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 2020 solvency condition of QBE European Operations plc ('EO plc' or 'the Company'), a holding and investment company and its key subsidiary undertakings whose principal activities are the transaction of insurance and reinsurance businesses.

- QBE UK Limited ('QUK'), a UK based (re)insurer authorised by the Prudential Regulatory Authority ('PRA'). QUK writes UK and other non-European insurance business; and
- QBE Europe SA/NV ('QBE Europe') – A Belgium-based (re)insurer authorised by the National Bank of Belgium ('NBB'). QBE Europe writes (re)insurance business across the European Economic Area ('EEA') on Freedom of Services ('FOS') basis and Freedom of Establishment ('FoE') through its head office (based in Brussels, Belgium) and its European and Bermudian branch network.

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.

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. 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).

EO plc, the holding company of the EO Group, 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.

The global spread of the SARS-COV-2 'COVID-19' virus was declared a pandemic by the World Health Organisation in March 2020. The virus itself, as well as measures to slow its spread, have had a significant impact on the global economy, resulting in financial market volatility during the year, and a material reduction in global interest rates. Financial market volatility materially impacted the investment result during the year and contributed to the decision to adopt an especially conservative asset allocation during the year.

The safety and wellbeing of our people, customers, partners and their communities has been our priority during this challenging time. The business continuity framework has proven resilient to the operational challenges encountered during the COVID-19 pandemic. Existing agile working practices and proven remote working technology meant that working practices transitioned smoothly to a full remote working model in all offices/locations in March 2020, whilst ensuring continuity of service to our customers and distribution partners.

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 the strengthening premium rate environment across the London Market and European insurance businesses.

QUK

QUK has focused on achieving a strong performance within its business to support delivery of its plan during the year. Gross written and net earned premium have increased industry wide as market dynamics firmed during 2020, with change in appetite and withdrawal of capacity amongst many of our competitors leading to rate increases on renewed business; and customer engagement efforts contributing to new business.

Net earned premium is lower than prior year, with the reduction relating to increased quota share reinsurance expense on certain lines of business, where increased gross written premium contributes to increased reinsurance expense.

Net claims experience during 2020 is favourable to 2019, which included the impact of Ogden rate reassessment, though adverse to planning assumptions. Significant claim events during 2020 include COVID-19 related losses, primarily within UK Business Interruption, SME and Commercial Combined classes; with reserve strengthening in UK financial lines also contributing to net claims experience during the year.

The solvency position of QUK benefited from its parent providing solvency qualifying additional own funds of £160m during 2020.

QBE Europe

With effect from 01 November 2020, the (Brexit II) part VII transfer of the runoff claim liabilities associated with freedom of services business underwritten by QUK prior to 1 January 2019, to QBE Europe, completed.

In its second full year of operations, gross written premium growth in QBE Europe has been evident throughout the Non-Life businesses driven by strong rate and retention along with some new business across the majority of underwriting locations. This was despite the challenging market conditions experienced due to the impact of COVID-19 across the continent. Net Earned Premium also benefited from the increase in GWP and the earn out of prior year underwriting years.

There have been some significant claim events during the year which include the impact of the judgment in the FCA test case on UK issued Business Interruption policies which primarily impacted the inward reinsurance portfolios, and the strengthening of reserves on some of the large and cat loss exposure that took place in 2019 and 2020. However, this was offset by positive experience on Europe Liability classes which ultimately generated an improved net claims ratio versus the prior year.

The Life business generated a loss in 2020 due to further reductions of the interest rates in South America impacting the existing book of business.

Investment performance

EO Group's investment portfolio was heavily impacted by COVID-19 related market volatility during the first half of 2020. Significantly wider credit spreads resulted in realised losses on high yield and emerging market debt whilst a fall in risk assets resulted in realised losses on developed and emerging market equities. These losses were reduced by gains on Corporate and Sovereign debt, following a fall in sovereign bond yields and materially lower global risk-free rates, as stimulatory moves by central banks to cut cash rates globally and market expectations of sustained low interest rates took hold. Credit spreads, which widened during the initial COVID-19 related market volatility, narrowed during the second half of the year as financial conditions eased and governments and central banks moved to purchase corporate credit.

Following a de-risking exercise of the investment portfolios during Q2 2020, EO Group's investments are primarily weighted towards fixed income bonds and money market instruments, with a modest exposure to growth assets through investment in collective investment schemes that invest in to infrastructure debt and infrastructure assets, unlisted property, private equity, exchange traded commodities (Gold) and social impact bonds.

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.

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 and in board composition during the year were:

- Mr Richard Pryce retired as CEO to move to a QBE Group role and Mr Jason Harris was appointed to this role with effect from 14th December 2020;
- Mr David Winkett resigned as CFO of the EO Group to move to a QBE Group role and Mr Christopher Killourhy was appointed to this role with effect from 4th February 2021; and
- Thierry Bourguignon was appointed CFO of QBE Europe from 22 September 2020.

In June 2020 a Board Effectiveness Review was carried out by QBE Group, encompassing the Divisional Boards, including that of QUK. Comments supporting continuous improvement of effectiveness of the Board arising from the review were discussed by the Boards and a number of minor actions were agreed.

During the year the Board Charter was reviewed with enhancements made to reflect ongoing assessment of key responsibilities and the requirements of Group Governance Framework ('GGF').

For more information on systems of governance, see section B.

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

The EO Group's internal risk profile has remained predominantly stable throughout 2020 with some improving trends, for example in relation to IT governance and cyber. However, the external risk profile was subject to uncertainty as a result of COVID-19, which remained a continuous key risk to the EO Group operations throughout the year. This was followed by the uncertainty surrounding the FCA Test case and ruling. Associated risks and the longer-term impacts on the economy have also been managed through ongoing management action plans, particularly in relation to capital planning, resilience in the EO Group's operating environment and rebalancing of investments.

There has been an increase in regulatory activity because of COVID-19 with an increase in information requests from multiple regulators, although these are now tailing off.

The EO Group's Chief Risk Officer ('CRO') is accountable for the FRCC under the Senior Managers Regime, and the EO Group has submitted its Board-approved Supervisory Statement 3/19 ('SS 3/19') Roadmap to meet the requirements of the statement to the PRA. Progress has been made in 2020 towards meeting the requirements of SS 3/19 alongside the QBE Group's overall climate framework. 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 Boards.

The EO Group remains 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 QBE Group and external stakeholders.

The EO Group further improved its risk mitigation techniques with the group wide Risk Control Self Assessments ('RCSAs') being rolled out in 2020, replacing the previous Risk and Control Assessment process.

In Q4 2020, Insight Issues and Incidents ('I&I') Management Standard went live, supported by a new risk management system, replacing the previous system. This will allow the EO Group to better manage risk and drive continuous improvement by understanding its risk exposures, identifying the root causes and proactively improving the control environment.

For more information on the risk profile, see section C.

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. For more information on the valuation of assets and liabilities, see section D.

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.

As at 31 December 2020, EO Group and the regulated subsidiaries reported the following EOF, SCR and SCR coverage ratios:

Entity (£'m)/(€'m)	Eligible Own Funds to meet the SCR	SCR	SCR coverage ratio	MCR coverage ratio
EO Group	£1,991	£1,372	145.2%	253.7%
QUK	£1,082	£606	178.6%	348.6%
QBE Europe	€1,249	€937	133.3%	266.6%

At 31 December 2020 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 were taken to ensure the EO Group and its subsidiary companies comply with the Board approved capital appetite.

As at 31 December 2020, the EO Group eligible own funds available to cover the SCR are made up of Tier 1 unrestricted (61%), Tier 1 restricted (12%), Tier 2 (27%) and Tier 3 (0%). The QUK eligible own funds available to cover the SCR are made up of Tier 1 unrestricted (84%), Tier 2 (15%) and Tier 3 (1%). The QBE Europe eligible own funds available to cover the SCR are made up of Tier 1 unrestricted (83%), Tier 2 (16%) and Tier 3 (1%).

During Q1 2021, the entire amount of the US$1bn and £325m fixed rate subordinated callable notes issued by EO plc and related repurchased debt were redeemed. Of these, EO plc held previously repurchased notes of $512m of the US$1bn notes and £145m of the £325m notes which were excluded from own funds under the reciprocal financing rules. The remaining notes amounting to £540m at 31 December 2020 were recognised as Tier 2 capital. The notes were replaced with a £580m Tier 2 qualifying loan from QBE Strategic Capital (Europe) Limited, with a favourable impact of 3% to the SCR.

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.

For more information on capital management, see section E.

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 2020, 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 2020 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 2021.

By order of the Board:

Director

QBE European Operations Plc

Registered Number 2641728

London

8 April 2021

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 2020:

- 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 2020, ('**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 2020 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

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting in the preparation of the Single Group Solvency and Financial Condition Report included:

- Reviewing regulatory correspondence;
- Consideration of the Directors' assessment to continue to adopt the going concern basis of accounting, including the impact of COVID-19;
- Reviewing the company's current and forecast liquidity and solvency ratios and the own risk and solvency assessment (ORSA) which includes a number of severe but plausible scenarios;
- Assessing the expected cash flow movements over the next 12 months;
- Confirmation of the existence of cash and cash equivalents and other financial investments to assess the availability of liquid assets;
- Assessment of the fair value of financial investments to determine the appropriateness of their valuation; and
- Independent challenge and assessment using our actuarial specialists over the methodology and assumptions used in the valuation of technical provisions, including the potential impact of COVID-19 on these future looking assumptions.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date on which the Single Group-Wide Solvency and Financial Condition Report is authorised for issue.

In auditing the Single Group-Wide Solvency and Financial Condition Report, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Single Group-Wide Solvency and Financial Condition Report is appropriate.

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

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company/industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority , and we considered the extent to which non-compliance might have a material effect on the Single Group-Wide Solvency and Financial Condition Report. We also considered those laws and regulations that have a direct impact on the Single Group-Wide Solvency and Financial Condition Report such as the Solvency II Regulations. We evaluated management's incentives and opportunities for fraudulent manipulation of the Single Group-Wide Solvency and Financial Condition Report (including the risk of override of controls), and determined that the principal risks were related to risk of management override of controls, including the potential for management bias in significant accounting estimates, such as net best estimate liabilities. Audit procedures performed included:

- inspecting relevant meeting minutes, including those of the Board, Risk & Capital Committee and Audit Committee of the Managing Agent, and correspondence with regulatory authorities, including the Prudential Regulatory Authority and the Financial Conduct Authority;
- discussions with the Board, management, compliance function and internal audit function of the companies, including consideration of known or suspected instances of fraud and non-compliance with laws and regulations;
- evaluation and testing of the operating effectiveness of management's controls designed to prevent or detect misstatements in the Solvency II returns;
- testing and challenging, where appropriate, the assumptions and judgements made by management in their significant accounting estimates, particularly in relation to the estimation of technical provisions;
- identifying and testing journal entries, including auditing adjustments between the IFRS and Solvency II values; and
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the Single Group-Wide Solvency and Financial Condition Report. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

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

Report on Other Legal and Regulatory Requirements

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

PricewaterhouseCoopers LLP

Chartered Accountants

London

8 April 2021

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 intermediate 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 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 2020, EO plc ultimately owned the following: (i) 100% of the PRA regulated insurance undertaking, QBE UK Limited '(QUK'), a private company limited by shares; and (ii) 100% of the Belgium-incorporated (re)insurance company, QBE Europe SA/NV ('QBE Europe'), which is regulated by the National Bank of Belgium ('NBB'), (together the 'EO Group'). A full list of undertakings within the EO Group at 31 December 2020, and the nature of those undertakings, can be found in the quantitative reporting template ('QRT') S.32.01.22, included in Appendix A.

The UK departed from the European Union on 31 January 2020 and was in a transition period until 31 December 2020. During this transition period existing rules on trade, travel and business continued to apply. The EO Group completed two significant transactions during 2019 and 2020 in order to mitigate the potential impact of this departure:

- With effect from 1 November 2020, the in-force policies underwritten by QUK on a Freedom of Services basis within the European Economic Area ('EEA') prior to 1 January 2019, and associated assets and liabilities, were transferred pursuant to Part VII of the Financial Services and Markets Act 2000, to QBE Europe. With effect from 1 November 2020 QUK no longer holds EEA exposed business; and
- In the prior year, with effect from 1 January 2019 a restructure of the QUK's former branches (including those previously closed and in run off) established within the EEA on a Freedom of Establishment basis completed. This included the transfer of branches in Belgium, Bulgaria, Denmark, Estonia, France, Germany, Ireland, Italy, Norway, Spain and Sweden (the branches) pursuant to Part VII of the Financial Services and Markets Act 2000, to QBE Europe. With effect from 1 January 2019 the QUK no longer carried out underwriting of new or renewal business within the EEA.

These decisions followed the UK electorate's vote in favour of leaving the European Union ('Brexit') and the resulting decision by EO plc to restructure its European operations to seek to retain access to the European single market.

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 Group, of which the EO Group forms a part, is to remain focused on further improving an already very strong business.

The global spread of the SARS-COV-2 'COVID-19' virus was declared a pandemic by the World Health Organisation in March 2020. The virus itself, as well as measures to slow its spread, have had a significant impact on the global economy, resulting in financial market volatility during the year, and a material reduction in global interest rates. Financial market volatility materially impacted the investment result during the year and contributed to the decision to adopt an especially conservative asset allocation during the year. COVID-19 related claims losses were incurred, primarily within Business Interruption, multi-national, reinsurance, SME and Commercial Combined classes.

The safety and wellbeing of the EO Group's people, customers, partners and their communities has been a priority during this challenging time. The business continuity framework has proven resilient to the operational challenges encountered during the COVID-19 pandemic. Existing agile working practices and proven remote working technology meant that working practices transitioned smoothly to a full remote working model in all offices/locations in March 2020, whilst ensuring continuity of service to the EO Group's customers and distribution partners.

Subsidiaries and branches

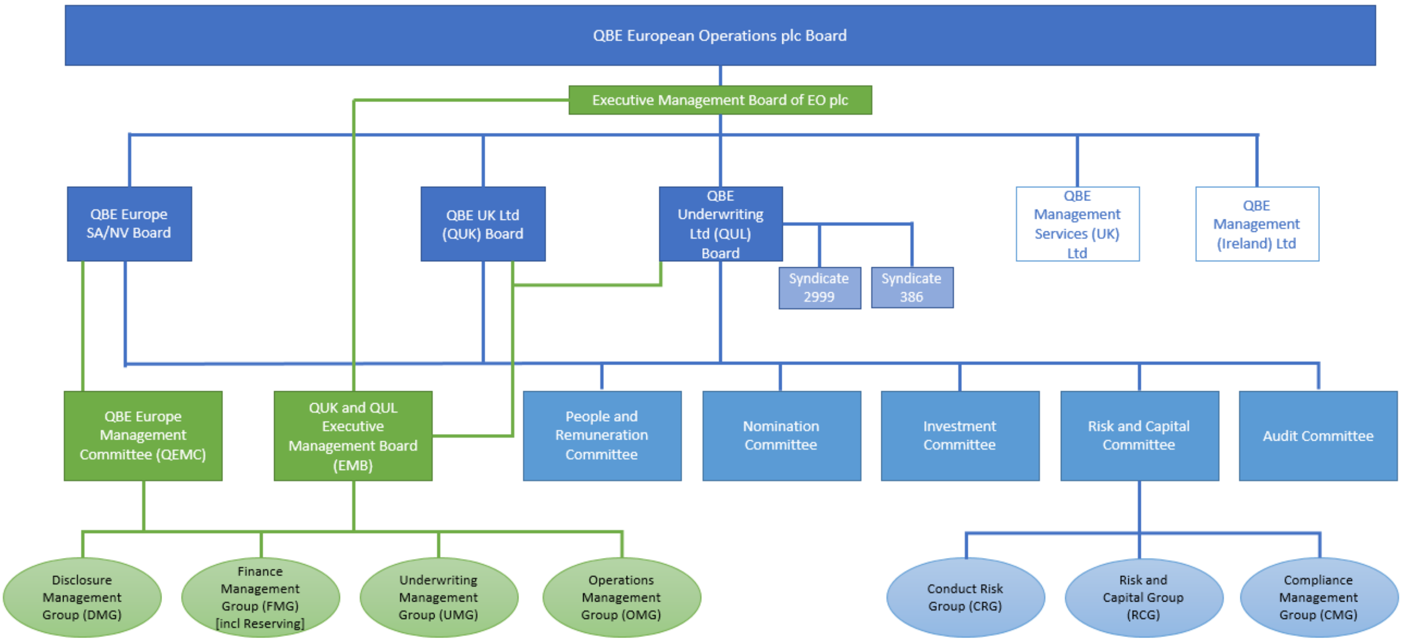
The EO Group has overseas operations in a number of countries. The table below sets out the EO Group's regulated subsidiaries and branch locations (based on structure as at 31 December 2020) from which insurance and reinsurance business has been actively operating during the year.

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 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 NBB. All branches of QBE Europe are separately authorised and regulated by the local regulators.

A.1.2 Organisational structure of the QBE and EO Group

A summarised version of the EO Group structure as at 31 December 2020 showing the principal subsidiary undertakings together with the governance forums for 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:

- During March 2020 EO plc sold £62.9m repurchased group debt securities, with cash settlement increasing the solvency position of EO plc;
- With effect from 1 November 2020, the in-force policies underwritten by the QUK on a Freedom of Services basis within the European Economic Area (EEA) prior to 1 January 2019, and associated assets and liabilities, were transferred pursuant to Part VII of the Financial Services and Markets Act 2000, to QBE Europe. With effect from 1 November 2020 QUK no longer holds EEA exposed business;
- During the year there were three share capitalisation transactions of QBE Europe which resulted in an increase of 359,000,000 shares;
- During the year, EO plc did not declared any dividends (2019: £96m) to its parent QBE Insurance Holdings Pty Limited; and
- Mr Richard Pryce retired as CEO of the EO Group to move to a QBE Group role and Mr Jason Harris was appointed to this role with effect from 14th December 2020.

