

An Roinn Airgeadais
Department of Finance



12 April 2023

Ref: S1253 PAC23

Ms. Sarah Cremin
Committee Secretariat
Committee of Public Accounts
Leinster House
Dublin 02
D02 XR20

Dear Sarah,

I refer to your letter dated 27 March in relation to the Department of Finance's appearance at the Committee of Public Accounts (PAC) on 23 February, which discussed aspects of the administration of Quinn Insurance Limited (QIL). Your letter seeks clarification on aspects of information provided by Departmental officials in the context of State Claims Agency's (SCA) subsequent appearance before the Committee.

Having reviewed your letter, and the transcripts from the relevant PAC meetings, I understand that the Committee is seeking further insight into the role of the SCA in the litigation and settlement between the Joint-Administrators of QIL and Pricewaterhouse Coopers (PwC).

At the outset, I feel it is important to clarify that this litigation was between the two litigants – the Joint-Administrators for QIL and PwC. However, given its impact on the Insurance Compensation Fund (ICF), including the recourse of the Joint-Administrator to the ICF for the security of costs, my Department felt that it was appropriate to engage with the Joint-Administrators from a public interest perspective to ensure that ICF monies were being used prudently and that any risk to public funds was minimised.

As part of this process, and due to the complexity of the issues under consideration, the Department engaged with the SCA given its significant expertise in litigation. Owing to this experience, the SCA provided an independent, expert observation on the litigation and potential settlement. However, to be clear, the SCA had no formal role in the litigation, nor had it a role in approving any settlement amount or drawdowns from the ICF - a point that was stated by Mr. Breen in his evidence. However, it is important to note that following the enactment of legislation (the Insurance Amendment Act 2018) the SCA has a targeted role in auditing ICF claims and this was stated by Mr. Breen at the Committee meeting on 02 March.

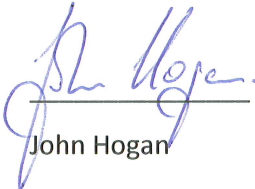
The Supreme Court ruled in 2021 that QIL must provide security for the legal expenses that PwC could incur in defending itself. The Department was informed that in this situation the ICF could be called upon for this cost, with the Joint-Administrators seeking release of ICF funding to meet the Supreme Court ruling and facilitate further negotiations.

The Department took the view that the ICF should not be unnecessarily and negatively affected, and provided this perspective to the Joint-Administrator of QIL. Following discussions, the Department proposed an alternative form of security – a letter of comfort - but in December 2021, this approach was deemed not acceptable in the High Court. Subsequently, to help facilitate the QIL/PwC litigation reaching a settlement, it was agreed that the ICF provide security for PwC's costs which were in the region of €23.5m. In June 2022, PwC made a final settlement offer that was accepted by the Joint-Administrators of QIL, as representing the best commercial outcome given the circumstances.

While the terms of the final court settlement agreed between the Joint-Administrators of QIL and PwC is not in the public domain, it is my understanding that the impact of that settlement and of the return of the security costs will be reflected in the 2022 accounts of the ICF. Once these accounts have been prepared and then signed off by the Comptroller and Auditor General they will be laid before the Houses of the Oireachtas. Finally, the Department has recently become aware of other QIL related matters that are now currently before the courts which, when public, may provide information on the settlement reached with PwC.

I hope that this information clarifies the matter. My officials and I will be happy to provide any further assistance to the work of the Committee including attending the relevant hearing on 20th April.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'John Hogan', written over a horizontal line.

John Hogan
Secretary General