

Joint Administrators' progress report from 27 June 2020 to 26 December 2020

Stronghold Insurance Company Limited
(in administration)

High Court of Justice, Business and Property Courts of England
and Wales Insolvency and Companies List (ChD)
Case no. 3882 of 2019

19 January 2021

www.pwc.co.uk/stronghold

Table of contents

Abbreviations and definitions	3
Key messages	6
Progress since we last reported	8
Operations	8
Asset recoveries	8
Stakeholder engagement	9
Schemes of Arrangement	10
Other statutory information	11
Appendix A: Receipts and payments	13
Appendix B: Expenses	15
Appendix C: Remuneration	17
Appendix D: Other information	28

This report has been prepared by Dan Yoram Schwarzmann and Douglas Nigel Rackham as Joint Administrators of the Company, solely to comply with the Joint Administrators' statutory duty to report to creditors under IR16 on the progress of 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. Any persons choosing to rely on this report for any purpose or in any context other than under IR16 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' previous reports issued to the Company's creditors, which can be found at <https://www.pwc.co.uk/stronghold>. Unless stated otherwise, all amounts in this report and appendices are stated net of VAT.

Dan Yoram Schwarzmann and Douglas Nigel Rackham have been appointed as Joint Administrators of Stronghold Insurance Company Limited to manage its affairs, business and property as agents and without personal liability. Dan Yoram Schwarzmann and Douglas Nigel Rackham are both licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

Stronghold Insurance Company Limited is authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and the Financial Conduct Authority, reference number 202552.

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 Joint Administrators may act as controllers of personal data as defined by UK data protection law depending upon the specific processing activities undertaken. PricewaterhouseCoopers LLP may act as a 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 statement on the [PwC.co.uk](https://www.pwc.co.uk) website or by contacting the Joint Administrators.

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 Financial Conduct Authority for designated investment business.

Abbreviations and definitions

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

Abbreviation or definition	Meaning
Administration	UK corporate insolvency process governed by the Insolvency Act 1986, applicable to the Company following its insolvency on 27 June 2019.
Administrators/we/us/our	Dan Yoram Schwarzmann and Douglas Nigel Rackham of PricewaterhouseCoopers LLP, 7 More London, Riverside, London, SE1 2RT.
Appointment	The date that the Administrators were formally appointed as Administrators of the Company, being 27 June 2019.
Cedants/reinsurance creditors	Unsecured non-preferential creditors whose claims arise from being insurance companies holding policies of reinsurance issued by the Company.
Chapter 15	US Bankruptcy process enabling cooperation between US and UK Courts to give effect to the Administration and, in due course, any scheme in the UK.
Company	Stronghold Insurance Company Limited (in Administration).
Company Website	www.pwc.co.uk/stronghold .
Court	The High Court of Justice Business and Property Courts of England and Wales Insolvency and Companies List (ChD).
Creditors' Committee	Committee of creditors, established on 4 September 2019, in order to assist the Administrators in discharging their functions set out in the Insolvency Act 1986.
Direct Final Claims Time	The deadline for submitting completed claim forms in respect of Direct Scheme Claims, being 11.59 pm (London time) on the first day falling 180 calendar days after (and not including) the effective date of the Direct Scheme.
Direct insurance creditors	Unsecured non-preferential creditors whose claims arise from cover provided by the Company to a non-insurer policyholder.
Direct Scheme	Proposed Scheme of Arrangement pursuant to Part 26 of the Companies Act 2006 between the Company and its creditors in respect of contracts of direct insurance only.
Directors	The Directors of the Company being Ann Duffy, Andrew Gregory, John Massey, Henry Sopher and Kenneth Watkins.
Excluded Liabilities	<p>The General Scheme does not apply to claims that will be the subject of the Direct Scheme nor to any of the following liabilities: (a) preferential claims, being, in summary, those claims against the Company that have preferential status under section 386 of the Insolvency Act 1986; (b) pre-scheme expenses, being, in summary, the expenses reasonably incurred by the Company in connection with the promotion and preparation of each of the Schemes; (c) Scheme costs, being, in summary, the costs incurred by the Company in the course of implementing the Schemes and complying with the provisions of the Insolvency Act; and (d) Administration costs, being, in summary the costs incurred on behalf of the Company by the Joint Administrators as administration expenses or determined as administration expenses by the Court.</p> <p>Further information on Excluded Liabilities is included in the Direct Scheme Document and General Scheme Document.</p>
FCA	The Financial Conduct Authority, the conduct regulator for financial services firms and financial markets in the UK.

First Court Hearing (or Convening Hearing)	<p>A Court hearing to consider the applications made by the Company requesting permission to convene the meetings of the Direct Scheme Creditors and General Scheme Creditors in relation to the proposed Schemes.</p> <p>The applications were heard on 16 December 2020 and an order granting permission to convene the Scheme Meetings was made on the same day.</p>
General Final Claims Time	The deadline for submitting completed claim forms in respect of General Scheme Claims. This time will be determined by and communicated in accordance with the General Scheme in the event that the General Scheme Administrators determine that there may be available funds to make a distribution to General Scheme Creditors otherwise than on a de minimis basis.
General Scheme	Proposed Scheme of Arrangement pursuant to Part 26 of the Companies Act 2006 between the Company and its creditors other than: (a) creditors with claims arising under or pursuant to contracts of direct insurance; and (b) creditors with claims arising in respect of Excluded Liabilities.
HMRC	HM Revenue & Customs, the UK's tax, payments and customs authority.
Insolvency Act 1986 (or IA86)	Statutory legislation that provides the legal platform for matters relating to personal and corporate insolvency in the UK.
Insolvency (England and Wales) Rules 2016 (or IR16)	Statutory rules that provide the legal platform for matters relating to personal and corporate insolvency in England and Wales.
Insurers (Reorganisation and Winding Up) Regulations 2004	The rules under which Direct insurance creditors rank ahead of all other Unsecured creditors, including cedants and reinsurance creditors.
Letter of Credit (or LoC)	Collateral established in favour of various beneficiaries set up in the normal course of business, providing certain levels of cover.
Period	27 June 2020 to 26 December 2020.
PRA	The Prudential Regulation Authority, being responsible for the prudential regulation and supervision of financial services firms in the UK.
Practice Statement Letters (or PSLs)	The PSLs provide all known creditors with key information in relation to the terms of the proposed Direct Scheme or General Scheme and an outline of the Scheme process. The PSLs in respect of the Direct Scheme and General Scheme were sent to creditors by post and email on 16 November 2020, copies are available on the Company Website.
Preferential creditors	Primarily employee claims for unpaid wages earned in the four months before the insolvency up to £800, holiday pay and unpaid pension contributions in certain circumstances.
Proposals	The Administrators' Proposals for achieving the purpose of Administration, as approved by creditors on 4 September 2019.
Regulators	The FCA and PRA who are the Company's regulators.
Remuneration Report	As required by UK insolvency legislation, a report provided to all known creditors dated 20 January 2020 containing details of the work we expect to carry out during the insolvency, the expenses that are likely to be incurred and if our fees are proposed to include remuneration calculated on a time costs basis, an estimate of those fees.

