

4 February 2022

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

Elite Insurance Company Limited – (in Administration)

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



Table of contents

Abbreviations and definitions	3
Key messages	6
Why we have sent you this report	6
How much Creditors may receive	6
Progress since our appointment and what is next	7
Elite's insurance products	7
Run-off management	8
Asset recoveries	10
Corporation tax, IPT and VAT	10
Stakeholder engagement	11
Other information	11
What we still need to do and next steps	12
Appendix A: Receipts and payments	13
Appendix B: Expenses	14
Appendix C: Remuneration update	15
Our hours and average rates	15
Our time charging policy and hourly rates	16
Our work in the Period	17
Our future work	19
Payments to associates	20
Disbursements	20
Our relationships	20
Legal and other professional firms	20
Appendix D: Other information	22

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 dommage ouvrage insurance policy taken out by French homeowners for building defects
EU	European Union
FCA	The UK Financial Conduct Authority
FGAO	Fonds de Garantie des Assurances Obligatoires de dommages (French compensation scheme fund for compulsory damage insurance)
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 June to 10 December 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

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 and previous Joint Administrators' progress reports, 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 fourth 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 contact details:

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

As previously reported, 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. Actions taken during the Period and annual reporting requirements to comply with various jurisdictional requirements have been outlined below:

Belgium

The Joint Administrators have been in direct correspondence with the National Bank of Belgium regarding the run-off of policies post 31 December 2020. Currently, the Joint Administrators are in the process of confirming whether Elite has any remaining live policies in Belgium.

Greece

Local counsel in Greece have been in direct correspondence with the Bank of Greece regarding Elite's requirements to continue run-off operations in Greece beyond 31 December 2021.

The Joint Administrators do not need to seek any specific approval from the Bank of Greece to handle the outstanding claims against Elite under expired policies after 31 December 2021. There are no known unexpired policies.

Italy

The Joint Administrators are required to submit to the Istituto per la Vigilanza sulle Assicurazioni an annual report illustrating the state of implementation of their run-off plan. The next submission is due by 31 March 2022.

Ireland

As previously reported, in accordance with the requirements in Ireland, the Joint Administrators are required to submit a TRR Reporting Form to the Central Bank of Ireland on an annual basis with the next one due as at 31 March 2022 for submission by 31 July 2022.

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

France

On 10 November 2021 the French National Assembly adopted a proposed bill amending the provisions of the compensation scheme fund for compulsory damage insurance. The bill was passed by the French parliament on 30 December 2021. Under the new legislation, beneficiaries of DO policies in effect on or after 1 July 2018 whose claims arose before the end of the validity of the insurance policy may retroactively benefit from the compensation scheme. We continue to liaise with our French legal advisers and the FGAO on the matter and are assessing the impact on all DO policyholders.

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 SCA regarding potential eligibility for compensation for Elite's Irish policyholders. Payment made by the ICF against each eligible claim is capped at 65% of the claim value or €825,000, whichever is lower. During the Period draft affidavits were shared with the SCA in support of the application to be made to the Irish High Court for orders permitting payments out of the fund.

Greece

During the Period, Quest corresponded with the Greek Auxiliary Fund to agree a process to submit claims. The first submission to the Fund is expected by the end of January 2022 although the timing of any payments remains uncertain.

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 14 June 2021, run-off management transferred from Armour to Quest. A revised budget was agreed, and processes and service level protocols were updated. The budget continues to be monitored on a monthly basis. The first quarterly review of operations, service levels and claims management was completed with no material concerns raised.

Operations

During the Period, Quest became the initial point of contact for the vast majority of Elite's claims handling. We also continued to engage ACS Solutions to deal with French construction claims through a number of specific coverholders.

During the Period, in excess of 2,200 insurance claims were adjusted and closed, with a value of approximately £1.7m and €6.5m including fees as well as indemnity amounts. Quest undertook a claim reserve redundancy exercise which resulted in the significant movement reported in the Euro value.

We continue to oversee Elite's complaints processes now administered by Quest, only dealing directly with customer complaints where necessary. Approximately 96 complaints were resolved during the Period.

