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TAWA PLC

Tawa to become a pure play (re)insurance service provider and New CEO appointment for Services Business
London 20 December 2013;

Following a strategic review to evaluate the best options for maximising Shareholder value, the Board today announces its intention to demerge Tawa's operating divisions into two independent groups. The Board believes that the **Services Business** (the provision of underwriting, claims management, agency management, consulting services and system solutions to reinsurers) will be better placed to pursue its business as a pure play listed servicing entity and separate from a distinct unlisted legal entity gathering the **Risk Carrier Business** (comprising the management of insurance companies in run off and developing broking and managing general agency start-ups).

Since the announcement in September 2012 that additional investors were being sought, a comprehensive programme of change has been implemented internally, including the appointment of a Head of Business Transformation, to introduce a new operating model on Tawa's service business centred on clients. The work undertaken in 2013 to integrate the various service businesses, leveraging on their cross territory strengths, makes this the right time for the company to devote its entire activity to the Service arena. Tawa will now pursue its strategy independently as separate and distinct legal entity to the **Risk Carrier Business.**

The Demerger will better position the businesses going forward by enabling:

- Tawa plc ["PLC"] to become a pure play quoted services business, dedicated to the Insurance and reinsurance industry,
- Risk carrier business being put into a separate legal entity, Tawa Associates Limited ["TAL"], an unquoted company
- Bespoke management structures, focused on the particular needs of each company;
- PLC and TAL to pursue their strategic objectives independently with greater individual control over resources and opportunities;
- Separate valuation of each business based on a typical EBITDA multiple valuation for the Services Business and based on a net asset valuation for the Risk Carrier Business;
- PLC to separately raise capital as required.

Tawa has a strong and experienced operational management team. Following the Demerger, most of the team will remain and will form the core of the operational management of the PLC Services Business. The Service business will continue to be the operational manager of the run-off insurance companies within the Group for at least 3 years, ensuring appropriate continuity for both businesses**.**

Gilles Erulin will become the Chief Executive Officer of TAL, the Risk Carrier business with effect from the Demerger Effective Date, expected to be 31st March 2014.

Mr Artur Niemczewski has been appointed as the new Chief Executive Officer of the Service Business and will lead the business into the future. He is joining the company on 1st February 2014 and it is intended that he will be appointed to the PLC Board with effect from the Demerger Effective Date. It is also proposed that Tawa plc will change its name to Pro Insurance Solutions plc ["PLC"] and will remain quoted on the AIM market. Gilles Erulin will continue being an active supporter of PLC as a Non Executive Director with effect from the Demerger Effective Date.

When the Demerger completes, PLC Shareholders will continue to own their Ordinary Shares and Shareholders (other than Tawa US Shareholders) who are registered on the Share Register at the Demerger Record Time will receive an equivalent number of TAL Ordinary Shares. The Board acknowledges that the Demerger will result in Qualifying Tawa Shareholders holding shares in two distinct legal entities, one publicly listed and one unlisted and further acknowledges that holding unlisted securities may create difficulty for some Shareholders. As a result there will be a share exchange offer (the Share Exchange Offer) whereby Qualifying TAL Shareholders will have the opportunity to exchange some or all of their TAL Ordinary Shares for PLC Ordinary Shares held by FinP.

Gilles Erulin, CEO of Tawa, commented "We have been working for the last 18 months on turning our listed vehicle into a pure play insurance and reinsurance service provider, freeing it up from the natural or even unexpected volatility of the riskier business we invest in. The new scope of PLC, with the positive results of the integration of Pro and Chiltington, the growing STRIPE community and the Asta performances gathers all the right ingredients for future growth. I am certain that, the new Pro Insurance Solutions plc structure, under the stewardship of Artur, will enhance our service offerings to our clients and will enable us to attract and retain further talents to our organisation. I am confident the new Pro Insurance Solutions plc structure will satisfy shareholder aspiration for sustainable shareholder value creation"

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Notes to Editors:

Background to and reasons for the Demerger

The Tawa Group is a specialised investor in the insurance industry and has, since its formation in 2001, acquired six insurance companies in the run-off sector. Tawa has also reinsured a run-off portfolio through the establishment of a dedicated reinsurance vehicle in Bermuda. In April 2012 Tawa acquired the HIR Group which enabled the Tawa Group to offer a platform for European run-off portfolio transfers under European Union regulations.