A.1.4 Significant post-balance sheet events

The following significant events and transactions within the EO Group impacted the EO Group structure and its business after the reporting period:

- During Q1 2021, the entire amount of the US$1bn and £325m fixed rate subordinated callable notes issued by EO plc and related repurchased debt were redeemed. Of these, EO plc held previously repurchased notes of $512m of the US$1bn notes and £145m of the £325m notes which were excluded from own funds under the reciprocal financing rules. The remaining notes amounting to £540m at 31 December 2020 were recognised as Tier 2 capital. The notes were replaced with a £580m Tier 2 qualifying loan from QBE Strategic Capital (Europe) Limited, with a favourable impact of 3% to the SCR;
- Mr David Winkett resigned as CFO of the EO Group to move to a QBE Group role and Mr Christopher Killourhy was appointed to this role with effect from 4th February 2021; and
- QUK was party to an FCA test case during 2020, which was established to provide clarity to holders of certain business interruption policies issued by insurers. The outcome of the FCA test case received in January 2021 has been recorded within the 2020 results.

A.1.5 Other information

A.1.5.1 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

As part of the auditor rotation policy, Mazars LLP will be appointed as the external auditor of QUK for the year ended 31 December 2021.

A.1.5.2 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 million. Rounding differences of +/- one million 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 2020 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 2020 together with comparative information.

Key metrics (£'m)	2020	2019
Gross written premium	998	938
Gross earned premium	953	985
Net earned premium	747	854
Claims ratio	66.2%	70.3%
Commission ratio	14.7%	13.0%
Expense ratio	20.4%	18.2%
Combined operating ratio	101.4%	101.5%

QUK has focused on achieving a strong performance within its business to support delivery of its plan during the year. Gross written and net earned premium have increased industry wide as market dynamics firmed during 2020, with change in appetite and withdrawal of capacity amongst many of our competitors leading to rate increases on renewed business; and customer engagement efforts contributing to new business.

Net earned premium is lower than prior year, with the reduction relating to increased quota share reinsurance expense on certain lines of business, where increased gross written premium contributes to increased reinsurance expense.

Net claims experience during 2020 is favourable to 2019, which included the impact of Ogden rate reassessment, though adverse to planning assumptions. Significant claim events during 2020 include COVID-19 related losses, primarily within UK Business Interruption, SME and Commercial Combined classes; with reserve strengthening in UK financial lines also contributing to net claims experience during the year.

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.

31 December 2020 £'m	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*	216	124	232	274	53	99	998
Net earned premium	206	41	150	247	13	90	747
Net claims incurred	58	40	127	171	7	92	495
Expenses incurred	58	17	56	89	11	31	262
Underwriting performance	90	(16)	(33)	(13)	(5)	(33)	(10)

**Direct business and reinsurance accepted*

31 December 2019 £'m	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	78	216	266	48	92	938
Net earned premium	227	53	178	271	32	93	854
Net claims incurred	186	13	85	214	14	89	601
Expenses incurred	55	15	62	91	16	27	266
Underwriting performance	(14)	25	31	(34)	2	(23)	(13)

**Direct business and reinsurance accepted*

Motor vehicle liability insurance

Net earned premiums reduced year on year driven by the impact of COVID-19. Return premiums have been made on both current and prior years, due to coverage changes and laid up vehicles, along with higher than expected low claim rebates.

Underwriting profit outperformed this year, driven by the impact of COVID-19, with the lack of activity driving materially favourable attritional experience.

Marine, aviation & transport insurance

Net Earned premiums is behind prior year despite a strong rating environment and increased opportunity, where market appetite has reduced, driving growth in gross written premium. The reduction in net earned premium is driven by increased Facultative reinsurance spend and Proportional costs recognised from prior years.

Net claims were impacted by adverse attritional experience in the British Marine book along with unfavourable prior year development.

Fire and other damage to property insurance

Net earned premiums are behind prior year driven primarily by reinstatement premiums payable for Property Catastrophe protection. Gross written premium is favourable with positive trading conditions experienced in a hard market.

The adverse underwriting result reflects COVID-19 Property Business Interruption exposure noting that the net position was largely protected by reinsurance covers.

General liability insurance

Net earned premiums reduction reflects the exit of the underperforming Accident & Health portfolio along with some increased Facultative reinsurance spend.

The adverse underwriting result reflects prior year development seen in the Financial Lines book offset largely by favourable attritional experience in the Employers & Public Liability sectors. Current accident year continues to see positive results.

Credit & suretyship

Gross written premium exceeded expectations driven by Trade Credit. However, due to the Trade Credit Government Reinsurance scheme, net earned premium fell below plan where 100% of gross premium earned in the scheme period – 1 March 2020 to 31 December 2020 were ceded. However, in return QUK recovered 90% of claims, 100% of gross commission and a rebate on expenses, earned in the same period.

The new business strategy implemented was to only target prospects in "essential" sectors that were still able to supply goods or provide services despite the lockdown restrictions. This led to a large drop in new business cases closed, earlier in the year. Thus, new business was behind plan. However, the government scheme has led to increased risk appetite in certain sectors, with a high demand for QUK's product.

Client retention has held up well with increased rates on renewing risks.

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% (2019: 10%) of QUK's gross written premium.

QUK also incurred net claims of £34m (2019: £15m) 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 2020 £'m	United Kingdom	United States of America	United Arab Emirates	Australia	Thailand	Switzerland
Gross written premium	821	46	41	8	6	6
Net earned premium	677	16	16	2	4	2
Net claims incurred	388	12	6	16	3	0
Expenses incurred	223	8	7	5	1	1
Underwriting performance	66	(4)	3	(19)	0	1

**Direct business and reinsurance accepted*

31 December 2019 £'m	United Kingdom	United States of America	Australia	United Arab Emirates	Thailand	Ireland
Gross written premium	773	36	19	14	7	5
Net earned premium	738	23	17	11	6	5
Net claims incurred	485	(63)	74	(7)	(4)	68
Expenses incurred	226	8	4	4	2	2
Underwriting performance	27	78	(61)	14	8	(65)

**Direct business and reinsurance accepted*

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 current and prior year.

Key metrics (€'m)	2020	2019
Gross written premium	1,463	1,249
Gross earned premium	1,361	1,024
Net earned premium	1,178	899
Claims ratio	58.6%	60.6%
Commission ratio	16.7%	16.9%
Expense ratio	16.7%	20.2%
Combined operating ratio	92.0%	97.7%

In its second full year of operations, gross written premium growth in QBE Europe has been evident throughout the Non-Life businesses driven by strong rate and retention along with some new business across the majority of underwriting locations. This was despite the challenging market conditions experienced due to the impact of COVID-19 across the continent. Net Earned Premium also benefited from the increase in GWP and the earn out of prior year underwriting years.

There have been some significant claim events during the year which include the impact of the judgment in the FCA test case on UK issued Business Interruption policies which primarily impacted the inward reinsurance portfolios, and the strengthening of reserves on some of the large and cat loss exposure that took place in 2019 and 2020. However, this was offset by positive experience on Europe Liability classes which ultimately generated an improved net claims ratio versus the prior year.

The Life business generated a loss in 2020 due to further reductions of the interest rates in South America impacting the 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 and prior year. The values in the table are consistent with Belgium Generally Accepted Accounting Practices ('BE GAAP') and are prepared on the same basis as QRT S.05.01.01, which is included in Appendix A.

31 December 2020 €'m	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*	78	383	504	105	158	70	165	1,463
Net earned premium	67	292	406	90	121	65	137	1,178
Net claims incurred	43	160	161	93	101	56	77	691
Expenses incurred	17	121	156	21	28	11	39	393
Underwriting performance	7	11	89	(24)	(8)	(2)	21	94

Direct business and reinsurance accepted

31 December 2019 €'m	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	312	443	77	136	50	155	1,249
Net earned premium	42	223	301	71	96	47	119	899
Net claims incurred	35	150	106	31	82	45	96	545
Expenses incurred	20	96	122	17	25	11	43	334
Underwriting performance	(13)	(23)	73	23	(11)	(9)	(20)	20

Direct business and reinsurance accepted

Marine, aviation & transport insurance

Net earned premiums increased year on year due to this being the first full year of income under the British Marine book of business. Whilst there has been some large loss activity this is largely mitigated by group reinsurance covers and delivers a small profit.

Fire and other damage to property insurance

Strong rating environment combined with increases on prior year facility estimates drives increase in gross written premium and net earned premium. Although impacted by COVID-19, QBE Europe has a smaller exposure and with an absence of large and cat in the facilities book this drives the overall profit seen.

General liability insurance

Positive underwriting result reflects favourable gross written premiums driven by improved rating environment and new business levels. The line of business has also benefited from favourable claims experience, both attrition and large loss, combined with positive prior year development.

Casualty

Net earned premiums increased compared with prior year, driven by positive rate increases. Net claims strengthened during the year reflecting actuarial pattern reviews and some COVID-19 impact.

Property

Gross written premium improved from prior year, partly due to new business in the Dublin branch and positive rates being achieved in loss affected territories, such as Caribbean and Japanese pro-rota business for wind/flood covers.

The Ireland Branch was impacted by COVID-19 provisions. There was also an increase to provisions for the 2019 cat events plus the Beirut explosion loss in the current year.

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 11% (2019: 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 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.

Non-Life

31 December 2020 €'m	Belgium	United Kingdom	France	Spain	Italy	Ireland
Gross written premium	38	337	302	95	77	73
Net earned premium	35	253	230	83	70	60
Net claims incurred	8	85	171	53	51	29
Expenses incurred	11	86	86	26	27	21
Underwriting performance	16	82	(27)	4	(8)	10

**Direct business and reinsurance accepted*

Life

31 December 2020 €'m	Belgium	Peru	Mexico	Chile	United Kingdom	Spain
Gross written premium	20	9	7	6	5	4
Net earned premium	18	8	7	5	5	4
Net claims incurred	9	8	6	5	3	4
Expenses incurred	3	2	2	0	0	1
Underwriting performance	6	(2)	(1)	0	2	(1)

**Direct business and reinsurance accepted*

Non-Life

31 December 2019 €'m	Belgium	France	United Kingdom	Spain	Italy	Germany
Gross written premium	35	288	257	76	75	72
Net earned premium	31	216	121	67	67	61
Net claims incurred	37	134	71	54	11	8
Expenses incurred	9	87	44	23	26	20
Underwriting performance	(15)	(5)	6	(10)	30	33

**Direct business and reinsurance accepted*

Life

31 December 2019 €'m	Belgium	Peru	Chile	Spain	Colombia	Mexico
Gross written premium	14	6	5	4	3	3
Net earned premium	13	6	4	3	3	3
Net claims incurred	15	4	(3)	4	4	2
Expenses incurred	3	0	1	1	1	1
Underwriting performance	(5)	2	6	(2)	(2)	(0)

**Direct business and reinsurance accepted*

A.3 Investment Performance

A.3.1 Overview

The EO Group's investment portfolio was heavily impacted by COVID-19 related market volatility during the first half of 2020. Significantly wider credit spreads resulted in realised losses on high yield and emerging market debt whilst a fall in risk assets resulted in realised losses on developed and emerging market equities. These losses were reduced by gains on Corporate and Sovereign debt, following a fall in sovereign bond yields and materially lower global risk-free rates, as stimulatory moves by central banks to cut cash rates globally and market expectations of sustained low interest rates took hold. Credit spreads, which widened during the initial COVID-19 related market volatility, narrowed during the second half of the year as financial conditions eased and governments and central banks moved to purchase corporate credit.

Following a de-risking exercise of the investment portfolios during Q2 2020, the EO Group's investments are primarily weighted towards fixed income bonds and money market instruments, with a modest exposure to growth assets through investment in collective investment schemes that invest in infrastructure debt and infrastructure assets, unlisted property, private equity, exchange traded commodities (Gold) 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.

The EO Group follows the defined approach, risk framework and governance processes around the 'Prudent Person Principle' ('PPP') as set out in Solvency II regulation, with updates during 2020 to reflect additional requirements of the investment function per PRA SS1/20 and NBB 2016_31 (updated May 2020).

The information on investment performance below are presented under the fair value basis for the EO Group, QUK and QBE Europe.

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.

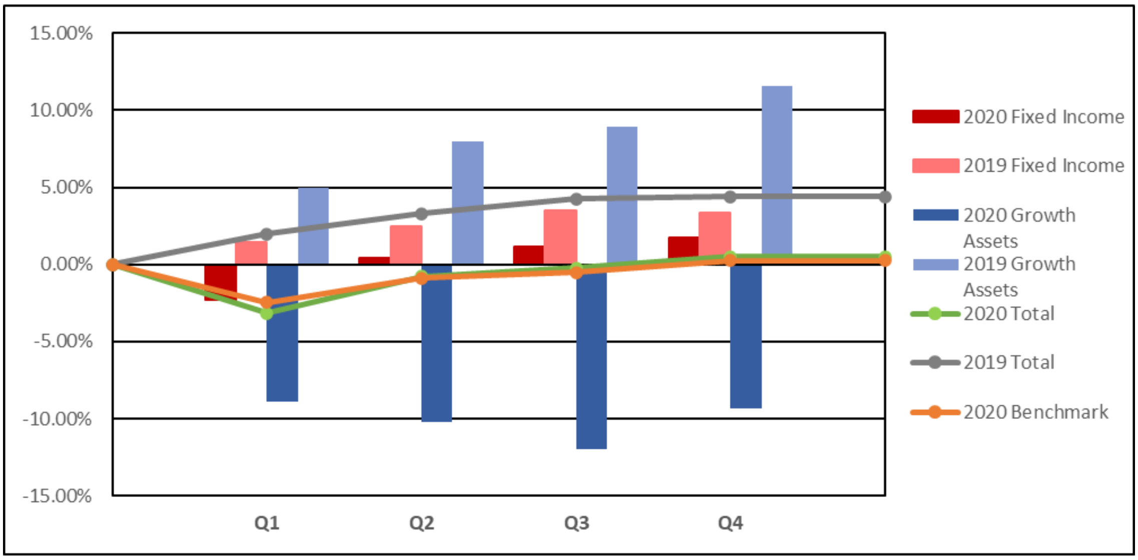
Exposure to securitisations within the EO Group's portfolio is currently comprised of Asset Backed Securities ('ABS'), Residential Mortgage Backed Securities ('RMBS') and Collateralised Loan Obligations ('CLO'). As at 31 December 2020 the exposure within the EO Group is £205m (2019: £242m), £24m (2019: £63m) in QUK and €202m (2019: €211m) in QBE Europe.

A.3.3 The EO Group investment performance

The EO Group's investment performance was significantly impacted in 2020 following the emergence of COVID-19. Major financial markets were extremely volatile during the first half of the year and whilst this eased during Q3, volatility picked up again early in the fourth quarter as uncertainty over the US election, Brexit negotiations and fears of a second wave of COVID-19 emerged. This was tempered towards the end of the year as market optimism rose amid positive vaccine news.

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 EO Group was 1.8% (2019: 3.4%), primarily driven by gains associated with falling sovereign bond yields and materially lower global risk-free rates following stimulatory moves by central banks to cut cash rates globally.

Growth asset investment return was negative -9.3% for the year (2019: 11.6%), reducing overall investment return by 1.2%. The main detractors within the EO Group investment portfolios were Emerging Market Debt (2020: -25.9%; 2019: 12.8%), Developed Market Equities (2020: -25.8%; 2019: 20.1%) and Emerging Market Equities (2020: -19.6%; 2019: 11.2%), as markets adopted a risk off tone following the emergence of COVID-19.

The total investment returns achieved for the year are set out below. The combined currency total return for the year was 0.5% (2019: 4.4%).

Investment expenses and charges were £246m for the period (2019: £155m), with the uplift from prior year including realised losses on investments in Emerging Market Debt, Developed Market Equities and High Yield Debt.

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

Yield by Asset Type	2020		2019	
	Yield (%)	Yield £'m	Yield (%)	Yield £'m
Fixed income	2.9	141.0	3.4	161.1
Equities	(25.8)	(57.2)	20.1	24.0
Infrastructure loans	3.8	2.6	3.7	3.2
Unlisted property trusts	(3.0)	(4.5)	4.3	8.0
High yield debt	(14.5)	(28.2)	9.2	6.0
Emerging market equity	(19.64)	(13.3)	11.2	12.1
Emerging market debt	(25.9)	(36.1)	12.8	10.1
Other alternatives	7.2	2.4	3.9	0.0
Infrastructure assets	0.2	0.0	13.4	12.8
Private Equity	13.7	4.7	0.0	0.0
Total investment return	**0.5**	**11.4**	**4.4**	**237.4**

The Solvency II EO Group includes QBE UK, QBE Europe and various holding and management companies. Other than QBE UK and QBE Europe, the only entity which has a material investment portfolio is QBE European Operations Plc.

Investments within QBE European Operations Plc are held in fixed income securities and money market instruments. The combined currency total return for the year was 3.2% (2019: 7.8%). Investment expenses and charges were £0.5m for the period (2019: £0.7m).

A.3.4 QUK investment performance

At 31 December 2020, QUK's investments are primarily held in fixed income securities and money market instruments, with a modest exposure to growth assets through investment funds in infrastructure debt and assets, unlisted property, private equity, exchange traded commodities (Gold) and social impact bonds.

The total investment returns achieved for the year are set out below. The combined currency total return for the year was negative -0.2% (2019: 3.9%).

Investment expenses and charges were £86m for the period (2019: £14m), with the uplift from prior year including realised losses on investments in Emerging Market Debt, Developed Market Equities and High Yield Debt.