Infrastructure

During the Period, run-off management transferred from Armour to Quest in line with a ROMA executed with Quest on 21 May 2021.

A budget and a cash flow model for the expected duration of the Administration has 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

At the end of the Period the Company held funds of £38.3m, €5.6m and NZ\$1.7k with the majority of funds invested in money market deposits. The remaining balances are held in current accounts with Barclays Bank and HSBC to cover ongoing operating costs and business activities. Following the impact of COVID-19 there has been a reduction in the interest rates available on the money market deposits. We continue to monitor rates to ensure that the funds are invested to maximise interest earned whilst remaining in line with our treasury management policies covering such matters as counterparty credit risk and diversification.

Strategic review of Elite's business

During the Period, we worked with Quest 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.

As mentioned above, the Joint Administrators are assessing the impact of the changes in legislation governing the French compensation scheme on DO policyholders. Under GIA11, all 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. The Joint Administrators continue 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>

Other portfolios

We continued to work with Quest to evaluate options and discuss strategic plans for Elite's Italian, UK building guarantee and UK insurance backed guarantee portfolios. 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. Policyholders should continue to submit claims against Elite in the usual way.

Italy

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

The surety bonds book is the largest, and bonds are typically for performance or completion in relation to construction projects. As previously reported, the Joint Administrators recovered some policyholder data and have been working to obtain further records from Olimpia Agency S.P.A. These records will be reviewed to help finalise the future strategy for the portfolio.

Claims activity with respect to the surety bonds business and other Italian books remained 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 a surety bond business only, similar in nature to the Italian surety bonds. Claims activity with respect to this business has remained 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.

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

The claims notifications received for Elite's Spanish branch reported previously remain under review as we await responses from the issuing coverholders.

UK Insurance Backed Guarantee

It has not been viable to put in place replacement cover for the beneficiaries of this book of business. The Joint Administrators continue to assess a potential strategy for the book.

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

Policyholders, or beneficiaries of policies, who require the issuance of a replacement certificate for their policy should note that the Joint Administrators can only issue these for cases which can be supported with full evidence of a live policy underwritten by Elite. The Joint Administrators are unable to issue final certificates for newly developed buildings.

During the Period, the Joint Administrators continued to progress their claims against the coverholder on this book, successfully defending a strike out application made against certain elements of their claim. The matter is ongoing.

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. During the Period, we undertook work to understand the likely value and potential recoverability of certain assets related to the commutation generating further consideration. Additional contingent consideration under the commutation may be receivable by Elite and any developments will be reported in future progress reports.

We continued to liaise with reinsurance brokers in relation to a number of reinsurance arrangements to ensure the ongoing processing and collection of recoveries. The Joint Administrators have contacted a number of reinsurers to assess their appetite for seeking early finality in relation to the commutation of certain reinsurance arrangements with some discussions being at an advanced stage. The Joint Administrators continued to progress these discussions during the Period with additional recoveries expecting to be received in the next period.

DA ATE disclaimer and RB ATE recoveries

For the policies associated with the 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 continue to monitor progress on a further RB policy currently being assessed in court for quantum where Elite has novated its exposure but retains a right to a share of any future premium.

During the Period, £13.7k was received in premiums in relation to the ATE delegated authority portfolio which brings total recoveries to £2.5m and €2k to date.

Subrogated claims and claims fund recoveries

Elite continued to pursue recoveries within European jurisdictions, resulting in recoveries of €425k from the French business, €333k from the Italian business and €909k from the Spanish business.

This brings total claims recoveries to £554k and €2.3m to date.

General recoveries

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 Quest 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.

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:

- Withholding tax and IPT filings in Italy; and
- Post-appointment IPT returns in the UK.

We formally requested a tax refund from the Italian Tax Authorities in respect of a pre-appointment overpayment position and continue to correspond with the Italian Tax Authorities to expedite the refund process. Additionally, we continued liaising with Sovos, Elite's previous fiscal representative in Italy, in order to recover funds held in respect of pre-appointment tax liabilities. This resulted in a recovery of €247k received outside the Period.

We have written a second letter to the French Tax Authorities explaining the tax position in France and will continue to communicate with the French Tax Authorities as necessary.

