

# Joint Administrators' progress report from 27 December 2019 to 26 June 2020

**Stronghold Insurance Company Limited**  
(in Administration)

High Court of Justice, Business and Property Courts of England  
and Wales Insolvency and Companies List (ChD)  
Case no. 3882 of 2019

**17 July 2020**

[www.pwc.co.uk/stronghold](http://www.pwc.co.uk/stronghold)

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*Please note you should read this report in conjunction with the Joint Administrators' previous reports issued to the Company's creditors, which can be found at <https://www.pwc.co.uk/stronghold>. Unless stated otherwise, all amounts in this report and appendices are stated net of VAT.*

*Dan Yoram Schwarzmann and Douglas Nigel Rackham have been appointed as Joint Administrators of Stronghold Insurance Company Limited to manage its affairs, business and property as agents and without personal liability. Dan Yoram Schwarzmann and Douglas Nigel Rackham are both licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.*

*Stronghold Insurance Company Limited is authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and the Financial Conduct Authority, reference number 202552.*

*The Joint Administrators are bound by the Insolvency Code of Ethics which can be found at: <https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>.*

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# Abbreviations and definitions

The following table shows the abbreviations and insolvency terms that may be used in this report:

Abbreviation or definition	Meaning
Administration	UK corporate insolvency process governed by the Insolvency Act 1986, applicable to the Company following its insolvency on 27 June 2019.
Administrators/we/us/our	Dan Yoram Schwarzmann and Douglas Nigel Rackham of PricewaterhouseCoopers LLP, 7 More London, Riverside, London, SE1 2RT.
Appointment	The date that the Administrators were formally appointed as Administrators of the Company, being 27 June 2019.
Cedants/reinsurance creditors	Unsecured non-preferential creditors whose claims arise from being insurance companies holding policies of reinsurance issued by the Company.
Chapter 15	US Bankruptcy process enabling cooperation between US and UK Courts to give effect to the Administration and, in due course, any scheme in the UK.
Company	Stronghold Insurance Company Limited (in Administration).
Company Website	<a href="http://www.pwc.co.uk/stronghold">www.pwc.co.uk/stronghold</a> .
Court	The High Court of Justice Business and Property Courts of England and Wales Insolvency and Companies List (ChD).
Creditors' Committee	Committee of creditors, established on 4 September 2019, in order to assist the Administrators in discharging their functions set out in the Insolvency Act 1986.
Direct insurance creditors	Unsecured non-preferential creditors whose claims arise from cover provided by the Company to a non-insurer policyholder.
Directors	The Directors of the Company being Ann Duffy, Andrew Gregory, John Massey, Henry Sopher and Kenneth Watkins.
FCA	The Financial Conduct Authority, the conduct regulator for financial services firms and financial markets in the UK.
HMRC	HM Revenue & Customs, the UK's tax, payments and customs authority.
Insolvency Act 1986 ("IA86")	Statutory legislation that provides the legal platform for matters relating to personal and corporate insolvency in the UK.
Insolvency (England and Wales) Rules 2016 ("IR16")	Statutory rules that provide the legal platform for matters relating to personal and corporate insolvency in England and Wales.
Insurers (Reorganisation and Winding Up) Regulations 2004	The rules under which Direct insurance creditors rank ahead of all other Unsecured creditors, including cedants and reinsurance creditors.
Letter of Credit ("LoC")	Collateral established in favour of various beneficiaries set up in the normal course of business, providing certain levels of cover.
Period	27 December 2019 to 26 June 2020.
PRA	The Prudential Regulation Authority, being responsible for the prudential regulation and supervision of financial services firms in the UK.
Practice Statement Letter	The Practice Statement Letter provides all known creditors with key information in relation to the terms of the Scheme and an outline of the Scheme process. It is available on the Company Website.

Preferential creditors	Primarily employee claims for unpaid wages earned in the four months before the insolvency up to £800, holiday pay and unpaid pension contributions in certain circumstances.
Proposals	The Administrators' Proposals for achieving the purpose of Administration, as approved by creditors on 4 September 2019.
Scheme of Arrangement (or the "Scheme")	The Scheme of Arrangement to be proposed following the Company entering into Administration.
Remuneration Report	As required by UK insolvency legislation, a report provided to all known creditors dated 20 January 2020 containing details of the work we expect to carry out during the insolvency, the expenses that are likely to be incurred and if our fees are proposed to include remuneration calculated on a time costs basis, an estimate of those fees.
Scheme Claims Submission Date	A date to be set under the future Scheme for the Company, being the last date by which creditors will need to submit their claim.
Scheme of Arrangement	A UK Companies Act procedure, similar in nature to a plan of reorganisation, that involves a compromise or arrangement between a company and one or more classes of its actual and contingent creditors.
SIP	Statement of Insolvency Practice, issued by the UK regulatory authorities, setting out principles and key compliance standards with which insolvency practitioners are required to comply.
Statement of Affairs	A document required by UK law, prepared by the Directors of the Company, outlining the assets and liabilities of the Company at the date of Administration.
Trust Fund	A fund established in the normal course of business, supported by a letter of credit, to provide a fixed level of cover in respect of the payment of claims under US policies issued by the Company.
Unsecured creditors	Creditors who are neither secured nor preferential.
Value Added Tax ("VAT")	A consumption tax levied on the sale of goods and services in the UK.

# Key messages

## Why we have sent you this report

This report has been prepared by the Administrators of Stronghold Insurance Company Limited to update you on the progress of the Administration of the Company in the six months from 27 December 2019 to 26 June 2020 following our last report dated 20 January 2020. Creditors may wish to read this report in conjunction with our previous report and our Proposals, both of which continue to be available on the Company Website, along with this report and other important information at [www.pwc.co.uk/stronghold](http://www.pwc.co.uk/stronghold).

This document is for your information only and you do not need to take any action.

We have continued to make progress in the Administration and fulfil our ongoing statutory responsibilities. During the Period we have made further recoveries of reinsurance debts and escrow funds, liaised with Citibank N.A. on the Letters of Credit and Trust Fund arrangement and worked with the Creditors' Committee, the Company's lawyers and the Company's Regulators on the Scheme of Arrangement.

As set out in our Proposals and our last progress report, the Administrators believe that a Scheme of Arrangement is the most cost effective way to maximise available assets and distribute funds to creditors, whilst minimising the costs of the Administration.

As outlined in the Practice Statement Letter, sent to all known creditors, policyholders, brokers, intermediaries and agents who have placed business with the Company, we had intended that the application to the Court for an order granting permission to convene the meeting of the scheme creditors to vote upon the Scheme would be held on 21 July 2020. However, as discussed on page 9 of our 'Progress since we last reported' section of this report, it has not been possible to proceed with this date and the application has been postponed.

We are consulting with our lawyers regarding a new date for the application and will be providing more details to all creditors and interested parties once they are known.

## How much creditors may receive

At this stage of the Administration, we are unable to give a meaningful estimate of the likely outcome for creditors. As we outlined in our first report the estimated outcome depends significantly on, amongst other matters, how the purpose of the Administration is achieved, the volume and quantum of submitted claims, the levels of admitted claims, future realisations of assets and process costs. As a result, it will be some time before a reasonable estimate can be provided. We will continue to update you on how much creditors may receive as soon as the information is available.

Creditors are reminded that the Insurers (Reorganisation and Winding Up) Regulations 2004 apply to the Company. The effect of these regulations is that Direct insurance creditors have priority over other classes of Unsecured creditors, including cedants.

