

# Solvency and Financial Condition Report

**QBE European Operations plc**

**QBE UK Limited**

**QBE Europe SA/NV**

**For the year ended 31 December 2021**

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## Summary

This document (the Solvency and Financial Condition Report, or 'SFCR') sets out the 31 December 2021 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 PRA that allows it to produce a single SFCR that covers both the EO Group and its wholly owned regulated subsidiaries.

The COVID-19 pandemic remained a significant area of focus for EO Group management during 2021, and the associated risks and the longer-term impacts on the economy were managed through ongoing action plans. The UK Supreme Court judgment of 15 January 2021 regarding the FCA Property Business Interruption Test Case that found largely in favour of policy holders has been implemented by QBE Group and the required notifications to policyholders and regulators have been made. The progress made in developing and deploying vaccines has begun to restore confidence and assist businesses in the UK and other developed countries to recommence trading activity where this has been restricted by lockdowns, and uncertainty in the volatility in investments and the associated market risk reduced as markets and economies recovered. However, renewed waves and new variants of the virus continued to pose concerns, and could lead to further economic impacts and market disruption.

The safety and wellbeing of our people, customers, partners and their communities has remained our priority in 2021. The business continuity framework has proven resilient to the operational challenges encountered during the prolonged COVID-19 situation. Alongside the lifting of COVID-19 restrictions and return to the office in the majority of our locations, flexible working arrangements were introduced to ensure staff wellbeing and enhance performance.

## 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 continued to focus 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 2021, 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. During the year QUK recorded £1,184m gross written premium, ahead of plan and the prior year (2020: £998m).

Net earned premium is higher than prior year, with the increase 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 2021 is favourable to 2020, driven by benign loss activity in the UK during the government lockdowns in the first half of 2021 and the lack of large loss and catastrophe experience during the year.

Net operating expenses are adverse to 2020, with the expense ratio slightly lower than 2020, driven by a higher net earned premium.

#### QBE Europe

The Gross Written Premium generated by the non-life business amounts to €1,600m, 63% of which is insurance business being written out of the foreign insurance branches or on a Freedom of Services basis out of the head office in Belgium. Life business generated a gross premium income of €45m down from €70m following the cancellation of some major treaties. The Life premium volume continues to be 100% generated by reinsurance business written out of the head-office in Belgium. The increase in Net Earned Premiums is in line with the increase of the Gross Written Premium.

The claims ratio has been negatively impacted by the recent European floods and other natural catastrophes, despite benefitting from a small net release of built-up equalisation provisions.

The increase of the net operating expenses was lower than the growth of the net earned premium, resulting in a slightly lower commission and expenses ratio than in 2020.

#### Investment performance

The EO Group's investment portfolio allocations, and overall portfolio structure, is substantially unchanged during 2021. Connected with positive changes in the global growth outlook, and changes in expectations about the future path of government market interventions and global central bank interest rates, fixed income yields on Corporate and Sovereign debt holdings have increased during the year. These market increases have resulted in mark-to-market losses on the EO Group's fixed income assets during the year.

#### System of Governance Summary

The Board of EO plc 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 Group 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 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
- Mr Thierry Bourguignon resigned as a member of the Management Committee, director and CFO of QBE Europe on 31 December 2021.

In June 2021 a Board Effectiveness Review was carried out by Lintstock on behalf of QBE Group, encompassing the Divisional Boards. 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 of EO plc 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 seen divergent risk trends throughout 2021, while the external risk profile has remained predominantly stable with some risk increasing trends. Both the internal and external risk profiles were impacted as a result of increased uncertainty regarding inflation, which hit a 30 year high in December in the UK as the Consumer Prices Index ('CPI') rose by 5.4% in the 12 months to December 2021, with the Bank of England forecast to be over 7% in spring 2022. As well as increasing the cost of claims and impacting reserving and creating economic uncertainty, price inflation could impact QBE Group through increased operating costs.

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 Belgium GAAP ('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 2021, 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	£2,143	£1,495	143.3%	270.6%
QUK	£902	£647	139.3%	282.9%
QBE Europe	€1,414	€951	148.6%	302.5%

At 31 December 2021 all applicable entities were within the target levels of capital outlined in the CAF.

As at 31 December 2021, the EO Group eligible own funds available to cover the SCR are made up of Tier 1 unrestricted (73%) and Tier 2 (27%). The QUK eligible own funds available to cover the SCR are made up of Tier 1 unrestricted (82%) and Tier 2 (18%). The QBE Europe eligible own funds available to cover the SCR are made up of Tier 1 unrestricted (86%), Tier 2 (14%) and Tier 3 (0%).

The EO Group and QUK EOF include foreseeable dividends that have been Board approved but not yet settled. The dividends are declared, in the knowledge that on the forward-looking basis, the coverage ratio would be consistent with the CAF. EO plc has a foreseeable dividend of £120m and QUK has a foreseeable dividend of £168m in 2022. There are no foreseeable dividends for QBE Europe as at 31 December 2021. The effect of the foreseeable dividends is to reduce the EOF for EO Group and QUK and has been included in the EOF in the table above. Excluding the effect of the foreseeable dividends the SCR coverage ratios for the EO Group and QUK would have been 151.4% and 165.3% respectively.

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 2021 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.

On 26 April 2021, EO plc exchanged US\$300m (£232m) of restricted tier 1 notes for an equivalent amount of called up share capital. EO plc issued £216m of called up share capital to its shareholder QBE Insurance Holdings Pty Limited, representing US\$300m translated into GBP at an exchange rate of 1.39, being the exchange rate at close on 23 April 2021.

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 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 2021, the EO Group have complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable; and
- 2) It is reasonable to believe that in respect of the period from 31 December 2021 to the date of the publication of the SFCR, the EO Group has continued so to comply and that it will continue to so to comply for the remainder of the financial year to 31 December 2022.

By order of the Board:

Director  
QBE European Operations Plc  
Registered Number 2641728  
London  
7 April 2022



## 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 2021:

- 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 2021, (**'the Narrative Disclosures subject to audit'**);
- Group templates S.02.01.02, S.23.01.22 and S.32.01.22 (**'the Group Templates subject to audit'**); and
- 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; and
- 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 2021 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 included:

- Reviewing regulatory correspondence;
- Consideration of the Directors' assessment to continue to adopt the going concern basis of accounting;
- 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.

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 take an amount of ancillary own funds into account when determining its own funds for QBE UK Limited.*

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 the risk of management override of controls, including the potential for management bias in significant accounting estimates, particularly in relation to technical provisions. Audit procedures performed included:

- inspecting relevant meeting minutes, including those of the Board, Risk & Capital Committee and Audit Committee of the Company, 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 relevant elements of the Single Group-Wide Solvency and Financial Condition Report;
- 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/GAAP 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](http://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

7 April 2022

**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 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 Group is listed on the ASX and is subject to supervision by the Australian Prudential Regulation Authority.

At 31 December 2021, 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 2021, and the nature of those undertakings, can be found in the quantitative reporting template ('QRT') S.32.01.22, included in Appendix A.

The principal activity of QUK and QBE Europe is the transaction of insurance and reinsurance business. They will continue this activity through the development of its existing lines of business, while actively seeking new opportunities for expansion and profitable growth.

The COVID-19 pandemic remained a significant area of focus for EO Group management during 2021, and the associated risks and the longer-term impacts on the economy were managed through ongoing action plans. Considerable uncertainty remained, for example, in relation to the ultimate impact on claims liabilities following the ruling by the UK Supreme Court from 15 January 2021 regarding the FCA Property Business Interruption test case that found largely in favour of policyholders. The progress made in developing and deploying vaccines has begun to restore confidence and assist businesses in the UK and other developed countries to recommence trading activity where this has been restricted by lockdowns, and uncertainty in the volatility in investments and the associated market risk reduced as markets and economies recovered. However, renewed waves and new variants of the virus continued to pose concerns and could lead to further economic impacts and market disruption.

The safety and wellbeing of our people, customers, partners and their communities has remained our priority in 2021. The business continuity framework has proven resilient to the operational challenges encountered during the prolonged COVID-19 situation. Alongside the lifting of COVID-19 restrictions and return to the office in the majority of our locations, flexible working arrangements were introduced to ensure staff wellbeing and enhance performance.

Whilst COVID-19 and other large claim events have impacted the (re)insurance subsidiaries of the EO Group, extensive reinsurance protections have mitigated the impact. In addition, QUK participated in the Trade Credit reinsurance scheme established by the UK Government during the current and prior years.



### Subsidiaries and branches

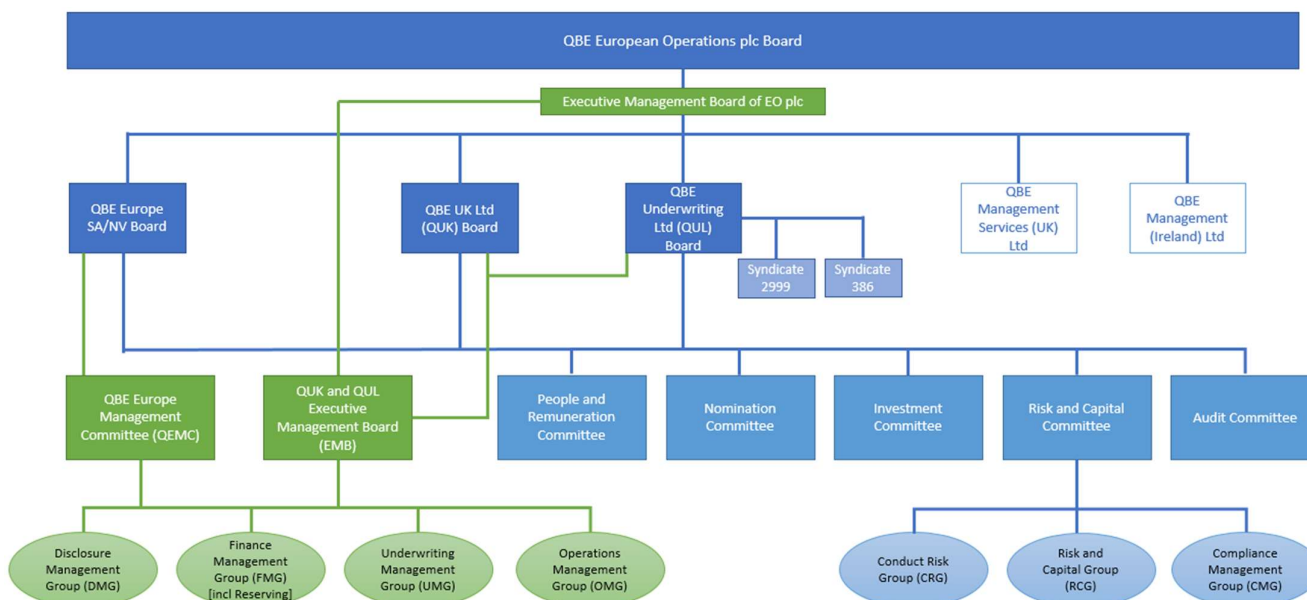
The EO Group has overseas operations in a number of countries. The table below sets out the EO Group's regulated subsidiaries and branch locations (based on structure as at 31 December 2021) from which insurance and reinsurance business has been actively operating during the year.

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 branches in the UK 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 2021 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 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 \$513m of the US\$1bn notes and £144m of the £325m notes which were excluded from own funds under the reciprocal financing rules. The remaining notes amounting to £542m 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;
- On 26 April 2021, EO plc exchanged US\$300m (£232m) of restricted tier 1 notes previously issued to a fellow QBE Group undertaking for an equivalent amount of called up share capital. EO plc issued £216m of called up share capital to its shareholder QBE Insurance Holdings Pty Limited, representing US\$300m translated into GBP at an exchange rate of 1.39, being the exchange rate at close on 23 April 2021;
- On 19 November 2021, QUK, QBE Europe, and QUL each signed a commutation agreement in respect of its Divisional Large Risk & Catastrophe ('DLRC') intra-group reinsurance contracts, covering 2015 and 2017 accident years. The contracts were commuted at the contract limit. The consideration will be received by the companies in 10 equal quarterly instalments. The final payment is expected to be received in Q4 2023;
- During the year, QUK completed a capital reduction which resulted in a transfer of capital from the share premium account and capital redemption reserve to the profit and loss account. There were no changes to the net assets or total equity of the Company;
- Andrew Horton was appointed as the QBE Group CEO commencing 1 September 2021; and
- 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.

#### 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:

- In Q1 2022, EO plc declared £120m dividends (2020: £nil) to its parent QBE Insurance Holdings Pty Limited. QUK also declared £168m (2020: £nil) to its parent QBE Holdings (EO) Limited; and
- The EO Group has performed an initial review of the potential impact of the conflict between Russia and Ukraine on the EO Group's operations and future results. The review performed included an assessment of the potential insurance exposures and the impact of sanctions as well as the potential impact on the valuation of financial assets. The situation will be kept under close review but at this stage there is not expected to be a material impact on the solvency of the EO Group.

#### 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 (0) 2 221 21 11

The external auditor of the EO Group and its subsidiaries (except QUK) 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](http://www.pwc.co.uk)

The external auditor for QUK is Mazars LLP. Contact details are as follows:

Mazars LLP

Tower Bridge House

St Katharine's way

London

E1W 1DD

Telephone: +44 (0) 7063 4000

#### 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 2021 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 2021 together with comparative information.

Key metrics (£'m)	2021	2020
Gross written premium	1,184	998
Net earned premium	860	747
Claims ratio	46.4%	69.8%
Commission and expense ratio	29.4%	31.6%
Combined operating ratio	75.8%	101.4%

QUK has continued to focus 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 2021, 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. During the year QUK recorded £1,184m gross written premium, ahead of plan and the prior year (2020: £998m).

Net earned premium is higher than prior year, with the increase 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 2021 is favourable to 2020, driven by benign loss activity in the UK in the first half of 2021 and the lack of large loss and catastrophe experience during the year.

Net operating expenses are adverse to 2020, with the expense ratio slightly lower than 2020, driven by a higher net earned premium.

**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 2021 £'m	General liability insurance	Fire and other damage to property insurance	Motor vehicle liability insurance	Marine, Aviation and Transport Insurance	Credit and suretyship insurance	Other	Total
Gross written premium*	346	286	244	153	46	109	1,184
Net earned premium	272	177	226	60	23	102	860
Net claims incurred	131	23	118	44	18	43	377
Expenses incurred	88	71	66	15	9	28	277
Underwriting performance	52	83	42	2	(4)	31	206

*\*Direct business and reinsurance accepted*

31 December 2020 £'m	General liability insurance	Fire and other damage to property insurance	Motor vehicle liability insurance	Marine, aviation and transport insurance	Credit and suretyship insurance	Other	Total
Gross written premium*	274	232	216	124	53	99	998
Net earned premium	247	150	206	41	13	90	747
Net claims incurred	171	127	58	40	7	92	495
Expenses incurred	89	56	58	17	11	31	262
Underwriting performance	(13)	(33)	90	(16)	(5)	(33)	(10)

*\*Direct business and reinsurance accepted*

**General liability insurance**

Net earned premiums increase reflected the hard market along with rate being achieved on loss exposed business.

The favourable underwriting result reflected continued reduction in attritional claims experience with reduced activity driven by the COVID-19 lockdowns. The prior year was impacted by prior year development across Financial Lines with such levels not replicated in 2021.

**Fire and other damage to property insurance**

Net earned premiums were ahead of prior year noting impact in 2020 of reinstatement premiums payable for Property Catastrophe protection. Gross written premium was favourable with positive trading conditions experienced in a hard market combined with new business opportunities in the construction sector.

The underwriting result reflected strong underlying performance further benefited by reduced COVID-19 estimates in QUK's SME portfolio.

**Motor vehicle liability insurance**

Net earned premiums increased year on year with 2020 impacted by higher-than-expected levels of return premiums due to the impact of COVID-19 and the increased number of laid up vehicles. Positive rate and organic growth assisted further.

The underwriting profit benefits whilst activity increases back to a more normalised level compared to prior year.

**Marine, aviation & transport insurance**

Net Earned premiums exceeded prior year with continued rate growth and new business opportunities. The increased focus on the renewables market coupled with strong oil and gas commodity prices have also benefited the top line.

Improved claims ratio, driven primarily from the Energy portfolio, along with the one-off reinsurance correction noted in 2020 saw a return to profitability for this sector.

**Credit & suretyship**

Gross written premium in 2021 was down slightly on the prior year as it was a full year of the pandemic and business volumes did not pick up. New business opportunities were also limited due to trading conditions.

Overall performance was good despite a loss on the Government Scheme, and an improvement on 2020. The anticipated level of claims due to the pandemic did not materialise as the government continued to provide a wide package of support to businesses.

**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 9% (2020: 10%) of QUK's gross written premium. QUK also incurred net claims of -£6m (2020: £34m) 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 2021 £'m	United Kingdom	United States of America	United Arab Emirates	Australia	Saudi Arabia	Canada
Gross written premium	922	52	47	33	15	11
Net earned premium	712	23	30	27	9	4
Net claims incurred	335	9	9	12	2	-
Expenses incurred	233	9	12	4	3	1
Underwriting performance	144	5	9	11	4	3

*\*Direct business and reinsurance accepted*

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*

### 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)	2021	2020
Gross written premium	1,645	1,463
Net earned premium	1,279	1,177
Claims ratio	67.7%	61.6%
Commission and expense ratio	30.2%	30.6%
Combined operating ratio	97.8%	92.2%

The Gross Written Premium generated by the non-life business amounts to €1,600m, 63% of which is insurance business being written out of the foreign insurance branches or on a Freedom of Services basis out of the head office in Belgium. Life business generated a gross premium income of €45m down from €70m following the cancellation of some major treaties. The Life premium volume continues to be 100% generated by reinsurance business written out of the head office in Belgium. The increase in Net Earned Premiums is in line with the increase of the Gross Written Premium.

The claims ratio has been negatively impacted by the recent European floods and other natural catastrophes, despite benefitting from a small net release of built-up equalisation provisions.

The increase of the net operating expenses was lower than the growth of the net earned premium, resulting in a slightly lower commission and expenses ratio than in 2020.

**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, where claims management expenses are included in expenses incurred. The full QRT is included in Appendix A.

