

4 August 2021

Joint Administrators' progress report for the period 11 December 2020 to 10 June 2021

Elite Insurance Company Limited (in Administration)

The Supreme Court of Gibraltar
Case No. 2019/COMP/002



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Further information about the Administration can be found at www.pwc.co.uk/elite-insurance

Abbreviations and definitions

The following table shows the abbreviations and insolvency terms that may be used in this report:

Abbreviation or definition	Meaning
Administration	The Administration of Elite Insurance Company Limited
Armour	Armour Risk Management Limited (as Elite's former run-off agent)
ATE	After the event insurance
CBI	Central Bank of Ireland
Cedents/Reinsurance Creditors	Unsecured non-preferential creditors whose claims arise from being holders of policies of reinsurance issued by the Company
Company/Elite	Elite Insurance Company Limited (in Administration)
Court	The Supreme Court of Gibraltar
Creditors	Secured, Preferential and Unsecured creditors as a whole
DA ATE	Delegated authority - after the event insurance
Direct Insurance Creditors	Unsecured non-preferential creditors whose claims arise from being direct policyholders of the Company excluding Cedents
DO	A domage ouvrage insurance policy taken out by French homeowners for building defects
EU	European Union
FCA	The UK Financial Conduct Authority
FSICR	Financial Services (Insurance Companies) Regulations 2020
FSCS	UK Financial Services Compensation Scheme
GIA11	Gibraltar Insolvency Act 2011
GIR14	Gibraltar Insolvency Rules 2014
GFSC	Gibraltar Financial Services Commission
HMRC	UK HM Revenue and Customs
ICF	Irish Insurance Compensation Fund
IPT	Insurance Premium Tax
Joint Administrators/we/us/our	Edgar Lavarello of PricewaterhouseCoopers Limited Gibraltar and Dan Schwarzmann of PricewaterhouseCoopers LLP UK
Preferential Creditors	Creditors listed in section 2 of the Schedule GIR14, mainly relating to amounts due to employees or deducted from employee remuneration
Period	11 December 2020 to 10 June 2021
Proposals	The Administrators' proposals for the Administration of Elite dated 9 February 2020
PwC	PricewaterhouseCoopers Limited Gibraltar and/or PricewaterhouseCoopers LLP UK
Quest	Quest Consulting (London) Limited (as Elite's run-off agent)
RB ATE	Rate Based - after the event insurance
ROMA	Run-Off Management Agreement
SCA	Irish State Claims Agency
Secured Creditors	Creditors with security in respect of their debt
TRR	Temporary Run-Off Regime

TUPE	UK Transfer of Undertakings (Protection of Employment) Regulations 2006
Unsecured Creditors	Creditors who are neither Secured creditors nor Preferential creditors (including creditors by virtue of any insurance contract)
VAT	UK Value Added Tax

This report has been prepared by Edgar Lavarello and Dan Schwarzmann as Joint Administrators of the Company, solely to comply with their statutory duty to report to Creditors under GIA11 and GIR14 on the Administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This report has not been prepared in contemplation of it being used, and it is not suitable to be used, to inform any investment decision in relation to the debt of or any financial investment in the Company.

Any estimated outcomes for Creditors included in this report are illustrative only and cannot be relied upon as guidance as to the actual outcome for Creditors.

Some reference is made in this report to occasions on which the Joint Administrators have consulted legal advisers. However, the Joint Administrators do not intend to waive any privilege that they have, or Elite has in any legal advice.

Any persons choosing to rely on this report for any purpose or in any context other than under GIA11 and GIR14 do so at their own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any liability in respect of this report to any such person.

Please note you should read this report in conjunction with the Joint Administrators' Proposals issued to the Company's Creditors, which can be found at www.pwc.co.uk/elite-insurance. Unless stated otherwise, all amounts in this report and appendices are stated net of VAT.

Edgar Lavarello of PricewaterhouseCoopers Limited Gibraltar and Dan Schwarzmann of PricewaterhouseCoopers LLP UK have been appointed as Joint Administrators by the Supreme Court in Gibraltar to manage the affairs, business and property of the Company. The Joint Administrators act as agents of the Company only and without personal liability. Edgar Lavarello is authorised to act as an insolvency practitioner by the GFSC in Gibraltar (IP Licence Number FSC 0892 FSA). Dan Schwarzmann is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales in England (IP Licence number 8912). The Joint Administrators are bound by the Insolvency Code of Ethics which can be found at: <https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>

The Company is authorised and regulated by the GFSC. Registered office: c/o PricewaterhouseCoopers Limited, 327 Main St, GX11 1AA, Gibraltar. The Joint Administrators may act as controllers of personal data as defined by UK Data Protection law and/or any applicable Gibraltar or other data protection laws (as applicable), depending upon the specific processing activities undertaken. PwC 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. Further details are available in the privacy statements on the www.pwc.co.uk and <https://www.pwc.gi/privacy.html> websites or by contacting the Joint Administrators.

PricewaterhouseCoopers Limited is a private limited company registered in Gibraltar with registered number 94799. The registered office of PricewaterhouseCoopers Limited is 327 Main Street, Gibraltar, GX11 1AA. PricewaterhouseCoopers Limited is authorised and regulated by the Gibraltar Financial Services Commission as an audit firm.

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the FCA for designated investment business.

Key messages

Why we have sent you this report

This is the third progress report by the Joint Administrators of the Company.

Creditors may wish to read this report in conjunction with our Proposals, which continue to be available on our website at <https://www.pwc.co.uk/services/business-restructuring/administrations/elite-insurance/proposals.html>. The information in that report is not repeated here unless considered necessary or beneficial for the purposes of this update.

Earlier progress reports can be viewed on our website at <https://www.pwc.co.uk/services/business-restructuring/administrations/elite-insurance/progress-reports.html>.

This report provides an update on the work the Joint Administrators have undertaken, and the progress made since their appointment with particular focus on the progress made in the Period.

