Made possible

QBE

Solvency and Financial Condition Report

QBE European Operations plc

QBE UK Limited

QBE Europe SA/NV

Contents

Summary

This document (the Solvency and Financial Condition Report, or 'SFCR') sets out the 31 December 2019 solvency condition of QBE European Operations plc ('EO plc' or 'the Company'), a holding and investment company and its key subsidiary undertakings:

- QBE UK Limited ('QUK') (formerly known as QBE Insurance (Europe) Limited ('QIEL')), a UK based (re)insurer authorised by the Prudential Regulatory Authority ('PRA'); and
- QBE Europe SA/NV ('QBE Europe') – A Belgium-based (re)insurer incorporated (and authorised by the National Bank of Belgium ('NBB')) in order to address QBE's ability to operate across the European Economic Area ('EEA') post UK's exit from the European Union.

For the purposes of this document the EO Group is defined as EO plc and its subsidiary undertakings including QUK and QBE Europe. The EO Group also manages two Lloyd's syndicates through its managing agent QBE Underwriting Limited ('QUL'). The SFCR does not include the QBE share of the Lloyd's syndicates as the syndicates are not regulated insurers.

Effective 1 January 2019, the EO Group restructured its business by consolidating its (re)insurance branches in Ireland and mainland Europe into one Belgium-based (re)insurer, QBE Europe as follows:

- QUK, the principal European insurance company in the EO Group, transferred all its general (re)insurance business written through its active branches in Denmark, France, Germany, Italy, Spain and Sweden, and previously written by its branches in Belgium, Bulgaria, Estonia, Ireland and Norway, to QBE Europe;
- QBE Re (Europe) Limited ('QBE Re') merged with QBE Europe and transferred all its general and long-term reinsurance business written through its Belgium, Bermudian and Irish branches (comprising the entirety of QBE Re's business) to QBE Europe via a Part VII Transfer and a Cross-Border Merger. QBE Re ceased to exist as an entity from the effective date of the merger; and
- The establishment of a UK branch of QBE Europe, with permission to underwrite European domiciled risks on a Freedom of Services ('FOS') basis.

A third Part VII Transfer involving the run-off FOS business to be transferred from QUK to QBE Europe is expected to be completed in 2020.

The principal activities of QUK and QBE Europe (together the 'regulated subsidiaries'), are the transaction of insurance and reinsurance business. QUK writes UK and other non-European insurance business and QBE Europe writes (re)insurance business across the EEA on FOS basis and through its head office (based in Brussels, Belgium) and its European and Bermudian branch network.

EO plc, the holding company of the EO Group, currently holds a waiver from the Prudential Regulation Authority ('PRA') that allows it to produce a single SFCR that covers both the EO Group and its wholly owned regulated subsidiaries. The NBB have also recognised the waiver from the PRA for EO plc to issue a single group-wide SFCR.

EO plc is a wholly owned indirect subsidiary of the Sydney headquartered QBE Insurance Group Limited ('QBE Group'). The QBE Group is listed on the Australian Securities Exchange ('ASX') and is a globally recognised general insurer and reinsurer. Effective January 2019 the QBE Group manages its operations through three divisions:

- QBE International (consisting of European Operations and Asia);
- QBE North America ('QBE NA'); and
- QBE Australia Pacific (consisting of Australia, New Zealand, The Pacific Islands and India).

The strategic 2020 priorities for the QBE Group are as follows:

Performance:

Continue to mature our cell review process to deliver our target combined operating ratio ('COR'). Deliver against key sustainability and climate commitments. Turn our focus to organic growth opportunities.

Brilliant Basics:

Execute the next phase of Brilliant Basics with a sharper focus on delivering for our customers. Leverage best in class artificial intelligence ('AI'), data, and digital capabilities to embed everyday brilliance in underwriting and pricing and in particular, throughout our customer claims experience.

Talent & Culture:

Accelerate our talent and leadership strategy, building on our DNA to empower our people to thrive, now and in the future. Continue to enhance our performance management system, ME@QBE, supporting our people and leaders in managing career and talent development.

Innovation and Technology:

Enhance our digital and data capability, update our IT platforms and accelerate the transition to the cloud. Through innovative partnerships and QBE Ventures, cultivate skills and capabilities for the future and create an environment that nurtures innovation and continuous improvement.

Customer Focus:

Expand the breadth and depth of our customer focus by embedding our Customer@QBE framework, leveraging customer research to build deeper industry expertise and customer insights. Implement leading digital technologies to create seamless end-to-end experiences for our customers.

The COVID-19 outbreak is a primary focus of the EO Group and has already and will continue to inevitably have an impact on 'Business as usual' operations in the coming months. The direct impact of the virus and its broader economic consequences are expected to impact on premium and submitted claims volumes. Volatile market movements have already impacted the investment portfolio and may continue to do so. Management and the EO Group regulated entity Boards are responding to the COVID-19 crisis as a matter of immediate priority, with a focus on customers, employees and the capital position of the EO Group and its subsidiary companies.

The latest EO Group Capital Appetite Framework ('CAF') was formally approved by the applicable Boards in March 2020 with the target capital positions remaining unchanged from the previously approved version. In early April 2020, the QBE Group raised additional capital at a Group level to further strengthen the Group's solvency position and allow it to take opportunities that may arise in the market from a position of strength. The capital was raised via the issue of $750m Tier 1 share capital to institutional shareholders.

The EO Group actively monitors the capital, liquidity and solvency positions of the regulated entities within the EO Group. During March 2020 EO plc sold £62.9m repurchased debt securities, with cash settlement increasing the solvency position of EO plc. These funds have been deployed to increase the capital position of a subsidiary undertaking.

Unless otherwise stated, all figures and information presented in the SFCR and associated QRTs have been prepared with information available as at 31 December 2019. No adjustment has been made to the balances on the Solvency II balance sheet, Solvency Capital Requirement ('SCR') and own funds as at 31 December 2019 as a result of the COVID-19 outbreak.

Except where specified, any forward-looking statements in this document relating to performance and priorities during the planning period are based on initial assumptions prior to COVID-19 and will be subject to reassessment through 2020.

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 and commission 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, commission 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 growth reflects targeted growth in Continental European insurance and the improved rating environment in several London market portfolios.

QUK

QUK prepared its financial statements in accordance with UK Generally Accepted Accounting Principles ('UK GAAP'), the table below presents the underwriting performance for the year ended 31 December 2019 together with comparative information.

Key metrics (£'000)	2019	2018
Gross written premium	937,929	1,404,142
Gross earned premium	984,843	1,368,461
Net earned premium	854,339	1,159,429
Claims ratio	70.3%	64.6%
Commission ratio	13.0%	15.5%
Expense ratio	18.2%	20.7%
Combined operating ratio	101.5%	100.8%

Following completion of the transfer on 1 January 2019 (refer to page 4), QUK has focused on achieving a strong performance within its business to support delivery of its plan.

Adverse industry wide current and prior year claim trends have driven a change in appetite and the withdrawal of capacity amongst many of our competitors. During 2019 QUK recorded gross written premium of £938m, ahead of plan, however below the prior year which included £340m gross written premium within the former EEA branches, and approximately £108m gross written premium recorded within the UK relating to EEA exposed risks.

Gross earned premium is lower than prior year, with the reduction corresponding to the change in business profile following completion of the transfer.

Net earned premium is also lower than prior year, with the reduction corresponding to the change in business profile following completion of the transfer and changes in the cost and profile of the reinsurance program.

The combined operating ratio reflects the demanding and transitional market conditions experienced during the year. Whilst trading conditions continue to improve, the 2019 claims ratio is adverse to the prior year and contributed to QUK reporting an adverse combined operating ratio, with the one-off reduction in the Ogden discount rate and reserve strengthening recorded on certain financial lines portfolios contributing to the adverse result.

QBE Europe

QBE Europe prepared its financial statements in accordance with Belgium Generally Accepted Accounting Principles ('BE GAAP'), the table below presents the underwriting performance for the year ended 31 December 2019. As the entity did not underwrite any (re)insurance policies incepting prior to 1 January 2019, and underwriting activity in 2018 was limited to quoting for and binding 2019 business in the UK branch, comparative profit and loss information for 2018 has not been presented.

Key metrics (€'000)	2019
Gross written premium	1,248,794
Gross earned premium	1,023,926
Net earned premium	899,411
Claims ratio	60.6%
Commission ratio	16.9%
Expense ratio	20.2%
Combined operating ratio	97.7%

The gross written premium generated by the Non-Life business amounts to €1,199m, the majority of which being written out of the foreign insurance branches. Life business generated a gross premium income of almost €50m, 100% of which is reinsurance business written out of the head office in Belgium. The combined operating ratio for Non-Life amounts to 95.4%. The most significant factors influencing the result are the change of the discount rate used to calculate the provisions for periodic payment order claims in the UK and the creation of equalisation provision in line with the applicable regulation, which sets off the benign result of the property cat business.

The Life business generated a loss in 2019, this is as a consequence of further reductions of the interest rates in South America impacting the existing book of business.

Investment performance

The investment performance of each company over the reporting period was as follows:

- EO plc: The combined currency total return for the year was 4.39% (2018: 0.98%).
- QUK: The combined currency total return for the year was 3.86% (2018: 0.71%).
- QBE Europe: The combined currency total return for the year was 3.37%. Investments in the prior year were limited to assets backing capital requirements prior the Cross-Border Merger and Part VII transfers.

The financials reflected throughout the SFCR do not reflect the impact of the COVID-19 non-adjusting Post Balance Sheet Event. Investment markets have been volatile in Q1 2020 and this has been reflected in mark to market movements in the EO Groups' asset portfolios. Management have taken actions to de-risk the EO Group's investment portfolio.

System of Governance Summary

The Boards of Directors of the Company are responsible for the long-term success of the EO Group. The role of the Board of EO plc 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 of EO plc 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. The key operating entities of the EO Group, QUK and QBE Europe, also have their own boards which are aligned to the EO Group board.

A formal corporate governance structure, comprising Board 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 Management Responsibilities Maps (as required under the Senior Managers & Certification Regime).

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.

The EO Executive Management Board ('EMB') supports the Chief Executive Officer of EO plc in providing executive management of the entire EO Group, as well as acting as a UK Management Committee for QUK and QBE Underwriting Limited ('QUL'). The Board of QBE Europe has separately established a Management Committee.

Key changes to the corporate governance structure during the year were:

- The amendment to Board charters and Terms of Reference to reflect the requirements of the QBE Group Governance Framework ('GGF');
- The disbanding of the Brexit Steering Group as a formal sub-group of the EMB as the majority of the Brexit re-structuring project was completed in January 2019; and
- The formation of a separate (i) People & Remuneration Committee and (ii) Nomination Committee to reflect the requirements of the GGF.

During 2019 a Board Effectiveness Review was carried out by QBE Group, evaluating Board performance of certain of the companies in the EO Group. Areas for enhancement to support continuous improvement of effectiveness arising from the review were discussed and agreed by the Boards.

A Board away day is held annually, providing the opportunity for the Boards to focus on strategy (with presentations from senior management) and to meet more informally. Non-executive Director engagement is further supported through informal meetings exclusively for the Group's non-executive Directors and meetings with non-executive Directors from the QBE Group Board.

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 on a continuous basis. The main risks comprise:

- Insurance Risk;
- Credit Risk;
- Market Risk;
- Liquidity Risk;
- Operational Risk;
- Compliance Risk;
- Group Risk; and
- Strategic Risk.

To address these risks, the EO Group uses a number of risk mitigation techniques, as described in section B. A dedicated risk management function ensures that these risks are fully understood and their impact on EO Group is comprehensively evaluated.

A Supervisory Statement addressing the Financial Risks from Climate Change ('FRCC') was published by the PRA in 2019. The EO Group's Chief Risk Officer ('CRO') and Insurance Chief Underwriting Officer ('Insurance CUO') are confirmed by the PRA as accountable jointly for the FRCC under the Senior Managers Regime, and the EO Group has submitted a Roadmap to meet the requirements of the statement.

The FRCC requirements relate to four areas: Governance, Risk Management, Scenario analysis and Disclosure, each of which is addressed in the EO Group's Roadmap. The CRO reports quarterly to the EO Group's Risk and Capital Committee ('RCC') on progress with implementing this Roadmap, with further reporting as necessary to the EO Group Boards.

The EO Group is committed in this area over the medium- to long-term to strengthening our data and scenario analysis and adapting our modelling; pricing; capital management; financial reporting and disclosure, in partnership with our Board and external stakeholders.

The internal risk profile has remained stable during 2019. However, the external risk profile has deteriorated due to continuing uncertainty in the global political and economic environment.

Valuation Summary

Under section 401 of the Companies Act 2006, the EO Group is exempt from having to produce consolidated accounts but the statutory account values represent the consolidated EO Group IFRS values. QUK reports statutory accounts on a UK GAAP basis while QBE Europe reports on a BE GAAP basis.

The method of valuing assets and liabilities under Solvency II regulations may differ to the methods used under IFRS, UK GAAP and BE GAAP. The valuation of assets, technical provisions and other liabilities is explained in section D. Investment assets are measured at fair value. Where other valuation methods are used the key assumptions and adjustments are included in section D.4.

The valuation methodology of assets and liabilities within the EO Group and its regulated subsidiaries is largely consistent with the prior year, except for the introduction of IFRS 16 Leases, more details of which are included in section D.1.

Capital Management Summary

The EO Group's primary capital management objective is to maintain sufficient own funds to cover the Solvency Capital Requirement ('SCR') with an appropriate surplus. The EO Group has adopted a Capital Appetite Framework ('CAF'), setting out the target levels of capital and potential remediation actions in the event that capital falls below the stated appetite. The CAF 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.

The EO Group meets the requirements of a transitional arrangement afforded under Article 308b(9) and (10) of the Directive which permits the group to classify the Subordinated Loan notes as Tier 2 basic own funds for a period of 10 years. The EO Group does not apply matching or volatility adjustments.

As at 31 December 2019, EO Group and the regulated subsidiaries reported the following EOF, SCR and SCR coverage ratios:

Entity (£'000)/(€'000)	Eligible Own Funds to meet the SCR	SCR	SCR coverage ratio
EO Group	£1,656,701	£1,261,543	131.3%
QUK	£910,417	£692,135	131.5%
QBE Europe	€947,802	€682,131	138.9%

At 31 December 2019 all applicable entities were within the target levels of capital outlined in the CAF. To mitigate the impact of the COVID-19 outbreak and associated increased volatility in investment markets a number of management actions have either already been taken and/or are in train to ensure the EO Group and its subsidiary companies comply with the Board approved capital appetite.

As at 31 December 2019, the EO Group eligible own funds available to cover the SCR are made up of Tier 1 unrestricted (61.5%), Tier 1 restricted (14.0%), Tier 2 (23.9%) and Tier 3 (0.6%). The QUK eligible own funds available to cover the SCR are made up of Tier 1 unrestricted (96.3%) and Tier 3 (3.7%). The QBE Europe eligible own funds available to cover the SCR are made up of Tier 1 unrestricted (76.0%), Tier 2 (21.1%) and Tier 3 (2.9%).

The 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 2019, EO Group and the regulated subsidiaries reported the following MCR, EOF to meet the MCR and MCR coverage ratios:

Entity (£'000)/(€'000)	Eligible Own Funds to meet the MCR	MCR	MCR coverage ratio
EO Group	£1,364,594	£567,694	240.4%
QUK	£876,872	268,408	326.7%
QBE Europe	€781,273	306,959	254.5%

When the EOF from all entities have been included, the EO Group satisfied and complied with the MCR and SCR requirements throughout the reporting period. The regulated subsidiaries QUK and QBE Europe also satisfied and complied with the MCR and SCR requirements over the reporting period.

The major model changes were submitted to the Prudential Regulation Authority ('PRA') and the National Bank of Belgium ('NBB') in August 2019 and approved in January 2020. The revised Internal Model SCR is £1,275.9m for the EO Group, £695.3m for QUK and €690.1m for QBE Europe from the date of approval.

COVID-19 is expected to have an impact on own funds as a result of global volatile market conditions. However, there have been no instances of non-compliance with the MCR or SCR following the balance sheet date, as a result of COVID-19 or otherwise.

Directors' Report

Statement of Directors' responsibilities

The Directors acknowledge their responsibility for ensuring that the Solvency and Financial Condition Report ('SFCR') has been prepared in all material respects in accordance with PRA and NBB rules and Solvency II regulations.

The Directors are satisfied that to the best of their knowledge and belief:

1) throughout the financial year to 31 December 2019, the EO Group and its subsidiaries, QUK and QBE Europe, have complied in all material respects with the requirements of the PRA and NBB rules and Solvency II Regulations as applicable; and
2) it is reasonable to believe that in respect of the period from 31 December 2019 to the date of the publication of the SFCR, the EO Group and its subsidiaries has continued so to comply and that it will continue to so to comply for the remainder of the financial year to 31 December 2020.

By order of the Board:

Director

QBE European Operations Plc

Registered Number 2641728

London

12 May 2020

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 2019:

- 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 2019, ('**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 UK Limited and QBE Europe SA/NV ('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 Statement of Directors' Responsibilities**');

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 2019 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Emphasis of Matter - Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and/or '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 full internal model to calculate group Solvency Capital Requirement;*
- *Approval to use full internal model to calculate solo Solvency Capital Requirement for QBE UK Limited and QBE Europe SA/NV; and*
- *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 Board of Directors of the Company in accordance with 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 or to any other party save where expressly agreed by our prior consent in writing.

Other Matter

The Company has authority to calculate its Group Solvency Capital Requirement using a 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 and 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

London

12 May 2020

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 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 Company template S.12.01.02
  - Row R0100: Technical provisions calculated as a sum of BE and RM - Risk margin
- The following elements of Company template S.17.01.02
  - Row R0280: Technical provisions calculated as a sum of BE and RM - Risk margin
- The following elements of Company template 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 template S.28.01.01
  - Row R0310: SCR
- Elements of the Narrative Disclosures subject to audit identified as ‘unaudited’.

Section A: Business and Performance

A.1 Business

A.1.1 Business Overview

EO plc is an Insurance Holding Company, the main business of which is to acquire and hold participations in subsidiary undertakings, where those subsidiary undertakings are mainly insurance or reinsurance undertakings. EO plc is incorporated in England and Wales ('United Kingdom') and is the ultimate EEA parent at which group supervision is applied by the PRA. The entire issued share capital of the EO plc 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 ASX and is subject to supervision by the Australian Prudential Regulation Authority.

At 31 December 2019, EO Plc ultimately owned 100% of the PRA regulated insurance undertaking, QBE UK Limited '(QUK'), a private company limited by shares. EO Plc also owns 100% of the Belgium-incorporated (re)insurance company, QBE Europe SA/NV ('QBE Europe'), which is regulated by the NBB. A full list of undertakings within the EO Group at 31 December 2019, and the nature of those undertakings, can be found in the quantitative reporting template ('QRT') S.32.01.22, included in Appendix A.

The principal activity of QUK and QBE Europe is the transaction of insurance and reinsurance business. They will continue this activity through the development of its existing lines of business, while actively seeking new opportunities for expansion and profitable growth. The strategic ambition of QBE EO Group, of which the Company forms a part, is to remain focused on further improving an already very strong business. The strategic 2020 priorities for the QBE Group are as follows:

Performance:

Continue to mature our cell review process to deliver our target combined operating ratio ('COR'). Deliver against key sustainability and climate commitments. Turn our focus to organic growth opportunities.

Brilliant Basics:

Execute the next phase of Brilliant Basics with a sharper focus on delivering for our customers. Leverage best in class artificial intelligence ('AI'), data, and digital capabilities to embed everyday brilliance in underwriting and pricing and in particular, throughout our customer claims experience.

Talent & Culture:

Accelerate our talent and leadership strategy, building on our DNA to empower our people to thrive, now and in the future. Continue to enhance our performance management system, ME@QBE, supporting our people and leaders in managing career and talent development.

Innovation and Technology:

Enhance our digital and data capability, update our IT platforms and accelerate the transition to the cloud. Through innovative partnerships and QBE Ventures, cultivate skills and capabilities for the future and create an environment that nurtures innovation and continuous improvement.

Customer Focus:

Expand the breadth and depth of our customer focus by embedding our Customer@QBE framework, leveraging customer research to build deeper industry expertise and customer insights. Implement leading digital technologies to create seamless end-to-end experiences for our customers.

The COVID-19 outbreak is a primary focus of the EO Group and has already and will continue to inevitably have an impact on 'Business as usual' operations in the coming months. The direct impact of the virus and its broader economic consequences are expected to impact on premium and submitted claims volumes. Volatile market movements have already impacted the investment portfolio and may continue to do so. Management and the EO Group regulated entity Boards are responding to the COVID-19 crisis as a matter of immediate priority, with a focus on customers, employees and the capital position of the EO Group and its subsidiary companies.

The latest EO Group Capital Appetite Framework ('CAF') was formally approved by the applicable Boards in March 2020 with the target capital positions remaining unchanged from the previously approved version. In early April 2020, the QBE Group raised additional capital at a Group level to further strengthen the Group's solvency position and allow it to take opportunities that may arise in the market from a position of strength. The capital was raised via the issue of $750m Tier 1 share capital to institutional shareholders.

Subsidiaries and branches

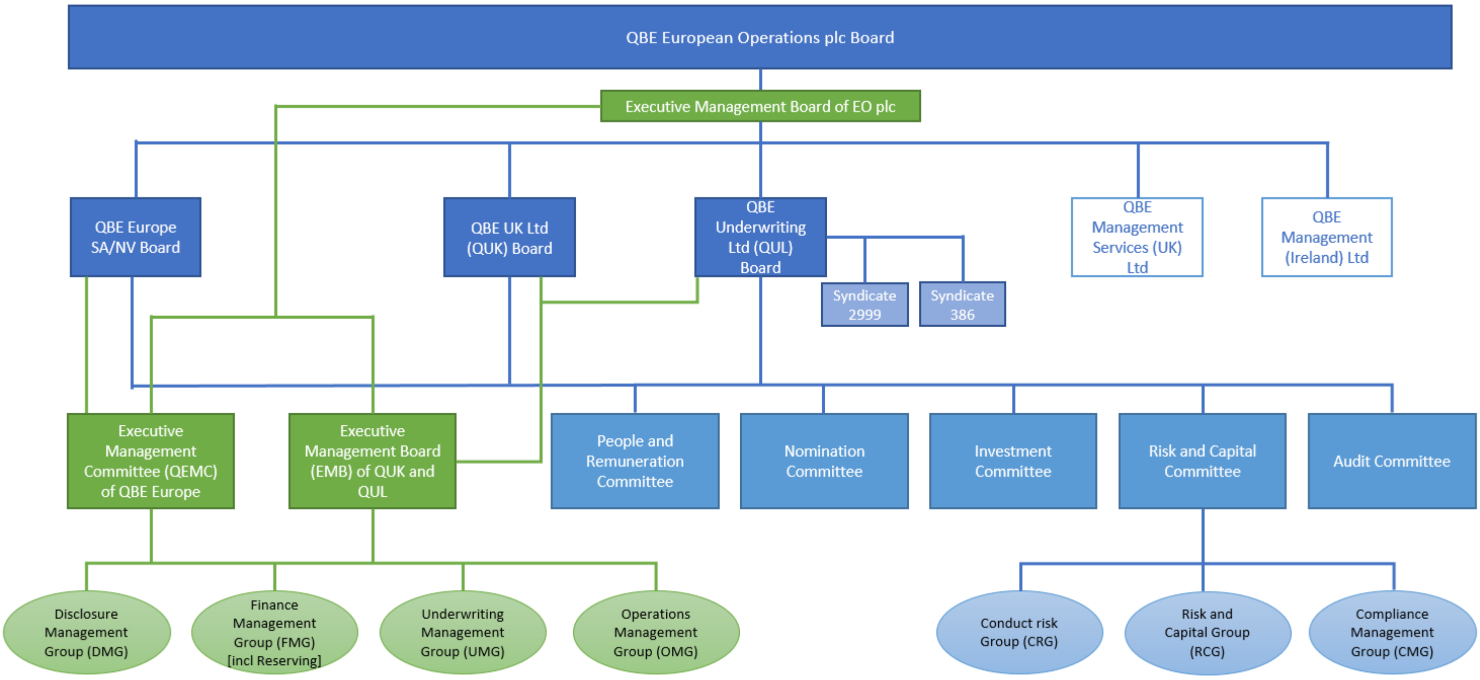
The EO Group has overseas operations in a number of countries. The table below sets out the EO Group's regulated subsidiaries and branch locations (based on structure as at 31 December 2019) from which insurance and reinsurance business has been actively operating during the year.

Subsidiary	Locations
QUK	United Kingdom – Head Office
	United Arab Emirates - Branch
QBE Europe	Belgium – Head Office
	Bermuda – Branch
	Ireland – Branch
	Denmark – Branch
	France – Branch
	Germany – Branch
	Italy – Branch
	Spain – Branch
	Sweden – Branch
	United Kingdom - Branch

QUK has its head office in London and has further offices across the UK. It predominantly underwrites from its UK offices. QBE Europe has its head office in Brussels, Belgium and has further branches in London and across Europe. The entities underwrite International (non-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. QUK is authorised by the PRA and regulated by the Financial Conduct Authority ('FCA') and the PRA. QBE Europe is regulated by the National Bank of Belgium ('NBB'). The Dubai branch of QUK and the Bermudan branch of QBE Europe are separately authorised and regulated by the Dubai Financial Services Authority ('DFSA') and Bermuda Monetary Authority ('BMA') respectively.

A.1.2 Organisational structure of the QBE and EO Group

A summarised version of the QBE Group structure as at 31 December 2019 along with the principal subsidiary undertakings that are included in the EO Group, is shown below:



This is a high-level simplified structure showing ownership chain of key operational companies in the EO Group, more information is provided in section B.1. A full list of undertakings within the EO Group, and the nature of those undertakings, can be found in the QRT S.32.01, included in Appendix A.

A.1.3 Significant events in the reporting period

The following significant events and transactions within the EO Group impacted the EO Group structure and its business during the year:

- Effective 1 January 2019, QUK transferred all its general (re)insurance business written through its active branches in Denmark, France, Germany, Italy, Spain and Sweden, and previously written by its branches in Belgium, Bulgaria, Estonia, Ireland and Norway, to QBE Europe via a first Part VII transfer. All of the branches' eligible own funds were also transferred into QBE Europe;
- Effective 1 January 2019, QBE Re (Europe) Limited ('QBE Re') merged with QBE Europe in a Cross-border Merger and transferred all its general and long-term reinsurance business written through its Belgium, Bermudian and Irish branches (comprising the entirety of QBE Re's business), to QBE Europe via a second Part VII transfer. QBE Re ceased to exist as an entity and its eligible own funds were transferred into QBE Europe;
- A third Part VII transfer involving the FOS business from QUK to QBE Europe commenced during 2019 and is expected to be completed in 2020. The estimated size of the transfer is £303.8m of insurance liabilities along with related assets and capital; and
- During the year, EO plc declared and settled a dividend of £96m (2018: £143m) to its parent QBE Insurance Holdings Pty Limited.

