

# Transferring to QBE Europe SA/NV

Your questions about the  
transfer of policies answered

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# Your Questions Answered

## Section 1

### General Overview

#### 1.1 What are the proposed changes?

QBE Insurance (Europe) Limited (“**QIEL**”) proposes to transfer all of its general insurance business: (i) written through its active branches in Denmark, France, Germany, Italy, Spain and Sweden; and (ii) previously written by its branches in Belgium, Bulgaria, Estonia, Ireland and Norway, which are now in run-off, to QBE Europe SA/NV (“**QBE Europe**”) (the “**QIEL Transfer**”).

QBE Re (Europe) Limited (“**QBE Re**”) proposes to transfer all of its general and long-term reinsurance business written through its Belgian, Bermudan and Irish branches (being all of QBE Re’s business) to QBE Europe (the “**QBE Re Transfer**”, and together with the QIEL Transfer, the “**Transfers**”).

This process is known as a Part VII transfer and is effected by means of a “**Scheme**”.

#### 1.2 When will the Transfers happen?

If approved by the High Court of Justice of England and Wales (“**Court**”), the Transfers are scheduled to take effect on the “**Effective Date**”. It is expected that this will be 01.00am (GMT) on 1 January 2019.

Any change to the Effective Date will be announced on the QBE website (at <https://qbeeurope.com/>).

#### 1.3 Which policies are transferring?

All policies written through QIEL’s Belgian, Bulgarian, Danish, Estonian, French, German, Irish, Italian, Norwegian, Spanish and Swedish branches are being transferred.

All policies written through QBE Re’s Belgian, Bermudan and Irish branches are being transferred. This comprises the whole of QBE Re’s business. At the same time as the Transfers on the Effective Date, it is proposed that QBE Re will merge with QBE Europe (with QBE Europe the surviving company), and will thereafter be dissolved.

#### 1.4 Why are QIEL and QBE Re doing this?

Following the decision of the UK electorate to vote in favour of leaving the European Union (“**EU**”) (“**Brexit**”), the parent company of the European division of the QBE group, QBE European Operations Plc (“**QBE EO**”), has decided to restructure its European operations in order to retain access to the European single market after the UK’s withdrawal from the EU and the expiration of the transition period agreed between the UK, the other EU member states and the relevant EU institutions, which is currently expected to end on 31 December 2020. This restructuring is required to ensure that we can continue to administer existing European Economic Area (**EEA**) policies and underwrite new EEA policies after Brexit. The Transfers are intended to facilitate this by consolidating the QBE group’s (re)insurance platforms in Europe into one Belgium-based (re)insurer, QBE Europe.

### **1.5 Why is QBE Re undergoing a merger as well as a Transfer?**

Although the Transfers are effective under English law to transfer all (re)insurance-related assets and liabilities to QBE Europe, they do not necessarily transfer non-(re)insurance assets that are subject to the laws of other countries. The merger will ensure that all assets and liabilities of QBE Re transfer to QBE Europe without any specific third party consents that might otherwise be required, enabling QBE Re to be automatically dissolved after the merger process is complete. The merger is conditional on the approval of the QBE Re Transfer.

### **1.6 Why is QIEL not undergoing a merger as well as a transfer?**

QIEL is transferring some of its business but not all of it. Business written in the UK will remain in QIEL after the Transfers and QIEL will continue to write UK and non-EEA (re)insurance business after the Transfers. Hence, QIEL will continue as a (re)insurance company after the Transfers. Conversely, QBE Re is transferring all of its business and will cease to write business after the Transfers.

### **1.7 Why doesn't QBE Re just do a merger and not a Part VII transfer?**

This is because it is mandatory under English law to undertake a Part VII transfer, if (re)insurance business is transferring. The Part VII process includes policyholder protection features such as the requirement for an Independent Expert Report, Court sanction and the opportunity for policyholders to object, which are not required when simply undertaking a merger.

### **1.8 What happens if Brexit doesn't happen?**

The present intention of QIEL, QBE Re and QBE Europe is to proceed with the Transfers irrespective of any changes to the political environment. In any event, the Transfers are expected to become effective well in advance of 29 March 2019 (i.e. Brexit).

