

## **Court judgement on dispute between R&Q Re (UK) and Equitas**

The Board advises that it has today received the judgement of the English Commercial Court regarding its preliminary issues in relation to the dispute between R&Q Re (UK), a wholly owned subsidiary of R&Q Investment Holdings PLC, and Equitas, last reported on in the half year results released on 3 September 2009. This dispute involves reinsurance claims in respect of the 1989 Exxon Valdez oil spill and claims by Kuwait Airways arising out of the first Gulf War of 1990.

The Board is disappointed to note that notwithstanding the very strong legal opinion given to it ahead of the trial, the court has determined that Equitas can use actuarial models to prove that claims in respect of these events are payable by R&Q Re (UK), albeit with a discount factor (to be applied to the ultimate loss) of 25% in the case of Exxon Valdez and 13.5% in the case of Kuwait. Further orders are to be agreed with the court whereby Equitas will ensure that an appropriate portion of the substantial UNCC refunds are also passed on to R&Q Re (UK). A further hearing is to be scheduled in due course to determine the amount of Equitas' claims which are payable in respect of claims affected by this decision. In addition, there are other claims issues still to be resolved.

The impact of this judgement is complex and the potential financial consequences are presently being assessed. The Board is currently working with its financial advisers to quantify the potential financial effect of this judgement on the Group, which may well include reimbursement of the legal costs incurred by Equitas in the trial. The Board is also in discussions with its legal advisers regarding the possibility of a counter-claim to apply a discount to substantial sums previously paid to Equitas and is considering whether the judgement gives appropriate grounds for an appeal in whole or in part.

Further updates will be made in due course when more information becomes available.

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