

The T&N UK Asbestos Trust

The T&N EL Trust

Trustees' report for the year to 30 September 2024

Executive summary

Overview

- The purpose of this report is to provide an update to the key stakeholders of the T&N UK Asbestos Trust and the T&N EL Trust (the **Trusts**)
- The T&N UK Asbestos Trust consists of four separate funds (the **Funds**) which hold cash and investments. Under the terms of the Trust Deed, the Funds must remain separate and cannot be co-mingled
- This report is the 18th report issued by the T&N Asbestos Trustee Company Limited (the **Trustee**) and covers the financial year to 30 September 2024 (**FY24**). This report contains terms which are defined in the Trust Distribution Procedures (the **TDP**)

Claims

- During the year 177 Trust Claims were received and 395 settled for payment
- Payments to Trust Claimants totalled £5.27m, which was a fall of 27% on the previous year. Claim numbers are overall on a downward trend with two notable exceptions
- Firstly, Chester Street Fund Trust Claims continue to be ahead of forecasts, particularly mesothelioma claims. The Trustee is continuing to monitor this activity
- Secondly, the Trusts continue to receive Cape Trust Claims from India on a large batch basis. Claims are received periodically, which can impact overall numbers from year to year. Whilst claim numbers are high, individual payments are relatively small with £0.4m being paid during the year. Nevertheless, handling these claims does require a considerable administration commitment from the team with 245 Cape Trust Claims being settled during the year. The rate of these claims being received is expected to remain at the current rate for the medium term.

Investments

- During the year, the Trusts' investments gained 7.1%
- Investment markets continue to be volatile, and the performance of the Trusts' investments is reviewed quarterly by Mercer
- The Trusts' profile of investments has moved towards bond allocations and away from equity exposure in the last two years as the Trustee seeks more stable returns. The investment strategy is continually under review with support from Mercer

Dividend policy

- The dividend policy during this financial year reflected changes made during a review during August 2023, impacting dividends from 1 October 2023
- The Trustee continually monitors dividend levels

Administration of the Trusts

- Whilst the cost of operating the Trusts have continued to be impacted by inflation, the Trustee continues to seek cost saving opportunities
- In FY24 administration fees totalled £315,000 which was a 7% reduction on the previous year. This follows the 7% reduction achieved during FY23

Claims summary (1)

Overview of Trust Claims in FY24

- During the year, the Trusts received 177 Trust Claims and settled 395
- In terms of Trust Claims activity, we note the following:
 - The T&N Fund (non-Cape Trust Claims) received 51 Trust Claims, which was a fall of 25% on the previous year
 - Only 4 T&N Cape Trust Claims were received during FY24 compared to 532 the previous year. These claims are received in batches, so comparison on a linear basis is not applicable
 - T&N EL Trust Claims fell to 16, from 25 the previous year
 - Chester Street Fund Trust Claims were comparable to the previous year with 106 received. This is ahead of the modelling forecast by the Actuary
- Overall, £5.27m was paid to Trust Claimants during FY24, which was a reduction on the £7.25m paid during the previous year

Claims activity in FY24

	Received	Paid
T&N excluding Cape Trust Claims	51	41
T&N - Cape Trust Claims	4	245
T&N EL Trust	16	14
Chester Street	106	95
Total	177	395

Payments to Claimants during FY24

£ million	Initial	Second	Total
T&N Fund	1.94	0.19	2.13
T&N EL Trust	1.20	0.12	1.32
Chester Street	1.20	0.11	1.31
FMFP Fund	0.03	-	0.03
TBA Fund	0.05	0.03	0.08
T&N Hercules Fund	-	0.02	0.02
T&N Fund - Cape Trust Claims	0.37	0.01	0.38
Total	4.79	0.48	5.27

Claims summary (2)

Chester Street Fund

- The purpose of this Fund is to provide compensation to Chester Street, an insolvent insurer, and related parties. This fund provides a contribution towards Trust Claims made against T&N and other Federal-Mogul companies, as joint tortfeasors, by Chester Street
- The Chester Street Fund dividend is determined by the T&N Fund dividend which is set following advice from the Actuary
- During the year a total of £1.2 million was paid out in respect of admitted Chester Street Trust Claims. This is more than the Actuary had forecast and was driven predominantly by Trust Claim numbers being higher than expected, particularly those in relation to mesothelioma
- The Trustee notes that a good relationship has been developed with the claims handling teams at PwC and Clyde & Co. It is evident that claims are being processed, and therefore submitted faster than previously, resulting in more timely payments to Trust Claimants. Given this it is presumed, but not certain, that there will be less claims in the future

Hercules Fund and Chester Street Hercules Fund

- These Funds are driven by the surplus forecast in the Chester Street Fund
- As we reported last year, the reliability of forecast data in determining these Funds when reviewed during 2023 did not give the Trustee absolute certainty that Chester Street Trust Claims could be met in full and so both the Funds ceased paying dividends from 1 October 2023

Cape Trust Claims

- Cape Trust Claims from are received from two former T&N subsidiaries: Hindustan Ferodo and Asbestos Cement
- Initially claims were submitted from Hindustan Ferodo, based in Mumbai, that was sold to Hindustan Composites at the beginning of 1993
- Subsequently claims have been submitted from Asbestos Cement which had factories in Mumbai, Kolkata, Kymore and Coimbatore. This business was sold to Eternit Everest at the beginning of 1988. Most Indian Cape claims received in the last two years have been from the Asbestos Cement factories with fewer coming from Hindustan Ferodo
- Most Cape Trust Claims being submitted are now household exposure claims to which a 75% discount is applied for litigation risk. Consequently, whilst Cape Trust Claim numbers from India are high, individual payments are relatively low
- Over 80% of Cape Trust Claimants have developed mild asbestosis. Additionally, there are cases of moderate and severe asbestosis claims plus a very small amount of lung cancer Cape Trust Claims. For context whilst Cape Trust Claims are high in number, they only accounted for £0.4m of payments in FY24
- The current view of the team submitting the claims from India is that they expect submissions to continue at the current rate for the medium term