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

Yield by Asset Type	2020		2019	
	Yield (%)	Yield £'m	Yield (%)	Yield £'m
Fixed income	2.9	70.4	2.7	61.4
Equities	(26.3)	(34.0)	17.1	14.3
Infrastructure loans	4.1	1.6	3.7	2.2
Unlisted property trusts	(2.6)	(2.1)	3.9	3.9
High yield debt	(15.9)	(17.7)	9.1	3.4
Emerging market equity	(18.5)	(8.9)	11.0	9.1
Emerging market debt	(25.7)	(19.4)	12.5	4.6
Other alternatives	7.2	0.4	4.7	0.1
Infrastructure assets	0.3	0.1	13.1	7.3
Private Equity	13.7	1.6	0.0	0.0
Total investment return	**(0.2)**	**(8.1)**	**3.9**	**106.3**

A.3.5 QBE Europe investment performance

As at 31 December 2020, QBE Europe's investments are primarily held in fixed income bonds and money market instruments, with a modest exposure to growth assets through investment funds in infrastructure debt and assets, unlisted property, private equity and exchange traded commodities (Gold).

The total investment returns achieved for the year are set out below. The combined currency total return for the year was -0.3% (2019: 3.4%).

Investment expenses and charges were €66m for the period (2019: €12m), with the uplift from prior year including realised losses on investments in Emerging Market Debt, Developed Market Equities and High Yield Debt.

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

Yield by Asset Type	2020		2019	
	Yield (%)	Yield €'m	Yield (%)	Yield €'m
Fixed income	1.5	54.1	2.1	48.0
Equities	(25.4)	(26.1)	24.5	11.1
Infrastructure loans	3.3	1.1	3.8	1.2
Unlisted property trusts	(3.4)	(2.7)	4.8	4.6
High yield debt	(14.3)	(11.8)	9.2	3.0
Emerging market equity	(21.3)	(5.0)	12.7	3.5
Emerging market debt	(26.0)	(18.8)	12.9	6.3
Other alternatives	12.9	2.3	(1.0)	(0.1)
Infrastructure assets	0.1	0.6	13.6	6.3
Private Equity	13.7	3.6	-	-
Total investment return	**(0.3)**	**(2.6)**	**3.4**	**83.9**

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.

- A number of statutory entities within the Group have entered into intercompany loan agreements as part of the Group's cash management strategy or for other general corporate purposes, see further details in section A.1.3 for material intercompany loans;
- The Group holds derivatives via QBE Strategic Capital Company Pty Ltd; and
- The Group has reinsurance arrangements with Equator Re.

Refer to section A.1.3 for other 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 on 30 Fenchurch Street, which expires in 2029. The lease expense for 2020 was £5m (2019: £5m).

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

A.5.1 COVID-19 Impact

The business continuity framework has been the EO Group's priority during these challenging times. The framework has proven resilient to the operational challenges encountered during the COVID-19 pandemic. Existing agile working practices and proven remote working technology meant that working practices transitioned smoothly to a full remote working model in all offices/locations in March 2020, whilst ensuring continuity of service to our customers and distribution partners.

There has been an increase in regulatory activity because of COVID-19 with an increase in information requests from multiple regulators, although these are now tailing off.

The evolution of COVID-19 and the extent to which the global vaccine rollout is a success, will be one of the key themes to monitor in 2021. Additional outbreaks and mutations, diminished vaccine efficacy and any future government enforced lockdowns will likely bring further economic impacts and increased volatility in financial markets.

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

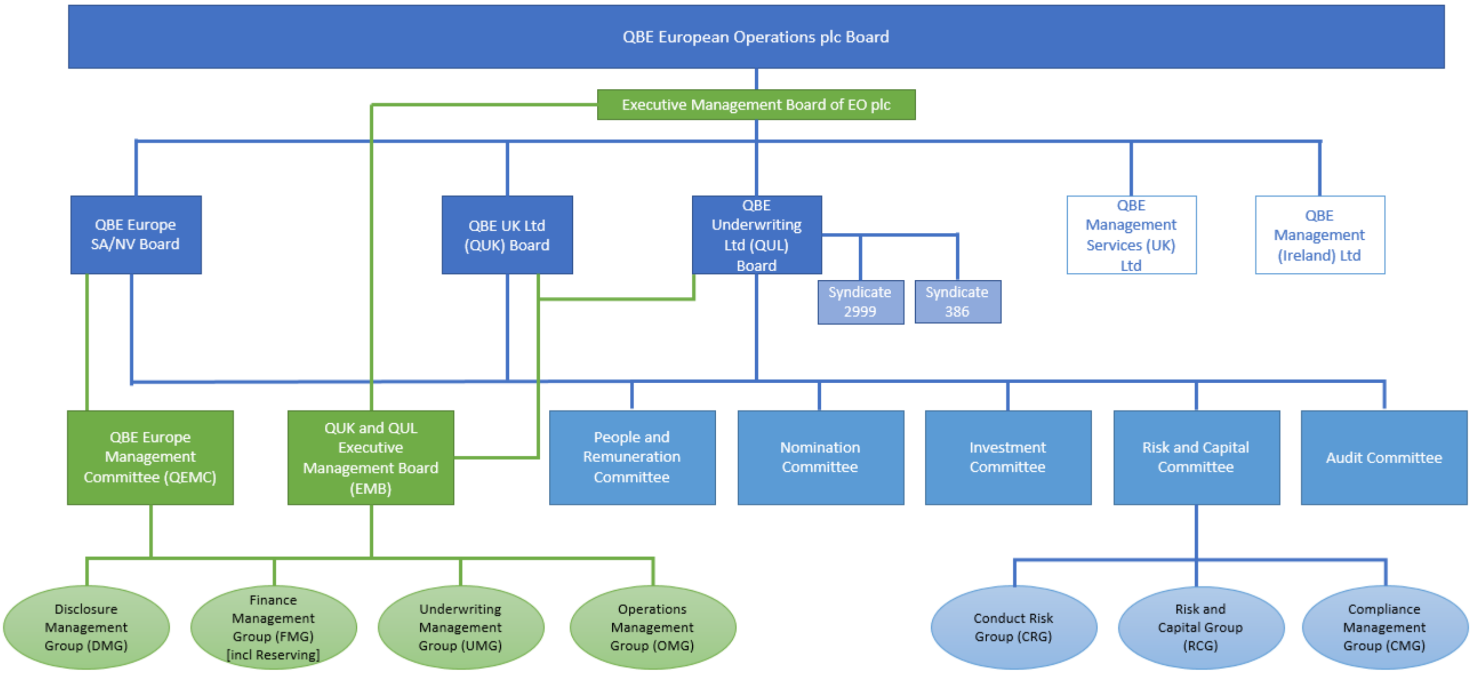
The Board charters of EO plc and its key subsidiaries state that the Board of Directors is responsible for the long-term success of the Company and its subsidiaries. The role of the Board is to provide leadership, to oversee the design and implementation of the EO Group strategy and to set a framework 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 EO Group Boards.

The role of the Chair 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 2020 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.



The Boards of the EO key Regulated Companies each have four non-executive directors, including the Chair of the Company. All non-executive directors 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 led by the Nomination Committee, succession planning is undertaken in accordance with the talent and culture objectives within the strategic priorities of both EO Group and QBE Group whilst ensuring the Board has the right balance of skills, knowledge, experience and diversity to be effective.

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 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 QBE 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 Board 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 has established a 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 Governance 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 EO Group 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 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 for each company setting out the role and responsibilities of the Board;
- Terms of Reference for each Committee and Management Group referred to above setting out the areas of responsibility of each 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 SMCR).

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;
	• Provision of reserving data and analysis;
	• Calculation of technical provisions and capital requirements; and
	• Responsible for pricing, benchmarking, portfolio analysis and support for business planning; and
	• The main roles and responsibilities of the Actuarial function are further detailed in section B.6.

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; 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 Group's governance, operations, and information systems regarding the:
	  ◦ reliability and integrity of financial and operational information;
	  ◦ compliance with laws, regulations, policies, procedures and contracts; and
	• The main roles and responsibilities of the Internal audit function are further detailed in section B.5.

Claims Management	• 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; and • Support decision making by developing and maintaining effective control reports based on the claims environment and claims activity.
Operations	• Implement change programmes related to IT outsourcing, service management, and cost savings to achieve cost, service and scalability targets; and • Execute and manage the operations strategy of the business.

Investments	• Implement and monitor the effectiveness of local investment strategies;
	• Monitor investment performance and investment risks; and
	• Oversee and monitor the effectiveness of the asset-liability strategy with respect to the matching of:
	  ◦ investment assets;
	  ◦ the liabilities generated by insurance activities.

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; and • Identify and effectively control financial risks (credit, market liquidity, commercial etc.),

Key Function	Main Roles and Responsibilities
Underwriting	• Establish and maintain a robust underwriting control framework; and • Adhere to relevant underwriting standards and best practice.
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; 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:
	  • Adheres to relevant HR standards and good practice; and
	  • Identifies and effectively controls People risks.

The four key Solvency II functions (Risk, Compliance, Actuarial and Internal Audit) all have representation at key Boards, Committees and Management 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 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 2020 review, the EO Risk team concluded that the EO Group's three lines of defence model remains appropriate and represents an effective risk governance model that contained adequate checks and balances to support appropriate consideration of risk management throughout the EO Group.

B.1.5 Remuneration

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 on a permanent or contractual basis (including any controlled entity) to the extent possible and subject to local market conditions and regulatory requirements.

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, which operates on the following fundamental principles:

- Managing risk is everyone's responsibility;
- Managing risk is integral to informed decision making;
- Effectively managing risk is a mechanism to gain competitive advantage;
- Management of risk is clearly demonstrable; and
- Managing risk drives continuous improvement.

The use of minimum corporate standards also supports the QBE risk culture in a robust and consistent manner.

QBE Group's renumeration policy's guiding principles are designed to promote robust risk management practices and are applied effectively to manage renumeration and reward across QBE Group. Those principles are:

- 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; common global remuneration design that provides flexibility to calibrate local financial targets, enabling QBE to compete in key markets;
- Motivating - at-risk reward schemes combine 'stretch' targets and performance measures linked to statutory disclosures and business plans, which improves the line of sight and leverages participant motivation; locally competitive and flexible benefits designed to provide value to the employee and QBE; and
- Shareholder aligned - achievement of QBE Group divisional targets aligned to shareholder value; delivery of equity awards with significant levels of deferral align reward arrangements to shareholder interests; executive minimum shareholding requirements further link executive interests to those of shareholders.

Further information on remuneration is available in the 'QBE Group Annual Report 2020', in section 'Remuneration Report', on pages 54 to 76 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 ('SMCR') 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 People & Renumeration and Nomination Committees that they are 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/FSMA 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;
- Verifications of any required qualifications specific to the role;
- 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 or performance. 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 Risk and Control Self-Assessment framework

QBE have introduced a Group-wide Risk and Control Self-Assessment ('RCSA') framework in December 2019, replacing the previous Risk and Control Assessment process. The RCSA process was implemented to address an action arising from our self-assessment against the APRA Risk Management Standard. This places more responsibility on each business area and it is overseen by the ERM team. This framework ensures that risks are managed at a functional level and a wider risk category level 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 annually through a risk-based approach by the ERM team and 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 "the norms of behaviour for individuals and groups within QBE that determine the collective ability to understand, openly discuss and act on QBE's current and future risk". 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 a senior member of the ERM team (normally 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 (for example through the RCSA process, overseen by the ERM team; please refer to section 8.3.3) and the Risk Function, and is also supported by the emerging risks process.

The EO Group has further established an Emerging Risk Group ('ERG'). The ERG co-ordinates the identification, assessment, monitoring, management and reporting of emerging risks applicable to EO. The ERG has a sub-group that addresses non-insurance emerging risks and collaborates with the Group Emerging Risks Forum. Emerging risks are included as a sub-category of Strategic risk, according to QBE's Group Risk Management Strategy ('RMS'). Emerging Risks can have a significant impact on QBE achieving its strategic or business objectives, but are not adequately captured within other risk classes or risk sub-classes within QBE's RMS. The ERG is attended by Subject Matter Experts ('SMEs'), who participate in knowledge sharing, identification, assessment, monitoring and management of emerging risks. The EO ERG maintains a matrix of emerging risks that is used as the basis for reporting to management on a quarterly basis via the ORSA.

B.3.10 Risk assessment

Risks (by sub-risk category) 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 Economic Capital Model) 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'.

Risks are further assessed on a functional level through the RCSA process (please refer to section 8.3.3)

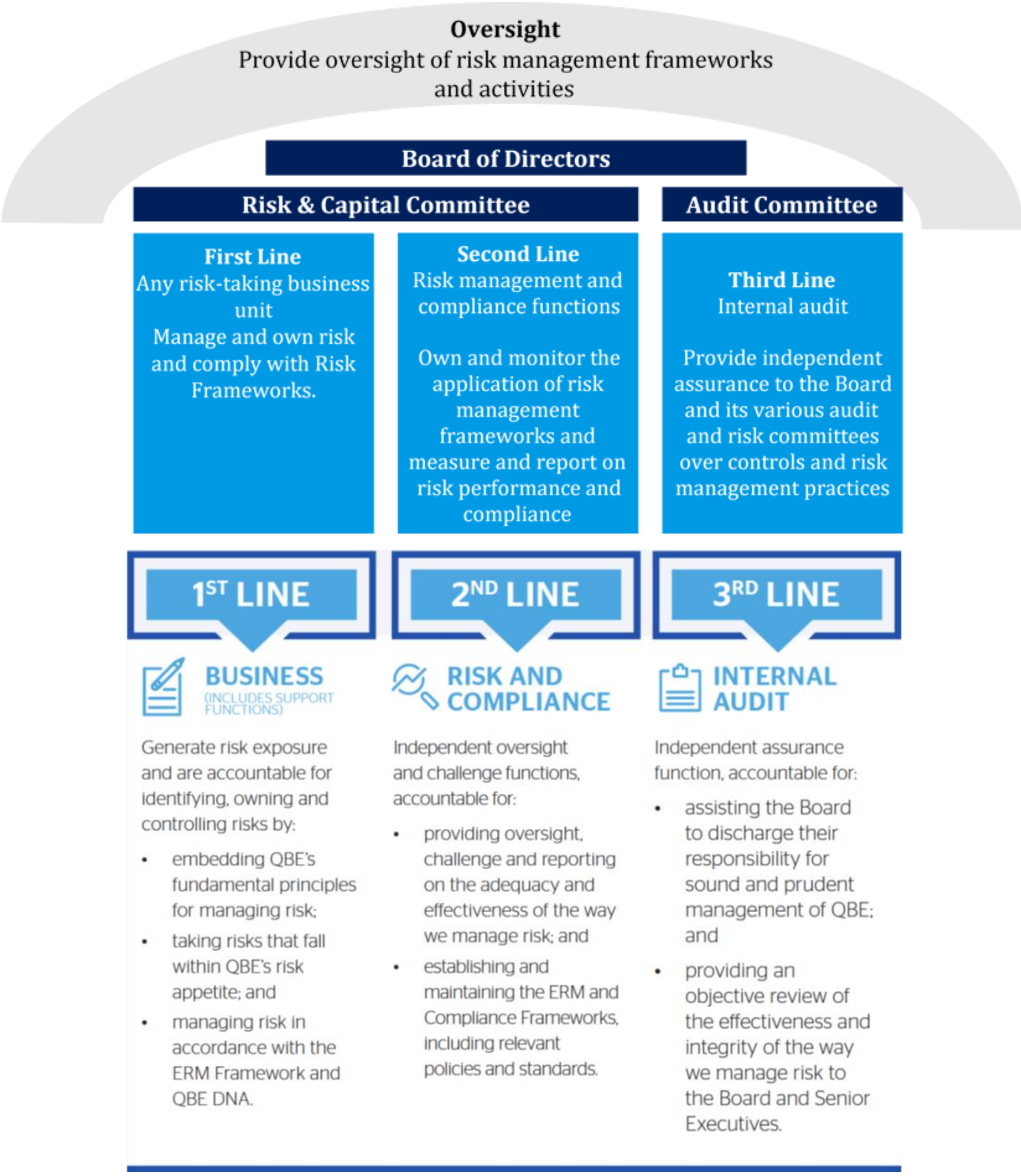
B.3.11 Risk Reporting

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 provide oversight of 1a risk management activity. Although 1b functions are not fully independent of 1a, they are one step removed from risk taking and decision making activities led by 1a 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 business 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.

A RAG rating is used to assess each business function in relation to the adequacy of design for assurance activity across the three lines of defence. Where the assurance operating model needs improvement, a designated owner is identified to ensure any remedial or business 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 and management activity. Members of the 2nd line sit on all relevant Committees and Management Groups established by the EO Group Board, and attend additional working groups and steering committees as appropriate to deliver oversight and challenge across the spectrum of business activity.

The EO Group's three lines of defence model provides an effective risk governance framework in which roles and responsibilities for risk management are clearly defined throughout the EO Group and its regulated subsidiaries. It also 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.

From the November 2020 review, the EO Risk team concluded that EO Group's three lines of defence model remains appropriate and represents an effective risk governance model that contains adequate checks and balances to support appropriate consideration of risk management throughout the EO Group.

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. A separate ORSA report for QBE Europe is 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.

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 Strategy (for example through use for business planning / business plan stress testing);
  - 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 including the *Regulation on the internal control system and the internal audit function* of 19 May 2015 which states that "Each institution must have an internal control system appropriate to its activities or planned activities, taking into account the nature, size and complexity of these activities and the associated risks".

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 (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;
- Monitoring, assessing and reporting regularly on regulatory risks (via the established Insight Risk Management platform); 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". Individual member's knowledge, experience and competency are 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 and/or internal requirements (Compliance Risk);
- Improper business practice (Operational Risk); and
- Internal and/or external fraud (Operational Risk).

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 and incident reporting process as part of the wider Risk Management framework which includes 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; and
- Review of Compliance breach and incident reports.

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;
- Assessing the conduct risk inherent in the Group's products and distribution methods and whether mitigating controls and oversight are appropriate;
- Designing and providing effective management information around conduct risk within the EO Group; and
- Reporting to the RCC on the design and effectiveness of the EO Group's conduct risk framework.

B.5 Internal audit function

B.5.1 Overview

QBE Group Internal Audit ('GIA') is a group-wide function, in which divisional internal audit teams operate on a globally integrated basis. The QBE Group Head of Internal Audit is responsible for the function, which operates under a written charter from the Group Board Audit Committee.

