



## Providing continuity of service to QBE's customers following the UK's decision to leave the European Union

*While the UK's decision to leave the European Union has caused uncertainty in the finance industry, QBE wants to ensure that these challenges will not affect our ability to provide our full-service offering. Our planning for Brexit began well in advance of the June 2016 Referendum and we have achieved significant milestones to date. Our proposed solution is intended to deliver continuity of service for our European clients when the UK exits the EU irrespective of the terms of that departure.*

### **Q. What is QBE's response to Brexit?**

**A.** With authorisation from the National Bank of Belgium (NBB) granted in May 2018, QBE has set up a new legal entity in Brussels (QBE Europe<sup>1</sup>) to which it will transfer its EU branch business via Part VII transfer and cross-border merger mechanisms. These have been given the go-ahead by the High Court and are listed for final court approval in December.

QBE Insurance (Europe) Limited (QIEL) will transfer all of its general (re)insurance business written through its current branches in Denmark, France, Germany, Italy, Spain and Sweden and previously written by its branches in Belgium, Bulgaria, Estonia, Ireland and Norway to QBE Europe. QBE Re (Europe) Limited (QBE Re) will also transfer all of its general and long-term reinsurance business written through its branches in Belgium, Bermuda and Ireland to QBE Europe. It is also proposed that QBE Re will merge with QBE Europe via a cross-border merger (with QBE Europe the ongoing entity).

This approach will help to ensure that it will be business as usual for QBE within the EU, with minimal changes for our European customers.

### **Q. What is the name of the new entity in Belgium**

**A.** The name of the new entity is QBE Europe, which is a licensed Belgian (re)insurance company. It has established (or is in the process of establishing) branches in Bermuda, Denmark, France, Germany, Ireland, Italy, Spain, Sweden and the UK. QBE Europe is part of the same corporate group as QIEL, QBE Re, and QBE Underwriting Limited (QUL, QBE's Lloyd's managing agent). These companies are indirect wholly-owned subsidiaries of QBE Insurance Group Limited (the QBE Group), a company incorporated in Australia and listed on the Australian Securities Exchange, which owns licensed (re)insurance companies writing a wide variety of (re)insurance in multiple territories.

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<sup>1</sup> QBE Europe SA/NV

**Q. Why has QBE set up a new company in Belgium?**

**A.** The new legal entity was set up in response to Brexit. We selected Belgium as its head office location as it is a respected financial services centre and we already have a strong, well-established local presence in the jurisdiction, as well as long standing connections with the NBB. We will use our existing office location in Brussels as it is able to meet our requirements for the foreseeable future.

**Q. What is the credit rating of QBE Europe?**

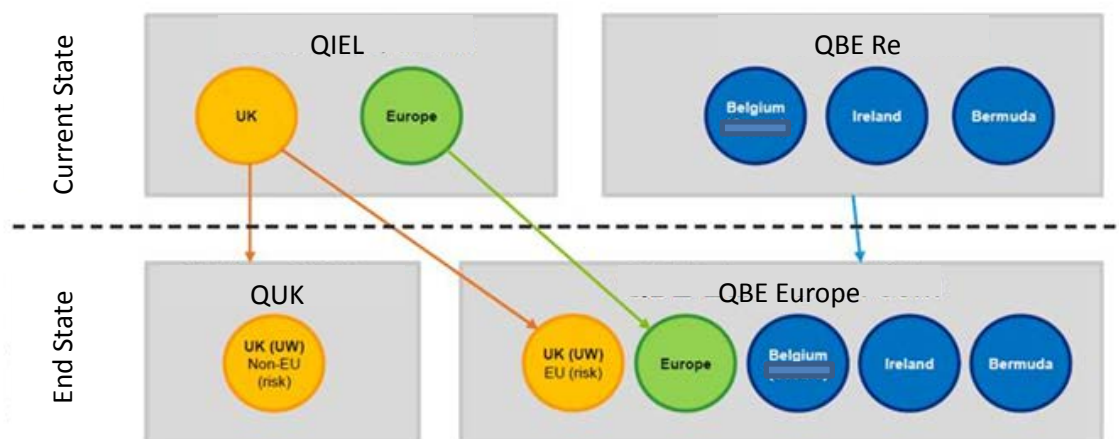
**A.** QBE Europe has been assigned a financial strength rating of A+ (outlook: stable) by Standard and Poor’s and Fitch.

