

To all Scheme Creditors of English &
American Insurance Company Limited

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www.englishandamericanpools.com

5 January 2021

Dear Creditor

English & American Insurance Company Limited ('EAIC')
The Scheme Administrators' Annual Report to Creditors

1 Introduction

Further to our previous report to the Scheme Creditors of EAIC we are writing to update you on progress made towards the closure of the estate.

2 Summary

- EAIC's Closure Scheme was declared complete on 15 December 2016.
- The total value of agreed claims was \$730 million.
- The final Scheme Payment Percentage was 49.6% effective from 2 November 2015. Final payments were distributed during late 2015 and early 2016.
- EAIC continues to be run-off for the benefit of creditors with unagreed claims under Marsh Mac Protected Policies, which were excluded from the Closure Scheme.

3 Closure

3.1 Closure Scheme

The Closure Scheme became effective on 12 October 2010 and Scheme Claims of \$730 million became subject to binding Valuation Statements. The final Scheme Payment Percentage was set at 49.6% and approximately \$370 million has been paid to Scheme Creditors in respect of these Scheme Claims.

The Closure Scheme was declared complete on 15 December 2016 and so no further Scheme Payments are due under this Scheme.

3.2 Closure – ILU Policies

The Closure Scheme excluded claims for outstanding or IBNR amounts under EAIC policies signed and issued by the Institute of London Underwriters ('ILU') between 3 July 1980 and 6 October 1983.

The Marsh & McLennan Companies Inc. ('Marsh Mac') secured an irrevocable letter of credit in favour of the ILU on these policies. However, Marsh Mac would not provide an undertaking that cover from the letter of credit would attach to any outstanding or IBNR claims which were crystallised under the Closure Scheme. Given the risk that policyholders may lose the right of recourse under the letter of credit, all contingent claims under these policies at the Closure Scheme Bar Date of 11 April 2011 were excluded.

EAIC continues to be run-off for the benefit of creditors with contingent claims under the Marsh Mac Protected Policies and those claims will be agreed by EAIC in the normal course under the Run-Off Scheme.

Creditors should continue to present claims under their Marsh Mac Protected Policies, together with supporting documentation, to Stephanie Wilton, PRO Insurance Solutions Limited, Southgate House, Southgate Street, Gloucester GL1 1UB, UK. Creditors will then be entitled to receive payment at the final Scheme Payment Percentage from funds set aside for this purpose.

Those Scheme Creditors should then apply to the ILU for payment of the balance of their claim under the ILU guarantee arrangements for the Marsh Mac Protected Policies. Policyholders who consider they may be entitled to payments should contact the ILU at The Institute of London Underwriters, The International Underwriting Association, London Underwriting Centre, 1 Minster Court, Mincing Lane, London EC3R 7AA, UK.

3.3 Closure – Protected Policyholders

EAIC's Protected Policyholders (Scheme Creditors who have claims against EAIC which are protected by virtue of the Policyholders Protection Act 1975) will, subject to eligibility, still be entitled to receive payment from the Financial Services Compensation Scheme on their claims as they are agreed in the normal course in future.

Protected policyholders should continue to present claims together with supporting documentation to Stephanie Wilton, PRO Insurance Solutions Limited, Southgate House, Southgate Street, Gloucester, GL1 1UB, UK.

4 ILU Protected Policies

4.1 Policies issued through The Institute of London Underwriters ('ILU')

EAIC was a member of the ILU for a number of years. As a result, some Scheme Creditors of EAIC may also be entitled to receive payments from guarantee arrangements which the ILU had in place for the benefit of member policyholders. There are two relevant periods: 3 July 1980 to 6 October 1983; and 1 September 1983 to 19 March 1993.

4.1.1 3 July 1980 to 6 October 1983 ('Marsh Mac LOC Period')

As set out in Section 3.2 above, now that the Closure Scheme has been completed, EAIC will continue to be run-off for the benefit of creditors with contingent claims under Marsh Mac Protected Policies, as these claims were excluded from the Closure Scheme.

4.1.2 1 September 1983 to 19 March 1993

EAIC held funds in trust for ILU policyholder creditors who placed business after 1 September 1983 and who benefitted from a guarantee provided by two related companies, English & American Group Plc ('EAG') and English & American Insurance Holdings Plc ('EAIH') which became insolvent in 2003.

There is a short period of approximately five weeks when the Marsh Mac LOC Period overlaps the EAG and EAIH guarantees period. As the Trust Deed (under which the Scheme Administrators are appointed Trustees for the funds received from EAG and EAIH) requires all claim values to be finalised before payments under the Trust can be made, and because the Marsh Mac Protected Policies were excluded from the Closure Scheme, it would not be possible to place a final value on eligible claims which fell within this period.

Therefore, in order to facilitate Trust Fund payments to the vast majority of ILU policyholder beneficiaries who do not fall into the overlap period, the Scheme Administrators/Trustees made an application to Court to vary the Trust Deed to enable payments to be made. In October 2013, the Court agreed the variation to the Trust Deed, and a relatively small amount of the Trust Funds were set aside for the benefit of policyholders in the five week overlap period.

During 2014, eligible ILU Policyholder creditors received a top-up payment of 24% in respect of their Trust Fund entitlement.

A further attempt to distribute the top-up payment was made to eligible Trust Fund creditors that did not cash their original cheques in parallel with the issuance of the final Scheme Payments in late 2015 and early 2016.