31 December 2021 €'m	General liability insurance	Fire and other damage to property insurance	Property	Casualty	Marine, aviation and transport insurance	Life re-insurance	Other	Total
Gross written premium*	569	456	200	141	73	45	161	1,645
Net earned premium	455	344	130	116	62	40	132	1,279
Net claims incurred	242	243	186	67	21	26	54	839
Expenses incurred	158	131	36	33	18	10	31	417
Underwriting performance	55	(30)	(92)	16	23	4	47	23

*\*Direct business and reinsurance accepted*

31 December 2020 €'m	General liability insurance	Fire and other damage to property insurance	Property	Casualty	Marine, aviation and transport insurance	Life re-insurance	Other	Total
Gross written premium*	504	383	158	105	78	70	165	1,463
Net earned premium	406	292	121	90	67	65	137	1,178
Net claims incurred	161	160	101	93	43	56	77	691
Expenses incurred	156	121	28	21	17	11	39	393
Underwriting performance	89	11	(8)	(24)	7	(2)	21	94

*\*Direct business and reinsurance accepted*

**General liability insurance**

Increase in gross written premiums for the year were driven by the rates achieved, particularly loss exposed Financial Lines account where rate adequacy was returning to the market. Underwriting performance remained strong but lessened with activity returning back to more normalised levels post the lockdowns seen as part of the COVID-19 pandemic.

**Fire and other damage to property insurance**

Gross written premiums increased with strong rating being achieved along with strong new business across Continental Europe. Overall profitability suffered reflecting Irish Business Interruptions exposure due to COVID-19.

**Property**

Property saw improved rate during 2021 in reaction to the continued Cat activity which has been above the previous norm for the past 5 years. Market conditions restricting competition gave opportunities for new business in addition to several policies transferred from Lloyd's to QBE Europe. Claims were significantly impacted by European Storms Volker, Storm Xero and Storm Bernd.

Bermuda premium levels stayed the same as 2020, whereas the claim reserves for Hurricane IDA, Texas Winter storms and the European storms were higher than last year, largely COVID-19 related.



Belgium non-proportional treaty also achieved rate increases on renewals, particularly in European countries where there was extreme loss activity in 2019 and 2020, which included the impact of COVID-19. European storms generated claims larger than last year's cat events.

#### Casualty

Increase in gross written premium for the year were driven by the rates achieved, particularly in France and Ireland. The uncertainty over future discount rates had fuelled some ability to increase premiums. Rate improvements generated better technical margins. Overall, the performance improved from prior year with better-than-expected claims activity against COVID-19 related claims in 2020.

#### Marine, aviation & transport insurance

Gross written premium was down compared to prior year driven by reduced retention where sub limits have been revised in reaction to COVID-19.

#### Life

The life reinsurance business is located in Belgium, where premium levels reduced due to unattractive renewal prices. The Discount rates continued to affect the ability to price risks at a desired level. Risks also declined in some cases where COVID-19 was still a factor, such as Latin America. The overall performance was a small loss as last year.

#### Other

The 'Other' Solvency II lines of business consist largely of credit and suretyship, health, and motor vehicle liability insurance. 'Other' lines of business represent 10% (2020: 11%) 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 2021 €'m	Belgium	France	United Kingdom	Spain	Germany	Italy
Gross written premium	197	361	193	122	101	82
Net earned premium	175	272	128	93	78	62
Net claims incurred	89	161	85	62	121	43
Expenses incurred	59	103	39	31	21	25
Underwriting performance	27	8	4	-	(64)	(6)

*\*Direct business and reinsurance accepted*

##### 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 2021 €'m	Belgium	United Kingdom	France	Mexico	Peru	Switzerland
Gross written premium	16	7	4	3	2	2
Net earned premium	14	6	3	3	2	2
Net claims incurred	12	6	(2)	8	(1)	1
Expenses incurred	3	1	1	1	-	1
Underwriting performance	(1)	(1)	4	(6)	3	-

\*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)

\*Reinsurance accepted

## A.3 Investment Performance

## A.3.1 Overview

The EO Group's investment portfolio allocations, and overall portfolio structure, is substantially unchanged during 2021. Connected with positive changes in the global growth outlook, and changes in expectations about the future path of government market interventions and global central bank interest rates, fixed income yields on Corporate and Sovereign debt holdings have increased during the year. These market increases have resulted in mark-to-market losses on the EO Group's fixed income assets during the year.

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 Prudent Person Principle ('PPP') as set out in Solvency II regulation, with updates to QBE Group's practices during 2020 and 2021 to reflect additional requirements of the investment function per PRA SS1/20 and NBB 2016\_31. These principles are now embedded in processes and controls within the EO Group and subsidiaries.

The information on investment performance below is 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.

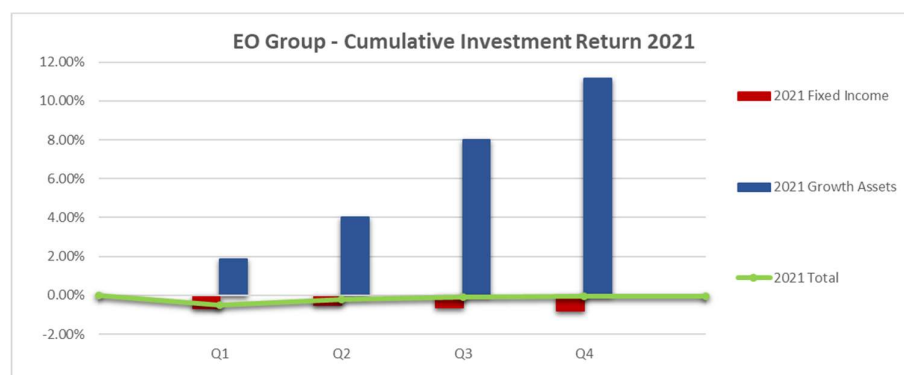
As at 31 December 2021 exposure to securitisations within the EO Group's portfolio is currently comprised of Asset Backed Securities ('ABS') £170m (2020: £205m) and Residential Mortgage Backed Securities ('RMBS') £19m (2020: £nil).

### A.3.3 The EO Group investment performance

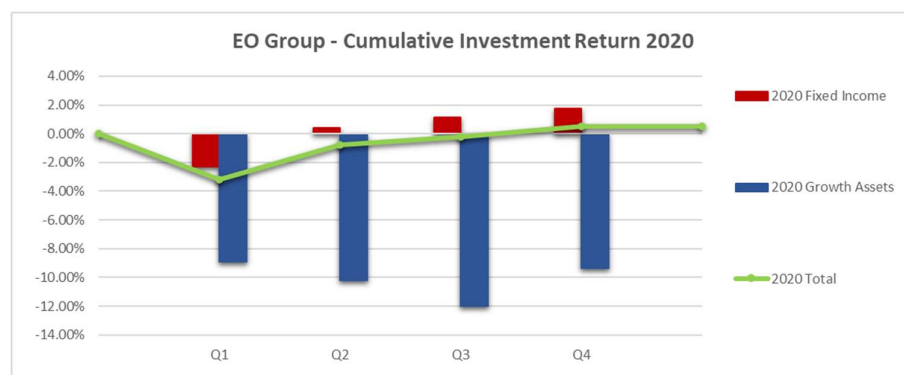
The EO Group's investment portfolio allocations, and overall portfolio structure, is substantially unchanged during 2021. Connected with positive changes in the global growth outlook, and changes in expectations about the future path of government market interventions and global central bank interest rates, fixed income yields on Corporate and Sovereign debt holdings have increased during the year. These market increases have resulted in mark-to-market losses on the EO Group's fixed income assets during the year.

Throughout the reporting period, return is measured and reported at an asset class level for the EO 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:



Prior year comparatives of cumulative investment return for major asset class by quarter are shown in the chart below:



Fixed income investment return for the EO Group was negative -0.8% (2020: positive 1.5%), primarily driven by losses associated with rising sovereign and corporate bond yields, amid an increase in global risk-free rates, following changes in expectations around future central bank interest rates.

Growth asset investment return was positive 11.2% for the year (2020: negative -9.3%). Unlisted Property and Infrastructure Assets performed strongly during the year as major global economic performance improved, and expectations for future returns in these asset classes also improved.

The total investment returns achieved for the year are set out below. The combined currency total return for the year was negative -0.1% (2020: positive 0.5%).

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

Yield by Asset Type	2021		2020	
	Yield (%)	Yield £'m	Yield (%)	Yield £'m
Fixed income	(0.8)	(46.1)	2.5	141.0
Equities	35.1	0.2	(25.9)	(57.2)
Infrastructure loans	(0.1)	(0.3)	3.7	2.6
Infrastructure assets	14.6	14.3	0.2	(0.0)
Unlisted property trusts	10.1	19.0	(3.0)	(4.5)
High yield debt	-	-	(15.6)	(28.2)
Emerging market equity	-	-	(19.6)	(13.3)
Emerging market debt	-	-	(25.9)	(36.1)
Private Equity	13.7	6.5	13.7	4.7
Other alternatives	(9.7)	(1.1)	13.1	2.4
<b>Total investment return</b>	<b>(0.1)</b>	<b>(7.5)</b>	<b>0.5</b>	<b>11.4</b>

Investment expenses and charges were £140m for the period (2020: £246m), reduced from prior year due to changes in intra-group debt funding arrangements, and a lower level of realised losses on investments.

The Solvency II EO Group includes QUK, QBE Europe and various holding and management companies. Other than QUK 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 negative -0.5% (2020: positive 2.8%). Investment expenses and charges were £58m for the period (2020: £4.8m), increased from prior year due to higher level of realised losses on investments.

#### A.3.4 QUK investment performance

At 31 December 2021, 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 assets, unlisted property, equities, 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 flat at 0.0% (2020: negative -0.2%).

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

Yield by Asset Type	2021		2020	
	Yield (%)	Yield £'m	Yield (%)	Yield £'m
Fixed income	(1.0)	(21.1)	2.9	70.4
Equities	83.0	0.2	(26.2)	(34.0)
Infrastructure loans	(0.1)	(0.2)	4.1	1.6
Infrastructure assets	14.3	8.1	0.3	0.1
Unlisted property trusts	12.9	10.3	(2.6)	(2.1)
High yield debt	-	-	(15.9)	(17.7)
Emerging market equity	-	-	(18.5)	(8.9)
Emerging market debt	-	-	(25.7)	(19.4)
Private Equity	13.7	1.9	13.7	1.6
Other alternatives	(10.1)	(0.5)	7.2	0.4
<b>Total investment return</b>	<b>(0.0)</b>	<b>(1.4)</b>	<b>(0.2)</b>	<b>(8.1)</b>

Investment expenses and charges were £9m for the period (2020: £86m). The decrease from last year was due to a reduction in realised losses compared to 2020.

#### A.3.5 QBE Europe investment performance

As at 31 December 2021, 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 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 negative -0.1% (2020: negative -0.3%).

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

Yield by Asset Type	2021		2020	
	Yield (%)	Yield €'m	Yield (%)	Yield €'m
Fixed Income	(0.7)	(26.1)	1.5	54.1
Equities	0.7	0.0	(25.4)	(26.1)
Infrastructure loans	(0.0)	(0.1)	3.3	1.1
Infrastructure assets	15.1	7.2	0.1	0.0
Unlisted property trusts	8.0	10.1	(3.4)	(2.7)
High yield debt	-	-	(14.3)	(11.8)
Emerging market equity	-	-	(21.3)	(5.0)
Emerging market debt	-	-	(26.0)	(18.8)
Private Equity	13.7	5.4	13.7	3.6
Other alternatives	(9.7)	(0.7)	12.9	2.2
<b>Total investment return</b>	<b>(0.1)</b>	<b>(4.3)</b>	<b>(0.3)</b>	<b>(3.2)</b>

Investment expenses and charges were €38m for the period (2020: €66m). The Decrease from last year was due to a reduction in realised losses compared to 2020.

## 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 EO Group have entered into or settled (including by way of in specie dividend) intercompany loan agreements as part of the EO Group's cash management strategy or for other general corporate purposes;
- The EO Group holds derivatives via QBE Strategic Capital Company Pty Ltd; and
- The EO 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 2021 was £5m (2020: £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

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

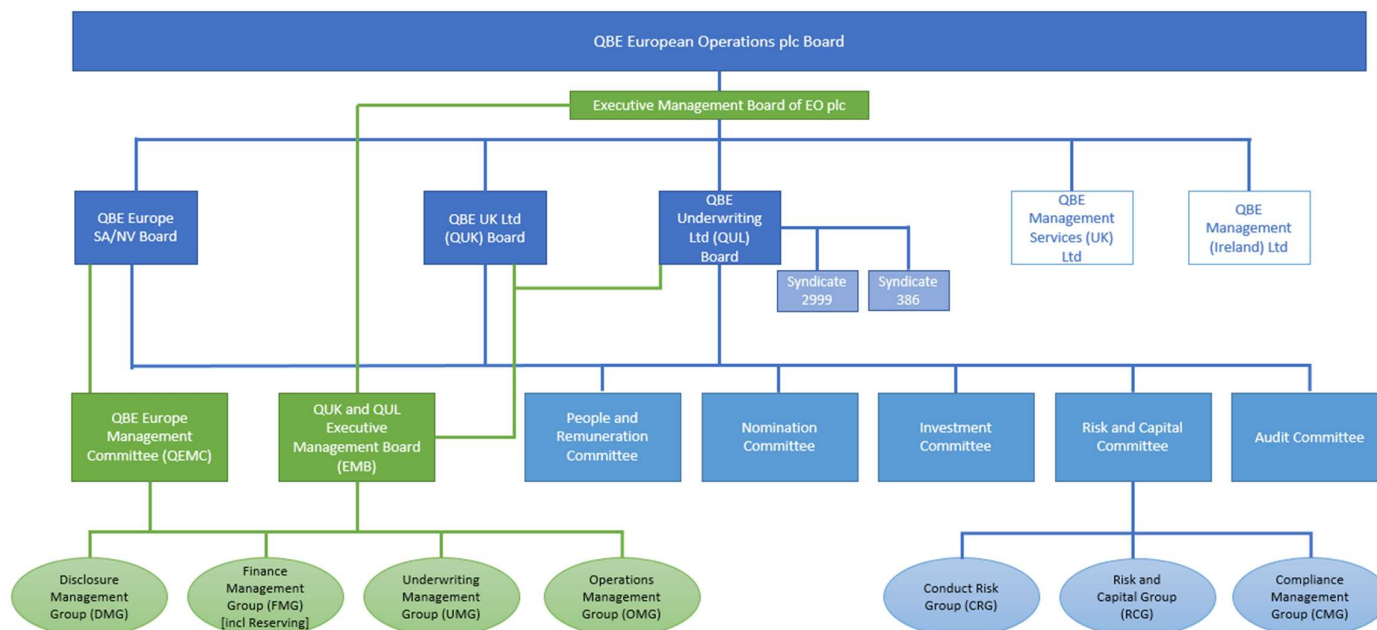
The Board charters of EO plc and its key subsidiaries state that the Board of Directors is responsible for the long-term success of the Company and its subsidiaries. The role of the Board is to provide leadership, to oversee the design and implementation of the EO Group strategy and to set a framework 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 2021 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 Group, 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 EO Group 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	<ul style="list-style-type: none"> <li>Establish and maintain a robust Actuarial control framework to ensure that the EO Group: <ul style="list-style-type: none"> <li>Complies with all material legal and regulatory requirements;</li> <li>Adheres to relevant Actuarial standards and best practice;</li> </ul> </li> <li>Provision of reserving data and analysis;</li> <li>Calculation of technical provisions and capital requirements; and</li> <li>Responsible for pricing, benchmarking, portfolio analysis and support for business planning; and</li> <li>The main roles and responsibilities of the Actuarial function are further detailed in section B.6.</li> </ul>
Risk Management & Compliance	<ul style="list-style-type: none"> <li>Establishment and maintenance of robust enterprise risk management framework;</li> <li>Production and performance of the EO Group's ORSAs;</li> <li>Monitors the material risks the business faces and ensuring the adequacy of capital should these risks materialise; and</li> <li>The main roles and responsibilities of the Compliance function are further detailed in section B.4.</li> </ul>
Internal Audit	<ul style="list-style-type: none"> <li>Evaluate the adequacy and effectiveness of the risk management framework;</li> <li>Evaluate management's assessment of risk exposures relating to QBE Group's governance, operations, and information systems regarding the: <ul style="list-style-type: none"> <li>reliability and integrity of financial and operational information;</li> <li>compliance with laws, regulations, policies, procedures and contracts; and</li> </ul> </li> <li>The main roles and responsibilities of the Internal audit function are further detailed in section B.5.</li> </ul>
Claims Management	<ul style="list-style-type: none"> <li>Implement and maintain effective leading edge practices and processes to provide maximum value to the business and excellent customer service;</li> <li>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</li> <li>Support decision making by developing and maintaining effective control reports based on the claims environment and claims activity.</li> </ul>
Operations	<ul style="list-style-type: none"> <li>Implement change programmes related to IT outsourcing, service management, and cost savings to achieve cost, service and scalability targets; and</li> <li>Execute and manage the operations strategy of the business.</li> </ul>
Investments	<ul style="list-style-type: none"> <li>Implement and monitor the effectiveness of local investment strategies;</li> <li>Monitor investment performance and investment risks; and</li> <li>Oversee and monitor the effectiveness of the asset-liability strategy with respect to the matching of: <ul style="list-style-type: none"> <li>investment assets;</li> <li>the liabilities generated by insurance activities.</li> </ul> </li> </ul>
Finance	<ul style="list-style-type: none"> <li>Establish and maintain a robust financial control framework;</li> <li>Comply with all relevant legal and regulatory requirements;</li> <li>Adhere to relevant accounting standards and good practice; and</li> <li>Identify and effectively control financial risks (credit, market liquidity, commercial etc.),</li> </ul>

Key Function	Main Roles and Responsibilities
Underwriting	<ul style="list-style-type: none"> <li>Establish and maintain a robust underwriting control framework; and</li> <li>Adhere to relevant underwriting standards and best practice.</li> </ul>
Legal	<ul style="list-style-type: none"> <li>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;</li> <li>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</li> <li>The 'function of effectively running the firm', which is undertaken by the EMB.</li> </ul>
Human Resources	<ul style="list-style-type: none"> <li>Establish and maintain a robust HR control framework to ensure the EO Group:               <ul style="list-style-type: none"> <li>Adheres to relevant HR standards and good practice; and</li> <li>Identifies and effectively controls People risks.</li> </ul> </li> </ul>

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 2021 review, the EO Risk team concluded that the EO Group's Three Lines Model remains appropriate and represents an effective risk governance framework with 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 remuneration policy's guiding principles are designed to promote robust risk management practices and are applied effectively to manage remuneration 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 2021', in section 'Remuneration Report', on pages 56 to 78 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 & Remuneration 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; and
  - 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 Group 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 systems operate consistently across all trading entities, this includes systems in Underwriting, Finance, IT, HR and Risk Management;
- The three lines of defence model operates consistently across all trading entities. 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 EO Group's management groups 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 Group has a Group-wide Risk and Control Self-Assessment ('RCSA') framework in place. This places 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 RASs are 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.

