

Joint Administrators' progress report from 27 December 2020 to 26 June 2021

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 July 2021

www.pwc.co.uk/stronghold

Table of contents

Abbreviations and definitions	3
Key messages	6
Overview of what we have done to date	8
Progress since we last reported	9
Appendix A: Receipts and payments	14
Appendix B: Expenses	16
Appendix C: Remuneration update	19
Appendix D: Other information	29

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.
Administration Period End	Unless extended, the period ending 30 months after the Appointment date being 27 December 2021.
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, the Scheme.
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 10 August 2021.
Direct insurance creditors	Unsecured non-preferential creditors whose claims arise from cover provided by the Company to a non-insurer policyholder.
Direct Scheme	The 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.
Direct Scheme Effective Date	The Effective Date of the Direct Scheme is 11 February 2021.
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.

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	The 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.
General Scheme Effective Date	The Effective Date of the General Scheme is 11 February 2021.
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.
Joint Administrators/we/us/our	Dan Yoram Schwarzmann and Douglas Nigel Rackham of PricewaterhouseCoopers LLP, 7 More London, Riverside, London, SE1 2RT.
Joint Scheme Administrators/we/us/our	Dan Yoram Schwarzmann and Douglas Nigel Rackham of PricewaterhouseCoopers LLP, 7 More London, Riverside, London, SE1 2RT.
Letter of Credit (or LoC)	Collateral established in favour of various beneficiaries set up in the normal course of business, providing certain levels of security for the Company's obligations.
NYDFS	New York Department for Financial Services.
Period	27 December 2020 to 26 June 2021.
PRA	The Prudential Regulation Authority, being responsible for the prudential regulation and supervision of financial services firms in the UK.
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 the Administration, as approved by creditors on 4 September 2019.
Regulators	The FCA and PRA.
The Direct Scheme Document and the General Scheme Document, together the Scheme Documents	The Direct Scheme Document prepared in connection with the 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. The General Scheme Document prepared in connection with the 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.
Schemes of Arrangement (or Schemes)	The Direct Scheme and General Scheme (each a Scheme and together, the Schemes) proposed following the Company entering Administration, which both became effective on 11 February 2021.
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 Meetings	The meeting of the Company's creditors for the purposes of voting on and approving, separately, the Direct Scheme and the General Scheme. The Direct Scheme Meeting and General Scheme Meeting were both held on 2 February 2021. The Schemes were approved by creditors at both Scheme Meetings.
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.
Solvent Scheme	The Scheme of Arrangement which was proposed prior to the Company entering into Administration.
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.
US Court	United States Bankruptcy Court Southern District of New York.
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.

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

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 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 the Company to manage its affairs, business and property as its agents and act without personal liability. Both are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

The Insurers (Reorganisation and Winding Up) Regulations 2004 apply to Stronghold Insurance Company Limited. The effect of these regulations is that direct insurance creditors have priority over other classes of unsecured creditors, including cedants.

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 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.

Key messages

Why we have sent you this report

We are writing to update you on the progress of the Administration of Stronghold Insurance Company Limited in the six months since our last report dated 19 January 2021.

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 both the Direct Scheme and General Scheme were approved by creditors and the Court and became effective on 11 February 2021. This is a significant milestone and enables the Company to proceed with an approved process for creditor claims against the Company to be submitted and agreed. Having reached this milestone we are considering whether the Company needs to continue in both Administration and the Schemes of Arrangement or whether the Administration can be terminated whilst the Schemes continue to be implemented. Further information on the potential end to the Administration is included later in this report.

Please refer to the 'What you need to do' section for more information on next steps and key dates in relation to how creditors can make a claim against the Company in the Direct Scheme or General Scheme.

How much creditors may receive

We remain 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 the costs of the Administration and Schemes.

As a result, it will be some time before a reasonable estimate can be provided and this 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

What you need to do

Creditors need to determine if they are a Direct Scheme Creditor or a General Scheme Creditor.

A creditor will be a Direct Scheme Creditor if it has a claim arising under or pursuant to a contract of direct insurance. A creditor will be a General Scheme Creditor if it has a claim against the Company which does not arise under or pursuant to a contract of direct insurance. General Scheme Creditors will primarily comprise claims arising under or pursuant to contracts of reinsurance issued by the Company or for which the Company is otherwise liable. A General Scheme Creditor may also be a trade creditor or ex-employee who may have pre-administration outstanding sums due from the Company.

Creditors are encouraged to make contact with the Company using agregory@strongholdinsco.co.uk or +44 (0)7801 968033 if they have any questions regarding their status in the Schemes or require further information regarding their insurance policies/contracts in relation to the Company.

Direct Scheme Creditors

Direct Scheme Creditors should have been previously notified of the Direct Scheme Effective Date and the Direct Final Claims Time.

