

Vesttoo

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The creditors in the bankruptcy case of insurtech **Vesttoo** have filed a request with the court to allow them to conduct legal discovery on China Construction Bank (CCB), the main bank named in the letter of credit (LOC) reinsurance collateral fraud.

Of the nearly US\$3.36 billion LOC that were allegedly fraudulent, it is understood that US\$2.81 billion were purportedly from CCB. As the Vesttoo bankruptcy estate is expected to be only a fraction of that size, reportedly in the region of US\$25 million, creditors will be looking for other avenues of recovery. We have already seen signs of this in the litigation issued by fronting specialist Clear Blue against the broking group, Aon, in respect of their alleged involvement.

Creditors are looking for documentation that will go to what CCB and other third parties knew or should have known about the alleged fraud and therefore what causes of action there may be as a result. The creditors have asked the Delaware bankruptcy court to order CCB, including its New York branch, to produce documents including the LOCs as well as communications with significant individuals at Vesttoo, including co-founders Yaniv Bertele and Alon Lifshitz.

It will be interesting to see how easy it will be to obtain documents from CCB who so far have had no involvement in the bankruptcy proceedings.

Chaucer is the latest company to formally join the bankruptcy proceedings with a claim of over US\$257 million, following Markel with a claim of US\$147 million, Porch with a claim of US\$400 million and Proventus Holdings LP (a Corinthian Group entity) with a claim of US\$655 million.

As can be seen, the value of the Vesttoo estate is barely a fraction of the claims that have been registered so far with more likely to follow. It is not difficult to see why creditors are looking into other entities that may hold some liability for the losses.

Separately, the creditors have reached a proposed settlement with Clear Blue in relation to funds specifically held in one of the debtor vehicles. Clear Blue claimed it had a right over these funds and opposed the planned bankruptcy approach of liquidating all Vesttoo's entities. An agreement has now been reached on this issue and Clear Blue has agreed it will not object to the proposed bankruptcy plan. There is a time limit to this proposed agreement and so the creditors are requesting the bankruptcy court approves the settlement plan, on the understanding that the alternative will be expensive litigation. Although it is unclear how the other parties in the bankruptcy are likely to react to the agreement, it must be clear to all involved that the longer the dispute continues, the less chance there is of any party making a recovery.

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