

TO ALL KNOWN CREDITORS

10 May 2022

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’ third 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 October 2021 to 11 April 2022 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 and second progress reports dated 10 May 2021 and 11 November 2021 respectively.

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 is provided in Appendix A.

Summary of progress to 11 April 2022

As previously advised, the main priority for the initial period of the administration was to stabilise the operations of the Company to enable handling of the Company’s insurance claim portfolio to recommence. To support this, the Company’s claim portfolio was transitioned to Weightmans LLP (“Weightmans”) in May 2021 and updated 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 being handled within a stable operating environment, on a business-as-usual basis.

The Company and Weightmans continue to seek to engage 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.

As reported previously, 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.

Progression of claims, particularly at larger and more complex developments, continues to be 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 and materials to deliver any required rectification works.

As previously advised, 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 and, in recent months, have appointed additional suppliers to the panel, where appropriate, to support progression of claims.

With the Company's operations stabilised, during the period, the Joint Administrators have started to focus on the future conduct of, and potential exit routes from, the administration, which will automatically end on 11 April 2023, unless extended. Further details in respect of this and other key developments in the period are set out in the remainder of this report.

Operations

Run off operating model

As noted above, Weightmans perform claims handling services for the Company. To allow Weightmans to address policy response and progress claims, they utilise third-party expert suppliers, as 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.

The Joint Administrators and the appointed claims director continue to oversee the claims handling services and monitor the performance of Weightmans and provide input to the commercial and stakeholder management aspects of large and complex claims, as a key component of overall claims strategy. The claims director has also provided insight into industry issues relevant to the Company's claims portfolio and worked with Weightmans to seek to forecast and mitigate their impact, where possible.

Claims in the Company's portfolio are now progressing through their lifecycle and whilst the majority of claims by number and value are likely to be resolved within 2 years, approximately one third of the Company's claims by value are large complex developments which are and will continue to be time intensive, requiring input from both Weightmans and the Joint Administrators. This is reflected in increased ongoing operating costs for the Company's estate which are expected to remain as such for at least the remainder of 2022.

Large claims on complex developments may take up to four years to be fully resolved. The duration of these claims is impacted by the market wide factors noted in this report, the requirement to undertake investigations, including intrusive investigations, and then designing and implementing a large scale remedial plan rather than as a consequence of the Company being in administration.

The costs of claims handling services are funded by the Company's estate. During the period, a total of £0.8 million (net of VAT) was paid to Weightmans in respect of claims handling services for the period to January 2022. Additional costs of £0.15 million (net of VAT) in respect of Weightmans costs for the period to 28 February 2022 have been settled after the reporting period.

Weightmans and the Joint Administrators have established processes and controls to engage with the various third party suppliers noted above 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 although in the previous reporting period.

During November 2021, the FSCS conducted an audit on a sample of claim files and has reported its findings to the Joint Administrators and Weightmans. No significant concerns in respect of the running of the claims portfolio were identified but Weightmans and the Joint Administrators have refined the Company's standard operating procedures taking account of the FSCS' findings. The FSCS will conduct a further claims audit in June 2022.

The Joint Administrators will continue to monitor the Company's operating model to ensure it remains appropriate for the current position of the Company's run-off and make amendments as necessary.

Assets

Investments

As previously reported, the Company had a low risk portfolio of investments in government, treasury and corporate issued financial instruments in accounts with New England Asset Management Limited ("NEAM") at the commencement of the administration. The Joint Administrators determined that it was appropriate to allow these assets to realise at their contractual maturity date rather than seek to sell them in the market.

During the period, £4.75 million of investments matured and £0.05 million of interest was earned on the investment portfolio.

The Company's residual investment portfolio was valued at £0.8 million as at 31 March 2022. Of this, £0.4 million is expected to mature in November 2022 and the residual £0.4 million in June 2023.

Third party funding

In accordance with the terms of the agreement between Zurich Insurance plc ("Zurich") and the Company, as set out in our previous report, funds in the amount of £22.0 million were received by the Company during the reporting period.

As previously reported, £12.0 million of these funds were paid to the general estate of the Company and £10.0 million has been set aside in a separate and ring-fenced bank account for the sole benefit of policyholders with a valid policy claim under a contract of building guarantee insurance who do not meet the FSCS eligibility criteria for the payment of their claims by the FSCS.

