

Joint Liquidators' second progress report from 10 December 2022 to 9 December 2023

7 February 2024

Stronghold Insurance Company Limited (in liquidation)

www.pwc.co.uk/stronghold

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This report has been prepared by Dan Yoram Schwarzmann and Douglas Nigel Rackham as Joint Liquidators of the Company, solely to comply with the Joint Liquidators' statutory duty to report to creditors under IR16 on the progress of the liquidation, 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 Liquidators 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 Liquidators' previous report issued to the Company's creditors, which can be found at <https://www.pwc.co.uk/services/business-restructuring/administrations/stronghold.html>. 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 Liquidators of the Company. Both are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales. The Joint Liquidators 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 Liquidators 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 Liquidators. Personal data will be kept secure and processed only for matters relating to the Joint Liquidators' appointment. Further details are available in the privacy statement on the PwC.co.uk website or by contacting the Joint Liquidators.

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

Abbreviations and definitions

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

Abbreviation or definition	Meaning
Administration	UK corporate insolvency process governed by the Insolvency Act 1986, applicable to the Company following its insolvency on 27 June 2019 up to its termination on 9 December 2021.
Administration 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 Creditors' Voluntary Liquidation, previously in Administration).
Company Website	www.pwc.co.uk/stronghold .
Court	The High Court of Justice Business and Property Courts of England and Wales Insolvency and Companies List (ChD).
Creditors' Committee	Committee of creditors established to assist the Administrators in discharging their functions set out in the Insolvency Act 1986.
CVL	Creditors' Voluntary Liquidation.
Determination Notice	A final and binding document setting out the amount of a creditor's ascertained claim in the Scheme.
Direct Ascertained Claim	The amount payable by the Company to the Direct Scheme Creditor as set out in the Direct Scheme Creditor's Determination Notice.
Direct Scheme Final Claims Time	The deadline set 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 Payment Percentage	The percentage of the Direct Ascertained Claims that can be paid taking into account the amounts required to meet all excluded liabilities and other liabilities of Stronghold ranking in priority to the Direct Scheme Creditors and the need to ensure that the same percentage is paid in respect of all Direct Ascertained Claims.
Direct Scheme	The Scheme of Arrangement pursuant to Part 26 of the Companies Act 2006 between Stronghold and its creditors in respect of contracts of direct insurance only.
Direct Scheme Creditors	Creditors with claims against Stronghold arising under contracts of direct insurance.
FCA	The Financial Conduct Authority, the conduct regulator for financial services firms and financial markets in the UK.
Firm or PwC	PricewaterhouseCoopers LLP
IR16	Insolvency (England and Wales) Rules 2016, the statutory rules that provide the legal platform for matters relating to personal and corporate insolvency in England and Wales.

IA86	Insolvency Act 1986, the statutory legislation that provides the legal platform for matters relating to personal and corporate insolvency in the United Kingdom.
General Final Claims Time	The deadline for submitting completed claim forms in respect of General Scheme Claims.
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 Creditors	Creditors with claims arising against Stronghold including, but not limited to, claims arising under contracts of reinsurance and retrocession, but excluding claims arising under contracts of direct insurance and other excluded liabilities.
HMRC	HM Revenue and Customs, the UK's tax, payments and customs authority.
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 Liquidators/we/us/our	Dan Yoram Schwarzmann and Douglas Nigel Rackham of PricewaterhouseCoopers LLP, 7 More London, Riverside, London, SE1 2RT.
Liquidation Appointment	The date that the Liquidators were formally appointed as Liquidators of the Company, being 10 December 2021.
Liquidation Committee	Committee of creditors established to assist the Liquidators during the period of the Liquidation.
NAIC	The National Association of Insurance Commissioners.
NYDFS	The New York Department for Financial Services.
Office Holder	"The office-holder" means the Administrators or the Liquidators, as the case may be.
Period	10 December 2022 to 9 December 2023.
PRA	The Prudential Regulation Authority, being responsible for the prudential regulation and supervision of financial services firms in the UK.
Proposals	The Administrators' Proposals for achieving the purpose of the Administration, as approved by creditors on 4 September 2019.
Regulators	The Financial Conduct Authority and Prudential Regulation Authority.
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.
Secured creditors	Creditors with security in respect of their debt, in accordance with Section 248 IA86
SIP	Statement of Insolvency Practice, issued by the UK regulatory authorities, setting out principles and key compliance standards with which insolvency practitioners are required to comply.
Statement of Affairs	A document required by UK law, prepared by the Directors of the Company, outlining the assets and liabilities of the Company at the date of Administration.
Stronghold	Stronghold Insurance Company Limited (in Creditors' Voluntary Liquidation).
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 Direct Scheme and General Scheme documents.

Key messages

Why we have sent you this report

We are writing to update you on the progress of the CVL of Stronghold in the 12 months since our last report dated 3 February 2023.

Creditors may wish to read this report in conjunction with our previous progress report in the CVL, progress reports in the Administration and our initial Proposals document all of which, along with this report and other important information are available on the Company Website.

What you need to do

This report is for your information and you do not need to do anything at this stage in relation to it.

