

Danish report of 6 March 2020 – translation made on 12 March 2020

# Report under section 125(4) of the Danish Bank- ruptcy Act

## **Alpha Insurance A/S in bankruptcy**

The Bankruptcy Division of the Danish Maritime and Commercial High Court - K 1623/18-B

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As the trustee of the above bankruptcy estate I hereby present my report under section 125(4) of the Danish Bankruptcy Act regarding the affairs of the bankruptcy estate.

Firstly, I refer to my previous report under section 125(1) of the Bankruptcy Act of 29 May 2018, the report under section 125(2) of the Bankruptcy Act of 7 September 2018 as well as my previous reports under section 125(4) of the Bankruptcy Act of 7 March 2019 and 6 September 2019.

The estate's assets at this point in time are as follows:

### **1. ASSETS**

#### **1.1 Registered assets**

The registered assets as at 31 January 2020 were booked at:

#### **1. Deposits**

The bankruptcy estate's deposits in the bank as at 8 May 2018 amounted to DKK 61,277,557. As at 31 January 2020, the bankruptcy estate's deposits amounted to DKK 443,900,568.79.

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The increase in the deposits in the period is primarily a result of the bankruptcy estate's sale and maturity of securities, price adjustments, interest income and gains of DKK 195,800,000 (item 2), payments of reinsurance receivables of DKK 232,900,000 (item 4) and payments of receivables by agents/claims examiners of DKK 83,500,000 (item 5).

In the entire period after the issue of the bankruptcy order expenses relating to continuing the operations of the bankruptcy estate in the amount of approximately DKK 88,600,000 in total and reinsurance premiums of DKK 15,800,000 (item 4) have also been paid.

Finally, an interim fee relating to the registered assets has been paid to the trustee (see item 7 below for details). DKK 443,900,568.79

## 2. **Securities**

As at 8 May 2018, the bankruptcy estate's securities were booked at DKK 659,853,899. As at 31 January 2020, the bankruptcy estate's portfolio of securities amounted to DKK 477,126,657.

The difference in the portfolio of securities in the period is a result of the bankruptcy estate's sale and maturity of shares and bonds of approximately DKK 175,500,000 in total as well as price adjustments and relating interest of approximately DKK 7,200,000. The proceeds from the sale of securities have been included in the deposits in item 1 above. DKK 477,126,657.00

## 3. **The part of the reinsurance of the provision for claims outstanding (expected receivable)**

The bankruptcy estate has a booked asset consisting of claims against reinsurers which is the part of the reinsurance of the expected calculated provisions for unearned premiums and the provisions for claims outstanding (items 23 and 24).

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The value of the asset may vary depending on the fluctuations in the calculation of the bankruptcy estate's provisions for unearned premiums and the provisions for claims outstanding (items 23 and 24) that are made regularly. When a loss has been established and the receivable from the reinsurer has consequently become a fact, the receivable will be included in item 4 below. As at 8 May 2018, the receivable amounted to DKK 1,266,860,089. As at 31 January 2020, the receivable amounted to DKK 865,308,748.20.

The part of the reinsurance of the provisions for unearned premiums was DKK 0.00 as at 31 January 2020. The bankruptcy estate's claim for return of premiums against the reinsurers is now, contrary to earlier, included in item 4.

The primary reason for the difference in the value of the receivable is a reduction in the premium reserve of DKK 218,200,000 (item 23), a reduction in the provisions for claims outstanding of DKK 225,300,000 (item 24) and an increase in the provisions for substantial claims outstanding of DKK 83,400,000 as well as price adjustments. DKK 865,308,748.20

#### 4. **Receivables from reinsurers (actual receivable)**

The bankruptcy estate has an actual receivable from reinsurers which amounted to DKK -2,315,273 on 8 May 2018. It means that at the time Alpha owed the reinsurers. As at 31 January 2020, the receivable amounted to DKK 301,282,613.

The primary reason for the difference in the period is that the bankruptcy estate's reinsurance receivable relating to returned premiums has increased by DKK 255,500,000 and that the part of the reinsurance relating to the provisions for claims outstanding has increased by DKK 257,400,000 (both item 3) because a number of claims

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have been processed which resulted in the loss on the insurance contracts (the provisions for claims outstanding in item 24 were written down at the same time).

Alpha has also paid a premium of DKK 15,700,000 to the reinsurers.

Throughout the period the reinsurers have paid DKK 232,900,000 in total to Alpha which has been included in the deposits (item 1).

DKK 301,282,613.00

**5. Receivables from agents and claims examiners**

As at 8 May 2018, the receivable amounted to DKK 244,299,656. As at 31 January 2020, the receivable amounted to DKK 102,260,986.

The primary reason for the difference in the receivable is that the bankruptcy estate has received payments of DKK 83,500,000 in total which have been included in the deposits (item 1), including, *inter alia*, as a result of the trustee's collection of premiums owed by agents of DKK 44,100,000 in total and collection of funds in claims examiners' accounts of DKK 17,400,000 in total, payment of settlement amounts of DKK 7,500,000 in total relating to legal actions brought by Alpha before the bankruptcy relating to loss and claims for contribution as well as payments of receivables relating to tax on premiums in the amount of DKK 12,700,000.

The bankruptcy estate has also paid claims handling costs of DKK 16,900,000.

DKK 102,260,986.00

**6. Fee from Danish Labour Market Insurance for work carried out**

The trustee has carried out work relating to Labour Market Insurance in connection with its payments to claimants in the period until Labour Market Insurance was

able to arrange for the administration of the industrial injury portfolio.

