Made possible

Solvency and Financial Condition Report

QBE European Operations plc

QBE Insurance (Europe) Limited

QBE Re (Europe) Limited

Contents

Summary

This document (the Solvency and Financial Condition Report, or SFCR) sets out the solvency condition of QBE European Operations plc ('EO plc'), a holding and investment company and its subsidiary undertakings, QBE Insurance (Europe) Limited ('QIEL') and QBE Re (Europe) Limited ('QBE Re') as at 31 December 2017.

The EO Group is defined as EO plc and its subsidiary undertakings including QIEL and QBE Re. The EO Group also manages two Lloyd's syndicates through its managing agent QBE Underwriting Limited. The SFCR does not include the QBE share of the Lloyd's syndicates as the syndicates are not regulated insurers.

The principal activities of QIEL and QBE Re (together the 'regulated subsidiaries'), are the transaction of insurance and reinsurance business. They will continue these activities for the foreseeable future.

EO plc, the holding company of the EO Group, applied for and was granted a waiver from the Prudential Regulation Authority ('PRA') to produce a single SFCR that covers both the EO Group and its wholly owned regulated subsidiaries. This is a departure from last year, where individual SFCR documents were produced for the EO Group, QIEL and QBE Re. The revised approach is more suitable due to the centralised way in which the EO Group and its regulated subsidiaries operate, with centralised governance, risk, asset management and capital management functions. This also aligns with the Group's approach to the Own Risk and Solvency Assessment ('ORSA').

EO plc, the holding company of the EO Group, is a wholly owned indirect subsidiary of the Sydney headquartered QBE Insurance Group Limited ('QBE Group'). The QBE Group is ASX listed and is a top 20 global insurer and reinsurer. The QBE Group manages its business via four geographically aligned external facing divisions:

- QBE European Operations
- QBE North America ('QBE NA')
- QBE Australia and New Zealand ('QBE ANZO')
- QBE Asia Pacific Operations ('QBE AP')

The overall QBE Group has commenced an accelerated reshaping of the company's strategic focus to create a stronger and simpler QBE. Although some elements of the program focus on specific divisions, the program is designed for the needs of QBE overall. The key elements of this program are outlined below:

- Simplify QBE

  Reduce complexity across the business and only operate in markets and products where we have a distinct advantage and can grow profitably

- Brilliant Basics
  Underwriting, pricing and claims form the 'basics' of what we do as a business and we will focus on doing each of these brilliantly

- Deliver the 2018 plan
  Drive rigorous performance management through detailed cell reviews. Deliver our targeted combined operating ratio range of 95.0–97.5% and, in particular, improve the attritional claims ratio through better risk selection, pricing and claims outcomes

- Talent and Culture
  Embed a culture that supports our objectives and drives the right behaviours. Introduce a new set of values that place greater emphasis on being fast-paced, accountable, technically excellent, decisive, diverse, customer-led and collaborative

- Build for the future
  To build a successful company for the future we need to be innovative and customer focused while delivering on a clear technology roadmap

Business and Performance Summary

Key drivers of the business model and performance are the net income written by each of the underlying insurance undertakings, the net claims experience in relation to that net income, performance of investment portfolio and management of the underlying expense base. In particular management monitor the net claims experience on current and prior year underwriting. The key indicators used by management to monitor performance are gross written premium, net earned premiums, claims and expense ratios. Investment strategy is set and monitored on an absolute return basis, against the financial plan set during the planning process for each year.

On a consolidated basis the EO Group has increased gross written premiums over the previous year. This was driven by growth in QBE Re and Retail Europe (direct insurance business in continental Europe).

During 2017 the EO Group regulated subsidiaries experienced heavy catastrophe experience, with claims arising on Hurricane Harvey, Hurricane Irma, Hurricane Maria, California Wildfires and Mexican Earthquakes. However, our extensive reinsurance protections mitigated the impact on our net result.

QIEL

QIEL prepares its financial statements in accordance with UK GAAP, the table below presents the underwriting performance for the year ended 31 December 2017 together with comparative information.

	2016 £‘000	2017 £‘000
Gross written premium	1,359,162	1,336,018
Gross earned premium	1,341,013	1,335,686
Net earned premium	1,008,806	1,130,466
Claims ratio	54.1%*	48.0%
Commission ratio	18.3%	17.0%
Expense ratio	21.3%	18.2%
Combined operating ratio	93.7%*	83.2%

*2016 claims ratio and combined operating ratio are calculated before the elimination of the equalisation provision

QIEL experienced challenging market conditions across most lines of business and gross written premium was lower than prior year. The Company exited several underperforming accounts during the year in response to deteriorating conditions within certain market sectors.

However, the Company's customer commitment activities helped to support retention levels despite intense competition.

The 2016 profit was detrimentally impacted due to a change in the discount rate which is applied to certain lump sum bodily injury claims, known as the Ogden rate, to -0.75%. During 2017 the Ministry of Justice announced that this discount rate would be amended. The 2017 financial statements and claims ratio includes a reassessment of reserves that are sensitive to a change in the Ogden discount rate, with an assumed rate of +0.25% applied. Solvency II disclosures also take account of this change to the discount rate.

QBE Re

QBE Re prepares its financial statements in accordance with UK GAAP, the table below presents the underwriting performance for the year ended 31 December 2017 together with comparative information.

	2016 €'000	2017 €'000
Gross written premium	413,289	430,803
Gross earned premium	379,340	438,066
Net earned premium	324,806	379,630
Claims ratio	69.3%*	61.1%
Commission ratio	20.3%	19.4%
Expense ratio	9.9%	8.3%
Combined operating ratio	99.5%*	88.8%

*2016 claims ratio and combined operating ratio are calculated before the elimination of the equalisation provision

QBE Re experienced premium growth during 2017, underpinned by new business activity. This was primarily due to the successful execution of growth strategies in the worldwide life portfolio.

In line with the rest of the industry, the Company experienced an increase in large risk and catastrophe claims, including those arising from Hurricanes Harvey, Irma and Maria, and the Mexican earthquake (HIMM).

Similarly to QIEL, QBE Re was also impacted by the change to the Ogden rate. The 2016 profit was detrimentally impacted due to a change in this discount rate, which is applied to certain lump sum bodily injury claims, to -0.75%. The announcement in 2017 of a change to the rate, to +0.25%, has led to a reassessment of reserves that are sensitive to changes in this discount rate. The 2017 financial statements and claims ratio also includes the impact of adjusting the discount rate applied to claims reserves anticipated to be settled by periodic payment order (PPO), with an assumed rate of +0.25% applied. The current Ogden discount rate as advised by the Ministry of Justice is -0.75%.

Following the European Union referendum in June 2016, the EO Group is seeking authorisation for a new, licensed entity to be incorporated and regulated in Belgium. The new entity will provide certainty of support and a continuity of service to both current and future policyholders and staff within Europe. The new entity is named QBE Europe SA/NV. Work is underway to progress the necessary regulatory and legal approvals required to enable the company to trade in time for 2019 renewals. As part of the plan, QBE Re will transfer into the new entity and the European risks underwritten by QIEL will also transfer into the new entity.

System of Governance Summary

The Boards of Directors of the Company and its key subsidiaries are responsible for the long term success of the EO Group. The role of the Board is to provide leadership; to oversee the design and implementation of EO Group strategy and to set a framework of prudent and effective controls which enable risk to be assessed and managed.

The Board ensures that the necessary financial and human resources are in place for the EO Group to meet its objectives and reviews the performance of management in delivering on EO Group strategic aims, which are aligned with those of the QBE Group, the ultimate holding company of the EO Group.

A formal committee structure, based on committees and management groups, operates in the EO Group. This structure forms the foundation of a robust system of governance that is further supported by Board Charters and Committee and Management Group terms of reference; functional terms of reference for all control functions; a Committee and Management Group meetings calendar (with a forward plan of regularly recurring items for review and approval); agendas, minutes and action points for all Boards, Committees and Management Groups; and key Board approved policies and documents including the ORSA, Internal Control Framework, Outsourcing Policy, Fit & Proper Policy and Governance maps.

Everyone within the EO Group has the responsibility for managing risks as part of a 'three lines of defence' approach. This ensures that the identification of, assessment of, reporting of, and response to a variety of risks is timely and well controlled.

The governance framework is supplemented by an independent internal audit function that objectively evaluates the effectiveness of the internal control system.

During the period the Compliance function moved from Legal (first line) to Risk Management, reporting to the CRO, to better align the second line activities of the Company.

There were no material changes to the system of governance during 2017.

Risk Profile Summary

The EO Group is exposed to various risks and uses a number of methods and techniques to identify, assess, evaluate and mitigate these risks. The main risks comprise:

- Insurance risk
- Market risk
- Credit risk
- Liquidity risk
- Operational risk
- Group risk
- Pension risk

A dedicated risk management function ensures that these risks are fully understood and their impact on EO Group is comprehensively evaluated.

The internal risk profile has remained stable during 2017. However, the external risk profile has deteriorated due to continuing uncertainty in the global political and economic environment (including Brexit).

Valuation Summary

The valuation methodology of assets and liabilities within the EO Group and its regulated subsidiaries is consistent with the prior year.

Capital Management Summary

EO Group's primary capital management objective is to maintain sufficient own funds to cover the Solvency Capital Requirement (SCR) with an appropriate surplus. EO Group has adopted a Capital Appetite Framework, setting out the target levels of capital and potential remediation actions in the event that capital falls below the stated appetite. The Capital Appetite Framework has been approved by the Board of the EO Group and the regulated subsidiaries and senior management carry out regular reviews, on at least a quarterly basis, to monitor the ratio of Eligible Own Funds ('EOF') over SCR.

The EO Group has an approved Internal Model which it uses as the basis for the SCR. The Internal Model reflects the risk assessment processes that have been reflected across the business for several years and considers all classes of business underwritten by the regulated subsidiaries. The Internal Model incorporates consideration of underwriting risk, reserving risk, credit risk, market risk, liquidity risk, operational risk, group risk and pension risk.

In February 2018, the PRA approved a major model change that updated the SCR values for each of the regulated subsidiaries. These changes took effect on 31 January 2018 and are, therefore, not disclosed in the quantitative templates appended to this document.

If the revised SCR values were used on a look through basis, the EOF, SCR and SCR Coverage ratios would be as follows:

Entity	Eligible Own Funds to meet the SCR (000)	SCR 31 January 2018 (000)	SCR coverage ratio
EO Group	£1,691,004	£1,202,000	140.68%
QBE Re	€564,070	€437,000	129.08%
QIEL	£1,141,091	£883,000	129.23%

The EO Group declared dividends, in the knowledge that on the look through basis, the coverage ratios would be consistent with the Capital Appetite Framework. The EO Group has the following foreseeable dividends (which have been paid since the year end) in 2018:

EO plc: £143,000k

QBE Re: €76,000k

QIEL: £96,000k

The effect of these payments is to reduce the EOF for EO Group, QIEL and QBE Re. These dividends have been included in the EOF in the tables above and below.

The regulatory reporting requirements are to disclose the SCR in force as at 31 December 2017. As a result, EO Group and the regulated subsidiaries reported the following EOF, SCR and SCR coverage ratios:

Entity	Eligible Own Funds to meet the SCR (000)	SCR (000)	SCR coverage ratio
EO Group	£1,691,004	£1,266,557	133.51%
QBE Re	€564,070	€480,263	117.45%
QIEL	£1,141,091	£919,647	124.08%

The EO Group eligible own funds available to cover the SCR are made up of Tier 1 unrestricted (60%), Tier 1 restricted (14%), Tier 2(25%) and Tier 3 (1%). The QIEL eligible own funds available to cover the SCR are made up of Tier 1 unrestricted (97%) and Tier 3 (3%). The QBE Re eligible own funds available to cover the SCR are made up of Tier 1 unrestricted (97%) and Tier 3 (3%).

EOF to meet the MCR limits the amount of tier 2 capital that can be recognised and excludes tier 3 capital as per the Solvency II rules. At 31 December 2017, EO Group and the regulated subsidiaries reported the following EOF to meet the MCR, MCR and MCR coverage ratios:

Entity	Eligible Own Funds to meet the MCR (000)	MCR (000)	MCR coverage ratio
EO Group	£1,368,847	£554,482	246.87%
QBE Re	€547,861	€212,167	258.22%
QIEL	£1,110,637	£366,491	303.05%

EO Group's own funds have been assessed against the criteria of Article 71 of the Delegated Acts and the majority of the capital has been classified as sufficient quality to meet the eligibility requirements of 'Tier 1' capital.

Directors' Report

Statement of Directors' responsibilities

The Directors are responsible for ensuring that the Solvency and Financial Condition Report, including the attached public quantitative reporting templates, have been prepared in all material respects in accordance with PRA rules and Solvency II regulations.

The Directors are satisfied that, throughout the year and in all material respects, the QBE EO Group, QIEL and QBE Re have complied with the requirements of the Solvency II Directive, the Delegated Acts, Technical Standards and Guidelines, and PRA rules and that it is reasonable to believe that compliance with these rules and regulations will continue in all material respects for the foreseeable future.

Statement of disclosure of information to auditors

Each person who is a Director at the date of this report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the auditors are unaware
- The Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of, and to establish that the Group's auditors are aware of, any relevant audit information

By order of the Board:

D.J. Winkett

Director

QBE European Operations Plc

Registered Number 2641728

London

13 June 2018

Auditors' Report

Report of the external independent auditors to the Directors of QBE European Operations Plc ('the Company') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2017:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Single Group-Wide Solvency and Financial Condition Report of the Company as at 31 December 2017, ('**the Narrative Disclosures subject to audit**'); and

- Group templates S.02.01.02, S.23.01.22 and S.32.01.22 ('**the Group Templates subject to audit'**).

- Company templates S.02.01.02, S.12.01.02, S.17.01.02, S.23.01.01 and S.28.01.01 in respect of QBE Insurance (Europe) Limited and QBE Re (Europe) Limited ('the group members') ('**the Company Templates subject to audit'**).

The Narrative Disclosures subject to audit, the Group Templates subject to audit and the Company Templates subject to audit are collectively referred to as the '**relevant elements of the Single Group-Wide Solvency and Financial Condition Report'**.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the **Other Information** which comprises:

- Information contained within the relevant elements of the Single Group-Wide Solvency and Financial Condition Report set out above which is, or derives from the Solvency Capital Requirement, as identified in the Appendix to this report;

- The 'Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Single Group-Wide Solvency and Financial Condition Report;

- Group templates S.05.01.02, S.05.02.01 and S.25.03.22;

- Company templates S.05.01.02, S.05.02.01, S.19.01.21 and S.25.03.21;

- The written acknowledgement by management of their responsibilities, including for the preparation of the Single Group-Wide Solvency and Financial Condition Report ('**the Responsibility Statement**');

To the extent the information subject to audit in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report of the Company as at 31 December 2017 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Single Group-Wide Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the Single Group-Wide Solvency and Financial Condition Report is not appropriate; or
- the directors have not disclosed in the Single Group-Wide Solvency and Financial Condition Report any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Single Group-Wide Solvency and Financial Condition Report is authorised for issue.

Emphasis of Matter - Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Single Group-Wide Solvency and Financial Condition Report, which describe the basis of accounting. The Single Group-Wide Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Single Group-Wide Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Single Group-Wide Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Single Group-Wide Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Single Group-Wide Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Single Group-Wide Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Single Group-Wide Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Single Group-Wide Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations, which have been modified by the modifications, and supplemented by the approvals made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based, as detailed below:

- Permission to publish a Single Group-Wide SFCR
- Approval to use a full internal model
- Approval to classify certain equity accounted subordinated liabilities as restricted Tier 1 capital

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Single Group-Wide Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the information subject to audit in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report is prepared, in all material respects, in accordance with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Single Group-Wide Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Single Group-Wide Solvency and Financial Condition Report.

A further description of our responsibilities for the audit is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

This report, including the opinion, has been prepared for the Directors of the Company to comply with their obligations under External Audit rule 2.1 of the Solvency II firms Sector of the PRA Rulebook and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose save where expressly agreed by our prior consent in writing.

Other Matter

The Company has authority to calculate its Group Solvency Capital Requirement using an internal model ('the Group Model') approved by the Prudential Regulation Authority in accordance with the Solvency II Regulations. The group members have authority to calculate their Solvency Capital Requirements using internal models ('the Solo Models') approved by the Prudential Regulation Authority in accordance with the Solvency II Regulations. In forming our opinion (and in accordance with PRA Rules), we are not required to audit the inputs to, design of, operating effectiveness of and outputs from the Group Model and the Solo Models, or whether the Group Model and the solo Models are being applied in accordance with the Company's and the group members' application or approval order.

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Company's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PricewaterhouseCoopers LLP
Chartered Accountants
7 More London Riverside
London
SE1 2RT
13 June 2018

- The maintenance and integrity of the QBE European Operations plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Group Solvency and Financial Condition Report since it was initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of Solvency and Financial Condition Reports may differ from legislation in other jurisdictions.

Appendix – relevant elements of the Single Group-Wide Solvency and Financial Condition Report that are not subject to audit

The relevant elements of the Single Group-Wide Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of Group template S.02.01.02:
  - Row R0550: Technical provisions - non-life (excluding health) - risk margin
  - Row R0590: Technical provisions - health (similar to non-life) - risk margin
  - Row R0640: Technical provisions - health (similar to life) - risk margin
  - Row R0680: Technical provisions - life (excluding health and index-linked and unit-linked) - risk margin
  - Row R0720: Technical provisions - Index-linked and unit-linked - risk margin

- The following elements of Group template S.23.01.22
  - Row R0020: Non-available called but not paid in ordinary share capital at group level
  - Row R0060: Non-available subordinated mutual member accounts at group level
  - Row R0080: Non-available surplus at group level
  - Row R0100: Non-available preference shares at group level
  - Row R0120: Non-available share premium account related to preference shares at group level
  - Row R0150: Non-available subordinated liabilities at group level
  - Row R0170: The amount equal to the value of net deferred tax assets not available at the group level
  - Row R0190: Non-available own funds related to other own funds items approved by supervisory authority
  - Row R0210: Non-available minority interests at group level
  - Row R0380: Non-available ancillary own funds at group level
  - Row R0680: Group SCR
  - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
  - Row R0750: Other non available own funds

- The following elements of Company templates S.02.01.02:
  - Row R0550: Technical provisions - non-life (excluding health) - risk margin
  - Row R0590: Technical provisions - health (similar to non-life) - risk margin
  - Row R0640: Technical provisions - health (similar to life) - risk margin
  - Row R0680: Technical provisions - life (excluding health and index-linked and unit-linked) - risk margin
  - Row R0720: Technical provisions - Index-linked and unit-linked - risk margin

- The following elements of Company templates S.12.01.02
  - Row R0100: Technical provisions calculated as a sum of BE and RM - Risk margin

- The following elements of Company templates S.17.01.02
  - Row R0280: Technical provisions calculated as a sum of BE and RM - Risk margin

- The following elements of Company templates S.23.01.01
  - Row R0580: SCR
  - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

- The following elements of Company templates S.28.01.01
  - Row R0310: SCR

- Elements of the Narrative Disclosures subject to audit identified as ‘unaudited’.

Section A: Business and Performance

1. Business

QBE European Operations Plc is an Insurance Holding Company whose main business is to acquire and hold participations in subsidiary undertakings, where those subsidiary undertakings are mainly insurance or reinsurance undertakings. The EO Group is incorporated in the United Kingdom and is the ultimate EEA parent at which group supervision will be applied by the PRA. The entire issued share capital of the EO Group is owned by QBE Insurance Holdings Pty Limited and is ultimately wholly owned by QBE Insurance Group Limited (QBE Group). QBE Insurance Group Limited is listed on the Australian Stock Exchange and is subject to supervision by the Australian Prudential Regulation Authority.

QBE European Operations Plc owns 100% of two PRA regulated (re)insurance undertakings, QBE Insurance (Europe) Limited and QBE Re (Europe) Limited. Both QBE Insurance (Europe) Limited and QBE Re (Europe) Limited are private companies limited by shares. A full list of undertakings within the EO Group, and the nature of those undertakings, can be found in the quantitative reporting template (QRT) S.32.01.22, included in Appendix A.

Subsidiaries and branches

The EO Group has overseas operations in a number of countries. The table below sets out the EO Group's regulated subsidiaries and branch locations from which insurance and reinsurance business has, during 2017, been written:

Subsidiary	Branch locations
QBE Insurance (Europe) Limited	UK
	Czech Republic
	Denmark
	France
	Germany
	Hungary
	Italy
	Slovakia
	Spain
	Sweden
	United Arab Emirates
QBE Re (Europe) Limited	Belgium
	Bermuda
	Ireland

QIEL has its head office in London and has further offices across the UK. It also has branches in locations across continental Europe. It predominantly underwrites UK and European property, casualty, financial lines, marine and motor business. Some of the Company's business is written in conjunction with Syndicate 2999 and Syndicate 386, the EO Group's managed Lloyd's syndicates.

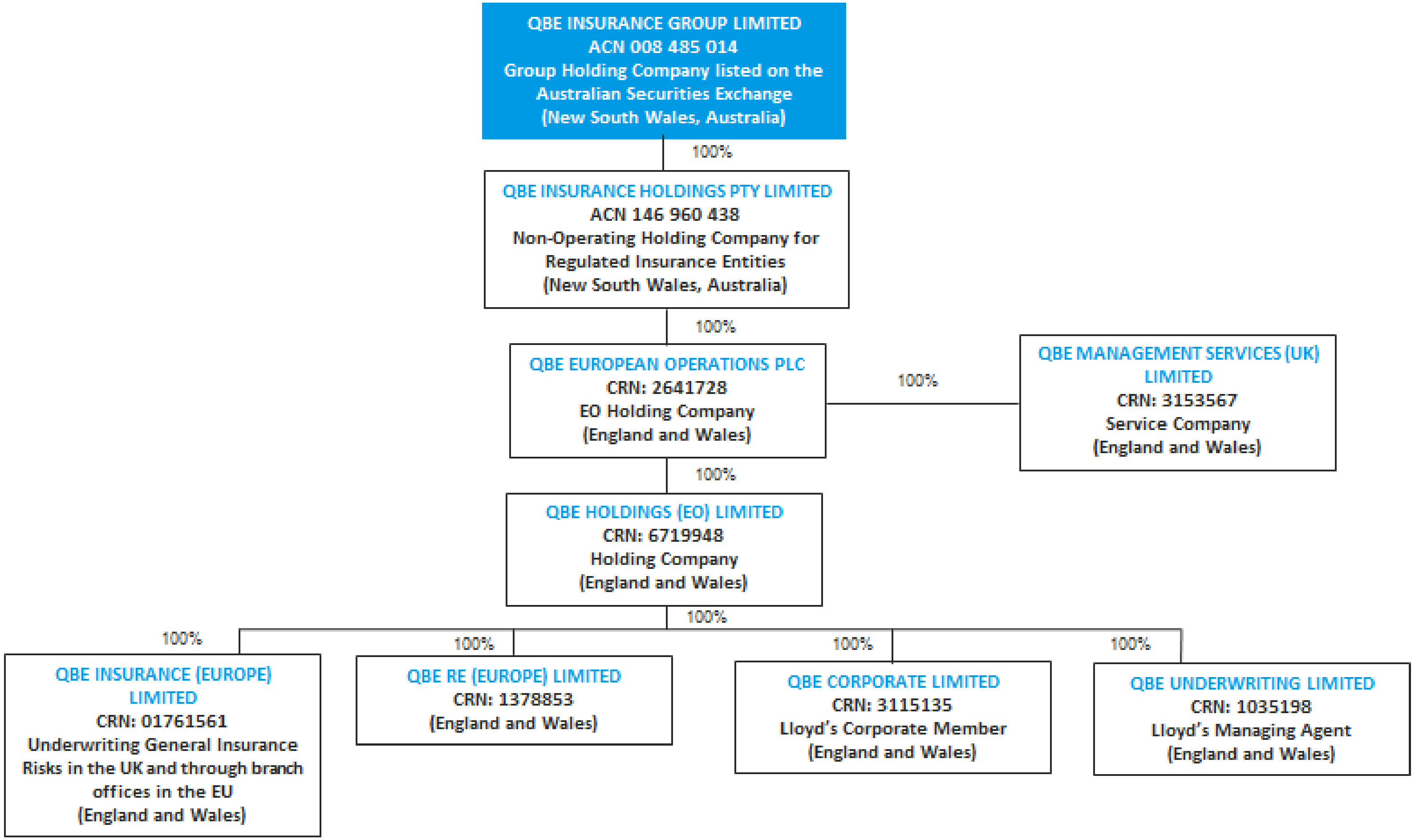
QIEL transacts insurance and facultative reinsurance business. QBE Re transacts reinsurance business. Both regulated subsidiaries will continue these activities through the development of existing lines of business, while actively seeking new opportunities for expansion and profitable growth.

QIEL branches in Belgium, Bulgaria, Estonia, Ireland, Norway, Romania and Switzerland are in run-off. With effect from the start of 2015, the on-going business of branches of QIEL in Czech Republic, Hungary, and Slovakia were transferred to a third party by way of 100% loss portfolio transfer and associated transfer of assets and claims management services. This disposal completed during July 2017 by completion of an insurance business transfer scheme pursuant to Part VII of the Financial Services and Markets Act.

QBE Re continues to write International Property and Casualty business from its Dublin-based branch; European non-life multiline reinsurance and worldwide life business from its Brussels-based branch, and North American Property, International Property and US Casualty business from its Bermuda-based branch.

Both QIEL and QBE Re are authorised by the PRA and regulated by the Financial Conduct Authority ('FCA') and the PRA. The Bermudan branch of QBE Re is separately authorised and regulated by the Bermuda Monetary Authority.

A summarised version of the QBE Group structure, along with the principal subsidiary undertakings that are included in the EO Group, is shown below:



Notes:

1. This is a high level simplified structure showing ownership chain of key operational companies in QBE European Operations
2. A full list of undertakings within the Group, and the nature of those undertakings, can be found in the quantitative reporting template (QRT) S.32.01, included in Appendix A

External Contacts

The supervisory authority responsible for financial supervision of the companies is the PRA. The PRA supervisor is Andrea Mohammed.

The PRA contact details are:

Prudential Regulation Authority
Bank of England
Threadneedle Street
London
EC2R 8AH
Telephone: +44 (0) 203 4614 444
www.bankofengland.co.uk/pra

The FCA contact details are:

Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS
Telephone: +44 (0) 2070 661 000
www.fca.org.uk

The external auditor of the EO Group and its subsidiaries is PricewaterhouseCoopers LLP, Chartered Accountants. The audit partner responsible is Mr. Andrew Moore. Their address is:

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT
Telephone: +44 (0) 2075 835 000
www.pwc.co.uk

Distribution to shareholders

During the second quarter of 2017, EO plc declared and settled a dividend of £120m to its parent QBE Insurance Holdings Pty Limited.

QBE Re declared and paid dividends totalling €nil on the ordinary shares during the year (2016: €19m).

QIEL declared and paid dividends totalling £170m on the ordinary shares during the year (2016: £106m).

During the Post Balance Sheet period, EO plc declared and paid dividends of £143m, QIEL declared and paid dividends of £96m and QBE Re declared and paid dividends of €76m.

2. Underwriting Performance

EO Group

Underwriting performance during the year

The underwriting result of the EO Group represents the aggregation of the QIEL and QBE Re underwriting performance. In line with Solvency II requirement and guidance by EIOPA the Lloyd's entities within the EO Group have been treated as *Other Related Undertakings* and are therefore not consolidated on a line by line basis. Information on the QIEL and QBE Re underwriting performance is detailed in the relevant sections below.

QIEL

Underwriting performance during the year

QIEL prepares its financial statements in accordance with UK GAAP, the table below presents the underwriting performance for the year ended 31 December 2017 together with comparative information.

	2016 £'000	2017 £'000
Gross written premium	1,359,162	1,336,018
Gross earned premium	1,341,013	1,335,686
Net earned premium	1,008,806	1,130,466
Claims ratio	54.1%*	48.0%
Commission ratio	18.3%	17.0%
Expense ratio	21.3%	18.2%
Combined operating ratio	93.7%*	83.2%

*2016 claims ratio and combined operating ratio are calculated before the elimination of the equalisation provision

The 2016 profit was detrimentally impacted due to a change in the discount rate which is applied to certain lump sum bodily injury claims, known as the Ogden rate, to -0.75%. During 2017 the Ministry of Justice announced that this discount rate would be amended. The 2017 financial statements and claims ratio includes a reassessment of reserves that are sensitive to a change in the Ogden discount rate, with an assumed rate of +0.25% applied which impacts the Motor vehicle liability other Motor lines.

Gross written premium in QIEL was down against prior year as a result of challenging market conditions leading to notable shortfalls in the UK Real Estate (aggressive price competition) book, where management made a decision to exit certain non-performing binders. However, there have also been several areas of growth, notably including the Continental European Retail business.

Current year net earned premium includes additional fully earned reinsurance charges for two specific reinsurance covers which were purchased to cover:

- Certain UK Motor and Liability losses arising on 2011-2014 accident years
- Adverse development from 1 January 2017 of individual large risk losses within Financial Lines

Marine and International Property books were adversely impacted by several large losses and exposures to the North American CAT events.

Underwriting performance by Solvency II line of business

The tables below provide a summary of the key performance indicators for the material Solvency II lines of business underwritten by QIEL for the current year and prior year (based on the value of gross written premium in 2017). The only difference to the UK GAAP result is the net loss ratio which is driven by the Solvency II adjustments.

31 December 2017	Motor vehicle liability insurance £'000	Marine, aviation and transport insurance £'000	Fire and other damage to property insurance £'000	General liability insurance £'000	Credit and suretyship insurance £'000	Other £'000	Total £'000
Gross written premium	270,521	103,711	310,798	507,034	57,222	86,732	1,336,018
Net earned premium	235,877	67,526	266,105	437,295	47,566	76,097	1,130,466
Net claims incurred	109,653	22,552	85,083	241,305	21,167	26,284	506,044
Expenses incurred	75,848	21,584	100,684	181,831	18,966	31,775	430,688
Underwriting performance	50,376	23,390	80,338	14,159	7,433	18,038	193,734

31 December 2016	Motor vehicle liability insurance £'000	Marine, aviation and transport insurance £'000	Fire and other damage to property insurance £'000	General liability insurance £'000	Credit and suretyship insurance £'000	Other £'000	Total £'000
Gross written premium	217,021	105,972	271,023	565,368	52,463	147,315	1,359,162
Net earned premium	197,626	60,033	200,228	385,118	45,101	120,700	1,008,806
Net claims incurred	168,821	17,235	73,534	193,066	17,034	47,771	517,461
Expenses incurred	69,638	21,507	81,407	183,369	25,109	46,230	427,260
Underwriting performance	(40,833)	21,291	45,287	8,683	2,958	26,699	64,085

The 'Other' Solvency II lines of business consist largely of Other motor insurance, Marine, aviation and transport non-proportional reinsurance, Property non-proportional reinsurance, Casualty non-proportional reinsurance, Legal expense insurance and Other motor insurance which collectively represent 6% of QIEL's Gross Written Premium.

QIEL also incurred net claims of £3,521k (2016 £456k) on annuities stemming from non-life insurance contracts which is classified as Life business under Solvency II. These are not included in the table above.

Underwriting performance by material geographical areas

Underwriting performance within QIEL's material geographical areas are shown in the tables below for the current year and prior year. The results are prepared on the same basis as QRT S.05.02.01 which requires the information to be reported by a mix of risk location and location from which premium is written.

31 December 2017	UK £'000	France £'000	Italy £'000	Ireland £'000	Germany £'000	Spain £'000
Gross written premium	911,631	142,443	63,980	34,340	34,231	18,939
Net earned premium	778,047	106,599	59,546	19,005	28,406	18,605
Net claims incurred	278,331	35,728	31,586	16,953	16,899	9,350
Expenses incurred	293,971	42,548	22,439	13,925	11,251	8,026
Underwriting performance	205,745	28,323	5,521	(11,873)	256	1,229

31 December 2016	UK £'000	France £'000	Italy £'000	Spain £'000	Germany £'000	Chile £'000
Gross written premium	973,797	109,901	49,186	33,703	32,258	19,292
Net earned premium	752,930	77,065	34,410	21,891	22,003	14,836
Net claims incurred	443,403	20,105	30,920	3,304	3,940	(4,849)
Expenses incurred	310,316	36,861	15,359	10,297	3,940	5,897
Underwriting performance	(789)	20,099	(11,869)	8,290	14,123	13,788

QBE Re

Underwriting performance during the year

QBE Re prepares its financial statements in accordance with UK GAAP, the table below presents the underwriting performance for the year ended 31 December 2017 together with comparative information.

	2016 €'000	2017 €'000
Gross written premium	413,289	430,803
Gross earned premium	379,340	438,066
Net earned premium	324,806	379,630
Claims ratio	69.3%*	61.1%
Commission ratio	20.3%	19.4%
Expense ratio	9.9%	8.3%
Combined operating ratio	99.5%*	88.8%

*2016 claims ratio and combined operating ratio are calculated before the elimination of the equalisation provision

The 2016 profit was detrimentally impacted due to a change in the discount rate which is applied to certain lump sum bodily injury claims, known as the Ogden rate, to -0.75%. During 2017 the Ministry of Justice announced that this discount rate would be amended. The 2017 underwriting result includes a reassessment of reserves that are sensitive to a change in the Ogden discount rate, with an assumed rate of +0.25% applied which impacts the Motor vehicle liability other Motor lines. The current Ogden discount rate as advised by the Ministry of Justice is 0.75%.

QBE Re experienced premium growth during 2017, underpinned by new business activity in the Belgian branch. This premium growth in the Belgian branch was driven by the Personal

Accident and Life business (mortality risk, disability and some medical expenses business). The premium growth in the Dublin branch included reinstatement premiums triggered after the Harvey, Maria and Irma hurricanes losses incurred and reactionary demand for top-up covers.

In line with the rest of the industry, the Company experienced an increase in large risk and catastrophe claims, including those arising from Hurricanes Harvey, Irma and Maria, and the Mexican earthquakes.

The underwriting result for the Marine and International Property books were impacted by severe claims arising from the hurricanes and Mexican earthquakes.