A.1.4 Other information

A.1.4.1 External Contacts

The EO Group and QUK's supervisor is the PRA. The PRA contact details are as follows:

Prudential Regulation Authority
Bank of England
Threadneedle Street
London
EC2R 8AH
Telephone: +44 (0) 203 4614 444

The FCA contact details are:

Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS
Telephone: +44 (0) 2070 661 00

The DFSA contact details are:

Dubai Financial Services Authority
Level 13
West Wing
The Gate DIFC
+971 (0) 4362 1500

The BMA contact details are as follows:

Bermuda Monetary Authority
BMA House
43 Victoria Street
Hamilton
HM12
(441) 295 5278

QBE Europe's supervisor is the NBB. Contact details for the NBB are as follows:

National Bank of Belgium
Boulevard de Berlaimont 14
1000 Brussels
Telephone: +32 2 221 21 11

The external auditor of the EO Group and its subsidiaries is PricewaterhouseCoopers LLP. Contact details are as follows:

PricewaterhouseCoopers LLP

7 More London Riverside

London

SE1 2RT

Telephone: +44 (0) 2075 835 000

www.pwc.co.uk

A.1.4.2 Rounding convention

The SFCR is presented in pound sterling for the EO group and QUK, and in Euros for QBE Europe respectively, rounded to the nearest thousand. Rounding differences of +/- one unit can occur.

A.2 Underwriting Performance

A.2.1 The EO Group underwriting performance during the year

The underwriting result of the EO Group for the year ended 31 December 2019 represents the aggregation of the QUK and QBE Europe underwriting performance, which are the key subsidiary undertakings of the EO Group. Information on the QUK and QBE Europe underwriting performance is detailed in the relevant sections below.

A.2.2 QUK underwriting performance during the year

A.2.2.1 QUK overview

QUK prepares its financial statements in accordance with UK GAAP, the table below presents the underwriting performance for the year ended 31 December 2019 together with comparative information.

Key metrics (£'000)	2019	2018
Gross written premium	937,929	1,404,142
Gross earned premium	984,843	1,368,461
Net earned premium	854,339	1,159,429
Claims ratio	70.3%	64.6%
Commission ratio	13.0%	15.5%
Expense ratio	18.2%	20.7%
Combined operating ratio	101.5%	100.8%

Following completion of the transfer on 1 January 2019 (refer to page 4), QUK has focused on achieving a strong performance within its business to support delivery of its plan.

Adverse industry wide current and prior year claim trends have driven a change in appetite and the withdrawal of capacity amongst many of our competitors. During 2019 QUK recorded gross written premium of £938m, ahead of plan, however below the prior year which included £340m gross written premium within the former EEA branches, and approximately £108m gross written premium recorded within the UK relating to EEA exposed risks.

Gross earned premium is lower than prior year, with the reduction corresponding to the change in business profile following completion of the transfer.

Net earned premium is also lower than prior year, with the reduction corresponding to the change in business profile following completion of the transfer and changes in the cost and profile of the reinsurance program.

The combined operating ratio reflects the demanding and transitional market conditions experienced during the year. Whilst trading conditions continue to improve, the 2019 claims ratio is adverse to the prior year and contributed to QUK reporting an adverse combined operating ratio, with the one-off reduction in the Ogden discount rate (the discount rate used to determine personal injury claim reserves in the UK issued by the Ministry of Justice) and reserve strengthening recorded on certain financial lines portfolios contributing to the adverse result.

A.2.2.2 QUK 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 QUK for the current and prior year. The values in the tables are consistent with UK GAAP and are prepared on the same basis as QRT S.05.01.01, which is included in Appendix A. The only difference to the UK GAAP result is the net loss ratio which is driven by the Solvency II adjustments.

31 December 2019 £'000	Motor vehicle liability insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Other	Total
Gross written premium*	238,385	78,148	215,574	265,842	47,972	92,008	937,929
Net earned premium	226,770	52,898	177,977	270,593	32,449	93,652	854,339
Net claims incurred	185,565	13,013	85,262	214,027	14,073	88,973	600,913
Expenses incurred	54,840	14,900	62,161	91,471	15,723	26,775	265,870
Underwriting performance	(13,635)	24,985	30,554	(34,905)	2,653	(22,096)	(12,444)

**Direct business and reinsurance accepted*

31 December 2018 £'000	Motor vehicle liability insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Other	Total
Gross written premium*	252,656	76,249	333,342	528,303	60,386	153,206	1,404,142
Net earned premium	224,711	63,383	255,884	463,981	43,375	108,095	1,159,429
Net claims incurred	134,774	42,251	194,356	265,834	17,824	93,514	748,553
Expenses incurred	71,742	18,751	101,100	172,073	19,694	36,266	419,626
Underwriting performance	18,195	2,381	(39,572)	26,074	5,857	(21,685)	(8,750)

**Direct business and reinsurance accepted*

Motor vehicle liability insurance

Net earned premiums had a strong performance which is reflective of exposure growth along with strong rate increases as market conditions hardened. Overall retention was also positive despite strong market competition and remediation work ongoing in some classes/trade sectors.

Underwriting profit underperformed this year due to reserve strengthening in the Commercial Non-Conventional Motor book. This was driven by adverse prior year attrition combined with stronger than expected attritional damage experience across the portfolio. The Government change to an Ogden rate differing to expectation deteriorated the result further.

Marine, aviation & transport insurance

Net Earned premiums met expectations despite a large mid-term cancellation reducing prior year income in the P&I account. Rates seen on the Onshore account negated this as a correction was experienced in the market following a number of years of loss activity outstripping premium levels.

Net claims were favourable to expectation with good current year experience combined with some back-year releases on the Energy book. There were lower than expected large claims experience thus driving the underwriting profit.

Fire and other damage to property insurance

Net earned premiums experienced positive growth driven by favourable ratings along with new business wins. New business performance was attributed to an improving market environment and increased coinsurance placements. Additionally, QBE had targeted lower hazard occupancy business with wins in the District Council and Police segment of the public sector.

The positive underwriting result stemmed from favourable attritional claims with large and cat loss experience aligned to plan. The result was further benefitted by its profitable Automotive Protection offering which continues to perform well.

General liability insurance

Net earned premiums reflected ongoing remediation work, particularly in the Financial Lines arena. The strategy to materially reduce line sizes, to pursue higher attachment points on excess layers and to non-renew where we were unable to achieve desired rate lead to the reduced income.

The adverse underwriting result reflected prior year development noted in the Management Liability & PI portfolios. Remediation has been ongoing and this is highlighted by good performance in the current accident year.

Credit & suretyship

Net earned premiums exceeded expectations driven by Trade Credit. New business growth was ahead of target and increased rates on renewing risks contributed to positive earned premium result. The creation of a focused new business team in 2019 enabled the company to be more assertive when competing for deals along with competitors reducing their risk appetite which has also assisted growth.

Despite increased insolvencies in the UK market the account only incurred one large loss (Thomas Cook travel bond), which did not have a material impact on the overall underwriting result when offset by claims activity better than expectations.

Other

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, Other motor insurance and Income Protection insurance which collectively represent 10% (2018: 11%) of QUK’s gross written premium.

QUK also incurred net claims of £14,589k (2018: £1,615k) on annuities stemming from non-life insurance contracts which are classified as Life business under Solvency II. This has been included in the table total above.

A.2.2.3 QUK underwriting performance by material geographical areas

Underwriting performance within QUK's material geographical areas are shown in the tables below for the current 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. The full QRT is included in Appendix A.

31 December 2019 £'000	United Kingdom	United States of America	Australia	United Arab Emirates	Thailand	Ireland
Gross written premium	772,812	36,215	18,959	13,706	7,410	5,493
Net earned premium	737,788	23,013	17,363	10,558	6,024	4,907
Net claims incurred	485,227	(62,704)	74,277	(6,692)	(4,454)	68,294
Expenses incurred	226,313	8,176	4,489	3,754	1,916	1,505
Underwriting performance	26,248	77,541	(61,403)	13,496	8,562	(64,892)

**Direct business and reinsurance accepted*

31 December 2018 £'000	United Kingdom	France	Italy	Ireland	Spain	Germany
Gross written premium	887,531	159,569	52,842	50,894	46,690	39,644
Net earned premium	757,585	115,245	47,957	47,500	34,240	31,371
Net claims incurred	447,229	97,782	48,955	29,646	8,239	(11,107)
Expenses incurred	263,077	47,482	16,422	11,939	12,383	12,723
Underwriting performance	47,279	(30,019)	(17,420)	5,915	13,618	29,755

**Direct business and reinsurance accepted*

The geographical split is materially different from prior year due to the Part VII transfer from QUK to QBE EU from 1 January 2019, resulting in loss of business from most European countries held in QUK.

A.2.3 QBE Europe underwriting performance during the year

A.2.3.1 QBE Europe overview

QBE Europe prepares its financial statements in accordance with BE GAAP, the table below presents the underwriting performance for the year ended 31 December 2019. QBE Europe did not underwrite any (re)insurance policies incepting prior to 1 January 2019 and the underwriting activity in 2018 was limited to quoting for 2019 business. Accordingly, there are no financials associated with 2018 underwriting performance and no prior year comparative profit and loss information is presented.

Key metrics (€'000)	2019
Gross written premium	1,248,794
Gross earned premium	1,023,926
Net earned premium	899,411
Claims ratio	60.6%
Commission ratio	16.9%
Expense ratio	20.2%
Combined operating ratio	97.7%

The gross written premium generated by the Non-Life business amounts to €1,199m, the majority of which being written out of the foreign insurance branches. Life business generated a gross premium income of almost €50m, 100% of which is reinsurance business written out of the head-office in Belgium. The combined operating ratio for Non-Life amounts to 95.4%. The most significant factors influencing the result are the change of the discount rate used to calculate the provisions for periodic payment order claims in the UK and the creation of equalisation provision in line with the applicable regulation, which sets off the benign result of the property cat business.

The Life business generated a loss in 2019, this is as a consequence of further reductions of the interest rates in South America impacting our existing book of business.

A.2.3.2 QBE Europe underwriting performance by Solvency II line of business

The table below provides a summary of the key performance indicators for the material Solvency II lines of business underwritten by QBE Europe for the current year (based on the value of gross written premium in 2019). The values in the table are consistent with BE GAAP and are prepared on the same basis as QRT S.05.01.01, which is included in Appendix A. The only difference to the BE GAAP result is the net loss ratio which is driven by the Solvency II adjustments.

31 December 2019 €'000	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Casualty	Property	Life re-insurance	Other	Total
Gross written premium*	76,344	312,347	442,628	77,154	135,584	50,221	154,516	1,248,794
Net earned premium	41,969	223,215	301,089	70,984	96,299	46,725	119,130	899,411
Net claims incurred	35,472	150,543	105,895	30,514	81,688	44,946	95,708	544,766
Expenses incurred	20,019	96,251	122,198	17,068	25,074	10,525	43,003	334,138
Underwriting performance	(13,522)	(23,580)	72,996	23,402	(10,463)	(8,746)	(19,581)	20,506

**Direct business and reinsurance accepted*

Marine, aviation & transport insurance

Net earned premiums largely met expectations during the period. Net claims drove the loss where the prevailing factors included the Viviana shipping event and other cumulative attritional loss experience.

Fire and other damage to property insurance

Despite experiencing strong gross written premium, underwriting profit was adverse due to large claims exposures with notable losses in the year including Calzedonia SpA (€4.1m), The Underwriting Exchange (€3.9m) and Sogefi (€3.3m).

General liability insurance

Positive underwriting result reflects favourable gross written premiums driven by improved rates and new business levels beyond anticipated levels. Additionally, favourable claims experience combined with reserve releases in Q4 have driven strong profitability.

Casualty

Net earned premiums were in line with expectations. The account was profitable in both the Belgium and Ireland branches where motor claims have been settled on more favourable terms than anticipated from the change in the Ogden rates. This resulted in releases of reserves on prior years.

Property

Property Catastrophe losses were lower than anticipated in the year, creating a favourable underwriting result in the Ireland branch offset in part by the impact of Storm Dorian and Typhoon Hagibis. Dublin branch profit was offset by Belgium performance that was impacted by several smaller losses in France.

Other

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 12% of QBE Europe's gross written premium.

A.2.3.3 QBE Europe underwriting performance by material geographical areas

Underwriting performance within QBE Europe's material geographical areas are shown in the table below for the current 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. The full QRT is included in Appendix A.

Non-Life

31 December 2019 €'000	Belgium	France	United Kingdom	Spain	Italy	Germany
Gross written premium	34,866	288,395	256,875	76,130	75,259	72,404
Net earned premium	30,640	216,236	120,688	66,706	67,206	60,603
Net claims incurred	36,725	134,028	70,546	53,894	10,707	7,673
Expenses incurred	8,941	86,669	44,413	22,955	26,161	20,022
Underwriting performance	(15,026)	(4,461)	5,729	(10,143)	30,338	32,908

**Direct business and reinsurance accepted*

Life

31 December 2019 €'000	Belgium	Peru	Chile	Spain	Colombia	Mexico
Gross written premium	13,872	6,243	4,556	3,589	3,144	2,807
Net earned premium	12,906	5,809	4,239	3,339	2,925	2,612
Net claims incurred	15,082	4,102	(3,346)	4,077	4,245	2,244
Expenses incurred	2,774	208	1,387	1,042	962	568
Underwriting performance	(4,950)	1,499	6,198	(1,780)	(2,280)	(200)

**Direct business and reinsurance accepted*

A.3 Investment Performance

A.3.1 Overview

The EO Group's investments 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.

A.3.2 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; and
- Shall not invest in securities that are classified as 're-securitised' products.

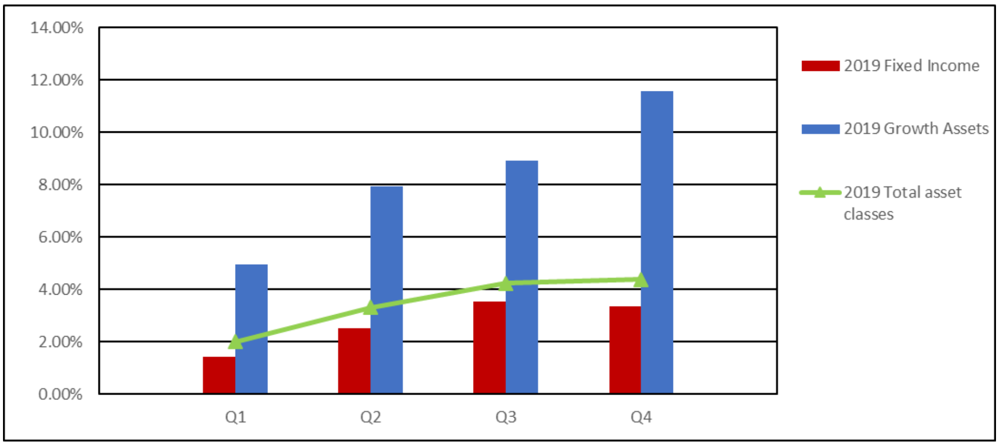
Exposure to securitisations within the EO Group's portfolio is currently comprised of Asset Backed Securities ('ABS'), Residential Mortgage Backed Securities ('RMBS') and Collateralised Loan Obligations ('CLO'). As at 31 December 2019 the exposure within the EO Group is £241,739k, £62,843k in QUK and €211,267k in QBE Europe.

A.3.3 The EO Group investment performance

The investment landscape remains dominated by the supportive global monetary policy stance introduced in 2019. Global money supply growth in the last quarter of 2019 moved above its historical average for the first time in three years. Simultaneously, the main geopolitical concerns of 2019 - US-China trade conflict and Brexit – avoided the worst-case scenarios with improvements in the last quarter of the year. These factors suggest that the global manufacturing slowdown that characterised most of 2018 and 2019 should improve later in 2020 and help sustain the current economic expansion.

Throughout the reporting period, return is measured and reported at an asset class level for the Group. A summary of this information is provided to the European Operations Investment Committee ('EOIC') on a monthly basis.

The chart below shows cumulative investment return for major asset class by quarter for the year:



Fixed income investment return for the Group was 3.37%, primarily due to spread contraction associated with the change to an accommodative central bank policy within certain jurisdictions during the second half of 2019.

Growth asset investment return was 11.58% for the year, enhancing overall investment return by 1.03%. The macro environment supported risk assets, with Equities delivering a 20.12% return for the year, Emerging Market Debt 12.76%, Emerging Market Equity 11.24% and High Yield Debt 9.15%.

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 (£'000)	Dividends		Interest		Net Gains and Losses		Unrealised Gains and Losses	
	2019	2018*	2019	2018*	2019	2018*	2019	2018*
Equity	1	1	-	-	-	-	-	-
Government Bonds	-	-	18,902	6,398	8,395	(692)	(4,284)	3,076
Corporate Bonds	-	-	96,970	100,398	(5,915)	(13,744)	46,218	(80,938)
Collective Investment Undertakings	22,488	31,748	-	-	30,343	(498)	28,039	(23,118)
Collateralised Securities	-	-	2,632	2,975	1,904	(399)	746	(3,679)
Cash and Deposits	-	-	3,448	2,259	-	-	-	-
Mortgages and Loans	-	-	2,635	3,950	252	(148)	496	542
Futures	-	-	-	-	(5,036)	819	-	-
Derivatives	-	-	-	-	(26,712)	(503)	(2,153)	-
Total	**22,489**	**31,749**	**124,587**	**115,980**	**3,231**	**(15,165)**	**69,062**	**(104,117)**

** 2018 comparatives include the results of QBE Re, which ceased to exist as an entity as at 1 January 2019*
*** 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 4.39% (2018: 0.98%).

Investment expenses and charges were £154,741k for the period (2018: £162,316k).

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

Yield by Asset Type (%)	2019	2018
Fixed income	3.37	0.76
Equities	20.12	(9.73)
Infrastructure loans	3.73	4.01
Unlisted property trusts	4.27	8.29
High yield debt	9.15	(3.88)
Emerging market equity	11.24	(12.07)
Emerging market debt	12.76	(2.33)
Social impact bonds	3.97	8.69
Infrastructure assets	13.36	14.88
Total investment return	**4.39**	**0.98**

The COVID-19 outbreak and the associated economic shock has significantly increased volatility in financial markets through Q1 2020. This shock outweighs other investment risks in 2020 and has been reflected in the mark to market valuations used for the Q1 2020 eligible own funds of the EO Group and its subsidiaries.

The trade conflict between the US and China remains another factor that might affect investment performance in 2020. The expectation is that these negotiations will remain fluid and persist over the medium term.

Other key investment risks to monitor in 2020 include the US Presidential election, the heightened geopolitical tensions in the Middle East, and the evolution of Brexit.

A.3.4 QUK investment performance

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 (£'000)	Dividends		Interest		Net Gains and Losses		Unrealised Gains and Losses	
	2019	2018	2019	2018	2019	2018	2019	2018
Equity	-	-	-	-	-	-	-	-
Government Bonds	-	-	12,617	4,331	5,064	(1,486)	458	3,612
Corporate Bonds	-	-	31,394	39,139	1,677	(8,804)	8,869	(20,422)
Collective Investment Undertakings	12,345	20,112	-	-	18,920	1,704	14,623	(17,539)
Collateralised Securities	-	-	969	1,812	67	187	170	(2,205)
Cash and Deposits	-	-	1,635	1,362	-	-	-	-
Mortgages and Loans	-	-	1,856	3,177	244	440	252	(144)
Futures	-	-	-	-	(1,743)	696	-	-
Derivatives	-	-	-	-	(14,214)	(302)	16,419	-
Total	**12,345**	**20,112**	**48,471**	**49,821**	**10,015**	**(7,565)**	**40,791**	**(36,698)**

**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 3.86% (2018: 0.71%).

Investment expenses and charges were £13,900k for the period (2018: £16,306k).

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

Yield by Asset Type (%)	2019	2018
Fixed income	2.65	0.56
Equities	17.10	(8.58)
Infrastructure loans	3.75	4.00
Unlisted property trusts	3.86	8.48
High yield debt	9.13	(3.88)
Emerging market equity	10.98	(11.03)
Emerging market debt	12.48	(2.32)
Social impact bonds	4.72	8.69
Infrastructure assets	13.15	14.88
Total investment return	**3.86**	**0.71**

A.3.5 QBE Europe investment performance

For the period ended 31 December 2018 when QBE Europe commenced trading, its investment portfolio mainly comprised of cash and short-term deposit holdings. As at 31 December 2019, QBE Europe's investments 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.

Details of interest received, investment income received, other income, and realised and unrealised returns in the period are shown in the table below. For 2018, QBE EU's investment portfolio mainly comprised of cash and short-term deposit holdings and earned interest of €111k.

2019 Asset Category (€'000)	Dividends	Interest	Net Gains and Losses	Unrealised Gains and Losses
Equity	1	-	-	-
Government Bonds	-	6,747	3,234	(5,108)
Corporate Bonds	-	16,548	9,371	12,604
Collective Investment Undertakings	11,487	-	13,049	15,267
Collateralised Securities	-	1,896	2,083	668
Cash and Deposits	-	1,980	-	-
Mortgages and Loans	-	888	9	278
Futures	-	-	(3,754)	-
Derivatives	-	-	(16,756)	4,757
Total	**11,488**	**28,059**	**7,236**	**28,466**

**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 3.37%.

Investment expenses and charges were €12,016k for the period.

Investments are monitored using the asset types below. The yield by asset type are:

Yield by Asset Type (%)	2019
Fixed income	2.09
Equities	24.46
Infrastructure loans	3.77
Unlisted property trusts	4.75
High yield debt	9.21
Emerging market equity	12.70
Emerging market debt	12.93
Other alternatives	12.61
Total investment return	**3.37**

The financials reflected throughout the SFCR do not reflect the impact of the COVID-19 non-adjusting Post Balance Sheet Event. Investment markets have been volatile in Q1 2020 and this has been reflected in mark to market movements in the EO Groups' asset portfolios. Management have taken actions to de-risk the EO Group's investment portfolio.

A.4 Performance of other activities

A.4.1 Material intra-group transactions during the reporting period

There are 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, for example reinsurance arrangements with Equator Re.

As part of the Cross-Border Merger, QBE Re transferred to QBE Europe €120,000k of instruments recognised in liabilities on a GAAP basis and categorised as Tier 2 subordinated debt on a Solvency II basis.

Refer to section A.1.3 for significant intra-group events within the EO Group during the reporting period.

A.4.2 Material leasing arrangements

The EO Group is currently in a lease arrangement for its London office in Plantation Place, Fenchurch Street, which expires in 2029. The lease expense for 2019 was £4,803k.

QUK and QBE Europe are not party to any material leasing arrangements.

A.4.3 Other material income and expenses

There is no other material income and expenses for the EO Group.

A.5 Any other information

The EO Group considers the emergence and spread of COVID-19 to be a non-adjustment post balance sheet event. As a result, the figures presented in the SFCR and associated QRTs have not been adjusted for COVID-19 (unless otherwise stated to provide information on the impact subsequent to the balance sheet date).

There is no other material information regarding business and performance of the EO Group.

Section B: System of governance

B.1 General information on the system of governance

B.1.1 Overview

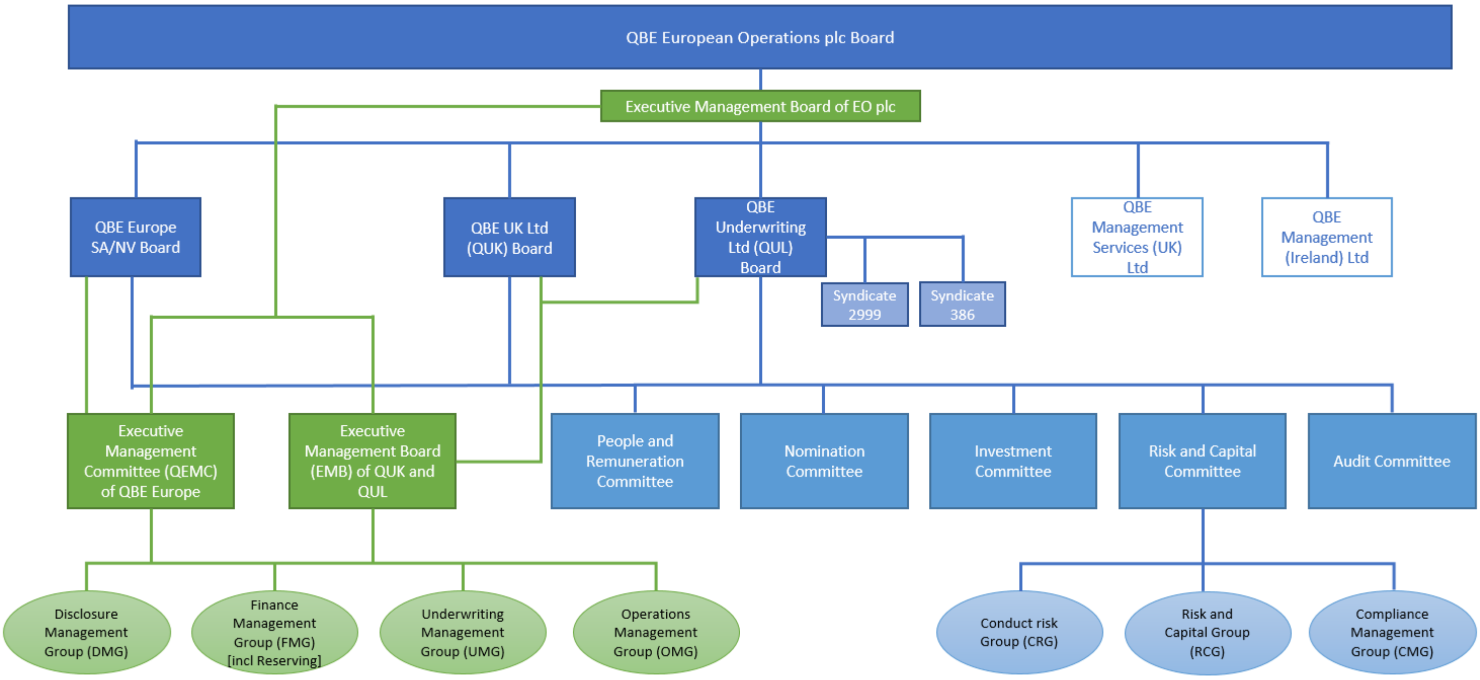
The Board charters of EO Plc, as well as its key subsidiaries state that the Board of Directors is responsible for the long-term success of the Company and its subsidiaries. The role of the Board is to provide leadership, to oversee the design and implementation of the EO Group strategy and to set a framework of prudent and effective controls which enable risk to be assessed and managed within it. The Board of EO plc 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 of EO plc comprises four Board members: three executive directors and one non-executive director, Mr. Tim Ingram, who chairs the Board.

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 EO Plc results in a strong and balanced leadership team to set and monitor the strategy and values of the EO Group.

EO plc is the EEA holding company of the EO Group. Apart from the Company, as at 31 December 2019 there were three key operating entities within the EO Group, namely: QUK, QBE Europe and QBE Underwriting Limited ('QUL') - the ('EO key Regulated Companies').

The Board and Committee structure of EO Plc, QUK, QUL and QBE Europe is illustrated below. As shown, QBE Europe has a dedicated Management Committee which operates in respect of QBE Europe only.



The Boards of the EO key Regulated Companies have six non-executive directors, including the Chairman of the Company, all of whom are members of the (jointly established by the EO key Regulated Companies) Audit committee, the Risk and Capital Committee ('RCC'), the People & Remuneration Committee and Nomination Committee. Four of the non-executive directors of the EO Group are members of the Investment Committee. All the non-executive directors of the EO key Regulated Companies 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 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.

B.1.2 Board Committees

The Boards of EO Plc and the EO key Regulated Subsidiary Companies (the 'Boards') have jointly constituted Board Committees. The Committees all comprise of appropriately skilled members and are supported by attendees as necessary.

