

**TO ALL KNOWN CREDITORS**

11 November 2021

Ref: MLP/RB/CC/RF

Telephone: 0333 4000 393

Email: 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**

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’ second report on the progress of the administration in accordance with the requirements of The Insolvency (England and Wales) Rules 2016. This report covers the period from 12 April 2021 to 11 October 2021 and should be read in conjunction with the Joint Administrators’ Statement of Proposals dated 3 December 2020 (“the Proposals”), the Joint Administrators’ initial fee estimate and details of expenses dated 3 December 2020, and the Joint Administrators’ first progress report dated 10 May 2021.

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 is provided in Appendix A.

### **Summary of progress to 11 October 2021**

As outlined previously, the main priority for the initial period of the administration has been to stabilise the operations of the Company to enable handling of the Company’s insurance claim portfolio to recommence.

During the reporting period, the Company’s claim portfolio has been successfully transitioned to Weightmans LLP (“Weightmans”) and new standard operating procedures have been implemented which are integrated into the Financial Services Compensation Scheme’s (“FSCS”) operational environment and fit for the remainder of the Company’s run-off. Accordingly, policyholder claims are now being handled within a stable operating environment, allowing commencement of business-as-usual claims handling for the Company for the first time since 2019.

The primary focus of the Company and Weightmans is working with stakeholders on each insurance claim in a consensual way, allowing a determination on policy coverage, FSCS eligibility and rectification works to be progressed at the earliest opportunity.

The majority of policyholder claims in the Company's buildings guarantee portfolio are expected to meet the eligibility criteria of the FSCS and, therefore, 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.

Whilst all policyholder claims are now progressing, progression of claims, particularly at larger and more complex developments, is being impacted by external market wide factors such as shortages in availability of appropriate experts to conduct the investigatory work necessary to identify defects at developments, which allow a determination of policy response, and then contractors to deliver any required rectification works.

It is anticipated that these market wide factors will impact progression of claims throughout the run-off period. The Joint Administrators and Weightmans regularly review the Company's expert panel of suppliers to mitigate delays where possible.

Further details in respect of key developments in the period in the remainder of the report.

## **Operations**

### **Run off operating model**

The Joint Administrators have worked closely with the FSCS and Weightmans to stabilise operations and resolve certain issues that were previously restricting progress across the Company's claim portfolio.

As previously reported, the Company's claims handling services were initially executed by Armour Risk Management Limited ("ARML"), the existing handlers prior to the administration of the Company. This service agreement was terminated on 18 June 2021 following ARML's notice of intention to cease supporting the Company. During the period, a total of £0.2 million was paid to ARML.

Claims handling services and certain ARML personnel were transitioned to Weightmans on 10 May 2021. The transition was executed concurrently with ARML until 18 June 2021 to minimise the impact upon policyholders and ongoing claims.

As part of the transition, the Joint Administrators authorised an increase in the number of claims handling personnel working on the Company's insurance claim portfolio, to focus effort on claims progression and enhance policyholder communication to improve their experience. Furthermore, at the request of the FSCS, the Joint Administrators have introduced a claims director to the estate to provide industry insight, oversight and challenge to the claims handling processes.

The Joint Administrators will continue to oversee the claims handling services and monitor the performance of Weightmans and provide, where required, significant input to the commercial and stakeholder management aspects of large and complex claims, as a key component of overall claims strategy.

The transition to the new, scaled-up operating environment has been a critical step for the Company but was complicated and time intensive, which is reflected in increased costs for the Company's estate.

The costs of claims handling services are funded by the Company's estate. During the period, a total of £0.6 million was paid to Weightmans in respect of claims handling services.

To allow Weightmans to address policy response, they utilise third-party expert suppliers where necessary to investigate and evaluate building defects, which form the majority of insurance claims made by the Company's policyholders. These include but are not limited to loss adjusters, fire safety experts, quantity surveyors and law firms.

Weightmans and the Joint Administrators have established processes and controls to engage with appropriate suppliers in order to progress claims. During the period, a total of £0.2 million was paid to other suppliers relating to insurance claims.

Certain but not all investigation costs are funded by the FSCS, providing that they fall within the terms of the Company's insurance policy and relate to an eligible claim. Accordingly, some costs which have been paid from the Company's estate have subsequently been recovered from the FSCS, as indicated in the receipts and payments account provided in Appendix B.

The Joint Administrators will continue to monitor the Company's operating model and make amendments as necessary.

## **Assets**

### **Cash at bank**

Cash in bank as at 12 October 2021 is £32.5 million. These funds are held in accounts with six different banks to spread funds for credit risk management purposes.

### **Investments**

As previously reported, the Company has a portfolio of investments in government, treasury and corporate issued financial instruments in accounts with New England Asset Management Limited ("NEAM").

During the period, £11.7 million of investments matured and £0.4 million of interest was earned on the investment portfolio.

The latest valuation of the Company's investment portfolio was £5.5 million as at 30 September 2021. The majority of investments are due to mature by the end of 2021, with a further c.£1.8 million to run-off by June 2023. As the investments mature and convert to cash, the Joint Administrators will retain the funds as cash at bank.

### **Third party funding**

As previously reported, immediately prior to the administration and in consultation with the Regulators, Zurich Insurance Plc ("Zurich") made a proposal to the Company that, subject to agreement of appropriate terms with the Company and the FSCS, it would be willing to make a material voluntary financial contribution to the Company to support an improved outcome for the Company's policyholders than would otherwise be possible.