There have been no developments in respect of the 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. 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 non-FSCS protected creditors.

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 advised previously, 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 continues to be 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 in the estate as insurance creditors. It is expected that this is the area in which material benefit will be achieved for the estate.

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

Where the recoveries relate to claims which will be fully or partially settled by the FSCS, the Joint Administrators consult the FSCS in respect of the appropriate recovery action as the FSCS may also have rights arising from the assignment of claims from policyholders on the payment of compensation.

A key development since the commencement of the administration has been the advent of the Government's building safety repairs pledge, seeking to protect leaseholders in respect of the costs of remediation of life-critical fire safety defects at certain developments. In accordance with the pledge, certain developers have committed to undertake critical fire safety works in buildings over 11 metres which they were involved in developing or refurbishing over the last 30 years in England. It is understood the Government is continuing to pursue additional parties in respect of the development of unsafe buildings and the scope of parties included under the pledge may extend.

A number of developers that have signed up to the building safety repairs pledge were involved in the development of properties which have live claims in the Company's portfolio. It is currently unclear how individual developers will deliver on their commitments under the pledge, but the Joint Administrators and Weightmans are monitoring the position and will be seeking to secure contributions from developers to the costs of rectification on these claims wherever possible.

As previously reported, on administration, funds totalling £0.6 million were held in escrow in respect of deposits made by certain developers which may remain available to the Company in certain circumstances. In the reporting period, the escrow agreement was novated from Armour Risk Management Limited, the Company's previous run-off manager, to the Company. Under the terms of the escrow, residual escrow monies held as at 31 December 2022 are expected to be transferred to the Company, but the Joint Administrators are taking legal advice to confirm their understanding.

The Joint Administrators are also aware of a small number of low value bank guarantees provided by certain developers which may remain available to the Company in certain circumstances. A review of the guarantees has been undertaken and steps are now being taken to seek payment under the guarantees where appropriate.

Cash at bank

As at 11 April 2022, funds of totalling £55.7 million were held in the estate. This comprised £45.7 million of general estate funds together with the ring-fenced funds of £10.0 million, as referenced above. The funds are held in accounts with seven different banks to spread funds 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.

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 ordinary course of business.

Insurance claimants – structural warranty and building guarantee 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	57
Closed claims	(62)
Open claims as at 11 April 2022	134

Following stabilisation of the Company's operations, claims are now progressing through their lifecycle and there has been a net reduction of 5 claims in the portfolio. However, as noted above and in our previous progress report, progression of the claims portfolio remains challenging and continues to be adversely impacted by external market-wide factors which will influence the duration of the claims lifecycle and the ultimate value of insurance liabilities in the estate.

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 of the administration.

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

Prior to the administration, the Company had been notified of a small number of potential outstanding claims from 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 £0.5 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 retained the Company's VAT registration at this stage and VAT returns will continue to be submitted on a quarterly basis.

Corporation Tax

A Corporation Tax return covering the administration period 12 October 2020 to 31 December 2020 has been submitted to HM Revenue & Customs in the period. No Corporation Tax was payable for this period. The Corporation Tax return for the period 1 January 2021 to 31 December 2021 will be prepared and submitted during 2022.

Other matters

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 Financial Conduct Authority and the Prudential Regulatory Authority (together "the Regulators") to provide information on the progress of the administration and submit relevant regulatory returns for the Company.

Creditors' Committee

There have been no changes to the constitution of the Creditors' Committee during the period.

The Joint Administrators consult with the Creditors' Committee at appropriate points in the administration to discuss administration strategy and allow creditors' views to be represented and considered. A fourth meeting of the Creditors' Committee took place in the period, on 2 November 2021, and a fifth meeting took place after the end of the Reporting period on 9 May 2022.

Proposed administration exit

The administration period for an insurance company 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, following stabilisation of the Company's operations, the Joint Administrators commenced assessment of the run-off options and have been considering and discussing these with their legal advisors, the FSCS, the Regulators and the Creditors' Committee during the reporting period.

The purpose of the discussions to date has been to explore and understand the key principles and/or requirements of the main stakeholders, which assist the Joint Administrators to determine the most appropriate option for a mechanism to bring the Company's run-off to an eventual and orderly close.

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.