How much creditors have received and future outcome for creditors

In September 2022 we reported that the current level of agreed Direct Scheme claims exceeded the Company's distributable fund and that no General Final Claims Time would be set and there would be no distribution to General Scheme Creditors.

68 claims were received from Direct Scheme Creditors prior to the Direct Scheme Final Claims Time of 10 August 2021.

Between 10 August 2021 and 29 August 2023 we made significant progress agreeing creditor claims in the Direct Scheme.

On 29 August 2023, based on claims progress at that time, we set the initial Direct Payment Percentage at 25%, 25c in the US\$1 of agreed claims. During September 2023 we completed payments totalling \$21,396,006 to all Direct Scheme Creditors with an agreed claim value who had received a Determination Notice.

Since August 2023 we have continued to make progress with the further agreement of Direct Scheme claims. At the end of the Period most claims had been agreed, with a total determined claim value of \$85.6m. This represents a significant reduction compared to the creditors' original submitted claim values.

We hope to resolve all remaining claims expeditiously.

As a result of the progress made in the Period we are increasing the Direct Payment Percentage by 5%, 5c in the \$1, to 30%, 30c in the \$1 of agreed claims, and expect to pay this increase later this month.

The table on the following page summarises the possible outcome for creditors, which will depend on the admitted value of the final claims and the remaining costs of the CVL.

Please note this guidance on dividends is only an estimate. Creditors should exercise caution in relying on these figures and all estimates included in this report for any purpose. The Liquidators will not be responsible for any losses incurred in relation to these or other estimates contained in this report.

Class of creditor¹	Current estimate of the total Direct Payment Percentage² (c in \$)	Previous estimate in the CVL (c in \$)
Direct Scheme - US Creditors³	31c - 35c	26c - 34c
Direct Scheme - Non US Creditors	30c - 33c	24c - 32c
General Scheme Creditors	Zero	Zero

¹ There was no floating charge registered against the Company's assets. Given the low number of employees and low value of their potential preferential claims all preferential claims were settled early in the Administration.

² Current estimated figures represent the gross Direct Payment Percentage, inclusive of the distribution made to creditors in September 2023.

³ US creditors are eligible to receive pro-rata distributions from the US Trust Fund, which increases their expected return compared to non-US creditors.

Progress since we last reported

Operations

Employees

The last remaining employee left the Company and was subsequently retained as a consultant on an hours worked basis, to assist with resolving creditor claims and the winding down of the Company.

Company data

During the Period we terminated the Company's IT contract, as it was no longer required, and we are in the process of moving all data into our possession. All remaining books and records have been secured and are in our possession.

Treasury management

We continued to undertake ongoing monitoring of assets under investment, including any required credit, operational, settlement and risk management tasks.

At the end of the Period the Company held funds of US\$1,546k and £137k in interest bearing current accounts, with US\$7.8m held in interest bearing money market deposit accounts. These amounts include the US Trust Fund proceeds that will be distributed to Direct Scheme US creditors as part of the final distribution.

US litigation

We are not aware of any new information in relation to the 24 litigation cases Stronghold was a participant in at the end of the previous period. We do not believe that Stronghold needs to take any further action in relation to these cases.

Asset recoveries

Reinsurance debtors

During the Period the final recovery of US\$91k, which was excluded from the sale of the reinsurance book, was received.

US Trust Fund

On 8 June 2023 we successfully recovered US\$1.5m from Citibank, being the full balance of the funds held in the fund, following discussions with, and the agreement of, the NYDFS and the NAIC. In accordance with the terms of the fund, the amount recovered will be distributed to US Direct Scheme Creditors only.

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 sent via email to 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 CVL we have completed various submissions required by the Regulators. We continue to engage and cooperate with the Regulators on the progress of the CVL and the Schemes and report matters that arise.

Liquidation Committee

There were no changes to the composition of the Liquidation Committee during the Period.

We continue to communicate with the Liquidation Committee regarding the Schemes and to discuss issues and outline key decisions.

We last provided the Liquidation Committee with a written update on the progress of the CVL on 20 December 2023. We are grateful to the Liquidation Committee for their ongoing support.

Fee approval

In November 2023 the Liquidation Committee approved PwC's (non-actuarial and actuarial) fees and expenses to 30 June 2023.

We continue to bill 75% of non-actuarial fees on account with the remaining 25% subject to review and approval by the Liquidation Committee. We continue to provide the Liquidation Committee with detailed cost analyses on all work performed before final approval of our fees is requested.

No further work is anticipated by the PwC actuarial team. However if any further work is required it will be agreed by the Liquidation Committee in advance of any work being undertaken.

Direct Scheme claims assessment

As mentioned earlier in the key messages section, we have made good progress in the Period settling further claims for a combined determined value of US\$39.1m.

Other statutory information

Our receipts and payments account

We set out in Appendix A an account of our receipts and payments in the CVL from 10 December 2022 to 9 December 2023. The table of receipts and payments also includes total values in the Administration and cumulative values for both the Administration and CVL to 9 December 2023.

Our fees and expenses

We set out in Appendix B a statement of the expenses we have incurred in the CVL from 10 December 2022 to 9 December 2023. The table of expenses also includes total expenses in the Administration and cumulative expenses for both the Administration and CVL to 9 December 2023.