If you have any questions regarding your insurance policy, please use the following updated contact details for Quest who have taken over from Armour as the run-off agents effective from 14 June 2021:

UK and other: Elite-insurance.uk@quest-group.co.uk or +44 (0)207 129 8147

France: Elite-insurance.fr@quest-group.com or +44 (0)207 129 8661

Italy: Elite-insurance.it@quest-group.com or +44 (0)207 129 8663

Or write to: Elite Insurance Company Limited (in Administration), c/o Quest Consulting, 4th Floor, 52-54 Gracechurch Street, London, EC3V 0EH.

How much Creditors may receive

This is a brief summary of the possible outcome for Creditors of the Company based on what we currently know. Elite is a complex case and it is relatively early in the Administration. Consequently, there are still a number of material uncertainties which may cause the current assumptions underpinning the estimates in this document to change. Please read the rest of this document and seek further specific advice where needed.

Secured Creditors

We are not aware of any Secured Creditors. If you believe you are a Secured Creditor, please contact the Administrators immediately.

Preferential Creditors

On the basis that Elite did not have any direct employees at the time of our appointment we do not expect any Preferential Creditors to arise in respect of former employees. If there are any Preferential Creditors, we would expect them to recover their claims in full.

Unsecured Creditors

Direct Insurance Creditors rank ahead of all other Unsecured Creditors except Preferential Creditors by virtue of FSICR. Please note that any agreed damages claims relating to policies of direct insurance disclaimed by the Joint Administrators are classed as Direct Insurance Creditors.

The ultimate outcome for Unsecured Creditors will depend on a number of variable factors where considerable uncertainty exists. Our strategy for the Administration seeks to reduce this uncertainty but based on our current view of Elite's financial position, Direct Insurance Creditors are highly unlikely to receive 100 pence in the pound, unless appropriately covered by a relevant compensation scheme. As a consequence, other Unsecured Creditors should not expect a dividend. All Creditors should seek to mitigate their losses as much as possible.

As the Administration develops, we will provide Creditors with updates on future distribution prospects.

Progress since our appointment and what is next

This section deals with the key activities we have undertaken since our last report and what is next in the Administration.

Brexit updates

Following the withdrawal of the United Kingdom and Gibraltar from the EU on 31 January 2020 and the end of the transitional period on 31 December 2020, the Joint Administrators completed a review of the Brexit notification requirements in EU countries where Elite has active policies. The following actions were taken to comply with various jurisdictional requirements:

Italy

In accordance with Law Decree No 183 of 31 December 2020 which provides that insurance companies with registered offices in the United Kingdom of Great Britain and Northern Ireland (including for these purposes Gibraltar) which, on the expiry of the transitional period, are entitled to carry on insurance business in Italy, the Joint Administrators submitted to the Istituto per la Vigilanza sulle Assicurazioni a plan containing the measures to enable the prompt and proper performance of the contracts in place.

A notice was also placed on Elite's website informing clients, policyholders and any other persons entitled to insurance benefits about the effects of the expiry of the transitional period.

Ireland

In Ireland, the CBI and the Department of Finance worked together to establish a TRR for insurers. In accordance with the requirements in Ireland, the Joint Administrators submitted a TRR Notification Form to the CBI. A TRR Reporting Form has also been completed and was submitted to the CBI on 29 June 2021.

France

The Joint Administrators published a notice on Elite's website referencing Article A310-1 of the French Insurance Code, which is effective from 1 January 2021 and the related press release issued on 4 January 2021 by the French regulator (Autorité de Contrôle Prudentiel et de Résolution).

The Joint Administrators continue to monitor each jurisdiction for any additional requirements that are introduced in order to remain compliant.

Elite's insurance products

Elite had approximately 931,000 policyholders in Belgium, France, Germany, Greece, Ireland, Italy, Jersey, Luxembourg, Malta, Netherlands, Norway, Portugal, Romania, Spain and the United Kingdom. A very significant proportion of Elite's business was written via coverholders, meaning that in many cases, the Company's records do not include complete policyholder details. As a result, the accuracy of the data available to the Company is uncertain and is subject to ongoing validation checks through our interaction with Elite's coverholders, intermediaries and agents.

All policyholders should consider their position carefully and take appropriate advice before seeking to exercise any rights of cancellation that they might have.

Compensation schemes

The latest status in respect of compensation eligibility for policyholders is summarised below:

United Kingdom

The FSCS will meet Elite's liability to eligible claimants for protected claims in full, with no upper limit (subject to policy limits where they are applicable), for UK compulsory insurance in the instances of third party motor and employers' liability. The FSCS will also cover Elite's liability in respect of solicitors' professional indemnity claims at 100% with no upper limit (subject to policy limits where they are applicable).

For all other insurance, with certain exceptions, cover will be at 90% of Elite's liability to eligible claimants for protected claims. Where applicable, policyholders will have to bear the 10% not covered by the FSCS as well as any excess under the policy.

It is a condition of receiving compensation that the FSCS takes an assignment of the policyholder's rights against Elite and any third party involved in or connected to their claim.

Further details can be found on the FSCS website at fscs.org.uk/what-we-cover/insurance.

During the Period, the FSCS paid £1.9m in respect of 320 eligible claims. This brings the total paid to £11.78m in respect of 3,315 eligible claims.

France

As previously indicated, there is no compensation protection available to Elite's French policyholders. As there is no compensation scheme available, French holders of DO policies are encouraged to consider taking their claims to the responsible contractor(s) or the contractors' insurers as this may enable them to achieve settlement of their claims far earlier and in full.

Please note that all French construction insurance policies provided by Elite were 'disclaimed' by the Joint Administrators in accordance with GIA11 and GIR14 with effect from (and including) 15 September 2020.

Italy

As previously reported, the Joint Administrators have liaised with the relevant authorities and can confirm that there is no relevant compensation protection available to Elite's Italian policyholders. Policyholders should seek their own advice in this regard.