The primary role of GIA is to assist the Board of Directors and senior management by providing independent assurance that the design and operation of the controls across the QBE Group are effective. The scope of internal audit is regularly reviewed by the Audit Committee.

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 audit responsibilities and ensure the application of due professional care which is expected of a reasonably prudent and competent internal auditor.

B.5.2 Independence

GIA maintains its independence through having 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 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.

In support of all primary activities, and to provide additional assurance in the completeness, appropriateness and accuracy of all data inputs 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.

All departments that form the Actuarial Function are subject to regular internal audits to ensure that the appropriate governance and processes are followed in their operation. External actuaries are contracted annually to provide an independent reserve review on a central estimate basis. The results are compared to the EO Group reserve results and differences discussed. Major differences are 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 Boards approved the QBE Group Outsourcing Policy in July 2020 in place of the previous EO Group Outsourcing Policy. The Policy is regularly reviewed (with input from the EO Group on any required content changes) and updated where appropriate. The policy details the QBE 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.

The Policy is supported by an approach document which details how the requirements of the QBE Group policy are implemented within the EO Group. Collectively these documents establish 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 asserts QBE Group's comment to "managing any risks associated with outsourcing through appropriate systems and controls: and "ensuring compliance with regulatory requirements", stating that outsourcing should only be undertaken where:

- it does not significantly increase our risk exposure;
- ensures we remain in line with the relevant Group risk appetite; and

- it supports QBE’s strategic objectives and business plans.

The Policy and supporting approaching document also establish obligations around the periodic review of all outsourced arrangements, which will differ according to the nature, scale and scope of those arrangements. The documents collectively require 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’), reporting to the OMG, oversees both the practical application of the policy within the EO Group 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 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. Focussed support is provided to the OMG in this regard by the OWG. 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 strength, business reputation, internal control environment, ability to perform the necessary functions and the experience and technical competence of the Company and its employees. The Group Outsourcing Policy requires that such outsourced arrangements must also be monitored on an ongoing 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 QBE Group Outsourcing Policy and supporting EO Group Approach:

- 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 EO 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 Group. 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 Boards 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 Outsourcing Policy 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

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

Section C: Risk profile

The EO Group's internal risk profile has remained predominantly stable throughout 2020, however, the external risk profile deteriorated as a result of COVID-19, which remained a continuous key risk to the EO Group operations throughout the year. This was followed by the uncertainty surrounding the FCA Test case and ruling. Associated risks and the longer-term impacts on the economy have also been managed through ongoing management action plans, particularly in relation to capital planning, resilience in the EO Group's operating environment and rebalancing of investments.

The main internal risk which remained high on the EO Group's risk profile included Information Technology Governance and Security / Cyber risk remained 'High' but 'Stable' and 'Improving' throughout the year. The provision of IT services is outsourced from the EO Group to QBE Group IT and a formal set of service outcomes exist and are closely monitored by the EO Group Operations. All other internal risks across 2020 have remained stable.

Key external risks included COVID-19, which was the most significant risk to face QBE in the second half of 2020 and remains 'High' and 'Uncertain'.

In addition, the risk around the ongoing competitive market environment adversely impacts the EO Group's ability to achieve its ROE targets improved throughout the year as the positive rate environment continued to strengthen into the second half of 2020. Economic and political uncertainty remained 'High' throughout 2020, 'Deteriorating' at the start of the year due to the initial market shock in April due to COVID-19, then stabilising in the second part of the year.

There has been an increase in regulatory activity because of COVID-19 with an increase in information requests from multiple regulators, although these are now tailing off.

The EO Group's Chief Risk Officer ('CRO') is accountable for the FRCC under the Senior Managers Regime, and the EO Group has submitted its Board-approved Supervisory Statement 3/19 ('SS 3/19') Roadmap to meet the requirements of the statement to the PRA. Progress has been made in 2020 towards meeting the requirements of SS 3/19 alongside the QBE Group's overall climate framework. 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 Boards.

The EO Group remains 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 QBE Group and external stakeholders.

The EO Group further improved its risk mitigation techniques with the first group wide Risk Control Self Assessments ('RCSAs') being rolled out in 2020. The EO Group has developed a risk and control template with the QBE Group Risk Insight Operations ('RIO') team to ensure all RCSAs can be efficiently uploaded into the new Insight system.

In October 2020, the new Insight Issues and Incidents ('I&I') modules went live. The business has now moved from using INFORM to Insight for issues and incidents reporting. This will allow the EO Group to better manage risk and drive continuous improvement by understanding its risk exposures, identifying the root causes and proactively improving the control environment.

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.

Risk Components under Internal Model	EO Group (£'m)		QUK (£'m)		QBE EU (€'m)	
	2020	2019	2020	2019	2020	2019
Market risk	329	305	152	174	230	183
Counterparty Default risk	120	60	37	32	112	33
Non-life underwriting risk	1,139	1,125	559	675	852	635
Operational risk	120	139	50	71	83	75
Pension risk	98	179	-	-	4	6
Capital adjustments	53	98	(1)	28	-	47
Total undiversified components	**1,859**	**1,906**	**797**	**980**	**1,281**	**979**
Diversification	(487)	(644)	(191)	(288)	(344)	(297)
Solvency capital requirement	**1,372**	**1,262**	**606**	**692**	**937**	**682**

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 2020, 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, including for COVID-19. 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 assess 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 claim distributions from the underwriting risk section of the model and are modelled separately for attritional, large and cat claim types.

C.2 Market risk

Description

The QBE Group defines market risk as the risk of adverse impacts on earnings resulting from changes in market factors. Market factors include but are not limited to: interest rates, credit spreads, foreign exchange rates 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 average duration of the fixed income portfolio, around three years, is usually less than the duration of net technical liabilities. 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 and modelling of market risks to ensure this is fit for purpose for the companies within the EO Group. An assessment of the suitability of the ESG was completed in December 2020. This assessment concluded that the Market risk methodology, parameters, documentation, appropriateness of data and associated governance meet the appropriate regulatory requirements for each legal entity.

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 RCC and the EO Investment Committee ('EOIC'), both Committees of the Boards, on a quarterly basis.

Risk mitigation

See section C.2.2 below.

Risk Concentration

Concentration risks are managed through adherence to the EO Group's investment guidelines, which are designed to encourage diversification and prevent excessive exposure concentrations, for example in terms of sector. Counterparty exposures are managed through counterparty limits and monitored and reported to the EOIC via the Credit Risk dashboard.

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, with updates during 2020 to reflect additional requirements of PRA SS 1/20 and NBB 2016 31 (updated May 2020). 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;
- 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;
- That the intention and effectiveness of any derivative instruments used within the portfolio are documented and reported upon;
- That the characteristics and valuation methodology, including levels of valuation uncertainty within new products and instruments are assessed prior to approval of the new products and instruments;
- That any valuation uncertainty within the portfolio is understood and monitored; and
- That QBE EO has internal capability to evaluate credit risk of the portfolio.

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 and credit 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 QBE 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 permitted within the investment portfolio 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 QBE 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 (2019: A). Approximately 83.4% (2019: 79.3%) of the EO Group, 78.2% (2019: 94.2%) of QUK and 83.4% (2019: 90.2%) 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 caused adverse changes in discount on technical liabilities. EO investments have been rebalanced to reduce overall risk from allocations to growth assets and enhanced fixed income, to manage future volatility. This has reduced EO exposure to volatility.

C.2.2.3 Asset Liability Management

The EO Group’s current investment strategy is to hold shorter duration assets compared to average net technical 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 EO 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 EO 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 permitted to be used for risk reduction purposes or for efficient portfolio management within the investment portfolio, to manage 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 portfolio. 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.

Separate to derivative usage within the investment portfolio, foreign exchange derivatives are permitted to be used to mitigate operational foreign exchange gains and losses. Foreign exchange derivatives may be used to hedge residual foreign exchange exposure to monetary net asset positions. The effectiveness of the foreign exchange derivatives mitigating foreign exchange gains and losses is included in the CFO FX memo submitted to the FMG on a quarterly basis.

C.2.2.5 Foreign Exchange

The largest unhedged foreign currency exposure at 31 December 2020 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 identify, validate and instruct hedge adjustments, in order to hedge the residual exposure to foreign currencies.

A report on the foreign exchange impact on the EO Group is provided to 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. The report also describes 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 exposures are monitored quarterly against Risk Appetite Statements ('RASs') that apply to the EO Group's legal entities and are reported on a quarterly basis, through the ORSA and the Group Risk Dashboard (please also refer to section C.6.1 below). Further details of collateral amounts posted in favour of the EO Group are shown in the following section.

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: £183m (2019: £123m);
  - QUK: £177m (2019: £106m);
  - QBE Europe: €7m (2019: €20m);
- An annual review of Equator Re's financial performance by the Risk team, reported to the RCC;
- 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 by QBE Group's Group Security Committee 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
- EO Finance Team perform monthly monitoring of exposure to investment counterparties against limits set out in the QBE Group Investment and Regulatory Guidelines, in addition to QBE Group Investment pre- and post-trade compliance processes.

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, as described under the Exposure Management section above. Risk concentration regarding external reinsurers is mitigated by the GSC on behalf of the EO Group, through application of approved criteria for placing reinsurance with highly rated reinsurance counterparties.

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. There is also a link applied between reserve deteriorations and the downgrade/default probabilities, making it more likely for reinsurers to downgrade/default when there are large reserve deteriorations.

As at 31 December 2020, 63.0% (2019: 66.6%) of the EO Group reinsurers’ share of claims outstanding was with QBE Group’s captive reinsurer Equator Re and 91.1% (2019: 94.6%) 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 2020 the EO Group held £460m of letters of credit (2019: £399m) as collateral against credit risk.

As at 31 December 2020, 62.5% (2019: 65.8%) of QUK reinsurers’ share of claims outstanding was with QBE Group’s captive reinsurer Equator Re and 89.4% (2019: 95.2%) 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 2020 QUK held £425m of letters of credit (2019: £363m) as collateral against credit risk.

As at 31 December 2020, 65.0% (2019: 74.8%) of QBE Europe reinsurers’ share of claims outstanding was with QBE Group’s captive reinsurer Equator Re and 93.2% (2019: 86.5%) 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 2020 QBE Europe held €37m of letters of credit (2019: €22m) 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 not being able to meet QBE Group's financial obligations to policyholders and creditors when they fall due, or only being able to do so at excessive cost.

Exposure measurement

The most likely causes of liquidity risk arise from shortfalls in liquid assets when liabilities are required to be paid. The EO Group ensures that sufficient unencumbered investments are held in liquid securities to ensure that there are funds available to meet obligations to policyholders and other creditors, as they fall due.

Risk Appetite Statements, approved and owned by the Board, are in place to ensure that minimum levels of eligible available assets are maintained at all times to meet remote but plausible stressed cash outflows. According to EO Group's Liquidity RAS, a minimum percentage of liabilities must be maintained in liquid assets. These apply to EO Group's individual legal entities and reporting of coverage is made on a regular basis, as well as quarterly through the ORSA. Typically, free assets are substantially higher than the minima RAS requirements and liquidity risk is considered to be low.

In addition, a Liquidity risk dashboard is reported to EO Group's Finance Management Group ('FMG') on a regular basis. This dashboard reports liquidity metrics for each legal entity. In addition, key risk indicators, key concerns, cash-flow forecasts, risk mitigation options and details of the control environment for liquidity are also reported in this dashboard and reviewed by the FMG.

At 31 December 2020, the average duration of cash and fixed interest securities was 2.7 years (2019: 2.8 years) for the EO Group, 2.8 years (2019: 2.9 years) for QUK and 3.2 years (2019: 3.3 years) for QBE Europe.

Within the ECM, 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.

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, investments and reporting quarterly against the RASs approved by the EO Board;
- Reporting the results of liquidity stress tests to the FMG via the Liquidity risk dashboard;
- Regular liquidity risk stress and scenario testing; and
- Implementation of the EO Group's Liquidity Contingency Plan, which details options available to the EO Group to access alternative funding in the event of remote Liquidity events.

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:	£190m (2019: £175m)
QUK:	£42m (2019: £43m)
QBE Europe:	€166m (2019: €156m)

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". From an exposure management perspective (as set out in the section below), 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 EO Group recognises that certain operational risks are unavoidable and arise from various areas across the business. The EO 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 EO 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 EO Group uses several key processes to monitor operational risk, as follows:

Risk and control self-assessments

QBE have introduced a Group-wide Risk and Control Self-Assessment (‘RCSA’) framework in December 2019, replacing the previous Risk and Control Assessment process. The RCSA process was 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 it is overseen by the ERM team. This framework ensures that risks are managed at a functional level and a wider risk category level 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 ERM team on an annual basis and verified through Internal Audit testing.

Key risk indicators (‘KRI’s)

The EO Group monitors its risk through KRIs, defined as “a tool to measure risk across QBE, providing early warning signs when levels of risk are changing (both positively and negatively)”. They are the common metrics agreed and used by all Divisions across the QBE Group to flag changing risk exposure.

Incidents

The RCSA process identifies expected operational risks. The incident process applies to operational risks that have materialised as incidents, which are defined as “an operational breakdown that arises from an inadequate or failed internal process, people or systems, or from an external event, that leads to financial impacts and/or non-financial impacts.

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 incident 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 or gaps 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 (such as COVID-19); 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

The EO Group defines Group risk as the risk to a Division arising specifically from being part of the wider QBE Group, including financial impact and loss of support from the parent company; coupled with operating in the Lloyd's Market. 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 the most significant group risks within the Group and, in aggregate, representative of the overall group risk.

- A group company conducts business unlicensed/in breach of conduct rules in the name of another group company;
- Action taken in another division of QBE Group causes S&P to issue a one notch downgrade, from A+ to A; 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 similarly 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 EO Group bears the economic and demographic risks associated with these schemes.

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

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 Secura NV 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 UK and Irish 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 2020 full actuarial valuations were completed for the JG and ITIC schemes, based on data to 31 December 2019, with no specific funding required for either scheme. The QMIL scheme will complete its full actuarial valuation during 2021, based on data to 31 December 2020.

Actuarial estimates of the Secura NV scheme are completed each year end.

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 for under a 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

The EO Group defines strategic risk as "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 risk management is a relatively new part of the QBE Group's Risk Management Framework and is subject to further development and implementation in the EO Group. Our approach to managing ESG risks is guided by QBE Group's sustainability commitments and memberships, and by our aim to play an active role in managing environmental and social risks, by pursuing the following objectives:

- Building resilience for our customers and communities;
- Investing towards a net-zero economy;
- Strategically integrating climate change risks and opportunities;
- Aligning our business operations and people to reduce our footprint and support climate action; and
- Being transparent about our governance and performance.

The QBE Group seeks to operationalise the Environment and Social Risk Framework through the QBE Group Underwriting Standards and the Responsible Investments Guidelines.

The EO Group, as part of the QBE Group, recognises the material risk that climate change poses to its business and is committed to embedding climate-related risks and opportunities in decision making.
Climate change is a material financial risk in and of itself, and it can also act as a risk multiplier. For example, prolonged droughts combined with stronger winds are making bushfires in Australia and wildfires in California, and elsewhere, more intense. Coastal windstorms, together with increasing sea levels, may multiply the scale and intensity of damage within a coastal region. Equally, the past may no longer be a good guide to the future; risk models based on historic experience need to be adjusted to allow for the impact of climate change over time.

This represents a challenge where the EO Group and the QBE Group provide cover for physical loss or damage to assets. It also increases the potential for third party injury and/or damage. Given this, the QBE Group has invested in scenario analysis to assess the potential impacts of climate change from physical, liability and transition risk perspectives. This analysis is supporting our responses to climate change, for example through the implementation of underwriting strategy and business planning, and by informing our risk appetite.

On 1 July 2020, the PRA's 'Dear CEO' letter to the EO Group stated that firms should have embedded their approaches to managing climate-related financial risks by the end of 2021. In summary, the PRA's requirements, which are set out in Supervisory Statement 3/19 ('SS 3/19') on the Financial Risks from Climate Change ('FRCC'), are for firms to:

- embed the consideration of the FRCC in their governance arrangements;
- incorporate the FRCC into existing financial risk management practice;
- use (long-term) scenario analysis to inform strategy setting and risk assessment and identification; and
- develop an approach to disclosure on the FRCC.

The EO's Chief Risk Officer ('CRO') is accountable for the FRCC under the Senior Managers Regime, and the EO Group has submitted its Board-approved SS 3/19 Roadmap to meet the requirements of the statement to the PRA. Progress has been made in 2020 towards meeting the requirements of SS 3/19 alongside the QBE Group's overall climate framework. 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.

The QBE Group, including the EO Group, continues to support the objectives of the Paris Agreement and the Task Force on Climate-related Financial Disclosures ('TCFD') recommendations. The QBE Group's climate governance framework clearly defines the roles and responsibilities for effective oversight and management of climate-related risks and opportunities at the Group Board and senior management levels. The Group Board Risk and Capital Committee and the Executive Non-Financial Risk Committee receive regular reports on ESG issues, including climate change. There are several working groups that focus on physical, transition and liability risk analysis. These groups comprise representatives from various relevant functions including underwriting, finance, investment, risk, legal and claims. QBE Group also prepares a sustainability report which is available from the Group website.

The EO Group remains 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 QBE Group 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	UW Risk	Reduced premium rates to 10% lower than expected	11%	9%	12%
2	Correlation	Increase all cross risk dependencies by 5%	10%	8%	7%
3	Correlation	Strengthen tail dependence (decrease degrees of freedom to 4)	8%	8%	8%
4	Risk emergence	Increase reserve risk emergence by 10%	6%	8%	8%
5	Reserve Risk	Increase earned reserve risk CoV by 10% for all classes	5%	7%	7%
6	Correlation	Reduce tail of reserve risk distribution	(5%)	(5%)	(5%)
7	Market Risk	Reduce assumed investment returns by 1%	3%	4%	3%
8	Risk Margin	Shorten capital run off pattern within Risk Margin calculation	(2%)	(1%)	(3%)
9	Credit risk	Increase probability of reinsurance downgrade/default probability by using prudent A.M.Best impairment rates.	(2%)	(3%)	(3%)
10	UW Risk	Increase volatility of attritional claims by 10%	1%	1%	1%

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.