We set out in Appendix C an update on our fees, disbursements and other related matters. The basis of our fees was agreed in the Administration and we continue to have our fees reviewed and approved by the Liquidation Committee.

Investigations and actions

Nothing has come to our attention during the Period under review to suggest that we need to do any more work in line with our duties under the Company Directors' Disqualification Act 1986 ("CDDA") and Statement of Insolvency Practice No.2.

Corporation tax

During the Period we completed the tax return for the period ended 9 December 2022 and filed this with HMRC. No tax was payable with this return.

We also filed the final tax return and submitted the tax clearance application to HMRC on 22 February 2023. Confirmation that the tax clearance had been approved was subsequently provided by HMRC.

VAT

We have completed VAT returns for the periods ended 31 December 2022, 31 March 2023, 30 June 2023 and 30 September 2023 and filed these with HMRC. A total of £116k was repaid to Stronghold in relation to these returns.

We filed an application to deregister Stronghold for VAT on 26 October 2023 as part of our steps to close the Company and the Schemes. It is anticipated that one final VAT form will be submitted prior to the closure of the estate to recover any remaining recoverable VAT.

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 our 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:

icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/2021/liquidations-creditor-fee-guide-1-april-2021.ashx?la=en

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

What we still need to do in the CVL and Schemes

- Agree all remaining Direct Scheme claims;
- Respond to creditor queries in relation to the Direct Scheme;
- Ongoing dialogue with creditors, the Liquidation Committee and Regulators;
- Liaise with suppliers and third parties regarding exit from commitments;
- Continue to comply with statutory and regulatory requirements, including VAT and other formal returns;
- Prepare a final fee pack;
- Prepare a final estimated outcome statement to determine the final financial position and distribution to Direct Scheme Creditors;
- Facilitate a further distribution to Direct Scheme Creditors;
- Process receipts and payments during the final periods;
- Work in relation to the appropriate exit strategy from the Schemes and the CVL;
- Prepare a final progress report;
- Terminate the Schemes and complete the necessary closure steps for the Company.

What happens next

We will continue to make efforts to finalise all remaining Direct Scheme claims.

As mentioned earlier in this report, we are increasing the Direct Payment Percentage by 5%, an additional 5c in the \$1, to 30c in the \$1 of agreed claims and expect to make this payment later this month.

All creditors should continue to refer to www.pwc.co.uk/stronghold for important information and updates on progress.

Next report

We expect to send our next report to creditors at the end of the CVL or in about 12 months, whichever is the sooner.

If you have any questions, please get in touch with Louis Isaacson, on +44 (0) 780 523 5949 or by emailing uk_stronghold@pwc.com.

