FINANCIAL CONDITION REPORT 2019

QatarRe
A QIC Global company

Qatar Reinsurance Company Limited

Financial Condition Report (FCR)
For the financial year ended 31 December 2019

Contents

1 EXECUTIVE SUMMARY

Qatar Reinsurance Company Limited and its subsidiaries (collectively the "Group") remains a well-capitalised reinsurer with 136% coverage of the Enhanced Capital Requirement and 156% of the Bermuda Solvency Capital Requirement, an available statutory economic capital base of USD 1,036 billion on a regulatory basis and total invested assets in excess of USD 2.4 billion.

At 31 December 2019, the Group had $592.3m of tier 1 capital and $443.7m of tier 2 capital, the latter in the form of subordinated debt. The eligible capital rules restrict the use of Tier 2 capital to 40% and 20% of the total for ECR and MSM purposes, respectively. Thus, $295.7m of subordinated debt was deemed ineligible for the MSM test and this resulted in a marginal shortfall of $19.8m in respect of MSM capital requirements. Management has taken actions to reduce the 2020 Gross Written Premium ("GWP"), which has lowered the MSM capital requirements, improving the position by $20.7m as at first quarter 2020 and clearing the breach.

Although the deficit is now cleared, we recognise that the position remains marginal. We are confident, however, that the extensive reunderwriting initiative that management have undertaken over the last eighteen months should payback in underwriting profits over the balance of 2020, enabling the business to start to reverse the reduction in tier 1 capital that has taken place over recent years. Further, management intends to continue to manage 2020 GWP very carefully, cutting less profitable business as necessary to ensure that there is no recurrence of the MSM breach.

Key factors affecting the financial condition of the Group during 2019 were:

- Malta and Gibraltar entities were further integrated within the Group during the first full year of consolidation. This includes deployment of additional USD 112 million capital by Qatar Reinsurance Company Limited ("Qatar Re" or the "Company") and strengthening of reserves in respect of the Gibraltar entities;
- Ogden discount rate set at -0.25%;
- Typhoon losses;
- Increased retention of risk;
- Gross Premium growth of 20.1%; and
- 11.3% increase in investment income

Key facets of the underlying financial condition include:

- Diversified reinsurance portfolio, with over half consisting of low volatility business;
- High quality investment portfolio;
- Use of well rated or fully collateralised providers of outwards reinsurance; and
- Careful management of high severity exposures.

Key developments during 2019 include:

Bermuda Monetary Authority ("BMA") approval to be the group supervisor of the insurance group "Qatar (Bermuda) Group"

The project to bring together various operational activities supporting the QIC Group's international platforms was successfully concluded during the year. This establishes an enhanced operating structure that provides the Group the necessary support to meet its strategic objectives.

We are now intensifying our efforts to fully leverage the networks of other QIC Group entities to enhance business access in our preferred geographies and risk segments.

After a period of more rapid growth, 2019 saw the Group move into a phase of consolidation, while continuing to see and consider new opportunities.

2 BUSINESS AND PERFORMANCE

2.1 The Company

Qatar Re is licensed under the Insurance Act 1978 (the "Insurance Act"), as amended, and related regulations to write general business as a Class 4 insurer and is a global multi-line reinsurer writing all major property, casualty and specialty lines of business. The Company operates from its headquarters in Bermuda and through its branch offices in Zurich, London and Dubai[1].

Qatar Re has the following fully owned subsidiaries:

- Registered in Gibraltar and regulated by the Gibraltar Financial Services Commission ("GFSC")
  - Zenith Insurance Company Limited ("ZIP")
  - Markerstudy Insurance Company Limited ("MICL")
  - St. Julians Insurance Company Limited ("SJICL)
- Registered in Malta and regulated by the Malta Financial Services Authority ("MFSA")
  - QIC Europe Insurance Company Limited ("QEL") with its head office in Malta and branch offices in the UK and Italy[2]
- Other subsidiaries
  - Qatar Reinsurance Services LLC – a non-regulated Doha-based service company and subsidiary of Qatar Re – changed its name to QIC Global Services (Doha) LLC and the ownership of this subsidiary was transferred from Qatar Re to QIC Global Services Limited – a UK based service Company

Qatar Re was established in 2009 in the Qatar Financial Centre ("QFC") in Doha, Qatar, as a regional P&C reinsurer with a focus on the Middle East, Africa and Asia. In 2013, the Company established a new team of senior and highly experienced reinsurance professionals tasked with transforming Qatar Re into what is now a global multi-line reinsurer writing property, casualty and specialty lines of business. In 2015, the Company successfully completed the transfer of its seat of incorporation from the QFC to Bermuda.

2.2 Insurance supervisor and approved auditors

Qatar Re is regulated by the Bermuda Monetary Authority ("BMA"). In 2019, the Group was notified of the Bermuda Monetary Authority ("BMA") determination and approval to be group supervisor of the insurance group "Qatar (Bermuda) Group". The BMA designated Qatar Reinsurance Company Limited, as a member of the insurance group to be the designated insurer for the purposes of the Insurance Act 1978.

The BMA acts as Insurance supervisor for Qatar Re and Group supervisor for the Qatar (Bermuda) Group.

This FCR is prepared in accordance with the Bermuda Monetary Authority's ("BMA") Insurance (Public Disclosure) Rules 2015 and Insurance (Group Supervision) Rules 2011.

Insurance Supervisor
Bermuda Monetary Authority
BMA House
43 Victoria Street
Hamilton HM 12
Bermuda

Approved Auditors – Bermuda Statutory Reporting
Ernst & Young Ltd
3 Bermudiana Road
Hamilton HM08
Bermuda

Approved Auditors – IFRS Accounts
Ernst & Young LLP
1 More London Riverside
London
SE1 2AF
United Kingdom

Qatar Re's ultimate parent company is regulated by the Qatar Central Bank.

In 2019, the Group was notified of the Bermuda Monetary Authority ("BMA") determination and approval to be group supervisor of the insurance group "Qatar (Bermuda) Group". The BMA has designated the specific insurer, Qatar Reinsurance Company Limited, as a member of the insurance group to be the designated insurer for the purposes of the Insurance Act 1978.

The fully owned subsidiaries of Qatar Re continue to operate in line with the local regulatory requirements and the Solvency II Regime under the Directive of the European Union law.

1 The license to operate in Dubai International Finance Centre was withdrawn, effective 26th January 2019. We are currently in the process of deregistering the Branch with the Registrar of Companies.

2 At the time of writing this report, the Italian branch is in the process of closing .

2.3 Ownership Structure

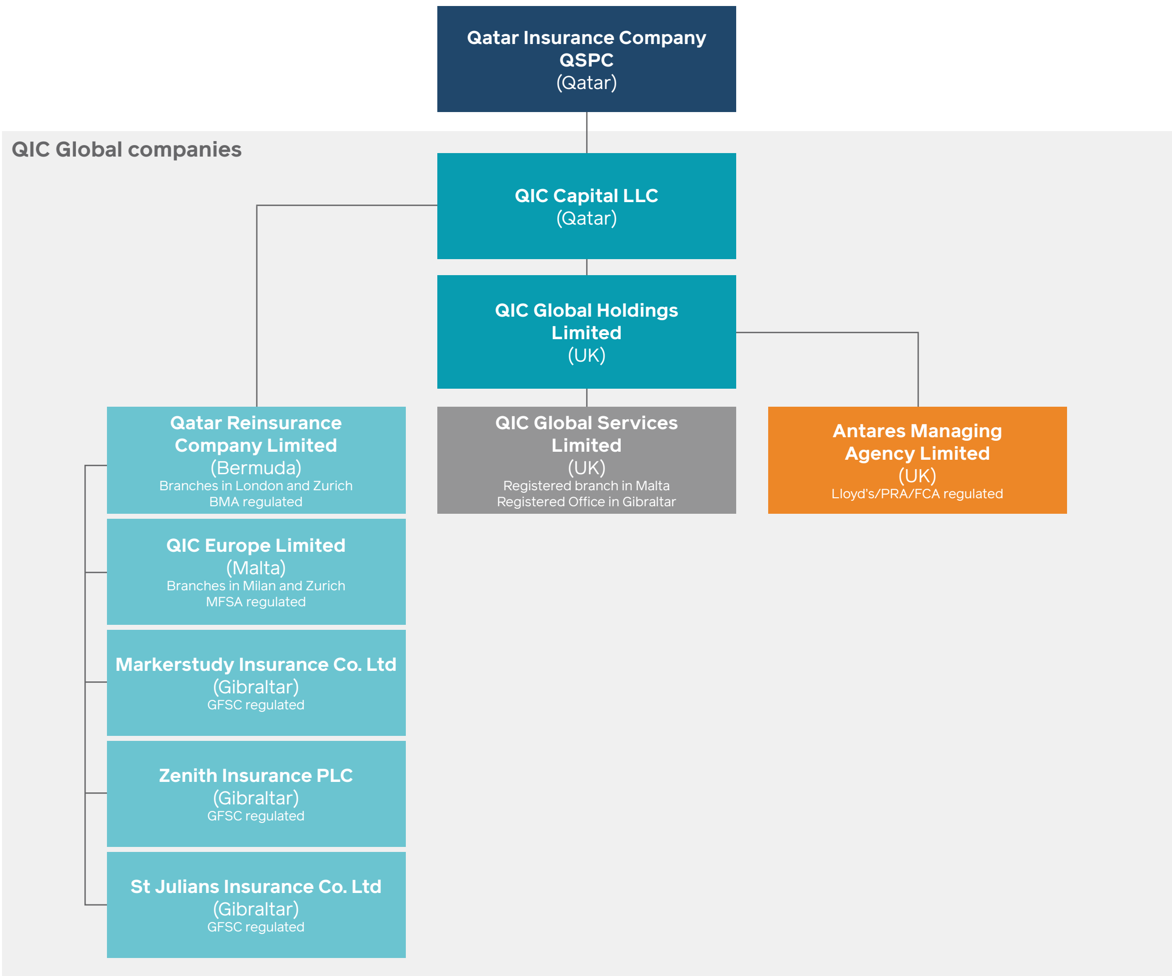
Qatar Re is a wholly-owned subsidiary of QIC Capital LLC, which in turn is a wholly-owned subsidiary of Qatar Insurance Company Q.S.P.C, the ultimate parent of the QIC Group of companies and a leading Qatari publicly-listed insurer.

QIC was the first domestic insurer in Qatar and is currently the largest insurance company in the Middle East and North Africa (MENA), with total shareholders' equity of USD 2.3 billion (as of 31 December 2019). Two separate Qatari government employee pension funds managed by the pension fund authority of Qatar hold a combined 13.67% of shares, 12.77% is owned by members of the Board of Directors of QIC, 10.43% by various members and associates of the Qatari royal family, and 10.87% by foreign institutional investors, with the remainder of shares being free float.

QIC is among the highest rated insurers in the Gulf region with a financial strength rating of "A" from S&P Global Ratings and "A" from A.M. Best. Qatar Re is backed by a parental guarantee from QIC and is also rated "A" by S&P Global Ratings and "A" by A.M. Best.

2.4 Group Structure

Figure 2.4: Group structure



2.5 Underwriting Performance

During 2019 the Group continued to deliver solid portfolio growth across its key geographical markets, specific lines of business and client segments. The Group has continued to underwrite a well-diversified portfolio, with emphasis on areas of the market where greatest value is identified. Growth was achieved in the UK Motor insurance business and the other selective, more profitable lines of business where greater opportunities were recognised.

Group Gross Written Premiums increased by 20.1% to US Dollar ("USD") 2.2 billion, compared with USD 1.8 billion in 2018. Net earned premiums grew by 18.6% to USD 1.1 billion, compared with USD 960.2 million in 2018.

The net underwriting result at Group level was an underwriting loss of USD 57.2 million, compared to an underwriting profit of USD 21.2 million in 2018. The most material drivers of this reduction include the impact of the Ogden discount rate being set at -0.25%, Japanese typhoon losses and further strengthening of reserves for the Gibraltar entities during their first full year of consolidation.