Class of creditor	Current estimate (p in £)	Previous estimate (p in £)
Direct insurance creditors	Uncertain	Uncertain
Cedants and other unsecured creditors	Uncertain	Uncertain

## Claim form and submission of claims

If you have not already done so, please send us your claim. A claim form can be downloaded from the Company Website at <https://www.pwc.co.uk/services/business-restructuring/administrations/stronghold.html> or you can get one by emailing [uk\\_stronghold@pwc.com](mailto:uk_stronghold@pwc.com).

All creditors should continue to refer to the Company Website for further updates and progress on the Administration. There is currently no deadline for the receipt of claims.

# Progress since we last reported

Creditors are reminded that we provided detailed information on the background to the Company, the circumstances leading to our Appointment and our proposed strategy for the Administration in our Proposals and first progress report. These documents are available on the Company Website.

This section of the document deals with the key activities we have undertaken and progress made since we last reported together with next steps in the Administration.

## Operations

### IT replacement

In the Period, the Company's existing IT infrastructure had reached the end of its life and needed to be replaced to continue operating effectively. Due to the significant cost that would be required to update the existing IT hardware, a more cost effective solution to replace the redundant hardware was sourced and the Company transitioned to a cloud based system.

### Employees

Following the impact of COVID-19 and the UK Government's guidance in relation to working arrangements, we have worked with the Company staff to ensure there has been no disruption to conducting business as usual, whilst implementing safe working practices that adhere to social distancing rules in relation to office working.

### Corporation tax

During the Period, we have spent time preparing the computation for the corporation tax return for the period ended 31 December 2019. The return is due to be filed by 31 December 2020.

We have also spent time preparing the Company's pre-appointment corporation tax return for the period from 1 January 2019 to 26 June 2019, using management accounts prepared by the previous advisors. This return has now been filed and we are not anticipating a refund being due in respect of this return.

### VAT

During the Period, we have submitted two VAT returns for the quarters ended 31 December 2019 and 31 March 2020. We are currently in the process of preparing the return for the period ended 30 June 2020.

Furthermore, we have received a VAT refund of £22,438 within the reporting period relating to the pre-appointment VAT return that was previously submitted to HMRC (as referenced in our last report).

## Asset recoveries

### Reinsurance debtors

Since we last reported a further \$68,899 has been recovered from reinsurance debtors. The Administrators have instructed the Company staff, alongside Requiem and Global Re who are retained on a commission basis, to continue to pursue potential recoveries from both solvent and insolvent insurers.

Dialogue is ongoing with the various reinsurers but it is not certain at this stage the total amount that is likely to be recovered.

### Trust Fund and Letters of Credit

In our previous report, we explained that Citibank N.A. had chosen not to renew the Letters of Credit beyond 31 December 2019 and had notified all named beneficiaries of this. Following Citibank's notice of non-renewal, a number of reinsurance

beneficiaries took the decision to draw down their respective Letters of Credit. Following the expiry of the Letters of Credit on 31 December 2019 a total of \$1,370k had not been drawn-down and was returned to the Company during the Period.

In respect of the Trust Fund, the relevant Letter of Credit was drawn down by the trustee on 31 December 2019. Discussions are ongoing between the Administrators and the trustee as to how the position with the c.\$1.5m of funds with the trustee will be resolved.

### **Treasury management**

At the end of the Period the Company held funds of \$30.5m and £3.9m. The majority of the USD and GBP balances held have been invested in money market deposits. The remaining USD balance and GBP balance are both held in individual Barclays bank accounts to cover ongoing operating costs.

Following the impact of COVID-19 there has been a reduction in the interest rates applicable on these accounts. We continue to monitor rates to ensure that the funds are invested to maximise the available interest rates whilst remaining in line with the Firm's treasury management policies covering such matters as credit quality and counterparty diversification.

### **US attorney engagement**

As you may be aware from our first report, upon our Appointment the Company was involved with 46 ongoing litigated cases. We immediately informed the respective lawyers in these active cases of the Company's Administration and instructed them not to perform any further work without our approval.

In the Period, the Company has been dismissed from seven of these cases, bringing the total dismissals to 15. The Company remains in communication with the relevant attorneys to conclude the Company's participation in the remaining cases.

We have recovered further funds from various US attorneys in relation to amounts 'prepaid' for expected future work prior to Administration and held in escrow accounts; a total of \$248,490 has now been returned to the Company. We are in the process of resolving the one remaining escrow related position, with an estimated recovery in the region of \$4k.

### **Freehold**

The Company staff continue to operate from home and at the premises situated in Norwich, in accordance with social distancing rules and requirements. The property is on the market for sale and during the Period there were several viewings of the property, but no offers have yet been received.

## **Asset protection**

### **Chapter 15 recognition**

It is our intention to seek Chapter 15 recognition for the Scheme of Arrangement, which would make it binding on all US creditors. We will provide further updates on this as part of our Scheme of Arrangement promotion.

## **Stakeholder engagement**

We continue to maintain ongoing positive dialogue with all stakeholders and encourage creditors to monitor the Company Website for updates in relation to the Scheme of Arrangement. Should creditors or other stakeholders have any queries these can be directed to the Administrators via email at [uk\\_stronghold@pwc.com](mailto:uk_stronghold@pwc.com).

### **Regulatory engagement**

The Company remains an authorised and regulated insurance company and as such must comply with various regulatory requirements. We continue to engage and cooperate with both the PRA and FCA on the progress of the Administration and report matters that arise.

The Regulators were consulted in the drafting of the Scheme of Arrangement



## Creditors' Committee

We held three meetings with the Creditors' Committee in the Period to discuss the Scheme of Arrangement and provide interim updates on the progress of the Administration.

During these meetings the Creditors' Committee were consulted and actively involved in discussions surrounding a number of key elements in the Scheme of Arrangement. Further information on this is provided in the section 'Scheme of Arrangement' below.

Creditors are advised that Kenny McManus replaced Paul Miles as the representative of Mercantile Indemnity Company Limited.

## Scheme of Arrangement

The purpose of the Administration is to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration). As mentioned earlier in our report, the Administrators continue to believe a Scheme of Arrangement is the best mechanism to achieve the purpose of the Administration. The reasons for this are fully explained in the Administrators' proposals dated 9 August 2019 and the Administrators' first progress report, both of which are available on the Company Website.

We have designed a crystallisation Scheme, in consultation with the Creditors' Committee, the PRA and the FCA, to offer creditors the most effective and economical method for having their claims against the Company, particularly in respect of insurance contracts, agreed and paid in the shortest practicable time.

A Practice Statement Letter, providing key information in relation to the terms of the Scheme and an outline of the Scheme process, has been sent to all known creditors, policyholders, brokers, intermediaries and agents who have placed business with the Company. It was intended that the application to the Court for an order granting permission to convene the meeting of the scheme creditors to vote upon the Scheme would be held on 21 July 2020.

Following subsequent Committee feedback, we will need to make an amendment to our proposals such that, in the event that Non-Direct Scheme Creditor class (as referred to in the Practice Statement Letter) do not vote in favour of the proposed Scheme, the proposed Scheme can, at a minimum, still be implemented in respect of the Direct Scheme Creditor class if it is approved by that class. As a result we are not able to proceed with the Scheme without changes to the Practice Statement Letter and have had to vacate the 21 July 2020 Court application date.

Whilst this amendment to our proposals will have no bearing on the Scheme if it is approved by both voting classes, it will require the Practice Statement Letter to be reissued and also require a new application to be made to the Court.

We are consulting with our lawyers regarding a new date for the application and will provide more details to all creditors and interested parties, including issuing a new Practice Statement Letter, once they are known.

## Other statutory information

### Approval of our pre-Appointment and ongoing Administration costs

In the Period all of the pre-Administration costs have been approved and paid.

The ongoing Administration costs are discussed further at Appendix C.

### Investigations and actions

We have complied with our duties under the Company Directors Disqualification Act 1986 and SIP2 and we have filed our submissions to the UK Insolvency Service as required. Nothing further has come to our attention during the Period to suggest that we need to do any more work in line with our duties in this respect.

