

# Joint Administrators' final progress report from 27 June 2021 to 26 November 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

3 December 2021

[www.pwc.co.uk/stronghold](http://www.pwc.co.uk/stronghold)

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# 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, or terminated earlier, the period ending 30 months after the Appointment date being 26 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 the Schemes.
Company	Stronghold Insurance Company Limited (in Administration*). * in Administration until the notice of the move to CVL is registered at Companies House, which is expected to be shortly after the date of this report. Upon registration at Companies House the company will be in CVL.
Company Website	<a href="http://www.pwc.co.uk/stronghold">www.pwc.co.uk/stronghold</a> .
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.
CVL	Creditors' voluntary liquidation.
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	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.  Further information on Excluded Liabilities is included in the Direct Scheme Document and General Scheme Document.

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 Liquidators/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.
NAIC	The National Association of Insurance Commissioners.
NYDFS	The New York Department for Financial Services.
Period	27 June 2021 to 26 November 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.
PwC	PricewaterhouseCoopers LLP
Regulators	The FCA and PRA.
The Direct Scheme Document and the General Scheme Document, together the Scheme Documents	<p>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.</p> <p>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;</p>

	(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](http://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](http://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

As we explained in our most recent Progress Report (available here [https://www.pwc.co.uk/businessrecovery/Administrations/assets/stronghold/stronghold\\_4th\\_progress\\_report\\_july21.pdf](https://www.pwc.co.uk/businessrecovery/Administrations/assets/stronghold/stronghold_4th_progress_report_july21.pdf)), the Joint Administrators' initial period in office was set to automatically expire on 27 December 2021. On 11 November 2021 we wrote to all creditors and gave notice that we had made an application to Court to:

(i) give permission to move the Company into a CVL; and

(ii) request that the Joint Administrators be discharged from liability in respect of actions taken in the Administration, with such discharge to take effect 28 days following the filing of our final progress report,

(the "Application").

We made this Application on the basis that we believe the objective of the Administration, (namely 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 but the Company is still insolvent.

Accordingly, in accordance with paragraph 83(3) of Schedule B1 to the IA86, a notice was sent to the registrar of companies regarding the Company's move from administration to creditors' voluntary liquidation, with copies of that notice being filed with the Court and sent to creditors shortly thereafter, in accordance with paragraph 83(5) of the same schedule.

Our work in the Administration of the Company has now concluded and so, I set out below our final report. 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](http://www.pwc.co.uk/stronghold).

Please note that the move from Administration to CVL should have no impact on the Schemes or the process for assessing and agreeing creditor claims.

Please refer to the 'What happens next' section for more information on next steps and key dates in relation to the Schemes.

## How much creditors may receive

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.

The bar date for all Direct Scheme creditors has now passed with 68 creditors submitting claims in advance of the deadline. These claims are now in the process of being reviewed and assessed.

We remain unable to give a meaningful estimate of the likely outcome for Direct Scheme creditors. As we outlined in our previous reports, the estimated outcome depends significantly on, amongst other matters, the levels of admitted claims and the costs of the resolution process.

As a result, it will be some time before a reasonable estimate can be provided and this is not expected to be before mid 2022, once a significant proportion of the Direct Scheme claims received have been assessed and agreed.

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.

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. Based on the level of Direct Scheme claims received and initial actuarial views, a return to General Scheme creditors is not expected.

<b>Class of creditor</b>	<b>Current estimate (p in £)</b>	<b>Previous estimate (p in £)</b>
<b>Direct insurance creditors</b>	Uncertain	Uncertain
<b>Cedants and other unsecured creditors (together the General Scheme creditors)</b>	Zero	Uncertain

## What you need to do

This report is for your information and you don't need to do anything.

## What happens next

On 25 November 2021 we applied to Court for permission to move the Company from the administration to a CVL.

The Joint Administrators considered the Insolvency Code of Ethics and concluded that there were no matters preventing their appointment as liquidators of the Company.

There having been no alternate nominations, Dan Schwarzmann and Nigel Rackham will be appointed as Joint Liquidators of the Company.

Please note that the move from Administration to CVL should have no impact on the Schemes or the process for assessing and agreeing creditor claims.

All creditors should continue to refer to [www.pwc.co.uk/stronghold](http://www.pwc.co.uk/stronghold) for important information, updates and progress.

# Brief history of the Company and why it entered Administration

## Background

The Company was incorporated in 1962 and during its active underwriting life it wrote direct and reinsurance USA Casualty business either by way of Treaty Excess of Loss to the London Market and USA companies, or by way of Surplus Line insurance. The underwriting of the Company was directed by Donald Fox and initially it wrote exclusively non-proportional and reinsurance business. The Company wrote its first risk on 31 October 1962. With effect from 5 July 1965, the Company formed an association with Eagle Star to cede a fixed percentage of its casualty facultative book of business to Eagle Star. This "Quota Share Agreement" enabled the Company to operate as a London Market Company Lead. This arrangement with Eagle Star ceased by 1968. By 1970, the Company made the decision to extend its activities into certain selected areas of proportional treaty business. For many years the Company had provided fronting facilities to companies who were otherwise unable to write certain classes of business. These included Turegum from 1962 to 1969 inclusive, and the R.W. Gibbon & Son Agency Companies.

From the early 1980s, the Company began to experience an increase in notifications in respect of asbestos related and environmental pollution claims emanating from the USA arising from policies written in the 1960s, 1970s and 1980s. As a consequence, the Company, for all practical purposes, ceased underwriting at the end of 1984 with only limited business being written in 1985 where there had been a contractual obligation in force to renew.

## The circumstances leading to our appointment as Joint Administrators

Upon introduction of the Solvency II directive in 2016, the Company was no longer able to meet the minimum capital requirement imposed under that regulation. A Solvent Scheme was proposed but was not implemented due to opposition by certain creditors. Prior to the proposed Solvent Scheme, the Company did consider three options with a view to curing its breach of Solvency II requirements, namely:

- (a) The injection of further shareholder capital.
- (b) A potential sale to a third party.
- (c) A Part VII Transfer.

Unfortunately, none of the above options were judged feasible given the amount of capital the shareholder or acquirer would need to inject into the Company in order to achieve Solvency II compliance (approximately USD 21 million at year end 2018).

In light of claims information submitted by the Company's creditors pursuant to the Solvent Scheme meetings, the Board re-examined the Company's financial position. As a result, it became clear that the claims of certain major creditors, including direct insurance creditors, were at a considerably higher level than the Company had to that point provisioned for based on its assessment of its liabilities. As a consequence of deciding not to proceed with the Solvent Scheme and following discussions with the Company's auditors, a number of other adjustments would have been required to the Company's draft accounts at year end 2018. Prior to these adjustments, the Company showed a net assets balance of approximately USD 5 million. The adjustments proposed would have resulted in a deterioration of net assets of approximately USD 8-10 million, thereby eliminating the USD 5 million balance set out in the draft accounts. In addition, these adjustments did not include any allowance for the potential increase in technical reserves in respect of direct insurance creditors, which would further worsen the Company's overall solvency position.

After careful review of the Company's financial position, the Board therefore concluded that the Company did not have sufficient assets to meet its liabilities and was insolvent on a balance sheet basis. The Company ceased paying creditors' claims on 31 May 2019.

As a result, the directors took steps to place the Company into Administration since the liabilities of the Company were believed to exceed its assets.



# Overview of our work in the Administration

## Activities immediately following our Appointment

Immediately on our appointment, we undertook the following activities to maximise the value of the available assets to creditors and minimise costs incurred by the Company:

- Safeguarding the Company's IT and data systems as well as Company's assets. Data backups were obtained immediately upon appointment and the Administrators took steps to safeguard all known assets of the Company;
- Securing and taking control of cash and investments, determining and executing an Administration investment strategy;
- Taking steps to reduce the Company's cost base including a reduction in staff, following an appropriate employee skills assessment, where such staff were determined not to be required for the duration of the Administration;
- Negotiating with key suppliers to ensure that all critical operations were maintained and the business could continue to operate in run-off;
- Considering the cost effectiveness of an application for the protection of assets in the US under Chapter 15 of the US Bankruptcy Code;
- Formulating initial proposals for a Scheme of Arrangement pursuant to Part 26 of the Companies Act 2006;
- Conducting an initial informal consultation with creditors on 29 July 2019, where creditors were invited to share their views on the concept of using a Scheme of Arrangement;
- Commencing initial tax and VAT reviews into the affairs of the Company; and
- Liaising with the FCA and PRA on progress and other matters arising.

## Approval of our proposals

We issued to creditors our proposals dated 9 August 2019 for achieving the purpose of Administration. Creditors approved our proposals without modifications by a decision by correspondence on 4 September 2019.

We attach a summary of our proposals at Appendix E.

## Activities and work performed within the Administration

This section of the document deals with the key activities we have undertaken and progress made since our proposals were approved.

