

TO ALL KNOWN CREDITORS

16 September 2022

Ref: RB/MC//KH/EE/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 February 2022 to 16 August 2022 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 and 16 March 2022.

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 August 2022

During the period, progress has continued to be made in respect of realising assets of the Company, resolving litigation matters to which the Company is a party and enhancing the Company’s claims management systems to support a future distribution process for creditors.

Shortly after the reporting period end, the Company received a positive judgment from the Court of Appeals of Maryland in respect of the main litigation matter to which it was a party. The Joint Administrators are still assessing the impact of the judgment with their legal advisors but understand that it removes uncertainty in respect of potential exposure of the Company to liabilities related to certain legacy risks which had been a significant barrier to proceeding with further discussion with key

stakeholders, including the creditors' committee, in respect of the development of the terms of a proposed Scheme of Arrangement to enable distributions to the Company's creditors.

Further details in respect of progress in the period are provided below.

Asset Recoveries

Debt Purchase Assets and Reinsurance Debtors

There were no debt purchase assets recovered during this reporting period.

As previously reported, estimates for the potential future debt purchase recoveries are refreshed on a quarterly basis and as new information becomes available. The Joint Administrators continue to estimate that potential future debt purchase recoveries could be in the region of c.\$3.7m, of which c.\$318k may be recovered towards the end of 2022/early 2023. A debt purchase recovery in the amount of c.\$2.5m due to be received by the Company from an insolvent debtor was previously expected to be received by the end of 2022. The Company has been informed in the period of this report that this payment will be delayed and is now anticipated to be received during 2023.

The matters that impact the recoverability of these 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.

As previously advised, prior to the administration appointment, the Company had commuted a significant proportion of its outwards Reinsurance and although, there remains an outstanding invoiced reinsurance debtor balance of \$700k, of this sum \$500k is in dispute with the relevant reinsurer. In the event that the dispute can be resolved, we understand that the balance of \$500k would be subject to offset as the reinsurer also has claims against the estate and, therefore, no cash would be expected to be recovered.

We continue to review the position as and when required with regards to recovery of various reinsurance related funds offered by brokers to the Company.

During the period, we have been approached by certain reinsurers to close open positions through commutation. These discussions are ongoing.

Escrow and other recoveries

During the period of this report, funds in the amount of \$705 (£583) were recovered from escrow accounts of legal firms that had been acting on behalf of the Company prior to the Joint Administrators' appointment. No significant further recoveries are anticipated in this respect.

Refunds in the amount of \$19,508 (£16,129) were received during the period in respect of loss funds and premium held by certain agents and brokers on behalf of the Company.

Treasury Management

As of 31 July 2022, non-trust investments comprising bonds and cash, with a net book value of \$3,394,776 were held by the Company's custodian, State Street Corporation ("State Street"). The bonds will be realised as they mature, unless it is deemed more cost effective to realise them early.

During the period, instructions were made to transfer a further cash balance of c.\$375k from State Street to the Company's Administration USD bank account following maturity of investments. This balance

includes c.\$355k principal and c.\$20k interest earned up to maturity date net of applicable tax charges, and will be received in the next reporting period.

It is expected that c.\$2.5m of the non-trust investments will mature by end of 2022, followed by c.\$20k in 2023 Q1. The remaining investments mature beyond the current timeline for the conclusion of the administration.

Trust Fund arrangements

As reported previously, the Company is party to two trust fund arrangements in the US, a Surplus Line Trust and a Reinsurance Trust, which hold investment portfolios with combined assets valued at USD c.\$17.4m as of 31 July 2022.

The Joint Administrators are continuing to liaise with the New York State Department of Financial Services (“DFS”) in respect of the proposed strategy for dealing with the US Trust Funds in the context of the administration. In the period, we have paid costs of \$5,020 (£4,151) in relation to US Trust Fund regulatory related fees.

In this period, US Trust and Non-Trust related fees of c.\$31,274 (£25,857) were paid to State Street who act as Custodian to the Company, and Blackrock who provide asset management and accounting services to the Company.

Liability Management

Litigation

The Company remains party to a number of active 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.

