Made possible QBE

Solvency and Financial Condition Report

QBE Europe SA/NV

For the year ended 31 December 2023

Contents

Summary

This document (the Solvency and Financial Condition Report, or 'SFCR') sets out qualitative and quantitative information on the business and performance, system of governance, risk profile, valuation for solvency purposes and capital management on a Solvency II basis of QBE Europe SA/NV ('QBE Europe' or 'the Company') for the year ended 31 December 2023.

QBE Europe is a Belgium incorporated (re)insurer authorised by the National Bank of Belgium ('NBB'). QBE Europe underwrites (re)insurance business across the European Economic Area ('EEA') or worldwide on a Freedom of Services ('FOS') and Freedom of Establishment ('FOE') basis from its head office (based in Brussels, Belgium) and its EEA branches. QBE Europe also underwrites risks from the UK and Bermuda through its UK and Bermudian branches. The Company also has a Representation Office in Colombia, Latin America.

QBE Europe's UK Branch is authorised and regulated by the PRA and regulated by the FCA with respect to conduct of business. It is also regulated by NBB as part of QBE Europe.

The Company is a wholly owned subsidiary of QBE Holdings (EO) Limited which is a wholly owned subsidiary of QBE European Operations plc ('EO plc'). The ultimate parent of EO plc is the Sydney headquartered QBE Insurance Group Limited ('QBE Group'). QBE Group is listed on the Australian Securities Exchange ('ASX') and is a globally recognised general insurer and reinsurer.

As the holding company of QBE Group's European operations, EO plc owns, through its wholly owned subsidiary QBE Holdings (EO) Limited, other subsidiary undertakings alongside QBE Europe, including QBE UK Limited ('QUK'), QBE Corporate Limited ('QBE Corporate') and QBE Underwriting Limited (QUL). QUK is a UK incorporated and authorised (re)insurer. QBE Corporate participates in two Lloyd's syndicates (Syndicate 2999 and Syndicate 386). These Syndicates are managed by EO Group's Lloyd's managing agent, QUL.

For the purposes of this document the EO Group is defined as EO plc and its subsidiary undertakings including QBE Europe, QUK, QBE Corporate and QUL.

This SFCR has been prepared in accordance with the NBB Rules and Solvency II Regulations.

Business and Performance

Key drivers of the business model and performance are the gross income written by the Company, the claims experience in relation to that net income, performance of the investment portfolio and management of the underlying expense and commission base.

2023 was a challenging year with significant inflationary pressures, geopolitical tensions and heightened catastrophe activity. The economic environment remains highly uncertain, with higher inflation being seen across most markets in which we operate.

Management continues to monitor the war in Ukraine, the conflict in Gaza as well as disruption to global supply chains arising from the conflict in the Middle East and any resulting developments that may impact its assessment of potential exposures.

As announced by QBE Group on 17 February 2023, the Company entered into a 100% retrospective reinsurance arrangement which covers certain prior year claims reserves within the Company. The effective date of the arrangement is 1 January 2023.

The Company repaid an intercompany loan of €120m to its parent company on 20 December 2023 and benefitted from solvency qualifying ancillary own funds of €200m from 18 December 2023.

Underwriting performance

Details of the Company's underwriting performance and comparison to the prior year on a Belgian Generally Accepted Accounting Principles ('BE GAAP') basis are set out in **Section A.2** and summarised in the table below.

Key metrics	2023 €'m	2022 €'m
Gross Written Premium	2.154	2.005
Net Earned Premium	1.241	1.531
Claims Ratio	65,0%	75,2%
Commission and Expense Ratio	39,8%	28,6%
Net Combined Operating Ratio (NCOR)	104,8%	103,8%

Gross Written Premium ('GWP') for the year totalled €2,154m (2022: €2,005m). This represents an increase compared to prior year driven by both a strong rating environment and volume growth across the reinsurance and direct insurance portfolios.

The Company has a reported a loss for the year of €58m underpinned by underwriting losses from a high frequency and severity of current year catastrophe losses, including the devastating earthquake in Turkey in February 2023.

The cost of the retrospective reinsurance arrangement entered in the year has reduced the reported net earned premium. The associated reinsurance recoveries have reduced the reported net claims incurred. The transaction had positive impact on the reported profit for the financial year.

The elevated inflation over the last year has influenced the increase in the net operating expenses compared to 2022. The reduced net earned premium driven by the cost of the retrospective reinsurance arrangement has led to an inflated reported commission and expense ratio.

Investment performance

The Company's investment portfolio allocations, and overall portfolio structure, are substantially unchanged during 2023. The majority of investments are in fixed income portfolios with modest allocation to growth assets. In order to control rising inflation, central banks tightened their monetary policies in 2023 by raising interest rates. Credit and equity markets' expectations changed from "how much higher" from the start of the year to "higher for longer". This created volatility in the markets and government bond yields remained volatile but predominately high until the last quarter of the year. Investment grades' spreads tightened towards end of the year, to levels well inside long-term averages.

The Growth Asset portfolio diversified to include developed market equity, unlisted property funds, and infrastructure funds. The robust performance of infrastructure assets can be attributed to the structure of Infrastructure (IA) funds, where regulated and contracted assets reaped benefits from inflation pass-throughs. Equity market indices demonstrated strong performance; however, concerns lingered around persistent inflation and low growth, contributing to an upward push in yields. Unlisted property funds experienced challenges due to declining asset valuations, primarily influenced by the rising cost of capital in both real estate debt and equity markets, coupled with structural headwinds in the office market.

Details of investment performance and comparison to the prior year are set out in **Section A.3**.

System of Governance

The Board of Directors ('Board') of the Company is collectively responsible for the long-term success of the Company. The role of the Board is to provide leadership, to oversee the design and implementation of the Company's strategy in light of the strategy set by the EO Group and QBE Group, the ultimate holding company of the EO Group, and to set a framework of prudent and effective controls which enable risk to be assessed and managed.

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

The Board has established a management committee ('QEMC') which is responsible for the day-to-day management and operations of the Company.

Updates on investments are provided directly to the Board. Changes to the composition of the Board and QEMC during the year and subsequently are included in **Section B.1.4**.

The process of assessing the adequacy of the System of Governance is explained in **Section B.3.13**. From their annual review conducted in November 2023, the EO Group Risk team concluded that the EO Group's Three Lines Model remains appropriate, including for QBE Europe, and represents an effective risk governance framework with effective checks and balances to support appropriate consideration of risk management throughout the EO Group, including for QBE Europe. The existence of assurance services provided on an outsourced services basis by other QBE entities helps maintain a strong risk and control culture around risk-taking activities.

Each year there is a formal Board Effectiveness Review ('BER'), which is facilitated by an independent external advisor. In June 2023, the QBE Group undertook a BER encompassing the Divisional Boards, including QBE Europe. Comments supporting continuous improvement of effectiveness of the Board arising from the review were discussed by the Boards and a number of actions were agreed.

During the year the Board Charter was reviewed with enhancements made to reflect the ongoing assessment of key responsibilities.

For more information on the Systems of Governance, see **Section B**.

Risk Profile

The Company 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:

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

To address these risks, the Company 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 and the Company is comprehensively evaluated.

The Company has identified a number of top risks, which are considered executive management focus areas.

The top risk with the highest potential impact and likelihood and increasing risk trend throughout 2023 is 'Economic and Geopolitical Uncertainty', which was driven by geopolitical conflict (e.g. the Ukraine war and the conflict in the Middle East), and by persistent high rates of inflation in Europe and the UK during most of the year, resulting in high interest rates and a heightened risk of recession which materialised for the UK in Q4 2023. Other top risks for the Company with a high rating in terms of impact or likelihood include 'Cyber Security' and 'Climate Change', followed by 'Competitive Market Environment' and 'Concentration of Distribution Partners'. These risks were considered stable during 2023.

Data management was also in focus during 2023, with Data Risk/ Digitalisation, Pricing Models and Financial and Actuarial Data all being considered at a medium level impact and likelihood. Another top risk with a medium level rating is 'Heightened Regulatory Supervision' with an increasing risk trend observed in Q3 2023 reflecting an increased focus from all regulators. The Company further started monitoring Generative Artificial Intelligence as a top risk from Q4 2023, which was previously considered an emerging risk.

In 2023, there was also further progress in our approach to identifying, assessing, quantifying, managing and mitigating the Financial Risks for Climate Change ('FRCC'). Examples of these activities are as follows:

- Physical risks: further analysing the potential for climate change to have material impacts on peril-regions such as North America Windstorm, European Flood and the European Windstorm;
- Underwriting Transition risk: estimates of how different industry sectors' profits would be affected by different transition scenarios were used to project potential changes in premium in the future (these assessments were addressed by underwriting product heads);
- Investments Transition risks: continued tracking of corporate bond investment portfolios' exposure to transition risks;
- Liability risks: performing scenario analysis to assess climate litigation impacts;
- Climate-related risks as they pertain to Operations key performance indicators ('KPIs') and Claims trends; and
- Continuous updates to the Risk and Capital Committee ('RCC') via reporting on climate change financial risks within the ORSA and the quarterly Climate Risk Dashboard.

Further work was also undertaken to assess broader Environmental, Social and Governance ('ESG') risks. This included:

- Development of our approach to Net Zero Underwriting and delivering capability to quantify Insurance-Associated Emissions, in support of commitment to be net zero for underwriting by 2050; and
- tracking progress against our Sustainability Scorecard commitments in alignment with our Sustainability Strategy.

In addition, the ESG Management Group ('MG'), oversaw our progress against key ESG priorities and our preparation for meeting new regulatory requirements.

For more information on the risk profile, see **Section C**.

Valuation for Solvency Purposes

QBE Europe reports statutory accounts on a BE GAAP basis. The method of valuing assets and liabilities under Solvency II regulations differs in some cases from the methods used under BE GAAP. The valuation of assets, technical provisions and other liabilities under Solvency II compared to the statutory accounts basis is explained in **Section D**. Investments are measured at fair value under Solvency II. Under BE GAAP, they are valued as follows: shares and similar securities are carried at acquisition value less related write-downs; fixed income securities are carried at amortised cost except that debt instruments are measured at amortised cost. Where alternative valuation methods are used, the key assumptions and adjustments are included in **Section D.4**.

As at 31 December 2023, the Company had excess assets over liabilities under Solvency II of €1.428m (2022: €1.375m) compared to €1.100m of net assets under BE GAAP (2022: €1.158m).

The adjustments made to move from BE GAAP statutory basis of total equity to Solvency II excess of assets over liabilities and own funds are set out in **Section E.1.6**.

The valuation methodology for assets and liabilities for QBE Europe under Solvency II has been amended this year with application of the Volatility Adjustment to the discount rates used for the valuation of the SII technical provisions. For more information on the valuation of assets and liabilities, see **Section D**.

Capital Management

The Company's primary capital management objective is to maintain sufficient own funds to cover the Solvency Capital Requirement ('SCR') with an appropriate surplus. The Company has adopted a Capital Appetite Framework ('CAF') setting out the target and appetite levels of capital. The Company's Capital Recovery Plan sets out potential remediation actions in the event that capital falls below prescribed thresholds. The CAF and Capital Recovery Plan have been approved by the Board of the Company 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 Company has an approved Internal Model which it uses as the basis for the SCR.

As at 31 December 2023 and 2022, the Company reported the following EOF, SCR and SCR coverage ratios, and Minimum Capital Requirement ('MCR') coverage ratios:

	Eligible own funds to meet the SCR	SCR	SCR coverage ratio	MCR coverage ratio
	€'m	€'m	%	%
2023	1.683	1.217	138,3	281,1
2022	1.549	1.063	145,7	301,7

At 31 December 2023 the Company was within the target range of capital outlined in the CAF.

The QBE Europe eligible own funds available to cover the SCR are made up of Tier 1 unrestricted (83%) and Tier 2 (17%). Tier 2 EOF of QBE Europe include €200m of Tier 2 ancillary own funds in the form of an irrevocable Standby Letter of Credit facility issued by external banks and €80m of subordinated debt. Tier 3 capital of €7m related to deferred tax assets.

No foreseeable dividend was recognised as at 31 December 2023 and no dividends have been paid during 2023 or subsequently.

The movement in EOF to cover the SCR during the year is shown year is shown in **Section E.1**.**2**

The Company satisfied and complied with the MCR and SCR coverage requirements throughout 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 NBB rules and Solvency II regulations.

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

1) Throughout the financial year to 31 December 2023 QBE Europe SA/NV has complied in all material respects with the requirements of the NBB rules and Solvency II Regulations as applicable; and
2) It is reasonable to believe that in respect of the period from 31 December 2023 to the date of the publication of the SFCR, QBE Europe SA/NV has continued so to comply and that it will continue so to comply for the remainder of the financial year to 31 December 2024.

By order of the Board:

Director

QBE Europe SA/NV

Registered Number 0690.537.456

Belgium

4 April 2024

Section A: Business and Performance

A.1 Business

A.1.1 Business Overview

The Company's name and legal form is QBE Europe SA/NV and the supervisory authority responsible for its financial supervision is the NBB. QBE Europe writes (re)insurance business across the European Economic Area ('EEA') on a Freedom of Services ('FOS') basis through its head office (based in Brussels, Belgium) and Freedom of Establishment ('FOE') basis through its EEA branches, and in the UK and Bermuda through its UK and Bermudian branches. Until 18 May 2023, QBE Europe's UK branch operated in the UK under the PRA and FCA's Temporary Permissions Regime. An application to obtain a permanent UK Part 4a permission was approved by the PRA and FCA on 19 May 2023, alongside approval of the required Senior Managers under the UK SM&CR regime. This new authorisation extends to both the UK branch and any cross-border activities undertaken into the UK from QBE Europe's offices in continental Europe. Following approval, QBE Europe's UK branch is now subject to supervision in the UK by the PRA in respect of prudential matters and the FCA from a conduct perspective.

The entire issued share capital of the Company is owned by QBE Holdings (EO) Limited, which is a wholly owned subsidiary of QBE European Operations plc ('EO plc'), both intermediate insurance holding companies incorporated in England and Wales. EO plc is the ultimate UK insurance holding company at which level group supervision is applied by the PRA.

The entire issued share capital of EO plc is owned by QBE Insurance Holdings Pty Limited. QBE Insurance Holdings Pty Limited 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 ('APRA') Details of shareholders of QBE Group are disclosed in **Section 6** of the QBE Group 2023 Annual Report.

The principal activity of the Company is the transaction of insurance and reinsurance business. The Company continues this activity through the development of its existing lines of business, while actively seeking new opportunities for expansion and profitable growth. The strategic ambition of QBE Group, of which the Company forms a part, is to remain focused on further improving an already very strong business.

The Company underwrites life and non-life reinsurance businesses, as well as trade credit, property, casualty, financial lines, marine and motor direct insurance business.

Geographical locations

The Company has its head office in Brussels, Belgium and underwrites (re)insurance business across the EEA and worldwide, either on a Freedom of Services ('FOS') or through Freedom of Establishment basis ('FOE') from its EEA branches in Denmark, France, Germany, Ireland, Italy, Spain, Sweden and the most recently established branch in the Netherlands, writing business from 1 January 2023.

The table below shows Company's branch locations:

Locations
Belgium – Head Office
Bermuda – Branch
Denmark – Branch
France – Branch
Germany – Branch
Ireland – Branch
Italy – Branch
Netherlands – Branch (from 1 January 2023)
Spain – Branch
Sweden – Branch
United Kingdom – Branch

Until 18 May 2023, the Company's UK branch operated in the UK under the PRA and FCA Temporary Permissions Regime. A PRA and FCA Part 4a authorisation enabling the UK branch to operate permanently as a 'Third Country Branch' was granted with effect from 19 May 2023.

The Company also underwrites through its branch in Bermuda which is authorised and regulated by the Bermuda Monetary Authority ('BMA').

The Company also has a Representation Office in Colombia, Latin America.

A.1.2 Names and contract details of supervisory authorities

The Company's regulator is the National Bank of Belgium ('NBB'). The Company is also regulated by the Belgian Financial Services and Markets Authority ('FSMA') with respect to conduct of business. Other supervisory bodies also to note:

QBE Europe's UK Branch is authorised and regulated by the PRA and regulated by the FCA with respect to conduct of business. It is also regulated by the NBB and the FSMA as part of QBE Europe;
QBE Europe's Bermuda branch is regulated by the Bermuda Monetary Authority ('BMA').

Contact details are as follows:

National Bank of Belgium Boulevard de Berlaimont / de Berlaimontlaan 14 1000 Brussels Telephone: +32 (0) 2 221 21 11 www.nbb.be	**The Belgian Financial Services and Markets Authority ('FSMA')** The FSMA's contact details are as follows: Rue du Congrès/Congresstraat 12-14 1000 Brussels Telephone: +32(0)2 220 52 11 www.fsma.be
Prudential Regulation Authority Bank of England Threadneedle Street London EC2R 8AH Telephone: +44 (0) 203 4614 444 www.bankofengland.co.uk/prudential-regulation **Financial Conduct Authority** 12 Endeavour Square London E20 1JN Telephone: +44 (0) 207 066 1000 www.fca.org.uk	**Bermuda Monetary Authority** BMA House 43 Victoria Street Hamilton HM12 (441) 295 5278 www.bma.bm

A.1.3 Name and contract details of the external auditor

The Company's external auditor is PwC Bedrijfsrevisoren BV – PwC Reviseurs d'Entreprises SRL. Contact details are as follows:

PwC Bedrijfsrevisoren BV - PwC Reviseurs d'Entreprises SRL

Culliganlaan 5,

B-1831 Diegem

Telephone: +32 (0)2 710 42 11

www.pwc.be

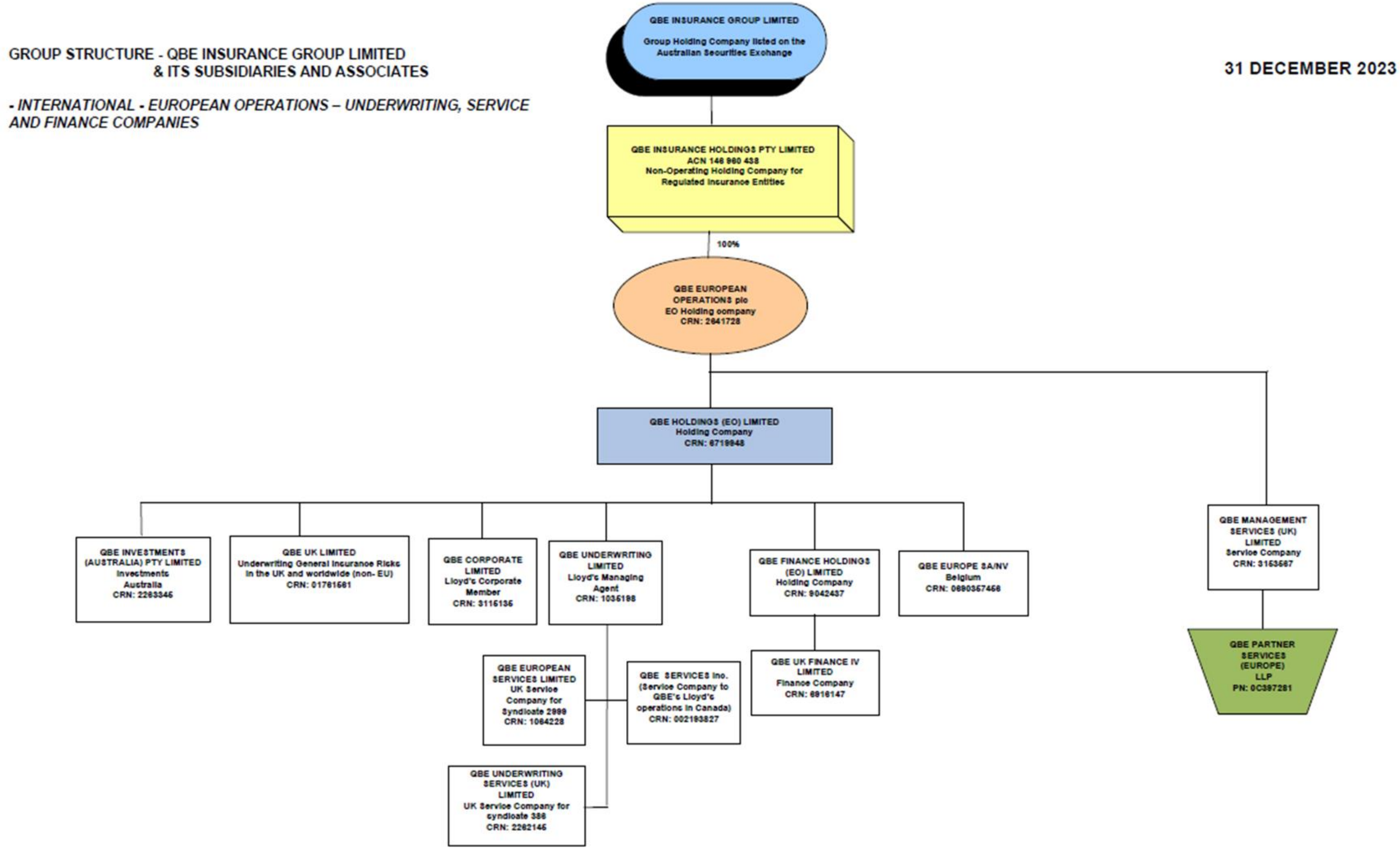
A.1.4 Group structure chart

Group structure charts showing the ownership of EO plc and the structure of the EO Group at 31 December 2023 and QBE Europe's position within the structure are shown below.

