Financial Condition Report 2020

QatarRe
A QIC Global company

QATAR REINSURANCE COMPANY LIMITED

Financial Condition Report(FCR)
For the financial year ended 31 December 2020

Contents

1 EXECUTIVE SUMMARY

Qatar Reinsurance Company Limited and its subsidiaries (collectively the "Group") remains a well-capitalised reinsurer with 159% coverage of the Enhanced Capital Requirement (ECR), an available statutory economic capital base of USD 1,076 billion on a regulatory basis and total invested assets in excess of USD 2.6 billion.

At 31 December 2020, the Group had $632m of tier 1 capital and $443.7m of tier 2 capital, the latter in the form of subordinated debt. The Group capital position was significantly enhanced through a total injection of $200m Tier 1 capital during the period.

Key factors affecting the financial condition of the Group during 2020 were:

- The Gross Written Premiums remained stable in 2020 at USD 2.1 billion
- Net investment income decreased by 34.55% over the year due to lower interest rates and lower deposit/bond yields
- Covid-19 pandemic exposure
- Market-wide catastrophe experience
- Increased retention of risk
- Reserve strengthening particularly in respect of the Gibraltar companies.

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
- Careful management of high severity exposures.

Key developments during 2020 include:

Markerstudy acquisition of Co-op

Markerstudy acquired the Co-op's insurance underwriting business in December 2020, making it the fifth largest motor insurance provider in the UK and the largest MGA in the UK with over 1.8 million policyholders.

Brexit

With Qatar Re operating in the UK via a Third Country Branch and with the UK maintaining its existing regulatory framework in 2020 and beyond in order to meet the requirements of a proposed equivalence framework between the UK and EU (and also the UK and other jurisdictions, e.g., Bermuda), there has been no immediate direct impact on Qatar Re as a result of the UK's withdrawal from the EU.

Although the Brexit deal reached with the EU at the end of 2020 did not provide full clarity on future arrangements for insurers, it has been welcomed as a more positive environment for the discussions which are still to conclude on equivalence and regulatory co-operation, and which are expected to continue well into 2021 and likely beyond.

Qatar Re subsidiaries has developed a business model plan to enable the continued writing of new and renewal business in the UK and, where relevant, the EU and servicing of existing business by its Gibraltar and Malta-based subsidiaries.

Covid-19 Pandemic

It is widely recognised that the effects of Covid 19 on the (re)insurance industry are multi-dimensional and are still evolving. As such, there continues to be considerable uncertainty on the ultimate impact of the pandemic. The assessment of the impact of the Covid 19 pandemic is utilising resources and expertise from across the Qatar Re Group and it is also guided by advice from external parties.

The main impact on the Group is through business interruption losses through its subsidiary QEL and as at 31 December 2020 gross ultimate loss for QEL (before cession to Qatar Re) has been estimated at $117m. The impact of Covid 19 is expected to be beneficial in the Group's motor business sourced though the Gibraltar entities. This is due to the suppressed traffic experienced in the lockdown periods imposed by the UK Government. The benefit from Covid 19 emerging from the Gibraltar companies has been estimated at £101m on an ultimate basis, of which £68m was earned as at 2020YE.

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 ("QGSL") – 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.

In July 2018, Qatar Re acquired the three Gibraltar based insurance companies; namely, ZIP, MICL and St Julians; an unregulated company called Ultimate and ancillary Gibraltar property-owning subsidiaries. The carriers are predominantly engaged in providing insurance cover for UK motor insurance policies acquired mostly through a long-term Managing General Agent ("MGA") agreement with Markerstudy.

The acquisition led to a significant increase in UK Motor insurance business, grown further by Markerstudy's acquisition of the Co-op business in 2020 making it the fifth largest motor insurance provider in the UK.

1 The Dubai branch closed as from 16th January 2020.

2 On the 24th March 2021 approval was obtained by the QEL's Board to commence the voluntary liquidation of the Italy branch. There are certain action steps remaining to wind up the branch under Article 2484 of the Italian Civil Code and the process will be completed by 31st December 2021.

2.2 Insurance supervisor and approved auditors

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
Bermuda

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

Qatar Re is regulated by the Bermuda Monetary Authority ("BMA"). In 2019, the Group was notified of the BMA's 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.

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

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.

2.3 Ownership Structure

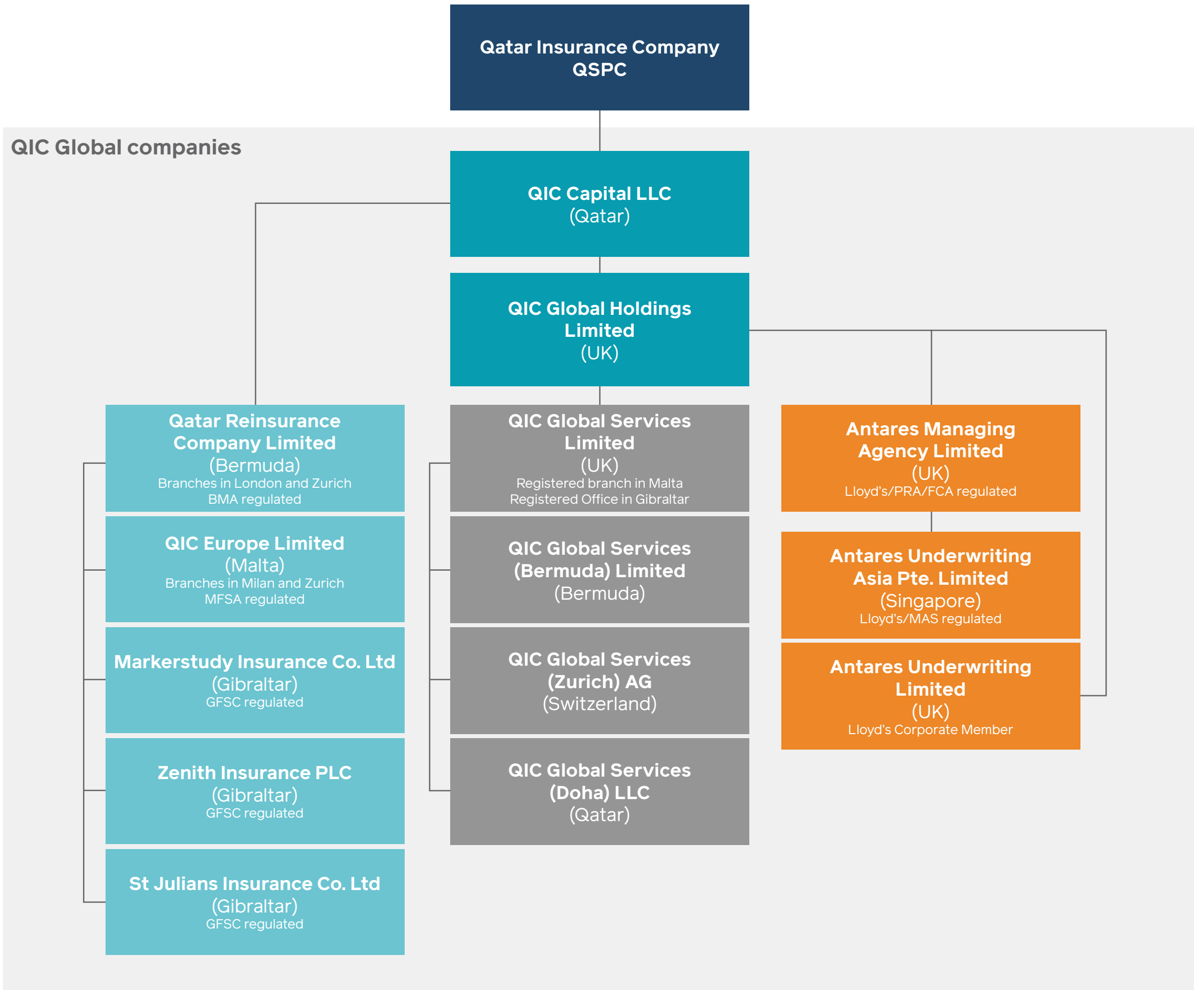
Qatar Re is a wholly-owned subsidiary of QIC Capital LLC, which in turn is a wholly-owned subsidiary of Qatar Insurance Company Q.S.P.C, the ultimate parent of the QIC Group of companies and a leading Qatari publicly-listed insurer.

