



**Randall & Quilter Investment Holdings Ltd.
and its subsidiaries**

Financial Condition Report (FCR)

31 December 2018

Company Profile

Randall & Quilter Investment Holdings Ltd. (“RQIH” or “Company”) is registered as an Insurance Group under the Bermuda Insurance Act 1978 and related regulations (“the Insurance Act”). RQIH was incorporated in Bermuda on 22 January 2013. The Company is a limited liability company incorporated and domiciled under the laws of Bermuda with registration number 47341.

I. BUSINESS AND PERFORMANCE

a. Name of Insurance Group

Randall & Quilter Investment Holdings Ltd.

b. Insurance Group Supervisor

Bermuda Monetary Authority
BMA House
43 Victoria Street, Hamilton
Bermuda

Email: Ttrott@bma.bm

c. Approved Auditor

Statutory and IFRS Reporting

PKF Littlejohn LLP Chartered Accountants and Registered Auditor

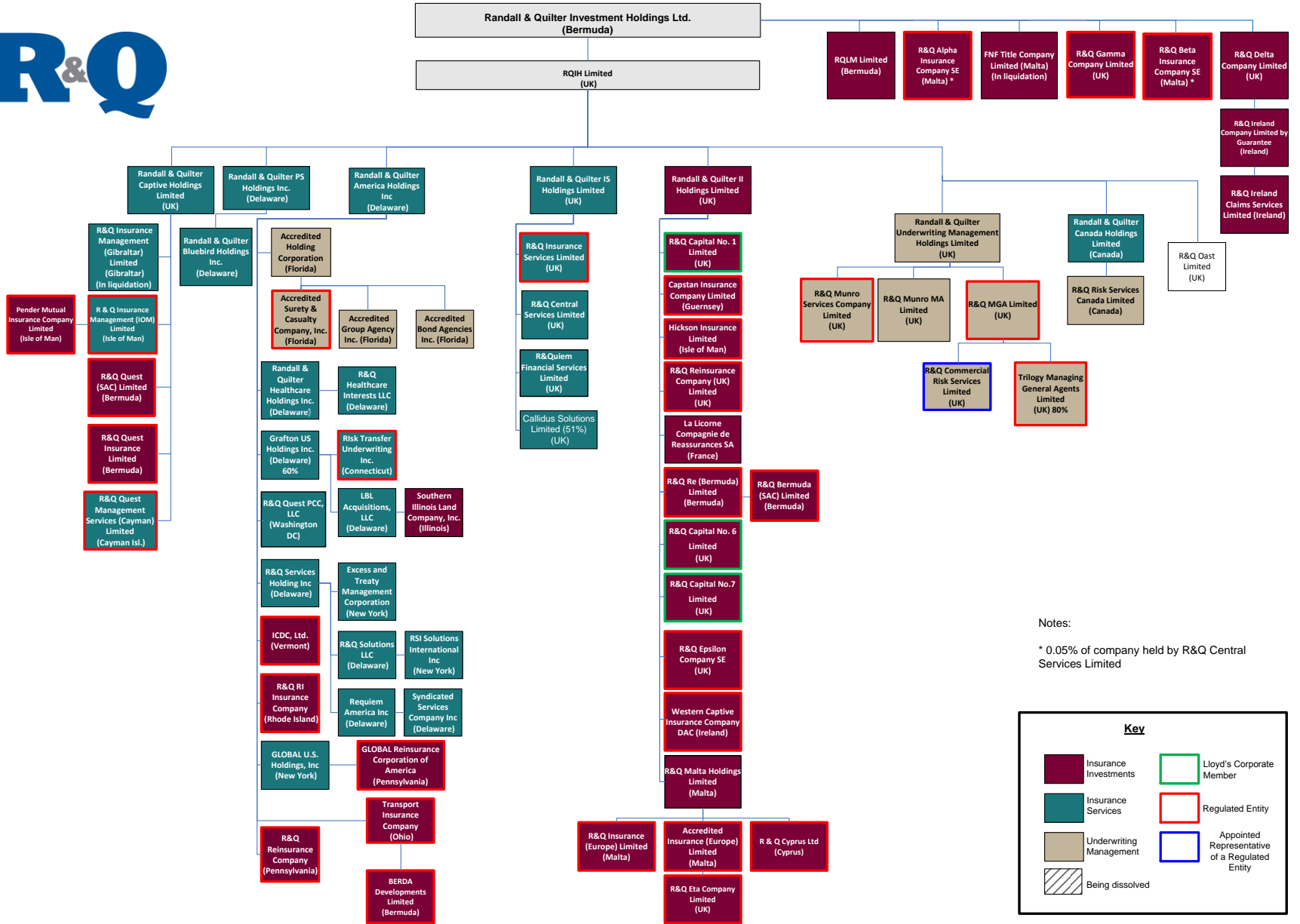
1 Westferry Circus,
Canary Wharf,
London E14 4HD,
United Kingdom

d. Ownership Details

Randall & Quilter Investment Holdings Ltd (“RQIH”), a Bermuda domiciled exempted holding company. Randall & Quilter Investment Holdings Ltd’s shares were admitted to AIM on 5 July 2013 and is traded on the AIM exchange in London (AIM:RQIH).

e. Group Structure

The following provides Group Structure as at 31 December 2018:



Notes:
 * 0.05% of company held by R&Q Central Services Limited

Key

- Insurance Investments (Dark Red Box)
- Insurance Services (Teal Box)
- Underwriting Management (Light Brown Box)
- Being dissolved (Hatched Box)
- Lloyd's Corporate Member (Green Border Box)
- Regulated Entity (Red Border Box)
- Appointed Representative of a Regulated Entity (Blue Border Box)

f. Insurance Business Written by Business Segment and by Geographical Region

During 2018, the Company operated in 2 separate business Segments.

Financial Summary for the Reporting Period

£'000s

Business Segment	Total Income	Operating profit
Legacy	33,758	30,898
Live	41,252	(3,802)
Other	5,829	(8,500)

Financial Results

The Group generated pre-tax profits for continuing operations of £14.3m (a 45% increase over 2017). This result was achieved despite the deferral into 2019 of a number of Legacy transactions – most notably the delayed acquisition of Global Re, R&Q's largest ever deal, which will now complete in H1 2019 – and a £2.9m reduction in the anticipated investment return as a consequence of turbulence in global investment markets in the final weeks of 2018.

2019 has started positively with the investment portfolio fully recovering the negative £2.9m investment return in the early weeks of 2019; the Program Management business – which fully met its ambitious targets for 2018 – showing continued growth momentum; and the acquisition of Global Re On 2 May 2019 following regulatory change of control approval has now been received.

Whilst it is not known what the final direction of travel as regards Brexit will be, Management believe that R&Q is well positioned to be a net beneficiary, regardless of the outcome. R&Q's European Program Management and principal Legacy consolidators are domiciled in Malta and regulatory arrangements have already been agreed for the establishment of a UK branch office of Accredited Europe. This will enable the Group to continue underwriting and servicing business in the UK as well as throughout all EU member states.

Execution of the Business Strategy

2018 was a year of successful delivery on the plan to simplify the business and focus on the high growth prospects within Legacy acquisitions and Program Management.

The Group has also been simplifying its internal corporate structures to optimize the utilization of capital and reduce costs of management. As an acquisitive business, it accumulates Legacy assets in many different entities and jurisdictions. During 2018, it made excellent progress in consolidating surplus assets into the three principal operating subsidiaries; Accredited Surety and Casualty Company Inc., Accredited Insurance (Europe) Limited and R&Q Re Bermuda Limited. This will be an ongoing process due to the nature of the business model and the need to meet regulatory requirements in the multiple jurisdictions in which the Group operates. Clear operational and financial benefits are already being seen as these three principal pools of capital are built.

The Group delivered on its commitment to streamline the business around two high growth and complementary revenue streams

In 2017 it disposed of its Lloyd's Managing Agency and withdrew capacity from "active" Syndicate participation at Lloyd's. 2018 began with R&Q disposing of non-core insurance services and captive management operations to the Davies Group. Since year end, it has divested its non-core USA Bail Bond Business and, as part of the terms of the sale, have negotiated a reinsurance to protect against adverse claims

development on bail business underwritten up to the point of sale. This disposal will have a neutral impact on future Group results.