Section D: Valuation for Solvency Purposes

D.1 Assets

The difference between the Solvency II balance sheet and the financial statement balance sheet arises due to consolidation, valuation and presentational differences.

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.

Consolidation differences

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 proforma consolidated EO Group IFRS values that are used for reporting to QBE Group. QUK and QBE Europe report on a UK GAAP and Belgium ('BE') GAAP basis respectively and the financial statement information presented below is taken from the audited financial statements. The UK and BE GAAP figures are presented in the SII balance sheet format where possible and therefore do not directly correspond to the line items in the respective financial statements.

The SII balance sheet for the EO Group has been prepared using method 1. The key difference between the consolidation approach under SII and IFRS is that "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' gross of intra-group transactions on the EO Group SII 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.

Valuation and presentational differences

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.

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

D.1.1 The EO Group

The EO Group held total assets of £9,104m (2019: £7,941m) and total liabilities of £7,589m (2019: £6,596m) at 31 December 2020 valued on a Solvency II basis. The table below shows a split of assets by summarised asset and liability classes.

Solvency II Balance sheet items[1] (£'m)	IFRS	Consolidation scope differences[2]	Presentational and reclassification differences	Valuation differences	SII
Goodwill, intangible assets and DAC	692	(255)	-	(437)	-
Investment assets	8,819	(2,334)	(29)	-	6,456
Holding in related undertakings, including participations	-	15	-	-	15
Cash and cash equivalents and deposits other than cash equivalents	267	(183)	89	-	173
Reinsurance recoverable (reinsurers' share of technical provisions)	2,776	(1,185)	-	(300)	1,291
Receivables (trade, not insurance)	282	(105)	(29)	-	148
Deferred tax assets	46	(19)	-	30	57
Any other assets[3]	1,746	(621)	-	(161)	964
Total assets	**14,628**	**(4,687)**	**31**	**(868)**	**9,104**
Technical provisions	10,538	(4,288)	-	(582)	5,668
Insurance and intermediaries payables	243	(91)	(12)	(7)	133
Reinsurance payables	353	(194)	12	(10)	161
Payables (trade, not insurance)	1,636	(1,208)	-	-	428
Subordinated debt	-	1,065	-	-	1,065
Any other liabilities[4]	107	(4)	31	-	134
Total liabilities	**12,877**	**(4,720)**	**31**	**(599)**	**7,589**
Excess of assets over liabilities	**1,751**	**33**	**-**	**(269)**	**1,514**

[1]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.

[2]Difference which mainly 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.

[3] Any other assets include pension benefit surplus, deposits to cedants, insurance and intermediaries receivables and reinsurance receivables.

[4] Any other liabilities include pension benefit obligations, deposits from reinsurers and deferred tax liabilities.

D.1.2 QUK

QUK held total assets of £3,989m (2019: £3,991m) and total liabilities of £3,057m (2019: £3,071m) at 31 December 2020 valued on a Solvency II basis. The table below shows the split of assets by summarised asset class.

Solvency II Balance sheet items[1] (£'m)	UK GAAP	Presentational and reclassification differences	Valuation differences	SII
Goodwill, intangible assets and DAC	102	-	(102)	-
Investment assets	2,533	73	-	2,606
Cash and cash equivalents and deposits other than cash equivalents	127	1	-	128
Reinsurance recoverable (reinsurers' share of technical provisions)	1,101	-	(189)	912
Receivables (trade, not insurance)	119	(49)	-	70
Deferred tax assets	-	-	6	6
Any other assets[2]	375	(14)	(94)	267
Total assets	**4,357**	**11**	**(379)**	**3,989**
Technical provisions	2,984	-	(247)	2,737
Insurance and intermediaries payables	207	-	(8)	199
Reinsurance payables	132	-	(92)	40
Payables (trade, not insurance)	68	1	1	70
Any other liabilities[3]	5	10	(4)	11
Total liabilities	**3,396**	**11**	**(350)**	**3,057**
Excess of assets over liabilities	**961**	**-**	**(29)**	**932**

[1]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.

[2] Any other assets include deposits to cedants, insurance and intermediaries receivables and reinsurance receivables.
[3] Any other liabilities include deferred tax liabilities.

D.1.3 QBE Europe

QBE Europe held total assets of €4,819m (2019: €3,743m) and total liabilities of €3,750m (2019: €2,974m) at 31 December 2020 valued on a Solvency II basis. The table below shows the split of assets by summarised asset class.

Solvency II Balance sheet items[1] (€'m)	BE GAAP	Presentational and reclassification differences	Valuation differences	SII
Investment assets	3,685	77	35	3,797
Cash and cash equivalents and deposits other than cash equivalents	48	(12)	-	36
Reinsurance recoverable (reinsurers' share of technical provisions)	563	-	(138)	425
Receivables (trade, not insurance)	51	0	(22)	29
Deferred tax assets	0	0	9	9
Any other assets[2]	963	(53)	(387)	523
Total assets	**5,310**	**12**	**(504)**	**4,819**
Technical provisions	3,589	-	(309)	3,280
Insurance and intermediaries payables	36	-	(26)	10
Reinsurance payables	239	-	(104)	135
Payables (trade, not insurance)	27	12	6	45
Subordinated debt	200	-	-	200
Any other liabilities[3]	37	-	43	80
Total liabilities	**4,128**	**12**	**(390)**	**3,750**
Excess of assets over liabilities	**1,182**	**-**	**(114)**	**1,068**

[1]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.

[2] Any other assets include deposits to cedants, insurance and intermediaries receivables and reinsurance receivables.

[3] Any other liabilities include deferred tax liabilities.

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. No goodwill has been recognised for QUK and QBE Europe for year ended 31 December 2020 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 with all other intangible assets described above where it cannot be separately sold. Cashflows related to future acquisition costs are included in the calculation of technical provisions.
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.
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. Money market instruments (accumulating certificates of deposit, and discounted securities) are valued using an external pricing source. Where a market quote is not available, a mark to model using market-based inputs is used where possible.
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.
Derivatives	Derivatives are carried on a fair value basis under Solvency II, IFRS, UK GAAP and BE GAAP.
Loans and mortgages	Loans and mortgages are fair valued under Solvency II, IFRS and UK GAAP using a mark to model valuation technique. Under BE GAAP an amortised cost basis is used. Where observable market prices are not readily available for infrastructure loans, the market prices provided by fund managers are used, albeit delayed. 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.

Balance sheet item	IFRS/UK GAAP/BE GAAP valuation basis and comparison with Solvency II valuation basis and assumptions
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 "due" or "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.

D.2 Technical provisions

D.2.1 Definition of technical provisions[1]

The Group's Solvency II technical provisions amounted to £4,377m at 31 December 2020 (2019: £4,004m), after adjusting for the reinsurance recoverable amount. The IFRS technical provisions at 31 December 2020 were £7,762m (2019: £6,989m). Of the £3,385m difference between IFRS and Solvency II, £3,103m relates to Lloyds participations.

The QUK Solvency II technical provisions amounted to £1,826m at 31 December 2020 (2019: £2,063m), after adjusting for the reinsurance recoverable amount. The technical provisions balance in the UK GAAP financial statements at 31 December 2020 were £1,883m (2019: £1,925m).

The QBE Europe Solvency II technical provisions amounted to €2,855m at 31 December 2020 (2019: €2,293m), after adjusting for the reinsurance recoverable amount. The technical provisions balance in the BE GAAP financial statements at 31 December 2020 were €3,026m (2019: €2,368m).

[1] Any references to the Risk Margin are unaudited as it is derived from the Solvency Capital Requirement prepared under an approved Internal Model which is also outside the scope of the audit.

Line of business	QUK (£'m)			QBE Europe (€'m)		
	Best estimate	Risk Margin (unaudited)	Total TPs	Best estimate	Risk Margin (unaudited)	Total TPs
Motor vehicle liability	411	25	435	84	10	94
Fire and property damage	194	9	204	257	18	275
General Liability insurance	722	69	792	914	90	1,004
Non-proportional casualty reinsurance	145	32	177	677	146	823
Other non-life obligations	149	10	159	442	69	512
Total Non-Life obligations	**1,622**	**145**	**1,767**	**2,375**	**334**	**2,709**
Life obligations	52	7	58	126	21	147
Total Obligations	**1,673**	**152**	**1,826**	**2,500**	**355**	**2,855**

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 allow for 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 with allowance for the recessionary impact of COVID-19 on the economy;
- 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 cashflow 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 £'m	QUK: UK GAAP £'m	QBE Europe: BE GAAP €'m
Total TPs – Statutory basis*	4,376	1,781	3,026
Removal of UPR, DAC and GAAP Reserve Margin	(1,103)	(468)	(830)
Addition of SII Future Premium, future claims costs, expenses, ENIDs and discounting	633	361	304
Risk Margin	470	152	355
Total TPs – Solvency II basis	**4,376**	**1,826**	**2,855**

*The Group statutory technical provisions of £4,376m is arrived at by taking the net technical provisions of £7,761m per the IFRS balance sheet and adjusting for the removal of Lloyds participations of £3,103m, local GAAP statutory adjustments, DAC and discounting.

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

There were material changes to the SII technical provision methodology during the year as follows:

- The Risk Margin methodology was amended in two areas:
  - Payment patterns were revised to better reflect the run-off patterns; and
  - The capital run off pattern was revised to better reflect the run-off of the reserves it supports.
- For Periodic Payment Orders ('PPOs'), the approach to discounting was refined to better reflect the current inflation and yield curve environments.

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 for these items.

D.2.6 Uncertainty in Technical Provisions[2]

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

The estimation of unreported claims is generally subject to a greater degree of uncertainty than the estimate on of settlement costs for reported claims, where more information about the claims is usually

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

available. Furthermore, liability and other long tail classes of business, where claims settlement may not happen for many years after the event giving rise to the claim, typically display greater variability between initial estimates and final settlement due to delays in reporting claims and uncertainty in respect of court awards and future claims inflation.

Some of the main uncertainties are listed below:

- The impact of COVID-19 on estimates of past and future insurance claims;
- Claim cost inflation, in particular for classes of business with long terms to settlement;
- General levels of future new claim notifications which could differ from historical experience;
- 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;
- 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], Volatility adjustment[4], Transitional risk-free interest rate term structure[5] and Transitional deductions

The EO Group does not apply any matching adjustments, volatility adjustments, transitional adjustments or transitional deductions.

D.2.8 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

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

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

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.

See D.1.1 – 3 for the liabilities of EO Group, QUK and QBE Europe.

D.3.2 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
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 to exclude 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 to exclude 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.
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/liabilities 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.3.3 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.

D.3.4 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. Refer to section C.6.2 Pension Risks.

D.3.5 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.2.6 Uncertainty in Technical Provisions. 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.3.6 Taxation

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.

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 QBE 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 QBE Europe SA/NV business, so management has referred to the history of the branches in the old structure together with an assessment of predicted future profits.

D.4 Alternative methods for valuation

Where quoted prices of the same or similar assets are not available at year end, there is a greater valuation uncertainty. For unquoted assets they are fair valued using models and observable inputs are used where they are available. The valuation methods used are based upon QBE Group's Valuation Standard which governs the valuation of investment assets throughout QBE Group. The Group's Revaluation Committee is responsible for overseeing the valuation of investment assets through approval of valuation methodologies and the source of independent valuation including pricing vendors and external fund managers. The Group's Revaluation Committee also reviews and approves significant judgments related to fair value measurements of investment assets.

D.4.1 Infrastructure Debt

The fair value of infrastructure debt is based on the following hierarchy, in accordance with QBE Group's Valuation Standard:

1. Quoted prices – Fair value measurements based on quoted prices (unadjusted) in active markets for identical instruments that the entity can access at the measurement date sourced from independent pricing vendors. Typically, there is no active market for infrastructure debt investments.

2. Observable inputs – Fair value measurements based on valuation techniques that use inputs other than quoted prices included in Level 1 that are observable for the financial instrument, either directly or indirectly. Where possible, infrastructure debt valuation is sourced from external pricing vendors based on market-based valuation approach.

3. Unobservable inputs – Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3. In the absence of independent valuation sourced from recognised pricing vendors, the discounted cash flow model is used by the external fund manager to estimate fair values of infrastructure debt assets. Significant unobservable inputs include project future cash flows and the discount rates which are calculated by incorporating, as appropriate, market observable data, including leverage loan indices, government bond yields and corporate debt metrics.

As at 31 December 2020, £20m of infrastructure debt (2019: £41m) in QUK and €23m (2019: €34m) in QBE Europe were valued under alternative valuation method ('AVM'), i.e. discounted cash flow method.

D.4.2 Short term treasury bonds

Short term treasury bonds are valued using quoted market prices where possible. Where a quoted price is not available, a modelled price based on observable inputs will be used. As at 31 December 2020, £53m of UK and US treasury bonds (2019: £12m) in QUK and €17m (2019: €40m) 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 2020, £199m (2019: £7m) in the EO Group, £110m (2019: £0.4m) in QUK and €85m (2019: €2m) in QBE Europe of money market instruments were valued under QMPS.

D.4.4 Unlisted property trusts and other funds

The fair value of unlisted property trusts and other funds 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 and other funds is considered to be immaterial. Experience of those assets valued using alternative valuation methods is that the valuations have been materially correct.

As at 31 December 2020, the EO Group has investment in unlisted property trusts of £193m (2019: £163m), private equity funds of £48m (2019: £36m) and infrastructure funds of £102m (2019: £105m).

D.5 Any other information

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 increased in 2020 due to the Part VII transfer of the FOS business from QUK, which resulted in a material change to the underlying SCRs. The impact on the Group SCR was 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 2020 the EO Group and the regulated subsidiaries' eligible own funds to meet the SCR, the SCRs and the SCR coverage ratios were:

Entity		Eligible Own funds to meet the SCR (£'m/€'m)					SCR (£'m/€'m)	SCR Coverage Ratio (%)
		Tier 1	Tier 1 restricted	Tier 2	Tier 3	Total		
EO Group	2020	£1,210	£232	£543	£6	£1,991	£1,372	145.2%
	2019	£1,019	£232	£397	£9	£1,657	£1,262	131.3%
QUK	2020	£916	-	£160	£6	£1,082	£606	178.6%
	2019	£877	-	-	£33	£910	£692	131.5%
QBE Europe	2020	€1,040	-	€200	€9	€1,249	€937	133.3%
	2019	€720	-	€200	€28	€948	€682	138.9%

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

At 31 December 2020 the EO Group and the regulated subsidiaries' EOF to meet the MCR, the MCRs and the MCR coverage ratios were:

Entity		Eligible Own funds to meet the MCR (£'m/€'m)				MCR (£'m/€'m)	MCR Coverage Ratio (%)
		Tier 1	Tier 1 restricted	Tier 2	Total		
EO Group	2020	£1,211	£232	£123	£1,566	£617	253.7%
	2019	£1,019	£232	£114	£1,365	£568	240.4%
QUK	2020	£916	-	-	£916	£263	348.6%
	2019	£877	-	-	£877	£268	326.7%
QBE Europe	2020	€1,040	-	€84	€1,124	€422	266.6%
	2019	€720	-	€61	€781	€307	254.5%

All the regulated subsidiaries of the EO Group had the following credit rating at 31 December 2020, 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 £232m (2019: £232m) 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 2020, QBE Europe holds €200m of Tier 2 subordinated debt, comprising:

- €80m subordinated liabilities issued by QHEO, the immediate parent of QBE Europe. This loan has a maturity date of 10 December 2028; and
- €120m 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.

As at 31 December 2020, QUK holds £160m of Tier 2 ancillary own funds in the form of a syndicated Letter of Credit facility provided by external banks.

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. 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 (£'m)	QUK: UK GAAP (£'m)	QBE Europe: BE GAAP (€'m)
Total equity – statutory basis	1,751	**961**	**1,182**
Removal of net technical provisions balances on a GAAP basis	-	472	643
Inclusion of net technical provisions on a Solvency II basis	-	(508)	(850)
Elimination of goodwill and Intangibles	(184)	-	-
Change in the value of participations	33	-	-
Valuation adjustment: Investments	-	-	63
Valuation adjustment: other*	(86)	7	30
Excess of assets over liabilities – Solvency II basis	**1,514**	**932**	**1,068**
Adjustment: Subordinated liabilities / ancillary own funds	542	160	200
Adjustment: Foreseeable dividends	-	-	-
Adjustment: Restricted own fund items in respect of ring fenced funds	(27)	(10)	(19)
Adjustment: Non available own funds at group level	(38)	-	-
Own Funds – Solvency II basis	**1,991**	**1,082**	**1,249**

* 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 2020 the SCR and MCR for EO Group and the regulated subsidiaries were:

Entity (£'m/€'m)	SCR		MCR	
	2020	2019	2020	2019
EO Group	£1,372	£1,262	£617	£568
QUK	£606	£692	£263	£268
QBE Europe	€937	€682	€422	€307

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 SCRs for the EO Group, QUK and QBE Europe have been calculated using the Internal Model for 2020 and 2019.

Risk Components under Internal Model	EO Group (£'m)		QUK (£'m)		QBE EU (€'m)	
	2020	2019	2020	2019	2020	2019
Market risk	329	305	152	174	230	183
Counterparty Default risk	120	60	37	32	112	33
Non-life underwriting risk	1,139	1,125	559	675	852	635
Operational risk	120	139	50	71	83	75
Pension risk	98	179	-	-	4	6
Capital adjustments	53	98	(1)	28	-	47
Total undiversified components	**1,859**	**1,906**	**797**	**980**	**1,281**	**979**
Diversification	(487)	(644)	(191)	(288)	(344)	(297)
Solvency capital requirement	**1,372**	**1,262**	**606**	**692**	**937**	**682**

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 2020 and approved in December 2020. The revised Internal Model SCR is £1,372m for the EO Group, £606m for QUK and €937m 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.