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 2.254 billion (as of 31 December 2020). Two separate Qatari government employee pension funds managed by the pension fund authority of Qatar hold a combined 14.30% of shares, 12.76% is owned by members of the Board of Directors of QIC, 10.32% by various members and associates of the Qatari royal family, and 8.03% 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 2020 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.

The Gross Written Premiums remained stable in 2020 at USD 2.1 billion, compared with USD 2.2 billion in 2019 on a consolidated basis. On a standalone basis the Gross Written Premium decreased by 42% to USD 1.1 billion, compared with USD 1.8 billion in 2019. The reduction on standalone from 2019 to 2020 was largely due to the Gibraltar Companies QS which was transferred to QIC rather than QRE.

Figure 2.5a: Gross Written Premium by Business Segment

Gross Written Premium by Business Segment for the Reporting Period (USD)				
	Standalone		Consolidated	
Line of Business	2020 USD'000s Qatar Re	2019 USD'000s Qatar Re	2020 USD'000s Qatar Re	2019 USD'000s Qatar Re
Property Catastrophe	80,381	59,840	80,381	59,840
North American Property	305,455	286,338	305,455	286,338
Property (outside North America)	177,260	177,202	265,117	204,650
Casualty (including Motor)	425,898	1,204,430	1,383,523	1,540,980
Marine and Aviation	5,284	9,788	5,284	11,866
Agriculture	62,029	72,605	97,069	75,589
Credit and Financial Risks	6,043	38,160	6,043	34,791
Facultative	0	-7,677	0	-4,431
Non-traditional	4,410	1,693	4,410	1,693
Total	**1,066,760**	**1,842,379**	**2,147,282**	**2,211,316**

Gross Written Premium by Domicile of Reinsured for the Reporting Period (USD)				
	Standalone		Consolidated	
Territory	2020 USD'000s Qatar Re	2019 USD'000s Qatar Re	2020 USD'000s Qatar Re	2019 USD'000s Qatar Re
Africa	2,140	1,224	2,140	1,224
Americas	432,206	451,369	432,206	451,369
Asia	52,111	101,207	52,111	101,207
Europe	575,918	1,283,104	1,656,440	1,652,040
Oceania	4,385	5,475	4,385	5,475
Total	**1,066,760**	**1,842,379**	**2,147,282**	**2,211,315**

2.6 Investment Performance

Net investment income decreased by 34.55% over the year, decreasing from USD 90.54 million in 2019 to USD 59.26 million at Group level due to lower interest rates and lower deposit/bond yields.

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 investment income for the reporting period was as follows:

Figure 2.6: Investment Performance

	Qatar Re		Qatar Re Group	
Income Allocation	YTD Dec 2019	YTD Dec 2020	YTD Dec 2019	YTD Dec 2020
Net Interest Income	**62,965**	**46,436**	**78,271**	**58,499**
- on Cash & Deposits	29,872	15,371	30,548	15,527
- on Fixed Income	46,751	37,676	61,520	49,766
- Facility & Repo Interest Expenses	-13,658	-6,611	-13,797	-6,794
Dividend income	**23**	**-**	**92**	**0**
Realized Gain / (Loss)	**12,054**	**-1,833**	**13,168**	**2,596**
Unrealized Gain / (Loss)	**7,450**	**492**	**7,323**	**4,243**
Gross Investment Income	**82,493**	**45,095**	**98,854**	**65,338**
Less Advisory Fee	-8,011	-4,926	-8,311	-6,080
Net Investment Income	**74,482**	**40,168**	**90,544**	**59,259**

*Figs. in USD'000

The following points below explain the drop in the investment income:

- Average Deposit yields have dropped to c. 2.20% p.a. as of Dec 2020 versus 3.31% p.a. as of Dec 2019
- Average Cost of borrowing was 0.66% p.a. versus 2.42% p.a. for Dec 2019. This resulted in substantial savings in borrowing cost in 2020. To capture the curve basis spread short term borrowings were linked to 1 week LIBOR instead of 1 month LIBOR.
- The realized gain for Qatar Re Group dropped from 13.1 million to 2.5 million on account of the impact from Covid which led to fewer disposal of investments during the year. A corresponding impact can be seen in the unrealised gain which dropped from $7.3 million to$ 4.2 million on account of lower MTM valuations mainly on the FI and Managed Fund (MF) portfolio.
- The group income reduced by c.34% and standalone reduced by c.46%. is mainly due to a larger exposure of MMF in Qatar Re. The unrealised gains on Qatar Re MF portfolio dropped from $4.3 million in 2019 to negative $56 K in 2020.

