



R&Q Insurance Holdings Ltd

R&Q raises up to \$60 million of new equity into the Group; completes internal reorganisation to separate Program Management and Legacy Insurance; provides an update on strategic alternatives being explored; and provides an update on Q1 Program Management trading

12 June 2023

R&Q Insurance Holdings Ltd, (AIM-RQIH) (“R&Q” or the “Group”), the leading non-life global specialty insurance company focusing on Program Management (“Accredited”) and Legacy Insurance (“R&Q Legacy”) businesses, announces a capital raise of \$50 million of non-voting, perpetual preferred equity issued by Randall & Quilter PS Holdings Inc., an indirect wholly-owned subsidiary of R&Q (the “R&Q PS Investment”), from investment funds affiliated with one of its largest shareholders, Scopia Capital Management (“Scopia”), with the opportunity to increase the amount of equity raised to \$60 million. The preferred stock will, in certain circumstances, be exchangeable at Scopia’s election into new ordinary shares of R&Q at 60.98p (representing a 10% premium to the 20-day volume weighted average price prior to the date of the Agreement).

Further to R&Q’s announcement on 4 April 2023 on its strategic initiative to separate Accredited and R&Q Legacy, R&Q has received all necessary approvals to complete this internal reorganisation. Accredited and R&Q Legacy will now operate under two separate holding companies within the Group. This separation is part of the requirement for Accredited to receive its own separate subgroup financial strength rating from A.M. Best.

Furthermore, as also announced on 4 April 2023, R&Q continues to explore strategic transactions with third parties as part of the separation to enable Accredited to operate independently. A process is underway for the potential sale of Accredited with interest expressed from a number of parties. In addition, a variety of strategic alternatives are being explored in relation to R&Q Legacy.

The proceeds from the R&Q PS Investment will be used to increase the capitalization of R&Q Legacy, which is providing reinsurance support for completed legacy transactions originated by Accredited. Proceeds will also be used for general corporate purposes due to Accredited no longer paying intra-group dividends to R&Q as part of a requirement to secure its financial strength rating from A.M. Best.

Q1 Program Management Update

R&Q announces strong results for Accredited in Q1 2023:

- Q1 2023 Gross Written Premium (‘GWP’) of \$0.5 billion (Q1 2022: \$0.4 billion), a 34% increase
- Q1 2023 Program Fee Income of \$22 million (Q1 2022: \$18 million), a 24% increase
- Accredited continues to partner with leading Managing General Agents in Europe, the UK and the US, and has added five new programs in 2023. Accredited maintains a strong pipeline and expects to add additional partnerships over the remainder of the year

William Spiegel, Chief Executive Officer, commented: “This additional capital, alongside our completed internal reorganisation, means Accredited and R&Q Legacy can be established as stand-alone entities within R&Q. 2023 has seen Accredited continue its strong momentum and leadership position in the program market, achieving a record first quarter in terms of GWP and Fee Income. For the 12 months ended 31 March 2023, Accredited’s GWP is ~\$2.0 billion, an increase of ~\$200 million from year end 2022 where we reported GWP of \$1.8 billion. We are currently working very closely with A.M. Best to secure a subgroup rating for Accredited and have completed the key reorganisational requirements. R&Q Legacy

has seen three transactions signed or completed this year and has a strong pipeline of transactions to grow Reserves Under Management beyond \$1.0 billion. R&Q Legacy continues to focus its efforts on its key areas of strength, medium sized legacy transactions, while exploring potential further corporate liability opportunities. I am pleased with the progress we are making to enable both Accredited and R&Q Legacy to maximise their potential by having the right ownership and capital structures in place.”

Details of the R&Q PS Investment

Under the terms of the agreement relating to the R&Q PS Investment (the “Agreement”), Scopia has conditionally subscribed for a new series of preferred stock (the "Preferred Stock") issued by Randall & Quilter PS Holdings Inc. ("R&Q PS") for an aggregate subscription price of US\$50 million. On issue, the Preferred Stock will be perpetual and non-voting. The Preferred Stock will remain outstanding unless and until it is either so exchanged or redeemed, in each case subject to satisfaction of certain conditions as described below.

Once issued, the Preferred Stock will, in certain circumstances, be exchangeable at Scopia’s election into new ordinary shares of R&Q at a 10% premium to the 20-day volume weighted average price prior to the date of the Agreement, or 60.98p (an “Exchange”). Any such Exchange will be conditional upon, among other things, Scopia obtaining any necessary regulatory approvals and receipt of any required R&Q shareholder approval.

The Preferred Stock is redeemable by R&Q PS in certain limited circumstances, including, at Scopia’s election, where Accredited is sold outside of the Group, where there is no transaction for the separation of Accredited from the Group within twelve months from the date of issue of the Preferred Stock, where R&Q does not obtain the required R&Q shareholder approval for an Exchange within 15 months from the date of issue of the Preferred Stock or where an Exchange has not taken place within 24 months of the date of issue of the Preferred Stock. No redemption can take place while the Group has any outstanding indebtedness senior to the Preferred Stock unless the consent of R&Q’s then lenders is obtained for such redemption. Any redemption shall take place at a price which is equal to the value of the initial investment increased by a 12 per cent annual return on the Preferred Stock (subject to an increase to 20% in certain circumstances, including the failure to obtain the approval of the R&Q shareholders in connection with an Exchange) or, if greater, the implied value of the ordinary shares which Scopia would have received upon the Exchange of the Preferred Stock determined at the time of such redemption event.

Following the issue of the Preferred Stock and prior to any exchange or redemption of the Preferred Stock, R&Q has agreed to allow Scopia to nominate one person as a director to the R&Q board for so long as Scopia owns at least 15 per cent of the ordinary shares of R&Q (on an as exchanged and fully diluted basis) or, should Scopia so elect, to appoint such number of directors as is proportionate to Scopia’s aggregate pro rata ownership of ordinary shares on an as exchanged and fully diluted basis. Any such persons’ ongoing appointment to the R&Q board shall be subject to R&Q’s bye-laws, and therefore will be subject to re-election at R&Q annual general meeting.

Scopia’s acquisition of the Preferred Stock is conditional upon R&Q obtaining the required consent of its lenders to the issue of the Preferred Stock.

Ends

Enquiries to:

R&Q Insurance Holdings Ltd

William Spiegel
Tom Solomon

Tel: +44 020 7780 5850
Tel: +44 020 7780 5850

Numis Securities Limited (Nominated Adviser and Joint Broker)

Giles Rolls
Charles Farquhar

Tel: +44 020 7260 1000
Tel: +44 020 7260 1000

Barclays Bank PLC (Joint Broker)
Andrew Tusa

Tel: +44 020 7632 2322

FTI Consulting (Media Relations)
Tom Blackwell / Shipra Khanna

Tel: +44 020 3727 1051

Notes to Editors:

About R&Q

R&Q is a global non-life specialty insurance company. We operate two core businesses: Program Management and Legacy Insurance. Both these businesses are leaders in their respective markets.

Our approach is to deploy our origination and underwriting capabilities, alongside our licensed and rated carriers in the US, EU, and the UK, to generate attractive fee returns in Program Management and Legacy Insurance.

Legal Entity Identifier (LEI): 2138006K1U38QCGLFC94

Website: www.rqih.com

This announcement contains inside information as stipulated under the UK market abuse regulation no 596/2014, which is part of English law by virtue of the European (withdrawal) act 2018, as amended. On publication of this announcement via a regulatory information service, this information is considered to be in the public domain.