All of the Group's energies are now focused on Program Management and Legacy.

The Group delivered on its commitment to invest in its core business lines

The Group has reinvested all the proceeds from asset disposals in 2017 and 2018, into supporting the growth core business streams. It also raised \$70m in a subordinated debt issue in December 2018 and, in the First Quarter of 2019, raised £103.5m (after expenses) by way of an over-subscribed equity offer. These actions ensure that it has the balance sheet strength in 2019 to continue growing by acquiring more Legacy portfolios and signing up more Program contracts with MGAs.

The Group's regulatory and working capital requirements are closely monitored. The business is appropriately capitalized to support the foreseeable growth of Program Management and near term Legacy acquisitions. Looking further ahead, the Board's current view is that funding for small and medium sized Legacy acquisitions will come from internally generated cashflows. Larger Legacy deals will be funded externally or through some form of "side car" partnership arrangement.

The Group demonstrated its ability to position R&Q for larger transactions

R&Q has decades of experience in acquiring smaller Legacy portfolios. The Group now has the opportunity and scalable infrastructure to acquire and manage larger portfolios where the returns justify the investment. The agreement to acquire Global Re demonstrates its ability to source and execute larger deals whilst still maintaining pricing discipline and focus on prospects where the Group has a competitive edge and proven experience.

Demand from owners of discontinued businesses to divest their run-off portfolios and free up capital and management time remains high. In the years ahead, the Group expects to complete more transactions on the scale of Global Re and expects to secure larger sized Program contracts.

The Group is delivering on the wisdom of R&Q's 2017 transformation strategy

2018 saw R&Q continue to execute on its long-standing core business of acquiring discontinued portfolios and managing down their liabilities. However, the much newer Program Management business also flourished in 2018, affirming the decision to enter this market.

2018 was the first full year of R&Q agreeing Program underwriting contracts with MGAs in the US and Europe. R&Q set itself a target of signing contracts with MGAs which would produce future annualized premiums of \$500m p.a. - an ambitious goal considering the high standards of corporate governance and counterparty scrutiny that is applied to each agreement. The Group is pleased to report that it met this target – signing contracts with MGAs on both sides of the Atlantic.

The Group is confident about its prospects in 2019 and beyond. There is demand for both core services and the Group has taken a number of actions this year and last – including additional investment in systems and personnel – to ensure R&Q can deliver on this demand without jeopardizing its high standards. The recent £107m equity raise, combined with December's \$70m subordinated debt issue, provides R&Q with the balance sheet strength to continue growing in 2019.

Below follows a commentary on the performances of the two core operations in 2018:

Program Management:

R&Q uses its A.M. Best A- (excellent) rated Insurance companies in the USA and EU to provide much-in-demand high quality Program capacity for MGAs. It delegates the issue of licensed insurance policies to

carefully selected MGAs thereby acting as a conduit between them and the reinsurance market, which assumes the ultimate risk exposure. It sets and expect high standards of governance and business practice before R&Q contracts with MGAs; and continue to do so throughout the relationship with the MGA.

The Group achieved its goal of securing contracts with estimated future GWP of \$500m per annum. R&Q retains a commission on each premium transaction which viewed as high-quality, annually renewable fee income. The Group has retained a modest share of the risk on a small number of Programs but generally speaking it has a low risk appetite and does not seek to retain insurance risk on the business being generated via these Programs. In those cases where it does retain risk, it normally seeks to protect exposure through the purchase of appropriate excess of loss reinsurance.

R&Q enjoyed strong demand for its Program Management on both sides of the Atlantic in 2018 - validating the strategic decision to focus on both continents.

As momentum builds and there is definitive data on the actual GWP, it aims to provide more detail on expectations as regards the timing of future growth in earned commissions. The Group also continues to see potential to build meaningful business volume from “InsureTech” initiatives.

Europe:

In Europe, Brexit uncertainty was a factor fueling the strong interest in R&Q’s services. R&Q’s European insurance company - which was renamed as Accredited Insurance (Europe) Limited in 2018 - is domiciled in Malta which means it retains full EU “passporting” rights regardless of the UK’s future status. It is also approved to underwrite all 18 principal non-life classes of insurance business.

Throughout 2018, MGAs in the UK, Ireland and continental Europe approached R&Q for help in ensuring that they could operate regardless of the Brexit outcome. R&Q has devised a comprehensive “Brexit solution” and agreed 18 Program contracts with MGAs in the UK, Ireland, Italy and Spain in 2018.

R&Q has received approval to open a UK branch office of Accredited Insurance (Europe) Limited which will enable it to continue underwriting and servicing UK clients and policyholders. However, Brexit was only one factor behind R&Q’s European success in 2018. Underlying demand for R&Q’s solutions is growing, as MGAs become increasingly popular in the industry, with experienced insurance entrepreneurs seeking to establish their own underwriting ventures with R&Q’s help and access to the capital support of the reinsurance markets.

Last year also saw the collapse of a number of thinly-capitalized European Program writers, forcing MGAs to find alternative insurance capacity. There has been a further insolvency of an EU Insurer in H1, 2019. It was a reminder to intermediaries and buyers of insurance products that insurance companies can default and that it is critically important to consider the balance sheet strength and quality of management and corporate governance when buying insurance coverage. As a consequence, MGAs and their reinsurers increasingly demand high-quality insurance paper from their Program insurer and R&Q in turn demands high underwriting, governance and professional standards from MGAs. R&Q was delighted, therefore, when A.M. Best awarded its European insurance company an A- (excellent) financial strength rating in February 2018 - mirroring that of its USA sister company, Accredited Surety and Casualty Company, Inc. (“ASC”).

The A.M. Best rating was a significant milestone for R&Q, in progress in becoming a leading provider of Program capacity in Europe. The A.M. Best credit rating gives R&Q’s MGAs confidence in its balance sheet strength at a time when other providers failed and it was a significant factor in R&Q’s success last year. R&Q expects to continue benefitting from this in 2019 and beyond.

One other 2018 market dynamic is worth noting. The contraction by many Lloyd’s insurers - in most cases encouraged by Lloyd’s well-publicized 2018 performance review - led to a number of Syndicates shedding

business with the result that intermediaries were seeking to transfer books of business out of Lloyd's. Paradoxically, this is also creating opportunities for the Legacy division to assume the run-off of the discontinued Lloyd's business. An update on progress on this front will be provided in the Group's interim results, later this year.

United States of America:

2018 was also a successful year for the USA Program platform, ASC. In total, ASC has agreed 12 new Program arrangements.

Just as in Europe, there has been a contraction of Program capacity in the USA which also coincides with growing demand from MGAs.

ASC began 2018 with its A.M. Best A- (excellent) financial strength rating and it has subsequently benefitted from two credit rating upgrades. In early 2018, A.M. Best increased ASC's rating from a VI to a VII reflecting the increased capital in the Company and its parent. This led to a notable rise in the number and size of potential discussions with MGAs and was a key factor in some of the new facilities agreed in 2018. Following R&Q's recent successful equity and debt capital raises, A.M. Best further increased ASC's credit rating to A-VIII. It is expected this upgrade will have a similar, positive impact.

Inevitably, the high demand from MGAs is fueling a number of start-up Program competitors, typically financed by Private Equity. However, few possess ASC's advantages; it is approved to underwrite a comprehensive range of admitted business in all 50 USA states, has decades of claims experience, a proven track record of delivery and a strong balance sheet which underpins the A- VIII financial strength rating.

ASC's integrity, professionalism and independence are highly valued by its clients.

Legacy Acquisitions

R&Q has been acquiring discontinued insurance businesses since 1992 and has accumulated decades of experience in managing often complicated run-off claims and extracting capital value for shareholders.

Although the dynamics of the industry have evolved, one aspect remains the same. It is always difficult to predict when agreed transactions will close. Regulators, quite rightly, scrutinize these transactions to ensure policyholders are protected.

Global Re is a good example; although terms were signed in September 2018, the acquisition did not receive regulatory approval until April 2019, with completion occurring on 2 May 2019. In addition, there are a few smaller Legacy transactions which R&Q anticipated completing in 2018 but which have slipped and will now be completed in the first half of 2019.

