

TO ALL KNOWN CREDITORS

10 May 2024

Ref: MLP/RB/AS/AW

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

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’ seventh 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 October 2023 to 11 April 2024 (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, 10 May 2023 and 10 November 2023 (“Previous Reports”).

Copies of the above documents and other announcements are available at the following website: 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. This would have not been possible in a winding-up.

Summary of progress to 11 April 2024

During the Period, work has been undertaken to continue progressing the claims received under the Company's contracts of insurance related to structural warranty and buildings guarantee policies ("the BG Policies"). Four claims were received in the Period, of which two were new claims and two were reopened claims. As at 11 April 2024, the number of open claims in the portfolio is 89, a net reduction of eight claims in the Period.

The Company has continued to issue policy responses, both full and partial, as well as settlement offers in the Period. Of the remaining 89 open claims, these continue to progress through the claims journey, with the majority of claims having had full or partial policy responses and settlement letters issued since the commencement of the administration, of which 26 claims have had full or partial policy responses and settlement letters in the Period.

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 potential defects within a development which fall within the BG Policies.

The Company and the Joint Administrators have continued to work 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 accepted claims under BG Policies for FSCS eligible policyholders.

As previously reported, 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 timing of funding under the terms of the insurance policy will be provided by the FSCS without the need for policyholders to first fund costs themselves and then seek repayment from the FSCS.

As the majority of BG policy claims have progressed from the investigatory and policy response phase to an indemnification phase, the Company has identified the need for additional third-party support to lead claims through this phase, which will be for a period of at least three years given the extent and complexity of some of the claims in the portfolio. Accordingly, following consultation with the FSCS, the Company is engaging Davies Group Limited to act as the Claims Directorate to carry out this role. The Claims Directorate is led by Dr Marc Sweeney, the Company's existing Claims Director.

The implementation and integration of the Claims Directorate team is ongoing and a detailed plan for the integration has been shared and agreed with the FSCS and discussed with the Financial Conduct Authority (the "FCA"). The Claims Directorate are working closely with Weightmans, as the Company's Run-Off Manager (the "ROM") on all claims and it is expected that the Claims Directorate will take the lead on the progression and management of all claims from Q3 2024 with the ROM assuming a supporting role, as required.

The Company and the FSCS have also continued to progress discussions with developers and/or third parties who we consider should provide funding of the costs associated with remediation of defective properties for which claims have been made under the BG Policies. In addition, we have continued to liaise with the Department for Levelling Up, Housing and Communities, who operate the Building Safety Fund (the "BSF"), which provides funding of the costs associated with remediation of eligible defective properties.

The Joint Administrators are in the process of preparing an application to Court to seek approval to make interim distributions to non-FSCS-Protected policyholders (i.e. policyholders who do not meet the FSCS eligibility criteria for compensation) from the ring-fenced funds in the estate. Based on advice from the Company's legal advisors, the Joint Administrators envisage that the Court process can take up to 3 months and are, therefore, anticipating being in a position to make an initial distribution in Q4 2024.

Further details 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.

The Company continues to lead on interaction with developers and/or relevant third parties to secure either an undertaking to complete works to remediate insured defects or financial contributions to the costs of such works as part the claims handling process and in collaboration with the FSCS.

The Company are in active dialogue with 23 third-parties in respect of remediation of insured defects at developments on which claims have been made on the BG Policies. The aggregate claim reserves on claims where contribution discussions are ongoing total c.£134m. Of these, seven developers have so far indicated that they will carry out works to remediate insured defects on developments with aggregate claim reserves of c.£50m.

Where a third party notifies the Company that it intends to complete remedial works directly, 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 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.

The Company, the Joint Administrators and the FSCS also continue to monitor the impact of applications made to the BSF for funding of remedial works relating to fire safety related defects at 20 developments where claims have also been made under the BG Policies.

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 cost-effective to do so. The Company entered into a Recoveries Agreement with the FSCS in January 2024, through which the FSCS will take responsibility for recovery action against developers and/or relevant third parties in situations whereby they refuse or are unable to remediate defects and the FSCS subsequently fund remedial works themselves. The purpose of the Agreement is to streamline recovery action whereby the Company and FSCS may both have potential rights of recovery against third parties and reduce the associated costs of recovery action. The Joint Administrators continue to assist the FSCS with information requests in relation to the FSCS' recovery actions.