The main operating entities in the EO Group are QBE UK and QBE Europe together with participations in two Lloyd's syndicates through the Lloyd's corporate member, QBE Corporate Limited. These syndicates are managed by EO Group's managing agent QBE Underwriting Limited ('QUL'). There are also two service companies QBE Management Services (UK) Limited, which provides services to QUK, and QBE Management (Ireland) Limited which provides services to the Irish subsidiaries and branches.. QBE Europe does not have any subsidiaries.

A full list of undertakings within the EO Group at 31 December 2023, and the nature of those undertakings, can be found in the public disclosure S.32.01.22, included in **Appendix A** of the EO plc published Single Group SFCR for the year ended 31 December 2023.

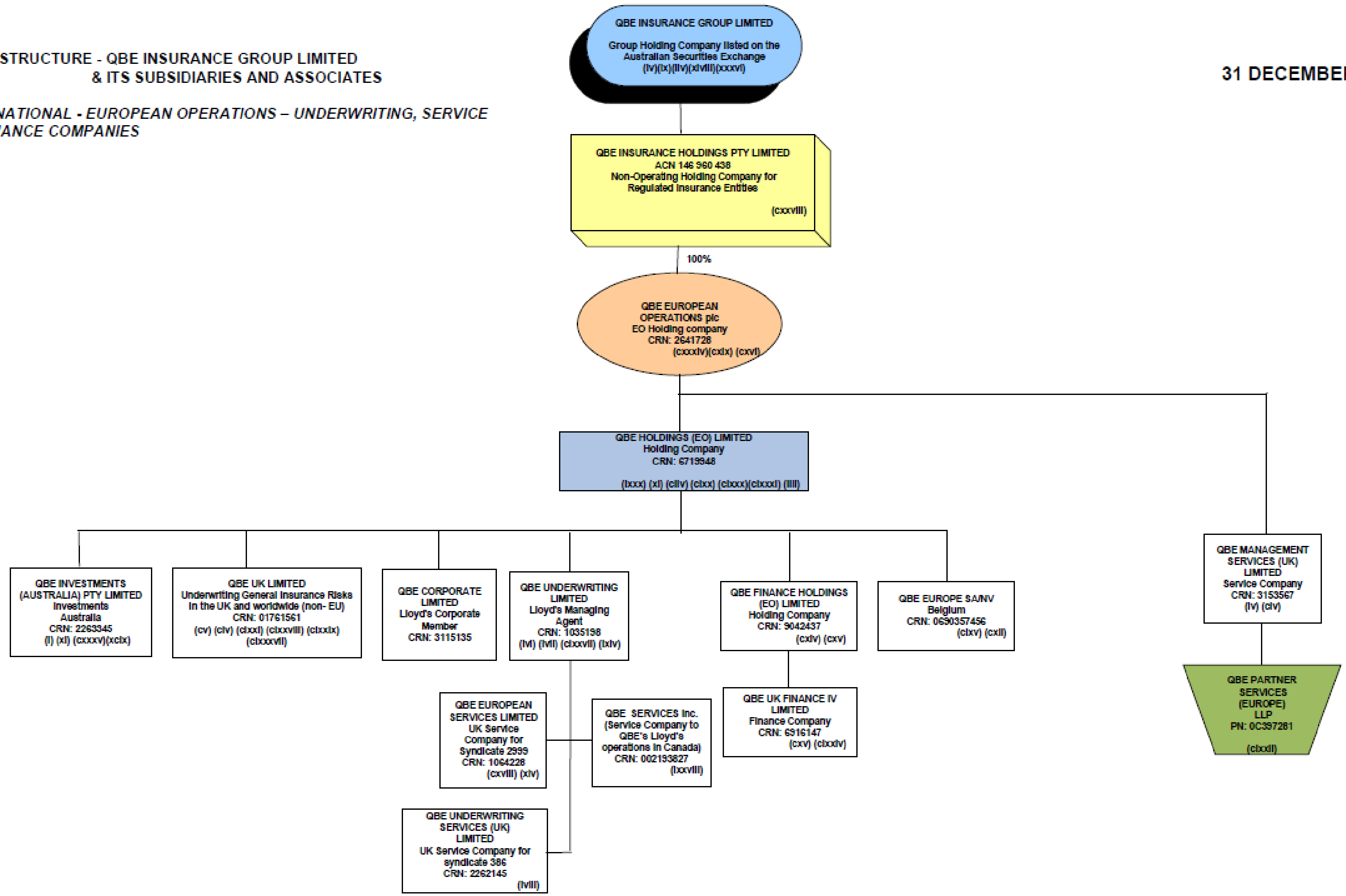
A list of all the QBE Group's controlled entities in terms of shares or contractual agreements is included in **Section 7** 'Group Structure'**, Note 7.3** 'Controlled entities' of the QBE Group 2023 Annual Report.


GROUP STRUCTURE - QBE INSURANCE GROUP LIMITED
& ITS SUBSIDIARIES AND ASSOCIATES
- INTERNATIONAL - EUROPEAN OPERATIONS – UNDERWRITING, SERVICE AND FINANCE COMPANIES
31 DECEMBER 2023
QBE INSURANCE GROUP LIMITED
Group Holding Company listed on the Australian Securities Exchange
QBE INSURANCE HOLDINGS PTY LIMITED
ACN 146 960 438
Non-Operating Holding Company for Regulated Insurance Entities
100%
QBE EUROPEAN OPERATIONS plc
EO Holding company
CRN: 2641728
QBE HOLDINGS (EO) LIMITED
Holding Company
CRN: 6719948
QBE INVESTMENTS (AUSTRALIA) PTY LIMITED
Investments
Australia
CRN: 2263346
QBE UK LIMITED
Underwriting General Insurance Risks in the UK and worldwide (non- EU)
CRN: 01761561
QBE CORPORATE LIMITED
Lloyd's Corporate Member
CRN: 3115136
QBE UNDERWRITING LIMITED
Lloyd's Managing Agent
CRN: 1035198
QBE FINANCE HOLDINGS (EO) LIMITED
Holding Company
CRN: 9042437
QBE EUROPE SA/NV
Belgium
CRN: 0690357456
QBE MANAGEMENT SERVICES (UK) LIMITED
Service Company
CRN: 3153567
QBE EUROPEAN SERVICES LIMITED
UK Service Company for Syndicate 2999
CRN: 1064228
QBE SERVICES Inc.
(Service Company to QBE's Lloyd's operations in Canada)
CRN: 002193827
QBE UK FINANCE IV LIMITED
Finance Company
CRN: 6916147
QBE PARTNER SERVICES (EUROPE) LLP
PN: 0C397281
QBE UNDERWRITING SERVICES (UK) LIMITED
UK Service Company for syndicate 386
CRN: 2262145

GROUP STRUCTURE - QBE INSURANCE GROUP LIMITED
& ITS SUBSIDIARIES AND ASSOCIATES

- INTERNATIONAL - EUROPEAN OPERATIONS – UNDERWRITING, SERVICE AND FINANCE COMPANIES

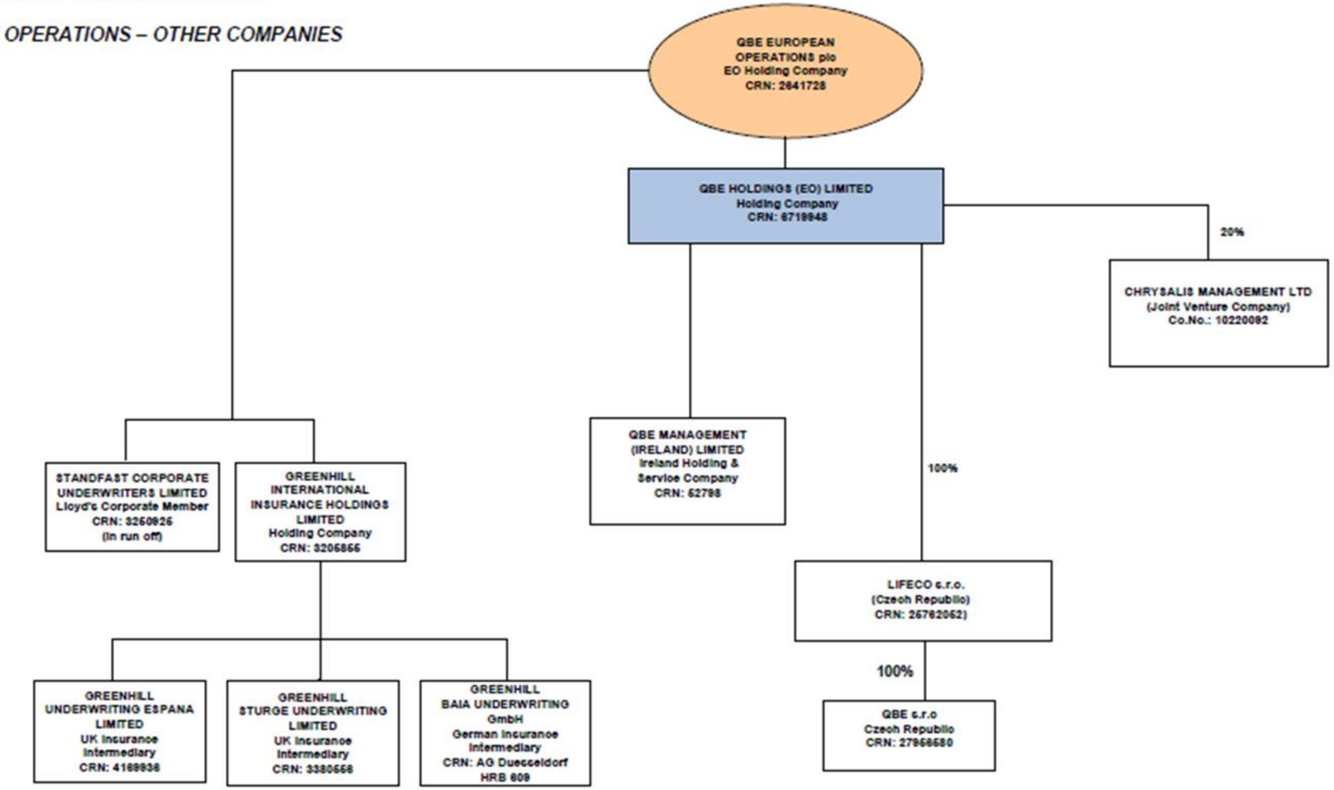
FINAL
31 DECEMBER 2023



GROUP STRUCTURE - QBE INSURANCE GROUP LIMITED
& ITS SUBSIDIARIES AND ASSOCIATES

31 DECEMBER 2023

- INTERNATIONAL - EUROPEAN OPERATIONS – OTHER COMPANIES



A.1.5 Significant business and other events in the reporting period

The following significant events and transactions impacted the Company and its business during the year:

- Challenging operating conditions have characterised 2023, with significant inflationary pressures, geopolitical tensions and heightened catastrophe activity. The economic environment remains highly uncertain, with higher inflation being seen across most markets in which QBE Europe operates;
- Group continues to monitor the war in Ukraine, the conflict in Gaza as well as disruption to supply chains arising from escalating tensions in the Middle East and any resulting developments that may impact its assessment of potential exposures;
- During periods of uncertainty like the war in Ukraine and tensions in the Middle East, the EO Group continues to monitor its potential exposure in these regions. The Company also has a programme of stress and scenario testing in order to review the potential impacts of a range of different strategic threats on its capital position and exposure to market, liquidity and operational risks;
- As announced by the QBE Group on 17 February 2023, the Company entered into a 100% retrospective reinsurance arrangement which covers certain prior year claims reserves within the Company. The effective date of the arrangement is 1 January 2023; and
- The Company benefitted from solvency qualifying ancillary own funds of €200m as from 18 December 2023. The Company repaid an intercompany loan of €120m to its parent company on 20 December 2023.

A.1.6 Significant post-balance sheet events

The following non-adjusting post-balance sheet events occurred after the end of the reporting period:

- Effective 1 January 2024, the company entered into a 100% Quota Share reinsurance contract in relation to the material Reinsurance Catastrophe exposures written by the Company with QBE Group's captive reinsurer, Equator Reinsurance Limited (‘Equator Re’) for the 2024 Occurrence Year.

A.1.7 Rounding convention

The SFCR is presented in Euros rounded to the nearest million. The Public Disclosure Templates are presented in Euros rounded to the nearest thousand. Rounding differences of +/- one unit can occur.

A.2 Underwriting Performance

A.2.1 Underwriting performance during the year

A.2.1.1 Overview

The Company prepares its financial statements in accordance with Belgium Generally Accepted Accounting Principles ('BE GAAP'). The table below presents the key performance indicators for the current and prior year.

As a (re)insurance company, for QBE Europe, key performance indicators include Gross Written Premium ('GWP'), Gross Earned Premium ('GEP') and Net Earned Premium ('NEP'). Key ratios monitored by the Board include the Combined Operating Ratio, including the Claims Ratio and Commission and Expense Ratio. The Ratios are net claims, expenses and commissions incurred for the year, expressed as a factor of the Net Earned Premium.

Key metrics	2023 €'m	2022 €'m
Gross Written Premium	2.154	2.005
Net Earned Premium	1.241	1.531
Claims Ratio	65,0%	75,2%
Commission and Expense Ratio	39,8%	28,6%
Net Combined Operating Ratio (NCOR)	104,8%	103,8%

The Company has a reported a loss for the year of €58m underpinned by underwriting losses from a high frequency and severity of current year catastrophe losses, including the devastating earthquake in Turkey in February 2023.

Gross Written Premium ('GWP') for the year totalled €2.154m (2022: €2.005m). This represents an increase compared to prior year driven by both a strong rating environment and volume growth across the reinsurance and direct insurance portfolios.

The Gross Written Premium generated by the Non-Life business amounts to €2,093m, 60% 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 written of €62m up from €55m last year. The Life premium volume continues to be 100% generated by reinsurance business written out of the head-office in Belgium.

The cost of the retrospective reinsurance arrangement entered in the year has reduced the reported net earned premium. The associated reinsurance recoveries have reduced the reported net claims incurred. The transaction had positive impact on the reported profit for the financial year.

The elevated inflation over the last year has influenced the increase in the net operating expenses compared to 2022. The reduced net earned premium driven by the cost of the retrospective reinsurance arrangement has led to an inflated reported commission and expense ratio.

A.2.1.2 Underwriting performance by Solvency II line of business

A summary of the material Solvency II lines of business by reference to Gross Written Premiums, a component of QBE Europe underwriting performance, is presented below. The values are consistent with BE GAAP and are prepared on the same basis as public disclosure S.05.01.01. The full public disclosure S.05.01 'Premiums, claims and expenses by line of business' and S.05.02 'Premiums, claims and expenses by country' are included in **Appendix A**.

The material Solvency I lines of business based on contribution to Gross Written Premiums are as follows:

Direct Business and Reinsurance Accepted (Non-life & Life)	2023	2022
	€'m	€'m
General liability insurance	794	676
Fire and other damage to property insurance	648	578
Property (accepted non-proportional reinsurance)	210	213
Casualty (accepted non-proportional reinsurance)	178	226
Marine, aviation and transport insurance	128	126
Life reinsurance (life reinsurance obligations)	62	55
Other	134	131
Total – Gross Written Premiums	**2.154**	**2.005**

General liability insurance

The increase in Gross Written Premium was driven by a combination of the rate increases achieved across lines, and growth within the business. Rate growth has moderated somewhat during 2023. Measured expansion across a number of product lines allowed growth without expanding the risk appetite of the Company.

Property (accepted non-proportional reinsurance) and Fire and other damage to property insurance

The market remains challenging in several geographies. The Company limited Gross Written Premium growth in 2023 driven by the decision to reduce property exposures to reduce volatility across the portfolio. The insurance business experienced rate in the high single digits across the region, as the market recognised the need for some response to the loss activity in recent years.

Casualty (accepted non-proportional reinsurance)

The overall reduction in Gross Written Premium over the year is mainly due to the impact of transferring the Motor business to Syndicate 2999.

Marine, aviation & transport insurance

Marine, Aviation & Transport book remained broadly flat year on year. Lower levels of retention business were compensated by favourable rates and new business premium growth.

Life (life reinsurance obligations)

The life reinsurance business experienced marginal increases in a relatively low-rate environment.

Other

The 'Other' Solvency II lines of business consist largely of:

Direct and proportional reinsurance: Medical expenses, Income protection, Motor vehicle liability, Other motor, Credit and suretyship, Legal expenses, Miscellaneous financial loss;
Non-proportional health reinsurance;
Annuities stemming from non-life insurance contracts.

'Other' lines of business represent 6% (2022: 7%) of QBE Europe's Gross Written Premium.

A.2.1.3 Underwriting performance by material geographical areas

Underwriting performance within QBE Europe's material geographical areas for non-life and inward life reinsurance business are shown in the table below for the current and prior year. The results are prepared on the same basis as S.05.02 'Premiums, claims and expenses by country' which requires the information to be reported by a mix of risk location and location from which premium is written. The full public disclosure is presented in **Appendix A**.

Non-Life (Direct business and inwards reinsurance)	2023	2022
	€'m	€'m
France	489	429
Belgium	341	257
Spain	157	149
Germany	157	136
United Kingdom	148	231
Italy	93	85
Other	708	662
Total – Gross Written Premiums	**2.093**	**1.949**

Inwards life reinsurance	2023	2022
	€'m	€'m
Belgium	28	23
United Kingdom	12	14
France	7	5
Isle of Man	3	2
United States of America ('USA')	2	2
Switzerland	2	2
Other	7	8
Total – Gross Written Premiums	**61**	**56**

The reinsurance non-life portfolio was able to capitalise on favourable market conditions, and grow the book compared to prior year. The rating environment was positive as the market continued to harden, though this benefit was offset somewhat by continued inflationary pressures.

Growth in Gross Written Premium was observed across all the primary geographies, with the exception of the United Kingdom, reflecting the measured expansion approach across a number of lines and minimising risk and volatility across the portfolio. The reduction in the United Kingdom was mainly within fire and other damage to property insurance and casualty business lines.

The life inwards reinsurance business remained marginally ahead of prior year as the market continues to operate in a relatively low-rate environment and continued inflationary pressures.

A.3 Investment Performance

A.3.1 Overview

The information on investment performance below is presented on a fair value basis. Financial statements are prepared under BE GAAP basis, which values investments at cost other than debt instruments that are valued at amortised cost.

The Company's investment portfolio allocations, and overall portfolio structure are substantially unchanged during 2023. The majority of investments are in fixed income portfolios with a moderate allocation to growth assets. To counter the rising inflation, central banks implemented a tightening monetary policy in 2023 by increasing interest rates. The expectations within Credit and Equity markets shifted from an initial concern about 'how much higher' at the beginning of the year to an anticipation of rates remaining 'higher for longer.' This shift triggered market volatility, and government bond yields, while predominantly high, remained notably volatile until Q4. Towards the end of the year, investment-grade spreads tightened, reaching levels well below long-term averages.

The Growth Asset portfolio diversified to include developed market equity, unlisted property funds, and infrastructure (IA) funds. The robust performance of infrastructure assets can be attributed to the structure of Infrastructure funds, where regulated and contracted assets reaped benefits from inflation pass-throughs. Equity market indices demonstrated strong performance; however, concerns lingered around persistent inflation and low growth, contributing to an upward push in yields. Unlisted property funds experienced challenges due to declining asset valuations, primarily influenced by the rising cost of capital in both real estate debt and equity markets, coupled with structural headwinds in the office market.

