Randall & Quilter Investment Holdings Ltd. and its subsidiaries

Financial Condition Report (FCR)

31 December 2020

Company Profile

Randall & Quilter Investment Holdings Ltd. ("RQIH" or "Company" or the "Group") is registered as an Insurance Group under the Insurance Act 1978, related Regulations and amendments thereto (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

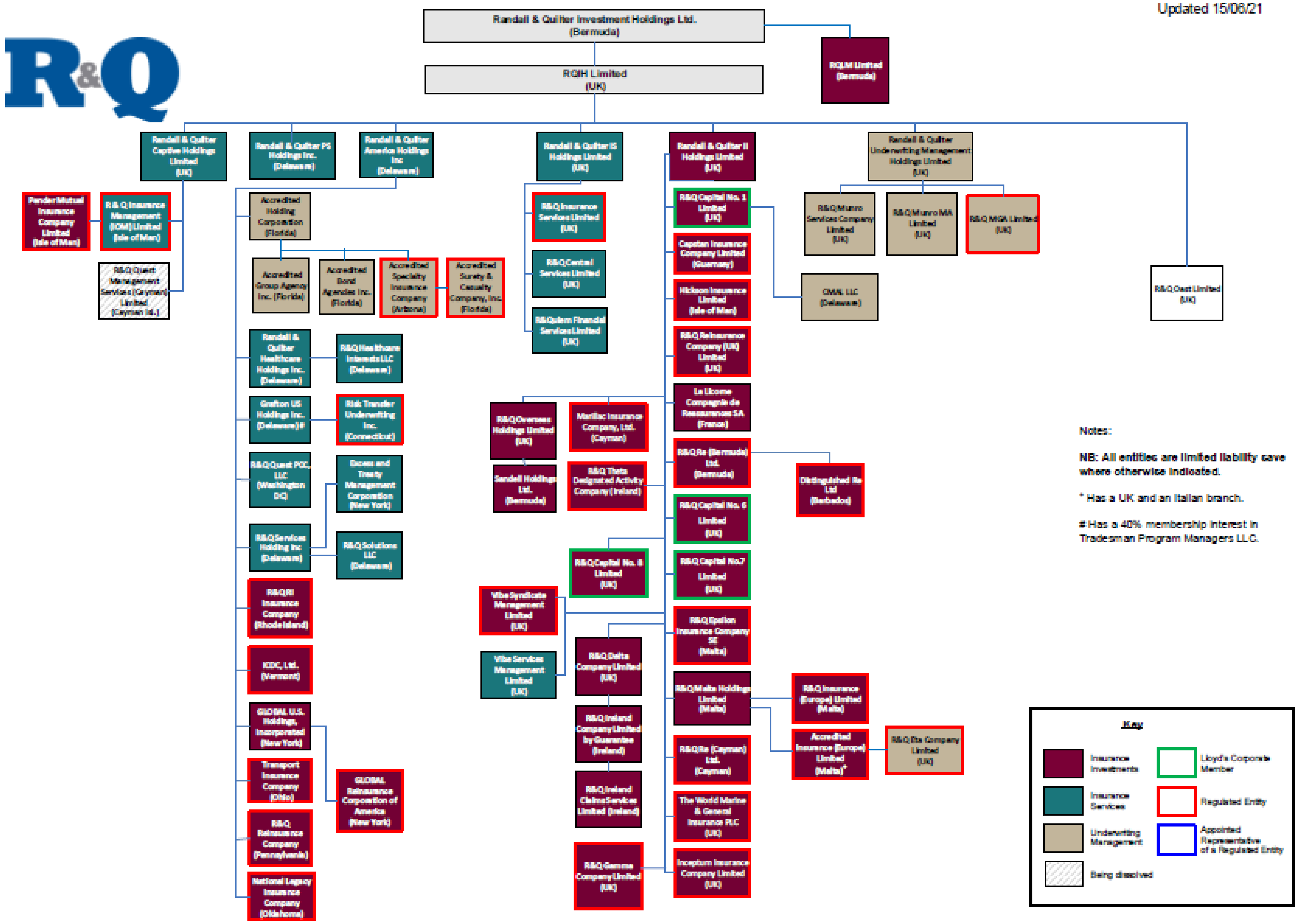
1 Westferry Circus,
Canary Wharf,
London E14 4HD,
United Kingdom

d. Ownership Details

RQIH is a Bermuda-domiciled exempted holding company which is listed on the London Stock Exchange's AIM exchange. RQIH shares were admitted to the AIM exchange on 5 July 2013 and is listed under the ticker symbol RQIH.

e. Group Structure

The Group structure as at 15 June 2021 follows on the next page.