Yours faithfully

For and on behalf of the Company



Dan Yoram Schwarzmann

Joint Liquidator and Joint Scheme Administrator

Appendix A: Receipts and payments

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	
	Statement of affairs	From 26 June 2019 to 9 December 2021 - GBP Equivalent	Total from 10 December 2021 to 9 December 2022 - GBP Equivalent	From 10 December 2022 to 9 December 2023	From 10 December 2022 to 9 December 2023	From 10 December 2022 to 9 December 2023 - GBP Equivalent	Total from 10 December 2021 to 9 December 2023 - GBP Equivalent	Total costs to date - GBP Equivalent	
Notes	£	£	£	£	US\$	£	£	£	
RECEIPTS									
Brought forward from Administration	-	-	24,489,816	-	-	-	24,489,816	-	
Freehold land & property	580,000	620,000	-	-	-	-	-	620,000	
Cash in hand	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	1	1,006,304	443,872	353,932	-	91,230	72,601	426,533	
Other debtors	1	22,853	22,438	-	-	1,502,892	1,196,001	1,196,001	
Insurance claims & refunds	-	-	1,168	-	1,171	-	1,171	2,339	
Accrued interest & rent	-	87,470	-	-	-	-	-	87,470	
Bank interest gross	1	-	292,618	267,480	11,390	1,394,572	1,121,190	1,388,670	
Fixtures & fittings	-	-	2,284	-	-	-	-	2,284	
Escrow funds	-	-	73,400	-	-	-	-	73,400	
VAT recovered	-	-	116,826	240,944	23,895	-	23,895	264,839	
Exchange rate gain/loss	1, 2	-	(522,556)	1,887,490	(662,626)	-	(662,626)	1,224,864	
Total		32,872,277	29,881,958	27,239,661	(626,171)	2,988,694	1,752,232	28,991,894	34,384,036
PAYMENTS									
Direct labour	-	1,123,940	583,806	637,555	-	637,555	1,221,361	2,345,301	
Direct expenses	-	6,720	3,180	1,146	-	1,146	4,326	11,046	
Sub contractors and IT	-	172,148	38,439	51,268	-	51,268	89,707	261,855	
Rates	-	56,020	-	-	-	-	-	56,020	
Heat, light & utilities	-	14,436	-	-	-	-	-	14,436	
Telephone	-	6,519	-	-	-	-	-	6,519	
Insurance	-	14,800	180	300	-	300	480	15,280	
Professional fees	-	250,572	62,318	-	-	-	62,318	312,890	
Repairs & maintenance	-	7,580	-	-	-	-	-	7,580	
Office costs, stationery & postage	-	42,077	-	670	-	670	670	42,747	
Licences, trade marks, royalties	-	120	40	40	-	40	80	200	
Office holders' pre-appointment fees	-	93,411	-	-	-	-	-	-	
Office holders' fees	3	1,861,288	730,434	548,912	-	548,912	1,279,346	3,140,634	
Office holders' expenses	-	7,395	-	179	-	179	179	7,574	
Legal fees & expenses	1	1,113,580	159,109	-	10,492	8,350	167,459	1,281,039	
Statutory advertising	-	77	87	-	-	-	87	164	
Scheme advertising	-	32,561	-	-	-	-	-	32,561	
Scheme advisor fees	5	-	885,000	354,889	-	354,889	1,239,889	1,239,889	
Independent fee assessor	-	22,950	-	12,150	-	12,150	12,150	35,100	
Finance/bank interest & charges	1	912	320	-	96	77	397	1,309	
Storage	-	2,666	-	-	-	-	-	2,666	
Irrecoverable VAT	1, 4	158,387	91,621	46,129	1,467	47,296	138,917	297,304	
VAT paid	4	403,985	150,338	21,337	-	21,337	171,675	575,660	
Dividend to Direct Scheme creditors	1, 6	-	-	-	21,396,006	17,026,942	17,026,942	17,026,942	
Total		5,392,142	2,704,871	1,674,575	21,408,062	18,711,110	21,415,982	26,808,124	
Net Receipts/(Payments)		24,489,816	24,534,790	(2,300,746)	(18,419,368)	(16,958,879)	7,575,911	7,575,911	
		As at 9 December 2021	As at 9 December 2022	From 10 December 2022 to 9 December 2023	From 10 December 2022 to 9 December 2023	As at 9 December 2023			
		£	£	£	\$	£			
MADE UP AS FOLLOWS									
Barclays Bank Plc GBP account	-	2,308,601	231,959	136,855	-	136,855			
Barclays Bank Plc USD account	1	6,808,211	74,111	-	1,539,152	1,224,857			
DBS Bank Limited (Money market deposit)	1	-	12,413,764	-	7,802,006	6,208,837			
OCBC Bank Limited (Money market deposit)	-	-	11,811,163	-	-	-			
HSBC Bank Plc USD account	1	15,373,004	3,793	-	6,739	5,362			
Balance of funds held		24,489,816	24,534,790	136,855	9,347,897	7,575,911			

The table above represents our second receipts and payments account in the CVL, from 10 December 2022 to 9 December 2023 and also includes total values in the Administration and cumulative values for both the Administration and CVL to 9 December 2023.

The headings for each of the columns are as follows:

- (A) Statement of affairs value;
- (B) Receipts and payments in the Administration - GBP equivalent;
- (C) Receipts and payments in the first 12 month period of the CVL - GBP Equivalent;
- (D) Receipts and payments in the Period incurred in £;
- (E) Receipts and payments in the Period incurred in US\$;
- (F) Receipts and payments in the Period - GBP equivalent;
- (G) Total receipts and payments in the CVL to 9 December 2023 - GBP equivalent;
- (H) Total receipts and payments to date - GBP equivalent.

Notes

Note 1 - The total GBP equivalent reflects a US\$/£ exchange rate (1:0.7958) as of 9 December 2023. The previous period's US\$/£ exchange rate was (1:0.81918) as at 9 December 2022. As per the final report in the Administration, the US\$/£ exchange rate was (1:0.75011) as at 26 November 2021.

All funds are held in interest bearing accounts. We continue to hold the majority of funds in US\$, as all of the payments to creditors will be made in US\$.

Note 2 - An exchange rate loss has arisen from a change in value of the funds held over the Period due to the £ appreciating against the US\$. This is a theoretical loss, stated for presentational reasons given the receipts and payments are presented in GBP but the majority of the funds held and claims payable are in USD.

Note 3 - As explained further in the section "Our time charging policy and hourly rates", our fees are based on time costs. The receipts and payments account shows the amount(s) paid in the Period and total to date.

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 on future invoices which is irrecoverable will be reflected in our next progress report.

Note 5 - Scheme advisor fees represent payments in respect of the PwC actuarial team's work on the claims assessment process.

Note 6 - In September 2023 we paid a dividend of US\$21.4m to Direct Scheme Creditors with an agreed claim who have received a Determination Notice at the rate of 25 cents in the \$. The Notice of Initial Direct Payment Percentage, which was sent to creditors and uploaded to the Company Website, can be found using this link pwc.co.uk/business-recovery/administrations/assets/stronghold/stronghold_notice_20230829.pdf.

There have been no payments made to us, our firm or our associates other than from the insolvent estate as shown in the receipts and payments account provided above.

There were no expenses paid in the Period in relation to 'Category 2' expenses in accordance with the policy explained in our Remuneration report. Included within the Office holders' total expenses have been £793.58 in relation to 'Category 2' expenses.