Underwriting performance by Solvency II line of business

The tables below provide a summary of the key performance indicators for the material Solvency II lines of business underwritten by QBE Re for the current year and prior year (based on the value of gross written premium in 2017). The only difference to the UK GAAP result is the net loss ratio which is driven by the Solvency II adjustments.

31 December 2017	Property €'000	Casualty €'000	Fire and other damage to property insurance €'000	Income protection insurance €'000	Life reinsurance €'000	Other €'000	Total €'000
Gross written premium	113,691	69,535	75,762	30,749	63,869	77,197	430,803
Net earned premium	82,500	58,542	56,242	46,191	61,696	74,459	379,630
Net claims incurred	26,536	22,023	39,060	34,450	59,285	47,554	228,908
Expenses incurred	15,929	15,801	32,899	8,808	11,581	23,095	108,113
Underwriting performance	40,035	20,718	(15,717)	2,933	(9,170)	3,810	42,609

31 December 2016	Property €'000	Casualty €000	Fire and other damage to property insurance €'000	Income protection insurance €'000	Life reinsurance €'000	Other €'000	Total €'000
Gross written premium	123,953	70,735	66,534	51,723	34,692	65,652	413,289
Net earned premium	90,502	62,153	53,812	22,973	32,122	63,244	324,806
Net claims incurred	38,972	73,781	30,880	13,092	23,077	42,525	222,327
Expenses incurred	21,521	17,478	25,323	7,042	7,681	21,754	100,799
Underwriting performance	30,009	(29,106)	(2,391)	2,839	1,364	(1,035)	1,680

The 'Other' Solvency II lines of business consist largely of credit and suretyship, health, general liability, and motor vehicle liability insurance. 'Other' lines of business represent 18% of QBE Re's Gross Written Premium.

QBE Re also incurred net claims of €3,973k (2016 €8,912k) on annuities stemming from non-life insurance contracts which is classified as Life business under Solvency II. These are not included in the table above.

Underwriting performance by material geographical areas

Underwriting performance within QBE Re's material geographical areas are shown in the tables below for the current year and prior year. The results are prepared on the same basis as QRT S.05.02.01 which requires the information to be reported by a mix of risk location and location from which premium is written.

Non-life obligations

31 December 2017	UK €'000	France €'000	Belgium €'000	Netherlands €'000	Switzerland €'000	Japan €'000
Gross written premium	6,811	68,141	40,375	30,474	28,811	21,133
Net earned premium	6,124	57,625	38,780	26,770	23,768	15,220
Net claims incurred	1,500	15,008	28,165	6,712	6,346	4,655
Expenses incurred	1,805	16,984	11,430	7,890	7,006	4,486
Underwriting performance	2,819	25,633	(815)	12,168	10,416	6,079

31 December 2016	UK €'000	France €'000	Belgium €'000	Netherlands €'000	Spain €'000	Japan €'000
Gross written premium	8,235	66,866	52,956	27,128	22,294	22,185
Net earned premium	6,897	56,078	37,812	20,874	13,146	17,349
Net claims incurred	17,369	53,803	23,625	19,622	(2,099)	5,245
Expenses incurred	2,241	17,008	11,424	6,465	4,264	6,008
Underwriting performance	(12,713)	(14,733)	2,763	(5,213)	10,981	6,096

Life obligations

31 December 2017	UK €'000	Belgium €'000	Chile €'000	Colombia €'000	US €'000	Spain €'000
Gross written premium	17,140	13,004	6,076	5,329	4,364	4,062
Net earned premium	17,120	12,321	5,909	5,183	4,220	3,879
Net claims incurred	16,953	16,891	6,507	2,335	7,192	2,404
Expenses incurred	2,548	1,834	879	771	628	577
Underwriting performance	(2,381)	(6,404)	(1,477)	2,077	(3,600)	898

31 December 2016	UK €'000	Belgium €'000	Spain €'000	France €'000	US €'000	Japan €'000
Gross written premium	1,066	12,780	3,929	2,752	2,595	2,563
Net earned premium	987	11,834	3,638	2,548	2,403	2,496
Net claims incurred	(1,713)	10,690	1,667	4,301	3,100	2,769
Expenses incurred	236	2,830	870	609	575	352
Underwriting performance	2,464	(1,686)	1,101	(2,362)	(1,272)	(625)

3. Investment Performance

The investments of the EO Group are primarily held in fixed income bonds and money market instruments; with modest exposure to growth assets through investment funds in developed market equities, unlisted property, emerging market equities, emerging market debt, high yield debt and social impact bonds.

The majority of fixed income portfolios have an average credit rating equivalent to or better than Standard & Poor's "A". The minimum permitted credit quality per the guidelines is "BBB-" grade instruments.

Investment Manager

Day to day management of all entity investment portfolios is outsourced to QBE Group Investments via a formalised Investment Management Agreement.

Where appropriate, specialist investment managers are employed in order to gain access to areas of investment markets that require specific expertise.

Those responsible for investing the EO Group's assets do so in line with the Investment Guidelines and Restrictions approved by the Boards and the Investment Management Agreement.

The performance of the investment manager is monitored against an absolute return mandate, using other reference benchmarks or peer group performance as key performance indicators.

Foreign Exchange Management

The EO Group operates a policy to minimise foreign exchange risk by holding assets in foreign currencies in order to match underwriting liabilities in such currencies where size is deemed material. The residual net asset value in all material currencies is then hedged to mitigate foreign exchange risk.

Investments in securitisation

The EO Group's Investment Guidelines and Restrictions impose certain criteria for investment in relation to securitised assets in addition to that which exists for fixed income investment in general. Specifically and to comply with Article 135 2(a) of the SII Directive 2009/138/EC the fund manager shall when investing in products specified as structured, ensure that:

- The originator of the product at all times retains a net economic interest of no less than 5%
- That a dual rating is retained by each issue in order to avoid that issue being treated as having no rating
- Shall not invest in securities that are classified as 're-securitised' products

Exposure within the EO Group's portfolio is currently comprised of ABS (Asset Backed Securities, RMBS (Residential Mortgage Backed Securities) and MBS (Mortgage Backed Securities).

During 2017, a continued and broadening economic expansion, together with on-going supportive monetary policy, was the backdrop to good performance from most asset classes. In bond markets there was some movement higher in shorter-dated government bond yields, particularly in the US and Canadian markets, whereas UK and Euro moves were more muted; overall returns were boosted by strong credit markets. Growth asset returns were consistently positive, providing a marked pick up over fixed income performance.

Fixed income investment return was 0.87% for the EO Group, with QIEL broadly in line with this. Performance for QBE Re lagged behind due to a high proportion of lower yielding Euro currency assets. Returns were lower than those in 2016 due generally to a movement higher in shorter-dated government bond yields, but as credit spread tightening provided some protection, returns were reasonably well supported. Investment in infrastructure debt delivered 3.22% for the division with a similar pattern for QIEL, QBE Re was again below this due to its predominantly Euro currency mix.

Total growth asset investment return was 11.83% for EO Group for the year. QIEL was broadly in line at 11.37% and QBE Re a little lower at 8.85%. Asset class performance was good in all areas with developed market equities emerging market equities and emerging market debt the stand out performers.

Investment performance of the EO Group, QIEL and QBE Re separately, and the associated prior year comparatives, are shown in the following tables.

QBE EO

Details of interest received, investment income received, other income, and realised and unrealised returns in the period are shown in the table below.

Asset Category	Dividends (£'000)		Interest (£'000)		Net Gains and Losses (£'000)		Unrealised Gains and Losses (£'000)	
	2016	2017	2016	2017	2016	2017	2016	2017
Equity	793	1	-	-	(1,484)	-	(4,743)	-
Government Bonds	-	-	6,143	9,925	5,880	(8,474)	(2,009)	(3,004)
Corporate Bonds	-	-	41,720	68,981	244	183	21,393	(15,296)
Collective Investment Undertakings	8,076	14,021	-	-	2,152	23,601	9,200	9,589
Collateralised Securities	-	-	6,201	4,080	1,064	(1,350)	2,990	735
Cash and Deposits	-	-	1,761	2,070	-	-	-	-
Mortgages and Loans	-	-	1,768	-	90	36	50	326
Futures	-	-	-	-	(477)	93	-	-
Derivatives	-	-	-	-	154,267	(11,978)	(15,868)	24,987
Total	**8,869**	**14,022**	**57,593**	**85,056**	**161,736**	**2,111**	**11,013**	**17,337**

**The details of investment income by asset category are consistent with the requirements of QRT S.09.01*

The total investment returns achieved for the year are set out below. The combined currency total return for the year was 1.82% (2016: 1.95%).

Investment expenses and charges were £105,043k for the period (2016: £149,310k).

Investments are monitored on a different basis using the asset types below. The yield by asset type, and prior year comparatives, are:

Yield by Asset Type	2016 (%)	2017 (%)
Fixed income	1.79	0.87
Equities	0.89	10.41
Infrastructure loans	2.90	3.22
Unlisted property trusts	7.26	7.26
High yield debt	9.30	5.17
Emerging market equity	17.94	32.53
Emerging market debt	1.11	9.78
Social impact bonds	8.90	8.21
Infrastructure assets	N/A	8.04

QIEL

Details of interest received, investment income received, other income, and realised and unrealised returns in the period are shown in the table below.

Asset Category	Dividends (£'000)		Interest (£'000)		Net Gains and Losses (£'000)		Unrealised Gains and Losses (£'000)	
	2016	2017	2016	2017	2016	2017	2016	2017
Equity	177	-	-	-	(1,485)	-	-	-
Government Bonds	-	-	3,752	7,291	5,378	(4,935)	199	(2,248)
Corporate Bonds	-	-	32,627	31,698	1,917	1,176	15,183	(11,035)
Collective Investment Undertakings	5,336	9,280	-	-	3,074	22,518	5,344	2,019
Collateralised Securities	-	-	3,704	2,639	876	60	1,616	50
Cash and Deposits	-	-	962	892	-	-	-	-
Mortgages and Loans	-	-	1,490	7,508	89	38	24	412
Futures	-	-	-	-	(375)	64	-	-
Derivatives	-	-	-	-	(15,445)	21,879	(3,423)	10,157
Total	**5,513**	**9,280**	**42,535**	**50,028**	**(5,971)**	**40,800**	**18,943**	**(645)**

**The details of investment income by asset category are consistent with the requirements of QRT S.09.01*

The total investment returns achieved for the year are set out below. The combined currency total return for the year was 1.76% (2016: 2.35%).

Investment expenses and charges were £12,427k for the period (2016: £16,164k).

Investments are monitored on a different basis using the asset types below. The yield by asset type, and prior year comparatives, are:

Yield by Asset Type	2016 (%)	2017 (%)
Fixed income	2.12	0.82
Equities	0.82	8.59
Infrastructure loans	3.10	3.47
Unlisted property trusts	5.87	7.99
High yield debt	9.32	5.19
Emerging market equity	18.27	31.76
Emerging market debt	1.05	9.30
Social impact bonds	8.90	8.16
Infrastructure assets	N/A	8.04

QBE Re

Details of interest received, investment income received, other income, and realised and unrealised returns in the period are shown in the table below.

Asset Category	Dividends (€'000)		Interest (€000)		Net Gains and Losses (€'000)		Unrealised Gains and Losses (€'000)	
	2016	2017	2016	2017	2016	2017	2016	2017
Equity	750	2	-	-	-	(1,570)	(5,788)	1,570
Government Bonds	-	-	2,744	2,136	278	(3,324)	(3,116)	(980)
Corporate Bonds	-	-	8,367	7,561	(971)	-	6,196	(1,277)
Collective Investment Undertakings	3,226	5,282	-	-	(961)	6,326	4,476	3,556
Collateralised Securities	-	-	3,004	1,619	240	(1,216)	1,637	384
Cash and Deposits	-	-	1,076	1,151	-	-	-	-
Mortgages and Loans	-	-	338	606	1	-	32	(101)
Futures	-	-	-	-	(125)	34	-	-
Derivatives	-	-	-	-	(2,766)	5,632	(4,947)	8,791
Total	**3,976**	**5,284**	**15,529**	**13,073**	**(4,304)**	**5,882**	**(1,510)**	**11,943**

**The details of investment income by asset category are consistent with the requirements of QRT S.09.01*

The total investment returns achieved for the year are set out below. The combined currency total return for the year was 1.32% (2016: 1.32%).

Investment expenses and charges were €7,987k for the period (2016: €12,369k).

Investments are monitored on a different basis using the asset types below. The yield by asset type, and prior year comparatives, are:

Yield by Asset Type	2016 (%)	2017 (%)
Fixed income	1.31	0.43
Equities	(16.44)*	5.53
Infrastructure loans	1.97	1.90
Unlisted property trusts	7.90	6.23
High yield debt	(0.22)	5.20
Emerging market equity	(1.21)	33.14
Emerging market debt	1.41	10.28
Social impact bonds	N/A	5.83
Infrastructure assets	N/A	7.95

**Includes the effect of a write down in value of Aviabel Cie Belge d'Assurance Aviation S.A.*

4. Performance of other activities

The Company has a number of intra-group funding arrangements within the EO Group and also inter-group funding arrangements with other companies within the wider QBE Group, arrangements which lead to interest receivables and payables.

During Q2 2017 the EO Group restructured leading to the cessation of its special purpose financing entities. The restructure transferred the remaining debt to QBE EO plc.

During Q2 2017, EO Plc issued $300m (£232m) of instruments recognised in equity on an IFRS basis and categorised as Restricted Tier 1 capital on a Solvency II basis.

5. Any other information

The EO Group has plans to consolidate its insurance and reinsurance platforms in Europe and has incorporated a new authorised firm in Belgium, called 'QBE Europe'. Permission is sought from the National Bank of Belgium ('NBB') for QBE Europe to write insurance and reinsurance business in Belgium and across the EEA on a freedom of services and freedom of establishment basis, mirroring the permissions presently enjoyed by the EO Group's current UK-based firms. Brexit plans remain on track and the EO Group remains committed to having the new company operational in the final quarter of 2018.

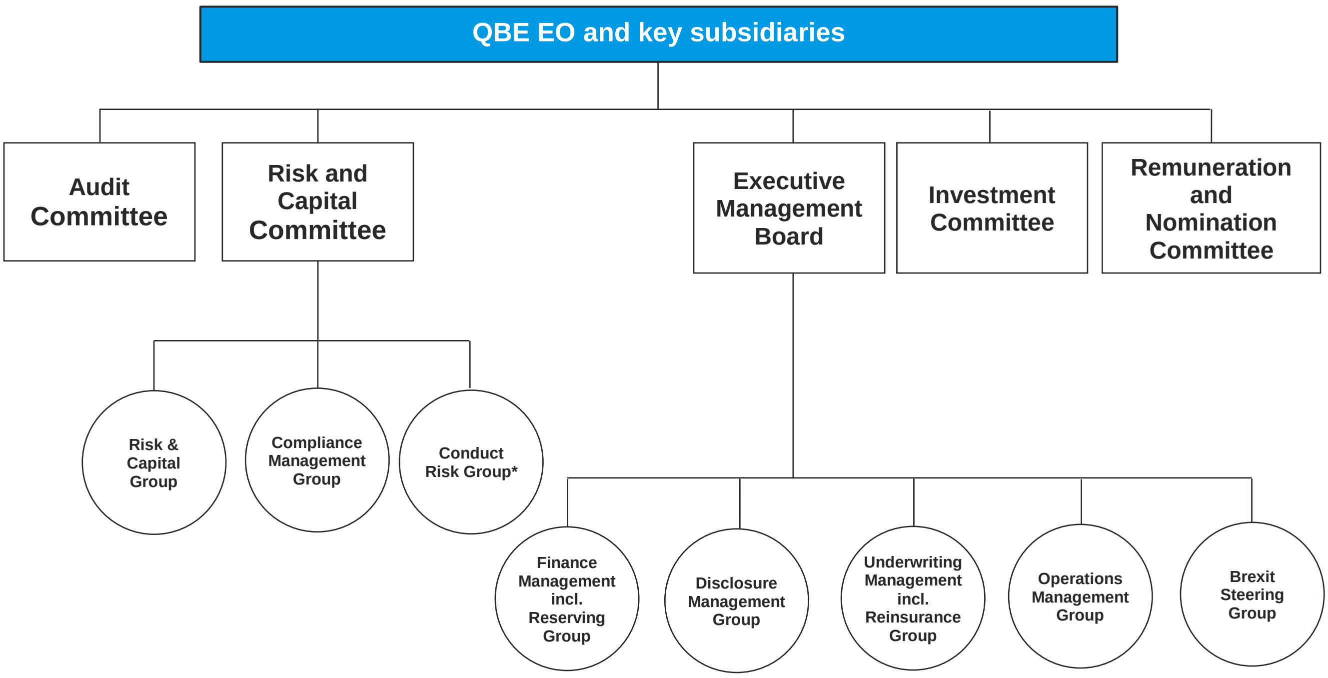
With effect from the start of 2015, the on-going business of branches of QIEL in Czech Republic, Hungary, and Slovakia were transferred to a third party by way of 100% loss portfolio transfer and associated transfer of assets and claims management services. This disposal completed during July 2017 by completion of an insurance business transfer scheme pursuant to Part VII of the Financial Services and Markets Act.

Section B: System of governance

1. General information on the system of governance

The Board charters of the Company and its key subsidiaries state that the Board of Directors is responsible for the long term success of the Company and its subsidiaries. The role of the Board is to provide leadership; to oversee the design and implementation of EO Group strategy and to set a framework of prudent and effective controls which enable risk to be assessed and managed within it. The Board ensures that the necessary financial and human resources are in place for the EO Group to meet its objectives and reviews the performance of management in delivering on EO Group strategic aims. The Board should set and instil EO Group values and culture in the light of those set by the QBE Group, the ultimate holding company of the EO Group, and ensure that its obligations to its shareholder and other stakeholders are understood and met.

The Board and Committee structure of the EO Group, QIEL and QBE Re is the same and is illustrated below:



** formal management group from January 2018*

The Board of EO plc is chaired by Tim Ingram and comprises two executive directors and one non-executive director. The chairman is a non-executive director.

The role of the Chairman of the Board is distinct from that of the Chief Executive Officer, and each role is clearly established. The Board considers that the experience and areas of focus which each Board member brings to the Company results in a strong and balanced leadership team to set and monitor the strategy and values of the EO Group.

Apart from the Company, there are three key operating entities within the EO Group, namely: QIEL, QBE Re, and QBE Underwriting Limited (the EO Regulated Companies).

The Boards of the EO Regulated Companies have four non-executive directors, including the Chairman of the Company, all of whom are members of the audit committee. All the non-executive directors of the Regulated subsidiaries are considered to be independent of management and free from any relationship that could materially interfere with the exercise of the independent judgement.

In conjunction with QBE Group and supported by the Remuneration and Nomination Committee, succession planning is undertaken in accordance with the world-class talent objective, which forms part of the strategic priorities of both the EO Group and QBE Group.

Board Committees

The Boards of the Company and the EO Regulated Subsidiaries have jointly constituted Board Committees. The Committees all comprise appropriately skilled members and are supported by attendees as necessary.

The EO Group's key Committees comprise:

- Audit Committee
- Executive Management Board (EMB)
- Investment Committee
- Remuneration and Nomination Committee
- Risk and Capital Committee

In addition, the following Management Groups operate in support of the above Committees:

- RCG, CMG and CRG, accountable to the RCC and the QBE EO Boards
- Disclosure Management Group (DMG), Finance Management Group (including Reserving) (FMG), Underwriting Management Group (UMG), OMG, and Brexit Steering Group accountable to the EMB

Delegation of responsibilities to the Committees and Management Groups is undertaken through Board or Committee approved Terms of Reference which are regularly (at least annually) reviewed.

The membership of the Boards, Board Committees and Management Groups of the EO Group and its Regulated Subsidiaries are regularly (at least annually) reviewed.

The Company and its key subsidiaries have a robust System of Governance which includes Board Charters and Committee and Management Group terms of reference; functional terms of reference for all control functions; a structured Board, Committee and Management Group meetings calendar (with a forward plan of regularly recurring items for review and approval); agendas, minutes and action points for all Boards, Committees and Management Groups; and key Board approved policies and documents including the ORSA, Internal Control Framework, Outsourcing Policy, Fit & Proper Policy and Governance maps. The Boards of the Companies consider the system of governance to be appropriate and adequate in light of the business strategy and objectives.

Key Function Roles and Responsibilities

A description of the main roles and responsibilities of the key functions of the EO Group are shown below. These functions do not relate solely to any individual entity but operate across QBE EO and the EO Regulated Companies, including QIEL and QBE Re.

<table>
<tr><th>Key Function</th><th>Main Roles and Responsibilities</th></tr>
<tr><td>Actuarial</td><td>Establish and maintain a robust Actuarial control framework to ensure that the Company:
Complies with all material legal and regulatory requirements
Adheres to relevant Actuarial standards and best practice
Meet all internal QBE EO and/or global internal reporting requirements
Minimise the risk of business discontinuity
Provision of reserving data and analysis
Calculation of technical provisions
Pricing
Benchmarking
Portfolio analysis
Support for business planning
Calculation of capital requirements</td></tr>
<tr><td>Risk Management & Compliance</td><td>Establishment and maintenance of robust enterprise risk management framework
Production and performance of the Company's ORSA
Monitors the material risks the business faces and ensuring the adequacy of capital should these risks materialise
Support for business planning
Ensuring robust governance of the internal model
Performance of deep dive reviews in areas deemed to be high risk
The main roles and responsibilities of the Compliance function are further detailed in section B.4</td></tr>
<tr><td>Internal Audit</td><td>Evaluate the adequacy and effectiveness of the risk management framework
Evaluate management's assessment of risk exposures relating to QBE's governance, operations, and information systems regarding the:
reliability and integrity of financial and operational information
effectiveness and efficiency of operations and programs
safeguarding of assets
compliance with laws, regulations, policies, procedures and contracts
Evaluate the adequacy, effectiveness and efficiency of controls in responding to the above risk exposures
Evaluate the potential for the occurrence of fraud based and how QBE manages fraud risk</td></tr>
<tr><td>Claims Management</td><td>Ensure the cost effective delivery of an agreed claims service
Implement and maintain effective leading edge practices and processes to provide maximum value to the business and excellent customer service
Work closely with underwriters and other business functions and lead the development of processes to ensure that the function is aligned to the needs of the business
Adopt best practice and meet regulatory requirements
Ensure adherence to the corporate reserving philosophy and claims handling philosophy to deliver claims excellence
Support decision making by developing and maintaining effective control</td></tr>
</table>

Key Function	Main Roles and Responsibilities
	reports based on the claims environment and claims activity
Operations	• Implement change programmes related to IT outsourcing, service management, and cost savings to achieve cost, service and scalability targets • Execute and manage the operations strategy of the business • Establish contractual servicing where appropriate, deliver workflow tools and create process efficiencies • Support business planning

Investments	• Implement and monitor the effectiveness of local investment strategies
	• Monitor investment performance and investment risks
	• Oversee and monitor the effectiveness of the asset-liability strategy with respect to the matching of:
	  • investment assets
	  • the liabilities generated by insurance activities
	• Make recommendations in respect of investment policy, investment guidelines, target returns and asset-liability strategy
	• Support business planning
	Through related support roles and functions:
	• Maintain the investment governance framework
	• Continually review investment guidance, assumptions, policy and process to ensure procedures remain appropriate and meet industry best practice
	• Monitor compliance with all relevant regulation

Finance	• Establish and maintain a robust financial control framework • Comply with all relevant legal and regulatory requirements • Adhere to relevant accounting standards and good practice • Meet all internal European and/or global internal reporting requirements • Identify and effectively control financial risks (credit, market liquidity, commercial etc.) • Align financial planning, reporting and budgetary controls to corporate goals • Adopt consistent financial processes and/or technologies where appropriate to optimise resources and investment
Underwriting	• Establish and maintain a robust underwriting control framework • Comply with all material legal and regulatory requirements • Adhere to relevant underwriting standards and best practice • Meet internal European and/or global internal reporting requirements • Identify and effectively control their insurance risks • Adopt consistent U/W and Claims processes and/or technologies where appropriate

Legal	• Pro-actively monitor and evaluate legal and regulatory risks, emerging/pipeline legal and regulatory developments, alert the business to specific associated risks and extend principles around legal and regulatory risk management into wider business
	• Provide high quality document execution, retention and administrative services to the Boards and business to ensure legal compliance, good internal governance and document control, including:
	  • Corporate and regulatory filings
	  • Issuing corporate certificates as required
	  • Certification of documents and procuring notarisation
	  • Execution of deeds
	  • Ensuring continuing obligations under documents owned by the function are recorded

<table>
<tr><th>Key Function</th><th>Main Roles and Responsibilities</th></tr>
<tr><td></td><td>Ensuring adherence to document retention policies
One other key function is the ‘function of effectively running the firm‘, which is undertaken by the EMB</td></tr>
<tr><td>EMB</td><td>Effectively running the firm</td></tr>
<tr><td>Human Resources</td><td>Establish and maintain a robust HR control framework to ensure the Company:
Complies with all material legal and regulatory requirements
Adheres to relevant HR standards and good practice
Meets all internal European and/or global internal reporting requirements
Identifies and effectively controls People risks
Adopts consistent HR processes and/or technologies where appropriate</td></tr>
</table>

The four key Solvency II functions (Finance, Risk and Compliance, Actuarial and Internal Audit) all have representation at key Boards, Committees and Groups, and independent decision making rights within the management structure of the EO Group that provide them with the necessary authority, resources and operational independence to carry out their tasks.

During 2017, the following changes were made to the System of Governance:

Structural Changes

The Compliance function has moved from Legal (first line) to Risk Management, reporting to the CRO, to better align the second line activities of the Company

Remuneration

General

The EO Group, as part of the wider QBE Group, has a remuneration and reward framework and associated governance arrangements. This framework is designed to:

- align remuneration and reward with robust risk management practices and strong governance principles; and
- provide a market competitive remuneration structure that attracts, retains and motivates high quality and talented people whilst aligning their remuneration with the creation of sustained shareholder value

The remuneration and reward framework is regularly reviewed to ensure that it evolves and remains appropriate in the context of:

- QBE Group’s vision, values and strategy
- the environments in which QBE Group operates
- QBE Group’s business model and geographical exposure
- local market needs and regulatory requirements

Within the framework is a remuneration policy, adopted by the Board of the EO Group, that is underpinned by QBE’s remuneration strategy which integrates the various components of remuneration, reward and risk across QBE Group.

QBE Group's global remuneration framework is intended to apply to all individuals employed by QBE Group to the extent possible and subject to local market conditions and regulatory requirements. An individual will be included if they are employed directly by QBE Group (including any controlled entity) on a permanent or contractual basis.

The Policy is designed to align with QBE Group's risk management framework. Some key components of that framework include:

- the QBE Group Risk Management Strategy (Group RMS) that outlines the principles, framework and approach to risk management adopted by QBE Group and is embedded across the QBE Group providing a consistent approach to managing risk
- an extensive system of delegated authorities that support the structured and measured cascade of risk appetites set by the relevant Boards, empower employees to make decisions within clearly defined risk limits and therefore control the extent to which individuals can commit the current or future assets of QBE Group
- QBE Group policies - employees are required to adhere to a range of policies to ensure risk-taking is well managed, strong governance structures are in place and high ethical standards are maintained

Remuneration Committees

The role of the QBE Group Remuneration Committee is to support the QBE Group Board in overseeing the design and operation of QBE Group's remuneration and reward framework. This includes conducting regular reviews of, and making recommendations to the QBE Group Board, on Remuneration Policy.

A QBE EO Divisional Remuneration Committee is responsible for overseeing the local implementation of the global remuneration and reward framework ensuring compliance with local regulatory requirements.

Principles

Remuneration policy across the QBE Group is guided by certain principles designed to promote robust risk management practices and an effective reward framework. Those principles are:

ONE QBE values	**Simple**	• at-risk reward methodology is easily understood by internal stakeholders with transparency for external shareholders
	Linked to strategy	• incentive performance measures provide significant alignment and linkage to QBE's key strategic priorities
	Globally competitive	• responsibly competitive when setting fixed remuneration by considering the appropriate market data, diversity and expertise of individual roles and the complexity of each operating environment • common global remuneration design that provides flexibility to calibrate local financial targets, enabling QBE to compete in key markets
	Motivating	• at-risk reward schemes combine 'stretch' targets and performance measures linked to statutory disclosures and business plans, which improves the line of sight and leverages participant motivation • locally competitive and flexible benefits designed to provide value to the employee and QBE
	Shareholder aligned	• achievement of risk-adjusted statutory QBE Group ROE targets aligned to shareholder value • delivery of equity awards with significant levels of deferral and financial measures linked to key investor metrics align reward arrangements to shareholder interests • executive minimum shareholding requirements further link executive interests to those of shareholders

Further information on remuneration is available in the ‘QBE Group Annual Report 2017’, in section ‘Remuneration Report’, on pages 62 to 88 inclusive.

Material Transactions

During the second quarter of 2017, EO plc declared and settled a dividend of £120m to its parent QBE Insurance Holdings Pty Limited.

QBE Re declared and paid dividends totalling €nil on the ordinary shares during the year (2016: €19m).

QIEL declared and paid dividends totalling £170m on the ordinary shares during the year (2016: £106m).

The regulated subsidiaries have the following foreseeable dividends (which have been paid since the year-end) in 2018:

EO plc: £143,000k
QBE Re: €76,000k
QIEL: £96,000k

The effect of these payments is to reduce the eligible own funds for EO Group, QIEL and QBE Re.

2. Fit and proper requirements

There is an established Board approved Fit and Proper Policy that applies to the EO Group and the EO Regulated Companies. The policy is reviewed annually and updated as required. The Policy and supporting Guidelines incorporate the requirements of the Senior Insurance Managers Regime (SIMR) in respect of those individuals performing roles and functions within the scope of the regime.

Requirements

The Fit and Proper Policy establishes minimum standards required of all Directors and key employees. The Solvency II guidelines describe these individuals as those who 'effectively run the undertaking'. Supervisory approval is required for these individuals and it is necessary that they are of good repute, have integrity and possess the skills necessary to effectively discharge their responsibilities.

All employees of the EO Group and its subsidiaries are required to demonstrate the following:

- The requisite level of competence, knowledge and experience
- The appropriate qualifications
- The completion of, or current involvement in, relevant training to enable them to perform their role or function effectively and in accordance with all relevant regulatory requirements
- Good conduct (including business, financial, criminal and past supervisory conduct), supported where appropriate by satisfactory regulatory references

Appointees to the Board are further required to:

- Gain confirmation from the Remuneration & Nomination Committee that it is satisfied all relevant internal policies and procedures have been followed
- Meet the minimum standards set out by the regulatory authority for fitness, propriety and conduct
- Have gained approval from the regulatory authority (where applicable)

Assessment

The Fit and Proper Guidelines are aligned with the EO Group's HR and recruitment processes and apply both at the recruitment stage and throughout an individual's career in the company. Regular assessments are carried out to ensure that the guidelines are being adhered to.

The frequency of assessments and the level of verification sought is determined by a risk-based approach that takes account of following:

- The level of a person's authority, influence or control
- The reliance of the EO Group on a person's role as an internal control (e.g. Enterprise Risk Management (ERM), Compliance, Underwriting Governance, Actuarial and Internal Audit)
- For Board Appointments, Controlled Functions and other Solvency II staff, the regulatory and/or legal requirements for the role

The assessment process encompasses a number of levels and stages and, for each of these, control checks are applied to ensure on-going adherence to the policies and guidelines. These stages and control checks include:

- Pre-employment, where the individual's fitness and propriety is assessed prior to commencement of the role. Background checks are carried out for roles within the following categories:
    - Finance
    - Payroll
    - Defined senior management roles
    - PRA and FCA controlled functions
- The rigour and detail afforded to the assessment of members of the Board of Directors are particularly stringent
- Regular review of all employees, where performance and development assessments are carried out in line with the current QBE Performance Management Process. Where individuals are, by virtue of their role and with reference to the risk based approach previously noted, considered to represent a higher risk, the regularity of reassessments is increased. The performance management process incorporates appraisals of employee effectiveness, competency in role, and training requirements
- Regular review of Board and Committee effectiveness and the fitness and propriety of individuals holding positions in these groups. Assessment of individuals in these roles is subject to more rigorous scrutiny
- Internal moves - where a change to a person's role may prompt a reassessment of their suitability

The EO Group's Internal Control Functions, identified in accordance with published PRA rules (Actuarial, Compliance, ERM, Internal Audit and Underwriting Governance), are also required to ensure that they set out and maintain the competencies necessary to deliver the function to an adequate standard.

The framework of controls in this regard may include:

- Appropriate experience and skills mix
- Role profiles
- Training and development
- Centres of excellence (i.e. development of subject matter experts)
- In-sourcing (e.g. joint projects, secondments etc.)

The competency frameworks are subject to on-going review by the Leadership and Learning department, Compliance, Internal Audit and relevant regulators and form part of the on-going assessment of the EO Group's Internal Control Framework.

Where matters affecting a person's suitability are identified, the EO Group will consider the relevance to the person's role and the circumstances and seriousness of the matter. If a person is not deemed to be fit and proper, disciplinary action may be taken and regulators notified where appropriate.