As previously reported, the Company was known to be involved in 38 active litigation matters on the date of our appointment, all in US Courts with the exception of one matter in the German 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)	17
Not pursued further by the claimant	6
Stayed	5
Awaiting final outcome (from either trial or settlement discussions)	10
Live	0
Total Matters	38

For the avoidance of doubt, with exception to the matters discussed below, all matters that have been classed as having been concluded through settlement are done so without the involvement of the Company, and claims are anticipated to be submitted in due course in respect of any amounts due from the Company as a result of those matters.

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

Lead Paint

As previously reported, the Company was party to five key litigation matters, all relating to insurance claims arising from lead paint exposure in the US.

A matter which could have had a material increase on the Company's claims reserves was heard in the Court of Appeals of Maryland in April 2022. The Court provided their opinion after the period end, on 29 August 2022, which found unanimously in favour of the Company and other insurers. We are discussing the impact of this matter and any next steps with our legal advisors.

In the previous period, the Joint Administrators had reached a consensual settlement on one lead paint matter following a court approved mediation. Formal approval of the finalised settlement agreement was received from the US Bankruptcy Court, in accordance with the Chapter 15 Bankruptcy requirements, on 11 March 2022 and formal notification of the agreement was sent to all US creditors of the Company. In line with the settlement terms, a cash settlement was paid to the opposing party. The net cost to the estate from the settlement amounts to \$172,867.

There remain two other key matters which are stayed by the Chapter 11 proceedings. The Joint Administrators have discussed with the relevant legal advisors to consider whether they can conclude the Company's participation in the matters. However, it was deemed not cost beneficial to the Company's creditors as a whole to progress further with the litigation at this stage. Accordingly, it is proposed to seek to conclude the two matters in due course as part of a Scheme of Arrangement, if it is determined that this is the appropriate exit route.

Legal fees

Legal fees in the sum of £218,390 have been paid in the period to UK and US Counsel, various other US attorneys and EU Counsel for advice relating to the litigation matters, Chapter 15 requirements, the US Trust funds and proposed Scheme of arrangement.

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. As advised previously, it is not expected that there will be any additional employee roles during the course of the administration. This is subject to the Company's operational needs and will continue to be monitored by the Joint Administrators.

During this reporting period, a total of £106,556 has been paid in respect of the Company's staff consisting of salaries, employer taxes and pension contributions.

Outsource providers

Pro Insurance Solutions Limited and Pro IS, Inc. (together "Pro") have continued to provide services to the Company during the period including claims management, the storage and transfer of hard copy US claims files to the Company's replacement US claims management provider and providing information on trade and reinsurance debtors. Specific Pro employees with detailed knowledge of the previous claims management system have also input into the new claims management system.

A total of £159,562 was paid to Pro in this reporting period. Of this sum, c.£143,877 relates to a recharge of specific third-party IT hardware and software licensing costs for the previous claims management

system serviced by Pro on behalf of the Company, and included maintenance costs of the IT hardware for the period from commencement of the administration to 31 March 2022. The Joint Administrators were made aware of these ongoing costs during this period, and have taken steps to terminate these arrangements further to the launch of the new claims management system and hence no further costs in this regard will now be incurred.

During the period, the UK claims management service provider, SNL Consultants (“SNL”), were onboarded to the new claims management system and provided periodic UK claims market information that may impact on the Company. In this period, £2,083 was paid to SNL.

No costs have been incurred by the US claims management services provider, Raphael Associates (“Raphael”), during the reporting period as the new US claims management system has yet to be launched. It is envisaged that Raphael will be onboarded to the new claims management system upon its launch in the next reporting period.

The development of and transition to a new claims management system has now completed and the system has been launched, with exception to the US claims management which has certain improvements being implemented prior to its launch, which is anticipated in the next few months. Espire Infolabs Limited (“Espire”) have continued to assist the Company during the period in respect of the launch and onboarding steps of the system, as well as undertaking minor improvements to the system and providing IT support services. In this period, £119,578 has been paid to Espire and further costs £88k are anticipated in future periods for ongoing license and support maintenance of the new system.

Credor Point Limited (“Credor”) continued to assist the Company to project manage the development of the claims management system and transition of data from Pro. A total of £6,625 was paid to Credor in this reporting period.