The EO Group's Board Committees comprise:

- **Audit Committee**
  The role of the Committee is to support the Boards in overseeing the effectiveness of financial reporting. In particular, the Committee oversees, monitors and keeps under review the balance, transparency and integrity of financial reporting (including financial reporting to regulators and shareholders), financial reporting risks, systems and controls (including internal control and risk management systems), accounting policies, practices and disclosures and the scope and outcome of external and internal audit, whilst having regard for the broader strategy and frameworks set by QBE Group;
- **Investment Committee**
  The role of the Committee is to support the boards in overseeing the implementation and monitoring the effectiveness of the investment strategies of the EO Group, which form part of the overall QBE Group Strategy, taking into account local regulatory requirements and the Investment appetite of the QBE Group. The Committee monitors investment performance and investment risks, and the use of derivatives (where applicable). The Committee is also responsible for the overseeing and monitoring of the effectiveness of the asset-liability strategy with respect to the matching of: (i) investment assets and (ii) the liabilities generated by insurance activities;
- **People and Remuneration Committee**
  The Role of the Committee is to provide input to the design and operation of the QBE Group global remuneration framework, and provide related recommendations to the Boards. The Committee assist the Boards in oversight of: (i) the effectiveness of the Group Remuneration Framework; (ii) the remuneration of and incentive arrangements relating to Directors, Executive Management Board members, QBE Europe Management Committee members, QBE Europe Branch Managers, Senior Managers under the Senior Managers and Certification Regime ("SMCR"), Key Function Holders, Material Risk Takers, Heads of Control Functions and all individuals identified as Solvency II Staff or Identified Staff from time to time under the Solvency II Staff Identification Framework ('SII Staff'); and (iii) people programmes and projects including culture, employee engagement, diversity and inclusion and non-Board succession planning, in the context of the broader strategy and frameworks set by QBE Group;
- **Nomination Committee**
  The Role of the Committee is to review the balance of skills, knowledge, experience and diversity of each of the Boards and Committees (including succession planning) in the context of the broader strategy and frameworks set by QBE Group. The Committee oversees the selection process for appointment of any director to any of the Boards or Board Committees and make recommendations to the relevant Board(s) for approval, whilst having regard for the QBE Group Governance Framework; and
- **Risk and Capital Committee ('RCC')**
  The role of the Committee is to support the Boards in overseeing the integration and effectiveness of the risk and capital management framework (and management's implementation of those frameworks) in order to (i) support strategic objectives of EO Group, (ii) support and inform business plans, (iii) ensure that all risks are identified, assessed and monitored in line with risk appetite and (iv) ensure that adequate capital is maintained against

the risks associated with business activities, whilst having regard for the broader strategy and frameworks set by QBE Group.

The membership of each Boards Committee is comprised of independent Non-Executive Directors only.

EO plc, QUK and QUL are also supported by the Executive Management Board (the 'EMB'). The EMB supports the Chief Executive Officer of EO plc in providing executive management of the entire EO Division, as well as acting as a UK Management Committee for QUK and QUL. The Board of QBE Europe have established the separate Management Committee ('QEMC') to provide support with day to day management of QBE Europe.

The role of the EMB is to support the CEO in the performance of their duties in accordance with the CEO delegated authorities in place from time to time (having been issued to the CEO and approved by the Boards ('Delegated Authorities'), including the following:

- Design, formulate and recommend to the Boards for approval the strategy and long-term planning of the Companies in the light of the broader strategy of the QBE Group;
- Implement and deliver approved strategies and plans; and
- Manage the day to day effective running of the Companies and their operations and resources (including financial and human resources) in accordance with objectives and controls set by the Boards, as applicable.

The role of the QEMC is to manage QBE Europe in accordance with the strategy, business plans and policies approved by the QBE Europe Board to achieve the Company's agreed objectives. This includes specific responsibilities in respect of strategy and management activities, risk management and company organisation and operation.

In addition, the following Management Groups are established to support the described above Boards and Executive Committees, and form the part of the Government Structure of the EO Group:

- Compliance Management Group ('CMG'), Conduct Risk Group ('CRG') and Risk and Capital Group ('RCG'), accountable to the RCC and the QBE EO Boards; and
- Disclosure Management Group ('DMG'), Finance Management Group (including Reserving) ('FMG'), Underwriting Management Group ('UMG'), Operations Management Group ('OMG') accountable to the EMB, QEMC and the QBE EO Boards.

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, Boards and Executive Committees and Management Groups of EO plc and the EO key Regulated Companies are regularly (at least annually) reviewed.

EO Plc and its Regulated Subsidiaries have a robust System of Governance which includes:

- Board Charters and Committee and Management Group terms of reference for each of the Committees and Management Groups referred to above. These Charters and Terms of Reference set out the areas of responsibility of each Board, Committee and Management Group, the composition and meeting formality requirements and the frequency of meetings;
- 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 Own Risk and Solvency Assessment ('ORSA'), Internal Control Framework, Outsourcing Policy, Fit & Proper Policy and Management Responsibility Maps (as required under the Senior Managers and Certification Regime (SM&CR)).

The Boards of EO plc and the EO key Regulated Companies consider the system of governance to be appropriate and adequate in light of the business strategy and objectives.

B.1.3 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 the QBE EO Group and the EO key Regulated Companies, including QUK and QBE Europe.

Key Function	Main Roles and Responsibilities

Actuarial	• Establish and maintain a robust Actuarial control framework to ensure that the EO Group:
	  • Complies with all material legal and regulatory requirements;
	  • Adheres to relevant Actuarial standards and best practice;
	  • Meet all internal QBE EO Group 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; and
	• Calculation of capital requirements.

Risk Management & Compliance	• Establishment and maintenance of robust enterprise risk management framework; • Production and performance of the EO Group's ORSAs; • 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; and • The main roles and responsibilities of the Compliance function are further detailed in section B.4.

Internal Audit	• Evaluate the adequacy and effectiveness of the risk management framework;
	• Evaluate management's assessment of risk exposures relating to QBE EO Group'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; and
	• Evaluate the potential for the occurrence of fraud and how the QBE EO Group manages fraud risk.

Claims Management	• 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; and • Support decision making by developing and maintaining effective control reports based on the claims environment and claims activity.

Key Function	Main Roles and Responsibilities
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; and • 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; and
	• 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; and
	  ◦ 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; and • 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 insurance risks; and • Adopt consistent underwriting and Claims processes and/or technologies where appropriate.

Legal	• Pro-actively monitor and evaluate legal risks, emerging/pipeline legal and regulatory developments, alert the business to specific associated risks and extend principles around legal 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 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;
	  ◦ Ensuring adherence to document retention policies; and
	• The ‘function of effectively running the firm‘, which is undertaken by the EMB.

Human Resources	• Establish and maintain a robust HR control framework to ensure the EO Group:

Key Function	Main Roles and Responsibilities
	• 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; and • Adopts consistent HR processes and/or technologies where appropriate.

The four key Solvency II functions (Risk, 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.

B.1.4 Structural Changes

During 2019, the following changes were made to the System of Governance:

- The amendment to Board charters and Terms of Reference to reflect the requirements of the QBE Group Governance Framework ('GGF');
- The disbanding of the Brexit Steering Group as a formal sub-group of the EMB as the majority of the Brexit re-structuring project was completed in January 2019; and
- The formation of a separate (i) People & Remuneration Committee and (ii) Nomination Committee to reflect the requirements of the GGF.

B.1.5 Adequacy of the system of governance

The process of assessing the adequacy of the system of governance is explained in section B.3.13. From the November 2019 review, the EO Risk team concluded that the EO Group's three lines of defence model represented an effective risk governance model that contained adequate checks and balances to support appropriate consideration of risk management throughout the EO Group.

B.1.6 Remuneration

B.1.6.1 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; and
- 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 Group's remuneration strategy which integrates the various components of remuneration, reward and risk across the 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.

QBE Group's remuneration mix is reflective of each employee's ability to influence results. For all staff, fixed pay is designed to provide a predictable 'base' level of remuneration which is positioned at a level that reflects the contribution and value to the group whilst recognising capability and expertise.

Variable pay at QBE Group is focused towards the longer-term time horizon, enhancing alignment with the delivery of the long-term strategy and shareholders' interests.

The Remuneration 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; and
- 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.

B.1.6.2 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 Group'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; and • common global remuneration design that provides flexibility to calibrate local financial targets, enabling QBE Group 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; and • locally competitive and flexible benefits designed to provide value to the employee and QBE Group.
	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; and • executive minimum shareholding requirements further link executive interests to those of shareholders.

Further information on remuneration is available in the 'QBE Group Annual Report 2019', in section 'Remuneration Report', on pages 60 to 80 inclusive.

B.2 Fit and proper requirements

B.2.1 Overview

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 NBB Circular on the System of Governance, manual on assessment of fitness and propriety and various related NBB Regulations and Circulars on the Suitability of Directors, members of the Management Committee and individuals responsible for the Compliance and Independent Control Functions; and
- The UK Senior Managers and Certification Regime ('SM&CR') in relation to those individuals who also perform regulated functions on behalf of the UK regulated entities and the QBE Europe UK branch in respect of those individuals performing roles and functions within the scope of the regime.

B.2.2 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; and
- Good conduct (including business, financial, criminal and past supervisory conduct), supported where appropriate by satisfactory regulatory references.

Appointees to the Boards 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 relevant regulatory authority for fitness, propriety and conduct; and
- Have gained approval from the regulatory authority (where applicable).

B.2.3 Assessment process

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 the 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); and
- For regulated roles/functions, 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 using a risk-based approach with particular emphasis on the following roles:

  - PRA, FCA and NBB approved functions;
  - Defined senior management and internal control roles;
  - Individuals holding a delegated authority;
  - Finance;
  - IT;
- 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 Review 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; and
- 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 and NBB 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); and
- In-sourcing (e.g. joint projects, secondments etc.).

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 are notified where appropriate.

B.3 Risk management system including the Own Risk and Solvency Assessment

B.3.1 Risk function

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 and processes that are consistent across the EO Group include:

- A common risk management framework applied consistently across all legal 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 IT systems including Underwriting, Finance, IT, HR and Risk Management operate consistently across all trading entities;
- The three lines of defence model operates consistently across all trading entities. Where identified control failures are legal entity specific, they are escalated to the appropriate legal entity Board as appropriate; and
- 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.

Responsibilities of the Risk Function include the following:

- Development and implementation of the Enterprise Risk Management (‘ERM’) Framework;
- Oversight and challenge of the EO Group and underlying solo Internal Models; and
- Coordination of the Own Risk and Solvency Assessment (‘ORSA’).

B.3.2 Risk Management Strategy and Framework

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 framework, the RMS applies equally to all the EO Regulated Companies and is approved by the Boards of those Companies. The strategy sets out the high-level governance arrangements and key roles and responsibilities relating to risk management and identifies the key risk processes and reporting mechanisms.

It is supported by the EO Group’s ERM Framework, EO Group Risk Policies and a number of more detailed procedures/standards, covering Risk and Control (Self-) Assessments, incident reporting, issues and actions management, scenario analysis, risk appetites, key risk indicators and risk reporting.

B.3.3 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 framework provides further structure to the control environment, 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.

B.3.4 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 eight material risk classes for aggregation, reporting and modelling purposes. The eight material risk classes 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.

- Insurance risk;
- Credit risk;
- Market risk;
- Liquidity risk;
- Operational risk;
- Compliance Risk (note for modelling purposes, Compliance risk is considered within Operational risk);
- Group Risk; and
- Strategic risk.

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

B.3.5 Risk Appetite

The QBE Group’s Risk Appetite Statement (‘RAS’) sets out the nature and level of risk that the QBE Group Board, QBE Group Executive Committee (‘GEC’) and EO Group Boards are willing to take in pursuit of the organisation’s objectives. The RAS is used to support risk-based decision making by clearly defining QBE’s appetite (what we should do) and tolerance (what we can do).

The Risk Appetite Statements define the thresholds for Risk Appetite. Each statement is accompanied by ‘breach’, ‘caution’, ‘within appetite’ and ‘conservative’ ranges (where relevant) to provide management and the Board with clear reporting.

The Group-level risk appetite is set by the QBE Group Board and is cascaded, as appropriate, to the Divisions, including the EO Group and its subsidiaries.

The RASs are reviewed annually to ensure they reflect changes to strategic objectives and to the internal and external environment. During 2019 QBE Group went through a comprehensive review and update of the Risk Appetite Statements and related framework.

QBE's Risk Appetite Framework establishes the approach for setting, monitoring and reporting QBE's Risk Appetite at Group and Divisional levels.

Risk Appetite is part of a broader framework to manage and monitor risk in the business, as shown below.

B.3.6 Risk Culture

The QBE Group 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". QBE is committed to, and supports, a strong risk culture. It recognises the importance of risk awareness and culture as being instrumental in the effectiveness of QBE's ERM Framework and a part of the control mechanisms for the organisation. 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 – the ERM function conducts an annual review of risk culture across the EO Group senior management and a dashboard with a number of risk metrics relating to risk culture are collated and reported quarterly. The findings are reported to the RCG and RCC; and
- 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.

B.3.7 Internal Model

The EO 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 EO 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:

- Risk identification (including emerging risks);
- Internal control framework;
- Risk assessment;
- The economic capital model; and
- Internal Model governance.

B.3.8 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, who have oversight of the Internal Model, 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 EO Group 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. This is part of a three-yearly targeted validation plan including annual core tests and at least three-yearly full deep dives. The validation tests are developed and performed independently of the Capital Modelling team and other areas that design and/or operate Internal Model elements, with findings and any escalations reported through the EO Group's system of governance. The validation process is independently managed by the Risk function, with the Head of Model Validation role held by the ERM Director. There were no material changes to the Internal Model governance during the period.

Changes to the model are further monitored on a regular basis and reported to the RCC and Boards, as applicable, for approval.

Use of the model in decision-making processes, for example through risk appetite monitoring and review of risk dashboards, is also monitored regularly.

B.3.9 Risk identification (including 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 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, the business (facilitated by the ERM team) and the Risk Function, and is also supported by the emerging risks process.

Formal Risk and Control Assessments ('RCA's) were conducted during 2019 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. From 2020, a Group-wide Risk and Control Self-Assessment ('RCSA') process is being rolled out to replace the RCA process, which is implemented to address an action arising from our self-assessment against the APRA Risk Management Standard. This places more responsibilities on each business area and is facilitated by the ERM team.

The EO Group has further established an Emerging Risk Group, an informal working group, to identify and facilitate the effective management of risks that may be a new or future threat which is difficult to assess but may have a significant impact on QBE's business or the markets we operate.

B.3.10 Risk assessment

Risks are assessed by committees using a combination of qualitative and quantitative techniques via the risk dashboard process. The assessment process brings together key information to support the analysis, including risk appetite statements, management key concerns/risks, stress and scenario tests, key risk indicators ('KRI's), service level assessments ('SLA's), control assessments, emerging risks, risk ranking (based on the ECM) and issues and incidents including action plans.

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 EO Group, and facilitating the EO Group's strategy, is detailed in the section B.3.15 'Determination of Solvency Requirements'.

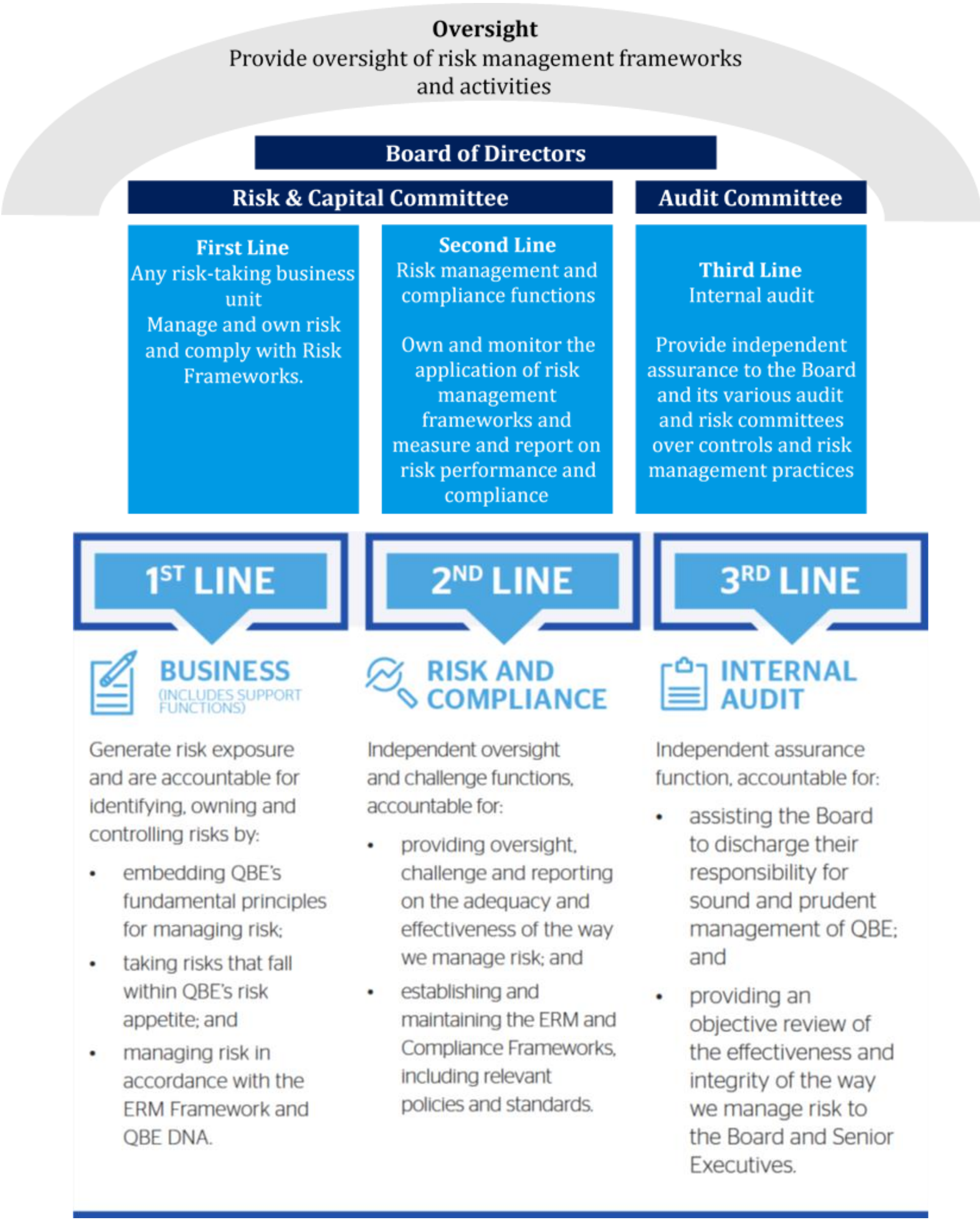
B.3.11 Risk Reporting

The EO Group'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. Risk and performance-related information is routinely reported to the Boards and the RCC.

A key element of the Group's risk reporting is the ORSA, details of which can be found in section B.3.14.

B.3.12 Risk governance

Everyone within the QBE Group has responsibility for managing risks and as a result many people are involved in the risk management process. The EO Group employs the three lines of defence approach to managing risk, as described below:



Included in the 1st Line is a 1b function providing:

- Review, challenge or 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;
- Provide a specialist business advice or service to 1a, such as training or legal advice; and
- Monitor 1a's compliance with procedures, policies or frameworks set out by the 1st, 2nd or 3rd line.

B.3.13 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 allocated 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. Risk management activities within the 1st line are subdivided between those who own and directly manage risks (line 1a), and those who are one step removed and provide challenge, oversight or specialist advice (1b). 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 RCC.

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; and
- The best expertise within the ERM framework to be made available to address risk matters.

B.3.14 The Own Risk and Solvency Assessment ('ORSA')

B.3.14.1 Overview

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 has identified and assessed.

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 ORSA incorporates outputs of key management processes, including business planning, capital management and solvency assessment, stress and scenario tests 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.

ORSA reports are prepared quarterly and annually for the EO Group to reflect the way 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. From 2019, a separate ORSA reports for QBE Europe has been prepared in addition to that for the EO group.

The report is reviewed and discussed by the RCG, RCC and the QBE Europe Management Committee ('QEMC'), 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 affected 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 strategy, 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 and strategy is understood;
- The regulatory and economic capital requirements can be met based on the current business plan and over the longer term, considering 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; and
- 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.

B.3.14.2 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. Note that a separate Annual ORSA report is produced for QBE Europe.

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

B.3.14.3 Regular ORSA updates

ORSA updates are reported to the EO Group's Risk and Capital Committee on a quarterly basis and include analysis of:

- Business strategy;
- Risk Appetite Statements;
- Risk profile;
- Areas of management key concern / risks;
- Financial position and solvency ratios, including under stressed conditions;
- The current and projected SCR for each legal entity;
- The on-going suitability of the Internal Model for capital setting purposes;
- Emerging risks;
- Issues and Incidents analysis; and
- Control environments.

The ORSA updates are also reported to the QEMC, a Committee of the QBE Europe Board.

B.3.14.4 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; and
- Identification of a critical issue.

B.3.14.5 ORSA governance

The content of the ORSA is reviewed by various forums and committees before the full report is submitted to the relevant company Boards for approval by:

- EO Group Boards: The EO Group Boards have the ultimate responsibility for the ORSA and must review, approve and formally sign off the report on an annual basis.
- RCC: The EO 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 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.
- QEMC: The QBE Europe ORSA is further reviewed by the Management Committee for QBE Europe prior to QBE Europe Board approval.
- Other Committees and Groups: Other Committees and Groups also have key roles, particularly the responsibility to challenge information that 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.

B.3.15 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 QBE Europe model has been approved by the NBB since 2019.

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 and emerging risks that are captured through the ORSA process.

Capital is maintained over time to ensure that the risk appetite of the EO Group's Boards and applicable regulatory capital requirements are met. 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:
  - Business planning;
  - Strategic asset allocation;
  - Setting and monitoring against risk appetite statements;
  - PRA General Insurance Stress Testing;

    - Approval of regulatory reporting, including the ORSA;
- Capital setting: elements of the SCR are derived directly from the output of both the ECM and risk management processes;
- Risk appetite: some elements of 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 dashboard 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; and
- Model risk: the governance around the ECM is based on the risk management framework principles. Matters affecting any changes to the ECM such as methodology updates 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.

B.4 Internal control system

B.4.1 Overview

EO Group has implemented an internal control framework that seeks to ensure compliance with all relevant regulatory and legal requirements across its subsidiaries. These requirements include meeting the standards contained within Article 46 of the Solvency II Directive, the rules contained within the PRA Rulebook, FCA requirements under the Senior Management Arrangements, Systems and Controls Sourcebook ('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" and various NBB Regulations and Circulars on Independent Control Functions.

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'. Refer to the Risk Management Section B.3.11 for further information.

B.4.2 Risk Governance

The risk governance forums within the EO Group represent further challenge and assurance on risk taking activity. They also generate strong practical working relationships between the 1a, 1b and 2nd line teams. Members of the 2nd line sit on all Committees and Management Groups established by the EO Group's 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/Group reporting or escalation, all overseen by the Risk and Capital Committee. Refer to the Board Committee section B.1 for further detail on the various committees and their functions within the EO Group.

B.4.3 The Compliance Function

The Compliance function consists of three dedicated central teams (Regulatory and Assurance; Sanctions and Licensing; and Compliance Monitoring) and specific local resources in respect of continental Europe. The function reports through the Compliance Director and Senior Compliance Manager (Monitoring) (EO Group) and Head of Compliance (QBE Europe), to the Chief Risk Officer, who is a member of the Boards. Collectively, these individuals are members of, and/or report to, the various regulated entity Boards and key control committees within the EO Group. They have direct and unfettered access to any member of the EO boards or senior management or the EO Group Committees.

The principal purpose of the function is to ensure the business meets the standards set by its regulators and QBE Group and to proactively support the development of a culture of compliance and appropriate management of regulatory risk across the EO Group. Accountabilities include advising the Boards on compliance with PRA/FCA/NBB requirements, Lloyd's Minimum Standards, other international regulatory requirements and the QBE Group standards and requirements established by the Group Compliance Risk Policy and supporting Framework. This includes ensuring staff awareness of regulatory matters, Lloyd's requirements and providing best practice guidelines for key business topics including Conduct Risk, Sanctions and Licensing compliance, Money Laundering and Bribery. The function also produces and promotes awareness of the annual Compliance Plan, develops an annual Monitoring Plan, and in conjunction with other EO Group control functions (e.g. Underwriting Governance, Delegated Claims Management etc.) conducts a program of monitoring to challenge and test the effectiveness of internal controls.

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; and
- 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 implemented the defined Group Compliance Risk Policy. The Policy outlines QBE Group's approach to compliance and defines roles and responsibilities within the three lines of defence model for achieving a positive compliance culture and effective compliance management. The requirements of the Group policy are applied as part of the EO Group Compliance Framework 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); and
- 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 review process.

In addition to active engagement with market bodies such as the Association of British Insurers (‘ABI’), International Underwriting Association (‘IUA’), Lloyd’s Market Association (‘LMA’) and Assuralia in Belgium 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 the following on behalf of the Board:

Material Risk Classes

- Compliance Risk;

Risk Sub-Classes

- Non-compliance with external requirements;
- Non-compliance with internal requirements;
- Improper business practice;
- Internal fraud; and
- External fraud.

The function 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 and QBE Europe Head of Compliance further escalate all material issues to the Boards and supervisory bodies through their regular discussion with the lead supervisors.

The EO Group’s governance structure includes the Compliance Management 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; and
- Consideration of relevant Compliance owned risk dashboards including those addressing improper business practices, internal fraud and external fraud.

The EO Group has implemented the QBE Group Conduct Risk Policy. The Conduct Risk Group ('CRG') is another key management group of the RCC and is responsible for identifying, assessing, mitigating and overseeing Conduct Risk, including application of the Group Policy. 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; and
- Reviewing regulatory developments in relation to conduct risk.

B.5 Internal audit function

B.5.1 Overview

The QBE Group 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 Group. The scope of internal audit is regularly reviewed by the Audit Committee.

The GIA is a group-wide function that operates on a globally integrated basis. The QBE Group Head of Internal Audit is responsible for the GIA and reports functionally to the Group Audit Committee. In each Division there is a Divisional Head of Internal Audit who reports directly to the Group Head of Audit and their local Audit Committees. The QBE Group Head of Internal Audit, supported by the Divisional Heads 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 The QBE Group'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; and
- Evaluating the potential for the occurrence of fraud and how the QBE Group manages fraud risk.

The types of audit activities undertaken by internal audit for the EO Group 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 over which GIA has limited ability to design audit procedures. These procedures are 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 by GIA 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 GIA 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.

B.5.2 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 Audit reports to the Group Audit Committee at least annually on the organisational independence of the internal audit activity.

B.6 Actuarial function

B.6.1 Overview

There are two Actuarial Functions within the EO Group, one for QBE UK and one for QBE Europe.

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.

B.6.2 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 performs data self-assessments in accordance with the Data Policy. This is carried out bi-annually. Results of the data self-assessment, including any issues identified, are reported in accordance with the standard data management processes.

B.6.3 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; and
- Sensitivity testing.

B.6.4 Internal Business and Governance Forums

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

- Data and MI Steering Group;
- Business Planning Steering Group;
- Rate Adequacy Working Group;
- Technical Review Group (‘TRG’);
- Emerging Risks Group;
- Reserve Working Group (‘RWG’);
- Finance Management Group (‘FMG’);
- Major Loss Review Group;
- Claims Technical Group;
- Legacy Business Group;
- Reinsurance Committee;
- QBE Group Economic Capital Modelling Committee;
- Inflation Management Group;
- Various management meetings such as divisional and claims business meetings; and
- Attendance and presentations at a number of formal committees of the Boards including the Audit Committee and Risk and Capital Committee.

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).

B.6.5 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.

B.6.6 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. The external actuarial review is performed at the EO Group level and at the entity level.

B.7 Outsourcing

B.7.1 Overview

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; and
- 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 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. An Outsourcing Working Group ('OWG') was established during 2019, reporting to the OMG, to oversee the practical application of the Group and divisional policies and preparation of the material outsourcing register on an ongoing basis.

