

14 December 2009

Randall & Quilter Investment Holdings plc (RQIH)

Agreement to settle with Equitas in respect of Exxon and Kuwait reinsurance claims;

- ***Litigation and arbitrations between R&Q Re (UK) and Equitas in respect of Exxon and Kuwait reinsurance claims ended, removing a longstanding source of uncertainty for the Group.***
- ***As a result of payments arising from the settlement, it is anticipated that the Group will make a pre-tax loss for the year, but this is expected to be less than £5m and is a one off hit to the Group's financials.***
- ***No impact on distributable profits from the Insurance Services Division allows maintenance of progressive dividend policy and illustrates robustness of the business model.***

On 11 November we announced receipt of the judgement of the English Commercial Court in relation to the dispute with Equitas over reinsurance claims from the 1989 Exxon Valdez oil spill and claims by Kuwait Airways/British Airways arising out of the first Gulf War of 1990. In that announcement, we drew attention to the complexity of the judgement and the uncertainty over its potential financial impact on the Group.

In order to remove the uncertainty, the Board has decided to conclude a settlement with Equitas. In reaching its decision, the Board has been mindful of the importance of ensuring that the Group's ability to proceed with its expansion plans and various acquisition opportunities is not impeded by prolonged financial uncertainty.

The terms of the settlement comprise a mutual commutation between R&Q Re (UK), a wholly owned subsidiary of the Group and Equitas (whose business has now transferred to a subsidiary of Berkshire Hathaway) in respect of virtually all 1987 and post net liabilities reinsured by R&Q Re (UK). Following this commutation, the solvency position of R&Q Re (UK) will remain in excess of the regulatory minimum, avoiding the need for any additional Group support.

As a result of the settlement, the details of which are to remain confidential, the litigation between Equitas and R&Q Re (UK) will be ended, as will be all the outstanding arbitrations between them in respect of the Exxon Valdez and Kuwait Airways/British Airways claims. Each party will be responsible for their own legal costs to date relating to the trial and arbitrations.

Associated with this settlement, RQIH has also agreed to acquire the remaining 30% of Goldstreet Insurance Company ("Goldstreet") from Columbia Insurance Company (another Berkshire Hathaway subsidiary) for \$6.25m.

Subject to the normal year end actuarial and audit reviews and in the absence of any extraordinary circumstances, the Board expects that the payments arising from the settlement will result in the Group, on a consolidated basis, making a pre tax loss for the year of less than £5m. As a consequence, it is anticipated that there will only be a modest diminution of the Group's net asset value from that reported as at 30 June.

The Board believes that the agreement with Equitas removes a significant source of uncertainty arising not just from the recent judgement but also from a longstanding dispute between both parties

It remains the Board's current intention to pay a final dividend in line with the Group's stated progressive dividend policy, underpinned by the profits of its service division, which has been unaffected by these events.

Commenting on the decision to reach a settlement with Equitas, Ken Randall, Chairman of the Group said:

"In many ways the recent Court judgement increases rather than resolves the confusion over so called "spiral" reinsurance claims relating to Exxon and Kuwait. Quantifying the impact of the Court decision has proved difficult and appealing the decision would simply have prolonged the uncertainty for the Group. Consequently the Board has taken the view that it is in the Group's best interest to reach a settlement with Equitas and focus on building the business, especially given a number of important business developments planned over the next year. Whilst it is always disappointing to report the expectation of a loss overall for the year, the impact on NAV is modest and the Group's ability to maintain its progressive dividend policy and resume operations as normal is testament to the strength of our business model."

ENDS

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Notes for Editors:

1. As first disclosed in the AIM Admission document of December 13, 2007, the disputes with Equitas in respect of the Exxon Valdez and Kuwait reinsurance claims have been a long standing source of uncertainty for the Group. Numerous arbitration notices were served by Equitas against R&Q Re (UK) in respect of thousands of claims relating to these events. The recent litigation and trial heightened the scale and importance of the issue and resulted in a significant expenditure of management time and legal costs. Whilst the final outcome has been a disappointment to the Group, the settlement at least brings finality to these disputes and removes the associated ongoing financial uncertainty.

2. About Randall & Quilter

Randall & Quilter Investment Holdings plc manages, acquires, and realises the surplus assets of solvent non-life insurance companies in run off, and acquires and realises reinsurance receivables in the United Kingdom, the rest of Europe, Bermuda and North America. The company operates in three divisions: Insurance Services, Insurance Company, and Liquidity Management. The Insurance Services division provides services to insurance companies, including syndicates at Lloyd's and has operations in the U.K., Bermuda and the U.S. The Insurance Company division acquires solvent insurance companies in run-off and seeks to realise surplus assets within such companies and achieves exits through schemes of arrangements, transfer, or sale. The Liquidity Management division acquires reinsurance receivables on recourse and non recourse basis and seeks to realise them for cash.

The Group has approximately 215 staff in its offices in the UK, Bermuda and the US.