298	\$ 268	\$ -	\$ -	\$ 40,915	No
115	11/11/2019	\$ 2,404	\$ 25,386	\$ 10,977	\$ 264	\$ -	\$ -	\$ 39,032	No
116	10/02/2020	\$ 585	\$ 51,369	\$ 25,467	\$ 64	\$ -	\$ -	\$ 77,486	No
117	29/01/2020	\$ 839	\$ 6,794	\$ 4,665	\$ 92	\$ -	\$ -	\$ 12,390	No
118	26/02/2020	\$ 1,323	\$ 13,926	\$ 5,576	\$ 146	\$ -	\$ -	\$ 20,971	No
119	16/03/2020	\$ 4,602	\$ 56,356	\$ 18,800	\$ 506	\$ -	\$ -	\$ 80,264	No
120	23/03/2020	\$ 2,002	\$ 13,920	\$ 5,665	\$ 220	\$ -	\$ -	\$ 21,807	No
121	23/03/2020	\$ 1,207	\$ 9,876	\$ 4,317	\$ 133	\$ -	\$ -	\$ 15,533	No
122	30/03/2020	\$ 3,064	\$ 28,762	\$ 13,090	\$ 337	\$ -	\$ -	\$ 45,253	No
123	15/04/2020	\$ 3,044	\$ 25,651	\$ 12,988	\$ 335	\$ -	\$ -	\$ 42,017	No
124	1/06/2020	\$ 3,622	\$ 18,643	\$ 14,124	\$ 398	\$ -	\$ -	\$ 36,788	No

EMPLOYEE'S NAME	START DATE	WAGES OR SALARY OWED	ANNUAL LEAVE (HOLIDAY PAY) OWED	LONG SERVICE LEAVE OWED	SUPERANNUATION OWED	REDUNDANCY OWED	OTHER	TOTAL OWED	RELATED PARTY YES/NO
125	18/05/2020	\$ 4,282	\$ 10,767	\$ 15,788	\$ 471	\$ -	\$ -	\$ 31,308	No
126	1/06/2020	\$ 1,254	\$ 1,692	\$ 4,888	\$ 138	\$ -	\$ -	\$ 7,972	No
127	9/06/2020	\$ 2,213	\$ 6,108	\$ 7,310	\$ 243	\$ -	\$ -	\$ 15,874	No
128	18/08/2020	\$ 781	\$ 3,021	\$ 2,846	\$ 86	\$ -	\$ -	\$ 6,734	No
129	24/08/2020	\$ 2,521	\$ 25,010	\$ 9,133	\$ 277	\$ -	\$ -	\$ 36,942	No
130	5/10/2020	\$ 3,073	\$ 33,759	\$ 11,163	\$ 338	\$ -	\$ -	\$ 48,333	No
131	19/10/2020	\$ 5,823	\$ 52,084	\$ 19,875	\$ 641	\$ -	\$ -	\$ 78,423	No
132	30/11/2020	\$ 2,229	\$ 14,426	\$ 7,354	\$ 245	\$ -	\$ -	\$ 24,254	No
133	4/01/2021	\$ 1,170	\$ 4,148	\$ 3,726	\$ 129	\$ -	\$ -	\$ 9,173	No
134	14/12/2020	\$ 4,378	\$ 48,409	\$ 14,503	\$ 482	\$ -	\$ -	\$ 67,771	No
135	13/01/2021	\$ 1,635	\$ 9,010	\$ 5,157	\$ 180	\$ -	\$ -	\$ 15,982	No
136	8/02/2021	\$ 2,020	\$ 13,903	\$ 6,199	\$ 222	\$ -	\$ -	\$ 22,344	No
137	1/03/2021	\$ 1,142	\$ 6,838	\$ 3,425	\$ 126	\$ -	\$ -	\$ 11,531	No
138	28/06/2021	\$ 2,500	\$ 17,104	\$ 6,519	\$ 275	\$ -	\$ -	\$ 26,398	No
139	19/07/2021	\$ 2,038	\$ 10,198	\$ 5,173	\$ 224	\$ -	\$ -	\$ 17,633	No
140	2/08/2021	\$ 1,713	\$ 5,456	\$ 4,270	\$ 188	\$ -	\$ -	\$ 11,628	No
141	23/08/2021	\$ 2,176	\$ 9,099	\$ 5,273	\$ 239	\$ -	\$ -	\$ 16,788	No
142	27/09/2021	\$ 1,713	\$ 10,255	\$ 3,954	\$ 188	\$ -	\$ -	\$ 16,111	No
143	29/09/2021	\$ 1,383	\$ 11,670	\$ 3,183	\$ 152	\$ -	\$ -	\$ 16,388	No
144	17/11/2021	\$ 2,329	\$ 2,950	\$ 4,984	\$ 256	\$ -	\$ -	\$ 10,520	No
145	22/11/2021	\$ 1,778	\$ 11,723	\$ 3,775	\$ 196	\$ -	\$ -	\$ 17,471	No
146	31/01/2022	\$ 1,442	\$ 3,382	\$ 2,729	\$ 159	\$ -	\$ -	\$ 7,711	No
147	15/03/2010	\$ 1,701	\$ 11,078	\$ 27,525	\$ 187	\$ -	\$ -	\$ 40,491	No
148	13/02/2012	\$ 1,156	\$ 17,900	\$ 16,042	\$ 127	\$ -	\$ -	\$ 35,225	No
149	16/02/2015	\$ 1,031	\$ 10,198	\$ 10,566	\$ 113	\$ -	\$ -	\$ 21,908	No
150	9/05/2016	\$ 1,870	\$ 16,758	\$ 13,139	\$ 206	\$ -	\$ -	\$ 31,973	No
151	8/01/2018	\$ 591	\$ 3,717	\$ 7,008	\$ 65	\$ -	\$ -	\$ 11,381	No
152	7/03/2018	\$ 825	\$ 8,820	\$ 6,500	\$ 91	\$ -	\$ -	\$ 16,235	No
153	21/05/2018	\$ 813	\$ 2,354	\$ 5,156	\$ 89	\$ -	\$ -	\$ 8,413	No
154	12/11/2018	\$ 1,610	\$ 12,977	\$ 9,381	\$ 177	\$ -	\$ -	\$ 24,145	No
155	1/04/2019	\$ 3,415	\$ 25,213	\$ 18,467	\$ 376	\$ -	\$ -	\$ 47,470	No
156	21/05/2019	\$ 2,088	\$ 14,864	\$ 18,028	\$ 230	\$ -	\$ -	\$ 35,209	No
157	5/08/2019	\$ 1,226	\$ 4,512	\$ 3,769	\$ 135	\$ -	\$ -	\$ 9,642	No
158	25/11/2019	\$ 1,300	\$ 10,029	\$ 5,874	\$ 143	\$ -	\$ -	\$ 17,346	No
159	28/01/2020	\$ 1,142	\$ 10,185	\$ 4,922	\$ 126	\$ -	\$ -	\$ 16,375	No
160	7/09/2020	\$ 1,978	\$ 9,551	\$ 7,073	\$ 218	\$ -	\$ -	\$ 18,820	No
161	12/01/2021	\$ 2,159	\$ 3,734	\$ 6,819	\$ 237	\$ -	\$ -	\$ 12,950	No
162	27/01/2021	\$ 1,247	\$ 11,704	\$ 3,875	\$ 137	\$ -	\$ -	\$ 16,963	No
163	12/04/2021	\$ 2,159	\$ 6,903	\$ 5,919	\$ 237	\$ -	\$ -	\$ 15,219	No
164	19/05/2021	\$ 1,536	\$ 2,825	\$ 4,209	\$ 169	\$ -	\$ -	\$ 8,739	No
165	2/06/2021	\$ 1,121	\$ 3,178	\$ 2,751	\$ 123	\$ -	\$ -	\$ 7,174	No
166	5/07/2021	\$ 1,142	\$ 3,315	\$ 2,091	\$ 126	\$ -	\$ -	\$ 6,674	No
167	9/08/2021	\$ 1,811	\$ 11,249	\$ 4,472	\$ 199	\$ -	\$ -	\$ 17,731	No