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



### B.3.6 Risk Culture

The QBE Group 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 Group's ERM Framework and a part of the control mechanisms for the organisation. QBE Group'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 QBE Group RCC to ensure appropriate escalation of cultural issues and trends.

During 2021, the QBE Group have reviewed their target risk culture and framework to align to the target state culture, developed as part of the QBE Group Culture Accelerator Programme.

### 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 EO 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. 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 on a continuous basis key risks that have the potential to affect the business' ability to achieve its objectives. Each risk is assigned an 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 EO Group's risk and capital management processes.

Risk identification is implemented through the Risk Function's engagement with each business function as part of the emerging risks process and is facilitated by the RCSA process. The ERM team also engage Executive Management Board members in assessing new and emerging risks each quarter, and reporting of Emerging risks assessments occurs quarterly to the Risk and Capital Group and the Risk and Capital Committee of the Boards.

This process is implemented by the Emerging Risks Group ('ERG') on behalf of the EO Group. The ERG co-ordinates the identification, assessment, monitoring, management and reporting of emerging risks applicable to EO Group. The ERG has a sub-group that addresses non-insurance emerging risks. Emerging risks are included as a sub-category of Strategic risk, according to QBE Group's RMS. Emerging Risks can have a significant impact on QBE Group achieving its strategic or business objectives, but are not adequately captured within other risk classes or risk sub-classes within QBE Group'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 Group ERG maintains a matrix of emerging risks that is used as the basis for the reporting to management on a quarterly basis via the ORSA, as described above.

#### **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 such as risk appetite statements, management key concerns/risks, 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 EO 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 granular 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)

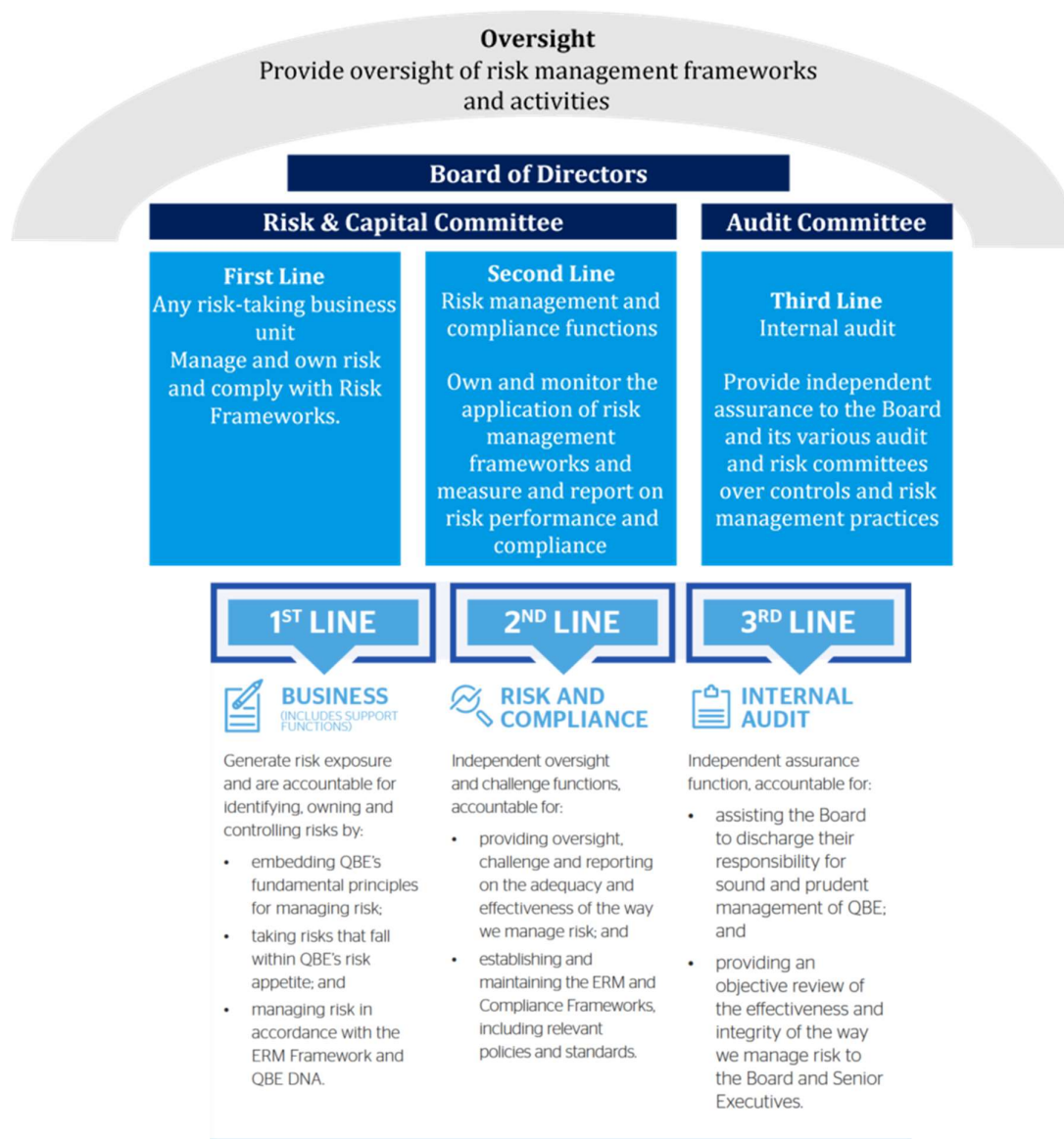
#### **B.3.11 Risk Reporting**

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 EO 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 Model to managing risk, as described below:



Included in the 1<sup>st</sup> Line is a 1b function providing:

- Review, challenge or provide oversight of 1<sup>st</sup> Line risk management activity. Although 1b functions are not fully independent of 1<sup>st</sup> Line management, they are one step removed from risk taking and decision-making activities led by 1<sup>st</sup> Line teams and are therefore able to provide an objective view;
- Provide a specialist business advice or service to the business, such as training or legal advice; and
- Monitor 1<sup>st</sup> Line'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 Model 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 in a timebound manner.

The governance Committees and Management Groups, noted in section B.1, provide further challenge and assurance on risk taking and management activity. Members of the 2<sup>nd</sup> 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 risk and compliance oversight and challenge across the spectrum of business activity.

The EO Group's Three Lines 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 1b teams within the 1<sup>st</sup> Line business functions, 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 2021 review, the EO Group Risk team concluded that EO Group's Three Lines model remains appropriate and represents an effective risk governance framework with 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 Group faces or may face and determine the assets 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 and Key Risk Indicators 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 EO Group ORSA report is reviewed and discussed by the RCG, RCC and QEMC (for the QBE Europe ORSA only), 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, in addition to that for the EO Group.

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 RCC on a quarterly basis and include analysis of:

- Risk Appetite Statements;
- Risk profile;
- Areas of management key concern / risks (including horizon key risks);
- Key Risk Indicators;
- Financial position and solvency ratios;
- The current and projected SCR for each legal entity;
- The on-going suitability of the Internal Model for capital setting purposes;
- Internal Model Usage;
- Transformation and project risk and EO Group's Line 2 Risk Opinion;
- Emerging risks;
- Issues and Incidents analysis;
- Control environments; and
- Risk culture and Group Risk via the risk dashboards, as appropriate.

A summary of the ORSA updates is 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 Group 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 approve the quarterly ORSA updates and the RCC will also review and recommend the annual ORSA report to the Boards 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 annual ORSA is further reviewed by the Management Committee for QBE Europe prior to QBE Europe Board approval. The QEMC also receive a summary of the quarterly ORSA updates.
- 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 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;
  - Capital Appetite Framework;
  - 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 Group 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, proactively support the development of a culture of compliance and appropriate management of regulatory risk across the EO Group, and to and provide appropriate Second Line independent challenge in respect of first line activities. 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 QBE 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 QBE 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 QBE 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 Assurallia 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 QBE 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 EO 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 to 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 QBE 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 QUK 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 Group 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. This approach document was formally adopted by the EO Group Boards in July 2021 and in combination with the QBE Group Policy now forms the Outsourcing Policy for all EO Group entities. 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 QBE 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, including the regular review and challenge of materiality assessments to ensure the appropriate classification and management of arrangements. 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 QEMC 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 QBE 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; and
  - United States.
- IT services, including Disaster recovery, IT hosting and data centre services, Infrastructure and operational services, specialist software provision. These providers are predominantly located in the United Kingdom, though some infrastructure support services are located in Australia, India, Malaysia, the Philippines and the United States; and
- One significant delegated underwriting arrangement operated by the EO Group is also currently considered to be critical or important outsourcing. This involves the underwriting of multiple classes of business on behalf of QUL via a single delegated authority, which is reviewed annually and monitored by the EO Group Material DUA Oversight Group.

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 QBE Group Services Governance Framework. In all cases the QBE 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 Group Global IT function, with employees and infrastructure physically located within the EO Group. This intra-group outsourcing is governed by the QBE Group Master Services Agreement and is subject to formal on-going oversight by the 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 EO Group. These services are also within the scope of the QBE Group Master Services Agreement, with SLAs in place and formal oversight provided by the EO Chief Financial Officer and FMG;

- Investment management services are outsourced to the QBE Group Investments Division based in Australia. These are governed by a formal investment management agreement and are subject to on-going oversight by the European Operations Investment Committee ('EOIC'); and
- Internal Audit support to the EO Group is provided by the QBE Group Internal Audit function. This arrangement is considered material outsourcing by QBE Europe under the Belgian regulatory framework and the QBE Europe Chief Executive Officer serves as *Personne Relais* before the NBB in this regard. This intra-group outsourcing is also governed by the established QBE Group Master Services Agreement.

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 QBE 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**

In addition to the delegated underwriting arrangement referenced in section B.7.2 above, the EO Group also operates a worldwide network of coverholders which are delegated authority to underwrite business on the EO 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 seen divergent risk trends throughout 2021, while the external risk profile has remained predominantly stable with some risk increasing trends. Both the internal and external risk profiles were impacted as a result of increased uncertainty regarding inflation, which hit a 30 year high in December in the UK as the Consumer Prices Index ('CPI') rose by 5.4% in the 12 months to December 2021, with the Bank of England forecast to be over 7% in spring 2022. As well as increasing the cost of claims and impacting reserving and creating economic uncertainty, price inflation could impact QBE Group through increased operating costs.

**Internal risk profile:** Information Technology Governance and Security / Cyber risk remained 'High' but with a risk decreasing trend throughout the year, reflecting improvements in the control environment. The 2022 rating will consider the updated cyber security roadmap and the potential impacts of Russia's invasion of Ukraine, that will likely increase the external cyber risk. 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.

In the second half of 2021, risk increased notably in relation to some insurance risk related key risks driven by increasing inflation. To a lesser extent, a risk increasing trend was also noted in relation some operational key risk.

**External risk profile:** COVID-19, which was the most significant risk to face the EO Group in the first half of 2021 remains 'High' and move from 'Uncertain' to 'Stable' for H2 2021. This reflects the reduced operational and investment market impact to the EO Group, notwithstanding the high level of inherent uncertainty as to the ultimate impact on claims liabilities. Economic and Political uncertainty remained 'High' through 2021, with a risk increasing trend in Q4 2021. This is despite a rebound in global economic activity, as significant uncertainty remains regarding economic output, inflation and interest rates and the impact of geo-political tension, potential new variants and the withdrawal of government stimulus packages. An initial assessment has also been undertaken of the potential impact of the conflict between Russia and Ukraine, refer to section A.1.4. All other external risks across 2021 have remained stable.

Climate change represents a 'High' and 'Stable' risk to the EO Group. This refers to large-scale, long-term shifts in global weather patterns and average temperatures, which can manifest as physical, transition and liability risks. The focus on our climate change risk profile is intensifying, with increased attention from regulators, investors and other stakeholders.

The EO Group's Chief Risk Officer ('CRO') and the Chief Underwriting Officer – Insurance ('CUO') are jointly accountable for the Financial Risks from Climate Change ("FRCC") under the PRA Senior Managers Regime. The CRO continues to report quarterly to EO Group's Risk and Capital Committee on progress with implementing the Roadmap for SS 3/19 – the PRA's regulation governing the Financial Risks from Climate Change, with further reporting as necessary to the EO Group Boards. In 2021, further progress has been made towards meeting the requirements of SS 3/19.

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.

In terms of risk mitigation, the Risk Control Self Assessments ('RCSAs') and Issues and Incidents ('I&I') processes, which were introduced between 2019 and H1 2021 as part of a risk transformation programme, are now fully embedded.

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)	
	2021	2020	2021	2020	2021	2020
Market risk	395	329	174	152	278	230
Counterparty Default risk	145	120	56	37	115	112
Non-life underwriting risk	1,211	1,139	571	559	841	852
Operational risk	152	120	61	50	102	83
Pension risk	99	98	-	-	4	4
Capital adjustments	64	53	1	(1)	-	-
<b>Total undiversified components</b>	<b>2,066</b>	<b>1,859</b>	<b>863</b>	<b>797</b>	<b>1,340</b>	<b>1,281</b>
Diversification	(571)	(487)	(216)	(191)	(389)	(344)
<b>Solvency capital requirement</b>	<b>1,495</b>	<b>1,372</b>	<b>647</b>	<b>606</b>	<b>951</b>	<b>937</b>

## 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 2021, 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 QBE 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 Group'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 Group 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. The Insurance Concentrations risk is monitored by the EO Group Aggregate Management Group and reviewed at a summary level via the Underwriting Management Group risk dashboard. In addition, catastrophe risk is reviewed at QBE Group level via the QBE 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 Group 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 2021. 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. As part of the annual exercise, the continued validation also confirmed that the ESG remained appropriate.

The split of assets held by asset type, on which the current capital assessment is based, for the EO 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 apply to QBE Europe and 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.

#### 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 and most recently updated through PRA SS 1/20 and NBB 2016 31 (updated May 2020) during 2020 and 2021. 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 closely with that of the undertaking's liabilities. The EO Group's policies are consistent and compliant with this rule;
- That the intention and effectiveness of any derivative instruments used within the investment portfolios are documented and reported upon;

- That the characteristics and valuation methodology, including levels of valuation uncertainty within new products, instruments and significant changes in asset profile are assessed prior to approval of the new products, instruments or significant change in asset profile;
- That any significant valuation uncertainty within the portfolio is understood and monitored; and
- That EO Group 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 EO Group in line with the QBE Group 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 EO Group 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, Asset-Liability matching information and compliance with the QBE 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 delegates its authority to the EOIC, which is comprised solely of non-executive directors of the EO Group and its underlying entities (a minimum of three non-executive directors), to make recommendations to the Boards as to the appropriate investment policy and guidelines for the EO Group and to take responsibility for the 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 ('IMA'), which states the terms and conditions applying to the management of company investment 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 EO 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 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. Independent from the investment manager, the EO Group's finance team obtains portfolio analyses at individual security level 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 annually 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 EO Group's overall exposure to a counterparty.

The average portfolio credit quality for the EO Group's fixed income portfolio is A (2020: A). Approximately 80.5% (2020: 83.4%) of the EO Group, 84.5% (2020: 78.2%) of QUK and 85.3% (2020: 83.4%) 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 Group 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.

The 2021 impact of COVID-19 on the investment portfolio has not been significant, with no separately identifiable impact of valuation or reported investment income, and no significant change in asset allocation during 2021.

### C.2.2.3 Asset Liability Management

The EO Group's current investment strategy is to maintain fixed income asset duration which is broadly equal to average net technical liability durations to mitigate interest risk. Investment guidelines permit the investment manager to extend fixed income duration a maximum of 1 year greater than that of average net technical liabilities of each entity, with no restrictions for fixed income duration below the duration of average net technical liabilities.

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.

For managing Asset-Liability mis-match risks, there is also a Risk Appetite Statement in place that is approved by the QBE Board and that is reported against each quarter at the EOIC and at the EO Risk and Capital Committee.

### 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 2021 for the EO Group is to the US Dollar. An operational hedging cycle is in place to ensure that residual exposure is identified, validated and appropriate adjustments to Forward foreign exchange derivatives are instructed, 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 Finance Management Group and QBE Group Risk Dashboards (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.

An annual credit risk review is also performed for Equator Re as a large internal reinsurer to the company. This report is submitted for review and approval to the RCC each year.

#### Risk mitigation

The EO Group mitigates credit risk using the following:

- The posting of collateral to EO entities as beneficiary by counterparties in respect of specific exposures;
- 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 Risk mitigation 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 2021, 57.5% (2020: 63.0%) of the EO Group reinsurers' share of claims outstanding was with QBE Group's captive reinsurer Equator Re and 93.1% (2020: 91.1%) 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 2021 the EO Group held £445m of letters of credit (2020: £460m) as collateral against credit risk.

As at 31 December 2021, 59.2% (2020: 62.5%) of QUK reinsurers' share of claims outstanding was with QBE Group's captive reinsurer Equator Re and 94.0% (2020: 89.4%) 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 2021 QUK held £400m of letters of credit (2020: £425m) as collateral against credit risk.

As at 31 December 2021, 58.2% (2020: 65.0%) of QBE Europe reinsurers' share of claims outstanding was with QBE Group's captive reinsurer Equator Re and 97.9% (2020: 93.2%) 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 2021 QBE Europe held €54m of letters of credit (2020: €37m) as collateral against credit risk.