Ireland

The Joint Administrators have corresponded directly with the Irish SCA regarding potential eligibility for compensation for Elite's Irish policyholders. Payment made by the ICF against each claim is capped at 65% of the claim value or €825,000, whichever is lower. During the Period the first tranche of claims (9 claims totalling €280k) was submitted to the SCA for audit, and affidavits have been drafted in support of the application to be made to the Irish High Court for orders permitting payments out of the fund.

Greece

The Joint Administrators are aware that a compensation fund is available for Greek motor policyholders. We continue to explore the applicability and availability of the Greek motor compensation fund to Elite's policyholders, in particular, the operational costs associated with submitting valid claims.

Other jurisdictions

As and when required, we will investigate policyholder protection in other European countries but at the present time the Joint Administrators do not expect any further compensation schemes to be available to Elite's policyholders.

Run-off management

On 22 December 2020, Armour served a termination notice for the run-off management services provided to Elite. This was to expire no later than 30 June 2021.

On 3 March 2021, the Joint Administrators' team shared a Request for Proposal with eight interested parties who had signed non-disclosure agreements with Elite. Access was also granted to a data room containing details of each of Elite's portfolios, IT infrastructure, claims management systems, processing protocols, finance and tax requirements, staffing requirements including Amour staff subject to TUPE, , management information and documentation.

Each proposal was to include key credentials and a plan containing the bidder's intended approach to delivering the run-off management services with reference to:

- Claims handling
- Reinsurance collections
- Lines of business and jurisdictions involved
- Location and experience/skills of staff
- Use of IT
- Finance and general ledger support
- Compensation funds
- Transition plan and timescales with respect to IT migration and staff
- Management information reporting
- Service level provisions and key performance indicators
- An annual budget for the first 12 months of the services and a non-binding indication of expected annual costs
- Contractual terms
- A description of credentials, financial strength, confirmation that no conflicts exist and a summary of the key individuals delivering the services.

On 31 March, four detailed proposals were received. These were comprehensively reviewed and scored against several criteria. The proposals, their analysis and the Joint Administrators' preferred service provider was shared and discussed with the Creditors' Committee members on 20 April.

On 21 May, a ROMA was executed with Quest with services commencing on 14 June 2021.

Operations

During the Period, Amour remained the initial point of contact for the vast majority of Elite's claims handling. A specialist outsourcer, ACS Solutions, continued to deal with French construction claims through a number of specific coverholders.

During the Period, in excess of 1,600 insurance claims were adjusted and closed, with a value of approximately £1.1m including fees as well as indemnity amounts. In addition, the Joint Administrators have worked with Amour in defending a number of high value contentious claims which were of an overall total of €550k less than predicted.

We continue to oversee Elite's complaints processes now administered by Quest, only dealing directly with customer complaints where necessary. Approximately 70 complaints were closed during the Period.

Infrastructure

During the Period, Amour continued to operate as the run-off manager in line with the ROMA and within the forecast budget. As advised above, a new ROMA was signed with Quest to provide run-off management services following Amour's termination notice.

A budget and a cash flow model for the expected duration of the Administration have been maintained. Receipts and payments processing has been managed efficiently, with appropriate sanctions review processes in place. Bank reconciliations are performed on a monthly basis for all accounts.

During the Period we also liaised with fiscal representatives in a number of European jurisdictions to identify and comply with local regulatory and compliance requirements.

Treasury management

As previously reported, the Joint Administrators secured all cash held by the Company in pre-appointment bank accounts and have subsequently transferred all funds to new post-appointment bank accounts. Wherever possible, funds are being held in interest bearing accounts.

Strategic review of Elite's business

During the Period, we worked with Armour and our legal advisers to review a number of Elite's significant portfolios in order to investigate the most appropriate strategy for managing the run-off of each book of business.

French Business

As previously reported, all French construction insurance policies were 'disclaimed', in other words, terminated, by the Joint Administrators in accordance with GIA11 with effect from (and including) 15 September 2020. Under GIA11 policyholders and any other person whose rights are affected by the disclaimer can submit a claim in Elite's Administration for any loss or damage they suffered as a consequence of the disclaimer. Work has continued during the Period to manage enquiries related to this in addition to claims submitted prior to 15 September 2020.

Further information can be found on our website at: <https://www.pwc.co.uk/services/business-restructuring/administrations/elite-insurance/latest-news-and-update/important-information-for-french-construction-policyholders.html>

UK ATE business

Due to the complex and onerous nature of these policies, a decision was taken to 'disclaim', in other words, terminate, most of these policies in accordance with GIA11 with effect from and including 11 December 2020. Under GIA11, policyholders, and any other person whose rights are affected by the disclaimer, can submit a claim in Elite's administration for any loss or damage they suffered as a consequence of the disclaimer. All ATE policies were disclaimed with the exception of two Rate Based cases.

Further information can be found on our website: <https://www.pwc.co.uk/services/business-restructuring/administrations/elite-insurance/latest-news-and-update/important-information-for-after-the-event-policyholders.html>

The Joint Administrators continued to engage with delegated authority firms regarding pre-disclaimer claims submitted under ATE policies, liaising with the FSCS to confirm eligibility for FSCS protection on a case by case basis.

The Joint Administrators also continue to seek recovery of premiums collected and retained by solicitor firms from successful pre-disclaimer policies. In two RB ATE cases Elite retains an interest in the policy and will be due a share of premium if the underlying case is successful. The Joint Administrators continue to monitor developments on these cases.

Other portfolios

We continued to work with Armour to evaluate options and discuss strategic plans for Elite's Italian, UK Building Guarantee and UK Insurance Backed Guarantee portfolios. These discussions and any necessary advancements will continue with Quest as the new run-off managers. We have also sought input from the FSCS and FCA in respect of the UK portfolios.

Ireland

The current strategy is to run-off the existing policies and pursue compensation from the ICF where appropriate.

Italy

Elite's Italian portfolio consists of several different books of business including surety bond business, professional indemnity and third party liability business as well as donations business.

The surety bonds book is the largest where the bonds are typically performance or completion bonds in relation to construction projects. This business was written by one coverholder, Olimpia Agency S.P.A. The Joint Administrators have successfully negotiated the recovery of policyholder data from the coverholder, which was received during the Period and will assist in finalising the future strategy for the portfolio.