The agreement to acquire Global Re demonstrates that R&Q is increasing the size threshold of the transactions we can execute. It is the largest acquisition ever undertaken by R&Q.

R&Q anticipates repeating this approach – acquiring larger scale portfolios – but only where the estimated returns are within pricing expectations. For very large portfolios, R&Q also anticipate entering into strategic partnerships with capital providers to share the financing risk.

R&Q will, however, continue to acquire smaller-to-medium sized portfolios from internally generated cashflows. Overall, in 2018 R&Q acquired 17 different portfolios or insurance companies/captives, representing £18.5m in net reserves.

During 2018, healthy reserve savings from previously acquired portfolios, notably the run-off of Lloyd's Syndicates and a mature portfolio of US customs import bonds, together with a number of Workers' Compensation portfolios, acquired from USA Captive Insurers. R&Q has also had continued success in negotiating favorable commutations with reinsurers of the former "Brandywine" Reinsurance Company (now

known as R&Q Reinsurance Company or “R&Q Re US”) and R&Q has utilized a large proportion of the commutation proceeds to purchase structured reinsurances where the Group benefits from the investment returns on the premiums paid.

With owners of discontinued portfolios increasingly seeing the attractions of freeing up resources by divesting their run-off businesses, R&Q is confident that it will complete more Legacy transactions in terms of total net reserves, than in 2018.

Investment Management

The total investments, collateral and cash held at 31 December 2018 was £639m (£603m in 2017) and total investment income, generated in 2018 amounted to £5.7m. The return on invested assets was 1.2% and the blended return for investments, collateral and cash was 0.9%. Global investment markets were volatile during 2018, particularly during the last few weeks of the year, when market turbulence reduced R&Q’s anticipated investment return for the year by £2.9m. In the early months of 2019, R&Q has seen the financial markets rebound with its investment portfolio fully recovering the unrealized losses incurred at the end of 2018.

Duration of the funds ranges from 0.5 years to 5.0 years (a weighted average of 1.29 years) with approximately 74% of funds having a duration of less than 2 years. Credit ratings are high across all investment accounts and range typically between AAA and BBB with over 83% of the funds having ratings of A+, or better.

During 2018 significant progress has been made in rationalizing under-performing investments and managers. This has seen us reduce the number of managers from 6, to 4, as it focuses on ensuring R&Q have adequate liquidity in the portfolios and look to reduce the cost of investment management.

Interest rate rises in 2018 in the USA (where R&Q holds over 70% of its funds), have provided us with the opportunity to move approximately £200m of cash held as collateral into deposits and short dated Treasury Bills generating returns in excess of 2% p.a., far higher than the equivalent returns generated in prior periods which averaged less than 0.4% p.a. To benefit further, R&Q’s holdings of floating rate notes has also increased.

Distribution Policy

In the near term, the Board expects to increase distributions by a nominal amount each year, but then to increase distributions in line with the growth in profits once R&Q sees the benefit of material and consistent earned commissions from Program business.

R&Q shall continue to take account of shareholders’ views as regards continuing the current policy of making payments by return of capital or adopting a more conventional dividend approach.

Staff:

The Board continues to address leadership succession issues.

The “bench strength” of the senior management team has been demonstrated by the positive progress made in successfully navigating R&Q’s way through the change in business strategy.

Staff numbers have reduced by almost 50% following the disposal of non-core businesses and R&Q continually seeks to add to the pool of technical and managerial talent both through internal development and external recruitment.

Outlook:

The foundations for profitable growth are in place and the recent fund raise provides an important boost to R&Q’s market profile. R&Q is grateful for the ongoing support of key shareholders.

In Legacy, R&Q has an excellent pipeline of new business opportunities and the proceeds from the fund raise in March 2019 will allow it to pursue a number of previously identified opportunities for which it now has the necessary capital. The “carry-over” of final stage but not completed acquisitions from 2018 – including Global Re will provide a boost to H1 2019 Group profits.

There was a time when run-off was regarded as the ugly duckling of the insurance industry; it has matured into a vibrant and respected segment of the market and is now viewed as a natural component of the underwriting life cycle requiring specialist skills. This should underpin the long-term supply of new Legacy opportunities.

In Program Management R&Q has rapidly established it as a major force on both sides of the Atlantic, evidenced by the high volumes of contracted business and the number and quality of reinsurers R&Q is working with. The March 2019 fund raise was in large part to underpin the Group’s crucial A.M. Best credit rating in light of premium growth which continues to outstrip original expectations. The response from A.M. Best was positive and immediate as they raised the credit rating of ASC within a matter of days of us announcing the successful fund raise. The swift response by business producers and MGAs has also been positive with a notable uplift in new business enquiries. As stressed, there will be a natural time lag before contracted business is converted into “earned commissions” and in the second half of 2019 and, especially in 2020 and subsequent years, R&Q should start to see significant profit growth from this business segment.

USA interest rate rises in 2018 and a growing investment “float” are expected to enhance investment income.

In both Legacy and Program Management, R&Q sees the demand and has the capacity to continue growing. R&Q’s platforms are highly scalable; R&Q has reliable, tried and tested high standards of corporate governance and a track record of successful deal execution.

For these reasons the Board is optimistic as regards the Group’s prospects for 2019 and beyond.

Geographic Split

	UK £000	North America £000	Europe £000	Total £000
Gross assets	463,918	813,038	277,775	1,554,731
Intercompany eliminations	<u>(131,425)</u>	<u>(169,314)</u>	<u>(56,419)</u>	<u>(357,158)</u>
Segment assets	<u>332,493</u>	<u>643,724</u>	<u>221,356</u>	<u>1,197,573</u>
Gross liabilities	332,349	834,004	212,391	1,378,744
Intercompany eliminations	<u>(105,813)</u>	<u>(246,587)</u>	<u>(4,758)</u>	<u>(357,158)</u>
	<u>226,536</u>	<u>587,417</u>	<u>207,633</u>	<u>1,021,586</u>
Revenue from external customers	<u>43,192</u>	<u>28,871</u>	<u>8,776</u>	<u>80,839</u>

g. Performance of Investments & Material Income & Expenses for the Reporting Period

Performance of Investments for the Reporting Period

The Group has a Capital and Investment Committee which is responsible, inter alia, for setting and recommending to the Board, an investment strategy for the management of the Group’s assets owned or managed by companies within the Group. The investment of the Group’s financial assets, except certain deposits with ceding undertakings, is managed by external investment managers, appointed by the Capital and Investment Committee. The Capital and Investment Committee is responsible for setting the policy to be followed by the investment managers. The investment strategy strives to mitigate the impact of interest rate

fluctuation and credit risks and to provide appropriate liquidity, in addition to monitoring and managing foreign exchange exposures.

The Capital and Investment Committee is also responsible for keeping under review the investment control procedures, monitoring and amending (where appropriate) the investment policies and oversight, monitoring Group cash flow, oversight of all banking and other financial commitments and covenants across the Group, as well as any regulatory requirements in relation to Group solvency.

The main objective of the investment policy is to maximize return whilst maintaining and protecting the principal value of funds under management. RQIH invests in high investment grade securities, cash and equities. The Company covers its technical provisions with investment grade fixed income securities and is continually monitors its investment portfolio there is a balance between performance and adherence to investment guidelines and asset mix. The investment income for the reporting period was £5.4m (£8.2m 2017).

The investment allocation (including surplus cash) at 31 December 2018 and 2017 is shown below:

	2018	2017
	£000	£000
Government and government agencies	63,228	141,278
Corporate bonds	202,424	159,961
Equities	24,369	21,146
Cash based investment funds	105,397	83,131
Cash and cash equivalents	236,923	173,393
	<u>632,341</u>	<u>578,909</u>

h. Any Other Material Information

None

II. GOVERNANCE STRUCTURE

RQIH has high standards of corporate governance, with a structure designed to establish, implement and maintain the effective controls essential to the Group's long-term success. The role of the Board is to set the Group's strategic objectives, and to oversee and review management performance, ensuring the required resources are available for meeting those objectives. The Board met regularly through the year to debate and conduct these matters.