Discussions in respect of the most appropriate run-off strategy remain ongoing but the Joint Administrators are hopeful of concluding these within the next couple of months.

The Joint Administrators will provide updates to the creditors as matters progress via the following website www.ey.com/en_uk/eastwestinsurance and/or in future progress reports.

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 £1.38 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 £3,003, 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 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, and approval of the Creditors' Committee, the Joint Administrators have drawn fees in the amount of £6 million from the Company's estate during the administration, representing 100% of the Joint Administrators' time incurred during the period 12 October 2020 to 17 September 2021 and 80% of the Joint Administrators' time incurred during the period 18 September 2021 to 28 February 2022.

The Joint Administrators' time costs incurred during the period were £1.8 million, which brings total time incurred from commencement of the administration to 11 April 2022 to £6.83 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	Previous periods: 12 Oct 2020 to 11 Oct 2021	Current period: 12 Oct 2021 to 11 April 2022	Total
Time incurred (£)	5,028,441	1,809,470	6,837,911
Fees drawn (£)	4,421,718	1,583,273	6,004,991

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.

Joint Administrators' fee estimates

Owing to the complexity of this large insolvency and a number of material uncertainties that existed at the outset of the administration, and continue to exist, it has been extremely difficult to estimate with any accuracy the work which will be required to be carried out by the Joint Administrators and their staff during the administration.

The Joint Administrators provided creditors with an initial fee estimate on 3 December 2020, estimating Joint Administrators' fees of £5.1 million for the period to 11 April 2023. A revised fee estimate for this period, representing an increase of £3.2 million, was subsequently prepared and was approved with the Creditors Committee on 2 November 2021. Details of the revised fee estimate, and a comparison with the initial fee estimate, were provided to creditors in the Joint Administrators' previous progress report dated 11 November 2021.

Appendix E contains a comparison of the revised fee estimate to 11 April 2023 and actual time costs incurred from 12 October 2020 (commencement of the administration) to 11 April 2022.

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.

From the date of our appointment to 11 April 2022, a total of £6.94 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.

As noted above, funds in the amount of £10 million are currently held in a separate ring-fenced bank account for the sole benefit of policyholders with a valid policy claim under a contract of building guarantee insurance who do not meet the FSCS eligibility criteria for the payment of their claims by the FSCS.

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 11 November 2022. 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.

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 2021 to 11 April 2022

Directors' Statement of Affairs	Notes	Previously reported total to 11 October 2021 £	12 October 2021 to 11 April 2022 £	Cumulative Total £
£ Receipts				
17,655,334		17,655,061	-	17,655,061
23,306,759	1	17,423,027	4,750,000	22,173,027
290,143	1	675,659	46,317	721,976
10,414		166,037	-	166,037
5,000,000	2	5,000,000	22,000,000	27,000,000
-		1,078	100	1,178
-		329,462	-	329,462
		3,175	10,788	13,963
46,262,650		41,253,499	26,807,205	68,060,704
 Payments				
	3	1,283,132	857,361	2,140,494
	3	25,377	18,854	44,231
	3	16,550	-	16,550
		159,943	-	159,943
		137,214	-	137,214
	4	163,419	220,033	383,452
		181,369	-	181,369
		48,648	-	48,648
	5	558,635	264,956	823,591
	6	175,987	9,333	185,320
		7,000	-	7,000
	7	35,136	5,733	40,869
		200,000	-	200,000
	8	4,421,718	1,583,273	6,004,990
		15,598	4,821	20,419
		15,734	362	16,096
	9	1,336,280	582,100	1,918,380
		8,781,741	3,546,827	12,328,568
				55,732,136
 Represented by:				
				14,774,668
				7,401,096
				7,401,062
				7,400,564
				7,400,564
				1,344,549
				10,009,633
Total cash balance	10			55,732,136