Figure 2.5a: Gross Written Premium by Business Segment

Line of Business	2019 USD'000s Qatar Re	2018 USD'000s Qatar Re	2019 USD'000s Qatar Re Group	2018 USD'000s Qatar Re Group
Property Catastrophe	59,840	53,123	59,840	53,123
North American Property	286,338	204,611	286,338	204,611
Property (outside North America)	177,202	192,005	204,650	205,114
Casualty (including Motor)	1,204,430	895,907	1,540,980	1,140,879
Marine and Aviation	9,788	14,666	11,866	13,936
Agriculture	72,605	82,249	75,589	83,146
Credit and Financial Risks	38,160	69,169	34,791	69,202
Facultative	-7,677	60,011	-4,431	60,028
Non-traditional	1,693	11,575	1,693	11,575
Total*	**1,842,379**	**1,583,316**	**2,211,316**	**1,841,614**

*Some minor discrepancies at Total level could occur due to rounding.

Figure 2.5b: Gross Written Premium by Geographical Region

Territory	2019 USD'000s Qatar Re	2018 USD'000s Qatar Re	2019 USD'000s Qatar Re Group	2018 USD'000s Qatar Re Group
Africa	1,224	11,917	1,224	11,917
Americas	451,369	480,038	451,370	480,052
Asia	101,207	94,755	101,207	94,739
Europe	1,283,104	989,457	1,652,040	1,247,758
Oceania	5,475	7,149	5,475	7,149
Total	**1,842,379**	**1,583,316**	**2,211,316**	**1,841,614**

2.6 Investment Performance

Net investment income grew by 11.3% over the year, increasing from USD 84.2 million in 2018 to USD 93.7 million at Group level.

The Group's investment strategy is heavily weighted towards fixed income and cash deposits, with concentration limits in place. It invests in a combination of sovereign and investment grade fixed income securities. The balance of the portfolio is held as equities and mutual funds. The return on investments for the reporting period was as follows:

Figure 2.6: Investment Performance

	Qatar Re				Qatar Re Group			
Line of Business	**2019 Market Value USD'000s**	**2019 % Return**	**2018 Market Value USD'000s**	**2018 % Return**	**2019 Market Value USD'000s**	**2019 % Return**	**2018 Market Value USD'000s**	**2018 % Return**
Fixed Income Bonds	1,093,868	4.30%	1,160,461	3.70%	1,337,694	4.42%	1,295,465	3.70%
Investment Loans	-	-	-	-	-	-	115,614	5.00%
Equities and Alternatives	40,520	11.16%	33,143	18.81%	51,034	8.70%	33,144	18.81%
Cash	781,853	3.55%	890,384	3.74%	1,034,368	3.02%	1,021,901	3.70%
Total	**1,916,241**	**4.36%**	**2,083,988**	**3.95%**	**2,423,096**	**4.14%**	**2,466,124**	**3.80%**

2.7 Other Material Income and Expenses

The main expenses outside of underwriting and investment relate to employee compensation. The table below shows a breakdown of the Group's operating and administrative expenses:

Figure 2.7: Expenses

Expense	**2019 USD'000s Qatar Re**	**2018 USD'000s Qatar Re**	**2019 USD'000s Qatar Re Group**	**2018 USD'000s Qatar Re Group**
Employee related costs	33,094	36,399	34,519	37,863
Rental expenses	1,694	4,736	1,864	4,839
Maintenance & IT expenses	4,900	2,793	4,952	3,976
Other expenses*	15,485	8,054	23,503	12,367
Total	**55,173**	**51,982**	**64,838**	**59,045**

*Includes professional fees, travel expenses, Board of Directors remuneration and certain costs relating to foreign exchange.

The increase in Group operating expenses from USD 59.0 million to USD 64.8 million is as expected, and is linked to the ongoing alignment of the QIC Group's international operations, as outlined in section 2.8.1 below.

2.8 Other material information

2.8.1 QIC Global Services

In 2019, administrative functions supporting QIC Group's international platforms, including Antares, Qatar Re and QEL, were combined (under Project Capstone).

The integration facilitated:

- Improved efficiencies by leveraging operational synergies,
- Enhanced risk management, and
- Aligned business strategies.

From this, an Intra-Group Services Company was established which acts as the employer (either directly or through branches and / or subsidiaries) of all international Group employees and became QIC Global Services Limited ("QGSL").

The four operational groups integrated were:

- Legal, claims and compliance
- Finance, and Human Resources
- IT, Operations and Project Management
- Risk management and actuarial

During 2019, Management developed a detailed Service Level Agreement ("SLA") in respect of all centralised critical functions with a Schedule of services provided to all QIC Global entities. The monitoring of these services is performed by the QGSL Board with regular reporting to the entity Boards.

2.8.2 Board and management changes

- Michael Frith joined Qatar Re's Board in 2019 as an Independent Non-Executive Director, replacing David Forcey, who resigned in November 2019. David Sykes also resigned from the Board in December 2019.
- Mark Graham, Group Chief Risk Officer joined the Board as Non-Executive Director in March 2020.
- Ahmed El Tabbakh, who was previously an Alternate Director to Mr Al-Fadala, replaced Mr Al-Fadala as a Non-Executive Director in March 2020.
- Faraz Khalid was appointed as the Chief Risk Officer and Executive Director in May 2020.

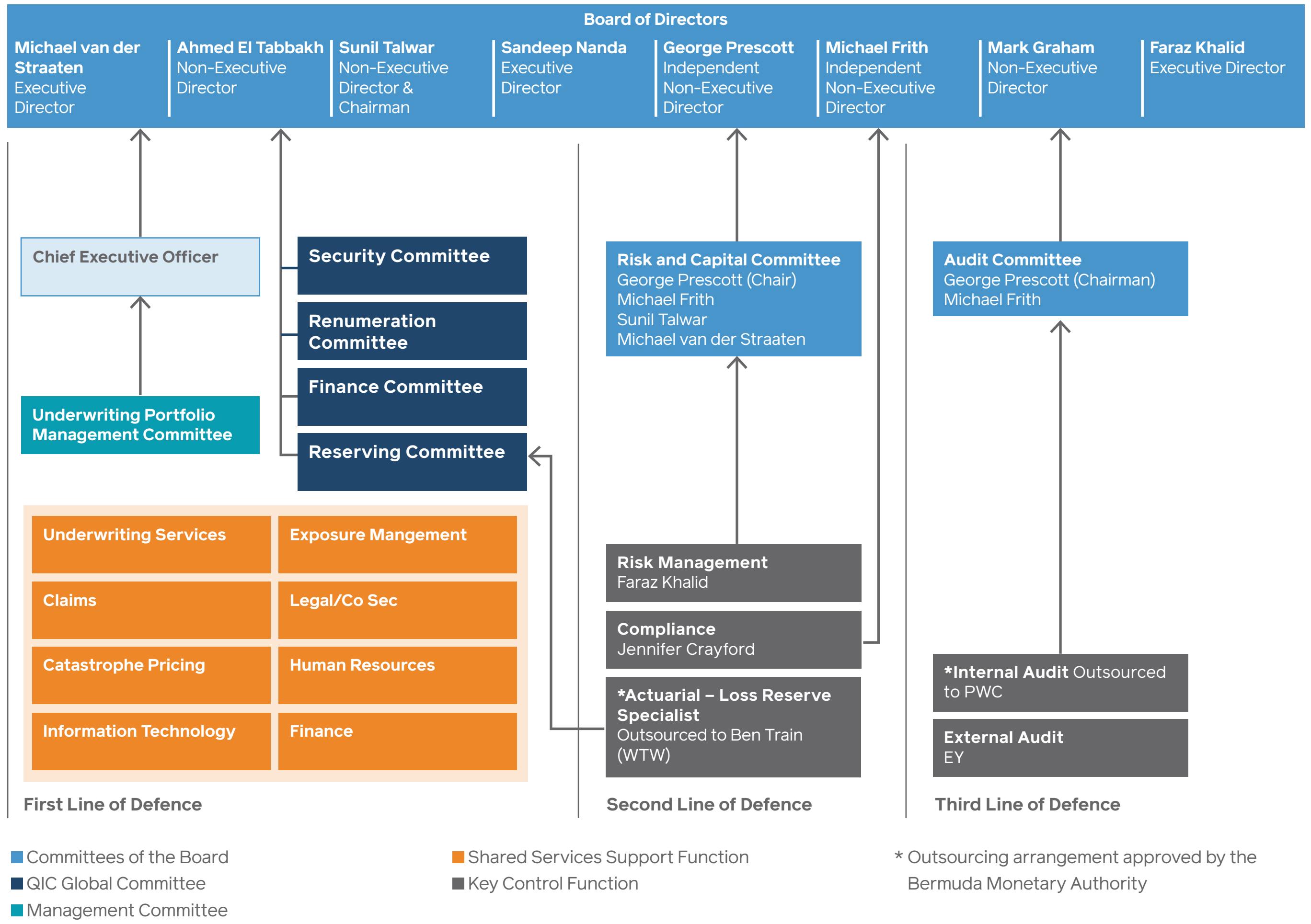
The Board and management changes of the Malta and Gibraltar entities can be found in their respective Solvency and Financial Condition Reports ("SFCR").

3 GOVERNANCE STRUCTURE

Qatar Re has established a sound and effective corporate governance framework that is appropriate to the size, nature, complexity and risk profile of the Company.

The governance structure presented below reflects the position as at the 29th of May 2020[3].

Figure 3: Governance Framework



Governance structures for the Malta and Gibraltar entities can be found in their respective SFCRs.

The following sections provide details of Qatar Re's governance structure.

The Composition of the Board of Directors for Qatar Re, at the time of writing this report, is:

1. Michael van der Straaten (CEO, and Executive Director)
2. Ahmed El Tabbakh (Non-Executive Director)
3. Sunil Talwar (Non-Executive Director and Chairman)
4. Sandeep Nanda (CFO and Executive Director)
5. George Prescott (Independent Non-Executive Director)
6. Michael Frith (Independent Non-Executive Director)
7. Mark Graham (Non-Executive Director)
8. Faraz Khalid (CRO and Executive Director)

Qatar Re has appointed the following officers whose roles are included in the secondment agreement between QGSL and Qatar Re.

1. Michael Van der Straaten (CEO and Executive Director)
2. Sandeep Nanda (CFO and Executive Director)
3. Faraz Khalid (CRO and Executive Director)
4. Luke Roden (CUO, Short tail business)
5. Pantelis Koulovasilopoulos (CUO, Long Tail & Specialty Lines)
6. Jennifer Crayford (Compliance Officer and Company Secretary (Principle Representative))
7. Benjamin Train (Loss Reserving Specialist) – Outsourced role.

3 Subsequent to the finalisation of the report, Mr. Sandeep Nanda announced his resignation from his role of CFO.

3.1 Board and Senior Executives

3.1.1 Structure, Roles and Responsibilities

The Board is responsible for ensuring that proper systems and risk management oversight are adopted by the Company and that standards for compliance are adhered to. As at 31 December 2019, the Board of Directors consisted of two independent Non-Executive Directors, three non-independent Non-Executive Directors and two Executive Directors. Collectively, the Board provides an appropriate balance of skills, experience, knowledge and independent challenge.

The Board has established a Risk and Capital Committee and an Audit Committee to assist it in the effective discharge of its duties, although it continues to retain ultimate responsibility.

In addition to the Board committees, the Company has established an Underwriting and Portfolio Management Committee, and at a QIC Global level, supporting all QIC Global companies, a Finance Committee, a Reserving Committee, a Security Committee and a Remuneration Committee, to assist the Chief Executive Officer and senior executives in discharging their duties and responsibilities in relation to the prudent management and oversight of the Company's activities.

The Board's oversight responsibilities include:

- Ensuring that the Company is effectively directed and managed;
- Ensuring that its activities are conducted with due care, skill and integrity;
- Confirming that corporate governance policies and practices are developed and applied in a sound and prudent manner;
- Developing high-level strategy and objectives;
- Reviewing and approving business plans and budgets;
- Ensuring sufficient capital is held to maintain the Company's ongoing solvency;
- Providing oversight of the Risk Management Framework, including setting the Company's risk appetite and tolerance statements;
- Appointing senior executives;
- Approving the financial statements;
- Developing, maintaining and monitoring the investment strategy, including monitoring the asset allocation, value of invested assets and the performance of the investment manager and investment advisors;
- Setting and overseeing the effectiveness of the Company's governance structure and internal control system; and
- Reviewing and approving significant policies and procedures.

The Board meets at least quarterly and at other times as required, and carries out its duties within established terms of reference. The Board is provided with accurate, appropriate and timely information to enable it to monitor and review key areas, including the performance of the Company and the key risks to which it is exposed.