The Effective Date of the Direct Scheme is 11 February 2021 and the Direct Final Claims Time will occur at 11.59pm (London time) on 10 August 2021.

IMPORTANT: ALL DIRECT SCHEME CREDITORS ARE REMINDED THAT THEY MUST SUBMIT THEIR DIRECT SCHEME CLAIMS TO THE COMPANY BY NO LATER THAN THE DIRECT FINAL CLAIMS TIME.

General Scheme Creditors

General Scheme Creditors should have been previously notified of the General Scheme Effective Date. The Effective Date of the General Scheme is 11 February 2021.

General Scheme Creditors are reminded that the General Final Claims Time will only be set in the event that the General Scheme Administrators determine that there may be available funds to make a distribution to General Scheme Creditors other than on a de minimis basis, and indeed may never be set at all prior to the termination of the General Scheme.

No General Final Claims Time has currently been set, as a result General Scheme Creditors do not currently need to submit any claims against the Company.

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. Creditors who require a new claim form can download it from the Administrators' website (www.pwc.co.uk/stronghold) or the Company's website (www.strongholdinsco.co.uk). Alternatively, the Company will provide a paper copy free of charge to any Direct Scheme Creditor upon request to: uk_stronghold@pwc.com.

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 www.pwc.co.uk/stronghold for important information, updates and progress.

Overview of what we have done to date

As explained in our earlier reports, since our appointment we have undertaken a number of activities to progress the Administration including:

- Safeguarding the Company's IT, data systems and physical assets as well as taking steps to secure and take control of cash and investments;
- Negotiating with key suppliers to ensure that all critical operations can be maintained;
- Taking steps to reduce the Company's cost base, including a reduction in staff, removal of Director fees, terminating instructions to litigation lawyers and the Company's auditor;
- Conducting an informal meeting of creditors on 29 July 2019, to provide an update on the Company's Administration and its financial position at that time;
- Sharing our Proposals document for achieving the objectives of the Administration, which was agreed by creditors on 4 September 2019;
- Completing our remuneration report, required under UK insolvency legislation and shared with creditors on 20 January 2020, outlining our estimated costs for the process;
- Various meetings with the Creditors' Committee, who are assisting the Administrators in fulfilling their duties, to discuss the Administration and developments with the Schemes of Arrangement;
- Completing an application, which was successfully granted, for the protection of assets under the Administration under Chapter 15 of the US Bankruptcy Code;
- Continued pursuit of reinsurance debtors and amounts owed to the Company;
- Recovering c.US\$1.4m held with Citibank N.A. following the expiry of certain Letters of Credit;
- Commencing a sale process for the Company's freehold premises;
- Completing various statutory and compliance returns including tax returns, VAT returns and submissions to Regulators;
- Completing various submissions to creditors, Regulators, the Creditors' Committee and the Court in relation to the Schemes of Arrangement which were approved and became effective on 11 February 2021;
- Commencing, in conjunction with the Company's staff, an initial review of Direct Scheme Claims received to date, together with planning steps for the review of claims yet to be received;
- Ongoing discussions with creditors regarding claim submissions against the Company.

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

We continue to monitor the impact of COVID-19 and the UK Government's guidance in relation to working arrangements and 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 have worked on preparing the computation for the corporation tax return for the period ended 31 December 2020, which is due by 31 December 2021.

Based on our initial assessment, we expect that the Company should not be in a tax liability position.

VAT

During the Period, we have submitted two VAT returns for the quarters ended 31 December 2020 and 31 March 2021 showing VAT repayments due of c.£13k and c.£49k, respectively. Despite pressure on HMRC due to the COVID-19 pandemic and associated delays, we have pursued and recovered all VAT refunds due to the Company.

We are currently in the process of preparing the return for the latest quarter ended 30 June 2020 and will submit this to HMRC shortly.

US litigation

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 3 cases, bringing the total dismissals to 19.

Asset recoveries

Reinsurance debtors

Since we last reported, a further US\$48k gross of commission has been recovered from reinsurance debtors. The Company staff, alongside specialist insurance collection agents, who are retained on a commission basis, continue to pursue potential recoveries from both solvent and insolvent insurers.

Investments

On appointment the Company held a number of shares in a company called Occam Underwriting Limited. During the Period Occam Underwriting Limited's majority shareholder offered to buy out all other existing shareholders. After careful analysis and consideration the Administrators accepted this offer and £41k was realised.

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.US\$1.5m of funds.

We are currently in ongoing discussions with the NYDFS regarding the proposed distribution of funds. In our view, an efficient and effective distribution of the funds is best achieved in accordance with the Schemes.