3. Risk management system including the own risk and solvency assessment

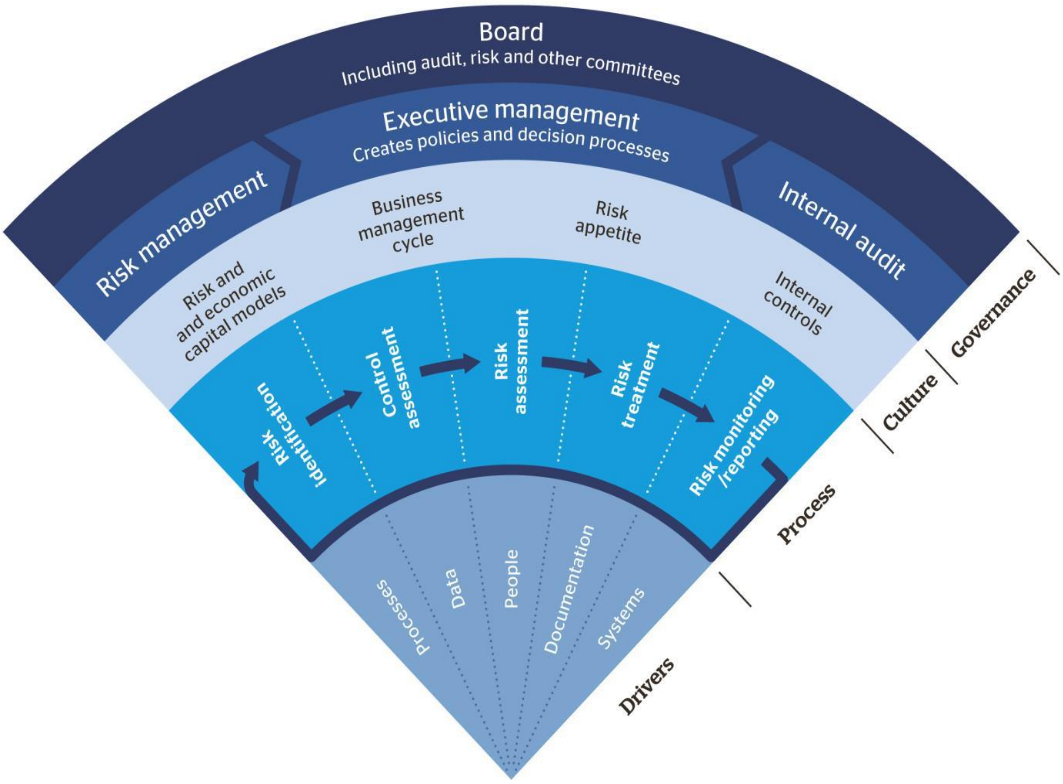
The EO Group and the regulated subsidiaries within the EO Group manage risk via a centralised risk function. This is an appropriate and effective way for the EO Group to assess, evaluate and control risks given the commonality of systems and processes throughout the EO Group. Functions that are consistent across the EO Group include:

- A common risk management system, applied consistently across all trading entities
- Key risk assessment processes (e.g. business planning, reserving, exposure management, capital modelling), conducted by common functions using a consistent process across all trading entities
- Key systems including underwriting finance, IT, HR and Risk Management operate consistently across all trading entities
- Control functions such as Compliance, ERM and Underwriting Governance operate consistently across all trading entities. Where identified control failures are legal entity specific, they are escalated to the appropriate legal entity Board as appropriate
- A consistent internal model, operated across the regulated subsidiaries, the outputs from which are reviewed by the same governance forums before being reported to their relevant entity Boards

Control framework

An established control framework is in place to ensure that risks are managed to support the achievement of the EO Group’s objectives. The risk management system provides further structure to the control framework, ensuring that risks have the appropriate controls in place with the appropriate owners. Control assessments are validated by the appropriate committee as part of the risk assessment process and are verified through Internal Audit testing.

The EO Group has adopted the QBE Group Risk Management Strategy (RMS) to identify and assess the risks the EO Group faces in delivering on its strategic and business objectives. Given the centralised nature of the QBE Group’s risk management system, the RMS applies equally to all the EO Regulated Companies and is approved by the Boards of those Companies. The strategy sets out the governance arrangements and key roles and responsibilities relating to risk management and also identifies the key risk processes and reporting mechanisms as outlined below:



Risk categories

EO Group identifies and assesses the risks to delivering on its strategic and business objectives. These risks are then categorised into one of seven categories for aggregation, reporting and modelling purposes. The seven categories are listed below. This categorisation enables the application of a specific risk policy for each type of risk and is an effective means of aggregating, monitoring, reporting and measuring those risks.

- Strategic risk – the current and prospective impact on earnings and/or capital arising from strategic business decisions and responsiveness to external change, including the following sub categories:
  - business, product, market, and distribution approach
  - capital structure and management
  - acquisition decision and negotiation
  - tax planning and decision making
  - investment strategy
- Insurance risk – the risk of fluctuations in the timing, frequency and severity of insured events and claims settlements, relative to expectations. Includes the following sub categories:
  - underwriting/pricing
  - insurance concentrations
  - reserving
  - reinsurance
- Credit risk - the risk of financial loss where a customer, counterparty, or issuer fails to meet their financial obligations to QBE in accordance with agreed terms. QBE's exposure to credit risk results from financial transactions with securities issuers, debtors, brokers, policyholders, reinsurers and guarantors, including the following sub categories:
  - reinsurance credit risk and other recoveries
  - insurance credit risk

    - investment and treasury credit risk
- Market risk - the risk of adverse impacts on earnings resulting from changes in market factors. Market factors include, but are not limited to, interest rates, credit spreads, foreign exchange rates, equity prices and includes the following sub categories:
    - variation in investment earnings due to movement in market factors (including equity, interest rate, credit spreads)
    - variation in earnings due to foreign exchange rate movements
- Liquidity risk – the risk of insufficient liquid assets to meet liabilities as they fall due to policyholders and creditors or only being able to do so at excessive cost
- Operational risk – the risk of financial loss resulting from inadequate or failed internal processes, people and systems or from external events, including the following sub categories:
    - Internal fraud
    - external fraud
    - employment practices (people risks)
    - improper business practices
    - disasters and other events
    - technology and infrastructure failures
    - business and transaction processing
- Group risk - the risk to a division arising specifically from being part of the wider QBE group, including financial impact and loss of support from the parent company

Risk categories and sub categories are reviewed regularly to ensure they continue to reflect the key risks faced by QBE Group. We recognise the interconnectedness of risk when assessing risk categories and the impact this may have.

Risk Appetite

The Group's appetite for risk is a core element of its risk management system and is defined as "the level of risk that the Board and management are prepared to take in pursuit of the organisation's objectives". It is therefore essential that risk is defined, quantified and supported by a robust risk framework which includes a set of risk appetite statements.

Risk appetite is formally set by the QBE Group and then by the Boards of the group companies and all underlying (re)insurance entities within the Group on at least an annual basis and is reviewed following a material change in risk profile.

The Group's risk appetite framework includes both high level appetite statements and more detailed metrics monitored through the Group's governance structure. All breaches of risk appetite are reported to the RCC and Board through the ORSA process.

Risk Culture

QBE defines risk culture as "observable patterns of behaviour in the way employees perform their work, as it relates to risk, and the judgements they take". Risk culture underpins QBE's ERM Framework. QBE's approach to managing risk culture is comprised of three key elements:

- Defining target risk culture – the behaviours and attitudes QBE Group expects from all employees
- Measuring risk culture – using Line 1 self-assessment, Line 2 independent assessment, Line 3 independent assessment and risk culture reporting. Assessments are conducted quarterly
- Influencing culture – the actions and initiatives at an organisational or individual level that are undertaken to either maintain a positive risk culture or to remediate a situation where culture is not operating in line with expectations

Risk culture metrics are reported regularly to the Group RCC to ensure appropriate escalation of cultural issues and trends.

Internal Model

The Group has developed an Internal Model that can be used to identify and assess risk to ensure that adequate capital is held in relation to the risks faced by the business.

All business lines written within the Group are included within the scope of the Internal Model and are treated in a consistent manner, with differences only arising due to the specific risk profile of the business rather than a different approach to risk assessment. The Internal Model is supported by the ERM Framework, a number of processes within which feed the Internal Model directly as part of the Group's regulatory capital assessment.

There are five key processes that make up the Internal Model:

- Internal Model governance
- Risk identification and emerging risks
- Internal control framework
- Risk assessment
- The economic capital model

Internal Model governance

The high level and detailed governance of the Internal Model is the responsibility of the RCC and the ERM function respectively.

The RCC is a formal committee of the Boards and meets at least on a quarterly basis. The RCC is attended by members of the ERM function to ensure that adequate information regarding the Internal Model is reported to and disseminated from the RCC. A memo outlining the main points of discussion at each RCC meeting is presented to the QBE EO Boards to ensure that matters regarding the Internal Model are documented and escalated to the appropriate forum.

There is an annual cycle of model validation tests to independently review and challenge the key assumptions, methodology and output of the Internal Model. The validation tests are developed and performed independently of the Capital Modelling team with findings and any escalations reported through the EO Group's system of governance. The validation process is independently managed by the Risk function.

Risk identification and emerging risks

The EO Group identifies key risks that have the potential to affect the business' ability to achieve its objectives on a continuous basis. Each risk is assigned a risk owner, who is responsible for the overall management of that particular risk. Once a risk has been formally identified and included within the Framework, it then becomes fully integrated into the Group's risk and capital management processes.

Risk identification is carried out through the Boards, committees and the business facilitated by the ERM team, and is also supported by the emerging risks process.

Formal Risk and Control Assessments (RCAs) are conducted to identify the risks to the function achieving its objectives, the controls to mitigate these risks, and finally the effectiveness of the controls in managing the risk. The EO Group has established an Emerging Risk Group, an informal working group, to identify and facilitate the effective management of risks that are perceived to be potentially significant, but which may not be fully understood or allowed for in decision making activities.

Risk assessment

Risks are assessed by committees using a combination of qualitative and quantitative techniques. The assessment process brings together key information to support the analysis, including key management concerns, stress and scenario tests, key risk indicators, control assessments, loss data and issues and actions.

Risk assessment is supported by the Group's Economic Capital Model (ECM), part of its Internal Model. The ECM assesses the material risks to which the business is exposed and evaluates the level of capital required to meet solvency requirements at a more onerous level than that required by regulatory minimum standards. The role of the ECM in evaluating the solvency requirements of the Group, and facilitating Group strategy, is detailed in the section 'Determination of Solvency Requirements' later in this section.

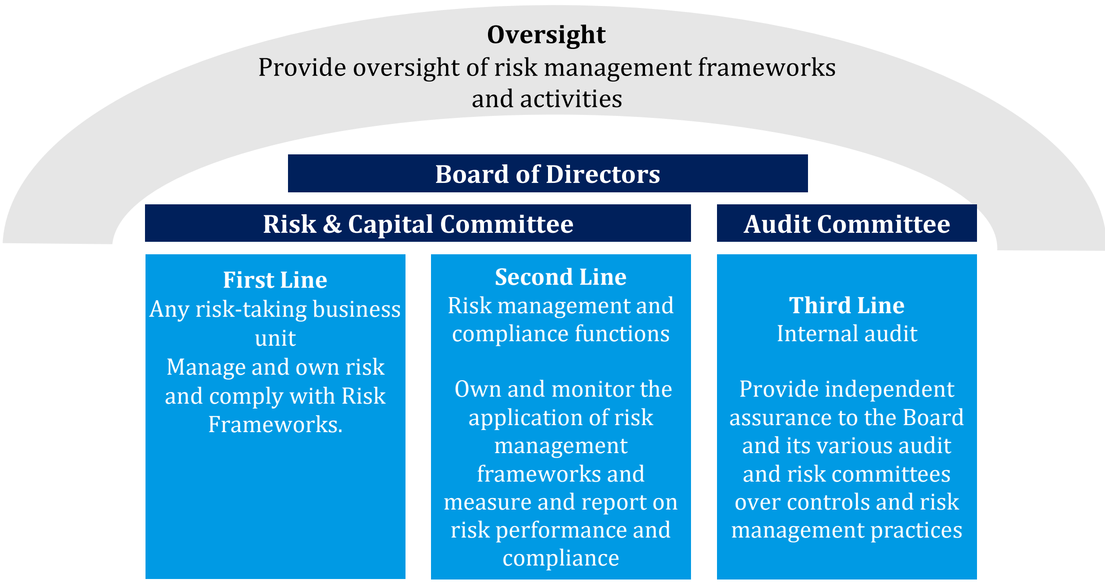
Reporting

QBE's governance framework is supported by risk reporting, which is used to provide complete, accurate and timely risk data and analysis that can be used to support day-to-day business decisions. Key stakeholders for risk reporting include Boards, committees, forums, risk owners, business management and support functions. In particular, risk and performance-related information is routinely reported to the Boards and RCC.

A key element of the Group's risk reporting is the Own Risk and Solvency Assessment (ORSA), details of which can be found later in this section.

Risk management system

Everyone within the EO Group has the responsibility for managing risks and as a result a large number of people are involved in the risk management process. QBE's risk governance framework reflects a 'three lines of defence' approach to risk management as outlined in the diagram below:



First line (1a)

Overall first line activities are those which are undertaken within the business to ensure that risks are identified and controlled, regardless of second and third line activities.

First line 1a activities refer to the controls that are implemented by those who are directly responsible for accepting, managing and mitigating risk.

First line (1b)

First line 1b activities are those which review, challenge or provide oversight of 1a risk management activity.

Although 1b functions are not fully independent of 1a, they are one step removed from decision making activities and are therefore able to provide an objective view or they may provide a specialist service to 1a such as training or legal advice.

Second line

Second line activities independently review, challenge and provide oversight of first line risk management activities. This is achieved through monitoring controls and ensuring that control verification mechanisms are designed and operating effectively. The second line is independent of first line activities and is therefore entirely objective in its assessment of risk.

Third line

Third line activities evaluate the effectiveness of the organisation’s risk management, control and governance processes, providing assurance that both first and second line control and assurance activity is effective and appropriate.

Further details of the ‘three lines of defence’ approach is provided in Section 4: Internal control system.

The EO Group has fully adopted and embedded the QBE Group RMS and follows the procedures in accordance with the RMS. These procedures cover all risk types and include the Risk and Control Assessment process that is applied across the business. Other procedures following the RMS include internal and external loss event reporting, issues and actions management, scenario analysis, risk appetites, risk analytics and risk reporting.

Assurance and governance forums

A fully documented assurance approach has been developed for each of the functions within the EO Group to ensure that the application of the three lines of defence approach is adequate and appropriate to identify and control risks that may arise in relation to those functions.

The assurance approach model for each function is accorded a Red, Amber or Green rating and a designated owner is identified to ensure any remedial or improvement actions are effectively undertaken.

The governance forums in the EO Group, noted in section B.1, provide further challenge and assurance on risk taking activity. They also provide practical relationships between the 1a, 1b and 2nd line functions. Members of the 2nd line sit on all Committees and Management Groups established by the EO Group Board, and attend additional working groups and steering committees to deliver challenge across the wide spectrum of business activity.

Transparency of issues is achieved through Board Committee and EO Group reporting or escalation and is overseen by the Risk and Capital Committee.

The EO Group’s three lines of defence model provides an effective risk governance approach throughout the EO Group and its regulated subsidiaries, ensures the existence of appropriate checks and balances, and enables remedial actions to be taken where weaknesses are identified. Further, by embedding 1a and 1b teams within the business, the EO Group enables:

- the strengthening of the risk culture throughout the organisation

- the business functions to take accountability for managing risk
- the best expertise within the ERM framework to be made available to address risk matters

The Own Risk and Solvency Assessment

The EO Group produces an ORSA report to assess, on a continuous basis, the Solvency needs of the EO Group and its subsidiaries given the risks that it identified following the risk assessments explained previously.

The EO Group has adopted a working definition of the ORSA to be "the entirety of the processes and procedures employed to identify, assess, control, manage, and report the short and long term risks QBE faces or may face and determine the own funds necessary to ensure that the undertaking's overall capital needs (solvency and economic) are met at all times."

The Assessment incorporates outputs of key management processes, including business planning, capital management and modelling and governance. In addition, it summarises the EO Group's risk profile and contains risk assessments and the control effectiveness ratings for each risk within the risk governance framework, including non-quantifiable risks and those not mitigated with capital. The ORSA is considered in conjunction with any breaches of appetite to ensure that the EO Group can respond quickly to changes in its risk profile and take appropriate mitigating action where required. The method of production and process of review and approval of the ORSA ensures that it is well integrated into the EO Group's decision making process.

A single ORSA is prepared for the EO Group as this most appropriately reflects the manner in which the EO Group manages its risks and also the commonality of risk assessment, governance, systems and control processes across its subsidiary undertakings and its Internal Model. This ensures that risk management procedures are implemented consistently across all the undertakings within the scope of the EO Group.

The report is reviewed and discussed by the RCG and RCC, committees which, in aggregate, contain all the Directors of the EO Group and its Regulated subsidiaries, prior to recommendation to the Boards for review and approval. This process ensures that detailed discussion and review can be effected at the level of both individual subsidiaries and the EO Group as a whole.

The ORSA provides the link between the EO Group's risk profile, risk appetite and overall solvency needs. For the EO Group and its Regulated Subsidiaries the ORSA ensures that:

- The risk profile in the context of the business plans is understood
- The regulatory and economic capital requirements can be met based on the current business plan and over the longer term, taking into account severe events
- The management actions that may be necessary to reduce risk and subsequent capital requirements, (including contingency plans associated with a stressed environment) have been considered
- The Internal Model continues to be considered adequately suitable and robust to support the above assessment of risk and capital, and specifically to set regulatory capital

The ORSA process has been designed to ensure that the EO Group's Boards are provided with all relevant risk and capital information to enable them to act in the best interests of their stakeholders. The frequency of production of the full ORSA and ORSA updates are noted below.

Annual ORSA

A full ORSA report is produced for each calendar year. This report captures changes in the EO Group's risk profile that have occurred during the previous year and incorporates detailed analysis of the EO Group's risk and capital position both in the current and in the future. The report provides analytical breakdown by risk type and regulated entity.

The annual ORSA is reviewed and approved by the Boards of the EO Group and the Regulated Subsidiaries.

Regular ORSA updates

Regular ORSA updates are run during the year and include analysis of:

- Business strategy
- Risk profile
- Areas of management concern
- Financial position and solvency ratios, including under stressed conditions
- The current and projected SCR for each (re)insurance entity
- The on-going suitability of the Internal Model for capital setting purposes

Ad-hoc ORSA updates

If there is a significant change to the EO Group's risk profile an *ad hoc* ORSA may be produced outside the normal production and update cycle. Examples of such a change include:

- Material acquisitions or business re-organisation
- A significant change in the Group's business plan e.g. entering into new markets, products etc.
- A significant loss event
- Material change to Group's capital base
- Identification of a critical issue

ORSA governance

The ORSA is reviewed by various forums and committees before ultimate approval by the relevant company Boards, including:

QBE EO Boards: The QBE EO Boards have the ultimate responsibility for the ORSA and must review, approve and formally sign off the report on an annual basis.

RCC: The Boards delegate their risk management oversight and monitoring activities to the RCC. The RCC is the primary forum for challenging both the ORSA content and process and the committee will review and recommend the report to the Board for approval.

RCG: The RCG is a sub group of the RCC and consists of the EO Group's Executive Management Board. The primary responsibility of the RCG is to review and challenge risk related papers prior to submission to the RCC.

Other Committees and Groups: Other Committees and Groups also have key roles, particularly the responsibility to challenge risk information which directly feeds the assessment of risk for the ORSA process. Their responsibilities in relation to risk management are included in the respective committee terms of reference.

Determination of solvency requirements

The EO Group uses an Economic Capital Model (ECM), as part of its Internal Model, to measure the material risks to which the EO Group and the companies within the EO Group are exposed. As such, the ECM better informs decision making and the formulation of business strategy.

Output from the ECM is used to assist the Board and senior management in evaluating risk and understanding the capital implications of business decisions. Use of the ECM has been approved by the Boards of the EO Group and its Regulated Subsidiaries and the PRA, following approval of the EO Group's Internal Model in December 2015.

The ECM measures the risks specified in the QBE Group Risk Management Strategy (RMS), the basis for which is the risk management assessment process. Hence, the risk management system interacts with, and is closely aligned to, capital management activities. The ECM does not assess those elements of strategic risk that are captured through the ORSA process.

The strategy for ensuring adequate capital is maintained over time is primarily driven by the risk profile of the EO Group, the risk appetite of the EO Group's Boards and applicable regulatory capital requirements. Other relevant strategic and business objectives are also taken into account.

The ECM and risk management framework are integrated through the following processes:

- *Decision making*: the use of the ECM in decision making is evidenced within the processes and principles of the risk management framework. Business decisions supported by the ECM include:
    - *Underwriting strategy*
    - *Reinsurance strategy*
    - *Business planning*
    - *New products and their associated risks*
    - *Strategic asset allocation*
- *Capital management*: elements of the SCR are derived directly from the output of both the ECM and risk management processes
- *Risk appetite*: the risk appetite for the entities is directly linked to capital metrics and monitored using outputs from the ECM through the risk management framework
- *Reporting*: the outputs of the ECM are used in the reporting of risk assessments and appetites in the risk management framework
- *Operational risk*: the parameterisation of operational risk for the ECM is conducted as part of the risk management process and is a direct feed into the ECM
- *Model risk*: the governance around the ECM is based on the risk management framework principles. Matters affecting any changes to the use or validation of the model are included in the quarterly ORSA reports sent to the relevant committees, including the RCG and Boards

For further details about the Internal Model and the Economic Capital Model, refer to Section E: Capital Management.

4. Internal control system

EO Group has implemented an internal control framework that seeks to ensure compliance with all relevant regulatory and legal requirements. These requirements include meeting the standards contained within Article 46 of the Solvency II Directive, the rules contained within the PRA Rulebook, and FCA requirements under SYSC 3.1.1, which state that "a firm must take reasonable care to establish and maintain such systems and controls as are appropriate to its business”.

As illustrated in the previous section, the EO Group has a defined structure to identify, assess, report and control risks that may affect the business.

The internal control mechanism at the core of this structure is the ‘three lines of defence’ model described in the previous section and detailed further below.

First Line

The Board, certain Board Committees and Management Groups, underwriting divisions and corporate services (including EO Group Finance, Actuarial and Legal) collectively form the first line of defence in the risk governance structure as these functions have direct responsibility for the management and control of risk.

While the Board has ultimate responsibility for ensuring the existence of an appropriate system of internal control and risk management, senior managers in the Group’s business units will generally have delegated responsibility for:

- identifying and evaluating the significant risks faced by the EO Group and its Regulated Subsidiaries and presenting their conclusions to the Board
- designing and operating the system of internal control and risk management within the policies and parameters defined by the Board
- monitoring the effectiveness of the system and reporting to the Board

The key management groups and EO Group functions that form the first line of defence are further described below.

Management Groups

The key management groups in the first line of defence are:

- The Operations Management Group (OMG): Responsible for overseeing the delivery of cost effective and efficient support services to the business and ensuring that such services are fully aligned to business plans and risk strategy. The OMG monitors, reviews and reports on matters relating to outsourcing and the service performance level of suppliers both directly to the EO Group and indirectly through the QBE Group global contractual approach (whether provided by intra-group arrangements or from third party service providers). This oversight extends to key service areas including Central Underwriting Support, Claims Operations, Finance Operations, Data Management and Management Information, Human Resources, IT Services, Legal and Procurement.

  The OMG also has responsibility for confirming annually to the Board that the 'data', 'systems and IT', 'operational risk' and 'documentation framework' elements of the Internal Model are fit for the purposes of assessing capital requirements and, if appropriate, technical provisions; and additionally that there are adequate systems in place for identifying, measuring and mitigating the risks associated with data, systems and IT, operational risk and documentation framework in the model.
- The Underwriting Management Group (UMG): Responsible for reviewing and reporting to the EMB and Board on matters relating to underwriting strategy, underwriting performance and management, reinsurance arrangements and performance. Specifically, this includes developing and recommending strategy, reviewing performance and management of underwriting activity, overseeing the performance and use of distribution channels, Claims Management, Aggregate

Management, Reinsurance Management, Reinsurance and Underwriting Security, and approving/recommending the cessation of business/Legacy Business Management.

The UMG also agrees the annual plan of work for the Underwriting Governance and Delegated Underwriting Authority departments, monitors progress in achieving the those plans, receives updates on medium and high risk breaches and material trends, considers the findings of reviews undertaken by both departments and initiates remedial action where required. It also monitors the implementation of agreed recommendations, identifies areas of business risk as they emerge for incorporation into departmental plans and agrees key business controls including minimum underwriting standards and procedures made pursuant to policies.

The UMG also reports annually to the Board on matters relating to the appropriateness of elements of the Internal Model for the calculation of capital requirements and that adequate systems are in place for identifying, measuring and mitigating the risks associated with catastrophe/disaster scenarios.

- The Finance Management Group (FMG): Responsible for supporting the EMB in meeting its responsibilities with respect to the development, implementation and delivery of the strategy and business plans of EO Group and its regulated subsidiaries. The EMB also supports the Boards in meeting their responsibilities with regard to financial reporting and reserving.

  The FMG oversees and monitors the preparation of and the integrity of the Companies' and the Subsidiary Companies' financial reporting, including financial reporting to regulators and to QBE Group and the monitoring of financial reporting risks.

  In performing its duties, the FMG maintains effective working relationships with the Boards, the committees established by the Boards including the Audit Committee, Investment Committee, Risk & Capital Committee and EMB, and external and internal auditors.

- Brexit Steering Group (BSG): The role of the BSG is to provide oversight, direction and guidance to support the EMB and Boards in responding to the United Kingdom's exit of the European Union ("Brexit"), with the intention that the EO Group can continue to operate in Europe, with no material impact on EO Groups insurance operations and with EO Groups service commitments to European customers and other stakeholders continuing materially uninterrupted.

Shared functions

The key functions have Terms of Reference that embed the management and control of risk within day to day operations. The main roles of those functions are:

- Finance: responsible for the production of financial statements and pillar 3 reporting in compliance with legal and regulatory requirements and the provision of management information for decision making. The function ensures that, through a process of review and analysis, data reported is accurate, complete, appropriate and timely
- Actuarial: responsible for calculating the technical provisions required by the EO Group and its Regulated Subsidiaries. The function ensures methodologies and assumptions are appropriate for each line of business within which the EO Group transacts, and that data used is sufficient and of appropriate quality
- Legal: responsible for providing legal support to all business areas, including the management of associated legal risk. The function provides review and advice to other functions on matters including facility and service contracts, IT and e-commerce

agreements, procurement and supply contracts, disputes, litigation management, regulatory matters, and policy issues

Second Line

The RCC and its sub-groups (the RCG, CRG and CMG), the Enterprise Risk Management function and other control functions such as the assurance components of Compliance and Underwriting Governance form the second line of defence in respect of risk governance. They are collectively responsible for the co-ordination, facilitation, oversight and challenge of the effectiveness and integrity of the Framework.

Enterprise Risk Management (ERM)

The ERM function assists in the effective operation of business units and maintains an entity-wide view of risk profile. For the Board and the governance committees it also monitors and provides focused reporting on risk exposures and advice on risk management matters, including strategic, insurance, credit, market, liquidity, operational and group risk.

The ERM framework and the underlying Risk and Control Assessment process provide further structure to the risk and control framework and ensures that risks identified have in place appropriate controls and designated owners. Key feature of the process include:

- Formal review of risks and controls and control effectiveness assessments by control owners
- The on-going requirement for designated owners to identify material control issues
- An overall control assessment of the control environment for each risk. These are validated by the appropriate committee and used as key inputs into the Divisional level risk assessment process
- Identification and implementation of control improvements where appropriate

Compliance

The Compliance function provides assurance to the Board that relevant regulatory and legal requirements are being met through monitoring activities, knowledge of the business and regular reporting to governance forums. Further details of the way in which the Compliance function is implemented across the EO Group are provided on the following pages under ‘The Compliance Function’.

Underwriting Governance (including Delegated Underwriting Authority)

The Underwriting Governance Department reports to the Chief Underwriting Officer and undertakes a comprehensive program of reviews and monitoring to ensure that underwriting is conducted in an appropriate manner to deliver agreed business plans, uphold Minimum Underwriting Standards and fulfil all internal and external regulatory obligations.

Third Line

The Audit Committee, External Audit and Internal Audit form the third line of defence in respect of internal control and risk governance by providing independent assurance and challenge across all business functions (including the second line of defence) regarding the integrity and effectiveness of the Internal Control Framework.

Internal Audit

The Internal Audit function is primarily responsible for delivering independent and objective control assurance activity and evaluating the adequacy and effectiveness of the internal control system.

Internal Audit is a group-wide function that operates on a globally integrated basis and the divisional Head of Internal Audit reports functionally to the Audit Committee and QBE Group Head of Internal Audit. This ensures the function is fully independent and it has no responsibility for developing or implementing procedures or systems, except for those related to internal audit.

Internal Audit does not prepare records or engage in original line processing functions or activities and has full, free, and unrestricted access to all QBE activities, records, property and personnel.

The key issues and themes arising from Internal Audit reviews are routinely disclosed to the Audit Committee and senior management.

All Functions

In addition to the range of control features integrated into the EO Group's methods, functions and processes, the EO Group can also rely upon its staff to operate within the Internal Control Framework, within which additional controls and features include:

- A business-wide system of Delegated Authorities (Underwriting, Non-Underwriting and Claims)
- A series of core internal policies and procedures
- Documentation detailing business processes
- Terms of Reference for key functions
- Governance maps to show clearly the relevant decision making forums and governance structure, illustrating reporting lines and responsibilities
- Business Performance and Reporting mechanisms
- Intranet sites and other business forums outside the official corporate governance structure

The Compliance Function

The Compliance function consists of three dedicated teams (Regulatory and Assurance; Sanctions and Licensing; and Compliance Monitoring) and reports through the Compliance Director and Senior Compliance Manager (Monitoring) to the Chief Risk Officer. Collectively, these individuals are members of, and/or report to, the Board and key control committees. They have direct and unfettered access to any member of the Board, senior management and Committees.

The core objectives of the function are set out in the functional Terms of Reference and include:

- Promoting a robust and consistent compliance culture throughout the business including through on-going training and awareness
- Providing assurance to the Board that relevant regulatory and legal requirements are being met through monitoring activities, knowledge of the business and regular reporting to governance forums
- Monitoring regulatory developments and co-ordinating and supporting business responses to proposed regulatory changes

- Developing and embedding a framework of policies and procedures designed to support business practices, promoting ethical standards and ensuring regulatory and legal requirements are met

The function has a defined Compliance Policy. The Policy outlines the EO Group's approach to compliance and defines the roles and responsibilities of the Boards, senior management, the Compliance function and business units in achieving a positive compliance culture and effective compliance management. Specifically, the policy details the core day-to-day role of the Compliance function which includes but is not limited to:

- Developing, in conjunction with business units, a framework of policies and procedures to support business practices, promote ethical standards and ensure legal and regulatory compliance
- Developing, or assisting in the development of, educational and training programs to promote a positive compliance culture and a greater awareness and understanding of the importance of compliance and the EO Group's legal and regulatory obligations
- Providing advisory assistance and support to business units regarding the interpretation and impact of, and compliance with, relevant legal and regulatory requirements and obligations
- Implementing an annual Compliance Monitoring Plan (which is approved by the RCC) to test and challenge the on-going suitability and effectiveness of controls across all relevant risks and business areas
- Maintaining and monitoring adherence to a diary system for internal and external reporting deadlines
- Monitoring regulatory developments and co-ordinating and supporting the business response to proposed regulatory changes
- Maintaining open and co-operative relationship with regulators and undertaking pro-active liaison
- In conjunction with other EO Group control functions, conducts a program of monitoring to challenge and test the effectiveness of internal controls
- Monitoring, assessing and reporting regularly on regulatory risks (via the established Risk and Control Assessment process)
- Ensuring that regular compliance management information is supplied to the Board and senior management to enable them to form a reasonable view of the standards of compliance across the business, know whether any material trends or issues have emerged and require redress, and be aware of any regulatory developments that may affect the business

Further specific objectives are also established by the Compliance function annually using a risk-based approach. These are detailed in the annual Compliance Plan and Compliance Monitoring Plan which are reviewed and approved by the RCC and Board. This identifies the key risks that the Company is likely to experience over the coming year and any changes to the function created by specific regulatory developments.

The Board has also asserted its commitment to ensuring that all compliance staff are "trained and competent to enable the function to carry out its objectives". Details of individual member's knowledge and experience are included in the annual compliance plan and competency is routinely assessed and monitored through the internal Performance Management Process (PMP).

In addition to active engagement with market bodies such as the ABI, IUA and LMA as a means of identifying potential areas of change, members of the function regularly participate in conferences, workshops and forums on specific legislative/regulatory developments. The function also routinely monitors legal and regulatory information sources, consultations and official publications to inform risk assessments/gap analyses against proposed changes, co-ordinating and supporting the business response.

The Compliance function has also been designated responsibility for contributing to the assessment and management of 'Improper business practice', 'internal fraud' and 'external fraud' risks on behalf of the Board and works with a number of other key assurance functions including Internal Audit, Legal, Underwriting Governance, ERM and Delegated Underwriting to ensure all significant areas of regulatory risk are addressed.

There is an established issue reporting process and guidelines on the identification and reporting of breaches of compliance policies. The reporting requirements include the timely escalation of issues to appropriate senior management or governance bodies at EO Group level. The Compliance Director further escalates all material issues to the Board and supervisory body through his regular discussion with the lead supervisors.

The EO Group's governance structure includes the Compliance Monitoring Group (CMG), which supports the RCC in providing co-ordinated oversight and monitoring of the EO Group's adherence to the Compliance Framework. Key responsibilities include:

- Consideration of new policy requirements and management of existing policies within the Compliance Framework
- Review of relevant policy related management information and reports
- Recommendation of the annual Compliance and Monitoring Plans to the RCC
- Review of Compliance breach and incident reports
- Agreement and recommendation to the RCC of the Conduct Risk Framework
- Consideration of relevant Compliance owned risk dashboards including those addressing improper business practices, internal fraud and external fraud

The Conduct Risk Group (CRG) is another key management group of the RCC and is responsible for identifying, assessing, mitigating and overseeing Conduct Risk. Key responsibilities include:

- Monitoring high product risk (HPR) areas of the business and providing proportionate and fair challenge in respect of the effects of that business, including:
  - The long term consequences of decisions around HPR areas
  - The need to foster business relationships with suppliers, customers and others
  - The impact of the business on the community and the environment
  - The maintenance of the EO Group's reputation for high standards of business conduct
- Assessing the conduct risk inherent in the Group's products and distribution methods and whether mitigating controls and oversight are appropriate
- Reviewing new products and conducting annual HPR product reviews
- Designing and providing effective management information around conduct risk within the EO Group
- Reporting to the RCC on the design and effectiveness of the EO Group's conduct risk framework
- Reviewing regulatory developments in relation to conduct risk

5. Internal audit function

QBE operates a global internal audit function. The function provides independent assurance that the design and operation of the controls across the QBE Group are effective. The internal audit function operates under a written charter from the Audit Committee, a charter which the Company and EO Regulated subsidiaries have adopted.