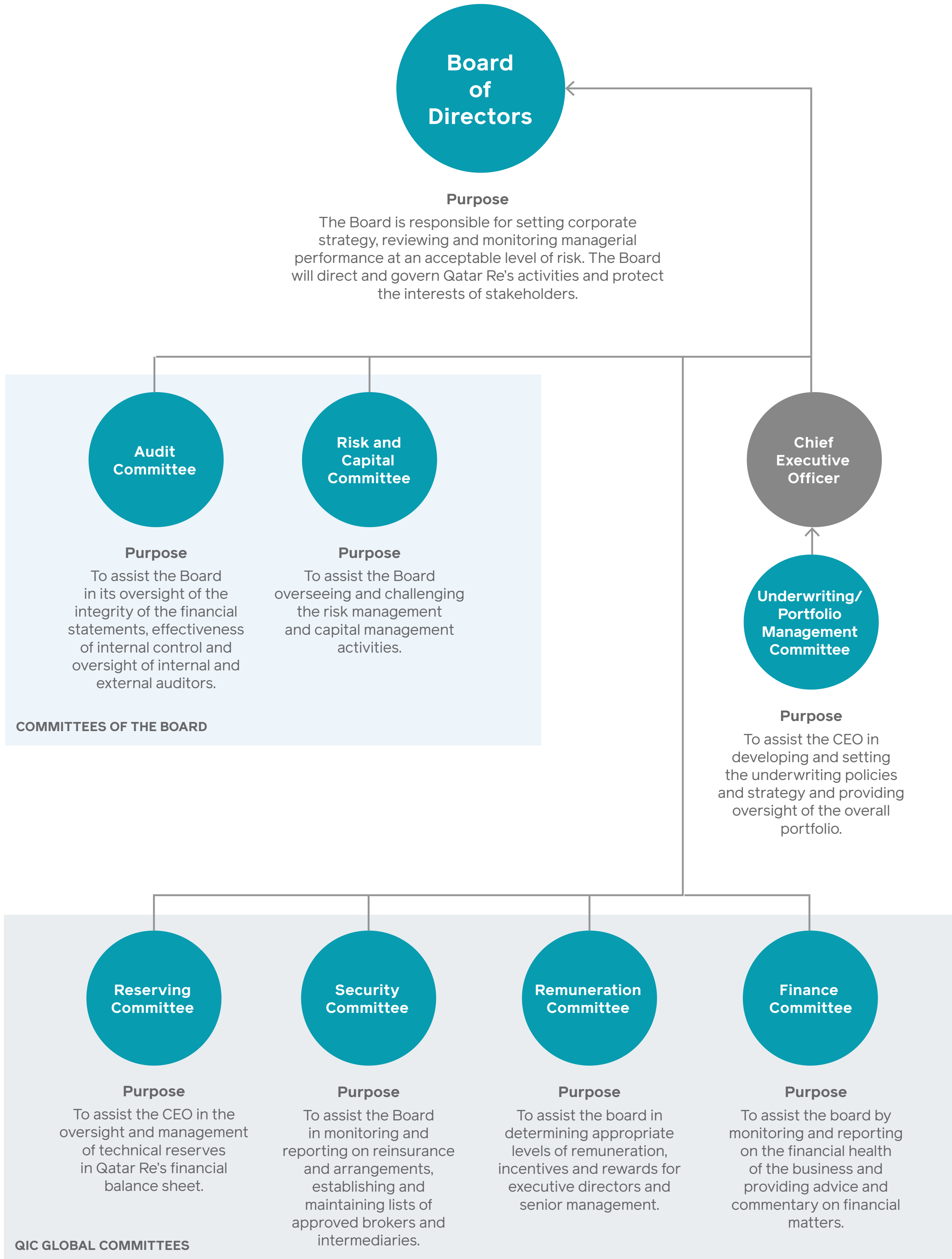
Qatar Re has adopted a Three Lines of Defence model to ensure appropriate segregation of roles and responsibilities across the Company. The segregation of responsibilities applies across all business functions and various review layers exist within each business function and between committees and the Board. Controls are audited on a regular basis by the Company's internal and external auditors.

The key responsibilities of the two Board committees are as follows:

- Risk & Capital Committee (RCC) – provides oversight of the Company's risk management, capital management and exposure management activities. Key responsibilities include: oversight of current and future risk exposures, including the determination and monitoring of actual exposures against risk appetite and tolerance; providing guidance on the implementation of the Risk Management Framework; ensuring the maintenance of sufficient economic and regulatory capital and allocation of capital; and promoting a risk aware culture.
- Audit Committee (AC) – provides oversight of the effectiveness of internal controls and the performance of the internal and external audit functions. Key responsibilities include the development of relevant policies and the review of outputs of audit and compliance activities.

During 2019, the role and responsibilities of the Investment Committee have been re-integrated into the full Board.

Figure 3.1.1: Board and Committee Structure



3.1.2 Remuneration Policy

The Company's Remuneration Policy sets out the principles and practices for the development, implementation and application of the employee remuneration framework for QIC Capital and all its subsidiaries referred to as QIC Global Companies, including Qatar Re.

QIC Global's remuneration philosophy is to have a remuneration framework that supports the business strategy, the risk management strategy and the long-term interests and performance of QIC Global. In particular, the philosophy is to provide total compensation that is in line with market rate and structured and calibrated so as to attract, retain, motivate and reward its employees to deliver enhanced performance in the eyes of customers and shareholders. The remuneration framework based upon this philosophy is an integral part of the offering to employees.

The policy is aimed at promoting sound and effective risk management and does not encourage excessive risk-taking activities. It applies consistently to all staff. The remuneration scheme includes both fixed and variable components. These are appropriately balanced so that the fixed component represents a sufficiently high proportion of the total remuneration to avoid employees being overly dependent on the variable components.

3.1.3 Pension and Early Retirement Schemes

Members of staff in certain locations benefit from the allocation of a standard default percentage of annual salary to a pension – or pension benefit equivalent – employer scheme. As the company does not operate any defined benefit pension schemes, it is not exposed to funding issues associated with defined benefit pension liabilities.

3.1.4 Material Transactions with Shareholder Controllers, Persons who Exercise Significant Influence, the Board or Senior Executives

QIC

Qatar Re has entered into a quota share reinsurance agreement with its ultimate parent company, QIC, under which 30% of the Company's net business written during 2019 was ceded to QIC (2018: 30%; 2017: 50%; and 2016: 70%).

As part of a strategic review of the ongoing portfolio, certain business has been internally classified as 'legacy' business and is in run-off. On 31 December 2018, Qatar Re's retained share of this business was ceded 100% to QIC. This business is primarily the facultative lines but does include some other classes (e.g. Engineering).

QIC has some limited participation in certain other reinsurance agreements involving Qatar Re, and acts as a fronting insurer for Qatar Re in certain jurisdictions (e.g. Brazil and India).

QEL

Qatar Re provides reinsurance support to QEL via a variable quota share agreement.

Certain directors and senior executives (George Prescott, Pantelis Koulovasilopoulos and Faraz Khalid[4]) of Qatar Re were, during the reporting period and at the time of writing this report, also directors of QEL.

The Gibraltar Insurers

Qatar Re provides certain reinsurance support – both quota share and excess of loss – to its Gibraltar subsidiaries.

Certain directors and senior executives (George Prescott and Michael van der Straaten of Qatar Re were, during the reporting period and at the times of writing this report, also directors of the Gibraltar Companies.

Antares Syndicate 1274

Qatar Re provides excess of loss reinsurance to Antares syndicate 1274 at Lloyd's.

Other Group arrangements

Qatar Re participates in various intra-Group services and loan arrangements with other companies within the QIC Group.

4 Faraz Khalid was appointed as Chief Risk Officer and Executive Director of Qatar Re, and confirmed by the Board in May 2020.

3.2 Fitness and Proprietary Requirements

3.2.1 Fit and Proper Processes for assessing the Board and Senior Executives

The Company's personnel arrangements are managed by the Human Resources function, which sets the minimum standards for the appointment and promotion of individuals throughout the organisation. The Company ensures that Board members and senior executives are fit and proper to discharge their responsibilities in accordance with the following definitions:

- **Fit** – their professional qualifications, knowledge and experience are adequate to enable sound and prudent management of the Company's activities. An assessment of whether an individual is 'fit' involves an evaluation of their professional qualifications, knowledge and experience to ensure they are appropriate for the role. It also demonstrates whether the person has exercised due skill, care, diligence, integrity and compliance with relevant standards applicable to the area or sector in which the individual has worked.
- **Proper** – whether a person is of good repute and integrity. An assessment of whether a person is 'proper' includes an evaluation of their honesty, reputation and financial soundness. This includes, if relevant, criminal convictions or disciplinary offences.

The Company's Fit and Proper Policy covers the initial and ongoing procedures to be applied in order to confirm that the relevant individuals meet the specified Fit and Proper requirements, together with relevant regulatory notification and reporting responsibilities.

3.2.2 Professional Qualifications, Skills and Expertise of the Board and Senior Executives

Board of Directors

Sunil Talwar
Non-Executive Director and Chairman

Sunil Talwar is currently Chairman of Qatar Re's Board and a member of the Risk and Capital Committee.

Mr. Talwar joined QIC in 1986 and is credited with elevating the QIC Group to its position as one of the leading insurance groups in the region. Apart from his overall financial and general management responsibilities, Mr. Talwar is responsible for managing the investment strategy of QIC, which involves the management of assets (investments and cash). He has been instrumental in driving the QIC Group's international growth and in implementing its strategy of diversifying its revenue base.

Mr. Talwar is a qualified chartered accountant and a member of the Institute of Chartered Accountants of India.

Ahmed El Tabbakh
Non-Executive Director

Ahmed El Tabbakh joined the Board of Qatar Re in 2019 as alternate Director to Mr Al Fadala and replaced Mr Al Fadala as a Director in March 2020. Mr El Tabbakh joined QIC Group in 2011 and has over nine years of experience in the industry. Ahmed was appointed Deputy CEO International for QIC in February 2019. He has a wide range of knowledge and expertise in Audit, Advisory and Financial services to a broad range of industries.

Prior to joining the QIC Group, Mr El Tabbakh was working with KPMG audit and advisory in Qatar and in Egypt. Ahmed is a qualified Chartered Accountant and a Fellow of the Association of Chartered Certified Accountants (ACCA) in the UK. He is also a member of the CFA institute and holds an MBA degree from Oxford Brookes University.

George Andrew Prescott
Independent Non-executive Director

George Prescott joined the Board of Qatar Re in 2013 and is currently Chairman of the Audit and the Risk and Capital Committee. Mr. Prescott has significant experience in investment management, accountancy, corporate finance activities, internal audit and compliance. From 1997 until his retirement in 2009, he was Deputy Group Chief Executive of Ecclesiastical Insurance Group (EIG) with responsibility for EIG's investment, finance, internal audit and compliance functions. Prior to joining EIG in 1980, Mr. Prescott worked as a fund manager for Henry Schroder Wagg & Company Limited (now Schroders). He began his career in 1967 at Harmood Banner & Company (now PricewaterhouseCoopers). Mr. Prescott was previously a member of the Association of British Insurers' Investment Committee and currently holds a number of non-executive appointments.

Mr. Prescott received a Bachelor of Arts degree in Spanish and French from Queen Mary College at the University of London. He is also a qualified chartered accountant and a Fellow of the Institute of Chartered Accountants in England and Wales.

Michael Frith
Independent Non-Executive Director

Michael Frith joined Qatar Re's Board in 2019 and is a Member of its Audit Committee. Mr Frith currently serves as an independent director on a number of Bermuda incorporated companies in the insurance and finance sector. He is Senior Counsel at a major Bermuda law firm, and Managing Director of the corporate services business and is a former Director (Partner) at a major Bermuda law firm, where he practiced for over 16 years.

His legal practice focuses on all aspects of Bermuda corporate law, including all types of Bermuda corporate structures, equity and debt financings (public and private), IPOs. Michael has particular experience advising on the formation and ongoing regulatory and transactional requirements of all types of Bermuda corporate and insurance structures, including commercial insurers and reinsurers (both life and non-life), captive insurers, ILS structures (including collateralised reinsurers, sidecars and cat bonds), segregated account companies and insurance intermediaries on regulatory and transactional matters.