The Direct Scheme Document and the General Scheme Document, together the Scheme Documents	<p>The Direct Scheme Document prepared in connection with the proposed scheme of arrangement pursuant to Part 26 of the Companies Act 2006 between the Company and its Direct Scheme Creditors, dated 16 December 2020. The Direct Scheme Document includes: (a) the Direct Explanatory Statement; (b) the Direct Scheme; (c) the Notice of the Direct Scheme Meeting; and (d) the Voting and Proxy Form for the Direct Scheme.</p> <p>The General Scheme Document prepared in connection with the proposed scheme of arrangement pursuant to Part 26 of the Companies Act 2006 between the Company and its General Scheme Creditors, dated 16 December 2020. The General Scheme Document includes: (a) the General Explanatory Statement; (b) the General Scheme; (c) the Notice of the General Scheme Meeting; and (d) the Voting and Proxy Form for the General Scheme.</p>
Schemes of Arrangement (or Schemes)	The Direct Scheme and General Scheme (each a Scheme and together, the Schemes) proposed following the Company entering Administration.
Scheme of Arrangement	A UK Companies Act procedure, similar in nature to a plan of reorganisation, that involves a compromise or arrangement between a company and one or more classes of its actual and contingent creditors.
Scheme Claims Submission Date	A date to be set under each of the Direct Scheme and General Scheme, being the date by which creditors will need to have submitted their claim into their respective Scheme.
Scheme Meetings	<p>A meeting of the Company's creditors for the purposes of voting on and approving, separately, the Direct Scheme and the General Scheme.</p> <p>The Direct Scheme Meeting will be held at, or as soon as reasonably practicable after, 10.00 a.m. on 2 February 2021. The General Scheme Meeting will be held at, or as soon as reasonably practicable after, 11.00 a.m. on 2 February 2021. Both Scheme Meetings will be heard by way of video conferencing and telephone.</p>
SIP	Statement of Insolvency Practice, issued by the UK regulatory authorities, setting out principles and key compliance standards with which insolvency practitioners are required to comply.
Statement of Affairs	A document required by UK law, prepared by the Directors of the Company, outlining the assets and liabilities of the Company at the date of Administration.
Trust Fund	A fund established in the normal course of business, supported by a letter of credit, to provide a fixed level of cover in respect of the payment of claims under US policies issued by the Company.
Unsecured creditors	Creditors who are neither secured nor preferential.
Value Added Tax (or VAT)	A consumption tax levied on the sale of goods and services in the UK.
Voting Form Submission Deadline	Whether or not a creditor intends to attend their respective virtual Scheme Meeting, it is requested to complete and return the Voting and Proxy Form in accordance with the instructions and notes contained therein as soon as possible and in any event no later than 5.00 p.m. (London Time) on 1 February 2021.
Voting and Proxy Form	Each creditor wishing to attend and/or vote at their respective virtual Scheme Meeting must complete and return a Voting and Proxy Form found at Section IV of their respective Scheme Document.

Definitions used in this report but not listed above have the same meaning as given in the Scheme Documents.

Key messages

Why we have sent you this report

This is our third progress report and has been prepared by the Administrators of Stronghold Insurance Company Limited to update you on the progress of the Administration of the Company in the six months from 27 June 2020 to 26 December 2020 following our last report dated 17 July 2020. Creditors may wish to read this report in conjunction with our previous reports and our Proposals, all of which continue to be available on the Company Website, along with this report and other important information at www.pwc.co.uk/stronghold.

We have continued to make progress in the Administration and fulfil our ongoing statutory responsibilities. In particular, during the Period we have worked closely with the Creditors' Committee, the Company's Regulators and the Company's lawyers in relation to the development of Schemes of Arrangement. As outlined in the Practice Statement Letters sent to all known creditors on 16 November 2020, we submitted an application to the Court for an order granting permission to convene two separate meetings of the Company's creditors to vote upon the Schemes. On 16th December 2020, the Court granted the Company's request and the Scheme Meetings will take place on 2 February 2021.

As outlined in our Proposals, previous reports and in the Scheme Documents, the Administrators remain of the view that a Scheme of Arrangement is the most cost effective way to maximise available assets and distribute funds to creditors, whilst minimising the costs of the Administration.

The main advantages and possible disadvantages of the Schemes are included in the Scheme Documents. Each creditor is advised to make its own assessment of how the respective Scheme would affect its own interests. The Company considers that the main advantages outlined in the Scheme Documents outweigh the possible disadvantages.

All Direct Scheme Creditors may attend the virtual Direct Scheme Meeting and all General Scheme Creditors may attend the virtual General Scheme Meeting. Scheme Creditors may join either in person (by a duly authorised representative) or by a proxy appointed by them. Each Scheme Creditor wishing to attend and/or vote at the virtual Direct Scheme Meeting or General Scheme Meeting must complete and return a Voting and Proxy Form included at Section IV of this Scheme Documents (also in standalone form on the Website), so as to be received by the Company, by no later than 5.00 p.m. (London time) on 1 February 2021.

No estimate of the amount of any claim against the Company specified in the Voting and Proxy Form, or otherwise provided or used for voting purposes, will be binding upon the Scheme Creditor or the Company. Any such estimate will only be used for voting purposes at the Scheme Meetings, unless a Scheme Creditor elects to use its Voting and Proxy Form as its claim form.

Please refer to the 'Schemes of Arrangement' section for more information on next steps and key dates.

How much creditors may receive

We are still unable to give a meaningful estimate of the likely outcome for creditors. As we outlined in our previous reports, the estimated outcome depends significantly on, amongst other matters, the volume and quantum of submitted claims, the levels of admitted claims, future realisations of assets and process costs.

As a result, it will be some time before a reasonable estimate can be provided. We will continue to update you on how much creditors may receive as soon as the information is available, which is not expected to be before early 2022, once the bar date for the Direct Scheme has passed and a significant proportion of Direct Scheme claims received have been assessed.

Creditors are reminded that the Insurers (Reorganisation and Winding Up) Regulations 2004 apply to the Company. The effect of these regulations is that Direct insurance creditors have priority over other classes of Unsecured creditors, including cedants.

Class of creditor	Current estimate (p in £)	Previous estimate (p in £)
Direct insurance creditors	Uncertain	Uncertain
Cedants and other unsecured creditors (together the general creditors)	Uncertain	Uncertain

Claim form and submission of claims

Assuming the Schemes are duly agreed by creditors and thereafter sanctioned by the Court, creditors will be advised of the following key steps:

Direct Scheme Creditors

Direct Scheme Creditors will be required to submit a claim form in respect of any claims they have in respect of the Direct Scheme by 11.59 pm (London time) on the first day falling 180 calendar days after (and not including) the date on which the Direct Scheme becomes effective. The Direct Final Claims Time is expected to be on or around the 10 August 2021 and will be confirmed to Direct Scheme Creditors if the Direct Scheme becomes effective.

General Scheme Creditors

General Scheme Creditors will be required to submit a claim form in respect of any claims they have in respect of the General Scheme by a deadline. This time will be determined by and communicated in accordance with the General Scheme in the event that the General Scheme Administrators determine that there may be available funds to make a distribution to General Scheme Creditors otherwise than on a de minimis basis.

Accordingly, such a deadline will not be set as soon as the General Scheme becomes effective and indeed may never be set at all prior to the termination of the General Scheme.

General Scheme Creditors will be given 180 calendar days notice of the General Final Claims Time.

Claim Forms

The claim forms are included in Section V of the Scheme Documents, or can be downloaded from the Company Website at www.pwc.co.uk/stronghold.

A Scheme Creditor may elect to use its form submitted in respect of the previously proposed Solvent Scheme or its Voting and Proxy Form as its Claim Form, as long as this preference is confirmed to the Company in writing prior to the Direct Final Claims Time or the General Final Claims Time (as applicable).

Further information and updates

All creditors should continue to refer to the Company Website for updates and progress on the Administration and Scheme process.

Progress since we last reported

Creditors are reminded that we provided detailed information on the background to the Company, the circumstances leading to our Appointment and our proposed strategy for the Administration in our Proposals and previous progress reports. These documents are available on the Company Website.

This section of the document deals with the key activities we have undertaken and progress made since we last reported together with next steps in the Administration.

Operations

Employees

Following the ongoing impact of COVID-19 and the UK Government's guidance in relation to working arrangements, we have continued to work closely with Company staff to ensure there has been no disruption to conducting business as usual, whilst implementing safe working practices that adhere to social distancing rules in relation to office working.

