



CBL Insurance Europe DAC

(In Liquidation)

**Update Report of the Joint Liquidators to the Creditors for the
Liquidation period 12 March 2020 - 18 November 2020**

KPMG

23 November 2020

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1 Key Messages

1.1 Appointment

Kieran Wallace and Cormac O'Connor were appointed as Joint Liquidators of CBL Insurance Europe DAC ("the Company") on 12th March 2020 by order of the High Court on foot of a petition filed by the Central Bank of Ireland ("CBI").

1.2 Purpose of Meeting

The purpose of today's meeting is as set out under Section 666 of the Companies Act, 2014 whereby the Joint Liquidators are required to summon a meeting for the purpose of determining;

- (a) whether or not a committee of inspection is to be appointed, and
- (b) who are the members of the committee if so appointed.

The purpose of the Committee of Inspection is to assist the Joint Liquidators in the timely wind-up of the Company and to approve the Joint Liquidators' remuneration in due course. A maximum of five creditors can be appointed to the Committee.

The Joint Liquidators have also prepared this report to give creditors an update on the on-going matters in the liquidation.

1.3 I have a claim against CBL Insurance Europe DAC (In Liquidation), when will I get paid?

We have been advised and are of the view that the proper interpretation of the relevant provisions of the Solvency II Regulations and of other applicable provisions of Irish legislation, is that only insurance claims that arose from insurable events that occurred before the commencement of the winding-up of the Company on 20 February 2020 (whether or not notified to the Company before that date) will be provable as debts in the liquidation. We do consider it prudent to get the directions of the Irish High Court to confirm this interpretation.

As a result, we have applied to the High Court for directions as to the claims which are admissible in the liquidation, which of those are classified as insurance claims for the purposes of Regulation 277(1) of the Solvency II Regulations, and to get confirmation of the effect the liquidation has on insurance policies which were in place at the date of liquidation. The initial hearing date for the Directions application has been set for 27th November 2020.

Once we have received Directions from the High Court, we will be able to provide an update to all stakeholders in terms of what potential dividends may be available to various classes of creditors. At that stage it is anticipated that the Joint Liquidators will be in a position to commence adjudication on all reported claims received and rank claims appropriately in the liquidation.

2 Background

The Company was incorporated on 3 June 1994 and originally traded under the name Achmea Insurance Limited. The Company changed to its current name on 13 January 2014.

The Company traded from offices at 13 Fitzwilliam Street Upper, Dublin 2 since May 2015 having previously had an office on Dawson Street, Dublin 2 and prior to that in the IFSC, Dublin 1.

The Company is an insurance undertaking which was supervised, regulated and authorised by the Central Bank of Ireland (“CBI”) to conduct non-life insurance business pursuant to the European Union (Insurance and Reinsurance) Regulations 2015 (“the 2015 Regulations”) up until the revocation of authorisation on 12 March 2020 by the CBI.

The Company is a subsidiary of the CBL Group and the majority of the Company’s reinsurance cover was provided by a CBL Group affiliate, CBL Insurance Limited (CBLNZ) which is a New Zealand incorporated non-life insurer regulated by the Reserve Bank of New Zealand (“the Reserve Bank”).

The Company offered a wide range of products in a number of countries within the European Economic Area on a freedom of services basis. These products comprised mainly:

- Construction related credit and financial surety insurance;
- Professional indemnity insurance;
- Property insurance; and
- Travel bonding.

The vast majority of the Company’s operations were outsourced as follows:

- Insurance products were distributed through Managing General Agents (MGA’s) and insurance brokers, subject to pre-approved limitations and conditions as set out in the relevant binders.
- Claims handling was carried out by Third-party Administrators (“TPAs”) which are also subject to pre-approved limitations and conditions as set out in the relevant binders.
- Actuarial services were outsourced to Allied Risk Management Limited who also acted as the Company’s secretary.
- CBLNZ provided certain services to the Company under a Service Level Agreement.

In 2017, the Company acquired renewal rights on the French construction business which was previously underwritten by Elite Insurance (insurance undertaking domiciled in Gibraltar). As a result, the Company wrote €139.1 million of gross premium for the year ended 31 December 2017, which was an increase from total gross premium for 2016 of €25 million.

2.1 Regulatory Concerns

The CBI set out its various regulatory concerns in its Petition to the High Court for the appointment of Kieran Wallace as Provisional Administrator which are summarised as follows:

- Significant counterparty risk
 - This was based on the Company's dependence on CBLNZ to honour its obligations to reinsure the majority of the Company's business and in particular its French construction business
 - CBI viewed the Company's French construction business as its greatest financial risk as it is its largest product written (80%) where CBLNZ provides 90% reinsurance
 - CBLNZ was placed into Interim Liquidation on petition of the Reserve Bank on 23 February 2018
 - As a result of the Interim Liquidation, CBLNZ's Financial Strength Rating was downgraded from B++ (Good) to a non-designation rating of E. Its Long-Term Insurer Credit Rating was downgraded to E from BBB+
- Company's failure to meet its Solvency Capital Requirements ("SCR")
 - Every Irish insurer is required to maintain an SCR of at least 100%
 - After a regulatory direction issued by CBI on 12 January 2018 (see below), the CBI imposed a capital add-on to raise the SCR of the Company.
 - The direction required the Company to recalculate its SCR based on the capital add-on. The recalculated SCR was 67% as at 31 December 2017.
- Inability to demonstrate sufficiency of its reserves pursuant to the 2015 Regulations
 - In its Petition, CBI expressed its "grave concerns" in relation to the adequacy of the Company's reserves, particularly in relation to the French construction business.
 - CBI stated that there was insufficient evidence to demonstrate that the Company's reserves were adequate to cover its liabilities to policyholders.
 - CBI also had concerns in relation to CBLNZ which reinsured up to 90% of the French construction business based on concerns around CBLNZ's financial position, and regulatory issues.
- Growth of the Company without appropriate governance framework
 - The Company expanded significantly in 2017 as a result of the acquisition of business from Elite Insurance which was underwriting the French construction business.
 - CBI carried out an onsite inspection and determined that the Company had a deficient governance framework based on its size and type of business.