Updated 15/06/21
Randall & Quilter Investment Holdings Ltd. (Bermuda)
RQIH Limited (UK)
RQLM Limited (Bermuda)
Randall & Quilter Captive Holdings Limited (UK)
Fender Mutual Insurance Company Limited (Isle of Man)
R & Q Insurance Management (IOM) Limited (Isle of Man)
R&Q Quest Management Services (Cayman) Limited (Cayman Isl.)
Randall & Quilter PS Holdings Inc. (Delaware)
Randall & Quilter America Holdings Inc (Delaware)
Accredited Holding Corporation (Florida)
Accredited Group Agency Inc. (Florida)
Accredited Bond Agencies Inc. (Florida)
Accredited Specialty Insurance Company (Arizona)
Accredited Surety & Casualty Company, Inc. (Florida)
Randall & Quilter Healthcare Holdings Inc. (Delaware)
R&Q Healthcare Interests LLC (Delaware)
Grafton US Holdings Inc. (Delaware)#
Risk Transfer Underwriting Inc. (Connecticut)
R&Q Quest PCC, LLC (Washington DC)
Excess and Treaty Management Corporation (New York)
R&Q Services Holding Inc (Delaware)
R&Q Solutions LLC (Delaware)
R&Q RI Insurance Company (Rhode Island)
KDC, Ltd. (Vermont)
GLOBAL U.S. Holdings, Incorporated (New York)
GLOBAL Reinsurance Corporation of America (New York)
Transport Insurance Company (Ohio)
R&Q Reinsurance Company (Pennsylvania)
National Legacy Insurance Company (Oklahoma)
Randall & Quilter IS Holdings Limited (UK)
R&Q Insurance Services Limited (UK)
R&Q Central Services Limited (UK)
R&Q Quiem Financial Services Limited (UK)
Randall & Quilter II Holdings Limited (UK)
R&Q Capital No. 1 Limited (UK)
Capstan Insurance Company Limited (Guernsey)
Hickson Insurance Limited (Isle of Man)
R&Q Reinsurance Company (UK) Limited (UK)
La Licorne Compagnie de Reassurances SA (France)
R&Q Re (Bermuda) Ltd. (Bermuda)
Distinguished Re Ltd (Barbados)
R&Q Capital No. 6 Limited (UK)
R&Q Capital No.7 Limited (UK)
R&Q Epsilon Insurance Company SE (Malta)
R&Q Malta Holdings Limited (Malta)
R&Q Insurance (Europe) Limited (Malta)
Accredited Insurance (Europe) Limited (Malta)*
R&Q Eta Company Limited (UK)
R&Q Re (Cayman) Ltd. (Cayman)
The World Marine & General Insurance PLC (UK)
Inceptum Insurance Company Limited (UK)
R&Q Overseas Holdings Limited (UK)
Maribac Insurance Company, Ltd. (Cayman)
Sandell Holdings Ltd. (Bermuda)
R&Q Theta Designated Activity Company (Ireland)
R&Q Capital No. 8 Limited (UK)
Vibe Syndicate Management Limited (UK)
Vibe Services Management Limited (UK)
R&Q Delta Company Limited (UK)
R&Q Ireland Company Limited by Guarantee (Ireland)
R&Q Ireland Claims Services Limited (Ireland)
R&Q Gamma Company Limited (UK)
Randall & Quilter Underwriting Management Holdings Limited (UK)
R&Q Munro Services Company Limited (UK)
R&Q Munro MA Limited (UK)
R&Q MGA Limited (UK)
CMAL LLC (Delaware)
R&Q Oast Limited (UK)
Notes:
NB: All entities are limited liability save where otherwise indicated.
* Has a UK and an Italian branch.
# Has a 40% membership interest in Tradesman Program Managers LLC.
Key
Insurance Investments
Lloyd's Corporate Member
Insurance Services
Regulated Entity
Underwriting Management
Appointed Representative of a Regulated Entity
Being dissolved

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

During 2021, the Company continued to focus on its two distinct business segments - Legacy and Program Management.

Financial Summary for the Reporting Period
£'000s

	Program	Legacy	Other & Consol Adjs	Total
Underwriting income	(2,365)	80,650	-	78,285
Fee Income	18,808	-	-	18,808
Investment income	1,983	13,092	1,093	16,168
Gross operating income	18,426	93,742	1,093	113,261
Pre-tax operating profit	2,631	38,121	(24,708)	16,044
Profit before tax	(776)	59,168	(28,208)	30,184
Segmental assets	669,950	1,939,764	137,428	2,747,143
Segment liabilities	629,050	1,489,050	239,107	2,357,208

Geographical summary

	UK	North America	Europe
Gross assets[1]	959,793	1,426,541	638,954
Gross liabilities[1]	(85,746)	(145,282)	(47,117)
Revenue from external customers[1]	124,791	227,263	53,524

[1] Excludes consolidation adjustments

Overview of the financial results

2020 was a year of accelerated growth. Our Pre-Tax Operating Profit grew 102% to a record £16.0 million and Operating Earnings per share grew 38% to 5.9 pence.

Looking at the key performance metrics for our two core businesses highlights the excellent underlying returns and growth being generated.

Legacy Insurance business recorded its strongest year ever, executing on 19 deals and delivering a Pre-Tax Operating Profit of £38.1 million, an increase of 46% compared to 2019. These results translated into a strong Operating Return on Tangible Equity of 14.8% (5-year average of 20.2%).

Program Management business had a breakthrough year with an increase of 18 programs to a total of 48 and robust growth of 89% in Fee Income and 46% in Gross Written Premium, to $24.1 million and $538.9 million, respectively. This business, which we began just four years ago, became profitable for the first time generating a Pre-Tax Operating Profit of $3.4 million. Our Contracted Premium, the Gross Written Premium we expect to achieve from our MGAs when they achieve scale, ended the year at $1.3 billion, an increase of 52%. We remain on course to achieve our previously announced target of at least $1.5 billion of Gross Written Premium in 2023.

In the first quarter of 2021, Program Management increased Gross Written Premium by 52% to $185.2 million, and Fee Income by 91% to $9.7 million, compared with Q1 2020. 5 new programs were launched increasing active programs to 52 and Contracted Premium to $1.4 billion.

Legacy Insurance completed one deal and has five more under exclusivity representing approximately £150 million of net reserves, and is witnessing strong level of activity for a business that is historically busier in second half of the year.

Our Associate company Tradesman, increased EBITDA by 140% to $4.8 million, compared with Q1 2020.

Business strategy

R&Q is a specialty insurance company focusing on two growing businesses - Legacy Insurance and Program Management. We have a clearly defined vision to be a leader in each of our high-growth markets, both of which are fundamental components of the P&C insurance ecosystem.

- *Legacy Insurance*: R&Q's Legacy Insurance business provides creative financial solutions to owners of discontinued insurance and reinsurance business and has been at the heart of the R&Q Group for nearly 30 years. Legacy is now an integral part of the insurance market, providing capital management solutions for global insurance companies. R&Q is one of the most well-established and reputable players within the legacy insurance industry.

  R&Q prices transactions to generate a minimum of a 15% return on investment over the life of a transaction ("IRR"). R&Q applies a portfolio approach to its Legacy Insurance business to ensure diversification, and since 2009, has completed over 100 transactions across 35 regulatory jurisdictions in 18 countries. I am pleased to report that over the past five years we have delivered an average Operating Return on Tangible Equity, a proxy for IRR, of 20%, significantly above our cost of capital.