Tawa also operates as an incubator for new projects, supporting professional teams aspiring to create new businesses in the insurance industry, and has to date launched three companies as part of this business initiative and consequently has investments in Lodestar (a Marine business MGA) and Q360 (a reinsurance broker) as well as an investment in STRIPE (a web based data processing system).

Focus on Services Business

In the last few years, Tawa has expanded significantly in the servicing arena of the international insurance industry with the acquisition of Pro Insurance Solutions Ltd, the Chiltington Group, the creation of, and one-third participation, in a consortium for the acquisition of ASTA and the establishment of a 66 person service platform in the US. The Services Business is the focus of the Tawa Group and the Board believes that the Risk Carrier Business would be better suited to being owned and managed as a separate legal entity.

Perceived impact of Risk Carrier Business on the Tawa Group

The Board believes that businesses with similar characteristics and profit margins to the Services Business have historically commanded a valuation (based on an earnings multiple) which is higher than that of the Tawa Group.

The Board also believes the Risk Carrier Business is valued at a significant discount to its net asset value (£75 million as at 30 June 2013). On 29 November 2013 Teapot issued a statement to the effect that claims against QX Re's reinsurance facility had increased by more than was expected and that it was highly likely to have to provide in full against the value of its investment in QX Re. On a pro forma basis therefore, the net asset value of Tawa at 30 June 2013 would possibly be reduced by a pro forma £18 million to £57 million as opposed to Tawa's market capitalisation on 16 December 2013 of £17 million. The Directors believe that the Group as a whole is undervalued by the market. As a consequence the Board has considered a number of options with a view to maximising Shareholder value. These have included seeking new equity capital, accessing private equity funding and continuing to build the businesses.

In September 2012 the Board announced that it was seeking potential investors by means of a formal sale process in accordance with Rule 2.6 of the Takeover Code. As a result, a number of initial approaches were made by various parties; some parties were attracted to the Risk Carrier Business, others to the Services Business, but all were willing only to value the entire Tawa Group at a level which fell short of what the Board felt could be recommended to Shareholders. It appears to the Board that the public markets better appreciate the profit driven Services Business and that the private markets better appreciate the Risk Carrier Business.

Information on the Services Business

The corporate entities forming the Services Business include Pro UK (including branches in Zurich and Singapore), Pro US and the Chiltington Group, which includes ASS in Germany and Chiltington Argentina. The 380 staff and the four territories covered (UK, Continental Europe, USA and South America) give the Services Business the capacity to provide a round the clock international service to PLC's clients.

The Services Business is now operating under a single take to market brand, Pro. Pro is a well-established provider of services to the insurance industry, including underwriting support, claims management, broking support and consulting services, which are provided to a broad array of international clients across the insurance market. Services are provided from the UK (250 staff) USA (70 staff), Germany (40 staff) and Argentina (20 staff). Pro's clients have access to a full suite of services in all regions supporting them through the whole (re)insurance life cycle. Pro's local knowledge of each market and the combination of the various locations enables Pro to offer a round-the-clock service.

Pro has combined historic revenues of approximately £35 million based on the audited results for the financial year ended 31 December 2012 and £18 million based on the unaudited interim results for the six months to 30 June 2013. Pro made a loss before tax of £0.3 million for the year ended 31 December 2012 and reported a pre tax profit of £1.9 million based on the unaudited interim results for the six months to 30 June 2013. Approximately 13 per cent of revenues in the six months to 30 June 2013 arose through services provided to the Risk Carrier Business. The agreements under which these services are provided are on an arms' length basis and will continue for a minimum of 3 years following the Demerger.

As part of its expansion into servicing the Lloyd's market, in January 2012 Tawa organised a consortium with Skuld and Paraline to acquire Asta, the leading turnkey Lloyd's managing agency services company. Each consortium member owns 33 per cent of the voting rights and 30 per cent. of the economic interest in Asta, with the remaining 10 per cent being owned by Asta management. The consortium operates under the terms of the Asta Shareholders Agreement. After three years each Asta shareholder has the benefit of a "shotgun" clause, which, if triggered by any of the three shareholders, would enable Tawa to acquire control of Asta or sell its shares to the other shareholders

The PLC Services Business, incorporating both Asta and Pro, is aiming to achieve significant growth over the next three years and will be strengthened by the appointment of Artur Pawel Niemczewski as the new chief executive officer of PLC. It is intended that Artur Pawel Niemczewski will be appointed to the Board with effect from the Demerger Effective Date.

