

TO ALL KNOWN CREDITORS

10 November 2023

Ref: MLP/RB/AS/AW

Telephone: 0333 4000 393

Email: [eastwestinsurance@uk.ey.com](mailto:eastwestinsurance@uk.ey.com)

Dear Sirs

**East West Insurance Company Limited  
(in Administration) (“the Company”)**

**High Court of Justice, Business and Property Courts of England and Wales, Insolvency  
and Companies List (ChD), Number CR-2020-003913**

I write, in accordance with Rule 18.3 of the Insolvency (England and Wales) Rules 2016 (“the Rules”), to provide creditors with a report on the progress of the administration.

The Company entered administration on 12 October 2020 and Richard Barker and Simon Edel were appointed to act as Joint Administrators. The appointment was made by the High Court following an application under the provisions of paragraph 12(1)(b) of Scheme B1 to the Insolvency Act 1986. Under the terms of the appointment, any act required or authorised to be done by the Joint Administrators can be carried out by any one of them.

This report, including its appendices, constitutes the Joint Administrators’ sixth report on the progress of the administration in accordance with the requirements of Rule 18.3 of the Rules. This report covers the period from 12 April 2023 to 11 October 2023 (the “Period”) and should be read in conjunction with the Joint Administrators’ Statement of Proposals dated 3 December 2022 and the Joint Administrators’ progress reports dated 10 May 2021, 11 November 2021, 10 May 2022, 9 November 2022 and 10 May 2023 (“Previous Reports”).

Copies of the above documents and other announcements are available at the following website:  
[www.ey.com/en\\_uk/eastwestinsurance](http://www.ey.com/en_uk/eastwestinsurance).

Statutory information about the Company, the administration and the office holders are provided in Appendix A.

**Purpose of the administration**

As creditors will be aware, the purpose of the administration of the Company is to facilitate a better outcome for the creditors than would be likely if the Company were wound-up (without first being in administration).

The administration does not terminate or cancel a current policyholder’s contract of insurance (unless specifically stated in their policy) and, therefore, provides an environment in which the Company’s operations have been stabilised, enabling the handling of claims made in respect of its contracts of insurance prior to administration to continue and new claims to be submitted as they arise.

## **Summary of progress to 11 October 2023**

During the Period, work has continued to progress claims received under the Company's contracts of insurance related to structural warranty and buildings guarantee policies ("the BG Policies"). As at 11 October 2023, the number of open claims in the portfolio is 97, a net reduction of 3 claim in the Period.

The Company has issued a significant number of policy responses, both full and partial, and settlement offers, in respect of the open claims during the Period and further policy responses are being issued as soon as practicable.

Investigatory works necessary to determine policy coverage in relation to claims or parts of claims to which a policy response has not yet been issued are ongoing. In some cases, these may take a significant amount of time to complete, but the Company's run-off manager, claims director and the Joint Administrators are seeking to expedite this wherever possible whilst balancing the need to ensure a thorough investigatory process is completed to identify all potential defects within a development which fall within the terms of the BG Policies.

As previously reported, claim progression continues to be impacted by external market wide factors such as shortages in capacity of relevant experts and contractors. In the Period, the Joint Administrators have sought to minimise these delays by identifying and onboarding additional experts and contractors to provide the necessary services to the Company.

The Company and the Joint Administrators have worked closely with the Financial Services Compensation Scheme ("FSCS") in the Period to agree the approaches they would like the Company to adopt to enable funding in respect of the discharge of the Company's indemnity to be paid for FSCS eligible policyholders with accepted claims under BG Policies. The agreed approaches will be implemented consistently across all claims that are FSCS protected and have received positive policy response.

The Company is not and will not be conducting remedial works on behalf of policyholders and, therefore, FSCS eligible policyholders will receive compensation for any insured defects, either directly or through the funding of rectification works conducted by policyholders or their mandated agents.

The Company and the FSCS have also made significant progress in the Period in identifying developers and/or third parties who should provide funding of the costs associated with remediation of defective properties.

Further details regarding in respect of the overall progress of the administration are provided in this report.

## **Assets**

### **Recoveries**

As previously reported, the Joint Administrators' strategy in respect of recoveries is focussed on ensuring that culpable third parties contribute to the costs of rectification of any defective development on which a valid claim has been made under the BG Policies, to reduce the liability incurred by the Company under the BG Policies.

Where contributions are received, it minimises the amount of the insurance liability being settled by the Company in the first instance and, therefore, reduces the overall value of claims to rank for distribution as insurance creditors.

During the Period, Weightmans LLP ("Weightmans") as the Company's run-off manager; the Joint Administrators and the FSCS have continued to seek engagement with developers and/or relevant third parties to secure either an undertaking to complete the necessary works to remediate insured defects or financial contributions to the costs of such works.

The Company are in active dialogue with 15 third parties in respect of remediation of insured defects at developments on which claims have been made under the BG Policies. The aggregate claim reserves on claims for insured defects at these developments are c.£115m. Of these, six developers have so far indicated that they will carry out works to remediate insured defects on developments with aggregate claim reserves of c.£57m.

Where a third party notifies the Company, it intends to complete the remedial works, the Company will monitor progression of the works and obtain evidence of their completion to current building regulations and, only at that point, will the Company notify policyholders that they consider their claim under the BG Policies to have been discharged. If any insured defects remain after completion of a third parties' works, the claim associated with such defects will be progressed in the ordinary course by the Company and remedial works funded by the FSCS where policyholders are eligible.

Where it has not been possible to secure a contribution from a third party as part of the policy claim resolution, further recovery action by way of mediation or legal proceedings will be taken against relevant third parties, where appropriate, to seek to recover funds for the benefit of the estate subject to it being determined to be costs effective to do so.

During the Period, the Joint Administrators, the FSCS and legal advisors for both parties have continued to negotiate the terms of an agreement through which the FSCS take responsibility for recovery action in such circumstances. All parties have worked collaboratively to resolve a number of legal complexities which have been identified in the Period and delayed completion of the agreement and the agreement is now expected to be finalised in the coming weeks. An update will be provided, in the next reporting period.

The Company, the Joint Administrators and the FSCS also continue to monitor the impact of applications made to the Building Safety Fund ("the BSF") for funding of remedial works relating to fire safety related defects at 14 developments where claims have also been made under the BG Policies.