Claims activity with respect to the surety bonds business and other Italian books was relatively low and in line with expectations during the Period. The Joint Administrators currently anticipate continuing to run-off the Italian portfolio until an exit from the Administration is proposed.

Spain

The Spanish portfolio consists of surety bond business only, similar in nature to the Italian surety bonds. Claims activity with respect to this business was relatively low and in line with expectations during the Period. The Joint Administrators currently anticipate continuing to run-off the Spanish portfolio until an exit from the Administration is proposed.

The Joint Administrators have gained access to the tax notification electronic mailbox for Elite's Spanish branch and are investigating a number of notifications relating to insurance claims which have been assigned to the Spanish authorities.

UK Insurance Backed Guarantee

As previously reported, the Joint Administrators entered into non-disclosure agreements with three parties with a view to putting in place replacement cover for the beneficiaries of this book of business. A solution for the entire book was not viable for the three interested parties and subsequent discussions with one of the parties has not yielded any further positive interest.

We continue to agree claims as they arise, with the FSCS providing compensation to eligible claimants at 90% of the claims value.

UK Building Guarantee

During the Period, valid claims continue to be agreed as they have arisen, with the FSCS providing compensation to eligible claimants at 90% of the claims value.

The Joint Administrators continue to assess potential longer term solutions, given the inherent policy and data issues and relatively long tail for this book of business.

Policyholders, or beneficiaries of policies, that require the issuance of a replacement certificate for their policy should note that the Joint Administrators can only issue these for policies which are able to be supported with full evidence of a live policy underwritten by Elite. Additionally, the Joint Administrators are unable to issue final certificates for newly developed buildings. During the Period, the Joint Administrators continued with taking the necessary steps to advance claims in relation to losses arising from the binding agreement between Elite and the coverholder on this book.

Asset recoveries

Reinsurance

As previously reported, an initial consideration of £32m under the commutation with a major reinsurer was received by Elite on 16 July 2020. Further contingent consideration under the commutation may be receivable by Elite and any developments will be reported in future progress reports.

We continue to seek to maximise recoveries through liaison with brokers responsible for placing reinsurance contracts such as Greek Motor. We also continued to liaise with Aon on the UK Motor book.

Elite's largest reinsurance recoverable relates to a significant motor claim subject to a Payment Protection Order. Further recoveries totalling £755k were made in the Period. In addition, the Joint Administrators have contacted reinsurers across multiple layers to assess their appetite for seeking early finality in relation to the commutation of the reinsurance. This resulted in a further receipt of £1.1m during the Period. This brings total reinsurance recoveries to £39m.

DA ATE disclaimer and RB ATE recoveries

For the policies associated with two ATE cases which were not disclaimed, the Administrators' team are continuing to liaise with the reinsurer and the insureds to closely monitor progress and updates. We have also worked with the reinsurer to de-risk Elite's exposure on one of the cases and are pursuing a similar approach on the other case.

During the period £120k was recovered following the dissolution of a Cayman based ATE reinsurance cell held by an ATE solicitor and £93k was received in premiums in relation to the ATE portfolio.

This brings total recoveries to £2.4m and €2k to date.

Subrogated claims and claims fund recoveries

During the Period, £379k was received from UK claims recoveries. Elite has also pursued recoveries within its European jurisdictions, resulting in recoveries of €8k from the French business and €270k from the Italian business.

This brings total claims recoveries to £553k and €586k to date.

General recoveries

Shortly after the Period, the Joint Administrators reached a settlement with a European coverholder for unpaid premiums that were still due to Elite at the date of Administration. The net recovery for Elite was €570k.

The Joint Administrators continue to pursue a number of other potential asset recoveries in various jurisdictions and will provide updates in future progress reports.

Corporation tax, IPT and VAT

The Joint Administrators continued to liaise with Armour to obtain relevant information required to deal with the Company's tax affairs in respect of the pre and post appointment liabilities in all jurisdictions including France, Italy and Spain. This work will continue with Quest.

We continue to review and submit corporate and IPT tax returns to ensure compliance in all jurisdictions, including associated approval and processing of any resulting tax liability payments. As part of our tax compliance work, we have submitted the following during the Period:

- Various corporate tax filing and withholding tax filings in Italy; and
- Post-appointment IPT returns in Ireland and the UK.

We have been corresponding with the Italian Tax Authorities regarding potential Italian tax recoveries relating to the pre Administration period.

We continue to assess the French tax position and communicate with the French Tax Authorities as necessary.

During the Period we have written to the Irish Commissioners and have deregistered Elite for IPT, as a result further IPT filings will not be required in Ireland.

During the period we have written a second letter to HMRC to seek to agree the corporation tax residency position in the UK and continue to follow up on this matter.

We held a meeting with the Tax Authorities in Spain and continue to liaise with them in order to regularise the Company's Spanish branch's pre-appointment tax position.

We continue to monitor post-appointment activities in all jurisdictions to ensure that the Company is compliant with the EU mandatory disclosure regime.

Stakeholder engagement

Policyholder communications

The Joint Administrators have ensured that key stakeholders, including policyholders and Creditors, have been appraised of progress made in a timely manner. We have regularly updated the Company website with relevant communications, press releases and frequently asked questions. During the Period we received 4,300 website visits. Approximately 2,800 were unique user visits.

We have also responded to more than 1,000 policyholder and other stakeholder queries via our dedicated helplines or by email.

Regulatory engagement

The Company remains authorised and regulated to the extent needed for the purposes of the Administration and as such must comply with various regulatory requirements. We continue to engage with the GFSC and cooperate with other regulators as appropriate on the progress of the Administration and regulatory reporting matters that arise.

Creditors' Committee

On 3 April 2020 the Creditors of the Company approved the Administrators' Proposals including the establishment of a Creditors' Committee. A fees sub-committee was subsequently formed on 22 June 2020 consisting of Hannover Re (Ireland) DAC and the FSCS.