- Program Management: R&Q's Program Management business generates recurring fees by using its licensed and rated insurance companies to act as a conduit between capital providers (reinsurers), and independent insurance distributors or MGAs. We market our Program Management business under the Accredited brand, and each of our entities in the US and Europe are rated A- (Excellent) by A.M. Best for financial strength, making R&Q the only dedicated program partner to provide A- rated insurance capacity on both sides of the Atlantic. The insurance risk in the Program Management business is assumed by the reinsurer unless we decide to or are required to retain a portion. As at year-end 2020, R&Q retained c6% of the insurance risk on our programs and where we assume insurance risk, we generally purchase reinsurance protection.

  Program Management generates a stream of stable and recurring fees by charging approximately 5% of annual gross written premium on each program assumed by reinsurers. Given our established platform and licenses, this business is highly scalable with significant potential for operating leverage and requires minimal capital to grow since it bears little of the insurance risk (after taking account the reinsurance protection from our highly rated or well collateralised reinsurance partners). Our Program Management business is only four years old and in 2020 made its first profit. We anticipate our Program Management business will generate gross written premium of at least $1.5 billion by 2023, by which time it will be at scale and we believe generating significant free cash flow. We will also continue to assess minority investments in strategic program partners, such as our investment in Tradesman, which increases our exposure to fee-related profits.

Competitive Positioning

Large, growing and profitable markets will inevitably attract competition. However, because R&Q operates in highly regulated markets, there are significant barriers to entry. To compete in our markets requires balance sheet strength, appropriate ratings, regulatory approvals, licenses (preferably across multiple geographies), access to capital and most importantly established operating platforms and highly specialized talent. The investments we have made in our platform – and the expertise and experience we have accumulated – makes it very difficult for others to compete with the breadth of resources we can provide our clients.

- *Program Management*: Since we currently manage in excess 48 programs, more than most in the industry, we have credibility with MGAs and reinsurers, which engenders more business. Furthermore, R&Q's ability to move programs between the US E&S or Admitted markets or to assist MGAs across the UK and Europe enhances our reputation as a solution provider to our clients.

- *Legacy Insurance*: The breadth of our platform allows us to optimise the solutions we offer our clients – we can provide rated and fully licensed solutions in the US and Europe as well as capabilities in Bermuda, Cayman, Barbados, Isle of Man as well as Lloyd's.

Strategic Vision

Our long-term business vision is where we want to move R&Q over the next five years. Simply stated, our vision is to become a ***more capital efficient, fee oriented and data-driven company focused on our core strengths of insurance origination, underwriting and claims management***. This vision recognises that to continue to be a leader in our core markets, we need to focus on four key initiatives:

- Increasing our recurring fee-based income;
- Automating our manual processes;
- Harnessing our data; and
- Engaging our employees

Fee-Based Income: While we currently generate recurring fee income from our Program Management and MGA investment, we believe the future of our Legacy Insurance business is to manage legacy insurance risk for a recurring fee on behalf of third parties who do not have direct access to this asset class. P&C insurance risks are ripe for securitising in a similar way to mortgages, credit cards and auto loans. Admittedly, progress has been slow and thus far largely focused on catastrophe reinsurance risk but it is inevitable this will occur more broadly over time. When it does, it will place greater focus and value on companies with a proven track record in originating, underwriting and managing insurance claims. This endeavour will diversify our sources of funding, reduce our capital issuances, increase our excess capital and enhance financial flexibility. Furthermore, fee income should garner a higher valuation and lower cost of capital in the public markets than underwriting and investment income.

Automation: There are many manual and repetitive tasks in the insurance businesses that should be automated by "digital workers". Automating these tasks allows "human workers" to do what humans do best – think! This emerging field of automation improves the efficiency, productivity and therefore happiness of an employee base. To put this in context, 60% of all jobs have 30% of tasks that can be automated. Applying automation to our business will us allow us to scale in a sustainable manner as we automate workflow processes such as MGA audits, contract wordings and certain aspects of diligence. We are beginning to engage with the leading players in this area.

Data: There is a growing awareness that – "Every company is a data company"; whether it is a restaurant, an airline or an insurance company, the uniqueness of a company is its "own data" and how it uses that data to better understand its markets and improve its decision making. R&Q is no different and we are starting the cultural journey of defining ourselves as a “data company competing in program management and legacy insurance”. Our goal is to proactively use our own data to enhance, for example, our claims decision making and legacy acquisition pricing, by leveraging machine learning and artificial intelligence as part of our core competencies.

Engaging Our Employees: R&Q will continue to be an enterprise that is engaged and focused on the needs of its employees and we will support the spirit of entrepreneurialism that has been at the heart of R&Q for 30 years. We will continue to evolve our culture to one of increased accountability and transparency creating a strong link with our strategic vision.

Management succession and staffing

Our 2020 results demonstrate is that the consequences of COVID last year, not least the “work from home” phenomenon, did not hamper our ability to deliver on behalf of our clients and ultimately our shareholders.

Our staff, of approximately 280, coped admirably and will continue to do so this year. We also moved to strengthen our senior leadership team making sure our platform had the right talent to accelerate growth. This was an important priority and we delivered on this with a number of high calibre appointments. These included Tom Solomon as our new Chief Financial Officer, Pat Rastiello, an established leader in the North American program market, as Chief Executive Officer of our US Program Management business and Michele Briggs as Chief Human Resource Officer, at a time when this function is increasingly strategically important.

Distribution Policy

We appreciate the importance to our shareholders of a consistent dividend policy. We think it is important to have a policy that allows for an appropriate balance of reinvestment in our business and dividends to shareholders, as well as one that minimises the need to raise external capital. We are in the enviable position of competing in growing markets that offer us the opportunity to reinvest our capital at high rates of return, creating long term shareholder value.