The majority of fixed income portfolios have an average credit rating equivalent to or better than a Standard & Poor's ('S&P') 'A'. The minimum permitted credit quality per the Group Investment Guidelines is 'BBB- 'grade instruments.

The Company and the EO Group follow the 'Prudent Person Principle' ('PPP') as set out in Solvency II regulations, NBB 2016_31 and PRA SS1/20, to the extent relevant to the Company. These principles are now embedded in processes and controls within the EO Group and the Company.

A.3.2 Investment performance

Investments are monitored using the asset types below. The total investment returns achieved for the year together with the values of investments at the year end and prior year comparatives are set out below. The combined total return (percentage yield shown in the table below) for the year was 5,0% (2022: (6,1%)) on a mark-to-market / fair value basis.

Asset type	2023			2022		
	Yield	Investment return[1]	FUM at year end[2]	Yield	Investment return[1]	FUM at year end[2]
	%	€'m	€'m	%	€'m	€'m
Fixed income	4,8	186	3.847	(6,9)	(261)	3.589
Equities	18,2	7	39	(12,2)	(11)	90
Infrastructure assets	6,5	8	121	8,4	5	83
Unlisted property	(23,1)	(16)	68	11,9	16	142
High yield debt	11,9	23	193	(6,7)	(10)	173
Emerging market debt	6,7	8	113	(0,3)	(1)	1.210
Private equity	-	-	-	-	3	-
Alternatives	13,0	2	18	(1,6)	-	19
Total	**5,0**	**218**	**4.398**	**(6,1)**	**(259)**	**4.216**

Investment expenses and charges (including realised losses) were €86m for the period (2022: €120m), decreased from prior year due to lower level of realised losses in the year.

A.3.3 Gains and losses on investments recognised directly in equity

There are no gains or losses recognised directly in equity by QBE Europe for BE GAAP reporting purposes.

A.3.4 Investments in securitisation

The Company's investments are managed centrally within the EO Group. 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, to observe the limitations on such investments set out in Article 6 of Regulation (EU) 2017/2402 of the European Parliament and of the Council (as referenced by Article 257 of the Solvency II Delegated Regulation ((EU) 2015/35)), 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 more than 7%;
- 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.

At 31 December 2023 the Company's investment in securitisation was €185m (2022: €193m), comprised of Asset Backed Securities ('ABS').

[1] Includes foreign exchange and other income which do not form part of investment return reported in the table above.

[2] Funds under management/investment at market value.

A.4 Performance of other activities

A.4.1 Material leasing arrangements

The Company prepares financial statements under BE GAAP. Under BE GAAP lease payments are expensed as incurred. For the purposes of Solvency II reporting the Company applies IFRS 16: Leases. As at 31 December 2023 and 31 December 2022, QBE Europe did not hold any material right of use assets or have any material lease liabilities.

A.4.2 Other material income and expenses

There is no other material income and expenses for the Company.

A.5 Any other information

There is no other material information regarding Business and Performance of the Company.

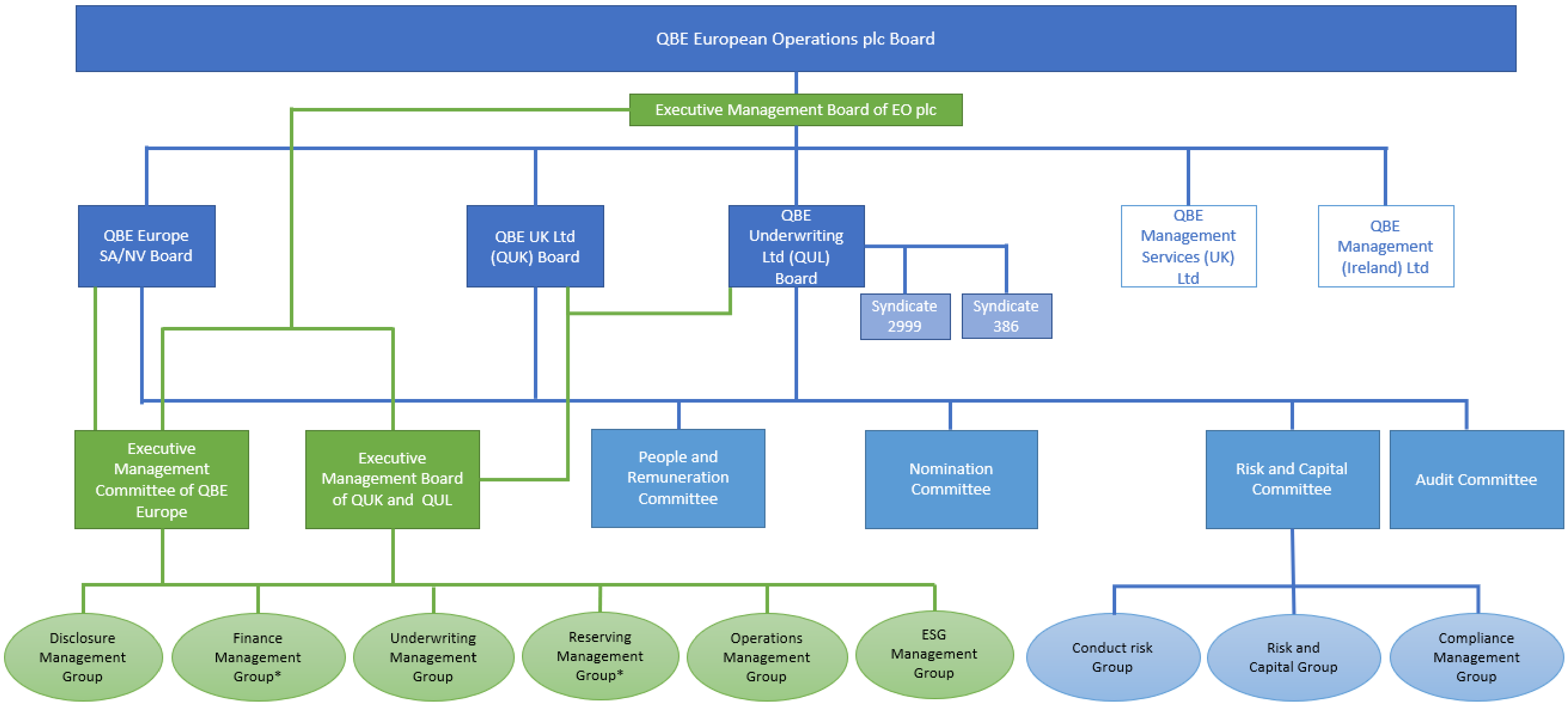
Section B: System of Governance

B.1 General information on the System of Governance

B.1.1 Overview

For the purposes of this document the EO Group is defined as EO plc and its subsidiary undertakings including QBE Europe SA/NV, QBE UK Limited (‘QBE UK’) (UK authorised insurance company), QBE Corporate (which participates in Lloyd’s Syndicates 2999 and Syndicate 386) and QBE Underwriting Limited (‘QBE UL’) (Lloyd’s managing agent for Syndicates 2999 and Syndicate 386). EO plc is a wholly owned indirect subsidiary of the Sydney headquartered QBE Insurance Group Limited (‘QBE Group’).

As part of the EO Group, the Company shares many of its key functions (including the Solvency II key functions) with EO plc, QBE UK and QBE UL. Similarly, the governance and committee structure is the same for QBE Europe, EO plc, QBE UK and QBE UL. However, the Company has a dedicated Management Committee (‘QEMC’) with Terms of Reference which is responsible for the day-to-day management and operations of the Company, as illustrated in the Board and Committee structure chart below:



* Reserving Management Group established in February 2023. Reserving covered by Finance Management Group prior to this date.

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

The Board of QBE Europe comprises seven Board members: three Executive Directors and four independent Non-Executive Directors, including M. Tim Ingram, who acted as Chair of the Board until Sir Norman Keith Skeoch was appointed as an independent non-executive director and Chair of the Board, following receipt of regulatory approval on 7 March 2023. Mr Tim Ingram resigned as a Director and Chair of the board on the same date.

The role of the Chair of the Board is separate from that of the Chief Executive Officer, and each role is clearly established. The Chair is responsible for chairing and overseeing the performance of the Board, leading the development of the Company's culture by the Board of Directors as well as leading the development of and monitoring the effective implementation of policies and procedures for the induction, training and professional development of all members of the Board. The Chair promotes open debate and facilitates constructive discussion within the Board by ensuring that Directors receive meeting papers at least four working days prior to the scheduled Board meetings, in accordance with the Governance Protocols.

The CEO has responsibility for the day-to-day management and operations of the Company, supported by the QEMC, which the CEO chairs. The CEO is responsible for leading, directing and being accountable for the performance of the Company and reporting to the Board of Directors in respect of these matters.

This separation of roles ensures that the balance of responsibilities, accountabilities and decision making are effectively maintained. Directors have equal voting rights when making decisions and the Chair has a casting vote when required. All Directors have access to the advice and services of the Company Secretary and are able to seek professional advice at the Company's expense.

The Board considers that the experience and areas of focus which each Board member brings to the Company results in a strong and balanced leadership team to set and monitor the strategy and values of the EO Group and the Company.

With the exception of Sir Norman Keith Skeoch, the Non-Executive Directors are members of the (jointly established) Audit Committee, the Risk and Capital Committee ('RCC'), the People & Remuneration Committee ('PARC') and Nomination Committee. Sir Norman Keith Skeoch is Chair and member of the Nomination Committee. All the Non-Executive Directors of the Company 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 PARC, succession planning is undertaken in accordance with the talent and culture objectives within the strategic priorities of the Company, 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, QBE Europe, QUK and QUL (the ‘EO Boards’) have jointly constituted Board Committees. The Committees all comprise of appropriately skilled members and are supported by attendees as necessary.

The Board Committees comprise:

- **Audit Committee**

  The role of the Committee is to support the EO 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.

- **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 UK Senior Managers and Certification Regime (‘SMCR’), Key Function Holders, Material Risk Takers, Effective Leaders, Heads of Independent 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.

- **Risk and Capital Committee (‘RCC’)**

  The role of the Committee is to support the EO 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 and the Company, (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 responsibilities of the Investment Committee are now subsumed into the EO Boards, except the responsibilities with regard to the Risk Framework and Internal Model which are the remit of the RCC. The former Chair of the Investment Committee is now the Independent Lead for matters relating to investments.

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

The Board of QBE Europe has established a separate Management Committee (‘QEMC’) to provide support with day-to-day management of the Company.

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 Board, QEMC and 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 Boards; and
- Disclosure Management Group ('DMG'), Finance Management Group ('FMG'), Underwriting Management Group ('UMG'), Operations Management Group ('OMG') and ESG Management Group ('ESG MG'), and for 2023 a newly established Reserving Management Group('RMG') (accountable to the EMB, QEMC and the EO Boards).

QBE Europe UK Branch Management Group was established in July 2023 to support QEMC and the QBE Europe Board in meeting their responsibilities with respect to the development, implementation, delivery and monitoring of the UK Branch of QBE Europe's business plans and strategy.

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

The membership of the Board, Committees and Management Groups of the Company are reviewed regularly (at least annually).

The Company has a robust System of Governance which includes:

- Board Charter 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 Map for the UK Branch (as required under the UK SMCR).

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. Some of these functions do not relate solely to any individual entity but operate across the EO Group including QBE Europe, QUK and QUL.

Key Function	Main Roles and Responsibilities
Actuarial	• Establish and maintain a robust Actuarial control framework to ensure that the EO Group: • Complies with all material legal and regulatory requirements; • Adheres to relevant Actuarial standards and best practice; • Provide reserving data and analysis; • Calculate technical provisions and capital requirements; and • Responsible for pricing, benchmarking, portfolio analysis and support for business planning. The main roles and responsibilities of the Actuarial function are further detailed in **Section B.6**.
Claims Management	• Implement and maintain effective leading-edge practices and processes to provide maximum value to the business and excellent customer service; • Work closely with underwriters and other business functions and lead the development of processes to ensure that the function is aligned to the needs of the business; and Support decision-making by developing and maintaining effective control reports based on the claims environment and claims activity.
Finance	• Establish and maintain a robust financial control framework; • Comply with all relevant legal and regulatory requirements; • Adhere to relevant accounting standards and good practice; and • Identify and effectively control financial risks (credit, market liquidity, commercial etc.).

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

Internal Audit	• Evaluate the adequacy and effectiveness of the Risk Management Framework; and • Evaluate management's assessment of risk exposures relating to QBE Group's governance, operations, and information systems regarding the reliability and integrity of financial and operational information compliance with laws, regulations, policies, procedures and contracts. • The main roles and responsibilities of the Internal audit function are further detailed in **Section B.5**.
Legal	• Pro-actively monitor and evaluate legal risks, emerging/pipeline legal and regulatory developments, alert the business to specific associated risks and extend principles around legal risk management into wider business; • Provide high quality document execution, retention and administrative services to the Boards and business to ensure legal compliance, good internal governance and document control; and • Provide legal advice where required to the EMB and QEMC.
Operations	• Implement change programmes related to IT outsourcing, service management, and cost savings to achieve cost, service and scalability targets; and

Key Function	Main Roles and Responsibilities
	• Execute and manage the operations strategy of the business.
People	• Establish and maintain a robust HR control framework to ensure the EO Group; • Adhere to relevant HR standards and good practice; and • Identify and effectively control People risks.
Risk Management & Compliance	• Establish and maintain a robust enterprise risk management framework; • Produce and perform the EO Group's ORSAs; and • Monitor the material risks the business faces and ensuring the adequacy of capital should these risks materialise. • The main roles and responsibilities of the Compliance function are further detailed in **Section B.4**.
Treasury	• Managing and optimising liquidity and working capital across EO Group; • Managing bank relationships for transactional banking, collateral, FX, credit and capital markets activities; • Managing and forecasting cash and foreign exchange transactions; • Monitoring and managing Treasury related risks including operational, liquidity, credit, market and derivatives; • Creating, implementing and monitoring Group-wide Treasury-specific policies, procedures and controls; and • Selecting and implementing appropriate systems in support of the Group Treasury function
Underwriting	• Establish and maintain a robust underwriting control framework; and • Adhere to relevant underwriting standards and best practice.

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

B.1.4 Changes in the System of Governance during the Reporting Period

The following changes took place during the year, as noted in B1.2 above.

The Reserving Management Group was established during the year, accountable to the EMB, QEMC and the EO Group Boards. Also, the QBE Europe UK Branch Management Group was established to support the QEMC and QBE Europe.

Key changes to the Board and QEMC composition during the year were:

QBE Europe Board

- Mr Rob Stone was appointed as a director on 7 February 2023.
- Mr Christopher Killourhy resigned as a director on 7 February 2023.
- Mr Tim Ingham resigned as Non-Executive Director and Chair of the Board on 7 March 2023.
- Sir Norman Keith Skeoch was appointed as an independent Non-Executive Director and Chair of the Board and Nomination Committee effective 7 March 2023.
- Mr Tim Wade's appointment as an independent Non-Executive Director and Chair of the Audit Committee is pending regulatory approval by the NBB. Mr Wade will replace Mr McCaig in both roles.

QEMC

- Mr Christopher Killourhy resigned as member on 7 February 2023.
- Mr Robert Stone was appointed as member on 7 February 2023.
- Mr Nick Menear resigned as member on 8 February 2023.
- Ms Ingrid Leuyckx resigned as member on 30 November 2023.
- Ms Emma Higgins will be appointed as member upon receipt of regulatory approval.

Each year there is a formal Board Effectiveness Review ('BER'), which is facilitated by an independent external advisor. In June 2023, the QBE Group undertook a BER encompassing the Divisional Boards, including the Board of the Company. Comments supporting continuous improvement of the effectiveness of the Board arising from the review were discussed by the Board and a number of minor actions were agreed.

B.1.5 Material transactions during the period with shareholders, persons who exercise significant influence on QBE Europe and with members of the board

No dividends were paid by the Company during the reporting period or subsequently and there was no foreseeable dividend at 31 December 2023.

There were no other material transactions in the reporting period with shareholders, persons who exercise significant influence on QBE Europe or with members of the QBE Europe board.

B.1.6 Adequacy of the System of Governance

As a part of the EO Group, QBE Europe is subject to the EO-wide governance requirements which are in alignment with the NBB Overarching Circular on Governance. The process of assessing the adequacy of the System of Governance is explained in **Section B.3.13**. From the November 2023 review, the EO Group Risk team concluded that the EO Group's Three Lines Model remains appropriate, including for QBE Europe, and represents a risk governance framework with adequate checks and balances to support appropriate consideration of risk management throughout the EO Group, including QBE Europe. The existence of assurance services provided partly on an outsourced services basis by other QBE entities helps maintaining a strong risk and control culture around risk-taking activities. .

B.1.7 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 sustained shareholder value and the expectations set out in QBE's Code of Ethics and Conduct.

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. In addition, QBE Europe Board has adopted a specific Annex to the Remuneration Policy which details the role of the board in determining the remuneration of Identified Staff.

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.

The Remuneration Policy is aligned 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.

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 and clear -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 consistent and locally 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 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 and calibration of remuneration and reward includes meeting expectations set out in QBE's Code of Ethics and Conduct and QBEs Risk Management Strategy.

QBE's Group Code of Ethics and Conduct (the 'Code') supports the QBE risk culture in a robust and globally consistent manner. The Code provides clear guidance on how all employees are expected to conduct themselves. Where a breach of the Code has occurred or the standards of professionalism and ethical behaviour set out in the Code are not satisfactorily met by the individual, consequences will be applied resulting in an appropriate reduction in the incentive outcome for the performance year.

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, through the application of short-term and long-term incentive is focused towards the longer-term time horizon, enhancing alignment with the delivery of the long-term strategy and shareholders' interests. The variable short-term incentive scheme takes a broad view of performance and behaviours with an emphasis on both financial and non-financial performance including risk, people and strategic measures. Performance is measured through the business scorecard containing financial measures alongside risk, people and strategic non-financial measures. In addition, personal performance objectives focus on what has been achieved and how it was achieved during the year.

Variable remuneration outcomes are reviewed to ensure that they appropriately reflect an individual's performance as well as the performance and risk outcomes of the QBE Group. Adjustments can apply to current year awards, deferred variable remuneration prior to vesting (i.e. malus), and remuneration that has already been paid or vested (i.e. clawback).

There are no supplemental retirement schemes for members of the Board and other key function holders.

Further information on remuneration is available in the 'QBE Group Annual Report 2023', in **Section 'Remuneration Report'**, on pages 42 to 64 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, of which the Company is a part. The policy is reviewed annually and updated as required. The Policy and supporting Guidelines incorporate, to a certain extent, 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 perform regulated functions on behalf of the UK regulated entities (QUK and QUL) and the QBE Europe UK branch.

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 some of 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, including the Company, 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 People 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 mix of key events triggers, complemented 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., Risk, 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:

- NBB/ Financial Services and Markets Authority ('FSMA') / PRA / FCA approved functions;
- Defined senior management and internal control roles;

- Individuals holding a delegated authority;
- Finance; and
- IT.

Regular review of all employees, where performance and development assessments are carried out in line with the current QBE Group Performance Review process. 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 rigour and detail afforded to the assessment of members of the Board of Directors are particularly stringent.

The EO Group's Internal Control Functions (Actuarial, Compliance, Risk, 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 and the Company 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 Risk Management function of the Company headed by the QBE Europe Chief Risk Officer works in close cooperation with the EO Group Risk Function to maintain framework, method and process consistent across all entities within the EO Group.

Functions and processes that are consistent across the EO Group including for the Company 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, People and Risk Management;
- The three lines of defence model operates consistently across all trading entities. Where identified control failures are legal entity specific, they are escalated to the appropriate legal entity Board as appropriate; and
- A consistent Internal Model operated across the EO Group, the outputs from which are reviewed by EO's management groups before being reported to their relevant entity Boards.

Responsibilities of the Risk Function of the Company include the following:

- Development and implementation of the Enterprise Risk Management ('ERM') Framework;
- Production of the annual Own Risk and Solvency Assessment ('ORSA') and
- Oversight of the QBE Europe Internal Model and other risk activities carried out across the EO Group as relevant to QBE Europe.

B.3.2 Risk Management Strategy and Framework

The Company has adopted the QBE Group Risk Management Strategy (‘RMS’) to identify and assess the risks the Company faces in delivering on its strategic and business objectives or performance. Given the centralised nature of the Company’s Risk Management Framework, the RMS applies equally to all the EO Regulated Companies including QBE Europe and is approved by the QBE Europe Board. 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, all of which apply to the Company, 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 and the Company’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

The Company 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.