The fees sub-committee met on 8 March 2021 during which costs for the period 11 August 2020 to 10 December 2020 were reviewed and the budget for FY21 was approved.

The Creditors' Committee met on 20 April 2021 during which it was agreed to contract with Quest to provide run-off services.

In addition to formal meetings, we continue to engage informally with the Creditors' Committee to discuss key issues and the progress of the Administration.

Directors' conduct and investigations

One of our duties is to look at the actions of anybody who has been a director of the Company in the period before our appointment.

Please note that we will not be able to publish our findings and work in this area, but we have complied with our duties in accordance with GIA11. Nothing further has come to our attention during the Period to suggest that we need to do anything further to comply with our duties in this respect.

We also have to decide whether any action should be taken against anyone to recover or contribute to the Company's assets. If you think there is something we should know about and you haven't yet told us, please complete the relevant section of the Statement of Claim Form, which can be found on the website; <https://www.pwc.co.uk/services/business-restructuring/administrations/elite-insurance/suppliers.html>. This is part of our normal work and does not necessarily imply any criticism of the directors' actions.

Communications

The Joint Administrators continue to use the website [pwc.co.uk/elite-insurance](https://www.pwc.co.uk/elite-insurance) as a means of delivering updates to policyholders and Creditors. Unless you advise us that you wish to receive communications by post, the website will be used as the main method of communication during the Administration. Due to the large number of European policyholders, key parts of the website are available in French and Italian and we continue to translate key documents into these languages.

Other information

Our receipts and payments account

We set out in Appendix A an account of our receipts and payments in the Administration for the Period.

We consider that all payments which have been made as an expense of the administration are appropriate and proportionate to the size and complexity of the administration.

Administration expenses

We set out in Appendix B a statement of the expenses we've incurred during the Period. The statement excludes any potential tax liabilities that we may need to pay as an Administration expense in due course, as amounts due will depend on the position at the end of the tax accounting periods in each jurisdiction.

Our fees

We set out in Appendix C an update on our remuneration which covers our fees, disbursements and other related matters in this case.

As previously reported, on 23 October 2020 the Creditors' Committee approved the following resolutions in accordance with section 464(1)(a) of GIA11, taking into consideration the principles set out in section 466 of GIA11 authorising the Joint Administrators to draw remuneration as follows:

- At the end of each month, approval to draw 75% of the post-Administration fees incurred for which fees have not already been drawn. 25% of these fees shall be deferred, subject to the point below; and

- After the declaration of a first distribution, approval to discuss with the Creditors' Committee the value of the work the Joint Administrators and their team have achieved, in order to establish whether all or a proportion of the deferred fees can be released. Please note, after the declaration date of the first distribution any unreleased fees may be released by the Creditors' Committee's at any time.

During the Period, pre-administration fees of £29k were billed and paid relating to PwC Gibraltar time costs. This brings the total paid pre-administration remuneration to £280k. All pre-administration fees have now been drawn.

Fees since the start of the Administration total £10.7m at scale rates. This includes £2.7m for the Period.

During the Period, fees of £1.5m were billed and paid covering 11 August 2020 to 10 December 2020 and fees of £0.9m were billed and paid covering 11 December 2020 to 10 February 2021, each at 75% of scale rates.

Fees of £1.2m representing 75% of scale rates, covering 11 February 2021 to 10 June 2021 have yet to be billed.

Deferred fees for the Period in line with the resolutions dated 23 October 2020, total £690k. This brings the total deferred fees since the start of the Administration to £2.6m.

Connected party transactions

As advised above, the ROMA with Armour ended on 11 June 2021. There have been no other sales or transactions with connected parties of the Company during the Period, and none are expected in the future.

What we still need to do

The Administration of the Company is complex given the wide range of portfolios it underwrote and territories it operated in. Our focus over the next six months will be:

- Ensuring policyholder claims are dealt with appropriately and where compensation schemes exist are paid promptly;
- Vigorously pursuing asset and other recoveries of the Company;
- Completing our strategic review of each of the Company's major books of business and where appropriate implementing strategies that will benefit Creditors as a whole; and
- Considering the most appropriate exit mechanism from Administration with a view to maximising the return to Creditors at the earliest possible stage.

Next steps

We are currently considering the best strategy for ending the Administration, taking into account any tax or further costs implications. We expect to send our next report to Creditors in about six months.

If you have any questions, please get in touch by email at uk_elite@pwc.com

Yours faithfully



For and on behalf of the Company
Edgar Lavarello
Joint Administrator

Edgar Lavarello and Dan Schwarzmann have been appointed as Joint Administrators of Elite Insurance Company Limited to manage its affairs, business and property as agents and act without personal liability. Edgar Lavarello is authorised to act as an insolvency practitioner by the GFSC in Gibraltar (IP Licence Number FSC 0892 FSA). Dan Schwarzmann is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales in England (IP Licence number 8912).