Lee-Anne van Heusden Limited (“LVHL”) continued to provide assistance to the Company in respect of the preparation of the Company’s quarterly management accounts, VAT returns and Corporation Tax computations and filings. LVHL also input into the development of the claims management system management information module. In this period, £29,869 was paid to LVHL.

In line with statutory requirements, the Joint Administrators have taken control of the Company’s books and records which are being retained by a storage management facilitator, Restore Plc (“Restore”). In this period, £5,721 was paid to Restore.

As required under Chapter 15 Bankruptcy regulation, the Company issued notices and reporting to US creditors in the previous period. This was undertaken by Epiq Corporate Restructuring LLC (“Epiq”) who were paid fees and expenses totalling \$22,660 (£18,735) in the period in this respect, as well as returned and queried mail.

In addition to the above costs, a further £7,014 has been paid in this reporting period to six outsource providers in relation to additional support costs including payroll advisors, IT software and support, open cover insurer and claims reporting. Of this sum, £5,670 was paid for the IT license costs related to the previous claims management system for the period from administration commencement to the decommission date of the hardware that took place during this period.

VAT

During the period of this report, input VAT in the amount of £236,903 has been incurred by the Company in respect of expenses incurred and paid in the period.

VAT returns for the periods up to 31 May 2022 have been filed with HMRC and VAT refunds in the amount of £285,016 received to date. Based on the Company's historic recovery rate of 61.5%, the Company expects to recover a further £214,260 of input VAT in respect of these periods. and we are working with the EY tax team to follow up with HMRC to obtain these refunds.

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

Corporation Tax

A Corporation Tax return for the period 17 August 2020 to 31 December 2020, being the first post administration period, 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 are working with LVHL and EY Tax in order to prepare and submit the Corporation Tax return for the period 1 January 2021 to 31 December 2021.

Regulatory Engagement

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

Creditors' Committee

There have been no changes to the constitution of the Creditors' Committee in the reporting period. A fourth meeting of the Creditors' Committee took place virtually on 8 March 2022. A fifth meeting is anticipated to be arranged in October 2022.

Proposed Administration Exit

The judgment of the Court of Appeals of Maryland brings a conclusion to the major litigation that was creating the largest uncertainty for the Joint Administrators in being able to consider the most appropriate means of enabling conclusion of the administration. The Joint Administrators are discussing the outcome with their legal advisors and, thereafter, will discuss the proposed exit strategy with the Creditors' Committee.

The Joint Administrators remain of the view that it is probable that a Scheme of Arrangement pursuant to Part 26 of the Companies Act 2006 is the process most likely to bring finality to the run-off and discussions with the Creditors' Committee regarding a potential draft scheme methodology have taken place.

Administration Extension

As previously advised, in accordance with Paragraph 6 to the Schedule of The Financial Services and Markets Act 2000 (Administration Orders Relating to Insurers) Order 2010, the automatic end of the Administration without an extension will be 30 months from the administration commencement date. In this case, the relevant date is 16 February 2023.

The Joint Administrators consider that it will be necessary and appropriate for the administration to be extended to allow time to agree and implement an exit strategy. Accordingly, it is the Joint Administrators' intention to make an application to the Court for an extension of the administration

beyond its current end date of 16 February 2023 in due course subject to consultation with the Creditors' Committee.

Receipts and payments account

A summary of the Joint Administrators' receipts and payments for the reporting period from 17 February 2022 to 16 August 2022 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.

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.

In accordance with the Creditors' Committee resolutions approved on 10 August 2021, to date the Joint Administrators have drawn fees in the amount of £2,793,038 from the estate, of which fees in the amount of £730,227 were drawn in this reporting period. Time costs, in the sum of £517,560, representing 15% of the Joint Administrators' total time incurred to date are subject to the Creditors' Committee approval at a later date.

During the period covered by this report, the Joint Administrators have incurred time costs of £399,848, of which £203,091 was drawn in the period. A further sum of £136,780 of these costs will be drawn in the next reporting period.

An analysis of the time spent in the period, a comparison with the 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 for previously reported	17 February 2022 to 16 August 2022	Total
Time incurred (£)	3,050,552	-	399,848	3,450,400
Fees drawn (£)	2,062,811	527,136	203,091	2,793,038
To be billed (£)	530,158	-	136,780	136,780
Subject to Creditors' Committee approval	457,583	-	59,977	517,560

To date, the Joint Administrators have incurred Category 1 and 2 expenses of £15,139, of which £12,400 have been invoiced to the estate. Further Category 2 expenses of £2,739 are subject to Creditors' Committee approval at a later date. An analysis of the expenses paid to date is set out in Appendix C of this report.