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.

The Operations Management Group ('OMG') monitor, review and report on matters relating to critical/important outsourcing and the service performance level of suppliers both directly to the Boards and indirectly through the QBE Group global contractual approach (whether provided by intra-group arrangements or from third party service providers).

Once a contract is in place, the OMG will monitor and review the performance of both internal and external service providers on behalf of the Boards in key service areas in order to ensure that the operation of the companies is delivered effectively and efficiently. The OMG also will review and challenge the operational strategy of the Companies and ensure such strategy is aligned with the Companies' business plans; monitor performance under outsourcing agreements and any other applicable arrangements (including performance against agreed service levels) and approve, monitor and oversee any corrective actions as required, identify risks and/or systemic performance issues in relation to the above areas and set and undertake any corrective action or recommend any corrective action, as necessary, to the EMB.

This enables the relevant internal forums to maintain appropriate oversight and challenge over outsourced critical/important functions and activities. It also ensures that that outsourcing has no detrimental impact on the overall standard of governance and control.

The governance and control framework established around critical/important outsourcing (as outlined above) is designed to ensure that the Company has appropriate ongoing oversight over third parties performing material functions on its behalf. This includes generating appropriate MI for review and assessment by the appropriate governance forums, and as a consequence, the Company's submissions and regulatory reporting will take full account of and be based on sound oversight of all material outsourced functions/activities.

The due diligence process around any proposed critical/important outsourcing will include an assessment of potential providers in the market and any decision will be based upon a range of factors including their regulatory authorisation, financial standing, ability to perform the necessary functions and the experience of the Company and its employees. The Company's Outsourcing Policy requires that such outsourced arrangements must also be reviewed on a periodic basis in line with the nature, scale and scope of the services provided including ongoing assessment of the factors outlined above.

For Claims relationships, any potential financial and staffing issues identified as part of these reviews are detailed in contract summary documentation prepared by the Procurement function. For other outsourced partners, assessment of financial resourcing is included in summary documentation detailing key contract points and pricing. This follows the selection process established via the internal procurement process. Assessment of staffing considerations is a default term as part of the 'Requested For Proposal' ('RFP') process and is evidenced as part of the tender/award process.

B.7.2 Critical or important outsourcing

A number of critical or important functions and activities are performed on the EO 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; and
- 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); and
- 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; and
- 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').

The QBE Group has entered into a number of global agreements for the provision of externally outsourced services which extend to its constituent divisions including the EO Group. Such agreements are predominantly associated with the provision of IT infrastructure and support services and are implemented in accordance with the Group Services Governance Framework.

Prior to entering into any global agreement, the contracting QBE Group entity must obtain formal approval from the EO Group CEO and procedures are in place that require prior review of the proposed agreement by the EO Group Legal function. In all such cases, the requirements and associated governance arrangements of the QBE Group and EO Group Outsourcing Policies apply.

B.7.3 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;
- United Kingdom; and
- United States.

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

B.8 Any other information

The EO Group's Executive Management Board ('EMB') is reviewing fortnightly updates to a new risk assessment based on three COVID-19 related scenarios. Scenario 1 (global recession, recovery in 2H20) and scenario 2 (severe global recession, recovery in 2021) are QBE group-wide scenarios. The EO Group has also run a third scenario, which is the same as scenario 2 but with an increase in mortality rate, applying prudence over the current death rates from COVID-19 observed globally.

In each of these scenarios, the FY20 position vs plan has been estimated allowing for COVID-19, economic conditions and changes in market movements. The assessment includes the following focus areas: market movements (assets and liabilities), insurance, reinsurance, potential knock-on effects on some key business functions including from third-party supplier disruption and reduced international travel. Liquidity risk is also considered. The company's liquidity risk exposure and solvency position are also monitored as part of this risk assessment.

The assessment has been shared with the Board, regulators and external auditors. There is also ongoing regulatory interaction with the PRA and NBB on this matter.

Other changes that have been implemented to monitor and deal with the situation include the following:

- The Executive Management reviews weekly data on the EO Group's operating effectiveness Key Performance Indicators ('KPI's) to track and monitor business performance during full working from home within the EO Group and across the wider market;
- Regular COVID-19 communications update sent to all the EO Group staff;
- Specific COVID-19 management forums meeting regularly, for example COVID-19 Leadership meeting and Operational Crisis meetings; and
- Ongoing review and challenge of operational contingency plans at a functional level and for the GSSC (a QBE owned service provider to the EO Group).

The global impact of the COVID-19 virus is changing rapidly. In the current context, the rapidly developing situation means that there are various legislative, regulatory or trade body updates published almost daily across the many jurisdictions in which the EO Group operates. A key factor that remains unquantifiable is that of government intervention and the risk assessment makes no allowance for this, however, regulators are taking a keen interest in the evolving market situation.

The recent transition to remote working throughout QBE has been successful. Despite the full shut down of Cebu and Manilla sites, the GSCC is continuing to substantially meet all SLAs. Insourcing activities for Claims, Operations and Finance are being considered in order to plan for the longer term.

No other information is considered material regarding the EO Group’s system of governance.

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 risks, the EO Group uses a number of risk mitigation techniques, as described in section B System of governance.

The below table shows the SCR calculated under the Internal Model for the EO Group, QUK and QBE Europe. More information is given on the risk types in this section.

2019 SCR by risk component	EO Group £'000	QUK £'000	QBE Europe €'000
Market risk	305,061	173,908	182,521
Counterparty Default risk	60,406	32,402	33,204
Life underwriting risk	-	-	-
Health underwriting risk	-	-	-
Non-life underwriting risk	1,125,396	675,214	634,963
Operational risk	138,701	71,077	75,509
Pension risk	178,783	-	5,724
Capital adjustments	98,080	27,800	46,787
Total undiversified components	**1,906,427**	**980,401**	**978,708**
Diversification	(644,884)	(288,265)	(296,577)
Solvency capital requirement under Internal Model	**1,261,543**	**692,135**	**682,131**

C.1 Insurance risk

Description

The EO Group defines insurance risk as the risk of fluctuations in the timing, frequency and severity of insured events and claims settlements, relative to expectations.

Exposure measurement

Insurance risk is one of the key risks for the EO Group, for which exposure is measured mainly through the SCR derived from the Solvency II Internal Model. 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 including more specific exposure measurement information is detailed below in section C.1.1 - 4.

Risk mitigation

Risk mitigation is mainly achieved through reinsuring a portion of risks underwritten to reduce EO Group's exposure to individual losses or an accumulation of losses. This allows the EO Group to control exposure to insurance losses, reduce volatility of reported results and protect capital. The EO Group has in place systems, internal controls and processes to ensure that its reinsurance arrangements are appropriate to enable it to meet its obligations to its various stakeholders, including policyholders and shareholders.

Changes were made to the EO Group's reinsurance programme in 2019, which, whilst being a change in risk profile, had only relatively minor impact on the capital position.

Risk Concentration

Insurance risk concentrations consider the risks associated with accumulations of underwriting exposures within particular business lines, products, and geographies. This includes the risks from natural or man-made events that have the potential to produce insurance losses from many of the EO Group's policyholders at the same time (e.g. catastrophes).

The EO Group's exposure to concentrations of insurance risk is mitigated by maintaining a business portfolio that is diversified across countries and classes of business. Product diversification is pursued through a strategy of developing strong underwriting skills in a wide variety of core and specialty classes of business.

The EO Group currently uses a variety of methodologies to monitor aggregates and manage catastrophe risk. These include the use of catastrophe models from third party vendors such as RMS and Impact Forecast Elements, the Realistic Disaster Scenarios ('RDS'), and the Group Aggregate Methodology ('GAM') and Realistic Event Methodology ('REM'). A risk appetite in relation to insurance concentrations has been determined using the QBE Group's capital model. This is monitored against on a regular basis.

C.1.1 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 expected 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; and
- Commission and expenses - Commission and expense assumptions are aligned to the business plan and make an allowance for variability.

In addition, risk appetites are in place and monitored in relation to insurance risk, using for example probability of adequacy of claims reserves and insurance concentrations as a measure as well as performance from a more strategic perspective.

C.1.2 Catastrophe risk

EO Group has material exposure to losses from natural catastrophe events as well as man-made catastrophe events (e.g. terrorism or casualty events). Whilst the risk assessment processes set out below cover natural catastrophe exposure, man-made catastrophe events are also covered under underwriting risk.

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 (and therefore used to measure man-made catastrophes); and
- The QBE realistic event methodology ('REM') - used to asses catastrophe 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 of the above is monitored and measured against internal limits. This risk is reviewed at a summary level via the Insurance Concentrations risk dashboard. In addition, catastrophe risk is reviewed at QBE Group level via the Group Aggregate Management Committee ('GAMC').

C.1.3 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; and
- Hertig.

These statistical techniques are used to project historical gross 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; and
- External systematic risk, such as claims inflation and legislative changes.

The gross variability is then netted down to produce the net variability. The netting down process allows explicitly for potential exhaustion of prior reinsurance programmes.

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.

C.1.4 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. Future iterations of the model will model the premium provision by claim type (attritional, large and cat) with the volatility also derived from the underwriting risk section of the model.

C.2 Market risk

Description

The QBE Group defines market risk as the risk of adverse impacts on earnings and capital resulting from changes in market factors. Market factors include but are not limited to: interest rates, credit spreads, foreign exchange rates and equity prices. The EO Group's exposure to market risk arises from movements in investment markets and foreign exchange rates.

Exposure measurement

Market risk is mainly measured based on the SCR derived from the Solvency II Internal Model.

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 majority of assets held in government bonds, corporate bonds, floating rate notes and cash equivalents. 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, QUK and QBE Europe are disclosed in the balance sheet reporting templates included in Appendix A.

In addition to the above, the adherence to market, credit and liquidity risk appetite statements as well as a number of key risk indicators for market and credit are monitored by the EO Investment Committee ('EOIC'), a Committee of the Boards, on a quarterly basis.

Risk mitigation

See section C.2.2 below.

Risk Concentration

Whilst no specific industry sector restrictions are applied by the EO Group, concentration is monitored at the EO Group level via the Market Risk dashboard. Counterparty concentration risk is monitored via the Credit Risk dashboard. Both dashboards are submitted to the EOIC on a quarterly basis.

C.2.1 Prudent person principle

The EO Group has a defined approach, risk framework and governance process around the Prudent Person Principle ('PPP') as set out in the Solvency II regulation. Requirements set out in the principle include that:

- The undertaking only invests in assets and instruments whose risks it can properly identify, measure, monitor manage, control and report and appropriately take into account in its overall solvency needs;
- All assets, in particular those covering the Minimum Capital Requirements and the SCR, shall be invested in such a manner as to ensure the security, quality, liquidity and profitability of the portfolio as a whole as well as the availability of the assets; and

- That the nature and duration of assets held to cover the technical provisions should match with that of the undertaking's liabilities. The Group's policies are consistent and compliant with this rule.

Restrictions on investments which are set out in specific Investment guidelines and Restrictions are primarily based on the Solvency II Directive, the PRA's Rulebook and guidance in Supervisory Statements and Belgian regulatory requirements, as applicable, which give 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.

The Investment Guidelines and Restrictions are approved by the Board and address market and credit risks; they 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 Sourcebook, Belgian regulatory requirements and, where applicable, article 14 of the New York Insurance Department Regulations and the (Canadian) Insurance Companies Act.

The EO 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.

In summary, the EO Group mitigates the level of market risk using the following:

- Active asset management;
- Diversified portfolio;
- Use of derivatives for efficient portfolio management;
- Hedging of residual non-functional currency exposure; and
- Monitoring of compliance with legal and regulatory requirements, including the PPP.

The responsibilities of the EOIC include the monitoring of compliance with legal and regulatory requirements including the Prudent Person Principle.

The EOIC monitor market, credit and liquidity risk appetite statements on a quarterly basis. The Enterprise Risk Management ('ERM') function further reports on the adherence to the risk appetite statements to the RCC on a quarterly basis as part of the ORSA process, including relevant market, credit and liquidity risk appetite statements.

Risk dashboards, as part of the ORSA process, link risks across the Group in line with the Group Risk Management Strategy ('RMS'), 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 EOIC, FMG and the RCC.

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; and
- Detailed investment performance and market information including modified duration, spread duration, return versus business plan, asset distribution data and compliance versus the Group's Investment and Regulatory Guidelines.

Further detail regarding the EO Group's investment processes and risk mitigation is set out below in section C.2.4.

C.2.2 Investment Process including Risk Mitigation

C.2.2.1 Governance structure

The Boards of the EO Group delegate their authority to the EOIC, which is comprised solely of the non-executive directors of the EO Group and its underlying entities, a minimum of three, 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.

C.2.2.2 Investments (including Investment and Treasury Credit Risk)

Day-to-day management of the investment portfolio is outsourced to specialist investment managers, QBE Group Services Pty Limited (referred to as QBE Group Investments). 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, 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, counterparty 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. Monitoring of the investment portfolio against the guidelines is performed by Group Investments and within the EO Group's Finance team.

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 and short-term deposits) is 5% of funds under management for the majority of assets held, with a 10% maximum exposure permissible per counterparty; provided the total exposures, which exceed 5%, do not exceed 40%.

The Group's guidelines with respect to fixed income securities and growth assets are aligned to regulations. Growth asset exposure is aligned to 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.

Under the terms of the Investment Management Agreement ('IMA'), 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. Limits are monitored on a day-to-day basis by the investment manager. Independently, the EO Group obtains portfolio analyses at the level of individual securities every month end and performs its own tests to verify 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, which is possible under certain conditions including regular monitoring. 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.

The average portfolio credit quality for the EO Group's fixed income portfolio is A (2018: A). Approximately 79.3%% (2018: 91.4%) of the EO Group, 94.2% (2018: 90.6%) of QUK and 90.2% (2018: 87.8%) of QBE Europe's total fixed interest and cash investments are with counterparties having a Standard and Poor's rating of A or better.

Absolute counterparty limits are set for Treasury balances and instruments. The majority of counterparty exposure details are fed into a central reporting system. 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 Treasury counterparty exposures against a counterparty limit report on a daily basis and also carries out a pre-deal check of limits.

Based on the EO Group's COVID-19 risk assessment, the largest immediate impact for the EO Group (all entities) was due to fair value losses on the investment portfolio, and discount rate impact on outstanding incurred claims and reinsurance recoveries. Market movements in risk free rates during the period have also caused adverse changes in discount on technical liabilities.

During Q1 2020, the EO Group's investment portfolio has been de-risked considerably by increasing the composition of fixed income securities in the portfolio. This therefore reduces the EO Group exposure to future market volatility. There continues to be uncertainty within global asset markets as the COVID-19 situation develops. The EO Group has also increased the amount of capital, through the liquidation of £62.9m investments which were previously inadmissible due to reciprocal financing rules. The EO Group is currently considering a range of further responses to increase available capital including Available Own Funds, additional sales of repurchased debt securities (issued by a related QBE Group undertaking) to QBE Group and fungibility of capital. Future capital assessment may be impacted by changes in expected future investment returns.

C.2.2.3 Asset Liability Management

The Group's current investment strategy is to hold shorter duration assets compared to liability durations to mitigate interest risk. However, duration strategy is gradually changing to more closely align assets with the aggregate (re)insurance liability profile.

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 Group's internal asset management division.

C.2.2.4 Derivatives

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 QBE Group's Investment Guidelines and Restrictions. They are not used for speculative purposes and must be fully covered. Derivatives may be used by the fund manager 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. 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 QBE Group's investment strategy is to mitigate foreign exchange gains and losses.

C.2.2.5 Foreign Exchange

The largest unhedged foreign currency exposure at 31 December 2019 for the EO Group, QUK and QBE Europe is to the US Dollar. An operational hedging cycle is in place to ensure that Forward foreign exchange derivatives are in place to hedge the residual 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 currency translation reserve ('FCTR'). The report also outlines major currency exposures.

C.3 Credit risk

Description

Credit risk arises from a potential default of the EO Group's counterparties, mainly in respect of a reinsurer defaulting on reinsurance recoveries, or a broker on premiums. The credit risk arising from reinsurer defaults is much more material than the credit risk arising from broker defaults.

It should be noted that investment and treasury credit risk (including for example the default of corporate bonds), whilst being a sub-risk category of credit risk, are considered as part of market risk for modelling purposes and the relevant processes have been detailed in the market risk section C.2. However, some risk mitigation processes are included in the credit risk section here.

Exposure Measurement

Credit risk is mainly measured based on the SCR derived from the Solvency II Internal Model.

Credit exposure measurement is used to facilitate credit limits and the credit risk appetite, which are monitored against on a regular basis (e.g. the risk appetite is monitored against on a quarterly basis through the ORSA). EO Group has an appetite for credit risk to the extent that accepting this risk allows it to optimise the risk-adjusted return. The EO Group has very limited appetite for large losses from counterparty failures.

Risk mitigation

The EO Group mitigates credit risk using the following:

- The holding of collateral in respect of specific exposures. Total collateral held by the EO Group and its regulated subsidiaries is:
    - QBE EO: £122,829k;
    - QUK: £105,779k;
    - QBE Europe: €20,135k;
- Various levels of credit risk limits that are monitored against on a regular basis;
- Regular counterparty monitoring through dedicated systems and procedures to manage and control exposure to counterparties;
- 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; and
- The regular review of receivables, the collectability of those debts, and the adequacy of associated impairments.

Specific controls over reinsurers include the following:

- 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 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; and
- 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.

Specific controls over brokers include the following:

- 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; and
- 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.

Specific controls over investments include the following:

- Exposure limits for approved counterparties in relation to deposits and investments; and
- Regularly monitoring exposure to investment counterparties against limits set out in the Group Investment and Regulatory Guidelines.

Risk concentration

A key area of credit risk concentration is the exposure to the QBE Group's captive reinsurer as the EO Group's largest reinsurer. Credit risk concentration is monitored through the risk appetite monitoring (including the exposure to Equator Re). A separate risk appetite is in place for the credit risk exposure to Equator Re, and collateral is held to manage this exposure. Risk concentration regarding other reinsurers is mitigated for example through maximising placement of reinsurance with highly rated and regarded counterparties and limiting concentration of exposures as outlined above.

C.3.1 Reinsurance credit risk

Credit risk arising from potential default by reinsurers and increase in bad debt reserve due to rating downgrade 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 is able to calculate the aggregate reinsurance recoverable attributed to any one reinsurer. Credit risk ratings are applied to each reinsurer and assess the probability of downgrade or default over time. The downgrade and default probabilities are correlated, so one downgrading/reinsurer defaulting makes it more likely that other reinsurers will downgrade/default. There is also a link between the catastrophe losses incurred by the entire EO Group and the downgrade/default probabilities, making it more likely for reinsurers to downgrade/default when there is a large natural catastrophe; and
- 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 downgrades or defaults the impact on both the current reinsurance asset and the future recoveries can be modelled.

As at 31 December 2019, 66.6% (2018: 56.8%) of the EO Group reinsurers' share of claims outstanding was with QBE Group's captive reinsurer Equator Re and 94.6% (2018: 96.8%) 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 2019 the EO Group held £398,770k of letters of credit (2018: £364,610k) as collateral against credit risk.

As at 31 December 2019, 65.8% (2018: 60.0%) of QUK reinsurers' share of claims outstanding was with QBE Group's captive reinsurer Equator Re and 95.2% (2018: 98.6%) of the remaining balance is with reinsurers with an S&P rating of A- or greater. QUK holds letters of credit as security to mitigate credit risk exposure to reinsurers. At 31 December 2019 QUK held £363,445k of letters of credit (2018: £336,175k) as collateral against credit risk.

As at 31 December 2019, 74.8% (2018: 36.9%) of QBE Europe reinsurers' share of claims outstanding was with QBE Group's captive reinsurer Equator Re and 86.5% (2018: 89.8%) of the remaining balance is with reinsurers with an S&P rating of A- or greater. QBE Europe holds letters of credit as security to mitigate credit risk exposure to reinsurers. At 31 December 2019 QBE Europe held €21,641k of letters of credit (2018: €31,640k) as collateral against credit risk.

C.3.2 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.

C.4 Liquidity risk

Description

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

Exposure measurement

The key likely causes of liquidity risk arise from shortfalls in liquid assets when liabilities are required to be paid. 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 an ongoing flow of inward premiums. Further, capital is held to cover unforeseen adverse situations. Hence, liquidity risk is considered to be low.

At 31 December 2019, the average duration of cash and fixed interest securities was 2.8 years (2018: 2.3 years) for the EO Group, 2.9 years (2018: 2.4 years) for QUK and 3.3 years (2018: 2.8 years) for QBE Europe.

Liquidity risk is modelled considering any shortfall in the cashflow at the end of each future year of modelling leading to an overdraft being required at a penal rate of interest while generating cash through selling other investments to pay off the overdraft.

Results of liquidity stress tests are reported to the FMG through the FMG risk dashboard, which includes reporting on the liquidity risk class.

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 FMG, EOIC and RCC on a quarterly basis.

In light of the COVID-19 outbreak and associated economic shock, liquidity scenarios have been modelled to reflect potential severe stresses and the investment portfolio has been repositioned in light of these scenarios.

Risk mitigation

The EO Group mitigates liquidity risk using the following:

- Holding appropriate levels of liquid, short term securities;
- Reporting the results of liquidity stress tests to the FMG;
- The production of cash-flow statements by the Treasury function, supplemented by Early Warning Indicators to proactively identify any changes to the liquidity position or potential funding needs; and
- Regular monitoring of the ratio of liquid assets to liabilities is undertaken via the EO Group's Risk Appetite Statement, as outlined above.

C.4.1 Expected Profit in Future Premium ('EPiFP')

The EO Group 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: £175,107k (2018: £301,817k)

QUK: £43,254k (2018: £222,006k)

QBE Europe: €155,711k (2018: €5,311k)

C.5 Operational risk

Description

The EO Group defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk includes compliance risk. The Group's exposure to operational risk arises from various sub-risk categories as outlined in the section below.

Operational risk is a significant risk in the capital model, albeit one that is notably less important than underwriting and reserving risks (and of similar magnitude to credit risk).

Exposure measurement

Operational risk is assessed and modelled using the following seven operational and two compliance sub-risk categories:

- Internal fraud;
- External fraud;
- Employment practices and workplace safety;
- Improper business practice;
- Damage to physical assets;
- Business disruption and system failure;
- Execution, delivery and process management;
- Non-compliance with external requirements; and
- Non-compliance with internal requirements.

Each sub-risk has the attritional and large losses modelled separately using a compound distribution with a frequency and severity element for each. 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 Total Risk Assessment brings together key risk assessment information for each of the Group's operational and compliance risks, both at an extreme level (remote but plausible scenarios; for further detail on the scenario analysis please refer to the Risk Mitigation section C.5.3 below) and over the business planning period. The output from this process is, for each sub-risk category above, a frequency and lognormal distribution of attritional and large operational risk loss amounts.

The input parameters for the model are estimated in the TRA process for all entities within the Group and the severity allocated at an entity level using a weighted average of net reserves and premiums.

The distributions for each sub-risk are then aggregated assuming 30% correlation between the sub-groups independence to determine the overall operational risk distribution.

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

Risk mitigation

The Group recognises that certain operational risks are unavoidable and arise from various areas across the 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; and
- Effective segregation of duties, access controls, authorisation and reconciliation procedures.

In the first instance, operational risk is managed by the first line of defence through various systems, controls and processes.

The Group uses several key processes to monitor operational risk, as follows:

Risk and control assessments

The ERM team facilitates assessments of operational controls with the first lines part of regular RCA's. There is a Group-wide Risk and Control Self-Assessment ('RCSA') process being rolled out during 2020 to replace the RCA process. The results of these assessments are reflected in RCAs/RCSAs and audit reviews. Control assessments are designed to evaluate the effectiveness of controls in terms of their design and operating performance. Weaknesses, issues and opportunities to improve controls are captured by the issues and management process and tracked through the Risk Management platform.

Key risk indicators ('KRI's)

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

Incidents

The RCA/RCSA process identifies expected operational risks. The incident process applies to operational risks that have materialised as events.

QBE classifies incidents into three categories:

- Actual loss events;
- Near-misses; and
- Boundary events.

A key component of the incident process is the event recording. The Group records incidents with a financial impact of £5,000 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 and QBE Group.

Issue management

The EO Group has an issues management process in place including the identification and recording of weaknesses in the control environment as well as the monitoring of relevant remediation actions to closure and reporting to the executive management and relevant governance forums.

Scenario analysis

Scenarios explore events or a series of events that could cause extreme but plausible (though improbable) losses. Scenario analysis can be:

- Historical: involves applying adverse historical events to existing portfolios or exposures to understand the losses or other impacts that may result;
- Current or emerging: where there is already some evidence to support the potential for the risk developing over the foreseeable future and the impacts might potentially be extreme; and
- Hypothetical: plausible but severe scenarios that could impact QBE, informed by expert input, are applied to existing portfolios or exposures.

C.6 Other material risks

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

C.6.1 Group Risk

Description

Group risk is the risk of financial or reputational damage to entities within the EO 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 (from a capital modelling perspective) excludes reinsurance credit risk exposure in relation to the QBE Group captive Equator Re, which 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;
- Disruption of provision of material services from QBE Group to the EO Group such as operational failure in GSSC or Investment Management Services;
- Action taken in another division of QBE Group causes S&P to issue a one notch downgrade, from A+ to A; and
- 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 RCC are responsible for the Group Risk Dashboard and have specific responsibilities for assessing and validating group risk assessments. Each scenario is then modelled as a binary event and assumed to be independent.

A Group Risk Management Framework is in place, set out in the EO Group Risk Policy, which describes QBE's approach to the assessment, management, monitoring and reporting of group risks. Processes applied to managing group risk include:

- Group Risk Dashboard: including monitoring of intra-group loans, intra-EO loans, exposure to Equator Re and Group Outsourced Services service level agreements ('SLA's) monitoring;
- Monitoring and reporting of group risk appetite statements;
- The RCSA process providing periodic assessment of risks as well as assurance over control design and performance;
- Key Risk Indicators ('KRIs') and SLA monitoring: provide a current and trending view on levels of exposure to key risks and performance over outsourced services;
- Incidents, Issues and Actions: identification of incident events, root cause analysis and management activity required to resolve problems or address improvements identified through various risk processes; and
- Economic capital models ('ECM'): the quantification of risk measurement for regulatory and economic capital purposes.

In addition to this, other risk processes are applied similar to the processes set out in the Operational Risk section C.5.

A key area of Group risk concentration for the EO Group arises from the use of the QBE Group reinsurance captive, Equator Re. This concentration is monitored on a regular basis via the risk appetite monitoring and reported to the RCC and Boards through the ORSA.

C.6.2 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 Europe SA/NV 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 Europe (Previously QBE Re).

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 Europe 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 Europe Belgium branch, within QBE Europe. 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.

C.6.3 Strategic Risk

Strategic risk is the current and prospective impact on earnings and/or capital arising from strategic business decisions and responsiveness to external change. This includes for example strategic risk in respect of growth and performance, capital management risk and Environmental, Social and Governance ('ESG') related risks, with a focus on climate change risk (further detail on the ESG and climate change risk is outlined below in section C.6.5).

Whilst being within the scope of the Internal Model, strategic risk is not measured using the regulatory capital model, as strategic risk is not expected to materialise within the one-year timeframe applied in the capital model. Once strategic risks materialise, they transition to the relevant risk class where they are incorporated into the capital model.

Strategic risk is managed through a number of risk management processes such as:

- Risk appetite statements in relation to strategic risk and strategic risk preferences;
- Stress and scenario testing (for example long term horizon climate change stress testing);
- Performance monitoring; and
- Emerging risk management.