2.2 Regulatory Directions

During the course of its supervisory engagement with the Company in 2017, which included the CBI onsite inspection referenced above, the CBI imposed the following regulatory directions;

- By letter dated to the Company dated 28 July 2017, CBI imposed a condition on the Company pursuant to Regulation 26 (1) of the 2015 Regulations requiring funds to be placed in a trust for the exclusive benefit of the Company, representing reinsurance recoveries under certain reinsurance agreements between the Company and CBL Insurance Limited (“CBLI”), a New Zealand domiciled non-life insurer, regulated by the Reserve Bank of New Zealand and an affiliate of the Company pursuant to which up to 90% of the insurance risk incurred by the Company with respect to the policies that it had issued were re—insured by CBLI.
- Skilled Person Report (dated 12 January 2018) - Required the Company to provide CBI with a Skilled Person’s Report to assess the Company’s calculation of its technical reserves and adequacy of its reserves.
- Apply a capital add-on (dated 12 January 2018) - CBI stated that the Company’s governance framework significantly deviated from the standards laid down in Regulations 44-51 of the 2015 Regulations, and the capital add-on was required.
- Not to dispose of assets without CBI approval (dated 2 February 2018) - The Company was prohibited from disposing of any assets without prior written approval of CBI.
- Cease writing new business (dated 19 February 2018) - The Company was required to cease writing all new contracts of insurance. This directive also prohibited the company from offering renewals to existing policies.

2.3 Administration

Following the issuing of the above regulatory directions the CBI presented a petition to the High Court pursuant to Section 2(2) of the Insurance (No 2) Act 1983 to allow for the appointment of a Provisional Administrator to the Company. Kieran Wallace was appointed as Provisional Administrator to the Company by Order of the High Court on 26 February 2018.

By Order of the High Court of 12 March 2018 the Company was placed under administration and Kieran Wallace of KPMG was appointed as Administrator. The role of an Administrator is to take over the management of the business of the insurer and carry on that business as a going concern with a view to placing it on a sound commercial and financial footing.

The Administrator set about attempting to return the Company to a secure commercial and financial position. During the period of the Administration a number of significant events took place which are detailed below.

2.4 Significant Events during Administration

Certain events took place during the appointment of the Administrator which collectively had a significant impact on the financial position of the Company:

- Liquidators were appointed to the Company's largest MGAs ("Managing General Agents") in France, SFS and Alliage on 27 July 2018 and 27 September 2018 respectively. The Company recorded a debtor at 30 September 2019 of €11.57m. There is significant doubt over the collectability of the remaining net premium due to the Company. This debt was provided for in full in the accounts of the Company.
- The Skilled Persons Report, as directed by the Central Bank of Ireland, was carried out by Milliman and issued to the Administrator in September 2018. This identified the requirement for increased technical provisions particularly within the French and non-French construction books.
- Insolvency of CBL Insurance Limited (the "Company's Main Reinsurer") - The Reserve Bank of New Zealand appointed Ms Kare Johnstone and Mr Andrew Grenfell of McGrath Nicol as Interim Liquidators on 23 February 2018 and their appointment was confirmed by order of the High Court of New Zealand on 12 November 2018. Approximately 90% of the insurance risk incurred by the Company was reinsured by CBLI on foot of various re-insurance agreements which are governed by Irish law. As a result of the impact of this liquidation, there was a shortfall between the estimated future obligation of CBLI to the Company and the amounts held either in the trust account or in withheld premia as at 30 September 2019 of €26.1 million. Based on our knowledge of the financial position of CBLI, there will be no dividend available to meet this shortfall from the Liquidation.
- Insolvency of Olimpia Agency S.p.A ("Olimpia") in Italy – on 14 October 2019, Olimpia resolved to place the company into liquidation. Olimpia was the Company's MGA in Italy and as Joint Liquidators we are actively seeking repayment of the claims float held by Olimpia of €4.7m on behalf of the Company.

In early December 2019, the Administrator had formed a view that he would be unable to restore the regulatory solvency of the Company and met with the CBI to inform them of same on the 4th December 2019.

Details of same were also included in the Administrator's 9th Administration report which detailed the deterioration of the financial position of the Company. This report was submitted to the High Court on 6th December 2019.



On foot of same, the CBI issued a regulatory direction to the Company on 9th December 2019 which prohibited the Company from making payments to any persons (policyholders, shareholders etc) and required the Company to notify all brokers, distribution partners and, policy holders of the Payment Moratorium Regulatory Direction.

On the 19th December 2019, the CBI issued a statutory notice requiring the Administrator to submit a report pursuant to Section 46 of the 1936 Insurance Act. This report effectively gave an update on the solvency position of the Company and was submitted on the 14th January 2020.

On account of the above, CBI petitioned to the High Court for the winding up of the Company on the 20th February 2020.

Kieran Wallace and Cormac O'Connor were subsequently appointed as Joint Liquidators to the Company on 12th March 2020 by Order of the High Court.

