

**VICTORY LIFE & PENSION ASSURANCE COMPANY LIMITED (IN LIQUIDATION)**  
**(“Victory Life” or “the Company”)**  
**BVI COMPANY # 1448717**

As you may be aware, on 25 November 2014 Russell Crumpler, of KPMG (BVI) Limited, and Kris Beighton, of KPMG in the Cayman Islands, were appointed as the Joint Liquidators ('the Joint Liquidators') of Victory Life & Pension Assurance Company Ltd (“Victory Life” or “the Company”) by Order of the Eastern Caribbean Supreme Court in the High Court of Justice in the British Virgin Islands (“the BVI Court”).

On 25 November the BVI Court also ordered the Joint Liquidators to prevent transfers from and / or asset trading within all accounts maintained by the Company and its policyholders.

On 18 December 2014 the BVI Court set out the way in which the Joint Liquidators are to distribute the Company's assets.

**Purpose of this Notice**

The purpose of this notice is to ensure that all policyholders and other stakeholders are aware of the BVI Courts determination for the basis of asset distribution of Victory Life and to provide an update on certain other aspects of the liquidation.

**Application to the BVI Court**

In order to ensure that the interests of the Company’s policyholders and other stakeholders are protected, the Joint Liquidators conducted investigations into the Company’s affairs, including the legal basis on which its assets are held. The Joint Liquidators, together with their BVI and Swedish legal advisors, have also completed a detailed review of the terms and conditions which govern a number of policies issued by the Company as well as applicable laws.

Following these investigations the Joint Liquidators applied to the BVI Court seeking orders confirming the legal basis on which the Company’s assets are held, and, consequently, directions as to how those assets should be distributed among policyholders and other stakeholders.

Victory Life is incorporated in the British Virgin Islands and was licensed by the British Virgin Islands Financial Services Commission to act as an insurance company. It has assets and policyholders in multiple jurisdictions. The Joint Liquidators investigations have determined that Victory Life is cash flow insolvent confirming, therefore, the only way to properly wind down its affairs was by the appointment of the Joint Liquidators in the Company’s jurisdiction (the BVI being the only place where policyholders in every jurisdiction that Victory Life sold policies to can be properly dealt with, being the jurisdiction of governing law for all terms and conditions relating to the policies of the company and being the jurisdiction of governing law for all terms and conditions relating to the policies of the company).

**Order of the BVI Court**

The BVI Court has directed that, unless any creditor of Victory Life or policyholder lodges an objection on or before 23 January 2015, the Joint Liquidators may after 26 January 2015 commence distributions on the basis set out below.

Following the Joint Liquidators’ recommendations, the BVI Court has directed (subject to what is said below about objections and about a possible sale of Victory Life), that the Joint Liquidators should distribute assets based on the specific assets attributable to individual policyholders within the books and

records of Victory Life. As a result the BVI Court has determined that Victory Life's assets are not to be pooled.

The Joint Liquidators believe that the method of asset distribution set out in the BVI Court Order will be the most efficient method of distribution and is, therefore, in the best interests of all policyholders.

If the BVI Court had found that all assets were to be pooled each asset would need to have been liquidated / sold by the Joint Liquidators and the proceeds collected until such a time that they could be distributed to each policyholder on a pari passu basis (i.e. each policyholder ranking equally and receiving the same % of value due to them). It is likely that there would need to have been multiple rounds of distributions which would increase costs and it is likely that the process would stretch out over a significant time period. Furthermore, without a complex distribution in specie process, the Joint Liquidators would likely not have been able to transfer specific assets (either to new providers or direct to policyholders) as no one policyholder would hold the right to any specific asset. This would have been particularly problematic with the substantial illiquid assets Victory Life holds. Victory Life holds, for example, at least EUR 12m in shares in unlisted companies and approximately EUR 35m in funds which have been suspended and cannot at this time be redeemed.

A copy of the Order is attached for your reference.

### **Distribution method**

Assuming, no objections are raised the BVI Court Order gives the Joint Liquidators the powers to distribute the assets attributable to each policyholder as they see fit. It is the Joint Liquidators' intention to seek the views of policyholders as to how those individual assets which are attributable to them should be distributed. The Joint Liquidators currently expect that there will be three options for policyholders (subject to what is said below about costs and expenses) to have the assets attributable to them distributed:

- 1) assets can be transferred to a different insurance provider;
- 2) assets can be sold / liquidated / redeemed by the Joint Liquidators and the realisations returned to policyholders; or
- 3) the ownership of assets can be transferred directly to the policyholder.