The primary role of QBE Group Internal Audit (GIA) is to assist the Board of Directors and senior management in the discharge of their responsibility for the sound and prudent management of QBE. The scope of internal audit is regularly reviewed by the Audit Committee.

The QBE Group Head of Internal Audit is responsible for the GIA and reports functionally to the Audit Committee. The GIA is a group-wide function that operates on a globally integrated basis. The GIA comprises the QBE Group Head of Internal Audit and all of their direct reports. The QBE Group Head of Internal Audit proposes the establishment of a team which has the skills, knowledge and experience to fulfil internal audits responsibilities and ensure the application of due professional care which is expected of a reasonably prudent and competent internal auditor.

GIA's scope is to evaluate and contribute to the improvement of governance, risk management, and control processes. Details of work which may be performed in each of these areas are given below:

- Evaluating the adequacy and effectiveness of the risk management framework
- Evaluating management's assessment of risk exposures relating to QBE's governance, operations, and information systems regarding the:
  - reliability and integrity of financial and operational information
  - effectiveness and efficiency of operations and programs
  - safeguarding of assets
  - compliance with laws, regulations, policies, procedures and contracts
- Evaluating the adequacy, effectiveness and efficiency of controls in responding to the above risk exposures
- Evaluating the potential for the occurrence of fraud and how QBE manages fraud risk

The types of audit activities undertaken by internal audit for the Company are shown in the table below:

Type of Activity	Description
Controls Evaluation	Risk based activities which are planned to assess the key risks and the effectiveness of the key controls in operation.
Follow up audits	Follow up procedures based on a previously issued report or matters. The primary purpose is not to reassess the controls, but to consider whether matters previously reported have been addressed in accordance with the agreed management action plan.
Agreed Upon Procedures	Activities which are undertaken in accordance with an external requirement, often performed in accordance with regulatory requirements.
Health Check	High level review over the key controls and risk management strategies in place.
Project Audits	Assurance activities on change and other initiatives undertaken by the organisation to consider the approach taken to assess, manage

	and monitor the risk of organisational change.
Special Investigation	Projects and investigations undertaken at the request of management. May be as a result of control failure, error, fraud or other loss.
Advisory	Assignments where the advice or specialist skills of the internal audit function can add value to a management activity. Work is limited to providing input and consulting services as operational management remain responsible for controls design and implementation.

Independence

Independence is essential to the effectiveness of the internal audit function. Internal audit activity must be independent, and internal auditors must be objective in performing their work. Internal auditors must have an impartial, unbiased attitude and avoid any conflicts of interest. The GIA has no direct authority or responsibility for the activities it reviews. GIA has no responsibility for developing or implementing procedures or systems, except for those related to internal audit. It does not prepare records or engage in original line processing functions or activities. The GIA reports functionally to the Audit Committee. The QBE Group Head of Internal Head reports to the Audit Committee at least annually on the organisational independence of the internal audit activity.

6. Actuarial function

Overview

As with many functions in the EO Group, the Actuarial Function does not relate to a specific entity but is a centralised function that provides actuarial services for all entities within the EO Group.

At the core of all actuarial work, mathematical techniques are used to interpret the data that is available. This is collated from a wide variety of sources both internally and externally, including underwriting, claims, reinsurance and financial data.

The role of the Actuarial Function is defined in formal terms of reference. This document clearly outlines what areas of the Actuarial Function are performed by the EO Group's actuarial department as others are performed elsewhere in the operation.

The Actuarial Function is free from the external influence of other functions within QBE and the formal terms of reference ensure that reserving analysis is performed independently of Underwriting decisions, which enables objective review and challenge.

Data Self-Assessments

In support of all primary activities, and to provide additional assurance in the completeness, appropriateness and accuracy of all input data received and all data outputs produced, the Actuarial Function will perform data self-assessments in accordance with the Data Policy. This will carried out bi-annually. Results of the data self-assessment, including any issues identified, will be reported in accordance with the standard data management processes.

Validation

As a further layer of assurance in its processes, controls and outputs, the Actuarial Function will perform an annual validation of its activities, typically utilising validation tools such as:

- Reviews of evidence
- Reviews of assumptions
- Benchmarking
- Back-testing
- Sensitivity testing

Internal Business and Governance Forums

Members of the Actuarial Department are members of the relevant internal management and governance forums including:

- Finance Management Group (FMG)
- Disclosure Management Group (DMG)
- Data and MI Steering Group
- Business Planning Steering Group
- Rate Adequacy Working Group
- Capital Model Technical Group
- Emerging Risks Group
- Reserve Working Group (RWG)
- Major Loss Review Group
- Claims Technical Group
- Legacy Business Group
- QBE EO reinsurance Group
- Data Management Group
- Various management meetings such as divisional and claims business meetings
- Attendance and presentations at a number of formal committees of the Boards including the Audit Committee and RCC

The EO Group and its regulated subsidiaries do not provide direct feedback on the activities of the Actuarial Function, rather feedback is provided through Committees of the Board (Audit Committee and RCC as above).

Internal Audit

All departments that form the Actuarial Function will be subject to regular internal audits to ensure that the appropriate governance and processes are followed in their operation.

Independent External Review of Reserves

External actuaries are contracted annually to provide an independent reserve review on a central estimate basis. The results will be compared to the EO Group reserve results and differences discussed. Major differences will be referred to the Reserving Working Group, Finance Management Group and relevant Board sub-committee. External actuaries also review the reserves during the external audit process.

7. Outsourcing

The EO Group has an established Board approved Outsourcing Policy. The Policy is regularly reviewed and updated where appropriate. The policy details the Group's principles of outsourcing, delineates responsibilities according to business function, provides guidelines regarding the maintenance of the outsourcing register, and sets out the process and requirements for reporting to QBE Group in alignment with the wider QBE Group policy.

The Policy establishes criteria for the recording and management of critical and important outsourcing arrangements, but also requires that the same core principles be applied to all outsourced relationships.

In particular, the Policy states that "the outsourcing of critical or important operational functions shall not be undertaken in such a way as to lead to any of the following:

- Materially impairing the quality of the system of governance
- Unduly increasing the Group's operational risk
- Impairing the ability of the supervising authorities to monitor the compliance of the EO Group with its obligations
- Undermining continuous and satisfactory service to policyholders

It also establishes obligations around the periodic review of all outsourced arrangements, which will differ according to the nature, scale and scope of those arrangements. The policy requires that that appropriate systems and controls should be in place to manage the outsourcing risk, and sets criteria for the inclusion and monitoring of material contracts on the outsourcing register.

A separate Policy is also in place in respect of Delegated Underwriting/Coverholder arrangements. This details the required due diligence and on-going monitoring of delegated underwriting arrangements, including assessment of the Coverholder's competence and suitability, regulatory standing and financial strength.

The Procurement function operate a quarterly process to monitor implementation of any key outsourcing agreements and an agreed process and SLAs are in place between Compliance and Procurement to manage quarterly updates to the outsourcing register.

Critical or important outsourcing

A number of critical or important functions and activities are performed on the Group's behalf by third party providers in accordance with the requirements and principles set out in the Outsourcing Policy:

- Various class of business specific claims handling and loss adjusting services (including investigation and rehabilitation case management). These providers are delegated authority to manage claims on the Group's behalf and operate predominantly in the following territories:
    - Australia
    - Canada
    - The European Union

  - United Kingdom
  - United States
- IT services, including Disaster recovery, IT hosting and data centre services, Infrastructure and operational services, specialist software provision. These providers are predominantly located in the United Kingdom, though some infrastructure support services are located in India

Various functions are also outsourced within the QBE Group to a shared services centre located in the Philippines. The principal activities are:

- Certain limited claims administration and processing functions
- Financial processing (including basic analysis, internal reporting and administrative reconciliation activities)
- Insurance Administration (including data entry, bordereaux support and some credit control processing)
- Human Resources (including Service Desk support, joiner/leaver processes and lifestyle changes)

In addition, various intra-group outsourcings are implemented in accordance with the Group Services Governance Framework. In all cases the Group's Outsourcing Policy is applied in full to ensure a robust contractual framework is put in place:

- Information Technology services (consisting of Infrastructure services and the IT & Change function) are provided by the QBE Global IT function, with employees and infrastructure physically located within QBE EO. This intra-group outsourcing is governed by the Group Master Services Agreement and is subject to formal on-going oversight by the QBE EO Chief Operations Officer and OMG, with established SLAs and regular performance reviews
- Treasury services are provided by the QBE Group Treasury function, with key employees physically located within QBE EO. These services are also within the scope of the Group Master Services Agreement, with SLAs in place and formal oversight provided by the QBE EO Chief Financial Officer and FMG
- Investment management services are outsourced to the QBE Group Investments Division based in Australia. These are governed by a formal investment management agreement and are subject to on-going oversight by the European Operations Investment Committee (EOIC)

Delegated Underwriting Authority (DUA) Arrangements

The EO Group also operates a worldwide network of coverholders which are delegated authority to underwrite business on the Group's behalf. The primary sources of delegated authority business are:

- Australia
- Canada
- The European Union
- UK
- United States

All delegated underwriting arrangements are subject to extensive on-going oversight and a risk-based control framework which includes extensive due diligence, risk assessment and the on-going audit and review of coverholder conduct and operations.

8. Any other information

None noted.

Section C: Risk profile

The EO Group is exposed to various risks and uses a number of methods and techniques to identify, assess, evaluate and mitigate these risks. The main categories of risk are detailed below. To address these, the EO Group uses a number of risk mitigation techniques, as described in section B.

1. Insurance risk

Insurance risk is modelled as three separate elements; risk around the proposed underwriting year (underwriting risk), risk around the balance sheet earned reserves (claims provision) and risk around the balance sheet unearned reserves (premium provision). Each of the risk elements is detailed below.

Underwriting risk

Underwriting risk is the risk that the premiums received for the business written in the year following the model date will not be sufficient to cover future claims and related costs arising from that business. The risk is modelled separately for each class of business and involves an assessment of the following sources:

- The *underwriting cycle and the potential for business to be written at inadequate rates*. This has been based upon the submitted business plans and makes allowance for variability. The data has been reviewed by experts within the business
- The *potential for losses in excess of the business plan* caused by a difference between the frequency and value of assumed claims compared to the frequency and value of actual claims (including inflationary trends). The losses have been split between:
- Attritional losses.

  Historical experience combined with expert judgement is used to parameterise the potential distribution of outcomes
- Large losses.

  The frequency and severity of large loss distributions are modelled separately. The volatility is based on past experience with an overlay of expert judgement
- Natural catastrophe losses.
- Catastrophe losses are modelled using a third-party catastrophe model combined with QBE's exposure profile. An uplift for catastrophe exposure not catered for by the third-party model is also applied
- Reinsurance risk mitigation. Gross large and catastrophe claims are modelled explicitly and are passed through the reinsurance structure. The capital model uses the reinsurance structures that are currently in place to capture both the reinsurance recoveries due and reinstatement premiums payable from the modelled gross losses
- Commission and expenses. Commission and expense assumptions are aligned to the business plan

Catastrophe

EO Group has material exposure to natural catastrophe events. Extensive monitoring of aggregates and reinsurance are in place to control this risk.

A variety of methodologies are used to monitor aggregates and manage catastrophe risk on a gross and net basis.

Methodologies include:

- The use of catastrophe models from third party vendors such as RMS
- Realistic disaster scenarios (RDS) - which may be property related events (e.g. windstorms and earthquakes), but can also be liability based events such as a collapse in the housing market
- The QBE Group aggregate methodology (GAM) - used to asses cat risk in regions of the world that EO Group do not have a licenced cat model to allow consideration of potential losses from these regions

The output of each is monitored and measured against internal limits. This risk is reviewed at a summary level via the Exposure Management risk dashboard. In addition, catastrophe risk is reviewed at QBE Group level via the Group Aggregate Management Committee (GAMC).

Claims provision risk

Claims provision risk is the risk that the outstanding claims provisions established are insufficient to cover the future claim payments and associated expenses for loss events which occurred before the balance sheet date. Claims provision risk is modelled separately for each class of business.

To calculate the risk around earned the provision, historical paid and/or incurred triangulations have been analysed using a variety of statistical methods, such as:

- Bootstrapping
- Mack
- Hertig

These statistical techniques are used to project historical variability into the future. A number of adjustments based on expert judgements are then applied to take account of the following risk factors:

- Internal systematic risk, such as data issues
- External systematic risk, such as claims inflation and legislative changes

The EO Group takes account of, and ensures consistency with, the QBE Group capital allocation model and also makes use of other data available across the QBE Group where that data can improve the accuracy of the variability measure.

The opening reserves used with the capital model are consistent with the technical provision as at the balance sheet date.

Premium provision risk

Premium provision risk is the risk that the premium provisions established are insufficient to cover the future claim payments and associated expenses for losses which occur on the unexpired exposures. Premium provision risk is modelled separately for each class of business. The volatility parameters are derived from the total claims distribution from the underwriting risk section of the model.

2. Market risk

QBE defines market risk as the risk of fluctuation in the value of investments due to movements in market factors. The Group's exposure to market risk arises from movements in investment markets and foreign exchange rates.

Market risk modelling assesses the variability in asset returns, changes in asset values and changes to exchange rates over either a one-year period or a 'to-ultimate' timeframe. The calculation over the one-year period also includes the impact of the change in the discount on the Solvency II balance sheet between the opening and closing liabilities.

The EO Group adopts relatively conservative investment strategies with the vast majority of assets held in cash equivalents, floating rate notes, government bonds and corporate bonds. The duration of bonds is usually less than three years and the average credit quality is high.

The risk of loss due to default of corporate bonds is considered a market risk. Volatility of the returns on the assets held in the pension fund is considered in the section on pension risk.

The key part of market risk modelling is an Economic Scenario Generator (ESG). The ESG simulates different investment returns for a variety of different asset types and takes account of varying durations and inflation rates (both CPI and wages). QBE uses a market-leading third party ESG. A significant amount of work is undertaken by the EO Group to assess and validate the ESG to ensure it is fit for purpose for the Group and the companies within the EO Group. This includes making certain overrides to some of the assumptions included within the ESG.

The split of assets held by asset type, on which the current capital assessment is based, for the Group, QIEL and QBE Re, are disclosed in the balance sheet reporting templates (Appendix A).

Prudent person principle

The EO Group has a defined approach, risk framework and governance process around the Prudent Person Principle, a principle which states that investments should only be made on behalf of clients that are consistent with the investment decisions that a 'prudent person' would make. The Group's policies are consistent and compliant with this rule.

Restrictions on investments which are set out in specific investment guidelines are primarily based on the PRA's Rulebook and guidance in Supervisory Statements, which gives a sound framework for a prudent approach. Occasionally the EO Group has applied more conservative limits where this is deemed necessary to better align with risk appetite.

Process

The Boards of the EO Group delegate their authority to the EOIC, which is comprised of knowledgeable individuals, including at least one non-executive director, to make recommendations to the Boards as to the appropriate investment policy and guidelines for the EO Group and to take responsibility for the day-to-day implementation and monitoring of the agreed strategy. All material investment strategy decisions are reserved for the Boards based on recommendations from the Committee.

Day-to-day management of the investment portfolio is outsourced to specialist investment managers, QBE Group Investments, who are responsible for investing the Group's assets. Appointment is formalised in an Investment Management Agreement, which states the terms and conditions applying to the management of company assets including compliance with the Investment Guidelines and Restrictions.

The Investment Guidelines and Restrictions address market and credit risks; and are based on local regulatory requirements to ensure that principally all investment assets are admissible for solvency under the Solvency II Directive, the PRA Prudential Rulebook, Supervisory Statements and, where applicable, article 14 of the New York Insurance Department Regulations and the (Canadian) Insurance Companies Act.

The Investment Guidelines and Restrictions, which reflect the Group's strategy, permit the investment manager to procure assets on the basis that they comply with asset specific requirements, such as issuer, credit and asset type constraints. The guidelines and restrictions include detailed limits by asset type, which are aligned to PRA and local regulations, or where appropriate are more restrictive. Derivatives are used for efficient portfolio management and risk reduction purposes and are not permitted within the guidelines for speculative investment.

The Group's current investment strategy is to hold shorter duration assets compared to liability durations to mitigate interest risk. However, duration strategy may change in the future to more closely align assets with (re)insurance liabilities. The average portfolio credit quality for the company's portfolio is AA.

Under the terms of the Investment Management Agreement the Investment Manager is required to adhere to the Investment Guidelines and Restrictions and have the systems in place to monitor the portfolio's compliance with them, reporting any breaches as they occur. Independently, the EO Group obtains portfolio analyses at the level of individual securities every month end and performs its own tests for compliance. Based on the output findings and the compliance reports from the Investment Manager, a monthly compliance report is sent to the EOIC.

In the event of a breach of the terms, the investment manager is expected to immediately contact the EOIC to ascertain whether or not to effect immediate action to resolve the breach, or whether the EOIC will issue a waiver with additional clauses. Waivers are only issued where the additional risk is deemed acceptable and in doing so does not conflict with local regulatory requirements. Where waivers are issued, the breached holdings are monitored against any revised requirements and reported to the EOIC. Waivers are reviewed and re-issued each quarter subject to the approval of the EOIC via delegated authority from the Board.

The EO Group utilises the expertise of the investment manager in assessing the credit risk of counterparties in which to invest. Credit assessment reports will include detailed information obtained from credit rating agencies, primarily S&P. Exposures through derivatives are included when calculating the Group's overall exposure to a counterparty.

Absolute counterparty limits are set for Treasury balances. Treasury financial instruments with the exception of Letters of Credit (LOC) are recorded in the Treasury Management System (TMS), Kyriba. Counterparty exposure details are fed from Kyriba and combined with investments into a central reporting system, QBE Group Investments, Investment Data Warehouse (IDW), which reports total global exposures to QBE's banking group. Exposure to foreign exchange derivatives and LOC are reported in IDW. In addition, there are specific settlement limits in place for foreign exchange derivatives relating to volumes executed with the QBE Treasury banking group.

The QBE Treasury team monitors all counterparty exposures on a daily basis and also carries out a pre-deal check of limits.

Risk dashboards within the ORSA link risks across the Group, including in respect of liquidity, capital and investment risks. In addition, all reports from business areas outlining identification and management of individual risks are reported and assessed by QBE committees, in particular the Investment Committee and the RCC.

Risks associated with Asset Liability Management are managed through the Economic Capital Model process, which calculates the capital requirement for the liabilities and assets of the EO Group based on the inter-dependencies of the insurance risk, market risk, credit risk, liquidity risk and operational risk to which the Group's assets and liabilities are exposed. Various scenarios are assessed as part of the determination of the appropriate level of capital.

An input into the Economic Capital Model is the actuarial assessment of the payment pattern of liabilities for each portfolio within each entity within the Group. These are monitored and formalised by the EO Group FMG. Whilst there is not an explicit link to the investment strategy, the current focus is on investment grade quality bonds which can be liquidated within three days from request to QBE's internal asset management division.

Derivatives are only used for risk reduction purposes or for efficient portfolio management to reduce interest rate risk, foreign exchange movements and equity price movement, the restrictions on use are outlined in the Group's Investment Guidelines and Restrictions. They are not used for speculative purposes and must be fully covered. Derivatives may be used to reduce or increase exposure as an alternative to transacting in the underlying securities, but such use must not result in gearing of the fund. Derivatives are recorded by EO Group at a gross level and performance of the derivatives is included in reports submitted to the EOIC on a monthly basis. Ultimately, the success of the derivatives is preserving the value of the investment portfolio against adverse movements in markets. The exception is foreign exchange where the Group's investment strategy is to eliminate foreign exchange gains and losses.

Application of the prudent person principle to market risk

The Group's investment philosophy is to protect the value of capital with a focus on gaining exposure to assets that are capable of producing a consistent and recurring flow of income over time, that also meet internally-set targets.

The EO Group mitigates the level of market risk using the following:

- Active asset management
- Diversified portfolio
- Use of derivatives for efficient portfolio management

The Enterprise Risk Management (ERM) function reports on the adherence to the market risk appetite statements to the RCC on a quarterly basis as part of the ORSA process.

The CFO reports the following information to the EOIC on a quarterly basis:

- ESG modelled risk evaluation and probability of scenario outcome under certain stress tests via risk dashboards
- Detailed investment performance and market information including modified duration, spread duration, return versus business plan at an asset class level, asset distribution data and compliance versus the Group's Investment and Regulatory Guidelines

Investments

EO Group's asset holdings are relatively diverse by asset provider, asset type and currency. The maximum exposure to a single counterparty (excluding sovereign debt) is less than 5% of funds under management.

The EO Group's Investment Guidelines and Restrictions identify issuer constraints for fixed income securities and each of the growth asset classes introduced through the strategic asset allocation model. These limits focus on the counterparty itself as well as the ultimate counterparty, credit quality and overall asset class.

Limits are monitored on a day-to-day basis by the fund manager; a breaches memo is produced and sent to the Group from the Group Investments Risk and Compliance department each month. An escalation process is in place to ensure that any investment breaches are subsequently communicated to the Group's Investment team who are then responsible for investigating the breach on behalf of the Group's Investment Committee. On a monthly basis, the EO Group Investment function verify compliance within investment portfolios. A summary compliance report is circulated each month to the EO Investment Committee and related interested parties.

The Group's guidelines with respect to fixed income securities and growth assets are aligned to PRA regulations. Growth asset exposure is aligned to Board appetite and approved Board exposure limits. These limits are set using market and capital criteria e.g. maintaining a realistic margin of capital, liquidity considerations and related risk / reward ratios. It is usual to seek PRA 'No Objection' clearance when introducing major changes to the asset allocation model and this will include sharing proposed limits.

Approximately 88.9% (2016 96.7%) of the EO Group, 87.4% (2016 96.7%) of QIEL and 92.4% (2016 96.2%) of QBE Re's total fixed interest and cash investments are with counterparties having a Standard and Poor's rating of A or better.

Whilst no specific industry sector restrictions are applied by the Group, concentration is monitored at the Group level via a Market Risk dashboard which is submitted to the EO Investment Committee on a quarterly basis.

The QBE Treasury function monitor treasury managed assets against a counterparty limit report on a daily basis.

Foreign Exchange

The largest foreign currency exposure for the EO Group and QIEL is to the US Dollar and the Euro for QBE Re. Forward foreign exchange derivatives are in place to hedge the exposure to foreign currencies.

A report on the foreign exchange position of the EO Group is provided by the CFO on a quarterly basis through the CFO FX Memo to the FMG. This report outlines movements in foreign exchange and the corresponding impact on operational results and the foreign exchange translation reserve (FCTR). The report also outlines major currency exposures.

3. Credit risk

Credit risk is the risk that losses will arise in respect of either reinsurance recoveries, due to default by a reinsurer, or premiums, due to default by a broker. The credit risk arising from reinsurer defaults is much more material than the credit risk arising from broker defaults. Losses arising from the default of corporate bonds are considered in the market risk section.

Reinsurance credit risk

Credit risk arising from potential default by reinsurers is modelled to consider the likelihood of default on both existing and future reinsurance recoveries.

- Credit risk on reinsurance recoveries arising from future business. The capital model considers each individual layer on each programme in force and it is possible to calculate the aggregate reinsurance recoverable attributed to any one reinsurer. Credit risk ratings are applied to each reinsurer and assess the probability of default over time. The default probabilities are correlated, so one reinsurer defaulting makes it more likely that other reinsurers will default. There is also a link between the catastrophe losses incurred by the entire EO Group and the default probabilities, making it more likely for reinsurers to default when there is a large natural catastrophe
- Credit risk on the existing reinsurance asset. The model includes the amount of reinsurance recoveries due from each reinsurer. Combining this with the payment patterns for each class enables, at any point within the model, the calculation of the aggregate reinsurance recoverable attributed to any one reinsurer assuming a constant proportion of recoverable with each reinsurer is maintained. The modelling of potential credit risk then follows the same approach as for future reinsurance

recoveries above. Thus if a reinsurer defaults the impact on both the current reinsurance asset and the future recoveries can be modelled

As at 31 December 2017, 43.3% (2016 40.9%) of the EO Group reinsurers' share of claims outstanding was with QBE Group's captive reinsurer Equator Re and 95.7% (2016 92.0%) of the remaining balance is with reinsurers with an S&P rating of A- or greater. The EO Group holds letters of credit as security to mitigate credit risk exposure to reinsurers. At 31 December 2017 the EO Group held £338,433k (2016 £337,768k) as collateral against credit risk.

As at 31 December 2017, 45.3% (2016 42.5%) of QIEL reinsurers' share of claims outstanding was with QBE Group's captive reinsurer Equator Re and 97.0% (2016 92.7%) of the remaining balance is with reinsurers with an S&P rating of A- or greater. QIEL holds letters of credit as security to mitigate credit risk exposure to reinsurers. At 31 December 2017 QIEL held £314,310k (2016 £311,064k) as collateral against credit risk.

As at 31 December 2017, 28.7% (2016 25.5%) of QBE Re reinsurers' share of claims outstanding was with QBE Group's captive reinsurer Equator Re and 88.2% (2016 86.6%) of the remaining balance is with reinsurers with an S&P rating of A- or greater. QBE Re holds letters of credit as security to mitigate credit risk exposure to reinsurers. At 31 December 2017 QBE Re held €27,018k (2016 €29,909k) as collateral against credit risk.

Premium credit risk

The approach to modelling broker credit risk is very similar to the approach used to model reinsurer credit risk. The brokers are initially divided into groups, default probabilities are selected for each group, loss given default distributions are selected and the resulting credit losses are simulated.

Risk appetite and mitigation

EO Group has an appetite for credit risk to the extent that accepting this risk allows it to optimise the risk-adjusted return. EO Group has limited appetite for large losses from counterparty failures.

EO Group mitigates credit risk using the following:

- Exposure limits for approved counterparties in relation to deposits and investments
- Maximising placement of reinsurance with highly rated and regarded counterparties and limiting concentration of exposures
- Regularly monitoring exposure to investment counterparties against limits set out in the Group Investment and Regulatory Guidelines
- Regular counterparty monitoring trough dedicated systems and procedures to manage and control exposure to reinsurance counterparties
- The monitoring on an on-going basis of first loss exposure and Realistic Disaster Scenario (RDS) by reinsurer and (Reinsurance debtors and recoveries) RIDAR
- The monitoring on an on-going basis of external ratings and QBE Group ratings and updating as appropriate. A formal quarterly review of ratings is also conducted by the QBE Group Security Committee
- The management of counterparty concentration risk by referring to guidelines set down by the QBE Group Security Committee (GSC). Any use of a reinsurer outside of the guidelines must be approved by the GSC prior to use, any unapproved use of a reinsurer is reported to both local and Group Boards
- The use of a reinsurance reporting system to monitor and report on the concentration of risk. The system holds details of all reinsurances purchased by the QBE Group from

2003 onwards and enables EO Group to identify the maximum cumulative exposure to each single reinsurer

- The holding of collateral in respect of specific exposures. Total collateral held by EO Group and its regulated subsidiaries is:
  - QBE EO: £395m
  - QIEL: £339m
  - QBE Re: €63m
- The regular review of receivables, the collectability of those debts, and the adequacy of associated impairments. Outstanding premium debtor balances are monitored by credit control teams on a monthly basis, as a minimum. Concentration risk is also monitored for large brokers
- The monitoring of broker balances on the basis of uncollected debt and debt outstanding in excess of six months. Debt over three months is pursued at an individual item level. Specific bad debt provisions are considered and applied to aged debts in accordance with QBE Group policy. Brokers are also subject to due diligence

4. Liquidity risk

The EO Group defines liquidity risk as the risk of insufficient liquid assets to meet liabilities, as they fall due, to policyholders and creditors.

The EO Group ensures that sufficient investments are held in liquid, short-term money market securities to ensure that there are liquid funds available to meet obligations to policyholders and other creditors, as they fall due.

In addition, there is a continual flow of inward premiums. Further, capital is held to cover unforeseen adverse situations. Hence, liquidity risk is considered to be small.

At 31 December 2017, the average duration of cash and fixed interest securities was 1.2 years (2016 1.2 years) for the EO Group, 1.5 years (2016 1.6 years) for QIEL and 1.6 years (2016 1.9 years) for QBE Re.

The EO Group mitigates liquidity risk using the following:

- Holding appropriate levels of liquid, short term securities
- Reporting the results of liquidity stress tests on a regular basis to the FMG through the Liquidity Risk Dashboard
- The production of cash-flow statements by the Treasury function
- Regular monitoring of the ratio of liquid assets to liabilities is undertaken via the Group's Risk Appetite Statement, the output of which is reported to the Investment Committee and RCC on a quarterly basis

The Company calculates the expected profit in future premiums (EPiFP) by projecting the expected future net (excluding contractually obliged reinsurance) profits directly. This is carried out separately or each actuarial reserving class and only profit-making classes are taken into account.

The expected profit in future premiums for EO Group and the regulated entities is:

EO Group:	£292,444k
QIEL:	£186,271k
QBE Re:	€119,453k

Results of liquidity stress tests are reported on a regular basis to the FMG through the Liquidity Risk Dashboard.

Regular monitoring of the ratio of liquid assets to liabilities is undertaken via the Group's Risk Appetite Statement, the output of which is reported to the Investment Committee and RCC on a quarterly basis.

5. Operational risk

The Group defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risk. The Group's exposure to operational risk arises from internal and external fraud, employment practices, improper business practice, technology and infrastructure failures, and business and transaction processing.

Operational risk is a significant risk in the capital model, albeit one that is notably less than underwriting and reserving risks.

Operational risk is of similar magnitude to credit risk and is modelled using the following seven sub categories:

- Internal fraud
- External fraud
- Employment practices
- Improper business practice
- Disaster and other events
- Technology and infrastructure failure
- Business and transaction processing

Each sub-risk is modelled using a compound distribution with a frequency and severity element. The frequency distribution is modelled using a Poisson distribution and the severity distribution is modelled using a lognormal distribution.

The input parameters for the model are set through the Total Risk Assessment (TRA). The output from this process is, for each sub-risk category above, a frequency and lognormal distribution of operational risk loss amounts.

The input parameters for the model are estimated in the TRA process for all entities within the Group and allocated at an entity level using a weighted average of net reserves and premiums. For external fraud, improper business practice and business and transaction processing, the frequency parameter is allocated by entity but the severity parameters are unchanged. For internal fraud, employment practice, disaster and other events and technology and infrastructure failure the frequency parameter is left unchanged and it is the severity which is allocated by entity. This reflects the fact that internal fraud, employment practice, disaster and other events and technology and infrastructure failure events are likely to impact all entities within the Group simultaneously whereas external fraud, improper business practice and business and transaction processing events may impact only a single legal entity.

The distributions for each sub-risk are then aggregated assuming independence to determine the overall operational risk distribution.

As the insurance risk modelling is consistent with the business plan, an allowance has already been made for smaller operational losses and there is a risk of double counting these losses. In order to avoid this, all operational risk losses below the 80th percentile have been set to zero.

Operational risk losses are assumed to be in local currency and take place in the first model year.

Application of the prudent person principle to operational risk

The Group recognises that certain operational risks are unavoidable and arise from a multitude of areas across the entire business. The Group seeks to limit exposure to operational risks through ensuring that an effective infrastructure, robust systems and controls and appropriately experienced and qualified individuals are in place throughout the organisation.

The Group mitigates operational risk using the following:

- Active monitoring of key processes
- Scenario reviews to identify and quantify potential exposures for mitigation
- Effective segregation of duties, access controls, authorisation and reconciliation procedures

The Group uses a number of key processes to monitor operational risk, as follows:

Total Risk Assessment Process

The Total Risk Assessment brings together key risk assessment information for each of the Group's operational risks, both at an extreme level (scenarios) and over the business planning period (Risk Control Assessments).

Risk Control Assessments

The first line undertakes regular assessment of their operational controls. The results of these assessments are reflected in RCAs and audit reviews. Control assessments are designed to evaluate the effectiveness of controls in terms of their design and operating performance. Weaknesses, issues or opportunities to improve controls are captured by the issues and actions process and tracked through the Risk Management platform, infoRM.

Scenario Analysis

Scenario analysis is a tool within the risk management framework that builds upon loss reporting and the RCAs and is used to identify unexpected, low-frequency, high-severity operational risk events.

Key Risk Indicators

The Group monitors its risk through KRIs, defined as "metrics that inform users about changes in the frequency or consequence of a risk." These changes may require action to manage the risk level back within operational risk tolerance.

Internal Loss Events

The RCA process identifies expected operational risks. The ILE process applies to operational risks that have materialised as events.

QBE classifies ILEs into three categories:

- actual loss events
- events that lead to fortuitous gains
- near-misses

A key component of the ILE process is event recording. The Group records ILEs with a financial impact of £10,000 or greater within a risk management system.

On a quarterly basis, the ERM team collates internal loss data with analysis and reports this to the RCC.

6. Other material risks

The other material risks to which the Company is exposed are detailed below.

Group Risk

Group risk is the risk of financial or reputational damage to entities within the Group from being part of the QBE Group and Lloyd's of London. This includes potential default on inter-company loans. Note, however, that group risk excludes Equator Re reinsurance credit risk that gets incorporated in the credit risk assessment.

Group risk has little impact on the overall capital. The assessment of group risk is based on the following scenarios which are identified as most significant group risks within the Group and, in aggregate, representative of the overall group risk.

- A group company conducts business unlicensed/in breach of conduct rules in the name of another group company
- Action taken in another division of QBE Group causes S&P to issue a one notch downgrade, from A+ to A
- Action taken in another division of QBE Group causes S&P to issue a two notch downgrade, from A+ to A-

These scenarios emerge from the Group Risk Dashboard which identifies the material group risks. The FMG are responsible for the Group Risk Dashboard and have specific responsibilities for assessing and validating group risk assessments. Each scenario is modelled as a binary event and assumed to be independent.