3 Initial Actions on Appointment

Please find below summary of the initial actions taken by the Joint Liquidators and the liquidation staff upon appointment:

- Appointed McCann Fitzgerald Solicitors, Riverside One, Sir John Rogerson's Quay, Dublin 2 as legal advisers;
- Arranged to take control of the Company bank account upon the appointment of the Joint Liquidators;
- Attended the premises upon appointment as Joint Liquidators and met with staff on 12 March 2020 to explain role of the Joint Liquidators, and to communicate the aim to wind-down the various insurance programmes with the intention of minimising losses across the portfolio;
- Arranged statutory advertisements confirming appointment as Joint Liquidators in the Irish Independent and the Irish Times on 16 March 2020 and in Iris Oifigiúil on 17 March 2020;
- Notified all relevant stakeholders of the appointment of the Joint Liquidators on foot of the High Court order dated 12 March 2020. Correspondence was issued to the following stakeholders:
 - Revenue Commissioners;
 - Shareholders;
 - Creditors & Policyholders;
 - Employees;
 - Office of the Director of Corporate Enforcement
- Maintained the Company office at Fitzwilliam place, Dublin 2 for a short period and had the appropriate insurance put in place
- Obtained a copy of the fixed asset register and inventory listing to ascertain assets to be disposed of on site;
- Engaged with employees and retained 3 staff members to ensure corporate knowledge could be transferred to the liquidation team. 2 of the employees ceased working for the Joint Liquidators on 31st July 2020. One former employee remains employed by the Joint Liquidators and is assisting in managing the run-off of the various insurance books.
- Prepared and issued all employee redundancy and insolvency claims to employees of the Company and arranged for the applications to be submitted to the



Department of Employment Affairs and Social Protection and the Association pour la gestion du régime de Garantie des créances des Salariés “AGS” in France for processing;

- Dealt with correspondence/queries from various stakeholders;
- Managed statutory duties including filings with the Companies Registrations Office.
- Engaged with the relevant regulatory authorities across multiple jurisdictions
- Liaised with key MGA’s and TPA’s who managed policyholders’ claims in various countries
- Conducted an analysis of possible policyholder protection for the Company’s policyholders in other European jurisdictions
- Engaged with the FSCS to discuss any potential compensation available to policyholders and the Danish Guarantee Fund in respect of potential compensation available to Danish policy holders
- Established a website for communication to policyholders and stakeholders and advertising notices relevant to the Liquidation in the press in relevant jurisdictions.
- Commenced a review of the legal status of insurance claims in an insolvent Irish entity which has given rise to the Directions application detailed later in the report.

4 CBL Insurance Europe DAC (In Liquidation) - Insurance Policies

The Company is an insurance undertaking which is supervised, regulated and authorised by the CBI to conduct non-life insurance business pursuant to the European Union (Insurance and Reinsurance) Regulations 2015.

The Company offered a wide range of products in a number of countries within the European Economic Area on a freedom of services basis. These products comprised mainly:

- Construction related credit and financial surety insurance;
- Professional indemnity insurance;
- Property insurance; and
- Travel bonding.

At the date of our appointment, the Company had a total of 34,674 on-risk policies held through various MGA/TPAs throughout Europe and 3,215 open claims.

4.1 French Market

In France, the following products make up 70% of the total on-risk policies that were in place at the date of our appointment;

Insurance Product	MGA/TPA
Income Protection Insurance	SAS Pilliot
French Dommage Ouvrage Insurance	EISL, SFS & SAS Pilliot
Completion Guarantee and Bonds	AGEMI
French Developers & Professional Indemnity	SFS, EISL

In addition, on our appointment there were 1,229 open claims in France spread across the above insurance books.

4.2 Norwegian Market

In Norway, the following products make up 27% of the total on-risk policies that were in place at the date of our appointment;

Insurance Product	MGA/TPA
Completion Guarantee Bond	Matrix Garanti
Permit and Landlord Guarantee	Matrix Garanti

At the date of our appointment there were 131 open claims in the above insurance books.

4.3 Italian Market

In Italy, the following product made up 2.3% of on risk policies that were in place at the date of our appointment along with 186 open claims;

Insurance Product	MGAT/PA
EU Bonds - Italy	Olimpia Agencia

4.4 Spanish Market

In Spain, the following product made up 1.39% of our on-risk policies that were in place at the date our appointment along with 13 open claims;

Insurance Product	MGAT/PA
EU Bonds – Spain	Dual Iberica

4.5 UK Market

In the UK, the following products make up circa 1% of our on-risk policies that were in place at the date of our appointment along with 750 open claims;

Insurance Product	MGAT/PA
UK Solicitors Professional Liability	Inperio
UK IFA Professional Liability	03 Insurance Solutions
UK ATE Legal Expenses	Lakehouse Risk services

4.6 Other Markets

The balance of on risk policies are made up of a mixture of the above plus the products below which were sold into the Danish, Irish, Romanian and Swedish markets;

- ATE “After the Event” Legal expenses policies
- Professional indemnity policies
- Danish Personal Accident policies
- Construction Bonds

The Other markets also account for 906 of open claims at the date of appointment with 879 relating to the Danish market (solely Danish Personal Accident Policies) The balance of open claims are spread between the Ireland, Romania, and Sweden.

As at the 30th September 2020, we have closed a total of 662 claims.