As noted above, the Joint Administrators' expectations are that recoveries, whether in the form of cash contributions (to the Company or FSCS) or undertakings from third parties to remediate defects identified at developments which would otherwise represent claims on the BG Policies, will provide a material benefit for the estate.

### **Third party funding**

In the previous report, it was noted that a deferred contribution of up to £3.0m was payable to the Company by Zurich in certain circumstances by 19 December 2023. As a result of ongoing legal matters during the Period, the Joint Administrators agreed an extension to the period of time by which the contribution is payable.

The Joint Administrators continue to monitor the relevant circumstances and any deferred contribution received by the Company, will be split equally between the general estate and funds ringfenced for the non FSCS protected creditors. A further update in this respect will be provided in future progress reports.

### **Cash at bank**

As of 11 October 2023, funds totalling £47.97m were held in the administration estate. This comprised £37.57m of general estate funds together with the ring-fenced funds of £10.4m. The funds are held in accounts with six different banks for credit risk management purposes.

The Joint Administrators monitor short term, low risk investment options for the funds held in the estate and, where appropriate, place funds on short-term treasury deposit accounts to maximise interest income. Interest income received on funds held in the estate in the Period was £1.09m.

## Liabilities

### Insurance claimants

As noted earlier in this report, the administration of the Company does not terminate or cancel a current policyholder's contract of insurance (unless specifically stated in their policy). Accordingly, claims continue to be directed to the Company in the ordinary course of business.

### BG policies

#### *Policy and open claim profile*

At the commencement of the administration, the Company's records identified 18,397 unexpired BG Policies, with a last known contractual expiry date of 8 December 2026. As at 11 October 2023, the number of unexpired policies has reduced to 4,364. A summary of the run-off of the remaining unexpired policies is shown in the table below:

Year of Expiry	Number of policies expiring
2023	213
2024	2,211
2025	1,218
2026	722
<b>Total</b>	<b>4,364</b>

In respect of claims received on the BG Policies, the table below details the progression of the number of new and closed claims in the Company's claims portfolio since the commencement of the administration:

Description	Number of claims
Open claims as at 12 October 2020	139
New and reopened claims	65
Closed claims	(107)
Open claims as at 11 October 2023	97

Claims are being progressed through their lifecycle and there has been a net reduction of 42 claims in the portfolio since the commencement of the administration.

As noted earlier in this report, the Company has issued a significant number of policy responses, both full and partial, and settlement offers, in respect of the open claims during the Period and further policy responses are due to be issued shortly. Accordingly, the number of open claims is expected to continue to reduce in the next reporting period.

The Company's claim portfolio is made up of a wide variety of claims which differ substantially in size. Approximately 50% of claims have gross reserves of less than £0.25m and predominantly relate to water ingress claims and/or minor defect claims. The larger claims in the portfolio predominantly relate to fire and/or water ingress issues and present imminent danger at large scale developments.

#### *Indemnification*

As set out above, the Joint Administrators have worked closely with FSCS, the Company's claims director and respective legal advisors in the period to agree the approach the Company will adopt to enable funding in respect of the discharge of the Company's indemnity to be paid to FSCS eligible policyholders for accepted claims under BG Policies.

Substantial progress has been made in the Period, in particular in respect of agreement of an appropriate indemnification framework, relevant documentation and associated controls and oversight. The Joint Administrators have sought expert input from the Company's claims director and their legal advisors to address complications arising due to the fact that many of these matters have not had to be addressed previously in relation to the default of an insurer of BG Policies and all claims are unique with limited common defects.

Discussions are ongoing between the Joint Administrators, the Company's claims director and FSCS and their legal advisors in respect of a number of practical and legal challenges which arise where cash settlement of individual claims, primarily the largest and most complex claims, may not be possible or appropriate and funding of indemnification works overtime may be required. However, the principles of the indemnification approaches to be adopted have been agreed and are being implemented consistently across all BG policy claims that are eligible for FSCS protection.

As noted earlier in the report, the Company is not and will not be conducting remedial works on behalf of policyholders and, therefore, FSCS eligible policyholders will receive compensation for any insured defects, either directly or through the funding of rectification works conducted by policyholders or their mandated agents.

#### *Claim reserves*

The nature of the claims in respect of the BG Policies are such that accurate calculation of the final value of claims is inherently uncertain at this stage, particularly for the largest, most complex claims where assessment of the extent of policy coverage is ongoing and which may take a number of years to remediate. The value of claims will also be materially impacted by works undertaken by developers and third parties to remediate insured defects without recourse to the Company and, therefore, the figures reported below will remain subject to substantial restatement in future reporting periods.

As at 11 October 2023, the Company's outstanding case reserves and initial potential estimates in respect of open claims relating to the BG Policies, as well as the value of agreed non-FSCS protected claims are shown in the table below:

Description	Value
Gross Reserves - FSCS Protected Claims	£266,483,231
Gross Reserves – Non-FSCS Protected Claims	£6,497,971
<b>Total Gross Reserves</b>	<b>£272,981,202</b>
Initial Potential Estimates	£24,500,000
<b>Total reserves and estimates</b>	<b>£297,481,202</b>
Incurred and paid by FSCS	£12,078,275
Non-FSCS Protected Claims Agreed	£12,263,893
<b>Total estimated BG policy liabilities</b>	<b>£321,823,370</b>

### Employers' liability policies

As previously reported, the Company has exposure to potential future claims on historic employers' liability policies. It is not expected that claims arising under these contracts of insurance will be material to the Company. The Company has no outstanding employers' liability claims at this point and the Joint Administrators have not received any claim notifications in respect of employers' liability policies during the period of the administration.

It is expected that any valid claim determined under an employers' liability contract of insurance of the Company will be eligible for FSCS compensation in full.

### Reinsurance cedents and claimants

At the date of administration, the Company had been notified of a small number of potential outstanding claims from cedents in respect of reinsurance contracts issued by the Company. The Joint Administrators have not received any additional claim notifications in respect of reinsurance contracts during the Period.

In accordance with The Insurers (Winding-up and Reorganisation) Regulations 2004, any claims arising in respect of reinsurance contracts rank for distribution in the administration behind the claims of direct insurance policyholders.

### Other matters

#### Claims Handling Operations

Weightmans continue to act as the Company's claims run-off manager responsible for the handling of all claims received in respect of the Company's contracts of insurance. In acting as the Company's run-off manager, Weightmans provide the Company with a lower cost platform for dealing with claims as opposed to sole, direct management by the Joint Administrators.