The Joint Administrators assessed the pre-administration funding proposal as part of their duties. Following constructive discussions between the Company and relevant stakeholders, including the FSCS and the Regulators, a revised funding proposal was received from Zurich. The contribution to be made by Zurich will go in part towards supporting housing associations and other non-profit making organisations which do not benefit from FSCS protection. This should provide a substantially better outcome for these organisations than would otherwise be possible. Further details of the contribution are set out below.

The Joint Administrators consulted with the Creditors' Committee on the key terms of the funding proposal and no objections were raised in respect of the Joint Administrators' conclusion that acceptance of the funding proposal, subject to terms of an appropriate agreement being finalised, was in the best interests of the Company's creditors as it will support a better outcome than would otherwise be possible. The FSCS also concluded that the proposal was acceptable.

It had been anticipated that the drafting of the funding proposal into a formal agreement between the parties would have been completed and agreed earlier this year. However, complexities with the drafting of the necessary documents and the number of parties involved has taken significantly longer than expected to finalise.

As is standard practice, the terms of the agreement are subject to confidentiality restrictions. However, to assist creditors to understand the financial impact of the agreement on the Company's estate, the key points of note are as follows:

- A payment of £5.0 million was received by the Company from Zurich in November 2020 as a contribution to the general estate of the Company;
- A payment of £22.0 million will be received by the Company from Zurich later in 2021, to be apportioned as follows:
  - £12.0 million to the general estate of the Company; and
  - £10.0 million for the benefit of insurance creditors with valid policy claims who do not meet the FSCS eligibility criteria for the payment of their claims by the FSCS.
- A deferred contribution of up to £3.0 million payable by Zurich in certain circumstances by November 2023, at the latest, being 24 months after the effective date of the agreement. Any deferred contribution received by the Company will be split equally between the general estate and non-FSCS protected creditors as noted above.
- The Joint Administrators are working with their tax advisors to determine the appropriate treatment of the above payments from the perspective of corporation tax and VAT. To the extent that any corporation tax or VAT is payable, it will be deducted pro-rata to the relevant element of the payments received.

## **Recoveries**

As previously reported, in accepting liability under an insurance policy, the Company may have the right to pursue claims against third parties to recover all or a part of the relevant liabilities, either through a direct claim by the Company against third parties or through subrogation of the policyholders' rights against third parties where the Company has fully indemnified the policyholder.

The Joint Administrators' strategy in respect of recoveries remains focussed on ensuring that culpable third parties contribute to the costs of rectification of any development in the first instance, to reduce the liability incurred by the Company as part of the claim management process.

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. It is expected that this is the area in which material benefit will be achieved for the estate. By way of example, during the administration, one such situation has resulted in a release of a specific claim reserve in the amount of £20.0 million.

Where contribution from a third party is not possible as part of the policy claim resolution, appropriate recovery action will be pursued, taking account of the cost benefit of such action to the estate. The Joint Administrators continue to review potential recovery options on all open and recently closed insurance claims and are taking appropriate action.

During the period, the Joint Administrators have received £0.1 million of cash recoveries in respect of a historic legal action on a settled claim. Further claims with reasonable prospects of contributions being achieved have also been identified and are being dealt with in the claim management process. Updates on contributions from other third parties will be provided in future reports to creditors, but it is not possible to estimate the likely quantum or timing of future recoveries to be achieved.

The Joint Administrators and their legal advisors have worked closely with the FSCS and their legal advisors in the period to agree a protocol in respect of pursuit of recoveries for claims which will be fully or partially settled by the FSCS.

The Joint Administrators have conducted a review of all significant claims closed in the three years prior to the commencement of the administration. The purpose of the review was to determine whether recovery action had been appropriately assessed and pursued by the Company and/or its agents and whether any potential additional recovery actions exist which may maximise realisations for the Company's benefit. The Joint Administrators concluded that, based on the information available, the Company had achieved an acceptable recovery rate.

As previously reported, the Joint Administrators are aware of an escrow account held containing £0.6 million in respect of deposits made by certain developers which may remain available to the Company in certain circumstances. The Joint Administrators are in the process of novating the escrow agreement from ARML to the Company. The Joint Administrators continue to assess whether any of these escrow monies can be released to the Company in respect of insurance claims it has received and settled. However, any residual escrow monies at 31 December 2022 are expected to be transferred to the Company.

The Joint Administrators are also aware of some bank guarantees being provided by certain developers which may remain available to the Company in certain circumstances. This is also currently under review.

## **Liabilities**

### **Insurance claimants**

As previously reported, 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 normal course of business.

### **Insurance claimants – structural warranty and building guarantee policies**

The vast majority of the Company's liabilities relate to claims under the Company's structural warranty and building guarantee policies, which were transferred from Zurich in March 2018.

Under the PRA's Policyholder Protection Rules, the administration is a default by the Company and, therefore, insurance creditors who are deemed protected by the FSCS will receive 100% of any valid claim under their contract of insurance.

Below is a table that details the number of new and closed insurance claims since the date of the administration:

Description	Number of claims
Open claims as at 12 October 2020	139
New and reopened claims	47
Closed claims	(36)
<b>Open claims as at 11 October 2021</b>	<b>150</b>

As detailed earlier in this report, the Joint Administrators authorised an increase in the number of claims handling personnel working on the Company's claim portfolio, to focus effort on claims progression and enhance policyholder communication to improve their experience. The Joint Administrators, supported by Weightmans, have also increased the number of third-party suppliers that are necessary to investigate and evaluate insurance claims made by policyholders.