5 Run-off Management

5.1 French Market

- On appointment the Joint Liquidators were aware that the majority of the on-risk policies within the portfolio were located in France. Key to minimising the risk associated with these policies was ensuring some continuity in the management of the claims.
- There are significant issues in managing the run-off of the French book including, but not limited to;
 - SFS France and SFS Europe both being in insolvency processes in France and Luxembourg respectively
 - Elite Insurance having been placed into Administration in December 2019
 - Non-cooperation of Pilliot Assurances SAS with the Joint Liquidators in terms of the provision of basic policy information.
- As set out above c.70% of the Company's on-risk policies are located in the French market.
- The Liquidation team engaged with Cellinks who manage a number of insurance books and terms have been agreed in respect of the ongoing handling of claims on our behalf. Cellinks handle claims arising on the SFS, IZEHO, EISL and AGEMI programs of insurance.
- The liquidation team ran a process to ensure that value for money is being achieved from Cellinks for these services. Fortnightly calls are held with Cellinks claim handling team to review status of claims.
- Pilliot were required under the original binder agreement in place with the Company to manage claims arising from a Statutory Illness Insurance programme sold to French municipalities however in late 2019 it became apparent that they would no longer co-operate in the managing of these claims.
- Pilliot have failed to provide information requested by to both the Administrator and Joint Liquidators in respect of the outstanding policies with the exception on of one excel spreadsheet.
- The Joint Liquidators have through the website, advertisements and post redirection by Pilliot to the Joint Liquidators established a process to receive and record claims received from policyholders of Pilliot. As part of that process, policy holders are asked to provide documentation to allow the Joint Liquidators verify their claim including policy documents and proof of premium payment.

- The Joint Liquidators have also successfully received an order through the French Courts for Pilliot to provide all the relevant information but this has not resulted in any further documentation being provided. Our legal advisors continue to pursue the information using the order in place.

5.2 Norwegian Market

- As set out above, 27% of our on-risk policies are located in Norway.
- The liquidation team have agreed terms with Crawford & Co, who are a Norwegian TPA, specifically managing Matrix Insurance bonds.
- The Joint Liquidators have executed a new Service Level Agreement with Crawfords & Co to agree procedures and terms for the future management of claims in Norway.
- Monthly calls held with Crawford to review status of claims following submission of the BDX.

5.3 Italian Market

- The liquidation team have engaged with CMS in Italy to handle claims arising in respect of the Olimpia program of insurance. A discount on standard professional fees has been secured from CMS to assist the company in handling future claims.
- Monthly calls are held with CMS to review the status of claims following submission of the BDX.

5.4 Others

- In addition to the above, the Joint Liquidators are working with other MGA/TPAs in other jurisdictions including, UK, Ireland, Sweden, Spain, Denmark and Romania to ensure that all on-risk policies and claims arising are appropriately managed.

5.5 Claim Handling Team

The Joint Liquidators have established a claims handling team who work in conjunction with the one retained CBLIE staff member to work through the management of the run-off of claims.

The claims handling team liaise with the various MGA/TPAs, Compensation Funds and legal advisors to manage the various claims and arising legal work streams.

The Joint Liquidators have put in place a process within the Claim Handling Team for reviewing claims as they are submitted by the various MGA/TPAs to ensure that premiums have been paid, all documentation is in place and the terms of the policy have been adhered to prior to them being put forward to the Joint Liquidators for approval.

5.6 Policy Holder Communications

The Joint Liquidators have a dedicated policy holder communication team with fluent French and Italian speakers who deal with queries raised through the post and website.

Following our appointment as Joint Liquidators on 12 March, we prepared a detailed letter which outlined the following:

- Background of the Company;
- Effects of the Winding-Up Proceedings on CBLIE and on Insurance claims;
- Procedure for making a Damages Claim or a claim for Return of Premia within the liquidation of the Company;
- Means by which policyholders can seek further information including the provision of email address and website information;
- Further information on the possibility to seek redress from certain Compensation schemes; and
- Preferential and secured creditor status.

The letter was translated into Danish, French, Italian, Norwegian, Spanish and Swedish.

We distributed the letter to all policyholders who had lodged a claim with CBLIE which had yet to be agreed, or who had an agreed unpaid claim, in both instances where CBLIE had contact details for those policyholders.

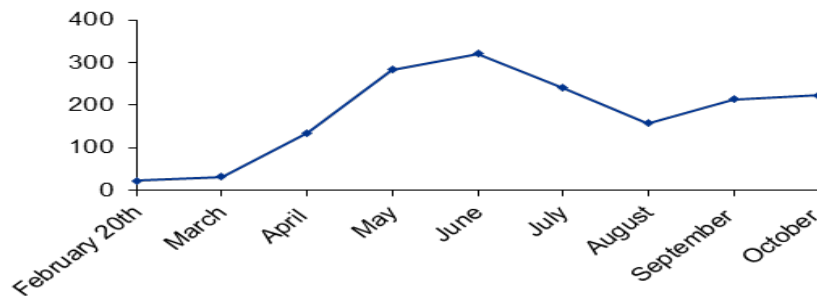
We also distributed the letter to all brokers, managing general agents, third party agents, intermediaries and policyholders who had placed business with CBLIE. All such brokers, managing general agents, third party agents and intermediaries were then requested to distribute the letter to every client who has or may have a claim against CBLIE.

This letter was issued to over 23,000 policy holders across 18 jurisdictions including France, Spain, Italy, Denmark, Norway, Sweden, Romania, UK and Ireland.

A further letter issued to all creditors and policyholders notifying them of the Directions application in October 2020. The Joint Liquidators were also ordered by the High Court to advertise the Notice of the Directions in national newspapers in France, Norway, Italy, Spain, Denmark and Sweden.