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

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

B.3.5 Risk Appetite

The EO Group’s Risk Appetite Statement (‘RAS’) sets out the nature and level of risk that the EO Group Boards including the QBE Europe Board are willing to take in pursuit of the organisation’s objectives. The RASs are used to support risk-based decision-making by clearly defining EO Group’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.

QBE Group-level RASs set by the QBE Group Board are cascaded, as appropriate, to the Divisions, including the EO Group and its subsidiaries including QBE Europe. This ensures a consistent approach and appetite to risk is applied across QBE Group, where it is appropriate and reasonable to do so.

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 the 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 the QBE Group's ERM Framework and a part of the control mechanisms for the organisation. The QBE Group Risk Culture Framework, which has been adopted by the EO Group including QBE Europe, is a key component of the ERM Framework. QBE Group's approach to managing risk culture, as set out in the Framework, is based on a set of key principles outlined below:

- Risk Culture is underpinned by a strong risk mindset;
- Risk Culture is a key element of the QBE organisational culture;
- Our Risk Culture supports our Risk Management Strategy; and
- Risk Culture is assessed and reported on to enable its ongoing effectiveness.

Risk culture metrics, aligned to a number of risk culture target statements, are reported regularly to the EO Group's RCC to ensure appropriate escalation of cultural issues and trends. The Risk team also conducts an annual review of risk culture across the EO Group.

B.3.7 Internal Model

The Company 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 Company 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 and the Company's regulatory capital assessment.

The key processes that make up the Internal Model are as follows:

- Internal Model governance (B.3.8);
- Risk identification (including emerging risks) (B.3.9);
- Risk assessment (B.3.10);
- Risk reporting (B.3.11);
- Risk governance (B.3.12);
- Internal control framework (B.3.13); and
- The economic capital model (B.3.14).

B.3.8 Internal Model governance

The high level and detailed governance of the Internal Model is the responsibility of the RCC and the Risk 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 Risk 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 independent validation is performed independently of individuals that have been involved in the design and/or operation of the Internal Model, 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 Risk 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 Board, as applicable, for approval via the model change process.

Use of the model in decision-making processes, for example through risk appetite monitoring and stress and scenario testing, is also reviewed by the Risk team on an at least annual basis.

There were no material changes to the internal model governance process during the reporting period.

B.3.9 Risk identification (including emerging risks)

The Company identifies, on a continuous basis, top 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 is then integrated into the Company's risk and capital management processes.

Risk identification is implemented through the Risk Function's engagement with each business function as part of the ORSA process (management focus areas) and RCSA process (functional risks) and is supported by the emerging risks process.

Emerging risks are defined as "a new or future threat that is difficult to assess but may have a significant impact on QBE's business or the markets we operate in". The Emerging Risks Group ('ERG') co-ordinates the identification, assessment, monitoring, management and reporting of emerging risks applicable to the Company. Emerging risks are included as a sub-category of Strategic risk, according to QBE Group's Group Risk Management Strategy ('RMS'), and are typically new or rapidly changing developments, likely to be unprecedented or not fully understood and/or characterised by a lack of historical data. Emerging risks can have a significant impact on the 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 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.

The Risk team also engage members of the QBE Europe Management Committee ('QEMC') in assessing new top and emerging risks regularly, to provide a top-down perspective for risk identification.

B.3.10 Risk assessment

Risks (by sub-risk category) are assessed by committees using a combination of qualitative and quantitative techniques via the ORSA process and the risk dashboard process. The assessment process brings together key information to support the analysis, including risk appetite statements, management key concerns/risks, control assessments, emerging risks, risk ranking (based on the Economic Capital Model), significant transformation portfolio assessments and issues and incidents including action plans.

Risk assessment is supported by the Company'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 Company and facilitating the Company's strategy, is detailed in the **Section B.3.15 'The Own Risk and Solvency Assessment ('ORSA').**.

Risks are further assessed on a functional level through the RCSA process (please refer to **Section B.3.3**).

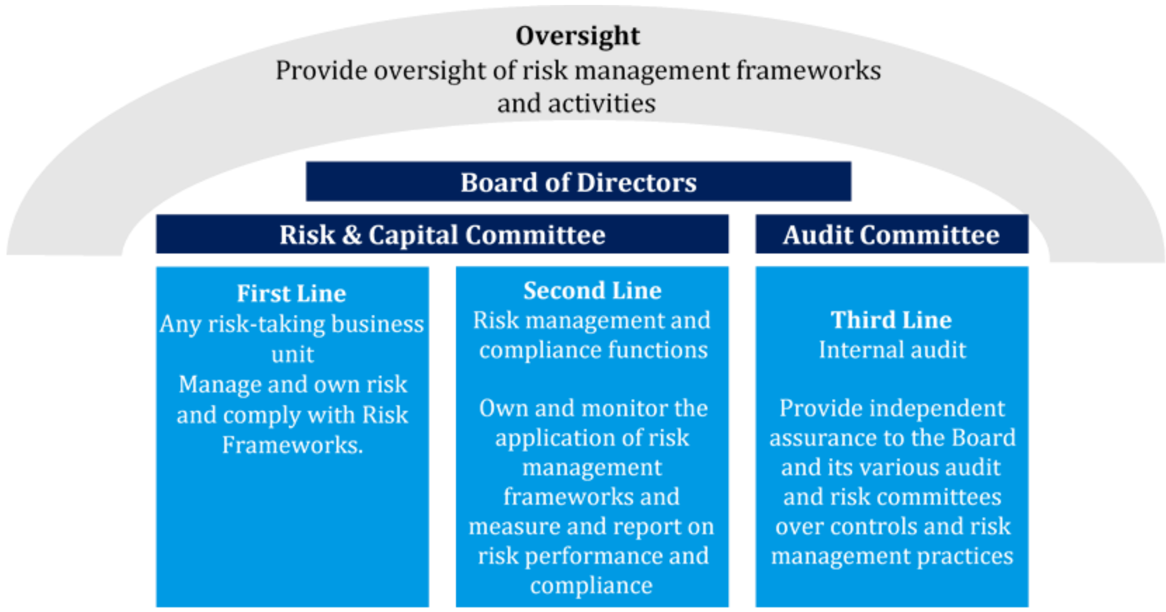
B.3.11 Risk Reporting

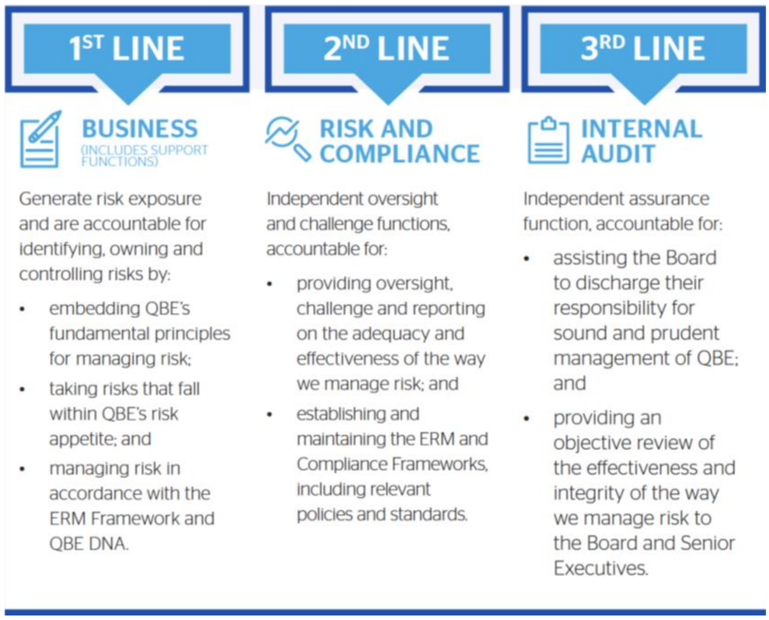
The Company's governance framework is supported by risk reporting, which is used to provide complete, accurate and timely risk data and analysis that can be used to support day-to-day business decisions. Key stakeholders for risk reporting include the Board, committees, forums, risk owners, business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

A key element of the Company's risk reporting is the ORSA, details of which can be found in **Section B.3.15**.

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, including QBE Europe, employs the Three Lines Model to managing risk, as described below:





Next to many of the 1st Line teams, there are outsourced 1b functions providing:

- Review, challenge or oversight of 1st Line risk management activity. Although 1b functions are not fully independent of 1st Line management, they are one step removed from risk taking and decision-making activities led by 1st Line teams and are therefore able to provide an objective view;
- Specialist business advice or service to the business, such as training or legal advice; and
- Monitoring of 1st 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 including for QBE Europe 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 of their assurance model across the 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 2nd Line sit on all relevant Committees and Management Groups established by the EO Group Boards including the QBE Europe 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 and oversight are clearly defined throughout the EO Group and its Regulated Subsidiaries, including QBE Europe. It also ensures the existence of appropriate checks and balances and enables remedial actions to be taken where weaknesses are identified. Further, through the activities of 1b teams within the 1st 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 2023 review, the EO Group Risk team concluded that the EO Group's Three Lines Model remains appropriate including for QBE Europe and represents an effective risk governance framework with adequate checks and balances to support appropriate consideration of risk management throughout the EO Group, including for QBE Europe.

B.3.14 Determination of solvency requirements - Economic Capital Model

QBE Europe uses an Economic Capital Model ('ECM'), as part of its Internal Model, to measure the material risks to which the Company is 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 Board and the NBB as part of the approval of the Company's Internal Model since 2019.

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

Capital is maintained over time to ensure that the Risk Appetite of the QBE Europe Board 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;
    - Stress Testing (including Regulatory Stress Tests) and
    - 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 and ORSA assessments and appetites in the risk management framework; 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 RCC and Board.

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

B.3.15 The Own Risk and Solvency Assessment ('ORSA')

B.3.15.1 Overview

The Company produces an ORSA report to assess, on a continuous basis, the Solvency needs of the Company given the risks that it has identified and assessed.

QBE Europe 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 the Company 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 Company'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 Company 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 Company's decision-making process.

ORSA reports are prepared quarterly and annually for the EO Group, including all relevant information for QBE Europe. An annual ORSA is also prepared for QBE Europe individually. This reflects the way the Company manages its risks and also the commonality of risk assessment, governance, systems and control processes across the other Companies within the EO Group and its Internal Model. This ensures that risk management procedures are implemented consistently across all the undertakings within the scope of the EO Group.

The quarterly ORSA reports are reviewed and discussed by the RCG prior to recommendation to the RCC for approval, with a summary being provided to the QBE Europe Management Committee ('QEMC'). The annual QBE Europe ORSA report is reviewed by the RCC and the QEMC, committees which, in aggregate, contain all the Directors of the Company, prior to recommendation to the Board for review and approval. This process ensures that detailed discussion and review can be effected for the Company.

The annual ORSA provides the link between the Company's risk strategy, risk profile, risk appetite and overall solvency needs. The annual 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 Board is 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.3.15.2 Annual ORSA

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

The Annual ORSA is reviewed and approved by the QBE Europe Board.

B.3.15.3 Regular ORSA updates

ORSA updates are reported to the RCC and RCG on a quarterly basis and include analysis of:

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

The ORSA update, or a summary of it, is also reported to the QEMC, a Committee of the QBE Europe Board.

B.3.15.4 Ad-hoc ORSA updates

If there is a significant change to the Company'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 EO Group's business plan e.g., entering into new markets, products etc.;
- A significant loss event;
- Material change to EO Group's or QBE Europe's capital base; and
- Identification of a critical issue.

B.3.15.5 ORSA governance

The content of the annual ORSA is reviewed by various forums and committees before the full report is submitted to the QBE Europe Board for approval by:

QBE Europe Board: The QBE Europe Board has the ultimate responsibility for the ORSA and must review, approve and formally sign off the report on an annual basis;

- RCC: The QBE Europe Board delegates its risk management oversight and monitoring activities to the RCC. The RCC is the primary forum for challenging both the ORSA content and process and the committee will review and recommend the annual ORSA report to the Board for approval;
- 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 the quarterly ORSA updates; and
- 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.4 Internal control system

B.4.1 Overview

The Company has implemented an internal control framework that seeks to ensure compliance with all relevant regulatory and legal requirements. These requirements include meeting the standards contained within Article 46 of the Solvency II Directive, and the NBB Overarching Circular on system of governance, and other 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 discussed in **Section B.3**, the Company 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.3.1.12** for further information.

B.4.2 Risk Governance

The risk governance forums within the Company 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 and the Company's Boards 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 QBE Europe Compliance function consists of the Head of Compliance and specific local resources located in the Company's branches, supported by the UK-based EO Group Compliance team in accordance with an established intra-Group outsourcing agreement. The function reports through the Head of Compliance (QBE Europe), to the Chief Risk Officer, who is a member of the QBE Europe Board. The function has direct and unfettered access to any member of the Boards, the Management Committee or senior management or the EO Group Committees.

The principal purpose of the function is to ensure the business meets the compliance 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 Company, and to provide appropriate second line independent challenge in respect of first line activities. Accountabilities include advising the Board on compliance with EU, home and host member state compliance requirements and supervisory expectations, 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 and providing best practice guidelines for key business topics including Conduct Risk, Sanctions and Licensing compliance, Data Privacy, Anti-Money Laundering and Anti-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 (which serve as the equivalent of the Compliance Charter) 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 Company'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 and legislative 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 Assuralia 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 (non-compliance with external requirements).

Risk Sub-Classes

- 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, Risk, Legal, Underwriting and Claims Governance, Risk 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. The Company Head of Compliance further escalates all material issues to the Board.

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:

- Providing focused oversight and challenge in respect of the EO Group's compliance with the FCA Consumer Duty and related requirements (applicable in respect of the Company's UK branch);
- Monitoring high product risk ('HPR') areas of the business and providing proportionate and fair challenge in respect of the effects of that business;
- Assessing the conduct risk inherent in the Group's products and distribution methods and whether mitigating controls and oversight are appropriate;
- Designing and providing effective management information around conduct risk within the EO Group; and
- Reporting to the RCC on the design and effectiveness of the EO Group's conduct risk framework.

B.5 Internal audit function

B.5.1 Overview

QBE Group Internal Audit ('GIA') is a group-wide function, in which divisional internal audit teams operate on a globally integrated basis. QBE Europe Internal Audit falls under the umbrella of International Internal Audit division. The Head of Internal Audit for QBE Europe reports to the Chair of the QBE Europe Audit Committee, the QBE Europe CEO and the Head of Internal Audit, International. The role uses GIA EO audit staff, as necessary, as part of an outsourcing agreement with QBE Management Services (UK) Limited.

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 QBE Group Head of Internal Audit is responsible for the function, which operates under a written charter from the QBE Group Board Audit Committee, which is adopted by the respective Divisional Audit Committees. The Group Head of Internal Audit is responsible for the establishment of a team with the required skills, knowledge, and experience to deliver the internal audit plan.

GIA operates within an established framework designed to meet key stakeholder expectations and achieve adherence to applicable professional mandatory guidance and requirements. This includes adherence with The Institute of Internal Auditors International Professional Practices Framework "Core Principles for the Professional Practice of Internal Auditing", "Definition of Internal Auditing", "Code of Ethics", and "International Standards for the Professional Practice of Internal Auditing" (Standards), and any other applicable professional mandatory guidance and requirements.

A risk-based plan of internal audits is determined annually in consultation with stakeholders e.g., senior management for approval by the Group and Divisional Audit Committees. GIA uses the QBE Risk Management Framework in developing the plan, incorporating the results of the risk assessments performed by management. This is overlaid by GIA's own assessment of risks and related controls. The plan will also include audits to address relevant regulatory requirements.

GIA maintains a quality assurance and improvement programme that covers all aspects of GIA assurance activity. This comprises both internal and external assessments, and findings of the quality assurance programme are reported to the Audit Committee Chair at least annually.

B.5.2 Independence

GIA is authorised to perform any audits, reviews, investigations, or conduct any form of inquiry, which it considers necessary to meet its purpose. GIA has full, free, and unrestricted access to all QBE activities, records, property, and personnel.

GIA maintains its independence by having no direct authority or responsibility for the activities it reviews. GIA does not have 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 and Divisional Heads of Internal Audit report to the QBE Group Audit Committee and their respective Divisional Audit Committees at least annually on the organisational independence of the internal audit activity. The Head of Internal Audit, QBE Europe will confirm the operational independence of QBE Europe's internal audit function to the Audit Committee on an annual basis.

B.6 Actuarial function

The Actuarial Function provides wide ranging actuarial support to the business, including reserving, capital, reinsurance analysis and performance monitoring.

At the core of all actuarial work, mathematical techniques are used to interpret the available data. 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 (e.g. the Enterprise Risk Management department).

The Actuarial Function is free from the external influence of other functions within the EO Group and the formal Terms of Reference ensure that reserving analysis is performed independently of underwriting decisions, which enables objective review and challenge.

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 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, including QBE Europe, initially adopted the QBE Group Outsourcing Policy in July 2020 in place of the previous EO Group Outsourcing Policy, with an updated Group Policy adopted in May 2022. The Policy is regularly reviewed (with input from the Company 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, of which the Company is a part. This approach document was formally adopted by the Company Boards in July 2021, with further updated versions adopted in May 2022 and February 2023, and in combination with the QBE Group Policy forms the Outsourcing Policy for the Company (the 'Outsourcing Policy'). 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 Outsourcing Policy asserts QBE Group's comment to "managing any risks associated with outsourcing through appropriate systems and controls: and "ensuring compliance with regulatory requirements", stating that outsourcing should only be undertaken where:

- It does not significantly increase our risk exposure;
- Ensures we remain in line with the relevant Group Risk Appetite; and
- It supports QBE Group'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 and Third Party Risk Management Working Group (‘OWG’), reporting to the Operations Management Group (‘OMG’), oversees both the practical application of the policy within the Company 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 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 Company’ 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.

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 Management Information (‘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 Company’s behalf by third party providers in accordance with the requirements and principles set out in the Outsourcing Policy:

- Various class of business specific claims handling and loss adjusting services (including investigation and rehabilitation case management). These providers are delegated authority to manage claims on the Company’s behalf and operate predominantly in the following territories:
    - Australia; and
    - United Kingdom.
- 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.

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
- People (including Service Desk support, joiner/leaver processes and lifestyle changes).

As a part of a larger group, the Company also outsources a number of activities to the EO Group headquarters in the UK. These activities are regulated by an intra-group outsourcing agreement, and the oversight of the service delivery is exercised by the members of QEMC and Control Functions holders for their respective areas.

In addition, various material 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, Chief Information Officer and OMG, with established Service Level Agreements ('SLA's) 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 QEMC; and
- Provision of reinsurance administration and support services for the EO Group's outwards reinsurance placement programme by a predominantly UK-based Group function that was previously part of the EO Group.

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 entity carries out an appropriate due diligence process on the potential service provider and performs its own assessment of the risks related to the outsourcing arrangement. The Company's Management Committee and Board approve the general conditions of the contractual arrangement with the service provider after having received proper information. Procedures are in place for the performance of prior review of the proposed agreement by Legal and by the Company Head of Compliance. Both the Internal Audit and Compliance Functions perform an independent review of outsourced activities, including Interaction with the NBB for reporting existing or planned outsourcing of critical functions or activities. In all such cases, the requirements and associated governance arrangements of the QBE Group Outsourcing Policy (incl. EO's Approach to Outsourcing & Third Party Risk Management) apply.

B.7.3 Delegated Underwriting Authority ('DUA') Arrangements

The Company 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; and
- The United Kingdom.

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 Company's System of Governance.

Section C: Risk profile

Introduction

The Company has identified a number of top risks, which are considered executive management focus areas.

The top risk with the highest potential impact and likelihood and increasing risk trend throughout 2023 is 'Economic and Geopolitical Uncertainty', which was driven by geopolitical conflict (e.g. the Ukraine war and the conflict in the Middle East), and by persistent high rates of inflation in the UK and Europe during most of the year, resulting in high interest rates and a heightened risk of recession (which materialised for the UK in Q4 2023). Other top risks for the Company with a high rating (in terms of impact or likelihood) include 'Cyber Security' and 'Climate Change', followed by 'Competitive Market Environment' and 'Concentration of Distribution Partners'. These risks were considered stable during 2023.

Data management has also been in focus during 2023, with Data Risk/Digitisation, Pricing Models and Financial and Actuarial Data all being considered at a medium level impact and likelihood. Another top risk with a medium level rating is 'Heightened Regulatory Supervision' (with an increasing risk trend observed in Q3 2023 reflecting an increased focus from all regulators). The Company further started monitoring Generative Artificial Intelligence as a top risk from Q4 2023, which was previously considered an emerging risk.