The Board Committees are;

Capital & Investment Committee

The Capital & Investment Committee consists of the Executive Directors and is chaired by the Chief Financial Officer. The Chief Actuary and others attend as appropriate. Capital & Investment Committee considered 39 transactions and investment opportunities, as well as reviewing and making recommendations with regard to the Group's investment policy. The Capital & Investment Committee's primary purpose is to oversee all aspects of the management of corporate, insurance and syndicate assets owned, managed and related arrangements entered into by or on behalf of companies within the Group. There were a number of meetings in 2018 and attendance was 92%.

Group Risk Committee

The Group Risk Committee is chaired by an independent Non-Executive Director, Philip Barnes. The additional members are Alan Quilter (CFO) and Susan Young (CRO). Meetings are also attended by the Chief Executive Officer, the Group Chief Actuary the Chief Governance Officer and the Head of Internal Audit.

The Group Risk Management Function is described in Section ii (c)

Group Disclosure Committee

The Disclosure Committee was established in October 2016. The Disclosure Committee comprises the Chief Executive Officer (or the Chief Operations Officer as his alternate), the Chief Financial Officer and the Group Company Secretary. It meets at least annually to review the operation, adequacy and effectiveness of the Group's disclosure procedures and as necessary for the purpose of assisting the Board in fulfilling its responsibilities under the Market Abuse Regulation, AIM Rules and Disclosure Guidelines and Transparency Rules.

Remuneration & Nomination Committee

The Remuneration & Nomination Committee consists of the Non-Executive Directors and is chaired by Michael Smith. The Chief Executive Officer is an attendee and other members of the Executive and senior management attend by request. The Remuneration & Nomination Committee met six times during 2018. Attendance was 100%.

The Remuneration & Nomination Committee's primary focus is on setting the Group's Executive and senior management remuneration policy, in collaboration with the Board as a whole. The Remuneration & Nomination Committee also considers share incentive plans, option grants and other performance-related initiatives as well as approving management's general approach to employee annual bonuses and pay rises, specific awards for senior management and making recommendations as to succession planning.

Reinsurance Asset Committee

The Reinsurance Asset Committee is chaired by Michael Smith and consists of the Head of Claims & Reinsurance (UK), Chief Financial Officer, Chief Executive Officer-Insurance Investments Division, UK Client Services Director, Chief Actuary, Head of Group Credit Control, President and Senior Vice President of US Insurance Services Division and the US General Counsel. The Reinsurance Asset Committee met four times in 2018. Attendance was 92%.

The Reinsurance Asset Committee monitors and reports on the Group's owned insurance company reinsurance assets and recommends actions to protect such assets. The Reinsurance Asset Committee also reviews bad and doubtful debt provisions proposed by the Group's owned insurance companies, reports on reinsurance litigation/arbitration and commutation activity, and makes recommendations on acceptable levels of security for the purchase of insurance and reinsurance cover.

Audit Committee

The Audit Committee consists of the three Non-Executive Directors, and is chaired by Alastair Campbell. The Executive Directors are attendees and members of the Finance, Actuarial and Internal Audit functions are invited where appropriate. The Group's auditors, PKF Littlejohn LLP, attend at least two meetings per year. The Audit Committee met five times in 2018 and attendance was 100%.

During 2018, the Audit Committee reviewed the Group's full-year and half-year financial statements and associated disclosures and also considered, among other things, the appropriateness of the Group's accounting policies. During the year the Committee reviewed the appointments of the Group Auditor and of those auditors of the significant overseas subsidiaries not audited by the Group Auditor. The Committee received reports from the Actuarial function concerning the claims reserves in the financial statements

established by the Group's insurance companies and syndicates. The Committee also approved the work plan for Internal Audit for 2019, received copies of internal audit reports issued by Internal Audit, and received regular reports from the Head of Internal Audit including progress against the three-year internal audit plan and progress made by management on the implementation of internal audit recommendations. The Committee reports its findings to the Board at each regularly scheduled Board meeting.

The Group Audit Committee oversees the activities of Subsidiary Company Audit Committees and its Chairman, meets as appropriate, with the respective chairs of the relevant subsidiary Audit Committees.

a. Board and Senior Executive

i. Board and Senior Executive Structure, role, responsibilities and segregation of responsibilities.

RQIH's Governance framework is designed to ensure an effective system of governance which provides for the sound & prudent oversight and effective operation of the Board.

The Board is responsible for ensuring that the principles of good governance are observed and has an internal control and risk management framework and employs the Three Lines of Defence model to manage risk.

The System of Governance is also designed to be able to evidence compliance with the BMA regulatory requirements and meets the expectations and requirements of its stakeholders. Board and Committee meetings are held quarterly.

The Board currently consists of 7 directors, of which 3 are executive directors and 4 are independent non-executive directors. Their roles and responsibilities are outlined in the Company's Byelaws and comply with the regulatory requirements of Bermuda.

b. Fitness and Proprietary Requirements

i. Fit and Proper Process in assessing the Board and Senior Executive

RQIH ensures that it is directed and managed by a sufficient number of persons who are fit and proper persons to hold their respective positions and that those Directors and Officers are:

- professionally competent and capable to carry out their responsibilities and have demonstrated this through their experience & training
- honest, have integrity and are reputable.

The assessment of the management and technical competence of an individual is based on their previous experience, knowledge and professional standing, which demonstrates due skill, care, diligence, and compliance with the relevant standards of the area/sector they have worked in. In relation to Director Appointments, the assessment also considers how the proposed appointment would augment the collective fitness and propriety of the Board as a whole.

The assessment of reputation includes checks as to whether there are any reasons to believe from past conduct that an individual may not discharge their duties in line with applicable rules, regulations and guidelines. Assessment is initially made prior to appointment to their role, but will be reassessed on a regular basis as part of an annual performance review process.

ii. Board and Senior Executives Professional Qualifications, Skills and Expertise

Below are details of the Board and Senior Executives qualifications, skills and expertise during 2018:

Directors	Senior Executives
<ul style="list-style-type: none">• Kenneth Randall• Alan K. Quilter• Mark Langridge• Philip Barnes• Michael Smith• Alastair Campbell	<ul style="list-style-type: none">• Carrie Hewitt (Chief Actuary)• Susan Young (Chief Risk Officer)• Michael Glover (Chief Governance Officer)

Director Bios are included in Appendix 1.

Joanne Fox was appointed in May 2019.

ii. Remuneration Policy

The Group's approach to Remuneration is based on personal, local entity and Group performance rather than being driven by underwriting income.

A company may not have full-time staff, seconding in staff from the Group. Group employees, which include the Directors of the local company, are charged to the local company on a time expended basis.

The Group's approach to remuneration for all subsidiaries falls under the oversight of the Group Remuneration & Nomination Committee. The company is committed to ensuring that its practices promote the achievement of the overall aims and objectives of the Group and company, their financial stability and its risk management framework together with the long-term security and wellbeing of its employees.

The RQIH Group provides and will continue to provide appropriate and proportional Governance and control functions.

There are no supplementary pension or early retirement schemes in existence within the Group subsequent to the year end, Kenneth Randall, as a result of dilution and sale of shares owned to be a controller of the Group and therefore its subsidiaries.

c. Risk Management and Solvency Self-Assessment

i. Risk Management Process & Procedures to Identify, Measure, Manage and Report on Risk Exposures

o Overview

The Group and its core businesses take risk, in order to reward in an informed and controlled manner. The Board and Senior Management appreciate that ongoing success depends upon its collective understanding and management of the Group's known risks and exposures.

o Overall Responsibility for Risk Management

The Board continues to have overall responsibility for ensuring that the Group has an appropriate and proportional approach to risk management and internal control across the Group, and that this approach is properly aligned with the Group's overall corporate strategy.

The risks facing the Group continue to evolve and increase/decrease in potential impact and probability of crystallisation over time. Accordingly, the management of risk and uncertainty remains an iterative process. Risk management is pervasive to all the Group's activities and that this is reflected in the risk management governance framework outlined below.

○ **Risk Management Framework and the Risk Management Function**

The Group has a mature Risk Management Framework and Risk Function headed by the Group Chief Risk Officer.

The Group Risk function is responsible for designing, overseeing, implementing and improving the Risk Management Framework, and works closely with Group and business unit senior management, meeting regularly with them to monitor existing identified risks and uncertainties, identify new and emerging risks and to ensure that there are appropriate processes and procedures in place to mitigate these risks.