In Appendix C, we explain what work has been subcontracted to other parties b(that would otherwise have been done by us). The amounts paid for those services during the Period were £48,962.07 and in total are £50,287.07 and are included in the "Subcontractors and IT" category above.

Appendix B: Expenses

Expenses are amounts properly payable by us as Liquidators 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	SIP9 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 do not 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 Liquidation Committee) also has the responsibility for agreeing the policies for payment of Category 2 expenses.

The rate for services provided by the Liquidators' own firm (Category 2 expenses) may periodically rise (for example to cover annual inflationary cost increases) over the period of the CVL. All other disbursements are to be charged at cost.

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

Category	Expense	Costs incurred £
2	Photocopying – Up to 10 pence per page copied, only charged for circulars to creditors and other bulk copying.	176.76
1	System maintenance fee	15.96
	Storage and archiving	982.34
	Total in the Period	1,175.06

Category 1 and Category 2 expenses are shared with the Liquidation Committee as part of our fee pack review and approval process. We will seek approval for Category 2 expenses from the Liquidation Committee as part of our next fee analysis provided.

Creditors are reminded that when we provided our initial estimate in our remuneration report, shared with creditors in January 2020, this was on the assumption that we anticipated a 30 month Administration term and an automatic end of the Administration without extension. As previously reported it was not possible to complete our work within this timeframe and our work has been completed over an extended period, which has had an impact on staff and other costs. In addition, as previously reported, additional legal fees were required to make an amendment to our proposals resulting in the separate Direct Scheme and the General Scheme. Some other uncertain costs (for example US legal costs, the US expert and counsel fees) were not known or estimated at the time of our initial estimate.

The table below provides details of the expenses incurred in the Administration, the Period, cumulative expenses for the period of the CVL and estimated future costs to closure, as well as the variance to the initial estimates provided in the remuneration report. 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.

Nature of expense	Incurring in Administration period £	Incurring in year to 9 December 2022 £	Incurring in year to 9 December 2023 £	Cumulative for CVL period £	Estimated future £	Expected total £	Initial estimate in administration £	Variance £
Gross wages, salaries and staff costs	1,124,888	338,806	230,090	568,896	13,500	1,707,284	1,136,893	(570,391)
Employee retention and incentives	-	245,000	455,000	700,000	-	700,000	700,000	-
Rent & rates ¹	88,970	-	-	-	-	88,970	89,104	134
Other operating expenses ²	402,869	75,906	1,816	77,722	-	480,591	417,394	(63,197)
Agents' fees and disbursements - Davies Intermediary Support Services Limited (previously Requiem)	53,182	19,668	-	19,668	-	72,850	39,113	(33,737)
Agents' fees and disbursements - Epiq	44,753	5,045	-	5,045	-	49,798	47,096	(2,702)
Agents' fees and disbursements - Larking Gowen	2,988	1,325	730	2,055	-	5,043	2,324	(2,719)
Agents' fees and disbursements - Bidwells	9,200	-	-	-	-	9,200	10,478	1,278
Bank charges	911	320	77	397	1,000	2,308	2,432	124
Letters of Credit charges	3,545	-	-	-	-	3,545	6,854	3,309
Property costs	3,536	-	-	-	-	3,536	2,500	(1,036)
Insurance	14,801	180	300	480	-	15,281	21,426	6,145
Legal fees and expenses - US lawyers	19,363	161,102	10,493	171,595	25,000	215,958	Uncertain	(215,958)
Legal fees and expenses - Clifford Chance	911,056	-	-	-	25,000	936,056	440,162	(495,894)
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' and Scheme advisor fees ³	2,040,200	1,753,406	713,416	2,466,822	180,000	4,687,022	4,689,421	2,399
Office holders' pre-Administration costs	93,411	-	-	-	-	93,411	93,411	-
Office holders' disbursements ⁴	14,616	2,413	1,175	3,588	5,000	23,204	73,755	50,551
Licences, trade marks, royalties	120	40	40	80	40	240	160	(80)
Storage costs	2,816	-	-	-	2,600	5,416	3,536	(1,880)
Statutory advertising	77	87	-	87	-	164	577	413
Additional Scheme costs	43,381	-	-	-	-	43,381	50,000	6,619
Other Scheme costs								
US expert	25,798	-	-	-	-	25,798	n/a	(25,798)
1st Counsel	118,115	-	-	-	-	118,115	Uncertain	(118,115)
2nd Counsel	91,785	-	-	-	-	91,785	n/a	(91,785)
Independent fee assessor	25,000	-	-	-	-	25,000	n/a	(25,000)
Irrecoverable VAT ⁵	158,387	91,621	47,296	138,917	55,000	352,304	331,178	(21,126)
Total expenses	5,431,149	2,694,919	1,460,434	4,155,353	307,140	9,893,642	8,295,195	(1,598,447)

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

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

Note 3 - Office holders' and Scheme advisor fees includes all non-actuarial and actuarial fees incurred by PwC, consistent with the remuneration report from January 2020. The expected future costs all relate to non-actuarial services to be provided.

Note 4 - Office holders' disbursements comprise of photocopying and postage, system maintenance fees, storage fees, travel and accommodation.