EMPLOYEE'S NAME	START DATE	WAGES OR SALARY OWED	ANNUAL LEAVE (HOLIDAY PAY) OWED	LONG SERVICE LEAVE OWED	SUPERANNUATION OWED	REDUNDANCY OWED	OTHER	TOTAL OWED	RELATED PARTY YES/NO
168	23/08/2021	\$ 919	\$ 7,152	\$ 2,285	\$ 101	\$ -	\$ -	\$ 10,457	No
169	18/08/2021	\$ 1,114	\$ 6,045	\$ 2,719	\$ 123	\$ -	\$ -	\$ 10,001	No
170	18/10/2021	\$ 1,650	\$ 5,135	\$ 3,750	\$ 181	\$ -	\$ -	\$ 10,716	No
171	1/11/2021	\$ 996	\$ 2,813	\$ 2,184	\$ 110	\$ -	\$ -	\$ 6,103	No
172	22/11/2021	\$ 1,337	\$ 4,521	\$ 2,840	\$ 147	\$ -	\$ -	\$ 8,845	No
173	29/11/2021	\$ 4,829	\$ 18,102	\$ 10,242	\$ 531	\$ -	\$ -	\$ 33,704	No
174	22/11/2021	\$ 1,003	\$ 1,047	\$ 2,130	\$ 110	\$ -	\$ -	\$ 4,290	No
175	29/11/2021	\$ 1,184	\$ 549	\$ 2,487	\$ 130	\$ -	\$ -	\$ 4,350	No
176	18/01/2022	\$ 1,839	\$ 1,669	\$ 3,560	\$ 202	\$ -	\$ -	\$ 7,270	No
177	14/02/2022	\$ 1,254	\$ 4,102	\$ 2,316	\$ 138	\$ -	\$ -	\$ 7,810	No
178	23/02/2022	\$ 1,672	\$ 6,242	\$ 3,038	\$ 184	\$ -	\$ -	\$ 11,135	No
179	8/10/1987	\$ 1,192	\$ 10,687	\$ 15,514	\$ 131	\$ -	\$ -	\$ 27,524	No
180	28/05/1984	\$ 3,623	\$ 23,484	\$ 132,224	\$ 399	\$ -	\$ -	\$ 159,730	No
181	27/10/2014	\$ 2,122	\$ 21,338	\$ 23,264	\$ 233	\$ -	\$ -	\$ 46,958	No
182	11/05/2015	\$ 1,255	\$ 3,857	\$ 12,525	\$ 138	\$ -	\$ -	\$ 17,775	No
183	5/03/2018	\$ 829	\$ 757	\$ 5,014	\$ 91	\$ -	\$ -	\$ 6,691	No
184	18/03/2019	\$ 1,713	\$ 7,264	\$ 9,165	\$ 188	\$ -	\$ -	\$ 18,331	No
185	19/11/2018	\$ 502	\$ 5,288	\$ 4,483	\$ 55	\$ -	\$ -	\$ 10,329	No
186	2/01/2002	\$ 396	\$ 6,115	\$ 10,808	\$ 44	\$ -	\$ -	\$ 17,363	No
187	18/02/2015	\$ 1,421	\$ 6,223	\$ 14,564	\$ 156	\$ -	\$ -	\$ 22,364	No
188	24/07/2017	\$ 1,913	\$ 15,080	\$ 14,024	\$ 210	\$ -	\$ -	\$ 31,227	No
189	18/12/2017	\$ 1,449	\$ 3,939	\$ 9,922	\$ 159	\$ -	\$ -	\$ 15,469	No
190	12/06/2018	\$ 710	\$ 6,895	\$ 7,038	\$ 78	\$ -	\$ -	\$ 14,722	No
191	8/08/2018	\$ 2,703	\$ 7,693	\$ 15,406	\$ 297	\$ -	\$ -	\$ 26,099	No
192	10/12/2018	\$ 1,339	\$ 8,857	\$ 7,597	\$ 147	\$ -	\$ -	\$ 17,941	No
193	23/11/2020	\$ 1,191	\$ 4,046	\$ 4,011	\$ 131	\$ -	\$ -	\$ 9,379	No
194	28/09/2021	\$ 1,282	\$ 2,410	\$ 2,954	\$ 141	\$ -	\$ -	\$ 6,786	No
195	15/04/2019	\$ 1,746	\$ 19,939	\$ 9,519	\$ 192	\$ -	\$ -	\$ 31,396	No
196	2/05/1996	\$ 2,502	\$ 19,569	\$ 82,224	\$ 275	\$ -	\$ -	\$ 104,571	No
197	26/04/2007	\$ 1,652	\$ 13,819	\$ 32,476	\$ 182	\$ -	\$ -	\$ 48,129	No
198	7/10/2013	\$ 775	\$ 11,633	\$ 12,470	\$ 85	\$ -	\$ -	\$ 24,963	No
199	26/03/2018	\$ 2,176	\$ 40,115	\$ 14,198	\$ 239	\$ -	\$ -	\$ 56,728	No
200	4/10/2022	\$ 1,135	\$ 1,866	\$ 1,229	\$ 125	\$ -	\$ -	\$ 4,355	No
201	8/08/2022	\$ 990	\$ 894	\$ 1,258	\$ 109	\$ -	\$ -	\$ 3,251	No
202	4/10/2022	\$ 1,114	\$ 1,960	\$ 1,200	\$ 123	\$ -	\$ -	\$ 4,397	No
203	4/10/2022	\$ 1,003	\$ 4,788	\$ 1,037	\$ 110	\$ -	\$ -	\$ 6,938	No
204	11/08/2022	\$ 975	\$ 2,895	\$ 1,197	\$ 107	\$ -	\$ -	\$ 5,174	No
205	26/09/2022	\$ 1,163	\$ 5,637	\$ 1,290	\$ 128	\$ -	\$ -	\$ 8,218	No
206	4/10/2022	\$ 1,184	\$ 4,540	\$ 1,282	\$ 130	\$ -	\$ -	\$ 7,136	No
207	22/05/2023	\$ 1,073	\$ 811	\$ 346	\$ 118	\$ -	\$ -	\$ 2,348	No
208	22/05/2023	\$ 1,073	\$ 1,610	\$ 350	\$ 118	\$ -	\$ -	\$ 3,151	No
Total owed to unrelated employees		\$ 401,478	\$ 2,265,238	\$ 2,266,019	\$ 44,163	\$ 340,588	\$ -	\$ 5,317,486	

Catholic Church Insurance Limited

Table A7 - Amounts the Company owes to its creditors

This is the annexure of Page/s 5 of 6 marked with * mentioned in Part A signed byDion Gooderham And dated 26/ 09 / 2023

CREDITOR'S NAME	POSTAL ADDRESS IN FULL	EMAIL ADDRESS	TICK IF SECURED	PPSR (IF APPLICABLE)	IF SECURED, GIVE ASSET DETAILS*	TICK IF RELATED PARTY	AMOUNT OWING
Trade and other payables	Various	Various					\$ 72,593,000
Outstanding claims liabilities	Various	Various					\$ 1,173,493,000
Right Of Use lease obligations	Various	Various					\$ 8,172,000



Capitalised terms in this document have the same meaning defined in the Explanatory Statement unless otherwise defined.

1 Voting Rules and Principles

NO	RULE	DETAIL
1.	Eligibility to vote at Scheme Meeting	<p>To vote at the Scheme Meeting, Scheme Creditors and their appointed proxies (if applicable) must complete the following five steps:</p> <p>(a) Register as a Scheme Creditor for voting purposes in the Creditor Portal by 5.00pm on 16 October 2023</p> <p>All persons the Company has identified as Scheme Creditors will receive an email from Data Kit on or about 28 September 2023 with individualised login credentials for the Creditor Portal. Scheme Creditors must complete Module 1: Creditor Registration in the Creditor Portal by 5.00pm on 16 October 2023 to register as a Scheme Creditor for the purposes of attending and voting at the Scheme Meeting.</p> <p>If a person does not receive login credentials to the Creditor Portal (for example, because the Company did not identify them as a Scheme Creditor) and they think they may be a Scheme Creditor, they need to contact the Company by email at scheme@ccinsurance.org.au in accordance with rule 5 by no later than 5.00pm on 9 October 2023.</p> <p>If a person who does not receive login credentials to the Creditor Portal fails to contact the Company requesting to be included as a Scheme Creditor by this date, they will no longer be eligible to receive and submit a Validation Form to be adjudicated as a Scheme Creditor and granted access to the Creditor Portal (unless the Returning Officer, in his discretion, accepts a request after this date). That person will not be eligible to vote at the Scheme Meeting.</p> <p>(b) Review the Claims Estimate the Company has prepared in respect of Scheme Claims you have as at 30 September 2023</p> <p>The Claims Estimate for Scheme Creditors who have completed step (a) above by the deadline will be uploaded into the Proof of Debt module of the Creditor Portal by 5pm on 18 October 2023. These Scheme Creditors will receive an email from Data Kit advising that their Claims Estimate is available for review in the Creditor Portal.</p> <p>(c) Complete your Proof of Debt for voting purposes in the Creditor Portal by 5.00pm 25 October 2023</p>

NO	RULE	DETAIL
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From **5.00pm on 18 October 2023**, Scheme Creditors who have registered with the Creditor Portal can log into the Creditor Portal to review their Claims Estimate and complete Module 2: Proof of Debt in the Creditor Portal.