The Company 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 Company uses a number of risk mitigation techniques, as described below in **Sections C.1 – C.6** below.

The below table shows the SCR calculated under the Internal Model for the Company. More information is given on the risk types in this section.

Risk Components under Internal Model	2023 €m	2022 €m
Market risk	269	276
Counterparty default risk	135	125
Non-life underwriting risk	1.371	995
Operational risk	147	128
Pension risk	2	4
Capital adjustments	15	23
Debt servicing costs	-	-
Total undiversified components	1.939	1.551
Diversification	(722)	(488)
Solvency capital requirement	**1.217**	**1.063**

C.1 Insurance risk

Description

The Company 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 Company, 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 **Sections C.1.1 – C.1.4**.

Risk mitigation

Risk mitigation is mainly achieved through reinsuring a portion of risks underwritten to reduce Company's exposure to individual losses or an accumulation of losses. This allows the Company to control exposure to insurance losses, reduce volatility of reported results and protect capital. The Company 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.

QBE Europe's reinsurance programme includes ceding to six Bermudan authorised Special Purpose Vehicles ('SPVs') which are required to be fully funded on an equivalent basis to that required under the Solvency II rules. Exposures to these SPVs are not material.

The following key changes were made to the Company's reinsurance programme in 2023.

- 100% retrospective reinsurance arrangement covering certain prior year claims reserves.
- Increased retention on some catastrophe product lines as well as non-renewal of catastrophe aggregate cover.

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 Company's policyholders at the same time (e.g., catastrophes).

The Company'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 Company 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 natural catastrophe insurance concentrations has been determined using the QBE Group's capital model, and in relation to non-natural catastrophe insurance concentrations using the RDSs. These are monitored against on a regular basis.

C.1.1 Underwriting risk

Underwriting risk is the risk that the premiums received for the business written in the year following the model date will not be sufficient to cover future claims and related costs arising from that business.

The risk is modelled separately for each class of business and involves an assessment of the following sources:

- The underwriting cycle and the potential for business to be written at inadequate rates. This has been based upon the submitted business plans and makes allowance for variability. The data has been reviewed by experts within the business;
- The potential for losses in excess of the business plan caused by a difference between the frequency and value of expected claims compared to the frequency and value of actual claims (including inflationary trends). The losses have been split between:
- Attritional losses - Historical experience combined with expert judgement is used to parameterise the potential distribution of outcomes;
- Large losses - The frequency and severity of large loss distributions are modelled separately. The volatility is based on past experience with an overlay of expert judgement; and
- 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 Appetite Statements 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

The Company 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 the Company 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 for the Company 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 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 the earned 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 Company 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 Company 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 Company'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 Company adopts a relatively conservative investment strategy with the vast majority of assets held in cash equivalents, floating rate notes, and investment-grade government and corporate fixed income securities. The investment of these assets is aligned with business objectives and policyholder interests, for example through consideration of the nature and duration of liabilities. At 31 December 2023, the duration of cash and fixed interest securities was 2.3 years (2022: 2.4 years).

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. The Economic Scenario Generator simulates different investment returns for a variety of different asset types and takes account of varying durations and inflation rates (both CPI and wages). The QBE Group, including QBE Europe, uses a market-leading third-party Economic Scenario Generator.

A significant amount of work is undertaken by the EO Group to assess and validate the Economic Scenario Generator and modelling of market risks to ensure this is fit for purpose for the companies within the EO Group. Validation of the Q1 2023 Economic Scenario Generator was performed as part of the annual validation cycle for Market Risk for both QBE UK and QBE Europe in June 2023. The validation concluded that overall the Market risk methodology, parameters, documentation, appropriateness of data and associated governance met the appropriate regulatory requirements for each legal entity.

The split of assets held by asset type, on which the current capital assessment is based, for the EO Group, QUK and QBE Europe are disclosed in the balance sheet reporting template included in Appendix A.

In addition to the above, the adherence to market, credit and liquidity risk appetite statements is monitored by the EO RCG, RCC and the QEMC 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 QEMC.

C.2.1 Prudent person principle

The Company, as part of 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 regulations, NBB 2016_31 and PRA SS 1/20. These principles are now embedded in processes and controls within the Company. 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;
- The nature and duration of assets held to cover the technical provisions should match with that of the undertaking's liabilities. The Company's policies are consistent and compliant with this rule;
- The intention and effectiveness of any derivative instruments used within the portfolio are documented and reported upon;
- The characteristics and valuation methodology, including levels of valuation uncertainty within new products and instruments and significant changes in asset profile, are assessed prior to approval of the new products and instruments;
- Any valuation uncertainty within the portfolio is understood and monitored; and
- The Company 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 and Belgian regulatory requirements, as applicable, which give a sound framework for a prudent approach.

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 and Belgian regulatory requirements.

The Company's and 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 Company mitigates the level of market risk using the following:

- Application of and monitoring against Board-approved Risk Appetite Statements;
- Active asset management;
- Diversified portfolio;
- 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 QEMC include the monitoring of compliance with legal and regulatory requirements including the PPP.

The Risk Management function monitors adherence to the Market Risk Appetite Statement, and a Market Risk Key Risk Indicator, and reports this to the QEMC, RCG and the RCC on a quarterly basis as part of the ORSA process.

Risk dashboards, as part of the ORSA process, link risks across the EO Group, including QBE Europe, in line with the QBE Group Risk Management Strategy ('RMS'), including in respect of liquidity, capital and investment risks. In addition, all reports from business areas outlining identification and management of individual risks are reported and assessed by EO Group committees, in particular the QEMC, FMG and the RCC.

The CFO reports the following information to the QEMC on a quarterly basis: Detailed investment performance versus business plan, Asset-Liability matching information and compliance with the Company and QBE Group's Investment and Regulatory Guidelines.

Further detail regarding the Company'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 Board of QBE Europe retains authority to make decisions on investment policy and guidelines for the Company and take responsibility for the implementation and monitoring of the agreed strategy. All material investment strategy decisions are reserved for the Board.

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 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 QBE Group Investments and within the EO Group's finance team.

The Company's investment 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 Company's Investment 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 update the NBB via existing communication channels, 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 QEMC.

In the event of a breach of the terms, the Investment Manager is expected to immediately contact the QEMC to ascertain whether or not to effect immediate action to resolve the breach, or whether the QEMC 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 QEMC via delegated authority from the Board.

The Company and the EO Group utilise 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 Standard &Poor's ('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 Company is A (2022:A). Approximately 84.6% (2022: 75,6%) of its total fixed interest and cash investments are with counterparties having a S&P 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.

C.2.2.3 Asset Liability Management

During 2023, the Company and EO Group maintained its Asset Liability Management ('ALM') strategy, which is unchanged from the prior year, to maintain fixed income asset duration which is broadly equal to average net technical liability durations to mitigate interest rate 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 including QBE Europe. These are monitored and formalised by the EO Group Finance Management 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 Europe Board and that is reported against each quarter at the QEMC and at the EO RCC.

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 QEMC 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

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 Company, and other entities in 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 Company'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 measured based on the SCR derived from the Solvency II Internal Model.

Credit exposures are also monitored quarterly against Risk Appetite Statements ('RAS's'), and supporting Key Risk Indicators, that apply to the EO Group's legal entities including the Company and are reported on a quarterly basis, through the ORSA and QBE Group Risk Dashboard (please also refer to **Section C.6.1** below). Further details of collateral amounts posted in favour of the Company 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 Company mitigates credit risk using the following:

- The posting of collateral to the Company 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. The quarterly EO Reinsurance Group monitors ratings changes as communicated by the GSC and considers the implications for the Company; 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 Group 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 Company's largest reinsurer. A separate Risk Appetite Statement is in place to help manage counterparty exposure to Equator Re, including via collateral held to offset this exposure, as described under the Exposure Management section above and as reported in the Group Risk Dashboard. Risk concentration regarding external reinsurers is mitigated by the GSC on behalf of the Company, 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 2023, 64,8 % (2022: 54,3%) of the Company's reinsurers' share of claims outstanding was with QBE Group's captive reinsurer Equator Re and 91,3% (2022: 95,7%) of the remaining balance is with reinsurers with an S&P rating of A- or greater. The Company holds letters of credit as security to mitigate credit risk exposure to reinsurers.

As at 31 December 2023 QBE Europe held €275m of letters of credit (2022: €49m) as collateral against credit risk. QBE Europe also held €491m (2022: €31m) of assets pledged by reinsurers for ceded technical provisions (off balance sheet assets) and €47m (2022: €43m) of deposits from reinsurers.

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 Company defines liquidity risk as the risk of insufficient liquid assets to meet liabilities as they fall due to policyholders and creditors.

Exposure measurement

The most likely causes of liquidity risk arise from shortfalls in liquid assets when liabilities are required to be paid. The Company 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 the EO Group’s individual legal entities including the Company and reporting of coverage against these RASs is made on a regular basis, as well as quarterly through the ORSA reporting to the FCG and RCC. Liquid assets, as defined by the Company are substantially higher than the minimum RAS requirements and liquidity risk is considered to be low. Scenario analysis has been integrated into the methodology and calibration of EO Group’s entity L2 Liquidity RAS.

In addition, a Liquidity Risk Dashboard is reported to the 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.

Within the ECM, liquidity risk is modelled considering any shortfall in the cash flow 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.

Risk mitigation

The Company 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 Company’s 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 and QBE Europe to access alternative funding in the event of remote Liquidity events.

C.4.1 Expected Profit in Future Premium (‘EPiFP’)

The Company calculates the expected profit in future premiums (‘EPiFP’) by projecting the expected future gross of reinsurance profits directly. This is carried out separately for each actuarial reserving class, with only profit-making classes included.

The gross of reinsurance EPiFP for the Company is €379m (2022: €298m).

C.5 Operational risk

Description

The Company 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 measurement perspective, operational risk includes compliance risk. The Company'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 one 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; and
- Non-compliance with external requirements.

Each sub-risk is modelled with a frequency and severity element for each. The frequency is modelled using a Poisson distribution and the severity is modelled using a Generalised Pareto distribution.

The input parameters for the model are set using the scenarios developed through the Operational Risk Assessment process and the internal and external actual loss data taken from ORIC. The Operational 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 below) and over the business planning period. The input parameters for the model are estimated as per the above 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 50% 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 Company recognises that certain operational risks are unavoidable and arise from various areas across the business. The Company 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 Company mitigates operational risk using the following:

- Active monitoring of key processes;
- Closely monitoring changes in the regulatory compliance environment, including in relation to conduct risk, prudential obligations and prevention of financial crime our potential exposure to operational risks caused by external events, including cyber risk and changes in the provision of outsourced services;
- Quickly responding to changes in international sanctions for the purposes of onboarding new clients and risks and ongoing screening;
- Undertaking appropriate financial crime 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 Company uses several key processes to monitor operational risk.

Risk and control self-assessments

The QBE Group has a Group-wide Risk and Control Self-Assessment ('RCSA') framework in place. 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 Risk 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 Risk team on an annual basis and verified through Internal Audit testing in line with their Internal Audit Plan.

Key risk indicators ('KRI's)

The Company 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 by all Divisions across the QBE Group to flag changing risk exposure.

Incidents

The incident process applies to operational risks that have materialised 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 classifies incidents into three categories:

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

A key component of the incident process is the incident recording. The Company records incidents with a financial impact of €5.000 or greater within a risk management system.

On a quarterly basis, the Risk team analyses incident data and reports this to the RCC and QBE Group.

Issue management

The Company has an issue 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 and reporting to the executive management and relevant governance forums.

Scenario analysis

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

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

C.6 Other material risks

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

C.6.1 Group Risk

Description

The Company defines group risk as "the risk to a Company 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 QBE group company causes S&P to issue a one notch downgrade, from A+ to A; and
Action taken in another division of QBE group company 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.

The EO Group Risk Policy, which applies to the Company, describes EO 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 incidents, root cause analysis and management activity required to resolve problems or address improvements identified through various risk processes; monitoring of Global issues impacting the EO Group including the Company; 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 Company 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 Board 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 Company bears the economic and demographic risks associated with these schemes.

The Company currently operates the Secura NV defined benefit pension scheme which relates to certain current and former employees based in Brussels. The Secura NV scheme is funded by the employer via group insurance contracts with KBC, a Belgian insurance company. Pension contributions relating to the scheme are assessed in accordance with the advice of independent qualified actuaries in order to spread the cost over the service lives of employees. Actuarial estimates of the scheme are completed each year end.

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

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 QBE Europe. This scheme is accounted for under a similar basis to the defined benefit pension scheme. Within the SCR calculation, the Company takes a prudent approach and treats this medical care scheme in the same way as other defined benefit schemes within the EO Group and bears the economic and demographic risks associated with these schemes.

The Company also operates 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 Company 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.6.4**).

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;
- Reputational risk management; and
- ESG management (please refer to the **Section C.6.4** 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 the QBE Group. This includes boards, committees, forum and business management including strategic board planning days and presentations.

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

The EO Group, including QBE Europe, defines ESG risk as "the risk that the Company's strategic priorities or business objectives are negatively impacted by environmental (including climate change), social or governance issues". ESG risks are considered as part of EO's top risks.

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. Our approach to managing the climate related financial risks has been guided by our EO Board-approved Roadmap to meet the requirements of the PRA's Supervisory Statement on the Financial Risks from Climate Change ('SS3/19').

Climate change is a material financial risk in and of itself, and it can also act as a risk multiplier. For example, coastal windstorms, together with increasing sea levels, may multiply the scale and severity of damage to property within a coastal region. There are also risks associated with climate transition, as part of the adjustment to a low-carbon economy, including where litigation actions may be taken against QBE's customers. In addition, the past may no longer be a good guide to the future; risk models based on historic experience need to be adjusted to allow for potential future changes in climate 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, changes in expected and remote losses to the EO Group over longer time horizons (for example, in 2030 and 2050), are estimated based on the different reference climate scenarios (i.e. Representative Concentration Pathways per the IPCC – the Intergovernmental Panel on Climate Change). For transition risks, we measure the extent that the EO Group's premium within major product areas is exposed to industries considered sensitive to climate transition risks, and how this may change over longer time horizons in multiple adverse scenarios. Similarly, we are able to apply scenario analysis to assess the impacts that climate risks may have on EO Group's investments.

Governance

In accordance with requirements of SS3/19, the EO Board is accountable for overseeing management of the financial risks from climate change. It also approves QBE's strategic priorities, which includes consideration of climate risks and opportunities. The EO Executive Management Board ('EMB') is responsible for developing and implementing strategy in relation to climate change and ESG.

In 2022, the ESG Management Group ('ESG MG') was established. The role of the ESG MG is to support the EMB, QEMC and the Boards of the Companies in responding strategically to financial, operating and regulatory ESG requirements. These include specific ESG business, reporting and disclosure considerations and requirements, and other strategic issues associated with climate change and ESG. The ESG MG also assists the EMB and QEMC with the executive management of climate change and ESG across EO. With effect from 1 January 2024, the ESG MG is chaired by the Head of Executive Governance & Strategy, and the QBE Group will continue to support the further development, implementation and delivery of EO's strategy to respond to climate change, and ESG and the embedding of this response into business-as-usual decision making.

As part of the oversight of the Company's Risk Management strategy, the Risk & Capital Group ('RCG'), Risk & Capital Committee ('RCC'), and EO Boards receive regular reports on material ESG risks, including those related to the PRA's SS3/19 on Financial Risks from Climate Change ('FRCC'), via the Climate Risk Dashboard ('CRD') and the Own Risk and Solvency Assessment ('ORSA'). This allows the Boards to continuously review and challenge the management of climate change risks.

As part of their Senior Manager functions, the EO Chief Underwriting Officer and EO Chief Risk Officer (previously co-chairs of the ESG MG), remain accountable to the PRA for the financial risks from climate change.

EO EMB, QEMC and Board members continue to receive regular training to maintain and enhance their ability to carry out their responsibilities in respect of climate change and ESG.

Risk Management

EO Group is guided by the QBE Group's Risk Management Strategy to ensure we achieve our strategic priorities while also establishing effective governance and fundamental principles for the management of risk across all levels of the organisation. Climate change is part of ESG risk, which is classified as a strategic risk sub-class in the

Group's Risk Management Strategy. Climate financial risks are also considered across our other risk classes such as insurance, credit, market and operational risk.

In line with SS3/19, exposures to physical, transition and liability risks are monitored and reported to management and the Board on a quarterly basis using the CRD. This report includes the following assessments:

- Physical risks: assessing climate financial risks is integrated into our assessment of natural perils modelling, for example by analysing how EO's Insurance Concentration Risk Appetite Statements would be impacted by future climate stress scenarios.
- Underwriting Transition risks: modelling transition scenario impacts on sensitive industry sectors, and how they affect EO's GWP.
- Investments Transition risks: assessments of EO's asset portfolios' exposure to transition risks.
- Liability risks: scenario analysis to assess climate litigation, in relation to the Bank of England's Climate Biennial Exploratory Scenario.
- Climate-related risks as they pertain to Operations KPIs and Claims trends.

This analysis also supports our responses to climate change, for example through the implementation of climate underwriting strategy and business planning, and by informing our risk appetite.

The Company has continued to build upon the requirements of SS 3/19. Further developments to our approach to managing the FRCC, and broader ESG risks, have included:

- Further training on climate risk for the Board / Executive Management Board ('EMB');
- Updated scenario assessments of physical and transition climate risks to estimate changes in exposure materiality and to inform underwriting strategy updates for EO insurance products;
- The completion of more detailed estimation of litigation impacts using scenario analysis;
- Continuous updates to the RCG, RCC and EO Boards via reporting on climate change financial risks within the ORSA;
- Estimation of Insurance-Associated Emissions for EO insurance lines, in support of our commitment to be net zero for underwriting by 2050[3];
- Preparing for engagements with priority commercial customers to further understand their transition risks;
- Continuing to utilise guidance, tools and support of the Net-Zero Asset Owner Alliance ('NZAOA'), as well as collaborating with other members in the relevant NZAOA working groups with which QBE is involved;
- Updating the Environmental & Social Risk Framework (E&S Risk Framework). This framework was developed to further support the integration of Climate and other ESG considerations into our underwriting and investment and increase transparency with customers. It became effective 1 January 2022 and was updated and re-issued on 1 January 2023; and
- Continuing focusing on identifying risks and opportunities and developing further strategic responses across both underwriting and investment management

Sustainability Strategy

In 2024, QBE Group published the 2023 Sustainability Report, which included details of the Sustainability Strategy to better support the ambition and purpose of enabling a more resilient future. Climate change was a key consideration and is relevant to the three areas of focus identified:

- Focus area 1: Foster an orderly and inclusive transition to a net-zero economy: supporting an orderly and inclusive transition to a net-zero emissions economy, aligned with limiting warming to 1.5 degrees Celsius by the end of 2100.
- Focus area 2: Enable a sustainable and resilient workforce. The culture and capability of our people are drivers of value for QBE. Investing in our people's career development, and supporting flexibility and wellbeing, can allow us to continue to attract and retain the best talent.

[3] In 2022, QBE committed to transitioning our (re)insurance underwriting portfolios to net-zero GHG emissions by 2050. In May 2023, QBE Group withdrew its membership of the Net Zero Insurance Alliance (NZIA). This departure did not diminish our focus on our Sustainability Strategy to, inter alia, foster an orderly and inclusive transition to a net zero economy. Our ability to achieve this is supported by the internal Net Zero in Underwriting Program.

- Focus area 3: Partner for growth through innovative, sustainable, and impactful solutions through our investments, supplier and broker relationships, the QBE Foundation and QBE Ventures. WE explore ways to co-create solutions to meet the changing needs of our customers, and support communities affected by climate impacts and the net-zero transition.

Progress against each of these focus areas is reported to Group at the level of the EO division on a regular basis.

C.7 Any other information

C.7.1 Stress and scenario analyses

As part of the validation of the Internal Model, stress and scenario analysis is used to help validate the overall level of capital. The following approaches have been considered:

- Reverse stress testing - 'Extreme' stress tests which consider scenarios that would leave the EO Group entities' business model unviable; and
- Scenario analysis - Specific scenarios covering multiple risk types at a range of severities.

Stress and scenario testing is also used to:

Validate the internal model by comparing the outputs of stress and scenario tests to the internal model; and Assess the impact of various stresses/scenarios on the Company'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 percentage impact on the one-year SCR for the Company.

