

ENTERPRISE INSURANCE COMPANY PLC (IN LIQUIDATION)

LIQUIDATOR'S FIRST PROGRESS REPORT

as at 14 August 2017

By order of the Supreme Court of Gibraltar dated 26 October 2016 ("the Order") I was appointed liquidator of Enterprise Insurance Company PLC ("the Company") under section 160 of the Insolvency Act 2011.

A liquidation website was established at www.eigplc.com as a means of communicating effectively with policyholders and creditors.

Section 161 (1) of the Financial Services (Insurance Companies) (Solvency II Directive) Act requires liquidators, in an appropriate manner, to keep creditors regularly informed on the progress of the winding up. Section 176 (2) of the Insolvency Act, 2011 in relation to the general duties of a liquidator, allows a liquidator, subject to the Act and Rules, to use his own discretion in undertaking his duties. In the liquidation of Lemma Europe Insurance Company Ltd the Court accepted my proposal that I would report to creditors twice yearly. In accordance with the powers of discretion provided to me I propose to report similarly as to the progress of the liquidation of the Company. It is my intention to report after the 30 June and the 31 December of each calendar year with receipts and payments accounts made up to those dates. My reports along with the receipts and payments accounts will be published on the liquidation website.

This is my first such report. A receipts and payments account from 26 October 2016 to 30 June 2017 is attached.

Insurance Business of the Company

1. The Company wrote insurance business in the following main classes; motor, third party liability, miscellaneous financial loss – warranty, miscellaneous financial loss- other and legal expenses. While the majority of policies were issued to policyholders in the United Kingdom motor insurance policies were also issued in the Republic of Ireland, Italy, France and Greece under the freedom of services provisions.
2. As a result of the Court's decision to open winding-up proceedings the Gibraltar Financial Services Commission ("GFSC") issued a direction dated 26 October 2016 that the Company cease to be authorised to carry on insurance business, pursuant to section 156(1) Financial Services (Insurance Companies) (Solvency II Directive) Act and section 106 Financial Services (Insurance Companies) Act. As liquidator I am allowed, pursuant to section 156(2) of the Financial Services (Insurance Companies) (Solvency II Directive) Act to pursue some of the activities of the insurance undertaking in so far as that is necessary or appropriate for the purposes of the winding up. These activities involve the administration, management and adjudication of claims arising from the indemnities provided by insurance policies issued by the Company for the purpose of admitting these claims as insurance claims in the insolvent estate. I conduct these insurance activities with the consent of and under the supervision of the GFSC.
3. In accordance with section 152 of the Financial Services (Insurance Companies) (Solvency II Directive) Act, insurance claims take precedence over other claims as specified in subsections (2) and (3) of section 152. With regard to assets representing technical provisions, insurance claims shall take absolute precedence over any other claim on the insurance undertaking under section 152(2) and with regard to the whole of the assets of the insurance undertaking under section 152(3), insurance claims take precedence over any other claims other than:

- 3.1 Claims by employees arising from employment contracts and employment relationships;
- 3.2 Claims by public bodies on taxes;
- 3.3 Claims by social security systems, and
- 3.4 Claims on assets subject to rights in rem.

Given the priority afforded under Gibraltar's insurance legislation to insurance claims there is in my view no realistic prospect that creditors other than insurance creditors and the other creditors mentioned in section 152(3) will have any economic interest in the liquidation of the Company.

Publication of Decision on Winding up Proceedings

4. Notice of the decision to open winding up proceedings and my appointment as liquidator was published by the GFSC in the Gibraltar Gazette and the Official Journal of the European Union as required by section 157(1) of the Financial Services (Insurance Companies) (Solvency II Directive) Act.

Information to Known Creditors

5. Section 158 of the Financial Services (Insurance Companies) (Solvency II Directive) Act requires each known creditor whose habitual residence, domicile or head office is situated outside Gibraltar and in an EU Member State to be informed by written notice of the opening of winding up proceedings. The Order of 26 October 2016 allowed me to affect this notice as follows:
 - a. By email where the Company has the email address of the creditor concerned;
 - b. By sending to the Creditor's address where the Company has a record of the creditor's address;
 - c. By email to the insurance broker in respect of policyholder creditors where the Company does not have the email or postal address of the policyholder concerned.

The notice also informed creditors that future notices under the Insolvency Act (with the exception of any notice of disclaimer) and any reports by the Liquidator will be published on the Company's website.