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.

In February 2024, £0.06 million was received from third parties in respect of contribution to historical claims settled by the Company.

Third party funding

As explained in previous reports, a deferred contribution of up to £3.0m was payable to the Company by Zurich Insurance Group in certain circumstances by December 2023. As a result of ongoing legal matters which continued during the Period, the Joint Administrators agreed an extension to the period of time by which the contribution is payable subject to the Company being entitled to interest from the original date of payment.

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 ring-fenced 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 April 2024, funds totalling £46.05m were held in the administration estate. This comprised £35.41m of general estate funds together with ring-fenced funds of c.£10.64m. 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 for the estate. Interest income received on funds held in the estate in the Period was £1.22m.

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 April 2024, the number of unexpired policies has reduced to 3,584. A summary of the run-off of the remaining unexpired BG Policies is shown in the table below:

Year of Expiry	Number of policies expiring
2024	1,644
2025	1,218
2026	722
Total	3,584

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	69
Closed claims	(119)
Open claims as at 11 April 2024	89

Claims are being progressed through their lifecycle with a net reduction of eight claims in the Period and a net reduction of 50 claims in the portfolio since the commencement of the administration.

As noted earlier in this report, the Company continues to issue policy responses, both full and partial, and settlement offers, in respect of the open claims as soon as practicable. Accordingly, the number of open claims is expected to reduce further 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 46% of claims by number are for less than £0.25 million and predominantly relate to water ingress claims and failed works claims. The remaining 54% of claims predominantly relate to fire safety and water ingress.

Indemnification

An Implementation Plan for the Claims Directorate and the Company's overarching indemnification strategy have been shared and discussed with the FSCS and FCA in the Period following agreement in prior periods of the principles of the indemnification approaches to be adopted consistently across all BG policy claims that are eligible for FSCS protection. The supporting indemnification framework, relevant documentation and associated controls and oversight have been amended and/or further developed where required.

A number of thematic and claim specific complications have arisen in the Period and will continue to arise in future periods, from 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 BG Policy claims are unique with limited common defects. The Joint Administrators and our legal advisors collaborate closely with the Company's Claims Director, the ROM, the FSCS and policyholders and their representatives to resolve these matters as they arise. Examples of matters which have required specific consideration include policyholder representation, alignment of the Company and policyholders' understanding in respect of information required pertaining to remedial schemes to address insured defects, formalisation of the funding requirements with FSCS for the remedial scheme, obtaining and understanding details of remedial schemes for ongoing or recent works carried out by third parties, e.g. by developers or works funded by the BSF and ensuring works are completed and the Company and the FSCS obtain release from the claims at the conclusion of the remedial works.

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/or remedial works may take several years to implement. The value of claims will also be materially impacted by works undertaken by developers and/or relevant third parties to remediate insured defects without recourse to the Company and, therefore, the figures reported below will remain subject to substantial amendment in future reporting periods.

As at 11 April 2024, 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, along with the figures as at 12 October 2023 for comparative purposes.

Description	As at 12 October 2023 (£)	Movement in the Period (£)	As at 11 April 2024 (£)
Gross Reserves - FSCS Protected Claims	266,483,231	6,448,016	272,931,247
Gross Reserves – Non-FSCS Protected Claims	6,497,971	(757)	6,497,214
Total Gross Reserves	272,981,202	6,447,259	279,428,461
Initial Potential Estimates	24,500,000	(6,000,000)	18,500,000
Total reserves and estimates	297,481,202	447,259	297,928,461
Incurred and paid by FSCS	12,078,275	2,495,478	14,573,753
Non-FSCS Protected Claims Agreed	12,263,893	4,728	12,268,621
Total estimated BG policy liabilities	321,823,370	2,947,465	324,770,835

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

As referred to earlier in this report, Davies Group are currently being engaged as the Claims Directorate to take responsibility for leading on claims currently in the indemnification phase and will take responsibility for the handling and reporting of all claims received in respect of the Company's contracts of insurance.

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 and will be responsible for the Claims Directorate.