Despite these efforts, the general progression of the claim portfolio is being adversely impacted by external market-wide factors beyond the Company's control. These external factors include:

1. **Availability of experts (and other suppliers)** – there is a shortage of experts (and other suppliers) available which has resulted in delays to commence, conduct and complete the necessary investigations to progress claims. Also, the suppliers that are engaged are often delayed in supplying reports in set timeframes, due to large volumes of work; and
2. **Construction materials** – the construction industry is experiencing a shortage of materials at present, which is causing delays in the completion of rectification works.

In addition to delays in claim progression, shortages of construction materials and associated inflation in material costs and labour will adversely impact claim levels, which are being monitored.

Whilst it is expected that the majority of insurance claims received will be eligible for FSCS compensation, due to the limited funds available and the uncertainty of future liabilities of the Company, the Joint Administrators are unable to fund any investigation or remedial work on building guarantee claims that relate solely to policyholders who are not eligible for compensation by the FSCS under its Policyholder Protection Rules. Further updates will be provided in due course in this respect and Weightmans are engaging with individual policyholders with live claims where this situation arises.

#### **Insurance claimants – employers' liability policies**

As previously reported, the Company has exposure to potential future claims on historic employers' liability policies. It is expected that any such claims will be eligible for FSCS compensation at 100% of any valid claim under their contract of insurance.

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.

### **Reinsurance cedents and claimants - London Market excess of loss reinsurance cedents and claimants**

Prior to the administration, the Company was notified of 37 outstanding claims from 10 cedents. 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.

### **Value Added Tax (“VAT”)**

During the period, input VAT of £0.8 million 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.

After consulting with their tax advisors, the Joint Administrators have decided to continue with the Company’s VAT registration at this stage and VAT returns will continue to be submitted on a quarterly basis.

### **Corporation Tax**

During the period, the Corporation Tax returns for the pre-administration periods ended 31 December 2019 and 11 October 2020 have been filed with HM Revenue & Customs. The Joint Administrators will monitor ongoing Corporation Tax compliance for the post-administration period. The first administration return, covering the period 12 October 2020 to 31 December 2020 will be prepared and submitted shortly.

### **Other matters**

#### **Regulatory engagement**

The Company remains a regulated insurance company and must comply with various regulatory requirements. The Joint Administrators engage regularly with the Regulators to provide information on the progress of the administration and submit associated regulatory returns.

#### **Creditors’ Committee**

There have been no changes to the constitution of the Creditors’ Committee during the period. A fourth meeting of the Creditors’ Committee took place on 2 November 2021. A fifth meeting will be arranged for Q1 2022.

### **Proposed administration exit**

The administration period automatically ends 30 months after the commencement of the administration, being 11 April 2023.

As previously advised, the new, ongoing and potential future claims in relation to the Company's structural warranty and building guarantee policies create significant uncertainty with regards to the Company's ultimate liabilities and the duration of the run-off. Notwithstanding this material uncertainty, given that the Company's operations are now stabilised, the Joint Administrators believe it is an appropriate stage to assess run-off options and have begun considering and discussing these with their legal advisors, the FSCS, the Regulators (PRA and FCA) and the Creditors' Committee.

Given the nature of the Company's policies, the Joint Administrators are of the view that it is highly unlikely that any exit option will meet the preferred requirements of all individual stakeholder groups. Accordingly, to enable the Joint Administrators to meet the statutory purpose of the administration, any exit strategy needs to deliver an appropriate balance between the costs and benefits of the continuation of cover to policyholders with unexpired policies and the timing and quantum of a distribution to insurance claimants, particularly those that are not eligible for FSCS protection. The purpose of the above discussions is to explore and understand the key principles and/or requirements of the main stakeholders, which can then be used to determine the most appropriate option for a mechanism to bring the Company's run-off to an eventual and orderly close.

The Joint Administrators will provide updates to the creditors in future progress reports as matters progress.

### **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 £1.4 million (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.

To date, the Joint Administrators have incurred disbursements of £3,000, which have not yet been drawn. An analysis of the disbursements incurred to date is provided in Appendix C. A statement of the Joint Administrators' policy in relation to charging time and disbursements is included in Appendix F.



## Joint Administrators' remuneration

The statutory provisions relating to remuneration are set out in Part 18 of the Insolvency (England and Wales) Rules 2016. 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 website of the Institute of Chartered Accountants in England and Wales at [www.icaew.com/en/technical/insolvency/creditors-guides](http://www.icaew.com/en/technical/insolvency/creditors-guides) or is available in hard copy upon written request.

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 Insolvency (England and Wales) Rules 2016). Further information is provided in the abovementioned 'A Creditors' Guide to Administrators' Fees' document.

As previously reported, the Creditors' Committee passed a resolution on 1 February 2021 to fix the Administrators' remuneration 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.

The Creditors' Committee has agreed the Joint Administrators' proposed hourly rate card for all personnel across Ernst & Young LLP working on the administration of the Company. These hourly rates are provided in Appendix F.

In accordance with the resolutions, the Joint Administrators have drawn fees in the amount of £4.4 million from the Company's estate during the administration, representing 100% of the Joint Administrators' time incurred during the period 12 October 2020 to 11 April 2021 and 80% of the Joint Administrators' time incurred during the period 12 April 2021 to 17 September 2021.

The Joint Administrators have obtained approval from the Creditors' Committee at the meeting on 2 November 2021 to draw the balance of 20% of fees incurred from 12 April 2021 to 17 September 2021, totaling £0.4 million.

The Joint Administrators' time costs incurred during the period were £2.1 million, which brings total time incurred during the administration to £5.0 million.