The trustee has invoiced the work that amounted to DKK 93,750 inclusive of VAT which has been included in the deposit in the account (item 1). DKK 0.00

**Registered assets etc in total (provisionally calculated) DKK 2,189,879,572.99**

It is noted that in the period from 8 May 2018 to 31 January 2020 the registered assets decreased by DKK 40,096,355 which, *inter alia*, is a result of the payment of costs relating to running the bankruptcy estate, including the payment of various operating expenses and payments to external claims examiners and attorneys for the purpose of securing the collection of the company's assets as also stated in item 1 as well as the calculation of the liabilities.

The above calculation does not take into account any discounting of the assets.

## 1.2 Unencumbered assets

The unencumbered assets are to be used to pay all the bankruptcy estate's ordinary creditors as well as the part of the insurance claims not covered by the registered assets.

The unencumbered assets as at 31 January 2020 were booked at:

### 7. Deposit in client account

The deposit as at 31 January 2020 amounted to DKK 64,628,364.21. It is noted that the expenses relating to the unencumbered assets have regularly been paid out of the deposit, including the filed and admitted claims under section 94 as well as the payment of the current expenses relating to the unencumbered assets. In addition, an interim fee relating to the unencumbered assets has been paid to the trustee (see item 7 below for details).

DKK 64,628,364.21

**8. Receivable from New Nordic Holding Limited**

The bankruptcy estate has received a payment of DKK 68,383,561.64 inclusive of interest as the trustee has entered into a settlement with New Nordic Holding Limited by New Nordic Holding Limited paying DKK 65,000,000 plus interest of 10% annually in full and final settlement of the receivable.

The settlement amount has been paid into the bankruptcy estate's account and is included in the deposit in the client account (item 7).

DKK 0.00

**9. Receivables from consolidated companies**

The bankruptcy estate has receivables of DKK 74,047,370 from consolidated companies, Alpha Holding A/S and Ahpla ApS.

As bankruptcy proceedings have been commenced against both consolidated companies and it is consequently estimated that they are unable to pay, the asset has been included at a reminder value of

DKK 1.00

**10. Receivable from Intercede 2408 Limited**

The receivable as at 31 January 2020 was booked at DKK 41,516,016 inclusive of interest. For the time being the claim is included at its full book value even though the value of the claim is unclear.

DKK 41,516,016.00

**11. Staff loans**

An employee with the bankruptcy estate received a loan from Alpha of DKK 1,500,000 on 11 April 2013. A payment agreement was entered into after the bankruptcy. Instalments of DKK 525,000 in total had been paid as at 31 January 2020 which are included in the deposit in the client account (item 7). The amount owed consequently amounts to DKK 1,068,356 including accrued interest. The asset is included at the residual value.

DKK 1,068,356.00

**12. Receivable from Beta Re AG**

The receivable as at 8 May 2018 was booked at DKK 8,000,000. The trustee has entered into a payment agreement with Beta Re AG about paying off the debt. Instalments of DKK 640,000 in total had been paid as at 31 January 2020 which are included in the deposit in the client account (item 7). The asset is included at the residual value.

DKK 7,360,000.00

**13. Tools and equipment, etc**

The bankruptcy estate's tools and equipment consist of various office furniture, computers, monitors and other office supplies. The tools and equipment as at 31 January 2020 were booked at DKK 168,879. The assets were valued at DKK 277,600 by SFT Group ApS at a forced sale, which is why for the time being the asset is included at the valuation.

DKK 277,600.00

**14. Rent deposit**

The bankruptcy estate's offices were rented. As at 8 May 2018, the rent deposit was booked at DKK 2,120,056. The asset as at 31 January 2020 was booked at DKK 1,113,036.

The reason for the difference in the period is that the bankruptcy estate had rented out rooms to INSR and ASG Forsikringsagentur A/S (now in bankruptcy) which have both paid deposits for the leased premises. The room that was rented out to ASG Forsikringsagentur A/S (now in bankruptcy) has been deleted from the bankruptcy estate's lease and the deposit has been adjusted. In addition, an estimated deposit to be paid by Qudos Insurance A/S in bankruptcy which has sublet a part of the leased premises has been included in the bookkeeping.

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It is noted that the bankruptcy estate is obliged to repair the leased premises, which is why, for the time being, the asset is included at a reminder value of DKK 1.00

**15. Receivable regarding sublet premises**

Before the bankruptcy Alpha Insurance A/S (now in bankruptcy) sublet premises to CBL Insurance Services ApS (now in the process of being compulsorily dissolved). No rent was paid for 2018. The receivable as at 8 May 2018 was booked at DKK 86,614. A settlement by the payment of DKK 28,871.40 inclusive of VAT in full and final settlement of the receivable was subsequently concluded.