## Section 2

# More about QBE Europe

### 2.1 Who is QBE Europe?

QBE Europe is a Belgian (re)insurance company established on 12 February 2018 as the QBE's group's new European hub. It will establish branches in Bermuda, Denmark, France, Germany, Ireland, Italy, Spain, Sweden and the UK prior to the Effective Date. It will also be authorised to write (re)insurance business across the EEA on a freedom of services basis.

QBE Europe is part of the same corporate group as QIEL and QBE Re. All three companies are indirect wholly-owned subsidiaries of QBE Insurance Group Limited, a company incorporated in Australia and listed on the Australian Securities Exchange, which owns a number of licensed (re)insurance companies writing a wide variety of (re)insurance in a number of territories (the "**QBE Group**").

As a member of the QBE Group, QBE Europe has adopted the same capital appetite framework as QIEL and QBE Re.

### 2.2 How will QBE Europe administer my policy?

QBE Europe will administer the Transferring Policies in line with the QBE Group's current systems, policies and procedures for its European operations and in the same way as the administration is currently undertaken by QIEL and QBE Re. In particular, there will be continuity in terms of QBE personnel as, on the Effective Date, subject to the completion of appropriate employee consultation procedures and the Scheme becoming effective, the employees of QIEL and QBE Re in Belgium, Denmark, France, Germany, Italy, Spain and Sweden shall transfer to and be employed by QBE Europe (in the case of the Belgian employees) or the corresponding branch of QBE Europe (in the case of all other employees). QBE EO will also undertake the appropriate formalities to ensure that the sole employee of QBE Re's Bermudan branch transfers to the Bermudan branch of QBE Europe.

QIEL and QBE Re do not have any employees in the UK and Ireland but instead have appointed (respectively) QBE Management Services (UK) Limited and QBE Management (Ireland) Limited to act as service companies and employing entities in these jurisdictions (together the "**Service Companies**"). QBE Europe will enter into arrangements with the Service Companies, pursuant to which the relevant employees in the UK and Ireland who currently administer policies that are transferring to QBE Europe will continue to do so after the Transfers. Additionally, the business previously underwritten in Norway is currently serviced by employees in Denmark and Sweden; the business previously underwritten in Bulgaria is serviced by Euroins Insurance Group LLC; and the business previously underwritten in Estonia is serviced by AAS "BTA Baltic Insurance Company" Estonian Branch. QBE Europe intends to retain these arrangements following the Transfers.

Accordingly, the administration of all Transferring Policies will be the same after the Transfers as before.

## Section 3

# More about the Transfer Process

### 3.1 What are the Transfers?

The Transfers are governed by a process under Part VII of the UK Financial Services and Markets Act 2000 that enables groups of (re)insurance policies to be moved between two (re)insurers. The (re)insurers involved can either be in the same (re)insurance group (as in this instance) or from different corporate groups. An application must be approved by the Court before the Transfers can go ahead. The applicable regulations require QIEL, QBE Re and QBE Europe to appoint an Independent Expert, approved by the Regulators, who looks at the impact of the proposed Transfers on the various groups of affected policyholders, and submits a report to the Court. Policyholders must be notified and given time to consider the proposals, and they have a right to object or raise concerns if they feel they would be adversely affected.

### 3.2 Where and when will the Court Hearing take place?

The Court Hearing will be at the High Court of Justice, 7 Rolls Building, Fetter Lane, London, EC4A 1NL, UK on 19 December 2018. You'll be able to check on the QBE website (<https://qbееurope.com/>) or by calling + 44 20 7105 5566, after this date for information about the outcome of the hearing.