[8] Any references in 'Section E: Capital Management' to the SCR are unaudited.
[9] Any references to differences between the Standard Formula and the Internal Model are unaudited.

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

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.

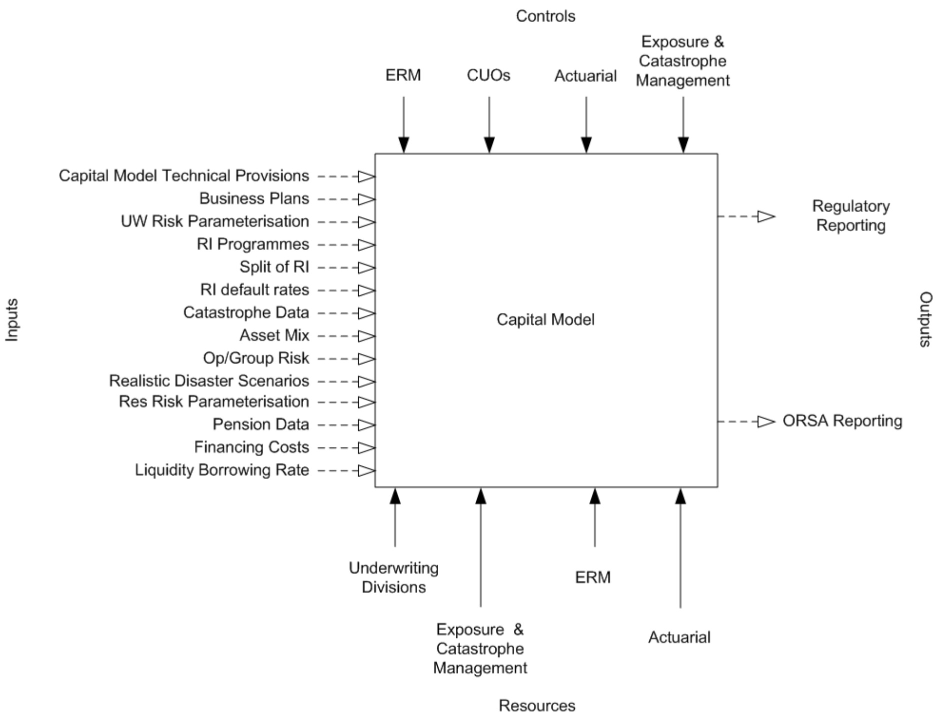
The Standard Formula does not capture group risk, whereas it does appear in the Internal Model. This risk is assumed to diversify well against the other risks, so it also increases the size of the diversification benefit in the Internal Model compared to the Standard Formula.

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 EO Group 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 EO 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 QBE 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 QBE Group Security Committee;
- **Natural catastrophe model output**. This is predominantly 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;
- **Asset mix**. This data lists the different investments held by each legal entity within the EO 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;
- **QBE Group Risk Dashboard.** Used to parameterise the group risk distributions. Data is taken from within the ERM team; and
- **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).

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

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 Group	QBE Insurance Group Limited
QEMC	QBE Europe Management Committee
QUK	QBE UK Limited
QRT	Quantitative Reporting Template

Term or Acronym	Definition
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 Regulation (EU) 2015/35	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 Regulation (EU) 2015/35	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 Regulation (EU) 2015/35	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 Regulation (EU) 2015/35	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 Regulation (EU) 2015/35	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 (continued)

Undertakings in the scope of the group

Row	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
	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 Regulation (EU) 2015/35	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 Regulation (EU) 2015/35	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 Regulation (EU) 2015/35	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 Regulation (EU) 2015/35	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 Authority
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 Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	2 - Non-mutual	
29	GB	213800GB00008	2 - Specific code	RIDGWELL FOX AND PARTNERS (UNDERWRITING MANAGEMENT) LIMITED	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	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	

Row	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
	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
R0030	Intangible assets	-
R0040	Deferred tax assets	56,972
R0050	Pension benefit surplus	46,652
R0060	Property, plant & equipment held for own use	82,967
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	6,410,237
R0080	*Property (other than for own use)*	-
R0090	*Holdings in related undertakings, including participations*	14,708
R0100	*Equities*	34
R0110	*Equities - listed*	-
R0120	*Equities - unlisted*	34
R0130	*Bonds*	5,920,146
R0140	*Government Bonds*	1,422,719
R0150	*Corporate Bonds*	4,292,216
R0160	*Structured notes*	-
R0170	*Collateralised securities*	205,211
R0180	*Collective Investments Undertakings*	402,881
R0190	*Derivatives*	63,683
R0200	*Deposits other than cash equivalents*	8,785
R0210	*Other investments*	-
R0220	Assets held for index-linked and unit-linked contracts	-
R0230	Loans and mortgages	68,933
R0240	*Loans on policies*	-
R0250	*Loans and mortgages to individuals*	-
R0260	*Other loans and mortgages*	68,933
R0270	Reinsurance recoverables from:	1,291,044
R0280	*Non-life and health similar to non-life*	1,255,979
R0290	*Non-life excluding health*	1,252,020
R0300	*Health similar to non-life*	3,960
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	35,065
R0320	*Health similar to life*	-
R0330	*Life excluding health and index-linked and unit-linked*	35,065
R0340	*Life index-linked and unit-linked*	-
R0350	Deposits to cedants	111,348
R0360	Insurance and intermediaries receivables	547,613
R0370	Reinsurance receivables	175,879
R0380	Receivables (trade, not insurance)	147,847
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	163,518
R0420	Any other assets, not elsewhere shown	-
R0500	**Total assets**	**9,103,010**

EO Group (All values in £'000)

S.02.01.02 (continued)

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	5,443,038
R0520	*Technical provisions - non-life (excluding health)*	5,319,198
R0530	*TP calculated as a whole*	-
R0540	*Best Estimate*	4,888,483
R0550	*Risk margin*	430,715
R0560	*Technical provisions - health (similar to non-life)*	123,840
R0570	*TP calculated as a whole*	-
R0580	*Best Estimate*	110,946
R0590	*Risk margin*	12,894
R0600	Technical provisions - life (excluding index-linked and unit-linked)	224,645
R0610	*Technical provisions - health (similar to life)*	7
R0620	*TP calculated as a whole*	-
R0630	*Best Estimate*	7
R0640	*Risk margin*	-
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	224,638
R0660	*TP calculated as a whole*	-
R0670	*Best Estimate*	198,732
R0680	*Risk margin*	25,906
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	18,315
R0760	Pension benefit obligations	5,595
R0770	Deposits from reinsurers	33,401
R0780	Deferred tax liabilities	12,383
R0790	Derivatives	64,526
R0800	Debts owed to credit institutions	-
R0810	Financial liabilities other than debts owed to credit institutions	-
R0820	Insurance & intermediaries payables	133,472
R0830	Reinsurance payables	160,357
R0840	Payables (trade, not insurance)	428,462
R0850	Subordinated liabilities	1,064,562
R0860	*Subordinated liabilities not in BOF*	522,281
R0870	*Subordinated liabilities in BOF*	542,281
R0880	Any other liabilities, not elsewhere shown	-
R0900	**Total liabilities**	**7,588,756**
R1000	**Excess of assets over liabilities**	**1,514,256**

EO Group (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	-	500	-	232,795	48,204	82,454	473,595	703,915	82,171	2,281	97	2					1,626,014
R0120	Gross - Proportional reinsurance accepted	871	13,460	-	10,550	4,356	1,800	99,588	19,835	16,342	-	-	3					166,805
R0130	Gross - Non-proportional reinsurance accepted													16,994	137,581	142,813	149,922	447,310
R0140	Reinsurers' share	-	108	-	9,889	2,161	13,273	120,143	76,850	46,696	206	-	(14)	1,618	6,592	86,272	26,444	390,238
R0200	Net	871	13,852	-	233,456	50,399	70,981	453,040	646,900	51,817	2,075	97	19	15,376	130,989	56,541	123,478	1,849,891
	Premiums earned																	
R0210	Gross - Direct Business	-	1,429	-	234,986	45,627	78,900	435,532	656,155	71,310	5,628	97	2					1,529,666
R0220	Gross - Proportional reinsurance accepted	729	24,410	-	10,627	4,386	1,814	85,507	19,245	17,132	-	-	3					163,853
R0230	Gross - Non-proportional reinsurance accepted													16,618	118,980	118,488	140,631	394,717
R0240	Reinsurers' share	-	184	-	12,479	1,702	11,820	113,559	70,819	42,561	206	-	(9)	1,470	6,354	74,563	26,165	361,873
R0300	Net	729	25,655	-	233,134	48,311	68,894	407,480	604,581	45,881	5,422	97	14	15,148	112,626	43,925	114,466	1,726,363
	Claims incurred																	
R0310	Gross - Direct Business	(8)	4,116	-	69,694	40,532	71,959	531,542	453,204	38,504	3,598	12	777					1,213,930
R0320	Gross - Proportional reinsurance accepted	432	26,030	-	12,382	5,509	3,353	51,767	7,749	10,919	-	-	2,281					120,422
R0330	Gross - Non-proportional reinsurance accepted													11,554	52,449	22,639	133,397	220,039
R0340	Reinsurers' share	(2)	1,051	-	(3,268)	1,956	13,801	310,035	142,771	27,122	274	29	1,082	855	4,154	9,182	39,888	548,930
R0400	Net	426	29,095	-	85,344	44,085	61,511	273,274	318,182	22,301	3,324	(17)	1,976	10,699	48,295	13,457	93,509	1,005,461
	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**	275	5,971	-	64,148	15,857	23,100	157,662	224,555	22,247	2,552	47	1,046	5,396	27,730	15,869	28,032	594,487
R1200	**Other expenses**																	-
R1300	**Total expenses**																	594,487

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		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									
Gross	-	-	-	-	-	-	36	62,174	62,210
Reinsurers' share	-	-	-	-	-	-	-	5,330	5,330
Net	-	-	-	-	-	-	36	56,844	56,880
Premiums earned									
Gross	-	-	-	-	-	-	36	62,174	62,210
Reinsurers' share	-	-	-	-	-	-	-	5,330	5,330
Net	-	-	-	-	-	-	36	56,844	56,880
Claims incurred									
Gross	-	-	-	-	-	89,610	125	57,976	147,711
Reinsurers' share	-	-	-	-	-	33,727	-	5,189	38,916
Net	-	-	-	-	-	55,883	125	52,787	108,795
Changes in other technical provisions									
Gross	-	-	-	-	-	-	-	-	-
Reinsurers' share	-	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-	-
Expenses incurred	-	-	-	-	-	-	6	9,793	9,799
Other expenses									-
Total expenses									**9,799**

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	1,064,495	199,544	74,221	54,126	13,480	51,715	1,457,581
R0120	Gross - Proportional reinsurance accepted	2,758	17,109	5,968	4,840	4,570	128	35,373
R0130	Gross - Non-proportional reinsurance accepted	53,977	53,046	7,153	10,068	50,275	15,970	190,489
R0140	Reinsurers' share	196,208	26,867	8,925	6,610	31,227	10,184	280,021
R0200	Net	925,022	242,832	78,417	62,424	37,098	57,629	1,403,422
	Premiums earned							
R0210	Gross - Direct Business	1,033,742	196,378	72,911	52,590	12,826	49,211	1,417,658
R0220	Gross - Proportional reinsurance accepted	2,797	17,110	5,968	4,833	3,422	127	34,257
R0230	Gross - Non-proportional reinsurance accepted	49,279	51,354	6,993	9,085	43,258	12,932	172,901
R0240	Reinsurers' share	187,821	25,838	8,675	5,018	28,426	8,905	264,683
R0300	Net	897,997	239,004	77,197	61,490	31,080	53,365	1,360,133
	Claims incurred							
R0310	Gross - Direct Business	869,903	102,106	50,268	33,597	23,471	33,046	1,112,391
R0320	Gross - Proportional reinsurance accepted	986	19,198	6,681	5,284	(144)	1,588	33,593
R0330	Gross - Non-proportional reinsurance accepted	15,587	58,009	6,094	11,921	14,298	3,737	109,646
R0340	Reinsurers' share	425,143	18,046	12,605	1,866	19,570	23,494	500,724
R0400	Net	461,333	161,267	50,438	48,936	18,055	14,877	754,906
	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**	298,966	77,030	23,118	24,398	11,554	19,031	454,097
R1200	**Other expenses**							-
R1300	**Total expenses**							454,097

EO Group (All values in £’000)

S.05.02.01

Premiums, claims and expenses by country
Life

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
			Top 5 countries (by amount of gross premiums written) - life obligations					
R1400		Home Country	Belgium (BE)	Chile (CL)	Colombia (CO)	USA (US)	Spain (ES)	Total Top 5 and home country
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	4,620	17,597	7,587	6,394	5,045	3,632	44,875
R1420	Reinsurers' share	398	1,516	654	551	435	313	3,867
R1500	Net	4,222	16,081	6,933	5,843	4,610	3,319	41,008
	Premiums earned							
R1510	Gross	4,596	17,506	7,549	6,362	5,020	3,614	44,647
R1520	Reinsurers' share	394	1,500	647	545	430	310	3,826
R1600	Net	4,202	16,006	6,902	5,817	4,590	3,304	40,821
	Claims incurred							
R1610	Gross	71,049	36,293	8,159	6,620	4,841	3,977	130,939
R1620	Reinsurers' share	34,087	2,847	670	272	(266)	318	37,928
R1700	Net	36,962	33,446	7,489	6,348	5,107	3,659	93,011
	Changes in other technical provisions							
R1710	Gross	-	-	-	-	-	-	-
R1720	Reinsurers' share	-	-	-	-	-	-	-
R1800	Net	-	-	-	-	-	-	-
R1900	**Expenses incurred**	272	2,438	1,647	1,386	(91)	852	6,504
R2500	**Other expenses**							-
R2600	**Total expenses**							**6,504**

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	232,036		232,036	-	-
R0100	Non-available preference shares at group level	-		-	-	-
R0110	Share premium account related to preference shares	-		-	-	-
R0120	Non-available share premium account related to preference shares at group level	-		-	-	-
R0130	Reconciliation reserve	214,383	214,383			
R0140	Subordinated liabilities	542,281		-	542,281	-
R0150	Non-available subordinated liabilities at group level	-		-	-	-
R0160	An amount equal to the value of net deferred tax assets	44,589				44,589
R0170	The amount equal to the value of net deferred tax assets not available at the group level	38,234				38,234
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**	38,234	-	-	-	38,234
R0280	**Total deductions**	38,234	-	-	-	38,234
R0290	**Total basic own funds after deductions**	1,991,133	1,210,461	232,036	542,281	6,355
	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)

S.23.01.01 (continued)

Own Funds

		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)	1,991,134	1,210,461	232,036	542,281	6,356
R0530	Total available own funds to meet the minimum consolidated group SCR	1,984,778	1,210,461	232,036	542,281	
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)	1,991,134	1,210,461	232,036	542,281	6,356
R0570	Total eligible own funds to meet the minimum consolidated group SCR	1,565,934	1,210,461	232,036	123,437	
R0590	**Consolidated Group SCR**	1,371,528				
R0610	**Minimum consolidated Group SCR**	617,187				
R0630	**Ratio of Eligible own funds to the consolidated Group SCR (excluding other financial sectors and the undertakings included via D&A)**	145.2%				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	253.7%				
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)**	1,991,134	1,210,461	232,036	542,281	6,356
R0670	**SCR for entities included with D&A method**					
R0680	**Group SCR**	1,371,528				
R0690	**Ratio of Eligible own funds to SCR including other financial sectors' own funds and capital requirements**	145.2%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	1,514,255
R0710	Own shares (held directly and indirectly)	-
R0720	Foreseeable dividends, distributions and charges	-
R0730	Other basic own fund items	1,272,704
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	27,169
R0750	Other non available own funds	-
R0760	**Reconciliation reserve**	214,383
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	4,700
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	185,426
R0790	**Total Expected profits included in future premiums (EPIFP)**	190,126

EO Group (All values in £'000)

S.25.03.22
Solvency Capital Requirement - for groups on Full Internal Models

	Unique number of component	Component description	Calculation of the Solvency Capital Requirement	Consideration of the future management actions regarding technical provisions and/or deferred taxes
Row	C0010	C0020	C0030	C0060
1	10300I	Interest rate risk	94,251	
2	10400I	Equity risk	44,213	
3	10600I	Property risk	16,856	
4	10700I	Spread risk	306,982	
5	10900I	Currency risk	153,358	
6	11040I	Other market risk (Liquidity risk)	4,097	
7	19900I	Diversification within market risk	(290,492)	
8	20100I	Type 1 counterpart default risk (Reinsurance credit risk)	117,049	
9	20200I	Type 2 counterparty default risk (Premium credit risk)	16,047	
10	29900I	Diversification within counterparty risk	(12,493)	
11	50130I	Premium risk	478,572	
12	50240I	Reserve risk	939,811	
13	50300I	Non-life catastrophe risk	553,888	
14	59900I	Diversification within non-life underwriting risk	(833,475)	
15	70190I	Operational risk (excluding group risk)	101,952	
16	70110I	Group risk	71,952	
17	79900I	Diversification within operational risk	(53,348)	
18	8049AI	Net asset value of QBE Corporate	7,000	
19	8049BI	Debt servicing costs net of loan repayments	45,579	
20	8049CI	Capital supporting financing companies	-	
21	8049DI	Capital adjustments	-	
22	80110P	Total pension risk including market and pension benefit risks	97,616	

EO Group (All values in £'000)

S.25.03.22 (continued)

Solvency Capital Requirement - for groups on Full Internal Models

		C0100
	Calculation of Solvency Capital Requirement	
R0110	Total undiversified components	1,859,415
R0060	Diversification	(487,887)
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	-
R0200	**Solvency capital requirement excluding capital add-on**	1,371,528
R0210	Capital add-ons already set	-
R0220	**Solvency capital requirement**	1,371,528
	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	617,187
	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*	-
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	-