(d) Confirm if you will attend the Scheme Meeting in person or appoint a proxy to vote on your behalf at the Scheme Meeting by 5.00pm on 25 October 2023

A Scheme Creditor who is a natural person and will attend the virtual Scheme Meeting themselves does not need to appoint a proxy. However, they must confirm their intention to attend the Scheme Meeting by completing Module 3: Confirmation of Attendance or Appointment of Proxy in the Creditor Portal by **5.00pm on 25 October 2023**.

All other Scheme Creditors will need to complete and lodge a proxy form in Module 3 of the Creditor Portal by **5.00pm on 25 October 2023** to be eligible to vote at the Scheme Meeting.

Any Scheme Creditor who wishes to vote using a corporate representative or attorney must appoint that person as proxy for the Scheme Creditor in accordance with rule 8.

Persons who have been appointed as proxy for a Scheme Creditor will receive an email from Data Kit with individualised login credentials for the Creditor Portal which they can use to login and vote at the Scheme Meeting.

(e) Attend and vote at the Scheme Meeting at 12.00 noon on 31 October 2023

The Scheme Meeting will be held using virtual meeting technology called Webcast. Scheme Creditors (or their proxyholders) can view the virtual meeting through the Webcast link

https://event.webcasts.com/starthere.jsp?ei=1632017&tp_key=32ba2a8291

Scheme Creditors and their proxies who have completed the above four steps and wish to attend and vote at the Scheme Meeting must log into both the Webcast link and the Creditor Portal at 12.00 noon on 31 October 2023 to record their attendance at the Scheme Meeting and to vote in accordance with rule 9.

Section A: The Creditor Portal

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| 2. | Scheme Creditor | A Scheme Creditor means a creditor of the Company in respect of an actual or potential Scheme Claim. This could be as a person who is: <ul style="list-style-type: none"> (a) a policyholder of an Insurance Contract; |
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NO	RULE	DETAIL
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- (b) a named or unnamed beneficiary or insured person under an Insurance Contract (in other words a person who is covered by an Insurance Contract but is not the policyholder); or
- (c) a person who has a direct right of action under statute against the Company, where that person is claiming against a party insured under an Insurance Contract.

As set out in rule 15, only legal persons can be Scheme Creditors for the purposes of the Scheme.

Mr Tim Farren, General Manager Underwriting & Product (or another person designated to perform his functions in the event he is unable to) will act as returning officer (**Returning Officer**) for the Scheme Meeting. The Returning Officer will have the final determination of who is a Scheme Creditor for the purposes of the Scheme Meeting. Only Scheme Creditors will be granted access to the Creditor Portal by the Company.

As set out in rule 6, a Scheme Creditor must complete Modules 1 to 3 of the Creditor Portal to be eligible to attend and vote at the Scheme Meeting. The value they are admitted to vote for at the Scheme Meeting will be adjudicated by the Returning Officer in accordance with rule 12 by **5.00pm on 30 October 2023**.

3.	Identifying Scheme Creditors	<p>By on or about 28 September 2023, the Company will use its reasonable endeavours to identify Scheme Creditors, using its books and records, including the:</p> <ul style="list-style-type: none"> (a) name; (b) legal status / entity type; (c) email address; (d) phone number; (e) residential address/registered office; (f) Insurance Contract policy number(s) applicable to all Insurance Contracts in respect of which a Scheme Creditor may have a valid Scheme Claim(s); and/or (g) Type(s) of Insurance Contract.
4.	Protocol for registering Scheme Creditors identified by the	<p>If a Scheme Creditor is identified by the Company under rule 3, then:</p> <ul style="list-style-type: none"> (a) the Company will create an individual profile for that identified Scheme Creditor on the Creditor Portal (Portal Profile); (b) the Company will, on or as soon as practicable after the day that notice is given of the Scheme Meeting in The Australian newspaper (intended to be 28 September 2023), issue an email to all Scheme

NO	RULE	DETAIL
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Company under rule 3

Creditors with a link to the Company's website at <https://www.ccinsurance.org.au/scheme-of-arrangement>. The Company's website will provide access to:

- (i) the Explanatory Statement;
- (ii) an instructional video on how to use the Creditor Portal.

The email will also state that the Scheme Creditor will receive an email from Data Kit providing login credentials for the Creditor Portal.

- (c) Data Kit will, on or as soon as practicable after the day that notice is given of the Scheme Meeting in The Australian newspaper (intended to be 28 September 2023), issue an email to Scheme Creditors providing individualised login credentials to the Scheme Creditor's Portal Profile and information to assist login to the Creditor Portal (including the URL to the Creditor Portal).
- (d) If the Company does not have a record of a Scheme Creditor's email address, the Company will issue a letter to that person via post to their residential address, registered office or other address on the record (as applicable) to contact:
 - (i) stating that person has been identified as a Scheme Creditor for the purposes of the Scheme Meeting;
 - (ii) providing them with a link to the Company's website at <https://www.ccinsurance.org.au/scheme-of-arrangement> (as referred to above at 4(b)); and
 - (iii) stating that if that person wishes to register as a Scheme Creditor to vote at the Scheme Meeting, they can provide their email address and contact details to the Company by email to scheme@ccinsurance.org.au.

5. Protocol for registering Prospective Scheme Creditors **not identified** by the Company under rule 3

While the Company will use reasonable endeavours to identify Scheme Creditors, as outlined in rule 3, there may be persons who are not identified who wish to be regarded as Scheme Creditors and vote at the Scheme Meeting. A person who considers they are a Scheme Creditor and wishes to vote at Scheme Meeting must contact the Company in accordance with this rule 5 requesting to be included as a Scheme Creditor by 5.00pm on 9 October 2023. A person who fails to do so will no longer be eligible to receive and submit a Validation Form to be adjudicated as a Scheme Creditor and granted access to the Creditor Portal (unless the Returning Officer, in his discretion, accepts a request after this date). **That person will not be eligible to vote at the Scheme Meeting.**

NO	RULE	DETAIL
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If a person is **not identified** by the Company as a Scheme Creditor under rule 3, then:

- (a) A person who thinks they may be a Scheme Creditor (**Prospective Scheme Creditor**) may contact the Company via the email address scheme@ccinsurance.org.au requesting to be included as a Scheme Creditor.
- (b) The Company will respond to emails from Prospective Scheme Creditor requesting the Prospective Scheme Creditor complete a form (**Validation Form**) to allow the Company to determine if they are a Scheme Creditor for the purposes of the Scheme Meeting. The Validation Form will require the following information:
 - (i) name
 - (ii) legal status / entity type;
 - (iii) email address;
 - (iv) phone number;
 - (v) Insurance Contract policy number(s) applicable to all Insurance Contracts which a Prospective Scheme Creditor may have a valid Scheme Claim(s) (if known).
- (c) following receipt of a completed Validation Form, the Returning Officer will:
 - (i) review that form;
 - (ii) make a binding adjudication as to whether that Prospective Scheme Creditor is a Scheme Creditor;
 - (iii) if satisfied that a person or entity is a Scheme Creditor, will ensure their details are provided to Data Kit who will create a Portal Profile for that Scheme Creditor; and
 - (iv) if not satisfied that a person or entity is a Scheme Creditor, will ensure that person or entity is notified via email of that decision.
- (d) after the Returning Officer determines a Prospective Scheme Creditor is a Scheme Creditor in accordance with this rule, the Company will issue an email to that Scheme Creditor with a link to the Company's website at <https://www.ccinsurance.org.au/scheme-of-arrangement>. The Company's website will provide access to:
 - (i) the Explanatory Statement;
 - (ii) an instructional video on how to use the Creditor Portal.