### 3.3 What will happen at the Court Hearing?

The Court will consider whether the Transfers adversely affect policyholders and whether it is appropriate to allow these Transfers to go ahead. The judge will review the witness statements and evidence presented by QIEL, QBE Re and QBE Europe, and consider the reports of the Independent Expert and the Regulators. Time will be allocated to hear any objections or concerns put forward (whether in writing, by telephone, or in person) by affected policyholders or any other person who believes that they would be adversely affected by the proposals. The judge must decide whether or not it is appropriate to approve the Transfers, taking all of the evidence into account. If the judge does approve the Transfers, then a Court Order is made which means the Scheme will come into effect at a time specified in the Order.

### 3.4 What can you do if you believe you may be adversely affected?

If you believe you may be adversely affected as a result of the Transfers, then you're entitled to object or raise your concerns either in writing or by telephone in advance, or in person at the Court Hearing. You may choose to appoint legal counsel to attend the Court Hearing on your behalf. You can send your comments or concerns to us in writing at Plantation Place, 30 Fenchurch Street, London EC3M 3BD.

Any objections or concerns relating to the Transfers notified to us by telephone to our helpline on + 44 20 7105 5566, or in writing, will also be included in the information supplied to the Court.

### 3.5 What do you mean by 'adversely affected'?

Any types of effect on policyholders may be considered by the Court. This includes changes to the financial security of the Companies involved, or changes to the administration of the Transferring Policies. If there are some changes for the worse, this does not necessarily mean that the Transfers are unfair or unreasonable, as they might be outweighed by other benefits, or they might be extremely small, or they may only occur infrequently. The Independent Expert considers the materiality of any adverse changes based on their size and/or likelihood of occurring and provides his conclusions in his Report.

### **3.6 What will happen if the Court does not approve the Transfers?**

If both of the proposed Transfers are rejected, your policy will remain with QIEL or QBE Re (as applicable).

It is possible (although unlikely) that the Court may approve one Transfer but reject the other; they are not interdependent. If the QIEL Transfer were approved, but the QBE Re Transfer were rejected, then the QIEL Transferring Policies would transfer to QBE Europe but the QBE Re Transferring Policies would remain with QBE Re, and the merger of QBE Re and QBE Europe would not take place. If the QBE Re Transfer were approved but the QIEL Transfer rejected, then the QBE Re Transferring Policies would transfer to QBE Europe and the merger would go ahead, but the QIEL Transferring Policies would remain with QIEL.

If the Transfers are delayed for any reason then we will inform policyholders of this via the QBE website. If there is expected to be a protracted delay, or the Transfers are rejected, we will also write to affected policyholders to let them know.

### **3.7 Will I be charged extra for any of this?**

No, you'll not be asked to bear the costs of the Transfers. QIEL and QBE Re will meet the costs and fees of carrying out the Transfers.

## Section 4

# More about the Independent Expert

### 4.1 Who is the Independent Expert?

The Independent Expert is Mr Alex Marcuson of Marcuson Consulting Ltd. He is a Fellow of the Institute and Faculty of Actuaries with over twenty years of experience consulting to general (re)insurance companies.

### 4.2 What's his role?

Mr Marcuson has been appointed to give his opinion on the likely effect of the proposals on policyholders. His appointment has been approved by the PRA, following consultation with the FCA. His Report is impartial, based on thorough scrutiny of the proposals and the businesses of QIEL, QBE Re and QBE Europe. QIEL, QBE Re and QBE Europe have provided him with access to key staff and information he has requested, both private and public.

### 4.3 How do I know he is independent?

The Independent Expert's appointment has been approved by the PRA, following consultation with the FCA, and independence is one of the criteria that they use to assess his suitability. Neither Mr Marcuson nor any of his immediate family hold any policies, shareholdings or have any other financial interests with any of QIEL, QBE Re, QBE Europe or any company within the QBE group. Mr Marcuson's overriding duty of responsibility is to the Court, and not QIEL, QBE Re or QBE Europe. His Report must be impartial. We have included a summary of his Report with this pack, but you can download a full copy of the Independent Expert's Report at the QBE website (<https://qbееurope.com/>). If you would like a paper copy sent to you then please contact us on + 44 20 7105 5566.