QUK (All values in £'000)

S.02.01.02

Balance sheet

	Solvency II value
Assets	C0010
Intangible assets	-
Deferred tax assets	6,411
Pension benefit surplus	-
Property, plant & equipment held for own use	93
Investments (other than assets held for index-linked and unit-linked contracts)	2,485,188
Property (other than for own use)	-
Holdings in related undertakings, including participations	-
Equities	-
Equities - listed	-
Equities - unlisted	-
Bonds	2,262,732
Government Bonds	649,825
Corporate Bonds	1,588,503
Structured notes	-
Collateralised securities	24,404
Collective Investments Undertakings	176,074
Derivatives	37,601
Deposits other than cash equivalents	8,781
Other investments	-
Assets held for index-linked and unit-linked contracts	-
Loans and mortgages	129,769
Loans on policies	-
Loans and mortgages to individuals	-
Other loans and mortgages	129,769
Reinsurance recoverables from:	911,664
Non-life and health similar to non-life	875,136
Non-life excluding health	874,994
Health similar to non-life	142
Life and health similar to life, excluding index-linked and unit-linked	36,528
Health similar to life	-
Life excluding health and index-linked and unit-linked	36,528
Life index-linked and unit-linked	-
Deposits to cedants	298
Insurance and intermediaries receivables	234,593
Reinsurance receivables	31,533
Receivables (trade, not insurance)	69,953
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	119,257
Any other assets, not elsewhere shown	183
Total assets	**3,988,942**

QUK (All values in £'000)

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	2,642,231
R0520	*Technical provisions - non-life (excluding health)*	2,636,206
R0530	*TP calculated as a whole*	-
R0540	*Best Estimate*	2,490,917
R0550	*Risk margin*	145,289
R0560	*Technical provisions - health (similar to non-life)*	6,025
R0570	*TP calculated as a whole*	-
R0580	*Best Estimate*	6,025
R0590	*Risk margin*	-
R0600	Technical provisions - life (excluding index-linked and unit-linked)	94,990
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)*	94,990
R0660	*TP calculated as a whole*	-
R0670	*Best Estimate*	88,140
R0680	*Risk margin*	6,850
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	9,996
R0800	Debts owed to credit institutions	-
R0810	Financial liabilities other than debts owed to credit institutions	-
R0820	Insurance & intermediaries payables	199,307
R0830	Reinsurance payables	39,662
R0840	Payables (trade, not insurance)	69,666
R0850	Subordinated liabilities	-
R0860	*Subordinated liabilities not in BOF*	-
R0870	*Subordinated liabilities in BOF*	-
R0880	Any other liabilities, not elsewhere shown	1,361
R0900	**Total liabilities**	**3,057,213**
R1000	**Excess of assets over liabilities**	**931,730**

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				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	Total
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business	-	542	-	215,817	44,690	14,965	222,376	274,018	52,856	2,280	97	2					827,643
R0120	Gross - Proportional reinsurance accepted	-	-	-	-	-	-	9,175	267	-	-	-	-					9,442
R0130	Gross - Non-proportional reinsurance accepted													-	43,683	108,574	8,836	161,093
R0140	Reinsurers' share	-	(50)	-	9,480	2,115	6,494	61,065	30,405	36,364	(564)	-	(15)	(155)	1,925	67,276	395	214,735
R0200	Net	-	592	-	206,337	42,575	8,471	170,486	243,880	16,492	2,844	97	17	155	41,758	41,298	8,441	783,443
	Premiums earned																	
R0210	Gross - Direct Business	-	1,349	-	217,745	42,187	16,059	207,091	276,897	48,939	5,409	97	2					815,775
R0220	Gross - Proportional reinsurance accepted	-	-	-	-	-	-	2,429	331	-	-	-	-					2,760
R0230	Gross - Non-proportional reinsurance accepted													-	34,955	90,847	8,274	134,076
R0240	Reinsurers' share	-	16	-	12,087	1,624	6,092	59,361	29,869	35,529	(564)	-	(10)	(155)	1,708	59,928	574	206,059
R0300	Net	-	1,333	-	205,658	40,563	9,967	150,159	247,359	13,410	5,973	97	12	155	33,247	30,919	7,700	746,552
	Claims incurred																	
R0310	Gross - Direct Business	-	3,965	-	55,300	40,046	22,755	396,092	271,932	30,470	3,742	12	742					825,056
R0320	Gross - Proportional reinsurance accepted	-	-	-	-	-	(101)	(777)	(175)	-	-	-	-					(1,053)
R0330	Gross - Non-proportional reinsurance accepted													153	16,813	24,351	1,956	43,273
R0340	Reinsurers' share	-	(581)	-	(2,768)	1,955	(311)	268,807	101,113	23,448	274	29	336	943	7,227	7,614	(1,144)	406,942
R0400	Net	-	4,546	-	58,068	38,091	22,965	126,508	170,644	7,022	3,468	(17)	406	(790)	9,586	16,737	3,100	460,334
	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**	-	952	-	57,506	12,992	4,055	55,806	89,422	11,137	3,136	47	935	625	9,132	12,717	3,620	262,082
R1200	**Other expenses**																	-
R1300	**Total expenses**																	**262,082**

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		
		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	-	-	-	-	-	-	-	-	-
R1420	Reinsurers' share	-	-	-	-	-	-	-	-	-
R1500	Net	-	-	-	-	-	-	-	-	-
	Premiums earned									
R1510	Gross	-	-	-	-	-	-	-	-	-
R1520	Reinsurers' share	-	-	-	-	-	-	-	-	-
R1600	Net	-	-	-	-	-	-	-	-	-
	Claims incurred									
R1610	Gross	-	-	-	-	-	67,981	-	-	67,981
R1620	Reinsurers' share	-	-	-	-	-	33,727	-	-	33,727
R1700	Net	-	-	-	-	-	34,254	-	-	34,254
	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)	United Arab Emirates (AE)	Australia (AU)	Thailand (TH)	Switzerland (CH)	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	780,378	10,064	12,346	406	6,303	680	810,177
R0120	Gross - Proportional reinsurance accepted	-	(74)	9,408	(97)	-	-	9,237
R0130	Gross - Non-proportional reinsurance accepted	40,235	36,474	18,874	7,962	-	5,181	108,726
R0140	Reinsurers' share	135,499	26,702	6,061	5,913	1,590	3,399	179,164
R0200	Net	685,114	19,762	34,567	2,358	4,713	2,462	748,976
	Premiums earned							
R0210	Gross - Direct Business	773,681	9,482	8,758	388	5,951	642	798,902
R0220	Gross - Proportional reinsurance accepted	-	283	1,535	461	-	-	2,279
R0230	Gross - Non-proportional reinsurance accepted	37,639	30,519	10,642	6,837	-	4,335	89,972
R0240	Reinsurers' share	134,646	24,323	4,718	5,656	1,573	3,046	173,962
R0300	Net	676,674	15,961	16,217	2,030	4,378	1,931	717,191
	Claims incurred							
R0310	Gross - Direct Business	750,626	23,113	3,601	862	10,341	771	789,314
R0320	Gross - Proportional reinsurance accepted	-	(1,396)	691	(138)	-	-	(843)
R0330	Gross - Non-proportional reinsurance accepted	1,294	951	1,784	16,156	-	(163)	20,022
R0340	Reinsurers' share	364,174	10,238	170	533	7,257	944	383,316
R0400	Net	387,746	12,430	5,906	16,347	3,084	(336)	425,177
	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**	222,755	7,532	7,471	4,536	1,395	641	244,330
R1200	**Other expenses**							-
R1300	**Total expenses**							**244,330**

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	67,981	67,981
R1620	Reinsurers' share	33,727	33,727
R1700	Net	34,254	34,254
	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

			Index-linked and unit-linked insurance			Other life insurance						Health insurance (direct business)				
		Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	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)		Contracts without options and guarantees	Contracts with options or guarantees	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	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**	-		-	-		-	-	88,140	-	88,140		-	-	-	-	-
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-		-	-		-	-	36,528	-	36,528		-	-	-	-	-
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	-		-	-		-	-	51,612	-	51,612		-	-	-	-	-
R0100	**Risk margin**	-	-			-			6,850	-	6,850	-			-	-	-
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole	-	-			-			-	-	-	-			-	-	-
R0120	Best estimate	-		-	-		-	-	-	-	-		-	-	-	-	-
R0130	Risk margin	-	-			-			-	-	-	-			-	-	-
R0200	**Technical provisions - total**	-	-			-			94,990	-	94,990	-			-	-	-

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	-	257	-	60,778	16,764	4,682	68,708	54,031	17,986	207	(1)	-	-	13,345	(8,270)	1,341	229,828
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	(9)	-	(2,344)	(822)	481	(33,182)	(6,391)	(3,148)	20	-	-	-	(463)	(28,367)	112	(74,113)
R0150	**Net Best Estimate of Premium Provisions**	-	266	-	63,122	17,586	4,201	101,890	60,422	21,134	187	(1)	-	-	13,808	20,097	1,229	303,941
	Claims provisions																	
R0160	Gross	-	4,123	-	418,753	32,406	52,485	458,091	1,067,505	22,904	11,066	179	4,585	1,644	145,980	33,248	14,144	2,267,113
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	132	-	71,128	5,377	21,635	365,529	405,493	14,577	1,570	(1)	5,447	19	14,917	26,467	16,958	949,248
R0250	**Net Best Estimate of Claims Provisions**	-	3,991	-	347,625	27,029	30,850	92,562	662,012	8,327	9,496	180	(862)	1,625	131,063	6,781	(2,814)	1,317,865
R0260	**Total best estimate - gross**	-	4,380	-	479,531	49,170	57,167	526,799	1,121,537	40,890	11,273	178	4,585	1,644	159,325	24,978	15,485	2,496,942
R0270	**Total best estimate - net**	-	4,257	-	410,747	44,615	35,051	194,452	722,434	29,461	9,683	179	(862)	1,625	144,871	26,878	(1,585)	1,621,806
R0280	**Risk margin**	-	-	-	24,692	2,732	1,416	9,339	69,081	2,936	635	-	-	-	32,467	1,855	136	145,289
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0300	Best estimate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0310	Risk margin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0320	**Technical provisions - total**	-	4,380	-	504,223	51,902	58,583	536,138	1,190,618	43,826	11,908	178	4,585	1,644	191,792	26,833	15,621	2,642,231
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	-	123	-	68,784	4,555	22,116	332,347	399,103	11,429	1,590	(1)	5,447	19	14,454	(1,900)	17,070	875,136
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	-	4,257	-	435,439	47,347	36,467	203,791	791,515	32,397	10,318	179	(862)	1,625	177,338	28,733	(1,449)	1,767,095

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)

		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											57,671	57,671	57,671
R0160	2011	61,383	235,158	199,440	169,045	68,142	48,671	18,316	10,573	24,022	12,609		12,609	847,359
R0170	2012	49,815	161,856	110,066	103,313	76,752	51,604	40,065	27,351	19,795			19,795	640,617
R0180	2013	121,590	246,097	254,229	132,982	69,936	60,971	38,534	14,427				14,427	938,766
R0190	2014	60,720	200,937	127,252	62,399	62,552	47,458	26,706					26,706	588,024
R0200	2015	64,272	259,840	125,185	95,243	45,597	44,160						44,160	634,297
R0210	2016	54,843	211,484	149,452	52,790	55,998							55,998	524,567
R0220	2017	49,381	197,890	81,051	48,045								48,045	376,367
R0230	2018	60,747	166,366	85,177									85,177	312,290
R0240	2019	40,083	120,942										120,942	161,025
R0250	2020	31,481											31,481	31,481
R0260												Total	517,011	5,112,464

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											589,314	543,624
R0160	2011						168,212	131,313	97,644	47,867	26,887		26,771
R0170	2012					228,664	164,900	138,297	120,184	86,276			85,978
R0180	2013				424,848	308,869	226,721	148,140	100,467				99,625
R0190	2014			431,901	344,406	246,583	112,037	45,948					45,804
R0200	2015		646,845	482,282	355,080	252,896	149,846						149,593
R0210	2016	461,936	594,963	453,813	325,455	251,469							250,362
R0220	2017	357,926	505,388	334,999	236,407								235,391
R0230	2018	391,897	439,031	313,714									312,177
R0240	2019	237,528	551,576										549,728
R0250	2020	242,752											241,563
R0260												Total	2,540,616

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	(7,849)	(7,849)	-	-	-
R0140	Subordinated liabilities	-	-	-	-	-
R0160	An amount equal to the value of net deferred tax assets	6,411	-	-	-	6,411
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**	922,096	915,685	-	-	6,411
	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	160,000			160,000	-
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**	160,000			160,000	-

QUK (All values in £’000)

S.23.01.01
Own Funds (continued)

		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	1,082,096	915,685	-	160,000	6,411
R0510	Total available own funds to meet the MCR	915,685	915,685	-	-	-
R0540	Total eligible own funds to meet the SCR	1,082,096	915,685	-	160,000	6,411
R0550	Total eligible own funds to meet the MCR	915,685	915,685	-	-	-
R0580	**SCR**	606,025				
R0600	**MCR**	262,671				
R0620	**Ratio of Eligible own funds to SCR**	178.6%				
R0640	**Ratio of Eligible own funds to MCR**	348.6%				

		C0060
	Reconcilliation reserve	
R0700	Excess of assets over liabilities	931,730
R0710	Own shares (held directly and indirectly)	-
R0720	Foreseeable dividends, distributions and charges	-
R0730	Other basic own fund items	929,945
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	9,633
R0760	**Reconciliation reserve**	(7,848)
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	-
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	42,007
R0790	**Total Expected profits included in future premiums (EPIFP)**	42,007

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 and/or deferred
Row	C0010	C0020	C0030	C0060
1	10300I	Interest rate risk	17,274	
2	10400I	Equity risk	23,003	
3	10600I	Property risk	10,662	
4	10700I	Spread risk	145,530	
5	10900I	Currency risk	37,578	
6	11040I	Other market risk (Liquidity risk)	4,747	
7	19900I	Diversification within market risk	(86,918)	
8	20100I	Type 1 counterpart default risk (Reinsurance credit risk)	34,912	
9	20200I	Type 2 counterparty default risk (Premium credit risk)	4,546	
10	29900I	Diversification within counterparty risk	(2,716)	
11	50130I	Premium risk	256,189	
12	50240I	Reserve risk	467,001	
13	50300I	Non-life catastrophe risk	339,953	
14	59900I	Diversification within non-life underwriting risk	(503,921)	
15	70190I	Operational risk (excluding group risk)	42,769	
16	70110I	Group risk	30,033	
17	79900I	Diversification within operational risk	(23,047)	
18	8049BI	Debt servicing costs net of loan repayments	(1,000)	
19	8049DI	Capital adjustments	-	
20	80110P	Total pension risk including market and pension benefit risks	-	

QUK (All values in £'000)

S.25.03.21 (continued)

Solvency Capital Requirement - for undertakings on Full Internal Models

	Calculation of Solvency Capital Requirement	C0100
R0110	Total undiversified components	796,594
R0060	Diversification	(190,569)
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	-
R0200	**Solvency capital requirement excluding capital add-on**	606,025
R0210	Capital add-ons already set	-
R0220	**Solvency capital requirement**	606,025
	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	261,587

		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	-	-
R0030	Income protection insurance and proportional reinsurance	4,258	-
R0040	Workers' compensation insurance and proportional reinsurance	-	-
R0050	Motor vehicle liability insurance and proportional reinsurance	410,747	178,984
R0060	Other motor insurance and proportional reinsurance	44,615	42,491
R0070	Marine, aviation and transport insurance and proportional reinsurance	35,052	15,867
R0080	Fire and other damage to property insurance and proportional reinsurance	194,452	157,903
R0090	General liability insurance and proportional reinsurance	722,434	263,630
R0100	Credit and suretyship insurance and proportional reinsurance	29,461	20,788
R0110	Legal expenses insurance and proportional reinsurance	9,682	990
R0120	Assistance and proportional reinsurance	179	-
R0130	Miscellaneous financial loss insurance and proportional reinsurance	-	-
R0140	Non-proportional health reinsurance	1,625	-
R0150	Non-proportional casualty reinsurance	144,871	50,440
R0160	Non-proportional marine, aviation and transport reinsurance	26,876	38,471
R0170	Non-proportional property reinsurance	-	17,097

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCRL Result	1,084

		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	0	
R0220	Obligations with profit participation - future discretionary benefits	0	
R0230	Index-linked and unit-linked insurance obligations	0	
R0240	Other life (re)insurance and health (re)insurance obligations	51,612	
R0250	Total capital at risk for all life (re)insurance obligations		0

	Overall MCR calculation	C0070
R0300	Linear MCR	262,671
R0310	SCR	606,025
R0320	MCR cap	272,711
R0330	MCR floor	151,506
R0340	Combined MCR	262,671
R0350	Absolute floor of the MCR	3,338
R0400	**Minimum Capital Requirement**	262,671

QBE Europe (All values in €'000)

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	-
R0040	Deferred tax assets	8,714
R0050	Pension benefit surplus	-
R0060	Property, plant & equipment held for own use	6,822
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	3,739,041
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*	3,473,235
R0140	*Government Bonds*	858,012
R0150	*Corporate Bonds*	2,412,843
R0160	*Structured notes*	-
R0170	*Collateralised securities*	202,380
R0180	*Collective Investments Undertakings*	240,332
R0190	*Derivatives*	25,432
R0200	*Deposits other than cash equivalents*	4
R0210	*Other investments*	-
R0220	Assets held for index-linked and unit-linked contracts	-
R0230	Loans and mortgages	57,631
R0240	*Loans on policies*	-
R0250	*Loans and mortgages to individuals*	-
R0260	*Other loans and mortgages*	57,631
R0270	Reinsurance recoverables from:	424,646
R0280	*Non-life and health similar to non-life*	426,284
R0290	*Non-life excluding health*	422,011
R0300	*Health similar to non-life*	4,273
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	(1,638)
R0320	*Health similar to life*	-
R0330	*Life excluding health and index-linked and unit-linked*	(1,638)
R0340	*Life index-linked and unit-linked*	-
R0350	Deposits to cedants	134,132
R0360	Insurance and intermediaries receivables	220,533
R0370	Reinsurance receivables	161,570
R0380	Receivables (trade, not insurance)	29,314
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	36,548
R0420	Any other assets, not elsewhere shown	52
R0500	**Total assets**	**4,819,003**