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	2020 USD'000s Qatar Re	2019 USD'000s Qatar Re	2020 USD'000s Qatar Re Group	2019 USD'000s Qatar Re Group
Employee related costs	20,330	29,518	28,457	33,162
Rental expenses	1,631	2,969	2,495	3,139
Maintenance & IT expenses	1,980	1,992	2,592	1,926
Other expenses*	18,791	18,508	33,676	26,611
Total	**42,732**	**52,988**	**67,220**	**64,838**

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

The USD 2m increase in Group operating expenses from USD 65m.0 million to USD 67 million is due to 16m unfavourable foreign exchange variance from prior year ($13m loss in 2020 versus $3m credit in 2019) partially offset by USD 14m favourable variance on expenses, as expected

2.8 Other material information

2.8.1 Board and management changes

- Jennifer Crayford was appointed Key Function Holder for Compliance in February 2020
- 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
- Jennifer Crayford was appointed Company Secretary in April 2020
- Faraz Khalid was appointed as the Chief Risk Officer and Executive Director in May 2020
- Lloyd Cross was appointed as the General Representative for Qatar Re's UK Branch
- Philip Smith was appointed as Finance Director and Executive Director in November 2020

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

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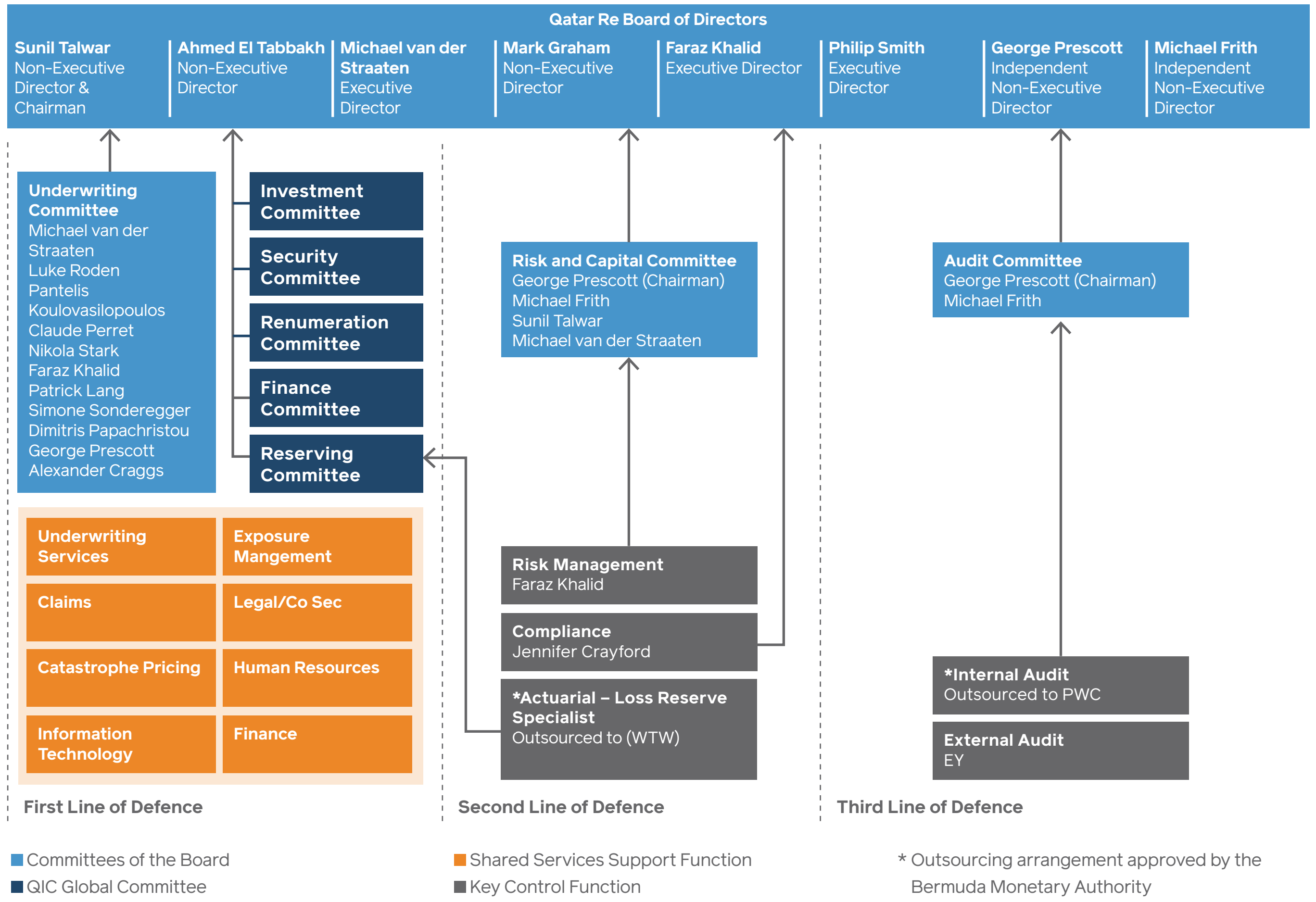
3 GOVERNANCE STRUCTURE

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 31st December 2020.

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 (Chief Executive Officer ("CEO") and Executive Director)
2. Ahmed El Tabbakh (Non-Executive Director)
3. Sunil Talwar (Non-Executive Director and Chairman)
4. George Prescott (Independent Non-Executive Director)
5. Michael Frith (Independent Non-Executive Director)
6. Mark Graham (Non-Executive Director)
7. Faraz Khalid Chief Risk Officer ("CRO") and Executive Director)
8. Philip Smith (Finance Director 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. Faraz Khalid (CRO and Executive Director)
3. Philip Smith (Finance Director and Executive Director)
4. Luke Roden Chief Underwriting Officer ("CUO"), Short tail business)
5. Pantelis Koulovasilopoulos (CUO, Long Tail & Specialty Lines)
6. Jennifer Crayford (Compliance Officer and Company Secretary (Principal Representative))
7. Benjamin Train (Loss Reserving Specialist) – Outsourced role.

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 2020, the Board of Directors consisted of two independent Non-Executive Directors, three non-independent Non-Executive Directors and three 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, an Audit Committee and an Underwriting 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 at a QIC Global level, supporting all QIC Global companies, a Finance Committee, a Reserving Committee, a Security Committee, an Investment 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.