The settlement amount has been paid into the bankruptcy estate's account and is included in the deposit in the client account (item 7). DKK 0.00

**16. Vehicle**

When the bankruptcy order was issued the bankruptcy estate owned a Mercedes-Benz, model Viano, 3.0 CDI MPV Lang Aut. The vehicle was sold for DKK 150,000 exclusive of VAT on 8 June 2018 and the amount has been paid into the bankruptcy estate's account and is included in the deposit in the client account (item 7). DKK 0.00

**17. Intangible assets**

The intangible assets are software equipment used in the operation of the bankruptcy estate. The asset as at 31 January 2020 was booked at DKK 0, which is why it is assessed that the asset has no value. DKK 0.00

**18. Art and designer furniture**

The bankruptcy estate owns designer furniture and art, including paintings. The asset as at 31 January 2020 was booked at DKK 115,000. The asset was valued at DKK 318,600 by SFT Group ApS at a forced



sale, which is why for the time being the asset is included at the valuation. DKK 318,600.00

#### 19. Sale of various minor assets

At this point in time the trustee has sold two iPhones X, one iPhone 8, one Google Pixie, one Samsung S7 Edge, one Lenovo ThinkCentre and one Fujitsu Siemens Espresso. The assets were sold for DKK 11,720 in total exclusive of VAT and the amount has been paid into the bankruptcy estate's account and is included in the deposit in the client account (item 7). DKK 0.00

#### 20. Sale of furniture

The bankruptcy estate has sold four desks and five chairs. The assets were sold for DKK 11,500 in total exclusive of VAT and the amount has been paid into the bankruptcy estate's account and is included in the deposit in the client account (item 7). DKK 0.00

#### 21. Repayment from Dagbladet Børsen (a Danish newspaper)

The bankruptcy estate has terminated the company's newspaper subscription and has consequently received a repayment of DKK 6,586.07 which has been deposited into the bankruptcy estate's account and is part of the deposit in the client account (item 7). DKK 0.00

#### 22. Repaid taxes from Italy

The bankruptcy estate has received repaid taxes from Italy of EUR 878,879.39 (translated into DKK 6,557,670.68). The amount of DKK 6,557,670.68 has subsequently been deposited into the bankruptcy estate's account and is part of the deposit in the client account (item 7). DKK 0.00

**Unencumbered assets in total (provisionally calculated)**

**DKK 115,168,938.21**

### 1.3 LIABILITIES

#### 1.3.1 *Liabilities relating to the registered assets*

The liabilities that have a priority right to receive cover from the registered assets are listed below, see paragraph 1.1 above.

#### 23. Expected claims for return of premiums

The provisions for unearned premiums have been calculated as a premium paid by the policyholders, but which Alpha Insurance A/S (now in bankruptcy) had not yet earned because of the bankruptcy which is why the amount is expected to be offset by claims for the return of premiums raised by policyholders. The booked provisions for unearned premiums amounted to DKK 555,790,663 as at 8 May 2018. As at 31 January 2020, the booked provisions for unearned premiums amounted to DKK 436,806,645. It is noted that since the most recent report further claims for the return of premiums have been filed.

Moreover, the reason for the difference in the amount is that the Danish Guarantee Fund for Non-life Insurers has started repaying the premiums. These repayments and the consequent decrease in the provisions for unearned premiums will be offset by a corresponding claim from the Guarantee Fund for Non-life Insurers.

DKK	436,806,645.00
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#### 24. Expected claims

The provisions for claims outstanding are the amount put aside to cover the policyholders'/the claimants' claims. The claim is a calculated value and may consequently vary depending on the actual claims. The provisions for claims outstanding as at 8 May 2018 were booked at DKK 2,176,518,057. As at 31 January 2020, the booked provisions for claims outstanding amounted to DKK 1,831,857,323.

The reason for the difference in the amount in the period is that the Guarantee Fund for Non-life Insurers has paid the claims of approximately DKK 492,800,000, which is why the provisions for claims outstanding have been reduced. These payments and the consequent decline in the provisions for claims outstanding will be offset by a corresponding claim from the Guarantee Fund for Non-life Insurers. Moreover, the loss reserves regarding a number of substantial claims outstanding of DKK 148,300,000 has increased and price adjustments have been made.

DKK	1,831,857,323.00
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**Expected liabilities in total**

<b>DKK</b>	<b>2,268,663,968.00</b>
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It is noted in respect of the above calculation that the expected claims for the return of premiums and the claims later on in the estate administration will be replaced by actual claims as the claims for repayment of premiums are calculated and the claims are finalised, including from the Guarantee Fund for Non-life Insurers and other national guarantee fund schemes that are subrogated to the policyholders' and the claimants' claims against the bankruptcy estate under the registered assets, see paragraph 3.1.4.4 below for details.

As at 31 January 2020, the Guarantee Fund for Non-life Insurers paid a total of DKK 949,028,510 to cover both the accepted claims and the claims for the return of premiums.

**1.3.2 Other liabilities relating to the unencumbered assets**

Proofs of claim lodged under section 82 of the Bankruptcy Act	DKK	471,061,553.00
Proofs of claim lodged under section 93 of the Bankruptcy Act	DKK	76,140.00
Proofs of claim lodged under section 94 of the Bankruptcy Act	DKK	1,388,181.13
Proofs of claim lodged under section 95 of the Bankruptcy Act	DKK	34,065,611.74
Proofs of claim lodged under section 97 of the Bankruptcy Act	DKK	115,413,948.09
Proofs of claim lodged under section 98 of the Bankruptcy Act	DKK	155,525,277.82
<b>Other liabilities in total</b>	<b>DKK</b>	<b>777,530,711.78</b>

It is generally noted that the proofs of claim lodged under section 94 of the Bankruptcy Act have been paid to the creditors.

It is noted in respect of the lodged proofs of claim that several claims could potentially be included in both the expected claims/the claims for return of premiums under the registered assets and at the same time

have been separately filed against the bankruptcy estate under the unencumbered assets. It means that the same claim could be included twice in the above calculations. At this point in time the scope of any claims that have been filed twice is not yet clear.

