

HORIZON INSURANCE COMPANY LIMITED

In Administration

ADMINISTRATOR'S PROGRESS REPORT

Pursuant to S87 Insolvency Act, 2011

Date 24 January 2022

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1. The Administration

By Order of the Supreme Court on 19 December 2018 (“the Order”), I was appointed Administrator of Horizon 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 152 of the Gibraltar Financial Services (Insurance Companies) (Solvency II Directive) Act 2015 provides that insurance claims take precedence over other claims against an insurance undertaking. The only exception to this precedence is 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. The accounts and report are to cover the period of six months following my appointment with further accounts and reports prepared each subsequent six months. This is the sixth report of the administration. 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.horizon.gi

2. Background

The Company was licensed on 26 October 2009 under the Gibraltar Financial Services (Insurance Companies) Act and was authorised to write Class 3 (Land Vehicles) and Class 10 (Motor Vehicle Liability) insurance business and to carry out services in the United Kingdom. The Company provided motor insurance for private individuals in the United Kingdom with the majority of business written coming from major price comparison websites. The board decided on 31 December 2016 to cease writing new business and went into run-off. All live policies expired on or before 31 December 2017.

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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) does 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. Since the acceptance of my proposals on 14th February 2019, the shareholder Brentstar Holdings Limited has provided £2 million to the Company in support of the administration process.

4. The Proposal

At the meeting of creditors on 14th February 2019, held to discuss my proposals, it was agreed:

- That the administrator would continue to manage the affairs of the Company to achieve the objective of the administration.
- That the administrator would continue to employ the claims management staff on a year's contract from 1 April 2019 to assist with the timely management, adjudication, and settlement of claims.
- That claims managers would be engaged to facilitate the upload of claims data to the FSCS and submission of claims data to reinsurers for recoveries.
- That up to 80% of the amount of agreed and settled claims would be met from the assets of the Company following submission of claims bordereaux to the FSCS.
- That the FSCS upon receipt of the approved claims bordereaux provide the Company with the balance of 20% or whatever percentage of the claim is not met from the assets of the Company by way of protecting the policyholder/claimant in return for an assignment of the claim and acceptance by the Company as an insurance creditor.

- That the Company continued the submission of bordereaux and collection of recoveries from co insurers, quota share reinsurers and excess of loss reinsurers and to use such funds, along with the funds provided by the shareholder, to meet the expenses of the administration and meet payments of insurance creditors up to 80% of the agreed claims.

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- That funds provided to the Company by the FSCS would be used solely to meet the claims of insurance creditors.
- That on 14 February 2020, collect the further £1 million commitment provided by the shareholder, for the benefit of insurance creditors.
- That on or before March 2020 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. Progress to date

I attach my receipts and payments accounts for the period to 19 December 2021 as Appendix A.

I would highlight the following matters:

- Quest Group have been retained to manage the claims and claims staff and to facilitate the upload of data to the FSCS.
- The claims management staff are now retained indefinitely as a shared resource to continue with the management and settlement of claims for this administration and that of another administration under my control. As from February 2021 the staff costs are shared on a time incurred basis between the two administrations. Costs to date for the Company are £1,088,015 to include retention bonuses paid in February 2020 and March 2021 and redundancy provisions of the sole Gibraltar employee. This amount also includes previously contracted costs to 31 March 2019 in respect of claims handling provided by Catalyst Consulting Solutions Ltd.
- An amount of £2 million has been provided by the shareholders for the benefit of insurance creditors following the acceptance by creditors of the administrator's proposals.
- An amount of £7,349,602 has been received from the FSCS following the submission of claims bordereaux as 20% of the claims paid.
- Claims paid to date amounts to £44,355,030
- Claims closed during the administration 1,487
- There are currently 205 open claims with a reserved value gross of reinsurance of £29,291,313.
- Claims settlement performance indicates that claims had been prudently reserved with claims generally being settled within or below set reserves.
- New claims notified during the administration amount to 53.
- Reinsurance recoveries of £32,922,745 have been received to 19 December 2021. Reinsurers have been supportive of the administration with reinsurers agreeing to a change of timing to monthly settlement thereby improving cash flow.
- A reconciliation exercise of claims paid against reported was undertaken and resulted in £998,303 being received into the estate due to additional reinsurance recoveries.

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6. Estimated Outcome

As the Company has been in run off since 31 December 2016 with all live policies expiring on 31 December 2017 it is considered that over the course of the administration the level of reserves attached to notified claims has become more certain. As stated above gross reserves of £29,291,313 are held against notified claims. IBNR of £26,105,832 was held at the date of my appointment. The administration proposal including IBNR of £26,105,832 projected an excess of insurance liabilities over available assets of circa £16 million to be met by the FSCS. While I have not incurred the cost of commissioning an actuarial review to update IBNR reserves it is considered that at this stage of the administration IBNR reserves more than adequately cover the potential for any new claims materialising and also IBNER in respect of the deterioration in reserves required for notified and reserved claims.

Since May 2021, the gross paid has increased by £2,780,058 with an increase of £2,084,919 in the gross reserve. The deterioration can largely be isolated to a few individual large loss claims and will be covered by XOL reinsurance treaties. The general trend however is that of claims settling within and below the set reserves. Although significant uncertainty remains, the claims performance to date suggests that material IBNER may not be applicable. If notified claims continue to settle at or below reserved levels current estimates indicate the shortfall to be met by the FSCS could be circa £11.6 million.

I would also note and record the co-operation and support that has been provided by the panel of XOL reinsurers in respect of the timing of XOL recoveries thereby facilitating the management and settlement of claims.

I consider that the results to date confirm that the objectives of the administration as set out in the proposal to creditors are being met and that the affairs of the Company should continue to be managed in accordance with the administration proposal, utilising the assets of the Company to meet the expenses of the administration and settling agreed and admitted insurance claims at 80% of the value of the claim.



F D J White

Administrator

A copy of my report can be found on the administration website www.horizon.gi

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Appendix A

Horizon Insurance Company Ltd
(in Administration by the Court)

Administrators Receipts and Payments Account for the Period
20 December 2018 to 19 December 2021

	£
Receipts	
Bank balances taken over from company	5,137,023.72
Claim funds received from FSCS	7,349,601.85
Shareholder funding	2,000,000.00
Reinsurance recoveries	32,922,744.63
Third party receipts	1,165,411.99
Interest received	5,361.97
Total receipts	<u>48,580,144.16</u>
Payments	
Insurance claims paid	44,355,030.16
Other claims costs : claims management	350,268.53
Other claims costs : claims staff costs	1,088,015.34
Other claims costs : claims system costs	358,577.09
IT services costs	7,756.43
Insurance Management costs	55,313.33
Office costs - general	130,312.91
Bank Charges	3,436.52
Pre administration costs - general	54,700.26
Directors fees	15,000.00
Legal fees	8,523.00
Advisory fees	0.00
Administrators fees	604,606.87
Administrators costs - general costs	2,949.54
Total payments	<u>47,034,489.98</u>
BALANCE IN HAND	<u><u>1,545,654.18</u></u>
Represented by:	
NatWest - administrator	1,287,495.38
Claims float account	258,158.80
	<u><u>1,545,654.18</u></u>