Treasury management

At the end of the Period the Company held funds of US\$31m and £2.3m. The majority of the US\$ balances held have been invested in money market deposits. The remaining balances are held in interest bearing 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 our treasury management policies covering such matters as credit quality and counterparty diversification.

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 remained available for sale during the period and a number of viewings were held and offers received.

An offer was accepted by the Joint Administrators shortly after the Period ended. We are working with the property agents to progress the sale and a further update will be provided in our next report.

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.

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.

Creditors' Committee

We continue to communicate with the Creditors' Committee regarding the Schemes and to discuss issues and outline key decisions. We last reported to the committee on our activities and associated costs on 10 February 2021.

Creditors are advised that during the Period: (a) Marcus Doran replaced Michelle Levitt as the representative of American International Group; and (b) Caroline Masset replaced Stephane Moulin as the representative of Axa Belgium.

Other statutory information

Investigations and actions

As previously reported, we complied with our duties under the Company Directors Disqualification Act 1986 and SIP2 and 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 December 2020 to 26 June 2021 together with the overall position since Appointment from 27 June 2019 to 26 June 2021.

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 an administration expense in due course because amounts due will depend on the position at the end of the tax accounting period.

Our fees

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

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/2017/administration-creditor-fee-guide-6-april-2017.ashx?la=en>

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

Work we expect to undertake in the remaining period of the Administration

- Completing the sale of the freehold property and relocation of staff and Company assets;
- Obtaining Chapter 15 recognition of the Schemes of Arrangement in the US Court;
- Progressing discussions with the NYDFS regarding how the c.US\$1.5m Trust Fund will be distributed;
- Realising value from the remaining non-cash assets held, such as reinsurance debtors;
- Liaising with suppliers regarding ongoing supply of services necessary for trading, including processing associated receipts and payments;
- Responding to creditor queries in relation to the Schemes and their potential claim(s) against the Company; and
- Managing and reviewing claims made against the Company;
- Continued liaison with Company management and staff regarding matters pertinent to the Administration;
- Ongoing dialogue with creditors, the Creditors' Committee and Regulators; and
- Continuing to comply with statutory and regulatory requirements, including tax, VAT and other formal returns.

Work we expect to complete during the Schemes

- Reaching agreement with the NYDFS regarding how the c.US\$1.5m Trust Fund will be distributed;
- Realising value from the final non-cash assets held, such as reinsurance debtors;
- Liaising with suppliers regarding ongoing supply of services necessary for trading, including processing associated receipts and payment;
- Responding to creditor queries in relation to the Schemes and their potential claim(s) against the Company;
- Managing and agreeing claims made against the Company, including any claims requiring independent adjudication;
- Facilitating distributions to creditors;
- Continued liaising with Company management and staff regarding matters pertinent to the Schemes;
- Ongoing dialogue with creditors, the Creditors' Committee and Regulators;
- Continuing to comply with statutory and regulatory requirements, including tax, VAT and other formal returns; and
- Completing necessary closure steps for the Company.

Next steps

Direct Scheme

We are currently reviewing claims which have been submitted by Direct Creditors in accordance with the Direct Scheme. We would encourage Direct Creditors to submit their claims as early as possible and no later than the Direct Final Claims Time which occurs at 11.59pm (London time) on 10 August 2021.

Once the value of a Direct Scheme Creditor's Claim has been assessed in accordance with the Direct Scheme (whether by way of agreement between the Company and the Direct Scheme Creditor or by determination of the Direct Scheme Adjudicator), the Company will send the Direct Scheme Creditor a notice setting out the amount at which its Direct Scheme Claim has been fixed, such amount being that creditor's Direct Ascertained Claim.

As soon as possible following the Direct Final Claims Time the Company shall determine whether all Direct Ascertained Claims can be paid in full. If the Company determines that such claims can be paid in full, it shall make payment in full in respect of all Direct Ascertained Claims as soon as reasonably practicable. In the event that, following the Direct Final Claims Time, the Company determines that, in its reasonable opinion, based on the then currently available information, all Direct Ascertained Claims cannot be paid in full, it shall determine what percentage of the Direct Ascertained Claims (the "**Direct Payment Percentage**") can be paid taking into account the amounts required to meet all Excluded Liabilities and other liabilities of the Company ranking in priority to the Direct Scheme Creditors and the need to ensure that the same percentage is paid in respect of all Direct Ascertained Claims. Once a Direct Payment Percentage has been set, the Company shall pay the Direct Payment Percentage in respect of each Direct Ascertained Claim as soon as reasonably practicable.

Payments shall be made by way of telegraphic transfer (where full bank account details have been provided by the Direct Scheme Creditor) or alternatively by cheque. We currently expect payments to Direct Scheme Creditors to be made in the first half of 2022.

General Scheme

No General Final Claims Time has currently been set, as a result General Scheme Creditors do not currently need to submit any claims against the Company.