In 2019, Mr Frith served as Advisor to the Bermuda Registrar of Companies, advising on the development and implementation of the Economic Substance Act 2018, and related Regulations and Guidance Notes. Michael also serves on the Economic Substance Task Force, providing industry advice to the Minister of Finance in relation to the economic substance requirements.

Mr Frith has been a member of the Insurance Advisory Committee since 2011, advising the Minister of Finance on matters relating to the development and regulation of the insurance industry in Bermuda.

Mark Graham
Non-Executive Director

Mark Graham joined the Board in March 2020. Mr. Graham was appointed Chief Risk Officer for QIC in January 2016. This new role comprises Group-level responsibility for Risk Management, Exposure Management, Actuarial, Capital Modelling, Compliance and Corporate Governance. At the time of QIC's acquisition of Antares in 2014 he was Chief Risk Officer and Chief Operating Officer, a position he had held since joining Antares in 2012. Prior to joining Antares, Mark headed his own company, Acuitas Consulting Ltd, which provided strategic and operational advice to insurance businesses in the London market.

Mr. Graham previously spent ten years working for Chaucer Holdings PLC, a FTSE-250 listed company, initially as Group Actuary and later as Chief Financial Officer. Prior to his time at Chaucer, Mark was Chief Actuary at Ashley Palmer Ltd. He started work in the insurance industry in 1987, having completed a BSc in Geophysics and an MSc in Mining Geology and Mineral Exploration. Mark is a Fellow of the Institute of Actuaries.

Michael van der Straaten
Executive Director and Chief Executive Officer

Michael van der Straaten held the position of interim Chief Executive Officer from January 2019 and was confirmed as Chief Executive Officer and appointed to the Board as an Executive Director in April 2019.

Mr van der Straaten began his career at Lloyd's as a box manager and non-marine property treaty underwriter. Mr van der Straaten joined Qatar Re in December 2016 from Chubb Tempest Re where he held the role of Deputy Head of London and Head of Casualty, overseeing the development of the international casualty and motor portfolios. Prior to this, Mr van der Straaten held various underwriting positions with a primary focus on casualty lines alongside wider management responsibilities.

Mr van der Straaten was initially appointed as Deputy Chief Underwriter but was promoted on 14 March 2017 following a decision of the Board on 14 February 2017.

Sandeep Nanda
Executive Director and Chief Financial Officer

Sandeep Nanda was appointed to the Board in April 2019. In April 2019, Mr Nanda was confirmed as Mr Sutlow's replacement as Chief Financial Officer. Mr Nanda also succeeded Mr Sutlow as Chief Financial Officer for QIC Global.

Mr Nanda has over 23 years' experience in financial services including extensive experience across the spectrum of financial services, including portfolio and treasury management. Mr Nanda joined QIC in 2003 to head the investment and treasury function and during his tenure the investment assets have grown multi fold to about USD 2.5 billion. He is responsible for the day to day management of the department. Prior to joining QIC, Mr Nanda was with TAIB Bank EC, a leading global investment bank based in Bahrain, prior to which he was with Deloitte as a Chartered Accountant. Mr Nanda qualified as a Chartered Accountant in 1992 and is a member of the Institute of Chartered Accountants in India and also holds a B.A. (Hons) in Commerce from the University of Delhi. Mr Nanda has over 15 years' experience of working in the Middle Eastern Markets and has a wide ranging knowledge of local Qatari equity markets as well as GCC region stock markets.

Faraz Khalid
Executive Director and Chief Risk Officer

Faraz Khalid was appointed Executive Director and Chief Risk Officer for Qatar Re in May 2020. Prior to this, Mr Khalid was the QIC Global, Head of Risk Management and QEL Director of Risk Management, a role he has held since 2018. He was also the Head of Risk Management at Antares Managing Agency Limited, a sister company of Qatar Re. At the time of QIC's acquisition of Antares in 2014, he was appointed a lead on the group wide ERM project and interim Head of Group ERM and Senior Vice President for QIC Group. Mr. Khalid has taken an active role in various London market initiatives including his membership of the Lloyd's Market Association (LMA) Chief Risk Officer (CRO) Committee. Prior to joining Antares, Mr Khalid spent 8 years working in the Risk Assurance Services with PricewaterhouseCoopers London.

Mr Khalid is a Fellow Chartered Accountant (FCA) with the Institute of Chartered Accountants in England and Wales (ICAEW) and he holds MSc. Business Information Technology Systems from the University of Strathclyde Glasgow. Mr. Khalid is a Certified Information Systems Auditor (CISA) from ISACA U.S.A and he has completed the Lloyd's of London Leadership Programme from London Business School.

Senior Executives

Michael van der Straaten
Executive Director and Chief Executive Officer

Mr. van der Straaten's biography can be found in the section above.

Luke Roden
Chief Underwriting Officer – Short Tail Classes and Head of Ceded Reinsurance

Luke Roden has a track record of developing and maintaining large, profitable portfolios of treaty reinsurance business over the last 25 years and has been central to the development of the Company since his appointment in 2012. Mr. Roden has lived and worked in North America, Europe, Bermuda and the Middle East during his career. He is now responsible for all short tail classes of business underwritten by the Company. He is the Head of Ceded Reinsurance and, until 21st February 2020 was also the Company's Principal Representative ("PR") in Bermuda; the PR role is currently held by Jennifer Crayford[5].

Faraz Khalid
Chief Risk Officer

Mr. Khalid's biography can be found in the section above.

Sandeep Nanda
Chief Financial Officer

Mr. Nanda's biography can be found in the section above.

Pantelis Koulovasilopoulos
Chief Underwriting Officer – Long Tail & Specialty Lines

Pantelis Koulovasilopoulos joined Qatar Reinsurance Company Limited in 2017 as Deputy Chief Underwriting Officer for Long Tail and Specialty and was subsequently appointed Chief Underwriting Officer for Long Tail and Specialty in April 2019. Mr Koulovasilopoulos has over 25 years' experience in pricing and modelling risk for a broad range of products and markets across both insurance and reinsurance.

Prior to joining Qatar Re he was Chief Actuary for Chubb Tempest Re (previously Ace Tempest Re) where he was responsible for the management and oversight of all actuarial matters for the firm's activities outside of the Unites States of America, Canada and Bermuda. He was also previously the Group Chief Pricing Actuary for Aspen and Chief Pricing Actuary for Zurich Global Corporate UK.

Pantelis is a Fellow of the Institute and Faculty of Actuaries and a member of the London Market Actuaries Group. He was also appointed as Chief Executive Officer for QIC Europe Limited in November 2019.

5 Jennifer Crayford was approved by the BMA as PR with effect from 17th March 2020. Due to Group supervision, Jennifer Crayford is the PR for Qatar Re Insurance Company Limited and Qatar (Bermuda) Group.

Ben Train
Loss Reserve Specialist and Group Actuary

Ben Train was appointed as the Loss Reserve Specialist and Group Actuary on 21st November 2019. Ben is an Associate Director of Willis Towers Watson and joined the UK team in 2012. In 2019 Ben moved to the Bermuda office.

Over this time, Ben has gained a wide range of experience in loss reserving, capital modelling and reinsurance pricing. He has worked across multiple jurisdictions including the UK, Bermuda, Middle East, Gibraltar and the US, and has delivered assignments for insurance and reinsurance companies, captives and Lloyd's syndicates.

Ben has in-depth reserving experience in the key geographies and exposures that are written by Qatar Reinsurance Company. A particular focus of his work has been the UK Motor market where he has carried out reserve reviews for a number of entities both for direct and reinsurance business. He has been heavily involved with producing reserving methodologies and assumptions to allow for the impact of the changing Ogden discount rate and has carried out impact assessments for several insurance and reinsurance companies.

Jennifer Crayford
Compliance Officer and Company Secretary (Principle Representative)

Jennifer Crayford was appointed by the Board of Directors as Key Function Holder for Compliance with effect from 13th February 2020 and as Company Secretary of the Company with effect from the 21st April 2020. She was also approved by the BMA as Principal Representative for Qatar Re Insurance Company Limited and Qatar (Bermuda) Group effective 17th March 2020.

Prior to joining Qatar Re, Mrs Crayford was Senior Compliance Analyst and Assistant Company Secretary at Renaissance Re Europe AG (Previously: Tokio Millennium Re).

3.3 Risk Management and Solvency Self-Assessment

3.3.1 Risk Management Processes and Procedures

Risk management is a continuous process that is used in the implementation of the business strategy and allows for an appropriate understanding of the nature and significance of the risks to which the business is exposed, including sensitivity to those risks and its ability to mitigate them.

Qatar Re has an embedded Risk Management System ("RMS") that is designed to assess, control, and monitor risks from all sources for the purpose of increasing short and long-term value to the stakeholders.

Risk governance is a major component of the overall risk framework and provides for clear roles and responsibilities in the oversight and management of risk. It also provides a framework for the reporting and escalation of risk and control issues across the Company. Qatar Re's governance framework is built using a 'three lines of defence' model which is highlighted in Figure 3.3.1 below.

Figure 3.3.1: Three lines of defence model

1st line of defence	2nd line of defence	3rd line of defence
• Risk owner (operational management) • Internal control owners	• Compliance • Risk • Actuarial	• Internal audit • External audit
Responsible for managing the risk through deployment and execution of controls and management oversight.	Independently reports on 1st line of defence activities. Reporting typically involves bringing independent perspective or challenge.	Independently provide assurance over the process.

The Risk Management Framework is implemented and integrated through the various committees, processes and procedures. These processes contribute towards Qatar Re's solvency self-assessment, which seeks to identify and measure all material risks to which the Company is exposed, informing the decision-making process.

The Risk Management Framework is underpinned by three distinct yet interrelated pillars:

- Capital Management;
- Exposure Management; and
- Risk Management.

This allows for an integrated approach to the management of all identified material risk categories.

The risk management framework at Qatar Re's subsidiaries is largely consistent with the risk framework of Qatar Re. During 2019, significant activities were completed to streamline the risk management framework across the Qatar Re Group and this area will be further enhanced during 2020.

This section provides an overview of the key aspects of the overall Risk Management Framework in place within Qatar Re, including the processes and procedures used to identify, assess, control and mitigate risks.

Risk register

The risk register provides the overall risk profile of Qatar Re and includes the following risk categories:

- Insurance underwriting risk
- Investment, liquidity and concentration risk
- Market risk
- Credit risk
- Operational risk
- Group risk
- Strategic risk
- Reputational risk
- Legal/litigation risk

Separate risk registers are maintained for each of Qatar Re's subsidiaries, with a consistent approach to risk attestation and assessment.

Risk owners are required to assess the inherent and residual risk position using standardised assessment ratings. As part of the risk and control self-assessment, the risk owners have responsibility to identify and assess the design and performance of the key controls in place to mitigate the impact and probability of each risk event occurring. The key controls and their ratings are documented in the risk register, discussed with the control owners quarterly and updated by the Risk Function, who also challenges the assessment.

The assessment is subject to a quarterly attestation process with independent oversight provided by the Risk Function. Output from the assessment and key changes to the risk profile are reported to and reviewed by the Risk and Capital Committee with escalation to the full Board as appropriate.

Capital model

Qatar Re has developed its own internal stochastic risk model, which is used to calculate the Company's own view of the economic capital required to support its business plan and to meet its strategic objectives. The model is a critical component of the overall risk management framework and feeds into a number of the other risk assessment processes. The model is calibrated at the 1-in-100-year or 99% tail value at risk ("TVaR") confidence level over a one-year time horizon, which represents the average profit or loss arising from the worst 1% of all simulations. The model assesses the Company's solvency by analysing its one-year profit and loss distribution, including cash flows projected to ultimate on a consolidated and standalone basis.

During the period, a number of model enhancements and revisions were delivered.

Exposure management

The main risk faced by the Company is insurance risk, and the largest component of that risk arises as a result of natural perils. To measure and monitor its exposure, Qatar Re has built its own database and reporting tool, called Mercator, which is an evolution and rebranding of the original Exposure Management Tool. Mercator is under constant development. Mercator is also used as a data repository for peril/region exposure on a per policy basis.

