

R&Q Insurance Holdings Ltd

Proposed Sale of R&Q's Program Management business, Accredited, to Onex for \$465 million

20 October 2023

On 4th April 2023, R&Q Insurance Holdings Ltd (“**R&Q**”, the “**Company**” or the “**Group**”) announced that it was undertaking a strategic initiative to separate its legacy insurance business (“**R&Q Legacy**”) and its program management business (“**Accredited**”). Today R&Q announces that it has entered into a conditional agreement with funds advised by Onex Corporation (the “**Purchaser**” or “**Onex**”¹) to sell 100% of the equity interest in Randall & Quilter America Holding Inc., the holding company of Accredited (the “**Sale**”). Closing of the Sale is conditional on R&Q shareholder approval, regulatory approval and customary consents from certain R&Q debt providers.

Key sale highlights

- Proposed Sale of Accredited for an enterprise value of \$465m, representing an expected equity value of approximately \$438 million.
- Net cash proceeds from the Sale are expected to be approximately \$300 million (“**Expected Net Cash Proceeds**”).
- Net cash proceeds available for utilisation immediately on closing are expected to be between approximately \$170 million and \$210 million (“**Available Net Cash Proceeds**”).
- The Available Net Cash Proceeds will be entirely used to facilitate a material de-leveraging of R&Q.
- The Sale is conditional on the transfer of R&Q's Chief Executive Officer, William Spiegel, and Chief Financial Officer, Thomas Solomon to Accredited upon closing.
- Upon closing of the Sale, Group Non-Executive Chairman Jeff Hayman will act as Chairman and Interim Chief Executive Officer of R&Q. The Board will initiate a search to appoint a new Chief Executive Officer of R&Q at the appropriate time.
- Upon closing of the Sale, Paul Bradbrook, currently Chief Accounting Officer of R&Q, will become Chief Financial Officer of R&Q and a member of the Board of Directors.

Background and Board recommendation

On 4th April 2023, the Board announced that it had decided to explore a full separation and deconsolidation of Accredited and subsequently ran a sale process to find a suitable partner for its clients and colleagues and to realise full value for R&Q and its shareholders. The sale process commenced in April 2023 with an extensive global outreach to potentially interested parties, representing a broad range of financial and strategic partners. The Sale is the outcome of this process.

The Non-Executive Directors unanimously support the Sale and strongly encourage shareholders to vote in favour of the resolution to approve the Sale at the Special General Meeting.

The Non-Executive Directors believe the terms of the Sale are in the best interests of R&Q, its shareholders and its other stakeholders. The Non-Executive Directors believe that the Sale represents R&Q's best opportunity to achieve a full separation and deconsolidation of Accredited from the Group, in order to enable Accredited to retain a fully independent rating.

In the event that Accredited does not retain a fully independent rating, the Board is clear in its view that there is a significant risk that AM Best will downgrade Accredited. Such a downgrade would have a detrimental impact on Accredited's ability to successfully operate its business, particularly in the United

States where an 'A-' financial strength rating is a minimum requirement from Accredited's counterparties. The Board therefore believes that a downgrade would have material implications on R&Q's ability to continue as a going concern.

Additionally, the Board is of the view that the current financial leverage of R&Q is unsustainable and if the Sale were not to proceed and the Available Net Cash Proceeds were not available to facilitate a material de-leveraging of R&Q, R&Q may not be able to continue to satisfy or obtain waivers on the covenant requirements for its existing debt facilities or repay certain of its debt facilities as they become due. A potential default or cross-default by R&Q on its existing debt facilities may lead its lenders to take action to protect their interests by requiring collateral or enforcing their security over certain R&Q assets, resulting in a materially worse outcome for R&Q and its shareholders.

The Sale constitutes a fundamental change of business and under the AIM Rules for Companies, Rule 15 will apply. The closing of the Sale is therefore conditional on the approval by a majority of shareholders at a Special General Meeting. The Special General Meeting of R&Q's shareholders is expected to take place by the end of the year.

As Accredited and certain of its subsidiaries are authorised and regulated entities, the Sale is also conditional on obtaining customary regulatory approvals. The Sale is also conditional on customary consents from certain R&Q debt providers. Closing of the Sale is expected to occur in late Q1 2024 or early Q2 2024.

Future strategy of R&Q

The Sale refocuses R&Q as a legacy insurance business in Bermuda, Europe, the US and the UK. After the Sale, R&Q will have a legacy platform with over 150 people across M&A, claims management, servicing, actuarial and finance functions. In addition, it will have Reserves Under Management of over \$1.1 billion and a strong transaction pipeline. R&Q Legacy will continue to be an important player in the legacy market.