The Scheme Administrators will, as soon as practical, determine if there will be available funds to make a distribution to General Scheme Creditors other than on a de minimis basis.

In the event that sufficient funds are available and a General Final Claims Time is to be set, General Scheme Creditors will be given 180 calendar days' notice of the General Final Claims Time.

Claim Forms

As a reminder, claim forms are included in Section V of the Scheme Documents and are also available to download from the Administrators' website (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).

Administration period end

The Joint Administrators' initial period in office is, unless extended, set to expire on 27 December 2021.

As a result we are taking advice as to whether it is appropriate to apply to Court to seek an extension of the Administration or whether the Administration can terminate on the basis that we believe the objective of the Administration, to achieve 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), has been achieved through the implementation of the Schemes of Arrangement. Whilst we have not made a final decision, it is likely that we will seek an exit to the Administration.

In the event that the Administrators determine that it is appropriate to allow the Administration to terminate, or the Administration otherwise terminates, we expect to make an application to Court in respect of the termination and request a discharge from liability in respect of our actions in the Administration. A final progress report will be prepared in support of any such application and will be shared with creditors and interested parties and made available on the Company Website.

If any creditor or interested party wishes to bring anything to the attention of the Administrators or wishes to make any representations before we conclude our position in relation to the termination of the Administration, please let us know by Monday 23rd August 2021.

Following the Schemes of Arrangement becoming effective, the Joint Scheme Administrators were appointed and the powers and protections under the Schemes mirror those of the Joint Administrators under the Administration. Any end to the Administration will have no bearing on the Schemes and creditors should continue to submit their claims in accordance with the timeframes and guidance as set out in the Direct Scheme and the General Scheme.

If you've got 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 and Joint Scheme Administrator

Appendix A: Receipts and payments

	Notes	Statement of affairs £	As at 27 December 2020 - GBP Equivalent £	From 27 December 2020 to 26 June 2021 £	From 27 December 2020 to 26 June 2021 US\$	Total to 26 June 2021 - GBP Equivalent - Note 5 £
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	4,256,722	41,244	-	4,297,966
Deposits with ceding undertakings		487,786	-	-	-	-
Reinsurers' share of technical provision		100,000	20,377	-	-	-
Reinsurance debtors	5	1,006,304	399,790	-	47,686.35	434,076
Other debtors		22,853	22,438	-	-	22,438
Insurance claims & refunds		-	1,168	-	-	1,168
Accrued interest & rent		87,470	87,470	-	-	87,470
Bank interest gross	5	-	268,504	-	16,521.63	280,383
Fixtures & fittings		-	850	242	-	1,092
Escrow funds		-	73,400	-	-	73,400
VAT recovered		-	112,491	4,335	-	116,826
Exchange rate gain/loss	2, 5	-	(1,046,289)	-	-	(1,606,623)
Total		32,872,277	28,623,015	45,820.55	64,207.98	28,154,668
PAYMENTS						
Direct labour		-	677,975	216,293	-	894,268
Direct expenses		-	5,378	394	-	5,772
Sub contractors	5	-	127,346	8,980	6,185	140,774
Rates		-	42,565	25,450	-	68,015
Heat, light & utilities		-	9,973	2,736	-	12,709
Telephone		-	6,039	480	-	6,519
Insurance		-	8,866	2,943	-	11,809
Professional fees		-	124,428	50,421	-	174,849
Repairs & maintenance		-	3,946	2,676	-	6,622
Office costs, stationery & postage		-	29,200	12,642	-	41,842
Licences, trade marks, royalties etc		-	80	-	-	80
Office holders' fees		-	913,273	-	-	913,273
Legal fees & expenses		-	554,330	331,648	-	885,978
Statutory advertising		-	77	-	-	77
Scheme advertising		-	-	32,561	-	32,561
Finance/bank interest & charges	5	-	791	-	46	824
Storage		-	160	-	-	160
Irrecoverable VAT	5	-	27,712	25,514	2,133	54,760
VAT paid	3	-	242,102	6	-	242,108
Total			2,774,241	712,744.77	8,364	3,492,999
Net Receipts/(Payments)			25,848,774	(666,924.22)	55,844	24,661,669
MADE UP AS FOLLOWS						
			As at 26 June 2021 (£)	As at 26 June 2021 (US\$)		
Barclays Bank Plc GBP account	4		3,005,261	2,338,337		2,338,337
Barclays Bank Plc USD account	4, 5		582,982		9,082,441	6,530,275
DBS Bank Limited (Money market deposit)	4, 5		7,464,197		10,131,948	7,284,871
OCBC Bank Limited (Money market deposit)	4, 5		14,796,335		11,833,360	8,508,186
Balance of funds held			25,848,774	2,338,337	31,047,749	24,661,669

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 earlier in our report, the c.US\$1.5m is now controlled by the trustee of the Trust Fund and is therefore 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.