Other strategic risk processes include:

- Business Strategy;
- Capital Strategy and Capital Appetite Framework;
- Investment Strategy and Limits; and
- ESG management (please refer to the section C.6.5 below).

Ongoing monitoring, oversight and reporting of QBE's exposure on strategic risk and its sub risk categories are important to ensure that (potential) strategic issues are recorded, escalated and actioned in a timely manner. Risk reporting and analysis is provided to key stakeholders across QBE. This includes boards, committees, forum and business management including strategic boards planning days and presentations.

C.6.4 Environmental, Social and Governance ('ESG') (including Financial Risks from Climate Change ('FRCC'))

The EO Group defines ESG risk as "the risk that QBE's strategic priorities or business objectives are negatively impacted by environmental, social or governance issues". ESG risks fall into the following two categories:

- Direct ESG risks – typically materialise as risks in QBE's business that are managed in accordance with existing policies and standards that operationalise QBE's defined risk classes; and
- Indirect ESG risks – materialise as risks through QBE's external stakeholders or other third parties. Where the risk is new to the business or not covered by existing policies and standards it is managed by the Group ESG Risk team.

Social and governance-related risks have been addressed within QBE for many years, including for example through employment and workplace standards, financial reporting practices and business ethics. However, over the last decade the prevalence of ESG risks has accelerated and the regulatory focus increased, as reflected in the 2019 PRA Supervisory Statement 3/19 "Enhancing banks' and insurers' approach to managing the financial from Climate Change". EO has met the initial requirements of SS 3/19: the CRO and Insurance CUO are confirmed by the PRA as accountable jointly for the FRCC under the Senior Managers Regime and the EO Group has submitted a Roadmap to meet the requirements of the statement.

The EO Group have also implemented a robust ESG risk management framework, in particular regarding indirect ESG risks, that identifies, assesses and manages current and emerging risks that are likely to impact the Group and its shareholders, customers, partners and communities.

The EO Group's ESG risk management and assessment processes include the following:

- A designated QBE Group ESG Risk team has been in place since 2018, the responsibilities of which include the performance of annual horizon scanning for ESG risks;
- An ESG Business Policy Committee has been formed, the responsibilities of which includes the categorisation and prioritisation of ESG risk;
- ESG risk evaluation is performed and documented in a Risk Heatmap;
- An EO Group Climate Risk Working Group ('CRWG') has been implemented to set out and monitor against the EO Group Roadmap to address the regulatory requirements from the PRA Supervisory Statement 3/19. The CRWG is chaired by the EO Group's CRO and is attended by the Insurance CUO, with additional SME representatives from relevant EO business functions. The central ESG risk management team is also represented on the CRWG, allowing Group-led initiatives such as the Taskforce on Climate-related Financial Disclosures ('TCFD') and QBE's Climate Risk Action Plan to be integrated into the EO Group's Roadmap. The CRO reports quarterly to the EO Group's Risk and Capital Committee on progress with implementing this Roadmap, with further reporting as necessary to the EO Group Boards;
- Global and EO Group Emerging Risk Groups are in place, which are responsible for the identification, research and analysis of emerging risks;
- ESG risks are covered in the EO Group Risk Management Framework either in the strategic risk categories (ESG risks across underwriting and investments) or other risk categories as appropriate;
- Key principles for managing ESG risks have been developed, including (1) integration of ESG risks in the key decision-making processes, (2) continuous consideration, (3) proactive management and mitigation as well as (4) risk awareness and understanding across all lines of defence;
- Stress and scenario testing around climate change; and
- ESG risk aspects are included in the Risk Appetite Framework.

The work to address the FRCC is at a relatively early stage. The EO Group is committed in this area over the medium- to long-term to strengthening our data and scenario analysis and adapting our modelling; pricing; capital management; financial reporting and disclosure, in partnership with our Board and external stakeholders.

C.7 Any other information

C.7.1 Stress and scenario analyses

As part of the validation of the Internal Model extensive stress and scenario and sensitivity testing is performed around all of the risk types.

The one-year SCR is examined resulting from a range of sensitivities applied to the input assumptions as shown below.

Stress and scenario analysis is further 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; and
- Return periods of diversified capital by risk type - The diversified capital by risk type has been compared against the undiversified risk distributions.

Stress and scenario testing are also used to test the reliability of the EO Group's business plan.

C.7.2 Sensitivity tests

Sensitivity tests are a useful tool to assess the effect of parameter uncertainty and determine the material assumptions that are driving the capital assessment as well as confirming that the model is operating as expected. The sensitivity tests have been ranked in order of the absolute impact on the one-year SCR for the EO group, QUK and QBE Europe.

When comparing the relative impact of the sensitivity 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 one-year SCR of the top ten sensitivity tests:

Test No.	Test Type	Test Description	EO Group	QUK	QBE Europe
1	Correlation	Increase all correlations by 5%	10.3%	8.2%	6.8%
2	Reserve Risk	Decrease earned reserve risk CoV by 10%	(7.3%)	(8.6%)	(6.9%)
3	Correlation	Increase all cross risk correlations by 20%	6.2%	4.2%	4.0%
4	Risk emergence	Increase reserve risk emergence by 10%	5.9%	6.4%	5.7%
5	Correlation	Strengthen tail dependence (i.e. decrease Degrees of Freedom to 5)	4.2%	4.2%	3.4%
6	Reserve Risk	Reduce tail of reserve risk distribution	(3.5%)	(3.8%)	(3.2%)
7	Reserve Risk	Shorten capital run off pattern within Risk Margin calculation	(3.4%)	(4.2%)	(4.3%)
8	Risk emergence	Assume all business that remains unearned at the end of the model period has an emergence of 30% during the first year	(3.1%)	(2.8%)	(4.6%)
9	Correlation	Strengthen tail correlation between market risk and financial lines insurance risk	2.9%	2.7%	0%
10	Credit risk	Increase average loss given default from 30% to 60% for reinsurance credit risk	1.1%	1.0%	0.3%

The sensitivity 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.

C.7.3 COVID-19

Based on the COVID-19 risk assessment, the estimated financial impact is driven by investment / fair value losses (including discount impact on outstanding incurred claims and reinsurance recoveries) and claims, as well as knock-on impacts on 2020 gross written premium. We expect the most significant potential impact in FY20 to be from a combination of 1) market movement on assets and liabilities, 2) insurance losses, 3) gross written premium impact, 4) inwards reinsurance losses especially in the scenario with higher mortality rate, and 5) the operational impacts on the EO Group.

Depending on the severity and duration of the economic shock, there will possibly be an adverse impact on certain business lines and there is an expectation of suppressed economic activity which will likely reduce GWP. We expect this to have a greater impact on FY21 than FY20 and it may be offset by rate increases.

During Q1 2020, the EO Group's investment portfolio has been de-risked by materially increasing the holding of fixed income securities in the portfolio. The EO Group has also increased the amount of capital, through the liquidation of £62.9m investments which were previously inadmissible due to reciprocal financing rules.

There continues to be uncertainty within global asset markets as the COVID-19 situation develops.

The impacts to underwriting risk, market risk, credit risk, liquidity risk and operational risk are also being monitored through the Boards' risk appetite statements and the operating effectiveness Key Performance Indicators ('KPI's).

Section D: Valuation for Solvency Purposes

D.1 Assets

The method of valuing assets under Solvency II regulations differ to the methods used under other accounting basis, in certain cases where an amortised cost basis of valuation is used for GAAP reporting. The tables below show the value of assets held in each of the regulated subsidiaries and set out the different valuation methods by individual material asset type for the EO Group and the regulated subsidiaries QUK and QBE Europe.

Under section 401 of the Companies Act 2006, the EO Group is exempt from having to produce consolidated accounts. The statutory account values disclosed in this document represent the consolidated EO Group IFRS values that are used for reporting to QBE Group. QUK and QBE Europe report on a UK GAAP and BE GAAP basis respectively and the financial statement information presented below is consistent with the valuations used in the financial statements for both entities.

Although the valuation bases between statutory accounts and Solvency II may be consistent for certain asset classes, such as financial investments, there are presentational and reclassification adjustments made to arrive at Solvency II asset classifications, such as the following:

- Accrued interest is presented as receivables on the IFRS, UK GAAP and BE GAAP balance sheets but on the Solvency II balance sheet it is included within the appropriate investment asset classes;
- Derivatives assets and liabilities are presented net on the IFRS, UK GAAP and BE GAAP balance sheets where the requirements permit, but on the Solvency II balance sheet derivative assets and derivative liabilities are presented on a gross basis; and
- Under Solvency II reporting the assets and liabilities of the Lloyd's participations are not consolidated on a line by line basis in the EO Group balance sheet but instead they are recognised separately under 'Holdings in related undertakings' under the adjusted equity method. This results in material presentational differences.

Except where noted in the table, investment assets are valued at fair value. Where other valuation methods are used the key assumptions and judgements are included in section D.4.

Under Solvency II reporting, the results of "other" undertakings including the Lloyd's participations (consolidated under QBE Corporate Limited ('QBE Corporate') are not consolidated on a line by line basis but recognised separately under 'Holdings in related undertakings' on the EO Group consolidated balance sheet. This will result in material differences between the IFRS consolidation valuation and the Solvency II valuation, even where the valuation approach for the two bases are similar.

There have been no material changes to the recognition and valuation bases on assets during the reporting period, except for the introduction of IFRS 16, see D.3.5 for more information.

D.1.1 The EO Group

The EO Group held total assets of £7,940,579k at 31 December 2019 (31 December 2018: £7,686,005k) valued on a Solvency II basis. The table below shows a split of assets by summarised asset class.

Solvency II Balance sheet items*(£'000)	IFRS	SII	Difference	Difference which relates to QBE Corporate**
Goodwill and intangible assets	205,363	-	(205,363)	(23,837)
Deferred acquisition costs	436,684	-	(436,684)	(217,241)
Holdings in related undertakings	-	14,457	14,457	5,574
Government bonds, corporate bonds and collateralised securities	7,247,619	5,205,510	(2,042,109)	(2,215,015)
Collective investment undertakings	724,280	654,903	(69,377)	-
Equities	58,045	32	(58,013)	-
Derivatives	35,861	39,745	3,884	(15,310)
Loans and mortgages	81,426	73,350	(8,076)	-
Cash and cash equivalents and deposits other than cash equivalents	197,772	158,898	(38,874)	(24,996)
Reinsurance recoverable (reinsurers' share of technical provisions)	2,231,548	895,874	(1,335,674)	(1,114,420)
Reinsurance receivables	172,896	74,910	(97,986)	(95,268)
Insurance and intermediaries receivables	1,229,733	501,763	(727,970)	(447,288)
Receivables (trade, not insurance)	176,015	10,836	(165,179)	(85,127)
Deferred tax assets	38,705	73,860	35,155	(8,354)
Pension benefit surplus	33,790	33,790	-	-
Property, plant & equipment held for own use	92,289	91,516	(773)	-
Deposits to cedants	111,135	111,135	-	-
Any other assets	-	-	-	-
Total assets	**13,073,161**	**7,940,579**	**(5,132,582)**	**(4,241,282)**

*Presentational and reclassification adjustments have been made to align the IFRS balance sheet items to Solvency II balance sheet classifications. The full Solvency II balance sheet is included in Appendix A.

** Difference which relates to the deconsolidation of QBE Corporate (where the Lloyds' participations are consolidated) on a line by line basis and inclusion on the balance sheet as a one-line participation in the "Holdings in related undertaking" item.

D.1.2 QUK

QUK held total assets of £3,990,851k at 31 December 2019 (31 December 2018: £5,041,598k) valued on a Solvency II basis. The table below shows the split of assets by summarised asset class.

Solvency II Balance sheet items* (£'000)	UK GAAP	SII	Difference
Goodwill and intangible assets	-	-	-
Deferred acquisition costs	95,161	-	(95,161)
Holdings in related undertakings	284	284	-
Government bonds, corporate bonds and collateralised securities	2,359,896	2,373,679	13,783
Collective investment undertakings	270,352	325,857	55,505
Derivatives	16,419	23,961	7,542
Loans and mortgages	107,922	109,592	1,670
Cash and cash equivalents and deposits other than cash equivalents	123,944	123,970	26
Reinsurance recoverable (reinsurers' share of technical provisions)	855,606	700,920	(154,686)
Reinsurance receivables	64,004	52,249	(11,755)
Insurance and intermediaries receivables	306,942	198,398	(108,544)
Receivables (trade, not insurance)	42,091	42,200	109
Deferred tax assets	1,373	33,546	32,173
Property, plant & equipment held for own use	157	157	-
Deposits to cedants	6,017	6,017	-
Any other assets	71,114	21	(71,093)
Total assets	**4,321,282**	**3,990,851**	**(330,431)**

*Presentational and reclassification adjustments have been made to align the UK GAAP balance sheet items to Solvency II balance sheet classifications. The full Solvency II balance sheet is included in Appendix A.

D.1.3 QBE Europe

QBE Europe held total assets of €3,742,624k at 31 December 2019 (31 December 2018: €113,573k) valued on a Solvency II basis. The table below shows the split of assets by summarised asset class.

Solvency II Balance sheet items* (€'000)	BE GAAP	SII	Difference
Goodwill and Intangible assets	1	-	(1)
Deferred acquisition costs	101,326	-	(101,326)
Holdings in related undertakings	38	-	(38)
Equities	14,511	38	(14,473)
Government Bonds, Corporate Bonds and Collateralised Securities	2,420,559	2,449,690	29,131
Collective investment undertakings	285,455	382,446	96,991
Derivatives	-	11,744	11,744
Loans and mortgages	155,008	84,173	(70,835)
Cash and cash equivalents and Deposits other than cash equivalents	37,407	25,308	(12,099)
Reinsurance recoverable (Reinsurers' share of technical provisions)	362,167	230,230	(131,937)
Reinsurance receivables	287,923	26,761	(261,162)
Insurance and intermediaries receivables	327,390	337,712	10,322
Receivables (trade, not insurance)	18,233	20,915	2,682
Deferred tax assets	-	37,217	37,217
Property, plant & equipment held for own use	1,628	9,693	8,065
Deposits to cedants	126,240	126,591	351
Any other assets	9,811	106	(9,705)
Total assets	**4,147,697**	**3,742,624**	**(405,073)**

*Presentational and reclassification adjustments have been made to align the BE GAAP balance sheet items to Solvency II balance sheet classifications. The full Solvency II balance sheet is included in Appendix A.

D.1.4 Comparison of asset valuation methodology under Solvency II and statutory bases

The below table sets out the material differences between the bases, methods and main assumptions between the statutory and Solvency II bases for its material classes of assets.

Balance sheet item	IFRS/UK GAAP/BE GAAP valuation basis and comparison with Solvency II valuation basis and assumptions
Goodwill / Intangible assets	Under IFRS and 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. Under BE GAAP, goodwill is calculated as the difference between the book value of shares and proportion of capital and reserves. No goodwill has been recognised for QUK and QBE Europe for year ended 31 December 2019 and therefore there are no differences between SII and the relevant GAAPs. Solvency II regulations, however, 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 and therefore no intangible assets have been recognised under Solvency II.
Deferred acquisition costs (DAC)	Deferred acquisition costs are reported as assets under IFRS and UK GAAP. Under BE GAAP, all components of DAC aside from expenses are recognised as assets. Under Solvency II, however, deferred acquisition costs are valued at nil 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.

Balance sheet item	IFRS/UK GAAP/BE GAAP valuation basis and comparison with Solvency II valuation basis and assumptions
Holdings in related undertakings	Under IFRS, the assets and liabilities of related undertakings are fully consolidated by the EO Group where the parent has control over the related undertaking. Intra-group transactions are eliminated from the Group consolidated balance sheet. There are no subsidiaries to consolidate in the GAAP financial statements of QUK and QBE Europe. Under Solvency II, however, undertakings are consolidated and valued differently depending on the level of influence and the type of entity. 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	All debt instruments are measured at fair value for Solvency II, IFRS and UK GAAP purposes, whilst under BE GAAP the valuation basis is amortised cost. Fair value is obtained from quoted market prices, or if quoted market prices are not available, then by using relevant valuation techniques, see section D.4 for more information on assets valued using an alternative method. Further details on the material debt securities are as follows: 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 are priced using broker quotes, local exchanges / central banks or other valuation models. Short term treasury bonds (discounted securities) • Issued by sovereign governments and are valued using an external pricing source. Where a price is not available, fair value estimation technique is applied using Bloomberg yield curve. Common corporate bonds (including agency bonds and covered bonds) • Valued using prices quoted in an active regulated bond market, or in the case of less active markets, they are 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, fair value estimation technique is applied using Bloomberg yield curve.
Collective investment undertakings	Collective investment undertakings are measured at fair value for Solvency II, IFRS and UK GAAP purposes, whilst under BE GAAP the valuation basis is amortised cost. Fair value is obtained from quoted market prices, or if quoted market prices are not available, then by using relevant valuation techniques, see section D.4 for more information on assets valued using an alternative method.
Equities	All financial investments are measured at fair value for Solvency II, IFRS and UK GAAP purposes. Under BE GAAP, equities are valued at cost less impairment. The listed equities (including equity trusts and ETF's) are valued using quoted prices in active markets.
Derivatives	Derivatives are carried on a fair value basis under Solvency II, IFRS, UK GAAP and BE GAAP.

Balance sheet item	IFRS/UK GAAP/BE GAAP valuation basis and comparison with Solvency II valuation basis and assumptions
Loans and mortgages	Loans and mortgages are fair valued under Solvency II, IFRS, UK GAAP and BE GAAP using a mark to model valuation technique. Infrastructure loans are valued using quoted prices if available; observable prices if known or carried book value (par plus accrued interest) as a proxy to fair value. Under IAS 39, loans are valued at either amortised cost or fair value.
Cash and cash equivalents and Deposits other than cash equivalents	Cash and cash equivalents and deposits other than cash equivalents are valued at amortised cost under IFRS, UK GAAP and BE GAAP, which is deemed a good approximation for fair value for Solvency II. Other than reclassification adjustments, there are no valuation differences between the bases.
Reinsurance recoverable (Reinsurers' share of technical provisions)	The valuation basis is the same under IFRS, UK GAAP and BE GAAP. Under Solvency II, reinsurance recoverables are calculated as the present value of future reinsurance cashflows plus allowances for default that relate to the best estimate liability. See section D.2 for further details.
Reinsurance receivables, Insurance and intermediaries receivables	The valuation basis is the same under IFRS, UK GAAP and BE GAAP where they're recognised on a cost less impairment basis. The main difference between Solvency II and GAAP arises for items that are not considered to be "past due". In such instances Solvency II considers the receivables to be future cash flows and part of technical provisions and are therefore valued using discounted cash flows techniques adjusted for the risk of default.
Receivables (trade, not insurance)	The valuation basis is the same under Solvency II, IFRS, UK GAAP and BE GAAP. As these assets have a short-term maturity, the IFRS valuation basis is considered a close approximation to fair value.
Deferred tax assets	The measurement principles for deferred taxes are consistent between IFRS, UK GAAP and Solvency II. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred taxation is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. 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. The largest impact arises from the revaluation of technical provisions. Under BE GAAP, however, deferred tax assets are not recognised except under very specific circumstances. See also D.3.9 for more information.
Pension benefit surplus	The valuation basis is the same under IFRS, UK GAAP, BE GAAP and Solvency II and no valuation adjustments are made. The defined benefit pension schemes are valued under IAS 19, where the surplus/deficit is calculated as the fair value of the plan assets less the present value of the defined benefit obligation at the balance sheet date.
Property, plant & equipment held for own use ('PPE')	Property, plant and equipment for own use is measured at fair value under Solvency II, IFRS and UK GAAP, consistent with the Revaluation Model under IAS 16. Items measured at historical cost less depreciation and impairment under IAS 16 are fair valued under Solvency II. Under BE GAAP, Property, plant and equipment for own use is measured at historical cost less depreciation and impairment. Finance leases are not capitalised under BE GAAP and must be expensed. See D.3.5 for more information.
Deposits to cedants	The valuation basis is the same under IFRS, UK GAAP, BE GAAP and Solvency II. Deposits to cedants are valued at amortised cost, which due to the short term and highly liquid nature of the assets are considered a good approximation of fair value.
Any other assets	The valuation basis is the same under IFRS, UK GAAP, BE GAAP and Solvency II. Where amortised cost basis is considered a good approximation to fair value, no further adjustment is made.

D.2 Technical provisions

D.2.1 Definition of technical provisions[1]

The Group's Solvency II technical provisions amounted to £4,004,431k at 31 December 2019 (31 December 2018: £3,741,518k), after adjusting for the reinsurance recoverable amount. The IFRS technical provisions at 31 December 2019 were £6,989,034k (2018: £6,819,343k). Of the £2,984,603k difference between IFRS and Solvency II, £2,830,877k relates to Lloyds participations. The QUK Solvency II technical provisions amounted to £2,062,994k at 31 December 2019 (31 December 2018: £2,684,376k), after adjusting for the reinsurance recoverable amount. The technical provisions balance in the UK GAAP financial statements at 31 December 2019 were £1,924,773k (2018: £2,802,998k). The QBE Europe Solvency II technical provisions amounted to €2,292,743k at 31 December 2019 (31 December 2018: €5,155k), after adjusting for the reinsurance recoverable amount. The technical provisions balance in the BE GAAP financial statements at 31 December 2019 were €2,367,543k (2018: nil).

Line of business	QUK (£'000)			QBE Europe (€'000)		
	Best estimate	Risk Margin	Total TPs	Best estimate	Risk Margin	Total TPs
Medical expense insurance	2,250	870	**3,120**	180	175	**355**
Income protection insurance	2,476	474	**2,950**	52,964	6,173	**59,137**
Motor vehicle liability	479,541	40,997	**520,538**	40,583	2,003	**42,586**
Other motor insurance	48,210	3,349	**51,559**	3,130	436	**3,566**
Marine, aviation and transport	61,124	12,745	**73,869**	50,431	193	**50,624**
Fire and property damage	134,036	18,740	**152,776**	185,811	5,032	**190,843**
General liability insurance	845,599	117,070	**962,669**	646,645	131,240	**777,885**
Credit and suretyship	27,455	3,112	**30,567**	52,848	19,160	**72,008**
Legal expenses insurance	425	453	**878**	132	-	**132**
Assistance	254	52	**306**	-	-	**-**
Miscellaneous financial loss	(3,975)	-	**(3,975)**	(9,536)	-	**(9,536)**
Non-proportional health reinsurance	(37,015)	-	**(37,015)**	49,347	6,547	**55,894**
Non-proportional casualty reinsurance	128,636	103,676	**232,312**	626,270	157,108	**783,378**
Non-proportional marine, aviation and transport reinsurance	(4,499)	-	**(4,499)**	27,162	10,300	**37,462**
Non-proportional property reinsurance	32,161	2,846	**35,007**	105,506	14,881	**120,387**
Total Non-Life obligations	**1,716,678**	**304,384**	**2,021,062**	**1,831,473**	**353,248**	**2,184,721**
PPO's non health	32,865	9,067	**41,932**	41,451	11,994	**53,445**
Health reinsurance	-	-	**-**	(69)	-	**(69)**
Life reinsurance	-	-	**-**	44,042	10,604	**54,646**
Life obligations	**32,865**	**9,067**	**41,932**	**85,424**	**22,598**	**108,022**
Total Obligations	**1,749,543**	**313,451**	**2,062,994**	**1,916,897**	**375,846**	**2,292,743**

[1] Any references to the Risk Margin are unaudited

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 Appendix A, (QRTs S.12.01 and S.17.01) for the regulated subsidiaries QUK and QBE Europe.

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; and
- Risk Margin: additional provision to bring the Best Estimates to the level required to transfer the obligations to a third-party undertaking.

D.2.2 Differences between SII TPs and TPs under IFRS/UK GAAP/BE GAAP

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;
- Events not in data ('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;
- Risk Margin: 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; and
- Discounting: 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 table below shows the adjustments made to the technical provisions from statutory basis to Solvency II basis:

Reconciliation from GAAP TPs to SII TPs	EO Group: IFRS £'000	QUK: UK GAAP £'000	QBE Europe: BE GAAP €'000
Total TPs – Statutory basis*	3,929,550	1,924,773	2,367,543
Removal of UPR, DAC and GAAP Reserve Margin	(896,023)	(411,466)	(572,239)
Addition of SII Future Premium, future claims costs, expenses, ENIDs and discounting	339,196	236,236	121,592
Risk Margin	631,708	313,451	375,847
Total TPs – Solvency II basis	**4,004,431**	**2,062,994**	**2,292,743**

*The Group statutory technical provisions of £3,929,550k is arrived at by taking the net technical provisions of £6,989,034k per the IFRS balance sheet and adjusting for the removal of Lloyds participations of £2,830,877k and adjusting for local GAAP statutory adjustments, DAC and discounting.

D.2.3 Material changes during the period on the technical provision methodology

During the year, there was one material change to the SII technical provision methodology:

- Between annual reviews of the SCR, the SCR amount used in the quarterly Risk Margin calculations is rolled forward by maintaining the ratio of the SCR to the technical provisions, separately by entity. This year, the calculation was enhanced by treating PPO reserves separately.

D.2.4 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.

D.2.5 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 items.

D.2.6 Uncertainty in Technical Provisions[2]

There are some 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;
- Future, and as yet unknown and unquantifiable, large market loss events that could impact the EO Group;

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

- 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; and
- The appropriateness of the development tail factors applied to the EO Group's classes.

D.2.7 Matching adjustment[3]

The EO Group does not apply a matching adjustment.

D.2.8 Volatility adjustment[4]

The EO Group does not apply a volatility adjustment.

D.2.9 Transitional risk-free interest rate term structure[5]

The EO Group does not apply a transitional adjustment.

D.2.10 Transitional deductions

The EO Group does not apply any transitional deductions.

D.2.11 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; and
- Allowance for future reinsurance purchase management actions to protect the run-off to expiry of existing inwards business, consistent with the current reinsurance structure.

---

[3] Any references to matching adjustments are unaudited
[4] Any references to volatility adjustments are unaudited
[5] Any references to transitional adjustments are unaudited

D.3 Other liabilities

D.3.1 Overview

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.

There have been no material changes to the recognition and valuation bases on other liabilities during the reporting period.

D.3.2 EO Group

Solvency II Balance sheet items* (£'000)	IFRS	SII	Difference	Difference of which relates to QBE Corporate**
Technical Provisions	9,220,582	4,900,304	(4,320,278)	(3,945,297)
Provisions other than technical Provisions	20,912	20,857	(55)	-
Deposits from Reinsurers	30,723	30,723	-	-
Insurance and intermediaries payables	222,344	55,648	(166,696)	(105,318)
Reinsurance payables	291,310	138,138	(153,172)	(124,821)
Payables (trade, not insurance)	1,497,845	293,700	(1,204,146)	(76,995)
Derivatives	22,704	41,899	19,195	-
Pension benefit obligations	18,602	18,602	-	-
Deferred tax liabilities	355	7,701	7,346	-
Subordinated liabilities	-	1,088,359	1,088,359	-
Any other liabilities	-	-	-	-
Total liabilities	**11,325,377**	**6,595,931**	**(4,729,446)**	**(4,252,431)**

*Presentational and reclassification adjustments have been made to align the IFRS balance sheet items to Solvency II balance sheet classifications. The full Solvency II balance sheet is included in Appendix A.

** Difference which relates to the deconsolidation of QBE Corporate (where the Lloyds' participations are consolidated) on a line by line basis and inclusion on the balance sheet as a one-line participation in the "Holdings in related undertaking" item.

