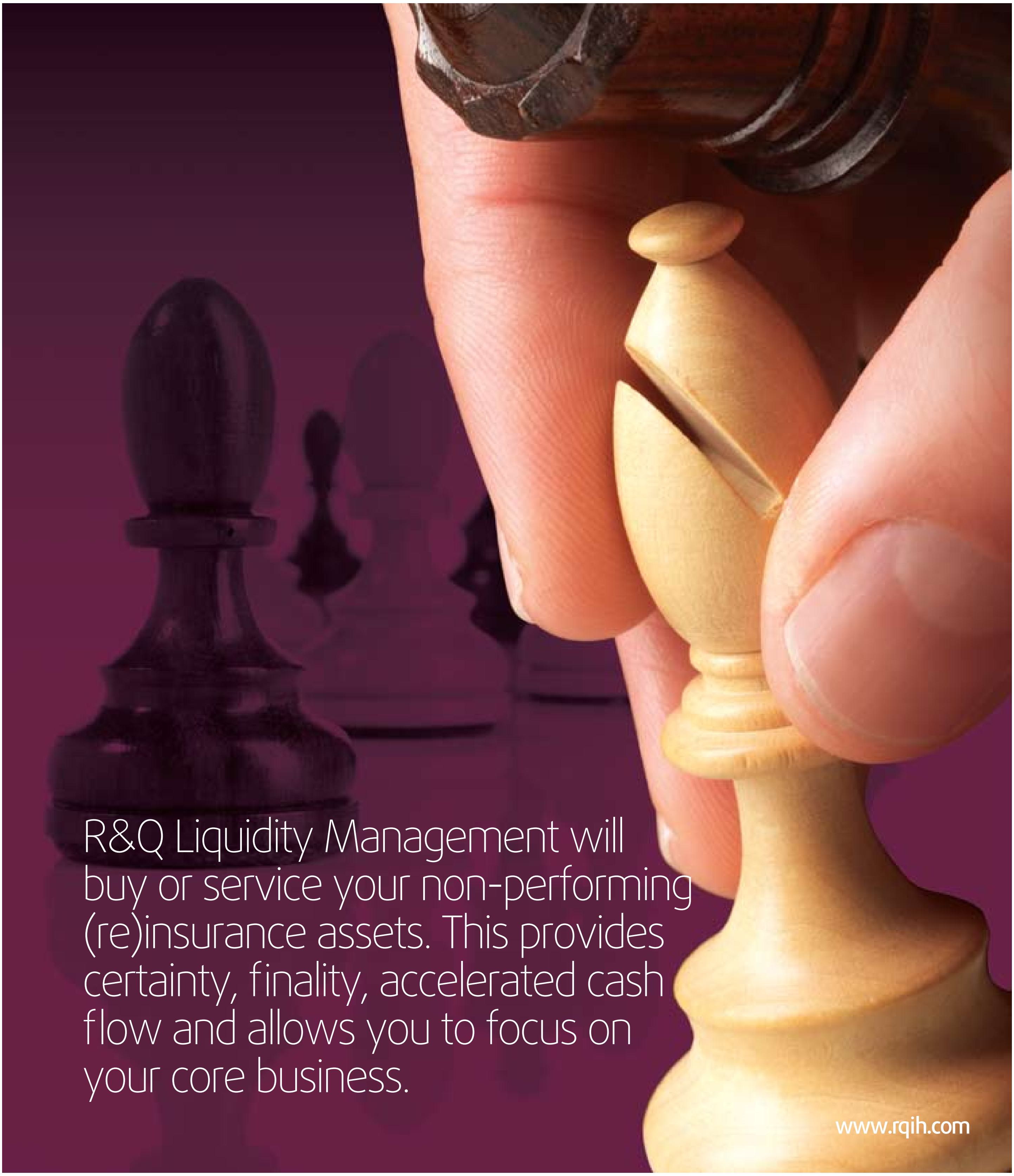
STRATEGY | INNOVATION | EXPERTISE

Insurance Investments
Liquidity Management



Insurance Investments
Liquidity Management

R&Q Liquidity Management provides liquidity to the international insurance and reinsurance markets by acquiring and servicing (re)insurance debt. Slow or non-performing (re)insurance debt can have a negative impact on the asset value, cashflow, reputation, financial rating, resources and the general management of a business.

