

TO ALL KNOWN CREDITORS

13 March 2024

Ref: RB/KH/PK/LM

Email: CXRe@uk.ey.com

Dear Sirs

CX Reinsurance 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-2020-003307

As you are aware, the Company entered administration on 17 August 2020 and Simon Edel and I 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 Schedule B1 to the Insolvency Act 1986. Under the terms of appointment, any act required or authorised to be done by the Joint Administrators can be carried out by any one of them.

In addition, a Chapter 15 Recognition Order (“Chapter 15 Order”) was granted by the US Bankruptcy Court on 8 October 2020 pursuant to which the Joint Administrators are recognised as the foreign representatives authorised to act on behalf of the Company for the duration of the Chapter 15 case.

I write, in accordance with Rule 18.3 of the Insolvency (England and Wales) Rules 2016, to provide creditors with a report on the progress of the administration. This report covers the period from 17 August 2023 to 16 February 2024 and should be read in conjunction with the Joint Administrators’ Statement of Proposals dated 7 October 2020 (“the Proposals”) and the Joint Administrators’ progress reports dated 16 March 2021, 16 September 2021, 16 March 2022, 16 September 2022, 16 March 2023 and 16 September 2023.

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

Copies of the above documents and other announcements are available at the following website: https://www.ey.com/en_uk/ey-cx-reinsurance-company-administration.

Summary of progress to 16 February 2024

During the period, progress has continued in planning for a proposed Scheme of Arrangement (pursuant to Part 26 of the Companies Act 2006) (“the proposed Scheme”) to enable a conclusion of the run-off and future distribution to creditors. Additional US legal advice received during the period has led to significant work, including further discussions with the New York State Department of Financial Services (“DFS”), to identify a viable approach to deal with the US Trust Funds within the mechanisms of the proposed Scheme, as far as possible.

Updated Scheme documentation to reflect these developments has been prepared in the period and, as discussed further below, the Joint Administrators' intention remains to issue documentation to creditors setting out the proposed terms of the Scheme and the relevant voting procedures within the first six months of 2024.

Further details regarding this and the estimated timeline are provided below.

Proposed Scheme of Arrangement

As mentioned above, the Joint Administrators consider that a proposed Scheme is the most appropriate process to bring finality to the run-off and enable a distribution to creditors in due course. As creditors are aware, given the claims against the Company arise both in the UK and the United States ("US"), US legal advice on recognition and structuring of a UK Scheme is required to be considered and the Joint Administrators have sought an independent US legal opinion with regard to the treatment of the US Trust Funds within the context of the proposed Scheme.

Further to the advice received, additional consideration was required with respect to the treatment of the US Trust Funds and creditors who may be beneficiaries of the US Trust Funds, within the proposed Scheme. A revised approach was subsequently discussed with the DFS in late 2023. Further to discussions which have followed, it is apparent that any inclusion of the US Trust Funds within the proposed Scheme is complex and may delay initiating the proposed Scheme.

Our legal advisors will continue to engage with the DFS in order to determine an appropriate resolution for those creditors with claims against the US Trust Fund assets in the context of the proposed Scheme. In the meantime, our UK legal advisors have provided a revised draft of the Scheme documentation which is due to be shared and discussed with the Creditors' Committee at the next meeting, due to be held in April 2024.

Following the discussions with the Creditors' Committee, it is anticipated that the Joint Administrators will be able to recommence discussions with the UK Regulators in Q2 2024 with the aim of issuing Scheme documentation to creditors by 30 June 2024 to enable a creditors' meeting and sanction hearing in Q3 2024.

Further information regarding the proposed Scheme, including the process for voting, will be issued by the Joint Administrators to all known potential creditors as soon as practicable.

Asset Recoveries

In addition to the Scheme preparation, progress has continued to be made in realising the remaining assets of the Company. Further information in this regard is provided below.

Debt Purchase Assets and Reinsurance Debtors

A total of \$12,399, relating to a final distribution from the insolvency proceedings of a long-standing debtor, was recovered in the reporting period.

A further c.\$1.6m of debt purchased assets remain outstanding, of which \$0.9m is currently estimated to be recoverable during 2024. As part of the preparations for the proposed Scheme, we will consider options to accelerate realisation of value from these assets.

As previously reported, estimates for the potential future debt purchase recoveries are refreshed on a quarterly basis and as new information becomes available. The matters that impact the recoverability of the remaining debts are outside of the Joint Administrators' control and, therefore, actual amounts recovered in due course and the timing of receipts may differ from current estimates.

We have conducted a review of the position with regards to the recovery of various reinsurance debtors during the period and although the Joint Administrators expect any cash recoveries to be minimal, there is a potential balance that may be recoverable through offset to creditor claims as part of the proposed Scheme.

Other recoveries

Interest in the sum of €1,198 was collected during the period in respect of interest earned on retained reserves held by certain agents and brokers on behalf of the Company.

Treasury Management

As of 31 January 2024, non-trust investments comprised of bonds with a net book value of \$821k were held by the Company's custodian, State Street Corporation ("State Street").

No non-trust investment maturities took place in the reporting period and, as mentioned in previous reports, with the exception of investment maturities totalling c.\$301k due in March and June 2024, all other remaining non-trust investments mature beyond the current timeline for the conclusion of the administration. A review of available options to realise cash for the remaining assets will be carried out following the maturity in early Q3 2024 as part of the proposed Scheme planning process.

The Joint Administrators monitor short term, low risk investment options for the funds held in each currency in the estate and, where appropriate, place funds on short-term treasury deposit accounts to maximise interest income. Interest income received in the reporting period in this regard was \$71,243 and £2,651.