The Sale will enable the Board to undertake a material de-leveraging of R&Q which will enhance the business' ability to execute the Board's existing strategy of transitioning to a capital efficient and stable recurring fee-based business model. The Board will also continue to focus on minimising future reserve volatility as well as driving improved underlying performance of R&Q through better automation and expense management.

In parallel to executing its organic plan, the Board will also continue to explore potential transactions to de-risk and reduce volatility in R&Q Legacy's balance sheet or otherwise maximise value to stakeholders.

Board and management

The Sale is conditional on the transfer of R&Q's Chief Executive Officer, William Spiegel, and Chief Financial Officer, Thomas Solomon, to Accredited upon closing. William's and Thomas' employment and appointments as Chief Executive Officer, Chief Financial Officer and as Executive Directors of R&Q and its subsidiaries will therefore cease on closing of the Sale. William and Thomas will retain their current positions until closing of the Sale and are working with the Board to ensure the successful closing of the Sale and will assist with an orderly transition post closing.

Upon closing of the Sale, Group Non-Executive Chairman Jeff Hayman will act as Chairman and Interim Chief Executive Officer of R&Q. The Board will initiate a search to appoint a new Chief Executive Officer of R&Q at the appropriate time. In addition, Paul Bradbrook, currently Chief Accounting Officer of R&Q, will become Chief Financial Officer of R&Q and a member of the Board upon closing of the Sale, subject to customary approvals.

All of R&Q's other Non-Executive Directors, Philip Barnes, Eamonn Flanagan, Jo Fox, Jerome Lande and Robert Legget will continue in their current roles.

Commenting on the Sale, Jeff Hayman, Chairman of R&Q, said:

“The Non-Executive Directors unanimously recommend the sale of Accredited to Onex. We believe this transaction represents the best possible outcome for R&Q’s stakeholders, enabling R&Q to realise value for a business we have grown from a standing start in 2017 while allowing Accredited to maintain its essential independent financial strength rating of ‘A-’ under new ownership. Onex has an extensive track record of successfully investing in businesses across the insurance value chain, making them the ideal partner for Accredited to continue its growth trajectory as a leading transatlantic program manager.

The Sale will generate meaningful net cash proceeds which will facilitate a material de-leveraging of the Group while also strengthening its liquidity and working capital position, which will support R&Q’s ongoing commitments and requirements. Furthermore, the Sale will create a simpler and better capitalised R&Q which will be positioned to continue to execute the existing strategy of transitioning to a capital efficient and stable recurring fee-based business model.

R&Q is a longstanding leader in the legacy market, with an established platform, more than \$1.1 billion of Reserves Under Management and an over 30-year history of executing innovative transactions. The landmark deal earlier this year to acquire and professionally manage the non-insurance legacy liabilities of MSA Safety now means R&Q Legacy earns fees from two distinct but complementary pools of liabilities: traditional insurance reserves and corporate non-insurance liabilities. The Sale will allow us to refocus fully on this business, while our materially de-leveraged balance sheet, alongside our ability to deploy third-party capital via Gibson Re, will enable us to pursue our pipeline opportunities with renewed confidence. While we have more work to do, including implementing further operational improvements, we now have a clear pathway towards a sustainably profitable legacy business.”

Commenting on the Sale, Adam Cobourn, Managing Director of Onex Partners, said:

“We are pleased to have the opportunity to establish Accredited as an independent, market-leading program management platform. Accredited has all the ingredients for success as a hybrid carrier, including a talented management team, a well-diversified and high-quality book of business, strong reinsurer relationships and robust underwriting and risk management protocols. It will be well positioned for responsible growth with a strong balance sheet and backing from Onex Partners. Investing in the insurance industry has been a core strength for Onex for many years. We look forward to supporting Accredited’s management team in this next phase of growth.”

Enquiries to:

R&Q Insurance Holdings Ltd

Tel: +44 (0)20 7780 5850

Jeff Hayman

William Spiegel

Tom Solomon

Fenchurch Advisory Partners LLP (Financial Adviser)

Tel: +44 (0)20 7382 2222

Kunal Gandhi

Brendan Perkins

John Sipp

Richard Locke

Tihomir Kerkenezov

Barclays Bank PLC (Financial Adviser and Joint Broker)

Tel: +44 (0)20 7632 2322

Gary Antenberg

Andrew Tusa

Grant Bickwit

Howden Tiger (Financial Adviser)

Tel : +44 (0)20 7398 4888

Rob Bredahl

Leo Beckham

Deutsche Numis (Nominated Adviser and Joint Broker)