Note 2 - An exchange rate loss has arisen from a change in value of the funds held over the Period due to the £ appreciating against the US\$. This is a theoretical loss, stated for presentational reasons. Some estate funds are held in a currency other than sterling because upon our appointment, funds were already held in US dollars (by virtue of the Company's activities in the US insurance market). As a large proportion of the Company's creditors are based in the US and claims will be paid in that currency, we have not converted these funds to sterling in order to avoid crystallising any FX loss.

Note 3 - 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 4 - Funds are held on interest bearing accounts.

Note 5 - The total GBP equivalent is a US\$/£ exchange rate (1:0.71900) as at 26 June 2021. The previous period's US\$/£ exchange rate was (1:0.73708).

Appendix B: Expenses

Expenses are amounts properly payable by us as Administrators from the estate, but excludes our fees and distributions to creditors. These include disbursements which are expenses met by and reimbursed to an office holder in connection with an insolvency appointment.

Expenses fall into two categories:

Expense	SIP 9 definition
Category 1	Payments to persons providing the service to which the expense relates who are not an associate of the office holder.
Category 2	Payments to our firm or our associates or which have an element of shared costs (for example, photocopying and mileage disbursements, or costs shared between different insolvent estates).

We don't need approval from creditors to draw Category 1 expenses as these have all been provided by third parties but we do need approval to draw Category 2 expenses. The body of creditors who approve our fees (in this case the Creditors' Committee) also have the responsibility for agreeing the policies for payment of Category 2 expenses.

The following table provides a breakdown of the Category 2 expenses which have been incurred by us as administrators or our associates, together with details of the Category 1 expenses that have been incurred by PwC and will be recharged to the case:

Category	Expense	Costs incurred £
2	Photocopying – Up to 10 pence per page copied, only charged for circulars to creditors and other bulk copying.	50.30
1	System maintenance fee	13.68
	Archiving costs	2.42
	Total	66.40
	Brought forward* as at 26 December 2020	13,380.43
	Total	13,446.83

*The brought forward amount of the expenses has been amended to reflect the reduction in disbursements by £630.

We will seek approval for Category 2 expenses as set out above in due course.

The table below provides details of the expenses incurred and estimated until the expected end of the administration on 27 December 2021. It does not provide details of subsequent expenses that are likely to be incurred in the Schemes. 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. This 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.

Our initial estimate was prepared on the basis of a single scheme of arrangement being agreed and implemented, together with the associated creditor claims being assessed, agreed and paid, within the initial 30 month Administration period. Due to delays with the design and approval of the Schemes it has not been possible to complete the intended process within the timeframe in which our initial estimate envisaged. As a result, whilst our actual and future estimated expenses are lower than our initial estimate, as referenced above, some expenses will continue in the Schemes should the Company exit from Administration.

Nature of expense	Brought forward from preceding period £	Incurred in the period under review £	Cumulative £	Estimated future ¹ £	Anticipated total ¹ £	Initial estimate £	Variance ² £
Gross wages & salaries	677,975	216,293	894,268	242,625	1,136,893	1,136,893	-
Employee retention and incentives ³	-	-	-	-	-	700,000	700,000
Rent and rates ⁴	58,577	28,666	87,243	12,535	99,778	89,104	(10,674)
Other operating expenses ⁵	245,492	74,616	320,108	97,286	417,394	417,394	-
Agents' fees and disbursements - Requiem ⁶	42,326	4,447	46,773	-	46,773	39,113	(7,660)
Agents' fees and disbursements - Epiq	24,826	5,000	29,826	25,000	54,826	47,096	(7,730)
Agents' fees and disbursements - Larking Gowen	2,241	498	2,739	913	3,652	2,324	(1,328)
Agents' fees and disbursements - Bidwells	1,450	-	1,450	9,028	10,478	10,478	-
Bank charges	790	33	823	800	1,623	2,432	809
Letters of Credit charges	3,545	-	3,545	-	3,545	6,854	3,309
Property costs	-	-	-	2,500	2,500	2,500	-

¹ Estimated future and Anticipated total shows the costs expected until the end of the Administration on 27 December 2021.

² Certain of these expenses are likely to continue to accrue in the Schemes.

³ This obligation will continue to be payable in the Schemes.

⁴ Includes the following: council tax, utilities and telephone charges.

⁵ Includes the following: repairs and maintenance, IT, costs, office costs, stationery, postage and other direct expenses.

⁶ 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.