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	12 Oct 20 to 11 Apr 21	12 Apr 21 to 11 Oct 21	Total
Time incurred (£)	2,883,788	2,144,653	<b>5,028,441</b>
Fees drawn (£)	2,883,788 <sup>1</sup>	1,537,930	<b>4,421,718</b>

- £1,262,108 of these time costs were drawn during the period 12 April 2021 to 11 October 2021 despite being incurred in the prior period, as shown in the receipts and payments account at Appendix B.*

An analysis of the time spent during 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 £3,000, which have not yet been drawn. An analysis of the disbursements incurred to date is provided in Appendix C.

## **Joint Administrators' fee estimates**

As stated in the initial fee estimate that was issued on 3 December 2020, owing to the complexity of this large insolvency and a number of material uncertainties that existed at the outset, it has been extremely difficult to estimate with any accuracy the work which would be required to be carried out by the Joint Administrators and their staff during the administration.

As the administration has progressed and for reasons noted in this progress report, it has become evident that the level of time required to be spent by the Joint Administrators and their staff in attending to the matters arising in the administration has been significantly in excess of initial expectations. The Joint Administrators' fees incurred in the first year of the administration of £5.0 million have almost reached the level set out in the initial fee estimate of £5.1 million.

Accordingly, the Joint Administrators prepared a revised fee estimate and consulted with the Creditors' Committee in respect of approval of the revised fee estimate which represents an increase of £3.2 million from the initial fee estimate. The Creditors' Committee approved the revised fee estimate at a meeting held on 2 November 2021.

Appendix E contains a comparison of the initial fee estimate to 11 April 2023 and actual time costs incurred during the administration from 12 October 2020 to 11 October 2021, as well as a comparison between the initial and revised fee estimates to 11 April 2023.

The reasons for exceeding the initial fee estimate are detailed in this progress report and also summarised below for reference:

### Operations

The Joint Administrators were required to transition the claims handling services to the new service provider, Weightmans, in an accelerated fashion upon receiving notice from ARML that they intend to cease supporting the claims handling services by 30 June 2021. This involved a formal tender process, negotiating a new service agreement, developing and implementing a transition plan, including the Company's data and establishing a new target operating model. This has been a very significant role for the Joint Administrators to transition the book and stabilise the operations within the boundaries of new standard operating procedures.

### Insurance claims

Due to the complexity and uncertainty of the claims within the portfolio, the level of the FSCS' requirements and the frequency of meeting cadence, as well as their level of involvement at the early stages of the large losses, exceeded original expectations.

In order to meet the objective of recommencing business-as-usual claims handling for policyholders as soon as possible, the Joint Administrators necessarily had to support Weightmans with the day-to-day management of the claim portfolio. This included setting the overall strategy, the reserving methodology and setting up reliable management information and its subsequent reporting to enable suitable oversight.

Whilst the appointment of Weightmans as a lawyer led claims handling solution is the most appropriate solution for the complexity of the Company's claim portfolio, there has been a requirement for the Joint Administrators to provide their experience and support in managing commercial overlay and stakeholder management, particularly for large loss claims.

### Recoveries

The negotiations with respect to the material financial contribution to the estate referred to above has taken at least six months longer than expected to finalise due to the complexities of the necessary agreements to formalise the contribution process.

Additionally, the Joint Administrators have incurred significant time working through legal complexities with the FSCS and their legal advisors to agree an appropriate strategy to pursue recoveries.

The Joint Administrators have also had to set up a management information reporting mechanism from scratch and setting up a system that reconciled to open claims, which helps track contribution and recovery opportunities with greater visibility going forward.

### Legal matters

The Joint Administrators have required numerous meetings with their legal advisors and counsel in responding to a wide variety of complex legal matters which have arisen to date, from disclosure requires in live proceedings to requests to lift the administration moratorium.

## **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 structural warranty, building guarantee and employers' liabilities policies who are eligible for FSCS protection will be covered 100% of any benefit under their contract of insurance. When paying compensation, the FSCS will 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.

Since the date of our appointment, a total of £4.2 million has been paid by the FSCS to insurance claimants that are eligible for FSCS protection.

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

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.

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. At this stage, it is not possible to estimate the timing or quantum of any distribution to this cohort of the Company's insurance creditors.

### **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.

### **Next report**

The next progress report will be provided in six months' time, by 12 May 2022. 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
Name(s) and address(es) of the administrator(s):	Richard Barker and Simon Edel 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 April 2021 to 11 October 2021

Directors' Statement of Affairs		Note s	12 October 2020 to 11 April 2021	12 April 2021 to 11 October 2021	Cumulative total
£	Receipts		£	£	£
17,655,334	Cash and cash equivalents		17,655,061	-	17,655,061
23,306,759	Investments	1	5,720,000	11,703,027	17,423,027
290,143	Investment income	1	323,576	352,083	675,659
10,414	Recovery receipts	2	18,037	148,000	166,037
5,000,000	Other debtors		5,000,000	-	5,000,000
-	Miscellaneous receipts		725	353	1,078
-	Claims reimbursed by FSCS	3	-	329,462	329,462
	Bank interest		572	2,603	3,175
<b>46,262,650</b>	<b>Total Receipts</b>		<b>28,717,971</b>	<b>12,535,529</b>	<b>41,253,499</b>
	<b>Payments</b>				
	Claims handling	4	533,154	749,978	1,283,132
	Claims handling disbursements	4	-	25,377	25,377
	Claims handling IT costs	4	-	16,550	16,550
	Indemnity costs to be reimbursed by FSCS	5	9,360	150,583	159,943
	Alternative accommodation expenses to be reimbursed by FSCS	5	137,214	-	137,214
	Loss adjuster expenses	6	120	163,299	163,419
	Supplier payments	7	151,500	29,869	181,369
	Legal fees - pre appointment		48,648	-	48,648
	Legal fees - post appointment	8	195,469	363,166	558,635
	Recoveries expenses	9	118,039	57,948	175,987
	Professional fees	10	-	7,000	7,000
	Sundry expenses		34,367	769	35,136
	Joint Administrators' fees – pre-administration		200,000	-	200,000
	Joint Administrators' fees – post-administration	11	1,621,680	2,800,038	4,421,718
	Investment management fees		6,717	8,881	15,598
	Bank charges		18	15,716	15,734
	Irrecoverable input VAT	12	512,069	824,211	1,336,280
	<b>Total Payments</b>		<b>3,568,356</b>	<b>5,213,385</b>	<b>8,781,741</b>
					<b>32,471,758</b>
	<b>Represented by:</b>				
	RBS deposit account				5,920,856
	BOS current account				5,001,096
	LBG current account				5,001,062
	Natwest current account				5,000,256
	Barclays current account				5,000,256
	BNY custody account				6,548,232
	<b>Total funds held in administration bank accounts</b>	13			<b>32,471,758</b>