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

Bi-monthly claims working sessions between the ROM, the Company's Claims Director and the Joint Administrators, and, separately, between the ROM, the Joint Administrators, the Company's claims director 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 remaining BG Policy claims by value relate to large, complex developments which are, and will continue to be, time intensive, requiring input from the ROM, the Company's Claims Director, the Claims Directorate, 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 plus the additional costs of the Claims Directorate, after which ROM costs are expected to significantly reduce.

The costs of claims handling services are funded by the Company's estate. During the period 1 October 2023 to 31 March 2024, costs and disbursements incurred by the ROM in respect of claims handling services were £1.29m plus VAT. This amounts to an increase of £0.24m compared to the previous six-month period due to increased level of activity on the claims portfolio. In addition, cost and disbursements of Davies Group in respect of the services of the Claims Director and commencement of the Claims Directorate were €0.23m including VAT for the same period. Due to timing differences, not all the incurred costs were invoiced and paid from the estate in the Period and, therefore, the figures shown in the Receipts and Payments account at Appendix B differ from these amounts.

It is anticipated that the costs of claims handling services will remain significant for at least the next 12 months as all claims progress into their respective indemnification phase and the Claims Directorate is fully established. The Joint Administrators continue to closely monitor the costs being incurred by the ROM and Davies Group.

The Company has established processes and controls to engage with the various third-party suppliers required to progress claims. During the Period, a total of £0.11m 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 deemed eligible by the FSCS.

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) in the near future. However, the position will be regularly reviewed throughout the remainder of the administration and the Joint Administrators continue to provide the FSCS with a half-yearly cash flow and a quarterly report of 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 £0.52m 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

A corporation tax return for year ending 31 December 2022 was filed in the Period, with no corporation tax liability due. Preparation of a corporation tax return for the year ending 31 December 2023 will commence later in 2024, and further details will be provided in the next progress report.

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 approximately every 6 months to discuss the administration strategy and allow creditors’ views to be represented and considered. The eleventh meeting of the Creditors’ Committee took place on 18 March 2024. There have been no changes to the composition of the Committee in the Period, and it comprises the following members:

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 April 2024, a total of £14.57m 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 – 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.

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, as noted earlier in this report, will continue to be provided in future progress reports.

In addition, as noted above, funds in the amount of c.£10.6m (including 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 (i.e., "non-FSCS-Protected policyholders").

As at 11 April 2024, six non-FSCS-Protected policyholder claims in the aggregate amount of £12.27m have been agreed and there are a further seven open claims with case reserves totalling £6.50m.

It is expected that the quantum of agreed non-FSCS-Protected policyholder claims will increase before the conclusion of the administration. Since the value of agreed claims exceeds the value of the ringfenced funds, each non-FSCS-protected policyholder will be entitled to a pro-rata distribution from these funds.

In the administration of a non-regulated business, the Joint Administrators' statutory powers entitle them to make any payments due to a creditor and payments on account of any sum which may become due to a creditor only with consent of the Court, beyond the prescribed part. In the case of an insurance company in administration, The Financial Services and Markets Act 2000 (Administration Orders Relating to Insurers) Order 2010, restricts the use of those powers unless approved by a 75% majority in a creditors' meeting or by the Court.

Following discussions with the Company's legal advisors, the Joint Administrators considered it to be impractical to seek consent from individual creditors, primarily because it would require issuing a notice and substantial supporting information to the remaining 3,500+ policyholders with unexpired policies, plus those with open claims, most of whom are expected to be eligible for FSCS funding in the event they have a claim under their policies, and so would have no financial interest in the matter.

The Joint Administrators are in the process of preparing an application to Court to seek approval to make interim distributions to non-FSCS-Protected policyholders from the ring-fenced funds. This approach was agreed by the Creditors' Committee at the meeting on 18 March 2024. Based on advice from the Company's legal advisors, the Joint Administrators envisage that the Court process can take up to three months and are expecting to pay an initial distribution in Q4 2024. These payments will be from the ring-fenced funds noted above and will not impact FSCS-protected policyholders.

Subject to Court approval of the application, the Joint Administrators expect to make payment of a prudent initial distribution in Q4 2024. The quantum of the initial distribution will be assessed shortly prior to the proposed payment date but, based on current information, it is anticipated that the distribution will be not less than 10p in the pound, which represents a material sum for the policyholders with the largest claims. Distribution payments will be paid from the ring-fenced funds noted above, with no impact on FSCS eligible policyholders.