Different approaches are taken to natural peril catastrophe and non-natural peril catastrophe exposure management:

- Natural peril catastrophe exposure is monitored on a frequent basis through accumulation monitoring of the Company's 1-in-250-year event loss to key peril scenarios in key peril regions. Qatar Re recognises that the 1-in-250-year event loss does not capture the whole distribution of possible losses and therefore also monitors the full exceedance probability curve for a variety of return periods, assessing the loss severity around the 1-in-250-year loss and a stacked limits view of exposures.
- Non-natural peril catastrophe exposure is measured by reference to line of business specific Realistic Disaster Scenarios (RDS), where the methodologies used and scenarios run depend on the nature of the business underwritten.

Emerging risks

Emerging risks are risks that have not yet been fully understood or classified. Emerging risks are evaluated through the lens of the broader risk appetite and risk tolerance statements. The Chief Risk Officer, with input from the wider management team, identifies and prioritises emerging risks for assessment. An emerging risk register is maintained and the most material emerging risks are included in the regular risk reporting.

Risk reporting

The RCC receives a quarterly risk report that covers the following core risk information:

- Exposures against risk appetite and tolerances
- Results of quarterly self-assessment on risk register control activities
- Emerging risks
- Material operational risk events (and near misses)
- Any proposed changes to the Risk Management Framework

Management information framework

A management information framework has been established which facilitates monitoring of the following key areas:

- Achievement of strategic objectives
- Business performance
- Investment performance and liquidity
- Concentration exposures
- Reserving adequacy
- Capital requirements
- Material risks faced by the business
- Risk appetite and tolerance
- Effectiveness of the control environment
- Material outsourced functions
- Compliance with laws and regulations

3.3.2 Implementation and Integration of Risk Management and Solvency Self-Assessment Systems

The Risk Management function is responsible for developing, implementing and maintaining the Risk Management Framework and associated policies across the Company. The Risk Management Framework is implemented and integrated through the various committees, processes and procedures described under section 3.3.1. These processes contribute to solvency self-assessment, supporting the identification and measurement of all material risks to which the Company is exposed and informing the decision-making process.

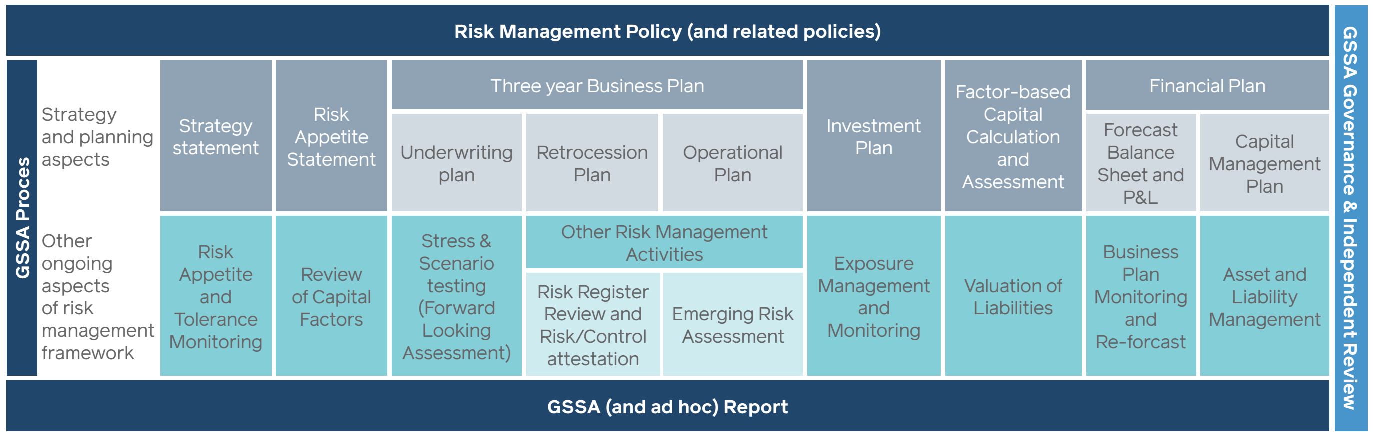
The solvency self-assessment processes operate throughout the year. The Group Solvency Self-Assessment ("GSSA") report summarises the output for the Board and management on an annual basis, and more frequently if the output self-assessment changes materially. The continued validity of the GSSA report is reported to the RCC quarterly.

The key processes forming part of the overall solvency self-assessment process are shown in the figure below.

The RCC and/or Board are involved in a number of activities which contribute to the GSSA. This involvement includes:

- Business planning
- Setting of risk appetite and tolerance statements
- Approval of major changes to the internal capital model
- Review of risk management reporting, including exposure management, risk and control self-assessment, risk events and emerging risks

Figure 3.3.2 Qatar Re Group GSSA Processes



3.3.3 Relationship between Solvency Self-Assessment, Solvency Needs and Capital and Risk Management Systems

Each element of the Company's Risk Management Framework contributes to the solvency self-assessment. The solvency self-assessment process is used by the directors and management to stay informed about the adequacy of the Company's risk management, economic and regulatory capital and current solvency position. It is used extensively to support the decision-making process in areas including: business planning; outwards retrocession analysis; portfolio management; development of appropriate contingency arrangements; and plans and to prioritise risk mitigation actions. The self-assessment process supports the identification of the key risk drivers of required capital and facilitates comparisons of alternative strategies to optimise the return on capital.

The business plan is prepared over a one-year and three-year horizon. The business plan is aligned with the risk appetite statements, which define the type and amount of risk Qatar Re is willing to accept and manage, along with the types of risk to avoid. The Company's own view of the associated capital requirements is also considered.

3.3.4 Solvency Self-Assessment Approval Process

The GSSA Report is prepared by the Risk Function with contributions from other areas of the business. It is signed by the CRO and reviewed and approved by the RCC. This approval process is consistent with the Three Lines of Defence approach to risk management, with the report prepared by the second line (Risk) and reviewed by other second line functions – e.g. Compliance – prior to approval. Input from the first line is provided through the risk and control assessment process, and a review by the third line (Internal Audit) of the GSSA processes on a periodic basis.

3.4 Compliance Function

The Compliance Function acts in an advisory, oversight and assurance capacity to ensure that the Company has the necessary systems and controls to enable it to adhere, on an ongoing basis, to regulatory and legislative requirements. It ensures that all staff receive adequate training on various compliance-related matters, and that business is written in accordance with applicable licensing requirements. The Compliance Officer maintains an open and cooperative relationship with regulators and is responsible for promoting and embedding a culture of compliance and integrity throughout the Company. A Compliance Report is prepared quarterly for the Board.

3.5 Internal Control Framework

The internal control framework seeks to mitigate risks, protect policyholders and limit the likelihood of losses or other adverse outcomes, as well as providing a framework for the overall management and oversight of the business. Controls can take a variety of different forms, including but not limited to the following:

- Approvals and authorisations
- Policies and procedures
- Reconciliations and verifications
- Authority limits
- Management reporting
- Peer reviews

Key controls are captured within the risk register and assessed as part of the risk and control assessment process described in section 3.3.1. The specific responsibilities of the Company's internal control functions are documented in the Governance and Internal Control Policy, and comprise the following functions:

- Compliance;
- Risk;
- Actuarial; and
- Finance.

Internal and external auditors play a key role in the oversight and assessment of the overall control environment. Findings from audits are shared with and discussed by the Audit Committee and contribute to risk assessment and solvency self-assessment processes.

3.6 Internal Audit Function

The Internal Audit function is segregated from all operational functions and provides independent assurance on the effectiveness of the risk management, internal control and governance frameworks. It has unrestricted access to all areas of the organisation so as to effectively carry out its duties. Internal Audit is overseen by the Audit Committee which approves an annual internal audit plan. Findings and action points arising from each review are discussed with the relevant business areas and reported to the Audit Committee.
The Internal Audit Function is outsourced to PricewaterhouseCoopers AG (PwC) under an arrangement approved by the BMA.

3.7 Actuarial Function

The Actuarial Function was previously led by the Qatar Re Chief Actuary. During the course of 2019 this role was absorbed into the services provided by QGSL and the Actuarial Function was led in the interim by the Group Chief Risk Officer. During the early part of 2020, the Group Chief Actuary took over responsibilities of the Actuarial Function for QGSL, with the support of Actuarial Function Holders for each regulated entity. In addition to the Group Chief Actuary, the Actuarial Function consists of a number of teams and individuals which have largely been unchanged over 2019.

The Group Chief Actuary provides oversight of actuarial activity, ensuring that relevant standards are met, while also supporting strategic projects and providing guidance to the senior executives and the Board. The key responsibilities of the Actuarial Function include:

- Technical provisions – calculate the technical provisions and report to the Board on technical provisions in line with regulatory requirements;
- Pricing analysis – support the underwriting process with actuarial pricing of risks;
- Risk management – support the effective implementation of Qatar Re's risk management framework

The Group Chief Actuary is a qualified actuary and a Fellow of the UK Institute and Faculty of Actuaries (FIA 1999) and of the French Institut des Actuaires (ISFA 1992). He has more than 20 years of experience working in general insurance and reinsurance. The Group Chief Actuary has a direct reporting line to the Qatar Re CEO. The teams supporting the Actuarial Function also consist of suitably qualified and experienced people.

The Loss Reserve Specialist Opinion for the Company is outsourced externally to Willis Towers Watson.

3.8 Outsourcing

3.8.1 Outsourcing Policy

The Company has established a Board-approved Outsourcing Policy which applies to all internal and external outsourcing arrangements. This policy describes how all outsourcing arrangements are arranged, overseen, monitored and managed and this framework is provided by Compliance. Outsourcing is used to complement the Company's overall business strategy, objectives and risk appetite and will only be considered where it offers improved business performance, both operationally and financially. Qatar Re has no appetite for outsourcing arrangements that it considers will result in an increased level of risk exposure and place the Company outside of its risk appetite and tolerance.

Qatar Re continues to be responsible and held accountable for the performance and delivery of any outsourced activities. The Company recognises the inherent risks associated with the outsourcing of its activities and acknowledges the importance of implementing robust controls.

3.8.2 Outsourced Functions

The Company's material outsourced activities are detailed below.

Internal Audit – PricewaterhouseCoopers (PwC)

Qatar Re currently outsources its internal audit activities to PwC. The Internal Audit function reports directly to the Audit Committee and administratively to the Compliance Director. Where the Compliance Director may be conflicted, the CRO assumes this role.

Investment managers and advisors – QEA

Qatar Economic Advisors S.P.C. ("QEA"), a wholly-owned subsidiary of QIC, have been appointed as investment advisors for Qatar Re. QEA provides the Company with a range of investment Management and advisory services under an Investment Advisory Agreement, which outlines the authorities granted, together with an Investment Mandate, which provides more specific investment guidance.

The asset mix is closely managed in line with the investment mandate to meet liquidity needs and investment return targets while maintaining an appropriate risk profile within the portfolio. Sufficient funds are held in cash and term deposits to meet short-term liquidity needs. These are held with a variety of financial institutions mainly in Qatar. Individual limits are established for each institution to provide diversification and management of credit risk. Qatar Re's principal clearing bank is a major UK-listed international banking group, which provides clearing facilities in all the jurisdictions in which Qatar Re operates. Fixed income securities are held with a number of global custodians, principally based in Switzerland. Qatar Re's small portfolio in funds is allocated in both GCC Equity funds and other alternative funds.

QEA is overseen by the Chief Financial Officer and provides direct reports to the Board. The Clearwater investment monitoring and reporting tool is now in place which allows the finance team to independently monitor performance and compliance with investment mandates.

Towards the end of Q2 2020, the investment agreement has moved from QEA to another group subsidiary called, Epicure Investment Management LLC.

Investment managers and advisors – external

The investment management arm of a major international banking group has been appointed as investment managers with a specific mandate to invest a portfolio of approximately USD 300 million in fixed income investments.

The relationship with the investment manager is overseen by the Chief Financial Officer.

4 RISK PROFILE

4.1 Material Risk Exposures and Risk Mitigation

Qatar Re has adopted the following material risk types in order to explain the potential sources of risk and the associated philosophy surrounding these risks:

- Insurance risk
- Investment, liquidity and concentration risk
- Market risk
- Credit risk
- Operational risk
- Group risk
- Strategic risk
- Reputational risk
- Legal/litigation risk

This sets the framework for the calibration of the Company's risk appetite and risk tolerances.

The Company has established a framework of internal controls, which seeks to mitigate risks and limit the probability of losses or other adverse outcomes as well as providing a framework for the overall management and oversight of the business.