## Notes

1. During the period, £11.7 million of investments matured and £0.4 million of interest was earned on investments. The latest valuation for the remaining investments as at 30 September 2021 is £5.5 million. The investments portfolio is held by NEAM under an investment management agreement with the Company.
2. Receipt from recovery action during the period in relation to a claim paid prior to administration.
3. Reimbursement of claims expenses by the FSCS during the period, which were originally paid by the Joint Administrators from the Company's estate. Within the payments section of the receipts and payments account, the payments relating to these expenses have been allocated to alternative accommodation expenses to be reimbursed by FSCS (£137,214) and indemnity costs to be reimbursed by FSCS (£159,943). The remaining £32,305 relate to the relevant VAT incurred on those expenses which is allocated to irrecoverable input VAT.
4. Payment of fees and disbursements in relation to ongoing claims handling services provided by ARML, Weightmans and other third parties, including the services of IT providers required to maintain the claims management software, licence fees and land registry fees.
5. Payments made by the Joint Administrators in respect of alternative accommodation and other indemnity costs, all of which have been recovered from the FSCS. Refer to Note 3 above.
6. Payments of fees in relation to ongoing loss adjuster services were instructed on certain claims. These costs are funded by the Company's estate and are not recoverable from the FSCS where claimants are determined to be eligible for FSCS compensation.
7. During the period, payments in respect of pre-administration costs were made to two key solicitors that had been acting for the Company prior to appointment in order to protect the Company's recovery position on claims. One of these payments assisted in securing the recovery receipt of £0.1m received during the period.
8. Legal fees paid for advising the Joint Administrators in relation to ongoing claims management and various legal matters arising in the administration.
9. Expenses paid in relation to pursuing recovery action and seeking contributions from other rightful liable parties in relation to claims, exclusively made up of legal fees during the period.
10. Professional fees paid for the preparation of final pre-appointment corporation tax computations for year ending 31 December 2019 and the period ending 11 October 2020.
11. Joint Administrators' fees drawn for the post-administration period. Fees drawn in the period relate to time costs incurred from 23 January 2021 to 17 September 2021 as set out in the report.
12. EWIC is currently VAT registered but is not able to recover input VAT.
13. At 11 October 2021, £25.9 million of cash was held in the Company's bank accounts, including £6.5m million of cash held in the Bank of New York Mellon custody account. Funds are separated into six different banks for credit risk management purposes.

## 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 2021

Category of expense	Per estimate dated 3 December 2020 <sup>7</sup> £ (exc VAT)	Incurred in the period to 11 April 2021 £ (exc VAT)	Incurred in the period to 11 October 2021 £ (exc VAT)	Total incurred to 11 October 2021 £ (exc VAT)
<b><u>Administration costs</u></b>				
Alternative accommodation payments to be reimbursed by FSCS <sup>1</sup>	500,000	-	-	-
Bank charges	12,000	18	15,716	15,734
Investigation costs	1,200,000	-	-	-
Legal fees and expenses – claims and insolvency advice	1,950,000	244,118	314,517	558,635
Legal fees and expenses – recoveries	450,000	118,039	57,948	175,987
Legal secondments <sup>2</sup>	600,000	-	-	-
Loss adjusters	1,500,000	120	163,299	163,419
NEAM fund management charges	45,000	6,717	8,881	15,598
Public Notices	1,000	-	-	-
Supplier payments including quantity surveyor/consultants	700,000	151,500	29,869	181,369
Sundry expenses including storage costs	60,000	34,367	769	35,136
Tax advisors	50,000	-	7,000	7,000
Third party claims handling service providers <sup>2</sup>	1,890,000	533,154	791,905	1,325,059
Zedra escrow account fees	1,500	-	-	-
Indemnity costs to be reimbursed by FSCS <sup>1</sup>	-	-	-	-
<b><u>Scheme of Arrangement costs</u></b>				
Scheme of Arrangement planning legal costs	800,000	-	-	-
<b>Total expenses</b>	<b>9,759,500</b>	<b>1,088,033</b>	<b>1,389,904</b>	<b>2,477,937</b>
<b><u>Pre-administration costs</u></b>				
Joint Administrators' pre-administration costs	293,922	200,000	-	200,000
Legal fees and expenses – pre-administration	-	48,648	-	48,648
<b>Total pre-administration costs</b>	<b>293,922</b>	<b>248,648</b>	<b>-</b>	<b>248,648</b>
<b>TOTAL EXPENSES</b>	<b>10,053,422</b>	<b>1,336,681</b>	<b>1,389,904</b>	<b>2,726,585</b>
<b><u>Category 1 disbursements</u></b>				
Specific penalty bond <sup>3</sup>	1,280	1,280	-	1,280
Regulatory checks <sup>3</sup>	-	-	46	46
<b><u>Category 2 disbursements</u></b>				
Postage, photocopying and printing <sup>4</sup>	60,000	-	1,674	1,674
<b>Total disbursements<sup>6</sup></b>	<b>61,280</b>	<b>1,280</b>	<b>1,720</b>	<b>3,000</b>
<b>TOTAL DISBURSEMENTS &amp; EXPENSES<sup>5</sup></b>	<b>10,114,702</b>	<b>1,337,961</b>	<b>1,391,624</b>	<b>2,729,585</b>