### Connected party transactions

We have a duty (under SIP 13) to disclose any disposal of assets in the Administration to a director or other connected party, regardless of the nature or value of the assets concerned. We are not aware that any such transactions have occurred and none are expected in the future.

## Our receipts and payments account

We set out in Appendix A an account of our receipts and payments in the Administration from 27 December 2019 to 26 June 2020.

## Our fees

We set out in Appendix C an update on our fees, disbursements and other related matters.

## Our expenses

We set out in Appendix B a statement of the expenses we have incurred to the date covered by this report and an estimate of our future expenses.

The statement excludes any potential tax liabilities that we may need to pay as a liquidation expense in due course because amounts due will depend on the position at the end of the tax accounting period.

## Creditors' rights

Creditors have the right to ask for more information within 21 days of receiving this report as set out in Rule 18.9 IR16. Any request must be in writing. Creditors can also challenge fees and expenses within eight weeks of receiving this report as set out in Rule 18.34. This information can also be found in the guide to fees at:

<https://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/creditors-guide-to-administrators-fees-england-and-wales-apr-10.ashx?la=en>

You can also request a copy free of charge by emailing [uk\\_stronghold@pwc.com](mailto:uk_stronghold@pwc.com).

## Next steps

We continue to be focused on gaining Court approval for the Scheme of Arrangement and commencing the claims settlement process so that creditors' claims can be paid as quickly as possible. We are consulting with our lawyers regarding a new date for the application and will provide more details to all creditors and interested parties once they are known.

We will provide an update on this and other matters in our next report. We expect to send our next report to creditors in six months.

If you have any questions, please get in touch with Helena Perevalova at [helena.perevalova@pwc.com](mailto:helena.perevalova@pwc.com) or +44 (0) 113 288 2046 or by emailing [uk\\_stronghold@pwc.com](mailto:uk_stronghold@pwc.com).

Yours faithfully  
For and on behalf of the Company



Dan Schwarzmann  
Joint Administrator

# Appendix A: Receipts and payments

	Notes	Statement of affairs £	As at 26 December 2019 - GBP Equivalent £	From 27 December 2019 to 26 June 2020 £	From 27 December 2019 to 26 June 2020 \$	Total to 26 June 2020 - GBP Equivalent - Note 5 £
<b>RECEIPTS</b>						
Freehold land & property		580,000	-	-	-	-
Cash in hand	1	26,396,375	23,322,832	-	1,370,411	24,426,095
Other financial investments		4,191,489	3,908,069	-	1,112	3,908,964
Deposits with ceding undertakings		487,786	-	-	-	-
Reinsurers' share of technical provision		100,000	-	-	-	-
Reinsurance debtors		1,006,304	145,988	53	68,899	201,509
Other debtors		22,853	50,537	-	-	50,537
Accrued interest and rent		87,470	-	-	-	-
Bank interest gross		-	139,552	7,532	241,537	341,536
Pre appointment VAT refund		-	-	22,438	-	22,438
Fixtures & fittings		-	-	646	-	646
Escrow funds		-	-	-	248,490	200,049
VAT payable		-	-	129	-	129
Exchange rate gain	2	-	-	-	1,026,410	1,026,410
<b>Total</b>		<b>32,872,277</b>	<b>27,566,977</b>	<b>30,798</b>	<b>2,956,859</b>	<b>30,178,313</b>
<b>PAYMENTS</b>						
Direct labour		-	225,739	225,615	-	451,354
Direct expenses		-	3,752	1,214	-	4,966
Sub contractors		-	71,653	13,299	40,254	117,359
Rates		-	12,725	29,840	-	42,565
Heat, light & utilities		-	3,803	3,492	-	7,295
Telephone		-	2,012	1,527	-	3,539
Insurance		-	2,951	2,956	-	5,907
Professional fees		-	249	59,581	4,751	63,655
Repairs & maintenance		-	1,305	1,231	-	2,536
Office costs, stationery & postage		-	24,544	76	-	24,620
Licenses, trade marks, royalties etc		-	40	-	-	40
Office holders' fees		-	-	609,273	-	609,273
Legal fees & expenses		-	89,412	137,382	15,716	239,446
Statutory advertising		-	77	-	-	77
Finance/bank interest and charges		-	282	-	443	639
Storage		-	-	160	-	160
Irrecoverable VAT		-	-	9,143	-	9,143
VAT paid	3	-	32,320	132,592	2,165	166,655
<b>Total</b>			<b>470,866</b>	<b>1,227,379</b>	<b>63,329</b>	<b>1,749,228</b>
<b>Net Receipts/(Payments)</b>			<b>27,096,112</b>	<b>(1,196,580)</b>	<b>2,893,530</b>	<b>28,429,085</b>
<b>MADE UP AS FOLLOWS</b>						
			<b>As at 26 June 2020 (£)</b>	<b>As at 26 June 2020 (\$)</b>		
Barclays Bank Plc GBP account	4		5,079,524	582,638	-	582,638
Barclays Bank Plc USD account	4		358,153	-	305,754	246,150
DBS Bank Limited (Money market deposit)	4		7,692,000	-	10,119,115	8,146,494
United Overseas Bank Limited (Money market deposit)	4		6,076,680	-	9,720,291	7,825,418
OCBC Bank Limited (Money market deposit)	4		7,889,755	-	10,344,668	8,328,078
Canadian Imperial Bank of Commerce (Money market deposit)	4		-	3,300,306	-	3,300,306
<b>Balance of funds held</b>			<b>27,096,112</b>	<b>3,882,944</b>	<b>30,489,828</b>	<b>28,429,085</b>

## Notes

Note 1 - Cash in hand in the Directors' Statement of Affairs included funds held on trust in relation to (a) the Trust Fund and (b) various LoCs in the name of certain beneficiaries. As mentioned in the 'Asset recoveries' section of our report on page 7, the c.\$1.5m is now controlled by the trustee of the Trust Fund and is not represented in our receipts and payments account. We have not made any adjustments to the Directors' Statement of Affairs.

All remaining funds in relation to the various Letters of Credit in the name of certain beneficiaries have either been withdrawn by the beneficiaries or returned to the Company. As mentioned earlier in our report a total of \$1,370k was returned to the Company and is reflected in cash in hand in the Period.

Note 2 - An exchange rate gain has arisen from a change in value of the funds held over the Period due to the £ depreciating against the \$.

Note 3 - All amounts are shown exclusive of VAT, with VAT paid being included as a separate item under Payments. The Company is partially exempt from VAT and therefore some of the VAT paid will be recoverable and some will not (determined at each VAT return). Our assumption is that the Company can continue to recover c.72% of VAT. Any VAT paid within the current period which is irrecoverable will be reflected in future progress reports.

Note 4 - Funds are held on interest bearing accounts.

Note 5 - The total GBP equivalent is a \$/£ exchange rate (1:0.80506) as at 26 June 2020 based on the Bank of England rate. The previous period's \$/£ exchange rate was (1:07692).

# Appendix B: Expenses

The following table provides details of our expenses. Expenses are amounts properly payable by us as Administrators from the estate and includes our fees, but excludes distributions to creditors. The table also excludes any potential tax liabilities that we may need to pay as an Administration expense because amounts becoming due will depend on the position at the end of the tax accounting period.

The table should be read in conjunction with the receipts and payments account at Appendix A, which shows expenses actually paid during the Period and the total paid to date.