Pension Risk

Pensions risk captures the risk of adverse balance sheet movements associated with the defined benefit pension schemes. The Group bears the economic and demographic risks associated with these schemes.

The Group's subsidiaries operate four defined benefit pension schemes. The Iron Trades and Janson Green schemes relate to certain UK based employees; the QBE Re (Europe) Ltd Pension & Life Assurance Plan relates to certain employees based in Ireland; and the Secura NV scheme relates to certain employees of the Belgium branch of QBE Re (Europe) Limited.

The UK and Irish schemes are run independently of the sponsoring company by scheme trustees and are subject to the relevant local legislation.

The QBE Re scheme is funded by the employer via group insurance contracts with KBC, a Belgian insurance company.

Pension contributions relating to each scheme are assessed in accordance with the advice of independent qualified actuaries in order to spread the cost over the service lives of employees.

Each scheme is fully valued every three years, and this valuation is updated each balance sheet date for current market rates, valuation and accounting standards. During 2017 full actuarial valuations were completed for the JG and ITIC schemes, based on data to 31 December 2016.

In addition, there is a post-employment medical care scheme related to the former employees of Secura/QBE Re Belgium branch, within QBE Re. This scheme is accounted in similar basis to the defined benefit pension scheme.

EO Group also operate defined contribution pension schemes. The risks associated with these schemes are borne by the employee. Hence, the associated risk is not considered in the capital model.

7. Any other information

Risk sensitivity

As part of the validation of the Internal Model extensive stress and sensitivity testing is performed around all of the risk types. The 1 year SCR is examined resulting from a range of sensitivities applied to the input assumptions.

Scenario analysis is used to help validate the overall level of capital and the following three approaches have been considered:

- Reverse stress testing. A series of ‘extreme’ reverse stress tests are already conducted within QBE and this considers their impact in relation to the capital distribution calculated as part of the Internal Model
- Scenario analysis. This is an extension of the reverse stress testing but considers a specific scenario, covering multiple risk types, to test the modelled level of capital
- Return periods of diversified capital by risk type. The diversified capital by risk type has been compared against the undiversified risk distributions

Stress tests are a useful tool to identify the material assumptions that are driving the capital assessment as well as confirming that the model is operating as expected. The stress tests have been ranked in order of the absolute impact on the 1 year SCR for the EO group, QIEL and QBE Re.

When comparing the relative impact of the stress tests caution is advised as the severity of the tests varies and there will also be an element of simulation error within the results (note that the tests were run on 50,000 simulations).

The following table shows the impact on the 1 year SCR of the top ten stress tests:

Test No.	Test Type	Test Description	EO	QIEL	QBE Re
1	Correlation	Increase all correlations by +10%	17.60%	19.30%	10.30%
2	Correlation	Strengthen tail dependence (i.e. decrease Degrees of Freedom to 5)	16.00%	18.40%	11.80%
3	Correlation	Increase reserve correlations by +10%	14.70%	16.90%	6.60%
4	UW Risk	Decrease premium rates by -10%	9.60%	10.80%	6.20%
5	Reserve Risk	Remove tail dependence	-8.90%	-6.80%	-6.10%
6	Correlation	Weaken tail dependence (i.e. increase Degrees of Freedom to 12)	-8.50%	-6.30%	-3.00%
7	Reserve Risk	Increase reserve variabilities (i.e. increase CoV multiplicatively by 10% (nominal))	8.40%	9.40%	6.20%
8	Correlation	Reduce reserve correlations by -10%	-8.40%	-8.40%	-6.30%
9	Risk Emergence	Increase 1 year emergence of earned res risk by +10%	7.60%	9.10%	7.20%
10	Market Risk	1% decrease in asset returns	3.60%	4.50%	3.80%

The stress testing forms part of the model validation, ensuring that stressing input parameters results in explainable capital movements in terms of direction and quantum.

The expert judgement documents which form part of the risk management framework identify important expert judgements (such as emergence factors and dependencies) and identify alternative judgements that could have been adopted to understand their capital impact. Their purpose is to aid senior managers understanding of some of the key sensitivities, and also some of the limitations that might arise from judgements that are being made where there is limited data to statistically justify assumptions or methodologies.

Section D: Valuation for Solvency Purposes

1. Assets

The method of valuing of assets under Solvency II regulations differ to the methods used under other accounting bases. The tables below show the value of assets held in each of the regulated subsidiaries and details the different valuation methods by individual asset type for the QBE EO and the regulated subsidiaries QIEL and QBE Re.

Under section 401 of the Companies Act 2006, the EO Group is exempt from having to produce consolidated accounts. The statutory accounts values below represent the EO Group consolidation of IFRS values. The EO Group valuation differences therefore arise from moving from Australian IFRS to a Solvency II EO Group consolidated basis. Under Solvency II reporting the results of the Lloyd's participations are not fully consolidated but recognised separately under 'Holdings in related undertakings''. This will result in material differences between the IFRS consolidation valuation column and the Solvency II valuation column, even where the valuation between the two bases are similar.

QIEL and QBE report on a UK GAAP basis and the financial statement information presented below is consistent with the numbers presented in the financial statements of these entities.

Except where noted in the table assets are valued mark to market and therefore include limited estimation uncertainty in the valuation. Where other valuation methods are used the key assumptions and judgements are included in section D.4.

QBE EO

The Group held total assets of £7,887,724k at 31 December 2017 (31 December 2016: £8,155,875k) valued on a Solvency II basis. The table below shows the split of assets by asset class.

	Value (£'000)	
	2016	2017
Corporate Bonds	3,010,356	4,172,028
Government Bonds	987,509	662,455
Collective investment undertakings	444,769	444,077
Holdings in related undertakings	1,180,675	23,730
Other loans and mortgages	83,150	122,607
Collateralised securities	422,613	261,544
Deposits other than cash equivalents	78,974	17,866
Other investments	22,591	18,696
Total investments	**6,230,637**	**5,723,003**
Reinsurance recoverables	834,285	964,348
Insurance and intermediary receivables	261,132	303,740
Receivables (trade not reinsurance)	308,417	397,043
Reinsurance receivables	107,567	42,608
Cash and cash equivalents	144,163	219,983
Other assets	269,674	236,999
Total assets	**8,155,875**	**7,887,724**

A full Solvency II balance sheet is included in Appendix A.

Balance sheet item	Valuation in IFRS Consolidation (£'000)	Valuation for Solvency Purposes (£'000)	Comparison of Solvency II Valuation Basis with IFRS	Solvency II Valuation Basis and Assumptions
Goodwill / Intangible assets	208,809	0	Under IFRS purchased goodwill is recognised as an asset and valued as the difference between the fair value of the asset(s) acquired and the consideration paid for those assets.	Solvency II regulations require that no value is ascribed to purchased goodwill. Intangible assets other than goodwill must be valued at zero under Solvency II unless they can be sold separately in an active market. Neither of these conditions are deemed to be met.
Deferred acquisition costs	307,224	0	Deferred acquisition costs are valued at nil under Solvency II as all cash-flows arising from expenses that will be incurred in servicing recognised (re)insurance obligations over the lifetime are taken into account in the Solvency II technical provisions.	Solvency II regulations require that no value is ascribed to DAC.
Holdings in related undertakings	0	23,730	The valuation basis differs under Solvency II in respect of the classification of entities within the group.	Regulated subsidiaries, Insurance Holding companies and ancillary service undertakings are fully consolidated under Solvency II, the starting point for which is the IFRS consolidation. Participations in other related undertakings are valued based on the adjusted equity method. Holdings in other related undertakings are therefore required to be valued based on the share of net assets (valued at the amount for which they could be exchanged, transferred or settled between knowledgeable willing parties in an arm's length transaction held by the participating undertaking)
Government Bonds, Corporate Bonds and Collateralised Securities	7,312,982	5,096,027	The valuation basis is the same as IFRS except that accrued interest is included in the asset valuation in the Solvency II balance sheet. There has been a reclassification between investment types based on Solvency II rules.	Sovereign bonds - Mark to market in an active market • Sovereign government bond prices are quoted on a regulated bond market/exchange. Regional or Municipal bonds – Mark to market in an active market for similar assets • Debt issued by municipal / regional governments (semi governments) and authorities, along with supranational institutions are valued using prices quoted in an active regulated bond market, or in the case of less active markets securities will be priced using broker quotes, local exchanges / central banks or other valuation models Short term treasury bonds (discounted securities)

Balance sheet item	Valuation in IFRS Consolidation (£'000)	Valuation for Solvency Purposes (£'000)	Comparison of Solvency II Valuation Basis with IFRS	Solvency II Valuation Basis and Assumptions
				• Issued by sovereign governments are valued using an external pricing source, where a price is not available a value may be calculated using a Bloomberg yield curve utilising observable input Common corporate bonds (including agency bonds and covered bonds) • Are valued using prices quoted in an active regulated bond market, or in the case of less active markets, securities will be priced using broker quotes • Money market instruments (accumulating certificates of deposit, and discounted securities) are valued using an external pricing source, where a price is not available a value may be calculated using a Bloomberg yield curve utilising observable input
Collective investment undertakings	425,313	444,077	The valuation basis is the same as IFRS. There has been a reclassification between investment types based on Solvency II rules.	CMT – Mark to market in an active market Unlisted property trusts and others - Mark to market in an active market for similar assets • Cash managed trusts, emerging market debt and high yield debt CIS (listed and unlisted) are valued as per the current unit price, which is derived from underlying fund securities being priced as per government and corporate bonds above. In the case of unlisted property trusts, fair value is determined by using the current unit price as advised by the responsible entity, trustee or equivalent of the investment management scheme. Year-end valuations are supplemented by independent third party valuations being carried out on the underlying property portfolio. Due to the timing of data released from the scheme, period end valuations are one quarter in arrears.
Equities	187,541	34	The valuation basis is the same as IFRS. There has been a reclassification between investment types based on Solvency II rules.	Mark to market in an active market • Listed equities (including equity trusts and ETF's) are valued according to quoted prices in active markets.
Derivatives	37,435	18,662	The valuation basis is the same as IFRS. However, in the Statutory Accounts some grouping of positions is carried out. In contrast, in Solvency II every derivative position is	Investment derivatives (equity and fixed income) are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently stated at fair value using Exchange quoted prices

Balance sheet item	Valuation in IFRS Consolidation (£'000)	Valuation for Solvency Purposes (£'000)	Comparison of Solvency II Valuation Basis with IFRS	Solvency II Valuation Basis and Assumptions
			recognised separately. Hence, the value of the derivative assets and liabilities may differ between the two bases. The net position is the same.	obtained from an external pricing vendor
Loans and mortgages	101,548	122,607	The valuation basis is the same as for IFRS except that accrued interest is included in the asset valuation in the Solvency II balance sheet. There has been a reclassification between investment types based on Solvency II rules.	Mark to model. Infrastructure loans are valued using quoted prices if available; observable prices if known or carried book value (par plus accrued interest).
Cash and cash equivalents and Deposits other than cash equivalents	311,195	237,849	The valuation basis is the same as IFRS except that accrued interest is included in the asset valuation in the Solvency II balance sheet. There has been a reclassification between investment types based on Solvency II rules.	Cash equivalents Measured at fair value, taking into account the risk that amounts due will not be paid (default or credit risk of the counterparty) based on the rating of the bank counterparty. Cash current accounts (including collateral and futures margin accounts) are stated as the reconciled general ledger balance. Term deposits and overnight accounts are valued at par plus accrued interest. Deposits other than cash equivalents Measured at fair value.
Reinsurance recoverable (Reinsurers' share of technical provisions)	3,130,913	964,348	The Best Estimate in the Solvency II balance sheet is calculated in accordance with Article 77(2) of the Solvency II Directive.	Further detail on the valuation of technical provisions is included in section D.2 of this document.
Reinsurance receivables	111,224	42,608	The valuation basis is the same as IFRS except that under Solvency II, cash flows relating to future premiums are taken into account in technical provisions. These are considered to be technical cash flows to which the company is not yet entitled under Solvency II.	Premiums receivable are recognised at amounts receivable less a provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivable. The carrying value of these receivables is deemed to be a close approximation to fair value and therefore no adjustment is made.
Insurance and intermediaries	1,149,684	303,740	The valuation basis is the same as IFRS except that under Solvency II, cash flows relating to future premiums are	Premiums receivable are recognised at amounts receivable less a provision for impairment. A provision for impairment is established when

Balance sheet item	Valuation in IFRS Consolidation (£'000)	Valuation for Solvency Purposes (£'000)	Comparison of Solvency II Valuation Basis with IFRS	Solvency II Valuation Basis and Assumptions
receivables			taken into account in technical provisions. These are considered to be technical cash flows to which the company is not yet entitled under Solvency II.	there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivable. The carrying value of these receivables is deemed to be a close approximation to fair value and therefore no adjustment is made.
Receivables (trade, not insurance)	454,232	397,043	The valuation basis is the same as IFRS. Under Solvency II accrued interest has been re-allocated across Solvency II investment lines.	Measured at fair value. For assets with a short-term maturity, the IFRS valuation basis is considered a close approximation to fair value. For other assets, the maturity and recoverability of those receivables will be taken into account when assessing fair value.
Deferred tax assets	44,537	62,483	Measurement principles for deferred taxes are consistent with IFRS and calculated based on the temporary difference between Solvency II values and the tax values.	The valuation difference relates to the change in the value of deferred tax, caused by the impact of adjustments made to balance sheet items in compliance with Solvency II regulations.
Pension benefit surplus	24,402	24,402	The valuation basis is the same as IFRS.	The Pension fund surplus valuation under SII is consistent with IAS19R.
Property, plant & equipment held for own use	33,820	33,360	Property, plant and equipment for own use is measured at fair value under Solvency II, consistent with the Revaluation Model under IAS16. Items measured at historical cost less depreciation and impairment under IAS16 are fair valued under Solvency II.	The fair value has been used where appropriate.
Deposits to cedants	116,754	116,754	The valuation basis is the same as IFRS.	Valued at fair value, consistent with UK GAAP, due to the short term and highly liquid nature of the assets.

QIEL

QIEL held total assets of £5,194,346k at 31 December 2017 (31 December 2016: £5,177,788k) valued on a Solvency II basis. The table below shows the split of assets by asset class.

	Value (£'000)	
	2016	2017
Corporate Bonds	2,150,595	2,511,534
Government Bonds	680,543	408,695
Collective investment undertakings	332,181	274,829
Holdings in related undertakings	284	284
Other loans and mortgages	288,247	301,448
Collateralised securities	264,736	183,214
Deposits other than cash equivalents	78,972	17,866
Other investments	5,550	10,892
Total investments	**3,801,108**	**3,708,762**
Reinsurance recoverables	775,318	869,568
Insurance and intermediary receivables	259,235	287,637
Receivables (trade not reinsurance)	118,790	80,291
Reinsurance receivables	91,792	43,081
Cash and cash equivalents	91,540	165,568
Other assets	40,005	39,439
Total assets	**5,177,788**	**5,194,346**

A full Solvency II balance sheet is included in Appendix A.

Balance sheet item	Valuation in Financial Statements (£'000)	Valuation for Solvency Purposes (£'000)	Comparison of Solvency II Valuation Basis with UK GAAP	Solvency II Valuation Basis and Assumptions
Goodwill / Intangible assets	0	0	Under UK GAAP purchased goodwill is recognised as an asset and valued as the difference between the fair value of the asset(s) acquired and the consideration paid for those assets.	Solvency II regulations require that no value is ascribed to purchased goodwill. Intangible assets other than goodwill must be valued at zero under Solvency II unless they can be sold separately in an active market. Neither of these conditions are deemed to be met.
Deferred acquisition costs	176,033	0	Deferred acquisition costs are valued at nil under Solvency II as all cash-flows arising from expenses that will be incurred in servicing recognised (re)insurance obligations over the lifetime are taken into account in the Solvency II technical provisions.	Solvency II regulations require that no value is ascribed to DAC.
Holdings in related undertakings	284	284	The valuation basis is the same as UK GAAP.	Holdings in other related undertakings are required to be valued based on the share of net assets (valued at the amount for which they could be exchanged, transferred or settled between knowledgeable willing parties in an arm's length transaction held by the participating undertaking)
Government Bonds, Corporate Bonds and Collateralised Securities	3,088,869	3,103,443	The valuation basis is the same as UK GAAP except that accrued interest is included in the asset valuation in the Solvency II balance sheet. There has been a reclassification between investment types based on Solvency II rules.	Sovereign bonds - Mark to market in an active market • Sovereign government bond prices are quoted on a regulated bond market/exchange. Regional or Municipal bonds – Mark to market in an active market for similar assets • Debt issued by municipal / regional governments (semi governments) and authorities, along with supranational institutions are valued using prices quoted in an active regulated bond market, or in the case of less active markets securities will be priced using broker quotes, local exchanges / central banks or other valuation models Short term treasury bonds (discounted securities) • Issued by sovereign governments are valued using an external pricing source, where a price is not available a value may be calculated using a Bloomberg yield curve utilising observable input Common corporate bonds (including agency bonds and covered bonds) • Are valued using prices quoted in an active regulated bond

Balance sheet item	Valuation in Financial Statements (£'000)	Valuation for Solvency Purposes (£'000)	Comparison of Solvency II Valuation Basis with UK GAAP	Solvency II Valuation Basis and Assumptions
				market, or in the case of less active markets, securities will be priced using broker quotes • Money market instruments (accumulating certificates of deposit, and discounted securities) are valued using an external pricing source, where a price is not available a value may be calculated using a Bloomberg yield curve utilising observable input
Collective investment undertakings	182,347	274,829	The valuation basis is the same as UK GAAP. There has been a reclassification between investment types based on Solvency II rules.	CMT – Mark to market in an active market Unlisted property trusts and others - Mark to market in an active market for similar assets • Cash managed trusts, emerging market debt and high yield debt CIS (listed and unlisted) are valued as per the current unit price, which is derived from underlying fund securities being priced as per government and corporate bonds above. In the case of unlisted property trusts, fair value is determined by using the current unit price as advised by the responsible entity, trustee or equivalent of the investment management scheme. Year-end valuations are supplemented by independent third party valuations being carried out on the underlying property portfolio. Due to the timing of data released from the scheme, period end valuations are one quarter in arrears.
Derivatives	6,724	10,892	The valuation basis is the same as UK GAAP. However, in the Statutory Accounts some grouping of positions is carried out. In contrast, in Solvency II every derivative position is recognised separately. Hence, the value of the derivative assets and liabilities may differ between the two bases. The net position is the same.	Investment derivatives (equity and fixed income) are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently stated at fair value using Exchange quoted prices obtained from an external pricing vendor
Loans and mortgages	300,211	301,448	The valuation basis is the same as for UK GAAP except that accrued interest is included in the asset valuation in the Solvency II balance sheet. There has been a reclassification between investment types based on Solvency II rules.	Mark to model. Infrastructure loans are valued using quoted prices if available; observable prices if known or carried book value (par plus accrued interest).
Cash and cash equivalents and Deposits other than	183,402	183,434	The valuation basis is the same as for UK GAAP except that accrued interest is included in the asset valuation in the Solvency II balance sheet.	Cash equivalents Measured at fair value, taking into account the risk that amounts due will not be paid (default or credit risk of the counterparty) based on the rating

Balance sheet item	Valuation in Financial Statements (£'000)	Valuation for Solvency Purposes (£'000)	Comparison of Solvency II Valuation Basis with UK GAAP	Solvency II Valuation Basis and Assumptions
cash equivalents			There has been a reclassification between investment types based on Solvency II rules.	of the bank counterparty. Cash current accounts (including collateral and futures margin accounts) are stated as the reconciled general ledger balance. Term deposits and overnight accounts are valued at par plus accrued interest. Deposits other than cash equivalents Measured at fair value.
Reinsurance recoverable (Reinsurers' share of technical provisions)	1,051,900	869,568	The Best Estimate in the Solvency II balance sheet is calculated in accordance with Article 77(2) of the Solvency II Directive.	Further detail on the valuation of technical provisions is included in section D.2 of this document.
Reinsurance receivables	92,284	43,081	The valuation basis is the same as UK GAAP except that under Solvency II, cash flows relating to future premiums are taken into account in technical provisions. These are considered to be technical cash flows to which the company is not yet entitled under Solvency II.	Premiums receivable are recognised at amounts receivable less a provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivable. The carrying value of these receivables is deemed to be a close approximation to fair value and therefore no adjustment is made.
Insurance and intermediaries receivables	431,863	287,637	The valuation basis is the same as UK GAAP except that under Solvency II, cash flows relating to future premiums are taken into account in technical provisions. These are considered to be technical cash flows to which the company is not yet entitled under Solvency II.	Premiums receivable are recognised at amounts receivable less a provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivable. The carrying value of these receivables is deemed to be a close approximation to fair value and therefore no adjustment is made.
Receivables (trade, not insurance)	94,678	80,291	The valuation basis is the same as UK GAAP. Under Solvency II accrued interest has been re-allocated across Solvency II investment lines.	Measured at fair value. For assets with a short-term maturity, the UK GAAP valuation basis is considered a close approximation to fair value. For other assets, the maturity and recoverability of those receivables will be taken into account when assessing fair value.
Deferred tax assets	3,379	32,650	Measurement principles for deferred taxes are consistent with UK GAAP and calculated based on the temporary difference between Solvency II values and the tax values.	The valuation difference relates to the change in the value of deferred tax, caused by the impact of adjustments made to balance sheet items in compliance with Solvency II regulations.
Property, plant &	1,527	1,527	Property, plant and equipment for own use is measured at	The fair value has been used where appropriate.

Balance sheet item	Valuation in Financial Statements (£'000)	Valuation for Solvency Purposes (£'000)	Comparison of Solvency II Valuation Basis with UK GAAP	Solvency II Valuation Basis and Assumptions
equipment held for own use			fair value under Solvency II, consistent with the Revaluation Model under IAS16. Items measured at historical cost less depreciation and impairment under IAS16 are fair valued under Solvency II.	
Deposits to cedants	5,262	5,262	The valuation basis is the same as UK GAAP.	Valued at fair value, consistent with UK GAAP, due to the short term and highly liquid nature of the assets.

QBE Re

QBE Re held total assets of €1,949,568k at 31 December 2017 (31 December 2016: €1,909,421k) valued on a Solvency II basis. The table below shows the split of assets by asset class.

	Value (€'000)	
	2016	2017
Corporate Bonds	940,100	1,040,842
Government Bonds	273,420	267,050
Collective investment undertakings	131,843	187,377
Other loans and mortgages	24,461	30,402
Collateralised securities	185,243	88,127
Deposits other than cash equivalents	3	0
Other investments	18,560	7,906
Total investments	**1,573,630**	**1,621,704**
Reinsurance recoverables	69,189	106,636
Deposites to cedants	135,863	124,586
Insurance and intermediary receivables	22,409	16,803
Receivables (trade not reinsurance)	26,760	33,261
Reinsurance receivables	18,763	0
Cash and cash equivalents	27,695	29,411
Other assets	35,112	17,167
Total assets	**1,909,421**	**1,949,568**

A full Solvency II balance sheet is included in Appendix A.

Balance sheet item	Valuation in Financial Statements (€'000)	Valuation for Solvency Purposes (€'000)	Comparison of Solvency II Valuation Basis with UK GAAP	Solvency II Valuation Basis and Assumptions
Goodwill / Intangible assets	2	0	Under IFRS purchased goodwill is recognised as an asset and valued as the difference between the fair value of the asset(s) acquired and the consideration paid for those assets.	Solvency II regulations require that no value is ascribed to purchased goodwill. Intangible assets other than goodwill must be valued at zero under Solvency II unless they can be sold separately in an active market. Neither of these conditions are deemed to be met.
Deferred acquisition costs	12,145	0	Deferred acquisition costs are valued at nil under Solvency II as all cash-flows arising from expenses that will be incurred in servicing recognised (re)insurance obligations over the lifetime are taken into account in the Solvency II technical provisions.	Solvency II regulations require that no value is ascribed to DAC.
Government Bonds, Corporate Bonds and Collateralised Securities	1,391,408	1,396,019	The valuation basis is the same as UK GAAP except that accrued interest is included in the asset valuation in the Solvency II balance sheet. There has been a reclassification between investment types based on Solvency II rules.	Sovereign bonds - Mark to market in an active market • Sovereign government bond prices are quoted on a regulated bond market/exchange. Regional or Municipal bonds – Mark to market in an active market for similar assets • Debt issued by municipal / regional governments (semi governments) and authorities, along with supranational institutions are valued using prices quoted in an active regulated bond market, or in the case of less active markets securities will be priced using broker quotes, local exchanges / central banks or other valuation models Short term treasury bonds (discounted securities) • Issued by sovereign governments are valued using an external pricing source, where a price is not available a value may be calculated using a Bloomberg yield curve utilising observable input Common corporate bonds (including agency bonds and covered bonds) • Are valued using prices quoted in an active regulated bond market, or in the case of less active markets, securities will be priced using broker quotes • Money market instruments (accumulating certificates of deposit, and discounted securities) are valued using an external pricing

Balance sheet item	Valuation in Financial Statements (€'000)	Valuation for Solvency Purposes (€'000)	Comparison of Solvency II Valuation Basis with UK GAAP	Solvency II Valuation Basis and Assumptions
				source, where a price is not available a value may be calculated using a Bloomberg yield curve utilising observable input
Collective investment undertakings	144,633	187,377	The valuation basis is the same as UK GAAP. There has been a reclassification between investment types based on Solvency II rules.	CMT – Mark to market in an active market Unlisted property trusts and others - Mark to market in an active market for similar assets • Cash managed trusts, emerging market debt and high yield debt CIS (listed and unlisted) are valued as per the current unit price, which is derived from underlying fund securities being priced as per government and corporate bonds above. In the case of unlisted property trusts, fair value is determined by using the current unit price as advised by the responsible entity, trustee or equivalent of the investment management scheme. Year-end valuations are supplemented by independent third party valuations being carried out on the underlying property portfolio. Due to the timing of data released from the scheme, period end valuations are one quarter in arrears.
Equities	42,783	38	The valuation basis is the same as UK GAAP. There has been a reclassification between investment types based on Solvency II rules.	Mark to market in an active market • Listed equities (including equity trusts and ETF's) are valued according to quoted prices in active markets.
Derivatives	3,844	7,868	The valuation basis is the same as UK GAAP. However, in the Statutory Accounts some grouping of positions is carried out. In contrast, in Solvency II every derivative position is recognised separately. Hence, the value of the derivative assets and liabilities may differ between the two bases. The net position is the same.	Investment derivatives (equity and fixed income) are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently stated at fair value using Exchange quoted prices obtained from an external pricing vendor
Loans and mortgages	30,391	30,402	The valuation basis is the same as for UK GAAP except that accrued interest is included in the asset valuation in the Solvency II balance sheet. There has been a reclassification between investment types based on Solvency II rules.	Mark to model. Infrastructure loans are valued using quoted prices if available; observable prices if known or carried book value (par plus accrued interest).
Cash and cash equivalents and Deposits other than	29,415	29,411	The valuation basis is the same as UK GAAP. Under Solvency II accrued interest has been re-allocated across Solvency II investment lines.	<u>Cash equivalents</u> Measured at fair value, taking into account the risk that amounts due will not be paid (default or credit risk of the counterparty) based on the rating

Balance sheet item	Valuation in Financial Statements (€'000)	Valuation for Solvency Purposes (€'000)	Comparison of Solvency II Valuation Basis with UK GAAP	Solvency II Valuation Basis and Assumptions
cash equivalents			There has been a reclassification between investment types based on Solvency II rules.	of the bank counterparty. Cash current accounts (including collateral and futures margin accounts) are stated as the reconciled general ledger balance. Term deposits and overnight accounts are valued at par plus accrued interest. <u>Deposits other than cash equivalents</u> Measured at fair value.
Reinsurance recoverable (Reinsurers' share of technical provisions)	150,884	106,636	The Best Estimate in the Solvency II balance sheet is calculated in accordance with Article 77(2) of the Solvency II Directive.	Further detail on the valuation of technical provisions is included in section D.2 of this document.
Reinsurance receivables	2,476	0	The valuation basis is the same as UK GAAP except that under Solvency II, cash flows relating to future premiums are taken into account in technical provisions. These are considered to be technical cash flows to which the company is not yet entitled under Solvency II.	Premiums receivable are recognised at amounts receivable less a provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivable. The carrying value of these receivables is deemed to be a close approximation to fair value and therefore no adjustment is made.
Insurance and intermediaries receivables	226,700	16,803	The valuation basis is the same as UK GAAP except that under Solvency II, cash flows relating to future premiums are taken into account in technical provisions. These are considered to be technical cash flows to which the company is not yet entitled under Solvency II.	Premiums receivable are recognised at amounts receivable less a provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivable. The carrying value of these receivables is deemed to be a close approximation to fair value and therefore no adjustment is made.
Receivables (trade, not insurance)	37,886	33,261	The valuation basis is the same as UK GAAP. Under Solvency II accrued interest has been re-allocated across Solvency II investment lines.	Measured at fair value. For assets with a short-term maturity, the UK GAAP valuation basis is considered a close approximation to fair value. For other assets, the maturity and recoverability of those receivables will be taken into account when assessing fair value.
Deposits to cedants	124,586	124,586	The valuation basis is the same as UK GAAP.	Valued at fair value, consistent with UK GAAP, due to the short term and highly liquid nature of the assets.
Deferred tax assets	1,634	16,822	Measurement principles for deferred taxes are consistent with UK GAAP and calculated based on the temporary	The valuation difference relates to the change in the value of deferred tax, caused by the impact of adjustments made to balance sheet items in

Balance sheet item	Valuation in Financial Statements (€'000)	Valuation for Solvency Purposes (€'000)	Comparison of Solvency II Valuation Basis with UK GAAP	Solvency II Valuation Basis and Assumptions
			difference between Solvency II values and the tax values.	compliance with Solvency II regulations.
Property, plant & equipment held for own use	338	338	Property, plant and equipment for own use is measured at fair value under Solvency II, consistent with the Revaluation Model under IAS16. Items measured at historical cost less depreciation and impairment under IAS16 are fair valued under Solvency II.	The fair value has been used where appropriate.

2. Technical provisions

The Group's Solvency II technical provisions amounted to £3,612,824k at 31 December 2017 (31 December 2016: £3,715,365k), after adjusting for the reinsurance recoverable amount.

The QIEL Solvency II technical provisions amounted to £2,625,053k at 31 December 2017 (31 December 2016: £2,746,683k), after adjusting for the reinsurance recoverable amount.

The QBE Re Solvency II technical provisions amounted to €1,111,325k at 31 December 2017 (31 December 2016: €1,136,590k), after adjusting for the reinsurance recoverable amount.

Technical provisions are defined as the probability weighted average of future cashflows, discounted to take into account the time value of money considering all possible future scenarios. The key components of the technical provisions comprise:

- Claims provisions: Best Estimate of future gross and reinsurance claims, premium and expenses relating to the earned exposure on insurance policies
- Premium provisions: Best Estimate of future gross and reinsurance claims, premium and expenses relating to the unearned exposure, i.e. based on unearned premium and policies that are bound but not incepted (BBNI) at the valuation date
- Risk margin: additional provision to bring the Best Estimates to the level required to transfer the obligations to a third party undertaking[1]

A quantitative breakdown of the technical provisions, split by Best Estimate liability and Risk Margin, for all Solvency II lines of business, is available in the SFCR documents (Appendix A, QRTs S.12.01 and S.17.01) for the regulated subsidiaries QBE Insurance (Europe) Limited and QBE Re (Europe) Limited.

The Best Estimate liabilities are calculated in accordance with Article 77(2) of the Solvency II Directive. The claims and premiums provisions are derived from the IFRS Best Estimate reserves and the unearned premium reserve respectively, and are adjusted to incorporate the following:

- Future premiums: Represents cashflows relating to future premiums, i.e. receivable but not overdue. These cashflows are reclassified from the IFRS balance sheet to technical provisions
- Bound but not Incepted (BBNI) policies: Represents premiums, expenses and claims relating to policies that the Group has entered into that have not incepted at the valuation date
- Future claims costs: Unearned claims are obtained by applying unearned loss ratios to unearned premiums
- Expenses: Assumed expenses incurred in servicing (re)insurance obligations are derived using expense assumptions provided by the Finance Department. These expense loadings are applied separately to the earned and unearned future cash flows to obtain separate expense provisions for earned and unearned business
- ENIDs: The Directive requires the Best Estimate to include allowance for "all possible outcomes", e.g. latent claims or extreme high severity, low probability claims. An ENID provision is calculated to allow for all possible scenarios where historical data may be lacking.

[1] Any references to the risk margin are unaudited

- Future cashflows are discounted using the 31 December risk free yield curves provided by EIOPA. The yield curves used exclude the Volatility Adjustment. Future cash flows have been obtained by applying projected payment patterns derived for the Core Reserving process
- The Risk Margin is calculated using a cost of capital approach by applying the Best Estimate cash-flow runoffs and the prevailing yield curve (as provided by EIOPA) to the Internal Model SCR capital measure

Currency

The Directive requires that the best estimate is calculated separately for obligations in different currencies to enable the calculation of discounted liabilities.

Currency allocations are performed by class of business via the Core Reserving process; each reserving class is typically analysed in one currency.

For Solvency II the claims and premiums by currency provided in the data are derived by Finance using the outputs from the Core Reserving process, and no additional judgement is required.

Options and Guarantees

The Group does not have any exposure to options and guarantees. Hence no allowance is made in the technical provisions with regard to these.

Uncertainty in Technical Provisions[2]

There are a number of uncertainties in the technical provisions, particularly in respect of the best estimate of unpaid claims and future premiums.

Some of the main uncertainties are listed below:

- Claim cost inflation, in particular for classes of business with long terms to settlement
- General levels of future new claim notifications
- Large natural or man made catastrophic events, to the extent that claims have not been fully settled
- Periodic Payment Orders
- New future, and as yet unknown and unquantifiable, large market loss events that could impact the Group
- Future premiums, especially for the most recent underwriting year, are based on the Companies' business plans and discussions with underwriters.
- Plan loss ratio estimates
- Estimates for Events not in Data
- Timing of claim, premium, reinsurance and expense Cashflows
- The appropriateness of the development tail factors applied to the Group's classes

Matching adjustment[3]

The Group does not apply a matching adjustment.