## Notes

1. All alternative accommodation and indemnity costs paid from the administration estate to date have been reimbursed by the FSCS hence the numbers previously reported have reduced to nil.
2. The previous report dated 10 May 2021 stated that legal secondments of £90,390 had been incurred in relation to this category. Upon review, this cost has been moved under the heading “Third party claims handling service providers” as these expenses related to claims handling services to supplement the claims handling services provided by ARML at the time.
3. These disbursements have been incurred but not yet charged to the administration estate.
4. The previous report dated 10 May 2021 stated that disbursements of £34,367 had been incurred in relation to this category. Upon review, this expense was paid directly to a third-party supplier and therefore this has been moved to the expenses section of the table, under the heading “Sundry expenses including storage costs”. Disbursements of £1,674 incurred in relation to this category in the period have not yet been charged to the Company’s estate.
5. 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.
6. 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.
7. Expenses are expected to be incurred up to the end of the 30-month administration period, at which time the administration is due to automatically end (being 11 April 2023). Please refer to the proposed administration exit in the progress report for further details.

Owing to the wide range of possible outcomes, it is not possible at this stage to estimate with any accuracy the expenses to be incurred. However, at present, total expenses have not exceeded the original estimate provided. There are two lines which have individually exceeded the initial estimate:

- **Legal fees and expenses – pre-administration** – Please refer to the previous report dated 10 May 2021 for further information; and
- **Bank charges** – These have been predominantly incurred in relation to the Bank of New York Mellon custody account. This cost was not anticipated at the time of producing the original estimate dated 3 December 2020, however, is ensuring an improved return for the Company’s estate.

## Appendix D

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

#### Summary of the Joint Administrators' time costs incurred for the period from 12 April 2021 to 11 October 2021

	Hours by grade						Total hours	Total costs £	Avg hourly rate £/hour
	Partner	Director	Senior Manager	Manager	Executive	Analyst			
Asset realisations	60	-	66	170	330	113	737	338,570	459
Insolvency process	15	-	46	27	77	30	195	95,340	488
Dealing with creditors	5	-	1	12	67	20	105	41,975	401
Insurance run off	137	-	630	1,118	146	175	2,206	1,204,253	546
Management of Company's affairs	50	12	69	32	218	117	498	228,793	459
Strategy and planning	27	-	113	46	118	94	397	189,748	478
Administration closure and exit	15	-	46	4	-	-	64	45,975	722
<b>Total</b>	<b>308</b>	<b>12</b>	<b>969</b>	<b>1,408</b>	<b>956</b>	<b>549</b>	<b>4,202</b>	<b>2,144,653</b>	<b>510</b>

  

<b>Total costs £</b>	<b>284,900</b>	<b>9,378</b>	<b>654,345</b>	<b>703,850</b>	<b>382,360</b>	<b>109,820</b>	<b>2,144,653</b>
<b>Avg hourly rate £/hour</b>	925	775	675	500	400	200	510

**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 2021 to 11 October 2021**

Detailed fee reporting packs have been provided to the Creditors' Committee covering all time costs incurred to 11 October 2021 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 reporting period were £2.1 million. 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>	Tasks providing a direct benefit to creditors via asset realisations: <ul style="list-style-type: none"> <li>• Negotiations in respect of agreement of terms for a material financial contribution to the estate and liaising with legal advisors and the FSCS in this respect.</li> <li>• Assessing insurance claims for third party recovery or contribution claim prospects and evaluating cost-benefit, timing and probability of success.</li> <li>• Working closely with the FSCS to agree an appropriate strategy to pursue recoveries for claims which will be fully or partially settled by the FSCS.</li> <li>• Assessing other potential recovery actions within the Company's estate (outside of claims against contributory parties in relation to open and closed insurance claims) and discussing the various complexities with legal advisors and the FSCS.</li> <li>• Pursuing individual recovery action and contribution claims against third parties and Instructing solicitors to support certain recovery action.</li> <li>• Reviewing the position in relation to an escrow account and bank guarantees provided by certain developers, which may be available to the Company in certain circumstances.</li> <li>• Updating data, management information reporting and implementing robust standard operating procedures for recoveries.</li> </ul>
<b>Insolvency process</b>	Tasks required by statute: <ul style="list-style-type: none"> <li>• Reporting to creditors, including the progress reports.</li> <li>• Statutory filings at Companies House.</li> <li>• Preparing for and holding Creditors' Committee meetings.</li> </ul>
<b>Dealing with creditors</b>	Tasks providing a benefit to creditors: <ul style="list-style-type: none"> <li>• Managing creditor enquiries received by email, telephone and post, including responding to and following up on any queries.</li> <li>• Reviewing and preparing correspondence to creditors and their representatives.</li> <li>• Updating EY webpage with information for creditors of the Company.</li> </ul>
<b>Insurance run off</b>	Tasks providing a benefit to insurance creditors: <ul style="list-style-type: none"> <li>• Finalising tender process and completing transition of claim portfolio to new claims handling service provider, Weightmans. This included transition workshops, project management calls, liaising with lawyers, the FSCS, ARML and other suppliers to finalise agreement and address various issues concerning transition, resourcing, data, systems, books and records, operations, governance and other third parties.</li> <li>• Establishing new target operating model (and governance structure) and agreeing and implementing with Weightmans robust standard operating procedures for all aspects of the Company's operations.</li> <li>• Overseeing claims processes for protected claims, including reviewing new and existing claims, correspondence with claimants and their legal representatives.</li> <li>• Ongoing correspondence with legal representatives of the Company and other involved parties regarding live litigation matters where action</li> </ul>