The controls are rated according to their effectiveness of both design and operation, with independent challenges provided by the Risk function. The Internal Audit function provides independent assurance on the performance of the controls.

If a new risk is identified, it is assessed, measured and managed through the establishment of internal controls, with regular monitoring through the Risk Management Framework. The various risk mitigation techniques are regularly assessed to ensure they are appropriate to the nature and scale of the risks assumed.

The risk register captures the key controls for each risk and records the assessment of the effectiveness of each control as determined by the risk and control owners. Controls are rated on a red/amber/green basis.

The Company's material risk categories are outlined below. Details of the QEL and Gibraltar Insurers material risk exposures and risk mitigation activities, which are consistent to that implemented at Qatar Re, can be found in the relevant Solvency and Financial Condition Report ("SFCR") for each company, which are available on the relevant websites.

4.1.1 Insurance risk

Insurance risk is Qatar Re's most significant risk. The principal risk associated with insurance contracts underwritten by the Company is that the actual claim payments or the timing thereof differ from expectations. This is influenced by the frequency and severity of claims and subsequent development of long-tail claims. The book is balanced between low frequency and high severity lines of business, and other lines of business which experience more attritional losses. Exposures are limited through defined underwriting limits and by purchasing reinsurance. The high-severity-low-frequency exposure mostly relates to natural catastrophe perils in the United States. The largest exposure to attritional losses is through the proportional UK motor portfolio, which is protected through the purchase of excess of loss reinsurance.

Insurance risk can be broken down into underwriting, catastrophe and reserve risk.

The main underwriting and reserving objectives are to ensure that:

- Risks are sufficiently identified and understood on contracts prior to accepting business.
- Policies are sufficiently priced so as to cover any future losses.
- Sufficient reserves are available to cover these liabilities.

Qatar Re purchases both treaty and facultative reinsurance to reduce the risk of excessive claims volatility. It enters into reinsurance arrangements within defined limits to ensure that the exposure to counterparty credit risk arising out of reinsurance arrangements does not exceed the defined risk appetite and tolerance statements. It ensures that the reinsurer provides adequate security by partnering with strongly rated reinsurers and ensuring that full collateralisation is in place for non-rated reinsurers. The Outwards Reinsurance team (Ceded Re) maintains a list of approved reinsurers. The Outwards Reinsurance Guidelines documents the procedure for the purchase of reinsurance.

Underwriting risk

Underwriting risk relates to the unexpired risk on business already incepted or bound and reflects the risk that premiums are not sufficient to cover future losses. Underwriting risk arises as a result of differences in the frequency and severity of claims compared to the Company's expectations. Exposures to underwriting risk are measured and monitored through a range of RDS as part of the Exposure Management Framework.

The Company mitigates exposure to underwriting risk through a robust suite of underwriting controls, which include defined limits, pricing models, peer review processes and oversight from the Underwriting and Portfolio Management Committee (UPMC). A number of controls which mitigate against the risk of inadequate pricing and risk selection are in operation. These controls are assessed and documented within the risk register, including:

- The underwriting business plan approval process;
- UPMC portfolio review and performance monitoring;
- Underwriting authority letters;
- Loss watch list which acts as an early warning system to identify potential losses;
- Documentation and challenge of pricing rationale;
- Pricing model governance and controls;
- Pricing data quality checks.

Catastrophe risk

Catastrophe risk arises primarily from property catastrophe and other property business lines. Catastrophe risk exposure is managed through the exposure limit framework, which is monitored using analysis from Mercator, with oversight from the UPMC. The Exposure Management Framework provides for real-time aggregate limit monitoring (both frequency and severity) for policies entered on the underwriting system to reduce the risk of unforeseen accumulations arising with modelled portfolio roll-up activities taking place at least quarterly. Event limits are set by peril and region within the underwriting guidelines for all countries where business is written.

Natural catastrophe exposure is monitored using both a stochastic approach (measuring the 1-in-250-year Occurrence Exceedance Probability ("OEP") value at risk ("VaR")) to determine the probable maximum loss ("PML"). The Company uses probabilistic vendor models for most important peril region scenarios. Actuarial methods are used to determine loss frequency and severity for peril regions where no vendor model is available. For perils/regions where Qatar Re has limited exposure, it uses statistical software to increase the number of loss events analysed by Monte Carlo simulation. The outcome of this assessment shows that the Company's largest exposures are to US South Coast windstorms. There are also material exposures to non-US perils.

Non-natural peril catastrophe exposure is monitored through RDS, which are defined for each line of business. A suite of scenarios with different frequency and severity assumptions has been defined to make assessments on the tail risk. The return period associated with each scenario is determined by expert judgement and, where available, by considering relevant historical observation points.

Reserve risk

Reserve risk arises from the inherent uncertainty surrounding the adequacy of the reserves or technical provisions set aside to cover insurance liabilities. The risk is that the current reserves (including incurred but not reported ("IBNR") reserves) are not sufficient to cover the run-off of the claims which have already occurred. The main contributor to reserve risk is non-proportional casualty business (which is longer tailed than other lines of business).

Reserve risk exposure is managed within the Actuarial function and through defined reserving best practices, which are overseen and approved by the Reserving Committee. A number of controls are in place to ensure that reserving processes are adequate and that reserving data is complete and appropriate. These controls are assessed and documented within the risk register, including:

- Reserving policy outlining standards and target reserve strength;
- Reserving Committee review, challenge and determination of management best estimate;
- Underwriter review and challenge of reserves;
- Independent opinion on reserves.

In addition to the specific management of underwriting, catastrophe and reserve risk management as described in this section, the company also measures and monitors these risks though the quarterly assessment against risk appetite, and tolerance statements and quarterly self-assessment on risk register and control activities. The Company analyses the output from the internal model to understand the relative capital requirements and modelled uncertainty surrounding the portfolio by line of business.

4.1.2 Investment, Liquidity and Concentration risk

Investment risk

Investment risk can arise as a result of implementing an inappropriate investment strategy. The investment strategy is tailored to meet the Company's business needs, objectives and regulatory requirements. Qatar Re's investment mandate is intended to limit its exposures to market risk and volatility, and the adherence to these guidelines and their continued suitability are overseen by the Board. In particular, exposure is limited to assets such as private equity, real estate, hedge funds and other (non-fixed income/non-equity) managed funds. The investment mandate is heavily weighted towards fixed income and cash deposits.

The Board approves and monitors the implementation of the investment mandates by the investment advisors. An update on the investment portfolio is included in the Board meeting materials. Asset allocations are compared to minimum and maximum allocations and constraints per the investment mandate and risk appetite and tolerance statements to ensure compliance.

Liquidity risk

Liquidity risk arises when the Company is unable to meet payment obligations as and when they fall due. This risk is measured by assessing the appropriateness of the controls in place to monitor and manage liquidity risk exposure and supplement this with cash flow analysis arising from stress testing exercises. Liquidity risk is managed through the overall investment strategy, which is focused on allocations to more liquid instruments and wider monitoring of the overall liquidity profile of the investment portfolio. The overall investment portfolio is considered very liquid. The actuarial team also provides information to the investment advisors on a quarterly basis relating to the maturity profile of the insurance liabilities in order to facilitate appropriate asset allocations.

Concentration risk

Concentration risk can arise when the investment portfolio is not appropriately diversified across counterparties, geographical regions and industries. Concentration risk is measured with reference to Qatar Re's risk appetite and tolerance statements, which limit the concentration of asset holdings on a regional, country and counterparty level. To mitigate against concentration risk, the concentration of asset holdings on a regional, country and counterparty level are maintained by reference to the risk appetite limits.

4.1.3 Market risk

Market risk can cause the Company to suffer losses due to unfavourable financial market developments. Market risk arises as a result of foreign currency exposures, interest rate and default risk on the fixed income portfolio, and equity price risk as a result of the equities within the investment portfolio.

As at 31 December 2019, around 46% of the fixed income portfolio of Qatar Re on a standalone basis was invested in entities rated "A" or better. The Company's allocation to equities/alternatives is less than 3% of the overall investment portfolio including cash deposits. The Company uses hedging arrangements to mitigate against unfavourable foreign exchange and interest rate movements.

4.1.4 Credit risk

Credit risk arises from underwriting and investment activities. This represents the risk of counterparties defaulting and not being able to make payments, resulting in losses to Qatar Re. A credit risk event can occur due to the failure of reinsurers to settle claims in full or the failure of a broker, agent or banking provider.

The Ceded Re team actively monitors exposure to single reinsurance counterparties. To minimise exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk. Minimum security ratings or collateral requirements are in place for reinsurance counterparties. Work is currently ongoing to extend the existing Security Committee oversight across all the group entities.

All brokers, and manging general agents providing service to the subsidiaries, are subject to due diligence procedures and, depending on the significance, frequent reviews and/or specific ongoing oversight activities. The technical accounting department prepare and monitor aged debt reports, establishing provisions for amounts which are not expected to be recovered due to default. Exposure to brokers is captured within a dashboard by the underwriting department.

An approval process is in place for accepting all new banking counterparties, with minimum security ratings also in place. The security rating of all banking and custodian counterparties is monitored on an ongoing basis.

4.1.5 Operational risk

Operational risk arises from inadequacy or the failure of processes, people or systems, or from external events that impact the operational capability of the Company. Qatar Re monitors operational risk exposures through its risk register and emerging risk processes, which are overseen by the RCC. The risk register and emerging risk processes also cover strategic risks, reputational risks and legal and litigation risks.

Qatar Re seeks to manage operational risk exposure through the implementation of a robust internal control framework and an effective governance framework, as described in detail in section 3. An effective business continuity plan and disaster recovery plans have also been established.

4.1.6 Group risk

Group risk represents the risks arising as a result of being part of an insurance group, including exposures resulting from intra-Group transactions. It arises from the relationship with the ultimate parent company, including the reinsurance cover provided by QIC and the dependence on the parental guarantee and Group credit rating. These risks are managed by the CEO.

Operational dependency on the parent reduced significantly since the Company's redomicile to Bermuda, with the QEA relationship being the only remaining material intra-Group outsourcing arrangement from that time. As mentioned in 2.8.1, QGSL became a service provider to the Company with service agreements being put in place during 2019.

Financial dependence has also reduced, notably with the successful Tier 2 capital raise in 2017 of USD 450 million that has supported the reduction of the whole account group quota share, reducing from 70% in 2016 to 50% in 2017 and 30% in 2018 and 2019, and other strategic activities. The Company remains integral to, and dependent on, the QIC Group credit rating. QIC's international operations (including Qatar Re, its subsidiaries and Antares) together generating approximately 80% of the QIC Group's gross written premium.

4.1.7 Strategic risk

The risk of business strategy failure is mitigated through the review and sign-off of the business plan by the Board and alignment of the business plan, risk appetite, capital requirements and underwriting guidelines. Formal communication of the business plan is provided to the Company's underwriters and business partners. As outlined in section 3.2, the Company ensures that Board members and senior executives are fit and proper to discharge their responsibilities, which includes providing the necessary strategic direction. Stress and scenario testing helps to identify and assess the risks to the business plan.

4.1.8 Reputational risk

The risk of adverse publicity is mitigated through the effective corporate governance framework and Board oversight of the Company's strategies, policies and risk appetite. Risk management is fully integrated into the business planning process, and there is a strong culture of compliance with laws and regulations and risk awareness throughout the Company.

4.1.9 Legal/litigation risk

As described under section 3.4, the Compliance Function provides expert guidance on current and proposed regulatory requirements in the jurisdictions in which the Company operates. The legal team performs ongoing monitoring of material changes in laws and regulations to ensure the impact of any changes is communicated to relevant parties. It also plays a significant role across a number of activities, including the drafting and review of company policies, management of claims disputes and review of outwards reinsurance transactions.

4.2 Monitoring the External Risk Environment

We continuously monitor the wider external risk environment, which includes emerging risks identified through the emerging risk process, as outlined in section 3.3.