Nature of expense	Brought forward from preceding Period £	Incurred in the Period under review £	Cumulative £	Estimated future £	Anticipated total £	Initial estimate £	Variance £
Gross wages & salaries	225,739	225,615	451,354	685,539	1,136,893	1,136,893	-
Employee retention and incentives	-	-	-	700,000	700,000	700,000	-
Rent and rates <sup>1</sup>	18,540	34,859	53,399	35,705	89,104	89,104	-
Other operating expenses <sup>2</sup>	101,254	74,819	176,073	241,321	417,394	417,394	-
Agents' fees and disbursements - Requierm <sup>3</sup>	2,984	33,392	36,376	2,737	39,113	39,113	-
Agents' fees and disbursements - Epiq	23,548	73	23,621	23,475	47,096	47,096	-
Agents' fees and disbursements - Larking Gowen	249	1,162	1,411	913	2,324	2,324	-
Agents' fees and disbursements - Bidwells	-	804	804	9,674	10,478	10,478	-
Bank charges	282	356	638	1,794	2,432	2,432	-
Letters of Credit charges	3,545	-	3,545	3,309	6,854	6,854	-
Property costs	-	-	-	2,500	2,500	2,500	-
Insurance	2,951	2,956	5,907	15,519	21,426	21,426	-
Legal costs - various US attorneys <sup>4</sup>	-	16,477	16,477	Uncertain	Uncertain	Uncertain	-

<sup>1</sup> Includes the following: council tax, utilities and telephone charges.

<sup>2</sup> Includes the following: repairs and maintenance, IT, costs, office costs, stationery, postage and other direct expenses.

<sup>3</sup> Collection agents on fixed % commission contract that could increase based on further reinsurance debtor recoveries being made.

<sup>4</sup> Attorneys were disinstructed upon Appointment. We expect some residual charges in relation to the Company being dismissed in the US Courts from the various litigation matters the Company was involved with upon our Appointment.

Legal fees and expenses - Clifford Chance <sup>5</sup>	191,412	259,088	450,500	100,000	550,500	440,162	(110,338)
Legal fees and expenses - Clifford Chance pre-Administration <sup>6</sup>	114,873	-	114,873	-	114,873	114,873	-
Legal fees and expenses - McCarthy Denning pre-Administration <sup>7</sup>	22,508	-	22,508	-	22,508	22,508	-
Office holders' fees <sup>8</sup>	779,840	496,164	1,276,004	3,413,417	4,689,421	4,689,421	-
Office holders' pre-Administration costs <sup>9</sup>	93,411	-	93,411	-	93,411	93,411	-
Office holders' disbursements <sup>10</sup>	8,679	4,362	13,041	60,714	73,755	73,755	-
Licenses, trade marks, royalties	40	-	40	120	160	160	-
Storage costs	-	160	160	3,376	3,536	3,536	-
Statutory advertising	77	-	77	500	577	577	-
Additional Scheme costs	-	-	-	50,000	50,000	50,000	-
Scheme vote and adjudication	-	-	-	Uncertain	Uncertain	Uncertain	-
Irrecoverable VAT <sup>11</sup>	-	9,143	9,143	322,035	331,178	331,178	-
<b>Total</b>	<b>1,589,932</b>	<b>1,159,431</b>	<b>2,749,363</b>	<b>5,672,648</b>	<b>8,405,533</b>	<b>8,295,195</b>	<b>(110,338)</b>

<sup>5</sup> We are in discussion with Clifford Chance regarding costs incurred and estimated future costs.

<sup>6</sup> These costs have been discussed with the Creditors' Committee and approval to pay has been received. The costs have now been discharged.

<sup>7</sup> These costs have been discussed with the Creditors' Committee and approval to pay has been received. The costs have now been discharged.

<sup>8</sup> We regularly review our costs and make necessary adjustments as necessary or appropriate. There has been a small adjustment to the brought forward time for the last period, which was c.£774k and has increased to c.£779k, primarily due to a rate amendment at Senior Associate grade.

<sup>9</sup> These costs have been discussed with the Creditors' Committee and approval to pay has been received. The costs have now been discharged.

<sup>10</sup> Office holders' disbursements comprise of photocopying and postage, system maintenance fee, travel and accommodation.

<sup>11</sup> This is on the assumption that the Company can recover c.72% of VAT which remains under review.

# Appendix C: Remuneration

## Discussions with the Creditors' Committee

Following the circulation of our remuneration report to creditors, we have held discussions with the Creditors' Committee and are seeking to have our fees fixed on a time cost basis. The Creditors' Committee is to undertake further consideration on this matter, and the Administrators agreed to an independent fee assessor being appointed to assist the Creditors' Committee. A fee assessor was appointed in the Period.

In the interim, the Creditors' Committee has provided consent that the Administrators can draw on account 75% of time costs that have been incurred for the period from Appointment to 30 November 2019.

We have drawn fees on account of £515,862 in line with the consent given, as shown in the receipts and payments account. Please note that the total of £609,273 shown in the receipts and payments account includes £93,411 in respect of our approved pre-Administration costs.

The Creditors' Committee has also provided consent that the Administrators can draw on account 75% of time costs that have been incurred for the period 1 December 2019 to 30 April 2020. These fees of £304,000 were unpaid in the Period, but were settled shortly after.

The Administrators remain in correspondence with the Creditors' Committee in respect of ongoing fees and the relevant approvals required to draw remuneration.

## Time cost charges

The time cost charges incurred in the period covered by this report (27 December 2019 to 26 June 2020) are £496,164 (excluding VAT), bringing the total time costs incurred from our appointment to 26 June 2020 to £1,276,004 (excluding VAT).

We set out later in this Appendix details of our work to date, anticipated future work, disbursements, subcontracted work and payments to associates.

## Fees estimate

Our original fees estimate, as set out in our remuneration report which was included as Appendix D in our first progress report, was based on a number of assumptions including but not limited to the following:

- the Administration term being 30 months;
- the purpose of the Administration would be achieved via the implementation of a Scheme of Arrangement;
- the cost of the Administration would be highly dependent on the number of claims that are submitted, the level of complexity involved in ascertaining their value, the application of the claims methodology and the extent that claims require adjudication; and
- The Creditors' Committee being supportive of the Scheme in principle and being supported by creditors and approved by the Court.

Whilst the necessary postponement of the application to Court regarding the Scheme was not envisaged in our fees estimate, and work is now required to update the Scheme and register a new application, it is too early to tell if this will have an impact on our overall fees estimate. We hope to provide further information on this in our next progress report, when more is known about the status of the Scheme.