Whilst Weightmans are a legal firm, in their role as run-off manager they provide claims handling services only in respect of the Company's claims portfolio and do not interact with the Company in their capacity as legal advisors nor with policyholders as legal advisors instructed on behalf of the Company. During the Period, there have been no significant changes to the structure of the Company's claims handling operations but the Joint Administrators and Weightmans have identified and implemented improvements to processes throughout the Period.

To determine policy response and progress claims in respect of the BG Policies, Weightmans utilise third-party expert suppliers, as necessary, to investigate and evaluate building defects and associated remedies. These include but are not limited to loss adjusters, fire safety experts and surveyors.

The Company's claims director continues to provide oversight and direction to the Company's claim handling operations, including direct management of the Company's more complex claims.

The Company continues to adopt a collaborative approach with stakeholders to support timely determinations on policy response, FSCS eligibility, and commencement of rectification works in some circumstances.

Bi-monthly claims working sessions between Weightmans, the Company's claims director and Joint Administrators and, separately, for Weightmans, the Joint Administrators and the FSCS remain a key component of the claims management framework. These sessions ensure that there is an appropriate level of oversight of the Company's run-off strategy and the Joint Administrators have continued to provide input to the commercial and stakeholder management aspect of large and complex claims.

A significant majority of the Company's BG Policy claims by value relate to large, complex developments which are and will continue to be time intensive, requiring input from both Weightmans, third-party suppliers and the Joint Administrators. This is reflected in the ongoing operating costs for the Company's estate which are expected to remain at similar levels until at least the end of the next progress report period in six months' time.

The costs of claims handling services are funded by the Company's estate. Weightmans costs incurred in respect of claims handling services and disbursements for the period 1 April 2023 to 30 September 2023 amount to £1.05m plus VAT. Invoices totalling £1.04m plus VAT have been paid from the estate during the Period in respect of Weightmans invoices for professional fees and disbursements for the period 1 March 2023 to 31 August 2023.

Weightmans and the Joint Administrators have established processes and controls to engage with the various third-party suppliers noted above to progress claims. During the Period, a total of £0.19m was paid by the Company to other suppliers relating to insurance claims. In addition, certain third-party supplier costs have been paid directly by the FSCS in respect of policy claims for those policyholders deemed eligible by the FSCS.

As noted above, there have been ongoing discussion with the FSCS in respect of indemnification and their preferred approach to the payment of compensation for policy claims for those policyholders deemed eligible for FSCS compensation. The Company's operating model is expected to change in the next reporting period, once these discussions are finalised with the FSCS. A further update in this respect will be included in the next progress report.

## **FSCS Funding Agreement**

The Joint Administrators do not currently project a requirement to make a drawdown on the FSCS Funding Agreement (as referred to in previous reports). However, the position remains under regular review and the Joint Administrators provide FSCS with a quarterly report of those operational costs incurred by the Company which they consider would be payable under the Funding Agreement, if required.



### **Value Added Tax ("VAT")**

The Company's VAT registration has been retained at this stage and VAT returns will continue to be submitted on a quarterly basis.

During the Period, input VAT of £0.79m has been paid on expenses settled from the estate. It is not expected that the Company will be able to recover input VAT during the administration period.

### **Corporation Tax**

As previously reported, a corporation tax return for the period 1 January 2022 to 31 December 2022 is being prepared and will be submitted to HMRC in the next reporting period. The Joint Administrators do not anticipate any corporation tax will be payable in respect of this period.

### **Regulatory engagement**

The Company remains a regulated insurance company and is required to comply with various regulatory matters. The Joint Administrators engage regularly with the FCA to provide information on the progress of the administration and submit relevant regulatory returns for the Company.

### **Creditors' Committee**

The Joint Administrators consult with the Creditors' Committee at appropriate points in the administration to discuss administration strategy and allow creditors' views to be represented and considered. The ninth and tenth meetings of the Creditors' Committee took place on 25 May 2023 and 26 September 2023, respectively.

During the Period there has been a change to the constitution of the Creditors' Committee with RHA Wales Group Limited, a policyholder with an accepted claim from the non-FSCS eligible insurance creditor class, joining the Creditors' Committee with effect from 13 July 2023. The appropriate forms have been filed with Companies House. Accordingly, the current constitution of the Committee is as follows:

1. FSCS
2. Killearn Developments Limited
3. Marco Island Developments Limited
4. RHA Wales Group Limited

In accordance with the Rules, a Creditors' Committee in an administration must have at least three members but not more than five members. Accordingly, there is currently one vacancy on the Creditors' Committee.

### **Distributions to creditors**

As previously advised, the hierarchy of debts for an insurance company is set out in The Insurers (Winding-up and Reorganisation) Regulations 2004 and applies to the Company. The effect of which is that insurance creditors have priority over other classes of unsecured creditors, including reinsurance cedents.

### **Insurance creditors – those eligible for FSCS protection**

As previously reported, insurance claimants with BG policies or employers' liabilities policies who are eligible for FSCS protection will receive payment in full of claims determined to be valid in accordance with the terms of their contract of insurance.



When paying compensation, the FSCS take an assignment of any rights those insurance claimants might have against the Company and any third parties and the FSCS will have a subrogated insurance claim against the Company for the compensation payments made.

From the date of administration to 11 October 2023, a total of £12.08m has been paid by the FSCS to insurance claimants that are eligible for FSCS protection. It is expected that the number of payments made by the FSCS will increase significantly in future reporting periods as the remaining claims progress through their lifecycle.

### **Insurance creditors – the FSCS and those not eligible for FSCS protection**

Eligible policyholders will receive compensation in full for any valid claim under their contract of insurance, either directly or through the funding of rectification works.

Insurance claimants who are not eligible for FSCS protection will also rank as insurance claimants against the Company. The Joint Administrators have authorised, where appropriate to do so, certain initial investigation work to be paid for by the Company's estate in order to determine whether the contract of insurance responds to the claim made against the Company and, assuming the policy responds, provide an indicative valuation of the claim.

The agreed value of the claims of insurance claimants who are not eligible for FSCS protection as well as the FSCS' subrogated claim will rank equally for distribution in the estate. Details of the estimated value of the Company's insurance claims will be provided in future progress reports once policy coverage has been determined on the majority of the claims.