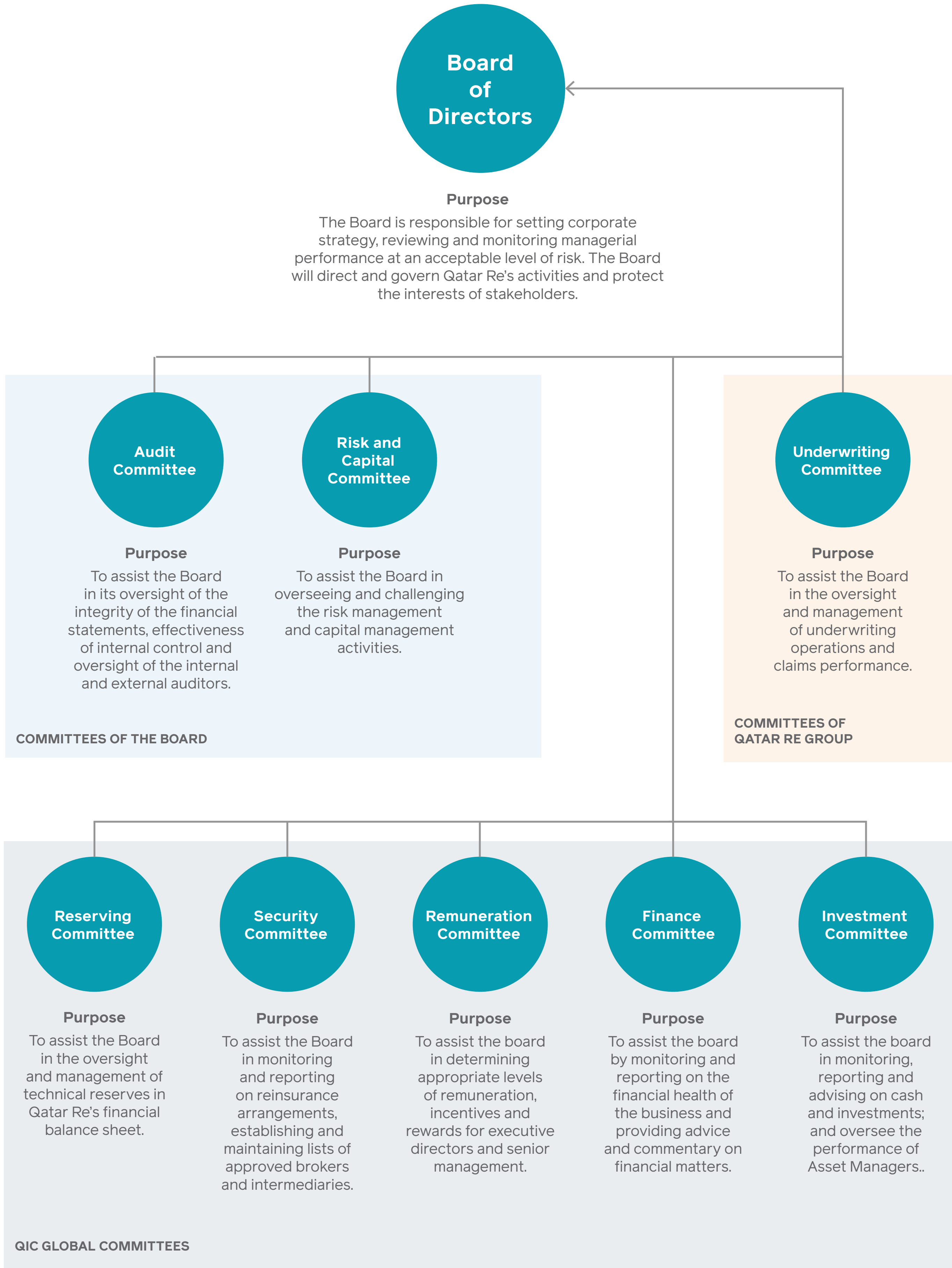
The Board meets at least quarterly and at other times as required, and carries out its duties within established terms of reference. The Board is provided with accurate, appropriate and timely information to enable it to monitor and review key areas, including the performance of the Company and the key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

Qatar Re, and its subsidiaries, 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 three 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.
- **Underwriting Committee ("UC")** - provides oversight of the Company's underwriting and claims operations. Key responsibilities include advising on matters concerning the establishment and review of Qatar Re Group's underwriting policies and guidelines, monitoring underwriting and claims performance, overseeing underwriting operations and advising and consulting on underwriting risk management procedures and exposures.

Figure 3.1.1: Board and Committee Structure



3.1.2 Remuneration Policy

QIC Global's remuneration policy sets out the principles and practice 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 remuneration framework is underpinned by a set of guiding principles:

- The remuneration framework should provide employees with total compensation that is competitive within the Insurance Market.
- The remuneration framework should promote a high-performance culture by differentiating total compensation based on the performance of the business and the performance of individuals.
- The remuneration framework should take into account the respective tasks and performance of the executives, senior management, holders of key functions and other categories of employees whose professional activities have a material impact on Qatar Re risk profile and/or results.
- Variable compensation awards should be linked to relevant performance metrics, which can include the performance of QIC Global, specific business areas, and individual achievements.
- Expected individual performance should be clearly defined through a structured system of performance management, and performance against expectations should be factored into compensation decisions.
- The remuneration framework should promote sound and prudent management and not encourage risk-taking that exceeds the risk tolerance limits of the business.
- The remuneration framework should incorporate measures aimed at avoiding conflicts of interest.

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 Qatar Re does not operate any defined benefit pension schemes, it is not exposed to funding issues associated with the defined benefit pension liabilities.

During 2020 there have been no changes to the remuneration policy which determines the entitlements of the members of the Board and senior management.

3.1.3 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 2020 was ceded to QIC (2019: 30%, 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) 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.

3.2 Fitness and Proprietary Requirements

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

The Company ensures that the Board and Senior Executives, and Key Function Holders are fit and proper to discharge their responsibilities in accordance with the following definitions:

- An assessment of whether an individual is 'fit' involves an evaluation of the person's professional qualifications, knowledge and experience to ensure they are appropriate to their role. It also demonstrates whether the person has exercised due skill, care, diligence, integrity and compliance with relevant standards that apply to the area or sector in which the individual has worked.
- An assessment of whether a person is 'proper' includes an evaluation of a person's honesty, reputation and financial soundness. This includes, if relevant, criminal convictions or disciplinary offences.

The Fit and Proper Policy applies to the following positions of responsibility:

- Board and committee members
- Key function holders - Compliance, Risk Management, Actuarial and Internal Audit;
- Officers and managers of the company; and
- Third-party service providers, including insurance managers, auditors, actuaries and country representatives.

The following procedures are followed in assessing the Fit and Proper requirements:

- Ensure that a Personal Questionnaire ("PQ") and the relevant forms are filed with the regulator.
- The directors are requested to report any changes in their status in relation to Fit and Proper requirements or any potential conflict of interest.
- An internal questionnaire is completed by all roles within the company and reassessed on at least an annual basis.

When assessing the fitness of the Board of Directors, the Company ensures that collectively the Board possesses the appropriate qualifications, experience and knowledge in the following areas:

- Insurance and financial markets knowledge;
- Business strategy and business model knowledge;
- System of governance knowledge;
- Financial and actuarial analysis knowledge and;
- Regulatory framework and requirements knowledge.