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 100.000 simulations).

Test No.	Test Type	Test Description	SCR impact (%)
1	Business plan setting	Premium rates are 10% lower than expected	13,0
2	Correlation	Increase all class dependencies by 5%	5,6
3	Reserve risk	Faster risk emergence	7,1
4	Reserve risk	Increased reserve variability assessments	4.,9
5	Underwriting risk (non-catastrophe)	Attritional variabilities are increased by 10%	1,4
6	Underwriting risk (non-catastrophe)	Large loss frequency variabilities are increased by 10%	1,0
7	Correlation	Remove varying dependencies between cohorts by type of business	(1,0)
8	Reserve risk	Faster reduction in future capital for the risk margin	(3,2)
9	Reserve risk	Thinner tailed reserve risk distributions for outstanding claims	(3,3)
10	Reserve risk	Reduce Level of tail dependence	(4,2)

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.

The sensitivity tests presented here, along with a more detailed set of sensitivities, are used as a key tool in the validation of the capital model. In 2022, the Independent Validators considered the sensitivity test results to be reasonable and explainable based on the risk profile of the business and inherent subjectivity in certain expert judgements.

Section D: Valuation for Solvency Purposes

D.1 Assets

The tables below show the value of assets held in the Company and set out the different valuation methods by individual material asset type.

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

D.1.1 Valuation and presentational differences

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

- Derivatives assets and liabilities are presented net on the 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;
- The deferred tax impact of valuation adjustments to assets and liabilities between the financial statements and Solvency II balance sheets is recognised; and
- Accrued interest is presented as receivables on the BE GAAP balance sheets but on the Solvency II balance sheet it is included within the appropriate investment asset classes.

More detailed information on asset valuation differences between Solvency II and the financial statements is included in **Section D.1.4**.

Except where noted in the table in **Section D.1.3**, assets are valued at fair value. Where alternative valuation methods are used the key assumptions and judgements are included in **Section D.4**.

The valuation methodology for assets has been amended this year with application of the Volatility Adjustment to the discount rates used for the valuation of the SII Reinsurance Recoverables.

D.1.2 Balance sheet

The Company held total assets of €6.181m (2022: €5.842m) and total liabilities of €4.753m (2022: €4.465m) at 31 December 2023 valued on a Solvency II basis.

The table below shows the analysis of assets by Solvency II summarised asset class on a BE GAAP and Solvency II basis, together with the presentational and valuation adjustments that have been made to move from a BE GAAP to a Solvency II basis. Presentational and reclassification adjustments have been made to **column (a)** below 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**[4].

Solvency II Balance sheet items	BE GAAP	Presentational and reclassification differences	Valuation differences	Solvency II
	(a)	(b)	(c)	(d)=(a)+(b)+(c)
	€m	€m	€m	€m
Assets				
Deferred tax assets	-	-	7	7
Property plant and equipment for own use	4	-	11	15
Investments[4(a)]	4.278	124	(27)	4.375
Reinsurance recoverable	1.309	(112)	(337)	860
Deposits to cedants	161	1	-	162
Insurance and intermediaries receivables	1,248	(572)	(175)	501
Reinsurance receivables	134	-	-	134
Receivables (trade, not insurance)	32	-	-	32
Cash and cash equivalents	188	(93	-	95
Any other assets[4(b)]	34	(34)	-	-
Total assets	**7.388**	**(686)**	**(521)**	**6.181**
Liabilities				
Technical provisions	5.525	(450)	(962)	4.113
Deferred tax liabilities	-	-	72	72
Pension benefit obligations	-	-	5	5
Deposits from reinsurers	48	-	-	48
Derivatives	-	-	29	29
Insurance and intermediaries' payables	261	(123)	-	138
Reinsurance payables	210	(113)	(5)	92
Payables (trade, not insurance)	164	-	12	176
Subordinated liabilities	80	-	-	80
Total liabilities	**6.288**	**(686)**	**(849)**	**4.753**
Excess of assets over liabilities	**1.100**	**-**	**328**	**1.428**

[4] In the table above:

a) Investments include Equity, Government Bonds, Corporate Bonds, Collateralised Securities, Collective Investment Undertakings Derivatives and Deposits other than Cash and Cash equivalents.

b) Any other assets on a BE GAAP basis relate to accrued income which is required to be allocated to investments under Solvency II.

D.1.3 Comparison of asset valuation methodology under Solvency II and BE GAAP

The below table sets out the material differences between the bases, methods and main assumptions between the Solvency II and BE GAAP financial statement bases for its material classes of assets. Other presentational differences represent movement between line items with no overall impact on excess of assets over liabilities.

Balance Sheet item	BE GAAP valuation basis and comparison with Solvency II valuation basis and assumptions
Deferred acquisition costs (DAC)	Under BE GAAP, only commission expenses are deferred. Other acquisition cost expenses are not deferred. Under Solvency II, all deferred acquisition costs are valued at €nil. Cash flows related to future acquisition costs are included in the calculation of technical provisions.
Deferred tax assets	Deferred tax assets / liabilities are recognised under Solvency II 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 deferred tax assets are not recognised. See also **Section D.3.6** for more information.
Property, plant and equipment for own use	The valuation basis under BE GAAP is at cost less accumulated depreciation. This is considered to be a reasonable approximation for fair value under Solvency II. Under BE GAAP lease payments are expensed as incurred. The valuation adjustment for Solvency II purposes relates to recognition of right of use assets in accordance with IFRS 16 Leases.
Equity, Government Bonds, Corporate Bonds and Collateralised Securities	Investments are measured at fair value under Solvency II. Under BE GAAP, they are valued as follows: equity/shares and similar securities are carried at acquisition value less related write-downs; fixed income securities are carried at amortised cost. Fair value is obtained from quoted market prices, or if quoted market prices are not available, then by using relevant valuation techniques, see **Section D.4** for more information on assets valued using an alternative method. Money market instruments (accumulating certificates of deposit, and discounted securities) are valued using an external pricing source. Where a market quote is not available, a mark to model using market-based inputs is used. Where this is not possible, Alternative Methods of Valuation ('AVM') described in **Sections D.4.1** and **D.4.2** is used.
Collective investment undertakings	Collective investment undertakings are measured at fair value for Solvency II whilst under BE GAAP the valuation basis is amortised cost. Fair value is obtained from quoted market prices, or if quoted market prices are not available, then by using relevant valuation techniques, see **Section D.4** for more information on assets valued using an alternative method.

Balance Sheet item	BE GAAP valuation basis and comparison with Solvency II valuation basis and assumptions
Derivatives	Derivatives are carried on a fair value basis under Solvency II and BE GAAP. Where the requirements permit, derivatives are presented as an asset or liability (on a net position). On the Solvency II balance sheet, derivative assets and derivative liabilities are presented on a gross basis.
Loans and mortgages	Loans and mortgages are fair valued under Solvency II using a mark to model valuation technique whereas 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.
Reinsurance recoverable	Under Solvency II, reinsurance recoverables are calculated as the present value of future reinsurance cash flows using a discount rate with Volatility Adjustment plus allowances for default that relate to the best estimate liability. See **Section D.2** for further details.
Deposits to cedants Cash and cash equivalents and Deposits other than cash equivalents	Deposits to cedants, cash and cash equivalents and deposits other than cash equivalents are valued at amortised cost under BE GAAP, which is deemed a good approximation for fair value for Solvency II. Other than reclassification adjustments, there are no material valuation differences between these bases.
Insurance and intermediaries receivables Reinsurance receivables	The valuation basis under BE GAAP is at cost less impairment basis. The main difference between Solvency II and BE 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 and BE GAAP. As these assets have a short-term maturity, the BE GAAP valuation basis is considered a close approximation to fair value.

D.2 Technical provisions

D.2.1 Definition of technical provisions[5]

Technical provisions are defined as the best estimate of future cash flows, discounted to allow for the time value of money using prescribed EIOPA yield curves and 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.

During 2023 QBE Europe took the option to apply a Volatility Adjustment to the EIOPA discount rates used and filed a notification to the NBB accordingly.

The Company's Solvency II net technical provisions ('TPs') amounted to €3.253m at 31 December 2023 (2022: €3.160m), after adjusting for the reinsurance recoverable amount. The net technical provisions balance in the BE GAAP financial statements at 31 December 2023 was €4.216m (2022: €4.075m).

Line of business	Best estimate €m	Risk Margin (unaudited)[6] €m	Total net TPs €m
Motor vehicle liability	71	7	78
Fire and property damage	493	40	533
General liability insurance	1.127	133	1.260
Non-proportional casualty reinsurance	498	156	654
Other non-life obligations	559	69	627
Total non-life obligations	**2.747**	**405**	**3.153**
Life obligations	88	13	101
Total obligations	**2.835**	**418**	**3.253**

Summaries of the gross and reinsurance technical provisions, split by Best Estimate liability and Risk Margin for all Solvency II lines of business, are available in **Appendix A**, (public disclosure templates S.12.01.02 (life) and S.17.01.02 (non-life)).

D.2.2 Differences between TPs under Solvency II and 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 BE GAAP best estimate reserves and the unearned premium reserve ('UPR') respectively, and are adjusted to incorporate the following:
- **Future Premiums**: Represent cash flows relating to future premiums, i.e., receivable but not overdue. These cash flows are reclassified from insurance and reinsurance receivables on the BE GAAP balance sheet to technical provisions;
- **Bound But Not Incepted ('BBNI') policies**: Represent premiums, expenses and claims relating to policies that the Company 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 relevant expense assumptions. These expense loadings are applied separately to the earned

[6] 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.

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 an allowance for "all possible outcomes", e.g., latent claims or extreme high severity, low probability claims. An ENID provision is calculated to allow for all possible scenarios where historical data may be lacking;
- **Risk Margin**: The Risk Margin is calculated using a cost of capital approach by applying the Best Estimate cash flow runoffs and the prevailing yield curve (as provided by EIOPA) to the Internal Model SCR capital measure; and
- **Discounting**: Future cash flows are discounted using the 31 December risk free yield curves provided by EIOPA. The yield curves used include the Volatility Adjustment ('VA')[7]. Future cash flows have been obtained by applying projected payment patterns derived for the Core Reserving process.

The table below shows the adjustments made to the technical provisions from a BE GAAP statutory financial statement basis to Solvency II basis.

Reconciliation from GAAP TPs to Solvency II TPs	€m
Total net TPs – Statutory basis	**4,216**
Removal of UPR, DAC, equalisation and GAAP Reserve Margin	(1,195)
Adjusted for Solvency II Future Premium, future claims costs, expenses, ENIDs and discounting	(186)
Risk Margin	418
Total net TPs – Solvency II basis	**3.253**

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

There was one material change to the Solvency II technical provision methodology during the year:

The yields used to discount QBE Europe's future cash flows now include the VA.

D.2.4 Currency

The Solvency II Directive requires that the best estimate be 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 Company 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

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

[7] The Volatility Adjustment is an effective risk mitigant against mark-to-market driven solvency volatility caused by credit spread movements.

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:

- There is heightened uncertainty around future levels of inflation and how an unfavourable economic climate may impact claims for classes such as Liability, Credit and Financial Lines;
- Loss estimates resulting from ongoing geopolitical conflicts in Ukraine and Israel/Gaza;
- The level of uncertainty around COVID-19 loss estimates has continued to reduce following recent court rulings, however ongoing legal challenges remain;
- 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 ('PPOs') and similar Structured Settlements;
- Future, and as yet unknown and unquantifiable, large market loss events that could impact the Company;
- Future premiums, especially for the most recent underwriting year, are based on the Company's business plans and discussions with underwriters;
- Plan loss ratio estimates;
- Estimates for Events not in Data;
- Timing of claim, premium, reinsurance and expense cash flows; and
- The appropriateness of the development tail factors applied to the Company's classes of business.

D.2.7 Volatility adjustment

The VA published by EIOPA is included in the yields used to discount QBE Europe's cash flows. The impact of the VA is disclosed in S.22.01.22 (see Appendix A) and is summarised in the following table.

QBE Europe	Including the VA	With the VA set to zero	Impact of the VA
	€m	€m	€m
Technical provisions (gross including risk margin)	4,113	4,153	(40)
Reinsurance recoverables	860	870	(10)
Basic own funds	1,483	1,460	23
Eligible own funds to meet the SCR	1,683	1,660	23
SCR	1,217	1,217	-
SCR coverage	138.3%	136.4%	1.9%

D.2.8 Matching adjustment, transitional risk-free interest rate term structure and transitional deductions

The Company does not apply any matching adjustments, transitional interest rate adjustments or transitional deductions.

D.2.9 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 allocated 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.

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 financial statements due to the different valuation methodologies required by the Solvency II. The tables below show the value of those other liabilities for the Company and the Solvency II methodologies used.

See **Section D.1.1** for the liabilities of the Company.

D.3.2 Comparison of other liability valuation methodology under Solvency II and BE GAAP basis

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

Balance Sheet item	BE GAAP valuation basis and comparison with Solvency II valuation basis and assumptions
Deferred tax liabilities	Deferred tax asset/liabilities are recognised under Solvency II 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 to a Solvency II basis. Under BE GAAP deferred tax assets/liabilities are not recognised. See also **Section D.3.6** for more information on the position as at 31 December 2023.
Pension benefit obligations	Pension benefit obligations are accounted for in accordance BE GAAP. These are adjusted to an IAS 19 basis under Solvency II
Insurance and intermediaries' payables Deposits from reinsurers	The valuation basis is the same under BE GAAP and Solvency II, being initially recognised at cost and subsequently remeasured at amortised cost. For the short-term nature of these liabilities, the carrying value is deemed to be a close approximation to fair value and therefore no adjustment is made. In addition, under Solvency II insurance payables are adjusted to exclude cash flows relating to future premiums which are taken into account when calculating the technical provisions, see **Section D.2** for further information.
Reinsurance payables	The valuation basis is the same under BE GAAP and Solvency II, being initially recognised at cost and subsequently remeasured at amortised cost. For the short-term nature of these liabilities, the carrying value is deemed to be a close approximation to fair value and therefore no adjustment is made. In addition, under Solvency II insurance payables are adjusted to exclude cash flows relating to future premiums which are taken into account when calculating the technical provisions, see **Section D.2** for further information.
Payables (trade, not insurance)	BE GAAP has the same valuation basis as Solvency II, except for additional liabilities recognised in relation to leases. Under BE GAAP lease payments are expensed as incurred. The valuation adjustment for Solvency II purposes relates to recognition of right of use assets in accordance with IFRS 16 Leases.

Balance Sheet item	BE GAAP valuation basis and comparison with Solvency II valuation basis and assumptions
Subordinated liabilities	Under Solvency II subordinated liabilities are measured on a fair value basis whilst under BE GAAP they are measured at an amortised cost basis or at nominal value. Subordinated liabilities are recognised at their current replacement cost (fair value) in line with Article 10 of the Solvency II Delegated Regulation's 'valuation hierarchy'. Article 10 paragraph 7 (c) allows the use of the 'cost approach or current replacement cost approach' where an Alternative Valuation Method is used.
Any other liabilities, not elsewhere shown	The valuation basis is the same under BE GAAP and Solvency II. Where amortised cost basis is considered a good approximation to fair value, no further adjustment is made.

D.3.3 Changes to the valuation of other 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 Pension Schemes

The Company operates both defined contribution and defined benefit pension plans. In addition, there is a post-employment medical care scheme related to the former Brussels-based employees of Secura/QBE Europe.

Pension contributions relating to each scheme are assessed in accordance with the policy conditions, the advice of independent qualified actuaries, and subject to relevant local legislation and accounted for in accordance with BE GAAP. The BE GAAP basis is adjusted to an IAS 19 basis under Solvency II. Refer to **Section C.6.2** Pension Risks.

D.3.5 Future and other major sources of estimation uncertainty

There are no significant estimation uncertainly associated with liabilities covered in **Section D.3**, other than in relation to pension schemes covered in **Section D.3.4 'Pension Schemes'**.

D.3.6 Deferred 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. for branches 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 Company's business, so management has referred to the history of the branches in the old structure together with an assessment of predicted future profits.

As at 31 December 2023 in the Solvency II balance sheet there was a deferred tax asset of €7m (2022: €3m) which is considered likely to be recoverable against future taxable profits together with a deferred tax liability of €72m (2022: €40m).

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. Unquoted assets are fair valued using models and observable inputs 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.

The principal assumptions underlying the valuation approach and key drivers of valuation uncertainty for those categories of assets valued using Alternative Methods of Valuation ('AVM') are described in **Section D.4.1** and **Section D.4.2** below.

The valuation methodology applied to subordinated debt liabilities valued using AVM is disclosed in **Section D.3.2** above.

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 (Quoted Marked Price for Similar Assets ('QMPS')). 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 (assets valued using AVM). 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 and the fair value of these assets is sensitive to changes in these inputs.

The valuation uncertainty associated with the valuation of infrastructure debt using AVM is considered to be immaterial.

At 31 December 2023, €0m (2022: €0m) of infrastructure debt in the Company were valued under alternative valuation method AVM, i.e. discounted cash flow method.

D.4.2 Unlisted property trusts and infrastructure funds

The fair value of unlisted property trusts and other infrastructure funds is determined using AVM by using the current unit price as advised by the responsible entity, trustee or equivalent of the investment management scheme.

The valuation uncertainty associated with the unlisted property trusts and infrastructure funds is considered to be immaterial.

At 31 December 2023, the Company held investments in unlisted property trusts of €68m (2022: €141m), and infrastructure funds of €121m (2022: €83m) valued using AVM.

D.5 Any other information

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

Section E: Capital Management

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 Eligible Own Funds ('EOF') 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 Solvency II Delegated Regulation ((EU) 2015/35)).

The Company has adopted a Capital Appetite Framework ('CAF') setting out the target and appetite levels of capital. The Company's Capital Recovery Plan sets out potential remediation actions in the event that capital falls below prescribed thresholds. The CAF and Capital Recovery Plan have been approved by the Board of the Company and senior management carry out regular reviews, on at least a quarterly basis, to monitor the ratio of EOF over the SCR.

The Company's own funds have been assessed against the criteria of Article 71 of the Solvency II Delegated Regulation and the majority of the capital has been classified as sufficient quality to meet the eligibility requirements of 'Tier 1' capital. Ancillary Own Funds and Subordinated Debt have been classified as 'Tier 2' and Deferred Tax Assets ('DTA') have been classified as 'Tier 3' in accordance with the requirements.

The EOF is calculated after adjusting for valuation differences between BE GAAP statutory accounts and Solvency II and applying restrictions in relation to ring-fenced Funds ('RFF'), reported under 'Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds' and to pension surplus restrictions under 'Other non-available own funds', see **Section E.1.4** for further details.

The Company has an approved Internal Model which it uses to calculate 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. The Internal Model incorporates consideration of underwriting risk, reserving risk, credit risk, market risk, liquidity risk, operational risk and pension risk.

The data flows within the internal model SCR are documented and self-assessed, and output reported to the Data Governance Forum. Areas identified as requiring remediation are recorded on a Data Quality Issues Log and progress reported regularly to the Data Quality Working Group with escalation to the Data Governance Forum if necessary.

Available own funds, EOF and the ratio of EOF over the SCR and MCR for the Company are disclosed in public disclosures S.23.01.01 in **Appendix A**.

Changes in the reporting period

There were no material changes to the method of calculating of own funds over the reporting period.

Method of calculating own funds

The Company's available own funds comprise:

The excess of assets over liabilities, determined from the Solvency II balance sheet less any ring-fenced funds restrictions;

- Subordinated liabilities to the extent that these satisfy the Solvency II rules for recognition as part of basic own funds;
- Ancillary own funds are recognised in accordance with the relevant regulatory approval;
- Available own funds are calculated as the total of basic own funds and ancillary own funds and classified into tiers; and
- Eligible own funds by tier are determined by applying tiering limits to available own funds in order to determine the amount of own funds eligible to cover the SCR and MCR.

E.1.2 Eligible Own Funds to meet the Solvency Capital Requirement ('SCR') and Minimum Capital Requirement ('MCR')

As at 31 December 2023 and 2022 the Company's EOF to meet the SCR, the SCRs and the SCR coverage ratios were:

	Eligible Own funds to meet the SCR					SCR Coverage Ratio
	Tier 1 (unrestricted)	Tier 2	Tier 3	Total	SCR	
	€'m	€'m	€'m	€'m	€'m	%
2023	1.396	280	7	1.683	1.217	138,3%
2022	1.346	200	3	1.549	1.063	145,7%

As at 31 December 2023 and 2022 the Company's EOF to meet the MCR, the MCR and the MCR coverage ratios were:

	Eligible Own funds to meet the MCR			MCR	MCR Coverage Ratio
	Tier 1 (unrestricted)	Tier 2	Total		
	€'m	€'m	€'m	€'m	%
2023	1.396	80	1.476	525	281,1%
2022	1.346	96	1.442	478	301,7%

Own fund items assessed and classified into tiers are set out below.