### Operations

#### Employees

As explained in our earlier reports, three employees were made redundant on 5 July 2019 and three individuals were retained as employees of the Company. The retained employees were key to achieving the objectives of the Administration and, in recognition of this, we implemented a retention and incentive scheme as part of their contract in operation during the Administration and this will continue in the CVL. This scheme mirrored the position of the existing scheme that was in operation prior to Administration.

Following the impact of COVID-19 and the UK Government's guidance in relation to working arrangements, we worked with the 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.

During the period since we last reported, we've sold the freehold property and the employees have continued to operate from home.

## IT Infrastructure

As explained in our earlier reports, during the Administration we reviewed the Company's existing IT infrastructure and found that certain elements were near the end of their life and needed to be replaced to continue operating effectively. Due to the significant cost that would be required to update the existing IT hardware, a more cost effective solution to replace the redundant hardware was sourced and the Company transitioned to a cloud based system.

## Corporation Tax

As explained in our earlier reports, we brought the Company's corporation tax affairs up to date as at 31 December 2018 and have filed the 31 December 2019 tax return with HMRC. No tax was payable with these returns.

During the period since we last reported, we've completed the tax return for the period ended 31 December 2020 and filed this with HMRC. No tax was payable with this return.

## VAT

As explained in our earlier reports, we completed the pre-appointment VAT return and received a refund from HMRC. We completed the first post-Appointment VAT return, spanning the period from 27 June 2019 to 30 September 2019, as well as six subsequent VAT returns for the quarters ended 31 December 2019, 31 March 2020, 30 June 2020, 30 September 2020, 31 December 2020 and 31 March 2021.

During the period since we last reported, we've completed the VAT return for the periods ended 30 June 2021 and 30 September 2021 and filed these with HMRC. The Company is partially exempt for VAT purposes, and therefore is unable to recover all of its VAT suffered on payments made. This irrecoverable VAT is shown in the receipts and payments account.

## US Litigation

As explained in our earlier 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. Subsequently we had been liaising with the lawyers regarding the most efficient way for the Company to conclude its participation in the litigated claims, which we considered to be a mutual dismissal of the Company.

We were informed that the Company had been dismissed from 19 cases, but remains a participant in 27 cases. We remained in communication with the attorneys to conclude the Company's participation in these remaining cases in a cost effective manner.

During the period since we last reported, we've not been made aware of any further dismissals.

## Asset recoveries

### Freehold

As explained in our earlier reports, the Company had operated from a three storey freehold property in Norwich since 2008. In the Statement of Affairs the Directors estimated value of the property was £580k.

During the period since we last reported, we've completed the sale of the property for £620k (before deducting selling and legal fees). The Stronghold employees continue to operate from home, this has meant that replacement office space has not been required and resulted in lower ongoing operating costs as various office related costs are no longer incurred.

### Reinsurance debtors

As explained in our earlier reports, as per the Directors' Statement of Affairs, on Appointment the Company had reinsurance debtors with a book value of £2.2m and an estimated net realisable value of £1.1m. The Administrators instructed the Company staff to continue to pursue potential recoveries from both solvent and insolvent insurers.

The Company has pre-existing arrangements with both Requiem and Global Re to make certain reinsurance collections on its behalf. Due to their expertise and knowledge the Administrators have maintained the arrangements

in order to maximise the potential recoveries to the Company. Both parties were paid on a commission basis, as a percentage of amounts they successfully recovered.

During the period since we last reported, we've recovered a further \$13k from reinsurance debtors, taking the total recovered since our Appointment to £444k (GBP equivalent). We expect to make further recoveries in the CVL, although the timing and recoverable value remains uncertain.

### **Shares held**

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.

### **Escrow recoveries**

As explained in our earlier reports, we were made aware that, as is usual market practice, the Company had deposited various funds into escrow accounts in relation to future work expected to be undertaken by various US attorneys. Given that these lawyers were instructed to perform no further work post-Appointment, we requested the return of any surplus escrow funds.

All amounts were returned to the company prior to the start of the Period, as a result no further funds have been received and the total recovered remains £73k (GBP equivalent).

### **Cash and other investments**

As explained in our earlier reports, upon Appointment the Administrators secured all cash held by the Company in the pre-Appointment bank accounts and have subsequently transferred this to new post-Appointment bank accounts.

In addition to cash, the Company also held various corporate bonds which on Appointment, were valued by an independent third party at £3.6m. All the bonds in the portfolio were subsequently sold for credit quality and risk reasons, and the £3.6m realised paid into the post-Appointment bank accounts.

Upon Appointment the Company also had a loan agreement, with receivables due from a third party. The two remaining payments of \$472k due to the Company were paid during the Administration

### **Treasury management**

As explained in our earlier reports, following the impact of COVID-19 there was a reduction in the interest rates applicable on the credit accounts held by the Company.

During the period since we last reported, we've continued to monitor rates to ensure that the funds are invested to maximise the available interest rates whilst remaining in line with the Firm's treasury management policies covering such matters as credit quality and counterparty diversification.

At the end of the Period the Company held funds of US\$29.3m and £2.3m. All funds are held in interest bearing accounts.

### **Letters of Credit with named beneficiaries**

As explained in our earlier reports, some US policyholders were beneficiaries of Letters of Credit issued by Citibank N.A. on behalf of the Company. The Letters of Credit are supported by cash previously deposited with Citibank N.A. by the Company. These arrangements were put in place in the 1960's and served as collateral to claims for US policyholders. On Appointment the value of the 28 Letters of Credit with named beneficiaries totalled \$1.9m. The Letters of Credit were "evergreen", such that they were automatically extended for an indefinite period, until such time as the issuing bank informs the beneficiary of its final expiration. In July 2019, the Administrators were notified by Citibank N.A. that it intended to unilaterally non-renew all of the Letters of Credit. Subsequently, Citibank N.A. notified all the named beneficiaries that the Letters of Credit were not being renewed beyond 31 December 2019. In November 2019, the Administrators contacted all named beneficiaries regarding the impending expiry of the Letters of Credit.

Following the expiry of the Letters of Credit on 31 December 2019 a total of \$1,370k had not been drawn-down and was returned to the Company in January 2020.

There has been no further activity in the period since we last reported.

### **US Trust Fund**

As explained in our earlier reports, on Appointment there was also a single Letter of Credit supporting the Trust Fund to the value of \$1.5m. The relevant Letter of Credit was drawn down by the trustee of the Trust Fund on 31 December 2019. Since then we have been liaising with the Trustee, and more recently the NYDFS and NAIC, 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.

During the period since we last reported, we've continued our discussions with the NYDFS and NAIC.

### **Chapter 15 recognition**

As explained in our earlier reports, in September 2019 an application was made to recognise the Administration in the US Courts by an application under Chapter 15 of the US Bankruptcy Code. No objections to the application were made, the order was granted and the process completed on 23 October 2019. The order provided a stay with regard to litigation against the Company, preventing creditors commencing or continuing US legal actions against the Company. The benefits of the order included the protection of the assets of the Company, providing the Company with additional time to consider its ongoing approach to the various litigation matters and reduced legal costs whilst the matters were stayed. In addition, we confirmed it was also our intention to seek Chapter 15 recognition for the approved Schemes, which would make them binding on all US creditors.

During the period since we last reported, we made an application to recognise the Schemes in the US Courts by an application under Chapter 15 of the US Bankruptcy Code. No objections to the application were made, the order was granted and the process completed on 27 October 2021.

## **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](mailto:uk_stronghold@pwc.com).

### **Regulatory engagement**

The Company is an authorised and regulated insurance company and as such must comply with various regulatory requirements and submissions. During the Administration we have completed various submissions required by the Regulators.

We have continued to engage and cooperate with both the PRA and FCA on the progress of the Schemes and report matters that arise. The PRA and FCA were informed of our plans in relation to the Company leaving Administration and entering CVL.

As mentioned previously we are in ongoing discussions with the NYDFS and NAIC regarding appropriate resolution of the US Trust Fund.

### **Creditors' Committee**

As explained in our earlier reports, the statutory maximum is five members, however, due to 11 nominations being received we were content to have additional participants involved who can equally contribute to the Creditors' Committee in an 'Observer' capacity.

During the period since we last reported, Municipal Mutual Insurance Limited, represented by Sarah Ellis, stepped down as an Observer Member on the Creditors' Committee.

The Formal and Observer Members of the Creditors' Committee, and the individuals they are represented by, are now as follows:

## Formal Members

- American International Group\* represented by Marcus Doran;
- Carrier Corporation^ represented by Benedict Lenhart;
- DCo LLC^ represented by Duncan McLaughlin;
- Lamorak Insurance Company\* represented by Graham Loxley; and
- Warren Pumps LLC^ represented by Gregory Lascelles.