Trust Fund arrangements

As creditors are aware, the Company is party to two trust fund arrangements in the US, a Surplus Line Trust and a Reinsurance Trust (together "the US Trust Funds"), which hold investment portfolios with combined assets valued at USD c.\$16.85m as of 31 January 2024.

As discussed above, the Joint Administrators are continuing to liaise with US legal advisors and the DFS in order to determine an appropriate suitable strategy for dealing with the US Trust Funds in the context of the proposed Scheme.

In this period, fees in the amount of \$34,798 were paid from the administration estate to Blackrock, who provide asset management and accounting services to the Company, in respect of the US Trust funds.

SICAV arrangements

As previously reported, the Company is party to 'Société d'investissement à Capital Variable' ("SICAV") arrangements with Natixis Bank based in France which holds security over cash set aside for certain creditors within France. As of 31 January 2024, the cash held totalled c.€363k.

Based on recent correspondence with Natixis Bank, it is understood that the potential liabilities of the creditors for whom the security is held are currently estimated to be greater than the value of the assets in the SICAVs. Accordingly, it is not expected that there will be any realisable surplus funds from the SICAVS for the general estate.

The liabilities associated with the SICAVs will be reviewed and valued as part of the proposed Scheme, at which point any potential surplus can be reconsidered.

Liability Management

As noted above, the Joint Administrators consider that a Scheme which establishes a claims bar date, proving process and valuation methodology is the appropriate mechanism to bring finality to the run-off and enable a distribution to creditors. In the meantime, the Joint Administrators continue to assess liabilities of the Company, where possible, in preparation for the claim valuation process within the Scheme.

Litigation

As previously reported, the Company remains party to litigation cases in the US Courts, and the Chapter 15 Court Order granted on 8 October 2020 remains in place to protect the Company's US estate. During the administration period, the Company has also received notification that it is subject to a potential litigation matter in the French Courts.

The table below summarises the current status of these matters.

Status	Matters
Concluded/Concluding (either via settlement, dismissal, a final judgement or cessation of litigation)	21
Not pursued further by the claimant	6
Stayed	2
Awaiting final outcome (from either trial or settlement discussions)	10
Live	-
Total Matters	39

For the avoidance of doubt, with exception to the matters discussed below and in our previous progress reports, matters that have been classed as having been concluded through settlement have been done so as part of a market-wide settlements and in accordance with the automatic stay imposed through the Chapter 15 Bankruptcy Order. Claims are anticipated to be submitted in due course within the Scheme in respect of any amounts due from the Company as a result of those matters.

During the period, the Joint Administrators, with the assistance of legal advisors and an insurance claims specialist, have assessed the matters for which a final outcome is awaited and are considering whether it would be beneficial to the Company's creditors as a whole to agree certain claim values in advance of the Scheme. Otherwise, it is anticipated that all other matters will be valued and concluded as part of the Scheme.

As referenced above, the Joint Administrators were previously made aware of a potential litigation matter in the French Courts to which certain parties were attempting to involve the Company. We have engaged French legal advisors to represent the Company at certain hearings within the French Courts. At this

point, the Company has not been formally brought into the respective proceedings and we await a further hearing date in the coming months for any further updates.

Each situation will continue to be assessed on its relative merits, taking into account the costs and benefits to the estate.

Legal fees

Legal fees in the sum of £54,726 have been paid in the period to US counsel primarily for advice in relation to strategy and preparation for the proposed Scheme including the treatment of the US Trust Funds, Bankruptcy Law requirements and engagement with the DFS and State Street, as trustee. They have also advised on matters relating to certain litigation and the subsequent Chapter 15 requirements.

Further fees in the sum of \$38,431 have been paid in the period to US insurance counsel for advice regarding strategy for the proposed Scheme, specifically in relation to resolving various difficulties associated with the US Trust Funds.

In addition, legal fees in the sum of £20,542 have been paid in the period to UK Counsel in relation to strategy, planning and preparation of documents for the proposed Scheme. Legal fees in the sum of £36,844 have additionally been paid to UK Counsel, \$29,323 to various other US attorneys and €13,159 to EU attorneys for advice relating to the administration and the litigation matters referenced above.

Run off Operating model

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

The Company continues to employ two members of staff, one full time and one part time. This is subject to the Company's operational needs and will continue to be monitored by the Joint Administrators throughout the administration and any subsequent proposed Scheme.

During this reporting period, a total of £145,749 has been paid in respect of the Company's staff, consisting of salaries, employer taxes and pension contributions.

Outsource providers

Various outsource providers continue to provide services to the Company both in respect of the ongoing operations of the runoff and in preparation for the proposed Scheme. Total costs of £40,038 have been paid in the period in this regard. Of this amount, £17,376 relates to tax and accounting services provided by Lee-Anne van Heusden Limited ("LVHL") to meet the Company's accounting and reporting requirements and £20,022 related to services provided by SNL Consultants Limited ("SNL") relating to claims analysis in preparation for the proposed Scheme.

When the Company's claims management system was initially launched in 2022, a three-year licensing agreement was agreed with Espire Infolabs Limited ("Espire") which is due to expire in March 2024. Discussions are ongoing in relation to an extension of these services as use of the system is critical to the efficient implementation of the proposed Scheme.

The Company's books and records, including US claim files, are retained in line with statutory requirements, and total costs of £7,980 and \$600 have been paid in this respect to the storage facilitators in the UK and US.