The Joint Administrators' total remuneration remains within the overall fee estimate dated 7 October 2020 ("fee estimate"). The table and narrative explanation in Appendix D details how the time has been spent.

The fee estimate was based on certain assumptions, which included being able to implement a proposed exit strategy, assumed to be a Scheme of Arrangement, within the initial administration period, ending 16 February 2023.

As noted above, we now anticipate that an extension of the administration will be required and, therefore, our time costs are likely to exceed the fee estimate. We will not draw remuneration in excess of the fee estimate without the prior approval of the creditors' committee and/or the creditors. At the appropriate time, a revised fee estimate will be prepared and circulated to the Creditors' Committee for their approval and the outcome will be communicated with the general body of creditors.

Joint Administrators' statement of expenses incurred

During the period covered by this report, expenses totalling £690,296 (net of VAT and excluding Joint Administrators' fees, Category 1 and 2 expenses and the US claim settlement payment of \$172,867) 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.

We anticipate that our expenses will exceed the estimate contained in the statement of expenses dated 7 October 2020 due to the additional costs incurred in respect of the system transformation and US attorney fees which were unknown or uncertain to us at the time of preparing the estimate. Details of why these costs have been incurred are provided in Appendix C and also described in our previous reports.

At the appropriate time, a revised estimate for expenses will be prepared and circulated to the creditors committee for their approval and the outcome will be communicated with the general body of creditors.

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.

At this time, material uncertainties remain in relation to the quantum of liabilities that could arise from the ongoing court proceedings, and therefore, it is not possible to estimate the value and timing of distributions to any class of creditors at this point. We will write to creditors with an update in this regard when the position is clearer.

Next report

I will report to you again in six months' time by 16 March 2023. 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 February 2022 to 16 August 2022