#### C.3.2 Premium credit risk

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

## C.4 Liquidity risk

### Description

The EO Group defines liquidity risk as the risk of insufficient liquid assets to meet liabilities as they fall due to policyholders and creditors, 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 2021, the average duration of cash and fixed interest securities was 2.8 years (2020: 2.7 years) for the EO Group, 2.3 years (2020: 2.8 years) for QUK and 2.9 years (2020: 3.2 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:

- Ensuring that appropriate levels of liquid assets are available and reporting these 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 encompassing diverse scenarios across various risk types and return periods; 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: £289m (2020: £190m)

QUK: £72m (2020: £42m)

QBE Europe: €258m (2020: €166m)

### 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 EO 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 EO 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 EO 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;
- Closely monitoring rapid changes in the international sanctions regulatory environment, undertaking appropriate screening and due diligence, and communicating requirements to the business as required;
- 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 Group introduced a Group-wide Risk and Control Self-Assessment ('RCSA') framework in December 2019 (replacing the previous Risk and Control Assessment process), which has now been fully embedded. The RCSA process places the responsibilities for functional risk and control assessments on each business area and it is overseen, challenged and validated 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 "early warning indicators that provide management with information on the level of risk that is being taken across the organisation and potential changes to the entity's risk profile. 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 Group further classifies incidents as a:

- Compliance breach;
- Near-miss; and/or
- Boundary event.

A key component of the incident process is the incident recording. The QBE 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 Group, 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. 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 QBE Group and, in aggregate, representative of the overall group risk.

- A QBE Group company conducts business unlicensed/in breach of conduct rules in the name of another QBE 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 are reviewed in context with 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 Group's approach to the assessment, management, monitoring and reporting of group risks. Processes applied to managing group risk include:

- QBE Group Risk Dashboard: including monitoring of intra-group loans, intra-EO Group 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 Brussels-based employees 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 2021 a full actuarial valuation was completed for the QMIL scheme, based on data to 31 December 2020, and it was recommended that QMIL continue to make an annual contribution of €100,000.

The latest full actuarial valuations were completed in 2020 for the JG and ITIC schemes, with no specific funding required for either scheme. The next full valuation will be completed in 2023.

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 Brussels-based employees of Secura/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 several 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 the QBE Group's exposure to 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 Group. 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 Group'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.

In 2020, the QBE Group became the first Australian-based insurer to become a member of the UN-convened Net-Zero Asset Owner Alliance, committing to achieving net-zero greenhouse gas ('GHG') emissions by 2050 in our investment portfolio. QBE Group also joined the UN-convened Net-Zero Insurance Alliance in 2022, committing to transition our underwriting portfolio to net-zero GHG emissions by 2050.

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. There are also risks associated with climate transition, as part of the adjustment to a low-carbon economy. The past may therefore 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. For physical risks, the ability has been developed to model the frequency and severity of gross and net losses at different time horizons (for example, in 2022, 2030 or 2050), based on the different reference climate scenarios (ie. Representative Concentration Pathways). For transition risks, we are able to measure the extent that the EO Group's premium is exposed to industries considered sensitive to climate transition risks, and how this may change over longer time horizons under both orderly and disorderly scenarios. Similarly, we are able to apply scenario analysis to assess the implications that climate risks may have on the EO Group's investments. 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.

EO's Chief Underwriting Officer ('CUO') – Insurance was approved in Q2 2021 as jointly accountable with the EO Chief Risk Officer ('CRO') for Climate financial risks under the Senior Managers Regime. The CRO continues to report quarterly to the EO Group's RCC on progress with implementing the EO's SS 3/19 Roadmap, with further reporting as necessary to the EO Boards. In 2021 further progress has been made towards meeting the requirements of SS 3/19 alongside the QBE Group's overall climate framework, for example:

- Board and RCC charters updated to include responsibility for overseeing climate financial risks;
- The Board / Executive Management Board ('EMB') received climate risk training in Q2 2021;
- Scenario assessments of physical and transition climate risks to estimate exposure materiality and to inform underwriting strategy updates for EO insurance products. Further analysis of physical, transition and liability scenarios is planned to develop additional capability and insights; and
- Development of a Climate Risk Dashboard for additional risk reporting capability from 2022.

The CRO continues to report quarterly to EO Group's Risk and Capital Committee on progress with implementing this Roadmap, with further reporting as necessary to the EO Group Boards.

## 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 Group and this considers their impact in relation to the capital distribution calculated as part of the Internal Model;
- Scenario analysis - This is an extension of the reverse stress testing but considers a specific scenario, covering multiple risk types, to test the modelled level of capital; and

- Return periods of diversified capital by risk type - The diversified capital by risk type has been compared against the undiversified risk distributions.

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

### C.7.2 Sensitivity tests

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

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

The following table shows the impact on the one-year SCR of the top ten sensitivity tests:

Test No.	Test Type	Test Description	EO Group	QUK	QBE Europe
1	Correlation	Increase all class dependencies by 5%	10%	8%	9%
2	Risk Emergence	Change in capital by emerging reserve risk more quickly	7%	8%	8%
3	Reserve Risk	Change in capital using increase reserve variability assessments	7%	7%	7%
4	Correlation	Reduce level of tail dependence	(5%)	(4%)	(5%)
5	Market Risk	Change in capital from a 1% reduction in assumed investment returns.	4%	4%	4%
6	Reserve Risk	Change in capital by using thinner tailed reserve risk distributions for outstanding claims	(4%)	(3%)	(4%)
7	Credit Risk	Change in capital from using A.M. Best default rates and transition matrix	(3%)	(2%)	(3%)
8	Reserve Risk	Change in capital by speeding up the reduction in future capital for the risk margin	(3%)	(2%)	(3%)
9	Credit Risk	Assume non-rated reinsurers are treated as A- rather than B-	(2%)	(1%)	(2%)
10	Credit Risk	Remove adjustments from S&P input parameters	(2%)	(2%)	(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 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 £8,522m (2020: £9,104m) and total liabilities of £6,810m (2020: £7,589m) at 31 December 2021 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 <sup>1</sup> (£'m)	IFRS	Consolidation scope differences <sup>2</sup>	Presentational and reclassification differences	Valuation differences	SII
Goodwill, intangible assets and DAC	755	(280)	-	(475)	-
Investment assets	8,562	(2,602)	82	-	6,042
Holding in related undertakings, including participations	-	26	-	-	26
Cash and cash equivalents and deposits other than cash equivalents	326	(64)	(41)	-	221
Reinsurance recoverable (reinsurers' share of technical provisions)	2,355	(964)	-	(295)	1,096
Receivables (trade, not insurance)	310	(184)	(28)	(13)	85
Deferred tax assets	46	(16)	-	(26)	4
Any other assets <sup>3</sup>	2,330	(780)	-	(502)	1,048
<b>Total assets</b>	<b>14,684</b>	<b>(4,864)</b>	<b>13</b>	<b>(1,311)</b>	<b>8,522</b>
Technical provisions	10,795	(4,439)	-	(902)	5,454
Insurance and intermediaries payables	267	(102)	-	(130)	35
Reinsurance payables	541	(186)	-	(78)	277
Payables (trade, not insurance)	1,020	(664)	-	-	356
Subordinated debt	-	583	-	-	583
Any other liabilities <sup>4</sup>	82	(8)	13	18	105
<b>Total liabilities</b>	<b>12,705</b>	<b>(4,816)</b>	<b>13</b>	<b>(1,092)</b>	<b>6,810</b>
<b>Excess of assets over liabilities</b>	<b>1,979</b>	<b>(48)</b>	<b>-</b>	<b>(219)</b>	<b>1,712</b>

<sup>1</sup>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.

<sup>2</sup>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.

<sup>3</sup>Any other assets include pension benefit surplus, deposits to cedants, insurance and intermediaries receivables and reinsurance receivables.

<sup>4</sup>Any other liabilities include pension benefit obligations, deposits from reinsurers and deferred tax liabilities.



**D.1.2 QUK**

QUK held total assets of £3,876m (2020: £3,989m) and total liabilities of £2,954m (2020: £3,057m) at 31 December 2021 valued on a Solvency II basis. The table below shows the split of assets by summarised asset class.

Solvency II Balance sheet items <sup>1</sup> (£'m)	UK GAAP	Presentational and reclassification differences	Valuation differences	SII
Goodwill, intangible assets and DAC	125	-	(125)	-
Investment assets	2,486	35	-	2,521
Cash and cash equivalents and deposits other than cash equivalents	161	(18)	-	143
Reinsurance recoverable (reinsurers' share of technical provisions)	818	-	(143)	675
Receivables (trade, not insurance)	113	-	(13)	100
Deferred tax assets	-	-	-	-
Any other assets <sup>2</sup>	647	(14)	(196)	437
<b>Total assets</b>	<b>4,350</b>	<b>3</b>	<b>(477)</b>	<b>3,876</b>
Technical provisions	2,829	-	(409)	2,420
Insurance and intermediaries payables	215	-	(27)	188
Reinsurance payables	275	-	(42)	233
Payables (trade, not insurance)	84	-	-	84
Any other liabilities <sup>3</sup>	17	3	10	30
<b>Total liabilities</b>	<b>3,420</b>	<b>3</b>	<b>(468)</b>	<b>2,954</b>
<b>Excess of assets over liabilities</b>	<b>931</b>	<b>-</b>	<b>(8)</b>	<b>923</b>

<sup>1</sup>Presentational and reclassification adjustments have been made to align the UK GAAP balance sheet items to Solvency II balance sheet classifications. The full Solvency II balance sheet is included in Appendix A.

<sup>2</sup> Any other assets include deposits to cedants, insurance and intermediaries receivables and reinsurance receivables.

<sup>3</sup> Any other liabilities include deferred tax liabilities.

**D.1.3 QBE Europe**

QBE Europe held total assets of €5,365m (2020: €4,819m) and total liabilities of €4,133m (2020: €3,750m) at 31 December 2021 valued on a Solvency II basis. The table below shows the split of assets by summarised asset class.

Solvency II Balance sheet items <sup>1</sup> (€'m)	BE GAAP	Presentational and reclassification differences	Valuation differences	SII
Investment assets	4,024	26	32	4,082
Cash and cash equivalents and deposits other than cash equivalents	59	2	6	67
Reinsurance recoverable (reinsurers' share of technical provisions)	697	-	(196)	501
Receivables (trade, not insurance)	92	-	(1)	91
Deferred tax assets	-	-	4	4
Any other assets <sup>2</sup>	1,159	(15)	(524)	620
<b>Total assets</b>	<b>6,031</b>	<b>13</b>	<b>(679)</b>	<b>5,365</b>
Technical provisions	4,144	-	(536)	3,608
Insurance and intermediaries payables	174	-	(92)	82
Reinsurance payables	124	-	(72)	52
Payables (trade, not insurance)	89	13	9	111
Subordinated debt	200	-	-	200
Any other liabilities <sup>3</sup>	40	-	40	80
<b>Total liabilities</b>	<b>4,771</b>	<b>13</b>	<b>(651)</b>	<b>4,133</b>
<b>Excess of assets over liabilities</b>	<b>1,260</b>	<b>-</b>	<b>(28)</b>	<b>1,232</b>

<sup>1</sup>Presentational and reclassification adjustments have been made to align the BE GAAP balance sheet items to Solvency II balance sheet classifications. The full Solvency II balance sheet is included in Appendix A.

<sup>2</sup> Any other assets include deposits to cedants, insurance and intermediaries receivables and reinsurance receivables.

<sup>3</sup> 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	<p>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.</p> <p>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.</p> <p>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.</p>
Deferred acquisition costs (DAC)	<p>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.</p> <p>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.</p>
Holdings in related undertakings	<p>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 EO Group consolidated balance sheet. There are no subsidiaries to consolidate in the GAAP financial statements of QUK and QBE Europe.</p> <p>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.</p>
Government Bonds, Corporate Bonds and Collateralised Securities	<p>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.</p> <p>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.</p>
Collective investment undertakings	<p>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.</p> <p>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.</p>
Derivatives	Derivatives are carried on a fair value basis under Solvency II, IFRS, UK GAAP and BE GAAP.
Loans and mortgages	<p>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.</p> <p>Under IAS 39, loans are valued at either amortised cost or fair value.</p>
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<sup>1</sup>

The EO Group's Solvency II technical provisions amounted to £4,358m at 31 December 2021 (2020: £4,377m), after adjusting for the reinsurance recoverable amount. The IFRS technical provisions at 31 December 2021 were £8,439m (2020: £7,762m). Of the £4,080m difference between IFRS and Solvency II, £3,475m relates to Lloyd's participations.

The QUK Solvency II technical provisions amounted to £1,745m at 31 December 2021 (2020: £1,826m), after adjusting for the reinsurance recoverable amount. The technical provisions balance in the UK GAAP financial statements at 31 December 2021 was £2,011m (2020: £1,883m).

The QBE Europe Solvency II technical provisions amounted to €3,106m at 31 December 2021 (2020: €2,855m), after adjusting for the reinsurance recoverable amount. The technical provisions balance in the BE GAAP financial statements at 31 December 2021 was €3,448m (2020: €3,026m).

<sup>1</sup> 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 TP	Best estimate	Risk Margin (unaudited)	Total TP
Motor vehicle liability	444	32	476	95	14	109
Fire and property damage	104	15	119	348	27	375
General Liability insurance	716	77	793	1,009	129	1,138
Non-proportional casualty reinsurance	134	28	162	667	149	817
Other non-life obligations	125	21	146	484	52	536
<b>Total Non-Life obligations</b>	<b>1,524</b>	<b>173</b>	<b>1,697</b>	<b>2,604</b>	<b>371</b>	<b>2,974</b>
<b>Life obligations</b>	<b>45</b>	<b>4</b>	<b>49</b>	<b>116</b>	<b>16</b>	<b>132</b>
<b>Total Obligations</b>	<b>1,568</b>	<b>177</b>	<b>1,745</b>	<b>2,719</b>	<b>387</b>	<b>3,107</b>

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/UK GAAP/BE GAAP Best Estimate reserves and the unearned premium reserve respectively, and are adjusted to incorporate the following:

- Future Premiums: Represent cashflows relating to future premiums, i.e., receivable but not overdue. These cashflows are reclassified from the IFRS/UK GAAP/BE GAAP balance sheet to technical provisions;
- Bound But Not Incepted ('BBNI') policies: Represent premiums, expenses and claims relating to policies that the EO Group has entered into that have not incepted at the valuation date;
- Future Claims Costs: Unearned claims are obtained by applying unearned loss ratios to unearned premiums;
- Expenses: Assumed expenses incurred in servicing (re)insurance obligations are derived using expense assumptions provided by the Finance Department. These expense loadings are applied separately to the earned and unearned future cash flows to obtain separate expense provisions for earned and unearned business;
- Events Not In Data ('ENIDs'): The Directive requires the Best Estimate to include allowance for "all possible outcomes", e.g. latent claims or extreme high severity, low probability claims. An ENID provision is calculated to allow for all possible scenarios where historical data may be lacking;
- Risk Margin: The Risk Margin is calculated using a cost of capital approach by applying the Best Estimate cashflow and the prevailing yield curve (as provided by EIOPA/PRA) to the Internal Model SCR capital measure; and
- Discounting: Future cashflows are discounted using the 31 December risk free yield curves provided by EIOPA/PRA. The yield curves used exclude the Volatility Adjustment. Future

cashflows 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*	4,650	1,873	3,448
Removal of UPR, DAC and GAAP Reserve Margin	(1,215)	(543)	(946)
Addition of SII Future Premium, future claims costs, expenses, ENIDs and discounting	420	238	218
Risk Margin	503	177	387
<b>Total TPs – Solvency II basis</b>	<b>4,358</b>	<b>1,745</b>	<b>3,107</b>

\*The EO Group statutory technical provisions of £4,650m is arrived at by taking the net technical provisions of £8,440m per the IFRS balance sheet and adjusting for the removal of Lloyd's participations of £3,475m, and other local GAAP statutory adjustments, DAC and discounting.

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

There were no material changes to the SII technical provision methodology during the year.

### 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 EO 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<sup>2</sup>

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 of settlement costs for reported claims, where more information about the claims is usually 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;

<sup>2</sup> Any references to uncertainty in technical provisions are unaudited

- 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<sup>3</sup>, Volatility adjustment<sup>4</sup>, Transitional risk-free interest rate term structure<sup>5</sup> 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 EO Group's approach is as follows:

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

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<sup>3</sup> Any references to matching adjustments are unaudited

<sup>4</sup> Any references to volatility adjustments are unaudited

<sup>5</sup> Any references to transitional adjustments are unaudited

## D.3 Other liabilities

### D.3.1 Overview

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

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

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	<p>The valuation basis is the same under IFRS, UK GAAP, BE GAAP and Solvency II, being initially recognised at fair value 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.</p> <p>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.</p>
Reinsurance payables	<p>The valuation basis is the same under IFRS, UK GAAP, BE GAAP and Solvency II, being initially recognised at fair value 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.</p> <p>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.</p>
Payables (trade, not insurance)	<p>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.</p> <p>BE GAAP has the same valuation basis as Solvency II, except for additional liabilities recognised in relation to Leases &amp; Pensions.</p>
Deferred tax liabilities	<p>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.</p> <p>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.</p> <p>Under BE GAAP, however, deferred tax assets/liabilities are not recognised except under very specific circumstances.</p>



Balance sheet item	IFRS/UK GAAP/BE GAAP valuation basis and comparison with Solvency II valuation basis and assumptions
Subordinated liabilities	<p>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.</p> <p>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.</p> <p>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.</p>
Any other liabilities, not elsewhere shown	<p>The valuation basis is the same under IFRS, UK GAAP, BE GAAP and Solvency II.</p> <p>Where amortised cost basis is considered a good approximation to fair value, no further adjustment is made.</p>

### 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 Group 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 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 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 QBE 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 QBE 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 2021, £0m of infrastructure debt (2020: £20m) in QUK and €10m (2020: €23m) 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 2021, £77m of UK and US treasury bonds (2020: £53m) in QUK and €50m (2020: €17m) 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 2021, £199m (2020: £199m) in the

EO Group, £144m (2020: £110m) in QUK and €54m (2020: €85m) 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 2021, the EO Group has investment in unlisted property trusts of £208m (2020: £193m), private equity funds of £0m (2020: £48m) and infrastructure funds of £111m (2020: £102m).