## **2. VOIDABLE TRANSACTIONS AND REPAYMENT CLAIMS**

The trustee has concluded the investigations relating to avoidance in the bankruptcy estate.

The trustee established four general issues that could be voidable and the trustee conducted further investigations into these issues. In that connection the trustee received accounting assistance from an external firm of accountants because of the big business volume in Alpha Insurance A/S (now in bankruptcy) and the significant number of entries each month.

Based on the conducted investigations the trustee established two issues that could be voidable, including a possible claim for avoidance of DKK 60,000,000 as well as a possible claim for avoidance of DKK 562,500. Suspension agreements have been concluded in respect of both issues and they are still in force.

In the past period the trustee had in-depth talks and correspondence with the beneficiaries about the two possible claims for avoidance. The talks are still being held.

The trustee has also established that to a certain extent Alpha Insurance A/S (now in bankruptcy) seems to have paid expenses of a private nature. The trustee's examination of these issues is still being carried out.

## **3. THE ESTATE ADMINISTRATION AND THE TIME SPENT IN THE PAST PERIOD**

The trustee's work in the period since the most recent report and until 31 January 2020 has primarily focused on the following tasks:

### **3.1 The time spent on the registered assets and the relating liabilities**

#### **3.1.1 *Securities***

The bankruptcy estate's portfolio of securities still primarily consists of corporate bonds and government bonds that were booked as at 31 January 2020 at DKK 477,126,657 in total, see item 2 in the list of assets and liabilities in paragraph 1.1.

In the past period the trustee managed the portfolio of securities and regularly assessed the bankruptcy estate's securities investment policy. The assessments have been made together with UBS and Sydbank that administer the bankruptcy estate's portfolio of securities.

In the past period the trustee also sold a part of the portfolio of securities to pay the bankruptcy estate's current operating expenses.

The trustee is still managing the portfolio of securities and ensures that the bankruptcy estate has funds to pay for the operations.

Approximately 11 hours have been spent by lawyers on such work since the most recent report.

### **3.1.2 Reinsurance**

The bankruptcy estate's most important asset in the registered assets is still the receivables relating to the concluded reinsurance contracts, ie the reinsurance part of the provisions for unearned premiums and the provisions for claims outstanding and the receivables from the reinsurers, see items 3 and 4 in the list of assets and liabilities above in paragraph 1.1.

In the past period the handling of the bankruptcy estate's reinsurance still focused on calculating and collecting the bankruptcy estate's reinsurance receivable. In that connection the trustee has received assistance from Beta Re AG with the reconciliation and collection of the bankruptcy estate's balances with the reinsurers as well as assistance with the correspondence with the reinsurers in respect of whom Beta Re AG was the broker before the company went bankrupt.

In that connection the trustee has held meetings with Beta Re AG about the collaboration, including about the process of calculating the balances with the reinsurers and coordinating the strategy and future correspondence with the reinsurers with a view to optimising and facilitating the payment of the bankruptcy estate's receivables.

The trustee has established that some reinsurers have not paid the bankruptcy estate's receivables in compliance with the existing reinsurance treaties. As a consequence, the trustee spent time on studying the individual reinsurance treaties in the past period, including in respect of the right of offsetting, commission, times of payment, interest and reporting requirements, etc. It means that the trustee has had in-depth correspondence and telephone conversations with the various reinsurers about the outstanding receivable and has pressed for payment. Several reinsurers have now made payments.

Moreover, the trustee has had in-depth talks with the other brokers that acted as the link between the various reinsurers and Alpha Insurance A/S (now in bankruptcy) regarding the need for reporting and information sharing with the result that all parties receive the information required for their work and the bankruptcy estate ultimately receives payment of the receivables.

Finally, on 20 December 2019 the trustee sent a semi-annual letter to the reinsurers containing information about the handling of the reinsurance and the general status in the bankruptcy estate. It is expected that the letter will be sent during the month of June 2020.

The trustee is regularly assessing and considering the process relating to the bankruptcy estate's collection of receivables, including also considering the ongoing contractual relationship.

Approximately 898 hours have been spent by lawyers on such work since the most recent report.

### **3.1.3      *Receivables from agents and claims examiners***

The bankruptcy estate's receivables from agents and claims examiners under the registered assets amounted to DKK 102,260,968.00 as at 31 January 2020, see item 5 in the calculation of the bankruptcy estate's assets and liabilities in paragraph 1.1 The asset mainly covers the bankruptcy estate's receivable consisting of the premium receivables from agents, including the instituted legal proceedings against agents and claims examiners respectively.

As for the bankruptcy estate's premium receivable, the trustee started a process in the past period to collect the bankruptcy estate's receivables from agents and claims examiners and started collecting premium receivables and funds in accounts. In that connection the trustee has sent notices requiring payment and the trustee has also pressed for payment of the receivables. The trustee is regularly assessing the status of the collection of the receivables, including whether legal steps are to be taken.

In the past period the trustee took steps to collect a premium receivable of GBP 4,536,923.95 from a former agent which has not been paid to Alpha Insurance A/S (now in bankruptcy). It is noted that the bankruptcy estate has hired legal assistance from an English law firm to help collect the premium receivable. A formal letter of demand to the agent has been drafted and negotiations are currently being held between the parties about the calculation of the premium receivable.

Approximately 169 hours have been spent by lawyers on such work since the most recent report.