## Observer Members

- AXA Belgium S.A.\* represented by Caroline Masset;
- Borg Warner Inc^ represented by Bette Orr;
- Mercantile Indemnity Company Limited\* represented by Kenny McManus;
- The Sherwin Williams Company^ represented by John Lebold; and
- WRG Asbestos PI Trust^ represented by Mark Garbowski.

^ Denotes Direct insurance creditor \* Denotes cedant creditor

We continue to communicate with the Creditors' Committee regarding the Schemes and to discuss issues and outline key decisions. We last met with the Committee to discuss progress with the Schemes and next steps on 28 October 2021.

We had been discussing the approach to the actuarial assessment of claims with the Committee. At the meeting on 28 October 2021 the Committee confirmed its agreement for Nick Watford, an actuarial partner in PwC, to be retained as Actuarial Adviser to the Schemes and for PwC to be appointed to provide Actuarial support for the settlement of claims in the Direct Scheme.

## Budget and costs

As required by UK insolvency legislation, a remuneration report was provided to all known creditors containing details of the work we expected to carry out during the insolvency, the expenses that were likely to be incurred and an estimate of our fees. The report was included at appendix D of our first progress report dated 20 January 2020.

During the Administration we have provided four fee packs to the Creditors' Committee, our fee approving body, and the independent fee assessor for their review and approval. These fee packs outline the Administrators' charging policy and a breakdown of the work performed by each PwC team across each main category across the Administration and include activities and costs up to 31 October 2021. Fee packs for activities and costs post 1 November 2021 will continue to be provided to the Creditors' Committee and the independent fee assessor.

## Independent fee assessor

As explained in our earlier reports, a fee assessor was appointed to assist the Creditors' Committee regarding approval of our fees.

During the period since we last reported, we've reached agreement with the Committee regarding approval of our fees in the period to 31 December 2020 and also agreed the basis of our ongoing fees. We continue to provide information to the independent fee assessor regarding our fees to assist in his ongoing reviews.

## Schemes

As explained in our earlier reports, the purpose of the Administration was 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). The Administrators believed that a Scheme of Arrangement, similar in nature to a plan of reorganisation, was the best mechanism to achieve the purpose of the Administration.

A Scheme of Arrangement is a court-approved compromise or arrangement provided for by Part 26 of the Companies Act 2006 between a company and its shareholders or creditors. Given the Company's insolvency the Administrators considered various alternative approaches for dealing with creditors' claims but concluded that a Scheme of Arrangement would provide the most appropriate mechanism to protect the interests of all creditors, including insurance policyholders as the Company: (a) has been in run off for over 30 years, therefore having a very mature book of business; (b) has never written retail insurance business, its remaining policyholders being sophisticated commercial organisations; and (c) does not have any policyholders that would be subject to the protection of the FSCS.

During the Administration we have held various meetings with the Creditors' Committee, who are assisting the Administrators in fulfilling their duties, to discuss the Administration and developments with the Schemes.

Both the Direct Scheme and General Scheme were approved by creditors and the Court and became effective on 11 February 2021.

During the period since we last reported the Direct Final Claims Time has passed, meaning no further Direct Scheme claims can be recorded against the Company. At the conclusion of the Direct Final Claims Time 68 claims had been received from creditors in relation to the Direct 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.

### **Direct Scheme claims assessment**

Since the Scheme meetings in February, working with the Stronghold team, we had been undertaking activities to prepare and advance the claims from the 31 parties that submitted votes and were therefore expected to submit Direct Scheme claims. These activities included undertaking policy validation work, gathering relevant valuation information, collating available attorney reports, understanding the latest litigation positions and compiling specific data repositories for each expected creditor.

Once the Direct Scheme Final Claims Time passed on 10 August 2021, and the final population of Direct Scheme creditors was then known, the Stronghold team began expanding the claims activities to include the additional 37 creditors. All pertinent information has been uploaded by the Stronghold team onto a PwC document repository system, allowing real time access for Stronghold and PwC, with over 2,000 items having been uploaded. The Stronghold team have also been reviewing the information provided by creditors and, using a template provided by PwC, have been requesting further important information in order to assess and appropriately value each claim.

We will continue to assess Direct Scheme claims, in accordance with the Direct Scheme, in the CVL. This process is ongoing and is expected to last at least 12 months before the process concludes.

## **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 Administration 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 final receipts and payments account**

We set out in Appendix A an account of our final receipts and payments in the Administration from 27 June 2019 to 26 November 2021.

In our first report in the CVL we will include any amounts received or paid in the Administration subsequent to the above but before the CVL becomes effective and new CVL accounts are operational.

### **Our expenses**

We set out in Appendix B a statement of the expenses we have incurred in the Administration.

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

Any expenses accrued in the administration but not paid prior to the Company entering CVL are subject to a statutory charge over the funds passed to the liquidators and will be settled in the CVL in due course.

### 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](mailto:uk_stronghold@pwc.com).

## Work we expect to complete during the Schemes and CVL

- 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 payments;
- 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;
- Conclusion of the Company's participation in various US litigation cases;
- 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;
- Providing appropriate information to the Creditors' Committee in relation to our activities and fees;
- Continuing to comply with statutory and regulatory requirements, including tax, VAT and other formal returns; and
- Completing necessary closure steps for the Company.

## Next report

The next report to creditors will be circulated by the Joint Liquidators of the CVL in approximately 12 months time.

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](mailto: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

	Statement of affairs	As at 26 June 2021 - GBP Equivalent	From 27 June 2021 to 26 November 2021	From 27 June 2021 to 26 November 2021	Total to 26 November 2021 - GBP Equivalent - Note 2	
Notes	£	£	£	US\$	£	
<b>RECEIPTS</b>						
Freehold land & property		580,000	-	620,000	-	620,000
Cash in hand	1	26,396,375	24,426,095	-	-	24,426,095
Other financial investments		4,191,489	4,297,966	-	-	4,297,966
Deposits with ceding undertakings		487,786	-	-	-	-
Reinsurers' share of technical provision		100,000	20,377	-	-	20,377
Reinsurance debtors	2	1,006,304	434,076	-	13,060	443,872
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	2	-	280,383	-	15,224	291,803
Fixtures & fittings		-	1,092	1,192	-	2,284
Escrow funds		-	73,400	-	-	73,400
VAT recovered		-	116,826	-	-	116,826
Exchange rate gain/loss	2, 3	-	(1,606,623)	-	-	(689,540)
<b>Total</b>		<b>32,872,277</b>	<b>28,154,668</b>	<b>621,192</b>	<b>28,284</b>	<b>29,714,158</b>
<b>PAYMENTS</b>						
Direct labour			894,268	193,420	-	1,087,688
Direct expenses			5,772	948	-	6,720
Sub contractors and IT	2		140,774	8,482	28,999	171,008
Rates	5		68,015	(11,995)	-	56,020
Heat, light & utilities			12,709	1,348	-	14,057
Telephone			6,519	-	-	6,519
Insurance			11,809	2,991	-	14,800
Professional fees			174,849	75,723	-	250,572
Repairs & maintenance			6,622	958	-	7,580
Office costs, stationery & postage			41,842	235	-	42,077
Licences, trade marks, royalties			80	40	-	120
Office holders' fees			913,273	1,041,426	-	1,954,699
Office holders' expenses			-	7,395	-	7,395
Legal fees & expenses			885,978	227,602	-	1,113,580
Statutory advertising			77	-	-	77
Scheme advertising			32,561	-	-	32,561
Independent fee assessor			-	22,950	-	22,950
Finance/bank interest & charges	2		824	-	93	894
Storage			160	2,506	-	2,666
Irrecoverable VAT			54,760	103,627	-	158,387
VAT paid	4		242,108	161,573	-	403,681
<b>Total</b>			<b>3,492,999</b>	<b>1,839,227</b>	<b>29,091</b>	<b>5,354,049</b>
<b>Net Receipts/(Payments)</b>			<b>24,661,669</b>	<b>(1,218,036)</b>	<b>(808)</b>	<b>24,360,109</b>
<b>MADE UP AS FOLLOWS</b>						
			As at 26 November 2021 (£)	As at 26 November 2021 (US\$)		
Barclays Bank Plc GBP account			2,338,337	2,346,676		2,346,676
Barclays Bank Plc USD account	2		6,530,275		29,346,941	22,013,434
DBS Bank Limited (Money market deposit)	2		7,284,871			
OCBC Bank Limited (Money market deposit)	2		8,508,186			
<b>Balance of funds held</b>			<b>24,661,669</b>	<b>2,346,676</b>	<b>29,346,941</b>	<b>24,360,109</b>



## 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 - The total GBP equivalent is a US\$/£ exchange rate (1:0.75011.) as of 26 November 2021. The previous period's US\$/£ exchange rate was (1:0.71900) as at 26 June 2021. The Money market deposits were repaid shortly before the period end and have subsequently been redeployed.

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 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 4 - 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 5 - We have received a refund from Norwich City Council for business rates paid in advance following the sale of the Company property.