Claims summary (3)

Trusts since inception

- Trust Claims submitted to the Trustee in the last 19 years of operation are summarised in the two top tables across
- At FY24, c90% of T&N Trust Claims submitted to the Trusts were accepted and paid

Rejected Trust Claims

- During the year 9 Trust Claims were rejected, making a total of 317 rejected Trust Claims over 19 years of receiving Trust Claims
- All rejected Trust Claims are reviewed and discussed in detail at a meeting of the directors of the Trustee. A detailed explanation of the reason for rejection is provided to the Trust Claimant at the time of rejection
- There were no referrals to the Expert during FY24

T&N Trust Claims handled by the Trustee

Claim status	At 30 Sep 2023	At 30 Sep 2024
Paid	4,947	5,618
Awaiting further information from Trust Claimants	24	26
Pending issue of Admission Notice	2	2
Withdrawn	129	134
Rejected	300	317
Total	5,402	6,097

Chester Street Trust Claims handled by the Trustee

Chester Street Fund - Trust Claims	At 30 Sep 2023	At 30 Sep 2024
Paid/established	1,205	1,325
British Shipbuilders Settlement	2,219	2,219
Awaiting further information	-	2
Rejected/Withdrawn	202	202
Total	3,626	3,748

Rejected Trust Claims

Reason for rejection	At 30 Sep 2023	Activity	At 30 Sep 2024
Failure to satisfy exposure criteria	107	7	114
Failure to satisfy medical criteria	72	-	72
No response to requests for further information	45	-	45
Trust Claimant already compensated in full	23	-	23
Exposure pre-1965 and outside Mergereson/Hai	24	2	26
Limitation grounds	25	-	25
Lung cancer not meeting Helsinki criteria	6	-	6
Other	6	-	6
Total	308	9	317

Investment summary

Overview

- During the year, the Trusts' investments gained 7.1%. Mercer continue to provide investment advice
- The Trusts had holdings in the following investments at 30 September 2024
 - BlackRock Strategic Alternative Income Fund (**BlackRock SAIF**). This private fund invests in infrastructure debt, renewable energy, real estate debt and private credit to deliver predictable long-term cash flows
 - M&G Real Estate Debt Fund (**M&G REDF**). This private fund concentrates on lending across the capital structure of high-quality real estate investments throughout Europe
 - Mercer Short Duration Global Bond Funds (**Mercer SDB**). This actively managed fund seeks to provide exposure to short duration, investment grade securities globally

Investment strategy

- With support from Mercer the Trustee completed a review of its investment strategy last year with the intention to move to investment products which offer stable returns and sufficient liquidity, hence the investment in Mercer SDB
- Navigating what are volatile investment markets is a challenge for the Trustee and supports its adopted strategy of moving investment allocations to products with more predictable returns and lower risk premiums

Summary of investments

£ million	Holding	Target return	Allocation
BlackRock SAIF	8.83	5.0%	33%
M&G REDF	8.83	5.6%	33%
Mercer SDB	7.74	5.0%	29%
Cash	1.17		4%
Total	26.57		100%

Investments by Fund

£ million	Holding
T&N Fund	14.83
T&N EL Trust	5.76
Chester Street Fund	5.27
FMFP Fund	0.42
TBA Fund	0.29
Total	26.57

Investment returns

£ million	At 30 Sep 2023	At 30 Sep 2024
Investment income	0.60	0.52
Change in market value of investments	0.95	1.37
Total	1.55	1.89

Dividend policy

Overview

- The most recent five-year actuarial review was completed during 2021, with dividends set from 1 October 2021 being those used during the previous financial year
- As detailed in our report last year a review of dividends was completed during the Summer of 2023 and new dividend rates set from 1 October 2023. These are set out in the table across
- Setting dividends is a challenging exercise for the Trustee as it comprises two variables over which the Trustee has no control:
 - Future investment returns
 - Actual Trust Claims experience being in line with liability forecasts provided by the Actuary
- The Trustee continues to monitor its investment performance and claims experience and as in 2023 will act if evidence and advice supports any changes to dividend rates

Dividends during FY24

Dividend policy	Initial	Second	Total
T&N Fund	24	-	24
T&N EL Trust	65	-	65
Chester Street Fund	27	-	27
FMFP Fund	20	-	20
TBA Fund	10	-	10
T&N Hercules Fund	-	-	-
Chester Street Hercules Fund	-	-	-

Administration of the Trusts

Overview

- The administration of the Trusts is completed by Amianto Operating Company Limited, which is the parent company of the Trustee
- Fees during FY24 totalled £315,000, which despite facing cost inflationary pressures, was a 7% reduction on fees charged in FY23. This follows a 7% reduction in costs the previous financial year
- The Trustee closely monitors costs and always seeks opportunities to reduce them where possible without impacting the high-quality support given to Trust Claimants and strong governance structure in place
- The Trustee believes there will be limited scope to reduce fees further in the coming financial year, following two years of cost reductions in an environment of cost-inflation pressures
- Professional fees were in line with expectations and overall lower than the previous year absent any actuarial fees being incurred

Contact

- The Trustee and claims handling team can be contacted as follows:

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Administration fees

£000	Total
T&N Fund	159
T&N EL Trust	78
Chester Street Fund	78
	315

Professional fees

£000	T&N Fund	Chester St	T&N EL
Legal and professional fees	61	31	31
Audit fees	6	3	9
Actuarial fees	-	-	-
Total	67	34	40