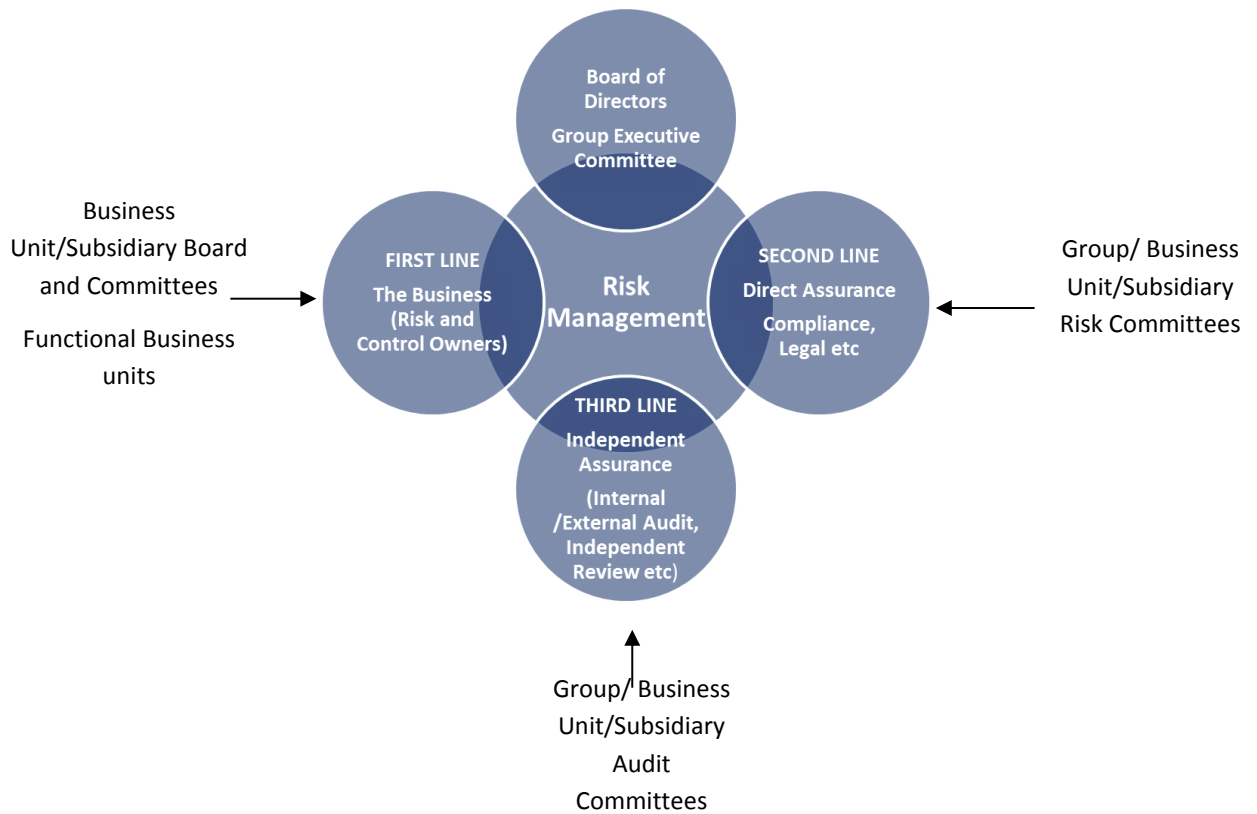
The Risk Function is also responsible for monitoring that the business meets regulatory expectations around enterprise risk management and reporting on risk to the Board and the Risk Committee.

The overarching process is adopted.



○ **Risk Governance**

Risk Management within the Group adopts an Enterprise Wide approach and accordingly, has regard to the “Three Lines of Defence” model at both Group and individual business unit level as shown below.



○ **Risk Appetite**

The Group Risk Appetite Framework sets the boundaries within which risk taking should remain in order to meet the expectations of the capital providers and other stakeholders. For R&Q, it is articulated via a series of quantitative and qualitative statements covering all defined categories of Risk.

Risk Appetite reflects the amount of risk taking which is acceptable to the Group. Accordingly, risk appetite refers to RQIH’s attitude to risk taking and whether it is willing or able to tolerate a high or low level of exposure to specific risks or risk categories.

Risk Tolerance represents the Group’s ability and willingness to bear risk. When considering this, factors such as the availability of capital, ability to raise capital, strength of underlying operational processes and procedures and strength of the organisation’s operational culture are all relevant.

The Risk Appetite Framework, which is set at both the Group and key business unit level, is reviewed annually and/or when there are material changes to the overall risk profile of the Group or business unit.

○ **Own Risk and Solvency Assessments and Equivalents**

The Own Risk and Solvency Assessment (ORSA) or equivalent (for example this GSSA report) is defined as; “The entirety of the processes and procedures employed to identify, assess, monitor, manage, and report the short and long term risks a firm faces or may face and to determine the own funds necessary to ensure that overall solvency needs are met at all times.”

The Group’s ORSA processes are well embedded within the individual business units and at the Group level. They have evolved and continue to evolve from the Group’s already established Risk Management and Capital Assessment processes. These processes comprise the self-evaluation of the

risk mitigation and capital resources needed to achieve the Group's strategic objectives on a current and forward-looking basis, given their risk profiles.

The Group is Bermuda domiciled and accordingly produces a Group Solvency Self-Assessment (GSSA). The structure of the GSSA report and process has been further refined to align with the development of the Group Capital Model which is currently in progress.

o **Internal Control System**

The Group's Internal Control System comprises the following key elements;

- **Documented Governance Arrangements** continue to evolve along with the overall business strategy.
- **Strategic Planning Process**, setting priorities for the forthcoming planning horizon, reviewed by the Board periodically to ensure the Group focusses on its core strengths
- **Detailed Planning/Budgeting Process**, subject to detailed and ongoing oversight and scrutiny delivering forecasts/targets for Board review and approval.
- **Management Information Systems**, including, corporate reporting on financial/operating performance.
- **A defined Risk Appetite framework** governing management, control and oversight of key risks and issues.
- **Overall Group Capital Adequacy Planning conducted** biannually.
- **Compliance** arrangements throughout the Group
- **Internal Audit Function** providing third line assurance to the Board via the Audit Committee following a risk-based, approved annual Audit Plan, on the effectiveness of the Group's internal controls in respect of key risks identified.
- **Risk Management Function**, as described above.

The Board considers that the controls in place during 2018 were and continue to be relevant, proportional and appropriate for the needs of the Group, and in addition are sufficiently flexible to evolve with the changing needs of the business.

A number of the Group's subsidiaries are regulated and accordingly are subject to the relevant degree of local regulatory oversight. Members of the Board and Senior Management regularly meet with the Group's various regulatory supervisors, conducting the relationship in an open and constructive manner.

d. Compliance Function

RQIH's Chief Governance Officer has responsibility to monitor regulatory changes in the relevant jurisdictions and compliance with applicable existing laws, including regulatory reporting and public disclosure requirements. The Group compliance function monitors compliance with organizational policies and procedures and adherence to the Company's Code of Ethics. Any compliance breaches are reported to the Board.

e. Internal Audit

The Group Internal Audit function is headed up by the Group Head of Internal Audit. The Internal Audit function operates independently with the Group Head of Internal Audit reporting to the Chairman of the RQIH Audit Committee.

To ensure Internal Audit remains independent, its employees are not authorized to perform any operational duties or approve any transactions in the organization. The team is, when required, supplemented by using additional independent in-house resources and external co-sourced resources. The Internal Audit Team

monitors compliance with the Code of Ethics of the Chartered Association of Internal Auditors International Professional Practice Framework.

f. Actuarial Function

The Group Actuarial function is headed up by Chief Actuary, who is an Actuary with particular experience in the non-life classes of insurance. The Actuarial team consists of a large team of qualified actuaries, part qualified actuaries and analysts based in London and the United States. The Group Actuarial function support RQIH's subsidiary operations in each jurisdiction in which it operates.