Appendix A: Receipts and payments

	As at 10 June 2021			As at 10 June 2021 Total GBP equivalent	Movements from 11 December 2020 to 10 June 2021 (GBP Equivalent)	As at 10 December 2020 (GBP equivalent) RESTATED at 10 June 2021 exchange rate	As at 10 December 2020 GBP equivalent
	GBP	EUR	NZD				
Receipts (uncharged)							
Cash at bank*	12,237,028	5,612,089	0	17,067,540	-17,289	17,084,829	17,381,456
Claim recoveries	553,034	585,698	0	1,057,164	619,666	437,498	453,642
Interest	15,082	0	1,734	15,963	7,562	8,401	8,444
Investments and Shares	979,711	17,375	0	994,666	0	994,666	995,584
Gross Premium — ATE Premium	2,443,968	1,891	0	2,445,596	213,735	2,231,861	2,231,961
Sundry Debts and Refunds	15,988	0	0	15,988	10,976	5,012	5,012
Tax/Insurance/Other refunds	0	144,063	0	124,000	0	124,000	131,612
Insurance recoveries	833,806	0	0	833,806	473	833,333	833,333
Reinsurance recoveries	38,947,711	76,328	0	39,013,409	1,880,834	37,132,575	37,136,608
Receipts total	56,026,328	6,437,443	1,734	61,568,131	2,715,956	58,852,175	59,177,652
Payments							
Office holders' fees	6,551,868	0	0	6,551,868	2,369,726	4,182,142	4,182,142
Office holders' expenses	3,260	0	0	3,260	3,260	0	0
Pre-administration Office holder's fees	282,910	0	0	282,910	29,160	253,750	253,750
Pre-administration Office holder's expenses	2,225	0	0	2,225	2,225	0	0
Run-off services	1,887,604	0	0	1,887,604	410,024	1,477,580	1,477,580
Claims handling expenses	354,044	765,512	0	1,012,946	297,762	715,184	743,584
Professional fees	32,082	113,433	0	129,718	48,459	81,259	84,759
Printing, stationery and postage	180,550	14,659	0	193,167	12,383	180,784	181,347
Legal fees and expenses	3,431,848	725,770	0	4,056,543	1,442,792	2,613,751	2,637,387
Statutory advertising	65,419	0	0	65,419	0	65,419	65,419
Taxation costs	276,030	49,304	0	318,468	127,672	190,796	191,507
Irrecoverable VAT	614,750	13,045	0	625,979	173,470	452,509	453,148
Bank charges	24,069	6,420	0	29,595	4,930	24,665	24,724
Storage costs	2,656	0	0	2,656	2,656	0	0
Payments total	13,709,315	1,688,145	0	15,162,358	4,924,519	10,237,839	10,295,347
NET POSITION	42,317,012	4,749,298	1,734	46,405,773	-2,208,563	48,614,336	48,882,305

Made up as follows	GBP	EUR	NZD	As at 10 June 2021 Total GBP equivalent	Exchange rates - (Bank of England)	
Barclays UK	2,559,184	4,749,298	1,734	6,647,945	10 June 2021	£1 to Eur 1.1618
HSBC UK (interest bearing)	14,504,729	—	—	14,504,729	10 December 2020	£1 to Eur 1.0946
NatWest Gibraltar	—	—	—	—	10 June 2021	£1 to NZD 1.9669
Money Market Deposits (interest bearing)	25,253,099	—	—	25,253,099	10 December 2020	£1 to NZD 1.8761
	42,317,012	4,749,298	1,734	46,405,773		

*During the period, funds were transferred to the Joint Administrators' bank account from the pre-appointment NatWest bank accounts. These movements have been reflected across multiple categories. All funds have now been transferred from the NatWest accounts which have been closed.

Appendix B: Expenses

The following table provides details of our expenses. Expenses are amounts properly payable by us as Joint Administrators from the estate and includes our fees but excludes distributions to Creditors. The table also excludes future potential tax liabilities that we may need to pay as an Administration expense because amounts becoming due will depend on the position at the end of the tax accounting period. The table should be read in conjunction with the receipts and payments account at Appendix A, which shows expenses actually paid during the Period and the total paid to date.

Nature of expenses	GBP	EUR
	Incurring in the Period (£)	Incurring in the Period (€)
Run-off services	533,800	0
Claims handling expenses	101,492	228,028
Professional fees	5,543	52,799
Printing, stationery and postage	8,939	3,449
Legal fees and expenses	1,118,414	276,230
Statutory advertising	0	0
Taxation costs	96,807	35,859
Bank charges	328	5,248
Office holders' fees	2,745,780	0
Office holders' disbursements	3,603	0
Storage Costs	2,801	0
Total expenses	4,617,507	601,613

Appendix C: Remuneration update

On 23 October 2020 the Creditors' Committee approved resolutions authorising the Joint Administrators to draw remuneration on the basis mentioned earlier in the report.

Our hours and average rates

The time cost charges incurred in the Period total £2.97m. This is 6,046 hours at an average hourly rate of £491.

The table below shows a breakdown of this.

	Partner	Director	Senior Manager	Manager	Senior Associate	Associate/ Other	Offshore Professionals	Period Total		Total from 11 December 2019 to 10 June 2021	
								Hours	Total Cost (£)	Hours	Total Cost (£)
Accounting and Treasury	2,124	4,326	504	42,546	70,890	13,018		382	133,408	1,532	586,546
Assets	10,442	136,571	99,167	46,225	138,037	45,800		920	476,242	4,687	2,326,286
Creditors	3,090	4,790	832	14,925	11,114	35,900		242	70,651	1,271	440,775
Run-off management supervision	23,619	2,802	86,972	680,070	170,846	114,566		2,201	1,078,875	6,255	3,269,581
Statutory and compliance	14,412	23,783	48,935	157,688	128,966	25,292		834	399,076	2,670	1,293,527
Strategy and planning	6,947	193,949	57,672	72,283	45,516	1,239	67,637	892	445,243	2,917	1,721,894
Tax and VAT	29,491	31,281	111,533	59,949	111,560	16,443	3,028	575	363,285	1,858	1,136,280
Total for the Period	90,125	397,502	405,615	1,073,686	676,929	252,258	70,665	6,046	2,966,780	21,190	10,774,889
Average hourly rate (£)	1,063	781	712	526	432	266	216		491		508
Fees incurred in the Period to be written off outside the Period									(221,000)		(221,000)
Revised total for the Period*									2,745,780		10,553,889

*These represent 100% of fees.

Our time charging policy and hourly rates

We and our team charge our time for the work we need to do in the Administration. We delegate tasks to suitable grades of staff, taking into account their experience and any specialist knowledge that is needed, and we supervise them properly to maximise the cost effectiveness of the work done. Anything complex or important matters of exceptional responsibility are handled by our senior staff or us.

All of our staff who work on the Administration (including our cashiers) charge time directly to the case and are included in any analysis of time charged. Each grade of staff has an hourly charge out rate which is reviewed from time to time. Work carried out by our support and secretarial staff is charged for separately and is not included in the hourly rates charged by partners or other staff members. Time is charged in six minute units in the UK and 15 minute units in Gibraltar. We do not charge general or overhead costs.