#### **D.5 Any other information**

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

## Section E: Capital Management<sup>6</sup>

### 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 EO 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, '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

There were no material changes over the reporting period.

#### 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 EO 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 EO Group's SCR and MCR.

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<sup>6</sup> 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, 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.

### E.1.2 Solvency Capital Requirement ('SCR') and Minimum Capital Requirement ('MCR')<sup>7</sup>

At 31 December 2021 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	2021	£1,560	-	£583	-	£2,143	£1,495	143.3%
	2020	£1,210	£232	£543	£6	£1,991	£1,372	145.2%
QUK	2021	£742	-	£160	-	£902	£647	139.3%
	2020	£916	-	£160	£6	£1,082	£606	178.6%
QBE Europe	2021	€1,210	-	€200	€4	€1,414	€951	148.6%
	2020	€1,040	-	€200	€9	€1,249	€937	133.3%

<sup>7</sup> Any references in 'Section E: Capital Management' to the SCR are unaudited.

At 31 December 2021 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	2021	£1,560	-	£124	£1,684	£622	270.6%
	2020	£1,211	£232	£123	£1,566	£617	253.7%
QUK	2021	£742	-	-	£742	£262	282.9%
	2020	£916	-	-	£916	£263	348.6%
QBE Europe	2021	€1,210	-	€85	€1,295	€428	302.5%
	2020	€1,040	-	€84	€1,124	€422	266.6%

All the regulated subsidiaries of the EO Group had the following credit rating at 31 December 2021, as determined by S&P Global Ratings:

- Financial strength rating of A+ with a stable outlook.

#### 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)

During the year the EO Group exchanged £232m of perpetual, subordinated, unsecured debt, which was categorised as equity on an accounting basis and Restricted Tier 1 capital under Solvency II rules, to Tier 1 equity.

#### 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. 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.

As at 31 December 2021, 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 2021, 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 foreseeable dividends, 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 ('RFF') 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; and
- In addition for QBE Europe and QUK, as a condition of writing US Excess and Surplus lines business, the Companies are required to deposit cash, readily marketable securities or letters of credit into Trust with a "United States Qualified Financial Institution". This is considered within the RFF calculations which did not result in any restrictions as at 31 December 2021.

#### 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, which in a capital setting scenario is assumed list/nil as the QBE Corporate net asset valuation is used to cover the liabilities of the syndicates.

### 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)
<b>Total equity – statutory basis</b>	1,979	<b>931</b>	<b>1,260</b>
Removal of net technical provisions balances on a GAAP basis	-	546	777
Inclusion of net technical provisions on a Solvency II basis	-	(541)	(827)
Elimination of goodwill and Intangibles	(192)	-	-
Change in the value of participations	(49)	-	-
Valuation adjustment: Investments	(102)	-	21
Valuation adjustment: other*	76	(13)	1
<b>Excess of assets over liabilities – Solvency II basis</b>	<b>1,712</b>	<b>923</b>	<b>1,232</b>
Adjustment: Subordinated liabilities / ancillary own funds	583	160	200
Adjustment: Foreseeable dividends	(120)	(168)	-
Adjustment: Restricted own fund items in respect of ring fenced funds	(28)	(13)	(18)
Adjustment: Non available own funds at group level	(4)	-	-
<b>Own Funds – Solvency II basis</b>	<b>2,143</b>	<b>902</b>	<b>1,414</b>

\* 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 2021 the SCR<sup>8</sup> and MCR for EO Group and the regulated subsidiaries were:

Entity (£'m/€'m)	SCR		MCR	
	2021	2020	2021	2020
EO Group	£1,495	£1,372	£622	£617
QUK	£647	£606	£262	£263
QBE Europe	€951	€937	€428	€422

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.

<sup>8</sup> Any references in 'Section E: Capital Management' to the SCR are unaudited.



The SCR for the EO Group, QUK and QBE Europe have been calculated using the Internal Model for 2021 and 2020.

Risk Components under Internal Model	EO Group (£'m)		QUK (£'m)		QBE EU (€'m)	
	2021	2020	2021	2020	2021	2020
Market risk	395	329	174	152	278	230
Counterparty Default risk	145	120	56	37	115	112
Non-life underwriting risk	1,211	1,139	571	559	841	852
Operational risk	152	120	61	50	102	83
Pension risk	99	98	-	-	4	4
Capital adjustments	64	53	(1)	(1)	-	-
<b>Total undiversified components</b>	<b>2,066</b>	<b>1,859</b>	<b>863</b>	<b>797</b>	<b>1,340</b>	<b>1,281</b>
Diversification	(571)	(487)	(216)	(191)	(389)	(344)
<b>Solvency capital requirement</b>	<b>1,495</b>	<b>1,372</b>	<b>647</b>	<b>606</b>	<b>951</b>	<b>937</b>

### 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 EO Group level under Solvency II and is referred to the minimum consolidated EO Group SCR instead. The minimum consolidated EO 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<sup>9</sup> and MCR over the period

The minor model changes were approved by the EO Board in June 2021, resulting in revised Internal Model SCR of £1,495m for the EO Group, £647m for QUK and €951m 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<sup>10</sup>

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.

<sup>9</sup> Any references in 'Section E: Capital Management' to the SCR are unaudited.

<sup>10</sup> 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 practice 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.

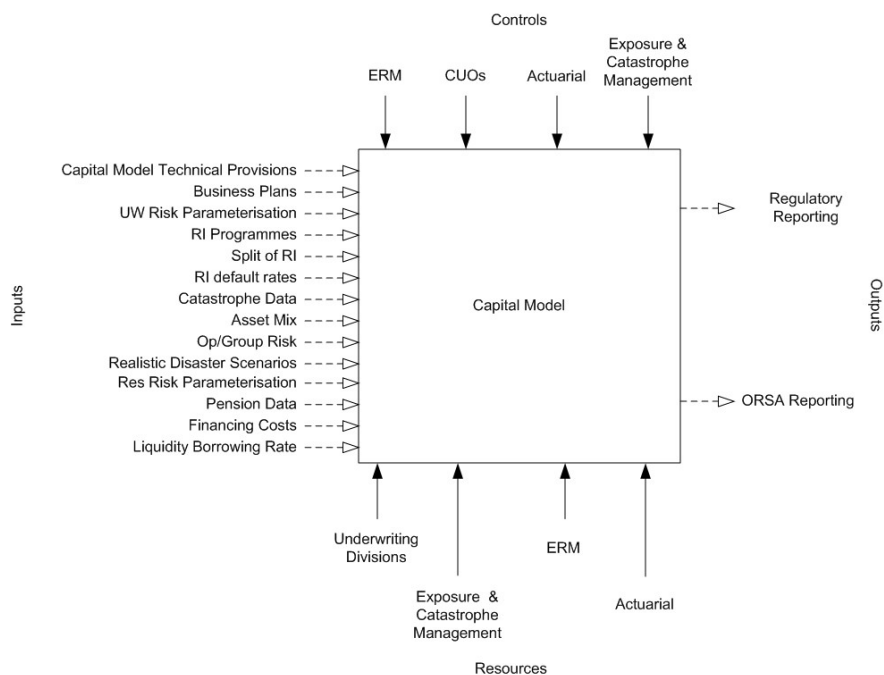
The Standard Formula does not capture group risk, whereas it does appear in the Internal Model. This risk is assumed to diversify well against the other risks, so it also increases the size of the diversification benefit in the Internal Model compared to the Standard Formula.

#### 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 EO Group, 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.<sup>11</sup> 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.

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<sup>11</sup> 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
<b>BE GAAP</b>	Belgian Generally Accepted Accounting Principles
<b>BCM</b>	Business Continuity Management
<b>CAF</b>	Capital Appetite Framework
<b>CMG</b>	Compliance Management Group
<b>COR</b>	Combined Operating Ratio
<b>CRG</b>	Conduct Risk Group
<b>EPIFP</b>	Expected Profit in Future Premiums
<b>EO Group</b>	QBE European Operations Group
<b>EOIC</b>	European Operations Investment Committee
<b>ESG</b>	Economic, Social and Governance
<b>ERM</b>	Enterprise Risk Management
<b>FCA</b>	Financial Conduct Authority
<b>FOS</b>	Freedom of Services
<b>GAAP</b>	Generally Accepted Accounting Principles
<b>GAM</b>	Group Aggregate Methodology
<b>GEP</b>	Gross earned premium
<b>GIA</b>	Group Internal Audit
<b>GWP</b>	Gross written premium
<b>IBNR</b>	Incurred But Not Reported
<b>IFRS</b>	International Financial Reporting Standards (including Australian International Financial Reporting Standards)
<b>MCR</b>	Minimal Capital Requirement
<b>NBB</b>	National Bank of Belgium
<b>OMG</b>	Operations Management Group
<b>ORSA</b>	Own Risk & Solvency Assessment
<b>OWG</b>	Outsourcing Working Group
<b>PRA</b>	Prudential Regulatory Authority
<b>QBE Europe</b>	QBE Europe SA/NV
<b>QBE Group</b>	QBE Insurance Group Limited
<b>QEMC</b>	QBE Europe Management Committee
<b>QUK</b>	QBE UK Limited
<b>QRT</b>	Quantitative Reporting Template

Term or Acronym	Definition
<b>RCC</b>	Risk and Capital Committee
<b>RCG</b>	Risk and Capital Group
<b>RCSA</b>	Risk and Control Self-Assessment process
<b>RMS</b>	Risk Management Strategy
<b>SCR</b>	Solvency Capital Requirement
<b>SFCR</b>	Solvency and Financial Condition Report
<b>UK GAAP</b>	UK Generally Accepted Accounting Principles
<b>UMG</b>	Underwriting Management Group

## Appendix A. QRTs

### EO Group

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 plc Single Group SFCR for the year ended 31 December 2021

## 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	GB	213800GB00038	2 - Specific code	CHRYSLIS MANAGEMENT LTD	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		20.00%	20.00%	20.00%	2 - Significant	20.00%	1 - Included in the scope			3 - Method 1: Adjusted equity method
2	DE	213800DE00003	2 - Specific code	GREENHILL BAIA UNDERWRITING GMBH	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%	1 - Dominant	100.00%	1 - Included in the scope			1 - Method 1: Full consolidation
3	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
4	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
5	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
6	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
7	GB	213800MSZP1KSX9UYB71	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
8	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
9	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
10	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
11	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
12	GB	2138001YKXPKQ6DYE115	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
13	GB	2138001VJLIGBUEQE54	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		100.00%	100.00%	100.00%	1 - Dominant	100.00%	1 - Included in the scope			1 - Method 1: Full consolidation
14	SG	213800SG00035	2 - Specific code	QBE INTERNATIONAL MARKETS PTE. LTD	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 plc Single Group SFCR for the year ended 31 December 2021

## 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	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	
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
15	AU	213800AU00013	2 - Specific code	QBE INVESTMENTS (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
16	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		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
17	GB	213800F6WZZYHYJJOV75	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		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
18	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		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
19	CA	213800CA00024	2 - Specific code	QBE SERVICES INC.	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
20	GB	2138003HAQJ2X4PBKS90	1 - LEI	QBE UK FINANCE IV 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
21	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	100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
22	GB	213800G4VF3APWBP7231	1 - LEI	QBE UNDERWRITING 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
23	IE	213800IE00027	2 - Specific code	QBE UNDERWRITING SERVICES (IRELAND) 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
24	GB	213800GB00028	2 - Specific code	QBE UNDERWRITING SERVICES (UK) 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
25	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		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
26	GB	213800GB00015	2 - Specific code	STANDFAST CORPORATE UNDERWRITERS 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.02.01.02

## Balance sheet

		Solvency II value
		C0010
<b>Assets</b>		
R0030	Intangible assets	-
R0040	Deferred tax assets	3,861
R0050	Pension benefit surplus	67,822
R0060	Property, plant & equipment held for own use	72,249
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	6,058,926
R0080	<i>Property (other than for own use)</i>	-
R0090	<i>Holdings in related undertakings, including participations</i>	25,699
R0100	<i>Equities</i>	32
R0110	<i>Equities - listed</i>	-
R0120	<i>Equities - unlisted</i>	32
R0130	<i>Bonds</i>	5,624,786
R0140	<i>Government Bonds</i>	1,063,396
R0150	<i>Corporate Bonds</i>	4,372,557
R0160	<i>Structured notes</i>	-
R0170	<i>Collateralised securities</i>	188,833
R0180	<i>Collective Investments Undertakings</i>	385,359
R0190	<i>Derivatives</i>	15,209
R0200	<i>Deposits other than cash equivalents</i>	7,841
R0210	<i>Other investments</i>	-
R0220	Assets held for index-linked and unit-linked contracts	-
R0230	Loans and mortgages	8,615
R0240	<i>Loans on policies</i>	-
R0250	<i>Loans and mortgages to individuals</i>	-
R0260	<i>Other loans and mortgages</i>	8,615
R0270	Reinsurance recoverables from:	1,096,087
R0280	<i>Non-life and health similar to non-life</i>	1,059,327
R0290	<i>Non-life excluding health</i>	1,053,761
R0300	<i>Health similar to non-life</i>	5,566
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	36,760
R0320	<i>Health similar to life</i>	-
R0330	<i>Life excluding health and index-linked and unit-linked</i>	36,760
R0340	<i>Life index-linked and unit-linked</i>	-
R0350	Deposits to cedants	120,469
R0360	Insurance and intermediaries receivables	526,223
R0370	Reinsurance receivables	261,160
R0380	Receivables (trade, not insurance)	85,310
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	221,353
R0420	Any other assets, not elsewhere shown	-
R0500	<b>Total assets</b>	<b>8,522,075</b>

EO Group (All values in £'000)

## S.02.01.02 (continued)

## Balance sheet

		Solvency II value
		C0010
<b>Liabilities</b>		
R0510	Technical provisions - non-life	5,257,642
R0520	<i>Technical provisions - non-life (excluding health)</i>	5,155,649
R0530	<i>TP calculated as a whole</i>	-
R0540	<i>Best Estimate</i>	4,684,502
R0550	<i>Risk margin</i>	471,147
R0560	<i>Technical provisions - health (similar to non-life)</i>	101,993
R0570	<i>TP calculated as a whole</i>	-
R0580	<i>Best Estimate</i>	88,401
R0590	<i>Risk margin</i>	13,592
R0600	Technical provisions - life (excluding index-linked and unit-linked)	196,616
R0610	<i>Technical provisions - health (similar to life)</i>	23
R0620	<i>TP calculated as a whole</i>	-
R0630	<i>Best Estimate</i>	12
R0640	<i>Risk margin</i>	11
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	196,593
R0660	<i>TP calculated as a whole</i>	-
R0670	<i>Best Estimate</i>	178,589
R0680	<i>Risk margin</i>	18,004
R0690	Technical provisions - index-linked and unit-linked	-
R0700	<i>TP calculated as a whole</i>	-
R0710	<i>Best Estimate</i>	-
R0720	<i>Risk margin</i>	-
R0740	Contingent liabilities	-
R0750	Provisions other than technical provisions	15,662
R0760	Pension benefit obligations	5,264
R0770	Deposits from reinsurers	33,368
R0780	Deferred tax liabilities	22,205
R0790	Derivatives	28,218
R0800	Debts owed to credit institutions	-
R0810	Financial liabilities other than debts owed to credit institutions	-
R0820	Insurance & intermediaries payables	35,358
R0830	Reinsurance payables	276,603
R0840	Payables (trade, not insurance)	356,415
R0850	Subordinated liabilities	583,115
R0860	<i>Subordinated liabilities not in BOF</i>	-
R0870	<i>Subordinated liabilities in BOF</i>	583,115
R0880	Any other liabilities, not elsewhere shown	-
R0900	<b>Total liabilities</b>	<b>6,810,466</b>
R1000	<b>Excess of assets over liabilities</b>	<b>1,711,609</b>

EO plc Single Group SFCR for the year ended 31 December 2021

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																	
Gross - Direct Business	-	65	-	259,419	52,097	75,772	555,868	807,791	70,830	1,194	(97)	-					1,822,939
Gross - Proportional reinsurance accepted	626	17,688	-	8,771	3,382	1,538	122,001	27,294	11,446	-	-	1					192,747
Gross - Non-proportional reinsurance accepted													19,326	166,942	173,457	184,480	544,205
Reinsurers' share	-	27	-	9,120	1,448	13,053	146,806	82,679	23,807	(2,638)	(17)	347	1,787	9,683	86,299	55,901	428,302
Net	626	17,726	-	259,070	54,031	64,257	531,063	752,406	58,469	3,832	(80)	(346)	17,539	157,259	87,158	128,579	2,131,589
Premiums earned																	
Gross - Direct Business	-	214	-	251,157	50,294	75,829	503,854	726,306	68,730	1,024	(97)	-					1,677,311
Gross - Proportional reinsurance accepted	682	19,254	-	8,644	3,383	1,536	111,186	25,314	11,136	-	-	1					181,136
Gross - Non-proportional reinsurance accepted													19,477	154,237	153,943	180,357	508,014
Reinsurers' share	-	72	-	10,144	1,637	12,829	140,431	86,106	23,328	(2,638)	(17)	348	1,838	9,360	88,929	56,403	428,770
Net	682	19,396	-	249,657	52,040	64,536	474,609	665,514	56,538	3,662	(80)	(347)	17,639	144,877	65,014	123,954	1,937,691
Claims incurred																	
Gross - Direct Business	-	(2,802)	-	122,006	37,265	52,980	265,538	384,768	22,472	2,717	(30)	(276)					884,638
Gross - Proportional reinsurance accepted	506	4,744	-	6,308	1,032	1,780	54,789	10,149	5,735	-	-	(176)					84,867
Gross - Non-proportional reinsurance accepted													9,293	76,279	33,335	280,847	399,754
Reinsurers' share	2	(100)	-	(1,305)	(1,267)	6,154	82,671	60,138	(1,682)	702	1	141	(90)	8,440	19,073	128,560	301,438
Net	504	2,042	-	129,619	39,564	48,606	237,656	334,779	29,889	2,015	(31)	(593)	9,383	67,839	14,262	152,287	1,067,821
Changes in other technical provisions																	
Gross - Direct Business	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Non-proportional reinsurance accepted													-	-	-	-	-
Reinsurers' share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses incurred	43	7,310	-	73,522	16,111	19,351	183,567	224,158	21,087	1,159	724	74	3,734	35,931	5,161	34,791	626,723
Other expenses																	-
Total expenses																	626,723

