



STRATEGY | INNOVATION | EXPERTISE

Randall & Quilter Investment Holdings Ltd

Acquisition of Accredited Holding Corporation

4 July 2014

The Board of Randall & Quilter (AIM: RQIH), the specialist non-life insurance investor, service provider and underwriting manager (R&Q or the Group'), is pleased to announce the signing of the merger agreement between a subsidiary of Randall & Quilter America Holdings Inc, a wholly owned subsidiary of the Group and Accredited Holding Corporation ('Accredited').

Accredited is the holding company for Accredited Surety and Casualty Company ('Accredited Surety'), a Florida-domiciled specialist insurer and two managing general agencies used for business distribution. Accredited Surety has active licences in 49 US states and the District of Columbia, is Treasury listed and enjoys an A- rating from A.M. Best. It is one of the leading bail bond insurers in the United States and has a wide and high quality agent network.

Accredited has estimated adjusted net assets of c.\$21m as per IFRS. Normalised EBITDA for 2013 was \$2.75m. The agreed consideration is \$25m, to be satisfied from own Group cash resources and an agreed term loan of \$8.4m from the newly refinanced Group bank facility. \$5m of the consideration is deferred until after the audit of the 2015 accounts and is payable to the Accredited CEO and COO in respect of their shareholdings. Subject to the satisfaction of the conditions set forth in its offer, the Group will acquire 100% of the voting shares of Accredited.

The Insurance Commissioner for the state of Florida has been informed of the transaction, which is subject to the regulatory consent of the Florida Office of Insurance Regulation, a process expected to take approximately 3 months. During this period R&Q will also be meeting with A.M. Best to review the transaction.

Through superior risk management including careful agent selection and auditing as well as a strong chain of underlying security, Accredited Surety has delivered consistently excellent returns on its niche underwriting book throughout its 40+ years of operations. The company has a small non-contract commercial surety book which is in run-off with reserves of c.\$200k.

Accredited will continue to be run by the existing management team, comprised of Deborah Snow, President and CEO; Sharon Jallad, COO; Marney Emel, CFO and AJ Campofiore, Chief Business Development Officer. Following completion of the transaction, these four members of the Accredited management team will be invited to enter into a long-term equity-based incentive scheme convertible into RQIH shares based on an uplift in NAV after 5 years subject to a hurdle rate.

In due course, Randall & Quilter will explore the potential to expand the Accredited Surety platform to develop business lines in which R&Q already has expertise. This is expected to develop further the Group's strategy of expanding its live platform, whilst also generating associated fee income.

On the proposed merger, Ken Randall, Chairman and CEO of the Group said, 'We are delighted to have reached agreement with Accredited. There is an excellent cultural fit and this represents an important milestone in the Group's stated strategy of accessing high quality, niche business for our growing underwriting franchise at Lloyd's and elsewhere, whilst securing stable income streams from associated fee and distribution income.'

'The bail business track record of Accredited Surety is exemplary and its niche characteristics fit neatly within our own underwriting philosophy. Accredited will be the first insurer acquired by the Group with an 'A' rating from a major rating agency and we believe that there are a number of exciting opportunities which stem from that. We are excited to welcome Accredited's management and associates to our organization and look forward to working with Debbie and her team to grow their existing book and explore other attractive niche underwriting opportunities.'

'We are very excited about the prospects of joining R&Q', said Deborah Snow. 'As part of the Group, we will remain fully focused on delivering our corporate strategy, with the additional, long term aim of positioning Accredited firmly as the Group's live platform in the US.'

-Ends-

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Notes to Editors:

About R&Q

Randall & Quilter pursues a buy and build strategy and has created a comprehensive range of investment activities and services in the global non-life insurance market.

R&Q is focused on the following three core areas:

- Insurance Investments
- Insurance Services
- Underwriting Management

The Group:

- provides a range of services to both the live and legacy (re)insurance markets to support growing businesses and address complex and challenging run-off issues;

- has a team of over 350 insurance professionals based in the UK, US, Bermuda, and Europe with wide service capability in both the 'live' and 'run-off' markets;
- owns and manages a portfolio of insurance companies, both active and in run-off, in the UK, US and Europe with net assets of £116m as at 31 December 2013;
- owns a Bermuda Class 3A insurance company which currently supports the Group's syndicate participations;
- launched Syndicate 1991 which commenced underwriting from January 1, 2013 with a capacity of £150m for 2014, manages one RITC ('run-off') syndicate, 3330, and owns and operates 3 MGA business units;
- acquires and manages a portfolio of insurance receivables, with a carrying cost of £16m as at 31 December 2013.

The Group was founded by Ken Randall and Alan Quilter in 1991.

Website: www.rqih.com