Tel : +44 (0)20 7260 1000

Charles Farquhar

Giles Rolls

FTI Consulting

Tel: +44 (0)20 3727 1051

Tom Blackwell

Proposed Sale of R&Q's Program Management business, Accredited, to Onex

Introduction

On 4th April 2023, R&Q Insurance Holdings Ltd ("**R&Q**", the "**Company**" or the "**Group**") announced that it was undertaking a strategic initiative to separate its legacy insurance business ("**R&Q Legacy**") and its program management business ("**Accredited**"). Today R&Q announces that it has entered into a conditional agreement with funds advised by Onex Corporation (the "**Purchaser**" or "**Onex**"¹) to sell 100% of the equity interest in Randall & Quilter America Holding Inc., the holding company of Accredited (the "**Sale**") for an enterprise value of \$465 million (the "**Purchase Price**") which represents an expected equity value of approximately \$438 million, when adjusted for Accredited's existing debt commitments.

Net cash proceeds from the Sale are expected to be approximately \$300 million after adjusting for a number of Purchaser conditions of the Sale, including i) the repayment of an existing \$46 million intercompany loan by R&Q to Accredited, ii) an estimated \$76 million² equity capital contribution by R&Q into Accredited so Accredited can satisfy a minimum AM Best capital adequacy ratio of 44% at closing, and iii) \$15 million in transaction costs (the "**Expected Net Cash Proceeds**").

Net cash proceeds available for utilisation immediately on closing are expected to be between approximately \$170 million and \$210 million (the "**Available Net Cash Proceeds**") after allowing for i) an estimated approximately \$40 million to \$80 million³ of additional collateral R&Q will be required to hold against existing legacy insurance exposures retained by Accredited as a further Purchaser condition of the Sale and ii) an estimated approximately \$50 million⁴ of cash to be retained by R&Q for its ongoing liquidity and working capital requirements. It is expected that, over the course of the next few years, the estimated \$40 million to \$80 million of collateral in i) above will be released and available to R&Q as the underlying exposures are reduced and eliminated.

Following closing of the Sale, the Board intends to use all of the Available Net Cash Proceeds to facilitate a material de-leveraging of R&Q while retaining liquidity and working capital for R&Q's ongoing commitments and requirements. R&Q will be refocused as a legacy insurance business and will continue to execute on its transition to a capital efficient and stable recurring fee-based business model. The Board will also continue to focus on minimising future reserve volatility as well as driving improved underlying performance of R&Q through better automation and expense management.

In parallel to executing its organic plan, the Board will also continue to explore potential transactions to de-risk and reduce volatility in R&Q Legacy's balance sheet or otherwise maximise value to stakeholders.

The Sale is conditional on the transfer of R&Q's Chief Executive Officer, William Spiegel, and Chief Financial Officer, Thomas Solomon, to Accredited upon closing. William's and Thomas' employment and appointments as Chief Executive Officer, Chief Financial Officer and as Executive Directors of R&Q and its subsidiaries will therefore cease on closing of the Sale. William and Thomas will retain their current positions until closing of the Sale and are working with the Board to ensure the successful closing of the Sale and will assist with an orderly transition post closing.

Upon closing of the Sale, Group Non-Executive Chairman Jeff Hayman will act as Chairman and Interim Chief Executive Officer of R&Q. Jeff's extensive industry experience makes him well placed to lead R&Q as Interim Chief Executive Officer. The Board will initiate a search to appoint a new Chief Executive Officer of R&Q at the appropriate time.

In addition, Paul Bradbrook, currently Chief Accounting Officer of R&Q, will become Chief Financial Officer of R&Q and will be appointed to the Board upon closing of the Sale, subject to customary approvals. Paul has over 20 years' experience of financial management within the insurance industry and a deep understanding of R&Q through his experience as Chief Accounting Officer which makes him well positioned to act as Chief Financial Officer.

All of R&Q's other Non-Executive Directors, Philip Barnes, Eamonn Flanagan, Jo Fox, Jerome Lande and Robert Legget will continue in their current roles.

1. Background to and strategic rationale for the Sale

R&Q is a global non-life speciality insurance company currently organised around two principal businesses: a legacy insurance business (R&Q Legacy) and a program management business (Accredited).

R&Q Legacy manages small and medium sized non-life legacy insurance portfolios, providing creative financial solutions to owners of discontinued insurance and reinsurance business. The non-life legacy market opportunity is significant and growing, with total global reserves estimated to be \$960⁵ billion in 2022, an increase of \$100 billion⁵ from 2021. In 2021, R&Q launched Gibson Re, a Bermuda-domiciled collateralised reinsurer with approximately \$300 million of long-term, third-party capital that underpins R&Q Legacy's ability to deploy capital and offer innovative legacy solutions. The dedicated reinsurance sidecar reinsures 80% of R&Q Legacy's transactions with R&Q Legacy retaining 20% of the risk exposure. Following R&Q's landmark deal earlier this year to acquire and professionally manage the non-insurance legacy liabilities of MSA Safety, R&Q Legacy now earns fees from two distinct but complementary pools of liabilities: traditional insurance reserves and corporate non-insurance liabilities.