VAT

Input VAT in the amount of £32,232 has been incurred by the Company in respect of expenses incurred and paid in the period.

VAT returns for all periods to 30 November 2023 have been filed with HMRC and VAT refunds in the amount of £19,157, in respect of these returns, have been received in this reporting period.

As previously advised, an element of the costs incurred in the US are subject to a UK VAT reverse charge which is accounted for as an expense of the estate.

Corporation Tax

A Corporation Tax return for the period 1 January 2022 to 31 December 2022 has been filed with HMRC during this reporting period. No tax liability arose in respect of this return as the Company incurred a trading loss in the period. The Joint Administrators will work with LVHL and EY Tax colleagues in order to prepare and submit a Corporation Tax return for the period 1 January 2023 to 31 December 2023 in advance of the statutory deadline.

Regulatory Engagement

The Company remains a regulated insurance company and must comply with various regulatory requirements. The Joint Administrators provide updates to the Prudential Regulatory Authority and Financial Conduct Authority on the progress of the administration as and when appropriate.

The Joint Administrators will re-engage discussions with UK Regulators in the coming months regarding approval of the proposed Scheme. As mentioned above, we will remain in dialogue with them, the DFS and all other US regulatory bodies, as required, throughout the remainder of the administration to ensure the Scheme complies with the necessary requirements in both the UK and the US.

Creditors' Committee

There have been no changes to the constitution of the Creditors' Committee in the reporting period. The eighth meeting of the Creditors' Committee is due to take place during April 2024.

Receipts and payments account

A summary of the Joint Administrators' receipts and payments for the reporting period from 17 August 2023 to 16 February 2024, and cumulatively from the commencement of the administration 17 August 2020 to 16 February 2024, is attached at Appendix B. The Joint Administrators' receipts and payments account is a statement of cash received and cash paid out and does not reflect estimated future realisations or costs.

To provide greater transparency for creditors in respect of the receipts and payments in the estate, the Joint Administrators have determined that it is more appropriate to present receipts and payments accounts for each of the three primary currencies which the Company has transactions in (pound sterling, US dollar and euro) rather than consolidating these into pound sterling which gives rise to presentational foreign exchange gains or losses.

Joint Administrators' remuneration and disbursements

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 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.

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 'A Creditors' Guide to Administrators' Fees' referred to above.

As previously reported, owing to the complexity of this insolvency and a number of material uncertainties that existed at the outset of the administration, the Joint Administrators' total time incurred to date has exceeded the initial fee estimate dated 7 October 2020 ("fee estimate"). As a result, the Joint Administrators are required to agree a revised fee estimate with the Creditors Committee before drawing any fees in excess of the initial fee estimate.

As creditors may recall, discussions regarding a revised fee estimate were postponed until the additional legal advice regarding the treatment of the US Trust Funds in the proposed Scheme was known. As the additional advice has now been received and the Joint Administrators plan on issuing the proposed Scheme documentation in the coming months, it is anticipated that a revised fee estimate will be presented to the Creditors' Committee as part of the discussions at the upcoming meeting.

During the period covered by this report, the Joint Administrators have incurred time costs in the amount of £541,860 of which none have been drawn.

An analysis of the time spent in the period, a comparison with the initial fee estimate dated 7 October 2020, and summary of the tasks undertaken is attached at Appendix D to this report. Appendix D also provides a statement of the Joint Administrators' policy in relation to charging time and expenses.

The below table summarises the cumulative time incurred by the Joint Administrators and their staff and amounts drawn to date from the estate.

	Previously reported £	Drawn in period	Time incurred during the reporting period £	Total
Time incurred (£)	4,848,988	-	541,860	5,390,848
Fees drawn (£)	3,998,011	-	-	3,998,011
To be billed (£)	518,902	-	-	518,902
Subject to Creditors' Committee approval	332,076	-	541,860	873,936

To date, the Joint Administrators have incurred Category 1 and 2 expenses amounting to £15,447, of which £41 has been incurred in the reporting period, and expenses in the amount of £15,188 have been drawn from the estate to date in accordance with approval of the Creditors' Committee. An analysis of the expenses paid to date is set out in Appendix C of this report.

Joint Administrators' statement of expenses incurred

During the period covered by this report, expenses totalling £402,362 (made up by £308,849, \$103,501 and €13,162) (net of VAT and excluding Joint Administrators' fees and Category 1 and 2 expenses) have been paid to third parties in administering the Company's estate. A breakdown of expenses incurred in this period is enclosed at Appendix C.

Expenses have further exceeded the estimate contained in the statement of expenses dated 7 October 2020, primarily due to the additional operational costs incurred as a result of the extension to the administration and US and UK legal fees incurred in providing assistance to the Joint Administrators in planning for the Scheme and resolving the complexities surrounding the US Trust Funds. An explanation of the reasons why these costs have been incurred are provided in Appendix C and described in our previous reports.

Similar to the Joint Administrators' fee estimate, a revised estimate of expenses will be shared with the Creditors' Committee, and subsequently communicated to all other creditors in the next progress report.

Distributions to creditors

As insurance policyholders are aware, the administration of the Company does not terminate or cancel a policyholder's contract of insurance (unless specifically stated in their policy). Accordingly, claims continue to be directed to the Company in the normal course.

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 Direct Insurance creditors have priority over other classes of unsecured creditors, including Reinsurance Creditors.

As noted above, it is anticipated that creditors' claims will be valued as part of the claim valuation process within the proposed Scheme. Given the lack of direct market updates on claims development available to the Company as a result of its insolvent status, material uncertainties remain in relation to the quantum of liabilities that could arise and, therefore, the subsequent value of distributions to any class of creditors.