	Partner		Director		Senior Manager		Manager		Senior Associate		Associate / Other		Grand total for the period		Grand total from appointment	
	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)
Asset realisation																
Freehold					0.10	60.50							0.10	60.50		3,438.50
Other physical assets													0.15	31.50		31.50
Reinsurance and other					2.10	1,270.50			14.00	5,736.25			16.10	7,066.75		28,958.00
Treasury management	1.00	910.00	2.10	1,680.00	11.45	6,918.25	14.75	7,743.75	37.10	13,965.75	0.90	216.00	67.30	31,453.75	143.70	68,912.75
<b>Total</b>	<b>1.00</b>	<b>910.00</b>	<b>2.10</b>	<b>1,680.00</b>	<b>13.65</b>	<b>8,249.25</b>	<b>14.75</b>	<b>7,743.75</b>	<b>51.10</b>	<b>19,782.00</b>	<b>1.05</b>	<b>247.50</b>	<b>83.65</b>	<b>38,612.50</b>	<b>206.85</b>	<b>101,340.75</b>
Costs of the insolvency process																
CDDA and SIP2 compliance																
Creditors' committee	12.00	11,310.00	14.40	11,520.00	33.05	19,359.25	0.25	101.25	39.95	17,372.00	5.45	1,144.50	105.10	61,407.00	259.35	145,495.25
Initial letters & notices																
Insurance									0.50	155.00	0.15	31.50	0.65	186.50	53.45	18,733.25
Other statutory and	2.00	2,057.50	8.20	6,560.00	39.75	24,283.75	28.20	11,851.00	54.90	21,125.25	34.80	7,494.00	167.85	73,371.50	461.85	187,961.00
Proposals, decision procedure and creditor																
Reporting to creditors	3.50	3,185.00	4.00	3,200.00	39.25	23,453.75	19.90	8,059.50	82.20	33,288.25	11.55	2,425.50	160.40	73,612.00	219.85	101,172.25
Statement of affairs																
<b>Total</b>	<b>17.50</b>	<b>16,552.50</b>	<b>26.60</b>	<b>21,280.00</b>	<b>112.05</b>	<b>67,696.75</b>	<b>48.35</b>	<b>20,011.75</b>	<b>177.55</b>	<b>71,940.50</b>	<b>51.95</b>	<b>11,095.50</b>	<b>434.00</b>	<b>208,577.00</b>	<b>1,170.70</b>	<b>537,104.25</b>
Dealing with creditors																
Creditor enquiries and management					7.40	4,477.00			7.00	2,228.50	4.70	879.00	19.10	7,584.50	80.40	33,823.25
<b>Total</b>					<b>7.40</b>	<b>4,477.00</b>			<b>7.00</b>	<b>2,228.50</b>	<b>4.70</b>	<b>879.00</b>	<b>19.10</b>	<b>7,584.50</b>	<b>80.40</b>	<b>33,823.25</b>
Insurance run off																
Administrators' supervision of run off	5.50	5,005.00	1.10	880.00	20.55	12,432.75	0.30	121.50	4.50	1,957.50	5.30	807.00	37.25	21,203.75	292.45	153,991.25
Employees					1.90	1,191.50			2.50	889.50			4.40	2,021.00	85.80	46,453.00
Receipts and payments			0.30	111.00	8.70	5,236.50	10.70	4,333.50	20.05	5,658.50	63.65	13,366.50	103.40	28,706.00	231.55	68,306.00
<b>Total</b>	<b>5.50</b>	<b>5,005.00</b>	<b>1.40</b>	<b>991.00</b>	<b>31.15</b>	<b>18,800.75</b>	<b>11.00</b>	<b>4,455.00</b>	<b>27.05</b>	<b>8,505.50</b>	<b>68.95</b>	<b>14,173.50</b>	<b>145.05</b>	<b>51,930.75</b>	<b>609.80</b>	<b>268,750.25</b>
Managing the Company's affairs																
Accounting & Treasury Chapter 15			0.10	37.00	0.30	181.50	0.30	121.50	1.75	406.50	0.50	105.00	2.85	814.50	8.15	2,994.50
Pensions					0.90	756.00			3.75	1,631.25			3.85	1,668.25	31.95	19,207.75
Pre-appointment attorneys			0.35	129.50	1.00	605.00			0.30	93.00	0.30	76.50	1.50	925.50	8.60	4,988.25
Regulatory	3.00	2,730.00	1.90	1,520.00	7.00	4,235.00	0.50	262.50	1.95	848.25			1.35	734.50	14.90	7,538.25
Tax	1.50	2,077.50			3.80	3,705.00	10.00	7,750.00	2.65	1,510.50	37.15	10,030.25	55.10	25,073.25	86.00	41,723.75
VAT					4.10	5,134.00	11.60	8,583.00	9.80	3,038.00	5.20	1,092.00	30.70	17,847.00	48.00	31,204.25
<b>Total</b>	<b>4.50</b>	<b>4,807.50</b>	<b>2.35</b>	<b>1,686.50</b>	<b>17.10</b>	<b>14,616.50</b>	<b>22.40</b>	<b>16,717.00</b>	<b>20.20</b>	<b>7,527.50</b>	<b>43.15</b>	<b>11,303.75</b>	<b>109.70</b>	<b>56,658.75</b>	<b>251.00</b>	<b>140,727.75</b>
Scheme design																
Scheme design	9.00	8,645.00	23.60	18,880.00	65.45	39,557.25	3.70	1,942.50	11.00	4,785.00			112.75	73,809.75	135.45	90,915.25
<b>Total</b>	<b>9.00</b>	<b>8,645.00</b>	<b>23.60</b>	<b>18,880.00</b>	<b>65.45</b>	<b>39,557.25</b>	<b>3.70</b>	<b>1,942.50</b>	<b>11.00</b>	<b>4,785.00</b>			<b>112.75</b>	<b>73,809.75</b>	<b>135.45</b>	<b>90,915.25</b>
Strategy and planning																
Strategy, planning and project management	27.00	25,675.00	8.10	6,480.00	21.20	12,817.00	1.40	567.00	31.05	13,000.50	2.15	451.50	90.90	58,991.00	164.75	103,342.75
<b>Total</b>	<b>27.00</b>	<b>25,675.00</b>	<b>8.10</b>	<b>6,480.00</b>	<b>21.20</b>	<b>12,817.00</b>	<b>1.40</b>	<b>567.00</b>	<b>31.05</b>	<b>13,000.50</b>	<b>2.15</b>	<b>451.50</b>	<b>90.90</b>	<b>58,991.00</b>	<b>164.75</b>	<b>103,342.75</b>
<b>Grand Total</b>	<b>64.50</b>	<b>61,595.00</b>	<b>64.15</b>	<b>50,997.50</b>	<b>268.00</b>	<b>166,214.50</b>	<b>101.60</b>	<b>51,437.00</b>	<b>324.95</b>	<b>127,769.50</b>	<b>171.95</b>	<b>36,150.75</b>	<b>995.15</b>	<b>496,164.25</b>	<b>2,618.95</b>	<b>1,276,004.25</b>



## Our time charging policy and hourly rates

We and our team charge our time for the work we need to do in the Administration. We delegate tasks to suitable grades of staff, taking into account their experience and any specialist knowledge that is needed and we supervise them properly to maximise the cost effectiveness of the work done. Anything complex or important matters of exceptional responsibility are handled by our senior staff or us.

All of our staff who work on the Administration (including our cashiers, support and secretarial staff) charge time directly to the case and are included in any analysis of time charged. Each grade of staff has an hourly charge out rate which is reviewed from time to time. Work carried out by our cashiers, support and secretarial staff is charged to the case by them and so isn't included in the hourly rates charged by partners or other case staff members. Time is charged in six minute units. The minimum time chargeable is three minutes (i.e. 0.05 units). We do not charge general or overhead costs.

We set out below the maximum charge-out rates per hour for the grades of our staff who already or who are likely to work on the Administration. We call on colleagues in our Tax, VAT, Real Estate and Pensions departments where we need their expert advice. Their specialist charge-out rates vary but the following are the maximum rates by grade per hour.

<b>Grade</b>	<b>Non-specialist rates Up to 30 June 2020 £/hour</b>	<b>Specialist rates Up to 30 June 2020 £/hour</b>
<b>Partner</b>	910	1,385
<b>Director</b>	800	1,295
<b>Senior Manager</b>	605	1,290
<b>Manager</b>	525	775
<b>Senior Associate - Qualified</b>	435	575
<b>Senior Associate - Unqualified</b>	325	330
<b>Associate</b>	270	285
<b>Support Staff</b>	140	170

In common with many professional firms, our scale rates may rise to cover annual inflationary cost increases. We will discuss any future proposed rate increases with the Creditors' Committee.

## Payments to associates

We have not made any payments to associates in the Period covered by this report.

## Our work in the Period

Earlier in this section we have included an analysis of the time spent by the various grades of staff. Whilst this is not an exhaustive list, in the following table we provide more detail on the key areas of work.