### **3.1.4**     *Work relating to the operations*

#### **3.1.4.1**    *Claims handling*

Together with the Guarantee Fund for Non-life Insurers the trustee decided to continue the operations of the bankruptcy estate to minimise the bankruptcy estate's liabilities. It was decided in that connection to continue the claims handling by the existing claims examiners to the extent possible so that the trustee is involved in the ongoing claims handling in compliance with the existing claims handling agreements. Some loss portfolios have been transferred to new claims examiners.

In the past period the trustee's claims handling still took up a lot of time. It is noted in this connection that 79 insurance portfolios out of 99 insurance portfolios in total still have open claims as they are run-off cover for claims raised before the company went bankrupt. A significant number of claims are consequently still to be examined.

In the past period the trustee continued to have in-depth talks and correspondence with the claims examiners to ensure proper claims handling, etc. The purpose is partly to ensure a correct calculation of the claims and partly to ensure that the bankruptcy estate is able to report correctly to the reinsurers.

The trustee's talks and correspondence with the claims examiners have been about the general claims handling, including the procedure for rejecting claims notified after the termination of the policies, the procedure for reporting accepted claims to the bankruptcy estate, the Guarantee Fund for Non-life Insurers and/or other national guarantee fund schemes as well as the claims handling of specific claims as several of the open claims are of an amount and complexity that they require the trustee's continuous involvement in the handling of the specific claims, including also in respect of the determination of the reserves.

Approximately 1,326 hours have been spent by lawyers on such work since the most recent report.

#### **3.1.4.2**    *Position on other bilateral agreements*

In the past period the trustee continued to spend time on administering and approving payments regarding the contracts to which the bankruptcy estate has become a party.

Because Qudos Insurance A/S in bankruptcy entered into an agreement with Alpha Insurance A/S in bankruptcy at the beginning of 2019 to sublet part of the leased premises belonging to Alpha Insurance A/S in bankruptcy in order to use the synergies in the bankruptcy estates, the trustee has spent time on formalising the sublease between the bankruptcy estates in the past period. Because Qudos Insurance

A/S in bankruptcy is now to pay a proportionate part of the service charges of the leased premises and the other operating expenses, the trustee has drafted an agreement on the apportionment of costs between Alpha Insurance A/S in bankruptcy and Qudos Insurance A/S in bankruptcy in the past period. In that connection the trustee has been in contact with the suppliers about splitting up the individual periodical invoices where possible.

Approximately 81 hours have been spent by lawyers on such work since the most recent report.

#### *3.1.4.3 Dealing with employees*

In the past period the trustee continued to have regular talks with the bankruptcy estate's employees about the employment situation, including about the employees' bonus agreements and the implementation of a new system to register the time spent by the employees on Alpha Insurance A/S in bankruptcy and Qudos Insurance A/S in bankruptcy respectively as several employees work for both estates because of the synergy effect.

The trustee has also carried out a workplace assessment in respect of the bankruptcy estate's employees.

The trustee is regularly assessing the bankruptcy estate's staff, including whether there is any need for adding more resources (employees) to the bankruptcy estate.

Approximately 61 hours have been spent by lawyers on such work since the most recent report.

#### *3.1.4.4 Talks with guarantee funds*

In the past period the trustee continued to have regular talks with the Guarantee Fund for Non-life Insurers and its administration company, Topdanmark Forsikring A/S, green card agencies, including the Danish Motor Insurers' Bureau (DFIM), and other national guarantee fund schemes, including the Financial Service Compensation Scheme ("FSCS") (UK), CONSAP-F.G.V.S. (Italy) and the Norwegian guarantee fund. The talks have primarily been about the payment of the policyholders' claims, including the procedure for exchanging claims between the guarantee funds and the bankruptcy estate as well as talks about the calculation of the policyholders' claim for return of premium.

The trustee has also held regular meetings over the telephone and in person with FSCS and the trustee has held status meetings with the management of the Guarantee Fund for Non-life Insurers which follows the estate administration closely and participates in discussions with the trustee about the most important matters in the bankruptcy estate.



It is noted that in the past period the trustee had in-depth discussions with the Norwegian guarantee fund about planning the procedure for the reporting of claims between the claims examiner, the bankruptcy estate and the Norwegian guarantee fund. The Norwegian guarantee fund has started the payouts to the Norwegian claimants.

Finally, the trustee has corresponded with the Italian guarantee fund (CONSAP-F.G.V.S.) and in that connection the trustee has drafted a letter containing detailed information about how to handle the notified claims.

The trustee's talks with the various guarantee funds are still taking place.

Approximately 154 hours have been spent by lawyers on such work since the most recent report.

#### *3.1.4.5 Correspondence with the policyholders and the claimants*

In the past period the trustee had regular correspondence with the policyholders and the claimants about their claims for return of premiums and claims. As at 31 January 2020, the trustee had received approximately 5,817 e-mails in the inbox that the trustee's employees are handling.

In the past period the e-mails were primarily about questions about when the policyholders can expect to receive the payouts from their claims for return of premiums from the guarantee funds and/or the bankruptcy estate as well as questions about specific claims handled by the claims examiners or attorneys.

It is noted in this connection that FSCS and the Guarantee Fund for Non-life Insurers repay premiums on a regular basis. FSCS, the Guarantee Fund for Non-life Insurers, CONSAP-F.G.V.S. and the Norwegian guarantee fund make regular payouts of accepted claims to claimants.