Accredited is a leading program manager, providing A- rated insurance capacity in the US, UK and Europe. Accredited's US, UK and EU-regulated insurance companies act as an intermediary between Managing General Agents ("**MGAs**") and reinsurers. Accredited has grown significantly over the last three years achieving Gross Written Premium and Fee Income of \$1.8 billion and \$80 million⁶, respectively, in the twelve months to 31st December 2022, and \$1.1 billion and \$46 million, respectively, in the six months to 30th June 2023.

As at 30th June 2023, the unaudited gross assets and shareholders' equity of the business subject to the Sale were \$4.3 billion⁷ and \$243 million⁷, respectively. As at 31st December 2022, the unaudited gross assets and shareholders' equity of the business subject to the Sale were \$3.9 billion⁷ and \$225 million⁷, respectively. For the financial year ended 31st December 2022, the unaudited statutory loss before tax for the business subject to the Sale was \$(16) million⁷. For the six months ended 30th June 2023, the unaudited statutory profit before tax for the business subject to the Sale was \$13 million⁷.

R&Q has supported the growth and strategic development of Accredited since its launch in 2017. Accredited relies on an 'A-' financial strength rating from AM Best to conduct business and historically relied on the financial strength of the broader R&Q group to obtain its financial strength rating. However, following a review in Q1 2023 the Board concluded that given Accredited's size and scale it was in the

best interests of R&Q's stakeholders for Accredited to obtain a standalone rating without influence from the broader R&Q group. An important factor in obtaining a standalone rating for Accredited was AM Best's guidance that a full separation and transaction with a third party which resulted in the deconsolidation of Accredited from the Group was essential to enable Accredited to obtain a fully independent rating.

In response to the guidance from AM Best, the Board announced on 4th April 2023 a legal reorganisation to separate R&Q Legacy and Accredited. In addition, the Board announced that it had decided to explore a full deconsolidation of Accredited and subsequently ran a sale process to find a suitable partner for its clients and colleagues and to realise full value for R&Q and its shareholders. The sale process commenced in April 2023 with an extensive global outreach to potentially interested parties, representing a broad range of financial and strategic partners. The Sale is the outcome of this process.

Alongside this process, the legal reorganisation was completed in June 2023. As of that date, AM Best recognised Accredited as an independent rating unit with a financial strength rating of 'A-'. The rating however, remained under review with negative implications subject to the sale and deconsolidation of Accredited.

A strategic transaction committee was formed to provide governance oversight of the Sale, comprised of the Non-Executive Directors (comprising all of the directors other than William Spiegel, Thomas Solomon and Alan Quilter) (the "**Non-Executive Directors**"). The Non-Executive Directors consider the Sale to be in the best interests of R&Q shareholders and that it enables R&Q to realise value for Accredited. The Sale will facilitate a material de-leveraging of R&Q and will create a simpler and better capitalised R&Q Legacy business. R&Q will be positioned to deliver value to shareholders by continuing to execute its existing strategy of transitioning to a capital efficient and stable recurring fee-based business model.

2. Recommendation

The Non-Executive Directors unanimously support the Sale and believe the terms of the Sale are in the best interests of R&Q, its shareholders and its other stakeholders. The Non-Executive Directors believe the Sale provides the most certainty for Accredited to maintain an independent financial strength rating of 'A-', which is essential to protect its value.

Shareholders should note that if the resolution to approve the Sale is not approved by shareholders at the Special General Meeting, the Sale will not proceed. The Non-Executive Directors believe that the Sale represents R&Q's best opportunity to achieve a full separation and deconsolidation of Accredited from the Group and, as noted above, such full separation is necessary to enable Accredited to retain a fully independent rating. In the event that Accredited does not retain a fully independent rating, the Board believes there is a significant risk that AM Best will downgrade Accredited which would have a detrimental impact on Accredited's ability to successfully operate its business, particularly in the United States where an 'A-' financial strength rating is a minimum requirement from Accredited's counterparties. Such a downgrade would therefore have material implications on R&Q's ability to continue as a going concern.

Additionally, the Board believes that the current financial leverage of R&Q is unsustainable and if the Sale were not to proceed and the Available Net Cash Proceeds were not available to facilitate a material de-leveraging of R&Q, R&Q may not be able to continue to satisfy or obtain waivers on the covenant requirements for its existing debt facilities or repay certain of its debt facilities as they become due. A potential default or cross-default by R&Q on its existing debt facilities may lead its lenders to take action to protect their interests by requiring collateral or enforcing their security over certain R&Q assets, resulting in a materially worse outcome for R&Q and its shareholders.