The below graph highlights the level of queries dealt with by the Policy Holder communication team since appointment;

Queries by month



Website

Following the announcement of the liquidation of the Company, the Joint Liquidators established a new website to provide further detailed information to policyholders. The website provides policyholders with updates, information of compensation schemes and a detailed Frequently Asked Questions 'FAQ' section. The website is also available in French and Italian versions.

The website also provides policyholders with the ability to submit claims, request premium refunds and submit queries online:

- Claim submission – This feature enables policyholders to submit a claim on the basis that they are not in a position to submit such a claim with the local claims handler. The claims submission form is designed so that, upon completion by the policyholder, the Company will then possess a sufficient level of policyholder information to address the claim;
- Premium refund – This feature enables policyholders, who may be entitled to a premium refund given the fact that the Company is unable to offer cover for events arising after 20 February 2020, to lodge a claim through the website. As with the claims submission form, the form is designed to provide the Company with sufficient policyholder information to address the claim;
- Query submission – This feature, which is similar to the current telephone and email accounts in use, enables policyholders to submit general queries to the liquidation team. To assist the liquidation team in handling those queries, this feature is designed to collect relevant information from policyholders which will assist in handling each query.

As noted above, a dedicated team has been established from KPMG, including members that are fluent in French and Italian, to manage and deal with queries, claims and refund submissions as they arise.



5.7 On-going Financial monitoring

On appointment, the Joint Liquidators had retained the services of the Company's Financial Controller to assist in financial reporting and to understand how the various BDX "Borderaux" submissions fed through to the accounts of the Company.

The Financial Controller finished working for the Company on 31st July 2020 and the financial reporting requirements are now dealt with by our Financial Reporting team which comprises of 2 members.

This team are responsible for the processing of the monthly BDX files from the various MGA/TPAs and the presentation of this data in the relevant reserves for the Company to allow for the presentation of monthly balance sheet position. This ensures that any reserve movements are notified immediately to the Joint Liquidators.

This team are also responsible for the filing of tax returns on behalf of the Company to include CT, VAT, PAYE/PRSI and IPT as it becomes payable.

The Financial Reporting team are also responsible the management of the cash held on deposit, maintaining monthly bank reconciliations and the filing of statutory returns in the liquidation.

6 Compensation Funds

Following our appointment, we carried out a review of the Compensation schemes available to the policyholder of the Company. Based on the legal advice we have received compensation is only available to policyholders in the UK, Denmark and possibly Ireland as set out below.

6.1 Financial Services Compensation Scheme – United Kingdom “UK”

- The Financial Services Compensation Scheme (FSCS) is the UK’s statutory Deposit insurance and investors compensation scheme for customers of authorised financial services.
- The FSCS pays policyholders compensation if their insurance firm fails and is unable to meet their claim.
- The FSCS pays out compensation to policyholders for insurance products held by individuals and corporates subject to the corporate having a turnover of <£1m.
- The liquidation team are in constant contact with the FSCS, including a standing bi-monthly call.
- The FSCS issued the Company with guidelines outlining aspects such as eligibility, coverage and FSCS contacts.
- The claims team are currently reviewing all claims under the scope of the FSCS to analyse and organise payment where possible.
- A claim payment process has also been put in place outlining the steps involved from when a policyholder notifies the TPA of a potential claim right through to when FSCS reviews and processes the payment.

6.2 Danish Guarantee Fund “Skades Garanti Fonden”

- The Danish Guarantee Fund for Non-Life Insurers provides cover for consumer insurance policy holders in the event of a non-life insurance company’s bankruptcy.
- The Danish Guarantee fund have engaged the services of Caplin Assurances AS “Caplin” to manage claims and the process for payment of compensation following the appointment of the Joint Liquidators. The Joint Liquidators are not party to this agreement with Caplin.
- Caplin provide a monthly bordereaux which details all claims paid out by the Danish Guarantee Fund and the claims handling costs associated with same. The Joint Liquidators Financial Reporting team monitor these payments against the reserves in placed at the date of appointment.

- We are also aware of one other Danish claim which is covered by a second Danish compensation fund named “Arbejdsmarkedets Erhvervssikring”.

6.3 Irish Insurance Compensation Fund

- The Irish Insurance Compensation Fund is primarily designed to facilitate payments to policyholders who are individuals in relation to risks in the State where an Irish authorised non-life insurer goes into liquidation.
- The cap on the amount to be paid out is 65% of the claim or €825,000, whichever is lesser.
- The Irish Insurance Compensation Fund is a fund of last resort. In order to assess whether the Fund can provide compensation for Irish claimants, it is first necessary to assess all claims in the liquidation of the Company and the likely distribution to claimants. Accordingly, until the High Court issues directions in relation to the admissibility and ranking of claims it is not possible to access the fund.

7 Asset Recoveries

7.1 Cash at Bank

At the date of our appointment there was €77,467,522 cash at bank.

7.2 Debtor Recoveries

At the date of our appointment there was €5,619,315 outstanding to the Company.

We have been involved in a number of debt recovery proceedings in an attempt to secure this amount and we have detailed the key cases further below;

Pilliot SAS Assurance

- Prior to the appointment of the Joint Liquidators, the Administrator for CBLIE had applied to the French Commercial Court for a seizure order in relation to any and all of the Company's money which is held in a designated account in Pilliot's name. On 6 February 2020, the President of the Commercial Court of Boulogne-sur-Mer granted this request and authorized us to attach Pilliot's account on a precautionary basis for security and preservation of our claim up to the value of €4,548,534.
- The local bailiff was successful in seeking attachment on c. €3.3 million from the Pilliot bank account and these funds were received by the Joint Liquidators in October 2020.
- Pilliot have appealed our attempts to secure a further €700k through 2 separate legal actions with the next hearing date set for 23rd November 2020 and 16th January 2021 respectively. We continue to work with our legal advisors to recover these funds.