Tier 1 (unrestricted)

The majority of the Company's own funds are classified as Tier 1 (unrestricted) which consists of share capital, share premium and the reconciliation reserve.

	2023	2022
	€m	€m
Ordinary share capital	1.130	1.130
Reconciliation reserve	266	216
Total Tier 1 (unrestricted)	**1.396**	**1.346**

Tier 2

Ancillary Own Funds

As at 31 December 2023, in accordance with Solvency II requirements and NBB approved treatment as Tier 2 ancillary own funds received on 18 December 2023, QBE Europe holds €200m in the form of an irrevocable Standby Letter of Credit facility issued by external banks on behalf of QBE Insurance Group Limited expiring on 18 December 2028. This Letter of Credit is non- assignable and non-transferable and can only be cancelled with the prior consent of NBB.

As at 31 December 2023, in accordance with Solvency II requirements and NBB approved treatment as Tier 2 ancillary own funds received on 18 December 2023, QBE Europe holds €200m in the form of irrevocable Standby Letter of Credit facility issued by external banks on behalf of QBE Insurance Group Limited expiring on 18 December 2028. This Letter of Credit is not assignable and non-transferable and can only be cancelled with the prior consent of NBB. Current classification of these ancillary own funds as Tier 2 are one tier lower than the tier they would fall into once called up.

Subordinated debt

As at 31 December 2023, the Company holds €80m of subordinated debt (2022: €200m) which meets the criteria to be classified as Tier 2 own funds. The €80m subordinated liabilities issued by QBE Holdings (EO) Limited ('QHEO'), the immediate parent of the Company, has an interest rate of 2,25% per annum and a maturity date of 10 December 2028.

On 20 December 2023, a €120m subordinated loan issued by QHEO and transferred from QBE Reinsurance Europe Limited ('QBE Re') to QBE Europe as part of the Cross-Border Merger which took place as at 1 January 2019 was fully repaid. This loan had an interest rate of 2,25% per annum and has a maturity date of 2 November 2028.

The valuation methodology applied to subordinated debt is described in **Section D.3.2**.

Tier 3

As at 31 December 2023, the Company had net deferred tax assets of €7m (2022: €3m) which are required to be treated as Tier 3 capital. Further information on the treatment of deferred tax assets is included in **Section D.3.6**.

E.1.3 Reconciliation reserve

The reconciliation reserve is comprised of the excess of assets over liabilities on a Solvency II valuation basis, less any 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. These items are excluded from the reconciliation reserve and included as separate items within basic own funds.

In accordance with Article 69(a)(vi) of the Solvency II Delegated Regulation the reconciliation reserve is treated as Tier 1 Capital. The reconciliation reserve's volatility is materially dependent on the performance of the entity as well as any significant changes to the balance sheet. Refer to public disclosure S.23.01.01 Own Funds presented in **Appendix A** for full breakdown of the reconciliation reserve for the Company.

E.1.4 Deductions from own funds

The following restrictions in relation to Ring-Fenced Funds ('RFF') apply:

- Restrictions related to Letters of credit ('LOC') €11m (2022: €26m) reflecting the margin required by the issuer in excess of LOCs issued. Restriction to own funds has been calculated on the basis that actual liabilities are equal to the LOCs issued and therefore restriction only relates to the margin required by the issuer;
- Deposits with cedants to the extent that the amount deposited exceeds the liabilities secured, to the extent the excess is not readily available €14m (2022: €nil);
- As a condition of writing US Excess and Surplus lines business, the Company is 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 2023 (2022: €nil); and
- The restriction from excess assets pledged over liabilities was €nil as at 31 December 2023 (2022: €nil).

All RFF are considered to be immaterial which means that the required restriction is based on the excess of assets over liabilities of each RFF and there is no requirement to calculate a separate SCR for each RFF.

E.1.5 Eligibility of own funds

The eligibility of own funds to cover the Company 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
- The eligible amounts of Tier 3 items must be less than 15% of the SCR.

The eligible amounts of Tier 2 items must not exceed 20% of the MCR and Tier 3 items are not eligible to cover the MCR.

As at 31 December 2023 there were no eligibility restrictions required to own funds to determine eligible own funds to cover the SCR (2022: €nil).

Tier 2 basic own funds items to cover the MCR were restricted to 20% of the MCR and no Ancillary Own Funds are permitted to be treated as eligible to cover the MCR.

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 financial statements. More detail around the different valuation methods used under Solvency II are in **Section D: Valuation for Solvency Purposes**. A reconciliation bridging between the different valuation approaches is shown below:

Reconciliation from GAAP equity to Solvency II Own funds	2023	2022
	€m	€m
Total equity – statutory basis	**1.100**	**1.158**
Technical provisions valuation differences	455	415
Valuation adjustments		
Investments	(58)	(123)
Deferred tax, net	(65)	(37)
Other[8]	(4)	(38)
Solvency II excess of assets over liabilities	**1.428**	**1.375**
Adjustments		
Subordinated liabilities	80	200
Ancillary own funds	200	-
Foreseeable dividends	-	-
Restricted own fund items in respect of ring-fenced funds	(25)	(26)
Eligible own funds - Solvency II basis	**1.683**	**1.549**

E.1.7 Movement in eligible own funds in the year

The table below shows the movement in the Company's eligible own funds to cover the SCR:

Movement in eligible own funds	€m	€m
Eligible own funds to cover the SCR brought forward at 1 January	**1,549**	**1,414**
Total comprehensive income for the year	(58)	(102)
Movement in Solvency II valuation differences	111	245
Movement in Subordinated liabilities	(120)	-
Movement in Ancillary own funds	200	-
Movement in ring fenced funds restriction	1	(8)
Eligible own funds to cover the SCR carried forward at 31 December	**1.683**	**1,549**

[8] Other adjustments include the removal of IFRS 16 and IAS 19 adjustments.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Overview

The SCR for the Company is determined using an Internal Model and is shown in public disclosure templates S.25.05.21 (unaudited) in **Appendix A**. This templates provide information around the breakdown of the SCR values into constituent components, whilst S.28.01.01 template in Appendix A provides information on the MCR.

At 31 December 2023 the SCR and MCR for the Company were €1.217m (2022: €1.063m) and €525m (2022: €478m) respectively. These amounts are subject to supervisory assessment.

Internal Model SCR

The SCR for Company have been calculated using the Internal Model for 2023 and 2022.

Risk Category under Internal Model	2023 €m	2022 €m
Market risk	269	276
Counterparty Default risk	135	125
Non-life underwriting risk	1.371	995
Operational risk	147	128
Pension risk	2	4
Capital adjustments	15	23
Debt servicing costs	-	-
Total undiversified components	**1.939**	**1.551**
Diversification	(722)	(488)
Solvency capital requirement	**1.217**	**1.063**

E.2.2 Inputs to calculate the MCR

The MCR for the Company is calculated using inputs for the net (of reinsurance) Solvency II best estimate, the net (of reinsurance) written premium in the last 12 months and capital at risk. Prescribed factors are applied to these inputs based on the technical specifications contained in the Solvency II Delegated Regulation.

The MCR is required to fall within the range of 25% to 45% of the solo SCR. The MCR also has an absolute floor of €4m (for a non-life insurer with authorisation for liability business).

The MCR is limited to 43% of the SCR as at 31 December 2023 and 31 December 2022.

E.2.3 Material changes to the SCR over the period

Insurance risk has increased following increased planned exposure, increased in technical provisions from recent growth and increased uncertainty around future inflation. This has been partially offset by the introduction of a 100% retrospective reinsurance arrangement covering certain prior year claims reserves as well as the benefit of increased future yields.

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

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

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

The Standard Formula and Internal Model are based on two different modelling approaches, resulting in differences in outputs. Some of the main differences, and similarities, are noted below. The Internal Model is based on a 99,5% confidence level over a one-year time period. The methods used in the Internal Model for the calculation of the probability distribution forecast and the SCR are included in **Section C**.

E.4.1 Market risk

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

Concentration risk for investments is implicitly allowed for in the Internal Model; the distributions in the Economic Scenario Generator 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:

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

It should also be noted that the internal model currently has a capital add-on to allow for the additional credit risk around the 100% retrospective reinsurance arrangement.

E.4.3 Non-life underwriting risk

The methodological 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
- For catastrophe risk 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.

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

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

Due to the differences between risk types, the Standard Formula has less diversification between risk types than the Internal Model.

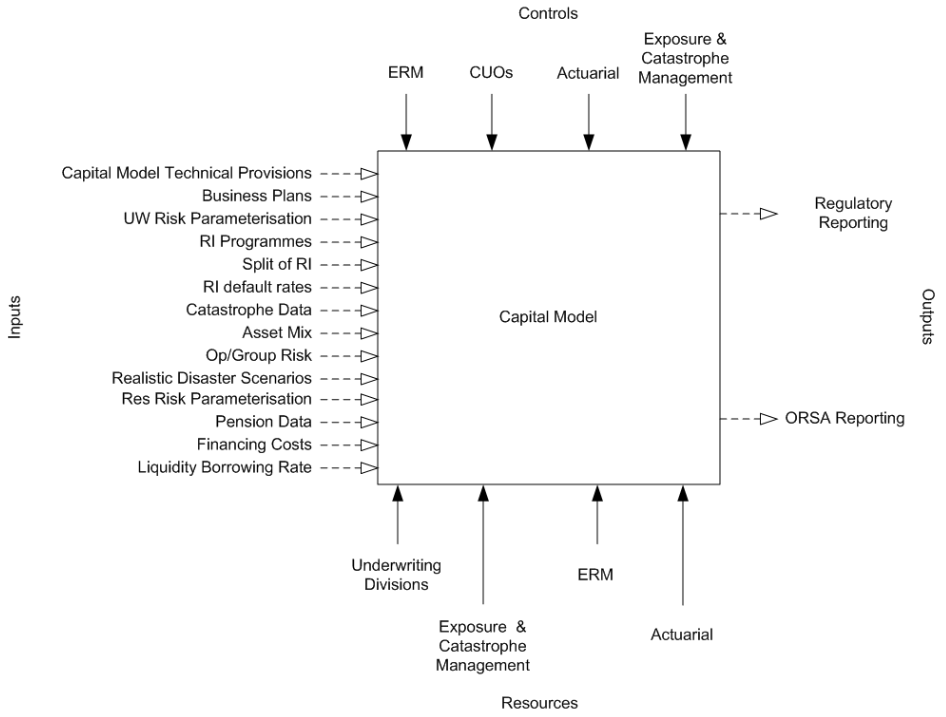
The Standard Formula does not capture group risk, whereas it does appear in the Internal Model. This risk is assumed to diversify well against the other risks, so it also increases the size of the diversification benefit in the Internal Model compared to the Standard Formula.

E.4.7 Data used in the Internal Model

The data flows within the capital model are documented within an Internal Model Data flow 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 data requirements of the Internal Model:

- Technical provisions - these are provided by the Actuarial Function and comprise of undiscounted paid and incurred claims 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, of which the Company is a part, 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. AIR and 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;
- Operational Risk Assessment - this data is taken from within the Risk 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

The Company satisfied and complied with the MCR and SCR requirements throughout the reporting period.

E.6 Any other information

No other information is considered material regarding the Company’s capital management.

Forward-Looking statements

This document may contain “forward-looking statements” including those relating to the Company’s future financial condition, performance, results, strategy and objectives. Statements that are not historical facts, including statements about the Company’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 Company’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 Company 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
ABS	Asset Backed Security
ASX	Australian Securities Exchange
BBNI	Bound But Not Incepted
BE GAAP	Belgian Generally Accepted Accounting Principles
BCM	Business Continuity Management
BER	Board Effectiveness Review
BMA	Bermuda Monetary Authority
BOF	Basic Own Funds
CAF	Capital Appetite Framework
CMG	Compliance Management Group
COR	Combined Operating Ratio
CPI	Consumer Prices Index
CRG	Conduct Risk Group
CRO	Chief Risk Officer
CUO	Chief Underwriting Officer
DAC	Deferred Acquisition Costs
DFSA	Dubai Financial Services Authority
DMG	Disclosure Management Group
ECM	Economic Capital Model
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
EPiFP	Expected Profit in Future Premiums
EO Key Regulated Companies	QUK, QBE Europe and QUL
EOF	Eligible Own Funds
EO Group	QBE European Operations Group
EMB	Executive Management Board of QUK and QUL
ENID	Events Not In Data
ERG	Emerging Risks Group
ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance
ESG MG	ESG Management Group
ESG RWG	ESG Risk Working Group
ESG UG	ESG Underwriting Group
FCA	Financial Conduct Authority (UK)
FMG	Finance Management Group
FSMA	Financial Services and Markets Authority (Belgium)
FOE	Freedom of Establishment
FOS	Freedom of Services
GAAP	Generally Accepted Accounting Principles
GAM	Group Aggregate Methodology
GAMC	Group Aggregate Management Committee
GEP	Gross earned premium
GIA	Group Internal Audit
GSC	Group Security Committee
GWP	Gross Written Premium
IBNR	Incurred But Not Reported
HPR	High Product Risk

Term or Acronym	Definition
IFRS	International Financial Reporting Standards (including Australian International Financial Reporting Standards)
I&I	Issues and Incidents
IMA	Investment Management Agreement
KRI	Key Risk Indicators
LOC	Letter of Credit
MCR	Minimal Capital Requirement
NBB	National Bank of Belgium
NCOR	Net Combined Operating Ratio
OMG	Operations Management Group
ORSA	Own Risk & Solvency Assessment
OWG	Outsourcing Working Group
PARC	People and Remuneration Committee
PPO	Payment Protection Order
PPP	Prudent Person Principle
PRA	Prudential Regulation Authority (UK)
QBE Corporate	QBE Corporate Limited
QBE Europe	QBE Europe SA/NV
QBE Group	QBE Group, of which QBE Insurance Group Limited is the ultimate parent holding company based in Australia
QBE NA	QBE North America
QBE Re	QBE Reinsurance Europe Limited
QEMC	QBE Europe Management Committee
QHEO	QBE Holdings EO Limited
QUK	QBE UK Limited
QUL	QBE Underwriting Limited
RAS	Risk Appetite Statement
RCC	Risk and Capital Committee
RCG	Risk and Capital Group
RCSA	Risk and Control Self-Assessment process
RDS	Realistic Disaster Scenarios
REM	Realistic Event Methodology
RFF	Ring-Fenced Funds
RFP	Requested For Proposal
RMBS	Residential Mortgage Backed Security
RMG	Reserving Management Group
RMS	Risk Management Strategy
S&P	Standard and Poors
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SLA	Service Level Agreement
SMCR	Senior Managers and Certification Regime (UK)
SME	Subject Matter Expert
UMG	Underwriting Management Group
VA	Valuation Adjustment

Appendix A: Public Disclosures

Template code	Template name
S.02.01.02	Balance sheet
S.04.05.21	Activity by country – location of risk
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.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.22.01.21	Impact of long-term guarantees measures and transitionals
S.23.01.01	Own funds
S.25.05.21	Solvency Capital Requirement - for undertakings on Full Internal Models
S.28.01.01	Minimum Capital Requirement

QBE Europe
S.02.01.02 - Balance sheet (amounts in €'000s)

		Solvency II
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	-
Deferred tax assets	R0040	6.967
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	14.569
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	4.375.320
Property (other than for own use)	R0080	-
Holdings in related undertakings, including participations	R0090	-
Equities	R0100	-
Equities - listed	R0110	-
Equities - unlisted	R0120	-
Bonds	R0130	4.001.694
Government Bonds	R0140	1.222.157
Corporate Bonds	R0150	2.592.544
Structured notes	R0160	-
Collateralised securities	R0170	186.993
Collective Investments Undertakings	R0180	328.017
Derivatives	R0190	40.089
Deposits other than cash equivalents	R0200	5.520
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	-
Loans and mortgages	R0230	-
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	-
Reinsurance recoverables from:	R0270	859.794
Non-life and health similar to non-life	R0280	814.157
Non-life excluding health	R0290	808.491
Health similar to non-life	R0300	5.666
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	45.637
Health similar to life	R0320	-
Life excluding health and index-linked and unit-linked	R0330	45.637
Life index-linked and unit-linked	R0340	-
Deposits to cedants	R0350	162.386
Insurance and intermediaries receivables	R0360	500.537
Reinsurance receivables	R0370	134.042
Receivables (trade, not insurance)	R0380	32.211
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	95.735
Any other assets, not elsewhere shown	R0420	247
Total assets	**R0500**	**6.181.808**
Liabilities		
Technical provisions - non-life	R0510	3.966.708
Technical provisions - non-life (excluding health)	R0520	3.830.654
Technical provisions calculated as a whole	R0530	-
Best Estimate	R0540	3.442.083
Risk margin	R0550	388.571
Technical provisions - health (similar to non-life)	R0560	136.054
Technical provisions calculated as a whole	R0570	-
Best Estimate	R0580	119.293
Risk margin	R0590	16.761
Technical provisions - life (excluding index-linked and unit-linked)	R0600	146.416
Technical provisions - health (similar to life)	R0610	192
Technical provisions calculated as a whole	R0620	-
Best Estimate	R0630	190
Risk margin	R0640	2
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	146.224
Technical provisions calculated as a whole	R0660	-
Best Estimate	R0670	133.262
Risk margin	R0680	12.962
Technical provisions - index-linked and unit-linked	R0690	-
Technical provisions calculated as a whole	R0700	-
Best Estimate	R0710	-
Risk margin	R0720	-
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	-
Pension benefit obligations	R0760	4.710
Deposits from reinsurers	R0770	47.586
Deferred tax liabilities	R0780	72.229
Derivatives	R0790	28.706
Debts owed to credit institutions	R0800	-
Financial liabilities other than debts owed to credit institutions	R0810	-
Insurance & intermediaries payables	R0820	138.653
Reinsurance payables	R0830	92.606
Payables (trade, not insurance)	R0840	176.177
Subordinated liabilities	R0850	80.000
Subordinated liabilities not in Basic Own Funds	R0860	-
Subordinated liabilities in Basic Own Funds	R0870	80.000
Any other liabilities, not elsewhere shown	R0880	-
Total liabilities	**R0900**	**4.753.790**
Excess of assets over liabilities	**R1000**	**1.428.017**

QBE Europe
S.04.05.21
Activity by country – location of risk
Amounts in €'000s

		Home country	Top 5 countries - non-life obligations				
		Belgium (BE)	France (FR)	Germany (DE)	Italy (IT)	Spain (ES)	United Kingdom (UK)
		C0010	C0020	C0030	C0040	C0050	C0060
Premiums written (gross)							
Gross Written Premium (direct)	R0020	236.666	381.919	102.483	72.839	138.692	119.851
Gross Written Premium (proportional reinsurance)	R0021	65.745	9.911	9.430	6.351	12.202	10.823
Gross Written Premium (non-proportional reinsurance)	R0022	40.720	95.342	45.176	13.757	6.180	17.260
Premiums earned (gross)							
Gross Earned Premium (direct)	R0030	235.136	313.113	99.314	69.230	134.061	117.592
Gross Earned Premium (proportional reinsurance)	R0031	62.355	9.711	8.470	5.979	11.131	10.609
Gross Earned Premium (non-proportional reinsurance)	R0032	40.293	94.808	45.154	13.750	6.762	29.765
Claims incurred (gross)							
Claims incurred (direct)	R0040	125.531	220.425	41.803	56.697	74.480	43.925
Claims incurred (proportional reinsurance)	R0041	58.783	10.883	1.968	(1.215)	9.325	7.843
Claims incurred (non-proportional reinsurance)	R0042	36.657	78.920	30.525	33.744	9.402	28.676
Expenses incurred (gross)							
Gross Expenses Incurred (direct)	R0050	70.443	119.820	14.679	22.991	35.504	30.827
Gross Expenses Incurred (proportional reinsurance)	R0051	21.874	3.846	2.627	2.054	2.353	4.316
Gross Expenses Incurred (non-proportional reinsurance)	R0052	1.151	19.216	7.382	2.329	1.355	7.644