EO plc Single Group SFCR for the year ended 31 December 2021

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
<b>Premiums written</b>								
R1410 Gross	-	-	-	-	-	30	38,955	38,985
R1420 Reinsurers' share	-	-	-	-	-	-	4,497	4,497
R1500 Net	-	-	-	-	-	30	34,458	34,488
<b>Premiums earned</b>								
R1510 Gross	-	-	-	-	-	30	39,613	39,643
R1520 Reinsurers' share	-	-	-	-	-	-	4,499	4,499
R1600 Net	-	-	-	-	-	30	35,114	35,144
<b>Claims incurred</b>								
R1610 Gross	-	-	-	-	-	12,872	30	31,654
R1620 Reinsurers' share	-	-	-	-	-	15,944	-	3,244
R1700 Net	-	-	-	-	-	3,072	30	28,410
<b>Changes in other technical provisions</b>								
R1710 Gross	-	-	-	-	-	-	-	-
R1720 Reinsurers' share	-	-	-	-	-	-	-	-
R1800 Net	-	-	-	-	-	-	-	-
R1900 Expenses incurred	-	-	-	-	-	10	8,283	8,293
R2500 Other expenses								-
R2600 Total expenses								8,293

EO plc Single Group SFCR for the year ended 31 December 2021

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
	Top 5 countries (by amount of gross premiums written) – non-life obligations					Total Top 5 and home country	
	Home Country	France (FR)	Belgium (BE)	Spain (ES)	Germany (DE)	United States (US)	
	C0080	C0090	C0100	C0110	C0120	C0130	C0140
<b>Premiums written</b>							
R0110 Gross – Direct Business	1,034,323	229,684	132,726	93,191	55,232	19,222	1,564,378
R0120 Gross – Proportional reinsurance accepted	3,372	18,960	21,531	5,248	2,421	7,058	58,590
R0130 Gross – Non-proportional reinsurance accepted	50,419	62,024	14,983	6,359	29,926	50,656	214,367
R0140 Reinsurers' share	173,306	34,326	27,180	17,109	14,822	30,177	296,920
R0200 Net	914,808	276,342	142,060	87,689	72,757	46,759	1,540,415
<b>Premiums earned</b>							
R0210 Gross – Direct Business	950,684	196,046	143,452	85,797	52,977	17,137	1,446,093
R0220 Gross – Proportional reinsurance accepted	3,320	18,795	22,065	5,119	2,238	6,427	57,964
R0230 Gross – Non-proportional reinsurance accepted	43,889	58,314	14,157	5,938	28,766	45,691	196,755
R0240 Reinsurers' share	174,141	35,479	26,127	15,216	15,459	30,498	296,920
R0300 Net	823,752	237,676	153,547	81,638	68,522	38,757	1,403,892
<b>Claims incurred</b>							
R0310 Gross – Direct Business	532,723	108,319	89,032	54,794	48,043	5,064	837,975
R0320 Gross – Proportional reinsurance accepted	2,284	18,558	9,172	2,311	1,583	(499)	33,409
R0330 Gross – Non-proportional reinsurance accepted	8,956	42,647	11,840	5,131	74,051	23,352	165,977
R0340 Reinsurers' share	135,375	32,034	31,930	8,879	20,782	7,837	236,837
R0400 Net	408,588	137,490	78,114	53,357	102,895	20,080	800,524
<b>Changes in other technical provisions</b>							
R0410 Gross – Direct Business	-	-	-	-	-	-	-
R0420 Gross – Proportional reinsurance accepted	-	-	-	-	-	-	-
R0430 Gross – Non-proportional reinsurance accepted	-	-	-	-	-	-	-
R0440 Reinsurers' share	-	-	-	-	-	-	-
R0500 Net	-	-	-	-	-	-	-
R0550 Expenses incurred	266,541	88,177	50,475	26,970	18,217	12,513	462,893
R1200 Other expenses							-
R1300 Total expenses							462,893

EO Group (All values in £'000)

**S.05.02.01****Premiums, claims and expenses by country****Life**

	C0150	C0160	C0170	C0180	C0190	C0200	C0210
	<b>Top 5 countries (by amount of gross premiums written) – life obligations</b>						<b>Total Top 5 and home country</b>
	<b>Home Country</b>	<b>Belgium (BE)</b>	<b>France (FR)</b>	<b>Mexico (MX)</b>	<b>Peru (PE)</b>	<b>Switzerland (CH)</b>	
	C0220	C0230	C0240	C0250	C0260	C0270	C0280
<b>Premiums written</b>							
R1410 Gross	6,049	13,472	3,076	2,516	2,038	1,687	28,838
R1420 Reinsurers' share	698	1,555	355	290	235	195	3,328
R1500 Net	5,351	11,917	2,721	2,226	1,803	1,492	25,510
<b>Premiums earned</b>							
R1510 Gross	6,183	13,790	3,145	2,572	2,083	1,724	29,497
R1520 Reinsurers' share	699	1,556	355	291	235	195	3,331
R1600 Net	5,484	12,234	2,790	2,281	1,848	1,529	26,166
<b>Claims incurred</b>							
R1610 Gross	(15,782)	13,452	(1,188)	9,180	423	671	6,756
R1620 Reinsurers' share	(15,770)	419	368	167	1,192	46	(13,578)
R1700 Net	(12)	13,033	(1,556)	9,013	(769)	625	20,334
<b>Changes in other technical provisions</b>							
R1710 Gross	-	-	-	-	-	-	-
R1720 Reinsurers' share	-	-	-	-	-	-	-
R1800 Net	-	-	-	-	-	-	-
R1900 <b>Expenses incurred</b>	762	2,756	893	946	(22)	547	5,882
R2500 <b>Other expenses</b>							-
R2600 <b>Total expenses</b>							<b>5,882</b>



## EO Group (All values in £'000)

### Own Funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35

R0290 Total basic own funds after deductions

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	<b>Total ancillary own funds</b>

2.142.650	1.559.535	-	583.115	-
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-		-	-
-		-	-

## EO plc Single Group SFCR for the year ended 31 December 2021

### EO Group (All values in £'000)

5.23.01.22 (continued)

#### Own Funds

	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
<b>Own funds of other financial sectors</b>					
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	-	-	-	-	-
<b>Own funds when using the D&amp;A, exclusively or in combination of method 1</b>					
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 )	2,142,650	1,559,535	-	583,115	-
R0530 Total available own funds to meet the minimum consolidated group SCR	2,142,650	1,559,535	-	583,115	
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 )	2,142,650	1,559,535	-	583,115	-
R0570 Total eligible own funds to meet the minimum consolidated group SCR	1,683,978	1,559,535	-	124,443	
R0590 Consolidated Group SCR	1,494,717				
R0610 Minimum consolidated Group SCR	622,216				
R0630 Ratio of Eligible own funds to the consolidated Group SCR (excluding other financial sectors and the undertakings included via D&A )	143.3%				
R0650 Ratio of Eligible own funds to Minimum Consolidated Group SCR	270.6%				
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 )	2,142,650	1,559,535	-	583,115	-
R0670 SCR for entities included with D&A method					
R0680 Group SCR	1,494,717				
R0690 Ratio of Eligible own funds to SCR including other financial sectors' own funds and capital requirements	143.3%				
<b>Reconciliation reserve</b>					
R0700 Excess of assets over liabilities	1,711,608				
R0710 Own shares (held directly and indirectly)	-				
R0720 Foreseeable dividends, distributions and charges	120,000				
R0730 Other basic own fund items	1,216,118				
R0740 Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	28,233				
R0750 Other non available own funds	-				
R0760 Reconciliation reserve	347,257				
<b>Expected profits</b>					
R0770 Expected profits included in future premiums (EPIFP) - Life business	7,248				
R0780 Expected profits included in future premiums (EPIFP) - Non- life business	282,056				
R0790 Total Expected profits included in future premiums (EPIFP)	289,304				

*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	88,787	
2	10400I	Equity risk	49,833	
3	10600I	Property risk	21,077	
4	10700I	Spread risk	381,609	
5	10900I	Currency risk	191,745	
6	11040I	Other market risk (Liquidity risk)	6,109	
7	19900I	Diversification within market risk	(344,066)	
8	20100I	Type 1 counterparty default risk (Reinsurance credit risk)	142,489	
9	20200I	Type 2 counterparty default risk (Premium credit risk)	18,151	
10	29900I	Diversification within counterparty risk	(15,321)	
11	50130I	Premium risk	443,465	
12	50240I	Reserve risk	1,047,414	
13	50300I	Non-life catastrophe risk	528,739	
14	59900I	Diversification within non-life underwriting risk	(808,774)	
15	70190I	Operational risk (excluding group risk)	131,360	
16	70110I	Group risk	85,120	
17	79900I	Diversification within operational risk	(64,387)	
18	8049AI	Net asset value of QBE Corporate	20,000	
19	8049BI	Debt servicing costs net of loan repayments	44,360	
20	8049CI	Capital supporting financing companies	-	
21	8049DI	Capital adjustments	-	
22	80110P	Total pension risk including market and pension benefit risks	98,621	

*EO Group (All values in £'000)*

S.25.03.22 (continued)

**Solvency Capital Requirement - for groups on Full Internal Models****Calculation of Solvency Capital Requirement**

C0100

R0110	Total undiversified components	2,066,331
R0060	Diversification	(571,614)
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	-
R0200	<b>Solvency capital requirement excluding capital add-on</b>	<b>1,494,717</b>
R0210	Capital add-ons already set	-
R0220	<b>Solvency capital requirement</b>	<b>1,494,717</b>

**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 of 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	622,216

**Information on other entities**

R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	-
R0510	<i>Credit institutions, investment firms and financial institutions, alternative investment funds</i>	-
R0520	<i>Institutions for occupational retirement provisions</i>	-
R0530	<i>Capital requirement for non-regulated entities carrying out financial activities</i>	-
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
		C0010
<b>Assets</b>		
R0030	Intangible assets	-
R0040	Deferred tax assets	-
R0050	Pension benefit surplus	-
R0060	Property, plant & equipment held for own use	13
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	2,522,727
R0080	<i>Property (other than for own use)</i>	-
R0090	<i>Holdings in related undertakings, including participations</i>	-
R0100	<i>Equities</i>	-
R0110	<i>Equities - listed</i>	-
R0120	<i>Equities - unlisted</i>	-
R0130	<i>Bonds</i>	2,327,554
R0140	<i>Government Bonds</i>	540,542
R0150	<i>Corporate Bonds</i>	1,765,979
R0160	<i>Structured notes</i>	-
R0170	<i>Collateralised securities</i>	21,033
R0180	<i>Collective Investments Undertakings</i>	190,782
R0190	<i>Derivatives</i>	2,735
R0200	<i>Deposits other than cash equivalents</i>	1,656
R0210	<i>Other investments</i>	-
R0220	Assets held for index-linked and unit-linked contracts	-
R0230	Loans and mortgages	204
R0240	<i>Loans on policies</i>	-
R0250	<i>Loans and mortgages to individuals</i>	-
R0260	<i>Other loans and mortgages</i>	204
R0270	Reinsurance recoverables from:	674,701
R0280	<i>Non-life and health similar to non-life</i>	636,686
R0290	<i>Non-life excluding health</i>	634,291
R0300	<i>Health similar to non-life</i>	2,395
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	38,015
R0320	<i>Health similar to life</i>	-
R0330	<i>Life excluding health and index-linked and unit-linked</i>	38,015
R0340	<i>Life index-linked and unit-linked</i>	-
R0350	Deposits to cedants	3,463
R0360	Insurance and intermediaries receivables	237,622
R0370	Reinsurance receivables	196,563
R0380	Receivables (trade, not insurance)	99,829
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	141,440
R0420	Any other assets, not elsewhere shown	-
R0500	<b>Total assets</b>	<b>3,876,562</b>

QUK (All values in £'000)

## S.02.01.02

## Balance sheet

		Solvency II value
		C0010
<b>Liabilities</b>		
R0510	Technical provisions - non-life	2,333,287
R0520	<i>Technical provisions - non-life (excluding health)</i>	2,327,267
R0530	<i>TP calculated as a whole</i>	-
R0540	<i>Best Estimate</i>	2,154,813
R0550	<i>Risk margin</i>	172,454
R0560	<i>Technical provisions - health (similar to non-life)</i>	6,020
R0570	<i>TP calculated as a whole</i>	-
R0580	<i>Best Estimate</i>	5,736
R0590	<i>Risk margin</i>	284
R0600	Technical provisions - life (excluding index-linked and unit-linked)	86,784
R0610	<i>Technical provisions - health (similar to life)</i>	-
R0620	<i>TP calculated as a whole</i>	-
R0630	<i>Best Estimate</i>	-
R0640	<i>Risk margin</i>	-
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	86,784
R0660	<i>TP calculated as a whole</i>	-
R0670	<i>Best Estimate</i>	82,582
R0680	<i>Risk margin</i>	4,202
R0690	Technical provisions - index-linked and unit-linked	-
R0700	<i>TP calculated as a whole</i>	-
R0710	<i>Best Estimate</i>	-
R0720	<i>Risk margin</i>	-
R0740	Contingent liabilities	-
R0750	Provisions other than technical provisions	-
R0760	Pension benefit obligations	-
R0770	Deposits from reinsurers	-
R0780	Deferred tax liabilities	12,768
R0790	Derivatives	13,895
R0800	Debts owed to credit institutions	-
R0810	Financial liabilities other than debts owed to credit institutions	-
R0820	Insurance & intermediaries payables	188,396
R0830	Reinsurance payables	232,760
R0840	Payables (trade, not insurance)	84,063
R0850	Subordinated liabilities	-
R0860	<i>Subordinated liabilities not in BOF</i>	-
R0870	<i>Subordinated liabilities in BOF</i>	-
R0880	Any other liabilities, not elsewhere shown	1,847
R0900	<b>Total liabilities</b>	<b>2,953,800</b>
R1000	<b>Excess of assets over liabilities</b>	<b>922,762</b>

EO plc Single Group SFCR for the year ended 31 December 2021

QUK (All values in £'000)

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
<b>Premiums written</b>																	
R0110 Gross - Direct Business	-	66	-	244,377	49,014	14,513	267,130	345,718	46,411	1,752	(97)	-					968,884
R0120 Gross - Proportional reinsurance accepted	-	-	-	-	-	-	18,481	299	-	-	-	-					18,780
R0130 Gross - Non-proportional reinsurance													-	45,508	138,919	12,310	196,737
R0140 Reinsurers' share	-	38	-	8,625	1,378	3,422	71,123	30,382	22,952	(2,638)	(17)	(5)	(83)	1,218	70,543	381	207,319
R0200 Net	-	28	-	235,752	47,636	11,091	214,488	315,635	23,459	4,390	(80)	5	83	44,290	68,376	11,929	977,082
<b>Premiums earned</b>																	
R0210 Gross - Direct Business	-	214	-	235,463	47,054	13,723	233,027	304,371	44,354	1,582	(97)	-					879,697
R0220 Gross - Proportional reinsurance accepted	-	-	-	-	-	-	12,012	298	-	-	-	-					12,310
R0230 Gross - Non-proportional reinsurance													-	40,889	120,298	12,070	173,257
R0240 Reinsurers' share	-	83	-	9,570	1,539	3,370	67,844	32,830	21,345	(2,638)	(17)	(5)	(83)	1,391	70,162	305	205,496
R0300 Net	-	131	-	225,893	45,515	10,353	177,395	271,839	23,009	4,220	(80)	5	83	39,498	50,136	11,765	859,768
<b>Claims incurred</b>																	
R0310 Gross - Direct Business	-	(2,028)	-	117,067	36,532	35,725	71,198	151,226	16,208	2,870	(30)	(242)					428,526
R0320 Gross - Proportional reinsurance accepted	-	-	-	-	-	95	5,579	(6)	-	-	-	-					5,668
R0330 Gross - Non-proportional reinsurance													243	12,106	26,011	2,712	41,072
R0340 Reinsurers' share	1	(36)	-	(945)	(1,266)	11,203	53,382	20,174	(1,996)	702	1	93	57	4,325	6,846	(146)	92,395
R0400 Net	(1)	(1,992)	-	118,012	37,798	24,617	23,395	131,046	18,204	2,168	(31)	(335)	186	7,781	19,165	2,858	382,871
<b>Changes in other technical provisions</b>																	
R0410 Gross - Direct Business	-	-	-	-	-	-	-	-	-	-	-	-					-
R0420 Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-	-	-	-	-	-					-
R0430 Gross - Non-proportional reinsurance													-	-	-	-	-
R0440 Reinsurers' share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0500 Net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Expenses incurred</b>																	
R0550 Gross - Direct Business	-	76	-	66,163	13,577	4,019	71,009	88,322	8,534	1,292	724	2	74	7,968	11,122	3,889	276,771
R1200 Other expenses																	-
R1300 Total expenses																	276,771

QUK (All values in £'000)

S.05.01.02

Premiums, claims and expenses by line of business

Life

Line of Business for: life insurance obligations						Life reinsurance obligations		Total
Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
<b>Premiums written</b>								
R1410 Gross	-	-	-	-	-	-	-	-
R1420 Reinsurers' share	-	-	-	-	-	-	-	-
R1500 Net	-	-	-	-	-	-	-	-
<b>Premiums earned</b>								
R1510 Gross	-	-	-	-	-	-	-	-
R1520 Reinsurers' share	-	-	-	-	-	-	-	-
R1600 Net	-	-	-	-	-	-	-	-
<b>Claims incurred</b>								
R1610 Gross	-	-	-	-	(22,128)	-	-	(22,128)
R1620 Reinsurers' share	-	-	-	-	(15,943)	-	-	(15,943)
R1700 Net	-	-	-	-	(6,185)	-	-	(6,185)
<b>Changes in other technical provisions</b>								
R1710 Gross	-	-	-	-	-	-	-	-
R1720 Reinsurers' share	-	-	-	-	-	-	-	-
R1800 Net	-	-	-	-	-	-	-	-
R1900 Expenses incurred	-	-	-	-	-	-	-	-
R2500 Other expenses								-
R2600 Total expenses								-



QUK (All values in £'000)