The key actuarial services provided include:

- Assessment of Technical Provisions accounting purposes, regulatory and internal purposes as required
- Design, implementation, development and validation of the capital models and tolls
- Calculation of regulatory capital requirements
- Capital Modelling to meet regulatory requirements and quantitative analysis for Risk Management purposes
- Pricing support to the Underwriters
- Monitoring and reporting the performance of Syndicates and group owned companies
- Support for the assumption or acquisition of loss portfolio transfers, Lloyd's Syndicates, insurance companies or captives
- Calculation of capital impacts of acquisition and new products

g. Outsourcing

i. Outsourcing Policy and Key Functions that have been Outsourced and ii. Material Outsourcing

RQIH has an outsourcing policy and is very experienced managing outsourced services. RQIH does generally not outsource any of the material Group functions of actuarial, risk management, compliance and internal audit, though external professional firms are engaged in support of these functions from time to time. These functions are all provided by teams of experienced and qualified specialists as details in the analysis for each function.

Most companies within the Group do not have employees instead, local service companies have been established principally in the USA and UK to oversee the allocation of a resources to each local company/

h. Other Material Information

There is no other material information to report.

III. RISK PROFILE

a. Material Risks the Insurer is Exposed to During the Reporting Period

The Company's principal risks and uncertainties that are inherent in the underlying insurance business and include the following.

Insurance – Underwriting Risk

Given the diverse nature of RQIH's business portfolio, and the resultant limited potential for accumulations of 'live' risks across individual entities, there is unlikely to be significant benefit in articulating quantitative tolerances in respect of Underwriting Risk at the level of the Group.

At individual entity level, where applicable appetite for Underwriting Risk are established in the context of achieving the entity's overall Strategic Objectives (return, volatility and sustainability). Whilst there is no mathematical approach to translating these objectives in to specific appetites and tolerances, suitable

techniques (for example stochastic modelling or other simulation) are used to test the impact of a range of tolerances on the entity's ability to generate a plan that meets the overall objectives.

Additional expressions of appetite and tolerances for live underwriting may refer to combined ratios, price adequacy, premium volumes, concentrations of casualty risk to specific trades or sectors, quality of reinsurance etc.

Insurance – Reserving Risk

Reserve Risk applies to a greater proportion of R&Qs business portfolio and given it is the dominant risk driver in the run-off businesses it attracts attention both at Group and entity level.

As with Underwriting Risk, the diverse nature of the portfolios means that there is likely limited potential for material concentrations of risk to one or more underlying drivers of adverse development save for general economic uncertainty and volatility.

Reserve Risk is extremely difficult to aggregate across entities – even assuming that we quantify risk on a return period / percentile type basis at class or entity level, stochastic modelling is required to understand the impact of diversification of risk across portfolios.

In practical terms, the Group therefore sets its appetite in a way that is meaningful and appropriate (using internally generated actuarial best estimate) and can be monitored 'by exception' across its entities.

Market Risk – Investment

R&Q considers Market Risk as a 'core' risk in that it is one R&Q is deliberately exposed to with the intention of generating a risk adjusted reward.

Unlike Insurance Risk, where there is limited potential for concentrations of risk across entities due to the diversity of actual risk exposures, there is a greater potential for concentrations of Market Risk given that there is a discrete universe of asset classes and geographies in which R&Q can invest and the specific source of funds invested has no bearing on the probability of loss over and above its choice of assets.

Given this, R&Q frames an appetite for investment risk for application across entities and monitor aggregate exposures.

Appetites and tolerances are framed using one or more of the dimensions of risk / return, concentration / diversification by asset type / quality and value at risk.

Market Risk – Currency

Defined as the risk of adverse variation in the value of net assets in foreign currencies as a result of currency rate movements, this is typically mitigated through the use of effective asset liability matching and, where necessary, hedging any positions outside tolerance.

As with investment risk, the primary driver is external volatility and as such the risk presents potential for concentrations across entities however resultant losses are less likely to result in a material earnings event.

Within an individual entity, R&Q establishes an appetite / tolerance around currency risk referring to the need to avoid significant local exposures.

Reinsurance Counterparty Risk

Reinsurance Counterparty risk is relevant to a number of R&Q operations and as a Group R&Q is potentially exposed to concentrations to individual counterparties.

Theoretically, aggregations to individual counterparties relating to incurred / IBNR losses are, where possible, considered at the level of the Group however it is borne in mind that the degree to which R&Q might be able to act upon this information given that the majority of exposures relate to run off and legacy portfolios is limited.

In respect of live underwriting operations, R&Q set tolerances relating to the need to ensure appropriate diversification across counterparties both within and across reinsurance programs.

In respect of run off portfolios, much of counterparty exposure is in respect of inuring treaties over which R&Q has no direct control. In these instances, R&Q assesses potential concentrations/exposures in advance as part of the due diligence process. In certain instances, we buy retroactive cover which may be placed with a single counterparty if deemed appropriate and/or where diversifications across counterparties is not possible and/or practical.

These are expressed in terms of a range of maximum percentage participations or maximum aggregate limits exposed through reference to an external credit rating. This simplistic method of considering exposure whilst adequate for the purposes of ensuring diversification on a program by program basis does not lend itself to aggregation either across programs or with actual / modelled reported and IBNR exposures as it takes no account of the likelihood of the reinsurance being triggered.

From a Group perspective therefore, R&Q's risk appetite is expressed at a high level and requires that individual entities develop their approach in way that makes sense locally.

Intermediary Counterparty Risk

Where counterparty exposures are a feature of the business, limits are established through reference to individual counterparties' external ratings and tracked on a 'by exception' basis.

Liquidity Risk

This category of risk is applicable to all operating entities to differing degrees given the varying levels of uncertainty around projected liquidity requirements and how this is addressed through local investment strategies.

R&Q sets specific appetites and tolerances around the degree to which R&Q will accept the risk of being unable to meet liabilities when they fall due. For example:

Operational Risk

As an area of non-core risk, R&Q aims to avoid or mitigate operational risk to the extent that is practicable and economically appropriate.

Due to the nature of operational risk, in practice it is difficult to attempt to aggregate exposures across multiple entities (due to the lack of a common denominator of measurement). It is, however, possible to develop some consistent statements of risk appetite that are then tailored to the specific risk profile of individual entities.

In terms of risk reporting, this is primarily on a 'by exception' basis with breaches of appetite or near miss / actual losses being aggregated across entities.

Regulatory & Legal Risk

These are risks for which there is have zero or very limited appetite and so these are expressed in terms of Group risk appetite on this basis through a series of appropriate statements.

Similarly to generic Operational Risk, whilst difficult to quantitatively aggregate risks across entities, these risks could be reported on the basis of crystallized events or near misses on a 'by exception' basis.

Strategic & Group Risk

As described in the Risk Universe Framework, this area of risk is typically assessed qualitatively and as such does not lend itself to aggregation either with other risks or across entities. This covers a range of potential risk exposures including, but not restricted to, Strategy Selection, Strategy adherence, Contagion Risk, Access to Capital etc.

Emerging Risk

By definition, these risks lend themselves neither to a formal expression of a quantitative appetite / tolerance nor to reporting on an aggregate basis.

Accordingly, the Group articulates its appetite in terms of a requirement that individual operating entities have in place a process to identify these risks, operate this process effectively and communicate its outputs to the relevant stakeholders.

Whilst certain emerging risks may have the potential to affect more than one operating entity, local evaluation will rightly tend to be based more upon the specific entity than on that of the wider Group. Rather than creating an industry, the process of reviewing entity analysis and wider market analysis is centralized.

b. Risk Mitigation in the Organization

RQIH has a comprehensive Risk Management framework implemented both at a group level and in each operating subsidiary. The Risk Management Function is under the control of the Group Chief Risk Officer and reports directly to the Group's Board and the Group Risk Committee.