Olimpia Agencia

- An Italian Managing General Agent ("Olimpia Agency") owes c. €4.7m in premium (up to 31 July 2019) to the Company however it had been seeking to offset c. €3.96m against this amount in respect of its alleged profit share for 2016 (c. €1.6m), 2017 (c. €2.0m) and 2018 (c.€0.36m).
- On 24 October 2019, the Administrator of CBLIE became aware that the board of Olimpia Agency resolved to place the Company into liquidation. The Administrator sought advice from Italian Counsel and took immediate steps to seek to freeze the assets and bank accounts of Olimpia Agency to try and prevent any dissipation of assets, by means of (1) a seizure application and (2) an application for payment.
- On 14 May 2020, Italian Counsel filed an application for enforcement of this Seizure Order against Olimpia Agency upon certain banks.
- Mediation in the matter had been scheduled to take place on the 18th November 2020 however it has been adjourned on account of Covid-19. Our legal advice is to progress

with the Court date currently set for the 3rd December to commence what is likely to be a lengthy legal process.

SFS Europe & SFS France

- The Company is owed significant funds from SFS Europe (Luxembourg Entity) and SFS France (French entity) which both entered insolvency processes in their respective countries in 2018. A claim has been made in both the bankruptcy of SFS Europe and SFS France of €17.97m and €1.13m respectively. We have not received any indication of timeline or expected level of any dividend from the Court appointed officials in either jurisdiction.

European Insurance Services Limited ('EISL')

- EISL, which changed its company name to Proficia Solutions Limited ('PSL'), currently owes €139,316 to the Company in respect of premium due for November 2018 – January 2019 inclusive. EISL was placed into administration in August 2019.
- We received an Administration progress report dated 6 March 2020 on EISL, detailing the progression which also acknowledges our Creditors Claim. The report notes that a dividend payment is anticipated to secured creditors.
- PSL was placed into Liquidation on the 24th August 2020 and we have written to the liquidator to ensure our claim has been received. We await an update on the likelihood of a dividend from the Liquidator.

7.3 Other Assets

Revenue Commissioners

- The Company is due a significant refund (c. €1.238m) from the Irish Revenue Commissioner in respect of a Corporation Tax refund. We are currently working in conjunction with our tax advisors to provide a detailed response to an aspect query raised by the Revenue Commissioners in respect of pre-liquidation CT returns.

Norwegian Recovery

- On 19 May 2020 the Norwegian Court of Appeal fully rejected the appeal of a claimant against a Judgement appealed during the Company's administration and ordered the claimant to pay our full legal costs, amounting to NOK366,000.

8 Employees

At the date of our appointment the Company had 5 employees. 3 were based in Ireland, 1 in the UK and 1 in France. We retained 3 staff members to ensure corporate knowledge could be transferred to the liquidation team.

2 of the employees ceased working for the Joint Liquidators on 31st July 2020. One former employee remains employed by the Joint Liquidators and is assisting in managing the run-off of the various insurance books.

8.1 Employees' Redundancy and Insolvency Claims

- Irish employee claims in respect of arrears of wages, holiday pay, minimum notice and redundancy have been processed through the Department of Employment Affairs and Social Protection ("DEASP"). The amounts paid out by the DEASP will rank as preferential claims in the liquidation.
- I have made a submission to the AGS for processing of amounts due to the French employee. To date, I have had no response. The French employee has also engaged with a lawyer to represent his interests.
- In addition to the French employee's claim in respect of amounts due, the employee still remains listed as a Director of the French branch of the Company on the equivalent of the Companies Registration Office.
- My legal advisors in France have made submissions to the French authorities to have our appointment correctly registered in France however to date this has not been successful.

Redundancy Entitlements

On the 27 August 2020, the DEASP issued confirmation of the entitlements awarded and paid to the employees directly with regards to their redundancy entitlements.

The DEASP awarded and paid €16,372.32 in redundancy entitlements to the employees of the Company.

Insolvency Entitlements

On the 27 August 2020 and 17 September 2020, the DEASP issued written confirmation of the insolvency entitlements awarded to the employees of the Company.

The DEASP awarded insolvency entitlements relating to arrears of wages, holiday pay, and minimum notice in the amount of €14,021.54 to the bank account in the liquidation.

KPMG Tax was engaged to process the tax deductions arising on the insolvency entitlements and file the payroll and P30 return on the Revenue Online System.



On 19 October 2020, the insolvency entitlements were issued to the employees by EFT payment net of the calculated employment tax deductions. All employees received correspondence relating to the breakdown of their claim by email on 19 October 2020.

The tax arising on the entitlements in the amount of €2,525.45 has been submitted to Revenue Online Services via the live PAYE/PRSI return system and we await its deduction from the liquidation account which is expected in January 2021.

All employees entitled to receive insolvency and redundancy entitlements from the DEASP have received their entitlements.

French Employee Entitlements

On the 2nd July 2020, we also filed a claim on behalf of the French employee with the AGS in France. We have issued reminders to the AGS but are yet to receive an acknowledgment of the application.

The employee in France is in the process has applied for a hearing at an employment appeals tribunal on account of not receiving entitlements to date. The first hearing date for these proceedings is the 1st December 2020 in Paris, France. Our solicitors have been instructed to attend on our behalf.

9 Creditors

9.1 Secured Creditors

There are no secured creditors in this liquidation.