Notes

1. During the Period, £4.75 million of investments matured and £0.05 million of interest was earned on investments. The latest valuation for the remaining investments as at 31 March 2022 is £0.8 million. The investments portfolio is held by NEAM under an investment management agreement with the Company.
2. As per the Contribution Agreement with Zurich, the contribution amount of £22 million was received during the Period. Pursuant to the terms of the Agreement, £10 million is held in a ring-fenced Santander bank account for the benefit of those policyholders who do not meet the FSCS eligibility criteria for the payment of their claims by the FSCS.
3. Payment of fees and disbursements in relation to ongoing claims handling services provided by Weightmans and other third parties, including the services of IT providers required to maintain the claims management software, licence fees and land registry fees.
4. 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.
5. Legal fees paid for advising the Joint Administrators in relation to ongoing claims management and various legal matters arising in the administration.
6. 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.
7. Sundry expenses in the period relate to document and box storage costs
8. Joint Administrators' fees drawn for the post-administration period. Fees drawn in the Period relate to time costs incurred from 18 September 2021 to 28 February 2022.
9. EWIC is currently VAT registered but is not able to recover input VAT.
10. At 11 April 2022, £55.7 million of cash was held in the Company's bank accounts. Funds are separated into seven 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 2021 to 11 April 2022

Category of expense	Per estimate dated 3 December 2020 ⁷ £ (exc VAT)	Incurred in the period to 11 October 2021 £ (exc VAT)	Incurred in the period to 11 April 2022 £ (exc VAT)	Total incurred 12 October 2020 to 11 April 2022 £ (exc VAT)
<u>Administration costs</u>				
Alternative accommodation payments to be reimbursed by FSCS ¹	500,000	-	-	-
Bank charges	12,000	15,734	362	16,096
Investigation costs	1,200,000	-	-	-
Legal fees and expenses – claims and insolvency advice	1,950,000	558,635	264,956	823,591
Legal fees and expenses – recoveries	450,000	175,987	9,333	185,320
Legal secondments	600,000	-	-	-
Loss adjusters	1,500,000	163,419	220,033	383,452
NEAM fund management charges	45,000	15,598	4,821	20,419
Public Notices	1,000	-	-	-
Supplier payments including quantity surveyor/consultants	700,000	181,369	-	181,369
Sundry expenses including storage costs	60,000	35,136	5,733	40,869
Tax advisors	50,000	7,000	-	7,000
Third party claims handling service providers ⁴	1,890,000	1,325,059	876,216	2,201,275
Zedra escrow account fees	1,500	-	-	-
Indemnity costs to be reimbursed by FSCS ¹	-	-	-	-
<u>Scheme of Arrangement costs</u>				
Scheme of Arrangement planning legal costs	800,000	-	-	-
Total expenses	9,759,500	2,477,937	1,381,454	3,859,391
<u>Pre-administration costs</u>				
Joint Administrators' pre-administration costs	293,922	200,000	-	200,000
Legal fees and expenses – pre-administration	-	48,648	-	48,648
Total pre-administration costs	293,922	248,648	-	248,648
TOTAL EXPENSES	10,053,422	2,726,585	1,381,454	4,108,039
<u>Category 1 disbursements</u>				
Specific penalty bond	1,280	1,280	-	1,280
Regulatory checks	-	46	-	46
<u>Category 2 disbursements</u>				
Postage, photocopying and printing ²	60,000	1,674	3	1,677
Total disbursements³	61,280	3,000	3	3,003
TOTAL DISBURSEMENTS & EXPENSES⁴	10,114,702	2,729,585	1,381,457	4,111,042

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. 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.These disbursements have been incurred but not yet charged to the administration estate.
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 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 three lines which have individually exceeded the initial estimate:

- **Legal fees and expenses – pre-administration** – Please refer to the first progress report dated 10 May 2021 for further information.
- **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; and
- **Third party claims handling service providers** – At the time of preparing the estimate and based on the ARML run rate at the time and the assumption that ARML would remain involved. Since the preparation, a tender process was run and Weightmans LLP were selected as the Run-Off Manager and the monthly run rate due to the size of the team allocated to progress the claims portfolio is costing more than the original estimate.