Type of work	Description of work completed during the period
	<p>is required and organising books and records in relation to ongoing litigation.</p> <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>• Processing payments for loss adjusters and other third parties, such as fire experts.</li> <li>• Holding regular meetings with claims handling service providers (ARML and Weightmans) to discuss the run-off position and progress.</li> <li>• Dealing with policyholder queries and complaints escalated by claims handling service providers.</li> </ul>
<p><b>Management of the Company's affairs</b></p>	<p>Tasks providing an indirect benefit to creditors and required by statute:</p> <ul style="list-style-type: none"> <li>• Managing the financial affairs of the administration, processing payments, updating internal accounting systems and preparing bank account reconciliations</li> <li>• Overseeing the investment portfolio and regular reporting to the Joint Administrators.</li> <li>• Working closely with tax advisors on VAT, corporation tax, tax implications of the proposed financial contribution to the estate and foreign tax matters to comply with requirements and preserve tax losses.</li> <li>• Liaising with the Regulators (PRA and FCA) on matters arising during the administration and complying with regulatory requirements and submissions.</li> <li>• Coordinating the data transition, including systems, electronic shared drives and physical books and records between the claims handling service providers.</li> <li>• Liaising with public relations advisors and preparing responses to enquiries received from various media outlets.</li> </ul>
<p><b>Strategy and Planning</b></p>	<p>Tasks providing an indirect benefit to creditors and required by statute:</p> <ul style="list-style-type: none"> <li>• Overseeing activity across all workstreams, including review of management information and issue resolution.</li> <li>• Holding strategic team review meetings critical to achieve the purpose of the administration.</li> <li>• Reviewing of administration strategy through consultation with legal counsel.</li> <li>• Considering team structure and target operating model.</li> </ul>
<p><b>Administration closure and exit</b></p>	<p>Tasks providing an indirect benefit to creditors and required by statute:</p> <ul style="list-style-type: none"> <li>• Considering impacts of all exit strategy options and liaising with legal advisors (including counsel) and preparing materials for meetings with the FSCS, the Regulators and the Creditors' Committee.</li> </ul>

## Appendix E

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

#### Initial Joint Administrators' fee estimate to 11 April 2023 and actual Joint Administrators' time costs incurred from 12 October 2020 to 11 October 2021

The following table includes the initial Joint Administrators' fee estimate through to 11 April 2023 and summarises the Joint Administrators' actual time costs incurred for the period 12 October 2020 to 11 October 2021. The initial Joint Administrators' fee estimate through to 11 April 2023 has now been superseded following approval from the Creditors' Committee on 2 November 2021 of the revised fee estimate provided below.

	Initial fee estimate to 11 April 2023			Actual time costs to 11 October 2021		
	Total hours	Total fees £	Average hourly run rate £/hour	Total hours	Total fees £	Average hourly run rate £/hour
<b>Asset realisations</b>						
Third party contributions and/or recoveries	687	421,980	615	1,097	552,818	504
<b>TOTAL</b>	<b>687</b>	<b>421,980</b>	<b>615</b>	<b>1,097</b>	<b>552,818</b>	<b>504</b>
<b>Insolvency process</b>						
Initial letters and notices	174	88,351	509	224	89,473	400
Proposals, deemed consent and creditor consultation	315	221,933	704	293	155,390	530
CDDA and SIP2 compliance	272	176,814	650	199	91,778	461
Creditors' committee	424	282,173	665	223	128,238	574
Reporting to creditors	347	194,034	559	141	68,773	487
Statement of Affairs	30	25,907	855	34	22,603	659
Insurance	1	1,109	855	2	1,210	605
<b>TOTAL</b>	<b>1,564</b>	<b>990,321</b>	<b>633</b>	<b>1,117</b>	<b>557,463</b>	<b>499</b>
<b>Dealing with creditors</b>						
Creditor enquiries and management	431	247,958	576	467	195,293	418
<b>TOTAL</b>	<b>431</b>	<b>247,958</b>	<b>576</b>	<b>467</b>	<b>195,293</b>	<b>418</b>
<b>Insurance run off</b>						
Claims litigation matters	824	646,121	784	234	146,535	626
Payment processes	541	262,110	485	458	186,905	408
Administrators' supervision of run off	130	87,327	673	1,151	628,765	547
Protected claims handling	909	612,316	673	2,122	1,210,313	570
Non-protected claims handling	261	175,863	674	209	131,933	630
Claims handling operations <sup>1</sup>	-	-	-	864	512,768	594
<b>TOTAL</b>	<b>2,664</b>	<b>1,783,737</b>	<b>669</b>	<b>5,037</b>	<b>2,817,218</b>	<b>559</b>
<b>Management of Company's affairs</b>						
Accounting and treasury	239	117,764	493	387	135,053	349
VAT & Tax	48	31,702	662	178	93,778	527
Regulatory	325	232,717	716	235	120,653	513
Data & Software	99	63,285	640	72	40,335	564
Public relations	16	10,381	645	17	11,790	694
<b>TOTAL</b>	<b>727</b>	<b>455,848</b>	<b>627</b>	<b>888</b>	<b>401,608</b>	<b>452</b>
<b>Strategy and planning</b>						
Project management and statutory requirements	305	203,976	670	816	379,175	465
Joint Administrators' oversight	164	151,439	921	96	78,893	818
<b>TOTAL</b>	<b>469</b>	<b>355,415</b>	<b>758</b>	<b>913</b>	<b>458,068</b>	<b>502</b>
<b>Administration closure and exit</b>						
Exit planning	1,624	880,460	542	64	45,975	722
<b>TOTAL</b>	<b>1,624</b>	<b>880,460</b>	<b>542</b>	<b>64</b>	<b>45,975</b>	<b>722</b>
<b>Total hours and fees estimate<sup>2</sup></b>	<b>8,165</b>	<b>5,135,720</b>	<b>629</b>	<b>9,582</b>	<b>5,028,440</b>	<b>525</b>