A specialist contractor has been engaged to continue investigating these material uncertainties and obtain any updates on the expected quantum of market claims, where possible, in preparation for the proposed Scheme. The Company has also obtained an updated independent actuarial assessment of its claim reserves for the purpose of the proposed Scheme – the previous estimate was undertaken by the Company as at 31 December 2019. Further information in this respect will be included within the proposed Scheme documentation.

Next report

I will report to you again in six months' time by 16 September 2024. The report will be shared with creditors by publication on the Company's website unless individual creditors have opted to receive reports by post.

Should you have any queries, please contact the Joint Administrators by emailing CXRe@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 and Foreign Representatives (in respect of the Company's US estate), 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 Administrators' appointment. The Office Holder Data Privacy Notice can be found at www.ey.com/uk/officeholderprivacy.

Appendix A

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 and Companies (ChD)
Court reference number:	CR-2020-003307
Company registered number:	01086556
Registered name of the company:	CX Reinsurance Company Limited
Registered office address of the company:	Ernst & Young LLP, 1 More London Place, London, SE1 2AF
Former principal trading address (if different from above):	118 Pall Mall, London United Kingdom, SW1Y 5ED
Name(s) and address(es) of Joint Administrator(s):	Richard Barker and Simon Edel Ernst & Young LLP, 1 More London Place London, SE1 2AF
Office holder number(s):	17150 / 9810
Division of Administrators' responsibility:	Any of the functions to be performed or powers exercisable by the Joint 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:	CXRe@uk.ey.com
Prescribed Part	The Joint 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 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

Joint Administrators' Summary of Receipts and Payments from 17 August 2023 to 16 February 2024 - GBP

	Notes	Statement of Affairs GBP £	Amounts as at 17 August 2023 GBP £	Movement in period to 16 February 2024 GBP £	Amounts as at 16 February 2024 GBP £
RECEIPTS					
Assets subject to fixed charge	5	18,364,117	-	-	-
Surplus from Trust Assets		-	488,584	-	488,584
Cash at Bank	4	745,513	89,363	-	89,363
Investments		9,277,715	2,307,832	-	2,307,832
Prepayments and accrued interest		172,549	-	-	-
Debt Purchase		2,362,893	505	-	505
Reinsurers share of technical provisions		361,888	-	-	-
Trade Debtors		2,582,193	-	-	-
Loss Fund & Premium Recoveries		-	1,680	-	1,680
Recoveries from surrendered losses		-	388,850	-	388,850
Pre-appointment VAT refunds		-	13,814	-	13,814
VAT Repayment Supplement		-	18,932	-	18,932
Investment Income and Bank Interest		-	2,832	2,654	5,486
FX Transfers from currency accounts		-	4,665,727	344,975	5,010,702
Total Receipts		33,866,868	7,978,120	347,629	8,325,749
PAYMENTS					
Staff costs		-	(872,580)	(145,749)	(1,018,329)
Outsource Providers		-	(707,578)	(40,038)	(747,616)
Systems Transformation		-	(498,057)	-	(498,057)
Software Licensing		-	(7,303)	(2,810)	(10,113)
IT Systems		-	(23,218)	(139)	(23,357)
Storage Charges		-	(32,387)	(7,980)	(40,367)
US Legal fees & Expenses		-	(757,640)	(54,726)	(812,366)
UK Legal fees & Expenses		-	(169,987)	(36,844)	(206,830)
UK Scheme of Arrangement Fees & Expenses		-	(65,534)	(20,542)	(86,075)
Pre-Appointment Administrators' Fees		-	(45,000)	-	(45,000)
Post-Appointment Administrators' Fees		-	(3,998,011)	-	(3,998,011)
Post-Appointment Administrators' Disbursements		-	(15,188)	-	(15,188)
Sundry Expenses		-	(4,353)	-	(4,353)
Corporation Tax		-	(300)	-	(300)
Input VAT incurred	7	-	(530,177)	(13,074)	(543,251)
Bank Charges		-	(196)	(21)	(217)
Total Payments		-	(7,727,507)	(321,923)	(8,049,430)
Net Receipts/(Payments)		33,866,868	250,613	25,706	276,319
Cash Balance as at 16 February 2024					276,319

Appendix B

Joint Administrators' Summary of Receipts and Payments from 17 August 2023 to 16 February 2024 – US Dollar

	Notes	Amounts as at 17 August 2023	Movement in period to 16 February 2024	Amounts as at 16 February 2024
		US \$	US \$	US \$
RECEIPTS				
Assets subject to fixed charge	5	-	-	-
LOC Surplus		530,760	-	530,760
Cash at Bank	4	821,849	-	821,849
Investments		5,043,193	403	5,043,596
Debt Purchase		2,936,142	12,340	2,948,481
Escrow Fund Recoveries		73,941	-	73,941
Loss Fund & Premium Recoveries		34,472	-	34,472
Refund of Pre-Appointment Legal Fees		5,941	-	5,941
Investment Income and Bank Interest		205,438	117,034	322,472
Total Receipts		9,651,736	129,776	9,781,512
PAYMENTS				
Outsource Providers		(36,679)	-	(36,679)
Storage Charges		(12,563)	(600)	(13,163)
US Legal fees & Expenses		(233,924)	(38,431)	(272,355)
Legal Costs - Various Attorneys		(268,350)	(29,323)	(297,673)
US Legal Settlement payment		(172,867)	-	(172,867)
US Chapter 15 Bankruptcy Noticing Agent		(62,206)	-	(62,206)
US Trust & Non-Trust Fees		(267,451)	(34,798)	(302,249)
Input VAT incurred	7	(46,785)	-	(46,785)
Bank Charges		(3,529)	(348)	(3,877)
Total Payments		(1,104,353)	(103,501)	(1,207,853)
Net Receipts/(Payments)		8,547,383	26,275	8,573,658
FX Transfer to GBP account	6	(2,590,000)	(300,000)	(2,890,000)
Net Receipts/(Payments)		5,957,383	(273,725)	5,683,658
Cash Balances as at 16 February 2024				5,683,658
GBP Equivalent value as at 16 February 2024	3			4,516,575