Corporation tax

During the Period, we finalised the computation for the corporation tax return for the period ended 31 December 2019 which was submitted to HMRC on 4 December 2020. Due to the Company having made a loss in this period, there was no corporation tax to pay in respect of this return.

The next tax reporting period is from 1 January 2020 to 31 December 2020. We will commence preparation of the return shortly.

VAT

During the Period, we have submitted two VAT returns for the quarters ended 30 June 2020 and 30 September 2020.

Despite pressure on HMRC due to the COVID-19 pandemic and associated delays, we have pursued and recovered all outstanding refunds due to the Company.

We are currently in the process of finalising the return for the latest quarter ended 31 December 2020 and will submit it to HMRC shortly.

Asset recoveries

Reinsurance debtors

Since we last reported, a further \$53k gross of commission has been recovered from reinsurance debtors. The Company staff, alongside Requiem and Global Re, who are retained on a commission basis, continue to pursue potential recoveries from both solvent and insolvent insurers.

We continue to maintain dialogue with the various reinsurers but the total amount that is likely to be recovered remains uncertain.

Trust Fund

As previously reported, the trustee of the US Trust Fund drew down its letter of credit on 31 December 2019. As a result the trustee is in receipt of the c.\$1.5m of funds.

We have previously held discussions with the trustee as to how the position with the funds will be resolved for the benefit of creditors. We will speak to the trustee again once the Schemes are effective and Chapter 15 recognition for the Schemes is completed.

Treasury management

At the end of the Period the Company held funds of \$31m and £3m. The majority of the USD and GBP balances held have been invested in money market deposits. The remaining balances are held in current accounts with Barclays Bank, which are used 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 the Firm's treasury management policies covering such matters as credit quality and counterparty diversification.

Other financial investments

As previously reported, on Appointment the Company had a loan agreement, with receivables due from a third party. The final payment of \$472k due under this agreement was received in the Period.

US attorney engagement

As you will be aware from our previous reports, upon our Appointment the Company was involved with 46 ongoing litigated cases. We immediately informed the respective lawyers in these active cases of the Company's Administration and instructed them not to perform any further work without our approval.

In the Period, the Company has been dismissed from a further case, bringing the total dismissals to 16.

We have now recovered all of the funds from various US attorneys in relation to amounts 'prepaid' for expected future work prior to Administration and held in escrow accounts following the final \$2.8k being received in the Period.

Freehold

The Company staff continue to operate from home and/or at the premises situated in Norwich, in accordance with COVID-19 guidance. The property remains on the market for sale and during the Period an offer was received which was rejected by the Administrators as being inadequate on advice from the property agents. It is hoped that the market will slowly recover as COVID-19 restrictions are eased.

Stakeholder engagement

We continue to maintain ongoing positive dialogue with all stakeholders and encourage creditors to monitor the Company Website for updates in relation to the Schemes of Arrangement.

Should creditors or other stakeholders have any queries these can be directed to the Administrators via email at uk_stronghold@pwc.com.

Regulatory engagement

The Company remains an authorised and regulated insurance company and as such must comply with various regulatory requirements and submissions. We continue to engage and cooperate with both the PRA and FCA on the progress of the Administration and report matters that arise.

The Regulators were consulted throughout the process of drafting the Schemes and their feedback was incorporated into the documents.

Creditors' Committee

We met with the Creditors' Committee once in the Period to discuss the final amendments to the Schemes and provide an interim update on the progress of the Administration. A number of discussions were also held via email and telephone.

Throughout the process of finalising the Schemes the Creditors' Committee were consulted and their views were incorporated into the Scheme Documents where possible. We did not receive any objections to the Schemes from the Creditors' Committee.

Creditors are advised that during the Period: (a) Michelle Levitt replaced George Mitchell as the representative of American International Group; and (b) Greg Lascelles replaced Richard Mattick as the representative of Warren Pumps LLC.

Schemes of Arrangement

We ask that creditors read the Practice Statement Letter and Scheme Document that was sent to them via post and email, consider their contents carefully and take legal advice if you consider it appropriate to do so. A summary of the key dates and expected timetable for the Schemes is included below.

The dates outlined in the table below are based on current expectations and may be subject to change. If any of the expected dates change, the Company will give adequate notice of the change on the Websites.

Item	Date	Notes
Voting and Proxy Forms Submission Deadline for both the Direct Scheme and General Scheme	5.00 p.m. on 1 February 2021	This is the deadline for submitting Voting and Proxy Forms in advance of the Direct Scheme Meeting.
Direct Scheme Meeting	10.00 a.m. on 2 February 2021 or as soon as reasonably practicable thereafter	This is the date and time of the meeting of Direct Scheme Creditors for voting on the Direct Scheme.
General Scheme Meeting	11.00 a.m. on 2 February 2021 or as soon as reasonably practicable thereafter	This is the date and time of the meeting of General Scheme Creditors for voting on the General Scheme.
Court sanction hearing	10 February 2021	<p>Provided that the Direct Scheme is approved by the requisite statutory majority of Direct Scheme Creditors at the Direct Scheme Meeting, the Company will apply to the Court to sanction the Direct Scheme as soon as possible thereafter. The date of the Court sanction hearing may change if the votes cast at the Direct Scheme Meeting need to be submitted to the Independent Vote Assessor (as defined in the Direct Scheme) for assessment as described at Part 1 (Introduction and Main Features of the Proposed Direct Scheme) of the Direct Explanatory Statement. Direct Scheme Creditors will be notified of the Court sanction hearing date.</p> <p>Provided that the General Scheme is approved by the requisite statutory majority of General Scheme Creditors at the General Scheme Meeting (and the Direct Scheme is approved by the requisite statutory majority of Direct Scheme Creditors), the Company will also apply to the Court to sanction the General Scheme as soon as possible thereafter. The date of the Court sanction hearing may change if the votes cast at the General Scheme Meeting are submitted to the Independent Vote Assessor (as defined in the General Scheme) for assessment as described at Part 1 (Introduction and Main Features of the Proposed General Scheme) of the General Explanatory Statement. General Scheme Creditors will be notified of the Court sanction hearing date.</p> <p>It will be possible for Scheme Creditors to appear or make representations at the Court sanction hearing.</p>
Effective Date of the Direct Scheme and/or General Scheme	11 February 2021	In the event that the Court orders the sanction of the Direct Scheme and/or General Scheme, such Court order(s) will be delivered to the Registrar of Companies shortly thereafter. The Scheme(s) will become effective

		and binding upon both the Company and the relevant scheme creditors when the Court order(s) sanctioning the Scheme(s) is delivered to the Registrar of Companies.
Last date for the issue of notice confirming the Effective Date of the Direct Scheme and/or General Scheme	4 March 2021	The Company will, within 14 Business Days of the Effective Date of the Direct Scheme and/or General Scheme, send notice that the Scheme(s) is effective together with, where applicable, an existing claim form by post or email to all the relevant creditors for which it has current address details and to brokers and agents at their last known addresses.

Chapter 15 recognition

It is our intention to seek Chapter 15 recognition for the Schemes, we expect the application to be made shortly after the effective date of the Scheme.

Other statutory information

Approval of our pre-Appointment and ongoing Administration costs

In the previous period all of the pre-Administration costs were approved and paid. The ongoing Administration costs are discussed further at Appendix C.

Investigations and actions

We have complied with our duties under the Company Directors Disqualification Act 1986 and SIP2 and we have filed our submissions to the UK Insolvency Service as required. Nothing further has come to our attention during the Period to suggest that we need to do any more work in line with our duties in this respect.

Connected party transactions

We have a duty (under SIP 13) to disclose any disposal of assets in the Administration to a director or other connected party, regardless of the nature or value of the assets concerned. We are not aware that any such transactions have occurred and none are expected in the future.

