Hill Insurance Company Limited (In Compulsory Liquidation)

Liquidator's Final Report to Creditors

31 May 2023

Hill Insurance Company Limited (In Compulsory Liquidation)

Liquidator's Final Report to Creditors

Contents **Page**

1	Introduction and background	3
2	Liquidation strategy	3
3	Notices and advertisement	4
4	Company's premises and staff	4
5	Claims handling and legal service providers	4
6	Investigations and proceedings	5
7	Broker debts	5
8	Reinsurance	5
9	Disclaimer	5
10	Creditors	6
11	Liquidation dividend	6
12	Receipts and payments account	7 - 8

1. Introduction and background

1.1 On 24 January 2013 the Supreme Court of Gibraltar ordered the winding up of Hill Insurance Company Limited and appointed me as liquidator. The Court also permitted me to disclaim all contracts of insurance and all contracts of reinsurance under which the Company was or may have been liable, which I did by written notice of disclaimer signed before the Court on 24 January 2013.

1.2 Paragraph 10 of the Court's Order provided that "the liquidator is to report to the Court within 8 weeks of the date of this Order with a recommendation as to the constitution of a Committee of Inspection to be appointed by the court, having regard to the provisions of section 13(2) of the Reorganisation Act, and (if the liquidator's recommendation is that such Committee should be appointed) is to fix an appointment for the Court to consider the recommendation and, if thought fit, appoint a Committee of Inspection."

1.3 On 20 March 2013 I reported to the Court that no creditors had expressed interest in participating in such a Committee and, given the fact that nearly all insurance creditors were based in Italy, that it was not feasible to recommend the appointment of a Committee of Inspection. Instead, I proposed that I would report to the Company's creditors bi-annually on the conduct of the liquidation by publishing a report on the website and making it available in hard copy upon request.

1.4 In my biannual reports (available for download from www.hillinsurance.eu) I set out the strategy and actions taken so far since my appointment.

1.5 This is my twentieth and final report to creditors covering the period to 31 May 2023 including an account of Receipts and Payments to that same date.

1.6 After the final meeting of creditors on 8 June 2023, I intend to apply to court to be released as liquidator of the Company and for the Company to be dissolved.

2. Liquidation Strategy

2.1 The background to the Company's collapse and insolvency is that there appears to have been significant fraud from the outset in that no share capital was ever paid into the Company and the purported capital on which the Company relied for regulatory and trading purposes did not exist.

2.2 The liquidation strategy has been to pursue the remaining assets which comprise litigation recoveries, cash and collateral pledged to the company as counter-indemnities, broker funds and reinsurance assets due to the company and premiums written in the name of Hill but diverted.

3. Notices and Advertisement

3.1 My appointment as Liquidator of the Company and the Notice of Disclaimer of Contracts of Insurance have been advertised in Gibraltar, in the Gibraltar Gazette, The Chronicle and The Panorama and in Italy in La Stampa and Corriere della Sera.

3.2 The opening of the winding up proceedings has also been published in the Official Journal of the European Union.

3.3 I have sent out Notices in English and in Italian to the addresses of all those who, it appeared from the records available to me, are or may be policyholders or beneficiaries under contracts of insurance issued by the company, or otherwise a creditor of the Company. In summary, Notices have been sent to 3,320 policyholders and 1,916 beneficiaries. A further 164 Notices have been sent to brokers, and to others who are believed to be creditors of the Company.

3.4 I have also continued to make documents relevant to the liquidation of the Company available on the website www.hillinsurance.eu and have drawn attention to this website in the Notices.

3.5 Notices for creditors to submit their final claims by 4 March 2019 were advertised in the Gibraltar Gazette, Gibraltar Chronicle, Gazzetta Ufficiale in Italy and Corriere della Sera.

3.6 Notices of a first and final dividend payable to insurance creditors were published in the Gibraltar Gazette, the Gazzetta Ufficiale Della Repubblica Italiana, the Gibraltar Chronicle, Corriere della Sera and La Stampa.

3.7 Copies of the dividend notices were also sent to all insurance creditors to the addresses held in the Company's records.

4. Company's premises and staff

4.1 The company's office premises were surrendered on 15 February 2013 when the Company's computer servers and physical records were transferred to Deloitte's offices in Gibraltar.

4.2 At 24 January 2013 the Company had four full time employees. By 15 February 2013 staff numbers were reduced from four to two full-time employees who have been retained to assist with the liquidation. By 31 July 2014 this was reduced to one full time employee and, on 1 November 2018, this employee was employed on a part time basis.

5. Claims handling and Legal Service Providers

5.1 All insurance claims are being handled by the Milan office of Curtis, Mallet-Prevost, Colt & Mosle LLP ("Curtis Mallet") which I have also retained to advise me on all matters of Italian Law, including assisting with the recovery of debts due from Italian brokers and the recovery of cash and collateral provided by policyholders as counterindemnities.

5.2 In Gibraltar I engaged Isolas ("Isolas") as my solicitors to assist with insurance, insolvency, litigation and general legal issues.