NO	RULE	DETAIL
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		<p>The email will also state that the Scheme Creditor will receive an email from Data Kit providing login credentials to their Portal Profile on the Creditor Portal.</p> <p>(e) Data Kit will, on or as soon as practicable after a Portal Profile is created in accordance with this rule, issue an email to the relevant Scheme Creditor providing individualised login credentials to that Scheme Creditor's Portal Profile and information to assist login to the Creditor Portal (including the URL to the Creditor Portal).</p> <p>(f) The last date for a person to contact the Company requesting to be a Prospective Scheme Creditor for the purposes of the Scheme Meeting is 5.00pm on 9 October 2023. The Returning Officer, in his discretion, may accept any Validation Form completed after this date if he considers it reasonable in the circumstances.</p>
6.	Creditor Portal Modules	<p>There are four modules in the Creditor Portal relevant for Scheme Creditors who wish to vote at the Scheme Meeting, as follows:</p> <ul style="list-style-type: none"> • Module 1 - Creditor Registration • Module 2 - Proof of Debt • Module 3 – Confirmation of Attendance or Appointment of Proxy • Module 4 – Day of Meeting & Voting <p>Scheme Creditors have until 5.00pm on 16 October 2023 to complete Module 1: Creditor Registration on the Creditor Portal.</p> <p>Scheme Creditors who have completed Module 1: Creditor Registration by 5.00pm on 16 October 2023 may log into the Creditor Portal from 5.00pm on 18 October 2023 to review their Claims Estimate and complete:</p> <ul style="list-style-type: none"> • Module 2: Proof of Debt • Module 3: Confirmation of Attendance or Appointment of Proxy <p>The deadline to complete Modules 2 and 3 is 5.00pm on 25 October 2023.</p> <p>Scheme Creditors who do not comply with these deadlines will not be eligible to vote at the Scheme Meeting.</p>
7.	Periods in which modules are open to Scheme Creditors	<p>The Creditor Portal will be accessible to Scheme Creditors on the same date as notice is given of the Scheme by advertisement in The Australian Newspaper (on or about 28 September 2023).</p> <p>Module 1: Creditor Registration, will be open for completion by Scheme Creditors between the period of:</p>

NO	RULE	DETAIL
	for completion	<ul style="list-style-type: none"> • on or about 28 September 2023; to • 5.00pm on 16 October 2023. <p>Module 2: Proof of Debt and Module 3: Confirmation of attendance or Appointment of Proxy will be open for completion by Scheme Creditors between the period of:</p> <ul style="list-style-type: none"> • 5.00pm on 18 October 2023; to • 5.00pm on 25 October 2023. <p>If a Scheme Creditor completes a module and submits it, that module will become locked and they will not be able to make any further changes. If a Scheme Creditor wants to make any further changes within the specified timeframes, they can send a request to scheme@ccinsurance.org.au asking for their Portal Profile to be unlocked. Representatives of the Company will instruct Data Kit to unlock the requested Portal Profile. The Scheme Creditor will be notified by email that the request to unlock their Portal Profile has been processed.</p>
8.	Confirmation of Attendance at Scheme Meeting in Person or by Proxy	<p>As part of Module 3: Confirmation of attendance or Appointment of Proxy of the Creditor Portal, a Scheme Creditor will need to confirm if they will attend the virtual Scheme Meeting themselves, which is only possible for natural persons, or appoint a proxy to attend and vote on their behalf at the Scheme Meeting.</p> <p>A Scheme Creditor who is a natural person and will attend the virtual Scheme Meeting themselves does not need to appoint a proxy, however, they must confirm their intention to attend the Scheme Meeting in the Creditor Portal by 5.00pm on 25 October 2023.</p> <p>All other Scheme Creditors must complete and lodge a proxy form in Module 3 of the Creditor Portal to be able to attend and vote at the Scheme Meeting.</p> <p>There are two types of proxy a Scheme Creditor can appoint:</p> <ul style="list-style-type: none"> (a) General proxy: a proxy that has a discretion how to vote at the resolution of the Scheme Meeting; or (b) Special proxy: a proxy who is instructed by the Scheme Creditor how the proxy must vote on behalf of the Scheme Creditor at the Scheme Meeting. <p>Any Scheme Creditor who wishes to vote using a corporate representative or attorney must appoint that person as proxy for the Scheme Creditor in accordance with this rule 8.</p>

NO	RULE	DETAIL
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| 9. | Voting at Scheme Meeting | <p>To be eligible to vote at the Scheme Meeting, a Scheme Creditor must attend the Scheme Meeting on 31 October 2023 by either:</p> <ul style="list-style-type: none">(a) logging in to the Webcast and the Creditor Portal during the Scheme Meeting to register their attendance at the Scheme Meeting; or(b) if a Scheme Creditor has appointed a proxy, by completing Module 3 on the Creditor Portal, having that proxy attend the Scheme Meeting on their behalf by logging in to the Webcast and Creditor Portal during the Scheme Meeting to register their attendance on behalf of the relevant Scheme Creditor at the Scheme Meeting. |
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If a Scheme Creditor has appointed a proxy, that proxy must attend the Scheme Meeting for that Scheme Creditor's votes to count. A proxy will be delegated access to the Creditor Portal on behalf of a Scheme Creditor as part of the process of completing Module 3: Confirmation of attendance or Appointment of Proxy of the Creditor Portal (in accordance with rule 8).

If a person holds proxies for several Scheme Creditors, they will be able to cast votes for each proxy they hold using one Creditor Portal login provided all Scheme Creditors use the same proxy appointment details (name and email address) when appointing the proxy in the Module 3 of the Creditor Portal.

Voting at the Scheme Meeting will occur through Module 4: Day of Meeting & Voting in the Creditor Portal. This module will only be opened during the Scheme Meeting and will be used by those in attendance at the Scheme Meeting to cast their votes when requested by the Chair.

Section B: Valuation and Adjudication

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| 10. | Votes of Scheme Creditors | <p>A Scheme Creditor will vote once at the Scheme Meeting (unless they are holding proxies on behalf of other Scheme Creditors). Each Scheme Creditor's vote will be counted towards the Requisite Majority as follows:</p> <ul style="list-style-type: none">(a) Each Scheme Creditor is counted as having one vote regardless of how many Scheme Claims the Scheme Creditor has, other than as a proxyholder (50% Number Vote).(b) The value of each Scheme Creditor's vote is equal to the Proof of Debt admitted to vote in AUD as determined by the Returning Officer (75% Value Vote). |
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NO	RULE	DETAIL
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11. Claims Estimates for the 75% Value Vote

The Company will prepare a Claims Estimate for each Scheme Creditor who has completed Module 1: Creditor Registration in the Creditor Portal by the deadline of **5.00pm on 16 October 2023**.

The Claims Estimate will be a just estimate of each Scheme Creditor's claim value as at 30 September 2023. The valuation principles applied by the Company in arriving at the Claims Estimate are set out at sections 2 and 3 of Appendix 8.

The Claims Estimate will be uploaded in Module 2: Proof of Debt of the Creditor Portal by **5.00pm on 18 October 2023**. Scheme Creditors will receive an email from Data Kit advising that their Claims Estimate is available for review in the Creditor Portal.

The Claims Estimate recorded in the Creditor Portal is for voting purposes at the Scheme Meeting only and does not represent each Scheme Creditor's formal claim against the Company, nor an amount each Scheme Creditor will be paid under the Scheme or in respect of any claim.

The admission of a Scheme Claim for voting purposes does not constitute an admission of the existence or amount of any liability of the Company and will not bind the Company or any Scheme Creditor for any purposes other than voting at the Scheme Meeting. Estimates of any claims, whether by Scheme Creditors, the Company or the Returning Officer, will not be taken into account in calculating payments under the Scheme or otherwise, but will be used for voting purposes only.

If a Scheme Creditor accepts the Claims Estimate in the Creditor Portal as the value of their Scheme Claims for voting purposes, they will be admitted to vote for this amount at the Scheme Meeting. The Creditor Portal will generate a Proof of Debt for the Scheme Creditor which incorporates the value set out in its Claims Estimate.

Creditors who disagree with the Claims Estimate will need to submit details of their dispute into the Creditor Portal. The particulars of each of their disputes, by reference to identified Insurance Contract policies and their total claims value, together with supporting documentation to substantiate the claimed amount, must be uploaded to the Creditor Portal for adjudication by the Returning Officer.

The final value of a Scheme Creditor's disputed Claims Estimate will be adjudicated by the Returning Officer in accordance with rules 12, 13 and 14.

Scheme Creditors are required to either accept their Claims Estimate in the Creditor Portal, or reject their Claims Estimate and lodge their revised claim in Module 2: Proof of Debt in the Creditor Portal by **5.00pm on 25 October 2023**.