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, 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 to Chief Underwriting Office (Long Tail) on 14 March 2017 following a decision of the Board on 14 February 2017.

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 as 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 the London Business School.

Philip Smith
Executive Director and Finance Director

Philip Smith was appointed Executive Director and Finance Director for Qatar Re in November 2020. Mr Smith joined Qatar Re in February 2016 as the Global Head of Technical Accounting and was later appointed as Finance Manager. Mr. Smith graduated from George Washington University in 1984 after attaining his BBA in Accounting and his MBA in International Business. He began his career in 1984 with Coopers and Lybrand Bermuda where he earned his Certified Public Accounting (CPA) designation. In 1990 he joined Centre Solutions Ltd, a Bermuda Class 4 reinsurer, where he held various management positions in Finance. After leaving Centre Solutions in 2004 as Vice President Finance, Mr Smith held a number of senior financial roles in other Bermuda Class 4 Insurers including Vice President at Allied World Assurance Company, Senior Vice President at Platinum Underwriters Holding Limited and Head of Finance at Torus Insurance (Bermuda) Limited, before joining Qatar Re in 2016.

Mr. Smith also serves on various Bermuda Government boards including the Public Funds Investment Committee which advises the Minister of Finance on the management and investing of over $2 billion in investments of Bermuda Government pension funds, and the Bermuda Pension Commission whose role is to advise the Minister of Finance on the National Pension Scheme and to ensure that all Bermuda pensions are managed in accordance with the law.

Senior Executives

Michael van der Straaten
Executive Director and Chief Executive Officer

Mr. van der Straaten's biography can be found in t he 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.[3]

Faraz Khalid
Chief Risk Officer

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

Philip Smith
Finance Director

Mr. Smith'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.

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 (Principal 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 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.

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 i s 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 2020, significant activities were completed to streamline the risk management framework across the Qatar Re Group and this area will be further enhanced during 2021.

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.

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

- Natural peril catastrophe exposure is monitored on a quarterly 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.

To measure and monitor exposure, a new platform is being developed in 2021 using Qmetrix. The Qmetrix tool will also be used as a data repository for peril/region exposure on a per policy basis.

Emerging risks

The Company defines emerging risk as an issue that is perceived to be potentially significant but which may not be fully understood or allowed for in the identified risk profile and related mitigation. An emerging risk can be an entirely new risk or an element that is not fully understood and/or mitigated, of an already identified risk. The Emerging Risks are assessed at the Emerging Risk Group (ERG) which is chaired by the CRO, with input from ERG members which consist of the wider management team. The ERG members are required to escalate applicable emerging risks in their relevant areas to the Enterprise Risk Management ("ERM") Department as soon as they are identified and deemed relevant to the Company's activities. The Emerging Risks are then formally discussed at the ERG meeting 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.

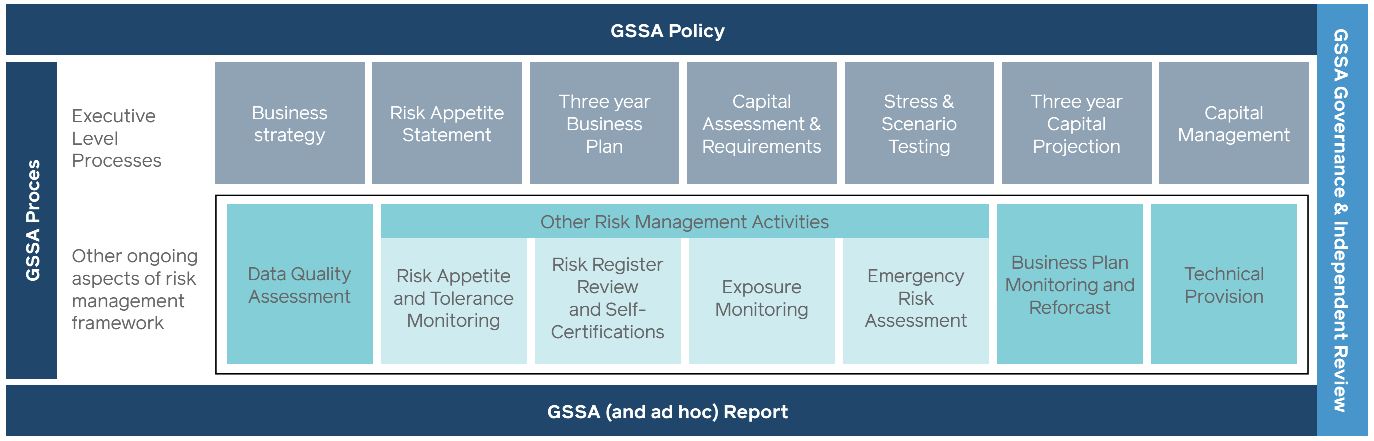
The solvency self-assessment processes operate throughout the year. The Group Solvency Self-Assessment ("GSSA") report summarises the output for the Board and management on an annual basis, and more frequently if the output self-assessment changes materially. The continued validity of the GSSA report 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 ERM 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. The Compliance Function develops company-wide compliance policies and procedures and provides guidance and support on 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 Group Chief Actuary is responsible for the QGSL Actuarial Function, 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 2020.

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

QIC Global's outsourcing policy applies to all internal and external outsourcing arrangements and describes how all outsourcing agreements are arranged, overseen, monitored and managed.

Outsourcing is used to complement Qatar Re's overall business strategy, objectives and risk appetite. Arrangements are only considered and entered into where they offer improved business performance, both operationally and financially. Qatar Re does not seek to enter into any outsourcing arrangements that will result in reduced standards or an increased level of risk exposure that breaches the risk appetite.

Qatar Re understands that, in accordance with regulatory requirements, where it outsources any of its activities either to external third-party service providers or intra-group entities, it will continue to be responsible and held accountable for the performance and output of those activities.

Each outsourcing arrangement is subject to robust processes:

- The business function owner is responsible for demonstrating the rationale for selecting and shortlisting the potential provider.
- Each service provider is subject to due diligence.
- A formal approval process is in place (including review of contracts by legal experts).
- The BMA is notified of any new outsourcing arrangements or changes to existing outsourcing arrangements.
- Service provider assessments are performed.
- Validation may be sought through an independent audit.

The business function owners are responsible for identifying and assessing the risks associated with an outsourcing arrangement and ensuring that the service providers have adequate internal control systems in place.