Note 5 - 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

During the Administration, the Creditors' Committee agreed to fix the basis of the Administrators' fees by reference to time properly given by the Administrators and their staff in dealing with the Administration. The fee basis agreed in the Administration continues to apply in the CVL. This means that our fees as Liquidators will also be calculated by reference to time properly given by the Liquidators and their staff in dealing with the CVL.

In November 2023 the Liquidation Committee approved PwC's (non-actuarial and actuarial) costs and expenses to 30 June 2023.

Time cost charges

The time cost charges incurred in the Period are £827,578.90 (excluding VAT). Following discussion with the Liquidation Committee certain Scheme advisor fees incurred during the Period have not been billed.

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

On the following page is all of the work that has been undertaken through the Administration and Liquidation by the Scheme Administrators' and their team. Following discussion with the Liquidation Committee not all of this work has been billed.

The total of the estimated future work and the cost of our work incurred to-date does not exceed the estimate included with the remuneration report. This is despite the process taking far longer than the 30 months which were assumed in the remuneration report.

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 and average rates.

Our time charging policy and hourly rates

We and our team charge our time for the work we need to do in the CVL. 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 CVL 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 has been agreed with the Liquidation Committee and is reviewed from time to time. For the avoidance of doubt, work carried out by our cashiers, support and secretarial staff is charged on a time costs basis and is included in the analysis of hourly rates charged by partners or other staff members. Time is charged in three minute units (i.e. 0.05 units). We do not charge general or overhead costs.

Offshore professional colleagues may provide assistance, albeit that the majority of the work on this case will be undertaken by the UK based team. An off-shore professional at the higher end of the fee bracket generally has appropriate insolvency experience or an accounting qualification, depending on the nature of the work and will assist with planning and control of various aspects of the insolvency. An off-shore professional at the lower end of the fee bracket will typically have a finance-related qualification and appropriate skills to complete basic insolvency related tasks and provide administrative support to the team including efficient document preparation and data entry, records management, and general data analytics.

We set out below the maximum charge-out rates per hour for the grades of our staff who already or who are likely to work on the CVL including our specialist teams namely Tax, VAT and Pensions.

We call on colleagues in our actuarial team where we need their expert advice to evaluate and value the creditors' claims. Their charge-out rates are under separate engagement terms as approved by the Liquidation Committee and the following are the maximum rates by grade per hour.

Grade	Liquidators' team (inc Tax, VAT and Pensions) rates		Actuarial team rates
	Up to 9 December 2023 £/hour	From 10 December 2023 £/hour	From 28 September 2022 £/hour
Partner	833	833	1,028
Director	778	778	875
Associate Director	N/A	N/A	719
Senior manager	731	625	628
Manager	621	550	458
Senior associate	438	438	311
Associate/other	319	319	179
Offshore professionals	319 to 438	319 to 438	N/A

Payments to associates

No payments have been made to associates or any party who could reasonably be perceived as an associate during the Period. Relevant third parties have been chosen due to their specific area of expertise or technical knowledge and payments to those parties are 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.

Area of work	General Description	Work Included
Asset realisations	Reinsurance and other assets	<ul style="list-style-type: none"> Reaching settlement for the final reinsurance asset.
	Treasury Management	<ul style="list-style-type: none"> Ongoing negotiations with the NYDFS and the NAIC and the successful recovery of US\$1.5m from Citibank N.A. for the US Trust Fund; Liaising with banks regarding investing surplus funds in money market deposits across both GBP and USD accounts; Assessing composition of the investment portfolio to ensure that the funds are invested in line with PwC treasury management policies; and Monitoring assets under investment, including any required credit, operational, settlement and contractual risk management tasks.
Statutory and reporting	Liquidation Committee engagement	<ul style="list-style-type: none"> Ad hoc liaison with the Liquidation Committee members regarding the CVL; and Preparing the Liquidation Committee updates shared on 21 December 2022, 7 August 2023, 24 October 2023 and 20 December 2023.
	Insurance	<ul style="list-style-type: none"> Corresponding with insurers regarding ongoing insurance requirements; and Terminating the insurance policy following the final employee leaving the Company.
	Other statutory and compliance	<ul style="list-style-type: none"> Ongoing file management in order to house electronic and paper records, to ensure effective case management and evidence the work which is completed throughout the CVL appointment, in accordance with all regulatory obligations and best practice; Preparing 6 month strategy document, for agreement by the Liquidators and in compliance with regulatory requirements; Ongoing monitoring of costs versus budget in order to manage costs incurred; Finalising the fee packs for the period 1 July 2022 to 9 December 2022 and 10 December 2022 to 30 June 2023; Supporting the independent fee assessor's review of costs, including providing requested information and review of his reports; Reviewing, considering and actioning incoming post; and Considering the exit strategy for Stronghold.
	Reporting to creditors	<ul style="list-style-type: none"> Preparation and circulation of the 1st CVL progress report to creditors; and Publishing the notice of initial Direct Payment Percentage.
Dealing with creditors	Creditor Enquiries	<ul style="list-style-type: none"> Dealing with incoming queries from creditors regarding the Schemes and timing of distributions; Ensuring our records are updated with current creditor contact details; and Maintaining the case website, including recording key documents.
Insurance run off	Employees	<ul style="list-style-type: none"> Overseeing the final employee leaving Stronghold's employment; and Arranging for him to be retained as a contractor to support ongoing claim resolutions.
	Supervision of run-off	<ul style="list-style-type: none"> Liaising with Company staff on pertinent matters regarding the CVL, Schemes and insurance run off;