Joint Administrators' Summary of Receipts and Payments from 17 August 2023 to 16 February 2024 – Euro

	Notes	Amounts as at 17 August 2023 €	Movement in period to 16 February 2024 €	Amounts as at 16 February 2024 €
RECEIPTS				
Cash at Bank	4	41,962	-	41,962
Investments		2,496,151	-	2,496,151
Debt Purchase		238,157	-	238,157
Escrow Fund Recoveries		456	-	456
Loss Fund & Premium Recoveries		351,036	1,198	352,234
Total Receipts		3,127,763	1,198	3,128,961
PAYMENTS				
Legal Costs - Litigation matters		(6,387)	(8,000)	(14,387)
Legal Costs - Debt recovery		(33,694)	(5,159)	(38,853)
Bank Charges		(48)	(3)	(51)
Total Payments		(40,129)	(13,162)	(53,291)
Net Receipts/(Payments)		3,087,634	(11,964)	3,075,670
FX Transfer to GBP account	6	(2,907,423)	(125,000)	(3,032,423)
Net Receipts/(Payments)		180,211	(136,964)	43,247
Cash Balance as at 16 February 2024				43,247
GBP Equivalent value as at 16 February 2024	3			37,017

Appendix B

Notes

1. Receipts and payments are stated net of VAT.
2. Statement of Affairs balances are shown in GBP.
3. At the date of administration, the Company held assets predominantly in GBP and USD. Whilst in previous reports the receipts and payments accounts were reported in a consolidated GBP position, the receipts and payments accounts are now shown by individual currency with the net cash balance translated to GBP for each currency using the Bank of England exchange rate at the period end date (GBP 1: USD 1.2584 and GBP 1: EUR 1.1683). This change has been made in accordance with the principles of Statement of Insolvency Practice 7 with a view to provide creditors clear and informative information and to help them understand the nature and accurate amounts of receipts and payments void of fluctuation in exchange rates.
4. Cash at bank is held in bank accounts in the Company's name controlled by the Joint Administrators. The receipts and payments reflect transactions through these accounts only.
5. Certain of the Company's assets are held by third parties in accounts in the name of the Company and over which the Joint Administrators have authority to act. These balances include:
 - a. Assets held with State Street, valued as at 31 January 2024:
 - i. Assets subject to a fixed charge – USD 16,855,454
 - ii. Unencumbered non-trust investments – USD 900,664
 - b. Assets held with Natixis, valued as at 31 January 2024
 - iii. Assets subject to a fixed charge – EUR 362,942
6. FX transfers reflect the transfer of funds held in the foreign currency bank accounts into Sterling accounts to as part of treasury management.
7. Input VAT incurred includes all input VAT and VAT reverse charges less VAT recoveries received from HMRC based on the Company's partial recovery rate. Further details can be found within the body of the report.

Appendix C

Summary of the Joint Administrators' expenses incurred for the period to 16 February 2024

Category of Expense	Per estimate dated 7 October 2020 £ (exc VAT)	Total paid to 16 August 2023 £ (exc VAT)	Paid in period to 16 February 2024 £ (exc VAT)	Total paid to 16 February 2024 £ (exc VAT)
Payments made from the estate which are not expenses (see notes 1 and 2)				
Employee wages & salaries	765,000	810,085	135,024	945,109
Employee pension contributions	49,000	62,495	10,725	73,220
Service & overhead costs - TAL	100,000	70,662	-	70,662
Service costs - Pro	610,000	367,709	1,920	369,629
Specialist Contractors	-	116,376	20,022	136,398
IT & Finance Systems	125,000	568,713	2,949	571,662
Tax & Accounting Service Contractors	-	145,056	17,940	162,996
Insurance	6,000	2,343	-	2,343
UK Legal fees & Expenses - Stevens & Bolton	125,000	169,311	36,844	206,155
UK Legal fees & Expenses - Other Law firms	-	675	-	675
US Legal fees & Expenses- Fried Frank	450,000	927,395	54,726	982,121
US Legal fees & Expenses - Insurance specialists	-	-	30,540	30,540
US Legal costs - various US attorneys	Uncertain	213,670	23,302	236,972
US Legal Settlement	-	-	-	-
UK Scheme of arrangement legal fees	250,000	65,534	20,542	86,076
US Scheme of arrangement legal fees	125,000	-	-	-
UK Scheme of arrangement legal fees - Counsel	100,000	-	-	-
EU Legal costs - various attorneys	-	23,129	11,264	34,393
Agent Fees and expenses- Epiq (Notice Agent)	25,000	47,320	-	47,320
Agent Fees- Abacus (Payroll Agent)	6,000	834	156	990
Bank & Interest Charges	5,000	2,938	300	3,238
US Trust Fund - Regulator Fees	-	4,950	-	4,950
Fund manager costs- Blackrock & State Street	145,000	130,482	27,653	158,135
Storage Costs	3,000	44,026	8,457	52,483
Sundry expenses	5,000	87	-	87
Corporation Tax Penalty	-	300	-	300
Total	2,894,000	3,774,090	402,362	4,176,452
Pre-Appointment Costs				
Pre-Appointment Administrators Fees	49,988	45,000	-	45,000
Total pre-appointment costs	49,988	45,000	-	45,000
TOTAL	2,943,988	3,819,090	402,362	4,221,452
Category 1 expenses				
Specific penalty bond	1,280	1,280	-	1,280
External photocopying, printing & courier	2,000	7,885	-	7,885
Public Notices	1,000	95	-	95
Category 2 expenses				
Printing, postage & shipping	-	5,928	-	5,928
Stationary & hardware	-	-	-	-
Mileage	1,000	-	-	-
Total category 1 & 2 expenses	5,280	15,188	-	15,188
TOTAL EXPENSES	2,949,268	3,834,278	402,362	4,236,640