R&Q remains in close dialogue with its lending banks, providers of credit and other financing providers. R&Q will require support from these parties in relation to renewals or redemptions due in November and December of this year, ongoing requests for waivers for potential covenant breaches and for the necessary approvals and consents required to enable the Sale to take place.

Accordingly, the Non-Executive Directors strongly encourage shareholders to vote in favour of the resolution to approve the Sale at the Special General Meeting.

3. Irrevocable undertakings

The Non-Executive Directors have irrevocably undertaken to vote or procure votes in favour of the resolution to approve the Sale in respect of their holdings of R&Q shares, in aggregate, representing 240,476 outstanding R&Q shares and constituting approximately 0.1 per cent. of R&Q's issued voting share capital as at 19 October 2023 (being the latest practicable date prior to the date of this announcement).

In addition to the irrevocable undertakings from the Non-Executive Directors, William Spiegel, Thomas Solomon, Alan Quilter and certain other members of R&Q's management team have given irrevocable undertakings to vote, or procure votes, in favour of the resolution to approve the Sale. In aggregate, these irrevocable undertakings represent, as at 19 October 2023 (being the latest practicable date prior to the date of this announcement), 8,059,692 outstanding R&Q shares and constitute approximately 2.2 per cent. of R&Q's issued voting share capital.

In addition Scopia Capital Management ("**Scopia**") has given an irrevocable undertaking to vote, or procure votes, in favour of the resolution to approve the Sale. This irrevocable undertaking, represents, as at 19 October 2023 (being the latest practicable date prior to the date of this announcement), 30,000,000 outstanding R&Q shares and constitutes approximately 8.0 per cent. of R&Q's issued voting share capital.

In aggregate, irrevocable undertakings have been given to vote, or procure votes, in favour of the resolution to approve the Sale representing, as at 19 October 2023 (being the latest practicable date prior to the date of this announcement), 38,059,692 outstanding R&Q shares and constituting approximately 10.2 per cent. of R&Q's issued voting share capital.

Further details of these irrevocable undertakings, including the circumstances in which they cease to apply, are set out in the Appendix.

4. Financing of the Purchase Price

In support of Onex's obligation to pay the Purchase Price, Onex has provided an equity commitment letter up to the full amount of the purchase price.

In the event that Onex fails to pay the purchase price under the Sale agreement following the satisfaction of all of the conditions to closing, R&Q would have the right to enforce the equity commitment letter for the payment of the Purchase Price.

5. Conditions to closing

The Sale is structured as the sale of the entire issued share capital of Randall & Quilter America Holding Inc, which is the holding company of the Accredited business. R&Q Insurance Holdings Ltd (the "**Seller**"), will effect the Sale. The Sale agreement contains certain obligations of R&Q, including the requirement to hold the Special General Meeting to approve the Sale as well as other customary conditions.

The Sale constitutes a fundamental change of business and under the AIM Rules for Companies, Rule 15 will apply. The closing of the Sale is therefore conditional on the approval by a majority of shareholders at a Special General Meeting.

As Randall & Quilter America Holding Inc and certain of its subsidiaries are authorised and regulated entities, the Sale is also conditional on obtaining regulatory approvals from the Arizona Department of Insurance, the Florida Office of Insurance Regulation, the Prudential Regulation Authority, the Malta Financial Services Authority and US Antitrust authorities.

The Sale is also conditional on customary consents from certain R&Q debt providers.

As is usual in transactions of this nature, the Sale agreement sets out the obligations on the parties to obtain the required approvals, as well as customary representations, warranties, covenants and indemnities. The transaction documentation also includes certain transitional services (set out below)

to be provided by R&Q and Accredited for a limited period following closing. R&Q is exploring customary representation and warranty insurance to limit any liabilities, but there is no guarantee such insurance will be placed.

6. Transitional services

Under a transitional services agreement between R&Q and Accredited to be entered into upon the closing of the Sale (the “TSA”), each party will provide transitional services to the other party for limited periods of up to 12 months following closing of the Sale, with a commitment to provide those services generally at the same level of service with which they were provided before closing. The services performed by R&Q for Accredited will cover the following functions: finance and accounting (including assistance with Accredited’s year-end closings for 2023); legal, risk, and compliance; human resources; information technology (“IT”) and facilities and equipment management. Accredited will perform for R&Q a more limited set of services covering the following functions: finance and accounting (including assistance with R&Q’s year-end closings for 2023); finance change management; legal, risk, and compliance (including UK senior manager functions); and IT support. In connection with the continued provision of these services under the TSA, each party will also assist the other with data and knowledge transfer and similar migration services. The charges for the services will reflect the providing party’s internal and external costs of providing the services, without markup. Each party’s liability as provider of a service will be limited to the fees it has received for such service.