The Company's distribution network via brokers and intermediaries along with the nature of certain warranty policies issued by the Company meant that a policyholder database containing contact details for the in excess of 760,000 live policies was not available to me. The IT staff of the Company retained by me along with my own staff worked to create an updated policyholder database to allow me to comply with the requirements of the Financial Services (Insurance Companies) (Solvency II Directive) Act and my order of appointment.

First Meeting of Creditors

6. Given the nature and circumstances of the liquidation and the assets and liabilities of the Company, I considered it was not practical or necessary for a first meeting of creditors to be held. Given the circumstances, the Court also dispensed with the requirement for me to send out claim forms to creditors at this juncture. There is therefore currently no time limit for the filing of claims in the liquidation by creditors. Notice of my decision not to hold a meeting under section 174 of the Insolvency Act 2011 is published on the Company website and was advertised in the Gibraltar Gazette in accordance with the Order.

Disclaimer of Policies

7. Section 209 of the Insolvency Act 2011 allows a liquidator to disclaim onerous property. Insurance policies issued by the Company allowed liabilities to continue to accrue on the

insolvent estate. The disclaimer of policies terminated the policies and prevented insurance claims arising under the policies following the date of the disclaimer.

Accordingly I disclaimed policies of insurance issued by the Company as follows:

- 7.1 I disclaimed all and any motor insurance contracts issued in the United Kingdom, Republic of Ireland, France, Italy and Greece under which the Company was an insurer with effect from 0:00 Hours on 27th October 2016.
- 7.2 I disclaimed all and any teacher absence contracts issued in the United Kingdom under which the Company was an insurer with effect from 0:00 Hours on 27th October 2016.
- 7.3 On 14th December 2016 I disclaimed all contracts placed by the broker Motorway Direct plc with the Company as insurer. Motorway Direct plc had arranged alternative cover for its clients.
- 7.4 On 14th December I also disclaimed all contracts placed by the broker NCI Vehicle Rescue plc with the Company as insurer. NCI Vehicle Rescue plc had arranged alternative cover for its clients.
- 7.5 On 3rd January 2017 I disclaimed all furniture care insurance policies for 2 or 3 year structural defect and accidental damage cover placed by the broker Kainos Associates LLP with the Company as insurer. Kainos Associates LLP had arranged alternative cover for its clients.
- 7.6 On 27th June 2017 I disclaimed all remaining policies for solicitor's professional indemnity insurance as per the Company's records available to me.

The disclaimers do not affect claims which have arisen under a contract of insurance underwritten by the Company prior to the date of disclaimer. The disclaimer may also give rise to a claim for damages which may be calculated as a return of premium claim.

Policies not Disclaimed

8. Certain classes of warranty policies have not been disclaimed. Policies providing warranties in relation to building installation works and referred to as the Insurance Backed Guarantee scheme have not been disclaimed. The broker via whom these policies were issued is attempting to place alternative cover and enable a block transfer of policies. In relation to the After the Event ("ATE") legal expense policies I have put in place arrangements to run off this book of business as I am advised that this course of action will reduce insurance claims accruing on the estate as opposed to claims resulting from a disclaimer.

Administration and Adjudication of claims

9. To prevent the escalation of claims I have devoted resources of the estate to administering and adjudicating claims arising from the indemnities provided under insurance policies issued by the Company which may properly be admitted as insurance claims in the estate. To assist me in this process I have appointed Quest Consulting (London) Ltd as claims managers along with Gallagher Basset International Ltd to manage United Kingdom ("UK") motor claims, Hill Dickinson to manage UK litigated motor claims and DAC Beachcroft to manage UK large loss motor claims. I will set out the arrangements I have put in place for the management of claims in Ireland, Italy, France and Greece later in my report. Depending on the rules of the compensation schemes operating in the different countries in which the Company conducted insurance business, insurance creditors may be eligible for compensation. I and my agents have met regularly with the compensation schemes in UK, France, Italy and Greece and established the processes whereby, after admission as an insurance claim in the liquidation, claims are submitted

for payment from the relevant compensation scheme. The compensation schemes will take an assignment of the insurance claims and will stand as the largest insurance creditors in the liquidation. As the majority of insurance business was undertaken in the UK the Financial Services Compensation Scheme ("FSCS") will be the largest single insurance creditor. As at the 30 June 2017 the FSCS had paid or were in the process of paying some £35 million of admitted UK motor claims and £15 million of admitted return of premium claims arising from the disclaimer of UK policies. The FSCS has been very proactive in assisting with the administration of insurance claims and their submission for compensation payment. I, along with the FSCS, entered into a number of tripartite agreements with certain large brokers to enable block transfers of policies to new insurers at the date of the policy disclaimers.