*Note to IFAs – Subject to the consent of relevant policyholders, the Joint Liquidators will be happy to consider requests for decisions to be made regarding assets for groups of policyholders for whom you act with such assets being dealt with together. The Joint Liquidators have been informed by a number of policyholders that they no longer wish to deal with their IFA and, therefore, the Joint Liquidators will require specific individual policyholder consent in every case.*

### **Costs and expenses of the distribution**

The Joint Liquidators careful review of Victory Life has shown that despite the efforts of the Joint Liquidators to substantially reduce the costs base of Victory Life that it is currently cash-flow insolvent. Furthermore, Victory Life has no significant assets which are not attributable to policyholders.

There is, therefore, a very significant shortfall in the funds necessary to fund Victory Life's distributions and liquidation. Money will need to be made available to pay the expenses of the liquidation such as the running costs to maintain Victory Life's books, to ensure that appropriate consultants and advisors are retained in order to assist with the distribution, and to pay the Joint Liquidators' fees and disbursements (which will be subject to approval of the BVI Court).

It will be critical for the orderly wind down of Victory Life and the distribution to policyholders that the database of policyholders and assets is maintained and that the Joint Liquidators are able to work with Victory Life's consultants to make distributions to policyholders.

The Joint Liquidators understand that in the normal course of business Victory Life would have charged most policyholders an exit fee (ranging from 1% to 8% depending on the terms of the policy) if a policyholder chose to withdraw their asset(s) / money.

The BVI Court has determined that it is not appropriate for the Joint Liquidators to levy this exit fee and that all policyholders should be treated on an equal basis.

The BVI Court has directed that the Joint Liquidators retain from each distribution 7.8% of the value of each distribution. This amount has been determined from a detailed and prudent review of the cash flow and assets of Victory Life. Following this review the maximum level of costs that will likely be required to enable all policyholders to have their assets distributed to them. The retention does not mean that these moneys will definitely all be used during the liquidation, and the Joint Liquidators' costs will still be subject to a detailed review by the BVI Court. At the end of the liquidation process, and once all distributions have been completed, any remaining surplus of cash which remains in the possession of the Joint Liquidators will be returned rateably to policyholders (i.e. on an equal basis determined by the value of distribution to each policyholder).

Where an asset is not being liquidated and is being transferred it will be for the Joint Liquidators (with the benefit of such professional advice as they may require) to assess the value of the asset at the date of distribution. In such situations, if a policyholder wishes to have an asset transferred, they will be required to provide, in cash, 7.8% of the value of the asset before a distribution can be made.

## **Objections**

Any creditor or policyholder of Victory Life who wishes to object and challenge the determination of the BVI Court must state his objection in writing, stating the brief reasons for the objection in order for the Joint Liquidators to address your concerns in the first instance. Such objection should be provided to the Joint Liquidators by 4:00pm (BVI time) on 23 January 2015. Objections can be made by email and should be sent to [victorylife@kpmg.vg](mailto:victorylife@kpmg.vg). Please mark your email *OBJECTION TO DISTRIBUTION METHOD*.

If you have an objection and it cannot be resolved directly with the Joint Liquidators, the Joint Liquidators will assist you by putting any written explanation of objection before the Court, if you wish them to do so.

The Joint Liquidators can also be reached using the following details and they will respond to you by email or telephone as soon as possible:

The Joint Liquidators  
KPMG (BVI) Limited  
3<sup>rd</sup> Floor Banco Popular Building  
PO Box 4467  
Road Town, Tortola  
British Virgin Islands

Fax: +1 284 494 909  
Email: [victorylife@kpmg.vg](mailto:victorylife@kpmg.vg)

*Please note that postal delivery to the BVI is very slow so we would not suggest using regular mail services to contact us.*

## **Asset reconciliation**

All of the Victory Life's records showing which assets are attributable to which policy are held in a complex electronic database. The Joint Liquidators have not yet reconciled the asset position of the books of Company against what each policyholder understands their assets to be and confirmed the assets existence with its custodian. However, please be assured that, at this time, the Joint Liquidators anticipate that the significant majority of assets invested by policyholders will be returnable to them

After the period for objections has expired, and assuming there have been no objections raised, the Joint Liquidators will ask all policyholders to complete a form which will include details of their assets and how they would like those assets to be distributed to them based upon the options set out above. (If any asset is untradeable or a value unattainable the policyholder will also need to state what they believe the value of the asset to be and provide documentation to support this.)

The Joint Liquidators will then review each asset / policyholder's request on a case by case basis and work to effect distributions in as timely manner.