The status of the Trust Fund distribution is as follows:

	Payments made 2014/15	Payments cashed 2014/15	Payments reissued 2016/17	Payments cashed 2016/17	Balance unpaid	Untraceable creditors and creditors under international sanctions
Trust Fund creditors (No.)	794	608	186	83	103	12
Value (US\$m)	19.80	19.00	0.80	0.44	0.36	0.11

The provisions in the Closure Scheme, which allow liabilities to be extinguished when payments are not cashed by a prescribed date, do not apply to the Trust Fund. Therefore, the Scheme Administrators would probably need to seek the direction of the Court regarding the treatment of any uncashed Trust Fund payments.

Counsel, acting for the Scheme Administrators, have advised that the Court would most likely order the Trustees to pay all of the residual funds, less an amount to cover remaining costs, into Court. However, this merely moves the issue to the Court and the Scheme Administrators would still likely have to manage all initial dealings with the applicable Trust Fund creditors. As a result, the Scheme Administrators have decided to defer making any application to Court at this time and will continue to hold the remaining funds and make payments if any further qualifying creditors make claims.

It is likely that the Trustees will seek the Court order only when the balance of the EAIC estate is finally closed (by liquidation or otherwise) and the Scheme Administrators released.

In the meantime, should any Trust Fund creditors that failed to cash their payments contact the Scheme Administrators, payment will be reissued to further reduce the number and value of the residual Trust Fund balance being held.

5 Financial position

5.1 Summary balance sheet as at 31 December 2019

The latest audited financial position of EAIC is summarised below:

English & American Insurance Company Limited		
Summary Balance Sheet as at 31 December 2019		
	2019	2018
	US\$m	US\$m
Assets		
Cash	7.7	7.8
	_____	_____
Total Assets	7.7	7.8
	=====	=====
Liabilities		
Due to policyholders		
- agreed claims	0.4	0.4
- less scheme payments	-	-
- Outstanding and IBNR reserves	13.0	13.0
Provision for run-off costs	1.2	1.6
Other creditors	0.5	0.4
	_____	_____
	15.1	15.4
Shareholders' deficit		
	(7.4)	(7.6)
	_____	_____
Total Liabilities	7.7	7.8
	=====	=====
Notes to summary balance sheet		
<i>The above amounts have been taken from the audited financial statements for the year ended 31 December 2019.</i>		
<i>The summary balance sheet cannot be used to estimate the ultimate Scheme Payment Percentage.</i>		
<i>The value of any outstanding and IBNR reserves will not become clear until all claims are agreed and crystallised.</i>		
<i>The asset and liability values reflect foreign exchange fluctuations.</i>		

Copies of the audited accounts can be obtained from Companies House records.

5.2 Receipts and payments to 30 June 2020

A summary of the Scheme Administrators' receipts and payments from the commencement of the Scheme to 30 June 2020 is set out below.

English & American Insurance Company Limited	
Receipts and payments for the period 9 February 1995 to 30 June 2020	
	US\$m
Balance brought forward at 9 February 1995	10.3
Receipts	
Reinsurance recoveries	485.5
Recoveries from bank accounts and fund managers	15.5
Tax refunds	9.2
Investment income	74.6
Other receipts	0.6
	<hr/>
Total receipts	595.7
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Payments	
Scheme Administrators' fees	61.7
KPMG actuarial fees	3.7
Run-off managers' fees	70.5
Legal fees	6.1
Other professional and agents' fees	10.2
VAT	14.5
Other payments	5.6
Scheme Payments to creditors <i>(including accelerated payments)</i>	369.6
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Total payments	541.9
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Exchange rate loss	46.8
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Funds held at 30 June 2020	7.0
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Notes to receipts and payments	
<i>The receipt and payment values reflect foreign exchange fluctuations.</i>	

6 Responsibilities and contact details

6.1 Scheme Administrators

The current Scheme Administrators of EAIC are Barry Gale and Darryl Ashbourne of KPMG in London.

The Scheme Administrators control the affairs of the Company in accordance with the provisions of the Run-off Scheme. These include provision for consultation with the Creditors' Committee.

6.2 Creditors' Committee

The interests of creditors are represented by the Creditors' Committee. The Committee sanctions significant transactions and approves the Scheme Administrators' fees.

The Scheme Administrators report to the Committee on a six monthly basis and hold a meeting or conference call whenever it is deemed appropriate to do so. The current constitution of the Committee is as follows:

Member	Represented by
Anderson Kill P.C., on behalf of various policyholders	Mr R Mark Keenan
Fireman's Fund Insurance Company (now integrated into Allianz Global Corporate & Specialty 'AGCS')	Mr R Mehta
International Policyholders Association	Bette M Orr Esq
Sheppard Mullin Richter and Hampton LLP, on behalf of various policyholders	Mr M Katz

6.3 Run-off agent

The day-to-day management of the Scheme and the run-off, including maintenance of the records and handling of Scheme Creditor enquiries in relation to Scheme Claims, is the responsibility of PRO.

6.4 Scheme Claims and Scheme Creditor enquiries

General queries about Scheme Claims should be directed to Stephanie Wilton, PRO Insurance Solutions Limited, Southgate House, Southgate Street, Gloucester, GL1 1UB, UK (Email: pro_eauapools@proinsurance.com; Tel: +44 (0)1452 330 514).

All other enquiries should be directed to the Scheme Administrators at the following address: KPMG LLP, 15 Canada Square, London E14 5GL, UK.

7 Annual meeting of creditors

Under the terms of the scheme, the Creditors' Committee has agreed that no annual meeting of creditors would be held in 2020.

An electronic copy of this report is available at www.englishandamericanpools.com.



Yours faithfully
For English & American Insurance Company Limited

Barry Gale
Scheme Administrator

Darryl Ashbourne
Scheme Administrator