[2] Any references to uncertainty in technical provisions are unaudited
[3] Any references to matching adjustments are unaudited

Volatility adjustment[4]

The Group does not apply a volatility adjustment.

Transitional risk free interest rate term structure[5]

The Group does not apply a transitional adjustment.

Recoverables from reinsurance contracts and special purpose vehicles

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

An initial estimate is made of the reinsurance recoveries as a proportion of gross. This is derived originally from the reinsurance pricing basis and the business plan, along with a review that considers catastrophe/large/attritional losses and non treaty cover. Any known large outstanding claims are considered on a case by case basis. Reinsurance IBNR is unwound in line with the gross to maintain a suitable net provision.

The technical provisions have been reviewed by members of the Actuarial Function to ensure that they adhere to the relevant Solvency II articles and texts.

The valuation of outwards reinsurance recoveries in the claims and premium provisions include an explicit allowance for counterparty default risk.

To adhere to the principle of reinsurance correspondence, the reinsurance recoveries are calculated such that they are consistent with the gross premium forecasts and implicitly allow for expected recoveries in respect of losses occurring during (‘LOD’) and risks attaching during (‘RAD’) policies. In line with regulatory guidance, the Group’s approach is as follows:

- Incepted and bound reinsurance valued to the extent that it covers existing (i.e. incepted and bound) inwards business
- Adjusted to allow for reinsurance minimum premium terms
- Allowance for future reinsurance purchase management actions to protect the run-off to expiry of existing inwards business, consistent with the current reinsurance structure

[4] Any references to volatility adjustments are unaudited

[5] Any references to transitional adjustments are unaudited

3. Other liabilities

The values attributed to other liabilities on the Solvency II balance sheet differ from the valuations reported in the statutory accounts due to the different valuation methodologies required by the Solvency II legislation. The tables below show the value of those other liabilities for EO Group and regulated subsidiaries and the Solvency II methodologies used.

Under Solvency II reporting, the results of the Lloyd's participations are not fully consolidated but recognised separately under 'Holdings in related undertakings'. This will result in material differences between the IFRS consolidation valuation column and the Solvency II valuation column, even where the valuation between the two bases are the same or similar.

QBE EO

Balance sheet item	Valuation in IFRS Consolidation (£'000)	Valuation for Solvency Purposes (£'000)	Comparison of Solvency II Valuation Basis with IFRS	Solvency II Valuation Basis and Assumptions
Provisions other than technical Provisions	22,556	22,218	The valuation basis is the same as IFRS.	IAS 37 is consistent with Solvency II measurement principles for provisions as stated in the Final Report on public consultation No. 14/065 on Guidelines on Recognition and Valuation of Assets and Liabilities other than Technical Provisions. Generally there is no difference between UK GAAP and IFRS in recognition and measurement of provisions.
Deposits from Reinsurers	909,262	31,013	The valuation basis is the same as IFRS.	For the short term deposits from reinsurers, the carrying value of these liabilities is deemed to be a close approximation to fair value and therefore no adjustment is made.
Insurance and intermediaries payables	216,261	100,769	The valuation basis is the same as IFRS except that under Solvency II, insurance payables are adjusted for cash flows relating to future premiums which are taken into account in technical provisions. These are considered to be technical cash flows to which the company is not yet entitled to under Solvency II.	Insurance and intermediary payables are valued consistently with IAS 39 fair value measurement principles except for subsequent adjustments to take into account the undertaking's own credit risk. The carrying value of these liabilities is deemed to be a close approximation to fair value and therefore no adjustment is made.

Balance sheet item	Valuation in IFRS Consolidation (£'000)	Valuation for Solvency Purposes (£'000)	Comparison of Solvency II Valuation Basis with IFRS	Solvency II Valuation Basis and Assumptions
Reinsurance payables	370,442	137,397	The valuation basis is the same as IFRS except that under Solvency II, reinsurance payables are adjusted for cash flows relating to future premiums which are taken into account in technical provisions. These are considered to be technical cash flows to which the company is not yet entitled to under Solvency II.	Reinsurance payables are valued consistently with IAS 39 fair value measurement principles except for subsequent adjustments to take into account the undertaking's own credit risk. The carrying value of these liabilities is deemed to be a close approximation to fair value and therefore no adjustment is made.
Payables (trade, not insurance)	353,319	277,229	The valuation basis is the same as IFRS.	Other payables should be valued at fair value by discounting expected cash flows using a risk free rate. Book value as per IFRS is used as a proxy to the fair value for Solvency II balance sheet purposes as the impact of discounting is not material because the balances are mostly due/payable within one year.
Derivatives	4,779	9,543	The valuation basis is the same as IFRS. However, in the Statutory Accounts some grouping of positions is carried out. In contrast, in Solvency II every derivative position is recognised separately. Hence, the value of the derivative assets and liabilities may differ between the two bases. The net position is the same.	Derivatives are measured at fair value under IFRS, which is consistent with Solvency valuation policy.
Pension benefit obligations	18,380	18,380	The valuation basis is the same as IFRS.	The Pension fund obligation valuation under SII is consistent with IAS19R.
Deferred tax liabilities	3,160	3,160	Measurement principles for deferred taxes are consistent with IFRS and calculated based on the temporary difference between Solvency II values and the tax values.	The valuation difference relates to the change in the value of deferred tax, caused by the impact of adjustments made to balance sheet items in compliance with Solvency II regulations.
Subordinated liabilities	1,074,265	1,074,265	The valuation basis is the same as IFRS.	Subordinated liabilities are recognised at their current replacement cost in line with Article 10 of the Solvency II Delegated Regulation's 'valuation hierarchy'. Article 10 paragraph 7 (c) allows the use of the 'cost approach or current replacement cost approach' where an alternative valuation method is used. The current replacement cost is derived with reference to the cost which another group entity would expect to pay for the debt and is

Balance sheet item	Valuation in IFRS Consolidation (£'000)	Valuation for Solvency Purposes (£'000)	Comparison of Solvency II Valuation Basis with IFRS	Solvency II Valuation Basis and Assumptions
				consistent with the approach applied in the QBE EO plc IFRS Consolidation.

QIEL

Balance sheet item	Valuation in Financial Statements (£'000)	Valuation for Solvency Purposes (£'000)	Comparison of Solvency II Valuation Basis with UK GAAP	Solvency II Valuation Basis and Assumptions
Provisions other than technical Provisions	2,488	2,488	The valuation basis is the same as UK GAAP.	IAS 37 is consistent with Solvency II measurement principles for provisions as stated in the Final Report on public consultation No. 14/065 on Guidelines on Recognition and Valuation of Assets and Liabilities other than Technical Provisions. Generally there is no difference between UK GAAP and IFRS in recognition and measurement of provisions.
Insurance and intermediaries payables	205,902	169,138	The valuation basis is the same as UK GAAP except that under Solvency II, insurance payables are adjusted for cash flows relating to future premiums which are taken into account in technical provisions. These are considered to be technical cash flows to which the company is not yet entitled to under Solvency II.	Insurance and intermediary payables are valued consistently with IAS 39 fair value measurement principles except for subsequent adjustments to take into account the undertaking's own credit risk. The carrying value of these liabilities is deemed to be a close approximation to fair value and therefore no adjustment is made.
Reinsurance payables	165,840	135,051	The valuation basis is the same as UK GAAP except that under Solvency II, reinsurance payables are adjusted for cash flows relating to future premiums which are taken into account in technical provisions. These are considered to be technical cash flows to which the company is not yet entitled to under Solvency II.	Reinsurance payables are valued consistently with IAS 39 fair value measurement principles except for subsequent adjustments to take into account the undertaking's own credit risk. The carrying value of these liabilities is deemed to be a close approximation to fair value and therefore no adjustment is made.
Payables (trade, not insurance)	99,908	101,415	The valuation basis is the same as UK GAAP.	Other payables should be valued at fair value by discounting expected cash flows using a risk free rate. Book value as per UK GAAP is used as a proxy to the fair value for Solvency II balance sheet purposes as the impact of discounting is not material because the balances are mostly due/payable within one year.
Derivatives	0	4,158	The valuation basis is the same as UK GAAP. However, in the Statutory Accounts some grouping of positions is carried out. In contrast, in Solvency II every derivative position is recognised separately. Hence, the value of the derivative assets and liabilities may differ between the two bases. The net	Derivatives are measured at fair value under UK GAAP, which is consistent with Solvency valuation policy.

Balance sheet item	Valuation in Financial Statements (£'000)	Valuation for Solvency Purposes (£'000)	Comparison of Solvency II Valuation Basis with UK GAAP	Solvency II Valuation Basis and Assumptions
			position is the same.	
Deferred tax liabilities	5,918	2,196	Measurement principles for deferred taxes are consistent with UK GAAP and calculated based on the temporary difference between Solvency II values and the tax values.	The valuation difference relates to the change in the value of deferred tax, caused by the impact of adjustments made to balance sheet items in compliance with Solvency II regulations.
Any other liabilities, not elsewhere shown	38,370	38,370	This balance consists of current tax. Measurement principles for current taxes under Solvency II are consistent with UK GAAP.	

QBE Re

Balance sheet item	Valuation in Financial Statements (£'000)	Valuation for Solvency Purposes (£'000)	Comparison of Solvency II Valuation Basis with UK GAAP	Solvency II Valuation Basis and Assumptions
Provisions other than technical Provisions	1,146	1,146	The valuation basis is the same as UK GAAP.	IAS 37 is consistent with Solvency II measurement principles for provisions as stated in the Final Report on public consultation No. 14/065 on Guidelines on Recognition and Valuation of Assets and Liabilities other than Technical Provisions. Generally there is no difference between UK GAAP and IFRS in recognition and measurement of provisions.
Deposits from Reinsurers	32,900	32,900	The valuation basis is the same as UK GAAP.	For the short term deposits from reinsurers, the carrying value of these liabilities is deemed to be a close approximation to fair value and therefore no adjustment is made.
Insurance and intermediaries payables	44,585	480	The valuation basis is the same as UK GAAP except that under Solvency II, insurance payables are adjusted for cash flows relating to future premiums which are taken into account in technical provisions. These are considered to be technical cash flows to which the company is not yet entitled to under Solvency II.	Insurance and intermediary payables are valued consistently with IAS 39 fair value measurement principles except for subsequent adjustments to take into account the undertaking's own credit risk. The carrying value of these liabilities is deemed to be a close approximation to fair value and therefore no adjustment is made.
Reinsurance payables	27,896	2,514	The valuation basis is the same as UK GAAP except that under Solvency II, reinsurance payables are adjusted for cash flows relating to future premiums which are taken into account in technical provisions. These are considered to be technical cash flows to which the company is not yet entitled to under Solvency II.	Reinsurance payables are valued consistently with IAS 39 fair value measurement principles except for subsequent adjustments to take into account the undertaking's own credit risk. The carrying value of these liabilities is deemed to be a close approximation to fair value and therefore no adjustment is made.
Payables (trade, not insurance)	31,691	31,691	The valuation basis is the same as UK GAAP.	Other payables should be valued at fair value by discounting expected cash flows using a risk free rate. Book value as per UK GAAP is used as a proxy to the fair value for Solvency II balance sheet purposes as the impact of discounting is not material because the balances are mostly due/payable within one year.
Derivatives	0	4,024	The valuation basis is the same as UK GAAP. However, in the Statutory Accounts some grouping of positions is carried out. In contrast, in Solvency II	Derivatives are measured at fair value under UK GAAP, which is consistent with Solvency valuation policy.

Balance sheet item	Valuation in Financial Statements (£'000)	Valuation for Solvency Purposes (£'000)	Comparison of Solvency II Valuation Basis with UK GAAP	Solvency II Valuation Basis and Assumptions
			every derivative position is recognised separately. Hence, the value of the derivative assets and liabilities may differ between the two bases. The net position is the same.	
Pension benefit obligations	6,923	6,923	The valuation basis is the same as UK GAAP.	The Pension fund obligation valuation under SII is consistent with IAS19R.
Deferred tax liabilities	0	614	Measurement principles for deferred taxes are consistent with UK GAAP and calculated based on the temporary difference between Solvency II values and the tax values.	The valuation difference relates to the change in the value of deferred tax, caused by the impact of adjustments made to balance sheet items in compliance with Solvency II regulations.

Finance and operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the lease.

The EO Group has a number of operating lease commitments, principally in relation to office space. There are no valuation differences for lease commitments between UK GAAP and Solvency II. The tables below include the annual commitment as reported under UK GAAP, rather than the present value of the total commitment. The annual commitments for EO Group, QIEL and QBE Re are as follows:

QBE EO

Leases payable	2016 Value (£'000)	2017 Value (£'000)
Land and Buildings		
Not later than one year	844	529
Later than one year but not later than five years	5,968	6,358
Later than five years	8,387	8,005

Leases payable	2016 Value (£'000)	2017 Value (£'000)
Other		
Not later than one year	14	31
Later than one year but not later than five years	123	106

QIEL

Leases payable	2016 Value (£'000)	2017 Value (£'000)
Land and Buildings		
Not later than one year	318	321
Later than one year but not later than five years	1,977	2,173

QBE Re

Leases payable	2016 Value (£'000)	2017 Value (£'000)
Land and Buildings		
Not later than one year	59	0
Later than one year but not later than five years	439	372

Expected timing of outflows of economic benefits

Payables have a mean term of less than 1 year. As these are expected to be settled in the short term no deviation risk has been applied.

Employee Benefits

The EO Group operates both defined contribution and defined benefit pension plans.

Defined benefit plans are run independently of the sponsoring company by scheme trustees and is subject to relevant local legislation.

Pension contributions relating to each scheme are assessed in accordance with the advice of independent qualified actuaries.

QIEL operates a defined contribution scheme only.

QBE Re operates both a defined benefit and a defined contribution pension plan.

Changes to the valuation of liabilities in the period

There have been no changes to the recognition and valuation bases used or to estimations during the reporting period.

Insurance contracts

The main source of estimation uncertainty concerns the valuation of Technical Provisions, which are discussed in section D2. Estimates have to be made for expected future claims. It can take a significant amount of time before the claims cost can be established with certainty. Estimates might be derived from underwriter experience, historical data and broker estimation. These estimates are judgemental.

Taxation

The Group establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the tax authority. Management estimation is required to determine the amount of deferred taxes that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

4. Alternative methods for valuation

Valuation techniques are applied in which any one or more significant input is not based on observable market data. The valuation methods used are based upon a QBE Group framework of principles, policies and guidelines for the valuation of investment assets.

Infrastructure Debt

The fair value of infrastructure debt is based on the following hierarchy, which is considered to be the best proxy of fair value for these instruments:

1. Quoted prices – For all infrastructure debt investments quoted on a market, or by brokers, such quotes will form the basis of valuation, unless those quotations are not readily available, or do not reflect fair market value i.e. if market price is due to distressed or forced sale. Where available, market prices are sourced from external providers.

2. Observable inputs – Where quoted prices are not readily available, or do not reflect fair market value, a mark to model valuation method may be applied. Where applicable, asset valuation models will be based on observable inputs as comparable proxies for fair value change in market interest rates, change in market spreads/margins, and change in repayment expectations/risk of credit loss.

3. Par plus accrued – In the absence of quoted prices and observable inputs, infrastructure debt investments will be valued by the external investment manager at par plus accrued interest for performing assets. Non-performing (i.e. distressed or impaired) will be written down by the investment manager to fair value.

Short term treasury bonds

Short term treasury bonds are valued using an external pricing source, where a price is not available an alternative valuation may be calculated using a Bloomberg yield curve utilising observable input.

Money market instruments

Money market instruments (accumulating certificates of deposit, and discounted securities) are valued using an external pricing source, where a price is not available a value may be calculated using a Bloomberg yield curve utilising observable input.

Unlisted property trusts

The fair value of unlisted property trusts is determined by using the current unit price as advised by the responsible entity, trustee or equivalent of the investment management scheme. Year-end valuations are supplemented by independent third party valuations being carried out on the underlying property portfolio. Due to the timing of data released from the scheme, period end valuations are one quarter in arrears.

The valuation uncertainty associated with the above assets is considered to be immaterial. Experience of those assets valued using alternative valuation methods is that the valuations have been materially correct.

5. Any other information

No other information.

Section E: Capital Management[6]

1. Own funds

Available own funds, eligible own funds and the ratio of eligible own funds over SCR and MCR for the EO Group, QIEL and QBE Re are disclosed in QRT S.23.01 in Appendix A. There is a separate QRT for each entity.

The primary objective of the business from a capital management perspective is to maintain sufficient own funds to cover the SCR and MCR with an appropriate surplus. These should be of sufficient quality to meet the eligibility requirements in Article 82 of the Delegated Regulation.

The EO Group has adopted a Capital Appetite Framework, setting out the target levels of capital and potential remediation actions in the event that capital falls below the stated appetite. The Capital Appetite Framework has been approved by the Group Board. Senior management carries out reviews regularly, at least quarterly, to monitor the ratio of eligible own funds to the SCR.

At 31 December 2017 EO Group and the regulated subsidiaries EOF, SCR and SCR coverage ratios were:

Entity	Eligible Own Funds to meet the SCR (000)	SCR (000)	SCR coverage ratio
EO Group	£1,691,004	£1,266,557	133.51%
QBE Re	€564,070	€480,263	117.45%
QIEL	£1,141,091	£919,647	124.08%

The EO Group has the following foreseeable dividends (which have been paid since the year-end) in 2018:

EO plc: £143,000k

QBE Re: €76,000k

QIEL: £96,000k

The regulated subsidiaries within the Group have the following credit ratings, as determined by S&P Global Ratings:

- QBE Re (Europe) Limited has a financial strength rating of A+, with a stable outlook
- QBE Insurance (Europe) Limited has a financial strength rating of A+, with a stable outlook and a long-term public issue credit rating of A+

There were no material changes over the reporting period.

[6] Any references in 'Section E: Capital Management' to the SCR are unaudited

Classification of entities within the EO Group

The EO Group is constituted of a number of entities that carry out different functions and have different characteristics. In compliance with Solvency II regulations these entities have been classified into the following types:

- (Re)insurance undertakings
- Insurance holding companies
- Ancillary services undertakings
- Other related undertakings

The EO Group's own funds have been assessed against the criteria of Article 71 of the Delegated Acts and the majority of the capital has been classified as sufficient quality to meet the eligibility requirements of 'Tier 1' capital plus 'Tier 1 restricted' debt issued during the year, 'Tier 2' subordinated debt and Deferred Tax Assets (DTA) which have been classified as 'Tier 3' EOF.

The EOF were calculated after adjusting for valuation basis differences between IFRS statutory financials and Solvency II and applying restrictions in relation to Ring Fenced Funds (RFF).

The EO Group has an approved Internal Model which it uses as the basis for the SCR. The Internal Model reflects the risk assessment processes that have been reflected across the business for several years and considers all classes of business underwritten by the EO Group. The Internal Model incorporates consideration of underwriting risk, reserving risk, credit risk, market risk, liquidity risk, operational risk, group risk and pension risk.

The data flows within the Internal Model are documented, self-assessed and output reported to the Data Quality Group, a sub group of the Operations Management Group. Areas identified as requiring remediation are recorded on a Data Quality Issues Log and progress reported regularly to the Data Quality Group.

Method of calculating own funds

The EO Group uses the accounting consolidation based method to determine the Group's basic own funds and follows four steps:

- Own funds are calculated on the basis of consolidated data
- Own funds are classified into tiers
- Available own funds are calculated net of adjustments at group level
- Eligible own funds are determined, subject to tiering limits, in order to determine the amount of own funds eligible to cover the Group's SCR and MCR

Consolidated EO Group own funds

EO Group's own funds comprise the sum of its basic own funds and ancillary own funds. Basic own funds comprise:

- The excess of assets over liabilities, determined from the Solvency II consolidated balance sheet calculated on the basis of the consolidated data in accordance with the accounting consolidation based method and Solvency II guidelines, less adjustments
- Subordinated liabilities to the extent that these satisfy the Solvency II rules for recognition as part of basic own funds

Different undertakings within the EO Group are treated in different ways, as described below:

- Fully-consolidated entities constitute the (re)insurance undertakings, insurance holding companies and ancillary services undertakings
- Other related undertakings are included under adjusted equity method

Classification into tiers

Tier 1

Own fund items are assessed and classified into tiers in accordance with criteria defined by Solvency II regulations. The majority of QIEL, QBE Re and EO Group own funds are classified as Tier 1 and consists of share capital, share premium and the reconciliation reserve. Tier 1 capital includes high quality instruments with features such as permanence, subordination, undated, absence of redemption incentives, mandatory costs and encumbrances.

Tier 1 (restricted)

During 2017 the $550m perpetual securities, previously classified as Restricted Tier 1 capital under the Solvency II ‘grandfathering’ rules, were redeemed in full. The EO Group subsequently issued $300m of perpetual, subordinated, unsecured debt, which is categorised as equity on an accounting basis and Restricted Tier 1 capital under Solvency II rules. The debt does not have a fixed final redemption date and the holders have no right to call for their redemption.

Tier 2

The Solvency II consolidated balance sheet includes capital securities issued by the Company to subsidiary undertakings within the QBE Group. These securities take the form of capital securities and subordinated debt.

The subordinated debt is eligible for inclusion as Tier 2 capital. This debt comprises two separate sets of notes, one denominated in sterling (£325,000k) and the other denominated in US dollars ($1,000,000k). Both sets of notes mature in May 2041 and may not be called for redemption by the investors. The two sets of notes are constituted by separate deeds of covenant made by the Group by way of deed poll. The two deeds are, save for minor differences relating exclusively to their differing currencies, identical.

The notes are held by a related party within the QBE Group, which in turn has issued back to back notes externally. The EO Group acquired a portion of these external facing notes during 2017 as part of a debt restructuring exercise. The EO Group limits the Tier 2 capital contribution of the internal notes based upon Solvency II reciprocal financing rules.

Reconciliation reserve

The reconciliation reserve is comprised of the excess of assets over liabilities on a Solvency II valuation basis, less other basic own fund items and an adjustment for restricted own fund items in respect of immaterial ring fenced funds. Other basic own fund items include ordinary share capital, related share premium account and an amount equal to the value of net deferred tax assets.

Availability at group level of own funds

An amount equal to the excess of the solo SCR of QIEL and QBE Re over each entity’s allocation of the EO Group SCR will be treated as non-available own funds at EO Group level. This represents the entity’s share of the diversification benefit included in the EO Group SCR.

While the assessment of availability of EO Group own funds is not specifically required to be carried out in relation to ancillary services undertakings, pension surpluses recognised by ancillary services undertakings under IAS 19 will be treated as not available at EO Group level.

The amount of non-available own funds for the Company, QBE Holdings (EO), QIEL, QBE Re and MSUK will be compared to their respective contributions to the EO Group SCR. Any excess of non-available own funds over the contribution to EO Group SCR will be deducted from the group available own funds.

Eligibility of group own funds

The eligibility of own funds to cover the EO Group SCR and MCR is subject to tiering limits, specifically:

- The eligible amounts of Tier 1 items must be at least 50% of the SCR and 80% of the MCR
- The sum of the eligible amounts of Tier 2 and Tier 3 items must not exceed 50% of the SCR or 20% of the MCR

The eligible amounts of Tier 3 items must be less than 15% of the SCR.

Deductions from own funds

The following restrictions in relation to Ring Fenced Funds apply:

- Letters of credit - Reflecting the margin required by the issuer over the level of LOCs issued. The level of restriction to own funds has been calculated on the basis that actual liabilities are equal to the LOCs issued and therefore that the only restriction relates to the margin required by the issuer
- Capital required to be held locally by the Dubai regulator in respect of the local operations of QIEL
- As a condition of writing US Excess and Surplus lines business, the EO Group is required to deposit cash, readily marketable securities or letters of credit into Trust with a “United States Qualified Financial Institution”

Undertakings in the scope of the Internal Model used to calculate the EO Group SCR

The following entities write insurance and reinsurance business within the EO Group and are covered by the EO Group Internal Model:

- QIEL
- QBE Re
- EO’s share of any successor entities

The Lloyd’s Syndicates capacity (Syndicates 386 and 2999) is owned through QBE Corporate Limited, the managing agent being QBE Underwriting Limited. The EO Group SCR treats QBE Corporate as an investment. These additional elements contribute to an increase to the EO Group SCR. In previous years, the EO Group included subsidiaries classified as non-regulated financing entities. These entities contributed a sectoral capital requirement to the EO Group SCR. As a result of a restructuring during 2017, the EO Group no longer includes subsidiaries classified as non-regulated financing entities.

The total Group SCR is lower than the sum of these individual elements due to a diversification benefit in respect of regulated subsidiaries QIEL and QBE Re.

The difference between the entity level Internal Model and the Group level Internal Model

QIEL and QBE Re follow the same risk drivers as the EO Group. This is as expected since the EO Group is a consolidation of the risks from the underlying subsidiaries.

However, there are some key differences between the internal model used at individual undertaking level and the internal model used to calculate the EO Group SCR. They are:

- The EO Group and its subsidiaries operate four defined benefit pension schemes. This is allowed for in the EO Group SCR
- The EO Group SCR also allows for the following items:
- QBE Corporate is treated as an investment and its value is assumed to be completely written off for the purpose of assessing capital

Material differences between Equity in the Financial Statements and the Excess of Assets over Liabilities

The valuation of a company's own funds under Solvency II legislation is different to that calculated in the Statutory Accounts. More detail around the different valuation methods used under Solvency II are in Section D: Valuation for Solvency Purposes. A reconciliation showing how the valuation methodologies differ between the two different approaches is shown below for EO Group and the Regulated Subsidiaries.

	EO Group Basis: IFRS (000)	QIEL Basis: UK GAAP (000)	QBE Re Basis: UK GAAP (000)
Total equity – Statutory basis	**£2,079,104**	**£1,403,534**	**€689,868**
Reversal of Net IFRS/UK GAAP technical provisions balances	£817,806	£647,615	€99,975
Inclusion of Net technical provisions on a Solvency II basis	(£973,317)	(£837,237)	(€153,102)
Elimination of Goodwill and Intangibles	(£184,970)	-	-
Change in the vaue of participations	(£136,138)	-	-
Valuation adjustment: Investments	-	-	-
Valuation adjustment: Other	£34,093	£32,997	€14,574
Excess of assets over liabilities – Solvency II basis	**£1,636,578**	**£1,246,909**	**€651,315**
Adjustment: Subordinated liabilities	£418,590	-	-
Adjustment: Foreseeable dividends	(£143,000)	(£96,000)	(€76,000)
Adjustment: Restricted own fund items in respect of ring fenced funds	(£22,471)	(£9,818)	(€11,245)
Adjustment: Non available own funds at group level	(£198,693)	-	-
Own Funds – Solvency II basis	**£1,691,004**	**£1,141,091**	**€564,070**

2. Solvency Capital Requirement and Minimum Capital Requirement

At 31 December 2017 the SCR and MCR for EO Group and the regulated subsidiaries were:

Entity	SCR (000)	MCR (000)
EO Group	£1,266,557	£554,482
QBE Re	€480,263	€212,167
QIEL	£919,647	£366,491

The SCR for the EO Group and its regulated subsidiaries is also shown in QRTs S.25.03.21 and S.25.03.22 in Appendix A. These QRTs also provide information around the breakdown of the SCR values into constituent components. These templates also contain information around the MCR. The MCR for the (re)insurance undertakings, QIEL and QBE Re, is calculated using inputs for the net (of reinsurance/SPV) Solvency II best estimate and the net (of reinsurance SPV) written premium in the last 12 months. Factors are applied to these inputs based on the technical specifications from the long-term guarantees package.

The MCR is not defined at the Group level under Solvency II and is referred to the minimum consolidated Group SCR instead. The minimum consolidated Group SCR is calculated as the sum of the MCRs for regulated undertakings, QIEL and QBE Re.

Diversification benefit[7]

The EO Groups reported diversification benefit at 31 December 2017 is £629,252k (2016 £724,580k) which includes diversification between risk components but does not include diversification within each risk component.

The diversification benefit is driven by the dependencies and correlations within the model and are key to the final SCR. The dependencies reflect the potential for things to go wrong in the extremes, i.e. the capital model uses copulas to include tail dependence between classes of business and risk types. The dependencies and correlations included within the capital model are subject to review by appropriate subject matter experts due to their importance to the final SCR.

The aggregation approach used is a combined modelling of all risks and classes simultaneously. This means that three types of dependencies arise through the model:

- Explicit dependencies that are placed between risks, for example between catastrophe risk and reinsurer default.
- Implicit dependencies created through a similar risk driver, for example the Economic Scenario Generator (ESG) used to model market risk generated inflation volatility driving the claims inflation between classes which impacts underwriting, unearned reserving and earned reserving risk.
- Implicit dependencies through association, for example a large underwriting loss which triggers large reinsurance recoveries will tend to lead to a correlation between reinsurance credit risk and underwriting risk.

[7] Any references to diversification benefit are unaudited

3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The EO Group has a fully approved Internal Model and therefore does not use the duration-based equity risk sub-module.

4. Differences between the standard formula and the Internal Model used[8]

The standard formula and Internal Model are based on two different modelling approaches, resulting in differences in outputs. Some of the main differences, and similarities, are noted below. The Internal Model is based on a 99.5% confidence level over a one year time period. The methods used in the Internal Model for the calculation of the probability distribution forecast and the SCR are included in Section C.

Market risk

There are a number of differences within the components of market risk. In particular, the EO Group has exposure to currency risk (i.e. net asset exposure in any non-GBP currency). Within the Internal Model, currency risk is modelled as the difference between the net assets at the end of the period converted at the end of period stochastic FX rates less the net assets at the end of the period converted at the average of the stochastic FX rates at the end of the period. The currency splits on the assets and liabilities are modelled separately and they are not forced to match within the model.

Concentration risk is implicitly allowed for in the Internal Model; the distributions in the ESG are based on the assets held, and the concentration of assets.

The overall level of market risk (excluding currency risk) between the standard formula and Internal Model are broadly similar.

Counterparty default credit

The Internal Model and standard formula capitalise against reinsurance and premium defaults in two very different ways.

- The standard formula includes a very small capital requirement against reinsurance default, whereas the Internal Model includes more capital on a stand-alone basis. The Internal Model assumes 5-year default rates during the first year, which is a very conservative assessment for credit risk. The standard formula is more based around the expected change in bad-debt provisions from credit rating migrations, with minimal actual default during the first year. Note, however, that the reinsurance credit risk diversifies well in the Internal Model, which gives rise to a larger diversification benefit from this one item
- The standard formula applies a material capital charge against premium debtors, taking 90% of any debts over-due by 3 months or more, and 15% of all other debtors. Broker balances (which are the main part of the debtor exposure) are subject to a separate set of regulation, for example in the UK the FCA regulates brokers and

[8] Any references to differences between the Standard Formula and the Internal Model are unaudited

constrains how their monies are handled. This means that the risk is well mitigated, and the Internal Model capital assessment reflect this

Non-life underwriting risk

There is only a small difference between the total assessment of insurance risk when the health and life risk is included in the standard formula calculations. The methodology differences between the two models include:

- The Internal Model considers insurance risk as an absolute loss amount, so any profit in the plan acts as an offset against capital. The standard formula just does a relative assessment, in essence assuming that the business has a 100% net combined ratio
- The Internal Model does not separate out lapse risk, but it is included in the risk around the level of business written in the new underwriting year. When business does lapse, it both removes the profit associated with this anticipated business (which the standard formula and Internal Model both capture), and also the risk associated with the business (which the standard formula does not capture)
- The overall level of catastrophe risk is broadly consistent between the two models, although the modelling treatment is different. The Internal Model allows for the full features of the reinsurance protections, whereas the standard formula approximates them, most notably through the lack of multiple reinstatements on protections, and the use of maximum line size losses within the man-made catastrophe component

Health underwriting risk

The Internal Model does not capture this separately from the non-life underwriting risk.

Operational risk

The capital model allows operational risk to diversify against other risk types, whereas it is additive in the standard formula. If the diversified operational risk is calculated in the Internal Model then the differences are smaller. This different treatment of operational risk also gives rise to an increased level of diversification benefit in the Internal Model compared to the standard formula.

Diversification benefit. Because of the differences between risk types, the standard formula has less diversification between risk types than the Internal Model. A large contributor to this is the high level of reinsurance credit risk in the Internal Model which diversifies quite well against the other risk types (reserve risk in particular) compared against the standard formula that has a lower level of reinsurance credit risk.

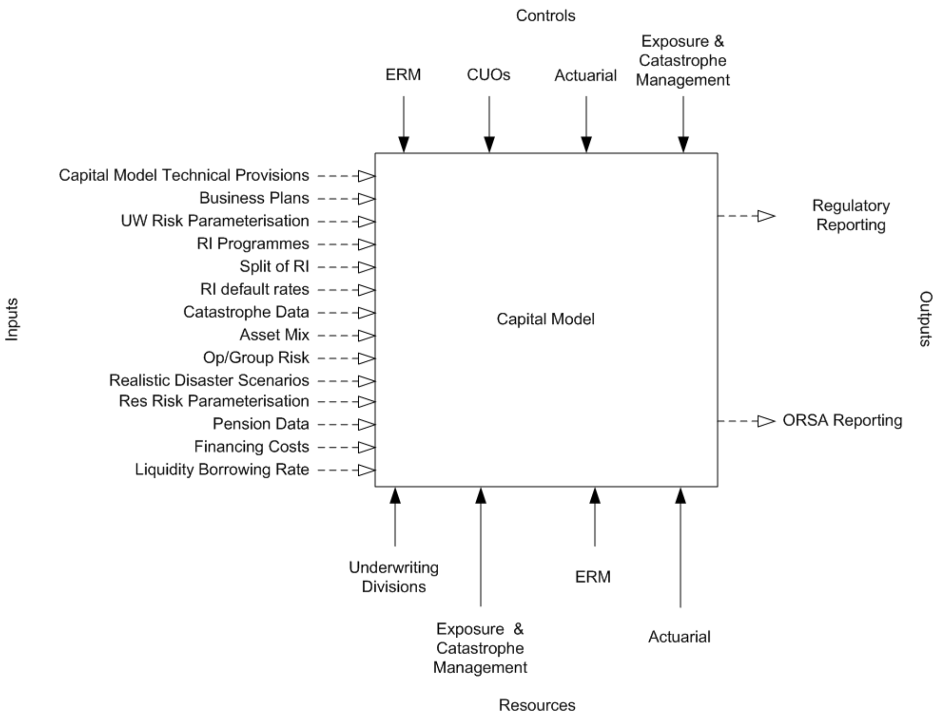
The standard formula does not capture group risk, whereas it does appear in the Internal Model. This risk is assumed to diversify well against the other risks, so it also increases the size of the diversification benefit in the Internal Model compared to the standard formula.

