

IN THE MATTER OF NORTHSTAR FINANCIAL SERVICES (BERMUDA) LTD (IN LIQUIDATION)
("NORTHSTAR")
AND IN THE MATTER OF OMNIA LTD (IN LIQUIDATION) ("OMNIA").
TOGETHER (THE "COMPANIES")

SUPREME COURT OF BERMUDA
COMMERCIAL COURT
2020 Nos. 304 & 305

FAQs #4 – RELATING TO THE DIRECTIONS HEARING 19th JANUARY 2024

Introduction

The below set of FAQs is provided further to:

- (i) the FAQs enclosed with the letters to all policyholders and creditors dated 3 September 2021 ("**FAQs #1**");
- (ii) the FAQs enclosed with the letters to all policyholders and creditors dated 22 February 2023 ("**FAQs #2**")
- (iii) the Supreme Court of Bermuda's judgment in relation to the segregation status of each of the Companies' accounts dated 28 July 2023 (the "**Judgment**");
- (iv) the JPLs' update to policyholders and creditors in relation to the hearing of the Segregation Application and the Judgment by letter dated 31 July 2023 (the "**31 July 2023 Letter**");
- (v) The FAQs enclosed with the letters to all policyholders and creditors in relation to SAC Judgement dated September 2023 ("**FAQs #3**", together with "FAQs #1", and "FAQs #2", the "**Past FAQs**"); and
- (vi) The letters issued by the JPLs' dated 15 February 2024, namely, (i) the general account claims notification (the "**General 15 February 2024 Letter**") and (ii) the variable segregated claims notification letter (the "**Variable 15 February 2024 Letter**") (together, the "**15 February 2024 Letters**").

These FAQs use the same defined terms as in the past FAQs.

This FAQ document responds to various inquiries that the JPL team has received from policyholders and creditors following the distribution of the 15 February 2024 Letters. However, please note that nothing in these FAQs are intended to replace or supplant the information provided in the 15 February 2024 Letters or the Order issued by the Supreme Court of Bermuda dated 19 January 2024 (the "**Procedural Order**"). Copies of the 15 February 2024 Letters as well as the Procedural Order can be located on the Companies' respective websites. The JPLs therefore strongly recommend that, should

you have questions, you review the 15 February 2024 Letters and the Procedural Order in full, and do not solely rely on these FAQs.

Frequently Asked Questions (“FAQs”)

FAQs in relation to the Variable Segregated Claims

1. What are the Variable Segregated Claims?

As set out in the 31 July 2023 Letter, in the Judgment, in relation to life and annuity policies issued by the Companies that were expressed to provide for the creation of segregated accounts in respect of **variable investments**, the Court held that (i) segregated accounts had been effectively established for all such policies; and (ii) the underlying assets (e.g. units in mutual funds) are “linked” to each policyholder’s segregated account and will be exclusively available to meet that policyholder’s claims (subject to the deduction of certain costs and expenses), in all cases where the JPLs can connect those assets with that policyholder in the relevant Company’s records. We refer you to the 31 July 2023 Letter for further information about the Court’s Judgment.

The Variable Segregated Claims are those claims of policyholders who have been found by the Court to hold segregated, variable investments and who have claims against their segregated or separate account(s) in respect of those variable investments.

In light of the findings in the Judgment, the JPLs have sought the directions of the Court to establish a framework for the valuation and distribution in respect of Variable Segregated Claims (the “**Variable Directions**”). Details of the JPLs’ proposal in relation to the Variable Directions are set out in full in the Procedural Order and the Variable 15 February 2024 Letter.

2. Do I need to submit a claim and/or a proof of debt in respect of my Variable Segregated Claim?

As a part of the Variable Directions, the JPLs’ proposal is that policyholders who hold variable investments are not required to submit a proof of debt in relation to any claim against their separate or segregated account.

In the course of a winding up (and in order to enable the JPLs to make distributions) creditors are typically required to submit proofs of debt. However, for Variable Segregated Claims, the JPLs anticipate that in the vast majority of cases, the Companies’ records will be sufficient to permit them to identify the assets linked to the relevant investors’ accounts. The JPLs therefore consider that it is more efficient and economical to dispense with the need for a formal proof of debt process.

As set out in the Variable 15 February 2024 Letter, as part of the Variable Directions, the JPLs have sought directions from the Court in relation to the dispensation of the formal proof of debt process. The directions sought are that the JPLs shall be permitted to admit the Variable Segregated Claims, relying on the Companies’ respective books and records, without requiring any proof of debt to be submitted.

3. How will my claim be valued?

As part of the Variable Directions, the JPLs are seeking the Court's approval of a specific valuation procedure for the Variable Segregated Claims. As mentioned above, full details can be found in the Procedural Order together with Variable 15 February 2024 Letter.

4. What if my policy has already been surrendered?

As set out in the Variable 15 February 2024 Letter, by way of overview, the valuation methodology proposed by the JPLs seeks to ensure that the value of the Variable Segregated Claim is the value of the assets linked to a segregated account net of linked liabilities and other costs and expenses as at the date the policy is surrendered (or deemed to be surrendered).