NO	RULE	DETAIL
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12. Adjudication of Proofs of Debt

The Returning Officer will determine:

- (a) who is a Scheme Creditor entitled to have a Portal Profile created for in the Creditor Portal; and
- (b) the value of each Scheme Creditor's Proof of Debt for the purposes of voting at the Scheme Meeting.

Each Scheme Creditor will be notified of the outcome of their voting rights for the purposes of rule 12(b) through the Creditor Portal by no later than **5.00pm on 30 October 2023**.

The Returning Office may adjust the value to be attributed for voting purposes to a Scheme Creditor's Proof of Debt and will consider additional information provided by a Scheme Creditor in the Creditor Portal. The Returning Officer's determination will be based on:

- (a) the information provided by the Scheme Creditor;
- (b) the information available to the Company from its books and records; and
- (c) the valuation principles set out in rules 13 and 14.

Once the adjudication process is complete, Scheme Creditors who have completed Modules 1 to 3 in the Creditor Portal will be sent an email by Data Kit by **5.00pm on 30 October 2023** advising the Scheme Creditor:

- (a) that the process undertaken by the Returning Officer to adjudicate the eligibility of Scheme Creditors and the value of their Proof of Debt for the purposes of voting at the Scheme Meeting has completed;
- (b) the total number of Scheme Creditors who have been admitted to vote at the Scheme Meeting and the aggregate value of Proofs of Debt following the adjudication process; and
- (c) that the Scheme Creditor can log into the Creditor Portal to see the adjudicated value of their Proof of Debt for the purposes of voting at the Scheme Meeting.

The Returning Officer's determination is final.

13. 50% Number Vote

The Returning Officer will determine each Scheme Creditor's voting rights as follows for the purpose of the 50% Number Vote:

- (a) Each Scheme Creditor is counted as having one vote.
- (b) In the event a person is a proxy for more than one Scheme Creditor, that person will count as having one vote for each Scheme Creditor proxy held by that person, in addition to their own vote if applicable.

NO	RULE	DETAIL
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		<p>For example, a person who is proxy for 10 Scheme Creditors will have 10 votes towards the 50% Number Vote in addition to any vote they may personally be eligible for as a Scheme Creditor.</p> <p>(c) Even if a Scheme Creditor:</p> <ul style="list-style-type: none"> • is a policyholder under more than one Insurance Contract; • is otherwise a claimant under more than one Insurance Contract; and/or • represents a number of entities or is the holder of a master Insurance Contract for a number of claimants, <p>they still only have one vote towards the 50% Number Vote.</p>
14.	Valuation of the 75% Value Vote	<p>The Returning Officer will assess each Scheme Creditor's Proof of Debt as follows for the purpose of a 75% Value Vote:</p> <p>(a) Each Scheme Creditor is counted as having one vote equal to the aggregate value of their Scheme Claims arising under all their Insurance Contracts in AUD as adjudicated by the Company.</p> <p>For example, if a Scheme Creditor has Scheme Claims of:</p> <ul style="list-style-type: none"> • \$30 under Insurance Contract 1; and • \$20 under Insurance Contract 2, <p>the value of that Scheme Creditor's vote is \$50 in the 75% Value Vote.</p> <p>(b) The Returning Officer retains discretion to apply the value attributable to any Scheme Claim to the appropriate Scheme Creditor for the purposes of calculating a 'just estimate' of each Scheme Creditor's voting rights to avoid 'double counting' of any value.</p> <p>(c) The following valuation principles set out in this Appendix 8 set out below will be applied:</p> <ul style="list-style-type: none"> • Section 2: Overview of Valuation Principles For Voting Purposes Only • Section 3: Valuation Principles
15.	Can a Scheme Creditor who is not a 'legal	<p>No, only legal persons can be Scheme Creditors and vote.</p> <p>If an Insurance Contract was issued in the name of a body that the Returning Officer determines is not a legal person as the applicable policyholder, the Company will use reasonable endeavours to identify the legal person it considers to be the applicable policyholder.</p>

NO	RULE	DETAIL
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vote?

Section C: Timeline

16.	Indicative timeline	<p>The Company will use reasonable endeavours to maintain the timeline included in these principles set out below. However, it maintains a discretion to adjust this timeline as necessary. The Company will maintain an up-to-date version of an indicative timeline of the Scheme on:</p> <ul style="list-style-type: none"> the Company website (accessible with link: https://www.ccinsurance.org.au/scheme-of-arrangement); and on the Creditor Portal.
17.	Date that Claims Estimates are calculated for the purposes of voting at the Scheme Meeting.	<p>30 September 2023</p> <p>If a Scheme Creditor is paid in full and exhausted all limits arising under any Insurance Contracts between 30 September 2023 and the Scheme Meeting, the Scheme Creditor will no longer be eligible to vote at the Scheme Meeting.</p> <p>If a Scheme Creditor lodges a new claim with the Company under an Insurance Contract between 1 October 2023 and the date it completes its Proof of Debt in the Creditor Portal, the Scheme Creditor should also submit this new claim in the Proof of Debt section in the Creditor Portal. New claims can be submitted in Module 2: Proof of Debt on the Creditor Portal.</p> <p>The Returning Officer may deduct any amounts paid by the Company to a Scheme Creditor after 1 October 2023 and 30 October 2023 in relation to a Scheme Claim from the aggregate value of that Scheme Creditor's vote for the purposes of the 75% Value Vote.</p>
18.	Date that the Creditor Portal is accessible to Prospective Scheme Creditors and login credentials are sent via email to	On or about 28 September 2023

NO	RULE	DETAIL
.	Prospective Scheme Creditors	
19.	The last date a person can request the Company include it as a Prospective Scheme Creditor and have a Portal Profile created	5.00pm on 9 October 2023
20.	The last date a Prospective Scheme Creditor can complete the Creditor Registration module of the Creditor Portal and become a Registered Scheme Creditor	5.00pm on 16 October 2023
21.	Date by which Claims Estimates will be available in the Creditor Portal for	5.00pm on 18 October 2023

NO	RULE	DETAIL
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Registered
Scheme
Creditors

22.	The last date that a Registered Scheme Creditor can complete the Creditor Portal modules to be eligible to vote at the Scheme Meeting	5.00pm on 25 October 2023
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23.	Date by which Scheme Creditors will be advised by email to login to the Creditor Portal to access their eligibility to vote at the Scheme Meeting and the value they have been admitted to vote at the Scheme Meeting	5.00pm on 30 October 2023
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NO	RULE	DETAIL
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24.	Date of the Scheme Meeting	31 October 2023
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2 Overview of Valuation Principles For Voting Purposes Only

Insurance Contract Type	Valuation of Existing/Open Claims - Value of claim agreed but not yet paid	Valuation of Existing/Open Claims - Lodged but value of claim not yet agreed	Valuation of Potential Future Claims
Industrial Special Risks (Property)	Agreed claim value which remains unpaid	Open claim estimate in the Company's claims system, which excludes any part-payments made on open claims	The Company will take account of late discovery or claims notifications over the previous three years for expired Insurance Contracts. Any Insurance Contract with no open claims within the previous three year period will have a \$1 contingent Scheme Creditor value allocated to those Insurance Contracts.
Fleet Motor Vehicle / Commercial Motor Vehicle	As above	As above	Nil
Voluntary Workers	As above	As above	Nil
Student Care	As above	As above	If there are no open claims, \$1 contingent Scheme Creditor value estimate will be allocated for the previous Insurance Contract period expired to account for claims notification provisions.
Fidelity Guarantee	As above	As above	Prior year Insurance Contract that has expired with no open claims will have a \$1 contingent value allocated given discovery policy provisions after Insurance Contract expires.
Machinery Breakdown	As above	As above	Any Insurance Contract that has expired within the preceding 14 days

Insurance Contract Type	Valuation of Existing/Open Claims - Value of claim agreed but not yet paid	Valuation of Existing/Open Claims - Lodged but value of claim not yet agreed	Valuation of Potential Future Claims
			will have a \$1 contingent Scheme Creditor value attached given claims notification provisions.
Electronic Equipment	As above	As above	As above
Make Up Pay	As above	As above	Nil
Special Risks	As above	As above	Nil
Residential	As above	As above	The Company will take account of late discovery or claims notifications over the previous three years for expired Insurance Contracts. Any Insurance Contract with no open claims within the previous three year period will have a \$1 contingent Scheme Creditor value allocated to those Insurance Contracts.
Public Liability - professional standards Claims	As above	As above	Estimate of potential claims relating to insured losses that have occurred but have not yet been reported to the Company as at 30 September 2023, prepared by the Company's independent appointed actuary based on existing methodology prepared by the actuary.
Public Liability (excl professional standards Claims)	As above	As above	\$1 contingent Scheme Creditor value estimate will be allocated to account for claims