The growth in the Legacy Insurance business may require external capital in the near term until our Program Management business creates enough free cash flow to support this need. During this period, while we are in growth mode and remain capital consumptive, we will adopt a progressive cash dividend policy with a payout ratio between 25% and 50% of our Pre-Tax Operating Profit, the best proxy for cash earnings. This policy will allow us the flexibility to carefully balance the allocation of our capital between reinvesting in profitable opportunities and in providing an attractive and growing cash dividend to our shareholders. While the precise payout percentage may vary year on year, we intend to grow the annual cash dividend from the FY2020 level of 4 pence per share.

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

Performance of Investments for the Reporting Period

Our cash and investments, excluding funds withheld and off-balance sheet trusts, was USD $1.4bn. We produced a book yield, which excludes net realised and unrealised gains on fixed income and lease-based assets, of 1.6%, a decrease of 40 bps compared to 2019 due to the impact of low interest rates experienced globally. The two-year US Treasury yield averaged 0.39% in 2020 compared to 2% in 2019.

We maintain a conservative, liquid investment portfolio so that we can produce consistent cash flows to meet our liability obligations, while also earning a reasonable risk-adjusted return. 92% of our investments were rated investment grade, and another 4% of our portfolio was invested in non-rated money market funds. After cash, which comprised 25% of our portfolio, our largest allocations were to corporate bonds (37%), government and municipal securities (23%) and asset-backed securities (14%). Given the steepening in the yield curve, we have maintained a short duration portfolio of 1.8 years. During 2020, financial markets witnessed heightened volatility arising out of Covid-19 concerns. Nonetheless, our investment portfolio did not suffer any defaults and rather incurred net realised and unrealised gains of GBP5.2m, and our total investment return when including these mark-to-market movements, was 2.2%.

Material Income & Expenses for the Reporting Period

The following table below sets out material income and expense items for the current and preceding year. For further detail on material items, refer to the Group Report and Accounts at www.rqih.com.

Selected financial information	2020 £000	2019 £000
Gross written premiums	772,051	450,187
Written premiums ceded to reinsurers	(405,170)	(285,033)
Earned premiums net of reinsurance	**363,168**	**174,526**
Program fee income	14,438	7,241
Gross investment income	22,243	21,993
Other income	5,729	6,780
Total income	**405,578**	**210,540**
Net claims provision increase	(309,774)	(143,156)
Operating expenses	(111,580)	(85,892)
Results of operating activities before goodwill on bargain purchase	**(15,776)**	**(18,508)**
Goodwill on bargain purchase	65,469	69,307
Amortisation and impairment of intangible assets	(11,047)	(3,162)
Share of profit of associates	1,314	-
Results of operating activities	**39,960**	**47,637**
Finance costs	(9,776)	(9,537)
Profit from continuing operations before income taxes	**30,184**	**38,100**
Profit for the year	**29,386**	**36,820**

h. Any Other Material Information

None

II. GOVERNANCE STUCTURE

RQIH maintains a high standard of corporate governance, including following the Quoted Companies Alliance ("QCA") code for small and mid-sized companies as an AIM-listed entity. Our structures are designed to establish, implement and maintain the effective controls which are essential to the Group's long-term success.

The Group recognises the need to demonstrate that there is a System of Governance in place which:

- Is subject to sound and prudent management
- Meets regulatory expectations
- Is proportionate to the nature of the business
- Is flexible enough to be able to adapt to changes in the regulatory and statutory environment.

The Group follows good practice by having independent non-executive directors, each of whom has full access to the relevant operational and technical personnel as well as Executive Management.

The Group System of Governance is based on a number of principles in order to achieve this. In particular, sound and prudent management requiring:

- A clear organisational structure
- Effective Communication & Information
- Fit & Proper: Directors, Officers and Senior Managers.
- Clear allocation of roles & responsibilities
- Putting in place organisational and operational structures that are capable of supporting the strategic objectives of the Group and the entity. Such structures shall be reviewed on a regular basis and adapted to changes in the strategic objectives, operations or the business environment in addition to changes in the Group's structure.

a. Board

i. Board Structure roles, responsibilities and segregation of responsibilities.

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

As at 19 May 2021, the board comprised four non-executive directors (Alastair Campbell, Jo Fox, Philip Barnes, and Eamonn Flanagan) and three executive directors (William Spiegel, Alan Quilter, and Tom Solomon). The notable change since our last report is the retirement of Ken Randall as a Director and Executive Chairman of the Company. Ken Randall retired from R&Q on 31 March 2021 and William Spiegel succeeded to the position as envisaged on his appointment as Deputy Chairman in January 2020. As Chairman of the Board, William Spiegel leads the Board in the determination of its strategy and in achieving its objectives.

In addition, we had two new Board appointments during the year, Eamonn Flanagan as a non-executive director in June 2020, and Tom Solomon, Chief Financial Officer, who joined the board in September 2020 as the Chief Financial Officer, enabling Alan Quilter to focus on his role as Chief Executive Officer. We will continue to address board succession in anticipation of future retirements.

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:

Audit Committee

The Audit Committee is chaired by Alastair Campbell and its other members are Philip Barnes, Eamonn Flanagan and Jo Fox. The Audit Committee has primary responsibility for ensuring that the financial performance of the Group is properly measured and reported on. It receives and reviews reports from the Group's management and Auditor relating to the annual accounts and the accounting and internal control systems in use throughout the Group. It also advises the Board on the appointment of the Auditor, reviews their fees and discusses the nature, scope and results of the audit with the Auditor.

The Audit Committee meets at least four times a year and has unrestricted access to the Group's Auditor. The Executive Chairman, Chief Executive Officer and Chief Financial Officer attend the committee meetings by invitation.

Disclosure Committee

The Executive Chairman, the Chief Executive Officer and the Group General Counsel are the current members of the Disclosure Committee. The Committee's purpose is to review the operation, adequacy and effectiveness of the Group's disclosure procedures and to assist the Board in fulfilling its responsibilities under the Market Abuse Regulation, AIM Rules and Disclosure Guidelines and Transparency Rules.