	Notes	Statement of Affairs GBP £	Consolidated GBP amounts as at 16 February 2022 GBP £	Accounting adjustments on opening balances GBP £	FX movement on opening balances GBP £	Restated GBP amounts as at 16 February 2022 GBP £	Movement in period to 16 August 2022 GBP £	Movement in period to 16 August 2022 USD \$	Movement in period to 16 August 2022 EUR €	Consolidated GBP Movement in period to 16 August 2022 GBP £	Consolidated amounts GBP as at 16 August 2022 GBP £
RECEIPTS											
Assets subject to fixed charge	4	18,364,117	-	-	-	-	-	-	-	-	-
LOC Surplus	-	-	390,897	-	47,929	438,826	-	-	-	-	438,826
Surplus from Trust Assets	-	-	488,584	-	-	488,584	-	-	-	-	488,584
Cash at Bank	3	745,513	729,760	-	74,413	804,173	-	-	-	-	804,173
Investments	4	9,277,715	5,993,479	(69,805)	207,548	6,131,223	-	-	-	-	6,131,223
Prepayments and accrued interest	4	172,549	-	69,805	-	69,805	-	-	-	-	69,805
Debt Purchase	-	-	474,435	76,413	56,751	607,600	-	-	-	-	607,600
Reinsurers share of technical provisions	2	361,888	25,480	(25,480)	-	-	-	-	-	-	-
Trade Debtors	2	2,582,193	301,840	(301,840)	-	-	-	-	-	-	-
Escrow Fund Recoveries	-	-	54,319	-	6,616	60,934	-	705	-	583	61,517
Loss Fund & Premium Recoveries	2	-	-	25,480	1,078	26,558	-	19,508	-	16,129	42,687
Refund of Pre-Appointment Legal Fees	-	-	4,376	-	537	4,912	-	-	-	-	4,912
Recoveries from surrendered losses	2	-	177,237	211,613	-	388,850	-	-	-	-	388,850
Pre-appointment VAT refunds	2	-	-	13,814	-	13,814	-	-	-	-	13,814
Bank Interest	-	-	369	-	-	369	234	-	-	234	603
Total Receipts		33,866,868	8,640,777	-	394,871	9,035,648	234	20,213	-	16,946	9,052,594
PAYMENTS											
Staff costs	-	-	(489,530)	-	-	(489,530)	(106,556)	-	-	(106,556)	(596,086)
Outsource Providers	-	-	(351,786)	(57,916)	1,024	(408,678)	(200,218)	(1,153)	-	(201,171)	(609,849)
Systems Transformation	-	-	(346,720)	56,216	-	(290,504)	(119,578)	-	-	(119,578)	(410,082)
Software Licensing	-	-	(9,457)	-	-	(9,457)	-	-	-	-	(9,457)
IT Systems	-	-	(14,773)	(1,322)	-	(16,095)	(5,776)	-	-	(5,776)	(21,871)
Storage Charges	-	-	(18,235)	-	(769)	(19,004)	(5,721)	-	-	(5,721)	(24,725)
US Legal fees & Expenses	-	-	(398,904)	-	(21,124)	(420,028)	(124,640)	-	-	(124,640)	(544,668)
UK Legal fees & Expenses	-	-	(36,301)	-	-	(36,301)	(15,947)	-	-	(15,947)	(52,248)
Legal Costs - Various Attorneys	-	-	(142,944)	-	(16,239)	(159,183)	-	(73,591)	(6,650)	(66,441)	(225,624)
UK Scheme of Arrangement Fees & Expenses	-	-	-	-	-	-	(11,362)	-	-	(11,362)	(11,362)
US Legal Settlement payment	-	-	-	-	-	-	-	(172,867)	-	(142,924)	(142,924)
US Chapter 15 Bankruptcy Noticing Agent	-	-	(28,590)	(215)	(3,532)	(32,337)	-	(22,660)	-	(18,735)	(51,072)
US Trust & Non-Trust Fees	-	-	(97,991)	1,915	(22,115)	(118,192)	-	(36,294)	-	(30,007)	(148,199)
Pre-Appointment Administrators' Fees	-	-	(45,000)	-	-	(45,000)	-	-	-	-	(45,000)
Post-Appointment Administrators' Fees	-	-	(2,062,811)	-	-	(2,062,811)	(730,227)	-	-	(730,227)	(2,793,039)
Post-Appointment Administrators' Disbursements	-	-	(12,254)	-	-	(12,254)	(146)	-	-	(146)	(12,400)
Sundry Expenses	-	-	(4,545)	1,322	-	(3,223)	(550)	-	-	(550)	(3,774)
Corporation Tax	-	-	(100)	-	-	(100)	(100)	-	-	(100)	(200)
Input VAT Incurred	6	-	(336,431)	-	(4,225)	(340,656)	(236,903)	-	-	(236,903)	(577,559)
Bank Charges	-	-	(1,868)	-	(209)	(2,078)	(23)	(592)	(1)	(513)	(2,591)
Total Payments		-	(4,398,243)	-	(67,189)	(4,465,431)	(1,557,747)	(307,156)	(6,651)	(1,817,298)	(6,282,729)
Net Receipts/(Payments)		33,866,868	4,242,535	-	327,682	4,570,217	(1,557,513)	(286,943)	(6,651)	(1,800,352)	2,769,865
INTER-ACCOUNT CROSS CURRENCY PAYMENTS											
Transfer to GBP Acc from EUR Acc	5	-	2,332,567	-	-	2,332,567	-	-	-	-	2,332,567
EUR Transfer to GBP Account	5	-	(2,198,864)	-	(12,399)	(2,211,263)	-	-	-	-	(2,211,263)
Cash Balances		-	4,376,238	-	315,283	4,691,521	(1,557,513)	(286,943)	(6,651)	(1,800,352)	2,891,169
Represented By:											
RBS Current Account- GBP											179,101
RBS Current Account- USD											2,692,822
BOS Current Account- USD											910
RBS Current Account- EUR											18,336
Net Receipts/(Payments)											2,891,169

