

The Insolvency Act 1986

2.24B**Administrator's progress report**

Name of Company

Firstcity Insurance Group Limited

Company number

02728925

In the High Court of Justice

Chancery Division

Manchester District Registry

Court case number

1359 of 2010

We

David Costley-Wood

KPMG LLP

St James' Square

Manchester

M2 6DS

United Kingdom

Michael Walker

KPMG LLP

1-2 Dorset Rise

London

EC4Y 8EN

United Kingdom

IP Number 9339

IP Number 9340

Administrators of the above company attach a progress report for the period

from

20 May 2010

to

19 November 2010

Signed

Joint Administrators

Dated

15 December 2010

Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record.

Daniel Singer

KPMG LLP

St James' Square

Manchester

M2 6DS

United Kingdom

DX Number DX 724620 Manchester 42

DX Exchange

When you have completed and signed this form, please send it to the Registrar of Companies at-

Companies House, Crown Way, Cardiff CF14 3UZ

DX 33050 Cardiff

TUESDAY



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COMPANIES HOUSE



**Firstcity Insurance Group Limited
(in Administration)**

**Progress Report
for period 20 May 2010 to 19
November 2010**

KPMG LLP

15 December 2010

This report contains 6 Pages

Appendices contains 8 pages

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COMPANIES HOUSE

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Firstcity Insurance Group Limited (In Administration)
Progress Report for period 20 May 2010 to 19 November 2010
KPMG LLP
15 December 2010

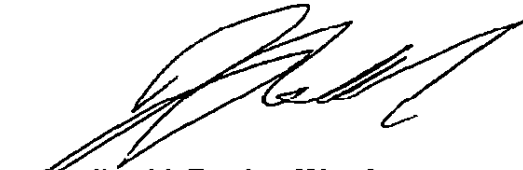
About this Report

- This progress report has been prepared by David Costley-Wood and Michael Walker, the Joint Administrators of the Company, solely to comply with their statutory duty under the Insolvency Act 1986 ("the Act") and the Insolvency Rules 1986 (amended) ("the Rules") to provide creditors with an update on the progress of the Administration of the estate, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.
- This report has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in the Company.
- Any estimated outcomes for creditors included in this report are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors.
- Any person that chooses to rely on this report for any purpose or in any context other than under the Act and the Rules does so at their own risk. To the fullest extent permitted by law, the office holders do not assume any responsibility and will not accept any liability in respect of this report.



1 Executive summary

- David Costley-Wood and Michael Walker were appointed Joint Administrators of Firstcity Insurance Group Limited ("the Company") on 20 May 2010 by the High Court of Justice pursuant to paragraph 22 of Schedule B1 to the Act
- This progress report covers the period from appointment on 20 May 2010 to 19 November 2010.
- The Joint Administrators' Statement of Proposals, with the exception of any proposals in relation to the Joint Administrators' fees was approved on 19 July 2010 pursuant to Rule 2.33 (5A) of the Rules and has not been modified.
- Based on the expected level of realisations there is no prospect of funds being available for unsecured creditors
- Full details of the Joint Administrators' progress report are attached together with all the relevant statutory information included by way of Appendices.



David Costley-Wood
Joint Administrator



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3	Analysis of Administrators' time costs and expenses
4	Schedule of accrued Administration expenses for the period
5	Form 2.25B, Notice of conduct of business by correspondence



2 Statement of proposals and fee proposals

The Joint Administrators' Statement of Proposals was sent to all known creditors on 7 July 2010.

Due to lack of funds the Joint Administrators decided not to convene a creditors' meeting and one was not subsequently requisitioned. As a result the Statement of Proposals, as circulated, was deemed to have been approved on 19 July 2010 pursuant to Rule 2.33 (5A) with the exception of any proposals in relation to the Joint Administrators' fees.

The Joint Administrators are therefore calling a meeting of creditors via correspondence in order to approve the following fee proposals:

- The Joint Administrators will be authorised to draw fees on account from the assets of Firstcity Insurance Group Limited for the period 20 May 2010 to 19 November 2010 and from time to time for the period 20 November 2010 to the end of the Administration. Fees will be based on time properly spent at KPMG LLP charge out rates set out in Appendix 3 that reflect the complexity of the assignment. Also, the Joint Administrators will seek approval to draw disbursements from time to time, and
- That the costs of KPMG LLP in respect of health and safety, environmental, pension advice, tax and VAT advice provided to the Joint Administrators be based upon time costs and shall be paid out of the assets of Firstcity Insurance Group Limited.