United Kingdom insurance claims

10. As at 30 June 2017 admitted insurance claims for all lines of UK business gross of reinsurance amounted to £39.4 million. Admitted return of premium claims arising from the disclaimer of policies amounted to £15.7 million. I am informed that reserves attributed to notified but not yet admitted claims gross of reinsurance amount to £114.3 million. The reduction in the Personal Injury Discount Rate from 2.5% to -0.75% on 20 March 2017 has had a significant impact on reserves. Panel solicitors' recalculations of reserves using the new discount rate have resulted in an increase of £25.9 million across the twelve highest value claims. No reserves have been included in respect of the ATE legal expense or Icebreaker investment scheme business as I am unable to assess an appropriate level of reserves at this time.

Republic of Ireland insurance claims

11. As at 30 June 2017 reserves attributed to notified Republic of Ireland ("ROI") motor insurance claims gross of reinsurance amounted to Euro 9 million. I have appointed Wrightway Underwriting Ltd to manage claims arising in the ROI. I am in correspondence with the Insurance Compensation Fund to establish the process of submission and payment of eligible insurance claims.

French insurance claims

12. As at 30 June 2017 admitted French motor insurance claims gross of reinsurance amounted to Euro 2.5 million. I am informed that reserves attributed to notified but not yet admitted claims gross of reinsurance amount to Euro 27.2 million. Claims arising in France are managed by the claims manager Eurodommage S.A.S.

Greek insurance claims

13. As at 30 June 2017 reserves attributed to notified Greek motor insurance claims gross of reinsurance amounted to Euro 20 million. Assisted by Quest and Grant Thornton, Greece I have established a claims management office in Athens to administer and adjudicate on claims arising from motor insurance policies issued by the Company in Greece as I was unable to appoint an external claims management service provider satisfactory to my requirements.

Italian insurance claims

14. Under the Italian insurance code, claims arising in Italy under policies issued by a failed insurer are administered by Italian insurance companies appointed by the Italian compensation scheme CONSAP. Claims data is being provided to the designated insurance companies but I have not yet received updated claims reserving figures. As per the records of the Company available to me as at 31 October 2016 reserves attributed to notified Italian motor insurance claims gross of reinsurance amounted to Euro 8.7 million.

Reinsurance

15. The Company operated an extensive program of reinsurance for the motor and solicitor's professional indemnity insurance lines of business. This included quota share reinsurance and excess of loss contracts. I have cooperated fully with the reinsurers and met with the panel most recently in London on 31 July 2017 at which meeting the latest insurance claims reserves were presented. As we are still updating claims data I am unable to confirm at this time when applications for recoveries under the contracts of reinsurance will be submitted.

Legal Advisors

16. The situation of the Company as an insurer in liquidation has given rise to numerous practical, technical and legal issues on which I have required authoritative specialist advice and appropriate legal representatives to assist me.

- 16.1 I have retained Messrs Triay & Triay as solicitors to act for me in Gibraltar and generally.
- 16.2 I have retained Messrs Hill Dickinson and Messrs Clyde & Co as solicitors to advise me on issues arising under English law and on technical legal insurance matters generally.
- 16.3 I have been advised and represented by Mr Nigel Jones QC and Ms Sarah McCann of Hardwicke Chambers, London in respect of litigation in England and technical legal insurance matters generally.
- 16.4 I have retained Messrs SCP Bouckaert Ormen Passemard - Cabinet BOPS as solicitors to act for me in France.
- 16.5 I have retained Messrs Orrick, Herrington & Sutcliffe as solicitors to act for me in Italy.
- 16.6 I have retained Messrs Bernitsas as solicitors to act for me in Greece.

Premises

17. The offices are owned by the Company and therefore continue to be occupied with only the normal running costs of rates, water and electricity etc being incurred as costs of the liquidation.