During the period, following various letters and calls with HMRC, we received a non-committal response from HMRC in respect of the Company's corporation tax residency. We continue to assess the position.

Furthermore, during the Period, we discovered an underpayment of pre appointment UK IPT. We wrote a letter to HMRC disclosing the position and are waiting for HMRC to submit a claim in the estate.

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 apprised 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 over 2,700 website 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

The Creditors' Committee met on 26 July 2021 during which an update was provided on third party claims.

The fees sub-committee met on 28 July 2021 during which costs for the period 1 January to 30 June 2021 were reviewed, and a revised budget for 1 July to 31 December 2021 was presented and agreed.

Committee member Elliot Dunseath of RenaissanceRe Europe AG resigned from the Committee on 30 September 2021, and David Robinson of Marley Risk Consultants Ltd joined the Committee on the same date.

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. As we continue to assess the Company's affairs, we have had discussions with various third-parties regarding the events and circumstances leading up to the Company's administration, and are in the process of fact finding to understand these events and any other significant information which relates to them.

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.

We 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 have 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 at any time.

Fees since the start of the Administration total £12.9m at hourly rates agreed with the committee for Elite - which represent a discount on normal PwC rates. This includes £2.1m for the Period.

During the Period, fees of £1.2m were billed and paid covering 11 February 2021 to 10 June 2021 and fees of £0.9m were billed and paid covering 11 June 2021 to 10 October 2021, each at 75% of Elite rates. Fees of £0.5m representing 75% of Elite rates, covering 11 October 2021 to 10 December 2021 have yet to be billed.

Deferred fees for the Period in line with the resolutions dated 23 October 2020, total £516k. This brings the total deferred fees since the start of the Administration to £3.2m.

Connected party transactions

As advised above, the termination notice for run-off management services provided to Elite by Amour was set to expire no later than 30 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 and next steps

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;
- 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 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 December 2021			As at 10 December 2021 Total GBP equivalent	Movements from 11 June 2021 to 10 December 2021 (GBP Equivalent)	As at 10 June 2020 (GBP equivalent) RESTATED at 10 December 2021 exchange rate	As at 10 June 2021 GBP equivalent
	GBP	EUR	NZD				
Receipts (uncharged)							
Cash at bank*	12,237,028	5,612,089	0	17,032,456	0	17,032,456	17,067,540
Claim recoveries	553,498	2,252,385	0	2,478,120	1,424,617	1,053,503	1,057,164
Interest	32,008	0	1,735	32,899	16,927	15,972	15,963
Investments and Shares	979,711	17,375	0	994,557	0	994,557	994,666
Gross Premium — ATE Premium	2,458,951	1,891	0	2,460,566	14,982	2,445,584	2,445,596
Sundry Debts and Refunds	15,988	5,000	0	20,260	4,272	15,988	15,988
Tax/Insurance/Other refunds	0	144,063	0	123,099	0	123,099	124,000
Insurance recoveries	833,806	0	0	833,806	0	833,806	833,806
Reinsurance recoveries	38,947,711	76,328	0	39,012,932	0	39,012,932	39,013,409
Receipts total	56,058,701	8,109,130	1,735	62,988,695	1,460,798	61,527,897	61,568,131
Payments							
Office holders' fees	8,661,103	0	0	8,661,103	2,109,062	6,552,041*	6,552,041
Office holders' expenses	5,056	0	0	5,056	1,969	3,087*	3,087
Pre-administration Office holder's fees	282,910	0	0	282,910	0	282,910	282,910
Pre-administration Office holder's expenses	2,225	0	0	2,225	0	2,225	2,225
Run-off services	2,686,208	0	0	2,686,208	798,604	1,887,604	1,887,604
Claims handling expenses	510,458	972,647	0	1,341,567	333,406	1,008,161	1,012,946
Professional fees	43,146	183,823	0	200,219	71,210	129,009	129,718
Printing, stationery and postage	186,040	18,563	0	201,902	8,826	193,076	193,167
Legal fees and expenses	4,209,966	949,827	0	5,021,575	969,569	4,052,006	4,056,543
Statutory advertising	65,419	0	0	65,419	0	65,419	65,419
Taxation costs	281,743	391,375	0	616,165	298,005	318,160	318,468
Irrecoverable VAT	763,148	13,443	0	774,635	148,738	625,897	625,979
Bank charges	24,135	7,088	0	30,192	637	29,555	29,595
Storage costs	4,102	0	0	4,102	1,446	2,656	2,656
Payments total	17,725,659	2,536,766	0	19,893,278	4,741,472	15,151,806	15,162,358
NET POSITION	38,333,042	5,572,364	1,735	43,095,417	-3,280,674	46,376,091	46,405,773