The following risks have been identified as having a potential High or Medium impact on the business, and have led to implementation of associated mitigation and contingency planning:

- Non-Underwriting Cyber Risk (High)

This risk is one that is part emerging risk, part emerged risk. Given the retail nature of the subsidiaries, the risk is heightened and to address this emerging risk, QGSL formed an Information Security Group which is chaired by the Chief Risk Officer. The group agrees, prioritises and reviews all information security related matters and reports to the QGSL Board. A gap analysis of the BMA's Code of Conduct has been carried out and any gaps are being addressed with the Information Security Group. A cyber strategy has been created, which is based on the National Institute of Standards and Technology ("NIST") Cyber Security Framework. An Information Security Management System has been developed and will be used to prioritise and review the progress of Qatar Re's cyber maturity improvement process using the NIST cyber maturity assessment model. The cyber strategy aims to embed cyber security in all activities of the organisation in addition to introducing a risk based governance framework.

- Brexit (Medium)

At a QIC Global level, Brexit is a medium risk given the diverse platforms available within the Group. For QEL, Brexit is a greater risk, primarily due to cross border business into the UK and the status of the London branch. This emerging risk is being monitored and discussed by the QEL and Qatar (Bermuda) Group management on an on-going basis. The key influencing factors in QEL's preparation for Brexit is the evolving political landscape and the updates which are provided by the Government and the Regulators.

However, in preparation for the extreme case, where the final outcome of the trade negotiations is different to the current expectation, the QEL Board has authorised the management to establish a third country branch, under the Temporary Permissions Regime ("TPR"), for continuing to underwrite and service insurance business in the UK from the end of 2020.

The breadth of the Qatar (Bermuda) Group provides additional avenues for the management to continue underwriting and servicing the UK portfolio through other entities within the Group. The management, in close liaison with the Regulators, will continue to explore the feasibility of such measures based on the progress of the trade negotiations between the UK and the EU.

- Tax reform (Medium)

Tax reform generally stems from the OECD, the EU and the US. All are of relevance to the Group. New EU rules on cross-border activity are likely to bring some onerous administrative requirements and implementation of OECD guidance may drive changes in tax related matters. 'Digital' related tax matters are an area of uncertainty and potentially significant risk. More broadly, international tax is already an understood risk, and planning and mitigation in relation to known current tax risks is an ongoing activity, led by the QIC Global Head of Tax.

- Underwriting environment – Cyber (Medium)

The Company has very limited appetite for explicit cyber cover, with all cyber specific contracts currently in run off. With other non-cyber specific reinsurance contracts, our intention is to require the inclusion of a cyber exclusion clause wherever possible. All contracts that do not include a cyber exclusion clause require review by the CUO in advance of accepting the risk. All active policies with cyber exposures – either explicit or silent – are recorded within Quantum, with monitoring and analysis provided by Exposure Management. Management will continue to further strengthen and streamline the cyber underwriting framework across all entities.

Apart from the emerging risks above, Qatar Re is also closely monitoring a set of trends that could possibly have an impact on its business, such as:

- Middle-East political situation
- Evolving Group restructuring
- Changing underwriting environment: big data, changing motor technology and legislative change
- Regulatory change

4.3 Material Risk Concentrations

The Company's Board-approved risk appetite and tolerance statements govern the concentration limits in relation to counterparties, credit quality and geographical locations so as to avoid any material risk concentration. The Risk Function, in liaison with the business areas and risk owners, performs a qualitative and quantitative assessment of exposures against the defined appetite and tolerances on a quarterly basis.

In addition to the appetite and tolerance limits there are a number of different managerial level limits that are used across different functions to manage risk exposures within the approved risk appetites. For example, investments are managed within the scope of the approved Investment Mandate. Regular reporting of asset positions against the mandate is performed and monitored by the Board.

Similarly, for underwriting risk, catastrophe capacity is allocated across key perils/regions. Usage of these allocated limits is then monitored on a monthly basis and overseen by the UPMC. Mercator, the Company's exposure management tool, provides monitoring of aggregate risk exposures by peril and region.

4.4 Investment of Assets in Accordance with the Prudent Person Principle

The investment strategy is heavily weighted towards fixed income and cash deposits. An investment mandate is approved by the Board and includes details of permitted investments (including limits), minimum credit ratings and maximum concentrations. The Board provides oversight of Qatar Re's investment strategy and performance. The investment strategy ensures the Company only invests in instruments that any reasonable individual with objectives of capital preservation and return on investment would own and that are in the best interests of policyholders. The guidelines only allow investment risks that the Company can properly identify, measure, respond to, monitor, control and report. The guidelines are set so as to ensure appropriate and adequate capital, liquidity and ability to meet policyholder obligations.

Cash and term deposits are held with a variety of financial institutions in multiple locations across the global banking system, with individual limits in place for each institution. Fixed income securities are held with a number of global custodians, principally based in Switzerland. Equities are held in custody directly on the local exchange.

The CFO has executive responsibility for the oversight of the Company's investment portfolio and the relationship with its investment managers. QEA who are appointed as investment advisors for Qatar Re, provide a range of investment advisory services to the Company, in accordance with its investment guidelines and investment mandate. The investment management arm of a major international banking group serves as an additional investment manager with a specific mandate to invest a portfolio of approximately USD 300 million in fixed income investments.

4.5 Stress Testing and Sensitivity Analysis

The use of stress and scenario analysis is a key element of the Risk Management Framework. A range of stress and scenario tests are performed on an ongoing basis to assess material risks and ensure that the Company has sufficient capital and liquidity to meet its policyholder obligations as they fall due.

Exposure Management performs regular stress testing of the RDSs. Numerous analysis relating to significant flooding in the United Kingdom have been tested over the consolidated Motor portfolio, reviewing both the market share approach and stress testing against previous flood events. Exposure Management has developed the market share tool to be used on the US Property Cat and Property XL portfolios in order to stress test and provide benchmarking against externally purchased models.

Further stress testing will continue to be performed within the Exposure Management department.

The Company also conducts prescribed stress and scenario testing and analysis as part of its Capital and Solvency Return to the BMA, which helps determine the financial capacity to absorb the materialisation of shocks to both financial market and underwriting conditions.

Reverse stress test scenarios consider the impact of certain extreme events relating to QIC that could cause significant strain on the Company and outline the mitigating factors in place to protect against these. The Company considers scenarios which would cause both severe financial stress and severe operational stress.

5 SOLVENCY VALUATION

The assessment of available and required regulatory capital is made by taking an economic view of assets and liabilities, in accordance with the BMA's Economic Balance Sheet ("EBS") framework. The EBS is produced on a consolidated basis in line with generally accepted accounting principles ("GAAP") (which in this instance means International Financial Reporting Standards ("IFRS")) subject to certain regulatory filters and adjustments as prescribed by the BMA. If GAAP principles permit both a fair value model and a non-economic valuation model for valuing an asset or liability, a fair value model is used. All contractual liabilities or contingent liabilities arising from off-balance sheet arrangements are recognised on the EBS.

5.1 Valuation of Assets for Solvency Purposes

Cash and cash equivalents, fixed income securities, equities, other investments and all other assets on the EBS are recorded at fair value in line with IFRS, with both changes in fair value and realised gains/losses netted off Statutory Economic Capital and Surplus.

In cases where the IFRS principles do not require fair value, investments are valued using the EBS Valuation hierarchy, as defined in the BMA's "Guidance Note for Statutory Reporting Regime" for the reporting period's statutory filing.

5.2 Valuation of Liabilities for Solvency Purposes

The main liabilities on the EBS are the technical provisions, net of reinsurance recoverables, which consist of liabilities for claims outstanding and premium provisions. Other liabilities include insurance and reinsurance balances payable, loans and notes payable and lease arrangements.

5.2.1 Valuation of Technical Provisions

Technical provisions comprise the sum of the best estimate cash flows and a risk margin and are calculated using the BMA's "Guidance Note for Statutory Reporting Regime". The gross and net technical provisions are shown separately.

The best estimate liability aims to represent the probability-weighted average of future cash flows required to settle the insurance obligations attributable to the lifetime of the Company's policies. The best estimate cash flows include future best-estimate premium payments, claim payments, expenses expected to be incurred in servicing policies over their lifetime, investment costs and any payments to and from reinsurers. The best estimate liability is discounted using the currency specific standard rate yield curves as published by the BMA, which are derived from the risk-free interest rate term structure with an illiquidity adjustment.

The best estimate is shown separately for outstanding claims provisions (in respect of claims incurred whether reported or not) and premium provisions (in respect of expected future claims events). Premium provisions include an allowance for business which has been bound but not incepted ("BBNI") at the valuation date.

The risk margin is added to the best estimate to reflect the uncertainty associated with the probability-weighted cash flows. The risk margin is calculated using a cost of capital approach with reference to the insurance risk, counterparty credit risk and operational risk components of the Bermuda Solvency Capital Requirement ("BSCR") formula. A cost of capital rate of 6% is applied to the cost of capital to cover the full period needed to run off the insurance liabilities. The cost of capital in each future year is discounted using the risk-free discount curve.

An independent external review of Qatar Re, QEL and the Gibraltar Companies' reserving as at 31 October 2019 was completed during Q4 2019. The review covered both reserving methodology and the reserves themselves, including calculations of technical provisions.

5.2.2 Recoverables from Reinsurance Contracts

The best estimate of the amounts recoverable from reinsurance contracts and other risk transfer mechanisms is calculated separately from the gross best estimate. The calculation is based on principles consistent with those underlying the gross best estimate, projecting all cash flows associated with the recoverables and discounting using the standard rate yield curve. The cash flows include reinstatement premiums and any expenses in relation to the management and administration of reinsurance claims. The cash flows take account of timing differences between payment of the gross claims and receipt of the related reinsurance recoverables.

An adjustment is made to reflect the expected losses on reinsurance recoverables due to counterparty default. The adjustment is based on an assessment of the probability of default of the counterparty and the average loss resulting from the default and the ability to offset premium liabilities owing from Qatar Re in the event of a default.

5.2.3 Valuation of Other Liabilities

Other liabilities appearing on the EBS are all recorded at fair value in line with IFRS. Amounts payable in more than one year are discounted at the relevant risk free rate.

6 CAPITAL MANAGEMENT

Qatar Re Group is required by the BMA to hold available statutory capital and surplus of an amount that is equal to or exceeds the Enhanced Capital Requirement ("ECR"). The ECR is the higher of the BSCR (the BMA standard formula capital requirement) and the Minimum Margin of Solvency ("MSM"). The BSCR forms part of the regulatory regime that has achieved equivalence with Europe's Solvency II. The MSM is calculated based on the higher of various metrics from the statutory accounts with a floor set at 25% of the BSCR.

Qatar Re is required by the BMA, as a standalone licensed class 4 reinsurer, to hold eligible capital and surplus of an amount that is equal to or exceeds the Enhanced Capital Requirement ("ECR").

Qatar Re Group's available statutory economic capital of USD 1,036 million consists of Tier 1 basic capital in the form of shareholders' equity of USD 592.3 million, and Tier 2 ancillary capital of USD 443.7 million in the form of perpetual non-call 5.5 year subordinated notes.

The available statutory economic capital for Qatar Re, as a standalone licensed class 4 reinsurer, under the BMA rules is also presented at a consolidated basis.

6.1 Eligible Capital

6.1.1 Capital management

Capital adequacy is maintained with reference to risk appetite and tolerance statements, which are defined in terms of the Company's regulatory and internal model solvency ratios. Qatar Re's risk appetite defines what it seeks to achieve based on normal commercial situations. At any given time, the capital management policy is to maintain a strong capital base to enable the Company to support the business plan based on its own view of the capital required, while meeting regulatory capital requirements on an ongoing basis.

The Risk Management Framework is embedded in strategic planning, decision making and budgeting. As part of this framework, the level of capital is assessed to maintain solvency at the thresholds targeted within the risk appetite and tolerance statements, given the Company's risk profile. The GSSA processes enable Qatar Re to identify, assess, monitor, manage and report on the current and emerging risks that the Company faces, and to determine the capital necessary to ensure that overall solvency needs are met at all times.

The Capital Management Action Plan identifies the various thresholds below which available capital may be depleted, and the actions that will be adopted to maintain capital adequacy in line with the risk appetite and tolerance statements. The capital position can be managed by either increasing the amount of available capital or by taking action which reduces the required capital. The approach taken depends on the specific circumstances of the event giving rise to the depletion of available capital.

6.1.2 Tiers of Eligible Capital

The BMA have introduced a three-tiered capital system, which is designed to assess the quality of insurers' capital resources eligible to satisfy their regulatory capital requirement. The tiered capital system (Tiers 1, 2 and 3) classifies capital instruments into a given tier based on their loss absorbency characteristics. The highest-quality capital is eligible for Tier 1, which is able to absorb losses under all circumstances, including as a going-concern, during run-off, wind-up and insolvency. Tier 2, while providing full protection to policyholders in a wind-up or insolvency, has moderate loss absorbency on a going-concern basis. Tier 3 meets, on a limited basis, some of the characteristics exhibited in Tiers 1 and 2.

