

R&Q Insurance Holdings Ltd

Update on Trading, Sale of Accredited and Sale of Interest in Joint Venture

11 April 2024

R&Q Insurance Holdings Ltd, (AIM-RQIH) ("R&Q" or the "Group"), today provides the following update on trading, the sale of Accredited and also announces that it has reached an agreement for Obra Capital, Inc. (together with its affiliates and funds/clients advised by Obra Capital Management, LLC, collectively "Obra") to acquire all of the interests held by R&Q and its affiliates in the Joint Venture between Obra and R&Q, Sag Main Holdings LLC ("Sag Main", or the "Joint Venture").

Sale of Accredited

As announced on 20 October 2023, R&Q has entered into a conditional agreement with funds advised by Onex Corporation to sell 100% of its equity interest in Randall & Quilter America Holding Inc., the holding company of the Accredited business.

The Sale will enable the Board to undertake a material financial de-leveraging of R&Q and return the capital solvency position back to target levels, enhancing the business' ability to execute the Board's existing strategy of transitioning R&Q Legacy to a capital efficient and stable recurring fee-based business model.

On the basis set out in the circular sent to shareholders on 14 December 2023 and in recent announcements, R&Q continues to work expeditiously towards achieving satisfaction of the conditions to enable that sale to take place.

R&Q continues to expect closing of that sale to occur in Q2 2024.

Trading Update

R&Q Legacy

Reserves Under Management at year-end 2023 are circa \$1 billion. This will reduce by circa \$670 million following the sale of the Corporate Liabilities Joint Venture.

Following extensive internal and external reserve reviews R&Q Legacy is expected to realise adverse development of ~23% of the Group's net reserves for the year to 31 December 2023, which includes the \$64.2 million of adverse reserve development identified at the half year. This primarily relates to tail claim development as well as inflation and abuse claim development across the portfolio.

Accredited

Accredited is expected to recognise Gross Written Premium of \$2.1 billion and Fee Income (excluding minority stakes in MGAs) of \$90 million, which increased 17% and 12.5%, respectively, over the prior year.

Group

Based on preliminary and unaudited information R&Q anticipates that it will realise a significant pre-tax loss for the year driven by the adverse development in Legacy and a material increase in corporate costs in relation to the Sale of Accredited.

Sale of Interest in Joint Venture with Obra

The Joint Venture was established in 2022 to hold entities with legacy non-insurance corporate liabilities to which R&Q would provide management services.

Under the terms of the transaction agreements with Obra, R&Q Solutions LLC and R&Q Re (Bermuda) Ltd. will transfer their collective 49% interest in the Joint Venture to Obra. The fee income received by

R&Q in 2023 was \$7 million. As consideration, R&Q will receive from Obra cash of \$27.0 million alongside the transfer and delivery of \$3 million of preference shares held by Obra in Randall & Quilter PS Holdings Inc.

The proceeds will be used for a combination of paying down the Group's Revolving Credit Facility and retaining cash in regulated entities.

Commenting on the sale of the joint venture, **Jeff Hayman, Chairman of R&Q**, said: "We are pleased with the strong return on our investment in the Joint Venture, and this agreement is in line with our objective of realizing value from within our Legacy Insurance business.

"Although we believe that the corporate liabilities market continues to represent an attractive long-term opportunity, developing regulations, including potential changes around capital requirements, have reduced the strategic attractiveness of direct equity participation in joint ventures of this type for R&Q. However, R&Q's expertise in the management of long-tail liabilities means that servicing and advisory opportunities will continue to exist in this space and the provision of solutions for corporations seeking to manage such liabilities will continue to represent a large and addressable target market for R&Q Legacy."

-Ends-

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The information contained within this announcement was deemed by the Company to constitute inside information as stipulated under the UK Market Abuse Regulation. With the publication of this announcement, this information is now considered to be in the public domain.