7. Use of proceeds and impact on the pro-forma financial position of remaining R&Q

Given the expected timing of the Sale, R&Q will own Accredited for the rest of the 2023 financial year and most likely for a period of 2024. Following closing of the Sale, R&Q will be refocused as a legacy insurance business, positioned to continue to execute on its transition to a capital efficient and stable recurring fee-based business model.

Available Net Cash Proceeds on closing are expected to be between approximately \$170 million and \$210 million. Following closing of the Sale, the Board intends to use the Available Net Cash Proceeds to facilitate a material de-leveraging of R&Q while retaining liquidity and working capital for R&Q’s ongoing commitments.

Adjusted for closing of the Sale and subsequent de-leveraging of R&Q assuming Available Net Cash Proceeds of \$170 million (at the lower end of the expected range), R&Q’s current estimated pro-forma financial position as at 30 June 2023 would be as follows:

Assets	\$2.0 billion
Debt	\$203 million
Shareholders’ Equity	\$356 million
Debt to Capital Ratio	36%
Group Solvency Ratio	>200%
Net Asset Value Per Common Share	80 cents
Net Asset Value Per Common Share (Diluted) ⁸	79 cents

8. Future strategy of R&Q

The Sale refocuses R&Q as a legacy insurance business in Bermuda, Europe, the US and the UK. After the Sale, R&Q will have a legacy platform with over 150 people across M&A/reinsurance solutions, claims management, servicing, actuarial and finance functions. In addition, it will have Reserves Under Management of over \$1.1 billion and a strong transaction pipeline. R&Q Legacy will continue to be an important player in the legacy market.

The Sale will enable the Board to undertake a material de-leveraging of R&Q which will enhance the business' ability to execute the Board's existing strategy of transitioning to a capital efficient and stable recurring fee-based business model. Gibson Re, R&Q's dedicated sidecar will continue to be a core component of this transition. R&Q retains 20% of a typical legacy transaction with the remaining 80% ceded to Gibson Re. Gibson Re will underpin R&Q's ability to deploy capital and offer innovative legacy solutions to its clients.

The non-life legacy market is significant and growing, with total global reserves estimated at \$960 billion in 2022, an increase of \$100 billion from the previous year. R&Q has a strong pipeline, with identified transactions comprising over \$0.9 billion of reserves, including three deals in advanced stages with over \$100 million of reserves. Going forward, R&Q will continue to focus on transactions in the small to medium size range, where R&Q maintains a competitive advantage, and offering compelling finality solutions for corporates in the US, UK and Europe. This follows R&Q's landmark deal earlier this year to invest alongside Obra Capital to acquire and professionally manage the non-insurance legacy liabilities of MSA Safety. This strategy, alongside Gibson Re, will generate fees from two distinct but complementary pools of liabilities: traditional insurance reserves and corporate non-insurance liabilities.

From a financial perspective, immediately following the Sale, R&Q expects to experience run-rate operating losses as it continues to execute on its transition to a capital efficient and stable recurring fee-based business model. As part of this strategy, the Board is focused on making R&Q a more efficient and scalable business. R&Q has already identified and taken action on a number of opportunities to reduce expenses, including simplifying its legal entity structure and rationalising its real estate footprint. Work is also underway to automate the input of data received from third party administrators ("TPAs") and move internal systems to the Cloud. Better use of data is enabling R&Q to make smarter decisions, more quickly, while more automated processing is reducing duplication and costs. The decrease in R&Q Legacy Fixed Operating Expenses to \$36 million for the six months to June 2023 compared to \$39 million for the six months to June 2022 is evidence of the results and success this strategy is already delivering. The Board expects this will create further operational leverage benefits as R&Q grows Reserves Under Management. The Board is confident that R&Q has a team with the right experience to deliver this strategy, and that it represents the best way to deliver value to shareholders.

In parallel to executing its organic plan, the Board will continue to explore potential transactions to de-risk and reduce volatility in R&Q Legacy's balance sheet or otherwise maximise value to stakeholders.

Board and management

Upon closing of the Sale, Group Non-Executive Chairman Jeff Hayman will act as Chairman and Interim Chief Executive Officer of R&Q. Jeff's extensive industry experience makes him well placed to lead R&Q as interim Chief Executive Officer. He has spent over 40 years in the insurance industry with long tenures at The Travelers and AIG, including divisional and global CEO roles. In addition, Jeff was recently a Board member and committee chair of Zurich Insurance Group.