		<ul style="list-style-type: none"> • Liaising with Company suppliers regarding ongoing supply of services to the Company and their termination; • Authorising purchases and other commitments; and • Monitoring of Company expenses including the review of other professional service providers' time costs associated with the CVL.
	Processing receipts and payments	<ul style="list-style-type: none"> • Processing the receipt of all incoming funds in order to ensure consistency of coding and clarity of reporting; • Processing the payment of all required transactions, including reviewing invoices, checking that coding of payments in the Liquidators' accounting system is consistent so as to ensure clarity of reporting; • Complying with internal risk procedures in order to meet sanctions policies and performing a sanctions check on all payments made during the Period; • Verifying all third party payment details before payments are released; • Completion of the sanctions procedures and bank account screening process for all Direct Scheme Creditors as part of the first interim dividend payment process; and • Approval of all payments by senior staff including the first interim dividend paid in September 2023.
Managing the Company's affairs	Tax	<ul style="list-style-type: none"> • Preparing the corporation tax return for the period ended 9 December 2022; and • Preparing the final tax return and submitting the tax clearance application to HMRC.
	VAT	<ul style="list-style-type: none"> • Reviewing receipts and payments on both US\$ and GBP accounts to ensure that VAT treatment is correct and to ensure accuracy of reporting; • Preparing and submitting VAT returns for four periods; • 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; and • Applying to deregister Stronghold for VAT.
Scheme of Arrangement	Scheme design and implementation	<ul style="list-style-type: none"> • Liaising with the Company employee and then Contractor regarding creditor claim policy validations and additional information to be requested to assist with claims validation and agreement; • Correspondence with creditors regarding claim assessments including follow up conversations and meetings to assess and agree claims; • Attending internal and external meetings regarding claim strategy, validation and assessments; and • Finalising claims, issuing Determination Notices and recording information on the case filing system.
Strategy and Planning	Strategy, planning and project management	<ul style="list-style-type: none"> • Ongoing review of strategy to be implemented in order to achieve the objectives of the CVL; • Team meetings and work planning for key tasks and milestones; • Preparing information and conducting case reviews with the Liquidators regarding the status of the CVL and the progression of key work areas; and • Discussing strategy and obtaining input from the Liquidators in relation to key tasks and issues including undertaking senior reviews and approval of key documents.

Our future work

We still need to do the following work in the CVL and Schemes. We have estimated the cost of this future work.

Area of work	Work to be undertaken	Estimated cost £	Whether or not the work will provide a financial benefit to creditors
Treasury management	<ul style="list-style-type: none"> Assessment of the appropriateness of investment strategy in light of further distribution(s) to Direct Scheme Creditors with agreed claims, liquidity and return requirements; and Management and investment of GBP and USD funds held whilst ensuring the swift payment of the further distribution(s) to creditors. 	<ul style="list-style-type: none"> 7,500 	<ul style="list-style-type: none"> Maximising investment interest available on funds held; and Ensuring an appropriate balance of funds between GBP and USD is held to meet future payments and creditor distributions.
Liquidation Committee	<ul style="list-style-type: none"> Conducting ongoing correspondence and holding final meetings with members of the Liquidation Committee to discuss the closure steps of the CVL and Schemes; Preparation of the final fee packs to the Liquidation Committee; and Responding to information requests from the Liquidation Committee. 	<ul style="list-style-type: none"> 25,000 	<ul style="list-style-type: none"> To comply with regulatory requirements or statute; To provide support to the Liquidators in discharging statutory duties; and To ensure the views of the creditor base as a whole are represented.
Reporting to creditors	<ul style="list-style-type: none"> Preparing and issuing the final progress report in the CVL to creditors, the regulators and the Registrar. 	<ul style="list-style-type: none"> 30,000 	<ul style="list-style-type: none"> To comply with regulatory requirements or statute. To update creditors on the outcome of the estate.
Other statutory and compliance	<ul style="list-style-type: none"> Maintaining records and documenting key activities and decisions taken; Reviewing and dealing with incoming post; Completing checklists to document statutory compliance and adhering to our diary management system; Filing of documents and emails; Complying with all regulatory requirements including steps for closure; and Closing down internal systems. 	<ul style="list-style-type: none"> 30,000 	<ul style="list-style-type: none"> To comply with regulatory requirements or statute; and To maintain proper books and records.
Creditor enquiries	<ul style="list-style-type: none"> Maintaining the PwC case website, including the provision of key documents on the closure of the CVL and Schemes. 	<ul style="list-style-type: none"> 5,000 	<ul style="list-style-type: none"> To comply with regulatory requirements or statute; To respond to queries from various stakeholders; and To keep creditors informed of the progress of the key milestones in the claims process and the CVL closure.
CVL supervision	<ul style="list-style-type: none"> Liaising with the Scheme's legal advisors where appropriate; Liaising with suppliers and terminating 	<ul style="list-style-type: none"> 10,000 	<ul style="list-style-type: none"> To comply with regulatory requirements or statute; and

