

PROMETHEUS INSURANCE COMPANY LIMITED

In Administration

FINAL ADMINISTRATOR'S PROGRESS REPORT

Pursuant to S87 Insolvency Act, 2011

Date 13 March 2023

Prometheus Insurance Company Limited – In Administration

Contents

1	The Administration
2	Background
3	Administration Strategy and Objective
4	The Proposal
5	Modification of Proposal
6	Progress up to Discharge of Order
7	Liquidation

Appendices

A Receipts and payments account for the period 27 January 2021 to 13 March 2023.

Prometheus Insurance Company Limited – In Administration

1. The Administration

By Order of the Supreme Court on 27th January 2021 (“the Order”), I was appointed Administrator of Prometheus Insurance Company Limited (“the Company”). The Order included the following power:

“The Administrator shall in addition to the express powers set out in Section 71 and Schedule 1 to the Insolvency Act 2011 (“the Act”) be granted leave pursuant to Section 72 (1) (b) of the Act to make distributions to insurance creditors up to the value of 80% of the agreed/ admitted insurance claim.”

Section 250 of the Gibraltar Financial Services (Insurance Companies) Regulations 2020 provides that insurance claims take precedence over other claims against an insurance undertaking. The only exception to this precedence are certain claims by employees and tax authorities. The effect of this legislation in respect of an insurance undertaking unable to meet all its insurance liabilities is that the assets of the Company are applied to meet the preferential insurance creditors. Only once insurance creditors are met would any remaining assets be distributed to non-insurance creditors.

Section 87 (1) of the Insolvency Act 2011 requires the administrator to prepare an account of the receipts and payments of the company in administration and a report on the progress of the administration. As this is the final progress report of the administration the accounts and report cover the period from 21st January 2021 the date of my appointment, up to 13 March 2023 the date of the discharge of the Administration Order and my release. Section 87 (3) requires that a copy of the accounts and report is filed with the Court and with the Registrar. I have also placed a copy on the administration website www.prometheusinsurance.com.

2. Background

The Company was licensed on 7 November 2001 under the Gibraltar Financial Services (Insurance Companies) Act and was authorised to write the following classes of business:

- Class 3 (Land Vehicles)
- Class 7 (Goods in Transit)
- Class 8 (Fire and Natural Forces)
- Class 9 (Damage to Property)
- Class 10 (Motor Vehicle Liability)
- Class 13 (General Liability)
- Class 17 (Legal Expenses)

The Company was authorised to carry out services in the United Kingdom, Ireland, Spain, Portugal and Cyprus and additionally provided private and commercial motor insurance in Gibraltar.

On 31 December 2019, the Company ceased writing new business and went into run-off. All live policies expired on or before 31 December 2020.

Prometheus Insurance Company Limited – In Administration

3. Administration Strategy and Objective

The Administrator has an obligation to perform his duties with the purpose of achieving one of the following objectives

- a. Rescuing the Company as a going concern
- b. Achieving a better result for the Company's creditors as a whole than would be likely if the company were to enter into liquidation, without first being in administration or
- c. Realising property in order to make a distribution to one or more secured or preferential creditors.

The rescuing of the company as a going concern was not a viable objective given the extent of the insolvency and the deficit of assets in respect of insurance liabilities. The objective set out at (c) did not apply. It was therefore the objective set out at (b) above, of achieving a better result for the creditors as a whole than would be likely if the company were to enter into liquidation without first being in administration that was proposed as the intended purpose and objective of the administration.

An advantage of administration is that the administrator is able to continue the run-off of the Company's insurance claims by the management and adjudication of claims in a cost-efficient manner utilizing similar claims management procedures previously operated by the Company.

While the Administration Order granted me leave to make distributions to insurance creditors up to the value of 80% of the agreed/admitted insurance claim my assessment of realisable assets and the estimated cashflows available to me led me to set the initial level of distribution to insurance creditors at 65%. The Company has an extensive program of reinsurance including excess of loss, quota share and coinsurance and I have met with reinsurers to facilitate their engagement and the collection of reinsurance recoveries to assist me in meeting the objective of the administration.

The great majority of insurance creditors are resident in the UK and eligible policyholders are protected by the Financial Services Compensation Scheme ("FSCS").

4. The Proposal

The Administrator's proposals agreed at the meeting of creditors held on 22nd February 2021 were as follows:

- It is proposed that the Administrator will continue to manage the affairs of the Company in order to achieve the objective of the Administration.
- It is proposed that the Administrator will continue his investigations and pursue appropriate actions for the recovery of the amounts due from Tradewise Insurance Services Ltd, Tradewise Group of Companies Ltd. and other group companies and related parties.
- It is proposed that the Administrator will make appropriate arrangements to continue with the timely management, adjudication and settlement of claims. It is understood that there are currently circa 4,500 open claims.