5.3 Isolas have instructed Jonathan Adkin QC and Ruth Den Besten of Serle Court Chambers, London to assist and advise in relation to the various proceedings which have all now been successfully settled.

5.4 Hogan Lovells assisted with our claim against our reinsurers.

6. Investigations and Proceedings

6.1 My team and I have undertaken a comprehensive investigation into the affairs of the Company. These investigations uncovered a large amount of evidence relating to the share capital fraud which were passed to the Royal Gibraltar Police and the Guardia de Finanza. Where there were strong prospects of recoveries, I pursued claims against third parties. Following the above approach and with the sanction of the Supreme Court we have secured and recovered over €1,574,096 from diverted insurance premiums, €3,264,133 from two former service providers and €418,157 from counter indemnities.

7. Broker debts

7.1 All broker accounts have been reconciled and all amounts that we had been hoping to recover have been recovered.

8. Reinsurance

8.1 I have reached agreement with the Company's reinsurers with a view to settling all reinsurance claims and claims for return of premium on inward policies which the reinsurer had also placed with Hill. The settlement terms agreed are for the payment by the reinsurer of €250,000 to Hill and the waiver of return of premium due by Hill to the reinsurer on inward policies amounting to €873,859.

9. Disclaimer

9.1 With the consent of the Court, on 24 January 2013 I signed a notice of disclaimer by which I disclaimed all contracts of insurance and all contracts of reinsurance under which the Company was or might be liable.

9.2 As a result of the Disclaimer, those policyholders with an unexpired period of a contract of insurance as at that date have had their claim for pro rata return of the premium automatically recognised for dividend purposes.

10. Creditors

Insurance Creditors

10.1 Under Gibraltar legislation, insurance creditors have priority over non-insurance creditors. These include:

10.2 All insurance claims under a policy of insurance issued by the Company arising before 24 January 2013 and approved by me as liquidator. After conducting final checks on claims for dividend purposes, the notified and admitted insurance claims at 31 May 2023 was €9,742,334.

10.3 Claims for return of premium for the unexpired terms of policies cancelled on 24 January 2013 by the Notice of Disclaimer. These amount to €4,525,975.

Other Creditors

10.4 The current level of insurance claims indicates that such claims will not be met in full and therefore there is at present no prospect of any distribution from the estate to anyone other than insurance creditors.

11. Liquidation Dividend

Having completed the recovery of all known assets of the estate, I announced a first and final dividend to insurance creditors only of 39.3 cents for every €1 owed (ie 39.3%).

Any unclaimed dividends will be passed on to the Official Receiver with a list of names of the beneficiaries that the dividends relate to. Details of how to contact the office of the Official Receiver to recover unclaimed dividends will be posted on the liquidation website (www.hillinsurance.eu) which will remain accessible for a further two years after the date of this report.

12. Receipts and Payments Account

12.1 I attach a copy of the Liquidation Receipts and Payments from 24 January 2013, being the date of my appointment as Liquidator, to 31 May 2023. Additional notes to the accounts follow:

a) Staff numbers were decreased from four, at the time of my appointment, to one effective 30 June 2014. The employee retained on a part time basis is fluent in Italian and has good knowledge of the Company's history, systems and processes and has proven to be an invaluable resource for the liquidation.

b) Liquidation fees have been computed on the basis of time spent by team members at our standard charge out rates (as per the Schedule of charge out rates annexed to the Order by which I was appointed) and have been approved for payment by the Registrar of the Supreme Court.

c) The Company's office premises were surrendered on 15 February 2013.

d) Included in expenses are the following accrued costs to completion:
- Liquidator's fees & disbursements (for period 1 April 2022 to completion) of €85,000;
- Legal fees €20,000;
- Company records storage and destruction costs of €18,000;
- Website and IT costs of €4,000

JOSEPH CARUANA Esq
Liquidator
Hill Insurance Company Limited

7 June 2023

Hill Insurance Company Limited
Liquidator's Receipts and Payments Account
For The Period 24 January 2013 to 31 May 2023

		EUROS
Receipts		
Bank balances taken over from Provisional Liquidation		3,766,968
Premiums collected from brokers		1,574,096
Counter Indemnities recoveries		418,157
Compensation payments from third parties		3,264,134
Proceeds from commutation of reinsurance treaties		250,000
Proceeds from sale of company's office furniture and equipment		17,619
Bank interest		63,873
Office insurance refund		164
Exchange profit on revaluation of GBP bank accounts		24,762
		9,379,773
Payments		
Staff salaries & employment costs		(241,329)
Legal fees – Gibraltar & UK counsel		(1,347,986)
Legal fees – Italian counsel		(710,621)
Regulatory licence fees		(72,336)
Translation fees		(8,989)
Liquidator's fees		(1,071,466)
Professional fees		(106,476)
Adverting of notices		(13,854)
Office and store rent		(36,314)
Computer & software expenses		(77,717)
Telephone		(9,864)
Internet		(2,780)
Postage and couriers		(16,944)
Office expenses		(5,350)
Travel expenses		(4,089)
Bank charges		(15,301)
Bank Interest		(41,505)
		(3,782,921)
Amount available for distribution to insurance creditors	**€**	**5,596,852**