9.2 Insurance Claims

Insurance claims shall, with respect to assets representing the technical provisions of the Company, take absolute precedence over any other claims including those of preferential creditors. The precise scope of “insurance claims” is one of the items that has been raised in the directions application to the High Court.

9.3 Preferential Creditors

The preferential creditors in this case are likely to be the DEASP, the employees of the Company and potentially the AGS. Until such time as the situation with the French employee has been finalised we will be unable to confirm the exact amount of preferential creditors.

The Company is due a refund from the Revenue Commissioners in the amount of €1.23m and therefore it is not expected that they will have a preferential claim.

9.4 Unsecured Creditors

Amounts due to all other creditors rank as unsecured claims in the liquidation.

9.5 Directions Application

We have been advised and are of the view that the proper interpretation of the relevant provisions of the Solvency II Regulations and of other applicable provisions of Irish legislation, is that only insurance claims that arose from insurable events that occurred before the commencement of the winding-up of the Company on 20 February 2020 (whether or not notified to the Company before that date) will be provable as debts in the liquidation. We consider however that it is necessary to get the directions of the Irish High Court to confirm this interpretation.

As a result, we have applied to the High Court for directions as to the claims which are admissible in the liquidation, which of those are classified as insurance claims for the purposes of Regulation 277 (1) of the Solvency II Regulations, and to get confirmation of the effect the liquidation has on insurance policies which were in place at the date of liquidation. The outcome of the Directions Application will provide confirmation as to where insurance claims rank within the liquidation which will allow the Joint Liquidators provide clarity to policyholders and claimants.

On 1 October 2020, the Joint Liquidators issued a Directions Application and the High Court gave directions in relation to service of the Directions Application at an initial hearing on Friday 2 October 2020.



On receipt of the initial hearing date of the 27 November 2020, the Joint Liquidators wrote to all policyholders, placed advertisements national newspapers in France, Spain, Norway, Denmark, Italy and Sweden and updated the website to ensure that all stakeholders were aware of the update.

10 Section 682 Report

Per Section 682 of the Companies Act 2014, we were required to file a Section 682 report with the Director of Corporate Enforcement 6 months following our appointment.

Although there were no Directors appointed to the Company in the 2 years preceding our appointment we ensured that this report was completed.

In accordance with the Companies Act 2014, the Section 682 report was submitted to the ODCE on 9th September 2020 within the statutory timeframe.

We await the feedback from the ODCE in respect of the report.

11 Liquidator's Remuneration & Professional Fees

During the period of liquidation from 12 March 2020 to 30 October 2020, charges have been accrued in respect of the time spent by the Joint Liquidators and staff in carrying out the acts and dealings during the liquidation.

11.1 Rates

The rates below were previously agreed with the CBI and represent a significant discount on our full charge out rate and indeed on agreed Court Liquidation rates known as "Missford rates";

Applicable Rates	
Partner	€250
Managing Director	€195
Director	€195
Associate Director	€150
Manager	€100
Assistant	€75
Senior Associate	€70
Associate	€50

11.2 KPMG Fee Calculation

A summary of the hours worked by the Joint Liquidators and their liquidation staff during the period of liquidation presented in detail below;

CBLIE - Time charges from 13 March 2020 - 30 October 2020			
Name	Hours	Discounted Rate	Total
Partner			
Partner	55.0	250	€13,750.00
Managing Director			
Managing Director	600.25	195	€117,048.75
Director			
Director	407.50	195	€79,462.50
Associate Director			
Associate Directors	1,658.75	150	€248,812.50
Manager			
Managers	1,068.65	100	€106,865.00
Assistant			
Assistants	3,633.30	75	€272,497.50
Senior Associate			
Senior Associates	1,235.75	70	€86,502.50
Associate			
Associates	1,532.50	50	€76,625.00
Total	10,191.70		€1,001,563.75
*All of the above figures exclude VAT and Outlays			

As stated above the total time costs in the amount of €1,001,563 has been calculated in reference to the previously agreed CBI discounted rate. At standard KPMG rates the total time cost is in the amount of €3,016,597. This is representative of a write down of approximately 67% on the standard cost of time charged.

11.3 KPMG – Summary of Work Completed

Please refer to below for a summary of the work (detailed in earlier sections of the report) completed to date by the Joint Liquidators of KPMG and their staff:

- Completion of initial actions upon appointment, refer to below for specifics:

- Took control of the Company bank accounts and liaised with AIB on same;
 - Arranged statutory advertisements in two national newspapers and Iris Oifigiúil confirming appointment of the Joint Liquidators on 12 March 2020;
 - Notified all relevant stakeholders of the appointment of the Joint Liquidators on 12 March 2020;
 - Arranged the relevant insurance cover;
 - Obtained all books and records of the Company
 - Managed statutory duties including filings with the Companies Registrations Office;
- Attended the premises upon appointment to meet with employees explain the implications of the appointment of the Joint Liquidators.
 - Retained 3 key staff members following appointment to ensure that there was no loss of corporate knowledge.
 - KPMG Liquidation staff oversaw payroll processes every week to review, process, and issue payment of wages to employees whilst they were retained by the Joint Liquidators.
 - Engaged with the various MGA's/TPA's across the various portfolios to ensure that they were aware of the appointment of the Joint Liquidators and the implications of same on the run-off of the respective insurance books.
 - Continue to manage on a daily basis the run-off of the insurance book to include liaising with the various MGA/TPAs' in relation to case strategies, closures and legal proceedings which are all on-going across the run-off book.
 - Investigated the Company's affairs and the reason behind the Company's failure and prepared the Section 682 Report. The report was signed by the Joint Liquidators and submitted to the ODCE within the statutory timeframe.
 - Processed and issued insolvency and redundancy applications to all eligible employees of the Company and sent the completed applications to the DEASP and the AGS. All entitlements awarded by the DEASP were processed and issued to the employees taking into consideration any employment tax implications. We await confirmation of the receipt claim from the AGS;
 - Arranged, in conjunction with our Italian legal advisors, for the closure of the Italian Branch of the Company.