The Disclosure Committee met on eighteen occasions in 2020. In addition, disclosure matters and share dealing applications were reviewed regularly throughout the year. A larger than usual number of meetings were held in 2020 to ensure careful monitoring for disclosures that might be required due to the impact of Covid-19.

Regulatory Committee

The Regulatory Committee acts on behalf of the Board in relation to regulatory and statutory matters that require acknowledgment, variation, approval or submission by the Company to a competent regulatory body or governmental agency. It also oversees the regulatory relationships between local regulatory authorities and the Company and the subsidiaries within its Group supervision. The purpose of the Regulatory Committee is to consider matters within its terms of reference where it is not practical to convene a full meeting of the Board or where a response or submission is required by a regulator or other statutory body outside of the normal cycle of meetings.

The members of the Committee are the executive directors of the Company, William Spiegel, Alan Quilter and Tom Solomon, and the Group Head of Governance. The Committee held one formal meeting in 2020.

Risk Committee

The Risk Committee is chaired by Philip Barnes and its other members are Jo Fox and the Chief Executive Officer. The Chief Risk Officer, the Head of Governance, Chief Actuary and the Head of Internal Audit also attend. The Risk Committee has responsibility for overseeing the management of risk across the Group and maintaining the effectiveness of the Group's risk management framework, systems of internal control, risk policies and procedures and adherence to risk appetite.

The Committee meets at least quarterly and provides a report on its activity to the Board. The Executive Chairman and Chief Executive Officer attend the Committee's meetings by invitation.

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

Remuneration & Nomination Committee

The Remuneration & Nominations Committee (RemCo) is chaired by Alastair Campbell. Its other members are Philip Barnes, Eamonn Flanagan and Jo Fox. The RemCo reviews the performance of the executive directors and makes recommendations relating to their remuneration and terms of employment. RemCo also has responsibility for senior management succession planning. The Committee meets at least four times a year. The Executive Chairman and the Chief Human Resources Officer are routinely invited to attend although they do not take part in any discussion on their own benefits and remuneration.

The over-arching aim is to act in the best interests of the Company's shareholders and the Group's employees, clients and, where appropriate, other stakeholders with whom it deals such as policyholders, reinsurers and regulators, whilst having regard to the relevant legal and regulatory requirements and to guidance offered by the QCA Code.

Remuneration

The overall objective in relation to remuneration is to attract, retain and motivate executive management of the quality and experience required to run the Company successfully. This must be done without paying more than necessary, having regard to the interests of shareholders and other stakeholders, the risk appetite of the Company and its long-term strategic goals. Generally, a significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and sound risk management. Its other objectives are:

- to set the overall remuneration policy for the executive directors and senior management. “Remuneration” for this purpose includes salaries, bonuses, pension arrangements, compensation payments, incentive arrangements and all other means of rewarding employees of the Company
- to approve the total individual package of each executive director and the Executive Chairman, and of senior management, in all cases having regard to the international nature of the business and local practices and conditions, and pay and employment arrangements across the Group
- to review and approve any performance related pay or share incentive plans.

Reinsurance Asset Committee

The Reinsurance Asset Committee (RAC) is chaired by Jo Fox and comprises the Chief Executive Officer, Chief Financial Officer and the Head of Claims and Reinsurance. The RAC monitors and reports on the Group’s owned insurance company reinsurance assets and recommends actions to protect such assets. The RAC also reviews bad and doubtful debt provisions proposed by the Group’s owned insurance companies, the levels of concentration of risk placed with reinsurance companies/groups and reinsurance litigation/arbitration and commutation activity. The RAC meets at least quarterly and provides a report on its activities to the Board. It met four times in 2020.

Investment Committee

A new Investment Committee, a formally constituted committee of the RQIH Board, was formed to “determine, implement and review an investment strategy to deliver the Group’s agreed investment objectives.” The Investment Committee was established in May 2021 as a reflection of the increased scale and importance of the Group’s investment portfolios to the business model. The Committee’s key purpose is to determine, implement and review an investment strategy to deliver the Group’s agreed investment objectives.

The Investment Committee is chaired by Eamonn Flanagan and its other members are Philip Barnes and the Executive Chairman, William Spiegel. The Chief Financial Officer, Chief Executive Officer, Chief Risk Officer and the head of investments within the finance function, may also attend by invitation. The Committee will meet at least four times a year.

During 2020, the Group Capital & Investment Committee (GCIC) comprised the Executive Chairman, the Chief Executive Officer, the Chief Financial Officer and the Chief Actuary. It was chaired by the Chief Executive Officer. The GCIC’s primary purpose was to oversee the Group’s capital management, to monitor Group Solvency requirements and the Group’s investment strategy and implementation. The GCIC also ensured that the necessary financial, legal, regulatory, commercial and personnel due diligence had been undertaken on acquisitions, portfolio transfers and similar investments or structures. The Capital & Investment Committee was disbanded on 30 April 2021.

Whilst the Capital & Investment Committee had been used to approve transactions and investments, a new Transaction Advisory Group (TAG) has been established. It carries out a stewardship role, providing advice on transactions to help to ensure that such transactions are consistent with the business strategy of legacy and program management. It is not empowered to make decisions and acts in an advisory capacity only.

b. Fitness and Proprietary Requirements

i. Fit and Proper Process

RQIH ensures that it is directed and managed by fit and proper persons to hold their respective positions and that those Directors and Officers meet the following criteria:

- Are professionally competent and capable to carry out their responsibilities and have demonstrated this through their experience and training
- Undertake and pass an assessment of honesty and financial soundness based on relevant evidence regarding character, personal behaviour and business conduct including any criminal, financial, supervisory aspects regardless of jurisdiction.

Such assessments of fitness and propriety are documented for all levels of staff and identify circumstances where re-assessment may be required.

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 by reference to the relevant role description.

In relation to Director Appointments, the assessment also considers how the proposed appointment would augment the 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 is reassessed on a regular basis.