The table below outlines the outsourced functions that are considered critical or important:

Function / Work performed as at 31 December 2020	Jurisdiction of the Function	Name of Provider
Internal Audit	Zurich / Bermuda	PWC
Company Secretarial	Bermuda	QIC Global Services Limited
Compliance	Bermuda	QIC Global Services Limited
Investment Advisors	Doha	Epicure Investment Management LLC
Finance	Bermuda	QIC Global Services Limited
HR Support	Zurich	QIC Global Services Limited
IT Services	London	QIC Global Services Limited
Reinsurance services	Bermuda	QIC Global Services Limited
Risk Management	Bermuda / London	QIC Global Services Limited
Actuarial	Bermuda / London	QIC Global Services Limited

The Board maintains oversight and control of all outsourced functions.

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 General Counsel. Where the Compliance Director may be conflicted, the CRO assumes this role.

Investment managers and advisors - Epicure Investment Management LLC (Epicure)

Epicure (Formerly Qatar Economic Advisors (QEA)), is a wholly-owned subsidiary of QIC that provides investment advisory services. Epicure has been appointed investment managers for Qatar Re and it's subsidiaries. Epicure manages the portfolio under an Investment Advisory Agreement, which outlines the authorities granted, together with an investment guidelines document, which provides more specific policy guidance. Epicure is responsible for monitoring the investment performance and providing quarterly investment reports to the Investment Committee, who in turn provides updates to the Board through the Finance Report.

Investment managers and advisors – external

The Company also works with external managers to diversify the portfolio allocation as well as for alternative assets. The Company appointed HSBC Global Asset Management (UK) Limited as the investment manager to manage Developed Market mandate along with securitised assets. The relationship with the investment manager is overseen by the QIC Global Finance Director.

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 (Including FX 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 Committee. 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;
- 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, with oversight from the Underwriting Committee. 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

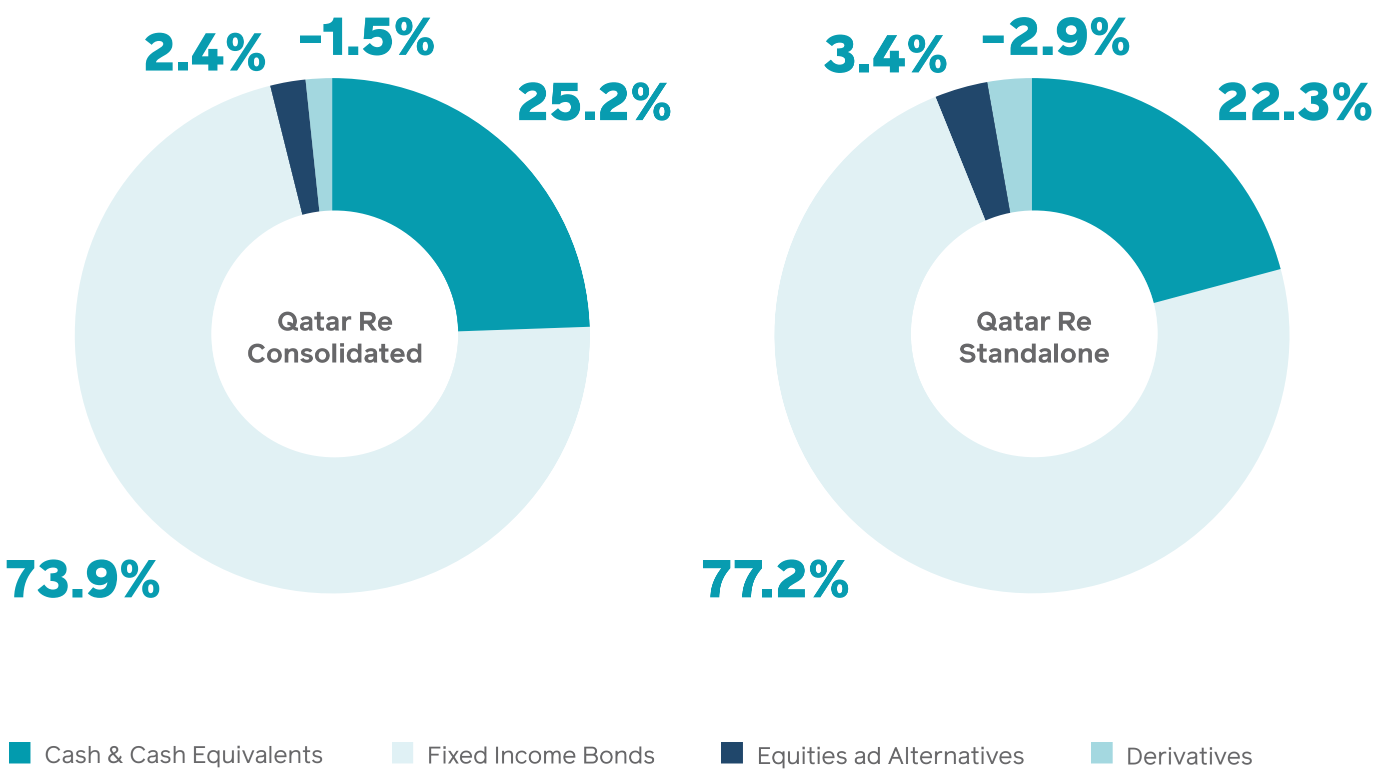
Liquidity risk arises when the Company is unable to meet payment obligations as and when they fall due. This risk is measured by assessing the appropriateness of the controls in place to monitor and manage liquidity risk exposure and supplement this with cash flow analysis arising from stress testing 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 from foreign currency exposure risk, fixed income portfolio related interest rate risk, spread risk and credit risk, which includes migration and default risk. In addition, the firm is impacted by equity price risk due to an exposure to equities within the investment portfolio. As at 31 December 2020, on a Qatar Re Consolidated basis, the fixed income made up 73.9% (Standalone 77.2%) as shown in the graph below, of the portfolio of with an average rating of A-. The allocation to equities, alternatives and derivatives was approximately 0.9% (Standalone 0.5%) with the remaining portion of 25.2% (Standalone 22.3%) held in cash and fixed 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 Ceded Re Administration 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 Epicure (a subsidiary of QIC) being the only remaining material intra-Group outsourcing arrangement.

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, 2019 and 2020, 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

The Company 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 QIC Global 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 Insurance Sector Operational Cyber Risk Management Code of Conduct has been carried out and 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)

The United Kingdom has left the European Union on 31 January 2020. The main impact in the Qatar Re (Bermuda) Group is through its subsidiary QEL.

QEL's ability to underwrite and service UK business remains uninterrupted following its entry into the Temporary Permissions Regime ("TPR"). The TPR will allow QEL at the end of the transition period (31 December 2020) to continue operating in the UK within the scope of their previous passport permission for a limited period.

This risk is managed through a formal Brexit plan which has been approved by the Board to ensure uninterrupted and continued underwriting and management of the UK business. This involves converting the QEL's existing UK Branch to a Third Country Branch and utilising MICL, an existing subsidiary of Qatar Re, which will be rebranded as QIC Gibraltar for ensuring continued access to the UK business.