Further details of this meeting of creditors via correspondence is discussed in section 4.4

3 Progress to date

3.1 Strategy update and progress overview

The Company had few realisable assets at the date of appointment as its business had been sold to Arthur J Gallagher (UK) Limited ("AJG UK") on 1 April 2010. Potential realisable assets previously reported on included £1,000 in a pre-appointment bank account which the Joint Administrators have now realised and an inter-company debt which the Joint Administrators continue to pursue.

The Joint Administrators have identified that the Company also holds a number of shares in Arthur J Gallagher & Co. ("AJG US"), received as consideration for the sale of the business to AJG UK. This shareholding is discussed further in section 3.1.4 below.

On 3 November 2010 Firstcity Partnership Limited, the principal trading subsidiary of the Company, exited Administration through a Creditors' Voluntary Liquidation.



3.1.1 Leasehold premises

The Joint Administrators have been in communication with the legal advisors of the Company's London and Poole premises' landlords regarding surrender of the leases.

The Joint Administrators are pleased to report that a surrender of the London premises' lease has been successfully negotiated. Both premises have subtenants who are discussing ongoing occupation of the premises with the landlords directly.

3.1.2 First City N.A. Inc ("FCNA")

The Joint Administrators have been in talks with the director of FCNA, the Company's US subsidiary, regarding payment of an inter-company debt of £95,000.

As a result of these talks, the director has agreed to settle part of this debt through realising FCNA shareholdings. It is estimated that approximately £32,000 will be paid to the Administration as a result of this share sale. An update on this and realisation of the balance of the inter-company debt will be provided in our next report.

3.1.3 Subsidiary shareholdings

The Company owns 100% of the share capital of FCNA, Firstcity Trustee Limited ("FT Limited") and Firstcity Employees Trustee Limited ("FET Limited"). FT Limited and FET Limited do not trade and have no assets. The Joint Administrators have concluded that these subsidiary shareholdings do not have any realisable value.

3.1.4 Shareholding in AJG US

As discussed in section 3.1 above, the Company holds a number of shares in AJG US with an approximate value of \$67,000. The Joint Administrators have secured the shares and are realising them through a registered broker. An update on this will be provided in our next report.

3.2 Liabilities

3.2.1 Secured and preferential creditors

The Company has no secured or preferential creditors.

3.2.2 Unsecured creditors.

It is unlikely that there will be sufficient funds to enable a distribution to be made to the unsecured creditors.



3.3 Expenses for the period

3.3.1 Receipts and payments

The receipts and payments for the period are set out in the attached Receipts and Payments Account at Appendix 2 and comments on the Appendices are set out in section 4.1

3.3.2 Office holders remuneration and expenses

The office holders' time costs for the period of this report are attached at Appendix 3. This shows that in the period 20 May 2010 to 19 November 2010 time costs of £63,644 have been incurred, representing 216 hours at an average hourly rate of £295. This includes work undertaken in respect of statutory matters in relation to the Administration, communication with creditors, tax, VAT and asset realisation related work. Expenses incurred by the Joint Administrators for the period total £869.

Based on realisations to date of £1,000 and future confirmed realisations of \$67,000, fees to be drawn are likely to total £39,000

Any additional information with regards to the time and expense costs incurred to date can be requested by any unsecured creditor(s) with at least 5% in value of the unsecured debt in accordance with Rule 2.48A of the Rules. This request must be made within 21 days of receipt of the report. The full text of that Rule can be provided on request. In addition creditors are reminded that the quantum can be challenged by unsecured creditor(s) with at least 10% in value excluding that creditors claim by making an application to court in accordance with Rule 2.109 of the Rules. The full text of this Rule can also be provided on request.

3.3.3 Accrued Administration expenses for the period

Accrued Administration expenses for the period total £70,647, including £63,644 of officeholders' remuneration and expenses of £869 as detailed above and a further £6,134 of other costs, see Appendix 4 for details.

Details of the amount accrued for the officeholders' remuneration are discussed above and other amounts that require explanation are dealt with in detail below. As set out above, additional information about expenses charged for the period is available from the office holders upon request by any unsecured creditor, or creditors owed 5% or more in value of the unsecured liabilities listed. Full details of the process to obtain more information under Rule 2.48A of the Rules and to challenge the Joint Administrators' remuneration and expenses under Rule 2.109 of the Rules are explained above.