In addition, as noted above, funds in the amount of £10m (plus accrued interest) are currently held in a separate ring-fenced bank account and will be available for distribution exclusively to policyholders with a valid policy claim under a BG Policy who do not meet the FSCS eligibility criteria for the payment of their claims by the FSCS.

The Joint Administrators intend to make an application to the Court in accordance with the provisions set out in the Financial Services and Markets Act 2000 (Administration Orders Relating to Insurers) Order 2010 (SI 2010/3023), Schedule paragraph 10 during the next reporting period for approval to make interim distributions to those policyholders who are not eligible for FSCS protection and whose claims have been agreed. Subject to the Court's approval, the Joint Administrators anticipate that they should be in a position to make an initial distribution to eligible creditors from the ring-fenced funds noted above during the second half of 2024. Further information in this respect will be included in the next progress report.

For further information regarding eligibility for FSCS protection, please access the FSCS website using <https://www.fscs.org.uk/what-we-cover/insurance/>

### **Unsecured creditors – including reinsurance and trade creditors**

Given the scale of estimated liabilities under the Company's insurance policies, it is not anticipated that there will be sufficient realisations to make a distribution to unsecured creditors, including reinsurance and trade creditors.

### **Receipts and payments account**

A summary of the Joint Administrators' receipts and payments for the Period is provided in Appendix B. This is a statement of cash received and cash paid and does not reflect estimated future realisations or costs.

## Joint Administrators' statement of expenses incurred

During the Period, expenses of £1.61m (net of VAT and excluding the Joint Administrators' fees and disbursements) have been paid to third parties in administering the Company's estate. A breakdown of expenses and disbursements incurred during the administration period are provided in Appendix C.

## Joint administrators' remuneration and disbursements

The statutory provisions relating to remuneration are set out in Part 18 of the Rules. Further information is given in the Association of Business Recovery Professionals' publication 'A Creditors' Guide to Administrators' Fees', a copy of which may be accessed from the web site of the Institute of Chartered Accountants in England and Wales at <https://www.icaew.com/en/technical/insolvency/creditors-guides> or is available in hard copy upon written request to me.

In certain circumstances, creditors are entitled to request further information about our remuneration or expenses, or to apply to court if they consider the costs to be excessive (Rules 18.9 and 18.34 of the Rules). Further information is provided in 'A Creditors' Guide to Administrators' Fees' referred to above.

The Creditors' Committee passed resolutions on 6 October 2023 to:

1. fix the Joint Administrators' remuneration incurred in the administration for the period 12 April 2023 to 11 April 2027 on a time cost basis and authorised the Joint Administrators to draw 80% of their time costs (plus VAT and disbursements) on a monthly basis, with the remaining 20% being subject to approval of the Creditors' Committee;
2. agree the Joint Administrators' proposed revised hourly rate card for all Ernst & Young LLP personnel working on the administration of the Company. It was agreed that the hourly rates should remain at the rates which have applied to all time incurred in the administration since 12 October 2020 until 31 December 2023, after which a 10% fixed uplift will be implemented for time incurred in the period to 11 October 2025. The Joint Administrators will require approval of the Creditors' Committee if they propose any increase to hourly rates for the period from 11 October 2025, to the end of the administration period. Both the current and revised hourly rates are provided in Appendix F;
3. invoice fees incurred in the period 12 April 2023 to 31 August 2023; and
4. Approve the Joint Administrators' fee estimate for the period 12 April 2023 to 11 April 2027 (as noted below).

In accordance with the above, and prior resolutions of the Creditors' Committee, Joint Administrators' fees in the amount of £10.99m, representing 100% of the Joint Administrators' time incurred during the period 12 October 2020 to 31 August 2023, have been drawn from the Company's estate during the administration.

The Joint Administrators' time costs incurred during the Period were £1.92m, which brings total time incurred during the administration to 11 October 2023 to £11.47m.

The below table summarises the cumulative time incurred by the Joint Administrators and their staff, and the corresponding amounts drawn from the Company's estate.

Reporting period	Previous periods: 12 October 2020 to 11 April 2023	Current period: 12 April 2023 to 11 October 2023	Total
Time incurred (£)	9,548,289	1,920,148	11,468,437
Fees drawn (£)	8,490,211	2,495,739	10,985,950

An analysis of the time spent during the Period and summary narrative is included in Appendix D. A statement of the Joint Administrators' policy in relation to charging time and disbursements is included in Appendix F.

To date, the Joint Administrators have incurred disbursements of £5,243 of which £2,320 are Category 1 disbursements and £2,923 are Category 2 disbursements. An analysis of the disbursements incurred to date is provided in Appendix C. Definitions of Category 1 disbursements and Category 2 disbursements can be found in Appendix F.

### **Joint Administrators' fee estimates**

As previously reported, in accordance with insolvency legislation, the Joint Administrators are obliged to agree a fee estimate for the Joint Administrators' costs with the Creditors' Committee.

The Joint Administrators initial fee estimate, covering the period 12 October 2020 to 11 April 2023, was issued in December 2020 and approved by the Creditors' Committee. Subsequently, revised fee estimates for the period to 11 April 2023 were approved by the Creditors' Committee to take account of evolving complexity of the administration and consequent increases in time required to be spent by the Joint Administrators and their staff in discharging the statutory purpose of the administration.

Following the Court's approval of the Joint Administrators' application to extend the administration until 11 April 2027, and progression of the strategy for the indemnification of FSCS protected claims, the Joint Administrators prepared a fee estimate for the period 12 April 2023 to 11 April 2027 for the Creditors' Committee's consideration and approval.

The fee estimate was based on a detailed forecast of estimated time that will be incurred in the additional four years of the administration, including actual time incurred in the period to 31 August 2023. Estimated Joint Administrators' costs for this four year period total £10.2m.

As noted above, the Creditors' Committee approved the fee estimate on 6 October 2023 and Appendix E contains a summary of the fee estimate to 11 April 2027 and actual time costs incurred from 12 October 2020 (commencement of the administration) to 11 October 2023.

### **Next report**

The next progress report will be provided in six months' time, by 11 May 2024. The report will be shared with creditors by publication on the following website, [www.ey.com/en\\_uk/eastwestinsurance](http://www.ey.com/en_uk/eastwestinsurance), unless individual creditors have opted to receive reports by post.

Should you have any queries, please contact the Joint Administrators by emailing [eastwestinsurance@uk.ey.com](mailto:eastwestinsurance@uk.ey.com).