In common with many professional firms, our scale rates may rise to cover inflationary cost increases. In accordance with the agreement with the Creditors' Committee charge out rates will increase by 3% from 1 July 2021.

We set out below the maximum charge-out rates per hour for the grades of our staff. The Joint Administrators' core team is made up of both UK and Gibraltar staff. Where the Joint Administrators draw on the expertise of specialists within the firm such as actuarial and tax experts, bespoke rates apply.

From 1 July 2020*			
Grade	Rate - UK, £/hour	Rate - Gibraltar, £/hour	UK Bespoke Rate, £/hour
Partner	937	773	1,566
Director	824	618	1,313
Senior Manager	623	427	1,329
Manager	541	340	798
Senior Associate	448	206	391
Associate	278	103	294
Other	144	N/a	273
Offshore professionals	216	N/a	216

*These rates include an agreed discount from standard scale rates and are subject to a further 25% retention as discussed in the report

Our work in the Period

Whilst this is not an exhaustive list, in the following table we provide more detail on the key areas of work:

Area of work	Work undertaken	Why the work was necessary	What, if any, financial benefit the work provided to Creditors OR whether it was required by statute
Strategy and planning	<ul style="list-style-type: none"> Regular meetings with Armour to discuss key issues, budgets, operational matters and to provide feedback on service performance. Internal meetings to determine the optimum strategy and progress toward the objectives of the Administration, an indicative timeline, and key milestones. Evaluating strategic options to be implemented in order to achieve the objectives of the Administration. 	To ensure case progression and monitor costs	Ensures orderly progression of case and cost management
Run-off management supervision	<ul style="list-style-type: none"> Regular meetings and discussions with members of the Armour claims handling team. Leading negotiations for a number of large value claims. Reviewing the budget and supporting evidence provided by the Run-off Manager. Review of the post-disclaimer French damages claims and discussions regarding valuation of damages claims. Updating European claims handling protocol with Armour. Recovery of policyholder data from a major Italian coverholder. Re-negotiation and execution of a French claims handling contract with ACS. Creating a strategy, process and timeline for selection of a replacement run-off manager. Drafting a Request for Proposals. Establish and populate a Data Room. Detailed analysis of proposals received. Negotiation and execution of a new ROMA. Overseeing the transition of run-off services from Armour to Quest. 	To ensure returns to the Creditors are maximised	Maximising funds for the benefit of Creditors
Creditors	<ul style="list-style-type: none"> Dealing with enquiries from Creditors in various European jurisdictions regarding the Administration and individual claims. Setting up of and participation in the initial meeting of the fees sub-committee. Liaising with Creditors and policyholders regarding queries and providing website updates. Setting up a further meeting of the Creditors' Committee including preparation in advance of the meeting. Liaising with Creditors' Committee member representatives and observers. 	To keep the Creditors informed	Work done in anticipation of returning funds to Creditors

Assets	<ul style="list-style-type: none"> Analysing Company records and pursuing recoveries including reinsurance recoveries, premiums, claims funds and other assets. Investigating the position and potential outcome of recovery from debtors in insolvency procedures. Negotiating with debtors. 	To ensure returns to the Creditors are maximised	Realise funds for the benefit of Creditors
Accounting and Treasury	<ul style="list-style-type: none"> Reviewing balances held in pre-Administration accounts to ensure compliance with the PwC UK cash management policy. Processing all incoming funds via the Administrators' accounting system in order to ensure consistency of coding and clarity of reporting. Preparing and updating cash flow reporting. Processing payments, including review and approval by senior case staff. Producing and reviewing monthly bank reconciliations. Cash management using multiple bank accounts and money market deposits. Arranging closure of all pre-Administration bank accounts. 	To manage the Company's bank accounts	Ensures proper management of the funds held Maximise interest received and minimize interest paid
Statutory and compliance	<ul style="list-style-type: none"> Officeholder oversight. Reviewing Company books and records. Managing internal case, filing and accounting systems. Preparing the Administrators' second progress report detailing activities undertaken by the Administrators. Liaising with the relevant Regulators and third-party stakeholders. Maintaining our records, preparing file notes, filing relevant emails and supporting documentation. Preparing and issuing all statutory documents, notices and reports as required. Compliance activities such as Anti Money Laundering checks, sanctions screening and information handling protocol. Compliance with post-Brexit notification requirements across various jurisdictions. 	To comply with statutory obligations	Required by statute / regulation
Tax and VAT	<ul style="list-style-type: none"> Ongoing work to understand post appointment liabilities in various jurisdictions. Ongoing work with several specialists to best understand VAT residency and corporation tax residency of the Company. Continued investigation into potential tax related recoveries in different European jurisdictions. Ongoing consideration of tax compliance matters in all territories the Company operated in. 	To comply with statutory obligations	Required by statute and ensures the appropriate payment of corporation tax, for the benefit of Creditors

Our future work

We still need to do the following work to achieve the purpose of the Administration.