4 Comments on the Appendices

4.1 Appendix 2: Receipts & payments account for the period 20 May 2010 to 19 November 2010

4.1.1 Receipts

Funds held in a pre-appointment bank account totalling £1,000 have been received in to the Administration bank account

4.1.2 Payments

There have been no payments made from the Administration bank account during the period

4.2 Appendix 3: Analysis of office holders' time and expense costs

Total time costs incurred to date are £63,644. Since 20 May 2010, the Joint Administrators have been engaged in.

- Statutory procedures and other appointment related formalities; this work includes correspondence with key stakeholders, sourcing information for the purposes of the Administration, securing the Company's books and records and carrying out the statutory requirements of the Administration;
- Controlling the Company's current account; this work involved securing the account balance, opening an Administration account and managing the transfer of pre-appointment funds into the Administration account;
- Corresponding with creditors; this work includes sourcing creditor information, liaising with creditors both in writing and verbally, dealing with creditors' queries and ongoing creditor correspondence;
- Securing the premises; this work includes attendance at the Company's premises, liaising with the landlord and sub-tenants, reviewing the premises' security requirements and ensuring open cover insurance is in place;
- Liaising with the director of the Company regarding the complexities of the sale of business to AJG UK;
- Liaising with the director of FCNA to secure realisations from shares in return for the repayment of the inter-company debt,
- Corresponding with solicitors; this work includes reviewing the Company's lease positions and the surrender of the London premises' lease,



- Liaising with solicitors and agents regarding the sale of business and assets to AJG UK, confirming asset ownership positions and reviewing asset realisation potential;
- Corresponding with KPMG RRG, GSS, VAT and Corporation Tax teams; this work includes reviewing the Company's ledgers for additional assets that can be recovered, liaising with GSS regarding health and safety matters relevant to the Administration and liaising with KPMG tax teams to ascertain the Company's appointment date VAT and Corporation tax positions.

A total of £869 of expenses has been incurred by the Joint Administrators' in the period, of this amount the largest expenses include £477 that relate to travel costs, £210 for professional fees and £134 for statutory advertising costs

4.3 **Appendix 4: Schedule of accrued Administration expenses for the period**

Expenses for this period total £70,647, including accrued costs for the Joint Administrators' fees of £63,644 and £869 for the Joint Administrators' expenses. Additionally legal costs of £5,000 and agents fees of £1,000 have been accrued for

4.4 **Appendix 5: Form 2.25B, Notice of conduct of business by correspondence**

As stated above it is the Joint Administrators intention to call a meeting of creditors via correspondence to obtain approval of the two fee proposals outlined in section 2. I should be grateful if you would return the unsecured voting form 2.25B, together with the attached proxy and proof of debt forms, duly completed to: KPMG LLP, Restructuring, St James' Square, Manchester, M2 6DS for the attention of Dan Singer by no later than 12:00pm 14 January 2010.

In accordance with Rule 2.48 of the Rules it is our intention to conduct the business of the creditors meeting by post unless any single creditor or group of creditors of the Company whose debt(s) amount to at least 10% of the total debts of the Company intimate within 5 business days from the date of this letter that they require a creditors meeting to be summoned to consider matters

A creditor claiming retention of title must deduct the estimated value of any such rights and a creditor claiming under a hire purchase, conditional sale or chattel leasing arrangement is entitled to vote only for the amount due and payable at the date of the Administration, being 20 May 2010



Appendix 1

Statutory information

Appointment

Company name & Trading style	Firstcity Insurance Group Limited
Administration	The Administration Order granted in the High Court of Justice, Chancery Division, Manchester District Registry, Court No 1359 of 2010
Date of appointment	20 May 2010
Office holders details	David Costley-Wood is authorised to act as an insolvency practitioner by the ICAEW. Michael Walker is authorised to act as an insolvency practitioner by the Insolvency Practitioners Association
Functions	The functions of the Administrators are being exercised by either or both of them in accordance with Paragraph 100(2) of Schedule B1 of the Act
Application of EC regulations	EC regulations apply and these proceedings will be the Main Proceedings as defined in Article 3 of the EC regulations.

