

AGM Speech GE

3 July 2018

AGM for TAWA ASSOCIATES Ltd (TAL)

- Structure following the demerger in April 2014 of TAWA Plc.
 - Tawa Plc at the time was renamed PRO Global Insurance Solutions plc
 - The plc retained all the service businesses, most of which it sold in 2017. Following that sale it was renamed ACHP plc, retaining as its only asset its 30% stake in ASTA.
 - As a result of the 2014 demerger, TAL received all the “risky” or “balance sheet assets”
- Reminder of the stated goals of TAL, as established in 2014
 - Continuation of the run-off and downscaling of the Risk Carrier Business entities to seek to return value to TAL Shareholders
 - Continuation of the efforts to maximise recoverables, for example the recovery by Island Capital (Bermuda) of the subrogated claims
 - Conduct of the litigation to which the TAL Group was exposed to
 - Continuation of the monitoring and development of Lodestar Marine Ltd with the goal of eventually divesting it
- As of today TAL has no plans to invest capital in new projects or initiatives and will seek to return as much value as possible to TAL shareholders
- TAL ensures it retains the minimum necessary staffing to deliver those goals
- TAL reduces its running costs by sharing this staff and platform with other companies in as much as possible

Current State of the Business vs. Goals

- Down Scaling of the Run-off business. TAL assets are now limited to:
 - CX RE: a run-off of a London market reinsurer. TAL intends to sell during this 2018 year following the derisking of most of the issues that prevented a previous sale.
 - Island Capital, a Bermudian company, **which has been delicensed early 2018** and is in the process of distributing all its free assets to TAL
- Maximize recoverable and Litigation
 - The main litigation against Penn National was resolved in **2015** and **\$21 million** received mostly distributed back to shareholders
 - Island Capital principally comprises subrogation claims from previously paid insurance losses. All matters but one have been settled, although the agreed recoveries on one of the matters is being paid over a number of years. The remaining open item is the Lakah recoverable for a nominal value of **[\$40m]** which is struck in the US legal system and which has been entrusted in UBS hands to stop the litigation costs
- Lodestar development
 - Lodestar has been sold.
 - TAL was successful in selling the company rather than having to simply close and liquidate it. The price was \$2.5M leaving net cash of £1.7m currently available in TAL's coffers (escrow 500K – intergroup to ACHP 330K)

Remaining Business

- CXRE
 - TAL focus on continuing actively to reduce volatility through proactive claim management and litigation.
 - The lead paint litigation have progressed an lead to 9 beneficial settlements out of 11 actions launched
 - Staff changes -- secured core management team
 - Compliance with Solvency II procedures and reporting continues
 - Company running very low on SII Solvency ratio, which is a concern
 - CX run on a transparent basis with the regulator

What are we left to do

- CXRE

- Early 2015, CX was offered for sale. Offers received for CX Re were not satisfactory and decision to retain the company was taken
- 11 lead paint recision actions were initiated to reduce the volatility (hence the discount on sale price) of the book
- Significant progress have been made this year on the lead paint litigation **with 9 settlements** achieved on good terms.
- A new sales process has started with a goal to get a signed contract before end of 2018
- Expectation is for reduced risk premium – hence better price
- If no Buyer – Plan B will be to liquidate CX RE

- Island Capital

- Now off risk and delicensed
- TAL has activated a “dormancy plan”
 - paying down outstanding debt
 - assigning the pursuit of the Lakhah receivable to UBS
- In the process of dividending out all assets – including potential ones (Lakah) – to TAL
- Dormant shell will remain
 - Some assets will be trapped in Island Capital until a tax letter of credit is released by the US Treasury. We expect that to take 18 months.
 - Necessary cash will need to be retained for the company to remain a going concern

What we are left to do (cont'd)

- General clean up of what is left inside the company and supporting indemnifications given to ACHP or others
 - TAL remains exposed to various potential indemnification mainly stemming from guarantees given to buyers on the sale of assets in prior years, and Lodestar this year
 - At this stage TAL does not believe any of those will bite, but will be considering for warranty Insurance simultaneously to the potential sale of CX RE
- Distributions of assets and Cash
 - Not envisioned before CX is sold or extinguished
 - Also before distributing any moneys the Board will ensure that indemnification or exposures are properly reserved for before payment of any dividends

Finance

- I will leave S Baxter our CFO take us through Finance

Conclusion

- TAL needs to retain sufficient resources to continue the realization of its assets and/or pay any contingent liability
- Distributions are not envisioned until CX RE has been sold or liquidated
- Running costs are minimized by sharing costs with other companies. enabling us to retain the necessary skills in the business while ensuring assets are not fire sold
- We expect this process to continue for the next 9 month with a tail dependent on the outcome of the CX Sale and Island distribution process.
- Considerable uncertainty as to the net realisable value of our assets
 - on the balance sheet, like CX Re and Island Capital – although we have now depreciated those assets to a low level
 - not on the balance sheet, mainly existing warranties given for prior asset sales (although at this stage we do not expect claims to arise from those)
- Over the last 12 month considerable progress has been made on the realization of TAL, but there is still a lot to be done