Staff

18. I have identified individuals with the necessary, accounting, IT, actuarial and insurance skills previously engaged with the Company and employed them to assist me in the liquidation. Staff numbers reduced over the period of the liquidation and as at the date of this report six staff remain employed. I believe it is worth commenting on the dedication and hard work these individuals have displayed throughout the liquidation process.

Potential Claims for Recoveries

19. My investigations to date have indicated potential claims which may be available to the Company. I am currently considering those potential claims along with my legal advisors. I consider it inappropriate to go into detail about such claims in a public document at this time.

Claims Consulting Solutions Ltd

20. The Company had in place an agreement with an English company Claims Consulting Solutions Ltd (“CCSL”) for the provision of claims management services in respect of claims arising under policies of motor insurance issued by the Company. CCSL had premises at Manchester, England and I understand at the time of my appointment employed some 150 staff. I also understand that the Company was its only client. CCSL is owned by Legal Ex Plus (Gibraltar) Ltd and its Managing Director was Mohammed Hassan Jiva. The legal advisor of CCSL was the firm of solicitors, Ozon Solicitors Limited (“Ozons”) the principal of whom was Michael Ozon. After my appointment as Provisional Liquidator of the Company I met, at their request, with Mr Jiva and Mr Ozon in Gibraltar on 27 July 2016. At this meeting I explained that the Company was almost certainly insolvent, that the policies of motor insurance would be disclaimed and that the claims management services the Company would require in the future would be on a reducing basis to take account of the claims run off and gradually diminishing levels of claims work in the run off period. Despite this discussion, the relationship with CCSL deteriorated. I formed the view that any continuing relationship with CCSL was detrimental to the conduct of the liquidation and I gave one month’s notice on 27 December 2016 to terminate that relationship. CCSL applied to court in England for an injunction to prevent that termination and I immediately disclaimed their contract as onerous property on 11 January 2017. The application for an injunction was heard on 13 January 2017 and was dismissed and a Consent Order was entered into between me, the Company and CCSL on 12 April 2017 in full and final settlement of the claim issued by CCSL and any claim CCSL has against either me or the Company or both of us, howsoever arising.

Legal Ex Plus (Gibraltar) Limited

21. Legal Ex Plus (Gibraltar) Limited (“Legal Ex”) claimed proprietary rights over the solicitors professional indemnity and ATE business written by the Company along with associated assets which they claimed to be some £9 million. Legal Ex commenced litigation in the Supreme Court in Gibraltar in respect of this claim. The claim was compromised by a Settlement Agreement entered into on 11 April 2017.

Ozon Solicitors Limited

22. Prior to my appointment Ozons acted in respect of litigated motor claims arising under the indemnities provided by UK motor insurance policies issued by the Company. As at 25 July 2016 there were approximately 1,300 outstanding claims which had been notified under those policies. Having consulted with the reinsurers and based upon my experience of Ozons and in particular Mr Michael Ozon, I took the view as liquidator of the Company that Ozon’s retainers should be terminated, insofar as they had not already been, and I therefore terminated the retainers in respect of the motor insurance claims on behalf of the Company and its policyholders on 19 October 2016 as I was entitled to do. Ozons refused to relinquish the Company’s claims files and I was forced to make an application to court in England for an Order compelling them to do so. This Order was granted on 3 February 2017 with Ozons ordered to pay my costs. Under the Order, Ozons agreed to pay into court the sum of £588,077 held in their client account and for which I had sought an account. Ozons have subsequently claimed the majority of these funds as being due to them in settlement of outstanding fees. I have rejected this claim and required a comprehensive reconciliation of amounts paid to Ozons in respect of their fees and sums received by them in respect of money due to the Company. Ozons subsequently sought payment of some £6.2 million purportedly for outstanding fees in respect of motor claims. Following discussion, they withdrew that claim. They have now presented what they say is the comprehensive reconciliation referred to above together with claims for outstanding fees in the sum of circa. £9 million. I understand no such amount has been included in the financial

statements of the Company at any time prior to liquidation and no such claim was made in the liquidation prior to this time. Legal defence costs incurred under the indemnity provided by the insurance policies fall to be protected by the Financial Services Compensation Scheme. If admitted as valid insurance claims in the liquidation such claims could therefore be paid from the scheme, which would then increase the FSCS's claim as creditor. I have instructed my legal team to study the purported reconciliation and claim with a view to responding to Ozons at the end of September 2017. I have been concerned by the conduct of CCSL/Mr Mohammed Jiva and Ozons/Mr Michael Ozon and the effect of such conduct on the liquidation process and I have lodged appropriate complaints with the Solicitors Regulatory Authority, which remain under investigation.