Management is in active liaison with all applicable Regulators and the set-up of above busines model will require significant legal processes which are regularly monitored by the Project team led by the QEL CEO.

- 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.

- Business Interruption (High)

Business interruption risks can be physical, such as storms, or virtual, such as an IT outage, which can occur through malicious or accidental means. In particular in the current environment due to COVID-19 restrictions, strong business continuity measures are extremely important in overcoming unexpected circumstances (e.g. working remotely). The Gibraltar companies benefit from Group arrangements that oversee developments in this area, closely monitor and manage business continuity. See COVID-19 update in section 4.2.1.

- Climate Change & Extreme Weather (Medium)

Climate change and its impact on the environment through more frequent extreme weather events are driving up uninsured losses and making some assets uninsurable. Profitability of the sector is impacted with costs of natural disasters becoming unsustainable. This risk is managed through scenario testing and the Company is closely monitoring the academic and regulatory developments in this area.

- Future of work (Low)

In the context of ongoing technological developments, concerns arise with regard to how these will shape the work environment i.e., humans working with AI & robotics posing risks for their mental health, repetitive tasks being automated causing people to lose their jobs or not being able to adapt to the new setup. In addition, with the new COVID-19 restrictions, people working from home might struggle with productivity issues, mix between professional and personal life, social disconnect etc. All these put additional pressure on companies to imagine a virtual workplace where everyone feels connected and engaged with the company's objectives and strategy.

4.2.1 COVID-19 Update

The Company remains fully operational under the remote working arrangements for all staff in response to COVID-19. The Business Continuity Team (BCT) is meeting regularly to assess the evolving circumstances and putting in place appropriate measures for the continued operation of the business and the wellbeing of its employees.

Bermuda Monetary Authority Surveys:
The Bermuda Monetary Authority (BMA) conducted an Initial COVID-19 Survey, the COVID-19 Commercial Insurers Survey, dated 25 March 2020, to understand the financial and operational impact of COVID-19 to the Bermuda commercial Insurance Sector. The BMA then conducted a Follow-up Covid-19 Survey on 25 August 2020 and requested regular survey updates to be completed: 30 September 2020, 30 November 2020 and 28 February 2021. The Follow-up COVID-19 Survey's aim was to better understand the continued underwriting impact Bermuda insurers and insurance groups continue to face as the COVID-19 pandemic evolves. The responses to the Initial Covid-19 Survey indicated that insurers faced significant uncertainty in estimating their underwriting losses. This Follow-up Survey aimed to facilitate ongoing supervisory oversight of individual insurers and the Bermuda insurance sector. The latest submission for Qatar Re was on 28 February 2021. There were no material findings in the submission.

In the same Notice as the initial COVID-19 Survey, the BMA informed insurers that they would enhance the 2020 Quarterly Financial Return to include further information over and above the requirements under the relevant prudential rules and a template to assist with the completion of the Quarterly Financial Return was provided on 9th April 2020. This enhancement has since been extended to include 2021 Quarterly Financial Returns.

Reserving

This section provides an overview of the financial impact of the Covid 19 pandemic on Qatar Re Group. It is widely recognised that the effects of Covid 19 on the (re)insurance industry are multi-dimensional and are still evolving. As such, there continues to be considerable uncertainty on the ultimate impact of the pandemic.

The assessment of the impact of the Covid 19 pandemic is utilising resources and expertise from across the Qatar Re Group (Claims, Legal, Finance, Risk), Underwriting, Actuarial) and it is also guided by advice from external parties (legal, Claims).

The following sections provide an overview of our approach to assess the covid 19 financial impact for each entity of the Qatar Re Group.

QEL

The process starts with an assessment of the underlying Covid 19 BI exposure followed by an overlay of expert judgement, particularly in interpreting the evolving legal framework. The ultimate BI covid loss is build up in stages:

- Stage 1: Assessment of expected Covid loss on Reported claims: This is a granular analysis which includes a case-by-case evaluation of potential losses from covid 19. This includes a careful consideration of the policy wording and underlying policy terms (Indemnity periods, sub-limits, deductibles etc.)

- Stage 2: Following the assessment of exposure, consideration is also given to the potential savings on presented claims. This includes the Furlough scheme, Government grants, saving on utility bills etc. External advice has also been utilized in establishing this assumption.
- Stage 3: An uplift of 25% is applied to the resulting liability as allowance for claims yet to be reported. This would capture "claim harvesting" following the publicity generated by the various legal processes.
- Stage 4: The Interpretation of legal environment has been overlayed on our estimates with the judgements applied guided by external legal advice.

The overall gross ultimate loss for QEL (before cession to Qatar Re) has been estimated at $117m with the corresponding net liability at $55m, as at 2020 YE.

Qatar Re

The exposure on purely the reinsurance arm of the group (excluding intra group cessions) emerges from non-proportional contacts mainly attaching on the Cat International business segment. It should be noted that no Covid losses have been reported so the liability is purely an expectation that certain layers might experience losses. Additionally, we added an extra $10m unearned reserve to cover the potential impact on our Credit & Surety exposures.

The overall gross earned loss for Qatar Re (excluding intra group cessions) has been estimated at $8m with the corresponding net liability at $3m as at 2020 YE. Additionally, there is an extra $10m unearned loss attaching to Credit & Surety.

Gibraltar Company

The impact of Covid 19 is expected to be beneficial in the Group's motor business sourced though the Gibraltar entities. This is due to the suppressed traffic experienced in the lockdown periods imposed by the UK Government. The benefit from Covid 19 emerging from the Gibraltar companies has been estimated at £101m on an ultimate basis, of which £68m was earned as at 2020YE.

4.3 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 Underwriting Committee. The Company's exposure management function also provides monitoring of aggregate risk exposures by peril and region.

4.4 Investment of Assets in Accordance with the Prudent Person Principle

The QIC Global Finance Director has executive responsibility for the oversight of the Company's investment portfolio and the relationship with its investment managers. In line with the Prudent Person Principle, Qatar Re maintains a diversified and sufficiently liquid portfolio of investments to ensure that liability cash flows are covered appropriately as they fall due. Epicure, 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 Company also works with external managers to support a diversified portfolio allocation and to gain exposure to alternative assets. The Company appointed HSBC Global Asset Management (UK) Limited as the investment manager to manage a Developed Market mandate along with securitised assets.

The investment allocation is weighted mainly towards fixed income Bonds and cash deposits, with concentration limits in place. The Company invests in a combination of sovereign and investment grade fixed income securities. The small amount of portfolio is invested in equity funds (mostly Epicure managed) and third party Private Equity funds.