Appendix B

Notes

1. Receipts and payments are stated net of VAT.
2. Statement of Affairs balances are shown in GBP. At the date of administration, the Company held assets predominantly in GBP and USD. Whilst the Statement of Affairs is presented in GBP, the receipts and payments account movements are shown by individual currency and translated to GBP in the consolidated amounts column using the Bank of England exchange rate at the period end date (GBP 1: USD 1.2095 and GBP 1: EUR 1.1882). An element of the movements within certain accounts are due to FX movements and accounting adjustments rather than cash movement which can be seen in the FX movement and Adjustment column.
3. Cash at bank is held in bank accounts controlled by the Joint Administrators. The receipts and payments reflect the Joint Administrators' bank account transactions only.
4. 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 July 2022:
 - i. Assets subject to a fixed charge – USD 17,422,669
 - ii. Unencumbered investments – USD 3,850,107
 - b. Assets held with Natixis, valued as at 31 August 2021
 - iii. Assets subject to a fixed charge – EUR 350,009
5. Inter-account cross currency receipts and payments reflect the transfer of funds held in the foreign currency bank accounts into Sterling accounts to as part of treasury management.
6. The 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 August 2022

Category of Expense	Per estimate	Paid as at	Paid in period to	Total paid to
	dated 7 October 2020 £ (exc VAT)	16 February 2022 £ (exc VAT)	16 August 2022 £ (exc VAT)	16 August 2022 £ (exc VAT)
Payments made from the estate which are not expenses (see notes 1 and 2)				
Employee wages & salaries	765,000	456,735	98,306	555,041
Employee pension contributions	49,000	32,795	8,250	41,045
Service & overhead costs - TAL	100,000	70,662	-	70,662
Service costs - Pro	610,000	196,115	159,562	355,677
Specialist Contractors	-	3,279	67,277	70,556
IT & Finance Systems	125,000	407,508	69,230	476,738
Tax & Accounting Service Contractors	-	43,999	31,166	75,165
Insurance	6,000	1,293	510	1,804
UK Legal fees & Expenses - Stevens & Bolton	125,000	36,301	15,272	51,573
UK Legal fees & Expenses - Other Law firms	-	-	675	675
US Legal fees & Expenses- Fried Frank	450,000	396,377	124,640	521,017
US Legal costs - various US attorneys	Uncertain	140,490	60,844	201,335
US Legal Settlement	-	-	-	-
UK Scheme of arrangement legal fees	250,000	-	11,362	11,362
US Scheme of arrangement legal fees	125,000	-	-	-
UK Scheme of arrangement legal fees - Counsel	100,000	-	-	-
EU Legal costs - various attorneys	-	-	5,597	5,597
Agent Fees and expenses- Epiq (Notice Agent)	25,000	28,228	18,735	46,963
Agent Fees- Abacus (Payroll Agent)	6,000	445	77	522
Bank & Interest Charges	5,000	1,868	513	2,382
US Trust Fund - Regulator Fees	-	-	4,150	4,150
Fund manager costs - Blackrock & State Street	145,000	24,484	25,857	50,341
Storage Costs	3,000	18,108	5,721	23,829
Sundry expenses	5,000	7	40	47
Corporation Tax Penalty	-	100	100	200
Total	2,894,000	1,858,794	707,885	2,566,679
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	1,903,794	707,885	2,611,679
Category 1 expenses				
Specific penalty bond	1,280	1,280	-	1,280
External photocopying, printing & courier	2,000	7,739	146	7,885
Public Notices	1,000	94.50	-	94.50
Category 2 expenses				
Printing, postage & shipping	-	3,140	-	3,140
Mileage	1,000	-	-	-
Total category 1 & 2 expenses	5,280	12,254	146	12,400
TOTAL EXPENSES	2,949,268	1,916,048	708,031	2,624,079

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 estimated at £2,949,268 plus VAT, comprising pre-administration costs and expenses of the administration. Please note, there are some costs that we are unable to estimate, such as legal costs for US attorneys.
- The costs detailed in the table are reported as at the date incurred and these figures are subject to FX fluctuations.

4. At present, total expenses have not exceeded the original estimate provided. However, for those expenses which were either not included in or have individually exceeded the estimate dated 7 October 2020, an explanation is provided below.

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

As highlighted in my previous report, 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.

- ***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.

- ***Storage Costs***

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

- ***Legal costs***

Legal costs incurred for the ongoing key litigation matters that the Company is involved in and that have yet to reach finality, and the apostilling of the Administration documents.