Yours faithfully  
for the Company



Richard Barker  
Joint Administrator

Richard Barker and Simon Edel are licensed in the United Kingdom to act as Insolvency Practitioners by The Insolvency Practitioners Association.

The affairs, business and property of the Company are being managed by the Joint Administrators, Richard Barker and Simon Edel, who act as agents of the Company only and without personal liability.

The Joint Administrators may act as data controllers of personal data as defined by the UK General Data Protection Regulation (as incorporated in the Data Protection Act 2018), depending upon the specific processing activities undertaken. Ernst & Young LLP and/or the Company may act as a data processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrator's appointment. The Office Holder Data Privacy Notice can be found at [www.ey.com/uk/officeholderprivacy](http://www.ey.com/uk/officeholderprivacy)

## Appendix A

### East West Insurance Company Limited (in Administration)

#### Information about the proceedings, the company and the office holders, as required by Rule 18.3(1) of the Insolvency (England and Wales) Rules 2016

Name of court:	High Court of Justice, Business and Property Courts of England and Wales, Insolvency and Companies Court (ChD)
Court reference:	3913 of 2020
Registered name of the company:	East West Insurance Company Limited (in Administration)
Registered office address of the company:	c/o Ernst & Young LLP 1 More London Place London SE1 2AF
Registered number:	00811120
Date of appointment of the joint administrators:	12 October 2020 Richard Barker and Simon Edel
Name(s) and address(es) of the administrator(s):	Ernst & Young LLP 1 More London Place London SE1 2AF
Office holder number(s):	17150 and 9810
Division of Administrators' responsibility:	Any of the functions to be performed or power exercisable by the Administrators may be carried out/exercised by any one of them acting alone or by any or all of them acting severally
Name of alternative person to contact with enquiries about the case:	<a href="mailto:eastwestinsurance@uk.ey.com">eastwestinsurance@uk.ey.com</a> +44 (0) 20 7951 2000
Prescribed Part:	The Administrators have established that there are no valid fixed or floating charges registered against the Company. In the absence of a floating charge, there are no monies required to be set aside to the creditors under s176A of the Act being under the 'Prescribed Part' formula.
Statement concerning the EC regulation:	The EC Council Regulation on Insolvency proceedings does not apply to this Administration

## Appendix B

### East West Insurance Company Limited (in Administration)

#### Joint Administrators' summary of Receipts & Payments for the period from 12 October 2020 to 11 October 2023

Directors' Statement of Affairs	Notes	12 Oct 2020 to 11 Apr 2023	12 Apr 2023 to 11 Oct 2023	Cumulative total
<b>£ Receipts</b>			<b>£</b>	<b>£</b>
17,655,334 Cash and cash equivalents	1	17,655,072	-	17,655,072
23,306,759 Investments		22,937,925	-	22,937,925
5,000,000 Third party funding		27,000,000	-	27,000,000
290,143 Investment income		735,071	-	735,071
10,414 Recovery receipts		791,265	-	791,265
- Indemnity costs reimbursed by FSCS		329,462	-	329,462
- Bank interest (Ringfenced funds)		192,836	211,181	404,018
- Bank interest (Non-Ringfenced funds)		322,315	873,906	1,196,221
- Miscellaneous receipts		1,746	50	1,796
<b>46,262,650 Total Receipts</b>		<b>69,965,693</b>	<b>1,085,137</b>	<b>71,050,830</b>
<b>Payments</b>				
Claims handling	2	4,048,278	1,011,355	5,059,633
Claims handling disbursements		58,419	1,458	59,876
Claims handling IT costs	2	16,550	26,460	43,010
Supplier payments		181,368	-	181,368
Legal fees - pre appointment		48,648	-	48,648
Legal fees - post appointment	3	978,956	330,748	1,309,704
Loss adjuster expenses	4	519,587	190,094	709,682
Professional fees		7,000	-	7,000
Recoveries expenses	5	345,671	46,574	392,245
Investment management fees		21,851	0	21,851
Joint Administrators' fees – pre-administration		200,000	-	200,000
Joint Administrators' fees – post-administration	6	8,490,211	2,495,739	10,985,950
Joint Administrators' expenses - post-administration		1,821	1,628	3,450
Indemnity costs to be reimbursed by FSCS		297,158	-	297,158
Sundry expenses		55,035	3,221	58,256
Bank charges		25,918	75	25,993
Irrecoverable input VAT	7	2,887,600	794,392	3,681,992
<b>Total Payments</b>		<b>18,184,073</b>	<b>4,901,743</b>	<b>23,085,816</b>
<b>Funds held in administration bank accounts</b>	8			<b>47,965,014</b>
<b>Represented by:</b>				
Non-ringfenced funds				37,560,996
Ringfenced funds				10,404,018
<b>Total funds held in administration bank accounts</b>				<b>47,965,014</b>

## Notes

1. Receipts from Zurich pursuant to the terms of the Contribution Agreement, of which £10m (plus accrued interest) is held in a ringfenced bank account solely for the benefit of non-FSCS protected policyholders of the estate.
2. Payment of fees and disbursements in relation to ongoing claims handling services provided by Armour Risk Management Limited (to June 2021), Weightmans (from May 2021) and other third parties, including the services of IT providers required to maintain the claims management software, licence fees and land registry fees.
3. Legal fees in respect of advice to the Joint Administrators in relation to ongoing claims management and various legal matters arising during the administration.
4. Fees in relation to loss adjusting services instructed by the Company on certain claims. These costs are funded by the Company's estate and are not recoverable from the FSCS where claimants are determined not to be eligible for FSCS compensation.
5. Legal fees in respect of advice relating to the Company's rights to pursue recovery action and supporting the Company in seeking contributions from other rightful liable parties in relation to claims received on the Company's BG policies.
6. Joint Administrators' fees drawn relating to time incurred in the post-administration period, as approved by the Creditors' Committee and reported within the Joint Administrators' progress reports.
7. The Company is currently VAT registered but, as a general insurance company, is not able to recover input VAT.
8. Funds held in the estate are spread between six different banks for credit risk management purposes with different accounts used to maximise interest income.