For each new regulated role, the company determines the particular skill sets and expertise required, and then assesses how these requirements are met through a gap analysis against the attributes of the individual candidates. A view is then be taken on the overall suitability of the candidate and, to the extent there are perceived shortfalls, the suitability and timing of available training.

The continuing suitability of individuals for Director, key function (Risk Management, Internal Audit, Actuarial and Compliance), and Senior Management roles is assessed annually after initial appointment in relation to the regulated entities, and periodically otherwise. Any training needs are identified and addressed as part of this process.

Director Bios are included in Appendix 1.

c. Risk Management and Solvency Self-Assessment

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

Overall Responsibility for Risk Management

The Board and senior management continue to appreciate that the ongoing success of the Group depends in its collective understanding and management of the Group's known risks and exposures. At no time has this been brought into clearer relief than during 2020. The Board has responsibility for ensuring that the Group has an appropriate and proportional approach to risk management across the Group, and that this approach is both generic to the Group's activities and aligned with the overall corporate strategy. The risks facing the Group continue to evolve and increase or decrease in potential impact and probability of crystallisation over time. The Group continues to be entrepreneurial and innovative, in spite of, and in many respects because of, the challenges of 2020. Covid-19 has tested the rigour of the Group's risk management framework and control environment and its ability to adapt, respond and evolve. Both the risk management framework and the control environment have responded well to the challenges posed.

Risk Management Framework and Risk Management Function

The Group has a mature risk management framework and risk function headed by the Chief Risk Officer. The Group Risk Function is responsible for designing, overseeing, implementing, and improving the risk management framework. It works closely with the Board and 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 monitor these risks. It is also responsible for monitoring that the business meets regulatory expectations around enterprise risk management and reporting of risk to the Board and the Group Risk Committee.

The management of risk and uncertainty is ongoing and iterative and the following overarching process is adopted.

The Group's risk management framework and reporting mechanisms have, while remaining fundamentally unchanged, adapted during 2020, to address the ongoing challenges

Group Risk Committee

The Group Risk Committee is a formally constituted Committee of the Board. A report from the Group Risk Committee Chair on its role, governance, activities, discharging of responsibilities, self-evaluation and plans for 2021 appears in the Group's Annual Report.

Risk Appetite

The 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 the Group, 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 the Group's attitude to risk taking and whether it is willing or able to tolerate a high or low level of exposure to specific risk 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 culture are all relevant.

The risk appetite framework, which is set at both the Group level and for each of the key business units, is reviewed annually and/ or when there are material changes to the overall risk profile of the Group and or its business units.

Risk Governance

Risk governance within the Group continues to adopt a three lines of defence model at both Group and business unit/entity level, as depicted in the diagram.

Own Risk and Solvency Assessments and Equivalents

The own risk and solvency assessment (ORSA) or equivalent 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 report produced as part of this process can be described as the 'shop window' of the business planning, capital setting and risk assessment process.

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 is focusing 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 2020 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.

Emerging Risks

Emerging risks are those risks that are perceived to be potentially significant, but which may not be fully understood or controllable.

During 2020, the Group continued to embed its framework and processes for the identification, assessment (initial and ongoing), monitoring and reporting of emerging risks.

The Group risk management function reviews the emerging risks landscape continually by way of ongoing dialogue with the business heads, horizon scanning, attendance at external webinars and events and consultation of relevant thought leadership papers.

The emerging risks focus group continued to meet in 2020 and to report its conclusions to the Group Risk Committee. Where relevant, the findings of the focus group are cascaded down to the operating subsidiaries.

The universe of emerging risks is reviewed continually for ongoing completeness and currency. During 2020, the Group considered the following emerging risks.

1. Trade, Tariffs & Sanctions

Changes to trade, tariffs & sanctions affect market and asset values

Potential Impact

Loss on investments and/ or revenue streams; Inability to trade in certain geographical locations or with certain third parties.

Focus in 2020

Unchanged. Although Brexit is no longer a discrete emerging risk, there remained uncertainty around the shape of the final trade deal. The Group's Brexit working party now considers such issues as they arise.

2. Climate Change

Aside from effects of changes in weather patterns, climate change may impact strategy, investment decisions etc.

Potential Impact

Climate change may lead to change in business practices with new regulations and public opinion influencing how we do business and who we do business with.

Focus in 2020

Increased. See section on Sustainability in the 2020 Annual Report for further details of how the Group is addressing this.

3. Political Uncertainty

Changing business practices and regulations which may impact strategy

Potential Impact
Inability to execute strategy due to changing business practices and regulations.

Focus in 2020
Unchanged. Continued to monitor in the context of the ongoing pandemic.

4. Civil Instability

Disenfranchised people leading to protests/ cyber-attacks causing disruption

Potential Impact
Financial and/or operational impact from disruptive events caused by civil unrest due to political instability, negative economic growth etc.

Focus in 2020
Increased. The potential for civil unrest remains strong given actual events in 2020 and early 2021.

5. Developing Cyber

New and evolving cyber attacks

Potential Impact
Continuing risk of data loss, theft of intellectual property or financial loss as a result of increasingly sophisticated cyber techniques.

Focus in 2020
Increased. Cyber capability and sophistication continued to increase exponentially, and the backdrop of the pandemic/remote working has provided increased motivation and opportunity.

6. IT & Telecom outages

Large scale outages impact the Group’s operational resilience

Potential Impact
Significant downtime and potential loss of data resulting in loss of revenue and potential reputational damage.

Focus in 2020
Increased. See Developing Cyber.

7. Interruption to Infrastructure

Major disruption to Infrastructure such as power and transport

Potential Impact
Inability to carry out business as usual resulting in loss of revenue and potential reputational damage.

Focus in 2020
Increased. See Developing Cyber.

8. New & Emerging Technology

Introduction to new technology e.g. Block Chain, Artificial Intelligence, and Internet of Things

Potential Impact
Impacts could be positive and negative.

Focus in 2020
Unchanged. Continue to monitor.

9. Changing Expectation of the Workforce

Expectation of the workforce is changing

Potential Impact
The workplace and benefits package may not be attractive enough to attract talent, nor sufficiently adaptive to the evolving workforce demographic.