**Notes**

1. As previously reported, further to ARML withdrawing from servicing the claim portfolio of the Company, the Joint Administrators had to complete a tender and transition process which was unforeseen at the start of the administration. To capture this additional time incurred, we have added “claims handling operations” as an additional activity.
2. The above costs exclude VAT and the figures are rounded to the nearest whole number.

**Joint Administrators' revised fee estimate to 11 April 2023 and comparison to Joint Administrators' initial fee estimate to 11 April 2023**

The Joint Administrators have revised the fee estimate through to 11 April 2023, which was approved by the Creditors' Committee on 2 November 2021. The Joint Administrators' revised fee estimate is provided in the table below, with a comparison to the initial Joint Administrators' fee estimate.

	Initial fee estimate to 11 April 2023			Revised fee estimate to 11 April 2023		
	Total hours	Total fees £	Average hourly run rate £/hour	Total hours	Total fees £	Average hourly run rate £/hour
<b><u>Asset realisations</u></b>						
Third party contributions and/or recoveries	687	421,980	615	1,800	985,176	547
<b>TOTAL</b>	<b>687</b>	<b>421,980</b>	<b>615</b>	<b>1,800</b>	<b>985,176</b>	<b>547</b>
<b><u>Insolvency process</u></b>						
Initial letters and notices	174	88,351	509	224	89,473	400
Proposals, deemed consent and creditor consultation	315	221,933	704	320	174,339	545
CDDA and SIP2 compliance	272	176,814	650	200	92,297	461
Creditors' Committee	424	282,173	665	450	278,917	620
Reporting to creditors	347	194,034	559	400	213,506	534
Statement of Affairs	30	25,907	855	35	23,201	663
Insurance	1	1,109	855	2	1,210	605
<b>TOTAL</b>	<b>1,564</b>	<b>990,321</b>	<b>633</b>	<b>1,631</b>	<b>872,943</b>	<b>535</b>
<b><u>Dealing with creditors</u></b>						
Creditor enquiries and management	431	247,958	576	700	329,485	471
<b>TOTAL</b>	<b>431</b>	<b>247,958</b>	<b>576</b>	<b>700</b>	<b>329,485</b>	<b>471</b>
<b><u>Insurance run off</u></b>						
Claims litigation matters	824	646,121	784	310	206,064	665
Payment processes	541	262,110	485	610	260,724	427
Administrators' supervision of run off	130	87,327	673	1,660	971,720	585
Protected claims handling	909	612,316	673	2,830	1,687,004	596
Non-protected claims handling	261	175,863	674	420	274,273	652
Claims handling operations	-	-	-	1,060	644,968	608
<b>TOTAL</b>	<b>2,664</b>	<b>1,783,737</b>	<b>669</b>	<b>6,890</b>	<b>4,044,753</b>	<b>587</b>
<b><u>Management of Company's affairs</u></b>						
Accounting and treasury	239	117,764	493	590	235,319	399
VAT & Tax	48	31,702	662	325	191,088	588
Regulatory	325	232,717	716	450	274,591	610
Data & Software	99	63,285	640	150	90,585	604
Public relations	16	10,381	645	50	33,091	662
<b>TOTAL</b>	<b>727</b>	<b>455,848</b>	<b>627</b>	<b>1,565</b>	<b>824,675</b>	<b>527</b>
<b><u>Strategy and planning</u></b>						
Project management and statutory requirements	305	203,976	670	1,000	502,216	502
Joint Administrators' oversight	164	151,439	921	250	220,350	881
<b>TOTAL</b>	<b>469</b>	<b>355,415</b>	<b>758</b>	<b>1,250</b>	<b>722,566</b>	<b>578</b>
<b><u>Administration closure and exit</u></b>						
Exit planning	1,624	880,460	542	900	500,543	556
<b>TOTAL</b>	<b>1,624</b>	<b>880,460</b>	<b>542</b>	<b>900</b>	<b>500,543</b>	<b>556</b>
<b>Total hours and fees estimate</b>	<b>8,165</b>	<b>5,135,720</b>	<b>629</b>	<b>14,736</b>	<b>8,280,141</b>	<b>562</b>

**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.

<b>Grade</b>	<b>Current hourly rate £/hour</b>
<b>Partner / Associate Partner</b>	925
<b>Director</b>	775
<b>Senior Manager</b>	675
<b>Manager</b>	500
<b>Executive</b>	400
<b>Analyst</b>	200

#### 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.