The trustee regularly updates the bankruptcy estate's website, [www.alphagroup.dk](http://www.alphagroup.dk), with relevant information to the policyholders and the claimants about their insurance products and other relevant information about the estate administration.

Approximately 87 hours have been spent by lawyers on such work since the most recent report.

#### *3.1.4.6 Legal actions brought against the bankruptcy estate after the issue of the bankruptcy order*

In the past period the trustee spent time on the legal actions brought against the bankruptcy estate after the issue of the bankruptcy order. The legal actions have primarily been brought before the claimant's/the policyholder's home court and the legal actions are therefore still primarily being handled by external

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attorneys in compliance with the agreements entered into with the relevant claims examiners and the bankruptcy estate. The trustee and the bankruptcy estate's employees are involved in and kept informed about the individual claims on an ongoing basis.

In the past period the trustee focused on the legal actions to ensure that Danish bankruptcy law is complied with.

To the extent that new legal actions are brought against the bankruptcy estate after the issue of the bankruptcy order the trustee is still instructing the attorneys to request a dismissal of the cases in compliance with section 141 of the Bankruptcy Act.

At this point in time the trustee has received decisions in several cases. Several cases have been dismissed by the courts because of the bankruptcy, but decisions have been made in some jurisdictions where cases have not been dismissed which is in conflict with Danish bankruptcy law. The trustee has started the appeal against the decisions in the cases which were not dismissed by the courts so that to the widest extent possible the trustee makes sure that the creditors against the bankruptcy estate are treated the same across the various jurisdictions. The trustee follows the legal actions closely.

It is noted in this connection that with assistance from a Norwegian law firm the trustee has submitted an application for leave to appeal to the Norwegian Supreme Court in a legal action that was not dismissed by the high court. It is the trustee's assessment that the legal action is of a precedent-setting nature. The trustee has not yet received the leave to appeal but awaits the decision.

The clarification of the facts in the other cases is still taking place, and the trustee regularly assists with drafting various pleadings.

In connection with the closing of the annual accounts the trustee also asked the various claims examiners and the attorneys to provide information about the status of the individual legal actions brought after the issue of the bankruptcy order. In the past period the trustee received some feedback in this connection.

The work relating to the legal actions brought after the issue of the bankruptcy order is still going on.

Approximately 179 hours have been spent by lawyers on such work since the most recent report.

#### *3.1.4.7 Legal actions to which the bankruptcy estate has become a party or which have been brought by the bankruptcy estate*

In the past period the trustee spent time on the legal actions to which Alpha Insurance A/S (now in bankruptcy) was a party before the issue of the bankruptcy order and corresponded and had talks with the attorneys about the individual legal actions. The trustee is involved in the legal actions on an ongoing basis.

The trustee has spent time on a legal action against a former agent brought by Alpha Insurance A/S (now in bankruptcy) before the issue of the bankruptcy order. The case is pending before the Copenhagen City Court and the trial hearing has been scheduled for 27 to 29 April 2020. The current claim is payment of DKK 124,926,652.77 (previously DKK 125,151,364.15) plus statutory interest. In the autumn of 2019, the trustee submitted an additional pleading (Pleading 1).

Moreover, the trustee has spent time on the legal action brought by Alpha Insurance A/S in bankruptcy after the date of the bankruptcy against a former agent, claiming payment of EUR 891,073 for not paying the insurance premium to Alpha Insurance A/S (now in bankruptcy). It must be noted that the full amount has not been claimed as the agent has previously accepted part of the liability. In the past period the trustee went through the other party's defence and drafted a reply in the case.

Approximately 85 hours have been spent by lawyers on such work since the most recent report.

#### *3.1.4.8 Compliance and audits*

As part of continuing the operations of the bankruptcy estate the trustee has spent a lot of time on implementing audits of the claims examiners. The purpose of the audit has been to ensure proper claims handling by the claims examiners and that no claims are accepted for which there is no cover under the policy regardless of whether the claim should be covered by the Guarantee Fund for Non-life Insurers, another national guarantee fund or is to be raised against the bankruptcy estate.

In the past period the trustee conducted an audit for 2019 of all the bankruptcy estate's claims examiners and the trustee went through all the audit reports, including together with the Guarantee Fund for Non-life Insurers (where relevant).

The trustee and the bankruptcy estate's employees have had discussions and corresponded with the claims examiners about the findings, recommendations about the procedure going forward as well as preparing the upcoming audit for 2020.

Approximately 87 hours have been spent by lawyers on such work since the most recent report.

#### *3.1.4.9 Audit and bookkeeping*

In the past period the trustee spent time on presenting the bankruptcy estate's internal profit and loss account for 2019. The trustee has had discussions with KPMG about the bankruptcy estate's situation as KPMG is still assisting the trustee with the estate's accounts. As part of the conclusion of the agreement on the apportionment of costs between Alpha Insurance A/S in bankruptcy and Qudos Insurance A/S in bankruptcy the trustee has also had in-depth discussions with KPMG about how to treat the VAT relating to the re-invoicing between the bankruptcy estates, including also hiring out employees.

It is noted in respect of the bookkeeping that the trustee's employees are still assisting with the bookkeeping of the day-to-day running of the bankruptcy estate and that the trustee's employees still approve all payments by the bank. The trustee's employees are therefore still present in person at the company every day.