Focus in 2020
Increased. The demand for flexible working longer term is becoming increasingly likely. The Group is reviewing the pandemic's impact on both the business and individuals and is compiling a longer-term framework to consider employee health, workforce resilience and working practices.

10. Pandemic

A large scale epidemic similar to Spanish Flu

Potential Impact
A large-scale pandemic may reduce operational effectiveness due to staff illness; staff inability to attend work; loss of key staff; inability to complete key transactions.

Focus in 2020
Increased. Emerging elements include the evolving nature of the Covid-19 virus including variants, continuing and in some cases potentially open-ended restrictions in social movement and the potential impact of 'long Covid'. The longer-term macroeconomic fallout remains uncertain.

11. Event-driven Litigation

Increasing risk of the level of securities class action filings with claims against Directors and Officers

Potential Impact
Directors and Officers may be faced with a lawsuit ranging from matters such as breach of GDPR, pollution and contracts.

Focus in 2020
Increased. This was on an upward trend prior to the pandemic but the ensuing economic downturn is likely to see an uptick in claims against Directors and Officers, and against Errors and Omissions policies.

12. Increased Regulatory Scrutiny

Intensifying scrutiny of regulators globally

Potential Impact
Organisations are required to provide more governance, risk & compliance oversight.

Focus in 2020

New risk. The Group's multi-jurisdictional presence and an increased focus on a variety of issues such as cyber, climate change, conduct risk etc. highlights the need for a proactive and forward-looking approach.

13. COVID 19 and Risk Management

While the principal risks and uncertainties of the Group have remained the same, during 2020, the oversight, management and reporting of those risks was adapted to focus on the specific risk drivers arising from the pandemic insofar as they impacted the Group. This recognised ten interrelated themes.

There have been no material breaches of the Group's risk appetite arising from the pandemic and none are expected. The specific risk drivers, were, and continue to be, as follows:

Regulatory Risk – the Group or one of its component parts breaches legal or regulatory requirements of jurisdictions in which it operates, due to Covid-19.

Reputational Risk – the risk that the Group or one of its business units is associated with ongoing lawsuits regarding denial of claims.

Market Disruption – (related to the risk above) the Group may be adversely impacted by developing claims experience arising from the pandemic, as well as the risk of Covid-19 exclusions on renewal.

Financial and Cyber Crime – financial and cyber criminals will seek and exploit potential weaknesses in any checks and balances which may arise from working remotely, amplified in the remote working environment.

People Risk – staff wellbeing and productivity may be compromised by medium- and long-term remote working, with longer terms impacts being attrition and fatigue.

Financial Risk – the Group's performance and financial strength may be impaired by a fall in investment performance, liquidity and cash flow, capital adequacy and counterparty vulnerability/failure as a result of Covid-19.

Operational Risk – the Group may be subject to a greater degree of operational risk through its people, processes, systems, and
supply chains/distribution channels during Covid-19 and that the Group prioritises the management of Covid-19 to the detriment of business as usual.

Macroeconomic and External Factors – events outside the control of the Group develop in a manner which is unforeseen and to which the Group fails to respond (for example, behaviour and spread of the virus, worse than predicted economic downturn or government policy).

Recovery Strategy – the Group does not develop an appropriate recovery strategy for the eventual return to work and as part of this process does not define the 'new normal' and share experiences and lessons learned from the Covid-19 experience.

Business Development and Growth – the Group fails to progress its business pipeline to the closure and onboarding stage due to slowdown of these processes, and the risk that the Group fails to identify new business opportunities from the inability to travel and meet new potential counterparties.

d. Internal controls

i. Description of internal control system

Refer above for details on the Group's internal control system.

ii. Compliance function

RQIH's Group Head of Governance 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 Group 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 significant 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, Bermuda and the United States. The Group Actuarial function support the Group's subsidiary operations in each jurisdiction in which it operates.

The key actuarial services provided include:

- Assessment of Technical Provisions for accounting purposes, regulatory and internal purposes as required
- Pricing support to the Underwriters
- Monitoring and reporting the performance of Syndicates and group owned and managed companies
- Support for the assumption or acquisition of loss portfolio transfers, Lloyd's Syndicates, insurance companies or captives
- Commutation pricing support
- Did you want to add a capital section?

g. Outsourcing

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

The Group has an outsourcing policy and is very experienced in managing outsourced services. The Group generally does not outsource any of the material Group functions of actuarial, risk management, compliance and internal audit, although external professional firms are engaged in support of these functions from time to time. Any outsourced support is provided by teams of experienced and qualified specialists and under the direction and supervision of the Group's personnel.

Most of the companies within the Group does not have direct employees and thus outsource a number of functions to service companies within the Group, most notably within the US and UK.

h. Other Material Information

The notable change since our last report is the retirement of Ken Randall as a Director and Executive Chairman of the Company. Ken Randall retired from R&Q on 31 March 2021 and William Spiegel succeeded to the position as envisaged on his appointment as Deputy Chairman in January 2020.

III. RISK PROFILE

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

Principal Risks and Uncertainties

The Group's Principal risks and uncertainties can be found as an appendix to the GSSA report (Group Risk Register). For each principal risk, the title and a brief description of the risks, high level risk appetite statements and key mitigating actions are described. This also includes an overview of how the management and oversight of the principal risks and uncertainties have been managed in 2020 through the lens of COVID – 19.

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

The Group 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. The Group 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 Principle

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 Group 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 Group has used the valuation principles outlined by Bermuda Monetary Authority's "Guidance Note for Statutory Reporting Regime" for the 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.
- Intangible Assets – consists of computer software which are recorded at fair value but only to the extent that these assets are deemed to be separable and the future economic benefit can be reliably measured. Other intangible assets are recorded at nil value.

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 2020 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 2020, the total Technical Provisions amounted to $1,200.2m comprising the following (reported in $'000s):

- Best Estimate Loss and Loss Expense Provision $1,094.2m
- Best Estimate Premium Provision $21.7m
- Risk Margin $84.3m

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 an 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 2020. 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 Group are to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements. The Group strives to achieve an appropriate capital structure that efficiently allocates risk to the Group's capital. The Group's capital and risk management strategy are primarily unchanged over the prior year.