## Appendix C

### East West Insurance Company Limited (in Administration)

#### Summary of Joint Administrators' expenses and disbursements incurred for the period from 12 October 2020 to 11 October 2023

Category of expense	Total revised estimate to 11 April 2027 <sup>5</sup> £ (exc VAT)	Total incurred to 11 April 2023 £ (exc VAT)	Incurred in the Period to 11 October 2023 £ (exc VAT)	Total incurred to 11 October 2023 £ (exc VAT)
<b><u>Administration costs</u></b>				
Bank Charges	50,993	25,918	75	25,993
Claims Directorate	7,500,000	-	-	-
Legal fees and expenses – claims and insolvency advice	2,569,704	978,956	330,748	1,309,704
Legal fees and expenses – recoveries	492,245	345,671	46,574	392,245
Legal secondments	-	-	-	-
Loss adjusters	793,570	519,587	190,094	709,682
NEAM fund management charges	21,850	21,851	-	21,851
Public Notices	1,000	-	-	-
Supplier payments including quantity surveyor/consultants	181,368	181,368	-	181,368
Sundry expenses including storage costs <sup>6</sup>	95,659	55,035	3,221	58,256
Tax advisors	7,000	7,000	-	7,000
Third party claims handling service providers	9,415,548	4,126,345	1,036,174	5,162,519
<b>Total expenses</b>	<b>21,128,937</b>	<b>6,261,732</b>	<b>1,606,886</b>	<b>7,868,619</b>
<b><u>Pre-administration costs</u></b>				
Joint Administrators' pre-administration costs	-	200,000	-	200,000
Legal fees and expenses – pre-administration	-	48,648	-	48,648
<b>Total pre-administration costs</b>	<b>-</b>	<b>248,648</b>	<b>-</b>	<b>248,648</b>
<b>TOTAL EXPENSES</b>	<b>21,128,937</b>	<b>6,510,380</b>	<b>1,606,886</b>	<b>8,117,267</b>
<b><u>Category 1 disbursements</u></b>				
Specific penalty bond	1,280	1,280	-	1,280
Regulatory checks	46	46	-	46
Travel and couriers <sup>1</sup>	515	989	5	994
<b><u>Category 2 disbursements</u></b>				
Postage, photocopying and printing <sup>2</sup>	3,907	2,365	336	2,701
Meeting room <sup>2</sup>	130	222	-	222
<b>Total disbursements<sup>4</sup></b>	<b>5,878</b>	<b>3,300</b>	<b>341</b>	<b>5,243</b>
<b>TOTAL DISBURSEMENTS &amp; EXPENSES<sup>3</sup></b>	<b>21,134,815</b>	<b>6,513,680</b>	<b>1,607,227</b>	<b>8,122,509</b>

#### Notes

- These disbursements have been incurred but not yet charged to the administration estate.
- The Joint Administrators will seek approval to draw Category 2 disbursements incurred in the period from the Creditors' Committee in due course.
- Statement of Insolvency Practice No.9 defines expenses as any payments from the insolvency estate which are neither an office holder's remuneration or a distribution to a creditor or member. Expenses are divided into those that do not need approval before they are charged to the estate (Category 1) and those that do require prior approval (Category 2):
  - Category 1 expenses are payments to persons providing the service to which the expense relates who are not an associate of the office holder; and
  - Category 2 expenses are payments to associates or which have an element of shared costs.
- Expenses also include disbursements. Disbursements are payments which are first met by the office holder and then reimbursed to the office holder from the estate. Disbursements fall into



either Category 1 or Category 2. Further information on the Joint Administrators' charging policy for disbursements is provided at Appendix F.

5. Expenses will continue to be incurred throughout the administration until 11 April 2027, the current expiry of the administration order. An updated estimate for these expenses is included in the table above. The previous estimate was prepared for period to 12 April 2023 only, being the expiry of the original administration order.
6. The total incurred to 11 April 2023 balance was restated to £55,035, to include £10,430 of Claims Settlement expenses (not covered by FSCS).

## Appendix D

### East West Insurance Company Limited (in Administration)

#### Summary of the Joint Administrators' time costs incurred for the period from 12 April 2023 to 11 October 2023

	Hours by grade						Total hours	Total costs £	Avg hourly rate £/hour
	Partner	Director	Senior Manager	Manager	Executive	Analyst			
Administration closure and exit	2	-	-	-	-	-	2	1,388	925
Asset realisations	19	64	59	-	7	29	177	114,755	649
Insolvency process	9	-	-	1	-	-	10	9,018	875
Dealing with creditors	34	23	96	-	207	187	546	233,248	427
Insurance run off	195	420	237	141	938	215	2,147	1,154,813	538
Management of Company's affairs	11	82	28	2	167	24	315	165,623	526
Strategy and planning	9	-	172	17	197	145	541	241,305	446
<b>Total</b>	<b>279</b>	<b>588</b>	<b>591</b>	<b>161</b>	<b>1,517</b>	<b>601</b>	<b>3,737</b>	<b>1,920,148</b>	<b>514</b>

  

<b>Total costs £</b>	<b>258,168</b>	<b>455,390</b>	<b>399,060</b>	<b>80,650</b>	<b>606,640</b>	<b>120,240</b>	<b>1,920,148</b>
<b>Avg hourly rate £</b>	925	775	675	500	400	200	514

**Note:** The above costs exclude VAT, and the figures are rounded to the nearest whole number.

## Summary narrative of Joint Administrators' time costs incurred for the period from 12 April 2023 to 11 October 2023

Detailed fee reporting packs have been provided to the Creditors' Committee covering all time costs incurred to 11 October 2023 in order to assist them in considering the Joint Administrators' fees incurred and approve the level of fees which may be drawn from the estate.

The Joint Administrators' time costs incurred during the Period were £1.92m. Set out below is a summary narrative of the significant areas of work in relation to which costs were incurred in this period.