## Section 5

# Will there be any changes to my policy?

### 5.1 Who do I contact after the Transfers for a query on my policy or to make changes?

Subject to the completion of the employee consultation procedures referred to in section 2.2 above and the Scheme becoming effective, the administration of your policy will not change as a result of the Transfers and after the Transfers you should continue to contact your normal QBE contact.

### 5.2 Will there be any changes to the premiums I pay?

No changes will be made to your premium as a result of the Transfers.

### 5.3 Are there any changes to the terms and conditions of my policy?

The Transfers won't change the terms and conditions of your policy or the payments that you receive, if you have a claim.

### 5.4 Are there any other changes I should be aware of as a result of the Transfers?

#### The Policyholder Protection Scheme ("PPS")

Currently, in the event of the insolvency of QIEL, if you meet the relevant eligibility criteria you currently have recourse to the UK PPS to have any claim you bring under your policy paid. Since QIEL's business is mainly commercial (re)insurance, the vast majority of policyholders will not meet the eligibility criteria, as the PPS is aimed at consumers and very small businesses. As a reinsurer, none of QBE Re's policyholders will satisfy the eligibility criteria. However, a small minority of QIEL policyholders may meet the eligibility criteria. If the Scheme is approved, as a policyholder of QBE Europe, any QIEL policyholders who meet the eligibility criteria may no longer have recourse to the PPS in the event of QBE Europe's insolvency.

As a Belgian (re)insurer, QBE Europe will be a member of both the Belgian Common Fund of Guarantee (*Fonds Commun de Garantie Belge/Belgisch Gemeenschappelijk Waarborgfonds*) (the "**Common Fund**") and the Federal Agency for Occupational Risks (*Agence fédérale des risques professionnels/Federaal agentschap voor beroepsrisico's*) ("**FEDRIS**"), which cover motor and occupational risk claims respectively in the event of insurer insolvency. These do not, however, provide equivalent protection to the PPS.

The Independent Expert has considered this issue in his Report, and in the summary of his Report enclosed with this pack, and has concluded that this loss of access to the PPS will not materially adversely affect the security of benefits afforded to you, for the reasons set out in his Report and the summary of his Report.

For further information about your eligibility to make a claim to the PPS, please refer to the relevant section of its website (<https://www.fscs.org.uk/can-we-help/>) and the relevant section of the Report. In addition (while we are unable to provide you with any form of legal advice), our dedicated helpline for customers (+ 44 20 7105 5566) will be able to provide you with additional guidance about PPS eligibility on request.

#### Priority on Insolvency

Additionally, as noted in section 2.1 above, QBE Europe will have permission to write both insurance and reinsurance risks. In the event of the insolvency of QBE Europe, Belgian law provides that any sums due to direct insurance policyholders will be given priority over those due to reinsurance policyholders. While the position is the same under English law, QBE Re does not currently write any direct insurance business and

its policyholders would not, therefore, rank behind any other class of policyholders if it became insolvent.

If you are a policyholder of QBE Re you will be moving to a firm which will also have direct insurance policyholders (those transferring from QIEL and any future direct policyholders). You will, therefore, have a theoretical diminution in your rights following insolvency as you would, if QBE Europe were insolvent, rank behind those direct insurance policyholders. The Independent Expert has considered this issue in his Report, and in the summary of his Report enclosed with this pack, and has concluded that while it would adversely affect the benefits afforded to those policyholders who are currently insured by QBE Re, the impact will not be material. The reasons for his conclusion are set out in his Report and the summary of his Report.

### **The Financial Ombudsman Service (“FOS”)**

Finally, in the event of a dispute with QIEL, if you meet the relevant eligibility criteria, you currently have recourse to the UK FOS which provides a free, independent service for resolving disputes. The eligibility criteria for this service is similar to that applying to the PPS and for this reason no policyholders of QBE Re, and very few policyholders of QIEL, meet such criteria. However, a small minority of policyholders of QIEL who are transferring to QBE Europe may meet the eligibility criteria and may lose the right to apply to the FOS in the event of a dispute with QBE Europe. Whilst there are similar dispute resolution schemes in Belgium, including the Ombudsman in Financial Matters (*Ombudsman en conflicts financiers/Ombudsman in financiële geschillen*) and the Insurance Ombudsman (*Ombudsman des Assurance / Ombudsman van de Verzekeringen*), these organisations can only make non-binding recommendations regarding a complaint.