Made up as follows	GBP	EUR	NZD	As at 10 December 2021 Total GBP equivalent	Exchange rates - (Bank of England)	
Barclays UK	1,558,340	5,572,364	1,735	6,320,714	10 December 2021	£1 to Eur 1.1703
HSBC UK (interest bearing)	6,189			6,189	10 June 2021	£1 to Eur 1.1618
Money Market Deposits (interest bearing)	36,768,513	–	–	36,768,514	10 December 2020	£1 to NZD 1.9476
	38,333,042	5,572,364	1,735	43,095,417	10 June 2021	£1 to NZD 1.9669

*An adjusting entry of £173 was created to re-categorise an expense item

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	767,687	0
Claims handling expenses	169,267	239,876
Professional fees	11,064	58,076
Printing, stationery and postage	5,491	3,904
Legal fees and expenses	749,463	196,141
Statutory advertising	0	0
Taxation costs	5,712	342,070
Bank charges	73	686
Office holders' fees	1,547,234	0
Office holders' disbursements	823	0
Storage Costs	1,445	6,000
Irrecoverable VAT	273,882	0
Total expenses	3,339,513	846,753

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 £2.1m. This is 3815 hours at an average hourly rate of £565.

The table below shows a breakdown of this.

	Period Total								Total from 11 June 2021 to 10 December 2021		
	Partner	Director	Senior Manager	Manager	Senior Associate	Associate/ Other	Offshore Professionals	Hours	Total Cost (£)	Hours	Total Cost (£)
Accounting and Treasury		339	3,719	22,547	35,335	12,935	12187	265	87,062	1,797	673,608
Assets	398	18,179	99,784	8,540	18,718	4,443		255	150,061	4,942	2,476,347
Claims		34,223	246,172	259,490	20,431	26,083	18625	1,114	605,024	1,114	605,024
Closure Procedures		26,947	9,628		2,165			52	38,739	52	38,739
Creditors	3,581	318,27	193	10,861	9,023	5,220	18707	187	47,902	1,458	488,677
Data				16,152	8880			49	25,032	49	25,032
Distributions			3,530	4,117	10,844			37	18,491	37	18,491
Investigations		29,371	22,384	20,886	2,884	787.71		116	76,313	116	76,313
Project Management		1,231	16,293	5,499	3,358	7,085		69	33,466	69	33,466
Reporting		16,707	56,979	42,532	19,505	17,997		297	153,720	297	153,720
Run-off management superv	49,867	61,581	69,360	88,300	11,420	2,694		402	283,221	6,657	3,552,802
Statutory and compliance	3,569	11,242	145	17,062	2,603	255		85	34,877	2,755	1,328,404
Strategy and planning	199	12,181	109,831	22,094	59,507	4,497		382	208,308	3,299	1,930,202
Tax and VAT	26,273	16,461	196,320	107,064	33,852	4,089	9,649	507	393,708	2,365	1,529,988
Total for the Period	83,887	228,779	834,337	625,146	238,524	86,085	59,167	3,815	2,155,926	25,005	12,930,815
Average hourly rate (£)	1,212	817	718	571	405	243	222		565		517
Fees incurred in the Period to be written off									92,948		92,948
Fees incurred and written off from a prior period											221,000
Revised total for the Period*											12,616,867

*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 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 increased by 3% on 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 2021*			
Grade	Rate - UK, £/hour	Rate - Gibraltar, £/hour	UK Bespoke Rate, £/hour
Partner	994	796	1613
Director	874	637	1393
Senior Manager	661	440	1369
Manager	574	350	822
Senior Associate	475	212	610
Associate	295	106	324
Other	153	N/a	180
Offshore professionals	223	N/a	223