Our receipts and payments account

We set out in Appendix A an account of our receipts and payments in the Administration from 27 June 2020 to 26 December 2020 together with the overall position since Appointment from 27 June 2019 to 26 December 2020.

Our fees

We set out in Appendix C an update on our fees, disbursements and other related matters.

Our expenses

We set out in Appendix B a statement of the expenses we have incurred to the date covered by this report and an estimate of our future expenses.

The statement excludes any potential tax liabilities that we may need to pay as a liquidation expense in due course because amounts due will depend on the position at the end of the tax accounting period.

Creditors' rights

Creditors have the right to ask for more information within 21 days of receiving this report as set out in Rule 18.9 IR16. Any request must be in writing. Creditors can also challenge fees and expenses within eight weeks of receiving this report as set out in Rule 18.34. This information can also be found in the guide to fees at:

<https://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/creditors-guide-to-administrators-fees-england-and-wales-apr-10.ashx?la=en>

You can also request a copy free of charge by emailing uk_stronghold@pwc.com.

Next steps

If the required majorities of the Direct Scheme Creditors vote in favour of the Direct Scheme at the Direct Scheme Meeting, the Company will ask the Court to "sanction" (or approve) the Direct Scheme at a second Court hearing. If the required majorities of the General Scheme Creditors also vote in favour of the General Scheme at the General Scheme Meeting, the Company will also ask the Court to "sanction" (or approve) the General Scheme at a second Court hearing.

In deciding whether to sanction the Scheme(s), the Court will consider, amongst other things, whether it is fair to the relevant Scheme creditors as a whole.

If the Direct Scheme is sanctioned by the Court, the Company will file a copy of the order sanctioning the Direct Scheme with the English Registrar of Companies, at which time the Direct Scheme will become effective. The Direct Final Claims Time will then be notified to Direct Scheme Creditors and the process for receiving and agreeing Direct Scheme Claims will commence.

If the General Scheme is sanctioned by the Court, the Company will file a copy of the order sanctioning the General Scheme with the English Registrar of Companies, at which time the General Scheme will become effective. The General Final Claims Time will be notified to General Scheme Creditors with 180 calendar days notice if the General Scheme becomes effective.

We will provide an update on this and other matters in our next report. We expect to send our next report to creditors in six months. If you have any questions, please get in touch with Helena Perevalova at on +44 (0) 113 288 2046 or by emailing uk_stronghold@pwc.com.

Yours faithfully
For and on behalf of the Company



Dan Schwarzmann
Joint Administrator

Appendix A: Receipts and payments

	Statement of affairs	As at 26 June 2020 - GBP Equivalent	From 27 June to 26 December 2020	From 27 June 2020 to 26 December 2020	Total to 26 December 2020 - GBP Equivalent - Note 7	
Notes	£	£	£	\$	£	
RECEIPTS						
Freehold land & property	580,000	-	-	-	-	
Cash in hand	1 26,396,375	24,426,095	-	-	24,426,095	
Other financial investments	4,191,489	3,908,964	-	471,805	4,256,722	
Deposits with ceding undertakings	487,786	0	-	-	-	
Reinsurers' share of technical provision	100,000	0	-	-	-	
Reinsurance debtors	2 1,006,304	380,790	124	53,254	420,167	
Other debtors	2 22,853	0	-	-	0	
Insurance claims and refunds	0	-	1,168	-	1,168	
Accrued interest and rent	87,470	-	-	-	-	
Bank interest gross	-	341,536	214	19,298	355,974	
Pre appointment VAT refund	-	22,438	-	-	22,438	
Fixtures & fittings	-	646	204	-	850	
Escrow funds	2 -	71,305	-	2,842	73,400	
VAT payable	-	129	112,362	-	112,491	
Exchange rate gain/loss	3 -	1,026,410	-	-	-1,046,289	
Total		32,872,277	30,178,313	114,072	547,198	28,623,015
PAYMENTS						
Direct labour	-	451,354	226,621	-	677,975	
Direct expenses	-	4,966	412	-	5,378	
Sub contractors	-	117,359	8,597	1,887	127,346	
Rates	-	42,565	-	-	42,565	
Heat, light & utilities	-	7,295	2,678	-	9,973	
Telephone	-	3,539	2,501	-	6,039	
Insurance	-	5,907	2,960	-	8,866	
Professional fees	-	63,655	60,476	403	124,428	
Repairs & maintenance	-	2,536	1,410	-	3,946	
Office costs, stationery & postage	-	24,620	4,580	-	29,200	
Licenses, trade marks, royalties etc	-	40	40	-	80	
Office holders' fees	4 -	913,273	-	-	913,273	
Legal fees & expenses	-	239,446	286,604	38,368	554,330	
Statutory advertising	-	77	-	-	77	
Finance/bank interest and charges	-	639	-	206	791	
Storage	-	160	-	-	160	
Irrecoverable VAT	-	9,143	16,515	2,786	27,712	
VAT paid	5 -	227,455	13,562	1,471	242,102	
Total		2,114,028	626,954	45,122	2,774,241	
Net Receipts/(Payments)		28,064,285	-512,882	502,077	25,848,774	
MADE UP AS FOLLOWS			As at 26 December 2020 (£)	As at 26 December 2020 (\$)		
Barclays Bank Plc GBP account	6	217,838	3,005,261		3,005,261	
Barclays Bank Plc USD account	6	246,150		790,934	582,982	
DBS Bank Limited (Money market deposit)	6	8,146,494		10,126,712	7,464,197	
United Overseas Bank Limited (Money market deposit)	6	7,825,418				
OCBC Bank Limited (Money market deposit)	6	6,328,078		20,074,259	14,796,335	
Canadian Imperial Bank of Commerce (Money market deposit)	6	3,300,306				
Balance of funds held		28,064,285	3,005,261	30,991,905	25,848,774	

Notes

Note 1 - Cash in hand in the Directors' Statement of Affairs included funds held on trust in relation to (a) the Trust Fund and (b) various LoCs in the name of certain beneficiaries. As mentioned in the 'Asset recoveries' section of our report on page 7, the c.\$1.5m is now controlled by the trustee of the Trust Fund and is not represented in our receipts and payments account. We have not made any adjustments to the Directors' Statement of Affairs.

All remaining funds in relation to the various Letters of Credit in the name of certain beneficiaries have either been withdrawn by the beneficiaries or returned to the Company. As mentioned earlier in our report a total of \$1,370k was returned to the Company and is reflected in cash in hand in the Period.

Note 2 - As part of our ongoing review of the receipts and payments account we have reclassified a small amount of bought forward reinsurance debtors that were previously booked in escrow funds and other debtors. This is a presentational change and has no impact on the overall bought forward net position.

Note 3 - An exchange rate loss has arisen from a change in value of the funds held over the Period due to the £ appreciating against the \$. This is a theoretical loss, stated for presentational reasons - the majority of claims will be in USD and will be paid in that currency.

Note 4 - Office holders' fees in the previous progress report were reported at £609,273. This has been adjusted to £913,273, to reflect the additional bill of £304,000 plus VAT that was raised on 26 June 2020 and processed in the current period, but with effect in the prior period. In addition to amending the office holders' fees, this payment increased the VAT paid position by £60,800 and decreased the Barclays GBP account balance by £364,800.

Note 5 - All amounts are shown exclusive of VAT, with VAT paid being included as a separate item under Payments. The Company is partially exempt from VAT and therefore some of the VAT paid will be recoverable and some will not (determined at each VAT return). Our assumption is that the Company can continue to recover c.72% of VAT. Any VAT paid within the current period which is irrecoverable will be reflected in future progress reports.

Note 6 - Funds are held on interest bearing accounts.