Insurance	8,867	2,943	11,810	3,000	14,810	21,426	6,616
Legal costs - various US attorneys	19,363	-	19,363	5,000	24,363	Uncertain	(24,363)
Legal fees and expenses - Clifford Chance	557,359	118,825	676,184	73,816	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 ⁷	1,777,965	294,341	2,072,306	707,000	2,779,306	4,689,421	1,910,115
Office holders' pre-administration costs	93,411	-	93,411	-	93,411	93,411	-
Office holders' disbursements ⁸	13,380	66	13,447	4,627	18,074	73,755	55,681
Licences, trade marks, royalties	80	-	80	80	160	160	-
Storage costs	308	2	310	3,226	3,536	3,536	-
Statutory advertising	77	-	77	200	277	577	300
Additional Scheme costs	10,820	32,561	43,381	6,619	50,000	50,000	-
Other Scheme costs							
<i>US expert</i>	25,798	-	25,798	-	25,798	n/a	(25,798)
<i>1st Counsel</i>	61,750	18,635	80,385	-	80,385	Uncertain	(80,385)
<i>2nd Counsel</i>	39,935	51,850	91,785	-	91,785	n/a	(91,785)
Independent fee assessor	10,000	15,000	25,000	10,000	35,000	n/a	(35,000)
Irrecoverable VAT ⁹	27,712	27,647	55,359	12,946	68,305	331,178	262,873
	3,841,429	891,424	4,732,852	1,217,201	5,950,053	8,295,195	2,345,142

⁷ We regularly monitor and review our costs and make appropriate adjustments as necessary or appropriate. These reviews resulted in a small adjustment of £151 on the time previously reported;

⁸ Office holders' disbursements comprise of photocopying and postage, system maintenance fee, travel and accommodation.

⁹ The 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 update

Fee approval

As discussed in our previous report a fee assessor has been appointed to assist the Creditors' Committee regarding approval of our fees. We have provided various information to the fee assessor in order for him to complete his review.

The results of the independent fee assessor's review of the Administrators' costs have been finalised and discussions with the Creditors' Committee remain ongoing. As such we have not drawn any further fees or expenses in the Period.

Time cost charges

The time cost charges incurred in the period covered by this report (27 December 2020 to 26 June 2021) are £294,341 (excluding VAT), bringing the total time costs incurred from our appointment to 26 June 2021 to £2,072,306 (excluding VAT). These time cost charges are subject to amendment following fee assessor and Creditors' Committee review.

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 and subcontracted work.

Our hours and average rates

We set out on the following page a breakdown of our work in the period, by category, together with totals since appointment and against our initial estimate.

	Partner		Director		Senior Manager		Manager		Senior Associate		Associate / Other		Offshore professionals		Grand total for the period		Grand total from appointment		Initial estimate	
	Hours	Costs	Hours	Costs	Hours	Costs	Hours	Costs	Hours	Costs	Hours	Costs	Hours	Costs	Hours	Costs	Hours	Costs		
Asset realisation																				
Freehold	0.50	468.50	6.80	5,603.20	21.50	13,384.50	7.45	4,030.45	18.95	8,405.77	2.10	577.63			57.30	32,480.05	322.90	162,290.61	226,278	
Other physical assets																				
Reinsurance and other assets	0.50	468.50	5.80	4,779.20	13.00	8,099.00	7.20	3,895.20	18.95	8,405.77	2.00	556.00			7.65	4,055.45	89.50	46,820.60	106,581	
Treasury management	0.50	468.50	6.80	5,603.20	21.50	13,384.50	7.45	4,030.45	18.95	8,405.77	2.10	577.63			57.30	32,480.05	322.90	162,290.61	226,278	
Total	0.50	468.50	6.80	5,603.20	21.50	13,384.50	7.45	4,030.45	18.95	8,405.77	2.10	577.63			57.30	32,480.05	322.90	162,290.61	226,278	
Costs of the insolvency process																				
CCDA and SIP2 compliance																				
Creditors' committee																				
Initial letters & notices																				
Insurance																				
Other statutory and compliance																				
Proposals, decision procedure and creditor cons.	0.50	468.50	9.10	7,488.40	54.65	33,865.60	29.80	16,121.80	0.25	79.75	7.00	1,853.45			101.30	59,887.50	701.85	310,027.71	461,818	
Reporting to creditors	0.50	468.50	2.00	1,648.00	22.30	13,381.40	19.25	10,414.25	1.40	446.60	23.90	5,169.57			72.85	32,284.32	451.50	199,421.23	187,940	
Statement of affairs																				
Total	1.00	937.00	11.10	9,116.40	78.35	48,119.20	50.05	27,077.05	3.45	1,100.55	31.45	7,141.99			178.90	94,278.19	1,690.80	788,745.15	1,015,700	
Creditor enquiries and management																				
Total	2.00	2,307.20	2.80	2,307.20	17.60	10,946.20	5.00	2,705.00	7.10	2,265.95	10.35	2,238.71			42.85	20,463.06	343.85	116,268.49	141,547	
Administrators' supervision of run off	1.00	1,004.25	1.50	1,256.00	23.45	14,509.95	1.50	811.50			15.50	4,309.00			42.95	21,970.10	367.00	204,662.04	362,085	
Employees																				
Receipts and payments																				
Total	1.00	1,004.25	1.50	1,256.00	31.95	19,597.95	7.95	3,942.15	22.65	7,780.05	22.25	5,244.66			91.15	27,804.76	409.30	128,731.15	156,456	
Accounting & Treasury Chapter 15																				
Pensions																				
Pre-appointment attorneys																				
Regulatory																				
Tax																				
VAT																				
Total	0.80	659.20	0.80	659.20	15.20	11,439.80	1.10	595.10	12.40	5,523.46	12.05	2,614.14			2.15	699.26	11.55	4,197.93	81,579	
Schemes design and implementation																				
Total	2.50	2,342.50	8.10	6,674.40	31.20	19,380.95	13.50	7,303.50	23.50	10,528.00	11.00	3,058.00			98.30	51,123.35	405.65	265,261.16	2,210,965	
Strategy, planning and project management																				
Total	2.00	1,674.00	2.20	1,812.80	29.50	18,322.70	1.50	811.50			9.45	2,568.49			44.65	25,389.49	255.50	157,050.30	209,321	
Total	2.00	1,674.00	2.20	1,812.80	29.50	18,322.70	1.50	811.50			9.45	2,568.49			44.65	25,389.49	255.50	157,050.30	209,321	
Grand Total	7.00	6,626.25	33.30	27,439.20	225.30	141,201.30	86.55	46,364.75	88.05	35,603.79	114.15	27,752.61			597.65	294,340.70	4,270.45	2,072,306.18	4,689,420	

