



Blue Capital Reinsurance Holdings Ltd.  
Blue Capital Re Ltd.  
(both in Members' Voluntary Liquidation)

**Joint Liquidators' Report**

14 July 2021



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## **1 Background**

### **1.1 Appointment**

Pursuant to resolutions passed at the SGM, Mark Allitt and Mike Morrison of KPMG Advisory Limited were appointed as Joint Liquidators ("the JLs") of Blue Capital Re Ltd. ("BC Re") and Blue Capital Reinsurance Holdings Ltd. ("BCRH") (together referred to as "the Companies") on 28 July 2020.

Upon the appointment of the JLs, all powers of the Board ceased and the JLs became responsible for the affairs of the Company during the course of the MVL.

In addition, BCRH was delisted from the BSX and NYSE prior to the liquidation in March 2020 and remains listed on the OTC Pink Open Market which is regulated by FINRA.

BC Re holds a Class 3A license which is regulated by the Bermuda Monetary Authority ("BMA").

## **2 Arrangements with Company's service providers**

Upon the appointment of the JLs, the JLs terminated all arrangements with the Company's service providers which were no longer required.

In order to minimize the costs of the liquidation, the JLs have continued to engage Computershare Investor Services ("Computershare") to provide depository and registrar services and Blue Capital Management Ltd. ("BCML") as Investment Manager.

As previously noted, should the Investment Manager cease providing the certain reporting and administrative services in the Liquidation, the JLs' costs may increase accordingly.

## **3 Commutation Process**

On July 25, 2019 BCRH made the decision to cease active operations and entered into the run-off of its liabilities, in-force portfolios and return of capital to shareholders. BCRH operated through its subsidiaries BC Re and Blue Capital Re ILS Ltd. (now dissolved).

BC Re provided collateralized reinsurance and entered into industry loss warranties via insurance contracts. BCML have been working to commute the reinsurance treaties held with BC Re's affiliate Blue Water Re Ltd. As settlements are achieved, funds received by BC Re are distributed to BCRH, subject to BMA approval in accordance with BC Re's license restrictions. The distributions made during the liquidation are outlined in section 4.



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It is anticipated that majority of the commutations will be settled, however, there will be residual accounts which will continue into the next year of the liquidation.

## **4 Distributions to Shareholders**

As previously noted, BCML have been working to commute the liabilities whilst the Companies are in run-off. Quarterly reports on BCRH's financial position continue to be prepared and posted on the Company's website at <https://ir-bcrh.bluecapital.bm/>.

In addition, under the statutory roles for conducting MVLs the JLs no longer prepare interim financial statements. However, BCML continue to prepare and submit financial statements for BC Re on a liquidation basis, as part of their requirements under the BMA license.

As at the date of this report, BCRH has received distributions totaling \$6.0 million from BC Re during the liquidation and the JLs have authorized the following distributions to BCRH's shareholders:

Year 1:

— \$1.8 million on 16 February 2021

The Company's assets have been distributed to Shareholders, as anticipated. The JLs recently approved a distribution of \$3 million in June 2021 from BC Re to BCRH, and subsequently announced a \$2.5 million distribution to BCRH's shareholders to be paid on 21 July, 2021. The JLs have and expect to receive most of the remaining commutation settlements during 2021 and will make a further distribution of the residual balance, after the payment of remaining liquidation expenses, as soon as is practicable.

Please note that as the liquidation continues to wind down and the majority of assets are distributed, the JLs may delay future distributions until a material amount is available for distribution to avoid the cost and administrative burden of distributing small amounts.

## **5 Creditors**

The JLs are yet to call for creditors to submit their claims in the liquidation and plan to make a call for claims during the course of 2021, depending on when an outcome has been reached with regards to the remaining commutations. The Company has good record keeping and therefore this statutory requirement to call for creditors to submit their claims is not expected to give rise to any creditor claims.