	C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country	
Home Country	United States of America (US)	United Arab Emirates (AE)	Australia (AU)	Saudi Arabia (SA)	Canada (CA)		
	C0080	C0090	C0100	C0110	C0120	C0130	C0140
<b>Premiums written</b>							
R0110 Gross - Direct Business	909,955	17,389	13,465	3,003	1,787	640	946,239
R0120 Gross - Proportional reinsurance accepted	-	(11)	9,510	(189)	5,509	4	14,823
R0130 Gross - Non-proportional reinsurance accepted	11,762	34,844	23,673	30,256	8,197	10,344	119,076
R0140 Reinsurers' share	128,679	22,354	5,836	5,005	2,967	5,426	170,267
R0200 Net	793,038	29,868	40,812	28,065	12,526	5,562	909,871
<b>Premiums earned</b>							
R0210 Gross - Direct Business	830,688	15,433	9,765	2,664	1,085	568	860,203
R0220 Gross - Proportional reinsurance accepted	-	(15)	6,259	(251)	3,625	4	9,622
R0230 Gross - Non-proportional reinsurance accepted	10,042	30,180	19,099	29,382	7,139	8,960	104,802
R0240 Reinsurers' share	128,755	22,114	4,823	5,068	2,770	5,392	168,922
R0300 Net	711,975	23,484	30,300	26,727	9,079	4,140	805,705
<b>Claims incurred</b>							
R0310 Gross - Direct Business	455,631	5,252	(2,639)	(1,062)	(4,895)	(71)	452,216
R0320 Gross - Proportional reinsurance accepted	-	(1,069)	3,132	(69)	2,420	1	4,415
R0330 Gross - Non-proportional reinsurance accepted	(12,010)	9,410	4,611	11,962	1,261	1,379	16,613
R0340 Reinsurers' share	108,410	4,463	(4,074)	(1,209)	(3,483)	1,557	105,664
R0400 Net	335,211	9,130	9,178	12,040	2,269	(248)	367,580
<b>Changes in other technical provisions</b>							
R0410 Gross - Direct Business	-	-	-	-	-	-	-
R0420 Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-
R0430 Gross - Non-proportional reinsurance accepted	-	-	-	-	-	-	-
R0440 Reinsurers' share	-	-	-	-	-	-	-
R0500 Net	-	-	-	-	-	-	-
R0550 Expenses incurred	233,118	8,666	12,309	3,911	3,491	916	262,411
R1200 Other expenses							-
R1300 Total expenses							262,411

QUK (All values in £'000)

S.05.02.01

Premiums, claims and expenses by country

Life

	C0150	C0210
	Home Country	Total Top 5 and home country
R1400	C0220	C0280
<b>Premiums written</b>		
R1410 Gross	-	-
R1420 Reinsurers' share	-	-
R1500 Net	-	-
<b>Premiums earned</b>		
R1510 Gross	-	-
R1520 Reinsurers' share	-	-
R1600 Net	-	-
<b>Claims incurred</b>		
R1610 Gross	(22,128)	(22,128)
R1620 Reinsurers' share	(15,943)	(15,943)
R1700 Net	(6,185)	(6,185)
<b>Changes in other technical provisions</b>		
R1710 Gross	-	-
R1720 Reinsurers' share	-	-
R1800 Net	-	-
R1900 Expenses incurred	-	-
R2500 Other expenses		-
R2600 Total expenses		-

EO plc Single Group SFCR for the year ended 31 December 2021

QUK (All values in £'000)

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked			Other life insurance		Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)	
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees				Contracts with options or guarantees		Contracts without options and guarantees				Contracts with options or guarantees
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	Technical provisions calculated as a whole	-	-			-			-	-	-	-			-	-	-
	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	-			-			-	-	-	-			-	-	-
R0020	associated to TP calculated as a whole																

Technical provisions calculated as a sum of BE and RM

<b>Best estimate</b>																
R0030 <b>Gross Best Estimate</b>	-	-	-	-	-	-	-	82,582	-	82,582	-	-	-	-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	-	-	-	-	-	-	38,015	-	38,015	-	-	-	-	-	-
R0080 Best estimate minus recoverables from reinsurance/SPV and Finite Re	-	-	-	-	-	-	-	44,567	-	44,567	-	-	-	-	-	-
R0090																
R0100 <b>Risk margin</b>	-	-			-			4,202	-	4,202	-			-	-	-
<b>Amount of the transitional on Technical Provisions</b>																
R0110 Technical Provisions calculated as a whole	-	-			-			-	-	-	-			-	-	-
R0120 Best estimate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0130 Risk margin	-	-			-			-	-	-	-			-	-	-
R0200 <b>Technical provisions - total</b>	-	-			-			86,784	-	86,784	-			-	-	-

EO plc Single Group SFCR for the year ended 31 December 2021

QUK (All values in £'000)

S.17.01.02  
Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance											Accepted non-proportional reinsurance					Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	Technical provisions calculated as a whole	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0050		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM Best estimate																		
Premium provisions																		
R0060	Gross	-	(93)	-	67,919	15,426	3,172	51,824	67,776	8,486	(423)	(1)	-	-	3,347	(21,899)	1,525	197,059
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		-	6	-	(5,120)	(1,310)	(2,980)	(31,388)	(4,785)	(790)	44	-	-	-	(293)	(10,478)	248	(56,846)
R0150	Net Best Estimate of Premium Provisions	-	(99)	-	73,039	16,736	6,152	83,212	72,561	9,276	(467)	(1)	-	-	3,640	(11,421)	1,277	253,905
Claims provisions																		
R0160	Gross	2,391	807	-	426,294	33,175	42,743	268,490	935,189	34,122	3,417	226	4,142	2,631	145,359	47,585	16,918	1,963,489
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		(315)	152	-	55,000	1,956	22,660	247,649	291,530	(415)	3,927	(714)	1,880	2,551	14,563	41,840	11,267	693,531
R0250	Net Best Estimate of Claims Provisions	2,706	655	-	371,294	31,219	20,083	20,841	643,659	34,537	(510)	940	2,262	80	130,796	5,745	5,651	1,269,958
R0260	Total best estimate - gross	2,391	714	-	494,213	48,601	45,915	320,314	1,002,965	42,608	2,994	225	4,142	2,631	148,706	25,686	18,443	2,160,548
R0270	Total best estimate - net	2,706	556	-	444,333	47,955	26,235	104,053	716,220	43,813	(977)	939	2,262	80	134,436	(5,676)	6,928	1,523,863
R0280	Risk margin	226	58	-	32,168	4,027	7,565	15,333	76,547	4,939	406	15	147	-	27,593	2,790	924	172,738
Amount of the transitional on Technical Provisions																		
R0290	Technical Provisions calculated as a whole	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0300	Best estimate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0310	Risk margin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0320	Technical provisions - total	2,817	772	-	526,382	52,628	53,480	335,647	1,079,512	47,547	3,400	240	4,289	2,631	176,299	28,476	19,367	2,333,287
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total		(315)	158	-	49,880	646	19,680	216,261	286,746	(1,205)	3,971	(714)	1,880	2,551	14,270	31,362	11,515	636,686
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	2,932	614	-	476,502	51,982	33,800	119,386	792,766	48,752	(571)	954	2,409	80	162,029	(2,886)	7,852	1,696,601

EO plc Single Group SFCR for the year ended 31 December 2021

QUK (All values in £'000)

5.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020

Accident year / underwriting year

Gross Claims Paid (non-cumulative) (absolute amount)														
Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180	
	Development year											In Current year	Sum of years (cumulative)	
	0	1	2	3	4	5	6	7	8	9	10 & +			
R0100	Prior											59,754	59,754	59,754
R0160	2012	33,604	123,214	79,363	84,985	66,722	44,024	35,181	25,435	19,343	(434)	(434)	511,437	
R0170	2013	103,754	189,681	207,090	92,786	61,415	52,186	36,647	12,673	6,838		6,838	763,070	
R0180	2014	52,057	161,876	103,567	53,306	54,399	45,245	25,960	1,363			1,363	497,773	
R0190	2015	44,975	201,912	100,113	76,202	42,795	43,315	32,074				32,074	541,386	
R0200	2016	45,749	172,281	116,554	43,591	54,613	57,452					57,452	490,240	
R0210	2017	40,393	166,250	75,205	46,138	30,233						30,233	358,219	
R0220	2018	50,436	152,402	80,004	41,441							41,441	324,283	
R0230	2019	40,083	121,136	213,902								213,902	375,121	
R0240	2020	31,508	124,379									124,379	155,887	
R0250	2021	37,499										37,499	37,499	
R0260												Total	604,503	
													4,114,671	

Gross Undiscounted Best Estimate Claims Provisions (absolute amount)												
Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Development year											Year end (discounted data)
	0	1	2	3	4	5	6	7	8	9	10 & +	
R0100 Prior	-	-	-	-	217,328	154,374	135,823	120,018	86,365	84,642	589,314	610,544
R0160 2012	-	-	-	420,126	304,686	223,262	147,636	101,317	87,243			81,845
R0170 2013	-	-	-	243,529	111,613	45,743	38,720					84,522
R0180 2014	-	-	428,131	341,261	243,529	111,613	45,743	38,720				37,543
R0190 2015	-	636,198	473,528	348,344	251,935	148,820	103,239					99,881
R0200 2016	455,176	586,289	446,821	324,376	250,902	127,335						123,215
R0210 2017	351,692	497,074	333,278	236,060	181,962							176,631
R0220 2018	386,013	436,715	313,360	255,643								248,100
R0230 2019	237,326	550,638	306,595									297,862
R0240 2020	242,468	306,716										296,685
R0250 2021	275,644											266,684
R0260												<b>Total</b>
												<b>2,323,512</b>

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**

R0010	Ordinary share capital (gross of own shares)
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
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
625,906	625,906	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
115,925	115,925	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-

**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**

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**R0230 Deductions for participations in financial and credit institutions**

-	-	-	-	-
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**R0290 Total basic own funds after deductions**

741,831	741,831	-	-	-
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**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	<b>Total ancillary own funds</b>

-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
160,000	160,000	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
160,000	160,000	-	-

EO plc Single Group SFCR for the year ended 31 December 2021

QUK (All values in £'000)

S.23.01.01

Own Funds (continued)

Available and eligible own funds

R0500 Total available own funds to meet the SCR

R0510 Total available own funds to meet the MCR

R0540 Total eligible own funds to meet the SCR

R0550 Total eligible own funds to meet the MCR

R0580 SCR

R0600 MCR

R0620 Ratio of Eligible own funds to SCR

R0640 Ratio of Eligible own funds to MCR

Reconciliation reserve

R0700 Excess of assets over liabilities

R0710 Own shares (held directly and indirectly)

R0720 Foreseeable dividends, distributions and charges

R0730 Other basic own fund items

R0740 Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

R0760 Reconciliation reserve

Expected profits

R0770 Expected profits included in future premiums (EPIFP) - Life business

R0780 Expected profits included in future premiums (EPIFP) - Non- life business

R0790 Total Expected profits included in future premiums (EPIFP)

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050

901,831	741,831	-	160,000	-
741,831	741,831	-	-	-
901,831	741,831	-	160,000	-
741,831	741,831	-	-	-

647,249
262,265
139.3%
282.9%

C0060

922,762
-
168,000
625,905
12,931
115,926

1,313
71,012
72,325

QUK (All values in £'000)

5.25.03.21

**Solvency Capital Requirement - for undertakings on Full Internal Models**

	Unique number of component	Component description	Calculation of the Solvency Capital Requirement	Consideration of the future management actions regarding technical provisions
Row	C0010	C0020	C0030	C0060
1	10300I	Interest rate risk	20,791	
2	10400I	Equity risk	23,519	
3	10600I	Property risk	10,047	
4	10700I	Spread risk	163,112	
5	10900I	Currency risk	32,037	
6	11040I	Other market risk (Liquidity risk)	4,950	
7	19900I	Diversification within market risk	(80,351)	
8	20100I	Type 1 counterpart default risk (Reinsurance credit risk)	53,700	
9	20200I	Type 2 counterpart default risk (Premium credit risk)	5,802	
10	29900I	Diversification within counterparty risk	(4,004)	
11	50130I	Premium risk	249,601	
12	50240I	Reserve risk	482,807	
13	50300I	Non-life catastrophe risk	273,021	
14	59900I	Diversification within non-life underwriting risk	(433,962)	
15	70190I	Operational risk (excluding group risk)	53,203	
16	70110I	Group risk	34,329	
17	79900I	Diversification within operational risk	(26,088)	
18	8049BI	Debt servicing costs net of loan repayments	960	
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**

R0110	Total undiversified components
R0060	Diversification
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC
R0200	<b>Solvency capital requirement excluding capital add-on</b>
R0210	Capital add-ons already set
R0220	<b>Solvency capital requirement</b>

C0100

863,476
(216,227)
-
647,249
-
647,249

**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 of 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**

R0010 MCRNL Result

C0010

261,329

Net (of reinsurance/SPV) best estimate and TP calculated as	Net (of reinsurance) written premiums in the last 12
C0020	C0030
2,706	-
555	381
-	-
444,333	240,455
47,955	47,783
26,234	1,745
104,054	178,253
716,220	327,443
43,814	20,388
-	-
939	12
2,263	-
81	82
134,436	25,372
-	50,541
6,327	10,321

**Linear formula component for life insurance and reinsurance obligations**

R0200 MCRL Result

C0040

936

Net (of reinsurance/SPV) best estimate and TP calculated as	Net (of reinsurance/SPV) total capital at risk
C0050	C0060
0	
0	
0	
44,567	
	0

**Overall MCR calculation**

R0300 Linear MCR

R0310 SCR

R0320 MCR cap

R0330 MCR floor

R0340 Combined MCR

R0350 Absolute floor of the MCR

C0070

262,265

647,249

291,262

161,812

262,265

3,126

R0400 **Minimum Capital Requirement**

262,265

QBE Europe (All values in €'000)

## S.02.01.02

## Balance sheet

		Solvency II value
		C0010
<b>Assets</b>		
R0030	Intangible assets	-
R0040	Deferred tax assets	4,565
R0050	Pension benefit surplus	-
R0060	Property, plant & equipment held for own use	9,021
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	4,073,683
R0080	<i>Property (other than for own use)</i>	-
R0090	<i>Holdings in related undertakings, including participations</i>	-
R0100	<i>Equities</i>	38
R0110	<i>Equities - listed</i>	-
R0120	<i>Equities - unlisted</i>	38
R0130	<i>Bonds</i>	3,836,481
R0140	<i>Government Bonds</i>	617,967
R0150	<i>Corporate Bonds</i>	3,019,004
R0160	<i>Structured notes</i>	-
R0170	<i>Collateralised securities</i>	199,510
R0180	<i>Collective Investments Undertakings</i>	223,900
R0190	<i>Derivatives</i>	11,534
R0200	<i>Deposits other than cash equivalents</i>	1,730
R0210	<i>Other investments</i>	-
R0220	Assets held for index-linked and unit-linked contracts	-
R0230	Loans and mortgages	10,000
R0240	<i>Loans on policies</i>	-
R0250	<i>Loans and mortgages to individuals</i>	-
R0260	<i>Other loans and mortgages</i>	10,000
R0270	Reinsurance recoverables from:	501,017
R0280	<i>Non-life and health similar to non-life</i>	502,509
R0290	<i>Non-life excluding health</i>	498,739
R0300	<i>Health similar to non-life</i>	3,770
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	(1,492)
R0320	<i>Health similar to life</i>	-
R0330	<i>Life excluding health and index-linked and unit-linked</i>	(1,492)
R0340	<i>Life index-linked and unit-linked</i>	-
R0350	Deposits to cedants	139,118
R0360	Insurance and intermediaries receivables	392,698
R0370	Reinsurance receivables	76,805
R0380	Receivables (trade, not insurance)	91,274
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	65,408
R0420	Any other assets, not elsewhere shown	1,020
R0500	<b>Total assets</b>	<b>5,364,609</b>

QBE Europe (All values in €'000)

## S.02.01.02 (continued)

## Balance sheet

		Solvency II value
		C0010
<b>Liabilities</b>		
R0510	Technical provisions - non-life	3,476,987
R0520	<i>Technical provisions - non-life (excluding health)</i>	3,362,878
R0530	<i>TP calculated as a whole</i>	-
R0540	<i>Best Estimate</i>	3,007,738
R0550	<i>Risk margin</i>	355,140
R0560	<i>Technical provisions - health (similar to non-life)</i>	114,109
R0570	<i>TP calculated as a whole</i>	-
R0580	<i>Best Estimate</i>	98,286
R0590	<i>Risk margin</i>	15,823
R0600	Technical provisions - life (excluding index-linked and unit-linked)	130,588
R0610	<i>Technical provisions - health (similar to life)</i>	28
R0620	<i>TP calculated as a whole</i>	-
R0630	<i>Best Estimate</i>	14
R0640	<i>Risk margin</i>	13
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	130,560
R0660	<i>TP calculated as a whole</i>	-
R0670	<i>Best Estimate</i>	114,150
R0680	<i>Risk margin</i>	16,411
R0690	Technical provisions - index-linked and unit-linked	-
R0700	<i>TP calculated as a whole</i>	-
R0710	<i>Best Estimate</i>	-
R0720	<i>Risk margin</i>	-
R0740	Contingent liabilities	-
R0750	Provisions other than technical provisions	-
R0760	Pension benefit obligations	6,259
R0770	Deposits from reinsurers	39,673
R0780	Deferred tax liabilities	17,844
R0790	Derivatives	15,734
R0800	Debts owed to credit institutions	-
R0810	Financial liabilities other than debts owed to credit institutions	-
R0820	Insurance & intermediaries payables	82,230
R0830	Reinsurance payables	52,128
R0840	Payables (trade, not insurance)	111,329
R0850	Subordinated liabilities	200,000
R0860	<i>Subordinated liabilities not in BOF</i>	-
R0870	<i>Subordinated liabilities in BOF</i>	200,000
R0880	Any other liabilities, not elsewhere shown	-
R0900	<b>Total liabilities</b>	4,132,772
R1000	<b>Excess of assets over liabilities</b>	1,231,837