# 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 for the Period 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	<b>Photocopying</b> – Up to 10 pence per page copied, only charged for circulars to creditors and other bulk copying.	512.00
1	<b>System maintenance fee</b>	6.84
	<b>Postage</b>	690.30
	<b>Total in the Period</b>	<b>1,209.12</b>
	<b>Brought forward* as at 26 June 2021</b>	<b>13,407.07</b>
	<b>Total expenses during the Administration</b>	<b>14,616.21</b>

\*The brought forward amount of the expenses has been amended to reflect the reduction in disbursements by £40 which is not being charged.

We are seeking approval for Category 2 expenses as set out above from the Creditors' Committee.

The table below provides details of the expenses incurred until the expected end of the Administration. It does not provide details of subsequent expenses that are likely to be incurred in the CVL or 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 expenses are lower than our initial estimate, as referenced above, some expenses will continue in the Schemes and CVL.

Nature of expense	Brought forward from preceding period £	Incurred in the period under review £	Cumulative £	Initial estimate £	Variance <sup>1</sup> £
Gross wages & salaries	894,268	194,368	1,088,636	1,136,893	48,257
Employee retention and incentives <sup>2</sup>	-	-	-	700,000	700,000
Rent and rates <sup>3</sup>	87,243	1,348	88,591	89,104	513
Other operating expenses <sup>4</sup>	320,108	81,620	401,728	417,394	15,666
Agents' fees and disbursements - Davies Intermediary Support Services (previously Requiem) <sup>5</sup>	46,773	6,409	53,182	39,113	(14,069)
Agents' fees and disbursements - Epiq	29,826	14,927	44,753	47,096	2,343
Agents' fees and disbursements - Larking Gowen	2,739	249	2,988	2,324	(664)
Agents' fees and disbursements - Bidwells	1,450	7,750	9,200	10,478	1,278
Bank charges	823	70	893	2,432	1,539
Letters of Credit charges	3,545	-	3,545	6,854	3,309
Property costs	-	3,536	3,536	2,500	(1,036)
Insurance	11,810	2,991	14,801	21,426	6,625
Legal costs - various US attorneys	19,363	-	19,363	Uncertain	(19,363)
Legal fees and expenses - Clifford Chance	676,184	234,872	911,056	440,162	(470,894)
Legal fees and expenses - Clifford Chance pre-Administration	114,873	-	114,873	114,873	-
Legal fees and expenses - McCarthy Denning pre-Administration	22,508	-	22,508	22,508	-
Office holders' fees <sup>6</sup>	1,763,914	276,286	2,040,200	4,689,421	2,649,221
Office holders' pre-Administration costs	93,411	-	93,411	93,411	-
Office holders' disbursements <sup>7</sup>	13,407	1,209	14,616	73,755	59,139
Licences, trade marks, royalties	80	40	120	160	40

<sup>1</sup> Certain of these expenses are likely to continue to accrue in the CVL and the Schemes.

<sup>2</sup> This obligation will continue to be payable in the CVL and the Schemes.

<sup>3</sup> Includes the following: council tax, utilities and telephone charges.

<sup>4</sup> Includes the following: repairs and maintenance, IT, costs, office costs, stationery, postage and other direct expenses.

<sup>5</sup> 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 them exceeding their original estimated reinsurance recoveries at this stage.

<sup>6</sup> These brought forward fees have been updated based on our agreement with the Creditors' Committee.

<sup>7</sup> Office holders' disbursements comprise of photocopying and postage, system maintenance fees, storage fees, travel and accommodation.

Storage costs	310	2,506	2,816	3,536	720
Statutory advertising	77	-	77	577	500
Additional Scheme costs	43,381	-	43,381	50,000	6,619
Other Scheme costs					
<i>US expert</i>	25,798	-	25,798	n/a	(25,798)
<i>1st Counsel</i>	80,385	37,730	118,115	Uncertain	(118,115)
<i>2nd Counsel</i>	91,785	-	91,785	n/a	(91,785)
Independent fee assessor	25,000	-	25,000	n/a	(25,000)
Irrecoverable VAT <sup>8</sup>	54,760	103,627	158,387	331,178	172,791
<b>Total expenses</b>	<b>4,423,821</b>	<b>969,537</b>	<b>5,393,358</b>	<b>8,295,195</b>	<b>2,901,837</b>

<sup>8</sup> 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 reports an independent fee assessor was 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 in the period to 31 December 2020 have been finalised and shared with the Creditors' Committee.

Following discussion with the Creditors' Committee we have reached an agreement regarding our fees to 31 December 2020. In addition, we have agreed hourly rates to be used until 30 June 2022 and a mechanism to draw 75% of monthly costs on account, with the remaining 25% only being billed on written resolution by the Creditors' Committee following review by the independent fee assessor.

During the period since we last reported, fees to the value of £1,041,426 (exc VAT) have been billed and paid, in accordance with the resolutions agreed with the Creditors' Committee.

## Time cost charges

The time cost charges incurred in the period covered by this report (27 June 2021 to 26 November 2021) are £276,286 (excluding VAT), bringing the total time costs incurred from our appointment to £2,040,200 (excluding VAT).

Included on the following page is a table showing hours and cost per grade across each key area of the Administration, inclusive of the hourly rates agreed with the Creditors' Committee.

We set out later in this Appendix details of our work in the Administration 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.

	Partner		Director		Senior Manager		Manager		Senior Associate		Associate / Other		Offshore professionals		Grand total for the period	
	Hours	Costs	Hours	Costs	Hours	Costs	Hours	Costs	Hours	Costs	Hours	Costs	Hours	Costs	Hours	Costs
Asset realisation																
Freehold			1.60	1,153.60	6.25	3,223.05			13.25	3,596.75					21.10	8,078.40
Other physical assets																
Reinsurance and other assets					0.90	490.50									0.90	490.50
Treasury management			3.70	2,667.70	6.45	3,455.05	7.55	3,638.45	15.15	5,876.65	0.20	37.80			33.15	15,699.65
Total			5.30	3,821.30	13.60	7,217.60	7.55	3,638.45	28.40	9,573.40	0.20	37.80			55.15	24,268.55
Costs of the insolvency process																
CDDA and SIP2 compliance			5.60	4,037.60	14.30	7,793.50									19.90	11,831.10
Creditors' committee																
Initial letters & notices																
Insurance					0.45	215.90			2.65	799.35					3.10	995.25
Other statutory and compliance			12.90	9,300.90	35.00	19,429.65	32.50	15,372.50	31.05	9,143.20	7.20	1,360.80	25.20	5,569.20	144.85	60,176.25
Proposals, decision procedure and creditor cons.																
Reporting to creditors			2.00	1,442.00	46.35	24,709.95	1.15	527.75	45.20	12,610.80					94.70	39,290.50
Statement of affairs																
Total			20.50	14,780.50	97.10	52,150.00	33.65	15,900.25	78.90	22,493.35	7.20	1,360.80	25.20	5,569.20	262.55	112,254.10
Dealing with creditors																
Creditor enquiries and management			0.15	123.00	4.35	2,370.75	0.40	189.20	2.90	809.10					7.80	3,492.05
Total			0.15	123.00	4.35	2,370.75	0.40	189.20	2.90	809.10					7.80	3,492.05
Insurance run off																
Administrators' supervision of run off			0.30	246.00	29.20	15,505.90			1.25	348.75					30.95	16,644.85
Employees					2.90	1,499.50									2.90	1,499.50
Receipts and payments			0.40	288.40	7.00	3,806.90	7.80	2,879.40	22.50	6,673.00	14.65	2,768.85			52.35	16,416.55
Total			0.30	246.00	39.10	21,212.30	7.80	2,879.40	23.75	7,021.75	14.65	2,768.85			86.20	34,560.90
Managing the Company's affairs																
Accounting & Treasury Chapter 15					0.20	109.00			1.25	348.75	1.45	274.05			2.90	731.80
Pensions					6.90	3,760.50			0.20	55.80	0.70	132.30			7.80	3,948.60
Pre-appointment attorneys					0.15	69.60									0.15	69.60
Regulatory					0.10	54.50			0.30	83.70					0.40	138.20
Tax			0.80	656.00	3.45	1,864.05			1.00	392.00				4.45	2,256.05	
VAT					1.15	622.70			1.85	629.15	1.00	243.00			4.80	2,150.85
Total			0.80	656.00	8.60	4,662.70			25.90	8,525.60	0.40	75.60			34.90	13,263.90
Schemes of arrangement																
Scheme design and implementation					20.55	11,143.05			30.50	10,035.00	3.55	724.95			55.40	22,559.00
Total			5.70	4,109.70	26.00	14,170.00			3.00	1,176.00					34.70	19,455.70
Strategy and project planning																
Strategy, planning and project management			9.60	6,921.60	56.40	29,757.90			66.80	23,015.95					132.80	59,695.45
Total			9.60	6,921.60	56.40	29,757.90			66.80	23,015.95					132.80	59,695.45
Grand Total			1.25	1,025.00	257.10	138,021.60	49.50	22,587.30	234.25	74,124.55	25.60	4,892.40	25.20	5,569.20	694.60	276,285.75

## 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	London rates	Non-London rates
	From 1 July 2020 £/hour	From 1 July 2020 £/hour
<b>Partner</b>	820	622
<b>Director</b>	721	536
<b>Senior Manager</b>	545	464
<b>Manager</b>	473	365
<b>Senior Associate</b>	392	279
<b>Associate</b>	243	189
<b>Offshore professionals</b>	221	N/A

As agreed with the Creditors' Committee our scale rates are fixed until at least 1 July 2022.