Note 7 - The total GBP equivalent is a \$/£ exchange rate (1:0.73708) as at 26 December 2020 based on the Bank of England rate. The previous period's \$/£ exchange rate was (1:0.80506).

Appendix B: Expenses

The following table provides details of our expenses. Expenses are amounts properly payable by us as administrators from the estate and includes our fees, but excludes distributions to creditors. The table also excludes any 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 expense	Brought forward from preceding Period £	Incurred in the Period under review £	Cumulative £	Estimated future £	Anticipated total £	Initial estimate £	Variance £
Gross wages & salaries	451,354	226,621	677,975	458,918	1,136,893	1,136,893	-
Employee retention and incentives	-	-	-	700,000	700,000	700,000	-
Rent and rates ¹	53,399	5,178	58,577	30,527	89,104	89,104	-
Other operating expenses ²	176,073	69,419	245,492	171,902	417,394	417,394	-
Agents' fees and disbursements - Requiem ³	36,376	5,950	42,326	30,000	72,236	39,113	(33,213)
Agents' fees and disbursements - Epiq	23,621	1,205	24,826	22,270	47,096	47,096	-
Agents' fees and disbursements - Larking Gowen	1,411	830	2,241	1,000	3,241	2,324	(917)
Agents' fees and disbursements - Bidwells	804	646	1,450	9,028	10,478	10,478	-
Bank charges	638	152	790	1,642	2,432	2,432	-
Letters of Credit charges	3,545	-	3,545	-	3,545	6,854	3,309
Property costs	-	-	-	2,500	2,500	2,500	-
Insurance	5,907	2,960	8,867	12,559	21,426	21,426	-
Legal costs - various US attorneys ⁴	16,477	2,886	19,363	20,000	39,363	Uncertain	(39,363)

¹ Includes the following: council tax, utilities and telephone charges.

² Includes the following: repairs and maintenance, IT, costs, office costs, stationery, postage and other direct expenses.

³ Collection agents on fixed % commission contract that could increase based on further reinsurance debtor recoveries being made. We have increased the budget for Requiem as a result of then exceeding their original estimated reinsurance recoveries at this stage.

⁴ Attorneys were disinstructed upon Appointment. We expect some residual charges in relation to the Company being dismissed in the US Courts from the various litigation matters the Company was involved with upon our Appointment.

Legal fees and expenses - Clifford Chance	450,500	106,859	557,359	192,641	750,000	440,162	(309,838)
Legal fees and expenses - Clifford Chance pre-Administration	114,873	-	114,873	-	114,873	114,873	-
Legal fees and expenses - McCarthy Denning pre-Administration	22,508	-	22,508	-	22,508	22,508	-
Office holders' fees ⁵	1,283,796	494,018	1,777,814	2,911,607	4,689,421	4,689,421	-
Office holders' pre-Administration costs	93,411	-	93,411	-	93,411	93,411	-
Office holders' disbursements ⁶	13,041	4,771	17,812	55,943	73,755	73,755	-
Licenses, trade marks, royalties	40	40	80	80	160	160	-
Storage costs	160	148	308	3,228	3,536	3,536	-
Statutory advertising	77	-	77	500	577	577	-
Additional Scheme costs	-	10,820	10,820	39,180	50,000	50,000	-
Other Scheme costs							
<i>Independent vote assessor</i>	-	-	-	5,000	5,000	<i>Uncertain</i>	<i>(5,000)</i>
<i>US expert</i>	-	25,798	25,798	-	25,798	-	<i>(25,798)</i>
<i>1st Counsel</i>	-	61,750	61,750	28,250	90,000	<i>Uncertain</i>	<i>(90,000)</i>
<i>2nd Counsel</i>	-	39,935	39,935	70,065	110,000	-	<i>(110,000)</i>
Independent fee assessor	-	10,000	10,000	40,000	50,000	-	(50,000)
Irrecoverable VAT ⁷	9,143	16,515	25,658	354,342	380,000	311,780	(48,822)
Total	2,757,154	1,086,500	3,843,654	5,161,183	9,004,837	8,295,195	(709,642)

⁵ We regularly review our costs and make necessary adjustments as necessary or appropriate. There has been a small adjustment to the brought forward time for the last period, which was c.£1,276k and has increased to c.£1,283k, primarily due to backdated time costs that were not captured in previous reports.

⁶ Office holders' disbursements comprise of photocopying and postage, system maintenance fee, travel and accommodation.

⁷The Company is partially exempt, and so an element of VAT paid will be irrecoverable. The estimate for irrecoverable VAT is on the assumption that the Company will recover c.72% of VAT paid and c.28% is irrecoverable.

Appendix C: Remuneration

Fee approval

As discussed in our previous report we have held discussions with the Creditors' Committee regarding approval of our fees and the Creditors' Committee is to undertake further consideration on this matter. A fee assessor has been appointed to assist the Creditors' Committee.

The results of the independent fee assessor's review of the Administrators' costs are yet to be finalised and discussed with the Creditors' Committee. As such we have not drawn any fees in the Period.

Time cost charges

The time cost charges incurred in the period covered by this report (27 June 2020 to 26 December 2020) are £494,018 (excluding VAT), bringing the total time costs incurred from our appointment to 26 December 2020 to £1,777,814 (excluding VAT).

Included on the following page is a table showing hours and cost per grade across each key area of the Administration.

We set out later in this Appendix details of our work to date, anticipated future work, disbursements, subcontracted work and payments to associates.