**Q. On what date will QBE’s restructuring complete?**

**A.** The initial hearings in relation to the Part VII transfers and the cross-border merger were heard by the High Court of Justice of England and Wales in September 2018. They are listed for final approval in December 2018.

**Q. What will the structure of QBE’s proposed ‘end state’ look like?**

**A.** Noting that it is intended that QBE Europe will have a UK branch, the ‘end state’ for the new business will look as below:



**Q. Will there be any changes to policy terms and conditions?**

**A.** The Part VII transfers will not result in any change in policy coverage or to the operative provisions of any transferring policies. Some changes to new policies are, however, expected to reflect the fact that they are being underwritten by a Belgian (rather than UK) carrier. For example, new policies will need to contain references to the NBB (as home state regulator) and provide details of the complaints procedure in Belgium.



**Q. Will QBE consider including a ‘cancel and re-write’ clause in renewals from 29 March 2018, catering for the eventuality that Brexit negotiations render the policy unable to be fulfilled in the EU?**

**A.** QBE Europe will be in a position to write new and renewal EEA ‘Freedom of Services’ business from its UK branch from early in Q4 2018. Further, the proposed transition period which should follow Brexit means that QBE will be likely to be able to service all of its European policies without any further action on its part until the end of December 2020. If it becomes clear at a later stage that this is not the case, QBE will consider appropriate action at that time to ensure that we can continue to service our customers. In any event, for any business written by the branches of QIEL and by QBE Re in the EEA, the Part VII transfers make a cancel and re-write clause unnecessary. In respect of QBE’s Lloyd’s business, please refer to our response below.

**Q. What will happen to risks underwritten that include both the EU and the UK coverage?**

**A.** For risks that require EU and UK coverage, underwriters will act on behalf of both QBE UK (QIEL’s new name with effect from 2 January 2019) and the UK branch of QBE Europe, and therefore will be able to write on behalf of both QBE entities.

**Q. Will there be any changes to the premiums paid as a result of the Part VII transfers?**

**A.** No changes will be made to the premium as a result of the Part VII transfers.

**Q. What date are you working towards to be operationally ready to accept risks?**

**A.** QBE Europe will be operationally ready to quote and bind risks from Q4 2018, that is, in good time for the 2019 renewals, well ahead of the date set for Brexit of 29 March 2019 and before the commencement of any transition period. Operational flows will be in place so that customers have effectively the same access to underwriting and claims expertise as they do today.

**Q. How will QBE manage its Lloyd’s activities?**

**A.** QBE manages its Lloyd’s activities through QUL. QUL manages two Lloyd’s syndicates: Syndicate 386 and Syndicate 2999. QBE’s strategic Brexit plan in respect of QUL will be determined by the approach adopted by Lloyd’s.

Lloyd’s has set up a new European insurance company, the Lloyd’s Brussels subsidiary (LBS), located in Belgium. Regulated by the NBB, LBS will start writing business from 1 January 2019. It will be able to write risks in all EEA states after Brexit.

The risks written by LBS will be automatically reinsured to applicable Lloyd’s syndicates (such as Syndicate 386 / 2999). The Lloyd’s solution contemplates policyholders being able to retain access to the current network of Lloyd’s underwriting expertise across Europe.



**Q. What if Brexit doesn't happen?**

**A.** We are committed to our plan to have QBE Europe operationally ready during Q4 irrespective of political outcomes.

**Q. Will QBE communicate directly with policyholders?**

**A.** As part of the Part VII transfer process, QBE will write to all transferring policyholders who hold an active policy to advise them of the change in their (re)insurer. In addition, QBE will publicise the Part VII transfers by placing notices in a selection of widely-read publications in the UK, Europe and other relevant jurisdictions.

**Q. How will you ensure QBE Europe's insurance and reinsurance divisions retain distinct policies and procedures?**

**A.** As is the case today, no information or individual policy information will be shared between the insurance and reinsurance arms of the business. To facilitate this, QBE Europe has two General Managers: one for reinsurance and one for insurance.

**Q. If I have any questions who can I ask?**

**A.** Please refer any immediate and ongoing *insurance* questions to Matthew Crane, Executive Director, Market Management ([matthew.crane@uk.qbe.com](mailto:matthew.crane@uk.qbe.com)) and *reinsurance* questions to Luc Boghe, Head of Life QBE Re ([luc.boghe@qbere.com](mailto:luc.boghe@qbere.com)).

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