Type of work	Description of work completed during the period	
<b>Asset realisations</b>	Third party contributions and/or recoveries	<ul style="list-style-type: none"> <li>• Attending regular calls with FSCS and its legal advisors to ensure progress is made on recoveries.</li> <li>• Working collaboratively to ensure maximum contributions and recoveries are made.</li> <li>• Discussing and agreeing terms to finalise the Recoveries Agreement with the FSCS</li> <li>• Working closely with legal advisors, the ROM and FSCS to ensure sharing of certain documents with the FSCS can be facilitated in compliance with data protection regulations and responsibilities.</li> <li>• Discussions and preparation for Developer meetings</li> <li>• Discussions and oversight of ROM's approach to recovery of NAB Bonds</li> <li>• Review, discussion and finalisation of the Company's position in respect of a potential claim against third party for its involvement in a number of failed works claims and discussing this with FSCS.</li> </ul>
<b>Insolvency Process</b>	Creditors' committee	<ul style="list-style-type: none"> <li>• Holding the ninth Committee meeting on 25 May 2023.</li> <li>• Preparing for and attending the tenth Committee meeting on 26 September 2023 including the agenda, meeting documents and supporting information for the Committee's proposed resolutions.</li> <li>• Drafting minutes and obtaining approval for the eighth, ninth and tenth committee meetings.</li> <li>• Identifying, contacting and approving a new member to join the Committee to ensure representation of non FSCS protected claimants' interests.</li> </ul>
	Reporting to creditors	<ul style="list-style-type: none"> <li>• Preparing and finalising the progress report for the period 12 October 2022 to 11 April 2023.</li> <li>• Liaising with the ROM, the FCA and the FSCS in respect of the content of the reports prior to issuing the same.</li> <li>• Issuing the reports to creditors, the Court, and Companies House.</li> <li>• Uploading appropriate documentation on the EY webpage for the Company.</li> <li>• Preparing monthly fee packs for the period ending 31 August 2023.</li> </ul>
<b>Dealing with creditors</b>	Creditor enquiries and management	<ul style="list-style-type: none"> <li>• Reviewing and preparing correspondence to creditors and their representatives.</li> </ul>
<b>Insurance run off</b>	Payment processes	<ul style="list-style-type: none"> <li>• Reviewing and approving payment batches from the ROM to submit to the FSCS.</li> </ul>

Type of work	Description of work completed during the period	
		<ul style="list-style-type: none"> <li>• Liaising with the FSCS regarding payments for eligible claimants and implementing appropriate reconciliation processes and controls.</li> <li>• Attending meetings and corresponding with the FSCS to work through payment queries to ensure that they meet FSCS payment criteria.</li> <li>• Updating purchase order register to account for supplier payments.</li> <li>• Undertaking purchase order schedule reviews during the period to ensure Standing Operating Procedures are being followed.</li> <li>• Processing payments for loss adjusters and other third parties, such as fire experts and further investigations work required across the Company's claims portfolio.</li> </ul>
	Administrators' supervision of run off	<ul style="list-style-type: none"> <li>• Monitoring the ROM's performance and progression of the claims</li> <li>• Developing the Company's indemnification strategy and presenting to key stakeholders.</li> <li>• Developing and collaborating with the FSCS to agree specific indemnification routes including one off cash settlement and structured cash settlement.</li> <li>• Preparing for and attending the Joint Claims Working Group every fortnight with the FSCS to discuss claims</li> <li>• Preparing for and attending the Joint Administrators' meetings every fortnight to discuss claims</li> <li>• Preparing for and attending meetings with the FCA every month</li> <li>• Reviewing policyholder communications and liaising with the claims handler to provide a substantive response.</li> <li>• Holding monthly policyholder complaints review meeting with the ROM to ensure any complaints are dealt with appropriately.</li> <li>• Preparing for and holding quarterly review meetings with key suppliers to review current work in progress and explore key market developments and insights.</li> <li>• Liaising with the ROM and FSCS to agree and finalise policy responses to policyholders.</li> </ul>
	FSCS protected claims handling	<ul style="list-style-type: none"> <li>• Monitoring claims handling activity and involvement on large and/or complex claims</li> <li>• Preparing and presenting the monthly executive reporting to the FSCS executive team for April, May, June, July, August and September 2023.</li> <li>• Preparing and presenting a quarterly cashflow forecast.</li> <li>• Reviewing actual cashflow performance vs forecast figures and reporting to the FSCS on key variances.</li> <li>• Holding weekly meetings with the FSCS operations team to provide updates on portfolio progress and discuss all other key matters in the administration.</li> </ul>
	Non-FSCS protected claims handling	<ul style="list-style-type: none"> <li>• Liaising with the ROM to ensure non-protected claims are progressed to a position where a policy response and initial valuation can be determined.</li> <li>• Negotiations with non-protected claimants to agree amounts due under their policy claims.</li> </ul>

Type of work	Description of work completed during the period	
	Claims handling operations	<ul style="list-style-type: none"> <li>• Hold bi-weekly strategic team review meetings critical to achieve the purpose of the administration and ensure proper task prioritisation.</li> <li>• Developing and setting up of ROM remediation workstream to ensure oversight and improvement of ROM performance.</li> <li>• Planning and carrying out of four ROM audits including onsite work and further analysis.</li> <li>• Drafting and finalising of the four ROM audit reports.</li> <li>• Presenting findings of the four ROM audits to the FSCS.</li> <li>• Planning and developing new management information system to allow for greater tracking of claim progress and status.</li> <li>• Working closely with the ROM to develop updated case plan template and training sessions.</li> <li>• Undertaking claim portfolio reviews with claims handler to ensure compliance with the Standard Operating procedures.</li> </ul>
	Accounting and treasury	<ul style="list-style-type: none"> <li>• Monthly bank reconciliations</li> <li>• Monthly cash and investment review meeting to ensure optimal cash position and risk management.</li> <li>• Monitoring money market accounts and ensuring funds are held in accounts which provide an optimal balance between benefit for the estate and risk.</li> </ul>
<b>Management of the Company's affairs</b>	VAT & Tax	<ul style="list-style-type: none"> <li>• Completing quarterly VAT returns for the period 1 February to 30 April 2023 and 1 May to 31 July 2023.</li> <li>• Liaising with tax advisors to discuss and prepare the computation and corporation tax return for the administration period ending 31 December 2022.</li> </ul>
	Regulatory	<ul style="list-style-type: none"> <li>• Completing and filing ongoing regulatory returns required of the Company.</li> <li>• Regularly reviewing the FCA site to ensure all returns are submitted on time.</li> </ul>
	Data & Software	<ul style="list-style-type: none"> <li>• Access company files from storage facility, including IM records.</li> <li>• Facilitating access to Company records for the ROM, FSCS and their representatives.</li> </ul>
	Project management	<ul style="list-style-type: none"> <li>• Monthly monitoring of time costs and billing.</li> <li>• Preparing and sharing the monthly time cost reports for April, May, June, July and August with the key stakeholders.</li> <li>• Collecting and sharing leaseholder data with FSCS to facilitate sanction checks.</li> <li>• Completion of statutory six-monthly case review</li> <li>• Maintaining records of key activities undertaken throughout the period and decisions taken</li> <li>• Meetings across all workstreams for updates and managing against actions and plans.</li> </ul>
<b>Strategy and Planning</b>	Joint Administrators' oversight	<ul style="list-style-type: none"> <li>• Overseeing activity across all workstreams and ad-hoc meetings and calls as point of contact for escalation</li> </ul>