5. We anticipate that our expenses will exceed the fee estimate due to the additional costs incurred as described above. The Joint Administrators will take steps to seek approval from the creditors committee in respect of an increase of the estimate of expenses and the outcome of these discussions will be communicated with the general body of creditors in due course.

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.

Summary of the Joint Administrators' time costs incurred for the period from 17 February 2022 to 16 August 2022 and cumulative to date

	Previous reporting period 17 Feb 2020 to 16 Aug 2022		This reporting period 17 Feb 2022 to 16 Aug 2022									Cumulative Total		Per Estimate dated 7 Oct 2020	
	Total hours	Total Cost (£)	Partner/ Associate Partner	Director	Assistant director	Manager	Executive	Analyst	Total hours	Time Cost (£)	Average Hourly Rate	Total hours	Total Cost (£)	Total Estimated hours	Total Estimated Cost (£)
Realisation of assets															
Trust assets	220.1	126,984	3.7	7.8	0.0	7.7	5.8	9.3	34.3	18,306	534	254.4	145,290	310.0	175,050
Debt purchases	137.8	56,998	-	0.8	0.0	2.3	11.4	1.4	15.9	6,677	420	153.7	63,675	209.0	91,643
Reinsurance and other debtors	94.4	37,455	0.0	0.1	0.0	3.9	0.0	13.4	17.4	5,572	320	111.8	43,027	209.0	91,643
Treasury management	257.5	127,756	0.2	0.0	0.0	6.0	6.6	6.4	19.2	7,662	399	276.7	135,418	220.0	101,310
Subtotal	709.8	349,192	3.9	8.7	0.0	19.9	23.8	30.5	86.8	38,217	440	796.6	387,409	948.0	459,645
Insolvency process															
Initial letters and notices	158.4	66,557	-	-	-	-	-	-	-	-	-	158.4	66,557	160.0	76,985
Proposals, decisions procedure and creditor consult	157.8	78,970	-	-	-	-	-	-	-	-	-	157.8	78,970	155.0	79,325
CDDA and SIP2 compliance	93.8	36,107	-	-	-	-	-	-	-	-	-	93.8	36,107	125.0	54,375
Creditors' Committee	346.1	176,071	5.9	5.7	-	13.5	7.8	4.9	37.8	21,627	572	383.9	197,698	360.0	191,225
Reporting to creditors	307.3	127,231	3.5	3.0	-	29.3	23.9	82.3	142.0	51,611	363	449.3	178,842	281.5	132,883
Other statutory and compliance	73.4	28,158	-	-	-	-	-	0.2	0.2	50	250	73.6	28,208	143.0	61,690
Statement of Affairs	9.9	4,633	-	-	-	-	-	-	-	-	-	9.9	4,633	13.0	6,200
Insurance	5.4	2,198	-	-	-	0.5	0.6	0.3	1.4	584	417	6.8	2,780	16.0	6,215
Subtotal	1,152.1	519,922	9.4	8.7	-	43.3	32.3	87.7	181.4	73,872	407	1,333.5	593,794	1,253.5	608,898
Dealing with creditors															
Creditor enquiries and management	238.4	81,990	0.0	-	-	2.0	7.9	49.7	59.6	16,606	279	298.0	98,596	300.0	135,350
Subtotal	238.4	81,990	0.0	0.0	-	2.0	7.9	49.7	59.6	16,606	279	298.0	98,596	300.0	135,350
Insurance run off															
Employees and Board	245.7	104,706	-	0.5	-	1.1	22.9	9.7	34.2	12,346	361	279.9	117,052	246.0	110,530
Receipts and payments	437.9	154,709	-	-	-	0.6	1.7	115.4	117.7	29,843	254	555.6	184,552	354.5	153,823
Administrators' supervision of run off	968.5	515,723	4.2	4.7	-	65.1	54.5	20.1	148.6	69,652	469	1,117.1	585,375	357.0	185,785
Subtotal	1,652.1	775,138	4.2	5.2	-	66.8	79.1	145.2	300.5	111,841	372	1,952.6	886,979	957.5	450,138
Management of Company's affairs															
Accounting and treasury	206.4	87,061	3.6	7.2	5.4	-	76.8	2.3	95.3	42,830	449	301.7	129,891	249.5	106,773
Pensions	23.3	9,648	-	-	-	0.1	1.5	-	1.6	640	400	24.9	10,288	115.0	54,290
VAT & Tax	513.0	238,774	4.2	-	13.2	31.7	2.8	12.7	64.6	33,900	525	577.6	272,674	292.5	147,525
Regulatory (UK & US)	266.6	139,795	0.2	-	-	2.1	0.2	3.5	6.0	2,296	383	272.6	142,091	315.0	201,775
Chapter 15	61.4	33,578	-	-	-	0.2	-	-	0.2	110	550	61.6	33,688	317.5	160,663
Claims litigations matters	1,175.4	531,482	5.8	13.5	-	39.8	1.3	62.1	122.5	53,769	439	1,297.9	585,251	515.0	275,500
Data & Software	257.9	130,610	0.3	-	-	4.3	1.5	5.7	11.8	4,657	395	269.7	135,267	172.5	81,838
Subtotal	2,504.0	1,170,947	14.1	20.7	18.6	78.2	84.1	86.3	302.0	138,202	458	2,806.0	1,309,149	1,977.0	1,028,363
Scheme of arrangement															
Scheme of arrangement	45.8	29,815	1.7	0.8	-	3.0	-	-	5.5	3,864	703	51.3	33,679	3,155.0	1,750,500
Subtotal	45.8	29,815	1.7	0.8	-	3.0	0.0	0.0	5.5	3,864	703	51.3	33,679	3,155.0	1,750,500
Strategy and planning															
Project management and administration oversight	247.1	123,550	4.8	-	-	5.1	13.6	18.5	42.0	17,246	411	289.1	140,796	252.0	175,595
Subtotal	247.1	123,550	4.8	-	-	5.1	13.6	18.5	42.0	17,246	411	289.1	140,796	252.0	175,595
Grand Total Hours	6,549.3	3,050,552	38.1	44.1	18.6	218.3	240.8	417.9	977.8			7,527.1	3,450,400	8,843.0	4,608,488
Grand Total Time Cost (£)			35,814	33,957	11,625	120,065	93,912	104,475		399,848					
Average Hourly Rate (£)			940	770	625	550	390	250		409					
			Category 1 Expenses (£)							17					
			Category 2 Expenses (£)							49					
										66					