Data used in the Internal Model

The data flows within the capital model are documented within a Internal Model Dataflow Map. As part of data quality management in QBE, a Data Governance Team carry out a self-assessment exercise regularly with those business areas that provide data flows into the capital model. The results of this work, in particular any areas for remediation, are recorded on a Data Quality Issues Log which is reviewed and managed by the Data Quality Group, a sub-Group of the OMG.

The technical specification details of the data extracts that form the inputs to the capital model are held in a Data Directory, which is also verified by business owners as part of the self-assessment review. This ensures that the data specifications are regularly kept up-to-date.

An overview of each of the data flows is illustrated below.



There are a number of data items that feed into the capital model. Each of these sources of data is subject to all of the requirements of the internal model:

- **Technical provisions**. These are provided by the Actuarial Function and comprise of undiscounted paid and incurred claim and ultimate premium and claims, by class, currency and year of account
- **Claims development patterns**. These are taken from the actuarial technical provisions. They comprise of paid and incurred claim patterns by class of business and currency to support discounting of the liabilities in the capital model
- **Reserve risk parameterisation**. This takes the output from the reserve variability analysis carried out by the Actuarial Function, with the parameters held at class of business level
- **Business plans**. These are taken from the business planning database, and comprises the full business plan by class of business
- **Large and attritional loss parameterisation**. This is the output from the large and attritional loss parameterisation process, which is currently carried out by the Actuarial Function
- **Reinsurance programmes**. This is the data detailing the outwards reinsurance programmes that QBE EO has in place, and is taken from the reinsurance schematics produced by the Underwriting and Reinsurance Review Department
- **Split of reinsurers on technical provisions**. This is taken from a query in the Group's reinsurance reporting system that produces the split of the reinsurance asset on the balance sheet at any quarter end by legal entity. The system itself is supported by QBE Group, although the Underwriting and Reinsurance Review Department maintain Group ownership for the data

- **Reinsurer and broker default rates**. These are taken from Standard and Poor's reports on the default probabilities for differently rated companies and overlaid with any judgement by the Group Security Committee
- **Natural catastrophe model output**. This is the output from RMS, which comprises of event loss tables for different classes of business, and is received from the Exposure and Catastrophe Management team. Group Aggregate Monitoring (GAM) data is also used to assess the risk from regions and perils not modelled by RMS
- **Realistic disaster scenarios**. This data is the output from the RDS exercise conducted twice a year. This is used to help validate the catastrophe losses generated within the capital model, parameterise the man-made catastrophe risks and parameterise the non-modelled classes within the natural catastrophe risk
- **Asset mix**. This data lists the different investments held by each legal entity within Group. These assets are input into the model as the opening asset position
- **Total Risk Assessment (TRA).** This data is taken from within the ERM team and provides the operational risk parameters
- **Group Risk Dashboard.** Used to parameterise the group risk distributions. Data is taken from within the ERM team
- **Asset model output**. This data is the output from the asset model, which is the distribution of asset returns split by asset type, currency and term (as well as inflation and currency exchange rates in the future)
- **Liquidity borrowing rate**. This is the rate at which money can be borrowed to cover short term cashflow restraints
- **Pension data**. This comprises of the pension assets and liabilities, longevity stress tests and benefit payment proportions
- **Financing costs and other capital requirements**. These are the expected debt servicing costs for the Group and any capital to support the non-regulated financing companies

Where data is taken from other processes, the capital model assumes that it is complete and accurate (these processes will additionally check that their input data is complete and accurate).

5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

When EOF from all entities is included, the EO Group satisfies and complies with the MCR and SCR requirements.[9] The regulated subsidiaries QIEL and QBE Re also satisfy and comply with the MCR and SCR requirements.

6. Any other information

None noted.

[9] Any references to non compliance with the SCR are unaudited

Appendix A. QRTs

QBE EO

Template code	Template name
S.32.01.22	Undertakings in the scope of the group
S.02.01.02	Balance sheet
S.05.01.02	Premiums, claims and expenses by line of business – Non-Life
S.05.01.02	Premiums, claims and expenses by line of business - Life
S.05.02.01	Premiums, claims and expenses by country – Non-Life
S.05.02.01	Premiums, claims and expenses by country - Life
S.23.01.22	Own Funds
S.25.03.22	Solvency Capital Requirement - for undertakings on Full Internal Models

QIEL

Template code	Template name
S.02.01.02	Balance sheet
S.05.01.02	Premiums, claims and expenses by line of business – Non-Life
S.05.01.02	Premiums, claims and expenses by line of business - Life
S.05.02.01	Premiums, claims and expenses by country – Non-Life
S.05.02.01	Premiums, claims and expenses by country - Life
S.12.01.02	Life and Health SLT Technical Provisions
S.17.01.02	Non-Life Technical Provisions
S.19.01.21	Non-Life insurance claims
S.23.01.01	Own Funds
S.25.03.21	Solvency Capital Requirement - for undertakings on Full Internal Models
S.28.01.01	Minimum Capital Requirement

QBE Re

Template code	Template name
S.02.01.02	Balance sheet
S.05.01.02	Premiums, claims and expenses by line of business – Non-Life
S.05.01.02	Premiums, claims and expenses by line of business - Life
S.05.02.01	Premiums, claims and expenses by country – Non-Life
S.05.02.01	Premiums, claims and expenses by country - Life
S.12.01.02	Life and Health SLT Technical Provisions
S.17.01.02	Non-Life Technical Provisions
S.19.01.21	Non-Life insurance claims
S.23.01.01	Own Funds
S.25.03.21	Solvency Capital Requirement - for undertakings on Full Internal Models
S.28.01.01	Minimum Capital Requirement

QBE EO (All values in £'000)

S.32.01.22

Undertakings in the scope of the group

									Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
Row	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	CH	213800CH00002	2 - Specific code	ANEX JENNI & PARTNER AS	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Full consolidation
2	DE	213800DE00003	2 - Specific code	GREENHILL BAIA UNDERWRITING GMBH	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Full consolidation
3	GB	213800F6M2ZYHXYJOV75	1 - LEI	QBE MANAGEMENT SERVICES (UK) LIMITED	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Full consolidation
4	GB	2138008RZQUZIMFBAS79	1 - LEI	QBE INSURANCE (EUROPE) LIMITED	2 - Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	The Prudential Regulatory Authority (Bank of England)	100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Full consolidation
5	GB	213800ADAKQM582OZM57	1 - LEI	QBE RE (EUROPE) LIMITED	3 - Reinsurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	The Prudential Regulatory Authority (Bank of England)	100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Full consolidation
6	CA	213800CA00024	2 - Specific code	QBE SERVICES INC.	99 - Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
7	GB	213800GB00012	2 - Specific code	QBE SERVICES (EUROPE) LIMITED	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Full consolidation
8	GB	213800GB00015	2 - Specific code	STANDFAST CORPORATE UNDERWRITERS LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
9	GB	213800G4VF3APWBP7231	1 - LEI	QBE UNDERWRITING LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
10	CZ	213800CZ00006	2 - Specific code	QBE, S. R. O.	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Full consolidation
11	SK	213800SK00007	2 - Specific code	QBE SK, S. R. O.	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Full consolidation
12	HU	213800HU00010	2 - Specific code	QBE ATLASZ INGATLANKEZELO ZRT	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Full consolidation
13	CZ	213800CZ00017	2 - Specific code	LIFECO S. R. O.	99 - Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
14	DK	213800DK00020	2 - Specific code	QBE DENMARK A/S	99 - Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
15	SG	213800SG00023	2 - Specific code	QBE MARINE AND ENERGY SERVICES PTE LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
16	GB	213800GB00004	2 - Specific code	GREENHILL STURGE UNDERWRITING LIMITED	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Full consolidation
17	GB	213800GB00005	2 - Specific code	GREENHILL UNDERWRITING ESPANA LIMITED	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Full consolidation
18	GB	2138001VJLIGBUFEQE54	1 - LEI	QBE HOLDINGS (EO) LIMITED	5 - Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Full consolidation
19	GB	213800GB00008	2 - Specific code	RIDGWELL FOX AND PARTNERS (UNDERWRITING MANAGEMENT) LIMITED	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Full consolidation
20	AU	213800AU00013	2 - Specific code	QBE INVESTMENTS (AUSTRALIA) PTY LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
21	IE	213800CDFJ12UGMK9342	1 - LEI	QBE MANAGEMENT (IRELAND) LIMITED	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Full consolidation
22	GB	213800GB00009	2 - Specific code	QBE INSURANCE SERVICES (REGIONAL) LIMITED	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Full consolidation
23	GB	213800GB00011	2 - Specific code	QBE PARTNER SERVICES (EUROPE) LLP	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Full consolidation
24	GB	213800GB00016	2 - Specific code	GREENHILL INTERNATIONAL INSURANCE HOLDINGS LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
25	GB	2138001YKXKPQ6DYEI15	1 - LEI	QBE FINANCE HOLDINGS (EO) LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
26	GB	213800M5ZP1KSX9UYB71	1 - LEI	QBE CORPORATE LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
27	AU	213800AU00022	2 - Specific code	QBE EUROPEAN UNDERWRITING SERVICES (AUSTRALIA) PTY LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
28	GB	213800GB00025	2 - Specific code	QBE UNDERWRITING SERVICES LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
29	IE	213800IE00027	2 - Specific code	QBE UNDERWRITING SERVICES (IRELAND) LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
30	GB	213800GB00028	2 - Specific code	QBE UNDERWRITING SERVICES (UK) LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
31	GB	213800GB00029	2 - Specific code	QBE EUROPEAN SERVICES LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
32	GB	2138003HAOJ2X4PBKS90	1 - LEI	QBE UK FINANCE IV LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
33	GB	213800791EF5XP7WW494	1 - LEI	QBE EUROPEAN OPERATIONS PLC	5 - Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual							0.00%	1 - Included in the scope		Method 1: Full consolidation

QBE EO (All values in £'000)

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	-
R0040	Deferred tax assets	62,483
R0050	Pension benefit surplus	24,402
R0060	Property, plant & equipment held for own use	33,360
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	5,600,396
R0080	*Property (other than for own use)*	-
R0090	*Holdings in related undertakings, including participations*	23,730
R0100	*Equities*	34
R0110	*Equities - listed*	-
R0120	*Equities - unlisted*	34
R0130	*Bonds*	5,096,027
R0140	*Government Bonds*	662,455
R0150	*Corporate Bonds*	4,172,028
R0160	*Structured notes*	-
R0170	*Collateralised securities*	261,544
R0180	*Collective Investments Undertakings*	444,077
R0190	*Derivatives*	18,662
R0200	*Deposits other than cash equivalents*	17,866
R0210	*Other investments*	-
R0220	Assets held for index-linked and unit-linked contracts	-
R0230	Loans and mortgages	122,607
R0240	*Loans on policies*	-
R0250	*Loans and mortgages to individuals*	-
R0260	*Other loans and mortgages*	122,607
R0270	Reinsurance recoverables from:	964,348
R0280	*Non-life and health similar to non-life*	936,411
R0290	*Non-life excluding health*	906,379
R0300	*Health similar to non-life*	30,032
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	27,937
R0320	*Health similar to life*	- 4
R0330	*Life excluding health and index-linked and unit-linked*	27,941
R0340	*Life index-linked and unit-linked*	-
R0350	Deposits to cedants	116,754
R0360	Insurance and intermediaries receivables	303,740
R0370	Reinsurance receivables	42,608
R0380	Receivables (trade, not insurance)	397,043
R0390	Own shares (held directly)	-
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	-
R0410	Cash and cash equivalents	219,983
R0420	Any other assets, not elsewhere shown	-
R0500	**Total assets**	7,887,724

QBE EO (All values in £'000)

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	4,435,221
R0520	*Technical provisions - non-life (excluding health)*	4,361,523
R0530	*TP calculated as a whole*	-
R0540	*Best Estimate*	3,939,261
R0550	*Risk margin*	422,262
R0560	*Technical provisions - health (similar to non-life)*	73,698
R0570	*TP calculated as a whole*	-
R0580	*Best Estimate*	61,556
R0590	*Risk margin*	12,142
R0600	Technical provisions - life (excluding index-linked and unit-linked)	141,951
R0610	*Technical provisions - health (similar to life)*	- 724
R0620	*TP calculated as a whole*	-
R0630	*Best Estimate*	- 13,542
R0640	*Risk margin*	12,818
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	142,675
R0660	*TP calculated as a whole*	-
R0670	*Best Estimate*	111,033
R0680	*Risk margin*	31,642
R0690	Technical provisions - index-linked and unit-linked	-
R0700	*TP calculated as a whole*	-
R0710	*Best Estimate*	-
R0720	*Risk margin*	-
R0740	Contingent liabilities	-
R0750	Provisions other than technical provisions	22,218
R0760	Pension benefit obligations	18,380
R0770	Deposits from reinsurers	31,013
R0780	Deferred tax liabilities	3,160
R0790	Derivatives	9,543
R0800	Debts owed to credit institutions	-
R0810	Financial liabilities other than debts owed to credit institutions	-
R0820	Insurance & intermediaries payables	100,769
R0830	Reinsurance payables	137,397
R0840	Payables (trade, not insurance)	277,229
R0850	Subordinated liabilities	1,074,265
R0860	*Subordinated liabilities not in BOF*	655,675
R0870	*Subordinated liabilities in BOF*	418,590
R0880	Any other liabilities, not elsewhere shown	-
R0900	**Total liabilities**	6,251,146
R1000	**Excess of assets over liabilities**	1,636,578

QBE EO (All values in £'000)

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business	-	2,899	-	270,521	49,455	66,580	310,798	507,034	57,222	6,076	9	70					1,270,664
R0120	Gross - Proportional reinsurance accepted	2,202	26,927	-	8,396	4,277	1,252	66,344	14,189	17,576	-	-	-					141,163
R0130	Gross - Non-proportional reinsurance accepted													16,604	79,769	38,462	108,902	243,737
R0140	Reinsurers' share	-	1,728	-	24,027	909	12,828	78,260	62,448	6,922	400	- 1	3,411	1,176	7,907	25,020	31,043	256,078
R0200	Net	2,202	28,098	-	254,890	52,823	55,004	298,882	458,775	67,876	5,676	10	- 3,341	15,428	71,862	13,442	77,859	1,399,486
	Premiums earned																	
R0210	Gross - Direct Business	-	3,111	-	262,826	46,572	67,764	326,939	503,963	53,808	6,449	184	312					1,271,928
R0220	Gross - Proportional reinsurance accepted	1,704	41,970	-	8,075	4,287	1,342	62,365	13,523	18,143	-	-	-					151,409
R0230	Gross - Non-proportional reinsurance accepted													16,561	79,485	32,508	109,701	238,255
R0240	Reinsurers' share	-	1,825	-	26,961	859	13,042	73,948	66,693	6,398	505	167	3,526	1,167	8,238	18,549	32,614	254,492
R0300	Net	1,704	43,256	-	243,940	50,000	56,064	315,356	450,793	65,553	5,944	17	- 3,214	15,394	71,247	13,959	77,087	1,407,100
	Claims incurred																	
R0310	Gross - Direct Business	24	1,027	-	132,169	22,928	34,117	147,084	358,071	19,948	4,237	27	7,196					726,828
R0320	Gross - Proportional reinsurance accepted	2,331	30,309	-	8,183	3,361	1,520	53,028	8,019	13,886	-	-	- 156					120,481
R0330	Gross - Non-proportional reinsurance accepted													- 551	11,394	- 9,519	52,308	53,632
R0340	Reinsurers' share	1	101	-	22,208	7,598	8,524	80,824	116,845	- 1,137	- 177	64	11,713	335	- 7,488	- 7,405	19,296	251,302
R0400	Net	2,354	31,235	-	118,144	18,691	27,113	119,288	249,245	34,971	4,414	- 37	- 4,673	- 886	18,882	- 2,114	33,012	649,639
	Changes in other technical provisions																	
R0410	Gross - Direct Business	-	-	-	-	-	-	-	-	-	-	-	-					-
R0420	Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-	-	-	-	-	-					-
R0430	Gross - Non-proportional reinsurance accepted													-	-	-	-	-
R0440	Reinsurers' share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0500	Net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0550	**Expenses incurred**	280	8,935	-	77,685	14,344	18,543	129,493	186,423	24,899	2,670	2	197	4,899	24,905	4,261	17,481	515,017
R1200	**Other expenses**																	-
R1300	**Total expenses**																	515,017

QBE EO (All values in £'000)

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross							1,774	55,929	57,703
R1420	Reinsurers' share							-	1,902	1,902
R1500	Net	-	-	-	-	-	-	1,774	54,027	55,801
	Premiums earned									
R1510	Gross							1,774	55,929	57,703
R1520	Reinsurers' share							-	1,903	1,903
R1600	Net	-	-	-	-	-	-	1,774	54,026	55,800
	Claims incurred									
R1610	Gross						21,401	1,464	52,135	75,000
R1620	Reinsurers' share						14,401	-	219	14,620
R1700	Net	-	-	-	-	-	7,000	1,464	51,916	60,380
	Changes in other technical provisions									
R1710	Gross							-	-	-
R1720	Reinsurers' share							-	-	-
R1800	Net	-	-	-	-	-	-	-	-	-
R1900	**Expenses incurred**							201	10,141	10,342
R2500	**Other expenses**									-
R2600	**Total expenses**									10,342

QBE EO (All values in £'000)

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
R0010			France (FR)	Italy (IT)	Belgium (BE)	Ireland (IE)	Germany (DE)	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	896,787	142,204	60,496	-	33,870	33,266	1,166,622
R0120	Gross - Proportional reinsurance accepted	2,178	13,190	-	19,199	-	-	34,566
R0130	Gross - Non-proportional reinsurance accepted	18,631	46,720	3,484	16,157	470	965	86,427
R0140	Reinsurers' share	132,171	23,340	6,423	3,997	18,346	4,997	189,274
R0200	Net	785,424	178,773	57,557	31,359	15,994	29,234	1,098,341
	Premiums earned							
R0210	Gross - Direct Business	892,912	120,883	62,298	-	38,611	32,264	1,146,969
R0220	Gross - Proportional reinsurance accepted	2,389	14,205	-	22,145	-	-	38,739
R0230	Gross - Non-proportional reinsurance accepted	17,405	44,255	3,566	15,794	393	557	81,970
R0240	Reinsurers' share	129,297	22,282	6,318	3,980	19,999	4,415	186,292
R0300	Net	783,410	157,061	59,546	33,959	19,005	28,406	1,081,387
	Claims incurred							
R0310	Gross - Direct Business	434,261	52,154	55,448	-	7,018	31,331	580,213
R0320	Gross - Proportional reinsurance accepted	- 2,470	14,607	-	18,506	-	-	30,643
R0330	Gross - Non-proportional reinsurance accepted	- 54,721	15,453	9,341	10,922	108	6,649	- 12,247
R0340	Reinsurers' share	107,520	9,576	- 593	129	19,430	- 269	135,792
R0400	Net	269,550	72,638	65,383	29,300	- 12,304	38,249	462,816
	Changes in other technical provisions							
R0410	Gross - Direct Business							-
R0420	Gross - Proportional reinsurance accepted							-
R0430	Gross - Non-proportional reinsurance accepted							-
R0440	Reinsurers' share							-
R0500	Net	-	-	-	-	-	-	-
R0550	**Expenses incurred**	295,536	58,652	22,439	7,505	13,925	11,251	409,308
R1200	**Other expenses**							
R1300	**Total expenses**							409,308

QBE EO (All values in £'000)

S.05.02.01

Premiums, claims and expenses by country

Life

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
R1400			Belgium (BE)	Chile (CL)	Colombia (CO)	United States (US)	Spain (ES)	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	15,010	11,388	5,321	4,667	3,822	3,557	43,765
R1420	Reinsurers' share	18	598	146	128	126	160	1,176
R1500	Net	14,992	10,790	5,175	4,539	3,696	3,397	42,589
	Premiums earned							
R1510	Gross	15,010	11,388	5,321	4,667	3,822	3,557	43,765
R1520	Reinsurers' share	18	598	146	128	126	160	1,176
R1600	Net	14,992	10,790	5,175	4,539	3,696	3,397	42,589
	Claims incurred							
R1610	Gross	31,544	15,389	5,845	2,173	6,424	2,265	63,640
R1620	Reinsurers' share	13,160	226	- 11	- 4	54	56	13,481
R1700	Net	18,384	15,163	5,856	2,177	6,370	2,209	50,159
	Changes in other technical provisions							
R1710	Gross	-	-	-	-	-	-	-
R1720	Reinsurers' share	-	-	-	-	-	-	-
R1800	Net	-	-	-	-	-	-	-
R1900	**Expenses incurred**	94	3,322	679	596	727	920	6,338
R2500	**Other expenses**							
R2600	**Total expenses**							6,338

QBE EO (All values in £'000)

S.23.01.22

Own Funds

	Basic own funds before deduction for participations in other financial sector	**Total**	**Tier 1 unrestricted**	**Tier 1 restricted**	**Tier 2**	**Tier 3**
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	996,078	996,078		-	
R0020	*Non-available called but not paid in ordinary share capital at group level*	-				
R0030	Share premium account related to ordinary share capital	-	-		-	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	-	-		-	
R0050	Subordinated mutual member accounts	-		-	-	-
R0060	*Non-available subordinated mutual member accounts at group level*	-				
R0070	Surplus funds	-	-			
R0080	*Non-available surplus funds at group level*	-	-			
R0090	Preference shares	232,036		232,036	-	-
R0100	*Non-available preference shares at group level*	-				
R0110	Share premium account related to preference shares	-		-	-	-
R0120	*Non-available share premium account related to preference shares at group level*	-				
R0130	Reconciliation reserve	29,837	29,837			
R0140	Subordinated liabilities	418,590		-	418,590	-
R0150	*Non-available subordinated liabilities at group level*	-				
R0160	An amount equal to the value of net deferred tax assets	59,323				59,323
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	44,860				44,860
R0180	Other items approved by supervisory authority as basic own funds not specified above	-	-	-	-	-
R0190	*Non available own funds related to other own funds items approved by supervisory authority*	-				
R0200	Minority interests (if not reported as part of a specific own fund item)	-				
R0210	*Non-available minority interests at group level*	-				
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**					
R0230	**Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities**	-				
R0240	*whereof deducted according to art 228 of the Directive 2009/138/EC*	-				
R0250	Deductions for participations where there is non-availability of information (Article 229)	-				
R0260	Deduction for participations included by using D&A when a combination of methods is used	-				
R0270	**Total of non-available own fund items**	44,860	-	-	-	44,860
R0280	**Total deductions**	44,860	-	-	-	44,860
R0290	**Total basic own funds after deductions**	1,691,004	1,025,915	232,036	418,590	14,463
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	-				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	-				
R0320	Unpaid and uncalled preference shares callable on demand	-				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	-				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	-				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	-				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-				
R0380	Non available ancillary own funds at group level	-				
R0390	Other ancillary own funds	-				
R0400	**Total ancillary own funds**	-			-	-
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	-				
R0420	Institutions for occupational retirement provision	-				
R0430	Non regulated entities carrying out financial activities	-				
R0440	**Total own funds of other financial sectors**	-	-	-	-	-

S.23.01.22

Own Funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	-				
R0460	Own funds aggregated when using the D&A and combination of method net of IGT	-				
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	1,691,004	1,025,915	232,036	418,590	14,463
R0530	Total available own funds to meet the minimum consolidated group SCR	1,676,541	1,025,915	232,036	418,590	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	1,691,004	1,025,915	232,036	418,590	14,463
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	1,368,847	1,025,915	232,036	110,896	
R0610	**Minimum consolidated Group SCR**	554,482				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	2.4687				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	1,691,004	1,025,915	232,036	418,590	14,463
R0680	**Group SCR**	1,266,557				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	1.3351				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	1,636,578
R0710	Own shares (held directly and indirectly)	-
R0720	Forseeable dividends, distributions and charges	143,000
R0730	Other basic own fund items	1,287,438
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	22,471
R0750	Other non available own funds	153,832
R0760	**Reconciliation reserve**	29,837
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	25,584
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	266,860
R0790	**Total Expected profits included in future premiums (EPIFP)**	292,444

QBE EO (All values in £’000)

S.25.03.22

Solvency Capital Requirement - for groups on Full Internal Models

	Unique number of component	Component description	Calculation of the Solvency Capital Requirement
Row	C0010	C0020	C0030
1	10300I	Interest rate risk	73,251
2	10400I	Equity risk	64,589
3	10600I	Property risk	27,288
4	10700I	Spread risk	119,986
5	10900I	Currency risk	121,208
6	11040I	Other market risk (Liquidity risk)	6,554
7	19900I	Diversification within market risk	- 236,148
8	20100I	Type 1 counterpart default risk (Reinsurance credit risk)	223,545
9	20200I	Type 2 counterparty default risk (Premium credit risk)	16,041
10	29900I	Diversification within counterparty risk	- 16,171
11	50130I	Premium risk	495,857
12	50240I	Reserve risk	775,315
13	50300I	Non-life catastrophe risk	264,309
14	59900I	Diversification within non-life underwriting risk	- 436,635
15	70190I	Operational risk (excluding group risk)	162,407
16	70110I	Group risk	62,000
17	79900I	Diversification within operational risk	- 47,918
18	8049AI	Net asset value of QBE Corporate	15,000
19	8049BI	Debt servicing costs net of loan repayments	55,804
20	8049CI	Capital supporting financing companies	-
21	8049DI	Capital adjustments	-
22	80110P	Total pension risk including market and pension benefit risks	149,529

S.25.03.22

Solvency Capital Requirement - for groups on Full Internal Models

		C0100
	Calculation of Solvency Capital Requirement	
R0110	Total undiversified components	1,895,809
R0060	Diversification	- 629,252
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency capital requirement excluding capital add-on**	1,266,557
R0210	Capital add-ons already set	
R0220	**Solvency capital requirement**	1,266,557
	Other information on SCR	
R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions	
R0310	Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	
R0470	Minimum consolidated group solvency capital requirement	554,482
	Information on other entities	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	-
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*	
R0520	*Institutions for occupational retirement provisions*	
R0530	*Capital requirement for non- regulated entities carrying out financial activities*	
R0540	Capital requirement for non-controlled participation requirements	
R0550	Capital requirement for residual undertakings	

QIEL (All values in £'000)

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	-
R0040	Deferred tax assets	32,650
R0050	Pension benefit surplus	-
R0060	Property, plant & equipment held for own use	1,527
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	3,407,314
R0080	*Property (other than for own use)*	-
R0090	*Holdings in related undertakings, including participations*	284
R0100	*Equities*	-
R0110	*Equities - listed*	-
R0120	*Equities - unlisted*	-
R0130	*Bonds*	3,103,443
R0140	*Government Bonds*	408,695
R0150	*Corporate Bonds*	2,511,534
R0160	*Structured notes*	-
R0170	*Collateralised securities*	183,214
R0180	*Collective Investments Undertakings*	274,829
R0190	*Derivatives*	10,892
R0200	*Deposits other than cash equivalents*	17,866
R0210	*Other investments*	-
R0220	Assets held for index-linked and unit-linked contracts	-
R0230	Loans and mortgages	301,448
R0240	*Loans on policies*	-
R0250	*Loans and mortgages to individuals*	-
R0260	*Other loans and mortgages*	301,448
R0270	Reinsurance recoverables from:	869,568
R0280	*Non-life and health similar to non-life*	842,119
R0290	*Non-life excluding health*	812,621
R0300	*Health similar to non-life*	29,498
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	27,449
R0320	*Health similar to life*	-
R0330	*Life excluding health and index-linked and unit-linked*	27,449
R0340	*Life index-linked and unit-linked*	-
R0350	Deposits to cedants	5,262
R0360	Insurance and intermediaries receivables	287,637
R0370	Reinsurance receivables	43,081
R0380	Receivables (trade, not insurance)	80,291
R0390	Own shares (held directly)	-
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	-
R0410	Cash and cash equivalents	165,568
R0420	Any other assets, not elsewhere shown	-
R0500	**Total assets**	5,194,346

QIEL (All values in £'000)

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	3,433,593
R0520	*Technical provisions - non-life (excluding health)*	3,424,090
R0530	*TP calculated as a whole*	-
R0540	*Best Estimate*	3,146,336
R0550	*Risk margin*	277,754
R0560	*Technical provisions - health (similar to non-life)*	9,503
R0570	*TP calculated as a whole*	-
R0580	*Best Estimate*	9,222
R0590	*Risk margin*	281
R0600	Technical provisions - life (excluding index-linked and unit-linked)	61,028
R0610	*Technical provisions - health (similar to life)*	-
R0620	*TP calculated as a whole*	-
R0630	*Best Estimate*	-
R0640	*Risk margin*	-
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	61,028
R0660	*TP calculated as a whole*	-
R0670	*Best Estimate*	50,312
R0680	*Risk margin*	10,716
R0690	Technical provisions - index-linked and unit-linked	-
R0700	*TP calculated as a whole*	-
R0710	*Best Estimate*	-
R0720	*Risk margin*	-
R0740	Contingent liabilities	-
R0750	Provisions other than technical provisions	2,488
R0760	Pension benefit obligations	-
R0770	Deposits from reinsurers	-
R0780	Deferred tax liabilities	2,196
R0790	Derivatives	4,158
R0800	Debts owed to credit institutions	-
R0810	Financial liabilities other than debts owed to credit institutions	-
R0820	Insurance & intermediaries payables	169,138
R0830	Reinsurance payables	135,051
R0840	Payables (trade, not insurance)	101,415
R0850	Subordinated liabilities	-
R0860	*Subordinated liabilities not in BOF*	-
R0870	*Subordinated liabilities in BOF*	-
R0880	Any other liabilities, not elsewhere shown	38,370
R0900	**Total liabilities**	3,947,437
R1000	**Excess of assets over liabilities**	1,246,909

QIEL (All values in £’000)

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business	-	2,899	-	270,521	49,455	66,580	310,798	507,034	57,222	6,076	9	70					1,270,664
R0120	Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-	-	-	-	-	-					-
R0130	Gross - Non-proportional reinsurance accepted													1	18,878	37,131	9,344	65,354
R0140	Reinsurers' share	-	207	-	24,015	909	12,799	64,738	62,422	6,755	400	-1	3,411	-4	2,134	24,977	4,338	207,100
R0200	Net	-	2,692	-	246,506	48,546	53,781	246,060	444,612	50,467	5,676	10	-3,341	5	16,744	12,154	5,006	1,128,918
	Premiums earned																	
R0210	Gross - Direct Business	-	3,111	-	262,826	46,572	67,764	326,939	503,963	53,808	6,449	184	312					1,271,928
R0220	Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-	-	-	-	-	-					-
R0230	Gross - Non-proportional reinsurance accepted													1	22,674	31,280	9,804	63,759
R0240	Reinsurers' share	-	304	-	26,949	859	13,012	60,834	66,668	6,242	505	167	3,526	-4	2,691	18,506	4,961	205,220
R0300	Net	-	2,807	-	235,877	45,713	54,752	266,105	437,295	47,566	5,944	17	-3,214	5	19,983	12,774	4,843	1,130,467
	Claims incurred																	
R0310	Gross - Direct Business	24	1,027	-	132,169	22,928	34,117	147,084	358,071	19,948	4,237	27	7,196					726,828
R0320	Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-	-	-	-	-	-					-
R0330	Gross - Non-proportional reinsurance accepted													649	-10,718	-10,791	9,973	-10,887
R0340	Reinsurers' share	1	-39	-	22,516	7,598	8,287	62,001	116,766	-1,219	-177	64	11,710	19	-10,315	-7,513	197	209,896
R0400	Net	23	1,066	-	109,653	15,330	25,830	85,083	241,305	21,167	4,414	-37	-4,514	630	-403	-3,278	9,776	506,045
	Changes in other technical provisions																	
R0410	Gross - Direct Business	-	-	-	-	-	-	-	-	-	-	-	-					-
R0420	Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-	-	-	-	-	-					-
R0430	Gross - Non-proportional reinsurance accepted													-	-	-	-	-
R0440	Reinsurers' share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0500	Net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0550	**Expenses incurred**	-5	1,222	-	75,848	13,065	18,250	100,684	181,831	18,966	2,670	2	140	80	11,068	3,334	3,533	430,688
R1200	**Other expenses**																	-
R1300	**Total expenses**																	430,688

QIEL (All values in £'000)

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross									-
R1420	Reinsurers' share									-
R1500	Net									-
	Premiums earned									
R1510	Gross									-
R1520	Reinsurers' share									-
R1600	Net									-
	Claims incurred									
R1610	Gross						16,681			16,681
R1620	Reinsurers' share						13,160			13,160
R1700	Net						3,521			3,521
	Changes in other technical provisions									
R1710	Gross									-
R1720	Reinsurers' share									-
R1800	Net									-
R1900	**Expenses incurred**									-
R2500	**Other expenses**									-
R2600	**Total expenses**									-

QIEL (All values in £'000)