## 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
<b>Asset realisations</b>	Reinsurance and other assets	<ul style="list-style-type: none"><li>• Reviewing and assessing reinsurance debtor ledgers including the profile of aged debtors to formulate strategies for further recovery of reinsurance debts; and</li><li>• Reaching settlement and/or agreement of commutations with certain debtors.</li></ul>

	Freehold	<ul style="list-style-type: none"> <li>• Completing relevant sales documentation including contracts and identity verification documents;</li> <li>• Liaising with the solicitors, buyers and relevant managing agents with regards to concluding the sale; and</li> <li>• Completing the sale of the property for £620k (exc fees).</li> </ul>
	Treasury management	<ul style="list-style-type: none"> <li>• Liaising with banks regarding investing surplus funds in money market deposits;</li> <li>• Assessing composition of the investment portfolio to ensure that the funds are invested in line with PwC treasury management policies;</li> <li>• Ongoing discussion with the NYDFS regarding the resolution and appropriate distribution of the US Trust Fund; and</li> <li>• Monitoring assets under investment, including any required credit, operational, settlement and contractual risk management tasks.</li> </ul>
<b>Costs of the insolvency process</b>	Creditors' Committee	<ul style="list-style-type: none"> <li>• Ad hoc liaison with the Creditors' Committee members regarding the Administration and Schemes;</li> <li>• Recording changes in Creditors' Committee member representatives;</li> <li>• Preparing for the Committee meeting held on 28 October 2021 including establishing the meeting and preparing the agenda and meeting approach; and</li> <li>• Attending the meeting with the Committee.</li> </ul>
	Insurance	<ul style="list-style-type: none"> <li>• Corresponding with insurers regarding ongoing and renewing insurance requirements; and</li> <li>• Updating insurance policy following the sale of the freehold property.</li> </ul>
	Other statutory and compliance	<ul style="list-style-type: none"> <li>• 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;</li> <li>• Preparing 6 month strategy document, for agreement by the Administrators and in compliance with regulatory requirements;</li> <li>• Ongoing monitoring of costs versus budget in order to manage costs incurred, remain apprised of cost accruals and identify any opportunities for greater efficiency;</li> <li>• Finalising the fee pack for the period 1 January 2021 to 31 October 2021;</li> <li>• Supporting the independent fee assessor's review of costs, including providing requesting information and review of his reports;</li> <li>• Reviewing, considering and actioning incoming post;</li> <li>• Considering the Administration end period and Stronghold exit strategy;</li> <li>• Preparation of application to Court regarding move to CVL and Joint Administrators discharge from liability; and</li> <li>• Overseeing the exit from Administration.</li> </ul>
	Reporting to creditors	<ul style="list-style-type: none"> <li>• Finalising of the third progress report covering the period 27 June 2020 to 26 December 2020 and preparation and finalisation of the Administrators' fourth progress report covering the period 27 December 2020 to 26 June 2021, including review by senior staff members and the Administrators;</li> <li>• 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;</li> <li>• Complying with all other statutory and regulatory requirements associated with issuing a progress report; and</li> <li>• Finalising the Administrators' fifth and final progress</li> </ul>



		report covering the period from 27 June 2021.
<b>Dealing with creditors</b>	Creditor enquiries	<ul style="list-style-type: none"> <li>• Dealing with incoming queries from creditors regarding the Schemes and submission of their claims;</li> <li>• Ensuring our records are updated with current creditor contact details; and</li> <li>• Maintaining the case website, including the provision of key documents.</li> </ul>
<b>Insurance run off</b>	Run off management	<ul style="list-style-type: none"> <li>• Liaising with Company management and staff on pertinent matters regarding the Administration, Schemes and insurance run off;</li> <li>• Liaising with Company suppliers regarding ongoing supply of services to the Company;</li> <li>• Authorising purchases and other commitments; and</li> <li>• Monitoring of Company expenses including the review of other professional service providers time costs associated with the Administration; and</li> <li>• Ensuring transition from the freehold property and continued trading and operational performance of the Stronghold team.</li> </ul>
	Processing receipts and payments	<ul style="list-style-type: none"> <li>• Processing the receipt of all incoming funds in order to ensure consistency of coding and clarity of reporting;</li> <li>• 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;</li> <li>• Complying with internal risk procedures in order to meet sanctions policies and performing a sanctions check on all payments made during the Period;</li> <li>• Verifying all third party payment details before payments are released; and</li> <li>• Approval of all payments by senior staff from the case team.</li> </ul>
<b>Managing the Company's affairs</b>	Tax	<ul style="list-style-type: none"> <li>• Preparation and finalisation of the second corporation tax return for the post-appointment period (1 January 2020 to 31 December 2020), which was filed on 19 August 2021; and</li> <li>• Responding to ad-hoc queries regarding whether any tax implications would arise from Stronghold moving from Administration to CVL.</li> </ul>
	VAT	<ul style="list-style-type: none"> <li>• Reviewing receipts and payments on both US\$ and GBP accounts to ensure that VAT treatment is correct and to ensure accuracy of reporting;</li> <li>• Preparing and submitting VAT returns for two periods; and</li> <li>• 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.</li> </ul>
	Chapter 15	<ul style="list-style-type: none"> <li>• Planning work in relation to the proposed Chapter 15 hearing for US Court recognition of the Schemes;</li> <li>• Discussions regarding Chapter 15 application process and timeline;</li> <li>• Discussions regarding appropriate servicing of papers and requirements of Epic, the servicing agent;</li> <li>• Reviewing and approval of papers to be submitted to Court as part of the application; and</li> <li>• Attending the Court hearing held on 27 October 2021.</li> </ul>
<b>Scheme of Arrangement</b>	Scheme design and implementation	<ul style="list-style-type: none"> <li>• Liaising with the Company employees to prepare the Company's creditor records which will streamline the process of validating claims;</li> </ul>

		<ul style="list-style-type: none"> <li>Establishing an efficient platform for retention of creditor claims submitted and ease of sharing information between the Stronghold and PwC teams;</li> <li>Managing creditor claims submitted in accordance with the Direct Scheme Final Claims Time;</li> <li>Producing a summary of claims submitted following the Direct Scheme Final Claims Time; and</li> <li>Liaising with the Company employees regarding creditor claim policy validations and additional information to be requested to assist with claims validation and agreement.</li> </ul>
<b>Strategy and Planning</b>	Strategy, planning and project management	<ul style="list-style-type: none"> <li>Ongoing review of strategy to be implemented in order to achieve the objectives of the Administration;</li> <li>Team meetings and work planning for key tasks and milestones;</li> <li>Preparing information and conducting case reviews with the Administrators regarding the status of the Administration and the progression of key work areas; and</li> <li>Discussing strategy and obtaining input from the Administrators in relation to key tasks and issues including undertaking senior reviews and approval of key documents.</li> </ul>

## 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.
Actuarial report	Colin Czapiewski	Industry knowledge and actuarial expertise.	Time costs

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	Time costs and disbursements.

		of Arrangement expertise.	
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"> <li>• Notice distribution and service of documents to creditors and interested parties in relation to the</li> <li>• Chapter 15 application and order.</li> </ul>	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.
Property Solicitors	Howes Percival LLP	Knowledge of the market and presence in the Norwich area.	Fixed fee plus disbursements.
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.
Claims system and IT service fees	R&Q Central Services Limited	Pre-existing relationship with the Company.	Fixed quarterly charge.
Computer and IT Services	Computer Service Centre Ltd	Pre-existing relationship with the Company.	Monthly charge.
Printing and postage	Black & Callow Limited	Printing and posting reports and other creditor communications.	Variable fee for each mailout depending on volume.