Area of work	Our Future work	What, if any, financial benefit the work provided to Creditors OR whether it is required by statute
Strategy and planning	<ul style="list-style-type: none"> Continue to investigate appropriate strategies for the remaining books of business. Investigate possible exit mechanisms from the Administration. Further work to be completed on suppliers and contracts. 	Ensures orderly progression of case and cost management
Run-off management supervision	<ul style="list-style-type: none"> Managing the process following the disclaimer of both the RB ATE and DA ATE businesses. Reviewing payments and supporting evidence in relation to FSCS eligible policyholders. Continuing to negotiate large value claims. Reviewing and responding to referrals from Quest claims handlers and approving actions with respect to large value, litigated claims or claims recoveries from third parties. Overseeing complaints handling. Adjudication of claims. Continuing to explore potential eligibility for compensation for Elite's Irish policyholders. Exploring potential eligibility for Elite's Greek policyholders Finalising service level protocols with Quest Finalising a budget with Quest Monitoring Quest performance against budget. Quarterly meetings to discuss performance and Management Information. 	Maximising funds for the benefit of Creditors
Creditors	<ul style="list-style-type: none"> Liaising with Creditors. Responding to queries from Direct Insurance Creditors. Agreeing Direct Insurance Creditor claims. Maintaining an estimated outcome statement. Preparation and payment of dividends. 	Work done in anticipation of returning funds to Creditors
Assets	<ul style="list-style-type: none"> Managing the remaining two active cases under the RB ATE and DA ATE businesses. Analysing Company records and pursuing recoveries including reinsurance recoveries, premiums, claims funds and other assets. Corresponding with reinsurance debtors regarding settlements following case by case cost benefit analysis. 	Realise funds for the benefit of Creditors
Accounting and treasury	<ul style="list-style-type: none"> Bank reconciliations. Cash management. Currency hedging analysis. Accounting for payments and receipts into the case bank accounts. Processing payments. Dealing with unbanked dividend cheques. 	Ensures proper management of the funds held
Statutory and compliance	<ul style="list-style-type: none"> Preparing and submitting six monthly progress reports to Creditors. Complying with statutory filing requirements. Preparing and circulating the final report. 	Required by statute / regulation

Tax and VAT	<ul style="list-style-type: none"> • Completing tax returns. • Obtaining HMRC clearance. • Pursuing tax recoveries. 	Required by statute and ensures the appropriate payment of corporation tax, for the benefit of Creditors
Closure	<ul style="list-style-type: none"> • Obtaining clearances for closure. • Closure procedures. • Winding down the Company's affairs generally. 	Required by statute, ensures all administration matters have been dealt with

Payments to associates

We have instructed the following professionals on this case due to their jurisdictional tax and regulatory expertise and for efficiency purposes. The amounts shown were incurred in the Period.

Service provided	Name of firm / organisation	Jurisdiction	Basis of fees	Amount paid (€)
Legal and Professional Services	PwC Legal SARL	Luxembourg	Time costs and disbursements	1,952
Professional Services	PricewaterhouseCoopers Advisory SpA	Italy	Time costs and disbursements	38,454*
Tax and Regulatory	Landwell — PricewaterhouseCoopers Tax & Legal Services, S.L.	Spain	Time costs and disbursements	25,279

*This was paid shortly after the Period.

As required with all third party professionals, submission of time costs analyses and narrative, or a schedule of realisations achieved dependent on their fee basis, is supplied in support of invoices rendered. All invoices are reviewed before being approved for payment. We are satisfied that the level of costs is appropriate.

Disbursements

Disbursements are costs paid by the Joint Administrators and may include an element of shared or allocated costs.

Disbursements totalling £3,603 were incurred in the Period. £2,636 relating to disbursements incurred in Gibraltar for notarising and apostilled documents and courier services were paid during the Period. £967 relating to UK disbursements for couriers, document design and web page updates have not been billed and will be drawn shortly.

Our relationships

Other than as previously disclosed, we have no business or personal relationships with the parties who approve our fees or who provide services to the Administration where the relationship could give rise to a conflict of interest.

Legal and other professional firms

In addition to the associates previously mentioned, we've instructed the following professionals on this case:

Service provided	Name of firm / organisation	Reason selected	Basis of fees
<ul style="list-style-type: none"> • Legal services, including: <ul style="list-style-type: none"> ○ Assistance when dealing with and concluding claims ○ Costs incurred when recovering money in relation to claims 	<ul style="list-style-type: none"> • A and L Goodbody • Antoine Paulian • Avances Sinistre • Avv. Alberto Lai Molé • Berrymans Lace Mawer LLP • Bryan Cave Leighton Paisner LLP • CMS Adonnino Ascoli & Cavasola Scamoni • Da Ros Associes • DWF Rousaud Costas Duran Abogados • Ellul & Co Limited • Freshfields Bruckhaus Deringer LLP • Jean-Baptiste Meyrier • Kennedys Law LLP • Keoghs LLP • Maitre Sarah Peyclet • Mills & Reeve LLP • Raphaelle Daunat • Salvato Sergio • Studio Associato Servizi Professionali • Triay Lawyers Limited 	<ul style="list-style-type: none"> • Industry knowledge • Insolvency expertise • Jurisdictional expertise 	<ul style="list-style-type: none"> • Time costs and disbursements
<ul style="list-style-type: none"> • Agent/Claims handling 	<ul style="list-style-type: none"> • ACS Solutions • All Risks Underwriting Agency • Armour Risk Management Limited • Marley Risk Consultants • Woodgate and Clark Limited 	<ul style="list-style-type: none"> • Policyholder knowledge • Claims handling experience 	<ul style="list-style-type: none"> • Time costs and disbursements

We require all third party professionals to submit time costs analyses and narrative or a schedule of realisations achieved, dependent on their fee basis, in support of invoices rendered. All invoices are reviewed before being approved for payment. We are satisfied that the level of legal and professional costs is appropriate.

Appendix D: Other information

Court details for the Administration:	The Supreme Court of Gibraltar Case number: 2019/COMP/002
Full and trading name:	Elite Insurance Company Limited
Registered number:	91111
Registered address:	327 Main Street, GX11 1AA, Gibraltar
Date of the Administration appointment:	11 December 2019
Joint Administrators' names and addresses:	Edgar Charles Andrew Lavarello of PricewaterhouseCoopers Limited, 327 Main Street, Gibraltar and Dan Yoram Schwarzmann of PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH UK
Website:	www.pwc.co.uk/elite-insurance
Objective being pursued by the Joint Administrators:	Objective b — achieving a better result for the company's Creditors as a whole than would be likely if the company were wound up (without first being in Administration)
Division of the Joint Administrators' responsibilities:	In relation to the powers set out in schedule 1 of GIA11, during the period for which the Administration is in force, any function to be exercised by the persons appointed to act as Administrators may be done by any or all of the persons appointed or any of the persons for the time being holding that office
Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on Insolvency Proceedings (recast):	The EC Insolvency Regulation does not apply



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