Again, the Independent Expert has considered this issue in his Report, and in the summary of his Report enclosed with this pack, and has concluded that this loss of access to the FOS will not materially adversely affect the benefits afforded to you, for the reasons set out in his Report and the summary of his Report.

For further information about your eligibility to submit a complaint to the FOS, please refer to the relevant section of its website (<http://www.financial-ombudsman.org.uk/faq/complain.html>) and the relevant section of the Report. In addition (while we are unable to provide you with any form of legal advice), our dedicated helpline for customers (+ 44 20 7105 5566) will be able to provide you with additional guidance about FOS eligibility on request.

## Section 6

# Final Comments

### **6.1 I can't find the answer to my question in this booklet. Where can I find out more?**

We hope that the information we have provided has helped you to understand the proposals. QIEL, QBE Re and QBE Europe have published further information on the QBE website (<https://qbееurope.com/>). There you can download a full version of the legal terms of the Transfers, the full Report of the Independent Expert, and the policyholder communications pack. Alternatively call us on + 44 20 7105 5566 and we will send you this information.

Each of QIEL and QBE Re has set up a dedicated helpline for customers who have questions or wish to raise concerns or objections related to the proposed Transfers on + 44 20 7105 5566.

We will also publish on the QBE website copies of any Supplementary Reports that the Independent Expert writes before the Court Hearing date.

However, if you do think you may be worse off as a result of the Transfers please see questions 3.4 to 3.6 or turn to the Legal Notice within this pack for information about how to make your objection or concern known to us.

### **6.2 How will I know if the Transfers have been approved?**

We will announce the outcome of the Court application on the QBE website (<https://qbееurope.com/>) following the Court Hearing due on 19 December 2018. Any changes or information on the progress of the Transfers will also be announced on the QBE website at <https://qbееurope.com/>. You should check these websites for any changes or updates or you can call our dedicated helpline on + 44 20 7105 5566.

If the application is successful then the Transfers should take place on the Effective Date.

# Glossary

**Companies** or **QBE** means QIEL, QBE Re and QBE Europe.

**Court** means the High Court of Justice in England and Wales.

**Court Hearing** means the Hearing at the High Court of Justice in England and Wales at which the final decision to approve or disapprove the Scheme is made.

**Effective Date** means 01.00am (GMT) on 1 January 2019, the date on which the Scheme is expected to become effective (subject to the approval of the Court). Any change to the date of the Transfers will be announced on the QBE website.

**FCA** means the Financial Conduct Authority which has an objective to protect consumers of financial services, protect and enhance the integrity of the UK financial system and promote effective competition in the interests of consumers.

**FSMA** means the UK Financial Services and Markets Act 2000.

**Independent Expert** means Alex Marcuson of Marcuson Consulting Ltd whose appointment, which has been approved by the Regulators, involves producing the Report.

**PRA** means the Prudential Regulation Authority which is responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms in the UK.

**QBE Re Transferring Policies** means the QBE Re policies transferring to QBE Europe under the Scheme.

**QIEL Transferring Policies** means the QIEL policies transferring to QBE Europe under the Scheme.

**Regulator(s)** means, the applicable regulator(s) of the UK insurance industry. This refers to, as the context requires, the PRA, the FCA or both.

**Report** means the Scheme report produced by the Independent Expert under the requirements of the FSMA, reflecting the guidance provided by SUP 18.2 of the FCA's Handbook and the PRA's Statement of Policy on insurance business transfers.

**Supplementary Report** means a report produced in advance of the Court Hearing, to consider the impact on the Independent Expert's conclusions of events that have happened subsequent to the release of his initial Report.

**Transfers** means the legal transfer of the Transferring Policies from QIEL and QBE Re to QBE Europe.

**Transferring Policies** means the QBE Re Transferring Policies and the QIEL Transferring Policies.