## Appendix E

### East West Insurance Company Limited (in Administration)

#### Joint Administrators' fee estimate to 11 April 2027 and actual Joint Administrators' time costs incurred to 11 October 2023

	Actual time to 11 October 2023			Total Fee estimate to 11 April 2027		
	Total hours	Total fees	Average hourly run rate	Total hours	Total fees	Average hourly run rate
<b><u>Asset realisations</u></b>						
Third party contributions and/or recoveries	2,126	1,075,205	506	2,699	1,540,108	571
<b>TOTAL</b>	<b>2,126</b>	<b>1,075,205</b>	<b>506</b>	<b>2,699</b>	<b>1,540,108</b>	<b>571</b>
<b><u>Insolvency process</u></b>						
Initial letters and notices	224	89,473	400	224	89,473	400
Proposals, deemed consent and creditor consultation	297	156,950	528	297	156,950	528
CDDA and SIP2 compliance	212	100,550	474	212	100,550	474
Creditors' committee	655	366,203	559	1,138	622,513	547
Reporting to creditors	1,048	455,208	435	1,584	730,739	461
Statement of Affairs	34	22,603	659	34	22,603	659
Insurance	2	1,210	605	2	1,210	605
<b>TOTAL</b>	<b>2,472</b>	<b>1,192,195</b>	<b>482</b>	<b>3,492</b>	<b>1,724,037</b>	<b>494</b>
<b><u>Dealing with creditors</u></b>						
Creditor enquiries and management	530	234,063	442	615	275,414	448
<b>TOTAL</b>	<b>530</b>	<b>234,063</b>	<b>442</b>	<b>615</b>	<b>275,414</b>	<b>448</b>
<b><u>Insurance run off</u></b>						
Claims litigation matters	276	180,218	652	276	180,280	652
Payment processes	720	325,983	453	964	459,305	476
Administrators' supervision of run off	3,978	2,406,149	605	5,675	3,382,651	596
Protected claims handling	3,743	2,108,178	563	6,268	3,837,066	612
Non-protected claims handling	280	168,750	602	340	207,452	610
Claims handling operations	2,138	1,210,358	566	6,800	3,844,503	565
<b>TOTAL</b>	<b>11,135</b>	<b>6,399,634</b>	<b>575</b>	<b>20,325</b>	<b>11,911,257</b>	<b>586</b>
<b><u>Management of Company's affairs</u></b>						
Accounting and treasury	1,548	614,493	397	2,658	1,158,048	436
VAT & Tax	454	245,168	540	749	417,915	558
Regulatory	402	222,785	554	570	339,852	597
Data & Software	119	60,535	510	205	128,257	625
Public relations	22	15,425	701	22	15,425	-
<b>TOTAL</b>	<b>2,544</b>	<b>1,158,405</b>	<b>455</b>	<b>4,204</b>	<b>2,059,497</b>	<b>490</b>
<b><u>Strategy and planning</u></b>						
Project management and statutory requirements	1,849	824,883	446	2,924	1,445,835	495
Joint Administrators' oversight	708	373,830	528	699	368,333	527
<b>TOTAL</b>	<b>2,557</b>	<b>1,198,713</b>	<b>469</b>	<b>3,623</b>	<b>1,814,168</b>	<b>501</b>
<b><u>Administration closure and exit</u></b>						
Exit planning	289	210,223	729	551	377,785	686
<b>TOTAL</b>	<b>289</b>	<b>210,223</b>	<b>729</b>	<b>551</b>	<b>377,785</b>	<b>686</b>
<b>Total hours and fee</b>	<b>21,653</b>	<b>11,468,437</b>	<b>530</b>	<b>35,508</b>	<b>19,702,266</b>	<b>555</b>

The following table includes the revised Joint Administrators' fee estimate through to 11 April 2027 and summarises the Joint Administrators' actual time costs incurred from 12 October 2020 (commencement of the Administration) to 11 October 2023.

**Note:** The above costs exclude VAT, and the figures are rounded to the nearest whole number.

## Appendix F

### East West Insurance Company Limited (in Administration)

#### Statement of the Joint Administrators' charging policy for remuneration and disbursements pursuant to Statement of Insolvency Practice No.9

The Joint Administrators have engaged managers and other staff to work on the administration. The work required is delegated to the most appropriate level of staff taking account of the nature of the work and the individual's experience. Additional assistance is provided by accounting and treasury executives dealing with the company's bank accounts and statutory compliance issues / work carried out by all staff is subject to the overall supervision of the Joint Administrators.

All time spent by staff working directly on the case related matters is charged to a time code established for the case. Time is charged in units of six minutes. Each member of staff has a specific hourly rate which is subject to change over time. The hourly rate for each category of staff, including the maximum rate for specialist staff, over the period is shown below.

Grade	Hourly rate £/hour 12 October 2020 to 31 December 2023	Hourly rate £/hour from 1 January 2024
Partner	925	995
Director	775	850
Senior Manager	675	750
Manager	500	550
Executive	400	450
Analyst	200	225

#### Office Holders' Charging Policy for Disbursements

Statement of Insolvency Practice No. 9 ("SIP 9") published by R3 (The Association of Business Recovery Professionals) divides disbursements into two categories:

- 1 Category 1 disbursements are defined as specific expenditure relating to the administration of the insolvent's affairs and referable to payment to an independent third party. Such disbursements can be paid from the insolvent's assets without approval from the Creditors' Committee. In line with Statement of Insolvency Practice No. 9, it is our policy to disclose Category 1 disbursements drawn but not to seek approval for their payment. We are prepared to provide such additional information as the Committee require to support the disbursements drawn.
- 2 Category 2 disbursements are charges made by the office holder's firm that include elements of shared or overhead costs. Statement of Insolvency Practice No. 9 provides that such disbursements are subject to approval as if they were remuneration. It is our policy, in line with SIP 9, to seek approval for this category of disbursement before they are drawn. This approval has been sought and obtained from the Company's Creditors' Committee.