The Risk Management function has established and implemented risk management across the Group which includes the co-ordination, aggregation, facilitating and enabling the function and is specifically responsible for strategy, risk appetite, risk ownership, risk governance, internal models, emerging risks, risk assessment, risk policies and procedures, risk co-ordination, risk reporting and communications, business continuity, insurance and liaison with external parties.

c. Material Risk Concentrations

The Company has policies governing risk concentrations in relation to counterparties, credit quality, concentration and geographical locations. RQIH monitors exposures, risk limits and concentrations. The Group's risk exposure monitoring is completed by the Actuarial and Risk Management teams in London.

d. Investment in Assets in Accordance with the Prudent Person Principles of the Code of Conduct

The Company's investment portfolio is managed in accordance with the investment policy and investment guidelines. These guidelines are designed to ensure that highly liquid and low volatility investments support technical provisions to ensure that claims can be paid as they fall due. The investment policy and guidelines are reviewed as required, for example if any significant developments have occurred that affect the financial markets.

e. Stress Testing and Sensitivity Analysis to Assess Material Risks

The Company performs various stress tests on an annual basis to determine the adequacy of capital/solvency/liquidity to ensure regulatory requirements are met. The stress tests performed relate to underwriting risk exposures, interest rate risk, credit risk and reverse stress tests.

IV. SOLVENCY VALUATION

a. Valuation Bases, Assumptions and Methods to Derive the Value of Each Asset Class

The Company has used the valuation principles outlined by Bermuda Monetary Authority's "Guidance Note for Statutory Reporting Regime" for the reporting period's statutory filing. The economic valuation principles outlined in this document are to measure assets and liabilities on a fair value basis (which is the value that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date). The fair value principles used for the assets are as follows:

- Cash and Cash Equivalents – includes cash time deposits. The fair value of these holdings is determined by using mark to market valuation, or quoted market prices in active markets for similar assets with adjustments to reflect differences if mark to market valuation is not possible, or mark to model valuation otherwise.
- Fixed Income Securities – are valued in accordance with mark to market principles where possible or quoted market prices in active markets for similar assets with adjustments to reflect differences if mark to market valuation is not possible. For fixed income securities that are not actively traded and for which similar assets are also not actively traded, the Company uses pricing services to prepare inputs to assist the Company with mark to model valuations.
- Equities and investment funds - includes common stock and preferred shares and are valued using the quoted market prices.
- Accounts Receivable and Premium Receivable – are recorded at a fair value and balances due in more than one year have been discounted at the relevant risk free rate.

b. Valuation Bases, Assumptions and Methods to Derive the Value of Technical Provisions

Insurance technical provisions are valued based on best estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate term structure with an appropriate illiquidity adjustment. In addition, there is a risk margin to reflect the uncertainty contained inherent in the underlying cash flows which is calculated using the cost of capital approach and a risk-free discount rate term structure. The discount rate term structures are prescribed by the Bermuda Monetary Authority for each reporting period.

The best estimate for the loss and loss expense provision is calculated by using IFRS Accounting Principles reserves as the starting point and then performing a series of adjustments:

- Removal of prudence margins.
- Incorporation of expected reinsurance counterparty defaults.
- Incorporation of events not in data (ENID).
- Other adjustments related to consideration for investment expenses, etc.
- Discounting of cash flows.

The best estimate for the premium provision is calculated by using the unearned premium reserve on a IFRS basis, adjusting for bound but not incepted business as at 31st December 2018 and applying expected future loss ratios, expense ratios and appropriate claims pay-out patterns to derive cash flows which are then discounted.

At 31 December 2018, the total Technical Provisions amounted to \$493.2m comprising the following (reported in \$'000s):

- Best Estimate Loss and Loss Expense Provision \$432.7m
- Best Estimate Premium Provision \$21.5m
- Risk Margin \$39.0m

c. Recoverables from Reinsurance Contracts

The valuation of recoverables from reinsurance contracts is based upon principles similar to the gross best estimate.

The recoverables from reinsurance contracts balance is adjusted for potential impairment based upon counterparty credit rating (from official rating agencies) and experience of each underlying reinsurer's statistics of default or dispute.

d. Valuation Bases, Assumptions and Methods to Derive the Value of Other Liabilities

Similar to the valuation principles for assets, the Company's liabilities follow the valuations principles outlined by Bermuda Monetary Authority's "Guidance Note for Statutory Reporting Regime" which values liabilities at a fair value basis. All other liabilities (with the exception of Notes Payable and Derivative Instruments) are valued on a IFRS basis and settlements not expected to be settled within a year, are discounted using the prescribed discount rates provided by the Bermuda Monetary Authority as at 31st December 2018. Notes Payable are valued on an IFRS basis. In the absence of an active market, prices are based on observable market inputs.

e. Any Other Material Information

No additional material information to report.

V. CAPITAL MANAGEMENT

a. Eligible capital

i. Capital Management Policy and Process for Capital Needs, How Capital is Managed and Material Changes During the Reporting Period

The primary capital management objectives of the Company are to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times. The Company strives to achieve an appropriate capital structure that efficiently allocates risk to the Company's capital. The Company's capital and risk management strategy are primarily unchanged over the prior year.

To maintain a strong capital base, the Company identifies, assesses, manages and monitors the various risk sources it faces in the course of business. This process culminates in an assessment of the capital necessary to maintain solvency at the threshold targeted by senior management given the firm's risk profile. The Company's risk profile includes an assessment of the current and anticipated future material risks faced by the Company, the strength of the organisation's risk management, capital measures, qualitative risks, stress testing, liquidity, and financing mechanisms.

Eligible Capital Categorised by Tiers in Accordance with the Eligible Capital Rules

At the end of the reporting period, the Company's Eligible Capital was categorized as follows:

		\$000s
Tier 1 Capital	Share Capital	3,189
	Contributed Surplus	64,716
	Statutory economic surplus	139,033
Total Tier 1 Capital		206,938
Total Tier 2 Capital	Fixed Term Subordinated Debt	48,579
Total Eligible Capital		255,517

The Company's Tier 1 Capital, consists of share capital, contributed surplus, and statutory surplus.

The Tier 2 Capital comprises Floating Rate Subordinated Notes which were issued by various Group companies as follows:

Issuing Company	Date of Issue	Redemption Date	Value of Capital Instrument	Value of Capital Instrument
			Local Currency	\$000s
R&Q Re (Bermuda) Ltd	December 22, 2016	December 22, 2023	\$20m	20,000
Accredited Insurance (Europe) Limited	August 12, 2015	October 5, 2025	€20m	22,863
Accredited Insurance (Europe) Limited	July 12, 2017	July 5, 2027	€5m	5,716

The R&Q Re (Bermuda) Ltd Notes were approved by the BMA as Tier 2 Ancillary Capital within its Eligible Capital.

The Accredited Insurance (Europe) Limited Notes have been approved by the Malta Financial Services Authority as Tier 2 Ancillary Capital.

There are no pledged assets that exceed the Company's policyholder obligations, therefore there are no adjustments to the Eligible Capital tiers

ii. Eligible Capital Categorised by Tiers in Accordance to the Eligible Capital Rules Used to Meet ECR and MSM Requirements of the Insurance Act

At the end of the reporting period, the Company's Eligible Capital for its Minimum Margin of Solvency (MSM) and Enhanced Capital Requirement (ECR) was categorized as follows:

The BMA approved for R&Q Re (Bermuda) Ltd. on 19 December 2016 a \$20 million Floating Rate Subordinated Notes due 2023 as Tier 2 Ancillary Capital and "Other Fixed Capital" for the purpose of determining RQIH's Statutory Capital and Surplus.

Accredited Insurance (Europe) Limited has €25 million Floating Rate Subordinated Notes due 2025 & 2027 which have been included within "Other Fixed Capital" for the purpose of determining RQIH's Statutory Capital and Surplus.

In addition, the Group has issued Floating Rate Subordinated Notes as below, no application for this to be included as Eligible Capital has been made to the BMA.

Issuer	Principal	Rate	Maturity
Randall & Quilter Investment Holdings Ltd.	\$70mn	6.35% above USD LIBOR	2028

iii. Confirmation of Eligible Capital That is Subject to Transitional Arrangements

There are no transitional arrangements for Eligible Capital

iv. Identification of Any Factors Affecting Encumbrances on the Availability and Transferability of Capital to Meet the ECR

The Company has entered into contracts with affiliated cedants. The Company posts collateral to meet its Funds at Lloyd's obligations. There are no other restricted assets.

v. Identification of Ancillary Capital Instruments Approved by the Authority

None

vi. Identification of Differences in Shareholder's Equity as Stated in the Financial Statements Versus the Available Capital and Surplus

Other than the impact of employing statutory-based technical provision valuation techniques, significant differences between IFRS shareholder equity and available statutory capital and surplus include the reduction in available statutory capital for goodwill and other intangible assets and non-admitted assets.

b. Regulatory capital requirements

i. ECR and MMS Requirements at the End of the Reporting Period

At the end of the reporting period, the Company's regulatory capital requirements were assessed as follows:

Requirement	\$'000
Minimum Margin of Solvency	\$100,588
Enhanced Capital Requirement	\$131,182
Target capital level (unaudited)	\$157,418
Actual statutory capital and surplus	\$255,517

The Company is in compliance with the Liquidity Ratio at 31 December 2018 and 2017.