Following an initial distribution, the Joint Administrators will review the status of non-FSCS-Protected policyholders claims on a six-monthly basis and make further distributions as soon as practicable. Further information in this respect will be included in the next progress report.

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 c.£1.75m (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 Joint Administrators’ time costs incurred during the Period were £1.77m, which brings total time incurred during the administration to 11 April 2024 to £13.23m.

In accordance with resolutions of the Creditors’ Committee (as set out previous reports), Joint Administrators’ fees in the amount of £11.90m, representing the Joint Administrators’ time incurred during the period 12 October 2020 to 11 April 2024, have been drawn from the Company’s estate during the administration.

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 October 2023	Current period: 12 October 2023 to 11 April 2024	Total
Time incurred (£)	11,468,437	1,766,444	13,234,881
Fees drawn (£)	10,985,950	912,889	11,898,839

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 £5,736 of which £2,320 are Category 1 disbursements and £3,416 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' remuneration 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 covering the periods to 11 April 2023 and 11 April 2027 were approved by the Creditors' Committee to take account of the evolving complexity of the administration, extension of the administration from April 2023 to April 2027 and consequent increases in time required to be spent by the Joint Administrators and their staff in discharging the statutory purpose of the administration.

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 April 2024.

Next report

The next progress report will be provided in six months' time, by 11 November 2024. The report will be shared with creditors by publication on the following website, 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.

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. As Insolvency Practitioners, they are bound by the Insolvency Code of Ethics in carrying out all professional work relating to the appointment.

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.

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:	eastwestinsurance@uk.ey.com +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 2023 to 11 April 2024

Directors' Statement of Affairs	Notes	12 Oct 20 to 11 Oct 23	12 Oct 2023 to 11 April 2024	Cumulative total	
£				£	
Receipts					
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	2	735,071	-	735,071
10,414	Recovery receipts	3	791,264	60,496	851,760
	- Indemnity costs reimbursed by FSCS		329,462	-	329,462
	- Bank interest (Ringfenced funds)		404,018	238,544	642,561
	- Bank interest (Non-Ringfenced funds)		1,196,221	976,035	2,172,256
	- Miscellaneous receipts		1,797	50	1,847
46,262,650	Total Receipts		71,050,830	1,275,124	72,325,954
Payments					
	Claims handling	4	5,059,633	1,238,813	6,298,445
	Claims handling disbursements		59,876	1,465	61,342
	Claims handling IT costs	4	43,010	26,460	69,470
	Claims Settlement (not covered by FSCS)		-	-	-
	Supplier payments		181,368	-	181,368
	Legal fees - pre appointment		48,648	-	48,648
	Legal fees - post appointment	5	1,309,704	343,666	1,653,370
	Loss adjuster expenses	6	709,683	114,504	824,186
	Professional fees		7,000	-	7,000
	Recoveries expenses	7	392,245	23,136	415,381
	Investment management fees		21,851	-	21,851
	Joint Administrators' fees – pre-administration		200,000	-	200,000
	Joint Administrators' fees – post-administration	8	10,985,950	912,889	11,898,839
	Joint Administrators' expenses - post-administration		3,450	-	3,450
	Indemnity costs to be reimbursed by FSCS		297,158	-	297,158
	Sundry expenses		58,256	6,213	64,469
	Bank charges		25,993	45	26,039
	Irrecoverable input VAT	9	3,681,992	516,341	4,198,333
	Total Payments		23,085,816	3,183,531	26,269,348
	Funds held in administration bank accounts	10			<u>46,056,606</u>
Represented by:					
	Non-ringfenced funds				35,414,044
	Ringfenced funds				<u>10,642,562</u>
	Total funds held in administration bank				<u>46,056,606</u>