	<ul style="list-style-type: none"> relationships no longer required; and Managing key workstreams and next steps to ensure the timely future termination of the estate. 		<ul style="list-style-type: none"> Orderly management of the estate.
Processing receipts and payments	<ul style="list-style-type: none"> Processing and approving receipts and payments into the accounting system; Sanctions checking suppliers and creditors in line with internal regulatory requirements in advance of distributions to creditors; and Management and oversight of the future payment process. 	<ul style="list-style-type: none"> 15,000 	<ul style="list-style-type: none"> Ensure appropriate record of all receipts and payments undertaken during the CVL to closure.
VAT	<ul style="list-style-type: none"> Considering the tax treatment of both supplies and purchases in order to ensure the estate is compliant with VAT legislation and the Company's status as a partially-exempt supplier; and Liaising with HMRC, responding to any queries and ensuring that VAT payments or refunds are processed and received by HMRC in a timely fashion in advance of the planned closure. 	<ul style="list-style-type: none"> 10,000 	<ul style="list-style-type: none"> Compliance with duties in relation to VAT; and To ensure VAT accounting is accurate, and recoveries made, for the benefit of creditors as a whole.
Regulatory	<ul style="list-style-type: none"> Updates to the PRA and FCA on the status of the CVL and Direct Scheme; and Filing regulatory returns required by the Regulators. 	<ul style="list-style-type: none"> 7,500 	<ul style="list-style-type: none"> To comply with regulatory requirements or statute.
Scheme review and termination strategy	<ul style="list-style-type: none"> Finalising the remaining claims; and Assessment and advising of intention to declare further Direct Scheme creditor dividends when suitable. 	<ul style="list-style-type: none"> 25,000 	<ul style="list-style-type: none"> Ensuring an appropriate mechanism to resolve claims in the CVL; To comply with regulatory requirements; and To facilitate the distributions to creditors.
Strategy, planning and project management	<ul style="list-style-type: none"> Preparing final fee budgets and monitoring costs; Providing updates to the Liquidators regarding the case exit strategy; and Conducting case reviews on the status of the project. 	<ul style="list-style-type: none"> 15,000 	<ul style="list-style-type: none"> To resolve outstanding matters in line with the purpose of the CVL.

Total 180,000

Our relationships

We have no business or personal relationships with the parties who approve our fees or who provide services to the CVL where the relationship could give rise to a conflict of interest.

Details of subcontracted work

The following work, which we or our staff would normally do, has been subcontracted to the parties listed. At the time of the Administration Appointment, Larking Gowen LLP were the incumbent payroll provider and it has remained cost effective to continue with these payroll services. Larking Gowen LLP's services were terminated on 31 March 2023 when the remaining employee left Stronghold's employment. The costs in respect of these services, both those incurred to date and estimated future costs are included within our expenses table at Appendix B.

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
Subcontractor	Andrew Gregory	Pre-existing relationship with the Company	Hourly rate

Legal and other professional firms

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

Service provided	Name of firm/organisation	Reason selected	Basis of fees
Computer and IT Services	Acora one (formally Computer Service Centre Ltd)	Pre-existing relationship with the Company	Monthly charge
Legal advice on a specific claim	Hinkhouse Williams Walsh LLP	Pre-existing relationship with the Company	Time costs
Legal advice on a specific claim	Mendes & Mount LLP	Pre-existing relationship with the Company	Time costs
Independent fee assessor	Jamie Drummond-Smith	Industry knowledge and insolvency expertise	Time costs
Legal advice	Clifford Chance LLP	Pre-existing relationship with the Company	Time costs and disbursements.
Printing and postage	Black & Callow Limited	Existing printing and posting reports	Variable fee for each mailout.
Computer and IT Services	Comm Tech Voice and Data Ltd	Pre-existing relationship with the Company	Variable fee for IT services provided.
Insurance cover	Specialist Risk Insurance Solutions Ltd	Pre-existing relationship with the Company	Insurance premium
Books and records storage facility	Iron Mountain	Pre-existing relationship with the Company and PwC	Monthly charge

Appendix D: Other information

Court details for the CVL:	High Court of Justice Business and Property Courts of England and Wales Insolvency and Companies List (ChD) Thursday 25 November 2021
Company's registered name:	Stronghold Insurance Company Limited.
Trading name:	Stronghold Insurance Company Limited.
Registered number:	00736581.
Registered address:	8th Floor Central Square, 29 Wellington Street, Leeds, West Yorkshire, LS1 4DL.
Period of the Administrators' appointment:	27 June 2019 to 9 December 2021.
Date of the Liquidators' appointment:	10 December 2021.
Liquidators' names, addresses and contact details:	Dan Yoram Schwarzmann and Douglas Nigel Rackham, both of PwC LLP, 7 More London, London, SE1 2RT.
Website:	www.pwc.co.uk/stronghold