As for the periodical reporting of direct and indirect taxes, the trustee has continued to correspond with the external tax consultants and foreign tax authorities. In that connection the trustee has had in-depth talks with the Norwegian claims examiners and the Norwegian authorities about how to treat and calculate the Norwegian RTV tax.

Approximately 569 hours have been spent on such work since the most recent report. A significant part of the hours has been spent by the trustee's employees skilled in accounts.

#### *3.1.5 General work on planning the notification process and the examination of claims process*

In the past period the trustee continued to spend time on planning and developing the notification process in the bankruptcy estate, including handling the claims for the return of premiums, accepted claims and complaints regarding rejected claims, see paragraphs 3.1.5.1-3.1.5.3 below for details.

The trustee has spent time on developing and maintaining the new register of debts and claims for the purpose of registering the claims under the registered assets, including the policyholders' claims for return of premiums and the claimants' claims. In that connection the trustee has continued to hire external consultancy assistance.

### 3.1.5.1 *Web form, repayments*

In the past period the trustee continued to spend time on handling the claims for return of premiums against the bankruptcy estate and the Guarantee Fund for Non-life Insurers filed via the web form designed by the bankruptcy estate together with the Guarantee Fund for Non-life Insurers.

As at 20 January 2020, a total of 19,066 claims for the return of premium had been filed by using the web form.

In the past period the trustee continued to have regular talks with the Guarantee Fund for Non-life Insurers and FSCS about the calculation of the returned premium regarding the various insurance products as the guarantee funds subrogate to the policyholders' claims against the bankruptcy estate when the payments are made to the policyholders. The bankruptcy estate agrees on the calculation method with the Guarantee Fund for Non-life Insurers and/or FSCS on an ongoing basis where relevant and has devised an automated procedure for calculating the claim for return of premium in that connection.

To the extent that incorrect information has been provided in the web form, the individual claims are taken out for manual processing. The bankruptcy estate is also exchanging information with the Guarantee Fund for Non-life Insurers to ensure that no payouts are made twice to the policyholders.

It is noted that both the Guarantee Fund for Non-life Insurers and FSCS made payouts regarding claims for return of premium to the policyholders in the past period.

Approximately 11 hours have been spent by lawyers on such work since the most recent report.

### 3.1.5.2 *Notification of claims from claims examiners*

In the past period the trustee continued to spend time on planning and developing a procedure for the claims examiners' notification of the accepted claims to the bankruptcy estate as well as maintaining and developing the new register of debts and claims to handle the claims filed under the registered assets.

In that connection the trustee, with assistance from internal IT consultants, has updated the technical guide for the file management for the purpose of recording the individual claims in the register of debts and claims.

The trustee has also corresponded and had talks with the individual claims examiners about the process for notifying the accepted claims, including also in respect of the interaction with the existing ongoing notification to Alpha Insurance A/S in bankruptcy.

Approximately 43 hours have been spent by lawyers on such work since the most recent report.

#### *3.1.5.3 Web form for claims (complaint form)*

In the past period the trustee dealt with the complaints opened through the complaint form. The complaints have mainly been complaints about the claims examiner's rejection of the claim, including because it was a claim based on a terminated policy (a loss suffered after 11 August 2018) and/or that the claimant disagrees with the claims examiner about the payout.

As at 31 January 2020, a total of 23 complaints have been received.

The complaints have been dealt with with assistance from the bankruptcy estate's employees who have obtained input from the various claims examiners about the specific complaint.

The complaints are recorded in the bankruptcy estate's register of debts and claims on an ongoing basis.

Approximately 8 hours have been spent by lawyers on such work since the most recent report.

### ***3.1.6 The creditors' special status, if any, in relation to reinsurance receivables and other assets***

#### *3.1.6.1 The Danish Guarantee Fund for Non-life Insurers*

In the past period the trustee had talks and corresponded with the Guarantee Fund for Non-life Insurers and its administration company, Topdanmark Forsikring A/S, about whether the Guarantee Fund for Non-life Insurers has a special legal status in the bankruptcy estate. This issue is still the subject of discussions and correspondence.

Approximately 51 hours have been spent by lawyers on such work since the most recent report.

#### *3.1.6.2 Danish Labour Market Insurance*

In the past period the trustee had talks and corresponded with Danish Labour Market Insurance ("AES") represented by Plesner Law Firm about whether AES has a special legal status in the bankruptcy estate. This issue is still the subject of discussions and correspondence.

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The parties are also having intensive talks about how to deal with the reinsurance of the portfolio, including the involvement of an external claims examiner. A separate chargee administration case has been opened to deal with this portfolio. The talks about the portfolio and the reinsurance, etc are still taking place.

Approximately 192 hours have been spent by lawyers on such work since the most recent report, but it is noted that the number of hours is an estimate. The trustee is currently in the process of calculating the time spent, including also the time spent by the bankruptcy estate's employees.

### **3.2 The unencumbered assets and the claims filed under the unencumbered assets**

#### **3.2.1 *Receivable from Intercede 2408 Limited***

Intercede 2408 Limited owes the bankruptcy estate DKK 41,516,016 according to a loan agreement of 21 December 2012 between the parties. Intercede 2408 Limited is a subsidiary of the reinsurer CBL Insurance Limited that went bankrupt on 12 November 2018.

In the past period the trustee studied the loan agreement and its addendum in detail, including also in respect of the connection with CBL Insurance Limited. It has been established in this connection that on 21 December 2012 CBL Insurance Limited issued a guarantee in security of Intercede 2408 Limited's repayment of the loan to Alpha Insurance A/S.

