



R&Q Insurance Holdings Limited

Update on Proposed Sale of Accredited

14 November 2023

On 20 October 2023, R&Q Insurance Holdings Ltd (AIM-RQIH) (“R&Q”) announced the proposed Sale of Accredited to Onex Corporation (the “Announcement”). Capitalised terms used, but not defined, in this announcement have the meaning given to such terms in the Announcement. The full announcement can be found here: <https://www.rqih.com/news>

As explained in the Announcement, the transaction is conditional on R&Q shareholder and regulatory approval as well as customary consents from certain R&Q debt providers. R&Q continues to work expediently towards satisfying these conditions and closing of the Sale is expected to occur in late Q1 2024 or early Q2 2024.

In the Announcement, R&Q provided a brief summary of its future strategy for R&Q Legacy, on the assumption that the Sale achieves a successful conclusion. Although completion of the Sale continues to be conditional on the factors noted above, the Board recognises shareholders’ interest in better understanding the profile of R&Q Legacy as a standalone business. Accordingly, R&Q today announces the publication of a presentation on R&Q Legacy (the “Presentation”) which can be found on R&Q’s website via the link:

<https://www.rqih.com/investors/shareholder-information/investor-presentations/>

The Presentation provides further detail on R&Q’s envisaged strategy, market position and financial objectives as a refocused global legacy company, should the Sale successfully close.

As previously announced, upon closing of the Sale, Jeff Hayman will act as Chairman and Interim Chief Executive Officer of R&Q and Paul Bradbrook, currently Chief Accounting Officer of R&Q, will become Chief Financial Officer of R&Q and a member of the Board, subject to customary approvals. The Presentation also outlines R&Q Legacy’s wider management team and its significant collective experience. The management team is excited by the growth opportunity it sees within R&Q Legacy’s addressable market. In the Presentation, management has set out three strategic priorities through which it believes R&Q Legacy can deliver growth and value creation:

- Grow fee income
- Reduce expenses
- Decrease balance sheet volatility

Underpinning these priorities are strategic initiatives currently underway to de-risk the R&Q Legacy portfolio including:

- A possible LPT (Loss Portfolio Transfer) or ADC (Adverse Development Cover) on certain portfolios
- The sale of non-core assets
- The sale, or securitization, of back book legacy liabilities

In the Presentation, R&Q provides an associated plan for the R&Q Legacy business, although it should be stressed that the ability of R&Q Legacy to achieve such objectives depends on many factors, including not least a successful closing of the Sale and the paydown of R&Q debt. This plan includes that:

- The refocused business and strategy is expected to deliver operating profitability by full year 2025
- Fee income is targeted to be doubled in 2025 compared to H1 2023 annualised
- Expenses are anticipated to be reduced by 15% to 20% in 2025 relative to an adjusted annualised H1 2023 expense base that includes certain assumptions around Legacy’s standalone cost structure

- As R&Q returns to profitability, it will review its dividend policy, subject to constraints due to relationships with lenders, regulators and preferred shareholders

The Presentation also outlines R&Q's expectation of \$100m+ of cumulative surplus capital to be generated over the next ~5 years as claims payments are made, releasing capital held against reserves. This is in addition to the estimated \$40m - \$80m of additional collateral R&Q will be required to hold against existing legacy exposure retained by Accredited, which R&Q expects to be released and available over the next 5+ years as the underlying exposures are reduced and eliminated.

Jeff Hayman, Chairman of R&Q, said: "We recognise the importance of giving our shareholders a clear vision around R&Q's future as a refocused global legacy company, should the proposed Sale of Accredited to Onex achieve a successful conclusion. The Presentation further outlines our belief that R&Q can build significant value as a standalone legacy business and the clear strategy we have to return the business to operating profitability, materially reduce balance sheet volatility and establish a stronger capital position. Building our Reserves Under Management is an important part of this strategy, and we have also provided detail on the strength of our management team and their extensive experience in non-life run-off, our large and addressable market opportunity and the active nature of our pipeline. We look forward to continuing to engage with all of our stakeholders."

As stated above, the plan is based on many assumptions, including shareholder and regulatory approvals of our proposed Sale and consent from our lenders. A more detailed explanation of the Sale is included in our announcement of 20 October 2023. The Presentation should be read in conjunction with that announcement.

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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

Forward-Looking Statements

This announcement contains forward-looking statements with respect to R&Q and its industries, that reflect its current views with respect to future events and financial performance. Statements that are not historical facts, including statements about R&Q's beliefs, plans or expectations, are forward-looking statements. These statements are based on current plans, estimates and expectations, all of which involve risk and uncertainty. Statements that include the words "expect," "intend," "plan," "believe," "project," "anticipate," "may", "could" or "would" or similar statements of a future or forward-looking nature identify forward-looking statements. Actual results may differ materially from those included in such forward-looking statements and therefore you should not place undue reliance on them.

A non-exclusive list of the important factors that could cause actual results to differ materially from those in such forward-looking statements includes: (a) changes in the size of claims relating to natural or man-made catastrophe losses due to the preliminary nature of some reports and estimates of loss and damage to date; (b) trends in rates for property and casualty insurance and reinsurance; (c) the timely and full recoverability of reinsurance placed by R&Q with third parties, or other amounts due to R&Q; (d) changes in the projected amount of ceded reinsurance recoverables and the ratings and credit worthiness of reinsurers; (e) actual loss experience from insured or reinsured events and the timing of claims payments being faster or the receipt of reinsurance recoverables being slower than anticipated; (f) increased competition on the basis of pricing, capacity, coverage terms or other factors such as the increased inflow of third party capital into reinsurance markets, which could harm R&Q's ability to maintain or increase its business volumes or profitability; (g) greater frequency or severity of claims and loss activity than R&Q's underwriting, reserving or investment practices anticipated based on historical experience or industry data; (h) changes in the global financial markets, including the effects of inflation on R&Q's business, including on pricing and reserving, increased government involvement or intervention in the financial services industry and changes in interest rates, credit spreads, foreign currency exchange rates and future volatility in the world's credit, financial and capital markets that adversely affect the performance and valuation of R&Q's investments, financing plan and access to such markets or general financial condition; (i) changes in ratings, rating agency policies or practices; (j) the potential for changes to methodologies, estimations and assumptions that underlie the valuation of R&Q's financial instruments that could result in changes to investment valuations; (k) changes to R&Q's assessment as to whether it is more likely than not that it will be required to sell, or has the intent to sell, available-for-sale debt securities before their anticipated recovery; (l) the ability of R&Q's subsidiaries to pay dividends; (m) the potential effect of legislative or regulatory developments in the jurisdictions in which R&Q operates, such as those that could impact the financial markets or increase their respective business costs and required capital levels, including but not limited to changes in regulatory capital balances that must be maintained by operating subsidiaries and governmental actions for the purpose of stabilising the financial markets; (n) the actual amount of new and renewal business and acceptance of products and services, including new products and services and the materialisation of risks related to such products and services; (o) changes in applicable tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof; (p) the effects of mergers, acquisitions, divestitures and retrocession.