Receipts and Payments Account

23. I have attached to this report a copy of my receipts and payments account from 26 October 2016 the date of my appointment as Liquidator to 30 June 2017. Items included in the receipts and payments account are for the most part self-explanatory but I offer further information and explanation as set out below:

- (i) Outstanding premium recovered from insurance brokers amounted to £7,122,711. I am engaged in actions to recover further outstanding amounts but am unable to forecast at this time the amounts that may eventually be recovered.
- (ii) Outstanding premiums receivable in respect of ATE policies amount to £25,575. As I am undertaking a process of running off these policies further premiums will be recovered. Again I am unable to forecast at this time the amounts that may eventually be received.
- (iii) I appointed Chestertons as agents to market the investment properties held by the Company in Gibraltar. Net proceeds of £1,370,129 were received in respect of the sale of a town house in Gibraltar. On 2 August 2017 I completed the sale of a further apartment for £755,000 and hope to complete the sale of the remaining apartment by month end.
- (iv) Salaries and related costs for staff previously engaged on behalf of the Company and who continued to be employed by me as Liquidator amounted to £448,141. Staff numbers reduced over the period of the liquidation and as at the date of this report six staff remain employed.
- (v) Provisional liquidator's fees, legal and actuarial expenses outstanding at 26 October 2016 were paid during the liquidation period from the funds taken over from the provisional liquidation.

Creditors should contact me if they have any queries on this report or require any further information.



Frederick White
Liquidator

14 August 2017

Enterprise Insurance Company PLC
(in Liquidation by the Court)

Liquidator's Receipts and Payments Account for the Period
26 October 2016 to 30 June 2017

Receipts

Bank balances taken over from provisional liquidation	16,327,425
Premium debtor from brokers	7,122,711
ATE premium receivable	25,575
Monies held on account - returned	297,767
Rent receivable	12,999
Proceeds - disposal investment properties	1,370,129
Claims - third party recoveries	232,760
Sundry income	45,473
Bank interest receivable	1,686

Total Income

25,436,525

Payments

Claims management services : CCSL	802,955
Claims management services : Quest	537,087
Claims handling costs : Gallagher Bassett	622,741
Claims handling costs : Gallagher Bassett (TUPE)	536,358
Claims - defence costs UK	161,505
Claims - defence costs Ireland	49,844
Claims - defence costs France	76,690
Claims - defence costs Greece	81,040
Claims - defence costs Italy	1,111
Claims - defence costs- recoverable	6,396
Claims handling costs - other	168,635
Sundry underwriting costs	12,097
Staff Salaries	448,141
IT services costs	62,184
Office costs - rates and service charge	25,224
Office costs - water & electricity	4,978
Office costs -pc/printer consumables	493
Office costs -telephone	7,733
Office costs - general	4,498
Investment property costs -rates, service charge	8,060
Investment property costs - improvements	7,809
Bank Charges	15,702
Provisional liquidator's fees	220,327
Provisional liquidators costs - legal fees to include Counsel	112,851
Provisional liquidators costs - actuarial fees	60,955
Provisional liquidators general costs	807
Liquidators fees	206,448
Liquidators costs - legal fees to incl Counsel	602,569
Liquidators costs - actuarial fees	17,461
Liquidators costs - expert fees	135,213
Liquidators costs - general costs	298,749

Foreign exchange movement	301,000
Total expenses	<u>5,597,661</u>
BALANCE IN HAND	<u><u>19,838,864</u></u>
Represented by:	
NatWest	10,021,465
Coutts & Co	9,816,164
Unicredit €	1,235
	<u><u>19,838,864</u></u>

I, Frederick D J White, of Grant Thornton Limited, the Liquidator of the above company, make oath and say:-

That the account above contains a full and true account of my receipts and payments in the liquidation of the above named company from the 26th October 2016 to the 30th June 2017 inclusive and that I have not nor has any other person by my order or for my use during such period received or paid any monies on account of the said company other than and except the items specified in the said account.

Signed

Freddie White

Frederick D J White
Liquidator

Sworn at

Sergio M. Martinez

SERGIO M. MARTINEZ
COMMISSIONER FOR OATHS