	Partner		Director		Senior Manager		Manager		Senior Associate		Associate / Other		Offshore professionals		Grand total for the period		Grand total from appointment	
	Hours	Costs	Hours	Costs	Hours	Costs	Hours	Costs	Hours	Costs	Hours	Costs	Hours	Costs	Hours	Costs	Hours	Costs
Asset realisation																		
Freehold			0.50	247.20	0.70	456.21			0.60	268.83					1.60	952.24	9.65	4,390.74
Other physical assets																		
Reinsurance and other assets	0.50	502.13	0.50	412.00	4.60	2,845.89			19.60	8,781.78					25.20	12,541.80	0.15	31.50
Treasury management			2.30	1,433.25	3.70	1,995.05			22.95	9,533.13					28.95	12,952.43	80.15	41,409.80
Total	0.50	502.13	0.80	659.20	7.60	4,715.34	3.70	1,995.05	43.15	18,663.74					55.75	26,446.46	263.90	128,545.21
Costs of the insolvency process																		
CODA and SIP2 compliance																		
Creditors' committee	5.50	5,155.15	12.50	10,300.00	14.10	8,766.42			8.25	3,666.41					40.35	27,937.98	299.70	173,433.23
Initial letters & notices																		
Insurance					0.20	124.63	0.05	20.86	2.40	811.38					2.65	956.87	7.90	2,844.87
Other statutory and compliance			0.50	412.00	31.75	19,748.94	29.85	15,058.30	67.10	27,843.58	1.85	400.16	1.80	454.23	132.85	63,717.21	591.35	248,906.96
Proposals, decision procedure and creditor cons.																		
Reporting to creditors	1.50	1,405.95	2.80	2,307.20	20.55	12,527.83	24.70	10,571.86	93.65	35,777.52	15.60	3,374.28	7.00	1,766.45	165.80	67,731.11	388.65	168,903.36
Statement of affairs																		
Total	7.00	6,561.10	15.80	13,019.20	66.60	41,187.81	54.60	25,651.04	171.40	67,928.90	17.45	3,774.44	8.80	2,220.68	341.65	160,343.16	1,509.70	695,000.16
Dealing with creditors																		
Creditor enquiries and management			0.20	164.80	9.30	5,775.96			29.65	10,280.16	2.35	508.31	173.30	42,817.18	214.80	59,549.40	295.10	94,333.65
Total			0.20	164.80	9.30	5,775.96			29.65	10,280.16	2.35	508.31	173.30	42,817.18	214.80	59,549.40	295.10	94,333.65
Insurance run off																		
Administrators' supervision of run off					7.80	4,853.76			12.75	5,712.64	1.85	397.01	1.00	352.93	23.40	11,220.75	318.10	167,121.75
Employees					0.60	373.89									0.60	373.89	86.40	48,056.39
Receipts and payments			0.25	95.28	8.60	5,349.82	10.10	4,613.23	23.20	8,304.93	43.95	9,769.96	10.60	2,674.91	96.70	30,610.13	328.25	103,475.13
Total			0.25	95.28	17.00	10,582.47	10.10	4,613.23	35.95	14,017.57	45.80	10,166.97	11.60	2,927.26	120.70	42,404.77	732.75	319,253.27
Managing the Company's affairs																		
Accounting & Treasury					0.10	60.50			0.05	15.97	1.10	243.71			1.25	320.17	9.40	3,498.67
Chapter 15																		
Pensions																		
Pre-appointment attorneys					0.30	186.95			0.75	336.04					1.05	522.98	15.95	8,061.23
Regulatory			2.10	1,730.40	4.90	3,042.55			4.75	2,121.80					11.75	6,894.75	65.15	39,965.75
Tax	1.30	1,854.52			0.50	311.58	5.75	4,494.66	18.65	8,049.19	2.80	647.87			29.00	15,357.82	115.00	57,081.57
VAT					2.20	2,471.24	14.05	10,167.39	6.30	2,093.01	6.90	1,492.47			29.45	15,924.11	77.45	44,072.86
Total	1.30	1,854.52	2.10	1,730.40	8.00	5,775.81	19.80	14,662.05	30.50	12,616.01	10.80	2,384.05			72.50	39,019.82	323.50	176,076.07
Scheme design																		
Scheme design			34.00	33,510.18	40.10	32,999.60			16.25	7,224.16					178.25	128,774.38	313.95	219,798.38
Total	34.00	33,510.18	40.10	32,999.60	87.90	54,650.45			16.25	7,224.16					178.25	128,774.38	313.95	219,798.38
Strategy and project management			2.50	2,343.25	5.30	4,367.20	1.00	417.15	16.20	7,235.66	3.75	811.13			64.60	37,479.83	233.30	143,987.33
Total	2.50	2,343.25	5.30	4,367.20	35.85	22,305.44	1.00	417.15	16.20	7,235.66	3.75	811.13			64.60	37,479.83	233.30	143,987.33
Grand Total	45.30	45,171.17	64.55	53,025.68	232.25	144,993.27	89.20	47,331.52	343.10	137,885.20	80.15	17,644.88	193.70	47,965.12	1,048.25	494,017.82	3,672.20	1,777,814.07

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, support and secretarial staff) 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 cashiers, support and secretarial staff is charged to the case by them and so isn't included in the hourly rates charged by partners or other case staff members. Time is charged in six minute units. The minimum time chargeable is three minutes (i.e. 0.05 units). We do not charge general or overhead costs.

We set out below the maximum charge-out rates per hour for the grades of our staff who already or who are likely to work on the Administration. We call on colleagues in our Tax, VAT, Actuarial and Pensions departments where we need their expert advice. Their specialist charge-out rates vary but the following are the maximum rates by grade per hour.

Grade	Non-specialist rates		Specialist rates	
	Up to 30 June 2020 £/hour	From 1 July 2020 £/hour	Up to 30 June 2020 £/hour	From 1 July 2020 £/hour
Partner	910	937	1,385	1,427
Director	800	824	1,295	1,334
Senior Manager	605	623	1,290	1,329
Manager	525	541	775	798
Senior Associate	435	448	575	592
Associate	270	278	285	294
Support Staff	140	144	170	175
Offshore Professionals	245	252	245	252

In common with many professional firms, our scale rates may rise to cover annual inflationary cost increases. We will discuss any future proposed rate increases with the Creditors' Committee.

Payments to associates

We have not made any payments to associates in the Period covered by this report.

Our work in the Period

Earlier in this section we have included an analysis of the time spent by the various grades of staff. Whilst this is not an exhaustive list, in the following table we provide more detail on the key areas of work.

Category of work	General description	Work included
Asset realisations	Reinsurance and other assets	<ul style="list-style-type: none"> Reviewing and assessing reinsurance debtors ledgers including the profile of aged debtors to formulate strategies for further recovery of reinsurance debts; Reaching settlement and/or agreement of commutations with certain debtors, collecting a total of c.\$53k in the Period; and Recovering the final c.\$2.8k from pre-appointment lawyers in relation to returned escrow balances.
	Treasury	<ul style="list-style-type: none"> Liaising with banks regarding investing surplus funds in money

	management	<ul style="list-style-type: none"> market deposits; Assessing composition of the investment portfolio to ensure that the funds are invested in line PwC treasury management policies; and Monitoring assets under investment, including any required credit, operational, settlement and contractual risk management tasks.
Costs of the insolvency process	Creditors' Committee	<ul style="list-style-type: none"> Preparing for the Creditors' Committee meeting held, including assimilating all relevant supporting information and material; Attendance at the Creditors' Committee meeting and review and sign off of minutes by Chair in accordance with insolvency legislation; Undertaking post meeting formalities and ongoing communications with the Creditors' Committee; and Ad hoc liaison with the Creditors' Committee members regarding the Administration and Schemes of Arrangement.
	Other statutory and compliance	<ul style="list-style-type: none"> Ongoing file management in order to house the Administrators' electronic and paper records, to ensure effective case management and evidence the work which is completed throughout the Appointment, in accordance with all regulatory obligations and best practice; Preparing 6 month strategy document, for agreement by the Administrators and in compliance with regulatory requirements; Preparing the third fee pack covering cost and activities for the period 1 June 2020 to 31 December 2020 for the Creditors' Committee; Ongoing monitoring of costs versus budget in order to remain apprised of cost accruals; and Reviewing, considering and actioning incoming post.
	Reporting to creditors	<ul style="list-style-type: none"> Preparation and finalisation of the Administrators' second progress report, including review by senior staff members and the Administrators; Liaising with internal and external printing services in order to ensure the document can be printed and posted to all recipients within the statutory timeframe; Complying with all other statutory and regulatory requirements associated with issuing a progress report; and Initial preparation of the Administrators' third progress report covering the period 27 June 2020 to 26 December 2020.
Dealing with creditors	Creditor enquiries	<ul style="list-style-type: none"> Dealing with incoming queries from creditors and ensuring our records are updated with revised creditor contact details; Completed a thorough data cleansing exercise for the purposes of sending Scheme related communications to all creditors, which involved sourcing missing postal address and email details; and Maintaining case website, including the provision of key documents.
Insurance run off	Run off management	<ul style="list-style-type: none"> Liaising with Company management and staff on pertinent matters regarding the Administration and insurance run off; Dealing with ad hoc and priority matters arising, such as supplier challenges; Liaising with Company suppliers regarding ongoing supply of services to the Company; Authorising purchases and other commitments; and Monitoring of Company expenses including the review of other professional service providers time costs associated with the Administration.
	Processing receipts and payments	<ul style="list-style-type: none"> Processing the receipt of all incoming funds in order to ensure consistency of coding and clarity of reporting; Processing the payment of all transactions, including reviewing invoices, checking that coding of payments in the Administrators' accounting system is consistent so as to ensure clarity of reporting; Complying with internal risk procedures in order to meet sanctions