Alpha Insurance A/S's loan to Intercede 2408 Limited was extended several times and according to the agreement the loan was to be repaid on 1 November 2020. However, the trustee has established that CBL Insurance Limited's guarantee in security of Intercede 2408 Limited's repayment to Alpha Insurance A/S was not extended in connection with the extension of the loan and that the guarantee thus expired in 2017.

Intercede 2408 Limited was dissolved on 6 August 2019 by a compulsory strike-off from the British Companies House. The consequence of the dissolution is that Intercede 2408 Limited is no longer a legal entity and the company's assets, if any, have become the property of the British Crown. The trustee is currently in talks with the British authorities for the purpose of filing the claim by Alpha Insurance A/S in bankruptcy.

As CBL Insurance Limited's guarantee expired in 2017 the trustee has abandoned pursuing the claim against CBL Insurance Limited.

Approximately 78 hours have been spent by lawyers on such work since the most recent report.

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### **3.2.2     *Staff loans***

An employee with the bankruptcy estate owes the bankruptcy estate DKK 1,068,356, see item 11 in the calculation of the bankruptcy estate's assets and liabilities in paragraph 1.2. The trustee has made sure that payments have been made under the concluded payment agreement.

Approximately 6 hours have been spent by lawyers on such work since the most recent report.

### **3.2.3     *Receivable from Beta Re AG***

Beta Re AG owes the bankruptcy estate DKK 7,360,000, see item 12 in the calculation of the bankruptcy estate's assets and liabilities in paragraph 1.2.

In the past period the trustee continued to have talks and correspond with Beta Re AG about the receivable and the agreed repayments under the payment agreement and talks about Beta Re AG's continued assistance to the bankruptcy estate in connection with the collection of the bankruptcy estate's reinsurance receivable, see paragraph 3.1.2 for details.

Approximately 43 hours have been spent by lawyers on such work since the most recent report.

### **3.2.4     *Other receivables***

As at 8 May 2018, CBL Insurance Services ApS (now in the process of being compulsorily dissolved) owed the bankruptcy estate DKK 86,614 for sublet premises.

In the past period the trustee had talks with the manager of CBL Insurance Services ApS (now in the process of being compulsorily dissolved) about the receivable and a settlement by the payment of DKK 28,871.40 inclusive of VAT in full and final settlement of the receivable was subsequently concluded.

Approximately 10 hours have been spent by lawyers on such work since the most recent report.

### **3.2.5     *Investigations relating to avoidance***

In the past period the trustee carried out further examinations of the two possible claims for avoidance, including a possible claim for avoidance of DKK 60,000,000 and DKK 562,500 respectively. The trustee has also had in-depth talks and correspondence with the beneficiaries about the two possible claims for avoidance.

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The trustee has also examined expenses taken to the profit and loss account that seem to be of a private nature. This work is still taking place.

A detailed account has been provided in paragraph 2.

Approximately 224 hours have been spent by lawyers on such work since the most recent report.

### **3.2.6     *Investigations relating to management liability***

Firstly, it is noted that the trustee has conducted investigations relating to management liability and in that connection the trustee identified a number of issues to be investigated further. The trustee consequently filed a preliminary claim under the directors and officers insurance.

In the past period the trustee conducted further investigations of the identified issues. The trustee's investigations have not yet been concluded and the investigations are still being conducted.

Approximately 1,310 hours have been spent by lawyers on such work since the most recent report.

### **3.2.7     *Other estate administration***

Approximately 142 hours have been spent by lawyers on the general estate administration, including corresponding with the creditors and the bankruptcy court and on preparing this report.

## **4.           SUMMARY OF THE TIME SPENT**

It means that approximately 5,825 hours in total have been spent on the estate administration, including 3,253 hours by lawyers and 759 hours by finance employees relating to the registered assets, see paragraph 1.1, and approximately 1,813 hours by lawyers on work relating to the unencumbered assets, see paragraph 1.2, in the period since the most recent report and until 31 January 2020.

## **5.           THE FUTURE ESTATE ADMINISTRATION AND THE CLOSING OF THE BANKRUPTCY ESTATE**

The estate administration in the next period will still focus on the operations of the bankruptcy estate as the continuation of the operations is still necessary to secure the bankruptcy estate's assets and limit its liabilities.

As a consequence of the many estimates relating to both the calculation of the assets and the liabilities it is still not yet possible to estimate the expected dividend in the bankruptcy estate, including the cover from the registered assets and the unencumbered assets. It is also not possible to estimate when it can be expected that the bankruptcy estate will be closed.

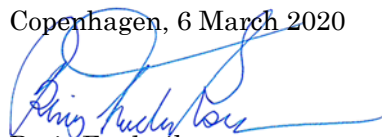
#### **6. INTERIM FEE**

On 9 December 2019, the Bankruptcy Division of the Danish Maritime and Commercial High Court approved an interim fee of DKK 30,000,000 plus VAT. The bankruptcy court approved the interim fee subject to the final approval of the fee when the bankruptcy estate is closed. The fee has been paid proportionately by the bankruptcy estate's funds under the registered assets and the unencumbered assets.

#### **7. NEXT CREDITOR INFORMATION**

The next creditor information with a report under section 125(4) of the Bankruptcy Act will be sent on 8 September 2020 at the latest to the bankruptcy court and the creditors.

Copenhagen, 6 March 2020



Boris Frederiksen  
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