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 for separately and isn't included in the hourly rates charged by partners or other staff members. Time is charged in six minute units. The minimum time chargeable is three minutes (i.e. 0.05 units). We don't charge general or overhead costs.

We set out below our maximum charge-out rates per hour for the grades of our staff who already or who are likely to work on the Administration. We note that a fee proposal is currently being considered by the Creditors' Committee which, if agreed, would result in different rates to those included below.

Grade	Non-specialist rates	Specialist rates
	From 1 July 2020 £/hour	From 1 July 2020 £/hour
Partner	937	1,427
Director	824	1,334
Senior Manager	623	1,329
Manager	541	798
Senior Associate	448	592
Associate	278	294
Support Staff	144	175
Offshore professionals	252	252

In common with many professional firms, our scale rates may rise to cover annual inflationary cost increases.

Payments to associates

No payments have been made to associates or any party who could reasonably be perceived as an associate during the period of this report. Relevant parties have been chosen due to their specific area of expertise or technical knowledge and payments to those parties based on standard commercial terms.

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 debtor ledgers including the profile of aged debtors to formulate strategies for further recovery of reinsurance debts;Reaching settlement and/or agreement of commutations

		<p>with certain debtors, collecting a total of c.US\$48k in the Period;</p> <ul style="list-style-type: none"> • Progressing the sale of the freehold property; • Considering the sale of residual assets in advance of the sale of the freehold property; and • Reviewing and realising c.£42k from the sale of investment shares held pre-appointment.
	Treasury management	<ul style="list-style-type: none"> • Liaising with banks regarding investing surplus funds in money market deposits; • Assessing composition of the investment portfolio to ensure that the funds are invested in line with PwC treasury management policies; • Ongoing discussion with the NYDFS regarding the resolution and appropriate distribution of the US Trust Fund; 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"> • Ad hoc liaison with the Creditors' Committee members regarding the Administration and Schemes of Arrangement; and • Recording changes in Creditors' Committee member representatives.
	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; • Ongoing monitoring of costs versus budget in order to manage costs incurred, remain apprised of cost accruals and identify any opportunities for greater efficiency; • Finalising the fee pack for the period 1 June 2020 to 31 December 2020; • Supporting the independent fee assessor's review of costs, including providing requesting information and review of his reports; and • Reviewing, considering and actioning incoming post.
	Reporting to creditors	<ul style="list-style-type: none"> • Preparation and finalisation of the Administrators' third 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; and • Complying with all other statutory and regulatory requirements associated with issuing a progress report.
Dealing with creditors	Creditor enquiries	<ul style="list-style-type: none"> • Dealing with incoming queries from creditors regarding the Schemes and submission of their claims; • Ensuring our records are updated with current creditor contact details; and • Maintaining the 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, Schemes and insurance run off; • 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 policies and performing a sanctions check on all payments made during the Period; • 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	Tax	<ul style="list-style-type: none"> • Information gathering to support the completion of tax returns; and • Preparing corporation tax returns for the post-appointment period.
	VAT	<ul style="list-style-type: none"> • Reviewing receipts and payments on both US\$ 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 and implementation	<ul style="list-style-type: none"> • Engaging with certain Creditors regarding the Scheme process and next steps; • Managing votes submitted by Creditors in advance of the Scheme Meetings; • Preparing for and attendance at the Scheme Meetings; • Completing the Chairman's Report and sharing the results of the Scheme Meetings with Creditors and other key stakeholders; • Working with the Administrators' lawyers to complete witness statements and other required submissions to Court ahead of the Sanction Hearings; • Attending the Sanction Hearings; • Completing the required steps following the Sanction Hearings, including notifying Creditors of the Effective Dates of the Schemes and the Direct Final Claims Time, in accordance with the Schemes and Court requirements; and • Continued liaising with the Company employees to prepare the Company's creditor records which will streamline the process of validating claims.
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 in the Administration