Total Gross portfolio of Qatar Re Group is US $2.62 billion as at 31st December 2020. The portfolio is likely to increase to US $2.75 billion by end of 2021.

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 the company 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.

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 analyses 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 2020 was completed during Q4 2020. 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 "ECR".

Qatar Re Group's available statutory economic capital of USD 1,076 million consists of Tier 1 basic capital in the form of shareholders' equity of USD 633 million, and Tier 2 ancillary capital of USD 444 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	632.6
Tier 2[5]	443.7
Total	1076.4

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.

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.

Entity	Risk Appetite	Tolerance
Qatar Re	The solvency ratio as determined by the Bermuda Enhnaced Capital Requirement (ECR) Fraemwork should be maintained at 140%-180% which is the Internal Capital Requirement range, and the solvency ratio should not fall below 140% The minimum solvency ratio as determined by the Bermuda Minimum Margin of Solvency should not fall below 120%.	Qatar Re has limited tolerance for Eligible Own Funds to fall below the Internal capital requirement. As per equity funding deed, the Shareholder and Ultimate Parent shall provide, at the request of QRE and within two months the required contribution as is necessary to restore ECR solvency ratio to at least 140% As appetite
MICL & SJL	The solvency ratio as determined by the EU Solvency II Solvency Capital Requirement (SCR) Fraemwork should be maintained at 140%-160% which is the Internal Capital Requirement range, and the solvency ratio should not fall below 140%	Limited tolerance for Eligible Own Funds to fall below the Internal capital requirement.
ZIP	The solvency ratio as determined by the EU Solvency II Solvency Capital Requirement (SCR) Fraemwork should be maintained at 160% which is the Internal Capital Requirement, and the solvency ratio should not fall below 160%	Limited tolerance for Eligible Own Funds to fall below the Internal capital requirement. As per equity funding deed, the Shareholder and Ultimate Parent shall provide, at the request of ZIP and within two months the required contribution as is necessary to restore ECR solvency ratio to at least 160%
QEL	The solvency ratio as determined by the EU Solvency II Solvency Capital Requirement (SCR) Fraemwork should be maintained at 140%-160% which is the Internal Capital Requirement range, and the solvency ratio should not fall below 140%	Limited tolerance for Eligible Own Funds to fall below the Internal capital requirement.

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.

In the previous period Qatar Re reported the breach of the MSM requirement and this was resolved during 2020. Throughout 2020, the Group and Qatar Re remained in compliance with its risk appetite statements as they relate to capital and solvency.

In respect of Qatar Re subsidiaries, the capital requirement was in line with the applicable capital requirements except for the following instances:

MICL

The Company maintained own funds in excess of the MCR and the SCR throughout the reporting period except for first quarter of 2020 where the SCR ratio dropped to 90%. This breach of solvency ratio was rectified through reallocation of the Tier 2 capital across the GibCo.

SJICL

The Company reported non-compliance with its SCR as at 31 March 2020 with an SCR coverage ratio of 57%; and reported non-compliance with both its MCR and SCR at 30 June 2020 with coverage ratios of 76% and 87% respectively. To address the non-compliance with both the MCR and SCR, the Company received a £2.16m capital contribution (Tier 1) from Qatar Re in August 2020; introduced £3.4m Tier 2 Ancillary Own Funds in the form of a Letter of Credit in July 2020; and entered into an Adverse Development Cover reinsurance contract with Qatar Re in September 2020.

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	675.0	668.1
BMA MSM / SII MCR	477.2	400.0
BMA Enhanced Capital Requirement (ECR)	675.0	668.1
Regulatory Capital Requirement	675.0	668.1
Available Economic Statutory Capital and Surplus	1076.4	1076.4
ECR Solvency ratio	159%	161%
BSCR solvency ratio	159%	161%

The Group MSM of USD 477 million comprises the following capital allocations:

Figure 6.2.1(2): Capital Allocation

Group Entity	MSM (USD million)
Qatar Reinsurance Company Limited	400.0
QIC Europe Limited	12.9
Markerstudy Insurance Co. Ltd.	17.1
Zenith Insurance Plc	42.7
St Julians Insurance Co. Ltd.	4.5
Group Total	**477.2**

The increase in BSCR since 2019 is due to:

- Transitioning to the revised BMA methodology (now 66% weighting towards the revised methodology)
- Premium Risk has fallen, consistent with reducing premiums.
- Reserve Risk has risen in line with growth in reserves.

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 1,076 million (USD 1,036 million at the end of 2019) resulting in an ECR coverage ratio of 159% (136% at the end of 2019). The BSCR coverage ratio was 159% (156% at the end of 2019).

In respect of Qatar Re as a standalone class IV reinsurer, the ECR coverage ratio is 161% and BSCR coverage ratio of 161%.

The eligible capital exceeds the ECR by USD 379million, as shown in the table below:

Capital ($)	Qatar Re Group	Qatar Re
BMA MSM	**477.2**	**400.0**
Tier 1	632.6	632.6
Check Tier 1 Capital in excess of 80% of MSM	Yes	Yes
Tier 2 (maximum 25% of Tier 1 or 20% of Total Eligible)	158.2	158.2
Total	790.8	790.8
Overall Surplus / (Shortfall)	313.5	390.8
BMA ECR	**675.0**	**668.1**
Tier 1	632.6	632.6
Check Tier 1 Capital in excess of 60% of MSM	Yes	Yes
Tier 2 (maximum 67% of Tier 1 or 40% of Total Eligible)	421.8	421.8
Total	1054.4	1054.4
Overall Surplus / (Shortfall)	379.4	386.3

The above tables show that both the Group and Qatar Re "standalone" are both fully solvent on both the MSM and the ECR bases.

6.2.2 Company Specific Parameters

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

6.2.3 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

No Board or senior management changes made in 2021.

7.2 Relationship with Markerstudy, Pollen Street and loan repayments

In January 2021 QIC and Pollen Street Capital announced a £200 million investment in Markerstudy Group. The transaction will see Markerstudy settle the c£200m longstanding loans it has with QIC Group which will accept c£170m repayment in cash as well as taking the balancing c£30m as preference shares in Markerstudy, paying coupon interest of LIBOR plus 12%.

Security backing Qatar Re's Indemnification Asset under the Reserve Cover agreement was renegotiated and strengthened as part of the deal. The obligation is now with the founders of Markerstudy individually, limited to £100m and with a distribution mechanism through the anticipated sale of Markerstudy in the future, whereby the founders' sale proceeds will be passed directly to Qatar Re in payment up to the value outstanding.

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 April 2021

Michael van der Straaten
Chief Executive Officer
30 April 2021

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 antic¬ipated by such statements.

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