Accordingly, if you have already surrendered your policy, the JPLs' proposal is to value your Variable Segregated Claim as at the date that you surrendered it.

5. Should I surrender my policy, and what happens if I do?

The JPLs are unable to advise policyholders whether they should surrender their policy (if they have not done so already).

Should you choose to surrender your policy, subject to the relevant Know Your Customer ("KYC") and Anti Money Laundering ("AML") requirements being met, the JPLs will process all redemption requests for variable investments into cash which cash will then be held for the benefit of the policyholder. If the Variable Directions are approved, if you surrender, the value of your policy is therefore fixed as at the surrender date. Please note for the avoidance of doubt that redemptions will not be paid directly to the policyholder at this time.

Should you choose not to surrender your policy right now, the value of your policy holding variable investments will continue to fluctuate in accordance with the market i.e. in accordance with the underlying value of the mutual fund.

If the Variable Directions are approved, then the JPLs will implement a "*Cut-Off Valuation Date*" for all policies which have not been surrendered. This will mean that for all policies not previously surrendered, the JPLs will be entitled to treat such policies as having been surrendered on a given date. This date has not yet been determined and, if the JPLs' proposed directions are approved and a "*Cut-Off Valuation Date*" will be implemented, this will be communicated to you in advance.

6. Will I be able to vote at the first meeting of creditors?

Whether policyholders will be able to vote at the first meeting of creditors in respect of their Variable Segregated Claims will depend on a number of factors, including whether the JPLs' proposed directions in relation to both the Variable Segregated Claims and the General Account

Claims are approved (or whether another process is put in place in respect of Variable Segregated Claims and/or General Account Claims) and whether the Variable Segregated Claims have been paid out as of the date of the first meeting of creditors.

7. How will costs and fees be applied to the value of my policy?

This matter is to be determined by the Supreme Court of Bermuda.

On 12 – 13 December 2023, the JPLs and the Class Representatives attended a hearing before the former Chief Justice of the Bermuda Supreme Court at which the Court was asked to determine (i) the allocation of costs amongst the classes and the incidence of such costs within the classes in relation to the Segregation Application (ii) the allocation of the other historical costs of the liquidation of the Companies amongst the classes and the incidence of such costs within the classes; and (iii) the allocation of the future costs of the liquidation of the Companies amongst the classes and the incidence of such costs within the classes (the “**Consequential Hearing**”). The Court’s Ruling dated 20 March 2024 was formally handed down on 22 March 2024. A copy of the Ruling is available on the Bermuda Supreme Court website.

For further information about the Consequential Hearing, please see the JPLs’ letter to all policyholders and creditors dated 21 November 2023 and FAQs #3.

8. When will I get paid?

The JPLs do not currently have the timing when payments will be made, as this depends on factors outside the JPLs’ control (including the date upon which the JPLs’ application to the Court is determined and whether that application is opposed).

FAQs in relation to the General Account Claims

9. What is a General Account Claim and why are the JPLs calling for General Account Claims?

A General Account Claim is a claim which may be asserted by individuals or entities (as creditors) against the Companies’ respective general accounts (rather than against any segregated account(s)).

It is necessary for the JPLs to identify the General Account Claims in order to ensure that all interested parties have an opportunity to attend the first meeting of creditors if they wish to do so.

It is likely that the details of all of the General Account Claims are not contained within the Companies’ books and records. As such, the procedural directions sought by the JPLs and ordered by the Procedural Order include the JPLs calling for creditors to notify them of these claims. The Circular invites General Account Creditors (if they wish to do so) to provide the JPLs with specified information in relation to the General Account Claims.

The JPLs therefore have called for these claims (for voting purposes) to be submitted to facilitate the next steps (namely, the directions necessary to hold the first meeting of creditors) efficiently.

Full details are set out in the General 15 February 2024 Letter and the Circular.

10. How do I know if I have a General Account Claim?

The JPLs are not able to advise on whether such claims exist or the basis of any such claims. Any person (or entity) who wishes to consider whether they have any such claims should, if they so choose, seek independent legal advice (at their own cost).

In relation to policyholders who hold fixed investments, as stated in both the 31 July 2023 Letter and the FAQs #3, at paragraph 224 of the Judgment, the Court acknowledges that the Judgment does not mean that fixed investors “*may not pursue a claim against the general account by other means.*” In other words, it is possible that fixed investors may have a different sort of claim which they might be able to bring which would afford them recourse to the general account.

11. What information do I need to provide in order to notify the JPLs of my General Account Claim(s)?

Please carefully review the General 15 February 2024 letter and, in particular, the Circular, which sets out full details of the information that you are required to provide to the JPLs to notify them of your General Account Claim(s). In particular, you are referred to paragraphs 36 – 38 of the Circular.

As a reminder, the deadline for notifying the JPLs of any General Account Claim(s) is 15 April 2024.

Should you have residual questions after reading the materials, please provide specific questions in a clear and concise manner to cbcbmomnia@deloitte.com (for Omnia) and cbcmnfs@deloitte.com (for Northstar).