Insurance Contract Type	Valuation of Existing/Open Claims - Value of claim agreed but not yet paid	Valuation of Existing/Open Claims - Lodged but value of claim not yet agreed	Valuation of Potential Future Claims
			notification provisions.
Professional Indemnity	As above	As above	If there are no open claims, any Insurance Contract that has expired within preceding 28 days will have a \$1 contingent Scheme Creditor value allocated given claims notification provisions.
Directors and Officers	As above	As above	As above
Employment Practices	As above	As above	As above
Statutory Liability	As above	As above	As above
Cyber Liability	As above	As above	As above
Management Liability	As above	As above	As above
Medical Malpractice	As above	As above	As above
Defamation	As above	As above	As above

3 Valuation Principles

- 1 No estimate of the amount of any claim against the Company specified in the Creditor Portal, or otherwise provided for voting purposes, shall be admissible against the Company or any other party, or shall be taken into account in calculating payments under the Scheme. Any such estimate shall only be used for voting purposes at the Scheme Meeting of Scheme Creditors to consider the Scheme.
- 2 The primary value for any Scheme Creditor's vote is the aggregate of all outstanding open claim estimates in accordance with relevant policy terms and the Company's claims management policies (and, for accepted claims, the accepted amount), excluding any part-payments already made on open or accepted claims, arising under an Insurance Contract. The following principles detail additional value that may be allocated for specific Insurance Contracts. No value will be ascribed to claims where indemnity has been declined by the Company.
- 3 A three-year retrospective approach will be taken on all Industrial Special Risks and Residential Insurance Contracts to take account of late discovery or claims notification. Any such Insurance Contracts with no open claims will have a nominal contingent Scheme Creditor value of \$1 allocated to them in the absence of any notifications or claims.

- 4 Student Care Insurance Contracts that remain in-force with no open claims, and in respect of prior one-year Insurance Contract period given claim notification provisions, will have a \$1 contingent Scheme Creditor value allocated.
- 5 Fidelity Guarantee Insurance Contracts with no open claims will have a nominal \$1 contingent Scheme Creditor value allocated given Insurance Contract provisions around loss discovery and notification.
- 6 For all Professional Indemnity, Statutory Liability, Directors & Officers, Employment Practice, Management Liability, Medical Malpractice, Defamation and Cyber Liability Insurance Contracts that have expired through September 2023 with no claims open or notified a nominal \$1 contingent Scheme Creditor value will be allocated given the 28-day post expiry notification Insurance Contract provision.
- 7 For all Machinery Breakdown and Electronic Equipment Insurance Contracts that have expired through September 2023 a nominal \$1 contingent Scheme Creditor value will be allocated given the 14-day post expiry notification Insurance Contract provision.
- 8 Any Public Liability Insurance Contracts, as it relates to professional standards, will have a value based on any open claims estimates plus any value for potential claims relating to insured losses that have occurred but have not yet been reported to the Company as at 30 September 2023, as calculated by the Company's independent appointed actuary.
- 9 Public Liability Insurance Contracts (other than as they relate to professional standards) written on a claims occurrence basis where the Company's independent appointed actuary has not calculated provisions for potential claims relating to insured losses that have occurred but have not yet been reported to the Company as at 30 September 2023, will have a \$1 contingent Scheme Creditor value allocated.
- 10 No value for potential future claims will be attributed to any Insurance Contracts (other than professional standards as referenced above) given the historic lack of data, and the absence of any historical actuarial modelling for these specific Insurance Contracts. Creditors with contingent claims in respect of such Insurance Contracts will have a \$1 contingent Scheme Creditor value allocated.
- 11 Open claims on in-force Insurance Contracts that have an automatic estimate allocated to them will have that automatic estimate allocated as the value of their Scheme Creditor vote.
- 12 No independent appointed actuary assessed Risk Margin or claims handling expense will be allocated to any Scheme Creditor value.
- 13 No Workers Compensation open claims estimates will be allocated to the Scheme Creditor value given these are excluded from the Scheme.

Catholic Church Insurance Limited
(ABN 76 000 005 210)
(the “Company”)

Notice of meeting of creditors to consider, and, if thought fit, approve a scheme of arrangement

To: The Scheme Creditors

Notice is hereby given that, by an order of the Federal Court of Australia (“Court”) made on 27 September 2023 pursuant to section 411(1) of the Corporations Act, a meeting of the Scheme Creditors will be held virtually at https://event.webcasts.com/starthere.jsp?ei=1632017&tp_key=32ba2a8291 from 12.00 noon on 31 October 2023 (“Scheme Meeting”).

Due to the disparate location of the Company’s Scheme Creditors, the meeting will be held virtually. Instructions as to how to access the Scheme Meeting are set out below. No physical meeting will be held.

2 Purpose of the Scheme Meeting

The purpose of the Scheme Meeting is to consider and, if thought fit, agree to the proposed scheme of arrangement under Part 5.1 of the Corporations Act between the Company and the Scheme Creditors in its original form or with or subject to any modification, addition, provision or condition which may be approved or imposed including by the Court (**Scheme**).

A copy of the Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Explanatory Statement, of which this notice forms part.

3 Resolution

The Scheme Meeting will be asked to consider and, if thought fit, pass the following resolutions in accordance with section 411(4)(a)(ii) of the Corporations Act:

“That, pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth):

- (a) *the scheme of arrangement proposed between the Company and the Scheme Creditors, as contained and described in the Explanatory Statement accompanying the notice convening this meeting, is agreed to (with or without any alterations or conditions made or required by the Court, provided that such alterations or conditions do not change the substance of the Scheme in any material respect); and*
- (b) *the board of directors of the Company is authorised to implement the Scheme with any such alterations or conditions.”*

4 Requisite Majority Required

In accordance with section 411(4)(a)(i) of the Corporations Act, the resolutions contained in this Notice of Scheme Meeting must be passed by:

- (a) a majority in number (more than 50%) of the Scheme Creditors who are present and voting at the Scheme Meeting (either attending themselves live or by proxy); and
- (b) whose Scheme Claims that together amount to at least 75% of the value owing to the Scheme Creditors present and voting at the Scheme Meeting (either attending themselves live or by proxy).

5 Chair

The Court has directed that Joan Fitzpatrick is to act as Chair of the Scheme Meeting (and that if Joan Fitzpatrick is unable or unwilling to attend, Gregory Cooper is to act as Chair of the Scheme Meeting) and has directed the Chair to report the results of the resolutions to the Court.

6 Attendance and voting at the Scheme Meeting

The Scheme Meeting will be held virtually.

Scheme Creditors must complete the following modules on the Creditor Portal for the purposes of attending and voting at the Scheme Meeting:

- (a) Module 1: Creditor Registration of in the Creditor Portal by 5.00pm on 16 October 2023 to be registered as a Scheme Creditor;
- (b) Module 2: Proof of Debt by 5.00pm on 25 October 2023; and
- (c) Module 3: Confirmation of Attendance or Appointment of Proxy in the Creditor Portal by 5.00pm on 25 October 2023.

If you do not meet the deadlines to complete the modules, you will not be eligible to vote at the Scheme Meeting and your attendance at the Scheme Meeting will be in the capacity as an observer only.

Information on how to register to vote at the Scheme Meeting is set out in the Explanatory Statement. See section 2 and Part H of the Explanatory Statement.

Scheme Creditors can also attend the Scheme Meeting in the capacity of an observer by simply registering your attendance using the Webcast link, being: https://event.webcasts.com/starthere.jsp?ei=1632017&tp_key=32ba2a8291. Observers are not required to submit a claim in the Creditor Portal before the Scheme Meeting. Observers are unable to vote on the Scheme Resolution proposed.

7 How to vote at the Scheme Meeting

To be eligible to vote at the Scheme Meeting, you must be a Scheme Creditor.

Scheme Creditors must complete and submit the relevant information and modules via the Creditor Portal as set out in the Explanatory Statement.

If you are a Scheme Creditor, you are entitled to vote at the Scheme Meeting either by attending yourself live (if you are an individual) or attending by proxy.

Any Scheme Creditor who wishes to vote using a corporate representative or attorney must appoint that person as proxy for the Scheme Creditor.

If you wish to appoint a proxy, you will need to complete and lodge a proxy form in Module 3 in the Creditor Portal by 5.00pm on 25 October 2023.