D.3.3 QUK

Solvency II Balance sheet items* (£'000)	UK GAAP	SII	Difference
Technical provisions	2,874,139	2,763,914	(110,225)
Provisions other than technical Provisions	-	-	-
Insurance and intermediaries payables	194,074	180,496	(13,578)
Reinsurance payables	102,553	59,950	(42,603)
Deposits from Reinsurers	-	-	-
Payables (trade, not insurance)	57,095	57,095	-
Derivatives	-	7,542	7,542
Deferred tax liabilities	2,225	-	(2,225)
Any other liabilities	3,511	2,110	(1,401)
Total liabilities	**3,233,597**	**3,071,107**	**(162,490)**

*Presentational and reclassification adjustments have been made to align the UK GAAP balance sheet items to Solvency II balance sheet classifications. The full Solvency II balance sheet is included in Appendix A.

D.3.4 QBE EU

Solvency II Balance sheet items* (€'000)	BE GAAP	SII	Difference
Technical provisions	2,831,036	2,522,974	(308,062)
Provisions other than technical Provisions	5,626	5,626	-
Pension benefit obligations	-	7,223	7,223
Insurance and intermediaries payables	20,629	20,629	-
Reinsurance payables	182,605	92,336	(90,269)
Deposits from Reinsurers	40,037	40,037	-
Payables (trade, not insurance)	59,227	68,772	9,545
Derivatives	-	6,986	6,986
Deferred tax liabilities	-	9,296	9,296
Subordinated liabilities	200,000	200,000	-
Any other liabilities	154	154	-
Total liabilities	**3,339,314**	**2,974,033**	**(365,281)**

*Presentational and reclassification adjustments have been made to align the BE GAAP balance sheet items to Solvency II balance sheet classifications. The full Solvency II balance sheet is included in Appendix A.

D.3.5 Comparison of liability valuation methodology under Solvency II and statutory bases

The below table sets out the material differences between the bases, methods and main assumptions between the statutory and Solvency II bases for its material classes of liabilities.

Balance sheet item	IFRS/UK GAAP/BE GAAP valuation basis and comparison with Solvency II valuation basis and assumptions
Provisions other than technical Provisions	The valuation basis is the same under IFRS, UK GAAP, BE GAAP and Solvency II. Under all bases a liability is recognised as a present obligation arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.
Deposits from Reinsurers	The valuation basis is the same under IFRS, UK GAAP, BE GAAP and Solvency II, being initially recognised at cost and subsequently remeasured at amortised cost. 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	The valuation basis is the same under IFRS, UK GAAP, BE GAAP and Solvency II, being initially recognised at cost and subsequently remeasured at amortised cost. For the short-term nature of these liabilities, the carrying value is deemed to be a close approximation to fair value and therefore no adjustment is made. In addition, under Solvency II insurance payables are adjusted for cash flows relating to future premiums which are taken into account when calculating the technical provisions, see D.2 for further information.
Reinsurance payables	The valuation basis is the same under IFRS, UK GAAP, BE GAAP and Solvency II, being initially recognised at cost and subsequently remeasured at amortised cost. For the short-term nature of these liabilities, the carrying value is deemed to be a close approximation to fair value and therefore no adjustment is made. In addition, under Solvency II insurance payables are adjusted for cash flows relating to future premiums which are taken into account when calculating the technical provisions, see D.2 for further information.
Payables (trade, not insurance)	The valuation basis is the same under IFRS, UK GAAP and Solvency II. 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. BE GAAP has the same valuation basis as Solvency II, except for additional liabilities recognised in relation to Leases & Pensions.
Derivatives	Derivatives are carried on a fair value basis under Solvency II, IFRS, UK GAAP and BE GAAP.
Pension benefit obligations	The valuation basis is the same under IFRS, UK GAAP and Solvency II. The Pension fund obligation valuation under Solvency II is consistent with IAS 19R. A provision is not recognised for Defined Benefit plans under BE GAAP, as the premiums paid are directly expensed in the period, and an annual assessment is made to ensure whether the return on the plan assets are sufficient to cover their accrued pension commitment.
Deferred tax liabilities	The measurement principles for deferred taxes are consistent between IFRS, UK GAAP and Solvency II. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred taxation is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. 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. The largest impact arises from the revaluation of technical provisions. Under BE GAAP, however, deferred tax assets are not recognised except under very specific circumstances.

Balance sheet item	IFRS/UK GAAP/BE GAAP valuation basis and comparison with Solvency II valuation basis and assumptions
Subordinated liabilities	Under Solvency II subordinated liabilities are measured on a fair value basis whilst under IFRS, UK GAAP and BE GAAP they are measured at an amortised cost basis or at nominal value. Subordinated liabilities are recognised at their current replacement cost (fair value) 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 consistent with the approach applied in the QBE EO plc IFRS Consolidation.
Any other liabilities, not elsewhere shown	The valuation basis is the same under IFRS, UK GAAP, BE GAAP and Solvency II. Where amortised cost basis is considered a good approximation to fair value, no further adjustment is made.

D.3.6 Changes to the valuation of liabilities in the period

There have been no material changes to the recognition and valuation bases used or to estimations during the reporting period except for the following:

- Since the introduction of IFRS 16, the EO Group recognises right-of-use assets and lease liabilities at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and are adjusted to reflect any reassessments of lease liabilities or lease modifications. Lease liabilities are measured as the present value of future lease payments, discounted using Group's incremental borrowing rate and other factors specific to each lease where relevant;
- The EO Group does not have any leases of intangible assets. All leases of tangible assets have been included in property, plant and equipment on the balance sheet; and
- The IFRS 16 valuation basis is considered to be a proxy to market value principles under Solvency II.

D.3.7 Employee Benefits

The EO Group operates both defined contribution and defined benefit pension plans. QUK operates a defined contribution scheme only. Within the EO Group, there are four defined benefit pension schemes: two in the UK, one in Ireland and one in Belgium. The UK and Irish schemes are closed to the accrual of future benefits. In addition, there is a post-employment medical care scheme related to the former employees of Secura/QBE Europe Belgium branch, within QBE Europe.

Defined benefit plans are run independently of the sponsoring company by scheme trustees and are subject to relevant local legislation. Pension contributions relating to each scheme are assessed in accordance with the advice of independent qualified actuaries.

D.3.8 Future and other major sources of estimation uncertainty

The main source of estimation uncertainty concerns the valuation of Technical Provisions, which are discussed in section D.2. 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.

D.3.9 Taxation

The EO 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.

Deferred tax assets are recognised only to the extent that they are recoverable from future taxable profits. Recoverability is assessed on a net basis, i.e. deferred tax assets and deferred tax liabilities are offset within each branch. A net deferred tax asset would be recognised by examining the following criteria:

- If there is not a history of recent losses in the branch a net deferred tax asset would only be recognised if it is considered probable that future taxable profits will arise. Currently, this is done with reference to the annual three-year business plan. Additionally, in the territories where group relief is available, consideration is also given to other profits likely to arise in other companies within the same territory which would be available for group relief in the branch. Group relief is currently available with other companies in the UK and Ireland jurisdictions; and
- If there is a recent history of losses in the territory management judgement would be exercised on a case by case basis. At the moment, there is little history available in the new company structure, so reference has been taken from the history of the branches in the old structure.

Aligning with Group policy, an upper limit of 10 years is set for expected recovery of deferred tax asset, although this is subject to consideration of the local tax laws relating to the expiration of tax losses.

D.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.

D.4.1 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 investments (i.e. distressed or impaired) will be written down by the investment manager to fair value.

As at 31 December 2019, £40,869k of infrastructure debt in QUK and £30,805k in QBE Europe were valued under alternative valuation method (‘AVM’), i.e. par plus accrued interest.

D.4.2 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 inputs. As at 31 December 2019, £12,339k of UK and US treasury bonds in QUK and £35,849k in QBE Europe were valued under Quoted Market Price for Similar assets ('QMPS').

D.4.3 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. As at 31 December 2019, £7,107k in the EO Group, £397k in QUK and £1,510k in QBE Europe of money market instruments were valued under QMPS.

D.4.4 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 unlisted property trusts is considered to be immaterial. Experience of those assets valued using alternative valuation methods is that the valuations have been materially correct.

The EO Group investment in unlisted property trusts decreased from £199,574k as at 31 December 2018 to £163,488k at 31 December 2019.

D.5 Any other information

The impact of COVID-19 to the current balance sheet and own funds is principally in relation to investments:

- The only significant impacts of COVID-19 on the balance sheet are expected to be either connected with 1) financial market volatility and impact the investment portfolio – due to fair value losses on investments reported at market value; or 2) ultimate indemnity based insurance liabilities that may emerge; and
- Impacts on the Solvency II reported value of outstanding incurred claims and reinsurance recoveries have arisen due to reductions in the risk-free rates used to discount these balances. Discount rates are based on financial market risk free rates, with a reduction in the risk-free rate resulting in less discount, and therefore a higher reported value for these balances.

To mitigate the impact of the COVID-19 outbreak and associated increased volatility in investment markets a number of management actions have either already been taken and/or are in train to ensure the EO Group and its subsidiary companies comply with the Board approved capital appetite.

No other information is considered material regarding the EO Group's valuations for solvency purposes.

Section E: Capital Management[6]

E.1 Own funds

E.1.1 Objectives, policies and processes for managing own funds

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 funds 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 ('CAF'), 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 carry out regular reviews, at least quarterly, to monitor the ratio of eligible own funds ('EOF') to the SCR.

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, 'Tier 2' subordinated debt and Deferred Tax Assets ('DTA') which have been classified as 'Tier 3' EOF.

The EOF calculated after adjusting for valuation basis differences between IFRS, UK GAAP and BE GAAP 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 ('OMG'). Areas identified as requiring remediation are recorded on a Data Quality Issues Log and progress reported regularly to the Data Quality Group.

Available own funds, EOF and the ratio of EOF over the Solvency Capital Requirement ('SCR') and Minimum Capital Requirement ('MCR') for the EO Group, QUK and QBE Europe are disclosed in QRT S.23.01 in Appendix A. There is a separate QRT for each entity.

Changes in the reporting period

The material changes over the reporting period were:

- The volume of business in QBE Europe is set to increase throughout 2020 due to the Part VII transfer of the FOS business from QUK, which will result in a material change to the underlying SCRs. The impact on the Group SCR will be minimal.

Method of calculating own funds

The EO Group uses the accounting consolidation-based method to determine its 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; and
- 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.

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

Consolidated EO Group own funds

The 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; and
- Subordinated liabilities to the extent that these satisfy the Solvency II rules for recognition as part of basic own funds.

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

The EO Group is constituted of a number of entities that carry out different functions and have different characteristics. 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 the adjusted equity method; and
- The Lloyd's Syndicates capacity (Syndicates 386 and 2999) is owned through QBE Corporate Limited ('QBE Corporate'), the managing agent being QBE Underwriting Limited ('QUL'). The EO Group SCR treats QBE Corporate as an investment.

The solvency II excess assets over liabilities for the EO group is calculated using the default method, accounting consolidation based ('Method 1') in accordance with Article 230 of Directive 2009/138/EC. Intra-group transactions with entities that are fully consolidated within the EO group are eliminated on consolidation.

The total EO Group SCR is lower than the sum of the aggregated solo SCRs as a result of diversification effects when calculating the SCR at the EO Group level.

E.1.2 Solvency Capital Requirement ('SCR') and Minimum Capital Requirement ('MCR') [7]

At 31 December 2019 the EO Group and the regulated subsidiaries' eligible own funds to meet the SCR, the SCRs and the SCR coverage ratios were:

Entity and tiering	Eligible Own Funds to meet the SCR (£/€'000)		SCR (£/€'000)		SCR Coverage Ratio (%)	
	2019	2018	2019	2018	2019	2018
EO Group	£1,656,701	£1,584,722	£1,261,543	£1,214,287	131.3%	130.6%
Tier 1	£1,019,018	£909,210				
Tier 1 Restricted	£232,037	£227,302				
Tier 2	£396,674	£430,715				
Tier 3	£8,972	£17,495				
QUK	£910,417	£1,121,957	£692,135	£884,857	131.5%	126.8%
Tier 1	£876,872	£1,092,347				
Tier 3	£33,545	£29,610				
QBE Europe*	€947,802	€49,799	€682,131	€ 35,411	138.9%	140.6%
Tier 1	€719,881	€32,094				
Tier 2	€200,000	€17,705				
Tier 3	€27,921	-				

*QBE Europe's basic own funds were €112,970k at 31 December 2018. The difference between EOF and basic own funds is as result of the tiering rules.

At 31 December 2019 the EO Group and the regulated subsidiaries' EOF to meet the MCR, the MCRs and the MCR coverage ratios were:

Entity and tiering	Eligible Own Funds to meet the MCR (£/€'000)		MCR (£/€'000)		MCR Coverage Ratio (%)	
	2019	2018	2019	2018	2019	2018
EO Group	£1,364,594	£1,253,666	£567,694	£585,768	240.4%	214.0%
Tier 1	£1,019,018	£909,210				
Tier 1 Restricted	£232,037	£227,302				
Tier 2	£113,539	£117,154				
QUK	£876,872	£1,092,347	£268,408	£398,186	326.7%	274.4%
Tier 1	£876,872	£1,092,347				
QBE Europe	€781,273	€33,864	€306,959	€8,853	254.5%	383.3%
Tier 1	€719,881	€32,093				
Tier 2	€61,392	€1,771				

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

All the regulated subsidiaries of the EO Group had the following credit rating at 31 December 2019, as determined by S&P Global Ratings:

- Financial strength rating of A+, with a stable outlook and a long-term public issue credit rating of A+.

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; and
- 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.

Tier 1

Own fund items are assessed and classified into tiers in accordance with criteria defined by Solvency II regulations. The majority of QUK, QBE Europe 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)

For the EO Group this comprises of £232,037k 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 EO Group 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 (£327m) and the other denominated in US dollars ($1,008m). 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 EO 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 limits the Tier 2 capital contribution of the internal notes based upon Solvency II reciprocal financing rules.

The EO Group meets the requirements of a transitional arrangement afforded under Article 308b(9) and (10) of the Directive which permits the group to classify the Subordinated Loan notes as Tier 2 basic own funds for a period of 10 years.

As at 31 December 2019, QBE Europe holds €200,000k of Tier 2 subordinated debt, comprising:

- €80,000k subordinated liabilities issued by QHEO, the immediate parent of QBE Europe. This loan has a maturity date of 10 December 2028; and
- €120,000k subordinated liabilities transferred from QBE Re to QBE Europe as part of the Cross-Border Merger which took place as at 1 January 2019. This loan has a maturity date of 2 November 2028.

E.1.3 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. The reconciliation reserve's volatility is materially dependent on the performance of the entity as well as any significant changes to the balance sheet.

The reconciliation reserve for each company is as follows at 31 December 2019:

Entity (£/€'000)	2019	2018
EO Group	£22,940	(£86,868)
QUK	£(46,663)	£168,813
QBE Europe	€(50,180)	€(6,967)

See QRT 23.01.22 Own funds template in appendix A for full breakdown of the Reconciliation reserve for each company.

E.1.4 Deductions from own funds

The following restrictions in relation to Ring Fenced Funds apply:

- QBE Europe: 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;
- QUK: Capital required to be held locally by the Dubai regulator ('DFSA') in respect of the local operations of QUK;
- EO Group: 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".

E.1.5 The difference between the entity level Internal Model and the Group level Internal Model

QUK and QBE Europe 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; and
- The EO Group SCR also allows for QBE Corporate to be treated as an investment and its value is assumed to be completely written off for the purpose of assessing capital.

E.1.6 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 different valuation approaches is shown below for EO Group and the Regulated Subsidiaries.

Reconciliation from GAAP equity to SII Own funds	EO Group: IFRS (£'000)	QUK: UK GAAP (£'000)	QBE Europe: BE GAAP (€'000)
Total equity – statutory basis	1,747,784	1,087,685	808,383
Removal of net technical provisions balances on a GAAP basis	-	411,465	573,042
Inclusion of net technical provisions on a Solvency II basis	-	(613,805)	(725,152)
Elimination of goodwill and Intangibles	(181,526)	-	(1)
Change in the value of participations	5,574	-	-
Valuation adjustment: Investments	-	-	84,397
Valuation adjustment: Other*	(227,184)	34,399	27,922
Excess of assets over liabilities – Solvency II basis	**1,344,648**	**919,744**	**768,591**
Adjustment: Subordinated liabilities	396,674	-	200,000
Adjustment: Foreseeable dividends	-	-	-
Adjustment: Restricted own fund items in respect of ring fenced funds	(27,433)	(9,327)	(20,789)
Adjustment: Non available own funds at group level	(57,188)	-	-
Own Funds – Solvency II basis	**1,656,701**	**910,417**	**947,802**

* Other adjustments include removal of IFRS discounting and deferred tax adjustments.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Overview

At 31 December 2019 the SCR and MCR for EO Group and the regulated subsidiaries were:

Entity (£/€'000)	SCR		MCR	
	2019	2018	2019	2018
EO Group	£1,261,543	£1,214,287	£567,694	£585,768
QUK	£692,135	£884,857	£268,408	£398,185
QBE Europe	€682,131	€35,411	€306,959	€8,853

The SCRs for EO Group, QBE Europe and QUK are determined using an Internal Model. The SCRs for the EO Group, QUK and QBE Europe are also shown in QRTs S.25.03.21 (unaudited) and S.25.03.22 (unaudited) 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.

EO Group[8]

The SCR for the EO Group has been calculated using the Internal Model for 2019 and 2018, where appropriate reflecting model changes agreed under our Model Change policy.

Risk Components under Internal Model (£'000)	2019 SCR	2018 SCR
Market risk	305,061	331,707
Counterparty Default risk	60,406	169,851
Life underwriting risk	-	-
Health underwriting risk	-	-
Non-life underwriting risk	1,125,396	1,089,226
Operational risk	138,701	139,532
Pension risk	178,783	200,016
Capital adjustments	98,080	32,700
Total undiversified components	**1,906,427**	**1,963,032**
Diversification	(644,884)	(748,745)
Solvency capital requirement	**1,261,543**	**1,214,287**

QUK

The SCR for QUK has been calculated using the Internal Model for 2019 and 2018, where appropriate reflecting model changes agreed under our Model Change policy.

Risk Components under Internal Model (£'000)	2019 SCR	2018 SCR
Market risk	173,908	240,099
Counterparty Default risk	32,402	161,715
Life underwriting risk	-	-
Health underwriting risk	-	-
Non-life underwriting risk	675,214	867,874
Operational risk	71,077	120,283
Pension risk	-	-
Capital adjustments	27,800	(5,000)
Total undiversified components	**980,401**	**1,384,971**
Diversification	(288,265)	(500,114)
Solvency capital requirement	**692,135**	**884,857**

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

QBE Europe

The SCR for QBE Europe was calculated using the Standard Formula ('SF') for 2018 and the Internal Model ('IM') for 2019, following the NBB's approval of our application to use the Internal Model during Q1 2019. The complexity of QBE Europe increased substantially on 1 January 2019 upon completion of the Brexit restructure highlighted elsewhere in this document, and that is reflected by the increase in SCR between the 2018 and 2019 year ends.

Risk Components (€'000)	2019 SCR (IM)	2018 SCR (SF)
Market risk	182,521	2,695
Counterparty Default risk	33,204	859
Life underwriting risk	-	-
Health underwriting risk	-	170
Non-life underwriting risk	634,963	34,191
Operational risk	75,509	-
Pension risk	5,724	-
Capital adjustments	46,787	-
Total undiversified components	**978,708**	**37,915**
Diversification	(296,577)	(2,504)
Solvency capital requirement	**682,131**	**35,411**

E.2.2 Inputs to calculate the MCR

The MCR for the (re)insurance undertakings, QUK and QBE Europe, 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 EO Group SCR instead. The minimum consolidated Group SCR is calculated as the sum of the MCRs for regulated undertakings, QUK and QBE Europe.

E.2.3 Material changes to the SCR and MCR over the period

The major model changes were submitted to the PRA and the NBB in August 2019 and approved in January 2020. The revised Internal Model SCR is £1,275.9m for the EO Group, £695.3m for QUK and €690.1m for QBE Europe from the date of approval.

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

EO Group, QUK and QBE Europe have fully approved Internal Models and therefore do not use the duration-based equity risk sub-module.

E.4 Differences between the Standard Formula and the Internal Model used[9]

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.

E.4.1 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.

E.4.2 Counterparty default credit

The Internal Model and Standard Formula capitalise against reinsurance and premium defaults as described below:

- The two models are broadly aligned in terms of the capital requirement against reinsurance default. The methodology models the possible credit rating of each counterparty at the end of the first year and then sets up a bad debt reserve dependent on the credit rating. The Standard Formula is also based around the expected change in bad-debt provisions from credit rating migrations, with minimal actual default during the first year; and
- The primary difference in the credit risk assessment within the Standard Formula and the Internal Model is due to the treatment of the Type II credit risk (broker defaults). The Standard Formula applies a material capital charge against premium debtors, taking 90% of any debts overdue by 3 months or more, and 15% of all other debtors. In practise the credit risk on broker balances (which are the main part of the debtor exposure) are well mitigated, and the Internal Model capital assessment reflects this.

E.4.3 Non-life underwriting risk

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); and
- 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.

E.4.4 Health underwriting risk

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

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

E.4.5 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.

E.4.6 Diversification benefit

Because of the differences between risk types, the Standard Formula has less diversification between risk types than the Internal Model.

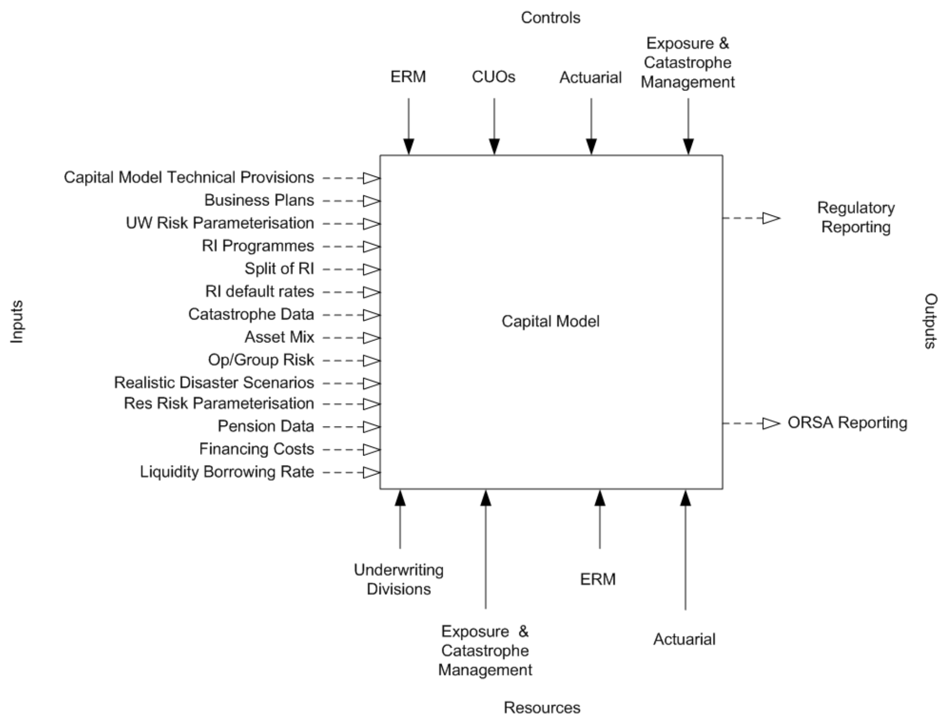
The Standard Formula does not capture group risk, whereas it does appear in the Internal Model. This risk is assumed to diversify well against the other risks, so it also increases the size of the diversification benefit in the Internal Model compared to the Standard Formula.

E.4.7 Data used in the Internal Model

The data flows within the capital model are documented within an 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 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 downgrade and 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. Impact Forecast Elements is also used alongside Realistic Event Methodology ('REM') data 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 the 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; and
- **Financing costs and other capital requirements**. These are the expected debt servicing costs for the Group.

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).

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

When the EOF from all entities have been included, the EO Group satisfied and complied with the MCR and SCR requirements.[10] The regulated subsidiaries QUK and QBE Europe also satisfied and complied with the MCR and SCR requirements over the reporting period.

E.6 Any other information

The impact of COVID-19 to the current balance sheet and own funds is principally in relation to investments and management have taken actions to mitigate exposure to the more volatile asset classes in the investment portfolio.

The EO Group actively monitors the capital, liquidity and solvency positions of the regulated entities within the EO Group. During March 2020 EO plc sold £62.9m repurchased debt securities, with cash settlement increasing the solvency position of EO plc. These funds have been deployed to increase the capital position of a subsidiary undertaking.

There have been no instances of non-compliance with the MCR or SCR following the balance sheet date, as a result of COVID-19 or otherwise.

No other information is considered material regarding the EO Group's capital management.

[10] Any references to the SCR are unaudited.

Forward-Looking statements

This document may contain “forward-looking statements” including those relating to the EO Group’s future financial condition, performance, results, strategy and objectives. Statements that are not historical facts, including statements about the EO Group’s beliefs and expectations and including, without limitation, statements containing the words “may”, “will”, “should”, “continue”, “aims”, “estimates”, “projects”, “believes”, “intends”, “expects”, “plans”, “seeks” and “anticipates”, and words of similar meaning, are forward-looking statements. Any such forward-looking statements in this document are based on plans, estimates and projections as at the date of this document, and therefore undue reliance should not be placed on them. By their nature, all forward-looking statements involve risk and uncertainty. Many factors could cause the EO Group’s actual future financial condition or performance or other indicated results to differ materially from those indicated in any forward-looking statement.

Any forward-looking statements contained in this document speak only as of the date on which they are made. The EO Group expressly disclaims any obligations to update any forward-looking statement contained in this document or any other forward-looking statements it may make, whether as a result of future events, new information or otherwise.