# EO plc Single Group SFCR for the year ended 31 December 2021

## 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	Miscellaneous 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	-	(1)	-	17,503	3,587	71,279	335,968	537,651	28,414	(649)	-	-				993,752		
R0120	Gross - Proportional reinsurance accepted	729	20,581	-	10,206	3,935	1,789	120,453	31,410	13,318	-	-	1				202,422		
R0130	Gross - Non-proportional reinsurance accepted														22,487	141,296	40,188	200,331	404,302
R0140	Reinsurers' share	-	(13)	-	575	81	11,207	88,073	60,859	995	-	-	410	2,176	9,851	18,335	257,159		
R0200	Net	729	20,593	-	27,134	7,441	61,861	368,348	508,202	40,737	(649)	-	(409)	20,311	131,445	21,853	1,343,317		
Premiums earned																			
R0210	Gross - Direct Business	(1)	200	-	17,883	3,923	71,392	311,870	484,456	28,295	(652)	-	(1)				917,365		
R0220	Gross - Proportional reinsurance accepted	704	22,051	-	10,454	3,907	1,776	115,280	28,386	12,901	-	-	8				195,467		
R0230	Gross - Non-proportional reinsurance accepted														22,558	124,300	38,736	194,411	380,005
R0240	Reinsurers' share	-	(19)	-	373	114	10,821	83,623	57,802	3,269	-	-	353	2,198	8,719	21,674	253,582		
R0300	Net	703	22,270	-	27,964	7,716	62,347	343,527	455,040	37,927	(652)	-	(346)	20,360	115,581	17,062	1,239,255		
Claims incurred																			
R0310	Gross - Direct Business	22	(2,134)	-	7,168	84	14,030	225,219	292,905	8,790	(226)	-	(113)				545,745		
R0320	Gross - Proportional reinsurance accepted	576	5,399	-	7,178	1,174	1,917	56,000	11,557	6,526	-	-	(200)				90,127		
R0330	Gross - Non-proportional reinsurance accepted														11,060	73,490	10,347	337,851	432,748
R0340	Reinsurers' share	2	(53)	-	688	(1)	(5,188)	38,077	62,171	(3,231)	-	-	268	(33)	6,857	14,835	266,510		
R0400	Net	596	3,318	-	13,658	1,259	21,135	243,142	242,291	18,547	(226)	-	(581)	11,093	66,633	(4,488)	802,110		
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	50	8,417	-	8,562	2,947	17,838	130,959	158,040	14,606	(154)	-	85	4,259	32,536	(6,935)	35,954		
R1200	Other expenses																-		
R1300	Total expenses																407,164		

EO plc Single Group SFCR for the year ended 31 December 2021

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	-	-	-	-	-	35	45,327	45,362
R1420	Reinsurers' share	-	-	-	-	-	-	5,234	5,234
R1500	Net	-	-	-	-	-	35	40,093	40,128

Premiums earned

R1510	Gross	-	-	-	-	-	35	45,327	45,362
R1520	Reinsurers' share	-	-	-	-	-	-	5,234	5,234
R1600	Net	-	-	-	-	-	35	40,093	40,128

Claims incurred

R1610	Gross	-	-	-	-	10,770	47	29,399	40,216
R1620	Reinsurers' share	-	-	-	-	-	-	3,779	3,779
R1700	Net	-	-	-	-	10,770	47	25,620	36,437

Changes in other technical provisions

R1710	Gross	-	-	-	-	-	-	-	-
R1720	Reinsurers' share	-	-	-	-	-	-	-	-
R1800	Net	-	-	-	-	-	-	-	-
R1900	Expenses incurred	-	-	-	-	-	11	9,638	9,649
R2500	Other expenses	-	-	-	-	-	-	-	-
R2600	Total expenses	-	-	-	-	-	-	-	9,649

## 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
	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country	
Home Country	France (FR)	United Kingdom (GB)	Spain (ES)	Germany (DE)	Italy (IT)		
	C0080	C0090	C0100	C0110	C0120	C0130	C0140
<b>Premiums written</b>							
R0110 Gross - Direct Business	154,439	267,250	144,486	108,434	63,689	68,362	806,660
R0120 Gross - Proportional reinsurance accepted	25,056	22,080	3,925	6,108	2,818	4,515	64,502
R0130 Gross - Non-proportional reinsurance accepted	17,435	72,161	44,983	7,024	34,710	9,686	185,999
R0140 Reinsurers' share	31,633	39,914	51,877	19,724	17,060	10,793	171,001
R0200 Net	165,297	321,577	141,517	101,842	84,157	71,770	886,160
<b>Premiums earned</b>							
R0210 Gross - Direct Business	162,473	222,022	135,711	97,169	59,483	60,228	737,086
R0220 Gross - Proportional reinsurance accepted	25,288	21,557	3,812	5,865	2,538	4,381	63,441
R0230 Gross - Non-proportional reinsurance accepted	16,471	67,834	39,381	6,582	33,367	9,266	172,901
R0240 Reinsurers' share	29,303	39,761	50,851	16,885	17,369	11,651	165,820
R0300 Net	174,929	271,652	128,053	92,731	78,019	62,224	807,608
<b>Claims incurred</b>							
R0310 Gross - Direct Business	106,752	129,724	92,365	65,622	58,685	42,202	495,350
R0320 Gross - Proportional reinsurance accepted	10,119	20,470	2,515	2,550	1,961	(668)	36,947
R0330 Gross - Non-proportional reinsurance accepted	14,842	54,455	26,567	4,943	88,093	11,240	200,140
R0340 Reinsurers' share	42,971	43,253	36,328	11,485	27,460	9,976	171,473
R0400 Net	88,742	161,396	85,119	61,630	121,279	42,798	560,964
<b>Changes in other technical provisions</b>							
R0410 Gross - Direct Business	-	-	-	-	-	-	-
R0420 Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-
R0430 Gross - Non-proportional reinsurance accepted	-	-	-	-	-	-	-
R0440 Reinsurers' share	-	-	-	-	-	-	-
R0500 Net	-	-	-	-	-	-	-
R0550 Expenses incurred	58,611	102,622	38,835	31,333	21,063	25,318	277,782
R1200 Other expenses							-
R1300 Total expenses							277,782

## QBE Europe (All values in €'000)

5.05.02.01

## 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
		United Kingdom (GB)	France (FR)	Mexico (MX)	Peru (PE)	Switzerland (CH)	
	C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written							
R1410 Gross	15,676	7,038	3,580	2,927	2,372	1,963	33,556
R1420 Reinsurers' share	1,810	813	413	338	275	227	3,876
R1500 Net	13,866	6,225	3,167	2,589	2,097	1,736	29,680
Premiums earned							
R1510 Gross	15,676	7,038	3,580	2,927	2,372	1,963	33,556
R1520 Reinsurers' share	1,811	813	413	338	274	227	3,876
R1600 Net	13,865	6,225	3,167	2,589	2,098	1,736	29,680
Claims incurred							
R1610 Gross	12,189	5,756	(1,076)	8,326	383	609	26,187
R1620 Reinsurers' share	487	202	429	195	1,389	53	2,755
R1700 Net	11,702	5,554	(1,505)	8,131	(1,006)	556	23,432
Changes in other technical provisions							
R1710 Gross	-	-	-	-	-	-	-
R1720 Reinsurers' share	-	-	-	-	-	-	-
R1800 Net	-	-	-	-	-	-	-
R1900 Expenses incurred	3,206	887	1,040	1,100	(26)	636	6,843
R2500 Other expenses							-
R2600 Total expenses							6,843



# EO plc Single Group SFCR for the year ended 31 December 2021

## QBE Europe (All values in €'000)

5.12.01.02

Life and Health SLT Technical Provisions

Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees				Contracts without options and guarantees	Contracts with options or guarantees				
C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	-	-		-			-	-	-	-			-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default															
R0020	-	-		-			-	-	-	-			-	-	-
associated to TP calculated as a whole															

Technical provisions calculated as a sum of BE and RM

<b>Best estimate</b>																
<b>R0030 Gross Best Estimate</b>	-		-	-				-	-	114,150	114,150			-	-	14
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-		-	-				-	-	(1,492)	(1,492)			-	-	-
<b>R0090</b> Best estimate minus recoverables from reinsurance/SPV and Finite Re	-		-	-				-	-	115,642	115,642			-	-	14
<b>R0100 Risk margin</b>	-	-			-			-	16,411	16,411	-			-	13	13
<b>Amount of the transitional on Technical Provisions</b>																
<b>R0110</b> Technical Provisions calculated as a whole	-	-			-			-	-	-	-			-	-	-
<b>R0120</b> Best estimate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>R0130</b> Risk margin	-	-			-			-	-	-	-			-	-	-
<b>R0200 Technical provisions - total</b>	-	-			-			-	130,560	130,560	-			-	28	28

EO plc Single Group SFCR for the year ended 31 December 2021

QBE Europe (All values in €'000)

5.17.01.02

Non-Life Technical Provisions

Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance					Total Non-Life obligation
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance		
C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

Technical provisions calculated as a whole

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

5

(1,064)

-

2,354

(149)

14,805

14,013

222,655

29,974

645

-

-

(6,958)

(39,181)

(6,671)

(46,029)

184,399

R0140

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

-

(126)

-

(190)

(47)

(4,115)

(42,259)

(18,453)

654

-

-

1,973

30

(2,296)

(136)

(34,126)

(99,091)

R0150

Net Best Estimate of Premium Provisions

5

(938)

-

2,544

(102)

18,920

56,272

241,108

29,320

645

-

(1,973)

(6,988)

(36,885)

(6,535)

(11,903)

283,490

Claims provisions

R0160

Gross

478

49,506

-

87,908

5,188

96,347

374,521

999,415

44,552

58

-

455

56,318

781,579

40,052

385,248

2,921,625

R0240

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

1

2,320

-

(5,109)

(96)

5,974

83,116

231,739

8,651

-

-

5,041

1,546

77,297

19,069

172,051

601,600

R0250

Net Best Estimate of Claims Provisions

477

47,186

-

93,017

5,284

90,373

291,405

767,676

35,901

58

-

(4,586)

54,772

704,282

20,983

213,197

2,320,025

R0260

Total best estimate - gross

483

48,442

-

90,262

5,039

111,152

388,534

1,222,070

74,526

703

-

455

49,360

742,398

33,381

339,219

3,106,024

R0270

Total best estimate - net

482

46,248

-

95,561

5,182

109,293

347,677

1,008,784

65,221

703

-

(6,559)

47,784

667,397

14,448

201,294

2,603,515

R0280

Risk margin

80

3,438

-

13,593

812

9,306

27,053

129,227

9,542

26

-

-

12,304

149,248

1,070

15,263

370,962

Amount of the transitional on Technical Provisions

R0290

Technical Provisions calculated as a whole

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

R0300

Best estimate

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

R0310

Risk margin

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

R0320

Technical provisions - total

564

51,881

-

103,854

5,851

120,457

415,587

1,351,296

84,068

729

-

455

61,665

891,646

34,451

354,482

3,476,986

R0330

Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total

1

2,194

-

(5,299)

(143)

1,859

40,856

213,285

9,306

-

-

7,014

1,576

75,001

18,933

137,926

502,509

R0340

Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total

563

49,687

-

109,153

5,994

118,598

374,731

1,138,011

74,762

729

-

(6,559)

60,089

816,645

15,518

216,556

2,974,477

# EO plc Single Group SFCR for the year ended 31 December 2021

## QBE Europe (All values in €'000)

5.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020

Accident year / underwriting year

Underwriting Year

### Gross Claims Paid (non-cumulative)

(absolute amount)

Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Development year											In Current year	Sum of years (cumulative)
	0	1	2	3	4	5	6	7	8	9	10 & +		
Prior											45,996	45,996	45,996
2012	330,886	209,630	127,926	78,910	73,657	47,667	41,774	13,436	5,984	16,866		16,866	946,736
2013	39,290	104,175	76,065	57,673	14,956	14,884	8,239	10,678	4,742			4,742	330,702
2014	37,431	103,402	49,284	20,090	17,581	12,220	8,038	9,761				9,761	257,807
2015	32,136	105,720	51,812	32,993	17,584	20,684	27,639					27,639	288,568
2016	33,892	103,351	85,233	48,345	27,002	25,417						25,417	323,240
2017	39,872	112,770	72,659	41,572	17,546							17,546	284,419
2018	24,209	128,058	94,201	72,335								72,335	318,803
2019	44,770	161,234	152,065									152,065	358,069
2020	40,094	126,856										126,856	166,950
2021	67,780											67,780	67,780
<b>Total</b>												<b>567,003</b>	<b>3,389,070</b>

### Gross Undiscounted Best Estimate Claims Provisions

(absolute amount)

Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Development year											Year end (discounted data)
	0	1	2	3	4	5	6	7	8	9	10 & +	
Prior											680,257	676,973
2012	-	-	-	-	-	-	-	77,852	75,521	73,692		72,640
2013	-	-	-	-	-	-	-	92,609	85,235	78,017		76,767
2014	-	-	-	-	-	94,590	108,133	99,757				98,375
2015	-	-	-	-	161,330	208,866	129,016					128,499
2016	-	-	-	167,920	215,945	198,919						195,143
2017	-	-	183,521	205,595	190,326							188,123
2018	-	289,924	305,101	239,246								237,311
2019	371,233	490,320	398,466									392,521
2020	409,505	514,116										507,297
2021	629,701											623,389
<b>Total</b>												<b>3,197,038</b>

*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**

R0010	Ordinary share capital (gross of own shares)
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
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
1,129,062	1,129,062	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
80,017	80,017	-	-	-
200,000	-	-	200,000	-
4,565	-	-	-	4,565
-	-	-	-	-

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

-
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R0230 Deductions for participations in financial and credit institutions

-	-	-	-	-
---	---	---	---	---

R0290 Total basic own funds after deductions

1,413,644	1,209,079	-	200,000	4,565
-----------	-----------	---	---------	-------

**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
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR

R0580	SCR
R0600	MCR
R0620	Ratio of Eligible own funds to SCR
R0640	Ratio of Eligible own funds to MCR

**Reconciliation reserve**

R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Foreseeable dividends, distributions and charges
R0730	Other basic own fund items
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0760	Reconciliation reserve

**Expected profits**

R0770	Expected profits included in future premiums (EPIFP) - Life business
R0780	Expected profits included in future premiums (EPIFP) - Non- life business
R0790	Total Expected profits included in future premiums (EPIFP)

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
1,413,644	1,209,079	-	200,000	4,565
1,409,079	1,209,079	-	200,000	-
1,413,644	1,209,079	-	200,000	4,565
1,294,674	1,209,079	-	85,595	-

951,050
427,973
148.6%
302.5%

C0060

1,231,837
-
-
1,133,627
18,193
80,017

7,057
250,925
257,982

QBE Europe (All values in €'000)

5.25.03.21

**Solvency Capital Requirement - for undertakings on Full Internal Models**

	Unique number of component	Component description	Calculation of the Solvency Capital Requirement	Consideration of the future management actions regarding technical provisions and/or deferred taxes
Row	C0010	C0020	C0030	C0060
1	10300I	Interest rate risk	95,701	
2	10400I	Equity risk	30,140	
3	10600I	Property risk	15,715	
4	10700I	Spread risk	245,346	
5	10900I	Currency risk	65,270	
6	11040I	Other market risk (Liquidity risk)	2,560	
7	19900I	Diversification within market risk	(176,629)	
8	20100I	Type 1 counterparty default risk (Reinsurance credit risk)	113,879	
9	20200I	Type 2 counterparty default risk (Premium credit risk)	14,272	
10	29900I	Diversification within counterparty risk	(12,699)	
11	50130I	Premium risk	290,383	
12	50240I	Reserve risk	737,581	
13	50300I	Non-life catastrophe risk	387,782	
14	59900I	Diversification within non-life underwriting risk	(574,839)	
15	70190I	Operational risk (excluding group risk)	87,882	
16	70110I	Group risk	56,851	
17	79900I	Diversification within operational risk	(43,044)	
18	8049BI	Debt servicing costs net of loan repayments	73	
19	8049DI	Capital adjustments	-	
20	80110P	Total pension risk including market and pension benefit risks	4,015	

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**

R0110	Total undiversified components
R0060	Diversification
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC
R0200	<b>Solvency capital requirement excluding capital add-on</b>
R0210	Capital add-ons already set
R0220	<b>Solvency capital requirement</b>

C0100

1,340,240
(389,190)
-
951,050
-
951,050

**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 of deferred taxes
R0410	Total amount of Notional Solvency Capital Requirements for remaining part
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios
R0440	Diversification effects due to RFF nSCR aggregation for article 304

-
-
-
-
-
-

**QBE Europe (All values in €'000)**

S.28.01.01

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

**Linear formula component for non-life insurance and reinsurance obligations**

C0010

R0010 MCRNL Result

499,678

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
R0040	Workers' compensation insurance and proportional reinsurance
R0050	Motor vehicle liability insurance and proportional reinsurance
R0060	Other motor insurance and proportional reinsurance
R0070	Marine, aviation and transport insurance and proportional reinsurance
R0080	Fire and other damage to property insurance and proportional reinsurance
R0090	General liability insurance and proportional reinsurance
R0100	Credit and suretyship insurance and proportional reinsurance
R0110	Legal expenses insurance and proportional reinsurance
R0120	Assistance and proportional reinsurance
R0130	Miscellaneous financial loss insurance and proportional reinsurance
R0140	Non-proportional health reinsurance
R0150	Non-proportional casualty reinsurance
R0160	Non-proportional marine, aviation and transport reinsurance
R0170	Non-proportional property reinsurance

482	531
46,249	24,631
-	-
95,560	24,597
5,182	8,112
109,292	72,127
347,678	377,454
1,008,784	480,366
65,220	28,196
703	-
-	-
-	25
47,785	19,336
667,397	115,925
14,448	-
201,293	134,573

**Linear formula component for life insurance and reinsurance obligations**

C0040

R0200 MCRL Result

27,466

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
R0250	Total capital at risk for all life (re)insurance obligations

-	
-	
-	
115,657	
	35,767,791

**Overall MCR calculation**

C0070

R0300	Linear MCR
R0310	SCR
R0320	MCR cap
R0330	MCR floor
R0340	Combined MCR
R0350	Absolute floor of the MCR

527,144
951,050
427,973
237,763
427,973
3,700

R0400 Minimum Capital Requirement

427,973



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QBE European Operations is authorised by the Prudential Regulation Authority (registration number 2641728)