The Enhanced Capital Requirement ratio of 195% is significantly in excess of the minimum requirement of 100% and above the Target Capital level of 120%.

ii. Identification of Any Non-Compliance with the MMS and the ECR

The Company was compliant with its Minimum Margin of Solvency and Enhanced Capital Requirements during the reporting period.

iii. A Description of the Amount and Circumstances Surrounding the Non-Compliance, the Remedial Measures and Their Effectiveness

There was no non-compliance in 2018.

iv. Where the Non-Compliance is not Resolved, a Description of the Amount of the Non-Compliance

The Insurance Group was in compliance in 2018.

c. Approved Internal Capital Model

The company does not use an internal capital model.

vi. Subsequent Events

There were no reportable subsequent events other than those noted in Appendix 2 (full text available on request or via www.rqih.com).

Appendix 1 – Directors Bios

Ken Randall

Director & Group Chairman and Chief Executive Officer

Ken Randall is the founding chief executive of the Randall & Quilter Group and has been a pioneer in the acquisition and management of discontinued business for over 25 years.

Randall & Quilter Group's antecedents go back to 1991 when Ken founded Eastgate Group with Alan Quilter after leaving the Lloyd's Market. Over the next eight years they developed Eastgate into the UK's third-party provider of insurance services with 1,300 employees and a turnover of £80million per annum. Following the sale of Eastgate to Capita plc in November 2000, Ken and Alan refocused the Randall & Quilter Group onto the acquisition of non-life legacy run-off portfolios.

Ken led the Randall & Quilter Group admission to AIM in 2007 and remains a significant shareholder. He was a driving force in the Group's new strategic focus in 2017.

A Certified Accountant, Ken has worked in the insurance industry for more than 40 years. During the early 1980s, Ken was Head of Market Regulation at Lloyd's, then a self-regulated institution, before becoming Chief Executive of a leading Lloyd's Insurance Group.

Alan Quilter

Director & Group Deputy Chairman and Group Chief Financial Officer

Alan Quilter is the co-founder of the Randall & Quilter Group and has recently returned to the role of Group Chief Financial Officer and is responsible at board level for program underwriting management.

A chartered accountant, Alan has been a driving force in the development of the Randall & Quilter Group since co-founding the business key milestones as Group Chief Financial Officer including the Company's admission to AIM in 2007.

Alan has worked in the London insurance market since 1969. Between 1980 and 1987, he headed the Market Financial Services Group at Lloyd's before becoming Managing Director of a specialist investment management company focused on investment markets in the UK. Alan joined Ken Randall as Chief Financial Officer (CFO) of the Eastgate Group, the predecessor company to the Randall & Quilter Group.

Mark Langridge

Executive Director and Head of Legacy

Mark has worked within the London insurance industry since 1980 when he began his career with the Prudential Corporation, qualifying as an accountant in 1987.

In 1993 he joined KWELM Management Services where, as Reinsurance Director, he was responsible for managing the legacy of the insolvent HS Weavers' underwriting pool which had liabilities of more than \$9bn, and which presented unique challenges for the P&C industry in London and internationally.

Following the closure of the KWELM estate in 2005, Mark set up and part owned KMS Group before its acquisition by R&Q in 2008.

Prior to his appointment as Executive Director in January 2018, Mark was Chief Executive Officer of the R&Q Insurance Investments Division.

Michael Smith

Non-Executive Director

Michael Smith is a solicitor, having spent his professional career at City solicitors Titmuss, Sainer & Webb (now international Law Firm Dechert) of which he was senior partner from 1990 to 1998, retiring from legal practice in 2001.

He was a corporate lawyer, having specialised from the mid-1980s in the London and international insurance markets, with a concentration on capital transactions of all types. Michael is also a non-executive director of WR Berkeley Syndicate Management Limited and a trustee of two charities, The Foyle Foundation (of which he is a chairman) and the National Hospital Development Foundation.

Philip Barnes

Non-Executive Director

Philip Barnes is a Chartered Accountant and has worked in the insurance industry for the past 33 years. Philip is currently the president of the representative office of the Jardine Matheson Group of Companies in Bermuda.

A Fellow of the Institute of Chartered Accountants in England & Wales, Philip qualified with a national firm of accountants in the UK before continuing his career with Deloitte in Bermuda. He then joined Alexander & Alexander which was subsequently acquired by the global broker Aon. During his 25 year career with Aon, Philip oversaw the growth and development of the Bermuda office into the leading manager of captives and reinsurance companies on the island.

Philip has served on various industry and Government advisory committees over the years. He currently holds a number of non-executive directorships of Bermuda insurance and reinsurance companies.

Alastair Campbell

Non-Executive Director

Alastair Campbell qualified as a Chartered Accountant in 1968. After qualifying, he worked with PKF Littlejohn LLP, becoming a partner in 1970. Between 1984 and 1998 he acted as Senior Partner and Chairman of the firm.

During his 40 years as a partner, he acted for a wide range of commercial entities, mainly in the service sector. Throughout his career he has been involved in the London Insurance Market and has extensive experience of advising on acquisitions and disposals, investigation work and giving advice at Board level.

Following his retirement in 2010, he has worked as an independent consultant and expert witness on accounting related projects.

Jo Fox

Non-Executive Director

Jo is a finance professional with over 20 years' experience at board and management levels, having qualified as a Chartered Accountant with Arthur Andersen in 1990. Jo has worked in the insurance industry since 1996 when she worked for Liberty Risk Services, and later with International Insurance Company of Hannover and Lancashire Insurance. More recently, Jo was chair and non-executive director of R&Q Managing Agency Limited, which was acquired by Coverys in 2017.

Jo has held 5 FCA/PRA posts (2 European risk carriers, a London Market Intermediary and 2 Lloyd's Managing Agents). In addition to her board experience Jo has chaired Audit, Risk and Capital and Compliance committees and was Chair of the IUA Solvency Working Group from 2014 to 2016.

Appendix 2

2019 Website Announcements

Date	Website Announcement
04 January 2019	Directors' Shareholding
07 January 2019	Accredited announces new program underwriting partnership with Kitsune Ltd
08 January 2019	Completion of R&Q's acquisition of MPS Risk Solutions Limited
10 January 2019	R&Q completes on two further transactions
07 February 2019	Placing and open offer to raise approximately £107 million
08 February 2019	Posting of circular
25 February 2019	Accredited announces new program underwriting partnership with Stabilis MGA Limited
04 March 2019	Acquisition of Nationale-Nederlanden International Schadeverzekering SE
05 March 2019	R&Q completes £107mn fundraise
05 March 2019	Result of General Meeting and Open Offer
06 March 2019	PDMR Share Dealings
20 March 2019	Accredited's growth momentum underpinned by A.M. Best Group rating increase
21 March 2019	Accredited announces new program underwriting partnership with Pronto General Insurance Agency Ltd
25 March 2019	Listing of Senior Unsecured Floating Rate Notes
01 April 2019	Acquisition of Western Captive Insurance Company DAC
23 April 2019	R&Q receives regulatory approval for acquisition of GLOBAL U.S. Holdings Inc.
29 April 2019	Final results for the year ended 31st December 2018
30 April 2019	PDMR Shareholding/Total Voting Rights Allotment of Shares
03 May 2019	R&Q completes acquisition of GLOBAL U.S. Holdings Inc.
07 May 2019	Board Appointment
07 May 2019	Directors' Shareholdings/Total Voting Rights
20 May 2019	Notice of AGM and Proposed Return of Capital to Shareholders of 5.6pence per Ordinary Share and Reduction of Capital