Appendix D

East West Insurance Company Limited (in Administration)

Summary of the Joint Administrators' time costs incurred for the period from 12 October 2021 to 11 April 2022

	Hours by grade						Total hours	Total costs £	Avg hourly rate £/hour
	Partner	Director	Senior Manager	Manager	Executive	Analyst			
Asset realisations	23	-	73	103	102	31	332	168,965	509
Insolvency process	26	-	97	67	46	1	236	140,960	597
Dealing with creditors	10	-	2	8	2	-	22	15,190	700
Insurance run off	191	-	450	652	76	84	1,453	853,635	588
Management of Company's affairs	47	12	79	118	196	208	659	284,350	431
Strategy and planning	22	-	108	96	108	58	391	195,423	500
Administration closure and exit	65	-	109	33	2	-	209	150,948	723
Total	384	12	917	1,076	532	382	3,303	1,809,470	548

Total costs £	353,720	9,455	618,975	538,000	213,520	76,400	1,809,470
Avg hourly rate £/hour	925	775	675	500	401	200	548

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

Building a better working world

Summary narrative of Joint Administrators’ time costs incurred for the period from 12 October 2021 to 11 April 2022

Detailed fee reporting packs have been provided to the Creditors’ Committee covering all time costs incurred to 31 March 2022 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 £1.8 million. Set out below is a summary narrative of the significant areas of work in relation to which costs were incurred in the Reporting Period.

Type of work	Description of work completed during the period
Asset realisations	Tasks providing a direct benefit to creditors via asset realisations: <ul style="list-style-type: none"> • Finalising negotiations in respect of the agreement with Zurich and liaising with legal advisors and the FSCS in this respect, leading to receipt of £22m. • Assessing insurance claims and revising strategy for third party recovery or contribution claim prospects and evaluating cost-benefit, timing and probability of success. • 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. • 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. • Pursuing individual recovery action and contribution claims against third parties and Instructing solicitors to support certain recovery action. • 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. • Updating data, management information reporting and implementing robust standard operating procedures for recoveries.
Insolvency process	Tasks required by statute: <ul style="list-style-type: none"> • Reporting to creditors, including the progress reports. • Statutory filings at Companies House. • Preparing for and holding Creditors’ Committee meetings.
Dealing with creditors	Tasks providing a benefit to creditors: <ul style="list-style-type: none"> • Managing creditor enquiries received by email, telephone and post, including responding to and following up on any queries. • Reviewing and preparing correspondence to creditors and their representatives. • Updating EY webpage with information for creditors of the Company.
Insurance run off	Tasks providing a benefit to insurance creditors: <ul style="list-style-type: none"> • Revising operating model (and governance structure) after feedback from the FSCS and agreeing and implementing with Weightmans amended standard operating procedures for all aspects of the Company’s operations. • Overseeing claims processes for protected claims, including reviewing new and existing claims, correspondence with claimants and their legal representatives. • Ongoing correspondence with legal representatives of the Company and other involved parties regarding live litigation matters where action is required and organising books and records in relation to ongoing litigation. • Liaising with the FSCS regarding payments for eligible claimants and implementing appropriate reconciliation processes and controls. • Processing payments for loss adjusters and other third parties, such as fire experts.

Type of work	Description of work completed during the period
	<ul style="list-style-type: none"> • Holding regular meetings with claims handling service providers (Weightmans) and the FCSC to discuss the run-off position and progress. • Holding regular governance meetings with Weightmans and senior members of the Joint Administrators team to discuss policy and claim issues. At these meetings key issues are considered and instructions provided by the Joint Administrators team to Weightmans which ensures claims are progressed. • Attendance and oversight at briefings by Weightmans to the Joint Administrators regarding decisions that need to be made outside of the ROM role • Dealing with policyholder inquiries and complaints escalated by claims handling service providers.
<p>Management of the Company's affairs</p>	<p>Tasks providing an indirect benefit to creditors and required by statute:</p> <ul style="list-style-type: none"> • Managing the financial affairs of the administration, processing payments, updating internal accounting systems and preparing bank account reconciliations • Overseeing the investment portfolio and regular reporting to the Joint Administrators. • 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. • Liaising with the Regulators on matters arising during the administration and complying with regulatory requirements and submissions. • Liaising with public relations advisors and preparing responses to enquiries received from various media outlets.
<p>Strategy and Planning</p>	<p>Tasks providing an indirect benefit to creditors and required by statute:</p> <ul style="list-style-type: none"> • Overseeing activity across all workstreams, including review of management information and issue resolution. • Holding strategic team review meetings critical to achieve the purpose of the administration. • Reviewing of administration strategy through consultation with legal counsel. • Considering team structure and target operating model.
<p>Administration closure and exit</p>	<p>Tasks providing an indirect benefit to creditors and required by statute:</p> <ul style="list-style-type: none"> • Considering impacts of appropriate exit strategy options and liaising with legal advisors (including counsel) and preparing materials for meetings with the FSCS, the Regulators and the Creditors' Committee. • Preparation of further documents for the FSCS and Regulators explaining the multiple proposed exit strategies and impact on various stakeholders. • Meetings and discussions with FSCS and Regulators to explain proposed exit strategies and to seek their position on preferred proposal. • Preparation of indicative run-off forecasts for appropriate exit strategies.