Prometheus Insurance Company Limited – In Administration

- It is proposed that additional claims managers will be engaged to facilitate the upload of claims data to the FSCS and submission of claims data to reinsurers for recoveries.
- It is proposed that 65% of the amount of agreed and settled claims be met from the assets of the Company.
- It is proposed that the FSCS upon receipt of the approved claims bordereaux provide the Company with the balance of 35% or whatever percentage of the claim is not met from the assets of the Company by way of protecting eligible policyholders/claimants in return for an assignment of the claim and acceptance by the Company as an insurance creditor. Such funds provided by the FSCS may only be used for the protection of United Kingdom policyholders eligible for protection in accordance with FSCS rules.
- It is proposed that the appropriate applications are made to the Insurance Compensation Fund of Ireland and other relevant compensation funds to enable protection of eligible policyholders with the protected amount being accepted by the Company as an insurance creditor. Any funds provided by any compensation fund may only be used for the protection of specific policyholders eligible for protection under the compensation scheme rules.
- It is proposed that the Company continues the submission of bordereaux and collection of recoveries from co insurers, quota share reinsurers and excess of loss reinsurers to use such funds, along with other asset recoveries, to meet the expenses of the administration and meet payments of insurance creditors at an initial 65% of the agreed claims.
- It is proposed that funds provided to the Company by the FSCS are used solely to meet the claims of United Kingdom insurance creditors and the Administrator will provide an undertaking to this effect.
- It is proposed that any funds that might be provided by any other relevant compensation fund would be used solely to meet the claims of insurance creditors protected by that fund.
- It is proposed that at the time of any outcome or conclusion reached in respect of the collection and realisation of the recorded assets of the Company external to reinsurance recoveries the Administrator will consider increasing the level of distributions to insurance creditors from the initial 65% and will communicate such decision to insurance creditors.
- It is proposed that on or before 30 June 2022 remaining claims will be reviewed and an assessment of the claims management resource undertaken to determine a cost efficient management of claims to conclusion.

5. Modification of Proposal

At a meeting of creditors held on 9th January 2023, a majority of creditors voted to amend the administrator's proposal as follows:

- (i) Increasing the level of distributions to insurance creditors to 80% of the admitted claim in accordance with the provisions of the Court Order of 27 January 2021.
- (ii) Increasing the 65% level of distribution already made to admitted insurance creditors by up to 15% to no more than a combined level of distributions in the administration of 80% of the admitted claim.

Prometheus Insurance Company Limited – In Administration

- (iii) Terminating the administration by way of the appointment of a liquidator to the company with such application being submitted to the Supreme Court in early 2023.

6. Progress up to Discharge of Administration Order

I attach my receipts and payments account for the period 27th January 2021 to 13th March 2023 the date of the discharge of the Administration Order as Appendix A.

I would highlight the following matters:

- Quest Group were engaged to manage UK claims and to facilitate the upload of data to the FSCS.
- Tradewise Insurance Services Ltd continued to manage UK claims up to 15 September 2021.
- I retained the services of Prestige Underwriting Services Ltd to manage claims in Ireland.
- I retained three claims management staff based in Gibraltar to manage claims in Gibraltar, Spain, Portugal and Cyprus. Payroll costs to 13th March 2023 amounted to £299,208.
- Payments to date in respect of distributions to UK insurance creditors amount to £56.6 million with a corresponding receipt of funds from the FSCS of £16.5 million.
- Payments in respect of distributions to admitted insurance creditors in Gibraltar amounted to £7.3 million, in Ireland £735,977, in Spain £331,957, in Cyprus £31,880 and in Portugal £11,726.
- Reinsurance recoveries amount to £30.1 million.
- Co-insurance recoveries amount to £734,846.
- I retained the claims management resource to continue with the timely and cost efficient management of claims.
- Tradewise Group of Companies Ltd entered into Administration on 21st January 2022. The Company has claims in excess of £7.4 million due under a loan agreement. I am advised that there will be no material recovery for the Company.
- Tradewise Insurance Services Ltd entered into Liquidation on 1st March 2022. The Company has claims in the liquidation of Tradewise Insurance Services Ltd in respect of the recovery of disputed commission clawbacks amounting to circa £13.1 million. I am advised that there will be no material recovery for the Company.

7. Liquidation

On 13th March 2023 the Supreme Court of Gibraltar ordered that the Administration Order dated 27th January 2021 be discharged with immediate effect and that the Administrator be released. The Order also appointed me, Frederick White as Liquidator of the Company under Section 63 of the Insolvency Act, 2011.

Prometheus Insurance Company Limited – In Administration



F D J White

Administrator

A copy of this report can be found on the administration website –
www.prometheusinsurance.com

APPENDIX A

**Administrator's Receipts and Payments Account for the Period
27 January 2021 to 13 March 2023**

	£
Opening Balance	22,746,082.16
<u>Receipts</u>	
Reinsurance Recoveries	30,977,547.05
UK FSCS Contribution	16,486,953.63
Co Insurance recoveries	734,846.91
UK Premium	19,514.43
UK claims recoveries	1,091,382.61
Gibraltar claims recoveries	41,928.24
Spain claims recoveries	25,836.99
IPT recoverable	21,564.31
Sale of vehicles	32,500.00
Group Loans Repaid	440,222.83
Interest receivable	80,442.80
Corporate Tax	16,933.62
<u>Total receipts</u>	<u>49,969,673.42</u>
<u>Payments</u>	
UK Insurance Creditors	56,552,772.78
Gibraltar Insurance Creditors	7,338,662.41
Ireland Insurance Creditors	735,977.36
Spain Insurance Creditors	331,957.41
Cyprus Insurance Creditors	31,880.28
Portugal Insurance Creditors	11,726.86
Claims Management Costs	1,183,919.00
Claims IT system costs	151,000.00
UK Return of Premium	6,286.86
XOL premium adjustments	724,482.03
Reinsurance Payable	599,543.06
Co Insurance premium	254,933.61
Administrator fees	2,016,230.96
Pre Administration fees	106,110.82
Administrator Costs	684.72
Professional fees	103,924.08
Legal fees	71,823.73
Payroll	299,207.64
Loss on Investments	84,030.72
Office expenses	64,956.51
Payments for Realisation of TW300 Asset	130,812.00
Bank charges	7,515.75
<u>Total payments</u>	<u>70,808,438.59</u>
FX Gain / (Loss)	24,691.97
<u>BALANCE IN HAND</u>	<u>1,932,008.96</u>
Represented by:	
Natwest International	1,898,428.68
Moneycorp Bank Ltd	16,098.49
Claims float accounts	17,377.39
Cash in Hand	104.40
	<u>1,932,008.96</u>