Company Information

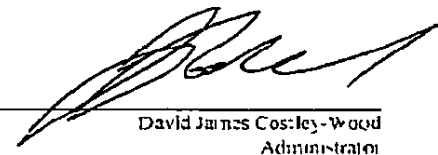
Company registration number	02728925
Previous registered office	13-15 Folgate Street, London, E1 6BX
Present registered office	KPMG LLP, St James Square, Manchester, M2 6DS



Appendix 2
Joint Administrators' receipts and payments accounts for the period 20
May 2010 to 19 November 2010

First City Insurance Group Limited
(In Administration)
Administrators' Abstract of Receipts & Payments

Statement of Affairs		From 20/05/2010 To 19/11/2010	From 20/05/2010 To 19/11/2010
1 000 00	ASSET REALISATIONS		
	Cash at bank	1 000 00	1 000 00
		1 000 00	1 000 00
1 000 00		1 000 00	1 000 00
	REPRESENTED BY		
	Floating charge current		1 000 00
			1 000 00


David James Costley-Wood
Administrator



Firstcity Insurance Group Limited (in Administration)
Progress Report for period 20 May 2010 to 19 November 2010
KPMG LLP
15 December 2010

ABSTRACT OF RECEIPTS AND PAYMENTS - 20/05/2010 to 19/11/2010 Appendix to Form 2.24
First City Insurance Group Limited Page 1

RECEIPTS	£
Brought forward from previous Abstract (if Any)	0.00
Cash at bank	1,000.00
Carried forward to * continuation sheet / next abstract	1,000.00
PAYMENTS	£
Brought forward from previous Abstract (if Any)	0.00
Carried forward to * continuation sheet / next abstract	0.00



Appendix 3

Analysis of office holders' time and expense costs for the period 20 May 2010 to 19 November 2010

Firstcity Insurance Group Limited (in Administration)

Reporting period from 20 May 2010 to 19 November 2010

SIP 9 Compliance workbook

	Partner / Director	Manager	Administrator	Support	Total hours	Time cost
Administration & planning						
Carboring						
General (Carboring)			2.20		2.20	£363.00
Records management (SIPs accounting software)			0.10		0.10	£17.50
General						
Books and records		11.00			11.00	£3,520.00
Fees and VAT				1.90	1.90	£199.50
Statutory and compliance						
Appointments and related remuneration	5.90	15.00	14.00	1.00	35.90	£10,293.50
Bonding and bondsmen				0.90	0.90	£94.50
Checklist & reviews		10.00			10.00	£3,100.00
Pre-appointment checks	17.50				17.50	£7,700.00
Statutory receipts and payments account				11.50	11.50	£1,367.50
Strategy documents	0.90	7.00			7.90	£2,673.50
Tax						
Initial returns CT and VAT	1.00		4.20		5.20	£1,385.00
Post appointment corporate tax	2.50	2.70	4.95		10.15	£3,077.75
Post appointment VAT	0.10	3.60	3.50		7.20	£1,968.50
Creditors						
Creditors and claims						
Agreement of claims	0.50				0.50	£220.00
General correspondence		15.00		2.00	17.00	£5,060.00
Legal claims	2.30				2.30	£1,012.00
Statutory reports	0.10	29.00			29.10	£9,331.50
Employees						
Pensions reviews			1.80		1.80	£297.00
Investigation						
Directors						
D form drafting and submission		8.00			8.00	£2,560.00
Statement of affairs	0.10				0.10	£51.50
Investigation						
Correspondence re investigations		3.00			3.00	£960.00
Realisation of assets						
Asset Realisation						
Cash and investments		2.00	8.75		10.75	£2,308.75
Debtors		2.00			2.00	£640.00
Leasehold property	0.50	6.00	9.70		16.20	£4,178.00
Open cover insurance			1.55		1.55	£348.75
Other assets	2.00		0.25		2.25	£976.25
Total in period					216.00	£63,644.00
Fees and expenses drawn						
BAT			0.00		111.45	£33,175.75
In the period			0.00		104.55	30,468.25
CAT			<u>0.00</u>		<u>216.00</u>	<u>£63,644.00</u>
Hours costs to date						



Category 1 expenses

Expense name	Expense value £
Professional and legal costs	210 00
Travel costs	477 20
Statutory advertising costs	134 35
Postage	39 16
Meal costs	8 00
	<hr/>
	868 71
	<hr/>

Chargeable rates from 1 April 2009

Grade	Rate per hour £
Partner	515
Associate Partner	440
Director	440
Senior Manager	405
Manager	320
Assistant Manager	225
Assistant	165
Support	105

Chargeable rates from 1 October 2010

Grade	Rate per hour £
Partner	535
Associate Partner	460
Director	460
Senior Manager	425
Manager	345
Assistant Manager	240
Assistant	175
Support	110



Appendix 4

Schedule of accrued Administration expenses for the period

Schedule of expenses	Paid £	Accrued £	Total for period £
Cost of Realisations			
Office holders' fees		63 644	63 644
Office holders' expenses		869	869
<i>Other professional fees</i>			
Legal Fees		5 000	5 000
Agents Fees		1 000	1 000
<i>Other realisation costs</i>			
Statutory advertising		134	134
	-	70 647	70,647