- (a) There are two options for voting on the Scheme:
 - (i) vote yourself live at the Scheme Meeting through the Creditor Portal; or
 - (ii) appoint a proxy to attend the meeting and vote on your behalf. If you wish to appoint a proxy, you will need to complete the relevant section in the Creditor Portal. This will not prevent you from attending live to observe the Scheme Meeting.
- (b) If voting by proxy, the Scheme Creditor may appoint a representative or the Chair to vote on its behalf at the Scheme Meeting. There are two types of proxy a Scheme Creditor can appoint: general or special proxy. A general proxy has a discretion on how to vote at the resolutions of the Scheme Meeting. A special proxy is instructed by the Scheme

Creditor on how the proxy must vote on behalf of the Scheme Creditor at the Scheme Meeting.

If you choose to appoint a proxy, that proxy must attend the Scheme Meeting for your votes to count. A proxy will be delegated access to the Creditor Portal on behalf of a Scheme Creditor as part of the process for completing Module 3: Confirmation of Attendance or Appointment of Proxy in the Creditor Portal.

If a person holds proxies for several Scheme Creditors, they will be able to cast votes for each proxy they hold using one Creditor Portal login provided all Scheme Creditors use the same proxy appointment details (name and email address) when appointing the proxy in the Module 3 in the Creditor Portal.

If you choose to appoint the Chair of the Scheme Meeting under a special proxy, the Chair will vote in accordance with the instructions for all special proxies. Using a special proxy in favour of the Chair effectively allows you to cast your vote in advance of the Scheme Meeting.

The Chair intends to vote all general proxies given to them in favour of the Scheme Resolution.

- (c) A Scheme Creditor wishing to attend and vote at the Scheme Meeting themselves, must complete Module 1: Creditor Registration in the Creditor Portal by no later than 5.00pm on 16 October 2023. You will also need to confirm your intention to attend the Scheme Meeting by completing Module 3: Confirmation of Attendance or Appointment of Proxy in the Creditor Portal.

If you do not meet the deadline of 5.00pm on 25 October 2023 to complete Module 3 in the Creditor Portal, you will not be eligible to vote at the Scheme Meeting and your attendance at the Scheme Meeting will be in the capacity as an observer only.

Information on how to vote at the Scheme Meeting is set out in the Explanatory Statement. See sections 2 and Part H of the Explanatory Statement.

Voting at the Scheme Meeting will occur through Module 4: Day of Meeting & Voting in the Creditor Portal. This module will only be opened at the Scheme Meeting and will be used by those in attendance at the meeting to cast their votes when requested by the Chair.

On the day of the Scheme Meeting, once Scheme Creditors or any proxyholders have logged into the Webcast, they must also login to the Creditor Portal to record their attendance and vote at the Scheme Meeting and to vote on the resolutions.

Scheme Creditors who do not vote at the Scheme Meeting will still be bound by the Scheme, provided that the Scheme is agreed to by the requisite majority of Scheme Creditors and approved by the Court.

8 Technical difficulties

Technical difficulties may arise during the Scheme Meeting. The Chair has discretion as to whether, and how, the Scheme Meeting should proceed in the event that a technical difficulty arises.

In these circumstances, where the Chair considers it appropriate, the Chair may continue to hold the meeting and transact business, including conducting the vote and voting in accordance with valid proxy instructions. For this reason, Scheme Creditors are encouraged to complete and submit the registration of its proxy details in the Creditor Portal, by 5.00pm on 25 October 2023, even if they plan to attend the Scheme Meeting.

9 General

Capitalised terms used in this notice have the same meaning as given in the Explanatory Statement.

For further information, including details of the Court hearing to approve the Scheme, Scheme Creditors should refer to the Explanatory Statement. The Explanatory Statement can be accessed at <https://www.ccinsurance.org.au/scheme-of-arrangement> and through the Portal. If you require a printed copy please contact **scheme@ccinsurance.org.au**.

Scheme Creditors should read the Explanatory Statement carefully and in its entirety before deciding whether or not to vote in favour of the Scheme. It is recommended that Scheme Creditors seek professional legal, finance and taxation advice before making their decision.

Dated 27 September 2023

By order of the Court

Dion Gooderham
Company Secretary

APPENDIX 10**SCHEME ADVISERS' SCALE OF CHARGES**

The Scheme Advisers' fees will be based on the rates set out in the table below (excluding GST and disbursements). These rates are effective as at 1 July 2023 and are subject to annual review.

Grade	AUD Rate per hour (ex GST and disbursements)
Partner	\$1,020
Director	\$890
Senior Manager	\$790
Manager	\$720
Senior Consultant	\$450
Consultant	\$290

Any disbursements or out of pocket expenses, such as travel and accommodation, will be charged at cost.

As required by Australian tax law, GST at 10% will be added to the fees and expenses set out above.

APPENDIX 11 ILLUSTRATIVE EXAMPLES OF OPERATION OF THE SCHEME DURING THE RESERVING PERIOD IN RESPECT OF SCHEME CLAIMS

Example: Tigger Event occurs and Payment Percentage is set at 80%.

Note 1: All examples given assume that a valid policy of insurance was issued by CCI to the policyholder and the policy is either in force at the time of the claim or there remains a right to claim under the policy (whether or not the claim is accepted / indemnified).

Note 2: if any of these scenarios occur during the Initial Scheme Period the claims will be actioned as usual.

Type of Claim	Example	Scenario	Outcome / Treatment
<p>1. <u>Professional Standards Claims - CCI "Claims Occurring" Wording</u></p>	<p><u>The Indemnity is accepted</u> <i>you have a professional standards claim made against us for ~ \$250,000 plus costs. The claim for indemnity has been accepted by CCI under the relevant policy. The claim exceeds any applicable deductibles and is within the limits / sub-limits for that policy year.</i></p>	<p>1. The final claim value has been approved by CCI as \$250,000 and payment is to be made;</p>	<p><i>80% of the aggregate of the claim of \$250,000 plus costs will be paid less any payments made by CCI in respect of that claim (e.g. defence costs) which will be deducted.</i></p> <p><i>Balance remains a liability pending setting of a higher Payment Percentage.</i></p>
		<p>2. The claim value is still in the process of being assessed/negotiated/determined and is not yet final:</p> <ul style="list-style-type: none"> a. Defence costs are being incurred in managing the claims (eg defence lawyers, investigators, assessors, medico-legal experts) b. The claim value is still in dispute in proceedings 	<p><i>CCI may elect to pay sums on account of defence costs as they are incurred in its discretion. Any such costs will be deducted from the ultimate amount to be paid.</i></p> <p><i>80% of the aggregate of the claim and defence costs will be paid following determination (eg by settlement or court decision) less any payments made by CCI in respect of that claim (e.g. defence costs) which will be deducted.</i></p> <p><i>Balance remains a liability pending setting of a higher Payment Percentage.</i></p>

		<p>3. You have notified CCI of circumstances that may give rise to a potential claim in future but the third party has not commenced any claim yet.</p>	<p><i>No claim has been made. The Payment Percentage will apply if, and when, a claim is made and admitted by CCI.</i></p>
		<p>4. You made a claim to CCI and you are disputing liability to the third party:</p> <ul style="list-style-type: none"> a. whether the event occurred or b. you are not legally liable for the loss or injury 	<p><i>The claim will be processed in the ordinary course and if a claim is valid and the amount of any claim determined as usual. If a claim is admitted then the Payment Percentage is applied and 80% of the claim liability is paid (less any payments made by CCI after the Effective Date in respect of that claim (e.g. defence costs) which will be deducted).</i></p>
	<p><u>The Indemnity is not accepted</u></p> <p><i>You have a professional standards claim made against us for ~ \$250,000 plus costs</i></p>	<p>Your claim for indemnity has not been accepted by CCI under the relevant policy due to either:</p> <ul style="list-style-type: none"> a. Prior knowledge, known offender, non-disclosure or other material policy exclusions; or b. The event(s) occurred outside the relevant policy period, or c. The applicable policy limits / sub limits (including any per offender limits) have been exhausted in that policy year, or d. CCI reserving its position on indemnity subject to further investigation. e. The claim is for less than any applicable deductible. 	<p><i>No change to the usual treatment: the claim is not upheld.</i></p> <p><i>Insurance contract dispute resolution rights remain unchanged for policyholders.</i></p>
<p>2. <u>Property / Industrial Special Risks (ISR) Policy Claims</u></p>	<p>Property Damage Claim accepted</p> <p><i>You have an Industrial Special Risks (ISR) claim for ~ \$100,000 for</i></p>	<p>1. Claim has been fully assessed by CCI and payment is due to be made.</p>	<p><i>80% of the aggregate of the claim of \$100,000 will be paid, less any payments made by CCI in respect of that claim (e.g. emergency repairs or make safe reinstatement works) which will be deducted.</i></p>