The Board will also initiate a search to identify and appoint a new Chief Executive Officer of R&Q at the appropriate time.

In addition, as outlined above, Paul Bradbrook, currently Chief Accounting Officer of R&Q, will become Chief Financial Officer of R&Q.

Andrew Pinkes, Global Legacy Chief Executive Officer, has informed the Board that he has decided to retire from R&Q by the end of the year. Andrew came out of retirement and joined R&Q in 2021 to help drive R&Q's strategic ambitions and to transition R&Q Legacy to a capital efficient, data-driven and stable recurring fee-based model. The Board would like to take this opportunity to thank Andrew for his significant contribution to and thoughtful leadership of R&Q Legacy. The Board and Andrew have

agreed that upon retirement Andrew will enter into a consultancy arrangement with R&Q and will become an adviser to R&Q and the leadership team until closing of the Sale.

As announced on 31st March 2023, Alan Quilter, Group Head of Program Management, will retire from R&Q and the Board of Directors at the end of the year. The Board and Alan have agreed that upon retirement Alan will also enter into a consultancy arrangement with R&Q and will become an adviser to R&Q and the leadership team following closing of the Sale.

All of R&Q's other Non-Executive Directors, including Philip Barnes, Eamonn Flanagan, Jo Fox, Jerome Lande and Robert Legget will be continuing in their current roles.

9. Expected timetable of principal events

A Circular containing further details of the Sale, the Non-Executive Directors' recommendation, and the notice of the Special General Meeting (which will set out the resolution required to approve the Sale) will be sent to R&Q's shareholders in the coming weeks. The Special General Meeting of R&Q's shareholders is expected to take place by the end of the year. Closing of the Sale is expected to occur in late Q1 2024 or early Q2 2024.

10. Information relating to Onex

Onex is an investor and asset manager that invests capital on behalf of Onex shareholders and clients across the globe. Formed in 1984, Onex has a long track record of creating value for clients and shareholders. Onex' two primary businesses are Private Equity and Credit. In Private Equity, Onex raises funds from third-party investors, or limited partners, and invest them, along with Onex's own investing capital, through the funds of their private equity platforms, Onex Partners and ONCAP. Similarly, in Credit, Onex raises and invests capital across several private credit, public credit and public equity strategies. Onex's investors include a broad range of global clients, including public and private pension plans, sovereign wealth funds, insurance companies and family offices. In total, Onex has approximately \$50 billion in assets under management, of which approximately \$8 billion is Onex's own investing capital. With offices in Toronto, New York, New Jersey, Boston and London, Onex and its experienced management teams are collectively the largest investors across Onex's platforms.

Important Notices

Barclays Bank PLC, acting through its Investment Bank ("**Barclays**"), which is authorised by the Prudential Regulation Authority and regulated in the United Kingdom by the FCA and the Prudential Regulation Authority, is acting exclusively for R&Q and no one else in connection with the Sale and will not be responsible to anyone other than R&Q for providing the protections afforded to clients of Barclays nor for providing advice in relation to the Sale or any other matter referred to in this Announcement.

Fenchurch Advisory Partners LLP ("**Fenchurch**"), which is authorised and regulated in the United Kingdom by the FCA, is acted as joint financial adviser for R&Q and no one else in connection with the Sale and will not be responsible to anyone other than R&Q for providing the protections afforded to clients of Fenchurch nor for providing advice in relation to the Sale or any other matter referred to in this Announcement.

TigerRisk Capital Markets & Advisory (UK) Limited ("**Howden Tiger Capital Markets & Advisory**"), which is authorised and regulated in the United Kingdom by the FCA, is acting as joint financial adviser for R&Q and no one else in connection with the Sale and will not be responsible to anyone other than R&Q for providing the protections afforded to clients of Howden Tiger Capital Markets & Advisory nor for providing advice in relation to the Sale or any other matter referred to in this Announcement.

Numis Securities Limited ("**Numis**"), which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for R&Q and no one else in connection with the matters set out in this announcement and will not regard any other person as its client in relation to the matters in this announcement and will not be responsible to anyone other than R&Q for providing the protections afforded to clients of Numis, nor for providing advice in relation to any matter referred to herein.

Further Information

This announcement is for information purposes only and is not intended to and does not constitute, or form any part of, an offer to sell or an invitation to purchase or subscribe for any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Sale or otherwise, nor shall there be any sale, issuance or transfer of securities of R&Q in any jurisdiction in contravention of applicable law. The Sale will be made solely pursuant to the terms of the Circular, which will contain the full terms and conditions of the Sale, including details of how to vote in respect of the Sale and accompanied by forms of proxy and forms of instruction for use at the Special General Meeting. Any decision in respect of, or in response to, the Sale should be made only on the basis of the information in the Circular. R&Q shareholders are advised to read the Circular and any other formal documentation published in relation to the Sale carefully, once it has been published or dispatched.