Summary narrative of Joint Administrators' time costs incurred for the period from 17 February 2022 to 16 August 2022

Detailed fee reporting packs have been provided to the Creditors' Committee covering all time costs incurred to 31 December 2021 in order to assist them in considering the Joint Administrators' fees incurred and approve the level of fees which may be drawn from the estate.

The Joint Administrators' time costs incurred during the reporting period totals £399,848 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, 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 the loss and premium refunds
- Working with the Investment Manager regarding the investment strategy of trust assets and maintenance of the trust accounts
- DFS/NYLB engagement on US Trust Assets, including communication regarding the exit strategy of the trust held funds
- Liaising with the Company staff with regards to the reinsurance contracts and consideration of commutation proposals
- Liaising with legal representatives of the Company with regards to the collection of escrow held
- Review of the investment portfolio and arranging the cash withdrawals in respect of matured investments, including of interest net of local applicable tax
- Review of the investment portfolio and taking decisions to convert investments into cash to support the operations and consider appropriate investments, for example into money market deposits
- 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, the 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

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 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 and onboarding of various outsource providers assisting with the Systems transformation
- Arranging payments to outsource service providers, suppliers and third-party agents
- Maintaining records for all receipts and payments for the purpose of reporting and entering them into the accounting systems

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
- Correspondence with the relevant parties with regards to the payment for the surrendered tax losses
- 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 payments
- Periodic updates to the PRA, FCA and US 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 with regards to Chapter 15 requirements, updating the US creditor distribution list, and arranging the required US filing and publication
- Strategic discussions 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
- Review and assessment of the current claims system, including cost effectiveness of the platform and arranging alternatives to manage the commensurate levels of insurance business during the administration
- 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

- Discussions regarding the planning of the Scheme of arrangement, including the timeline
- Drafting the Scheme of arrangement methodology

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
- Correspondence with our legal advisors to prepare for the UK Court application for the extension of the Administration

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 per the revised 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