<p><i>damage to an insured property. The claim has been accepted under our policy, exceeds the applicable deductible and is within the peril limits or other sub limits (eg flood limits).</i></p>	<p>2. Claim has been assessed but reinstatement / repair works are ongoing and claim is only partially paid to date.</p>	<p><i>80% of the aggregate of the balance of the claim will be paid when determined less any payments made by CCI in respect of that claim (e.g. emergency repairs or make safe reinstatement works) which will be deducted. Prior amounts paid not subject to claw back.</i></p>
	<p>3. Claim Value is in the process of being assessed/ negotiated and has not yet been determined.</p> <ul style="list-style-type: none"> a. Loss or Reinstatement costs are being incurred e.g. assessors / loss adjusters / engineers / builders and other trades. b. Assessed Value is being disputed by policyholder(s) or all damage is not yet fully assessed or finalised. c. You have notified CCI of circumstances of a potential claim but extent of damage unknown or unable to be assessed due to access restrictions i.e. from flood or bushfire event. 	<ul style="list-style-type: none"> a. <i>80% of claim will be paid when determined less any payments made by CCI in respect of that claim (e.g. emergency repairs or make safe reinstatement works) which will be deducted. CCI may elect to pay sums on account of costs as they are incurred in its discretion, or 80% of those costs. Any such costs will be deducted from the ultimate amount to be paid.</i> b. <i>80% of the assessed claim will be paid when determined less any payments made by CCI in respect of that claim (e.g. emergency repairs or make safe reinstatement works) which</i>

			<p>will be deducted.</p> <p>c. Claim will be assessed by CCI when made and (if the claim is accepted) the Payment Percentage paid as per examples a and b</p>
	<p><u>Property Damage Claim not accepted or only partially accepted</u></p> <p><i>You have an Industrial Special Risks (ISR) claim for ~ \$100,000 for damage to an insured property</i></p>	<p>The claim has not been accepted or only part of the claim has been accepted under our policy due to:</p> <ol style="list-style-type: none"> policy exclusions or our breach of material conditions of the policy precludes indemnity being granted, or Risk location not declared / asset is not covered or only partially covered under the policy, or The claim occurred outside the policy period, The peril is excluded or the annual aggregate peril sublimit has been exhausted e.g. flood or cyclone; or The claim is less than the applicable deductible 	<p><i>Claim assessed as usual.</i></p> <p><i>No payment for a claim (or part of claim) that has not been admitted</i></p> <p><i>Payment Percentage paid on any portion of the admitted claim</i></p> <p><i>Balance of any admitted claim remains a liability pending setting of a higher Payment Percentage</i></p>
<p>3. <u>Liability Claim (claims made basis) e.g. Professional Indemnity</u></p>	<p><u>Claim accepted</u></p> <p><i>You have a professional indemnity claim for ~ \$100,000. The claim has been accepted by CCI under our policy and the claim is within any retroactive cover period (if applicable), exceeds any applicable deductibles, within the policy limits,</i></p>	<ol style="list-style-type: none"> Claim Value has been determined by CCI and payment is due to be made. Claim is in the process of being determined / negotiated and has not yet been finalised: <ol style="list-style-type: none"> Defence costs are being incurred e.g. lawyers, investigators/ assessors/medico-legal or other experts 	<p><i>80% of the determined claim will be paid less any payments made by CCI in respect of that claim (e.g. defence costs) which will be deducted.</i></p> <p><i>Balance remains a liability pending setting of a higher Payment Percentage</i></p> <p><i>CCI may elect to pay sums on account of defence costs as they are incurred in its discretion. Any such costs will be deducted from the ultimate amount to be paid.</i></p>

	<i>sub-limits and annual aggregate limit.</i>	<p>b. The Claim Value is still in dispute in negotiations or legal proceedings issued by third party.</p>	<p><i>80% of the aggregate of the claim and defence costs will be paid following determination less any payments made by CCI in respect of that claim (e.g. defence costs) which will be deducted.</i></p> <p><i>Balance remains a liability pending setting of a higher Payment Percentage.</i></p>
		<p>3. You have notified CCI of circumstances that may give rise to a claim but the third party has not claimed yet.</p>	<p><i>No claim has been made. The Payment Percentage will apply if, and when, a claim is made and admitted by CCI.</i></p>
		<p>4. You are disputing liability to the third party:</p> <ul style="list-style-type: none"> a. whether the event occurred; or b. you are not legally liable for the loss or injury; or c. Other defences such as contributory negligence, contribution by others etc 	<p><i>No claim has been made. The Payment Percentage will apply if, and when, a claim is made and admitted by CCI.</i></p>
	<p>Claim not accepted by CCI</p> <p><i>You have a professional indemnity claim for ~ \$100,000</i></p>	<p>You made a claim, CCI has not agreed to Indemnity under the policy due to:</p> <ul style="list-style-type: none"> a. our prior knowledge, late or non-reporting of the claim, policy exclusions or breach of any other material conditions of the policy precludes indemnity being granted, or b. The claim occurred outside the policy retroactive period, or c. The claim limits, sub-limits or aggregate limits have been exhausted, or d. The claim is under the applicable deductible; e. Further investigations are required and CCI has reserved its position on indemnity. 	<p><i>No payment. Usual insurance contract claim dispute procedures apply.</i></p>

<p>4. <u>General Liability Claim – Claims Occurring Wording Non-Professional Standards e.g. Public Liability</u></p>	<p>Claim accepted</p> <p><i>You have a public liability claim for ~ \$100,000. CCI has agreed to indemnify under our policy, the claim exceeds the applicable deductibles, within limits or other sub-limits.</i></p>	<p>1. Claim Value has been assessed by CCI and payment is due</p>	<p><i>80% of the determined claim will be paid less any payments made by CCI in respect of that claim (e.g. defence costs) which will be deducted.</i></p> <p><i>Balance remains a liability pending setting of a higher Payment Percentage.</i></p>
		<p>2. Claim is in the process of being determined / negotiated and has not yet been finalised:</p> <p>a. Defence costs are being incurred e.g. lawyers, investigators/ assessors/medico–legal or other experts</p> <p>b. The Claim Value is still in dispute in negotiations or legal proceedings issued by third party</p>	<p><i>CCI may elect to pay sums on account of defence costs as they are incurred in its discretion. Any such costs will be deducted from the ultimate amount to be paid.</i></p> <p><i>80% of the aggregate of the claim and defence costs will be paid following determination less any payments made by CCI in respect of that claim (e.g. defence costs) which will be deducted.</i></p> <p><i>Balance remains a liability pending setting of a higher Payment Percentage.</i></p>
		<p>3. You have notified CCI of circumstances that may give rise to a claim but the third party has not claimed yet.</p>	<p><i>No claim has been made. The Payment Percentage will apply if, and when, a claim is made.</i></p>
		<p>4. You are disputing liability to the third party:</p> <p>a. whether the event occurred; or</p> <p>b. you are not legally liable for the loss or injury; or</p> <p>c. Other defences such as contributory negligence, contribution by others etc.</p>	<p><i>No claim has been made. The Payment Percentage will apply if, and when, a claim is made and accepted by CCI.</i></p>
	<p>Claim not accepted</p> <p><i>You have a public liability claim for ~ \$100,000</i></p>	<p>You made a claim, CCI has not agreed to Indemnity under the policy due to:</p> <p>a. Failure to take reasonable precautions, late or non-reporting of the claim, policy exclusions or breach of any other material conditions of</p>	<p><i>No payment. Usual claim dispute procedures apply.</i></p>

		<p>the policy precludes indemnity being granted, or</p> <ul style="list-style-type: none"> b. The incident / occurrence was outside the policy period, or c. The claim limits, sub-limits or aggregate limits have been exhausted, or d. The claim is under the applicable deductible; e. Further investigations are required and CCI has reserved its position on indemnity. 	
5. <u>Professional Standards Claim (Broker or CCI "Claims Made" Policy Wording)</u>	Claim is accepted	Same as "3. Liability Claim (claims made basis) e.g. Professional Indemnity" above.	Same as "3. Liability Claim (claims made basis) e.g. Professional Indemnity" above.
	Claim is not accepted	Same as "3. Liability Claim (claims made basis) e.g. Professional Indemnity" above.	Same as "3. Liability Claim (claims made basis) e.g. Professional Indemnity" above.