Notes

- Expenses comprise sums paid or to be paid to third parties and sums paid or payable to the Joint Administrators' firm in respect of out-of-pocket expenses and costs which include an element of shared or allocated costs.
- The table details the expenses expected to be incurred during the administration, which was originally estimated at £2,949,268 plus VAT per the fee and expenses estimate dated 7 October 2020, comprising pre-administration costs and expenses of the administration. Please note, there are some costs that we were and continue to be unable to estimate, such as legal costs for US attorneys.

3. Total expenses incurred and paid to date have exceeded the original expenses estimate and an explanation is, therefore, provided below for those expenses which were either not included in or have individually exceeded the estimate dated 7 October 2020. We are in discussions with the Creditors' Committee in respect of the revised fee estimate which is being prepared and will include an estimate for future expenses.
4. The costs detailed in the table are reported as at the date incurred and these figures are subject to FX fluctuations.

▶ **Employee wages, salaries & pension costs**

As noted above, the estimate of expenses provided for costs for the initial administration period to 17 February 2023. As the administration has been extended, additional costs have been incurred to maintain the Company's operations, including employee costs.

▶ **IT & Finance Systems – Part of the new IT Systems**

As highlighted in previous reports, IT & Finance Systems costs relate to the costs payable to Espire and other software firms in relation to the development of the new IT system required to ensure operational continuity of the Company's claims management activities.

▶ **Specialist Contractors – Part of the new IT Systems**

Services provided by an external system development specialist to assist with the development and onboarding of the new IT system as mentioned above.

▶ **Tax & Accounting Services Contractors**

Service costs incurred by an external contractor in relation to monthly financial accounting and reporting tasks, and submission of the tax filings for the Company. As noted above, as the administration has been extended, additional operational costs, such as tax and accounting costs, have been incurred to maintain the Company's operations.

▶ **Storage Costs**

Storage costs payable to third-party storage providers for Company books and records, required to be held by the Joint Administrators for statutory reasons.

▶ **Legal costs**

Legal costs relate to costs incurred for advice on the key litigation matters that the Company has been involved in, including the impact of Chapter 15 Bankruptcy on these matters; the apostilling of the Administration documents; the court application for the extension of the administration period; communication with the US regulators and additional advice required to be sought from US insurance legal specialists with regards to the scheme design and implementation, including the treatment and mechanics of the US trust funds in line with Bankruptcy Law; and drafting of the Scheme documentation and rules.

▶ **Notice Agent costs**

Costs incurred issuing notices to US creditors in relation to US litigations as required by Chapter 15 Bankruptcy Requirements.

Summary of the Joint Administrators' time costs incurred for the period from 17 August 2023 to 16 February 2024 and cumulative to date