# Appendix D: Other information

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<b>Court details for the Administration:</b>	High Court of Justice Business and Property Courts of England and Wales Insolvency and Companies List (ChD) Case 3882 of 2019.
<b>Company's registered name:</b>	Stronghold Insurance Company Limited.
<b>Trading name:</b>	Stronghold Insurance Company Limited.
<b>Registered number:</b>	00736581
<b>Registered address:</b>	8th Floor Central Square, 29 Wellington Street, Leeds, West Yorkshire, LS1 4DL.
<b>Shareholdings held by the Directors and secretary</b>	<p>Stronghold Holdings Limited was 100% shareholder of Stronghold Insurance Company Limited, but has now been dissolved.</p> <p>The following Directors had shareholdings in Stronghold Holdings Limited:</p> <p>Henry Sopher - 40%</p> <p>Ann Duffy - 40%</p> <p>Ken Watkins - 20%</p>
<b>Date of the Administrators' Appointment:</b>	27 June 2019.
<b>Administrators' names, addresses and contact details:</b>	Dan Yoram Schwarzmann and Douglas Nigel Rackham, both of PwC LLP, 7 More London, London, SE1 2RT.
<b>Appointer's/applicant's name and address:</b>	The Directors of the Company, 8th Floor Central Square, 29 Wellington Street, Leeds, West Yorkshire, LS1 4DL (previously 46 Rose Lane, Norwich, NR1 1PN).
<b>Website</b>	<a href="http://www.pwc.co.uk/stronghold">www.pwc.co.uk/stronghold</a> .
<b>Objective being pursued by the Administrators:</b>	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).
<b>Division of the Administrators responsibilities:</b>	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.
<b>Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on Insolvency Proceedings (recast):</b>	The EU regulation does not apply to insurance undertakings and hence does not apply to this Administration.

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# Appendix E: Summary of our proposals

We set out below a brief summary of our proposals dated 9 August 2019. A full copy of our proposals are available on the case website at [www.pwc.co.uk/stronghold](http://www.pwc.co.uk/stronghold).

The Administrators made the following proposals for achieving the purpose of Administration.

1. The Administrators will continue to manage and finance the Company's business, affairs and property from asset realisations in such a manner as they consider expedient with a view to 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).
2. It is proposed that the purpose of the Administration will be achieved via the implementation of a Scheme of Arrangement pursuant to Part 26 of the Companies Act 2006. The implementation of a Scheme of Arrangement is subject to further dialogue with creditors to understand any pre-existing concerns, particularly those raised during the previously proposed Solvent Scheme.
3. The Administrators may investigate and, if appropriate, pursue any claims that the Company may have under the Companies Act 1985/2006 or IA86 or otherwise. In addition, the Administrators shall do all such other things and generally exercise all their powers as Administrators as they in their discretion consider desirable in order to achieve the purpose of the Administration or to protect and preserve the assets of the Company or to maximise their realisations or for any other purpose incidental to these proposals.
4. The Administrators are of the view that a Scheme of Arrangement is the best option for creditors as it is believed to be the most cost effective method by which assets available for distribution to creditors could be maximised and paid swiftly to creditors whilst minimising costs of the Administration.
5. There is no floating charge registered against the Company's assets. The Company is party to a Trust Fund arrangement and in addition some US policyholders have security in the form of Letters of Credit issued by Citibank, N.A. on behalf of the Company. Accordingly Citibank, N.A. have registered charges over cash collateral held by them as custodian. At the time of preparing the proposals, it was not possible to provide an accurate estimate on the dividend prospects for those creditors who are party to these arrangements.
6. Direct insurance creditors rank ahead of all other unsecured creditors by virtue of The Insurers (Reorganisation and Winding Up) Regulations 2004. At the time of proposals, no meaningful estimate of the outcome for direct insurance creditors or other unsecured creditors, including reinsurance creditors could be given as the outcome for creditors will depend significantly on how the purpose of the Administration is achieved.
7. The Insurers (Reorganisation and Winding Up) Regulations 2004 apply to the Company which is a UK insurer. The effect of the Regulations is that direct insurance creditors have priority over other classes of unsecured creditors, including reinsurance creditors of the Company.
8. A creditors' committee will be established if sufficient creditors are willing to act on it. The Administrators propose to seek the election of a creditors' committee and to consult with it from time to time. Where the Administrators consider it appropriate, they will seek sanction from the committee to a proposed action rather than convening a meeting of all creditors.
9. The Administrators may use any or a combination of 'exit route' strategies in order to bring the Administration to an end, but in this particular instance the Administrators are likely to wish to pursue the following options as being the most cost effective and practical in the present circumstances:
  - a. If a Scheme of Arrangement is approved and sanctioned by the Court, following its subsequent completion and termination, we'll end the Administration by filing a notice with the Registrar of Companies and the Company will be dissolved three months later.
  - b. If a Scheme of Arrangement is not approved or not sanctioned by the Court, subject to further consideration, the Administration maybe ended in order to move the Company into Liquidation, if the Company goes into Creditors' Voluntary Liquidation, we propose that Dan Yoram Schwarzmann and Douglas Nigel Rackham are appointed as Liquidators (or, if replacement Administrators are appointed, any person(s) appointed as Administrator(s) at the time of the registration of notice of moving from Administration to Creditors' Voluntary Liquidation per paragraph 83(4) Sch B; IA 1986) and that any act required or authorised to be done by the Liquidators can be done by either or both of them. Creditors may, before these proposals are approved, nominate a different person or persons as Liquidator(s), in accordance with paragraph 83 (7)(a) Sch B; IA 1986 and rule 3.60 (6) IR;6.

10. The payment of unpaid pre-Administration costs as an expense of the Administration is subject to approval under rule 3.52 IR16 and doesn't form part of our proposals, which are subject to approval under paragraph 53 Sch B1 1A86. If you elect a creditors' committee, it will be up to the committee to give this approval under rule 3.52 IR16. But if there is no committee, we'll ask the general body of creditors to do so instead.
11. It is proposed that the Administrators' fees be fixed under Rule 2.106 of the Insolvency Rules 1986 by reference to the time properly given by the Administrators and the various grades of their staff according to their firm's usual charge out rates for work of this nature and that Category 2 disbursements (as defined by Statement of Insolvency Practice No.9) be charged in accordance with their firm's policy. It will be for the creditors' committee to fix the basis and level of the Administrators' fees and Category 2 disbursements but if no committee is appointed, it will be for the general body of creditors to determine these instead. If creditors or the committee do not fix the basis of our fees and Category 2 disbursements, we may apply to the court to fix them no later than 18 months after the date of our appointment.

# Appendix F: Chapter 15 Recognition Order recognising the Direct Scheme

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

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In re: : Chapter 15  
STRONGHOLD INSURANCE :  
COMPANY LIMITED (in Administration), : Case No. Case No. 19-13096 (MEW)  
Debtor in a Foreign Proceeding.<sup>1</sup> :  
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**ORDER GRANTING RECOGNITION OF THE DIRECT SANCTION  
ORDER AND DIRECT SCHEME AND RELATED RELIEF  
UNDER CHAPTER 15 OF THE BANKRUPTCY CODE**

Upon the *Motion of the Foreign Representative for Order Recognizing and Enforcing Order of the English Court Sanctioning the Direct Scheme and Related Relief under Chapter 15 of the Bankruptcy Code* (ECF No. 15) (the "**Motion** ")<sup>2</sup> of Dan Yoram Schwarzmann, in his capacity as the duly appointed foreign representative (the "**Foreign Representative**") of Stronghold Insurance Company Limited (in Administration) (the "**Debtor**") pursuant to sections 105(a), 1507, 1521 and 1525 of title 11 of the United States Code (the "**Bankruptcy Code**"), for entry of an order (this "**Order**"), among other things: (i) recognizing, granting comity to and giving full force and effect in the United States to the Direct Scheme and the Direct Sanction Order; (ii) enjoining parties from taking any action inconsistent with the Direct Scheme or the Direct Sanction Order in the United States; and (iii) granting such other relief as this Court deems just and proper, all as more fully set forth in the Motion, the Foreign Representative Declaration and the Hertz Declaration and the statements

<sup>1</sup> Stronghold Insurance Company Limited is incorporated and registered in England and Wales with company number 00736581. The Company's registered office was previously at 46 Rose Lane, Norwich, NR1 1PN, United Kingdom and has now been moved to 8th Floor Central Square, 29 Wellington Street, Leeds, West Yorkshire, LS1 4DL.

<sup>2</sup> Capitalized terms used but not defined herein shall have the meanings ascribed in the Motion.



of counsel at the hearing before this Court with respect to the Motion (the "**Hearing**"); and appropriate and timely notice of the filing of the Motion and the Hearing having been given; and no other or further notice being necessary or required; and no objections or other responses having been filed that have not been overruled, withdrawn or otherwise resolved; and all interested parties having had an opportunity to be heard at the Hearing; and after due deliberation and sufficient cause appearing therefor,

**THIS COURT HEREBY FINDS AND CONCLUDES THAT:**

A. The findings and conclusions set forth herein constitute this Court's findings of fact and conclusions of law pursuant to Rule 7052 of the Federal Rules of Bankruptcy Procedure (the "**Bankruptcy Rules**") made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

B. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the Amended Standing Order of Reference from the United States District Court for the Southern District of New York dated as of January 31, 2012, Reference M-431, *In re Standing Order of Reference Re: Title 11*, 12 Misc. 00032 (S.D.N.Y. Feb. 2, 2012) (Preska, C.J.). Consideration of the Motion and the relief requested therein is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(P). Venue is proper before this Court pursuant to 28 U.S.C. § 1410.