Category of work	General description	Work included
<b>Asset realisations</b>	Reinsurance and other assets	<ul style="list-style-type: none"> <li>Reviewing and assessing reinsurance debtor ledgers and recovery strategies;</li> <li>Reaching settlement and/or agreement of commutations with certain debtors, collecting a total of \$69k; and</li> <li>Recovering \$248k from pre-appointment lawyers in relation to returned escrow balances.</li> </ul>
	Treasury management	<ul style="list-style-type: none"> <li>Liaising with banks regarding investing surplus funds in money market deposits;</li> <li>Monitoring assets under investment, including any required credit, operational, settlement and contractual risk management tasks;</li> <li>Liaising with Citibank N.A regarding the Letters of Credit and Trust Fund, including monitoring correspondence and drawdown requests; and</li> <li>Agreeing the final position with Citibank N.A. regarding the undrawn Letters of Credit and the return of \$1,370k to the Company.</li> </ul>
<b>Costs of the insolvency process</b>	Creditors' Committee	<ul style="list-style-type: none"> <li>Preparing for the three Creditors' Committee meetings held, including assimilating all relevant supporting information and material;</li> <li>Attendance at Creditors' Committee meetings and review and sign off of minutes by Chair in accordance with insolvency legislation;</li> <li>Ad hoc liaison with the Creditors' Committee members regarding the Administration and crystallisation Scheme of Arrangement; and</li> <li>Undertaking post meeting formalities and ongoing communications with the Creditors' Committee.</li> </ul>
	Other statutory and compliance	<ul style="list-style-type: none"> <li>Ongoing file management in order to house the Administrators' electronic and paper records, to ensure effective case management and evidence the work which is completed throughout the Appointment, in accordance with all regulatory obligations and best practice;</li> <li>Preparing 6 month strategy document, for agreement by the Administrators and in compliance with regulatory requirements;</li> <li>Continuing with the preparation of the Administrators' remuneration report and finalising the same;</li> <li>Ongoing monitoring of costs versus budget in order to remain apprised of cost accruals;</li> <li>Preparing and finalising the first fee pack covering cost and activities for the period 27 June 2019 to 26 December 2019;</li> <li>Preparing and finalising the second fee pack covering cost and activities for the period 27 December 2019 to 31 May 2020;</li> <li>Reviewing, considering and actioning incoming post; and</li> <li>Activities in relation to the proposed appointment of a fees assessor including contacting potential candidates, discussions regarding the potential role and preparing the draft engagement letter for their proposed appointment.</li> </ul>
	Reporting to creditors	<ul style="list-style-type: none"> <li>Preparation and finalisation of the Administrators' first progress report which included our remuneration report, including review by senior staff members and the Administrators;</li> <li>Complying with all other statutory and regulatory requirements associated with issuing a progress report;</li> <li>Reviewing the list of creditors to ensure that any 'gone away' creditors are recorded on case systems in order to avoid the return of correspondence and associated cost; and</li> <li>Maintaining case website, including the provision of key documents.</li> </ul>
<b>Dealing with creditors</b>	Creditor enquiries	<ul style="list-style-type: none"> <li>Dealing with incoming queries from creditors and ensuring our records are updated with revised creditor contact details.</li> </ul>

<b>Insurance run off</b>	Run off management	<ul style="list-style-type: none"> <li>• Liaising with Company management and staff on pertinent matters regarding the Administration and insurance run off;</li> <li>• Dealing with ad hoc and priority matters arising, such as supplier challenges;</li> <li>• Liaising with Company suppliers regarding ongoing supply of services to the Company; and</li> <li>• Authorising purchases and other commitments.</li> </ul>
	Processing receipts and payments	<ul style="list-style-type: none"> <li>• Processing the receipt of all incoming funds in order to ensure consistency of coding and clarity of reporting;</li> <li>• Processing the payment of all transactions, including reviewing invoices, checking that coding of payments in the Administrators' accounting system is consistent so as to ensure clarity of reporting;</li> <li>• Complying with internal risk procedures in order to meet sanctions policies and performing a sanctions check on all payments made during the run-off period;</li> <li>• Verifying all third party payment details before payments are released; and</li> <li>• Approval of all payments by senior staff from the case team.</li> </ul>
<b>Managing the Company's affairs</b>	Regulatory	<ul style="list-style-type: none"> <li>• Providing periodic updates to the PRA and FCA;</li> <li>• Responding to questions from the PRA and FCA regarding the Administration circumstances, process and strategy;</li> <li>• Sharing copies of key documentation with the Regulators, including Creditors' Committee minutes and the draft Scheme documentation; and</li> <li>• Completing regulatory returns.</li> </ul>
	Tax	<ul style="list-style-type: none"> <li>• Information gathering to support the completion of tax returns;</li> <li>• Reviewing information provided by the previous tax advisors;</li> <li>• Comparing the pre-appointment information to the Company's Statement of Affairs and following up queries;</li> <li>• Dealing with correspondence from HMRC regarding erroneous penalties for late filing of returns;</li> <li>• Preparing the Company's pre-appointment corporation tax return; and</li> <li>• Preparing the first corporation tax return for the post-appointment period.</li> </ul>
	VAT	<ul style="list-style-type: none"> <li>• Reviewing receipts and payments on both USD and GBP accounts to ensure that VAT treatment is correct and to ensure accuracy of reporting;</li> <li>• Preparing and submitting VAT returns for two periods; and</li> <li>• Monitoring the receipt of VAT refunds from HMRC and bringing our accounting systems up to date upon finalisation of the VAT returns, again to ensure accuracy of reporting and to ensure the correct treatment of irrecoverable VAT.</li> </ul>
<b>Scheme of Arrangement</b>	Scheme design	<ul style="list-style-type: none"> <li>• Working with the Administrators' lawyers and actuarial team to update and develop the draft Scheme of Arrangement explanatory statement, scheme rules and estimation guidelines;</li> <li>• Providing relevant Scheme design documentation with the Creditors' Committee;</li> <li>• Reviewing the Creditors' Committee comments on the draft Scheme documents and updating Scheme documents as appropriate;</li> <li>• Reviewing the Creditors' Committee suggestions of potential candidates for the role of Scheme Adjudicator in the Scheme of Arrangement;</li> <li>• Initial contact with Ms Jones of Bracewell LLP, regarding her interest and availability for the role of Scheme Adjudicator; and</li> <li>• Determining an indicative outline timeline for the Scheme of Arrangement, identifying key milestones and required inputs during the process.</li> </ul>
<b>Strategy and Planning</b>	Strategy, planning and project management	<ul style="list-style-type: none"> <li>• Ongoing review of strategy to be implemented in order to achieve the objectives of the Administration;</li> <li>• Team meetings and work planning for key tasks and milestones;</li> <li>• Preparing information and conducting case reviews with the Administrators regarding the status of the Administration and the progression of key work areas;</li> <li>• Preparing the illustrative run-off profile of the projected Company claims; and</li> <li>• Discussing strategy and obtaining input from the Administrators in relation to key tasks and issues including undertaking senior reviews and approval of key documents.</li> </ul>

## Our future work

We still need to do the following work to achieve the purpose of the Administration.