This announcement has been prepared for the purpose of complying with Bermuda and English law and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws of jurisdictions outside the United Kingdom and Bermuda.

This announcement does not constitute a prospectus or prospectus equivalent document.

Financial information relating to R&Q included in this announcement and the Circular has been or shall have been prepared in accordance with accounting standards applicable in the United States and may not be comparable to financial information of UK companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United Kingdom.

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.

No Profit Forecasts or Estimates

No statement in this announcement is intended as a profit forecast or estimate of the future financial performance of R&Q following closing of the Sale for any period unless otherwise stated. Furthermore, no statement in this announcement should be interpreted to mean that earnings or earnings per R&Q share for R&Q for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per R&Q share.

The following footnotes are contained throughout this announcement:

¹ Funds advised are Onex Partners V LP

² Represents management's estimate based on forecast of retained earnings through closing and AM Best treatment of available and required capital under BCAR model

³ Represents management's estimate based on forecast of loss reserves and collateral expected to be in place at closing under various reinsurance agreements

⁴ Represents management's estimate of working capital required for 18 months subsequent to closing

⁵ As per the PwC 'Global Insurance Run-Off Survey 2022'

⁶ Excluding minority stakes in MGAs

⁷ The principal differences between the statutory financial information of the Accredited entities subject to the Sale, and the reported financials for Accredited line of business are in respect of: (i) the inclusion of R&Q Legacy exposure in the Accredited entities; (ii) the inclusion of certain central costs to the Accredited entities that support both program management and legacy; (iii) the inclusion of €25 million of debt in the legal entities and (iv) investment income in the legal entities supporting both program management and legacy insurance

⁸ Reflects 73.3 million shares upon conversion of \$55 million of preferred equity at 75 cents per share

APPENDIX

Irrevocable undertakings

1. Directors' irrevocable undertakings

The following Directors and members of management have irrevocably undertaken to vote or procure votes in favour of the resolution to approve the Sale. As at 19 October 2023 (being the latest practicable date prior to the date of this announcement), their holdings of R&Q shares are:

Name	Total number of R&Q shares	Percentage of existing share capital of R&Q
William Spiegel	2,746,207	0.735
Thomas Solomon	1,223,957	0.327
Alan Quilter	2,554,281	0.683
Joanne Fox	50,000	0.013
Eamonn Flanagan	95,238	0.025
Philip Barnes	95,238	0.025
Patrick Rastiello	339,625	0.091
Andrew Pinkes	735,895	0.197
Robert Thomas	219,251	0.059
Total	8,059,692	2.156

The obligations under these irrevocable undertakings shall lapse and cease to have effect on and from the following occurrences:

- this announcement is not released by 1 November 2023 or such later time or date as the Company may determine;
- the Sale agreement is terminated in accordance with its terms;
- the Special General Meeting has been held and the resolution to approve the Sale voted upon at that Special General Meeting; and
- if the undertakings have not lapsed earlier, on 1 April 2024.

Given their impending retirements, Alan Quilter and Andrew Pinkes are permitted to deal in their R&Q shares. The other Directors and members of management are, however, precluded from dealing in their R&Q Shares until their obligations under their undertakings lapse.

2. Scopia irrevocable undertaking

Scopia has given an irrevocable undertaking to vote, or procure votes, in favour of the resolution to approve the Sale in respect of the R&Q Shares it holds from time to time. This irrevocable undertaking, as at 19 October 2023 (being the latest practicable date prior to the date of this announcement), represents 30,000,000 outstanding R&Q shares and constitutes approximately 8.0 per cent. of R&Q's issued voting share capital. Scopia is permitted to deal in its R&Q shares for the duration of the undertaking.

The obligations under this irrevocable undertaking shall lapse and cease to have effect on and from the following occurrences:

- this announcement is not released by 1 November 2023 or such later time or date as the Company may determine;
- the Sale agreement is terminated in accordance with its terms;
- the Special General Meeting has been held and the resolution to approve the Sale voted upon at that Special General Meeting;
- an offer for Accredited made in writing to the Board, which represents an equity value which may be higher than the equity value which the Sale represents (such

determination of whether the equity value represented by such offer is higher to be made by Scopia acting reasonably);the Non-Executive Directors do not make, withdraw, modify or qualify the Board recommendation; and

- if the undertaking has not lapsed earlier, on 1 April 2024.