R&Q Liquidity Management's liquidity strategies provide flexible and tailored solutions to the specific needs of a company managing a (re)insurance asset. The benefits of R&Q Liquidity Management's products and services include certainty, finality and an immediate cash realisation of slow or non-performing assets.

R&Q's activities/services operate under the following 4 divisions:

Insurance Investments

- Purchase of legacy insurance/ reinsurance companies/captives
- Liquidity management
- RITC

Insurance Services

- Claims management
- Reinsurance management
- Broker services
- Audit and inspection
- Accounting services
- Credit control
- Exit solutions
- Cover holder services
- Broker performance reporting

Underwriting Management

- Turnkey management
- Delegated underwriting facility
- Capital support

Captives

- Bundled & unbundled management services
- Rent a captive solutions
- Exit solutions

Insurance Investments
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What we do

Acquisition of Debt

The most common transaction involves the acquisition of (re)insurance receivables. Specifically, R&Q Liquidity Management acquires:

- A single receivable or portfolio of receivables.
- Debt, dividends or claims owed from insolvent (re)insurers.
- A portfolio of residual debt in an insolvent estate.

Services

As an alternative strategy to a sale of debt, R&Q Liquidity Management also provides liquidity solution services to companies that are seeking to maximise their (re)insurance assets. The types of services offered include collections and commutations. R&Q Liquidity Management has access to the full resource base and network of the R&Q Group. This approach enables us to structure a solution based on the specific requirements of our clients.

How we do it

Acquisition of Debt

R&Q Liquidity Management acquires debt based on the seller's needs. Most commonly, this involves a non-recourse assignment of the debt. Generally, there are 4 stages to a sale of debt: Review, Agree and Assign and Notify.

Firstly, a brief review or due diligence of the data held by the vendor is carried out to enable the debt to be priced.

Following the review, if R&Q Liquidity Management makes an offer to buy the debt and this is accepted, the debt is assigned.

The rights to the debt are transferred from the contract of (re)insurance for the agreed consideration via a formal assignment agreement.

The vendor notifies the debtor that the debt has been assigned to R&Q Liquidity Management.

R&Q Liquidity Management also offers innovative, alternative methods of sale. These give a vendor greater choice and control over the process. They can also provide an additional return to the vendor, if the acquired debt subsequently outperforms expectations. These methods of sale include:

- Recourse financing
- 'Cap and collar' acquisitions
- Hybrids of the above and non-recourse

Services

R&Q Liquidity Management works closely with clients to structure a service to suit their needs.

Clients also have access to other Divisions of the R&Q Group. These Divisions provide a diversified range of services. These can be readily aligned to the requirements of the client, and include:

- Collections
- Commutations
- Crystallisations
- Debt Agreement

The flexibility of R&Q Liquidity Management enables its clients to select a, 'best fit' range of products and services. For example, assistance in the agreement of disputed or unagreed debt and coupling this service with a subsequent sale of the agreed debt to R&Q Liquidity Management. In this case, the client is able to expedite the realisation of a previously uncertain asset.

What we charge

For a non-recourse acquisition of debt, the sale price or consideration is agreed between the parties in advance of the assignment. Under a recourse financing or cap and collar contract, an outperformance of the debt will lead to an additional return to a vendor. The basis of the return is agreed in advance and is usually expressed as a percentage of the outperformance.

For the provision of services, R&Q Liquidity Management can structure a remuneration based on the clients' preferences. This can include fixed fees or contingency fees based on performance, or a hybrid of both. Performance-based fees are often proposed as they give an incentive to maximise the financial benefit for clients.

Who does it?

R&Q Liquidity Management is led by Stefan Watson in London. The team operates from both UK and US offices. The Directors, including Jim Moran and Andrew McCarthy offer a wealth of experience in run-off management and in particular, reinsurance recoveries, commutations and debt acquisitions.

R&Q Liquidity Management offers the flexibility to its clients to provide resources from the R&Q Group to fit its needs.

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Captives & Exit Solutions

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