Category of work	Work expected to be undertaken	Estimated future cost £	Whether or not the work will provide a financial benefit to creditors
<b>Asset realisations</b>			
<b>Freehold</b>	<ul style="list-style-type: none"> <li>Overseeing the sale of the freehold property including liaising with valuers and agents and holding internal meetings to discuss/review offers received; and</li> <li>Ensuring eventual transition from the freehold property including exploring potential lease options for continued trading.</li> </ul>	10,000	<ul style="list-style-type: none"> <li>To maximise realisations for the benefit of creditors as a whole; and</li> <li>Ensuring an appropriate working environment until the conclusion of the Administration.</li> </ul>
<b>Reinsurance and other assets</b>	<ul style="list-style-type: none"> <li>Corresponding with reinsurance debtors and reaching settlement and/or agreement of commutations with certain debtors; and</li> <li>Finalising return of last pre-appointment litigation escrow fund owed to the Company.</li> </ul>	57,000	<ul style="list-style-type: none"> <li>To maximise realisations for the benefit of creditors as a whole.</li> </ul>
<b>Other physical assets</b>	<ul style="list-style-type: none"> <li>Liaising and negotiating with interested parties in relation to the sale of physical assets.</li> <li>Maintaining security over the premises to ensure physical assets on site are secure; and</li> <li>Oversight of paper records archiving process to ensure correct level of information is kept.</li> </ul>	10,000	<ul style="list-style-type: none"> <li>To maximise realisations for the benefit of creditors as a whole.</li> </ul>
<b>Treasury management</b>	<ul style="list-style-type: none"> <li>Assessment of the appropriateness of investment strategy in light of liquidity and return requirements;</li> <li>Management and investment of GBP and USD funds held; and</li> <li>Liaising with the trustee in respect of the Trust Fund arrangement and resolution of the position.</li> </ul>	49,937	<ul style="list-style-type: none"> <li>Maximising investment interest available on surplus funds;</li> <li>Ensuring an appropriate balance between GBP and USD given creditor claims will be cross currencies; and</li> <li>Appropriate resolution of the c.\$1.5m funds held in the Trust Fund.</li> </ul>
<b>Costs of the insolvency process</b>			
<b>Creditors' Committee</b>	<ul style="list-style-type: none"> <li>Conducting ongoing correspondence and holding meetings with members of the Creditors' Committee to discuss the Administration and the Scheme; and</li> <li>Responding to information requests from the Creditors' Committee.</li> </ul>	114,616	<ul style="list-style-type: none"> <li>To comply with regulatory requirements or statute;</li> <li>To provide support to the Administrators in discharging statutory duties; and</li> <li>To ensure the views of the creditor base as a whole are represented.</li> </ul>
<b>Reporting to creditors</b>	<ul style="list-style-type: none"> <li>Preparing and issuing periodic progress reports to creditors and the Registrar.</li> </ul>	86,768	<ul style="list-style-type: none"> <li>To comply with regulatory requirements or statute.</li> </ul>
<b>Other statutory and compliance</b>	<ul style="list-style-type: none"> <li>Maintaining records and documenting key activities and decisions taken;</li> <li>Reviewing and dealing with incoming post;</li> <li>Conducting six monthly case reviews;</li> <li>Completing checklists to document statutory compliance and adhering to our diary management system;</li> <li>Filing of documents and emails;</li> </ul>	273,857	<ul style="list-style-type: none"> <li>To comply with regulatory requirements or statute; and</li> <li>To maintain proper books and records.</li> </ul>

	<ul style="list-style-type: none"> <li>• Preparation of regular fees packs to the Creditors' Committee;</li> <li>• Complying with all regulatory requirements, for example in relation to the Company's registration under data protection legislation;</li> <li>• Dealing with and sending job files to storage; and</li> <li>• Closing down internal systems.</li> </ul>		
<b>Insurance</b>	<ul style="list-style-type: none"> <li>• Corresponding with insurers regarding ongoing and renewing insurance requirements.</li> </ul>	4,388	<ul style="list-style-type: none"> <li>• Protects assets by providing cover to limit liabilities of the Company in the event of unforeseen adverse events.</li> </ul>
<b>Dealing with creditors</b>			
<b>Creditor enquiries</b>	<ul style="list-style-type: none"> <li>• Receiving and following up on creditor enquiries received via telephone, email and/or post;</li> <li>• Reviewing and preparing correspondence to creditors and their representatives; and</li> <li>• Receipt and filing of proofs of debt.</li> </ul>	106,692	<ul style="list-style-type: none"> <li>• To comply with regulatory requirements or statute;</li> <li>• To respond to queries from various stakeholders; and</li> <li>• To keep creditors informed of the progress of the Administration and key milestones in the claims process.</li> </ul>
<b>Insurance run off</b>			
<b>Employees including payroll and redundancy</b>	<ul style="list-style-type: none"> <li>• Regular dialogue with the Company employees including addressing any employee issues or concerns;</li> <li>• Processing monthly payroll to ensure appropriate deductions of PAYE/NIC are made and paid over to HMRC;</li> <li>• Liaising with the Redundancy Payment Service and external agencies; and</li> <li>• Resolving position regarding employees at the end of the Administration.</li> </ul>	7,799	<ul style="list-style-type: none"> <li>• Ensure the position regarding employees is appropriately managed;</li> <li>• Ensure compliance with relevant legislation regarding employment matters;</li> <li>• Ensure the Company's asset realisations are maximised by the retention of staff with extensive Company knowledge and experience.</li> </ul>
<b>Processing receipts and payments</b>	<ul style="list-style-type: none"> <li>• Processing and approving receipts and payments into the accounting system; and</li> <li>• Sanctions checking suppliers in line with internal regulatory requirements.</li> </ul>	88,150	<ul style="list-style-type: none"> <li>• Ensure appropriate record of all receipts and payments undertaken during the Administration.</li> </ul>
<b>Run off management</b>	<ul style="list-style-type: none"> <li>• Continued liaising with Company management and staff regarding matters pertinent to the Administration and the run off;</li> <li>• Liaising with suppliers and authorising purchases and other commitments; and</li> <li>• Preparing budgets and financial reports.</li> </ul>	208,094	<ul style="list-style-type: none"> <li>• Management of suppliers and supplier relationships, including consideration of best available terms; and</li> <li>• Monitoring cost base and financial performance of the Administration.</li> </ul>
<b>Managing the Company's affairs</b>			
<b>Accounting and treasury</b>	<ul style="list-style-type: none"> <li>• Carrying out bank reconciliations and managing investment of funds;</li> <li>• Corresponding with bank regarding specific transfers; and</li> <li>• Accounting and treasury specific work related to preparing and paying distributions.</li> </ul>	78,585	<ul style="list-style-type: none"> <li>• Statutory duties to manage the affairs, business and property of the Company and settle expenses in the prescribed order of priority; and</li> <li>• Maintain the accounts and records of the insolvent estate and ensure that</li> </ul>