## **6 Professional Fees**

The remuneration of the JLs is based on the time spent by the JLs and members of their staff in attending to matters arising prior to and during the Liquidation.

At the commencement of the Winding Up the costs of the JLs were estimated to amount to approximately \$35k to \$45k for the initial 12-month period from the date of the Liquidation, \$40k to \$50k for the second year and approximately \$30k to \$40k for the final year.

In addition, the JLs will also be reimbursed for all reasonable out of pocket expenses and disbursements properly incurred in connection with the Winding Up out of the assets of the Company.

On January 13, 2021, the JLs raised an invoice for our professional fees and disbursements for the period 25 May 2020 to 31 December 2020 in the amount of \$23,112.72. This invoice was approved and paid on 27 January 2021.

The JLs fees for the period 1 January 2021 to 30 June 2021 total \$21,238.50, plus disbursements, however, is yet to be invoiced. The JLs fees for the initial 12-month period is in line with the estimate at the commencement of the winding up.

## **7 Receipts and Payments**

The Companies operate bank accounts with HSBC Bank Bermuda Limited ("HSBC").

Receipts and payments accounts for the period 28 July 2020 to 30 June 2021 are attached at Appendix A.

## **8 Annual General Meeting**

Notice of the Annual General Meeting ("AGM") of the BCRH was published on the BCRH's website on 14 July 2021. The AGM of BC Re is to be held via written resolutions, given the entity is solely owned by BCRH.

The AGM for BCRH is scheduled to be held at Waterloo House, 100 Pitts Bay Road, Pembroke HM 08, Bermuda on 28 July 2020 at 10:00 a.m. (Bermuda time).

There will be no resolutions proposed at the meeting, however, there will be an update provided by the JLs and an opportunity to ask the JLs any questions in respect to the conduct or proposed next steps of the Liquidation.



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Should you have any queries, please contact Shrene Shergill on +1 441 294 0743 or by email at [shreneshergill@kpmg.bm](mailto:shreneshergill@kpmg.bm).

Yours faithfully

*For and on behalf of Blue Capital Reinsurance Holdings Ltd. and Blue Capital Re Ltd. (both in liquidation)*

A handwritten signature in black ink, appearing to be 'Mark Allitt', written over a light grey horizontal line.

Mark Allitt  
*Joint Liquidator*



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## A Receipts and payments

**Blue Capital Reinsurance Holdings Ltd. (in Members' Voluntary Liquidation)**

**Receipts and Payments for the period 28 July 2020 to 30 June 2021**

	<b>Amount USD\$</b>
Cash at Bank as at 28 July 2020	704,752.57
<b>Receipts</b>	
Distribution - Blue Capital Re Ltd.	6,000,000.00
Total Receipts	6,000,000.00
<b>Payments</b>	
Bank Fee	2,859.45
Beecher Carlson	348,736.00
Georgeson LLC	4,604.09
Broadridge	54.83
Blue Capital Management Ltd	536,775.00
Sompo	24,879.87
Registrar of Companies	2,095.00
Computershare Inc.	17,799.75
KPMG Advisory Limited	35,970.07
Shareholder dividend	1,760,410.41
Total Payments	2,734,184.47
<b>Cash at Bank as at 30 June 2021</b>	<b>3,970,568.10</b>

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**Receipts and Payments for the period 28 July 2020 to 30 June 2021**

	<b>Amount USD\$</b>
Cash at Bank as at 28 July 2020	157,657.03
<b>Receipts</b>	
Blue Water Re Ltd.	6,100,000.00
Total Receipts	6,100,000.00
<b>Payments</b>	
Bank Fee	440.00
Blue Capital Management Ltd	103,699.83
Blue Capital Reinsurance Holdings Ltd.	6,000,000.00
Bermuda Monetary Authority	28,100.00
Registrar of Companies	4,275.00
Total Payments	6,136,514.83
<b>Cash at Bank as at 30 June 2021</b>	<b>121,142.20</b>