

TAWA CREATES ITS FIRST SPECIALIST RUN-OFF REINSURER

Tawa plc announces that it has provided a reinsurance contract to Penn National Insurance to protect it from adverse development in its lead paint exposures. The reinsurance contract provides protection with respect to lead paint risks written by Penn National Insurance primarily between 1991 to 1997 for real estate properties in and around Baltimore.

Tawa has set up a Bermudian regulated special purpose insurer, QX Reinsurance Company Limited ("QX Re"), to provide reinsurance for a book of lead paint exposure of Pennsylvania National Mutual Casualty Insurance Company ("Penn National Insurance").

The maximum reinsurance liability arising from the reinsurance contract of \$100m has been collateralised by a trust fund in QX Re which has been financed by the reinsurance premium received and an equity injection from Tawa of in aggregate \$90m. An increased bank facility of \$27.5m has been obtained to part finance the equity injection. Tawa plc has also provided a group guarantee to the trust fund which is triggered in certain circumstances.

With the provision of a reinsurance contract the reinsurance premium received will be recognised in the consolidated income statement with an associated estimate of claims to be paid. Using a best estimate of claims to be paid net assets are expected to increase by \$20m as a result of this transaction.

Penn National Insurance has entered into an Administrative Services Agreement under which PRO US will manage the adjustment of claims, the collection of related reinsurance receivables, the pursuit of subrogation or other recoveries and any other required services relating to the reinsured portfolio.

Marvin Mohn, head of US operations for Tawa plc, commented, "The Tawa family, previously made up of mature run-offs, has now been joined by a new member. This newly-created reinsurance vehicle is an innovative way for us to assume this discontinued portfolio, when a company transfer was not possible. Significant efforts have been vested in the engineering of this transaction by both Tawa and Penn National Insurance, enabling this innovative structure to be developed and established. Also, this confirms Tawa's focus on expanding its US Market presence via sophisticated transactions."

Chris Reichow of PRO US said, "The servicing contract with Penn National Insurance firmly establishes PRO's presence as a service provider to the US and Bermudian insurance markets. This transaction broadens our footprint here. It increases our capacity to support locally future Tawa acquired portfolios, and also serve other clients on highly specialised segments".

Kenneth Shutts, CEO of Penn National Insurance, said "The transaction we have announced with Tawa provides us with reinsurance coverage so that we have effectively put lead paint liability exposures behind us. This reinsurance transfer will allow us to move forward to concentrate on our core book of business, which continues to perform well, without the drag that lead paint has had on earnings. We are also very pleased that this deal will give Penn National Insurance access to PRO's expertise in managing this run-off business."

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Contact

Gilles Erulin Chief Executive, Tawa plc	020 7068 8044
Peel Hunt LLP (nominated adviser and broker)	
James Britton	020 7418 8900
Guy Wiehahn	020 7418 8893
FWD PR	
Victoria Sisson	+44 (0)7941 294872
Alexandra Thompson	+44 (0)7798 898 277

About Tawa:

Tawa plc was formed in 2001 with the purpose of acquiring or developing assets and businesses in the insurance industry and services markets in the UK, continental Europe, US and Bermuda. Since its formation, Tawa has acquired CX Reinsurance Company Limited, KX Reinsurance Company Limited, PXRE Reinsurance Company, Island Capital Limited, the PRO group of companies and Oslo Reinsurance Company (UK) Limited. The future acquisition of additional insurance entities remains key to Tawa's business model.

In July 2007 Tawa plc was floated on the AIM market. Further information can be found on the Company's website: www.tawaplco.co.uk

About PRO

Tawa's servicing arm, PRO, employs 250 professionals and is a leading provider of outsourcing and consultancy services to the international (re)-insurance industry. Since its formation in 1993, PRO has provided underwriting, claims management, broking and consulting services to a broad array of international clients ranging from single entities, to complex pools with a mix of insolvent and solvent members with complex assumed and reinsurance portfolios.

www.pro-ltd.co.uk