C. Pursuant to an order of this Court dated October 23, 2019, the Foreign Representative was duly recognized as the "foreign representative" of the Debtor within the meaning of section 101(24) of the Bankruptcy Code, and the Administration Proceeding was recognized as a "foreign main proceeding" within the meaning of section 1502(4) of the Bankruptcy Code [ECF 10] (the "**Recognition Order**").

D. The relief granted herein is necessary and appropriate to effectuate the purposes of chapter 15, to protect the Debtor and the interests of its creditors and other parties in interest, and is consistent with the laws of the United States, international comity, public policy and warranted pursuant to sections 105(a), 1507, 1521 and 1525 of the Bankruptcy Code.

E. Absent the relief granted herein, the efforts of the Debtor, the English Court and the Administrators to bring closure to the Debtor's businesses by centralizing claims in a single proceeding and making appropriate distributions in respect of such claims may be frustrated by actions or proceedings of individual creditors (including Direct Scheme Creditors), thereby interfering with and causing harm to, the Debtor, its creditors and other parties in interest and, as a result, the Debtor, its creditors and such other parties in interest would suffer irreparable injury for which there is no adequate remedy at law, a result contrary to the purposes of chapter 15.

F. The injunction contained in this Order (i) is within this Court's jurisdiction, (ii) is essential to the success of the Direct Scheme, and (iii) confers material benefits on, and is in the best interests of, the Debtor, its creditors and other parties in interest, including, without limitation, the Direct Scheme Creditors.

G. Appropriate notice of the filing of the Motion and the Hearing was given, which notice was deemed adequate for all purposes, and no further notice need be given.

**NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED THAT:**

1. The Motion and the relief requested therein is granted.
2. All objections, if any, to the Motion or the relief requested therein that have not been withdrawn, waived or settled as announced to this Court at the Hearing, or by stipulation filed with this Court, and all reservations of rights included therein, are hereby overruled on the merits.

3. The Direct Sanction Order and Direct Scheme are hereby recognized, granted comity and given full force and effect in the United States and are binding and enforceable, in accordance with their terms, pursuant to sections 105(a), 1507, 1521 and 1525 of the Bankruptcy Code against all entities (as that term is defined in section 101(15) of the Bankruptcy Code) whose claims or interests are affected by the Direct Scheme.

4. All entities (as that term is defined in section 101(15) of the Bankruptcy Code) are permanently enjoined from (a) taking or continuing any act to obtain possession of, or exercise control over, any property of the Debtor located within the territorial jurisdiction of the United States, in each case, to the extent inconsistent with the Direct Scheme and the Direct Sanction Order, or (b) taking any action that is inconsistent with the Direct Scheme or the Direct Sanction Order, or interfering with the enforcement and implementation of the Direct Scheme or the Direct Sanction Order; *provided, that*, in each case, such injunctions shall be effective solely within the territorial jurisdiction of the United States; *provided, further*, that nothing herein shall prevent any entity from (i) seeking enforcement of any rights or obligations under the Direct Scheme, (ii) taking any actions or entering into transactions permitted by the Direct Scheme, or (iii) seeking relief from the English Court or this Court, as applicable, from the injunction contained in this Order.

5. Nothing herein shall enjoin a police or regulatory act of a governmental unit, including a criminal action or proceeding.

6. The Foreign Representative is authorized to take all actions necessary to effectuate the relief granted pursuant to this Order.

7. The Foreign Representative and the Debtor and each of their respective successors, agents, representatives, advisors and counsel shall be entitled to the protections contained in sections 306 and 1510 of the Bankruptcy Code, and no action taken by any such party in preparing, disseminating, applying for, implementing or otherwise acting in

furtherance of or in connection with the Administration Proceeding, the Direct Scheme, this Order, this chapter 15 case or any adversary proceeding herein, or any further proceeding commenced hereunder, shall be deemed to constitute a waiver of the rights or benefits afforded such parties under 306 and 1510 of the Bankruptcy Code.

8. The terms and conditions of this Order shall be immediately effective and enforceable upon its entry, the Foreign Representatives shall not be subject to any stay in the implementation, enforcement or realization of the relief granted in this Order, and this Order shall constitute a final order within the meaning of 28 U.S.C. § 158(a).

9. This Order is without prejudice to the Foreign Representative requesting any additional relief.

10. The Foreign Representative shall serve a copy of this Order within three (3) business days of entry of this Order upon all persons or bodies as required under this Court's *Order Scheduling Hearing and Specifying the Form and Manner of Service of Notice*. Such service shall be good and sufficient service and adequate notice for all purposes.

11. This Court shall retain jurisdiction over all matters arising from or related to the enforcement, amendment, modification, implementation and interpretation of this Order.

Dated: New York, New York  
October 27, 2021

s/Michael E. Wiles  
\_\_\_\_\_  
UNITED STATES BANKRUPTCY JUDGE

# Appendix G: Chapter 15 Recognition Order recognising the General Scheme

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

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In re: : Chapter 15  
: :  
STRONGHOLD INSURANCE : :  
COMPANY LIMITED (in Administration), : : Case No. Case No. 19-13096 (MEW)  
: :  
Debtor in a Foreign Proceeding.<sup>1</sup> : :  
: :  
----- x

**ORDER GRANTING RECOGNITION OF THE GENERAL SANCTION  
ORDER AND GENERAL SCHEME AND RELATED RELIEF  
UNDER CHAPTER 15 OF THE BANKRUPTCY CODE**

Upon the *Motion of the Foreign Representative for Order Recognizing and Enforcing Order of the English Court Sanctioning the General Scheme and Related Relief under Chapter 15 of the Bankruptcy Code* (ECF No. 16) (the "**Motion** ")<sup>2</sup> of Dan Yoram Schwarzmann, in his capacity as the duly appointed foreign representative (the "**Foreign Representative**") of Stronghold Insurance Company Limited (in Administration) (the "**Debtor**") pursuant to sections 105(a), 1507, 1521 and 1525 of title 11 of the United States Code (the "**Bankruptcy Code**"), for entry of an order (this "**Order**"), among other things: (i) recognizing, granting comity to and giving full force and effect in the United States to the General Scheme and the General Sanction Order; (ii) enjoining parties from taking any action inconsistent with the General Scheme or the General Sanction Order in the United States; and (iii) granting such other relief as this Court deems just and proper, all as more fully set forth in the Motion, the Foreign Representative Declaration and the Hertz Declaration and the

<sup>1</sup> Stronghold Insurance Company Limited is incorporated and registered in England and Wales with company number 00736581. The Company's registered office was previously at 46 Rose Lane, Norwich, NR1 1PN, United Kingdom and has now been moved to 8th Floor Central Square, 29 Wellington Street, Leeds, West Yorkshire, LS1 4DL.

<sup>2</sup> Capitalized terms used but not defined herein shall have the meanings ascribed in the Motion.

statements of counsel at the hearing before this Court with respect to the Motion (the "Hearing"); and appropriate and timely notice of the filing of the Motion and the Hearing having been given; and no other or further notice being necessary or required; and no objections or other responses having been filed that have not been overruled, withdrawn or otherwise resolved; and all interested parties having had an opportunity to be heard at the Hearing; and after due deliberation and sufficient cause appearing therefor,

**THIS COURT HEREBY FINDS AND CONCLUDES THAT:**

A. The findings and conclusions set forth herein constitute this Court's findings of fact and conclusions of law pursuant to Rule 7052 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

B. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the Amended Standing Order of Reference from the United States District Court for the Southern District of New York dated as of January 31, 2012, Reference M-431, *In re Standing Order of Reference Re: Title 11*, 12 Misc. 00032 (S.D.N.Y. Feb. 2, 2012) (Preska, C.J.). Consideration of the Motion and the relief requested therein is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(P). Venue is proper before this Court pursuant to 28 U.S.C. § 1410.

C. Pursuant to an order of this Court dated October 23, 2019, the Foreign Representative was duly recognized as the "foreign representative" of the Debtor within the meaning of section 101(24) of the Bankruptcy Code, and the Administration Proceeding was recognized as a "foreign main proceeding" within the meaning of section 1502(4) of the Bankruptcy Code [ECF 10] (the "Recognition Order").

D. The relief granted herein is necessary and appropriate to effectuate the purposes of chapter 15, to protect the Debtor and the interests of its creditors and other parties in interest, and is consistent with the laws of the United States, international comity, public policy and warranted pursuant to sections 105(a), 1507, 1521 and 1525 of the Bankruptcy Code.