Eligibility limits are applied to each tier in determining the amounts eligible to cover regulatory capital requirement levels. Only Tier 1 and Tier 2 capital are eligible to cover the MSM (a minimum of 80% Tier 1 capital and a maximum of 20% of Tier 2 capital). A minimum of 60% of Tier 1 capital and a maximum of 15% of Tier 3 capital must be available to cover the ECR.

Eligible capital consists of paid-in share capital, perpetual non-call 5.5-year subordinated Tier 2 notes and retained earnings. Qatar Re confirms conformance to the eligibility limits applied to each tier to cover the MSM and ECR.

At the end of the reporting period, the eligible capital was categorised as follows (USD millions):

Figure 6.1.2: Eligible Capital

Tier	Eligible Capital (USD million)
Tier 1	592.3
Tier 2[5]	443.7
Total	1,036.0

6.1.3 Eligible Capital subject to Transitional Arrangements

At the end of the reporting period, the Company did not hold any eligible capital subject to transitional arrangements.

6.1.4 Factors Affecting Encumbrances Affecting the Availability and Transferability of Capital to Meet the ECR

Qatar Re has entered into certain reinsurance contracts with cedants that require it to fully collateralise or pledge assets equal to the estimated policyholder obligations. Pledged assets are held in trust accounts for the benefit of the cedant. These assets are released to us upon the settlement of the policyholder obligations. The Company benefits from investment income received on these assets.

6.1.5 Ancillary Capital Instruments Approved by the BMA

On 14 March 2017, Qatar Re successfully issued USD 444 million Reg S Perpetual non-call 5.5-year subordinated Tier 2 notes, increasing its capital base beyond USD 1.2 billion. The notes are guaranteed on a subordinated basis by QIC and represented the Company's first debt issuance in the international debt capital markets. The issue attracted over 290 orders of more than USD 6.5 billion and achieved a balanced global distribution of investors comprising 30% Asia, 29% UK, 20% Middle East, 19% Continental Europe and 2% from other regions, successfully diversifying the Company's capital base. The initial coupon has been set at 4.95% per annum. It will be fixed until the first call date in September 2022 when it will be reset to a 5-year mid-swap rate plus the initial margin and will be reset every 5 years thereafter. The notes have been assigned an issue rating of "BBB+" by S&P Global Ratings and provide eligible Tier 2 capital to further enhance Qatar Re's financial strength.

5 USD 443.7 million represents the USD 450 million Tier 2 capital raise, net of issuance costs.

6.1.6 Differences in Shareholder's Equity as Stated in the Financial Statements versus the Available Capital and Surplus

The key differences between the shareholder's equity as stated in the IFRS financial statements and the available capital and surplus as stated in the Economic Balance Sheet are as follows:

- The reinsurance contract liabilities and reinsurance contract assets in the IFRS financial statements are replaced by the technical provisions in the Economic Balance Sheet. The technical provisions are calculated in accordance with the Insurance (Prudential Standards) (Class 4, Class 3B Solvency Requirement) Rules 2008 as amended. This calculation basis is described under section 5.2.
- A fair value is calculated on future lease commitments, which are not included in the Company's IFRS balance sheet. The fair value is calculated by taking the total future cash flows associated with the leases and discounting these flows using the relevant risk free discount rates. The resulting fair value is included as a liability on the EBS.

6.2 Capital Requirements

The Board has approved the following capital matrices which are monitored on a regular basis.

Figure 6.2: Capital Monitoring

	Qatar Re Group	Qatar Re
ECR	120% solvency ratio	120% solvency ratio
BSCR		140% solvency ratio

In addition, the Company must, at all times, have the ability to raise adequate liquidity to fund two independent 1-in-250-year events on a gross basis requiring liquidity within 12 months. Throughout 2019, the Group and Qatar Re remained in compliance with its risk appetite statements as they relate to capital and solvency.

6.2.1 BSCR, MSM and ECR at the end of the reporting period

At the end of the reporting period, the Group's regulatory capital requirements were as follows:

Figure 6.2.1(1): Regulatory Capital Requirements

Capital	Qatar Re Group (USD million)	Qatar Re (USD million)
BMA BSCR / SII SCR	666.2	665.8
BMA MSM / SII MCR	760.1	690.9
BMA Enhanced Capital Requirement (ECR)	760 .1	690.9
Regulatory Capital Requirement	760.1	690.9
Available Economic Statutory Capital and Surplus	1,036.0	1,036.0
ECR Solvency ratio	136%	150%
BSCR solvency ratio	156%	156%

The Group MSM of USD 760.1 million comprises the following capital allocations:

Figure 6.2.1(2): Capital Allocation

Group Entity	MSM (USD million)
Qatar Reinsurance Company Limited	690.9
QIC Europe Limited	12.7
Markerstudy Insurance Co. Ltd.	15.6
Zenith Insurance Plc	36.8
St Julians Insurance Co. Ltd.	4.2
Group Total	**760.1**

The increase in MSM and ECR since 2018 is primarily caused by an increase in unconsolidated gross written premium.

The increase in BSCR since 2018 has many causes. These include increases in net written premium and strengthening of reserves across several entities within the Group. These increases are partially offset by a reduction in the Underwriting Catastrophe risk as a result of continued monitoring and reduction in catastrophe exposure by Qatar Re.

The MSM calculation limits the credit for outwards reinsurance to 25% of gross written premium. This results in the MSM, rather than the BSCR, being the driver of the Company's ECR. This is expected to change gradually as the earnings from the business written on the reduced QIC quota share cession percentage are recognised.

6.2.2 Compliance with the BSCR, MSM and ECR

At the end of the reporting period, the Group had total available statutory economic capital and surplus of USD 1,036 million (USD 1,086.5 million at the end of 2018[6]) resulting in an ECR coverage ratio of 136% (183% at the end of 2018). The BSCR coverage ratio was 156% (207% at the end of 2018).

In respect of Qatar Re as a standalone class IV reinsurer, the ECR coverage ratio is 150% and BSCR coverage ratio of 156%.

The eligible capital exceeds the ECR by USD 227million. However, due to the 20% restriction on Tier 2 capital applied in the MSM assessment, USD 296 million of the subordinated debt is deemed ineligible and this results in a shortfall of USD 20 million in respect of the eligible capital for MSM test as shown below.

	MSM	
(in 'million')	Qatar Re Group	Qatar Re
BMA MSM	$760.1	$690.9
Tier 1	$592.3	$592.3
Tier 2 maximum 20%	$148.0	$148.0
Total	$740.3	$740.3
Surplus / (Shortfall)	($19.8)	$49.4

	ECR	
(in 'million')	Qatar Re Group	Qatar Re
BMA ECR	$760.1	$690.9
Tier 1	$592.3	$592.3
Tier 2 maximum 40%	$395.0	$395.0
Total	$987.3	$987.3
Surplus / (Shortfall)	$227.2	$296.4

The breach arose due to two constraints applied in the process of calculating the MSM and the capital that is eligible to satisfy the MSM requirements, which is the higher of:

1. $100m;
2. 50% of net written premiums ("NWP") with 25% maximum credit for reinsurance; or
3. 15% of loss reserves.

The MSM is driven by the NWP and, due in large part to the 30% quota share in place with its parent, QIC Group, the 25% maximum credit allowed for reinsurance applies, and the MSM is effectively 37.5% of GWP.

This situation was exacerbated during 2019 by the establishment of an arrangement whereby a quota share reinsurance was put in place from QIC's branch in Dubai to Qatar Re. This premium was then 100% quota shared to QIC's Qatar business. This arrangement left no risk within Qatar Re but caused a $45.1m increase in its capital requirement under the MSM.

Reunderwriting has continued during 2020 with the intent of improving profitability. This has reduced 2020 GWP below the original planned level. Additionally, the Dubai-Doha quota share arrangement is being cancelled with effect 1 January 2020 and, therefore, this will not contribute to 2020 GWP.

The changes have been factored into the 2020 q1 capital assessment which has lowered the MSM through reducing 2020 GWP, improving the position by $20.7m and clearing the breach.

Although the deficit is now cleared, we recognise that the position remains marginal. We are confident, however, that the extensive reunderwriting initiative that management have undertaken over the last eighteen months should payback in underwriting profits over the balance of 2020, enabling us to start to reverse the reduction in tier 1 capital that has taken place over recent years. Further, we intend to continue to manage 2020 GWP very carefully, cutting less profitable business as necessary to ensure that there is no recurrence of the MSM breach.

A formal report of the breach and remediation plan will be submitted to the BMA.

In addition to the changes in absolute BSCR, MSM and ECR described in section 6.2.1, the coverage ratios were reduced due to a reduction in the available capital and surplus. This was primarily driven by a strengthening in loss reserves.

6 2018 figures refer to consolidated capital and solvency figures from individual entities within the Group

6.2.3 Company Specific Parameters

The Company has not made use of any Company Specific Parameters at the end of the reporting period.

6.2.0 Approved Internal Model

This section is not applicable as the Company does not use an approved internal model for the calculation of the Company's regulatory capital requirements.

7 SUBSEQUENT EVENTS

7.1 Board and senior management changes

As mentioned in section 2.8.2, various Board and senior management changes were made at the Q4 2019 Board meeting in March 2020. This included the appointment of Ahmed El Tabbakh (in place of Ali Saleh N. Al Fadala) and Mark Graham as Non-Executive Directors.

Subsequent to these changes, at the Q4 2019 Board meeting in May 2020:

- Faraz Khalid replaced Andrew Smith and his appointment as Chief Risk Officer and Executive Director was confirmed by the Board.

7.2 COVID-19

The Group's current operational focus is on keeping its people safe and maintaining their personal health and well-being while maintaining business continuity. The remote working arrangements remain fully operational across QIC Global offices and Business Continuity Team ("BCT") meets on a weekly basis to assess the effectiveness of the current arrangements and issue regular guidance to the staff members.

The Legal team has put in place appropriate arrangements for the review of all communication in respect of COVID-19 related matters and engaged an external law firm to provide QIC Global and its subsidiary companies with comprehensive legal support.

As a business, we are committed to delivering fair outcomes to our policyholders and each claim is being reviewed in light of the unique circumstances it presents and the coverages provided by the contract wordings. Furthermore, a review of our policy wording has been performed in respect of renewal business to ensure that, if and as applicable, suitable amendments have been incorporated within the policies in respect of pandemic coverage.

At the point of issuing the 2020 GSSA report, the COVID-19 pandemic continues to develop and the economic impact of this pandemic on the Group business and the investment portfolio is evolving.

We submitted our results to the BMA in respect of the "Emerging Risks Survey - Coronavirus Pandemic" on 1 May 2020. As part of this exercise, we have developed a range of scenarios under our risk management framework and concluded that we remain well capitalised.

The most material impact, noted to date, was through the widening of the credit spreads during March 2020 which started to settle towards the end of the month with some of the unrealised losses being reversed in the portfolios.

The strong capital base of the Group at the start of the year provides the insulation against the deteriorating financial markets. A change in the investment strategy is not envisaged in light of the COVID-19 outbreak. However, the investment portfolio continues to be closely monitored by the Investment team and any material decisions, as applicable, will be made in line with the Investment Policy and notified to the Qatar Re Board.

The liquidity positions of Qatar (Bermuda) Group and its group companies remains satisfactory and the Management currently does not have any constraints on the ability to meet claims and operational payments as they become due.

Management will continue to enhance and revise the COVID-19 assessment, as applicable, in light of the changing circumstances and the regulatory requirements.

8 DECLARATION

This Financial Condition Report fairly represents the financial condition of the Company in all material aspects during the reporting period.

Signed and dated:

Faraz Khalid
Chief Risk Officer
30 June 2020

Michael van der Straaten
Chief Executive Officer
30 June 2020

Disclaimer
Some of the statements in this financial condition report may consist of forward-looking statements or statements of future expectations based on the information available to the Company currently.

There are many factors and conditions, financial or economic, whether owing to market conditions or the happening of catastrophic events, that may cause actual events or results to be materially different from those that may be anticipated by such statements.

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