Appendix 5

Form 2.25B

Notice of conduct of business by correspondence

Name of Company Firstcity Insurance Group Limited	Company number 02728925
In the High Court of Justice Chancery Division, Manchester District Registry	Court case number 1359 of 2010

Notice is hereby given by
David James Costley-Wood
KPMG LLP
St James' Square
Manchester
M2 6DS
United Kingdom

Michael Steven Walker
Salisbury Square
London
EC4Y 5BB

to the creditors of
First City Insurance Group Limited

13 15 Folgate Street
London

that, pursuant to paragraph 55 of Schedule B1 to the Insolvency Act 1986 enclosed are resolutions for your consideration. Please indicate below whether you are in favour or against each resolution.

This form must be received at
KPMG LLP St James' Square
Manchester, M2 6DS
United Kingdom

by 12.00 hours on 14 January 2010 in order to be counted. It must be accompanied by details in writing of your claim. Failure to do so will lead to your vote(s) being disregarded.

Resolution 1 see attached
Resolution 2 see attached

I am *in Favour Against
I am *in Favour Against

TO BE COMPLETED BY CREDITOR WHEN RETURNING FORM

Name of creditor

Signature of creditor
(If signing on behalf of
creditor state capacity
e.g. director / solicitor)

If you require any further details or clarification
prior to returning your votes please
contact us at the address above

Signed

Joint Administrator

Dated

15 December 2010



Joint Administrators' Resolutions

The Joint Administrators propose the following resolutions

- (1) The Joint Administrators will be authorised to draw fees on account from the assets of Firstcity Insurance Group Limited for the period 20 May 2010 to 19 November 2010 and from time to time for the period 20 November 2010 to the end of the Administration. Fees will be based on time properly spent at KPMG LLP charge out rates that reflect the complexity of the assignment. Also the Joint Administrators will seek approval to draw disbursements from time to time.
- (2) That the costs of KPMG LLP in respect of HSE Pension Tax and VAT advice provided to the Joint Administrators be based upon time costs and shall be paid out of the assets of Firstcity Insurance Group Limited.

Proof of debt - general form

In the matter of Firstcity Insurance Group Limited

and

In the matter of the Insolvency Act 1986

Date of commencement of Administration: 20 May 2010

1	Name of creditor	
2	Address of creditor	
3	Total amount of claim, including any VAT and outstanding uncapitalised interest as at the date of the company went into liquidation (see note on page 2)	£
4	Details of any documents by reference to which the debt can be substantiated. (Note: the liquidator may call for any document or evidence to substantiate the claim at his discretion)	
5	If the total amount shown above includes outstanding uncapitalised interest please state amount	£
6	Give details of whether the whole or any part of the debt falls within any (and if so which) of the categories of preferential debts under s 386 of, and schedule 6 to, the Insolvency Act 1986 (as read with schedule 3 to the Social Security Pensions Act 1975)	Category Amount(s) claimed as preferential £
7	Particulars of how and when debt incurred	
8	Particulars of any security held, the value of the security, and the date it was given	
9	Particulars of any reservation of title claimed, including details of goods supplied, their value and when supplied.	
10	Signature of creditor or person authorised to act on his behalf	
	Name in BLOCK LETTERS	
	Position with or relation to creditor	

The Insolvency Act 1986

Proxy (administration)

In the matter of Firstcity Insurance Group Limited

and

in the matter of the Insolvency Act 1986

Notes to help completion of the form

Please give full name and address for communication

Name of creditor _____

Address _____

Please insert name of person (who must be 18 or over) or "chairman of the meeting" if you wish to provide for alternative proxy-holders in the circumstances that your first choice is unable to attend please state the names of the alternatives as well

Name of proxy-holder

1 _____

2 _____

3 _____

Please delete words in brackets if the proxy-holder is only to vote as directed i.e. he has no discretion

I appoint the above person to be my/the creditor's proxy-holder at the meeting of creditors to be held to be held by correspondence on 17 January 2010. The proxy-holder is to propose or vote as instructed below (and in respect of any resolution for which no specific instruction is given, may vote or abstain at his/her discretion).

Voting instructions for resolutions:

Please delete as appropriate*

1 For the acceptance/rejection* of the administrator's proposals/revised proposals*
 2 For the appointment of _____
 of _____
 representing _____
 as a member of the creditors' committee.

This form must be signed

Signature _____ Dated _____

Name in CAPITAL LETTERS _____

Only to be completed if the creditor has not signed in person

Position with creditor or relationship to creditor or other authority for signature