- Carried out, in conjunction with our legal advisors, extensive legal and commercial analysis in preparing and finalising the Directions Application and Grounding affidavit
- Issued the notice of the Directions Application hearing date to all creditors and policyholders on receipt of same on the 2nd October 2020 from the High Court.
- Arranged for the advertisement of the notice for the Directions application in France, Spain, Italy, Norway, Denmark and Sweden as directed by the High Court.
- In conjunction with our French legal advisors, successfully recovered €3.3m from SAS Pilliot following the successful seizure of funds held in a designated bank account. Proceedings in relation to this matter and the balance of funds outstanding are on-going.
- Maintained statutory duties and preparation of bank reconciliations; and
- Dealt with all queries from stakeholders through our dedicated website and our policy holder communications team.

11.4 Other Accrued Costs

In addition to the above, the Joint Liquidators also have the following accrued costs in respect of legal advice provided to the Joint Liquidators on the assignment;

- McCann Fitzgerald & Counsel – €149,568.37 in respect of McCann Fitzgerald and €93,018.75 in respect of Counsel fees.
- DLA Piper (France) - €128,427.62 to 30th September 2020
- Legance (Italy) – €97,539.08 to 31st October 2020
- Plesner (Denmark) - €4,619.05 to 31st October 2020

In addition, there are fees due to Deloitte Italy in respect of tax advice which total €30,372.64 relating to the submission of local and national tax returns in Italy.

12 Next Steps

- The Joint Liquidators await the outcome of the Directions application and will provide an update to all stakeholders on receipt of same.
- The Directions application decision is a material one in the context of the overall liquidation and once that decision has been made the joint liquidators will provide further detail on the next steps in the liquidation.
- The Joint Liquidators will liaise with the appointed Creditors Committee in terms of future strategy, if one is appointed at the meeting on the 1st December 2020.
- In the meantime, the Joint Liquidators will continue to work on the run-off of the various insurance books across Europe in conjunction with the various MGAs/TPAs in an effort to maximise the returns to the creditors.
- Manage funds in the liquidation and discharge liquidation costs as they arise;
- Review and prepare regular bank reconciliations;
- Maintain statutory duties including filings with the Companies Registration Office; and
- Deal with any matters as they arise.



Appendix 1 – Balance Sheet at the Date of Liquidation

CBL Insurance Europe DAC - Balance Sheet at 12/3/2020

Assets

Fixed assets - Computer & Office equipment	-
Reinsurers assets	125,120
Deferred acquisition costs	-
Insurance and other receivables	5,619,315
Prepayments and accrued interest	-
Cash at bank and cash equivalents	<u>77,467,522</u>
Total Assets	<u>83,211,956</u>

Liabilities

Insurance contract provisions	116,736,136
Insurance, other payables and deferred income	5,675,035
Current tax liabilities	<u>(1,238,502)</u>
Total Liabilities	<u>121,172,669</u>

Surplus/(Deficit)

- 37,960,713

Note: On appointment of the Joint Liquidators the High Court dispensed of the requirement for the Directors of the Company to file a statement of affairs. This was as a result of there being no Directors appointed to the Company. The balance sheet prepared by the Company's Financial Controller illustrates the insolvency position of the Company at the date of appointment.

Appendix 2 – Receipts & Payments Account

CBL Insurance Europe DAC (In Liquidation)		
12.03.2020 - 31.10.2020		
Opening balance	Notes	€7,467,522
Receipts		
Premium	1	3,426,658
Claims Handling Legal Fees Recovery		67,335
Recoveries	2	49,533
DEASP	3	14,022
Interest Received	4	3,477
Total Receipts		3,561,025
Payments		
Interest Paid	4	(330,380)
Claims Handling MGA/TPA	5	(284,905)
Salaries	6	(204,554)
Postal Expenses	7	(117,345)
Claims Handling Legal Fees	8	(161,782)
Liquidation Legal Fees	8	(17,518)
Office Expenses	9	(7,697)
Website Development	10	(3,727)
IT Expenses	11	(3,998)
HR Advice	12	(3,588)
Bank Charges		(1,297)
Total Payments		(1,136,790)
FX Adjustment		(306,089)
Closing balance		€9,585,667

Notes:

- Premiums received on insurance cover relating to the period prior to Liquidation.
- Recoveries received on claims in the Liquidation.
- Redundancy and Insolvency payments received from Department of Social Protection.
- Interest earned and paid on bank account since Liquidation.
- Fees incurred regarding MGA/TPAs in managing of claims.
- Salaries, pensions, taxes, redundancy and insolvency costs related to employees retained in the Liquidation.
- Cost of production and postage of Direction letters in December, March and October.
- Legal fees incurred in managing claims and in the ordinary course of the Liquidation.
- Postage in Ireland and France, broadband, telephone, property insurance, storage of files.
- Development costs of CBLIE website upon Liquidation.
- Managing of subscriptions to O365, firewall and other IT Costs
- HR Advice obtained regarding implication of Liquidation on employee contracts.
- The Joint Liquidators have made duress payments of €205,930 to creditors owed amounts due prior the liquidation. These payments were made to ensure continuity of services in respect of the management of claims.

