

THE BOND & CREDIT CO.

A MEMBER OF THE TOKIO MARINE GROUP

18 June 2021

Rt Hon. Mel Stride MP
Chair of the Treasury Committee
Treasury Committee
House of Commons, Committee Office
London SW1A 0AA
United Kingdom

[Via E-mail: treascom@parliament.uk](mailto:treascom@parliament.uk)

Dear Sir:

Thank you for your letter of 27 May 2021 to The Bond & Credit Co. (which was addressed to Mr. Ray Massey), requesting written evidence pursuant to the Committee's inquiry into the *Lessons From Greensill Capital*, and the opportunity to submit this response. As previously advised to you by letter dated 3 June 2021, any correspondence on this matter should please be conducted with BCC Trade Credit Pty Limited ("BCC"), represented by the signatory to this letter (and copied to Joaquim Smith, as indicated). We address your questions below.

We would appreciate it greatly if you would submit written evidence to the Committee to aid our understanding of the events surrounding the withdrawal of Greensill's credit insurance, which Mr Greensill has identified as one of the key moments in the failure of his firm.

As you note in your letter, in his evidence to the Committee, Mr. Greensill suggests that the "failure" of his various companies was the result of the non-renewal of certain trade credit insurance policies ("the Policies") on 1 March 2021.

By way of background, the Policies that we believe Mr. Greensill referred to were issued (or purportedly issued – see further below) on or around 22 February 2019 by BCC as Corporate Authorised Representative of Insurance Australia Limited ("IAL") and thereafter extended (or purportedly extended) so as to expire on 1 March 2021. BCC ceased to be the Corporate Authorised Representative for IAL on 30 June 2019. From 1 July 2019 onwards, BCC commenced writing policies as Corporate Authorised Representative of Tokio Marine & Nichido Fire Insurance Co. Ltd ("TMNF"). BCC was therefore not authorised to issue renewal terms on behalf of IAL on 1 March 2021. Furthermore, BCC had already confirmed to Mr. Greensill and the brokers for Greensill at Marsh in writing many months previously in July 2020 (reiterated by a non-renewal notice dated 1 September 2020) that renewal terms would not be offered.

As Ms. Buchan points out in her questions numbered Q105 and Q106, the issue of the non-renewal of the Policies came before the New South Wales Supreme Court (“the Proceedings”) on 1 March 2021. In the Proceedings, Greensill Capital Pty Ltd, Greensill Capital (UK) Ltd and Greensill Bank AG (collectively, “Greensill”) sought an interlocutory mandatory injunction seeking to compel the defendants, BCC, IAL and/or TMNF, to provide cover under the Policies. As Ms. Buchan pointed out, Stevenson J refused to provide the requested injunction.¹ BCC cannot comment on the decision of IAL not to consent to the renewal of the Policies. However, the Committee may find the documents filed in the Proceedings, and the judgment itself, instructive.

It is also worth noting here that as at 1 March 2021, TMNF had taken a commercial decision not to permit BCC to issue on TMNF’s behalf new contracts of insurance to, in effect, replace the Policies.

As we discuss further below, the validity of the Policies, and other policies purportedly issued by BCC to Greensill, is currently under investigation, pursuant to a full reservation of rights.

In particular, we would be interested in whether you withdrew the credit insurance for reasons to do with the general market conditions at the time, the combined effects of the market conditions and regulation, and/or whether there were concerns that were particular to Greensill, which made you reluctant to extend further cover. If there were concerns, were these concerns discussed with Greensill and if so then with whom?

The issue of the non-renewal of the Policies is addressed above.

Separately, it is a matter of public record that IAL’s interest in BCC was purchased by Tokio Marine Management (Australasia) Pty Ltd with effect from 9 April 2019. As we have said, with effect from 1 July 2019, BCC commenced writing policies as Corporate Authorised Representative of TMNF. Whilst, as noted above, BCC could not renew the Policies on behalf of IAL in March 2021, Greensill did request that BCC provide it with alternative terms of cover on behalf of TMNF.

¹ Greensill Capital Pty Ltd & Ors v BCC Trade Credit Pty Ltd & Ors [2021] NSWSC 167 (Supreme Court of New South Wales).

It would not be appropriate to divulge the nature of any discussions in relation to cover potentially to be provided by BCC on behalf of TMNF to Greensill in the lead up to the expiry of the Policies, as those discussions were expressly held on a “without prejudice” basis. However, as is confirmed in the Proceedings, we would note that BCC was not under any obligation, contractual or otherwise, to provide cover following the expiry of the Policies. As is apparent and evident TMNF and Greensill reached no agreement by 1 March 2021 to allow BCC to issue new policies to effectively replace the expiring Policies.

Notwithstanding the above, as is clear from the Proceedings, BCC and TMNF did by July 2020 and continuing through the remainder of 2020 start to develop particular concerns about Greensill which made them very reluctant to provide any cover. All rights under and in relation to any and all policies (purportedly) issued by BCC to Greensill have been reserved by BCC since that date. Other concerns as to the structure and placement of the purported insurances are also developing and in, this regard, our investigations are ongoing and we are observing the unfolding facts with interest under full reservation of rights.

In the circumstances, no terms of cover could be agreed between Greensill and BCC. Insurance or other regulatory requirements of the United Kingdom, and general market conditions, were not significant factors that BCC considered in taking the decision regarding coverage for Greensill.

BCC understood, on the basis of statements made to us by Mr. Greensill (and also by Greensill’s brokers at Marsh) during the period from our notice in July 2020 through February 2021, that for the whole of that period Greensill and Marsh were actively engaged in exploring insurance coverage options for Greensill with other insurers. This was confirmed by Mr. Greensill in his testimony earlier given to this Committee, which further noted that Greensill companies had business dealings with 27 other insurers.² We cannot speculate as to the reasons that Greensill was unable to secure replacement or alternative coverages from other insurers.

² <https://committees.parliament.uk/event/4459/formal-meeting-oral-evidence-session/>, Q104.

In addition, we would welcome any further written evidence outside the scope of this question if you think there is any information the Committee ought to be aware of, as it considers the failure of Greensill Capital and what might be learnt from it.

We anticipate that the Committee will already (like us) be closely following the developments emerging in the public domain regarding the concerning events which led to the failure of Greensill. We note that, in this regard, there are various regulatory investigations and/or legal proceedings which involve Greensill or its clients/counterparties on which it would not be appropriate for us to comment.

We hope that this letter is useful to the Committee in its inquiry.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'Toby Guy', written in a cursive style.

Toby Guy
Director
BCC Trade Credit Pty Limited

Cc.

Joaquim Smith
Director
BCC Trade Credit Pty Limited