Notes

1. Receipts from Zurich pursuant to the terms of the Contribution Agreement, of which £10m plus interest is held in a ringfenced bank account solely for the benefit of non-FSCS-protected policyholders of the estate.
2. All investments have matured so no further receipts are expected.
3. Receipts from recovery action against third parties related to claims made on the Company's BG Policies.
4. 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.
5. Legal fees in respect of advice to the Joint Administrators in relation to ongoing claims management and various legal matters arising during the administration, such as reviewing supplier terms and conditions, reviewing settlement agreements, working on indemnification agreements, assisting with the Witness Statement for the upcoming Court application and attending meetings with the Joint Administrators to discuss various issues.
6. 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.
7. Fees in respect of legal 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.
8. Joint Administrators' fees drawn relating to time incurred in the post-administration period, as approved by the Creditors' Committee.
9. EWIC is currently VAT registered but is not able to recover input VAT.
10. Funds held in the estate are spread across 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 April 2024

Category of expense	Total revised estimate to 11 April 2024 ⁴ £ (exc VAT)	Total incurred to 11 October 2023 £ (exc VAT)	Incurred in the Period to 11 April 2024 £ (exc VAT)	Total incurred to 11 April 2024 £ (exc VAT)
Administration costs				
Bank Charges	50,993	25,993	45	26,038
Claims Directorate	7,500,000	-	-	-
Legal fees and expenses – claims and insolvency advice	2,569,704	1,309,704	343,666	1,653,370
Legal fees and expenses – recoveries	492,245	392,245	23,136	415,381
Legal secondments	-	-	-	-
Loss adjusters	793,570	709,682	114,504	824,186
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	95,659	58,256	6,213	64,469
Tax advisors	7,000	7,000	-	7,000
Third party claims handling service providers	9,415,548	5,162,519	1,266,738	6,429,257
Total expenses	21,128,937	7,868,619	1,754,302	9,622,920
Pre-administration costs				
Joint Administrators' pre-administration costs	-	200,000	-	200,000
Legal fees and expenses – pre-administration	-	48,648	-	48,648
Total pre-administration costs	-	248,648	-	248,648
TOTAL EXPENSES	21,128,937	8,117,267	1,754,302	9,871,568
Category 1 disbursements				
Specific penalty bond	1,280	1,280	-	1,280
Regulatory checks	46	46	-	46
Travel and couriers	515	994	-	994
Category 2 disbursements				
Postage, photocopying and printing ¹	3,907	2,701	493	3,194
Meeting room ¹	130	222	-	222
Total disbursements³	5,878	5,243	493	5,736
TOTAL DISBURSEMENTS & EXPENSES²	21,134,815	8,122,509	1,754,795	9,877,304

Notes

1. The Joint Administrators will seek approval to draw Category 2 disbursements incurred in the period from the Creditors' Committee in due course.
2. Statement of Insolvency Practice No.9 defines expenses as any payments from the insolvency estate which are neither an office holder's remuneration nor 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.
3. 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.
4. 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.

Appendix D

East West Insurance Company Limited (in Administration)

Summary of the Joint Administrators' time costs incurred for the period from 12 October 2023 to 11 April 2024

	Hours by grade						Total hours	Total costs £	Avg hourly rate £/hour
	Partner	Director	Senior Manager	Manager	Executive	Analyst			
Asset realisations	9	19	33	1	17	11	90	58,266	640
Dealing with creditors	4	-	-	-	-	29	33	10,593	317
Insolvency process	19	6	95	1	265	85	471	220,431	469
Insurance run off	138	553	142	177	457	85	1,552	1,002,251	645
Management of Company's affairs	12	140	69	2	195	49	467	270,001	578
Strategy and planning	3	-	143	32	192	2	372	204,903	551
Total	185	718	482	213	1,126	261	2,985	1,766,445	

Total costs £	180,822	594,123	343,050	112,825	479,225	56,400	1,766,445
Avg hourly rate £	970	827	711	532	425	216	

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 October 2023 to 11 April 2024