	Previous reporting period 17 Feb 2020 to 16 August 2023		This reporting period 17 Aug 2023 to 16 February 2024									Cumulative Total			Per Estimate dated 7 Oct 2020			
	Total hours	Total Cost (£)	Partner	Director	Assistant director	Manager	Executive	Analyst	Total hours	Time Cost (£)	Average Hourly Rate	Total hours	Total Cost (£)	Average Hourly Rate	Total Estimated hours	Total Estimated Cost (£)	Average Hourly Rate	
Realisation of assets																		
Trust assets	344.8	194,290	3.6	6.0	1.5	18.6	9.4	7.1	46.2	24,613	533	391.0	218,903	560	310.0	175,050	565	
Debt purchases	190.2	79,829	0.1	-	-	1.2	10.6	1.1	13.0	5,163	397	203.2	84,992	418	209.0	91,643	438	
Reinsurance and other debtors	158.4	61,367	0.2	-	0.9	8.7	14.5	2.1	26.4	11,716	444	184.8	73,083	395	209.0	91,643	438	
Loss fund and premium refunds	19.1	7,817	-	-	-	-	1.3	-	1.3	507	390	20.4	8,324	408	209.0	91,643	438	
Treasury management	329.2	158,812	0.6	2.0	0.3	-	33.3	10.4	46.6	17,879	384	375.8	176,691	470	220.0	101,310	461	
Subtotal	1,041.7	502,115	4.5	8.0	2.7	28.5	69.1	20.7	133.5	59,877	449	1,175.2	561,992	478	948.0	459,645	485	
Insolvency process																		
Initial letters and notices	158.4	66,557	-	-	-	-	-	-	-	-	-	158.4	66,557	420	160.0	76,985	481	
Proposals, decisions procedure and creditor consultation OR	157.8	78,970	-	-	-	-	-	-	-	-	-	157.8	78,970	500	155.0	79,325	512	
CDDA and SIP2 compliance	93.8	36,107	-	-	-	-	-	-	-	-	-	93.8	36,107	385	125.0	54,375	435	
Creditors' Committee	643.7	331,128	1.3	-	1.6	11.4	15.8	0.1	30.2	14,679	486	673.9	345,807	513	360.0	191,225	531	
Reporting to creditors	717.6	290,340	5.8	-	7.5	16.0	82.2	8.1	119.6	53,023	443	837.2	343,363	410	281.5	132,883	472	
Other statutory and compliance	73.8	28,258	-	-	-	-	-	-	-	-	-	73.8	28,258	383	143.0	61,690	431	
Statement of Affairs	9.9	4,633	-	-	-	-	-	-	-	-	-	9.9	4,633	468	13.0	6,200	477	
Insurance	9.0	3,788	-	-	-	-	-	-	-	-	-	9.0	3,788	421	16.0	6,215	388	
Subtotal	1,864.0	839,780	7.1	-	9.1	27.4	98.0	8.2	149.8	67,702	452	2,013.8	907,482	451	1,253.5	608,898	486	
Dealing with creditors																		
Creditor enquiries and management	417.5	130,733	-	-	0.1	2.0	1.3	64.7	68.1	17,845	262	485.6	148,578	306	300.0	135,350	451	
Subtotal	417.5	130,733	-	-	0.1	2.0	1.3	64.7	68.1	17,845	262	485.6	148,578	306	300.0	135,350	451	
Insurance run off																		
Employees and Board	350.4	150,661	0.7	-	-	2.3	8.7	12.2	23.9	8,366	350	374.3	159,027	425	246.0	110,530	449	
Receipts and payments	773.1	245,549	-	-	-	0.2	25.0	114.8	140.0	38,560	275	913.1	284,109	311	354.5	153,823	434	
Administrators' supervision of run off	1,388.1	710,000	2.6	-	8.1	51.4	55.8	5.2	123.1	58,839	478	1,511.2	768,839	509	357.0	185,785	520	
Subtotal	2,511.6	1,106,210	3.3	-	8.1	53.9	89.5	132.2	287.0	105,765	369	2,798.6	1,211,975	433	957.5	450,138	470	
Management of Company's affairs																		
Accounting and treasury	528.2	225,193	5.2	-	5.2	0.8	98.2	-	109.4	46,876	428	637.6	272,069	427	249.5	106,773	428	
Pensions	25.2	10,453	-	-	-	-	-	-	-	-	-	25.2	10,453	415	115.0	54,290	472	
VAT & Tax	868.7	414,027	4.8	7.0	22.6	55.0	56.0	63.1	208.5	91,892	441	1,077.2	505,919	470	292.5	147,525	504	
Regulatory (UK & US)	276.6	143,950	-	-	1.2	-	0.6	0.7	2.5	1,159	-	279.1	145,109	520	315.0	201,775	641	
Chapter 15	61.6	33,688	-	-	-	-	-	-	-	-	-	61.6	33,688	547	317.5	160,663	506	
Claims litigations matters	1,597.2	719,201	0.7	-	4.5	17.9	47.4	57.2	127.7	46,102	361	1,724.9	765,302	444	515.0	275,500	535	
Data & Software	288.6	143,186	-	-	-	2.8	2.0	2.2	7.0	2,870	410	295.6	146,056	494	172.5	81,838	474	
Subtotal	3,646.1	1,689,697	10.7	7.0	33.5	76.5	204.2	123.2	455.1	188,899	415	4,101.2	1,878,596	458	1,977.0	1,028,363	520	
Scheme of arrangement																		
Scheme of arrangement	724.2	389,536	20.5	-	18.4	41.1	46.3	-	126.3	71,432	566	850.5	460,968	542	3,155.0	1,750,500	555	
Subtotal	724.2	389,536	20.5	-	18.4	41.1	46.3	-	126.3	71,432	566	850.5	460,968	542	3,155.0	1,750,500	555	
Strategy and planning																		
Project management and administration oversight	413.8	190,922	-	-	-	-	-	77.8	77.8	30,342	390	491.6	221,264	450	252.0	175,595	697	
Subtotal	413.8	190,922	-	-	-	-	-	77.8	77.8	30,342	390	491.6	221,264	450	252.0	175,595	697	
Grand Total Hours	10,618.9	4,848,993	46.1	15.0	71.9	229.4	586.2	349.0	1,297.6			11,916.5	5,390,852	452	8,843.0	4,608,488	521	
Grand Total Time Cost (£)			43,334	11,550	44,938	126,170	228,618	87,250		541,860								
Average Hourly Rate (£)			940	770	625	550	390	250			418							
			Category 1 Expenses (£)								41							
			Category 2 Expenses (£)								-							
											41							

Appendix D

SIP 9 Notes

- 1 Statement of Insolvency Practice 9 ("SIP 9") defines expenses as amounts properly payable from the insolvency estate which are not otherwise categorised as office holders' remuneration or a distribution to a creditor or a member. 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.
- 2 SIP 9 defines expenses as a type of payment which is met by, and reimbursed to, an office holder in connection with an insolvency appointment. Expenses fall into two categories: Category 1 and Category 2.
 - Category 1 expenses are defined as specific expenditure relating to the administration of the insolvent's affairs and referable to payment to an independent third party. Such expenses 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 expenses drawn but not to seek approval for their payment. We are prepared to provide such additional information as the Committee require to support the expenses drawn.
 - Category 2 expenses 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 expenses 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 expense before they are drawn.