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
R0010			France (FR)	Italy (IT)	Ireland (IE)	Germany (DE)	Spain (ES)	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	896,787	142,204	60,496	33,870	33,266	18,192	1,184,813
R0120	Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-
R0130	Gross - Non-proportional reinsurance accepted	14,844	239	3,484	470	965	747	20,750
R0140	Reinsurers' share	131,229	15,337	6,423	18,346	4,997	5,445	181,778
R0200	Net	780,401	127,105	57,557	15,994	29,234	13,493	1,023,785
	Premiums earned							
R0210	Gross - Direct Business	892,912	120,883	62,298	38,611	32,264	23,488	1,170,456
R0220	Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-
R0230	Gross - Non-proportional reinsurance accepted	13,502	192	3,566	393	557	749	18,959
R0240	Reinsurers' share	128,367	14,476	6,318	19,999	4,415	5,632	179,208
R0300	Net	778,047	106,600	59,546	19,005	28,406	18,604	1,010,208
	Claims incurred							
R0310	Gross - Direct Business	394,462	51,388	43,028	24,090	23,660	12,939	549,566
R0320	Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-
R0330	Gross - Non-proportional reinsurance accepted	6,529	86	2,478	334	687	531	10,646
R0340	Reinsurers' share	122,660	15,746	13,920	7,471	7,448	4,120	171,365
R0400	Net	278,331	35,729	31,586	16,953	16,899	9,350	388,847
	Changes in other technical provisions							
R0410	Gross - Direct Business	-	-	-	-	-	-	-
R0420	Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-
R0430	Gross - Non-proportional reinsurance accepted	-	-	-	-	-	-	-
R0440	Reinsurers' share	-	-	-	-	-	-	-
R0500	Net	-	-	-	-	-	-	-
R0550	**Expenses incurred**	293,971	42,548	22,439	13,925	11,251	8,026	392,160
R1200	**Other expenses**							-
R1300	**Total expenses**							392,160

QIEL (All values in £'000)

S.05.02.01

Premiums, claims and expenses by country

Life

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
R1400								
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross							-
R1420	Reinsurers' share							-
R1500	Net							-
	Premiums earned							
R1510	Gross							-
R1520	Reinsurers' share							-
R1600	Net							-
	Claims incurred							
R1610	Gross	16,681						16,681
R1620	Reinsurers' share	13,160						13,160
R1700	Net	3,520						3,520
	Changes in other technical provisions							
R1710	Gross							-
R1720	Reinsurers' share							-
R1800	Net							-
R1900	**Expenses incurred**							-
R2500	**Other expenses**							-
R2600	**Total expenses**							-

QIEL (All values in £'000)

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**	-	-			-			-	-	-	-			-	-	-
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	-	-			-			-	-	-	-			-	-	-
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**	-		-	-		-	-	50,312	-	50,312		-	-	-	-	-
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-		-	-		-	-	27,449	-	27,449		-	-	-	-	-
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	-		-	-		-	-	22,863	-	22,863		-	-	-	-	-
R0100	**Risk margin**	-	-			-			10,716	-	10,716	-			-	-	-
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole	-	-			-			-	-	-	-			-	-	-
R0120	Best estimate	-		-	-		-	-	-	-	-		-	-	-	-	-
R0130	Risk margin	-	-			-			-	-	-	-			-	-	-
R0200	**Technical provisions - total**	-	-			-			61,028	-	61,028	-			-	-	-

QIEL (All values in £’000)

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	-
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross	-	332	-	79,061	11,685	13,824	43,229	151,280	19,479	-379	-63	919	-	4,677	-5,561	293	318,776
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	-398	-	-1,884	-602	-6,073	-39,968	-15,439	-14,656	-20	-	111	-	-454	-20,630	-2,074	-102,087
R0150	**Net Best Estimate of Premium Provisions**	-	730	-	80,945	12,287	19,897	83,197	166,719	34,135	-359	-63	808	-	5,131	15,069	2,367	420,863
	Claims provisions																	
R0160	Gross	2,594	4,410	-	469,560	40,710	149,927	327,823	1,652,698	56,586	2,348	-214	11,946	1,886	93,066	7,946	15,496	2,836,782
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-2	-2,547	-	115,310	5,470	77,687	110,610	525,174	17,291	-1,212	-3,735	12,225	32,445	43,364	9,966	2,160	944,206
R0250	**Net Best Estimate of Claims Provisions**	2,596	6,957	-	354,250	35,240	72,240	217,213	1,127,524	39,295	3,560	3,521	-279	-30,559	49,702	-2,020	13,336	1,892,576
R0260	**Total best estimate - gross**	2,594	4,742	-	548,621	52,395	163,751	371,052	1,803,978	76,065	1,969	-277	12,865	1,886	97,743	2,385	15,789	3,155,558
R0270	**Total best estimate - net**	2,596	7,687	-	435,195	47,527	92,137	300,410	1,294,243	73,430	3,201	3,458	529	-30,559	54,833	13,049	15,703	2,313,439
R0280	**Risk margin**	64	216	-	25,228	968	8,686	8,990	92,123	20,758	69	-	-	-	96,458	-	24,475	278,035
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	-
R0300	Best estimate																	-
R0310	Risk margin																	-
R0320	**Technical provisions - total**	2,658	4,958	-	573,849	53,363	172,437	380,042	1,896,101	96,823	2,038	-277	12,865	1,886	194,201	2,385	40,264	3,433,593
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	-2	-2,945	-	113,426	4,868	71,614	70,642	509,735	2,635	-1,232	-3,735	12,336	32,445	42,910	-10,664	86	842,119
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	2,660	7,903	-	460,423	48,495	100,823	309,400	1,386,366	94,188	3,270	3,458	529	-30,559	151,291	13,049	40,178	2,591,474

QIEL (All values in £'000)

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020	Accident year / underwriting year	Underwriting Year

Gross Claims Paid (non-cumulative)

(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year											In Current	Sum of years
		0	1	2	3	4	5	6	7	8	9	10 & +	year	(cumulative)
R0100	Prior											11,685	11,685	11,685
R0160	2008	66,958	180,739	133,650	91,199	92,198	70,478	89,116	60,065	29,888	16,890		16,890	831,181
R0170	2009	64,337	210,466	154,203	94,395	75,432	66,085	34,962	13,718	12,366			12,366	725,964
R0180	2010	70,240	204,433	141,112	85,767	65,404	54,000	19,724	9,674				9,674	650,354
R0190	2011	60,047	231,989	194,773	167,172	66,875	47,607	18,274					18,274	786,737
R0200	2012	48,719	160,133	108,604	102,062	75,920	51,596						51,596	547,034
R0210	2013	120,603	241,965	252,182	129,195	70,106							70,106	814,051
R0220	2014	60,335	197,975	125,141	62,492								62,492	445,943
R0230	2015	62,871	256,174	124,973									124,973	444,018
R0240	2016	54,584	211,533										211,533	266,117
R0250	2017	49,355											49,355	49,355
R0260												Total	638,944	5,572,439

Gross Undiscounted Best Estimate Claims Provisions

(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	Development year											Year end (discounted
		0	1	2	3	4	5	6	7	8	9	10 & +	data)
R0100	Prior											61,496	59,821
R0160	2008	-	-	-	-	-	-	-	-	102,576	72,358		70,425
R0170	2009	-	-	-	-	-	-	-	83,374	76,895			74,657
R0180	2010	-	-	-	-	-	-	106,169	89,101				86,280
R0190	2011	-	-	-	-	-	168,583	131,562					128,999
R0200	2012	-	-	-	-	228,714	164,969						161,937
R0210	2013	-	-	-	425,665	309,168							302,936
R0220	2014	-	-	432,704	344,825								337,198
R0230	2015	-	646,246	481,937									471,177
R0240	2016	461,741	595,243										582,406
R0250	2017	356,727											348,423
R0260												Total	2,624,260

QIEL (All values in £'000)

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	**Total**	**Tier 1 unrestricted**	**Tier 1 restricted**	**Tier 2**	**Tier 3**
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	625,906	625,906		-	
R0030	Share premium account related to ordinary share capital	297,629	297,629		-	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	-	-		-	
R0050	Subordinated mutual member accounts	-		-	-	-
R0070	Surplus funds	-	-			
R0090	Preference shares	-		-	-	-
R0110	Share premium account related to preference shares	-		-	-	-
R0130	Reconciliation reserve	187,102	187,102			
R0140	Subordinated liabilities	-		-	-	-
R0160	An amount equal to the value of net deferred tax assets	30,454				30,454
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	-	-	-	-	-
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	-				
R0230	**Deductions for participations in financial and credit institutions**	-	-	-	-	
R0290	**Total basic own funds after deductions**	1,141,091	1,110,637	-	-	30,454
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	-				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	-				
R0320	Unpaid and uncalled preference shares callable on demand	-				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	-				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	-				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	-				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-				
R0390	Other ancillary own funds	-				
R0400	**Total ancillary own funds**	-			-	-
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	1,141,091	1,110,637	-	-	30,454
R0510	Total available own funds to meet the MCR	1,110,637	1,110,637	-	-	-
R0540	Total eligible own funds to meet the SCR	1,141,091	1,110,637	-	-	30,454
R0550	Total eligible own funds to meet the MCR	1,110,637	1,110,637	-	-	-
R0580	**SCR**	919,647				
R0600	**MCR**	366,491				
R0620	**Ratio of Eligible own funds to SCR**	1.2408				
R0640	**Ratio of Eligible own funds to MCR**	3.0305				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	1,246,909
R0710	Own shares (held directly and indirectly)	-
R0720	Foreseeable dividends, distributions and charges	96,000
R0730	Other basic own fund items	953,989
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	9,818
R0760	**Reconciliation reserve**	187,102
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	295
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	185,976
R0790	**Total Expected profits included in future premiums (EPIFP)**	186,271

QIEL (All values in £'000)

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

Row	Unique number of component	Component description		Calculation of the Solvency Capital Requirement
	C0010	C0020		C0030
1	10300I	Interest rate risk		31,254
2	10400I	Equity risk		52,034
3	10600I	Property risk		18,527
4	10700I	Spread risk		73,103
5	10900I	Currency risk		73,813
6	11040I	Other market risk (Liquidity risk)		11,463
7	19900I	Diversification within market risk	-	131,816
8	20100I	Type 1 counterpart default risk (Reinsurance credit risk)		199,258
9	20200I	Type 2 counterparty default risk (Premium credit risk)		10,309
10	29900I	Diversification within counterparty risk	-	10,358
11	50130I	Premium risk		422,477
12	50240I	Reserve risk		585,893
13	50300I	Non-life catastrophe risk		190,725
14	59900I	Diversification within non-life underwriting risk	-	321,016
15	70190I	Operational risk (excluding group risk)		140,189
16	70110I	Group risk		33,066
17	79900I	Diversification within operational risk	-	25,159
18	8049BI	Debt servicing costs net of loan repayments	-	7,973
19	8049DI	Capital adjustments		-
20	80110P	Total pension risk including market and pension benefit risks		-

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

		C0100
	Calculation of Solvency Capital Requirement	
R0110	Total undiversified components	1,345,788
R0060	Diversification	- 426,141
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	-
R0200	**Solvency capital requirement excluding capital add-on**	919,647
R0210	Capital add-ons already set	-
R0220	**Solvency capital requirement**	919,647
	Other information on SCR	
R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions	-
R0310	Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	-
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	-
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	-
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	-
R0440	Diversification effects due to RFF nSCR aggregation for article 304	-

QIEL (All values in £'000)

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCRNL Result	366,011

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	2,596	-
R0030	Income protection insurance and proportional reinsurance	7,687	4,413
R0040	Workers' compensation insurance and proportional reinsurance	-	-
R0050	Motor vehicle liability insurance and proportional reinsurance	435,195	254,037
R0060	Other motor insurance and proportional reinsurance	47,527	55,897
R0070	Marine, aviation and transport insurance and proportional reinsurance	92,137	64,077
R0080	Fire and other damage to property insurance and proportional reinsurance	300,410	251,337
R0090	General liability insurance and proportional reinsurance	1,294,243	404,653
R0100	Credit and suretyship insurance and proportional reinsurance	73,430	32,822
R0110	Legal expenses insurance and proportional reinsurance	3,201	4,623
R0120	Assistance and proportional reinsurance	3,458	-
R0130	Miscellaneous financial loss insurance and proportional reinsurance	529	2
R0140	Non-proportional health reinsurance	-	5
R0150	Non-proportional casualty reinsurance	54,833	-
R0160	Non-proportional marine, aviation and transport reinsurance	13,049	63,841
R0170	Non-proportional property reinsurance	15,703	1,256

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCRL Result	480

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits	-	
R0220	Obligations with profit participation - future discretionary benefits	-	
R0230	Index-linked and unit-linked insurance obligations	-	
R0240	Other life (re)insurance and health (re)insurance obligations	22,863	
R0250	Total capital at risk for all life (re)insurance obligations		-

	Overall MCR calculation	C0070
R0300	Linear MCR	366,491
R0310	SCR	919,647
R0320	MCR cap	413,841
R0330	MCR floor	229,912
R0340	Combined MCR	366,491
R0350	Absolute floor of the MCR	3,251
R0400	**Minimum Capital Requirement**	366,491

QBE Re (All values in €'000)

S.02.01.02

Balance sheet

		Actual Solvency II value
	Assets	C0010
R0030	Intangible assets	-
R0040	Deferred tax assets	16,822
R0050	Pension benefit surplus	-
R0060	Property, plant & equipment held for own use	338
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	1,591,302
R0080	*Property (other than for own use)*	-
R0090	*Holdings in related undertakings, including participations*	-
R0100	*Equities*	38
R0110	*Equities - listed*	-
R0120	*Equities - unlisted*	38
R0130	*Bonds*	1,396,019
R0140	*Government Bonds*	267,050
R0150	*Corporate Bonds*	1,040,842
R0160	*Structured notes*	-
R0170	*Collateralised securities*	88,127
R0180	*Collective Investments Undertakings*	187,377
R0190	*Derivatives*	7,868
R0200	*Deposits other than cash equivalents*	-
R0210	*Other investments*	-
R0220	Assets held for index-linked and unit-linked contracts	-
R0230	Loans and mortgages	30,402
R0240	*Loans on policies*	-
R0250	*Loans and mortgages to individuals*	-
R0260	*Other loans and mortgages*	30,402
R0270	Reinsurance recoverables from:	106,636
R0280	*Non-life and health similar to non-life*	106,086
R0290	*Non-life excluding health*	105,485
R0300	*Health similar to non-life*	601
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	550
R0320	*Health similar to life*	- 4
R0330	*Life excluding health and index-linked and unit-linked*	554
R0340	*Life index-linked and unit-linked*	-
R0350	Deposits to cedants	124,586
R0360	Insurance and intermediaries receivables	16,803
R0370	Reinsurance receivables	-
R0380	Receivables (trade, not insurance)	33,261
R0390	Own shares (held directly)	-
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	-
R0410	Cash and cash equivalents	29,411
R0420	Any other assets, not elsewhere shown	7
R0500	**Total assets**	1,949,568

QBE Re (All values in €'000)

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	1,126,916
R0520	*Technical provisions - non-life (excluding health)*	1,054,691
R0530	*TP calculated as a whole*	-
R0540	*Best Estimate*	892,107
R0550	*Risk margin*	162,584
R0560	*Technical provisions - health (similar to non-life)*	72,225
R0570	*TP calculated as a whole*	-
R0580	*Best Estimate*	58,880
R0590	*Risk margin*	13,345
R0600	Technical provisions - life (excluding index-linked and unit-linked)	91,045
R0610	*Technical provisions - health (similar to life)*	- 815
R0620	*TP calculated as a whole*	-
R0630	*Best Estimate*	- 15,236
R0640	*Risk margin*	14,421
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	91,860
R0660	*TP calculated as a whole*	-
R0670	*Best Estimate*	68,316
R0680	*Risk margin*	23,544
R0690	Technical provisions - index-linked and unit-linked	-
R0700	*TP calculated as a whole*	-
R0710	*Best Estimate*	-
R0720	*Risk margin*	-
R0740	Contingent liabilities	-
R0750	Provisions other than technical provisions	1,146
R0760	Pension benefit obligations	6,923
R0770	Deposits from reinsurers	32,900
R0780	Deferred tax liabilities	614
R0790	Derivatives	4,024
R0800	Debts owed to credit institutions	-
R0810	Financial liabilities other than debts owed to credit institutions	-
R0820	Insurance & intermediaries payables	480
R0830	Reinsurance payables	2,514
R0840	Payables (trade, not insurance)	31,691
R0850	Subordinated liabilities	-
R0860	*Subordinated liabilities not in BOF*	-
R0870	*Subordinated liabilities in BOF*	-
R0880	Any other liabilities, not elsewhere shown	-
R0900	**Total liabilities**	1,298,253
R1000	**Excess of assets over liabilities**	651,315

QBE Re (All values in €'000)

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	Total
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business	-	-	-	-	-	-	-	-	-	-	-	-					-
R0120	Gross - Proportional reinsurance accepted	2,514	30,749	-	9,588	4,884	1,430	75,762	16,203	20,071	-	-	-					161,201
R0130	Gross - Non-proportional reinsurance accepted													18,960	69,535	1,520	113,691	203,706
R0140	Reinsurers' share	-	1,737	-	13	-	34	15,441	29	191	-	-	-	1,347	6,592	49	30,497	55,930
R0200	Net	2,514	29,012	-	9,575	4,884	1,396	60,321	16,174	19,880	-	-	-	17,613	62,943	1,471	83,194	308,977
	Premiums earned																	
R0210	Gross - Direct Business	-	-	-	-	-	-	-	-	-	-	-	-					-
R0220	Gross - Proportional reinsurance accepted	1,946	47,928	-	9,222	4,895	1,532	71,218	15,443	20,719	-	-	-					172,903
R0230	Gross - Non-proportional reinsurance accepted													18,911	64,876	1,403	114,078	199,268
R0240	Reinsurers' share	-	1,737	-	13	-	33	14,976	29	178	-	-	-	1,337	6,334	49	31,578	56,264
R0300	Net	1,946	46,191	-	9,209	4,895	1,499	56,242	15,414	20,541	-	-	-	17,574	58,542	1,354	82,500	315,907
	Claims incurred																	
R0310	Gross - Direct Business	-	-	-	-	-	-	-	-	-	-	-	-					-
R0320	Gross - Proportional reinsurance accepted	2,662	34,611	-	9,345	3,838	1,736	60,555	9,157	15,857	-	-	- 179					137,582
R0330	Gross - Non-proportional reinsurance accepted													- 1,371	25,251	1,453	48,345	73,678
R0340	Reinsurers' share	-	161	-	- 352	-	271	21,495	90	94	-	-	3	361	3,228	123	21,809	47,283
R0400	Net	2,662	34,450	-	9,697	3,838	1,465	39,060	9,067	15,763	-	-	- 182	- 1,732	22,023	1,330	26,536	163,977
	Changes in other technical provisions																	
R0410	Gross - Direct Business	-	-	-	-	-	-	-	-	-	-	-	-					-
R0420	Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-	-	-	-	-	-					-
R0430	Gross - Non-proportional reinsurance accepted													-	-	-	-	-
R0440	Reinsurers' share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0500	Net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0550	**Expenses incurred**	326	8,808	-	2,098	1,461	335	32,899	5,244	6,775	-	-	65	5,503	15,801	1,059	15,929	96,303
R1200	**Other expenses**																	-
R1300	**Total expenses**																	96,303

QBE Re (All values in €'000)

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross							2,026	63,869	65,895
R1420	Reinsurers' share								2,172	2,172
R1500	Net							2,026	61,697	63,723
	Premiums earned									
R1510	Gross							2,026	63,869	65,895
R1520	Reinsurers' share								2,173	2,173
R1600	Net							2,026	61,696	63,722
	Claims incurred									
R1610	Gross						5,390	1,672	59,535	66,597
R1620	Reinsurers' share						1,417		250	1,667
R1700	Net						3,973	1,672	59,285	64,930
	Changes in other technical provisions									
R1710	Gross									-
R1720	Reinsurers' share									-
R1800	Net									-
R1900	**Expenses incurred**							229	11,581	11,810
R2500	**Other expenses**									-
R2600	**Total expenses**									11,810

QBE Re (All values in €'000)

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
R0010			France (FR)	Belgium (BE)	Netherlands (NL)	Switzerland (CH)	Japan (JP)	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	-	-	-	-	-	-	-
R0120	Gross - Proportional reinsurance accepted	2,487	15,062	21,924	16,653	11,992	12,138	80,256
R0130	Gross - Non-proportional reinsurance accepted	4,324	53,079	18,451	13,821	16,819	8,995	115,489
R0140	Reinsurers' share	1,075	9,139	4,564	2,977	4,085	4,025	25,865
R0200	Net	5,736	59,002	35,811	27,497	24,726	17,108	169,880
	Premiums earned							
R0210	Gross - Direct Business	-	-	-	-	-	-	-
R0220	Gross - Proportional reinsurance accepted	2,728	16,222	25,289	16,215	11,613	11,669	83,736
R0230	Gross - Non-proportional reinsurance accepted	4,457	50,318	18,036	13,526	16,197	7,478	110,012
R0240	Reinsurers' share	1,061	8,915	4,545	2,971	4,042	3,927	25,461
R0300	Net	6,124	57,625	38,780	26,770	23,768	15,220	168,287
	Claims incurred							
R0310	Gross - Direct Business	-	-	-	-	-	-	-
R0320	Gross - Proportional reinsurance accepted	1,101	11,014	21,133	4,926	4,657	3,416	46,247
R0330	Gross - Non-proportional reinsurance accepted	689	6,894	12,473	3,083	2,915	2,138	28,192
R0340	Reinsurers' share	290	2,900	5,441	1,297	1,226	899	12,053
R0400	Net	1,500	15,008	28,165	6,712	6,346	4,655	62,386
	Changes in other technical provisions							
R0410	Gross - Direct Business	-	-	-	-	-	-	-
R0420	Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-
R0430	Gross - Non-proportional reinsurance accepted	-	-	-	-	-	-	-
R0440	Reinsurers' share	-	-	-	-	-	-	-
R0500	Net	-	-	-	-	-	-	-
R0550	**Expenses incurred**	1,805	16,984	11,430	7,890	7,006	4,486	49,601
R1200	**Other expenses**							-
R1300	**Total expenses**							49,601

QBE Re (All values in €'000)

S.05.02.01

Premiums, claims and expenses by country

Life

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
R1400			Belgium (BE)	Chile (CL)	Colombia (CO)	USA (US)	Spain (ES)	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	17,140	13,004	6,076	5,329	4,364	4,062	49,975
R1420	Reinsurers' share	20	683	167	146	144	183	1,343
R1500	Net	17,120	12,321	5,909	5,183	4,220	3,879	48,632
	Premiums earned							
R1510	Gross	17,140	13,004	6,076	5,329	4,364	4,062	49,975
R1520	Reinsurers' share	20	683	167	146	144	183	1,343
R1600	Net	17,120	12,321	5,909	5,183	4,220	3,879	48,632
	Claims incurred							
R1610	Gross	16,973	17,574	6,674	2,481	7,336	2,586	53,624
R1620	Reinsurers' share	20	683	167	146	144	182	1,342
R1700	Net	16,953	16,891	6,507	2,335	7,192	2,404	52,282
	Changes in other technical provisions							
R1710	Gross	-	-	-	-	-	-	-
R1720	Reinsurers' share	-	-	-	-	-	-	-
R1800	Net	-	-	-	-	-	-	-
R1900	**Expenses incurred**	2,548	1,834	879	771	628	577	7,237
R2500	**Other expenses**							-
R2600	**Total expenses**							7,237

QBE Re (All values in €'000)

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance	Index-linked and unit-linked insurance: Contracts without options and guarantees	Index-linked and unit-linked insurance: Contracts with options or guarantees	Other life insurance	Other life insurance: Contracts without options and guarantees	Other life insurance: Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to	Accepted reinsurance	Total (Life other than health insurance, including Unit-	Health insurance (direct business)	Health insurance: Contracts without options and guarantees	Health insurance: Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**	-	-			-			-	-	-	-			-	-	-
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	-	-			-			-	-	-	-			-	-	-
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**	-		-	-		-	-	-	68,316	68,316		-	-	-	-15,236	-15,236
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-		-	-		-	-		554	554		-	-	-	-4	-4
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	-		-	-		-	-		67,762	67,762		-	-	-	-15,232	-15,232
R0100	**Risk margin**	-	-			-				23,544	23,544	-			-	14,421	14,421
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole	-	-			-			-	-	-	-			-	-	-
R0120	Best estimate	-		-	-		-	-	-	-	-		-	-	-	-	-
R0130	Risk margin	-	-			-			-	-	-	-			-	-	-
R0200	**Technical provisions - total**	-	-			-				91,860	91,860	-			-	-815	-815

QBE Re (All values in €'000)

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	-
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross	-215	-4,455	-	-156	-423	-206	-6,943	-2,400	-1,551	-	-	-	-3,572	-10,611	-466	-20,275	-51,273
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-3	-133	-	-	-	-	-9,367	-121	-	-	-	2,478	-86	2,931	-	-7,563	-11,864
R0150	**Net Best Estimate of Premium Provisions**	-212	-4,322	-	-156	-423	-206	2,424	-2,279	-1,551	-	-	-2,478	-3,486	-13,542	-466	-12,712	-39,409
	Claims provisions																	
R0160	Gross	918	31,983	-	16,933	2,410	1,803	67,408	62,784	21,070	-	-	1,149	34,221	650,478	21,460	89,643	1,002,260
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	264	-	353	-	393	19,054	847	273	-	-	4,910	559	63,085	2,098	26,114	117,950
R0250	**Net Best Estimate of Claims Provisions**	918	31,719	-	16,580	2,410	1,410	48,354	61,937	20,797	-	-	-3,761	33,662	587,393	19,362	63,529	884,310
R0260	**Total best estimate - gross**	703	27,528	-	16,777	1,987	1,597	60,465	60,384	19,519	-	-	1,149	30,649	639,867	20,994	69,368	950,987
R0270	**Total best estimate - net**	706	27,397	-	16,424	1,987	1,204	50,778	59,658	19,246	-	-	-6,239	30,176	573,851	18,896	50,817	844,901
R0280	**Risk margin**	422	5,320	-	2,097	405	77	8,761	7,234	3,177	-	-	-	7,603	128,443	4,154	8,236	175,929
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	-
R0300	Best estimate																	-
R0310	Risk margin																	-
R0320	**Technical provisions - total**	1,125	32,848	-	18,874	2,392	1,674	69,226	67,618	22,696	-	-	1,149	38,252	768,310	25,148	77,604	1,126,916
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	-3	131	-	353	-	393	9,687	726	273	-	-	7,388	473	66,016	2,098	18,551	106,086
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	1,128	32,717	-	18,521	2,392	1,281	59,539	66,892	22,423	-	-	-6,239	37,779	702,294	23,050	59,053	1,020,830

QBE Re (All values in €'000)

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020	Accident year / underwriting year	Underwriting Year

Gross Claims Paid (non-cumulative)
(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year											In Current	Sum of years
		0	1	2	3	4	5	6	7	8	9	10 & +	year	(cumulative)
R0100	Prior												-	-
R0160	2008												-	-
R0170	2009												-	-
R0180	2010												-	-
R0190	2011												-	-
R0200	2012	308,709	164,210	92,020	57,696	61,640	38,759						38,759	723,034
R0210	2013	19,243	40,729	21,774	11,460	5,256							5,256	98,462
R0220	2014	26,952	58,429	22,303	9,671								9,671	117,355
R0230	2015	10,489	39,569	23,238									23,238	73,296
R0240	2016	23,301	58,144										58,144	81,445
R0250	2017	28,802											28,802	28,802
R0260												Total	163,870	1,122,394

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	Development year											Year end (discounted
		0	1	2	3	4	5	6	7	8	9	10 & +	data)
R0100	Prior												-
R0160	2008												-
R0170	2009												-
R0180	2010												-
R0190	2011												-
R0200	2012					634,087	575,722						546,436
R0210	2013				85,331	75,550							70,528
R0220	2014			88,415	65,922								60,870
R0230	2015		107,964	93,368									85,962
R0240	2016	144,034	102,932										94,840
R0250	2017	152,748											143,626
R0260												Total	1,002,262

QBE Re (All values in €'000)

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	**Total**	**Tier 1 unrestricted**	**Tier 1 restricted**	**Tier 2**	**Tier 3**
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	24,205	24,205			
R0030	Share premium account related to ordinary share capital	487,201	487,201			
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	-	-			
R0050	Subordinated mutual member accounts	-				
R0070	Surplus funds	-	-			
R0090	Preference shares	-				
R0110	Share premium account related to preference shares	-				
R0130	Reconciliation reserve	36,455	36,455			
R0140	Subordinated liabilities	-				
R0160	An amount equal to the value of net deferred tax assets	16,209				16,209
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	-	-			
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**					
R0230	**Deductions for participations in financial and credit institutions**					
R0290	**Total basic own funds after deductions**	564,070	547,861			16,209
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	-				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	-				
R0320	Unpaid and uncalled preference shares callable on demand	-				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	-				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	-				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	-				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-				
R0390	Other ancillary own funds	-				
R0400	**Total ancillary own funds**	-			-	-
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	564,070	547,861			16,209
R0510	Total available own funds to meet the MCR	547,861	547,861			
R0540	Total eligible own funds to meet the SCR	564,070	547,861			16,209
R0550	Total eligible own funds to meet the MCR	547,861	547,861			
R0580	**SCR**	480,263				
R0600	**MCR**	212,167				
R0620	**Ratio of Eligible own funds to SCR**	1.1745				
R0640	**Ratio of Eligible own funds to MCR**	2.5822				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	651,315
R0710	Own shares (held directly and indirectly)	-
R0720	Foreseeable dividends, distributions and charges	76,000
R0730	Other basic own fund items	527,615
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	11,245
R0760	**Reconciliation reserve**	36,455
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	28,452
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	91,001
R0790	**Total Expected profits included in future premiums (EPIFP)**	119,453

QBE Re (All values in €'000)

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

Row	Unique number of component	Component description		Calculation of the Solvency Capital Requirement
	C0010	C0020		C0030
1	10300I	Interest rate risk		59,716
2	10400I	Equity risk		14,747
3	10600I	Property risk		11,887
4	10700I	Spread risk		54,518
5	10900I	Currency risk		96,419
6	11040I	Other market risk (Liquidity risk)		-
7	19900I	Diversification within market risk	-	144,129
8	20100I	Type 1 counterpart default risk (Reinsurance credit risk)		43,233
9	20200I	Type 2 counterparty default risk (Premium credit risk)		6,671
10	29900I	Diversification within counterparty risk	-	4,503
11	50130I	Premium risk		121,238
12	50240I	Reserve risk		397,613
13	50300I	Non-life catastrophe risk		124,763
14	59900I	Diversification within non-life underwriting risk	-	167,321
15	70190I	Operational risk (excluding group risk)		85,042
16	70110I	Group risk		12,127
17	79900I	Diversification within operational risk	-	10,025
18	8049BI	Debt servicing costs net of loan repayments		-
19	8049DI	Capital adjustments		-
20	80110P	Total pension risk including market and pension benefit risks		4,942

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

	Calculation of Solvency Capital Requirement	C0100
R0110	Total undiversified components	706,938
R0060	Diversification	- 226,675
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	-
R0200	**Solvency capital requirement excluding capital add-on**	480,263
R0210	Capital add-ons already set	-
R0220	**Solvency capital requirement**	480,263
	Other information on SCR	
R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions	
R0310	Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	

QBE Re (All values in €'000)

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCRNL Result	191,428

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	**Net (of reinsurance) written premiums in the last 12 months**
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	706	365
R0030	Income protection insurance and proportional reinsurance	27,397	60,654
R0040	Workers' compensation insurance and proportional reinsurance	-	-
R0050	Motor vehicle liability insurance and proportional reinsurance	16,425	6,085
R0060	Other motor insurance and proportional reinsurance	1,987	6,984
R0070	Marine, aviation and transport insurance and proportional reinsurance	1,205	2,287
R0080	Fire and other damage to property insurance and proportional reinsurance	50,777	52,784
R0090	General liability insurance and proportional reinsurance	59,658	23,375
R0100	Credit and suretyship insurance and proportional reinsurance	19,246	18,169
R0110	Legal expenses insurance and proportional reinsurance	-	-
R0120	Assistance and proportional reinsurance	-	-
R0130	Miscellaneous financial loss insurance and proportional reinsurance	-	-
R0140	Non-proportional health reinsurance	30,175	21,558
R0150	Non-proportional casualty reinsurance	573,851	64,932
R0160	Non-proportional marine, aviation and transport reinsurance	18,896	1,589
R0170	Non-proportional property reinsurance	50,817	105,845

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCRL Result	20,739

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	**Net (of reinsurance/SPV) total capital at risk**
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits	-	
R0220	Obligations with profit participation - future discretionary benefits	-	
R0230	Index-linked and unit-linked insurance obligations	-	
R0240	Other life (re)insurance and health (re)insurance obligations	52,531	
R0250	Total capital at risk for all life (re)insurance obligations		28,051,469

	Overall MCR calculation	C0070
R0300	Linear MCR	212,167
R0310	SCR	480,263
R0320	MCR cap	216,118
R0330	MCR floor	120,066
R0340	Combined MCR	212,167
R0350	Absolute floor of the MCR	3,600
R0400	**Minimum Capital Requirement**	212,167

Appendix B. Glossary

The following table details the definition of the terms and acronyms used in this document:

Term or Acronym	Definition
SFCR	Solvency and Financial Condition Report
RSR	Regular Supervisory Report
QRT	Quantitative Reporting Template
QBE EO	QBE European Operations plc
IFRS	International Financial Reporting Standards
IDW	Investment Data Warehouse
EOIC	European Operations Investment Committee
RCC	Risk and Capital Committee
RCG	Risk and Capital Group
ORSA	Own Risk & Solvency Assessment
CMG	Compliance Management Group
RDS	Realistic Disaster Scenario
FMG	Finance Management Group
UMG	Underwriting Management Group
AMSB	Administrative, Management or Supervisory Body
IBNR	Incurred but not reported reserve
IBNER	Incurred but not enough reported reserve
RMS	Risk Management Solutions

Term or Acronym	Definition
Bootstrapping	An actuarial modelling technique
Mack	An actuarial modelling technique
Hertig	An actuarial modelling technique
CPI	Consumer Price Index
SIMR	Senior Insurance Managers Regime
CRO	Chief Risk Officer
OMG	Operations Management Group
ERM	Enterprise Risk Management

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