Detailed fee reporting packs have been provided to the Creditors' Committee covering all time costs incurred to 11 April 2024 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 £1,766,445. 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	
Asset realisations	Third party contributions and/or recoveries	<ul style="list-style-type: none"> • Attending regular calls with FSCS and its legal advisors to ensure progress is made on recoveries. • Working collaboratively to ensure maximum contributions and recoveries are made. • Discussing and finalizing the Recoveries Agreement with the FSCS. • Working closely with legal advisors, the run-off manager ("ROM"), the Claims Directorate and the FSCS to ensure sharing of certain documents with the FSCS can be facilitated in compliance with data protection regulations and responsibilities. • Discussions and preparation for Developer meetings. • Discussions and oversight of ROM's approach to recovery of NAB Bonds. • 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.
Insolvency Process	Creditors' committee	<ul style="list-style-type: none"> • Attending the eleventh Committee meeting on 18 March 2024, including the preparation of the agenda, meeting documents and supporting information for the Committee's proposed resolutions. • Drafting minutes and obtaining approval for the tenth and eleventh committee meetings. • Preparing monthly fee packs.
	Reporting to creditors	<ul style="list-style-type: none"> • Preparing and finalising the progress report for the period 12 October 2023 to 11 April 2024. • Liaising with the ROM, regulators and the FSCS in respect of the content of the reports prior to issuing the same. • Issuing the reports to creditors, the Court, and Companies House. • Uploading appropriate documentation on the EY webpage for the Company.
Dealing with creditors	Creditor enquiries and management	<ul style="list-style-type: none"> • Reviewing and preparing correspondence to creditors and their representatives.
Insurance run off	Payment processes	<ul style="list-style-type: none"> • Reviewing and approving payment batches from the ROM to submit to the FSCS. • Liaising with the FSCS regarding payments for eligible claimants and implementing appropriate reconciliation processes and controls. • Attending meetings and corresponding with the FSCS to work through payment queries to ensure that they meet FSCS payment criteria. • Updating purchase order register to account for supplier payments.

Type of work	Description of work completed during the period	
		<ul style="list-style-type: none"> • Undertaking purchase order schedule reviews during the period to ensure Standing Operating Procedures are being followed. • Processing payments for loss adjusters and other third parties, such as fire experts and further investigations work required across the Company's claims portfolio.
	Administrators' supervision of run off	<ul style="list-style-type: none"> • Monitoring the ROM's performance and progression of the claims. • Developing the Company's indemnification strategy and presenting to key stakeholders. • Developing and collaborating with the FSCS to agree specific indemnification routes including one-off cash settlements and structured cash settlements. • Preparing for and attending the Joint Claims Working Group every fortnight with the FSCS to discuss claims. • Preparing for and attending the Contributions Clinic every fortnight with the ROM, FSCS and Claims Directorate to discuss potential recoveries from developers. • Preparing for and attending the Joint Administrators' meetings every fortnight to discuss claims. • Preparing for and attending regular meetings with the FCA. • Responding to the FSCS's findings from their recent audit of the ROM. • Reviewing policyholder communications and liaising with the claims handler to provide a substantive response. • Holding monthly policyholder complaints review meetings with the ROM to ensure any complaints are dealt with appropriately. • Onboarding the new Claims Directorate and supervising the handover from the ROM. • Preparing for and holding quarterly review meetings with key suppliers to review current work in progress and explore key market developments and insights. • Liaising with the ROM and FSCS to agree and finalise policy responses to policyholders.
	FSCS protected claims handling	<ul style="list-style-type: none"> • Monitoring claims handling activity and involvement on large and/or complex claims. • Preparing and presenting the monthly executive reporting to the FSCS executive team for October to December 2023 and January to March 2024. • Preparing and presenting a quarterly claims cashflow forecast to the FSCS. • Reviewing actual cashflow performance vs forecast figures and reporting to the FSCS on key variances. • Holding weekly meetings with the FSCS operations team to provide updates on portfolio progress and discuss all other key matters in the administration.
	Non-FSCS protected claims handling	<ul style="list-style-type: none"> • Liaising with the ROM to ensure non-protected claims are progressed to a position where a policy response and initial valuation can be determined.