		<p>policies and performing a sanctions check on all payments made during the run-off period;</p> <ul style="list-style-type: none"> • Verifying all third party payment details before payments are released; and • Approval of all payments by senior staff from the case team.
Managing the Company's affairs	Regulatory	<ul style="list-style-type: none"> • Providing periodic updates to the PRA and FCA; • Responding to questions from the PRA and FCA regarding the Administration circumstances, process and strategy; • Sharing copies of key documentation with the Regulators, including the draft documentation in respect of the Schemes; and • Completing regulatory returns and liaising with the Regulators to ensure appropriate compliance.
	Tax	<ul style="list-style-type: none"> • Information gathering to support the completion of tax returns; and • Preparing the first corporation tax return for the post-appointment period.
	VAT	<ul style="list-style-type: none"> • Reviewing receipts and payments on both USD and GBP accounts to ensure that VAT treatment is correct and to ensure accuracy of reporting; • Preparing and submitting VAT returns for two periods; and • Monitoring the receipt of VAT refunds from HMRC and bringing our accounting systems up to date upon finalisation of the VAT returns, to ensure accuracy of reporting and to ensure the correct treatment of irrecoverable VAT.
Scheme of Arrangement	Scheme design	<ul style="list-style-type: none"> • Working with the Administrators' lawyers to update the documents in respect of the Schemes including the explanatory statements, scheme rules, estimation guidelines and PSLs; • Providing relevant Scheme design documentation with the Creditors' Committee; • Reviewing the Creditors' Committee comments on the documents and updating as appropriate; • Engaged additional Counsel to obtain their comments on the Schemes, incorporating their feedback into the Scheme documents; • Updating the witness statement in support of the Court application, including justification on why the General Scheme was being proposed at this stage; • Confirming Ms Jones of Bracewell LLP for the role of Adjudicator in the Schemes; • Issuing the Practice Statement Letters for the two Schemes on 16 November 2020 and Scheme Documents on 16 December 2020; • Preparing for and attended the initial Court hearing on 16 December 2020, including submission of evidence to the Court; and • Liaising with the Company employees to prepare the Company's creditor records which will streamline the process of validating claims for when the proposed Schemes are approved by Creditors.
Strategy and Planning	Strategy, planning and project management	<ul style="list-style-type: none"> • Ongoing review of strategy to be implemented in order to achieve the objectives of the Administration; • Team meetings and work planning for key tasks and milestones; • Preparing information and conducting case reviews with the Administrators regarding the status of the Administration and the progression of key work areas; and • Discussing strategy and obtaining input from the Administrators in relation to key tasks and issues including undertaking senior reviews and approval of key documents.

Our future work

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

Category of work	Work expected to be undertaken	Estimated future cost £	Whether or not the work will provide a financial benefit to creditors
Asset realisations			
Freehold	<ul style="list-style-type: none"> Overseeing the sale of the freehold property including liaising with valuers and agents and holding internal meetings to discuss/review offers received; and Ensuring eventual transition from the freehold property including exploring potential lease options for continued trading. 	5,048	<ul style="list-style-type: none"> To maximise realisations for the benefit of creditors as a whole; and Ensuring an appropriate working environment until the conclusion of the Administration.
Reinsurance and other assets	<ul style="list-style-type: none"> Corresponding with reinsurance debtors and reaching settlement and/or agreement of commutations with certain debtors. 	29,458	<ul style="list-style-type: none"> To maximise realisations for the benefit of creditors as a whole.
Other physical assets	<ul style="list-style-type: none"> Liaising and negotiating with interested parties in relation to the sale of physical assets; Maintaining security over the premises to ensure physical assets on site are secure; and Oversight of paper records archiving process to ensure correct level of information is kept. 	4,000	<ul style="list-style-type: none"> To maximise realisations for the benefit of creditors as a whole.
Treasury management	<ul style="list-style-type: none"> Assessment of the appropriateness of investment strategy in light of liquidity and return requirements; Management and investment of GBP and USD funds held; and Liaising with the trustee in respect of the Trust Fund arrangement and resolution of the position. 	36,227	<ul style="list-style-type: none"> Maximising investment interest available on surplus funds; Ensuring an appropriate balance between GBP and USD given creditor claims will be cross currencies; and Appropriate resolution of the c.\$1.5m funds held in the Trust Fund.
Costs of the insolvency process			
Creditors' Committee	<ul style="list-style-type: none"> Conducting ongoing correspondence and holding meetings with members of the Creditors' Committee to discuss the Administration and the Scheme; and Responding to information requests from the Creditors' Committee. 	86,678	<ul style="list-style-type: none"> To comply with regulatory requirements or statute; To provide support to the Administrators in discharging statutory duties; and To ensure the views of the creditor base as a whole are represented.
Reporting to creditors	<ul style="list-style-type: none"> Preparing and issuing periodic progress reports to creditors and the Registrar. 	109,037	<ul style="list-style-type: none"> To comply with regulatory requirements or statute.
Other statutory and compliance	<ul style="list-style-type: none"> Maintaining records and documenting key activities and decisions taken; 	182,911	<ul style="list-style-type: none"> To comply with regulatory requirements or statute;

	<ul style="list-style-type: none"> • Reviewing and dealing with incoming post; • Conducting six monthly case reviews; • Completing checklists to document statutory compliance and adhering to our diary management system; • Filing of documents and emails; • Preparation of regular fees packs to the Creditors' Committee; • Complying with all regulatory requirements, for example in relation to the Company's registration under data protection legislation; • Dealing with and sending job files to storage; and • Closing down internal systems. 		<ul style="list-style-type: none"> • and • To maintain proper books and records.
Insurance	<ul style="list-style-type: none"> • Corresponding with insurers regarding ongoing and renewing insurance requirements. 	3,321	<ul style="list-style-type: none"> • Protects assets by providing cover to limit liabilities of the Company in the event of unforeseen adverse events.
Dealing with creditors			
Creditor enquiries	<ul style="list-style-type: none"> • Receiving and following up on creditor enquiries received via telephone, email and/or post; • Reviewing and preparing correspondence to creditors and their representatives; and • Receipt and filing of proofs of debt and voting forms in respect of the Schemes. 	45,947	<ul style="list-style-type: none"> • To comply with regulatory requirements or statute; • To respond to queries from various stakeholders; and • To keep creditors informed of the progress of the Administration and key milestones in the claims process.
Insurance run off			
Employees including payroll and redundancy	<ul style="list-style-type: none"> • Regular dialogue with the Company employees including addressing any employee issues or concerns; • Processing monthly payroll to ensure appropriate deductions of PAYE/NIC are made and paid over to HMRC; • Liaising with the Redundancy Payment Service and external agencies; and • Resolving position regarding employees at the end of the Administration. 	5,596	<ul style="list-style-type: none"> • Ensure the position regarding employees is appropriately managed; • Ensure compliance with relevant legislation regarding employment matters; • Ensure the Company's asset realisations are maximised by the retention of staff with extensive Company knowledge and experience.
Processing receipts and payments	<ul style="list-style-type: none"> • Processing and approving receipts and payments into the accounting system; and • Sanctions checking suppliers in line with internal regulatory requirements. 	52,981	<ul style="list-style-type: none"> • Ensure appropriate record of all receipts and payments undertaken during the Administration.
Run off management	<ul style="list-style-type: none"> • Continued liaising with Company management and staff regarding matters pertinent to the Administration and the run off; • Liaising with suppliers and authorising purchases and other commitments; and • Preparing budgets and financial reports. 	154,963	<ul style="list-style-type: none"> • Management of suppliers and supplier relationships, including consideration of best available terms; and • Monitoring cost base and financial performance of the Administration.