Biography of Artur Niemczewski

Artur Niemczewski takes the position of Chief Executive Officer for the Services Business, following leading the successful turnaround and sale of Garwyn Group Ltd as Chief Executive Officer.

With nearly twenty years experience within insurance and the financial industry Artur is a successful and passionate business transformation leader with a track record in improving business performance.

Over the past two years Artur has led the restructuring and revitalisation of Garwyn Group Ltd, the UK's largest specialist liability loss adjuster. Under his leadership the Garwyn team have re-established their market-leading position and technical excellence in liability claims, revitalised client service and relationships, and implemented modern technology. The transformation programme culminated in a successful sale of Garwyn to a complementary trade investor.

Prior to his role at Garwyn, Artur was Managing Director of Xchanging Broking Services Ltd at Xchanging Plc. Artur served as Chief Executive of Multi-National Division for Marsh UK Ltd of Marsh, Inc; Chief Operating Officer of Willis International Holdings Ltd at Willis Group. While at Willis, Artur gained extensive international experience covering most commercial insurance markets across North and South America, Asia, and Continental Europe, including a secondment with Willis Germany.

Artur served as Director of Strategy at AXA Insurance, where he spearheaded the restructuring of AXA's UK property and casualty business. He started his career as a strategy consultant with McKinsey & Company.

Artur holds a PhD in Nuclear Engineering and an MSc in Public Policy from Massachusetts Institute of Technology (MIT), and an MSc in Mechanical Engineering from Warsaw University of Technology.

Information on the Risk Carrier Business

Earlier this year the Tawa Group disposed of KX Re. Together with retained assets the sale resulted in a realisation of 76 per cent. of undiscounted net asset value, which is within the range currently used by run-off professionals in valuing such assets. The net asset value of the Risk Carrier Business was £75 million (as at 30 June 2013). On 29 November 2013, Tawa issued a statement to the effect that claims against QX Re's reinsurance facility had increased by more than was expected and that it was highly likely to have to provide in full against the value of its investment in QX Re. On a pro forma basis therefore, the net asset value of Tawa at 30 June 2013 needs to be reduced by a pro forma £18 million to £57 million. Remaining investments are in PXRE (USA) (NAV £26 million as at 30 June 2013) and Island Capital (NAV £14 million as at 30 June 2013). On November 2013, PXRE (USA) paid a $12 million dividend to WTH. On 20 November 2013, Tawa signed a share purchase agreement to sell the entire issued share capital in Hamburger Internationale Rückversicherung AG ("HIR") and its subsidiaries Pavant SAS, Chiltington International Holdings Limited, and Hamburg International Reinsurance Ltd. to Compre Holdings Limited. Prior to the Disposal becoming effective certain other subsidiaries of HIR, the Chiltington Group and PlusPunkt, will be transferred to Tawa. This disposal is conditional on BaFIN approval.

In addition the Risk Carrier Business will, following completion of the Reorganisation, be entitled to the receivables from CX Re, the level of which is dependent on the outcome of litigation relating to the availability of tax losses which have been surrendered to Tawa's financial partners. Work continues on the run-off of the Risk Carrier Business entities. Whilst retaining the potential to generate value, these entities carry discrete and substantial risks – PXRE (USA) on the outcome of World Trade Center claims; Island Capital on the recovery of significant subrogated claims and QX Re on the outcome of the litigation in respect of the rescission of a reinsurance contract.

In light of the above, the Board believes that the volatility and risk profile of the Risk Carrier Business is no longer suited to a listed company. Moreover the Board believes the discount of Tawa's market capitalisation to its net asset value is preventing Tawa from raising equity.

Following the Demerger, TAL will be a distinct legal entity and the Board anticipates that the TAL Group business strategy will be to return as much value as possible to TAL Shareholders and will manage TAL in a manner to achieve this.