E. Absent the relief granted herein, the efforts of the Debtor, the English Court and the Administrators to bring closure to the Debtor's businesses by centralizing claims in a single proceeding and making appropriate distributions in respect of such claims may be frustrated by actions or proceedings of individual creditors (including General Scheme Creditors), thereby interfering with and causing harm to, the Debtor, its creditors and other parties in interest and, as a result, the Debtor, its creditors and such other parties in interest would suffer irreparable injury for which there is no adequate remedy at law, a result contrary to the purposes of chapter 15.

F. The injunction contained in this Order (i) is within this Court's jurisdiction, (ii) is essential to the success of the General Scheme, and (iii) confers material benefits on, and is in the best interests of, the Debtor, its creditors and other parties in interest, including, without limitation, the General Scheme Creditors.

G. Appropriate notice of the filing of the Motion and the Hearing was given, which notice was deemed adequate for all purposes, and no further notice need be given.

**NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED THAT:**

1. The Motion and the relief requested therein is granted.
2. All objections, if any, to the Motion or the relief requested therein that have not been withdrawn, waived or settled as announced to this Court at the Hearing, or by stipulation filed with this Court, and all reservations of rights included therein, are hereby overruled on the merits.



3. The General Sanction Order and General Scheme are hereby recognized, granted comity and given full force and effect in the United States and are binding and enforceable, in accordance with their terms, pursuant to sections 105(a), 1507, 1521 and 1525 of the Bankruptcy Code against all entities (as that term is defined in section 101(15) of the Bankruptcy Code) whose claims or interests are affected by the General Scheme.

4. All entities (as that term is defined in section 101(15) of the Bankruptcy Code) are permanently enjoined from (a) taking or continuing any act to obtain possession of, or exercise control over, any property of the Debtor located within the territorial jurisdiction of the United States, in each case, to the extent inconsistent with the General Scheme and the General Sanction Order, or (b) taking any action that is inconsistent with the General Scheme or the General Sanction Order, or interfering with the enforcement and implementation of the General Scheme or the General Sanction Order; *provided, that*, in each case, such injunctions shall be effective solely within the territorial jurisdiction of the United States; *provided, further*, that nothing herein shall prevent any entity from (i) seeking enforcement of any rights or obligations under the General Scheme, (ii) taking any actions or entering into transactions permitted by the General Scheme, or (iii) seeking relief from the English Court or this Court, as applicable, from the injunction contained in this Order.

5. Nothing herein shall enjoin a police or regulatory act of a governmental unit, including a criminal action or proceeding.

6. The Foreign Representative is authorized to take all actions necessary to effectuate the relief granted pursuant to this Order.

7. The Foreign Representative and the Debtor and each of their respective successors, agents, representatives, advisors and counsel shall be entitled to the protections contained in sections 306 and 1510 of the Bankruptcy Code, and no action taken by any such party in preparing, disseminating, applying for, implementing or otherwise acting in

furtherance of or in connection with the Administration Proceeding, the General Scheme, this Order, this chapter 15 case or any adversary proceeding herein, or any further proceeding commenced hereunder, shall be deemed to constitute a waiver of the rights or benefits afforded such parties under 306 and 1510 of the Bankruptcy Code.

8. The terms and conditions of this Order shall be immediately effective and enforceable upon its entry, the Foreign Representatives shall not be subject to any stay in the implementation, enforcement or realization of the relief granted in this Order, and this Order shall constitute a final order within the meaning of 28 U.S.C. § 158(a).

9. This Order is without prejudice to the Foreign Representative requesting any additional relief.

10. The Foreign Representative shall serve a copy of this Order within three (3) business days of entry of this Order upon all persons or bodies as required under this Court's *Order Scheduling Hearing and Specifying the Form and Manner of Service of Notice*. Such service shall be good and sufficient service and adequate notice for all purposes.

11. This Court shall retain jurisdiction over all matters arising from or related to the enforcement, amendment, modification, implementation and interpretation of this Order.

Dated: New York, New York  
October 27, 2021

s/Michael E. Wiles  

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UNITED STATES BANKRUPTCY JUDGE

# Appendix H: Notice of move from Administration to CVL

In accordance with Rule 3.60 of the Insolvency (England & Wales) Rules 2016 & Paragraph 83(3) of Schedule B1 to the Insolvency Act 1986.

# AM22

## Notice of move from administration to creditors' voluntary liquidation



Companies House

For further information, please refer to our guidance at [www.gov.uk/companieshouse](http://www.gov.uk/companieshouse)

<b>1</b> Company details	
Company number	0 0 7 3 6 5 8 1
Company name in full	Stronghold Insurance Company Limited
<b>→ Filing in this form</b> Please complete in typescript or in bold black capitals.	

<b>2</b> Court details	
Court name	The High Court of Justice Business and Property Courts of England and Wales
Court case number	C R - 2 0 1 9 - 0 0 3 8 8 2

<b>3</b> Administrator's name	
Full forename(s)	Dan Yoram
Surname	Schwarzmann

<b>4</b> Administrator's address	
Building name/number	7 More London Riverside
Street	
Post town	London
County/Region	
Postcode	S E 1 2 R T
Country	United Kingdom

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# AM22

Notice of move from administration to creditors' voluntary liquidation

<b>5 Administrator's name</b>	
Full forename(s)	Douglas Nigel
Surname	Rackham
<b>Other administrator</b> Use this section to tell us about another administrator.	

<b>6 Administrator's address</b>	
Building name/number	7 More London Riverside
Street	
Post town	London
County/Region	
Postcode	S E 1 2 R T
Country	United Kingdom
<b>Other administrator</b> Use this section to tell us about another administrator.	

<b>7 Appointor/applicant's name</b>	
Give the name of the person who made the appointment or the administration application.	
Full forename(s)	The directors of the company
Surname	


<b>8 Proposed liquidator's name</b>	
Full forename(s)	Dan Yoram
Surname	Schwarzmann
Insolvency practitioner number	8 9 1 2

<b>9 Proposed liquidator's address</b>	
Building name/number	7 More London Riverside
Street	
Post town	London
County/Region	
Postcode	S E 1 2 R T
Country	United Kingdom

04/17 Version 1.0

# AM22

Notice of move from administration to creditors' voluntary liquidation

<b>10</b>		<b>Proposed liquidator's name <sup>⓪</sup></b>		
Full forename(s)	Douglas Nigel		<b>⓪ Other liquidator</b> Use this section to tell us about another liquidator.	
Surname	Rackham			
Insolvency practitioner number	8	6 7 3		
<b>11</b>		<b>Proposed liquidator's address <sup>⓪</sup></b>		
Building name/number	7 More London Riverside		<b>⓪ Other liquidator</b> Use this section to tell us about another liquidator.	
Street				
Post town	London			
County/Region				
Postcode	S	E 1		2 R T
Country	United Kingdom			
<b>12</b>		<b>Period of progress report</b>		
From date	<sup>d</sup> 2 <sup>e</sup> 7	<sup>m</sup> 0 <sup>n</sup> 6	<sup>y</sup> 2 <sup>o</sup> 2 <sup>y</sup> 1	
To date	<sup>d</sup> 2 <sup>e</sup> 6	<sup>m</sup> 1 <sup>n</sup> 1	<sup>y</sup> 2 <sup>o</sup> 2 <sup>y</sup> 1	
<b>13</b>		<b>Final progress report</b>		
		<input checked="" type="checkbox"/> I have attached a copy of the final progress report.		
<b>14</b>		<b>Sign and date</b>		
Administrator's signature	Signature X  X			
Signature date	<sup>d</sup> 0 <sup>e</sup> 3	<sup>m</sup> 1 <sup>n</sup> 2	<sup>y</sup> 2 <sup>o</sup> 2 <sup>y</sup> 1	

# AM22

Notice of move from administration to creditors' voluntary liquidation



## Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	Helena Perevalova
Company name	PricewaterhouseCoopers LLP
Address	8th Floor, Central Square 29 Wellington Street
Post town	Leeds
County/Region	West Yorkshire
Postcode	L S 1 4 D L
Country	United Kingdom
DIX	
Telephone	0113 288 2046



## Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- The company name and number match the information held on the public Register.
- You have attached the required documents.
- You have signed and dated the form.



## Important information

All information on this form will appear on the public record.



## Where to send

You may return this form to any Companies House address, however for expediency we advise you to return it to the address below:

The Registrar of Companies, Companies House,  
Crown Way, Cardiff, Wales, CF14 3UZ.  
DX 33050 Cardiff.



## Further information

For further information please see the guidance notes on the website at [www.gov.uk/companieshouse](http://www.gov.uk/companieshouse) or email [enquiries@companieshouse.gov.uk](mailto:enquiries@companieshouse.gov.uk)

This form is available in an alternative format. Please visit the forms page on the website at [www.gov.uk/companieshouse](http://www.gov.uk/companieshouse)