## **Ongoing management fees**

Until such time as assets are distributed, ongoing management fees will continue to be collected by Victory Life to meet the ongoing cash requirements of the business. Where there is a sufficient cash balance available on an account such fees will be deducted automatically. Where assets are liquid the relevant unit holding will be sold to enable this fee to be paid. Where assets are illiquid Victory Life will invoice the relevant account policyholder and expects for the funds to be remitted in full.

## **Possibility of sale of Victory Life's business**

The Joint Liquidators are in confidential negotiations with several companies who may be interested in purchasing all of Victory Life's business for consideration. If such a sale can be concluded then this will likely be in the best interests of the policyholders as policies can continue and costs & expenses will be minimised. If such a sale can be agreed before 26 January 2015 the Joint Liquidators will apply to the BVI Court to sanction the sale of Victory Life's business and the distribution method discussed above and determined by the BVI Court will likely not be relevant.

Whilst the Joint Liquidators continue to work towards achieving such a sale, work has continued on confirming an alternative distribution method in order to prevent any unnecessary delay to distributions..

## **Ongoing trading / requests for sales**

Moving forwards and until at least the 26 January 2015 the position will remain that the only assets the Joint Liquidators will deal with are those facing an immediate risk of significant deterioration in their value.

This stop on trading has to remain in effect as a policyholder could object to the BVI Court's determination and as a result the Court could subsequently determine that assets are generally pooled or should be treated as such for the purpose of distributions. The Joint Liquidators anticipate that the majority of policyholders will be happy with the BVI Court's determination. However, until the period for objection is over the Joint Liquidators cannot be certain that the determination of the BVI Court will go unchallenged.

If there are assets associated with policyholder policies that may be at an immediate risk of significant deterioration in value, those policyholders should contact the Joint Liquidators to discuss their concerns. The Joint Liquidators will review the position and to the extent able, work with policyholders to limit deterioration in value. Such requests should be sent by email to [victorylife@kpmg.vg](mailto:victorylife@kpmg.vg) marked URGENT – SIGNIFICANT RISK OF ASSET DETERIORATION. The email should set out details of the holding including information to enable the Joint Liquidators to clearly understand the immediate significant risk to the asset value.

## **Time estimates for distribution**

Assuming there are no challenges to the BVI Court's determination the Joint Liquidators hope to be in a position to commence distributing Victory Life's assets by the end of Q1 2015.

## **Background to the appointment of Joint Liquidators**

The British Virgin Islands Financial Services Commission sought the appointment of the Joint Liquidators in response to concerns with respect to serious breaches of the Company's regulatory obligations and the custodial sentences handed down to two of the Company's principals by the Swedish Economic Crime Authority.

On the appointment of the Joint Liquidators the powers of the Company's director ceased and complete control of the Company, including its assets, was assumed by the Joint Liquidators. Subsequent to the Joint Liquidators' appointment the sole director of Victory Life has resigned. Further the Joint Liquidators investigations have determined that the Company is cash flow insolvent confirming, therefore, the only way to properly wind down its affairs was by the appointment of the Joint Liquidators in the Company's jurisdiction (the BVI being the only place where policyholders in every jurisdiction that Victory Life sold policies to can be properly dealt with).

## **Power of attorneys**

Please note that all power of attorney instruments previously issued by the Company became null and void as of the date of the appointment of the Joint Liquidators. The Joint Liquidators are now the only individuals permitted to act on behalf of the Company.

## **Further enquiries not dealt with in this notice**

All general enquiries with respect to Victory Life should be directed, as normal, to the Company's administrator AssuranceService i Göteborg AB.

Alternatively, you can contact the Joint Liquidators at [victorylife@kpmg.vg](mailto:victorylife@kpmg.vg). They can also be reached using the following details and they will respond to you by email or telephone as soon as possible:

The Joint Liquidators  
KPMG (BVI) Limited  
3<sup>rd</sup> Floor Banco Popular Building  
PO Box 4467  
Road Town, Tortola  
British Virgin Islands

Fax: +1 284 494 909

Email: [victorylife@kpmg.vg](mailto:victorylife@kpmg.vg)

This notice is being sent out to approximately 5,500 policyholders and in excess of 140 independent financial advisors. The Joint Liquidators appreciate that many of you will have queries with regards to the distribution process. The Joint Liquidators, and their staff, will deal with enquiries in a timely manner.

The Joint Liquidators are providing regular updates to the BVI Financial Services Commission and Finansinspektionen and a copy of this notice will be available on their websites.

**Next update**

The Joint Liquidators will provide a further update to all policyholders on or after the 26 January 2015 once it is known whether the Joint Liquidators can commence distributions.