To maintain a strong capital base, the Group 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 Group's risk profile. The Group's risk profile includes an assessment of the current and anticipated future material risks faced by the Group, the strength of the organisation's risk management, capital measures, qualitative risks, stress testing, liquidity, and financing mechanisms.

ii. 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	6,091
	Contributed Surplus	295,376
	Statutory economic surplus	108,757
	Minority interest	(512)
	Treasury Shares	(204)
Total Tier 1 Capital		**409,508**
Tier 2 Capital	Subordinated Loan Notes	125,000
Total Eligible Capital		**534,508**

The Company's Tier 1 Capital, consists of share capital, contributed surplus, and statutory surplus. The Company's Tier 2 Capital consists of subordinated loan notes.

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

iii. 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:

	MSM	ECR
Tier 1	410,020	409,508
Tier 2	102,505	125,000
Eligible Capital	**512,525**	**534,508**

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

There are no transitional arrangements for Eligible Capital

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

None.

vi. Identification of Ancillary Capital Instruments Approved by the Authority

None

vii. 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	$216,382
Transitional Enhanced Capital Requirement	$284,765
Transitional Target capital level (unaudited)	$341,718
Actual statutory capital and surplus	$534,508

The Transitional Enhanced Capital Requirement ratio of 188% 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 2020.

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

The Insurance Group was in compliance in 2020.

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

William Spiegel
Director & Group Chairman

William Spiegel is the Executive Group Chairman and joined R&Q in January 2020. William has over 30 years of experience in the financial services sector with particular expertise in insurance and insurance services. He joined R&Q from the U.S. private equity firm Pine Brook where he was a managing partner and which he co-founded in 2006. A significant part of William's career has focused on building and growing insurance companies in both the US, the UK and Bermuda. William has been a founding investor and/ or board member of many successful insurance companies including Catlin Group, Clear Blue Insurance Group, Essent Group, Fidelis Insurance, Global Atlantic Financial Group, Lancashire Group, Montpelier Re, Narraganset Bay Insurance and Third Point Reinsurance. William has served on the Board of Directors of over 25 companies, including eight publicly traded corporations.

Alan Quilter
Director & Chief Executive Officer

Alan Quilter is the co-founder of the Randall & Quilter Group and the Chief Executive Officer. A Chartered Accountant, Alan has been a driving force in the development of the Randall & Quilter Group, 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 of the Eastgate Group, the predecessor company to the Randall & Quilter Group.

Tom Solomon
Director & Chief Financial Officer

Tom Solomon joined R&Q as Group Chief Financial Officer in August 2020. Tom has over 25 years of experience in the financial services industry. Prior to joining Randall & Quilter, he was a managing director at Bank of America Securities and head of insurance investment banking for the Americas. Prior to joining Bank of America Securities, he worked at Citigroup in investment banking covering the insurance industry. Before joining Citigroup, Tom worked as a consulting actuary for PricewaterhouseCoopers. Tom holds a B.S. in Mathematics from the University of Michigan and an M.B.A. from Columbia University. He is also a member of the Society of Actuaries.

Philip Barnes

Non-Executive Director

Philip Barnes is a Chartered Accountant and has worked in the insurance industry for the past 6 years. Philip is 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 then 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.

Joanne (Jo) Fox

Non-Executive Director

Jo Fox is a finance professional with over 25 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. She has held several non-executive posts for global risk carriers and intermediaries operating within Lloyd's and the London Market. As part of her board roles, Jo has chaired Audit, Risk, Capital and Compliance committees and was Chair of the IUA Solvency Working Group from 2014 to 2016. More recently, Jo was Chair and non-executive director of R&Q Managing Agency Limited, which was acquired by Coverys in 2017.

Eamonn Flanagan

Non-Executive Director

Eamonn is a Fellow of the Institute of Actuaries, having qualified at Royal Insurance, before moving to the capital markets where he was director and head of European insurance at a leading investment bank. He co-founded Shore Capital Markets, a securities business, where he was a director and top-rated analyst, receiving a number of awards in the London insurance market. As an analyst, Eamonn gained considerable experience of analysing the business and financial models of companies across the insurance world, observing how they responded to changes in regulation, accounting standards and strategic focus, whilst, at the same time, delivering good and appropriate outcomes for customers. Eamonn is a non-executive director of AJ Bell, a technology driven investment platform, and chairs its Audit Committee and Disclosure Committee. Eamonn is also a non-executive Director of Chesnara, a FTSE main market listed life assurer.

Appendix 2

2021 Website Announcements

Date	Website Announcement
5 January 2021	Regulatory Approval of UK Legacy Acquisitions
6 January 2021	Director/PDMR Shareholding
8 January 2021	Appointment of Broker
22 January 2021	Completion of share exchange by Brickell
26 January 2021	European Program Management Panel Debate Featuring AIEL
22 February 2021	Program Management Update
8 March 2021	R&Q Consolidates its US program businesses
16 March 2021	Allotment of Shares/Director Dealing
18 March 2021	R&Q increases interest in Tradesman
23 March 2021	Listing of Unsecured Floating Rate Subordinated Notes
24 March 2021	70 million senior unsecured floating rate notes due 2028
30 March 2021	70 million senior unsecured floating rate notes due 2028 – passing of Written Resolution
1 April 2021	William Spiegel succeeds Ken Randall as Executive Chairman
12 April 2021	Notice of Results
12 May 2021	Notice of Investor Presentation
19 May 2021	Acquisition of Electric Insurance Ireland DAC
21 May 2021	Appointment of Group Head of Data Strategy and Technology
24 May 2021	Results for the year ended 31 December 2020
27 May 2021	Completion of Four Portfolio Transfers
28 May 2021	Notice of Annual General Meeting and Proposed Final Dividend
21 June 2021	Result of Annual General Meeting