*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 Quest 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. Meetings with legal, actuarial and tax advisors to consider implications of different strategic and exit options from 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"> Overseeing the transition of run-off services from Armour to Quest. Regular meetings and discussions with members of the Quest claims handling team. Leading negotiations for a number of large value claims. Ensuring claims are agreed efficiently and at an appropriate value. Review and agree costs and budget including supporting evidence. provided by the Run-off Manager. Review of the post-disclaimer French damages claims and discussions regarding valuation of damages claims. Agreement of updated claims handling protocols with Quest Further work to recover policyholder data from a major Italian coverholder. Re-negotiation and execution of a French claims handling contract with ACS. Dealing with complaints escalated to the Joint Administrators. 	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. Arranging regular meetings with the fees sub-committee including data preparation. 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. 	To keep the Creditors informed	Work done in anticipation of returning funds to Creditors

	<ul style="list-style-type: none"> Managing a process to change Creditors' Committee members. Liaising with Creditors' Committee member representatives and observers. 		
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. Reviewing the position of assets pending assignment subject to the Commutation. Discussions with third-parties to assess the Company's affairs including the events and circumstances leading up to the Company's administration. 	To ensure returns to the Creditors are maximised	Realise funds for the benefit of Creditors
Accounting and Treasury	<ul style="list-style-type: none"> 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. 	To manage the Company's bank accounts	Ensures proper management of the funds held. Maximise interest received and minimize interest paid commensurate with appropriate risk tolerances
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' third 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 letters, 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 the tax residency of the Company. Continued investigation into potential tax related recoveries in different European jurisdictions. 	To comply with statutory obligations	Required by statute and ensures the appropriate payment of corporation and other taxes, for the benefit of Creditors

- Ongoing consideration of tax compliance matters in all territories the Company operated in.
- Submission of various tax returns in the UK and Italy.

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 suitable strategies for the remaining books of business. • Complete our Investigations into possible exit mechanisms from the Administration. • Effect agreed exit plans. • Ongoing contract negotiations with suppliers in several jurisdictions. 	Ensures orderly progression of case and cost management
Run-off management supervision	<ul style="list-style-type: none"> • Ongoing management of claims following the disclaimers of various books of business. • Reviewing payments and supporting evidence in relation to FSCS eligible policyholders. • Continuing to negotiate large value claims. • Ensuring claims are agreed efficiently and at an appropriate value. • 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. • Progress work to confirm eligibility and achieve compensation for Elite's Irish policyholders. • Exploring potential compensation eligibility for Elite's Greek policyholders. • 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"> • Ongoing regular communications with the Creditors' Committee and Fees sub committee • 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. • Resolving the position on assets pending assignment subject to the Commutation. • Continuing correspondence with various third parties to assess the Company's affairs including the events and circumstances leading up to the Company's administration. 	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 tax clearance from HMRC/the appropriate tax authorities. • Pursuing tax recoveries. 	Required by statute and ensures the appropriate payment of corporation and other taxes, 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 incurred (€)
Legal and Professional Services	PwC Legal SARL	Luxembourg	Time costs and disbursements	2,050
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	31,936
Tax and Regulatory	PwC Société d'Avocates	France	Time costs and disbursements	1,816*

*Please note this was paid outside of the period, but relates to time costs within 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 £308 were incurred in the Period relating to couriers, document design and web page updates.

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 have 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 • Berrymans Lace Mawer LLP • Clifford Chance LLP • CMS Adonnino Ascoli & Cavasola Scamoni • Da Ros Associates • DLG Legal Services • DWF Law LLP • Ellul & Co Limited • Freeths LLP • Freshfields Bruckhaus Deringer LLP • Geoffrey Barthelemy • Jean-Baptiste Meyrier • Kennedys Law LLP 	<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 • DAC Beachcroft Claims Limited • Ionic Surveying Consultants Limited • Marley Risk Consultants • Quest Consulting (London) Limited • Shire Structures Limited • 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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