Glossary

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

Term or Acronym	Definition
BE GAAP	Belgian Generally Accepted Accounting Principles
BCM	Business Continuity Management
CAF	Capital Appetite Framework
CMG	Compliance Management Group
COR	Combined Operating Ratio
CRG	Conduct Risk Group
EPiFP	Expected Profit in Future Premiums
EO Group	QBE European Operations Group
EOIC	Europeans Operations Investment Committee
ESG	Economic, Social and Governance
ERM	Enterprise Risk Management
FCA	Financial Conduct Authority
FOS	Freedom of Services
GAAP	Generally Accepted Accounting Principles
GAM	Group Aggregate Methodology
GEP	Gross earned premium
GIA	Group Internal Audit
GWP	Gross written premium
IBNR	Incurred But Not Reported
IFRS	International Financial Reporting Standards (including Australian International Financial Reporting Standards)
MCR	Minimal Capital Requirement
NBB	National Bank of Belgium
OMG	Operations Management Group
ORSA	Own Risk & Solvency Assessment
OWG	Outsourcing Working Group
PRA	Prudential Regulatory Authority
QBE Europe	QBE Europe SA/NV
QBE Re	QBE Re (Europe) Limited
QBE Group	QBE Insurance Group Limited
QEMC	QBE Europe Management Committee

Term or Acronym	Definition
QUK	QBE UK Limited
QRT	Quantitative Reporting Template
RCC	Risk and Capital Committee
RCG	Risk and Capital Group
RCSA	Risk and Control Self-Assessment process
RMS	Risk Management Strategy
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
UK GAAP	UK Generally Accepted Accounting Principles
UMG	Underwriting Management Group

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

QUK

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 Europe

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

EO Group (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 SA	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
2	GB	213800GB00038	2 - Specific code	CHRYSALIS MANAGEMENT LTD	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		25.00%	25.00%	25.00%		2 - Significant	0.00%	1 - Included in the scope		3 - Method 1: Adjusted equity method
3	DE	213800DE00003	2 - Specific code	GREENHILL BAIA UNDERWRITING GMBH	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
4	GB	213800GB00016	2 - Specific code	GREENHILL INTERNATIONAL INSURANCE HOLDINGS LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		3 - Method 1: Adjusted equity method
5	GB	213800GB00004	2 - Specific code	GREENHILL STURGE UNDERWRITING LIMITED	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
6	GB	213800GB00005	2 - Specific code	GREENHILL UNDERWRITING ESPANA LIMITED	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
7	CZ	213800CZ00017	2 - Specific code	LIFECO S. R. O.	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		3 - Method 1: Adjusted equity method
8	GB	213800M5ZP1KSX9UYB71	1 - LEI	QBE CORPORATE LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		3 - Method 1: Adjusted equity method
9	FR	213800FR00037	2 - Specific code	QBE EUROPE INTERMEDIARY SERVICES SAS	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
10	BE	213800PWJMAF6INXSV90	1 - LEI	QBE EUROPE SA/NV	4 - Composite undertaking	Company limited by shares or by guarantee or unlimited	2 - Non-mutual	Nationale Bank van België	100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
11	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	2 - Non-mutual		0.00%	0.00%	0.00%			0.00%	1 - Included in the scope		1 - Method 1: Full consolidation
12	GB	213800GB00029	2 - Specific code	QBE EUROPEAN SERVICES LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		3 - Method 1: Adjusted equity method
13	AU	213800AU00022	2 - Specific code	QBE EUROPEAN UNDERWRITING SERVICES (AUSTRALIA) PTY LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		3 - Method 1: Adjusted equity method
14	GB	2138001YKXKPQ6DYEI15	1 - LEI	QBE FINANCE HOLDINGS (EO) LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		3 - Method 1: Adjusted equity method

EO Group (All values in £'000)

S.32.01.22

Undertakings in the scope of the group

	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
Row	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
15	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	2 - Non-mutual	
16	SG	213800SG00035	2 - Specific code	QBE INTERNATIONAL MARKETS PTE. LTD	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual	
17	AU	213800AU00013	2 - Specific code	QBE INVESTMENTS (AUSTRALIA) PTY LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual	
18	IE	213800CDFJ12UGMK9342	1 - LEI	QBE MANAGEMENT (IRELAND) LIMITED	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated	Company limited by shares or by guarantee or unlimited	2 - Non-mutual	
19	GB	213800F6M2ZYHXYJOV75	1 - LEI	QBE MANAGEMENT SERVICES (UK) LIMITED	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated	Company limited by shares or by guarantee or unlimited	2 - Non-mutual	
20	GB	213800GB00011	2 - Specific code	QBE PARTNER SERVICES (EUROPE) LLP	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated	Limited Liability Partnership	2 - Non-mutual	
21	CA	213800CA00024	2 - Specific code	QBE SERVICES INC.	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual	
22	SK	213800SK00007	2 - Specific code	QBE SK, S. R. O.	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated	Company limited by shares or by guarantee or unlimited	2 - Non-mutual	
23	GB	2138003HAOJ2X4PBKS90	1 - LEI	QBE UK FINANCE IV LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual	
24	GB	2138008RZQUZIMFBAS79	1 - LEI	QBE UK LIMITED	2 - Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	2 - Non-mutual	The Prudential Regulation
25	GB	213800G4VF3APWBP7231	1 - LEI	QBE UNDERWRITING LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual	
26	IE	213800IE00027	2 - Specific code	QBE UNDERWRITING SERVICES (IRELAND) LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual	
27	GB	213800GB00028	2 - Specific code	QBE UNDERWRITING SERVICES (UK) LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual	
28	CZ	213800CZ00006	2 - Specific code	QBE, S. R. O.	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated	Company limited by shares or by guarantee or unlimited	2 - Non-mutual	
29	GB	213800GB00008	2 - Specific code	RIDGWELL FOX AND PARTNERS (UNDERWRITING MANAGEMENT)	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated	Company limited by shares or by guarantee or unlimited	2 - Non-mutual	
30	GB	213800GB00015	2 - Specific code	STANDFAST CORPORATE UNDERWRITERS LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual	

	Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	% 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	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
15	100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
16	100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		3 - Method 1: Adjusted equity method
17	100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		3 - Method 1: Adjusted equity method
18	100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
19	100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
20	100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
21	100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		3 - Method 1: Adjusted equity method
22	100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
23	100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		3 - Method 1: Adjusted equity method
24	100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
25	100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		3 - Method 1: Adjusted equity method
26	100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		3 - Method 1: Adjusted equity method
27	100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		3 - Method 1: Adjusted equity method
28	100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
29	100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
30	100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		3 - Method 1: Adjusted equity method

EO Group (All values in £'000)

S.02.01.02

Balance sheet

	Solvency II value
Assets	C0010
Intangible assets	-
Deferred tax assets	73,860
Pension benefit surplus	33,790
Property, plant & equipment held for own use	91,516
Investments (other than assets held for index-linked and unit-linked contracts)	5,923,717
Property (other than for own use)	-
Holdings in related undertakings, including participations	14,457
Equities	32
Equities - listed	-
Equities - unlisted	32
Bonds	5,205,510
Government Bonds	1,217,668
Corporate Bonds	3,746,103
Structured notes	-
Collateralised securities	241,739
Collective Investments Undertakings	654,903
Derivatives	39,745
Deposits other than cash equivalents	9,070
Other investments	-
Assets held for index-linked and unit-linked contracts	-
Loans and mortgages	73,350
Loans on policies	-
Loans and mortgages to individuals	-
Other loans and mortgages	73,350
Reinsurance recoverables from:	895,874
Non-life and health similar to non-life	874,296
Non-life excluding health	834,167
Health similar to non-life	40,129
Life and health similar to life, excluding index-linked and unit-linked	21,578
Health similar to life	-
Life excluding health and index-linked and unit-linked	21,578
Life index-linked and unit-linked	-
Deposits to cedants	111,135
Insurance and intermediaries receivables	501,763
Reinsurance receivables	74,910
Receivables (trade, not insurance)	10,836
Own shares (held directly)	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	-
Cash and cash equivalents	149,828
Any other assets, not elsewhere shown	-
Total assets	7,940,579

EO Group (All values in £'000)

	Solvency II value
Liabilities	C0010
Technical provisions - non-life	4,745,323
Technical provisions - non-life (excluding health)	4,638,434
TP calculated as a whole	-
Best Estimate	4,047,192
Risk margin	591,242
Technical provisions - health (similar to non-life)	106,889
TP calculated as a whole	-
Best Estimate	94,625
Risk margin	12,264
Technical provisions - life (excluding index-linked and unit-linked)	154,981
Technical provisions - health (similar to life)	(58)
TP calculated as a whole	-
Best Estimate	(58)
Risk margin	-
Technical provisions - life (excluding health and index-linked and unit-linked)	155,039
TP calculated as a whole	-
Best Estimate	126,837
Risk margin	28,202
Technical provisions - index-linked and unit-linked	-
TP calculated as a whole	-
Best Estimate	-
Risk margin	-
Contingent liabilities	-
Provisions other than technical provisions	20,857
Pension benefit obligations	18,602
Deposits from reinsurers	30,723
Deferred tax liabilities	7,701
Derivatives	41,899
Debts owed to credit institutions	-
Financial liabilities other than debts owed to credit institutions	-
Insurance & intermediaries payables	55,648
Reinsurance payables	138,138
Payables (trade, not insurance)	293,700
Subordinated liabilities	1,088,359
Subordinated liabilities not in BOF	691,685
Subordinated liabilities in BOF	396,674
Any other liabilities, not elsewhere shown	-
Total liabilities	6,595,931
Excess of assets over liabilities	1,344,648

EO Group (All values in £'000)

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				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																	
Gross - Direct Business	-	2,641	-	254,817	47,901	75,842	407,942	630,688	72,834	6,008	12	40					1,498,725
Gross - Proportional reinsurance accepted	(2,339)	29,340	-	7,514	4,336	2,183	80,814	22,279	14,110	-	-	(6)					158,231
Gross - Non-proportional reinsurance accepted													16,642	104,688	87,158	121,023	329,511
Reinsurers' share	-	1,926	-	16,618	1,431	13,916	79,608	56,198	19,806	(308)	8	(107)	1,791	6,368	44,067	31,046	272,368
Net	(2,339)	30,055	-	245,713	50,806	64,109	409,148	596,769	67,138	6,316	4	141	14,851	98,320	43,091	89,977	1,714,099
Premiums earned																	
Gross - Direct Business	-	3,327	-	250,824	50,613	76,513	365,722	552,647	66,744	6,888	20	20					1,373,318
Gross - Proportional reinsurance accepted	(1,951)	31,654	-	7,449	4,327	2,102	82,662	19,271	14,467	-	-	(6)					159,975
Gross - Non-proportional reinsurance accepted													16,723	101,442	68,928	118,684	305,777
Reinsurers' share	-	1,800	-	13,565	848	13,990	74,152	37,130	19,453	(308)	8	(108)	1,779	6,098	36,369	30,577	235,353
Net	(1,951)	33,181	-	244,708	54,092	64,625	374,232	534,788	61,758	7,196	12	122	14,944	95,344	32,559	88,107	1,603,717
Claims incurred																	
Gross - Direct Business	-	(341)	-	173,597	51,880	33,180	208,173	467,061	23,140	54	13	(509)					956,248
Gross - Proportional reinsurance accepted	(1,790)	32,354	-	5,285	1,465	(141)	60,325	6,864	2,944	-	-	(2,582)					104,724
Gross - Non-proportional reinsurance accepted													7,261	44,714	19,452	58,703	130,130
Reinsurers' share	2	(184)	-	(20,819)	(3,221)	(5,376)	61,397	168,519	4,441	(906)	2	511	(1,052)	4,198	12,002	(7,566)	211,948
Net	(1,792)	32,197	-	199,701	56,566	38,415	207,101	305,406	21,643	960	11	(3,602)	8,313	40,516	7,450	66,269	979,154
Changes in other technical provisions																	
Gross - Direct Business	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Non-proportional reinsurance accepted													-	-	-	-	-
Reinsurers' share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses incurred	3	7,155	-	60,407	15,763	24,955	143,057	194,176	31,140	(23)	34	98	4,634	24,024	8,799	23,556	537,778
Other expenses																	-
Total expenses																	537,778

EO Group (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							(256)	43,924	43,668
R1420	Reinsurers' share							-	2,911	2,911
R1500	Net							(256)	41,013	40,757
	Premiums earned									
R1510	Gross							(256)	43,924	43,668
R1520	Reinsurers' share							-	2,911	2,911
R1600	Net							(256)	41,013	40,757
	Claims incurred									
R1610	Gross						17,970	(486)	35,758	53,242
R1620	Reinsurers' share						(5,684)	-	668	(5,016)
R1700	Net						23,654	(486)	35,090	58,258
	Changes in other technical provisions									
R1710	Gross									-
R1720	Reinsurers' share									-
R1800	Net									-
R1900	**Expenses incurred**							79	8,846	8,925
R2500	**Other expenses**									-
R2600	**Total expenses**									8,925

EO Group (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	980,277	185,172	55,214	47,320	55,721	47,654	1,371,358
R0120	Gross - Proportional reinsurance accepted	2,209	16,857	7,000	3,231	5,626	280	35,203
R0130	Gross - Non-proportional reinsurance accepted	15,659	51,169	7,420	17,148	4,774	11,173	107,343
R0140	Reinsurers' share	135,034	27,952	5,840	6,799	2,334	8,422	186,381
R0200	Net	863,111	225,246	63,794	60,900	63,787	50,685	1,327,523
	Premiums earned							
R0210	Gross - Direct Business	937,594	148,835	51,817	41,861	51,740	27,806	1,259,653
R0220	Gross - Proportional reinsurance accepted	2,153	16,350	6,892	3,007	5,533	226	34,161
R0230	Gross - Non-proportional reinsurance accepted	13,909	51,010	6,888	16,308	4,705	9,776	102,596
R0240	Reinsurers' share	110,002	26,310	5,954	5,752	3,028	5,935	156,981
R0300	Net	843,654	189,885	59,643	55,424	58,950	31,873	1,239,429
	Claims incurred							
R0310	Gross - Direct Business	697,594	58,127	14,960	22,450	27,396	121,482	942,009
R0320	Gross - Proportional reinsurance accepted	1,127	17,611	730	1,228	(11,268)	4,325	13,753
R0330	Gross - Non-proportional reinsurance accepted	4,454	36,489	(6,130)	1,901	(373)	(2,622)	33,719
R0340	Reinsurers' share	156,065	4,388	(28,670)	22,299	2,146	17,522	173,750
R0400	Net	547,110	107,839	38,230	3,280	13,609	105,663	815,731
	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**	265,272	76,096	20,383	18,327	22,966	16,541	419,585
R1200	**Other expenses**							-
R1300	**Total expenses**							419,585

EO Group (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	1,083	12,168	5,477	3,996	3,148	2,758	28,630
R1420	Reinsurers' share	73	819	369	269	212	186	1,928
R1500	Net	1,010	11,349	5,108	3,727	2,936	2,572	26,702
	Premiums earned							
R1510	Gross	1,080	12,136	5,462	3,986	3,140	2,751	28,555
R1520	Reinsurers' share	73	815	367	268	211	185	1,919
R1600	Net	1,007	11,321	5,095	3,718	2,929	2,566	26,636
	Claims incurred							
R1610	Gross	18,652	13,816	3,801	(3,517)	3,698	3,842	40,292
R1620	Reinsurers' share	(5,657)	586	203	(581)	121	119	(5,209)
R1700	Net	24,309	13,230	3,598	(2,936)	3,577	3,723	45,501
	Changes in other technical provisions							
R1710	Gross	-	-	-	-	-	-	-
R1720	Reinsurers' share	-	-	-	-	-	-	-
R1800	Net	-	-	-	-	-	-	-
R1900	**Expenses incurred**	126	2,434	182	1,216	914	844	5,716
R2500	**Other expenses**							-
R2600	**Total expenses**							5,716

EO Group (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)	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	232,037	-	232,037	-	-
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	22,940	22,940	-	-	-
R0140	Subordinated liabilities	396,674	-	-	396,674	-
R0150	Non-available subordinated liabilities at group level	-	-	-	-	-
R0160	An amount equal to the value of net deferred tax assets	66,160	-	-	-	66,160
R0170	The amount equal to the value of net deferred tax assets not available at the group level	57,188	-	-	-	57,188
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**	57,188	-	-	-	57,188
R0280	**Total deductions**	57,188	-	-	-	57,188
R0290	**Total basic own funds after deductions**	1,656,701	1,019,018	232,037	396,674	8,972
	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**	-			-	-

EO Group (All values in £'000)

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Own funds of other financial sectors					
R0410	Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies - Total	-	-	-	-	
R0420	Institutions for occupational retirement provision	-	-	-	-	-
R0430	Non regulated entities carrying out financial activities	-	-	-	-	
R0440	**Total own funds of other financial sectors**	-	-	-	-	-
	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 a 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)	1,656,701	1,019,018	232,037	396,674	8,972
R0530	Total available own funds to meet the minimum consolidated group SCR	1,647,729	1,019,018	232,037	396,674	
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)	1,656,701	1,019,018	232,037	396,674	8,972
R0570	Total eligible own funds to meet the minimum consolidated group SCR	1,364,594	1,019,018	232,037	113,539	
R0590	**Consolidated Group SCR**	1,261,543				
R0610	**Minimum consolidated Group SCR**	567,694				
R0630	**Ratio of Eligible own funds to the consolidated Group SCR (excluding other financial sectors and the undertakings included via D&A)**	131.3%				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	240.4%				
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)**	1,656,701	1,019,018	232,037	396,674	8,972
R0670	**SCR for entities included with D&A method**					
R0680	**Group SCR**	1,261,543				
R0690	**Ratio of Eligible own funds to SCR including other financial sectors' own funds and capital requirements**	131.3%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	1,344,648
R0710	Own shares (held directly and indirectly)	-
R0720	Foreseeable dividends, distributions and charges	-
R0730	Other basic own fund items	1,294,274
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	27,434
R0750	Other non available own funds	-
R0760	**Reconciliation reserve**	22,940
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	5,714
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	169,393
R0790	**Total Expected profits included in future premiums (EPIFP)**	175,107

EO Group (All values in £'000)

S.25.03.22

Solvency Capital Requirement - for groups on Full Internal Models

		C0100
	Calculation of Solvency Capital Requirement	
R0110	Total undiversified components	1,906,427
R0060	Diversification	(644,884)
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency capital requirement excluding capital add-on**	1,261,543
R0210	Capital add-ons already set	
R0220	**Solvency capital requirement**	1,261,543
	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	567,694
	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	

EO Group (All values in £'000)

S.25.03.22

Solvency Capital Requirement - for groups 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	89,682
2	10400I	Equity risk	132,924
3	10600I	Property risk	17,440
4	10700I	Spread risk	217,931
5	10900I	Currency risk	157,453
6	11040I	Other market risk (Liquidity risk)	4,910
7	19900I	Diversification within market risk	(315,280)
8	20100I	Type 1 counterpart default risk (Reinsurance credit risk)	51,090
9	20200I	Type 2 counterparty default risk (Premium credit risk)	13,869
10	29900I	Diversification within counterparty risk	(4,553)
11	50130I	Premium risk	413,221
12	50240I	Reserve risk	831,638
13	50300I	Non-life catastrophe risk	267,122
14	59900I	Diversification within non-life underwriting risk	(386,585)
15	70190I	Operational risk (excluding group risk)	130,037
16	70110I	Group risk	41,795
17	79900I	Diversification within operational risk	(33,132)
18	8049AI	Net asset value of QBE Corporate	6,000
19	8049BI	Debt servicing costs net of loan repayments	45,080
20	8049CI	Capital supporting financing companies	-
21	8049DI	Capital adjustments	47,000
22	80110P	Total pension risk including market and pension benefit risks	178,783

QUK (All values in £'000)

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	-
R0040	Deferred tax assets	33,546
R0050	Pension benefit surplus	-
R0060	Property, plant & equipment held for own use	157
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	2,732,849
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*	2,373,678
R0140	*Government Bonds*	723,049
R0150	*Corporate Bonds*	1,587,786
R0160	*Structured notes*	-
R0170	*Collateralised securities*	62,843
R0180	*Collective Investments Undertakings*	325,857
R0190	*Derivatives*	23,961
R0200	*Deposits other than cash equivalents*	9,069
R0210	*Other investments*	-
R0220	Assets held for index-linked and unit-linked contracts	-
R0230	Loans and mortgages	109,592
R0240	*Loans on policies*	-
R0250	*Loans and mortgages to individuals*	-
R0260	*Other loans and mortgages*	109,592
R0270	Reinsurance recoverables from:	700,921
R0280	*Non-life and health similar to non-life*	679,481
R0290	*Non-life excluding health*	642,059
R0300	*Health similar to non-life*	37,422
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	21,440
R0320	*Health similar to life*	-
R0330	*Life excluding health and index-linked and unit-linked*	21,440
R0340	*Life index-linked and unit-linked*	-
R0350	Deposits to cedants	6,017
R0360	Insurance and intermediaries receivables	198,398
R0370	Reinsurance receivables	52,249
R0380	Receivables (trade, not insurance)	42,200
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	114,901
R0420	Any other assets, not elsewhere shown	21
R0500	**Total assets**	3,990,851

QUK (All values in £'000)

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	2,700,542
R0520	*Technical provisions - non-life (excluding health)*	2,694,066
R0530	*TP calculated as a whole*	-
R0540	*Best Estimate*	2,391,027
R0550	*Risk margin*	303,039
R0560	*Technical provisions - health (similar to non-life)*	6,476
R0570	*TP calculated as a whole*	-
R0580	*Best Estimate*	5,132
R0590	*Risk margin*	1,344
R0600	Technical provisions - life (excluding index-linked and unit-linked)	63,372
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)*	63,372
R0660	*TP calculated as a whole*	-
R0670	*Best Estimate*	54,305
R0680	*Risk margin*	9,067
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	-
R0760	Pension benefit obligations	-
R0770	Deposits from reinsurers	-
R0780	Deferred tax liabilities	-
R0790	Derivatives	7,542
R0800	Debts owed to credit institutions	-
R0810	Financial liabilities other than debts owed to credit institutions	-
R0820	Insurance & intermediaries payables	180,496
R0830	Reinsurance payables	59,950
R0840	Payables (trade, not insurance)	57,095
R0850	Subordinated liabilities	-
R0860	*Subordinated liabilities not in BOF*	-
R0870	*Subordinated liabilities in BOF*	-
R0880	Any other liabilities, not elsewhere shown	2,110
R0900	**Total liabilities**	3,071,107
R1000	**Excess of assets over liabilities**	919,744

QUK (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	-	2,243	-	238,385	44,445	11,254	213,907	265,563	47,972	5,659	12	(8)					829,432
R0120	Gross - Proportional reinsurance accepted	-	-	-	-	-	-	1,667	279	-	-	-	-					1,946
R0130	Gross - Non-proportional reinsurance accepted													9	37,208	66,894	2,440	106,551
R0140	Reinsurers' share	-	450	-	16,768	1,328	3,689	34,654	35,027	14,118	(308)	8	281	65	1,643	37,036	1,540	146,299
R0200	Net	-	1,793	-	221,617	43,117	7,565	180,920	230,815	33,854	5,967	4	(289)	(56)	35,565	29,858	900	791,630
	Premiums earned																	
R0210	Gross - Direct Business	-	3,048	-	240,702	48,709	33,650	208,684	294,583	47,125	6,742	19	-					883,262
R0220	Gross - Proportional reinsurance accepted	-	-	-	-	-	-	4,642	655	-	-	-	-					5,297
R0230	Gross - Non-proportional reinsurance accepted													9	34,424	56,976	4,876	96,285
R0240	Reinsurers' share	-	340	-	13,932	795	5,935	35,349	24,645	14,676	(308)	8	286	65	1,389	31,793	1,600	130,505
R0300	Net	-	2,708	-	226,770	47,914	27,715	177,977	270,593	32,449	7,050	11	(286)	(56)	33,035	25,183	3,276	854,339
	Claims incurred																	
R0310	Gross - Direct Business	-	(598)	-	165,834	51,346	2,629	123,135	353,387	19,825	(37)	12	(500)					715,033
R0320	Gross - Proportional reinsurance accepted	-	-	-	-	-	-	7,631	4	-	-	-	-					7,635
R0330	Gross - Non-proportional reinsurance accepted													(100)	15,596	12,232	8,277	36,005
R0340	Reinsurers' share	1	(80)	-	(19,731)	(3,224)	(7,568)	45,504	139,364	5,752	(906)	2	1,572	(104)	63	9,416	2,288	172,349
R0400	Net	(1)	(518)	-	185,565	54,570	10,197	85,262	214,027	14,073	869	10	(2,072)	4	15,533	2,816	5,989	586,324
	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**	-	1,339	-	54,840	12,846	8,130	62,161	91,471	15,723	130	34	183	82	9,679	6,770	2,482	265,870
R1200	**Other expenses**																	-
R1300	**Total expenses**																	265,870

QUK (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 obligations	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	-	-	-	-	-	8,905	-	-	8,905
R1620	Reinsurers' share	-	-	-	-	-	(5,684)	-	-	(5,684)
R1700	Net	-	-	-	-	-	14,589	-	-	14,589
	Changes in other technical provisions									
R1710	Gross	-	-	-	-	-	-	-	-	-
R1720	Reinsurers' share	-	-	-	-	-	-	-	-	-
R1800	Net	-	-	-	-	-	-	-	-	-
R1900	**Expenses incurred**	-	-	-	-	-	-	-	-	-
R2500	**Other expenses**									-
R2600	**Total expenses**									-

QUK (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			United States of America (US)	Australia (AU)	United Arab Emirates (AE)	Thailand (TH)	Ireland (IE)	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	767,812	20,243	21	7,987	7,158	5,289	808,510
R0120	Gross - Proportional reinsurance accepted	-	261	782	7	1	-	1,051
R0130	Gross - Non-proportional reinsurance accepted	5,000	15,711	18,156	5,712	251	204	45,034
R0140	Reinsurers' share	101,428	12,125	1,599	1,760	1,221	1,677	119,810
R0200	Net	671,384	24,090	17,360	11,946	6,189	3,816	734,785
	Premiums earned							
R0210	Gross - Direct Business	822,500	19,877	27	7,111	7,027	5,292	861,834
R0220	Gross - Proportional reinsurance accepted	-	723	2,156	19	3	-	2,901
R0230	Gross - Non-proportional reinsurance accepted	5,482	13,382	16,533	5,283	230	1,170	42,080
R0240	Reinsurers' share	90,194	10,969	1,353	1,855	1,236	1,555	107,162
R0300	Net	737,788	23,013	17,363	10,558	6,024	4,907	799,653
	Claims incurred							
R0310	Gross - Direct Business	606,818	6,380	787	6,403	1,092	89,732	711,212
R0320	Gross - Proportional reinsurance accepted	-	7,864	(126)	(1)	-	-	7,737
R0330	Gross - Non-proportional reinsurance accepted	8,085	(63,178)	52,555	697	(3,268)	(3,017)	(8,126)
R0340	Reinsurers' share	129,676	13,770	(21,061)	13,791	2,278	18,421	156,875
R0400	Net	485,227	(62,704)	74,277	(6,692)	(4,454)	68,294	553,948
	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**	226,313	8,176	4,489	3,754	1,916	1,505	246,153
R1200	**Other expenses**							-
R1300	**Total expenses**							246,153

QUK (All values in £'000)

S.05.02.01

Premiums, claims and expenses by country

Life

		C0150	C0210
R1400		Home Country	Total Top 5 and home country
		C0220	C0280
	Premiums written		
R1410	Gross		-
R1420	Reinsurers' share		-
R1500	Net		-
	Premiums earned		
R1510	Gross		-
R1520	Reinsurers' share		-
R1600	Net		-
	Claims incurred		
R1610	Gross	8,905	8,905
R1620	Reinsurers' share	(5,684)	(5,684)
R1700	Net	14,589	14,589
	Changes in other technical provisions		
R1710	Gross		-
R1720	Reinsurers' share		-
R1800	Net		-
R1900	**Expenses incurred**		-
R2500	**Other expenses**		-
R2600	**Total expenses**		-

QUK (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 obligations	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**	-		-	-		-	-	54,305	-	54,305		-	-	-	-	-
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-		-	-		-	-	21,440	-	21,440		-	-	-	-	-
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	-		-	-		-	-	32,865	-	32,865		-	-	-	-	-
R0100	**Risk margin**	-	-			-			9,067	-	9,067	-			-	-	-
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole	-	-			-			-	-	-	-			-	-	-
R0120	Best estimate	-		-	-		-	-	-	-	-		-	-	-	-	-
R0130	Risk margin	-	-			-			-	-	-	-			-	-	-
R0200	**Technical provisions - total**	-	-			-			63,372	-	63,372	-			-	-	-