Appendix E

East West Insurance Company Limited (in Administration)

Joint Administrators' fee estimate to 11 April 2023 and actual Joint Administrators' time costs incurred from 12 October 2020 to 11 April 2022

The following table includes the revised Joint Administrators' fee estimate through to 11 April 2023 and summarises the Joint Administrators' actual time costs incurred from 12 October 2020 (commencement of the Administration) to 11 April 2022.

	Revised fee estimate to 11 April 2023			Actual time costs to 11 April 2022		
	Total hours	Total fees £	Average hourly run rate £/hour	Total hours	Total fees £	Average hourly run rate £/hour
<u>Asset realisations</u>						
Third party contributions and/or recoveries	1,800	985,176	547	1,429	721,783	505
TOTAL	1,800	985,176	547	1,429	721,783	505
<u>Insolvency process</u>						
Initial letters and notices	224	89,473	400	224	89,473	400
Proposals, deemed consent and creditor consultation	320	174,339	545	297	156,950	528
CDDA and SIP2 compliance	200	92,297	461	210	99,155	473
Creditors' Committee	450	278,917	620	330	196,545	595
Reporting to creditors	400	213,506	534	256	132,488	517
Statement of Affairs	35	23,201	663	34	22,603	659
Insurance	2	1,210	605	2	1,210	605
TOTAL	1,631	872,943	535	1,353	698,423	516
<u>Dealing with creditors</u>						
Creditor enquiries and management	700	329,485	471	489	210,483	431
TOTAL	700	329,485	471	489	210,483	431
<u>Insurance run off</u>						
Claims litigation matters	310	206,064	665	249	157,845	634
Payment processes	610	260,724	427	519	230,760	445
Administrators' supervision of run off	1,660	971,720	585	1,843	1,009,435	548
Protected claims handling	2,830	1,687,004	596	2,698	1,553,813	576
Non-protected claims handling	420	274,273	652	226	139,105	617
Claims handling operations	1,060	644,968	608	955	579,895	607
TOTAL	6,890	4,044,753	587	6,490	3,670,853	566
<u>Management of Company's affairs</u>						
Accounting and treasury	590	235,319	399	851	304,338	358
VAT & Tax	325	191,088	588	282	154,218	546
Regulatory	450	274,591	610	293	159,860	545
Data & Software	150	90,585	604	103	55,235	537
Public relations	50	33,091	662	18	12,308	688
TOTAL	1,565	824,675	527	1,547	685,958	443
<u>Strategy and planning</u>						
Project management and statutory requirements	1,000	502,216	502	1,186	556,893	470
Joint Administrators' oversight	250	220,350	881	118	96,598	819
TOTAL	1,250	722,566	578	1,304	653,490	501
<u>Administration closure and exit</u>						
Exit planning	900	500,543	556	273	196,923	723
TOTAL	900	500,543	556	273	196,923	723
Total hours and fees estimate	14,736	8,280,141	562	12,884	6,837,910	526

Notes

1. The Joint Administrators provided creditors with an initial fee estimate on 3 December 2020. A revised fee estimate, representing an increase of £3.2 million, was subsequently prepared and was approved with the Creditors Committee on 2 November 2021. Details of the revised fee estimate, and a comparison with the initial fee estimate, were provided to creditors in the Joint Administrators' previous progress report dated 11 November 2021.
2. 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.
3. There are individual time categories within the larger time categories that are over their individual estimates (i.e. Administrators' supervision of run off, accounting and treasury and project management and statutory requirements) although the larger time categories remain below the estimate provided and accordingly, no revision to the estimate is being undertaken
4. 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, as approved by the Creditors' Committee, over the period is shown below.

Grade	Current hourly rate £/hour
Partner / Associate Partner	925
Director	775
Senior Manager	675
Manager	500
Executive	400
Analyst	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.