Appendix D

Summary narrative of Joint Administrators' time costs incurred for the period from 17 August 2023 to 16 February 2024

The Joint Administrators' time costs incurred during the reporting period totals £850,978 as noted above. Set out below is a summary narrative of the significant areas of work in relation to which costs were incurred in this period.

Realisation of assets

Tasks providing a direct benefit to creditors via asset realisations

- Quarterly review of debt purchases and assessing the quantum and timing of recoverability
- Corresponding with debtors, brokers, agents and relevant parties
- Reviewing, assessing and maintaining the debt purchase ledgers
- Corresponding with Natixis with regards to the maintenance and closure of the accounts held
- Liaising with agents and the Company staff to arrange collection of other debtors and assets, including retained reserves, loss funds and premium refunds
- Working with the Investment Manager regarding the investment strategy of trust assets and maintenance of the trust accounts
- Liaising with the Company staff with regards to the reinsurance contracts and consideration of commutation proposals and/or recovery of outstanding reinsurance debt
- Review of the non-trust investment portfolio, arranging the cash withdrawals in respect of matured investments, including of interest net of local applicable tax, and correctly reporting interest earned on the cash balance monthly
- Review of the investment portfolio and regularly considering the appropriate investment approach, into money market deposits for example, to maximise returns of available cash whilst maintaining the operations of the Company
- Review of quarterly cashflows and discussions regarding expecting inflows and outflows ensuring the currency allocations held in GBP, EUR and USD remain appropriate

Insolvency process

Tasks required by statute

- Statutory case reviews and maintenance of case files
- Preparation of periodic progress reports and issuing to the creditors, the UK Registrar of Companies, the UK High Court, and the US Bankruptcy Court
- Preparation for and holding meetings with members of the Creditors' Committee to discuss the progress of the administration, Joint Administrator's fees and the proposed Scheme of arrangement
- Other necessary statutory duties including filing of the annual confirmation statements, periodic review of bonding requirement, maintaining records for the key decisions taken, diary management and overall case management
- Maintenance of the dedicated website
- Arranging open cover and appropriate ongoing insurance through appointed broker
- Maintaining records for all receipts and payments for the purpose of reporting and entering them into the accounting systems

Dealing with creditors

Tasks providing a benefit to creditors

- Responding to emails and queries received from all classes of creditors
- Responding to creditor, broker, and agent queries regarding claims, dividend prospects, and administration progress
- Acknowledge receipt of filed proofs of debts received from creditors

Insurance run off

Tasks providing a benefit to insurance creditors

- Maintenance of monthly payroll, ensuring appropriate deductions of PAYE/NIC are made and paid over to HMRC
- General project discussions and review of the Company's claim records on calls with existing employees
- Operations management calls and correspondence with regards to the Systems transformation
- Project management input into the Systems transformation, including escalating queries where appropriate
- Coordinate the engagement between various outsource providers
- Arranging payments to outsource service providers, suppliers and third-party agents

Management of Company's affairs

Tasks providing an indirect benefit to creditors and required by statute

- Corresponding with the trust agents, investment manager, trustees and banks regarding specific transfers
- Corresponding with the accounts manager with regards to the management accounts of the Company
- Preparation of the Corporation Tax computations and filling of the annual corporation tax return for the Company
- Preparing the VAT computation and filling of VAT returns to HMRC and keeping record of the refunds received
- Correspondence with HMRC to follow up on the delayed VAT refund and supplement payments
- Periodic updates to UK regulators on the status of the administration and responding to any queries raised regarding the administration process and strategy
- Arranging the renewal of the Legal Entity Identification, data protection registration and relevant FCA regulatory submissions
- Liaising with US bankruptcy Counsel and the US notifying agent, as relevant, with regards to Chapter 15 requirements and keeping the US creditor distribution list updated
- Strategic discussions and cost analysis reviews regarding various litigation matters and ongoing correspondence with legal representatives of the Company and UK and US counsel regarding live matters where immediate steps are required
- Performing analysis and holding discussions with creditors regarding expected claims amounts in preparation for the Scheme
- Dealing with records in storage and statutory reviews of the listing of records held

Scheme of arrangement

Tasks providing an indirect benefit to creditors and required by statute

- Liaising with UK and US legal advisors and counsel with regards to the design and implementation of the proposed exit strategy
- Drafting of the proposed Scheme timeline, heads of terms, rules and all other supporting documentation to be provided to creditors.
- Discussions with UK and US regulators and legal advisors with regards to specific mechanisms of the US trust funds within Scheme to agree a permitted approach
- Discussions and meetings with creditors to provide introductory information regarding the Scheme and the proposed timeline
- Reviewing creditor claim listing to establish creditor classes in preparation for voting process to approve the proposed Scheme
- Present updates and liaise with the Creditors Committee with regards to the Scheme design and implementation
- Liaising with actuary team regarding actuarial assessment of Company's claim reserves

Strategy and planning

Tasks providing an indirect benefit to creditors and required by statute

- Holding strategic team review meetings critical to achieve the objectives of administration
- Preparation in regards with issuing fees and maintaining budget

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

Joint Administrators' charging policy for remuneration

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 diaries. Work carried out by all staff is subject to the overall supervision of the Joint Administrators.

All time spent by staff working directly on case-related matters is charged to a time code established specifically for this engagement. Time is recorded 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 over the period in accordance with resolutions passed by the Creditors Committee on 10 August 2021 is shown below:

Grade Description	Hourly Rate (£)
Partner	940
Director	770
Senior Manager	625
Manager	550
Executive	390
Analyst	250
Staff & Support	150