QUK (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	-	293	-	65,951	17,861	3,782	55,161	63,877	5,432	(1,406)	-	-	-	7,159	1,932	1,266	221,308
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	(309)	-	(1,990)	(1,495)	(523)	(6,089)	(1,447)	(5,581)	80	-	-	-	(2,046)	(10,427)	2,038	(27,789)
R0150	**Net Best Estimate of Premium Provisions**	-	602	-	67,941	19,356	4,305	61,250	65,324	11,013	(1,486)	-	-	-	9,205	12,359	(772)	249,097
	Claims provisions																	
R0160	Gross	2,248	2,045	-	496,799	32,861	92,500	193,156	1,189,472	20,005	6,734	224	2,322	547	100,379	23,250	12,310	2,174,852
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	(2)	171	-	85,199	4,007	35,681	120,370	409,197	3,563	4,823	(30)	6,297	37,562	(19,052)	40,108	(20,623)	707,271
R0250	**Net Best Estimate of Claims Provisions**	2,250	1,874	-	411,600	28,854	56,819	72,786	780,275	16,442	1,911	254	(3,975)	(37,015)	119,431	(16,858)	32,933	1,467,581
R0260	**Total best estimate - gross**	2,248	2,338	-	562,750	50,722	96,282	248,317	1,253,349	25,437	5,328	224	2,322	547	107,538	25,182	13,576	2,396,160
R0270	**Total best estimate - net**	2,250	2,476	-	479,541	48,210	61,124	134,036	845,599	27,455	425	254	(3,975)	(37,015)	128,636	(4,499)	32,161	1,716,678
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
R0280	**Risk margin**	870	474	-	40,997	3,349	12,745	18,740	117,070	3,112	453	52	-	-	103,676	-	2,846	304,384
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0300	Best estimate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0310	Risk margin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0320	**Technical provisions - total**	3,118	2,812	-	603,747	54,071	109,027	267,057	1,370,419	28,549	5,781	276	2,322	547	211,214	25,182	16,422	2,700,544
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	(2)	(138)	-	83,209	2,512	35,158	114,281	407,750	(2,018)	4,903	(30)	6,297	37,562	(21,098)	29,681	(18,585)	679,482
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	3,120	2,950	-	520,538	51,559	73,869	152,776	962,669	30,567	878	306	(3,975)	(37,015)	232,312	(4,499)	35,007	2,021,062

QUK (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)

	Year	0	1	2	3	4	5	6	7	8	9	10 & +	In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
R0100	Prior											84,492	84,492	84,492
R0160	2010	71,033	206,007	142,188	86,193	65,687	53,989	20,052	9,442	11,096	8,333		8,333	674,020
R0170	2011	60,564	233,788	196,840	167,934	67,374	48,134	17,776	10,338	23,482			23,482	826,230
R0180	2012	49,127	161,171	109,646	102,685	76,358	51,273	39,858	27,143				27,143	617,261
R0190	2013	121,473	243,642	254,504	133,206	69,860	60,790	38,164					38,164	921,639
R0200	2014	60,626	199,457	126,841	62,152	62,341	47,288						47,288	558,705
R0210	2015	63,436	257,898	124,836	94,805	45,820							45,820	586,795
R0220	2016	54,445	210,289	148,726	52,838								52,838	466,298
R0230	2017	48,955	196,932	81,602									81,602	327,489
R0240	2018	60,308	166,399										166,399	226,707
R0250	2019	40,092											40,092	40,092
R0260												Total	615,653	5,329,728

Gross Undiscounted Best Estimate Claims Provisions

(absolute amount)

	Year	0	1	2	3	4	5	6	7	8	9	10 & +	Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
R0100	Prior											333,008	333,008
R0160	2010							102,576	85,815	57,903	34,918		32,685
R0170	2011						166,179	129,649	96,717	48,098			44,869
R0180	2012					225,522	162,388	136,525	120,768				114,087
R0190	2013				421,740	305,651	224,015	147,946					140,017
R0200	2014			429,782	342,394	244,518	112,272						107,224
R0210	2015		638,941	475,217	349,694	252,500							243,196
R0220	2016	456,504	588,377	448,695	325,451								314,242
R0230	2017	353,010	498,883	334,276									323,983
R0240	2018	387,406	437,671										424,222
R0250	2019	237,877											230,065
R0260												Total	2,307,598

QUK (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)	625,905	625,905	-	-	-
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	(46,662)	(46,662)	-	-	-
R0140	Subordinated liabilities	-	-	-	-	-
R0160	An amount equal to the value of net deferred tax assets	33,545	-	-	-	33,545
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**	910,417	876,872	-	-	33,545
	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**	-			-	-

QUK (All values in £'000)

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	910,417	876,872	-	-	33,545
R0510	Total available own funds to meet the MCR	876,872	876,872	-	-	-
R0540	Total eligible own funds to meet the SCR	910,417	876,872	-	-	33,545
R0550	Total eligible own funds to meet the MCR	876,872	876,872	-	-	-
R0580	**SCR**	692,135				
R0600	**MCR**	268,408				
R0620	**Ratio of Eligible own funds to SCR**	131.5%				
R0640	**Ratio of Eligible own funds to MCR**	326.7%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	919,744
R0710	Own shares (held directly and indirectly)	-
R0720	Foreseeable dividends, distributions and charges	-
R0730	Other basic own fund items	957,080
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	9,327
R0760	**Reconciliation reserve**	(46,663)
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	-
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	43,254
R0790	**Total Expected profits included in future premiums (EPIFP)**	43,254

QUK (All values in £'000)

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

	Unique number of component	Component description	Calculation of the Solvency Capital Requirement	Consideration of the future management actions regarding technical provisions
Row	C0010	C0020	C0030	C0060
1	10300I	Interest rate risk	38,177	
2	10400I	Equity risk	84,619	
3	10600I	Property risk	12,132	
4	10700I	Spread risk	126,347	
5	10900I	Currency risk	37,637	
6	11040I	Other market risk (Liquidity risk)	7,171	
7	19900I	Diversification within market risk	(132,174)	
8	20100I	Type 1 counterpart default risk (Reinsurance credit risk)	29,893	
9	20200I	Type 2 counterparty default risk (Premium credit risk)	4,559	
10	29900I	Diversification within counterparty risk	(2,050)	
11	50130I	Premium risk	225,894	
12	50240I	Reserve risk	526,272	
13	50300I	Non-life catastrophe risk	121,656	
14	59900I	Diversification within non-life underwriting risk	(198,609)	
15	70190I	Operational risk (excluding group risk)	66,700	
16	70110I	Group risk	21,358	
17	79900I	Diversification within operational risk	(16,981)	
18	8049BI	Debt servicing costs net of loan repayments	(1,700)	
19	8049DI	Capital adjustments	29,500	
20	80110P	Total pension risk including market and pension benefit risks	-	

QUK (All values in £'000)

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

		C0100
	Calculation of Solvency Capital Requirement	
R0110	Total undiversified components	980,401
R0060	Diversification	(288,265)
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	-
R0200	**Solvency capital requirement excluding capital add-on**	692,135
R0210	Capital add-ons already set	-
R0220	**Solvency capital requirement**	692,135
	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	

QUK (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	267,718

		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	2,250	-
R0030	Income protection insurance and proportional reinsurance	2,475	2,106
R0040	Workers' compensation insurance and proportional reinsurance	-	-
R0050	Motor vehicle liability insurance and proportional reinsurance	479,542	197,849
R0060	Other motor insurance and proportional reinsurance	48,210	51,175
R0070	Marine, aviation and transport insurance and proportional reinsurance	61,124	4,285
R0080	Fire and other damage to property insurance and proportional reinsurance	134,036	160,473
R0090	General liability insurance and proportional reinsurance	845,599	224,776
R0100	Credit and suretyship insurance and proportional reinsurance	27,455	36,246
R0110	Legal expenses insurance and proportional reinsurance	426	7,956
R0120	Assistance and proportional reinsurance	254	-
R0130	Miscellaneous financial loss insurance and proportional reinsurance	-	-
R0140	Non-proportional health reinsurance	-	158
R0150	Non-proportional casualty reinsurance	128,636	54,732
R0160	Non-proportional marine, aviation and transport reinsurance	-	24,075
R0170	Non-proportional property reinsurance	32,161	1,154

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCRL Result	690

		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	32,865	-
R0250	Total capital at risk for all life (re)insurance obligations	-	-

	Overall MCR calculation	C0070
R0300	Linear MCR	268,408
R0310	SCR	692,135
R0320	MCR cap	311,461
R0330	MCR floor	173,034
R0340	Combined MCR	268,408
R0350	Absolute floor of the MCR	3,187
R0400	**Minimum Capital Requirement**	268,408

QBE Europe (All values in €’000)

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	-
R0040	Deferred tax assets	37,217
R0050	Pension benefit surplus	-
R0060	Property, plant & equipment held for own use	9,693
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	2,843,919
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*	2,449,690
R0140	*Government Bonds*	575,780
R0150	*Corporate Bonds*	1,662,643
R0160	*Structured notes*	-
R0170	*Collateralised securities*	211,267
R0180	*Collective Investments Undertakings*	382,446
R0190	*Derivatives*	11,744
R0200	*Deposits other than cash equivalents*	1
R0210	*Other investments*	-
R0220	Assets held for index-linked and unit-linked contracts	-
R0230	Loans and mortgages	84,173
R0240	*Loans on policies*	-
R0250	*Loans and mortgages to individuals*	-
R0260	*Other loans and mortgages*	84,173
R0270	Reinsurance recoverables from:	230,230
R0280	*Non-life and health similar to non-life*	230,067
R0290	*Non-life excluding health*	226,871
R0300	*Health similar to non-life*	3,196
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	163
R0320	*Health similar to life*	-
R0330	*Life excluding health and index-linked and unit-linked*	163
R0340	*Life index-linked and unit-linked*	-
R0350	Deposits to cedants	126,591
R0360	Insurance and intermediaries receivables	337,712
R0370	Reinsurance receivables	26,761
R0380	Receivables (trade, not insurance)	20,915
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	25,307
R0420	Any other assets, not elsewhere shown	106
R0500	**Total assets**	3,742,624

QBE Europe (All values in €'000)

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	2,414,788
R0520	*Technical provisions - non-life (excluding health)*	2,296,206
R0530	*TP calculated as a whole*	-
R0540	*Best Estimate*	1,955,852
R0550	*Risk margin*	340,354
R0560	*Technical provisions - health (similar to non-life)*	118,582
R0570	*TP calculated as a whole*	-
R0580	*Best Estimate*	105,687
R0590	*Risk margin*	12,895
R0600	Technical provisions - life (excluding index-linked and unit-linked)	108,186
R0610	*Technical provisions - health (similar to life)*	(69)
R0620	*TP calculated as a whole*	-
R0630	*Best Estimate*	(69)
R0640	*Risk margin*	-
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	108,255
R0660	*TP calculated as a whole*	-
R0670	*Best Estimate*	85,657
R0680	*Risk margin*	22,598
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	5,626
R0760	Pension benefit obligations	7,223
R0770	Deposits from reinsurers	40,037
R0780	Deferred tax liabilities	9,296
R0790	Derivatives	6,986
R0800	Debts owed to credit institutions	-
R0810	Financial liabilities other than debts owed to credit institutions	-
R0820	Insurance & intermediaries payables	20,629
R0830	Reinsurance payables	92,336
R0840	Payables (trade, not insurance)	68,772
R0850	Subordinated liabilities	200,000
R0860	*Subordinated liabilities not in BOF*	-
R0870	*Subordinated liabilities in BOF*	200,000
R0880	Any other liabilities, not elsewhere shown	154
R0900	**Total liabilities**	2,974,033
R1000	**Excess of assets over liabilities**	768,591

QBE Europe (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	Miscella-neous financial loss	Health	Casualty	Marine, aviation, 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	-	554	-	18,813	3,966	73,855	222,121	417,547	28,474	399	-	54					765,783
R0120	Gross - Proportional reinsurance accepted	(2,675)	33,447	-	8,566	4,943	2,489	90,226	25,081	16,085	-	-	(6)					178,156
R0130	Gross - Non-proportional reinsurance accepted													19,018	77,154	23,170	135,584	254,926
R0140	Reinsurers' share	-	1,714	-	(174)	120	11,882	52,226	24,596	6,607	-	-	(451)	2,005	5,489	8,169	34,279	146,462
R0200	Net	(2,675)	32,287	-	27,553	8,789	64,462	260,121	418,032	37,952	399	-	499	17,013	71,665	15,001	101,305	1,052,403
	Premiums earned																	
R0210	Gross - Direct Business	-	329	-	11,546	2,174	48,880	179,110	294,294	22,379	166	-	23					558,901
R0220	Gross - Proportional reinsurance accepted	(2,225)	36,085	-	8,492	4,932	2,397	88,942	21,221	16,492	-	-	(6)					176,330
R0230	Gross - Non-proportional reinsurance accepted													19,060	76,425	13,630	129,782	238,897
R0240	Reinsurers' share	-	1,686	-	(425)	62	9,308	44,837	14,426	5,520	-	-	(455)	1,980	5,441	5,288	33,483	121,151
R0300	Net	(2,225)	34,728	-	20,463	7,044	41,969	223,215	301,089	33,351	166	-	472	17,080	70,984	8,342	96,299	852,977
	Claims incurred																	
R0310	Gross - Direct Business	-	5,141	-	10,789	906	39,348	117,418	147,506	4,710	117	-	(396)					325,539
R0320	Gross - Proportional reinsurance accepted	(2,306)	36,883	-	6,025	1,670	(160)	60,071	7,821	3,356	-	-	(2,943)					110,417
R0330	Gross - Non-proportional reinsurance accepted													9,486	37,523	9,305	64,981	121,295
R0340	Reinsurers' share	1	(176)	-	(1,844)	5	3,716	26,946	49,432	(2,223)	-	-	(1,799)	(1,607)	7,009	4,385	(16,707)	67,138
R0400	Net	(2,307)	42,200	-	18,658	2,571	35,472	150,543	105,895	10,289	117	-	(1,540)	11,093	30,514	4,920	81,688	490,113
	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**	3	6,920	-	6,624	3,470	20,019	96,251	122,198	18,344	(182)	-	(101)	5,417	17,068	2,414	25,074	323,519
R1200	**Other expenses**																	-
R1300	**Total expenses**																	323,519

QBE Europe (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	-	-	-	-	-	-	(292)	50,221	49,929
R1420	Reinsurers' share	-	-	-	-	-	-	-	3,382	3,382
R1500	Net	-	-	-	-	-	-	(292)	46,839	46,547
	Premiums earned									
R1510	Gross	-	-	-	-	-	-	(291)	50,089	49,798
R1520	Reinsurers' share	-	-	-	-	-	-	-	3,364	3,364
R1600	Net	-	-	-	-	-	-	(291)	46,725	46,434
	Claims incurred									
R1610	Gross	-	-	-	-	-	10,333	(626)	46,080	55,787
R1620	Reinsurers' share	-	-	-	-	-	-	-	1,133	1,133
R1700	Net	-	-	-	-	-	10,333	(626)	44,946	54,653
	Changes in other technical provisions									
R1710	Gross	-	-	-	-	-	-	-	-	-
R1720	Reinsurers' share	-	-	-	-	-	-	-	-	-
R1800	Net	-	-	-	-	-	-	-	-	-
R1900	**Expenses incurred**	-	-	-	-	-	-	94	10,525	10,619
R2500	**Other expenses**									-
R2600	**Total expenses**									10,619

QBE Europe (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)	United Kingdom (GB)	Spain (ES)	Italy (IT)	Germany (DE)	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	2,359	210,892	242,206	63,079	63,517	52,599	634,652
R0120	Gross - Proportional reinsurance accepted	12,140	19,182	2,518	7,990	6,414	3,610	51,854
R0130	Gross - Non-proportional reinsurance accepted	20,367	58,321	12,151	5,061	5,328	16,195	117,423
R0140	Reinsurers' share	4,284	31,801	38,310	4,858	2,653	5,585	87,491
R0200	Net	30,582	256,594	218,565	71,272	72,606	66,819	716,438
	Premiums earned							
R0210	Gross - Direct Business	1,959	169,480	131,206	59,113	59,092	46,279	467,129
R0220	Gross - Proportional reinsurance accepted	12,670	18,551	2,455	7,884	6,308	3,242	51,110
R0230	Gross - Non-proportional reinsurance accepted	20,131	58,140	9,607	4,953	5,258	15,735	113,824
R0240	Reinsurers' share	4,120	29,935	22,580	5,244	3,452	4,653	69,984
R0300	Net	30,640	216,236	120,688	66,706	67,206	60,603	562,079
	Claims incurred							
R0310	Gross - Direct Business	536	67,802	103,484	16,405	26,548	27,727	242,502
R0320	Gross - Proportional reinsurance accepted	13,885	20,080	1,284	831	(12,845)	1,387	24,622
R0330	Gross - Non-proportional reinsurance accepted	25,524	45,296	(4,139)	(732)	1,174	(746)	66,377
R0340	Reinsurers' share	3,220	(850)	30,083	(37,390)	4,170	20,695	19,928
R0400	Net	36,725	134,028	70,546	53,894	10,707	7,673	313,573
	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**	8,941	86,669	44,413	22,955	26,161	20,022	209,161
R1200	**Other expenses**							-
R1300	**Total expenses**							209,161

QBE Europe (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) - non-life obligations					Total Top 5 and home country
R1400			Peru (PE)	Chile (CL)	Spain (ES)	Colombia (CO)	Mexico (MX)	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	13,872	6,243	4,556	3,589	3,144	2,807	34,211
R1420	Reinsurers' share	934	420	307	242	212	189	2,304
R1500	Net	12,938	5,823	4,249	3,347	2,932	2,618	31,907
	Premiums earned							
R1510	Gross	13,835	6,227	4,544	3,579	3,136	2,800	34,121
R1520	Reinsurers' share	929	418	305	240	211	188	2,291
R1600	Net	12,906	5,809	4,239	3,339	2,925	2,612	31,830
	Claims incurred							
R1610	Gross	15,750	4,334	(4,009)	4,215	4,380	2,323	26,993
R1620	Reinsurers' share	668	232	(663)	138	135	79	589
R1700	Net	15,082	4,102	(3,346)	4,077	4,245	2,244	26,404
	Changes in other technical provisions							
R1710	Gross	-	-	-	-	-	-	-
R1720	Reinsurers' share	-	-	-	-	-	-	-
R1800	Net	-	-	-	-	-	-	-
R1900	**Expenses incurred**	2,774	208	1,387	1,042	962	568	6,941
R2500	**Other expenses**							-
R2600	**Total expenses**							6,941

QBE Europe (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 obligations	Other life insurance on Accepted reinsurance (Gross)	Annuities stemming from non-life accepted insurance contracts and relating to insurance obligation other than health insurance obligations (Gross)	Total (Life other than health insurance, incl. 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)
		C0020	C0030	C0060	C0090	C0130	C0140	C0150	C0160	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**	-	-	-	-	44,205	41,451	85,656	-	-	(69)	(69)
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	-	-	-	163	-	163	-	-	-	-
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	-	-	-	-	-	-	-	-	-	(69)	(69)
R0100	**Risk margin**	-	-	-	-	10,604	11,994	22,598	-	-	-	-
	Amount of the transitional on Technical Provisions											
R0110	Technical Provisions calculated as a whole	-	-	-	-	-	-	-	-	-	-	-
R0120	Best estimate	-	-	-	-	-	-	-	-	-	-	-
R0130	Risk margin	-	-	-	-	-	-	-	-	-	-	-
R0200	**Technical provisions - total**	-	-	-	-	54,809	53,445	108,254	-	-	(69)	(69)

QBE Europe (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	(12)	404	-	4,331	116	12,035	20,152	180,476	19,666	28	-	(25)	(6,067)	(12,806)	(1,801)	(22,852)	193,645
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	(254)	-	(197)	(58)	(13,952)	(46,018)	4,267	(1,452)	-	-	1,981	(219)	4,567	(5,924)	(2,308)	(59,567)
R0150	**Net Best Estimate of Premium Provisions**	(12)	658	-	4,528	174	25,987	66,170	176,209	21,118	28	-	(2,006)	(5,848)	(17,373)	4,123	(20,544)	253,212
	Claims provisions																	
R0160	Gross	192	54,215	-	36,827	2,922	27,807	201,693	599,384	46,388	104	-	(1,777)	56,955	719,618	24,338	99,227	1,867,893
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	1,909	-	772	(34)	3,363	82,052	128,948	14,658	-	-	5,753	1,760	75,975	1,299	(26,823)	289,632
R0250	**Net Best Estimate of Claims Provisions**	192	52,306	-	36,055	2,956	24,444	119,641	470,436	31,730	104	-	(7,530)	55,195	643,643	23,039	126,050	1,578,261
R0260	**Total best estimate - gross**	180	54,619	-	41,158	3,038	39,842	221,845	779,860	66,054	132	-	(1,802)	50,888	706,812	22,537	76,375	2,061,538
R0270	**Total best estimate - net**	180	52,964	-	40,583	3,130	50,431	185,811	646,645	52,848	132	-	(9,536)	49,347	626,270	27,162	105,506	1,831,473
R0280	**Risk margin**	175	6,173	-	2,003	436	193	5,032	131,240	19,160	-	-	-	6,547	157,108	10,300	14,881	353,248
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0300	Best estimate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0310	Risk margin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0320	**Technical provisions - total**	355	60,792	-	43,161	3,474	40,036	226,878	911,100	85,214	132	-	(1,802)	57,435	863,920	32,837	91,256	2,414,788
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	-	1,655	-	575	(92)	(10,588)	36,035	133,215	13,206	-	-	7,734	1,541	80,542	(4,625)	(29,131)	230,067
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	355	59,137	-	42,586	3,566	50,624	190,843	777,885	72,008	132	-	(9,536)	55,894	783,378	37,462	120,387	2,184,721

QBE Europe (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 year**	**Sum of years (cumulative)**
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											2,351	2,351	2,351
R0160	2010	-	-	-	-	-	-	-	-	-	9,007		9,007	9,007
R0170	2011	-	-	-	-	-	-	-	-	7,754			7,754	7,754
R0180	2012	-	-	-	-	-	-	-	18,502				18,502	18,502
R0190	2013	-	-	-	-	-	-	12,120					12,120	12,120
R0200	2014	-	-	-	-	-	19,837						19,837	19,837
R0210	2015	-	-	-	-	27,666							27,666	27,666
R0220	2016	-	-	-	68,770								68,770	68,770
R0230	2017	-	-	122,197									122,197	122,197
R0240	2018	-	175,336										175,336	175,336
R0250	2019	76,227											76,227	76,227
R0260												**Total**	539,767	539,767

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 data)**
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											91,445	90,783
R0160	2010	-	-	-	-	-	-	-	-	-	136,864		134,662
R0170	2011	-	-	-	-	-	-	-	-	132,832			130,016
R0180	2012	-	-	-	-	-	-	-	144,921				142,051
R0190	2013	-	-	-	-	-	-	174,314					169,261
R0200	2014	-	-	-	-	-	179,793						175,070
R0210	2015	-	-	-	-	308,863							301,839
R0220	2016	-	-	-	314,541								307,304
R0230	2017	-	-	351,894									344,237
R0240	2018	-	537,085										527,789
R0250	2019	666,687											654,324
R0260												**Total**	2,977,336

QBE Europe (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)	770,062	770,062	-	-	-
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	-	-	-	-	-
R0070	Surplus funds	-	-	-	-	-
R0090	Preference shares	-	-	-	-	-
R0110	Share premium account related to preference shares	-	-	-	-	-
R0130	Reconciliation reserve	(50,181)	(50,181)	-	-	-
R0140	Subordinated liabilities	200,000	-	-	200,000	-
R0160	An amount equal to the value of net deferred tax assets	27,921	-	-	-	27,921
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**	947,802	719,881	-	200,000	27,921
	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**	-			-	-

QBE Europe (All values in €'000)

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	947,802	719,881	-	200,000	27,921
R0510	Total available own funds to meet the MCR	919,881	719,881	-	200,000	-
R0540	Total eligible own funds to meet the SCR	947,802	719,881	-	200,000	27,921
R0550	Total eligible own funds to meet the MCR	781,273	719,881	-	61,392	-
R0580	**SCR**	682,131				
R0600	**MCR**	306,959				
R0620	**Ratio of Eligible own funds to SCR**	138.9%				
R0640	**Ratio of Eligible own funds to MCR**	254.5%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	768,591
R0710	Own shares (held directly and indirectly)	-
R0720	Foreseeable dividends, distributions and charges	-
R0730	Other basic own fund items	797,982
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	20,789
R0760	**Reconciliation reserve**	(50,180)
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	6,748
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	148,964
R0790	**Total Expected profits included in future premiums (EPIFP)**	155,712

QBE Europe (All values in €'000)

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

	Unique number of component	Component description	Calculation of the Solvency Capital Requirement	Consideration of the future management actions regarding technical provisions and/or deferred taxes
Row	C0010	C0020	C0030	C0060
1	10300I	Interest rate risk	88,376,170	
2	10400I	Equity risk	55,228,977	
3	10600I	Property risk	8,382,800	
4	10700I	Spread risk	98,843,267	
5	10900I	Currency risk	82,222,113	
6	11040I	Other market risk (Liquidity risk)	-	
7	19900I	Diversification within market risk	(150,532,893)	
8	20100I	Type 1 counterpart default risk (Reinsurance credit risk)	26,273,341	
9	20200I	Type 2 counterparty default risk (Premium credit risk)	10,556,168	
10	29900I	Diversification within counterparty risk	(3,625,541)	
11	50130I	Premium risk	245,004,992	
12	50240I	Reserve risk	467,665,355	
13	50300I	Non-life catastrophe risk	193,385,158	
14	59900I	Diversification within non-life underwriting risk	(271,092,149)	
15	70190I	Operational risk (excluding group risk)	70,479,045	
16	70110I	Group risk	22,742,127	
17	79900I	Diversification within operational risk	(17,712,186)	
18	8049BI	Debt servicing costs net of loan repayments	(463,397)	
19	8049DI	Capital adjustments	47,250,000	
20	80110P	Total pension risk including market and pension benefit risks	5,724,346	

QBE Europe (All values in €'000)

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

	Calculation of Solvency Capital Requirement	C0100
R0110	Total undiversified components	978,708
R0060	Diversification	(296,577)
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	-
R0200	**Solvency capital requirement excluding capital add-on**	682,131
R0210	Capital add-ons already set	-
R0220	**Solvency capital requirement**	682,131

	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 Europe (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	381,427

		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	180	-
R0030	Income protection insurance and proportional reinsurance	52,964	5,186
R0040	Workers' compensation insurance and proportional reinsurance	-	-
R0050	Motor vehicle liability insurance and proportional reinsurance	40,584	26,099
R0060	Other motor insurance and proportional reinsurance	3,129	4,272
R0070	Marine, aviation and transport insurance and proportional reinsurance	50,431	72,587
R0080	Fire and other damage to property insurance and proportional reinsurance	185,811	226,766
R0090	General liability insurance and proportional reinsurance	646,645	460,955
R0100	Credit and suretyship insurance and proportional reinsurance	52,849	40,356
R0110	Legal expenses insurance and proportional reinsurance	132	209
R0120	Assistance and proportional reinsurance	-	-
R0130	Miscellaneous financial loss insurance and proportional reinsurance	-	11
R0140	Non-proportional health reinsurance	49,347	12,765
R0150	Non-proportional casualty reinsurance	626,269	50,933
R0160	Non-proportional marine, aviation and transport reinsurance	27,161	16,264
R0170	Non-proportional property reinsurance	105,506	86,558

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCRL Result	21,141

		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	85,425	
R0250	Total capital at risk for all life (re)insurance obligations		27,638,358

	Overall MCR calculation	C0070
R0300	Linear MCR	402,568
R0310	SCR	682,131
R0320	MCR cap	306,959
R0330	MCR floor	170,533
R0340	Combined MCR	306,959
R0350	Absolute floor of the MCR	3,700
R0400	**Minimum Capital Requirement**	306,959

QBE European Operations
Plantation Place
30 Fenchurch Street London
EC3M 3BD
tel +44 (0) 20 7105 4000
fax +44 (0) 20 7105 4019

enquiries@uk.qbe.com www.qbeeurope.com