Type of work	Description of work completed during the period	
		<ul style="list-style-type: none"> • Negotiations with non-protected claimants to agree amounts due under their policy claims. • Filing an application with the Court to make a distribution to non-protected policyholders, including seeking advice from the Company's legal advisors and obtaining consent to file a Court application from the Creditors' Committee.
	Claims handling operations	<ul style="list-style-type: none"> • Hold bi-weekly strategic team review meetings critical to achieving the purpose of the administration and ensure proper task prioritisation. • Developing and setting up of ROM remediation workstream to ensure oversight and improvement of ROM performance. • Planning and developing new management information system to allow for greater tracking of claim progress and status. • Working closely with the ROM to develop updated case plan template and training sessions. • Undertaking claim portfolio reviews with claims handlers to ensure compliance with the Standard Operating Procedures. • Working with the Claims Directorate to finalise amendments to the Standard Operating Procedures.
	Accounting and treasury	<ul style="list-style-type: none"> • Monthly bank reconciliations • Monthly cash and investment review meeting to ensure optimal cash position and risk management. • Monitoring money market accounts and ensuring funds are held in accounts which provide an optimal balance between benefit for the estate and risk.
	Management of the Company's affairs	VAT & Tax
	Regulatory	<ul style="list-style-type: none"> • Completing and filing ongoing regulatory returns required of the Company. • Regularly reviewing the FCA site to ensure all returns are submitted on time.
	Data & Software	<ul style="list-style-type: none"> • Access company files from storage facility, including IM records. • Facilitating access to Company records for the ROM, FSCS and their representatives.
	Project management	<ul style="list-style-type: none"> • Monthly monitoring of time costs and billing. • Preparing and sharing the monthly time cost reports for October to December 2023 and January 2024. • Collecting and sharing leaseholder data with FSCS to facilitate sanction checks. • Completion of statutory six-monthly case review • Maintaining records of key activities undertaken throughout the period and decisions taken • Meetings across all workstreams for updates and managing against actions and plans.
Strategy and Planning	Joint Administrators' oversight	<ul style="list-style-type: none"> • Overseeing activity across all workstreams and ad-hoc meetings and calls as point of contact for escalation.

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 April 2024

	Actual time to 11 April 2024			Total Fee Estimate to 11 April 2027		
	Total hours	Total fees	Average hourly run rate	Total hours	Total fees	Average hourly run rate
Asset realisations						
Third party contributions and/or recoveries	2,217	1,133,470	511	2,699	1,540,108	571
TOTAL	2,217	1,133,470	511	2,699	1,540,108	571
Insolvency process						
Initial letters and notices	224	89,473	399	224	89,473	400
Proposals, deemed consent and creditor consultation	297	156,949	528	297	156,950	528
CDDA and SIP2 compliance	212	100,550	474	212	100,550	474
Creditors' committee	732	415,052	567	1,138	622,513	547
Reporting to creditors	1,441	626,790	435	1,584	730,739	461
Statement of Affairs	34	22,603	665	34	22,603	659
Insurance	2	1,210	605	2	1,210	605
TOTAL	2,942	1,412,627	480	3,492	1,724,037	494
Dealing with creditors						
Creditor enquiries and management	563	244,655	434	615	275,414	448
TOTAL	563	244,655	434	615	275,414	448
Insurance run off						
Claims litigation matters	277	180,784	652	276	180,280	652
Payment processes	862	395,590	459	964	459,305	476
Administrators' supervision of run off	4,583	2,826,175	617	5,675	3,382,651	596
Protected claims handling	4,071	2,300,139	565	6,268	3,837,066	612
Non-protected claims handling	347	208,174	601	340	207,452	610
Claims handling operations	2,547	1,491,024	585	6,800	3,844,503	565
TOTAL	12,688	7,401,885	583	20,325	11,911,257	586
Management of Company's affairs						
Accounting and treasury	1,834	784,892	428	2,658	1,158,048	436
VAT & Tax	599	322,162	538	749	417,915	558
Regulatory	424	236,271	557	570	339,852	597
Data & Software	130	68,203	526	205	128,257	625
Public relations	25	16,878	670	22	15,425	-
TOTAL	3,012	1,428,406	474	4,204	2,059,497	490
Strategy and planning						
Project management and statutory requirements	2,026	924,833	457	2,924	1,445,835	495
Joint Administrators' oversight	903	478,782	530	699	368,333	527
TOTAL	2,929	1,403,615	479	3,623	1,814,168	501
Administration closure and exit						
Exit planning	289	210,223	727	551	377,785	686
TOTAL	289	210,223	727	551	377,785	686
Total hours and fee	24,641	13,234,881	537	35,508	19,702,266	555

The above 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 April 2024.

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.