QBE Europe (All values in €'000)

S.02.01.02 (continued)

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	3,134,989
R0520	*Technical provisions - non-life (excluding health)*	3,003,116
R0530	*TP calculated as a whole*	-
R0540	*Best Estimate*	2,683,635
R0550	*Risk margin*	319,481
R0560	*Technical provisions - health (similar to non-life)*	131,873
R0570	*TP calculated as a whole*	-
R0580	*Best Estimate*	117,441
R0590	*Risk margin*	14,432
R0600	Technical provisions - life (excluding index-linked and unit-linked)	145,124
R0610	*Technical provisions - health (similar to life)*	7
R0620	*TP calculated as a whole*	-
R0630	*Best Estimate*	7
R0640	*Risk margin*	-
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	145,117
R0660	*TP calculated as a whole*	-
R0670	*Best Estimate*	123,787
R0680	*Risk margin*	21,330
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	6,262
R0770	Deposits from reinsurers	37,386
R0780	Deferred tax liabilities	15,862
R0790	Derivatives	20,475
R0800	Debts owed to credit institutions	-
R0810	Financial liabilities other than debts owed to credit institutions	-
R0820	Insurance & intermediaries payables	10,019
R0830	Reinsurance payables	135,097
R0840	Payables (trade, not insurance)	45,547
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	-
R0900	**Total liabilities**	3,750,761
R1000	**Excess of assets over liabilities**	**1,068,242**

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 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	Miscella-neous financial loss	Health	Casualty	Marine, aviation, 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	(3)	(86)	-	19,020	3,931	75,718	281,606	482,285	32,845	2	-	-					895,318
R0120	Gross - Proportional reinsurance accepted	979	15,141	-	11,867	4,900	2,025	101,707	22,011	18,383	-	-	3					177,016
R0130	Gross - Non-proportional reinsurance accepted													19,067	105,353	38,417	158,299	321,136
R0140	Reinsurers' share	-	175	-	454	50	7,526	65,509	51,532	11,499	853	-	1	1,967	5,169	21,112	28,856	194,703
R0200	Net	976	14,880	-	30,433	8,781	70,217	317,804	452,764	39,729	(851)	-	2	17,100	100,184	17,305	129,443	1,198,767
	Premiums earned																	
R0210	Gross - Direct Business	8	375	-	19,718	3,961	71,442	260,603	431,262	25,626	249	-	-					813,244
R0220	Gross - Proportional reinsurance accepted	820	27,458	-	11,955	4,934	2,040	93,453	21,277	19,271	-	-	3					181,211
R0230	Gross - Non-proportional reinsurance accepted													18,888	95,498	31,415	150,429	296,230
R0240	Reinsurers' share	-	191	-	447	88	6,520	61,690	46,613	8,005	876	-	1	1,850	5,288	16,659	29,130	177,358
R0300	Net	828	27,642	-	31,226	8,807	66,962	292,366	405,926	36,892	(627)	-	2	17,038	90,210	14,756	121,299	1,113,327
	Claims incurred																	
R0310	Gross - Direct Business	(39)	(1,687)	-	14,292	122	51,615	139,037	190,494	7,693	(152)	-	(125)					401,250
R0320	Gross - Proportional reinsurance accepted	486	29,281	-	13,928	6,197	3,885	59,107	8,914	12,283	-	-	2,566					136,647
R0330	Gross - Non-proportional reinsurance accepted													12,016	90,602	(1,805)	138,535	239,348
R0340	Reinsurers' share	(2)	1,499	-	(459)	1	12,963	37,873	38,266	3,374	-	-	685	(81)	(2,823)	1,440	37,691	130,427
R0400	Net	449	26,095	-	28,679	6,318	42,537	160,271	161,142	16,602	(152)	-	1,756	12,097	93,425	(3,245)	100,844	646,818
	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**	755	5,293	-	7,641	3,310	16,631	121,093	156,007	12,678	(19)	-	128	5,463	21,450	3,635	28,070	382,135
R1200	**Other expenses**																	-
R1300	**Total expenses**																	382,135

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		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	-	-	-	-	-	-	40	69,760	69,800
R1420	Reinsurers' share	-	-	-	-	-	-	-	5,903	5,903
R1500	Net	-	-	-	-	-	-	40	63,857	63,897
	Premiums earned									
R1510	Gross	-	-	-	-	-	-	40	70,665	70,705
R1520	Reinsurers' share	-	-	-	-	-	-	-	6,067	6,067
R1600	Net	-	-	-	-	-	-	40	64,598	64,638
	Claims incurred									
R1610	Gross	-	-	-	-	-	(12,613)	131	61,106	48,624
R1620	Reinsurers' share	-	-	-	-	-	-	-	4,766	4,766
R1700	Net	-	-	-	-	-	(12,613)	131	56,340	43,858
	Changes in other technical provisions									
R1710	Gross	-	-	-	-	-	-	-	-	-
R1720	Reinsurers' share	-	-	-	-	-	-	-	-	-
R1800	Net	-	-	-	-	-	-	-	-	-
R1900	**Expenses incurred**	-	-	-	-	-	-	6	11,299	11,305
R2500	**Other expenses**									-
R2600	**Total expenses**									**11,305**

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	5,285	318,418	223,509	82,149	60,698	57,699	747,758
R0120	Gross - Proportional reinsurance accepted	14,330	3,103	19,246	6,724	5,444	144	48,991
R0130	Gross - Non-proportional reinsurance accepted	18,027	15,356	59,272	5,649	11,200	15,167	124,671
R0140	Reinsurers' share	4,161	66,827	29,542	7,555	7,301	9,546	124,932
R0200	Net	33,481	270,050	272,485	86,967	70,041	63,464	796,488
	Premiums earned							
R0210	Gross - Direct Business	4,591	297,054	179,825	76,988	60,107	55,955	674,520
R0220	Gross - Proportional reinsurance accepted	16,432	3,146	18,928	6,900	5,436	143	50,985
R0230	Gross - Non-proportional reinsurance accepted	18,416	13,437	58,999	5,553	10,437	12,507	119,349
R0240	Reinsurers' share	4,293	60,938	27,710	6,328	5,776	8,659	113,704
R0300	Net	35,146	252,699	230,042	83,113	70,204	59,946	731,150
	Claims incurred							
R0310	Gross - Direct Business	1,638	121,169	106,678	51,142	34,494	23,767	338,888
R0320	Gross - Proportional reinsurance accepted	5,792	1,109	21,595	7,516	5,944	1,786	43,742
R0330	Gross - Non-proportional reinsurance accepted	1,119	14,478	58,697	4,270	12,087	15,538	106,189
R0340	Reinsurers' share	328	51,904	16,131	9,844	1,379	12,037	91,623
R0400	Net	8,221	84,852	170,839	53,084	51,146	29,054	397,196
	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**	11,014	85,730	86,471	25,513	27,464	20,558	256,750
R1200	**Other expenses**							-
R1300	**Total expenses**							**256,750**

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)	Mexico (MX)	Chile (CL)	United Kingdom (GB)	Spain (ES)	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	19,724	8,504	7,167	5,655	5,178	4,071	50,299
R1420	Reinsurers' share	1,668	720	606	479	438	345	4,256
R1500	Net	18,056	7,784	6,561	5,176	4,740	3,726	46,043
	Premiums earned							
R1510	Gross	19,979	8,615	7,260	5,728	5,245	4,124	50,951
R1520	Reinsurers' share	1,716	740	623	492	450	354	4,375
R1600	Net	18,263	7,875	6,637	5,236	4,795	3,770	46,576
	Claims incurred							
R1610	Gross	11,919	8,298	6,733	4,924	3,121	4,044	39,039
R1620	Reinsurers' share	2,474	582	236	(231)	312	277	3,650
R1700	Net	9,445	7,716	6,497	5,155	2,809	3,767	35,389
	Changes in other technical provisions							
R1710	Gross	-	-	-	-	-	-	-
R1720	Reinsurers' share	-	-	-	-	-	-	-
R1800	Net	-	-	-	-	-	-	-
R1900	**Expenses incurred**	2,743	1,853	1,559	(102)	306	958	7,317
R2500	**Other expenses**							-
R2600	**Total expenses**							7,317

QBE Europe (All values in €'000)

S.12.01.02
Life and Health SLT Technical Provisions

			Index-linked and unit-linked insurance			Other life insurance						Health insurance (direct business)					
		Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	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)		Contracts without options and guarantees	Contracts with options or guarantees	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	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**	-		-	-		-	-	-	123,787	123,787		-	-	-	7	7
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-		-	-		-	-	-	(1,638)	(1,638)		-	-	-	-	-
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	-		-	-		-	-	-	125,425	125,425		-	-	-	7	7
R0100	**Risk margin**	-	-			-			-	21,330	21,330	-			-	-	-
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole	-	-			-			-	-	-	-			-	-	-
R0120	Best estimate	-		-	-		-	-	-	-	-		-	-	-	-	-
R0130	Risk margin	-	-			-			-	-	-	-			-	-	-
R0200	**Technical provisions - total**	-	-			-			-	145,117	145,117	-			-	7	7

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	25	780	-	4,556	(334)	13,424	30,360	241,966	26,984	(133)	-	-	(5,442)	(15,259)	(4,772)	(25,756)	266,399
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	(65)	-	(155)	(58)	(6,775)	(34,911)	(9,754)	(3,000)	1	-	1,841	(73)	605	(6,295)	(9,099)	(67,738)
R0150	**Net Best Estimate of Premium Provisions**	25	845	-	4,711	(276)	20,199	65,271	251,720	29,984	(134)	-	(1,841)	(5,369)	(15,864)	1,523	(16,657)	334,137
	Claims provisions																	
R0160	Gross	635	61,436	-	86,785	8,205	97,931	287,780	899,536	47,144	409	-	824	60,005	771,281	28,686	184,019	2,534,676
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	(1)	2,889	-	7,505	(40)	26,465	95,841	236,865	11,055	(279)	-	5,255	1,523	78,425	10,200	18,319	494,022
R0250	**Net Best Estimate of Claims Provisions**	636	58,547	-	79,280	8,245	71,466	191,939	662,671	36,089	688	-	(4,431)	58,482	692,856	18,486	165,700	2,040,654
R0260	**Total best estimate - gross**	660	62,216	-	91,341	7,871	111,355	318,140	1,141,502	74,128	276	-	824	54,563	756,022	23,914	158,263	2,801,075
R0270	**Total best estimate - net**	661	59,392	-	83,991	7,969	91,665	257,210	914,391	66,073	554	-	(6,272)	53,113	676,992	20,009	149,043	2,374,791
R0280	**Risk margin**	-	5,986	-	10,486	999	12,432	18,019	89,946	12,716	-	-	-	8,446	146,150	1,646	27,088	333,914
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0300	Best estimate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0310	Risk margin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0320	**Technical provisions - total**	660	68,203	-	101,827	8,870	123,788	336,158	1,231,448	86,843	276	-	824	63,010	902,172	25,560	185,350	3,134,989
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	(1)	2,825	-	7,350	(99)	19,690	60,929	227,113	8,055	(278)	-	7,097	1,449	79,030	3,904	9,220	426,284
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	661	65,378	-	94,477	8,969	104,098	275,229	1,004,335	78,788	554	-	(6,273)	61,561	823,142	21,656	176,130	2,708,705

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											48,070	48,070	48,070
R0160	2011	-	-	-	-	-	-	-	-	4,719	6,563		6,563	11,282
R0170	2012	-	-	-	-	-	-	-	11,530	5,123			5,123	16,653
R0180	2013	-	-	-	-	-	-	6,888	9,536				9,536	16,424
R0190	2014	-	-	-	-	-	10,075	7,107					7,107	17,182
R0200	2015	-	-	-	-	14,297	18,610						18,610	32,907
R0210	2016	-	-	-	37,679	24,957							24,957	62,636
R0220	2017	-	-	64,914	38,354								38,354	103,268
R0230	2018	-	112,585	87,874									87,874	200,459
R0240	2019	43,711	159,008										159,008	202,719
R0250	2020	39,661											39,661	39,661
R0260												Total	**444,863**	**751,261**

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											496,797	499,942
R0160	2011	-	-	-	-	-	-	-	-	71,783	69,450		70,222
R0170	2012	-	-	-	-	-	-	-	76,966	74,491			75,407
R0180	2013	-	-	-	-	-	-	91,711	84,024				84,962
R0190	2014	-	-	-	-	-	94,380	106,661					107,940
R0200	2015	-	-	-	-	160,904	205,573						207,857
R0210	2016	-	-	-	167,607	211,697							213,511
R0220	2017	-	-	181,484	202,736								204,902
R0230	2018	-	288,563	302,545									306,195
R0240	2019	365,289	482,129										486,026
R0250	2020	402,232											405,995
R0260												Total	**2,662,959**

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)	1,129,062	1,129,062		-	
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	(89,162)	(89,162)			
R0140	Subordinated liabilities	200,000		-	200,000	-
R0160	An amount equal to the value of net deferred tax assets	8,714				8,714
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	-	-	-	-	-
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	-				
R0230	**Deductions for participations in financial and credit institutions**	-	-	-	-	-
R0290	**Total basic own funds after deductions**	1,248,614	1,039,900	-	200,000	8,714
	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)

S.23.01.01 (continued)

Own Funds

	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	1,248,614	1,039,900	-	200,000	8,714
R0510	Total available own funds to meet the MCR	1,239,900	1,039,900	-	200,000	-
R0540	Total eligible own funds to meet the SCR	1,248,614	1,039,900	-	200,000	8,714
R0550	Total eligible own funds to meet the MCR	1,124,232	1,039,900	-	84,332	-

R0580	**SCR**	937,023
R0600	**MCR**	421,660
R0620	**Ratio of Eligible own funds to SCR**	133.3%
R0640	**Ratio of Eligible own funds to MCR**	266.6%

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	1,068,242
R0710	Own shares (held directly and indirectly)	-
R0720	Foreseeable dividends, distributions and charges	-
R0730	Other basic own fund items	1,137,775
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	19,628
R0760	**Reconciliation reserve**	(89,161)

	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	5,261
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	160,516
R0790	**Total Expected profits included in future premiums (EPIFP)**	165,777

QBE Europe (All values in €'000)

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

Row	Unique number of component	Component description	Calculation of the Solvency Capital Requirement	Consideration of the future management actions regarding technical provisions and/or deferred taxes
	C0010	C0020	C0030	C0060
1	10300I	Interest rate risk	111,243	
2	10400I	Equity risk	26,053	
3	10600I	Property risk	9,864	
4	10700I	Spread risk	193,697	
5	10900I	Currency risk	63,379	
6	11040I	Other market risk (Liquidity risk)	850	
7	19900I	Diversification within market risk	(175,354)	
8	20100I	Type 1 counterpart default risk (Reinsurance credit risk)	110,168	
9	20200I	Type 2 counterparty default risk (Premium credit risk)	12,965	
10	29900I	Diversification within counterparty risk	(10,916)	
11	50130I	Premium risk	350,639	
12	50240I	Reserve risk	699,603	
13	50300I	Non-life catastrophe risk	414,705	
14	59900I	Diversification within non-life underwriting risk	(613,033)	
15	70190I	Operational risk (excluding group risk)	69,936	
16	70110I	Group risk	49,465	
17	79900I	Diversification within operational risk	(36,276)	
18	8049BI	Debt servicing costs net of loan repayments	(200)	
19	8049DI	Capital adjustments	-	
20	80110P	Total pension risk including market and pension benefit risks	3,916	

QBE Europe (All values in €'000)

S.25.03.21 (continued)

Solvency Capital Requirement - for undertakings on Full Internal Models

	Calculation of Solvency Capital Requirement	C0100
R0110	Total undiversified components	1,280,706
R0060	Diversification	(343,683)
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	-
R0200	**Solvency capital requirement excluding capital add-on**	937,023
R0210	Capital add-ons already set	-
R0220	**Solvency capital requirement**	937,023

	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 oblig	C0010
R0010	MCRNL Result	456,679

		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	661	597
R0030	Income protection insurance and proportional reinsurance	59,392	28,699
R0040	Workers' compensation insurance and proportional reinsurance	-	-
R0050	Motor vehicle liability insurance and proportional reinsurance	83,991	25,992
R0060	Other motor insurance and proportional reinsurance	7,970	8,289
R0070	Marine, aviation and transport insurance and proportional reinsurance	91,666	58,308
R0080	Fire and other damage to property insurance and proportional reinsurance	257,210	270,182
R0090	General liability insurance and proportional reinsurance	914,390	424,399
R0100	Credit and suretyship insurance and proportional reinsurance	66,073	41,175
R0110	Legal expenses insurance and proportional reinsurance	554	11
R0120	Assistance and proportional reinsurance	-	-
R0130	Miscellaneous financial loss insurance and proportional reinsurance	-	2
R0140	Non-proportional health reinsurance	53,115	16,323
R0150	Non-proportional casualty reinsurance	676,992	102,343
R0160	Non-proportional marine, aviation and transport reinsurance	20,010	4,395
R0170	Non-proportional property reinsurance	149,042	129,263

	Linear formula component for life insurance and reinsurance obligatio	C0040
R0200	MCRL Result	26,283

		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	125,432	
R0250	Total capital at risk for all life (re)insurance obligations		33,784,031

	Overall MCR calculation	C0070
R0300	Linear MCR	482,962
R0310	SCR	937,023
R0320	MCR cap	421,660
R0330	MCR floor	234,256
R0340	Combined MCR	421,660
R0350	Absolute floor of the MCR	3,700
R0400	**Minimum Capital Requirement**	421,660

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2019