			estate funds are properly controlled.
<b>Pensions</b>	<ul style="list-style-type: none"> <li>Ensuring compliance with pension regulations and requirements.</li> </ul>	2,082	<ul style="list-style-type: none"> <li>For the proper administration of the insolvency.</li> </ul>
<b>Tax</b>	<ul style="list-style-type: none"> <li>Liaising with Company staff in relation to queries regarding the Company's pre-Administration and post-Administration tax affairs;</li> <li>Considering the availability of losses and ensuring the estate is managed in a tax-efficient manner;</li> <li>Preparing tax computations; and</li> <li>Liaising with HMRC, as required.</li> </ul>	7,186	<ul style="list-style-type: none"> <li>Compliance with duties in relation to tax; and</li> <li>To ensure tax accounting is accurate, and recoveries made, for the benefit of creditors as a whole.</li> </ul>
<b>VAT</b>	<ul style="list-style-type: none"> <li>Considering the tax treatment of both supplies and purchases in order to ensure the estate is compliant with VAT legislation and the Company's status as a partially-exempt supplier;</li> <li>Preparing VAT returns and ensuring adherence with partially-exempt status; and</li> <li>Liaising with HMRC regarding the submission of VAT returns, responding to any queries and ensuring that VAT payments or refunds are processed and received by HMRC in a timely fashion.</li> </ul>	37,980	<ul style="list-style-type: none"> <li>Compliance with duties in relation to VAT; and</li> <li>To ensure VAT accounting is accurate, and recoveries made, for the benefit of creditors as a whole.</li> </ul>
<b>Regulatory</b>	<ul style="list-style-type: none"> <li>Periodic updates to the PRA and FCA on the status of the Administration and Scheme;</li> <li>Responding to questions from the Regulator(s) regarding the Administration process and strategy, including the Scheme of Arrangement; and</li> <li>Filing regulatory returns required by the Regulator(s).</li> </ul>	12,830	<ul style="list-style-type: none"> <li>To comply with regulatory requirements or statute;</li> </ul>
<b>Chapter 15</b>	<ul style="list-style-type: none"> <li>Obtain Chapter 15 recognition of the Scheme of Arrangement in the US Court.</li> </ul>	18,933	<ul style="list-style-type: none"> <li>Ensure all creditors claims can be resolved through the Scheme of Arrangement.</li> </ul>
<b>Pre-Appointment Attorneys</b>	<ul style="list-style-type: none"> <li>Liaising with the US Attorneys representing the Company pre-appointment in various litigation cases as to the status of these matters with a view to concluding the Company's participation.</li> </ul>	12,493	<ul style="list-style-type: none"> <li>Ensuring litigation costs are minimised.</li> </ul>
<b>Scheme of Arrangement</b>			
<b>Design and implementation</b>	<ul style="list-style-type: none"> <li>Preparing a revised Practice Statement Letter providing key details on the Scheme of Arrangement;</li> <li>Applying to Court requesting permission to convene a scheme meeting;</li> <li>Holding the requisite meetings of creditors to consider and approve the Scheme of Arrangement;</li> <li>Communicating with creditors regarding the outcome of the scheme meetings and next steps;</li> <li>Preparing correspondence to potential creditors inviting lodgement of proof of debt forms;</li> <li>Receiving proofs of debt and maintaining claims register;</li> <li>Assessing claims and reviewing information, including requesting further information from</li> </ul>	2,120,050	<ul style="list-style-type: none"> <li>Ensuring an appropriate mechanism to resolve claims in the Administration;</li> <li>To comply with regulatory requirements; and</li> <li>To facilitate the distribution to creditors.</li> </ul>

- claimants as required;
- Actuarial services to complete a comprehensive review and valuation of certain direct and cedant claims including understanding policies; review of data and methodology; and independent valuation;
- Agreeing claims with creditors in accordance with the scheme methodology and valuation principles;
- Managing claims through the adjudication process, that are not possible to be agreed in the normal course;
- Preparing dividend model(s) reviewing various inputs to assess potential level of distribution(s) available to creditors;
- Advertising intention to declare dividend(s);
- Preparing correspondence to claimants advising on the outcome of the claims;
- Assessment and advising of intention to declare dividend(s); and
- Management and oversight of the dividend payment process.

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### Strategy and Planning

<b>Strategy, planning and project management</b>	<ul style="list-style-type: none"> <li>• Preparing fee budgets and monitoring costs;</li> <li>• Holding team meetings not relating to trading and discussions regarding status of the Administration;</li> <li>• Providing updates to the Administrators regarding the case strategy; and</li> <li>• Conducting case reviews on the status of the project.</li> </ul>	105,978	<ul style="list-style-type: none"> <li>• To resolve outstanding matters in line with the purpose of the Administration.</li> </ul>
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**Total**

**3,413,417**

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### Disbursements

We do not need to obtain approval to draw expenses or disbursements unless they are for shared or allocated services provided by our own firm, including room hire, document storage, photocopying and communication facilities. These types of expenses are called “Category 2” disbursements and they must be directly incurred on the case, subject to a reasonable method of calculation and allocation and approved by the same party who approves our fees.

The following disbursements arose in the Period of this report, approval for the Category 2 disbursements has not yet been sought from our fee approving body. Category 1 disbursements do not need approval from the fee approving body.

Category	Policy	Costs incurred £
2	Photocopying	29.15
1	Accommodation and travel	900.78
	Postage and courier costs	3,411.57
	Archiving costs	6.16
	System maintenance fee	14.82
	<b>Total</b>	<b>4,362.48</b>

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## Our relationships

We have no business or personal relationships with the parties who approve our fees or who provide services to the Administration where the relationship could give rise to a conflict of interest.

## Professionals and subcontractors

The following table provides details of the professionals we've engaged in the Administration, plus subcontractors used to undertake work that we could otherwise do ourselves.

Service provided	Name of firm	Reason selected	Basis of fees
Administration legal advice, including: <ul style="list-style-type: none"><li>Advice on the Scheme of Arrangement and general legal advice regarding the run off.</li></ul>	Clifford Chance LLP	Pre-existing relationship with the Company and Scheme of Arrangement expertise.	Time costs and disbursements.
Legal services, including: <ul style="list-style-type: none"><li>Notice distribution and service of documents to creditors and interested parties in relation to the Chapter 15 application and order.</li></ul>	Epiq Corporate Restructuring LLC	Industry knowledge and insolvency expertise.	Time costs and disbursements.
Property agents, including: <ul style="list-style-type: none"><li>Property valuation.</li><li>Marketing property for sale.</li></ul>	Bidwells LLP	Knowledge of the market and presence in the local area.	Agency commission fee and additional costs.
Payroll processor	Larking Gowen LLP	Pre-existing relationship with the Company.	Monthly fixed fee.
Reinsurance collections	Requiem Limited	Pre-existing relationship with the Company.	Fixed % commission on collections.
Reinsurance collections	Global Re	Pre-existing relationship with the Company.	Fixed % commission on collections.

We require all third party professionals to submit appropriate information in support of invoices rendered. This may be time costs analyses and narrative or a schedule of realisations achieved. We review this information to assess that the costs are reasonable in the circumstances of the case.

In order to review the appropriateness of professional costs we consider a combination of the below:

- Comparison with upfront budgets;
- Review of time costs analysis;
- Review of disbursements claimed; and
- Ongoing dialogue with regards to the work being performed.



# Appendix D: Other information

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<b>Court details for the Administration:</b>	High Court of Justice Business and Property Courts of England and Wales Insolvency and Companies List (ChD) Case 3882 of 2019.
<b>Company's registered name:</b>	Stronghold Insurance Company Limited.
<b>Trading name:</b>	Stronghold Insurance Company Limited.
<b>Registered number:</b>	00736581.
<b>Registered address:</b>	46 Rose Lane, Norwich, NR1 1PN.
<b>Shareholdings held by the Directors and secretary</b>	<p>Stronghold Holdings Limited is a 100% shareholder of Stronghold Insurance Company Limited.</p> <p>The following Directors have shareholdings in Stronghold Holdings Limited:</p> <p>Henry Sopher - 40%</p> <p>Ann Duffy - 40%</p> <p>Ken Watkins - 20%</p>
<b>Date of the Administrators' Appointment:</b>	27 June 2019.
<b>Administrators' names, addresses and contact details:</b>	Dan Yoram Schwarzmann and Douglas Nigel Rackham, both of PwC LLP, 7 More London, London, SE1 2RT.
<b>Appointer's/applicant's name and address:</b>	The Directors of the Company, 46 Rose Lane, Norwich, NR1 1PN.
<b>Website</b>	<a href="http://www.pwc.co.uk/stronghold">www.pwc.co.uk/stronghold</a> .
<b>Objective being pursued by the Administrators:</b>	Objective (b) achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration).
<b>Division of the Administrators responsibilities:</b>	During the period for which the Administration order is in force, the affairs, business and property of the Company are to be managed by the Administrators. For the purposes of paragraph 100(2) to Sch B1 IA86, the Administrators may exercise any of the powers conferred on them jointly or individually.
<b>Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on Insolvency Proceedings (recast):</b>	The EU regulation does not apply to insurance undertakings and hence does not apply to this Administration.

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