Area 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; and Ensuring transition from the freehold property and continued trading and operational performance of the Stronghold team. 	£10,000	<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. 	£10,000	<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; and Oversight of paper records archiving process to ensure correct level of information is kept. 	£5,000	<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 US\$ funds held; and Liaising with the NYDYS and trustee in respect of the Trust Fund arrangement and resolution of the position. 	£18,000	<ul style="list-style-type: none"> Maximising investment interest available on surplus funds; Ensuring an appropriate balance between GBP and US\$ given creditor claims will be cross currencies; and Appropriate resolution of the c.US\$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 Schemes; and Responding to information requests from the Creditors' Committee. 	£15,000	<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. 	£65,000	<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; 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; 	£80,000	<ul style="list-style-type: none"> To comply with regulatory requirements or statute; and To maintain proper books and records.

	<ul style="list-style-type: none"> • Reaching an agreement with the Creditors' Committee re costs incurred; • 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 • Overseeing the exit from Administration. 		
Insurance	<ul style="list-style-type: none"> • Corresponding with insurers regarding ongoing and renewing insurance requirements; and • Updating insurance policy following the sale of the freehold property. 	£2,000	<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 in respect of the Schemes. 	£40,000	<ul style="list-style-type: none"> • To comply with regulatory requirements or statute; and • To respond to queries from various stakeholders.
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; and • Processing monthly payroll to ensure appropriate deductions of PAYE/NIC are made and paid over to HMRC. 	£5,000	<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 and claims appropriately assessed 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 and external regulatory requirements. 	£35,000	<ul style="list-style-type: none"> • Ensure appropriate record of all receipts and payments undertaken during the Administration and Schemes.
Run off management	<ul style="list-style-type: none"> • Continued liaison with Company management and staff regarding matters pertinent to the Administration, Schemes and the run off; • Liaising with suppliers and authorising purchases and other commitments; and • Preparing budgets and financial reports. 	£40,000	<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 Company.

Managing the Company's affairs

Accounting and treasury	<ul style="list-style-type: none"> Carrying out bank reconciliations and managing investment of funds; and Corresponding with banks regarding specific transfers. 	£2,000	<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.
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. 	£25,000	<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 or paid by HMRC in a timely fashion. 	£20,000	<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. 	£5,000	<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 creditor claims can be resolved through the Schemes.
Scheme of Arrangement			
Implementation	<ul style="list-style-type: none"> 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 claims including understanding policies; review of data and methodology; and independent valuation; and Agreeing claims with creditors in accordance with the scheme methodology and valuation principles. 	£250,000	<ul style="list-style-type: none"> To comply with regulatory requirements. To ensure claims correctly agreed to facilitate distributions to creditors.
Strategy and Planning			

Strategy, planning and project management	<ul style="list-style-type: none"> • 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. 	£70,000	<ul style="list-style-type: none"> • To resolve outstanding matters in line with the purpose of the Administration.
--	---	---------	--

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.

Details of subcontracted work

Service provided	Name of firm / organisation	Reason selected	Basis of fees
Payroll processor	Larking Gowen LLP	Pre-existing relationship with the Company.	Monthly fixed fee.

The above work, which we or our staff would normally do, has been done by a subcontractor. Larking Gowen LLP were the incumbent payroll provider and it remained cost effective to continue with these payroll services following the appointment of the joint administrators. The costs in respect of this service incurred to date and estimated future costs can be seen in our expenses table at Appendix B.

Legal and other professional firms

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

Service provided	Name of firm / organisation	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.	Time costs and disbursements.
Legal services, including: <ul style="list-style-type: none"> • Notice distribution and service of documents to creditors and interested parties in relation to the • Chapter 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 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.
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:	8th Floor Central Square, 29 Wellington Street, Leeds, West Yorkshire, LS1 4DL.
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.