		Home country	Top 5 countries: life and health SLT				
		Belgium (BE)	France (FR)	Netherlands (NL)	United Kingdom	United States of America (US)	Isle of Man (IM)
		C0030		C0040	C0040	C0040	C0040
Gross Written Premium	R1020	27.507	6.781	1.901	12.283	1.981	3.207
Gross Earned Premium	R1030	27.507	6.781	1.901	12.283	1.981	3.207
Claims incurred	R1040	82.441	5.021	1.457	12.639	1.576	1.707
Gross Expenses Incurred	R1050	7.883	1.936	340	2.934	396	1.080

QBE Europe
S.05.01.02
Premiums, claims and expenses by line of business (Non-Life)
Amounts in €'000s

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)											
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120
Premiums written													
Gross - Direct Business	R0110	-	-	-	8.199	3.557	82.876	460.651	722.091	42.637	-	-	-
Gross - Proportional	R0120	3.212	24.077	-	6.372	3.802	37.177	187.284	71.974	15.484	-	-	-
Gross - Non-proportional	R0130												
Reinsurers' share	R0140	-	423	-	3.418	(4)	45.661	160.386	291.540	16.108	-	-	-
Net	R0200	3.212	23.654	-	11.152	7.362	74.391	487.548	502.524	42.013	-	-	-
Premiums earned													
Gross - Direct Business	R0210	-	-	-	12.072	4.999	88.085	451.509	635.113	35.525	-	-	-
Gross - Proportional	R0220	3.268	23.028	-	6.759	3.714	29.079	178.053	62.330	12.945	-	-	-
Gross - Non-proportional	R0230												
Reinsurers' share	R0240	-	424	-	3.520	34	40.054	143.199	283.605	13.777	-	-	-
Net	R0300	3.268	22.605	-	15.311	8.679	77.110	486.362	413.838	34.693	-	-	-
Claims incurred													
Gross - Direct Business	R0310	(6)	303	-	15.844	4.320	58.796	179.263	418.508	10.228	(380)	-	6
Gross - Proportional	R0320	1.494	24.684	-	9.335	536	10.735	122.846	30.964	4.578	-	-	(1.419)
Gross - Non-proportional	R0330												
Reinsurers' share	R0340	-	-1.728	-	4.335	193	12.590	7.968	283.204	(64)	1.835	-	74
Net	R0400	1.488	26.715	-	20.844	4.663	56.941	294.141	166.268	14.871	(2.215)	-	(1.487)
Expenses incurred	R0550	2.031	6.179	-	7.998	4.019	29.653	173.185	198.790	17.311	-	-	-
Balance - other technical	R1210												
Total technical expenses	R1300												

QBE Europe
S.05.01.02 (continued)
Premiums, claims and expenses by line of business (Non-Life)
Amounts in €'000s

		Line of Business for: accepted non-proportional reinsurance				Total
		Health	Casualty	Marine, aviation, transport	Property	
		C0130	C0140	C0150	C0160	C0200
Premiums written						
Gross - Direct Business	R0110					**1.320.010**
Gross - Proportional reinsurance accepted	R0120					**349.380**
Gross - Non-proportional reinsurance accepted	R0130	27.118	177.767	7.820	210.411	**423.117**
Reinsurers' share	R0140	6.698	222.994	1.493	89.142	**837.858**
Net	R0200	20.421	(45.226)	6.327	121.269	**1.254.648**
Premiums earned						
Gross - Direct Business	R0210					**1.227.303**
Gross - Proportional reinsurance accepted	R0220					**319.174**
Gross - Non-proportional reinsurance accepted	R0230	26.512	201.564	6.367	210.755	**445.198**
Reinsurers' share	R0240	6.712	222.699	1.491	89.006	**804.519**
Net	R0300	19.801	(21.135)	4.876	121.749	**1.187.155**
Claims incurred						
Gross - Direct Business	R0310					**686.883**
Gross - Proportional reinsurance accepted	R0320					**203.751**
Gross - Non-proportional reinsurance accepted	R0330	34.460	79.705	6.123	217.439	**337.727**
Reinsurers' share	R0340	5.135	125.314	3.256	41.239	**483.351**
Net	R0400	29.325	(45.609)	2.867	176.200	**745.010**
Expenses incurred	R0550	4.580	44.453	1.228	37.527	**526.955**
Balance - other technical expenses/income	R1210					**-**
Total technical expenses	R1300					**526.955**

QBE Europe
S.05.01.02
Premiums, claims and expenses by line of business (Life)
Amounts in €'000s

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	-	-	-	-	-	-	6	61.641	61.647
Reinsurers' share	R1420	-	-	-	-	-	-	-	7.465	7.465
Net	R1500	-	-	-	-	-	-	6	54.176	54.182
Premiums earned										
Gross	R1510	-	-	-	-	-	-	6	61.641	61.647
Reinsurers' share	R1520	-	-	-	-	-	-	-0	7.465	7.465
Net	R1600	-	-	-	-	-	-	6	54.176	54.182
Claims incurred										
Gross	R1610	-	-	-	-	-	63.701	130	47.138	110.969
Reinsurers' share	R1620	-	-	-	-	-	84.074	-	4.281	88.355
Net	R1700	-	-	-	-	-	(20.373)	130	42.857	22.614
Expenses incurred	R1900	-	-	-	-	-	-	(36)	16.373	16.337
Balance - other technical expenses/income	R2510									-
Total expenses	R2600									16.337
Total amount of surrenders	R2700	-	-	-	-	-	-	-	6.194	6.194

QBE Europe
S.12.01.02
Life and Health SLT Technical Provisions
Amounts in €'000s

		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, incl. Unit-Linked)
				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
Technical provisions calculated as a whole	R0010	-	-			-			-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for	R0020	-	-			-			-	-	-
Technical provisions calculated as a sum of BE and RM											
Best Estimate											
Gross Best Estimate	R0030	-		-	-	-	-	-	-	133.262	133.262
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for	R0080	-		-	-	-	-	-	-	45.637	45.637
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	-		-	-	-	-	-	-	87.624	87.624
Risk Margin	R0100	-				-			-	12.962	12.962
Technical provisions - total	R0200	-	-			-			-	146.224	146.224

		Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
			Contracts without options and guarantees	Contracts with options or guarantees			
		C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0010	-			-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for	R0020	-			-	-	-
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	R0030		-	-	-	190	190
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for	R0080		-	-	-	-	-
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090		-	-	-	190	190
Risk Margin	R0100	-			-	2	2
Technical provisions - total	R0200	-			-	192	192

QBE Europe
S.17.01.02
Life and Health SLT Technical Provisions
Amounts in €'000s

		Direct business and accepted proportional reinsurance											
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130
Technical provisions	R0010	-	-	-	-	-	-	-	-	-	-	-	-
Total Recoverables from	R0050	-	-	-	-	-	-	-	-	-	-	-	-
Technical provisions													
Best estimate													
Premium provisions													
Gross	R0060	303	(191)	-	(809)	2.957	(110)	5.096	231.784	26.416	141	-	-
Total recoverable from	R0140	-	(88)	-	(17)	(6)	(21.433)	(69.472)	(28.602)	4.209	-	-	1.986
Net Best Estimate of	R0150	303	(103)	-	(792)	2.964	21.324	74.568	260.386	22.207	141	-	(1.986)
Claims provisions													
Gross	R0160	(205)	55.231	-	81.820	3.005	141.488	573.604	1.250.876	49.650	3.863	-	567
Total recoverable from	R0240	(1)	331	-	10.111	11	63.288	155.480	384.131	24.743	717	-	4.842
Net Best Estimate of	R0250	(204)	54.900	-	71.709	2.994	78.199	418.124	866.745	24.907	3.146	-	(4.275)
Total Best estimate - gross	R0260	98	55.040	-	81.011	5.962	141.378	578.700	1.482.660	76.066	4.004	-	567
Total Best estimate - net	R0270	99	54.797	-	70.917	5.958	99.523	492.691	1.127.131	47.114	3.287	-	(6.260)
Risk margin	R0280	136	4.064	-	7.389	962	13.423	40.466	132.697	6.486	-	-	-
Technical provisions - total													
Technical provisions - total	R0320	234	59.104	-	88.400	6.924	154.801	619.165	1.615.357	82.552	4.004	-	567
Recoverable from	R0330	(1)	244	-	10.094	4	41.855	86.009	355.528	28.952	717	-	6.827
Technical provisions minus	R0340	235	58.860	-	78.306	6.919	112.946	533.157	1.259.829	53.600	3.287	-	(6.260)

QBE Europe
S.17.01.02
Life and Health SLT Technical Provisions
Amounts in €'000s

		Accepted non-proportional reinsurance				Total Non-Life obligation
		Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010	-	-	-	-	-
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						
Gross	R0060	(9.008)	-68.748	(1.162)	(50.091)	**136.579**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	9	3.818	(1.025)	(32.526)	**(143.148)**
Net Best Estimate of Premium Provisions	R0150	(9.018)	(72.566)	(137)	(17.565)	**279.727**
Claims provisions						
Gross	R0160	73.163	755.949	28.253	407.534	**3.424.796**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	5.414	185.766	4.800	117.673	**957.305**
Net Best Estimate of Claims Provisions	R0250	67.749	570.183	23.453	289.861	**2.467.492**
Total Best estimate - gross	R0260	64.155	687.201	27.091	357.443	**3.561.376**
Total Best estimate - net	R0270	58.731	497.617	23.317	272.296	**2.747.219**
Risk margin	R0280	12.561	156.232	12.089	18.827	**405.332**
Technical provisions - total						
Technical provisions - total	R0320	76.716	843.434	39.181	376.270	**3.966.708**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	5.424	189.584	3.775	85.147	**814.157**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	**71.292**	**653.849**	**35.406**	**291.123**	**3.152.551**

QBE Europe
S.19.01.02
Non-life insurance claims
Amounts in €'000s

Total Non-Life business

Z0020	Accident year/underwriting year

Gross Claims paid (non-cummulative)

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											143.439
N-9	R0160	32.205	74.893	30.487	12.243	10.093	12.245	7.997	9.677	11.494	6.584	
N-8	R0170	18.580	69.868	32.506	13.791	17.550	20.128	16.313	20.437	12.696		
N-7	R0180	25.033	68.816	54.855	48.409	27.024	25.373	32.289	52.416			
N-6	R0190	31.414	84.991	72.871	42.020	15.559	34.934	27.246				
N-5	R0200	15.161	124.174	93.982	72.888	34.254	20.894					
N-4	R0210	45.091	159.906	150.222	64.657	121.709						
N-3	R0220	39.980	126.611	101.851	71.107							
N-2	R0230	68.036	258.331	250.443								
N-1	R0240	45.251	194.573									
N	R0250	38.639										

		In Current year	Sum of years (cumulative)
		C0170	C0180
Prior	R0100	143.439	143.439
N-9	R0160	6.584	207.918
N-8	R0170	12.696	221.869
N-7	R0180	52.416	334.215
N-6	R0190	27.246	309.034
N-5	R0200	20.894	361.353
N-4	R0210	121.709	541.585
N-3	R0220	71.107	339.549
N-2	R0230	250.443	576.810
N-1	R0240	194.573	239.824
N	R0250	38.639	38.639
Total	R0260	**939.747**	**3.314.236**

Gross Undiscounted Best Estimate Claims Provisions

		Development year										
		0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											1.127.479
N-9	R0160	-	-	-	-	-	94.438	108.528	100.141	88.514	78.761	
N-8	R0170	-	-	-	-	161.189	208.158	128.325	112.553	108.291		
N-7	R0180	-	-	-	167.830	217.047	200.559	195.303	139.659			
N-6	R0190	-	-	183.794	205.706	190.673	155.872	143.358				
N-5	R0200	-	289.352	304.758	238.333	202.328	187.533					
N-4	R0210	369.756	486.326	392.704	340.087	274.788						
N-3	R0220	408.655	511.294	463.804	360.356							
N-2	R0230	628.933	773.319	630.627								
N-1	R0240	818.316	857.966									
N	R0250	672.162										

		Year end (discounted data)
		C0360
Prior	R0100	380.240
N-9	R0160	68.256
N-8	R0170	94.509
N-7	R0180	119.632
N-6	R0190	124.294
N-5	R0200	162.187
N-4	R0210	242.648
N-3	R0220	319.316
N-2	R0230	565.920
N-1	R0240	757.545
N	R0250	590.248
Total	R0260	3.424.795

QBE Europe
S.22.01.21
Impact of long-term guarantees measures and transitionals
Amounts in €'000s

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	**C0090**
Technical provisions	R0010	4.113.123	-	-	39.908	**4.153.031**
Basic own funds	R0020	1.483.058	-	-	(23.272)	**1.459.785**
Eligible own funds to meet Solvency Capital Requirement	R0050	1.396.091	286.967	-	(23.272)	**1.659.785**
Solvency Capital Requirement	R0090	-	1.217.018	-	-	**1.217.018**
Eligible own funds to meet Minimum Capital Requirement	R0100	1.396.891	79.200	-	(23.597)	**1.452.494**
Minimum Capital Requirement	R0110	4.000	521.142	-	4.158	**529.300**

QBE Europe
S.23.01.01
Own funds
Amounts in €'000s

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector						
Ordinary share capital (gross of own shares)	R0010	1.129.062	1.129.062		-	
Share premium account related to ordinary share capital	R0030	-	-		-	
Initial funds, members' contributions or the equivalent basic own - fund item for	R0040	-	-		-	
Subordinated mutual member accounts	R0050	-	-	-	-	-
Surplus funds	R0070	-	-			
Preference shares	R0090	-		-	-	-
Share premium account related to preference shares	R0110	-		-	-	-
Reconciliation reserve	R0130	267.029	267.029			
Subordinated liabilities	R0140	80.000		-	80.000	-
An amount equal to the value of net deferred tax assets	R0160	6.967				6.967
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						
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	R0220	-				
Deductions						
Total basic own funds after deductions	R0290	**1.483.058**	**1.396.091**	**-**	**80.000**	**6.967**
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	-			-	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	-			-	
Unpaid and uncalled preference shares callable on demand	R0320	-			-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on	R0330	-			-	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	-			-	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	200.000			200.000	-
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	-			-	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	-			-	-
Other ancillary own funds	R0390	-			-	-
Total ancillary own funds	R0400	**200.000**			**200.000**	**-**
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	1.683.058	1.396.091	-	280.000	6.967
Total available own funds to meet the MCR	R0510	1.476.091	1.396.091	-	80.000	
Total eligible own funds to meet the SCR	R0540	1.683.058	1.396.091	-	280.000	6.967
Total eligible own funds to meet the MCR	R0550	1.476.091	1.396.091	-	80.000	
SCR	**R0580**	**1.217.018**				
MCR	**R0600**	**525.142**				
Ratio of Eligible own funds to SCR	**R0620**	**138,3%**				
Ratio of Eligible own funds to MCR	**R0640**	**281,1%**				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	1.428.017
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	-
Other basic own fund items	R0730	1.136.028
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	24.960
Reconciliation reserve	**R0760**	267.029
Expected profits		
Expected profits included in future premiums (EPIFP) - Life	R0770	6.628
Expected profits included in future premiums (EPIFP) - Non-life	R0780	372.234
Total Expected profits included in future premiums (EPIFP)	R0790	378.862

QBE Europe
S.25.05.21
Solvency Capital Requirement - for undertakings on Full Internal Models
Amounts in €'000s

Solvency Capital Requirement information

		Solvency Capital Requirement	Amount modelled	USP	Simplifications
		C0010	C0070	C0090	C0120
Risk type					
Total diversification	R0020	(537.405)	(537.405)	9 - None	9 - None
Total diversified risk before tax	R0030	(537.405)	(537.405)	9 - None	9 - None
Total diversified risk after tax	R0040	(537.405)	(537.405)	9 - None	9 - None
Total market & credit risk	R0070	184.961	184.961	9 - None	9 - None
Market & Credit risk - diversified	R0080	184.961	184.961	9 - None	9 - None
Credit event risk not covered in market & credit risk	R0190	-	-	9 - None	9 - None
Credit event risk not covered in market & credit risk - diversified	R0200	-	-	9 - None	9 - None
Total Business risk	R0270	-	-	9 - None	9 - None
Total Business risk - diversified	R0280	-	-	9 - None	9 - None
Total Net Non-life underwriting risk	R0310	1.627.412	1.627.412	9 - None	9 - None
Total Net Non-life underwriting risk - diversified	R0320	1.127.521	1.127.521	9 - None	9 - None
Total Life & Health underwriting risk	R0400	-	-	9 - None	9 - None
Total Life & Health underwriting risk - diversified	R0410	-	-	9 - None	9 - None
Total Operational risk	R0480	122.601	122.601	9 - None	9 - None
Total Operational risk - diversified	R0490	122.601	122.601	9 - None	9 - None
Other risk	R0500	167.522	167.522	9 - None	9 - None

Calculation of the Solvency Capital Requirement

		C0100
Total undiversified components	R0110	1.739.423
Diversification	R0060	(537.405)
Adjustment due to RFF/MAP nSCR aggregation	R0120	-
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency capital requirement, excluding capital add-ons	R0200	1.202.018
Capital add-ons already set	R0210	15.000
of which, Capital add-ons already set - Article 37 (1) Type a	R0211	-
of which, Capital add-ons already set - Article 37 (1) Type b	R0212	15.000
of which, Capital add-ons already set - Article 37 (1) Type c	R0213	-
of which, Capital add-ons already set - Article 37 (1) Type d	R0214	-
Solvency capital requirement	R0220	1.217.018
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	-
Amount/estimate of the loss absorbing capacity for deferred taxes	R0310	-
Capital requirement for duration-based equity risk sub-module	R0400	-
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	-
Total amount of Notional Solvency Capital Requirements for ring-fenced funds	R0420	-
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-
Method used to calculate the adjustment due to RFF nSCR aggregation	R0450	4 - No adjustment
Net future discretionary benefits	R0460	-

Approach to tax rate

		Yes/No
		C0109
Approach based on average tax rate	R0590	2 - No

Calculation of loss absorbing capacity of deferred taxes

		LAC DT
		C0130
Amount/estimate of LAC DT	R0640	-
Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	R0650	-
Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	R0660	-
Amount/estimate of LAC DT justified by carry back, current year	R0670	-
Amount/estimate of LAC DT justified by carry back, future years	R0680	-
Amount/estimate of Maximum LAC DT	R0690	-

QBE Europe Solo SFCR for the year ended 31 December 2023

QBE Europe
S.28.01.01
Minimum Capital Requirement – **Only life or only non-life insurance or reinsurance activity**
Amounts in €'000s

Linear formula component for non-life insurance and reinsurance obligations

		MCR components
		C0010
MCR_{NL} Result	R0010	490.093

Background information

		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0021
Medical expense insurance and proportional reinsurance	R0020	99	1.878
Income protection insurance and proportional reinsurance	R0030	54.797	22.047
Workers' compensation insurance and proportional reinsurance	R0040	-	-
Motor vehicle liability insurance and proportional reinsurance	R0050	70.917	14.455
Other motor insurance and proportional reinsurance	R0060	5.958	8.078
Marine, aviation and transport insurance and proportional reinsurance	R0070	99.523	62.846
Fire and other damage to property insurance and proportional	R0080	492.691	495.922
General liability insurance and proportional reinsurance	R0090	1.127.131	470.507
Credit and suretyship insurance and proportional reinsurance	R0100	47.114	33.066
Legal expenses insurance and proportional reinsurance	R0110	3.287	-
Assistance and proportional reinsurance	R0120	-	-
Miscellaneous financial loss insurance and proportional reinsurance	R0130	-	-
Non-proportional health reinsurance	R0140	58.731	17.396
Non-proportional casualty reinsurance	R0150	497.617	-
Non-proportional marine, aviation and transport reinsurance	R0160	23.317	5.424
Non-proportional property reinsurance	R0170	272.296	111.197

Linear formula component for life insurance and reinsurance obligations

		MCR components
		C0040
MCR_L Result	R0200	35.049

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

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation -	R0210	-	
Obligations with profit participation - future discretionary benefits	R0220	-	
Index-linked and unit-linked insurance obligations	R0230	-	
Other life (re)insurance and health (re)insurance obligations	R0240	87.815	
Total capital at risk for all life (re)insurance obligations	R0250		47.435.314

Overall MCR calculation

		C0070
Linear MCR	R0300	525.142
SCR	R0310	1.080.200
MCR cap	R0320	486.090
MCR floor	R0330	270.050
Combined MCR	R0340	486.090
Absolute floor of the MCR	R0350	4.000
		C0070
Minimum Capital Requirement	R0400	486.090

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