Managing the Company's affairs

Accounting and treasury	<ul style="list-style-type: none"> Carrying out bank reconciliations and managing investment of funds; Corresponding with bank regarding specific transfers; and Accounting and treasury specific work related to preparing and paying distributions. 	78,080	<ul style="list-style-type: none"> Statutory duties to manage the affairs, business and property of the Company and settle expenses in the prescribed order of priority; and Maintain the accounts and records of the insolvent estate and ensure that estate funds are properly controlled.
Pensions	<ul style="list-style-type: none"> Ensuring compliance with pension regulations and requirements. 	2,082	<ul style="list-style-type: none"> For the proper administration of the insolvency.
Tax	<ul style="list-style-type: none"> Liaising with Company staff in relation to queries regarding the Company's pre-Administration and post-Administration tax affairs; Considering the availability of losses and ensuring the estate is managed in a tax-efficient manner; Preparing tax computations; and Liaising with HMRC, as required. 	41,828	<ul style="list-style-type: none"> Compliance with duties in relation to tax; and To ensure tax accounting is accurate, and recoveries made, for the benefit of creditors as a whole.
VAT	<ul style="list-style-type: none"> Considering the tax treatment of both supplies and purchases in order to ensure the estate is compliant with VAT legislation and the Company's status as a partially-exempt supplier; Preparing VAT returns and ensuring adherence with partially-exempt status; and Liaising with HMRC regarding the submission of VAT returns, responding to any queries and ensuring that VAT payments or refunds are processed and received by HMRC in a timely fashion. 	25,111	<ul style="list-style-type: none"> Compliance with duties in relation to VAT; and To ensure VAT accounting is accurate, and recoveries made, for the benefit of creditors as a whole.
Regulatory	<ul style="list-style-type: none"> Periodic updates to the PRA and FCA on the status of the Administration and Schemes; and Filing regulatory returns required by the Regulators. 	5,935	<ul style="list-style-type: none"> To comply with regulatory requirements or statute;
Chapter 15	<ul style="list-style-type: none"> Obtain Chapter 15 recognition of the Schemes of Arrangement in the US Court. 	10,000	<ul style="list-style-type: none"> Ensure all creditors claims can be resolved through the Scheme of Arrangement.
Pre-Appointment Attorneys	<ul style="list-style-type: none"> Liaising with the US Attorneys representing the Company pre-appointment in various litigation cases as to the status of these matters with a view to concluding the Company's participation. 	6,970	<ul style="list-style-type: none"> Ensuring litigation costs are minimised.
Scheme of Arrangement			
Design and implementation	<ul style="list-style-type: none"> Holding the requisite meetings of creditors to consider and approve the Schemes of Arrangement; 	1,960,100	<ul style="list-style-type: none"> Ensuring an appropriate mechanism to resolve claims in the

- Communicating with creditors regarding the outcome of the Scheme Meetings and next steps;
- Preparing correspondence to potential creditors inviting lodgement of proof of debt forms;
- Receiving proofs of debt and maintaining claims register;
- Assessing claims and reviewing information, including requesting further information from claimants as required;
- Actuarial services to complete a comprehensive review and valuation of certain direct and cedant claims including understanding policies; review of data and methodology; and independent valuation;
- Agreeing claims with creditors in accordance with the scheme methodology and valuation principles;
- Managing claims through the adjudication process, that are not possible to be agreed in the normal course;
- Preparing dividend model(s) reviewing various inputs to assess potential level of distribution(s) available to creditors;
- Advertising intention to declare dividend(s);
- Preparing correspondence to claimants advising on the outcome of the claims;
- Assessment and advising of intention to declare dividend(s); and
- Management and oversight of the dividend payment process.

- Administration;
- To comply with regulatory requirements; and
- To facilitate the distribution to creditors.

Strategy and Planning

Strategy, planning and project management

- Preparing fee budgets and monitoring costs;
- Holding team meetings not relating to trading and discussions regarding status of the Administration;
- Providing updates to the Administrators regarding the case strategy; and
- Conducting case reviews on the status of the project.

65,334

- To resolve outstanding matters in line with the purpose of the Administration.

Total

2,911,607

Disbursements

We do not need to obtain approval to draw expenses or disbursements unless they are for shared or allocated services provided by our own firm, including room hire, document storage, photocopying and communication facilities. These types of expenses are called "Category 2" disbursements and they must be directly incurred on the case, subject to a reasonable method of calculation and allocation and approved by the same party who approves our fees.

The following disbursements arose in the Period of this report, approval for the Category 2 disbursements has not yet been sought from our fee approving body. Category 1 disbursements do not need approval from the fee approving body.

Category	Disbursement	Costs incurred £
1	Postage and courier costs	4,611.65
	Archiving costs	147.84
	System maintenance fee	159.08
	Total	4,918.57

Our relationships

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.

Professionals and subcontractors

The following table provides details of the professionals we've engaged in the Administration, plus subcontractors used to undertake work that we could otherwise do ourselves.

Service provided	Name of firm	Reason selected	Basis of fees
Administration legal advice, including advice on the Schemes and general legal advice regarding the run off.	Clifford Chance LLP	Pre-existing relationship with the Company and Scheme of Arrangement expertise.	Time costs and disbursements.
Legal services as 1st (Adam Goodison) and 2nd (Barry Isaacs, QC) Counsel	South Square	Legal knowledge and insolvency expertise.	Fixed fee (1st Counsel) and Time costs and disbursements (2nd Counsel).
Legal services, including: <ul style="list-style-type: none">Notice distribution and service of documents to creditors and interested parties in relation to theChapter 15 application and order.	Epiq Corporate Restructuring LLC	Industry knowledge and insolvency expertise.	Time costs and disbursements.
Advice on the recognition and effect of the Schemes in the United States	Professor Anthony Casey	Legal knowledge and insolvency expertise.	Fixed fee.
Independent vote assessor	Colin Czapiewski	Pre-existing relationship with the Company.	Time costs.
Independent scheme adjudicator	Barbara Jones, former US judge	Legal knowledge and insolvency expertise.	Initial retainer then time costs.

Independent fee assessor	Jamie Drummond-Smith	Industry knowledge and insolvency expertise.	Time costs.
Property agents marketing the property for sale.	Bidwells LLP	Knowledge of the market and presence in the local area.	Agency commission fee and additional costs.
Payroll processor	Larking Gowen LLP	Pre-existing relationship with the Company.	Monthly fixed fee.
Reinsurance collections	Requiem Limited	Pre-existing relationship with the Company.	Fixed % commission on collections.
Reinsurance collections	Global Re	Pre-existing relationship with the Company.	Fixed % commission on collections.
Printing and postage	Black & Callow	Printing and posting reports and other creditor communications.	Fixed fee for each mailout

Appendix D: Other information

Court details for the Administration:	High Court of Justice Business and Property Courts of England and Wales Insolvency and Companies List (ChD) Case 3882 of 2019.
Company's registered name:	Stronghold Insurance Company Limited.
Trading name:	Stronghold Insurance Company Limited.
Registered number:	00736581.
Registered address:	46 Rose Lane, Norwich, NR1 1PN.
Shareholdings held by the Directors and secretary	<p>Stronghold Holdings Limited is a 100% shareholder of Stronghold Insurance Company Limited.</p> <p>The following Directors have shareholdings in Stronghold Holdings Limited:</p> <p>Henry Sopher - 40%</p> <p>Ann Duffy - 40%</p> <p>Ken Watkins - 20%</p>
Date of the Administrators' Appointment:	27 June 2019.
Administrators' names, addresses and contact details:	Dan Yoram Schwarzmann and Douglas Nigel Rackham, both of PwC LLP, 7 More London, London, SE1 2RT.
Appointer's/applicant's name and address:	The Directors of the Company, 46 Rose Lane, Norwich, NR1 1PN.
Website	www.pwc.co.uk/stronghold .
Objective being pursued by the 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 Administrators responsibilities:	During the period for which the Administration order is in force, the affairs, business and property of the Company are to be managed by the Administrators. For the purposes of paragraph 100(2) to Sch B1 IA86, the Administrators may exercise any of the powers conferred on them jointly or individually.
Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on Insolvency Proceedings (recast):	The EU regulation does not apply to insurance undertakings and hence does not apply to this Administration.
