Solvency and Financial Condition Report 2020

A QIC Global company

QIC EUROPE LIMITED

Solvency and Financial Condition Report
(SFCR)
For the financial year ended 31 December 2020

Contents

1 EXECUTIVE SUMMARY

The Solvency and Financial Condition Report presents the business performance, governance, risk profile, and financial and solvency position of QIC Europe Limited ("QEL" or "the Company") covering the financial year ending 31 December 2020.

This report is prepared in accordance with the supervisory reporting and disclosure requirements under Solvency II, including the Malta Financial Services Authority's ("MFSA") Insurance Rules Chapter 8 'Financial Statements and Supervisory Reporting Requirements' and its Annex 1 'Guidelines on reporting and public disclosure'.

Section 2: Business and Performance

QEL is a wholly owned subsidiary of Qatar Re, which is a Class 4 Bermuda-based (re)insurer. The ultimate parent of the QIC Group of companies is Qatar Insurance Company SAQ which is a leading Qatari publicly-listed insurer with an underwriting footprint across the Middle East, Africa and Asia. QEL is backed by a full guarantee from QIC Group, rated A by Standard and Poor's and benefits from the QIC's capital base.

QEL's business model is based on writing insurance business through selected Managing General Agents (MGAs) and coinsurance partners across the European Economic Area ("EEA").

The Gross Written Premium (GWP) of the company decreased by 6% to $594m based on non-renewal of a major Motor contract, which is partially offset by new business written in Property and Motor classes. On a gross basis, the portfolio delivered a combined ratio of 119% in 2020 financial year, compared to 102% in 2019 and the Company continued with the 90% quota share arrangement with its parent Qatar Re.

The Company reported a net profit after tax of $4.7 million in 2020, compared to the net profit of $2.4 million in 2019. The increase in profit is majorly attributable to improved underwriting income and foreign exchange gains recorded on revaluation of monetary assets and liabilities.

QEL's investment income is driven by investments in fixed income bonds. The net investment income (net of investment management expenses) was $2.8m at the end of 2020, the same amount as 2019.

This section of the report provides an overview of the Group structure, an analysis of the class of business and geographical spread and investment performance. .

Section 3: System of governance

QEL has established a sound and effective corporate governance framework, which is appropriate to the size, nature, complexity and risk profile of the Company. QEL has adopted a "Three Lines of Defence" model to ensure appropriate segregation of roles and responsibilities across the Company.

The Board retains the ultimate responsibility for the design and effective operation of the system of governance and it has established Risk and Capital Committee and an Audit Committee in addition to a range of management committees which focus on specific areas. The Board also receives support and advice from various QIC Global committees namely Finance, Investment, Security, Reserving and Remuneration Committee that provide services, advice and recommendations to the QIC Global companies.

The key functions at QEL are the Compliance function, Risk Management function, Actuarial function and Internal Audit function with defined responsibilities, which are documented in QEL policies and procedures.

This section of the report provides details on governance roles and responsibilities, internal control framework, operation of the key functions, policies and procedures and the risk management processes including Own Risk and Solvency Assessment (ORSA).

Section 4: Risk Profile

The QEL risk register sets out the universe of risks to which it is exposed to as a result of its activities. Insurance risk and counterparty default risk continue to be the key drivers of the Company's risk profile.

QEL targets a multi-class balanced portfolio which is composed of principally low severity/high frequency business. QEL manages the insurance risk through implementation of the underwriting strategy and guidelines, reinsurance arrangements, exposure management and appropriate reserving and claims management processes.

The main drivers of the credit risk profile are reinsurance counterparty and cover holder premium counterparty default risk. The majority of the reinsurance exposure is intra-Group due to the large proportion of business ceded to Qatar Re which is backed by the QIC Group and is rated A by both S&P Global and A.M. Best. Exposure to cover holders is managed through robust due diligence on the financial stability of the third parties and it is actively monitored throughout the year along with other mitigating control activities.

The Company has detailed policies and procedures on the management of all risk categories and the risk appetite and tolerance statements, approved by the Board, govern the concentration limits in relation to counterparties, credit quality and geographical locations to avoid material risk concentration.

This section of the report provides details of the QEL risk profile, risk management and mitigation processes for different risk categories and their consideration in the capital calculation.

Section 5: Valuation for Solvency Purposes

The assessment of the available and required regulatory capital is made by taking an economic view of the Company's assets and liabilities, in accordance with the Solvency II ("SII") valuation principles

QEL is a growing business and on the on International Financial Reporting Standards ("IFRS") basis the asset base supporting the business increased to $1,430m from $1,179m in the previous year. The main difference on SII basis relates to Deferred Acquisition Costs which are valued at nil in the SII balance sheet as the company does not expect future cash flows to arise from this asset.

Overall the technical provisions increased by 28% on an IFRS basis (17% on a Solvency II basis) in 2020 compared to 2019; this is driven by business volume growth.

This section of the report provides the valuation of the assets and liabilities and a quantitative and qualitative assessment of the differences in the IFRS and SII basis.

Section 6: Capital Management

The Solvency Capital Requirement ("SCR") is calculated using the SII standard formula. The SCR as at 31 December 2020 is $51.4m (2019: $50.6m).

The Board has an approved risk appetite of maintaining 140-160% solvency coverage ratio and at the solvency ratio stood at 141% as at 31 December 2020 compared to 124% in the previous year.

This section of the report provides structure of the basic own funds, tiers of the eligible own funds and the solvency capital calculation.

Section 7: Subsequent Events

A formal Brexit plan is in place and QEL has successfully been included in the transition arrangements under the Temporary Permissions Regime ("TPR") while preparing applications to convert existing UK Branch to a Third Country Branch and also to establish a subsidiary in Gibraltar. The management is closely liaising with the regulators and the applicable applications in respect of the Brexit plan will be submitted with the Regulators during 2021.

The Covid-19 impact on best estimate reserving has been through robust governance and review by the quarterly Reserving Committee for the period ending 31 December 2020 and no material adjustment was required in respect of the Supreme Court ruling on the FCA test case. All affected policyholders with claims have been notified under the relevant policies to confirm cover "in principle" subject to the T&Cs of the policies.

This section of the report also provides details on the latest update on Covid-19, the closure of the Italian Branch and the Board and executive management changes.

2 BUSINESS AND PERFORMANCE

2.1 Business

2.1.1 The Company

QEL is a wholly owned subsidiary of Qatar Re, which is a Class 4 Bermuda-based (re)insurer. Qatar Re is a wholly-owned subsidiary of QIC Capital LLC, which in turn is a wholly-owned subsidiary of Qatar Insurance Company SAQ, the ultimate parent of the QIC Group of companies and a leading Qatari publicly-listed insurer with an underwriting footprint across the Middle East, Africa and Asia. QEL is backed by a full guarantee from QIC Group, rated A by Standard and Poor's and benefits from the QIC's capital base.

Established in 2014, QEL is a Malta domiciled insurer with branches in the UK and Italy and authorised to underwrite all non-life classes of insurance and reinsurance throughout the European Economic Area ("EEA"). QEL's business model is based on writing insurance business through selected Managing General Agents (MGAs) and coinsurance partners across the EEA.

QEL is authorised and regulated by Malta Financial Services Authority.

Supervisory Authority

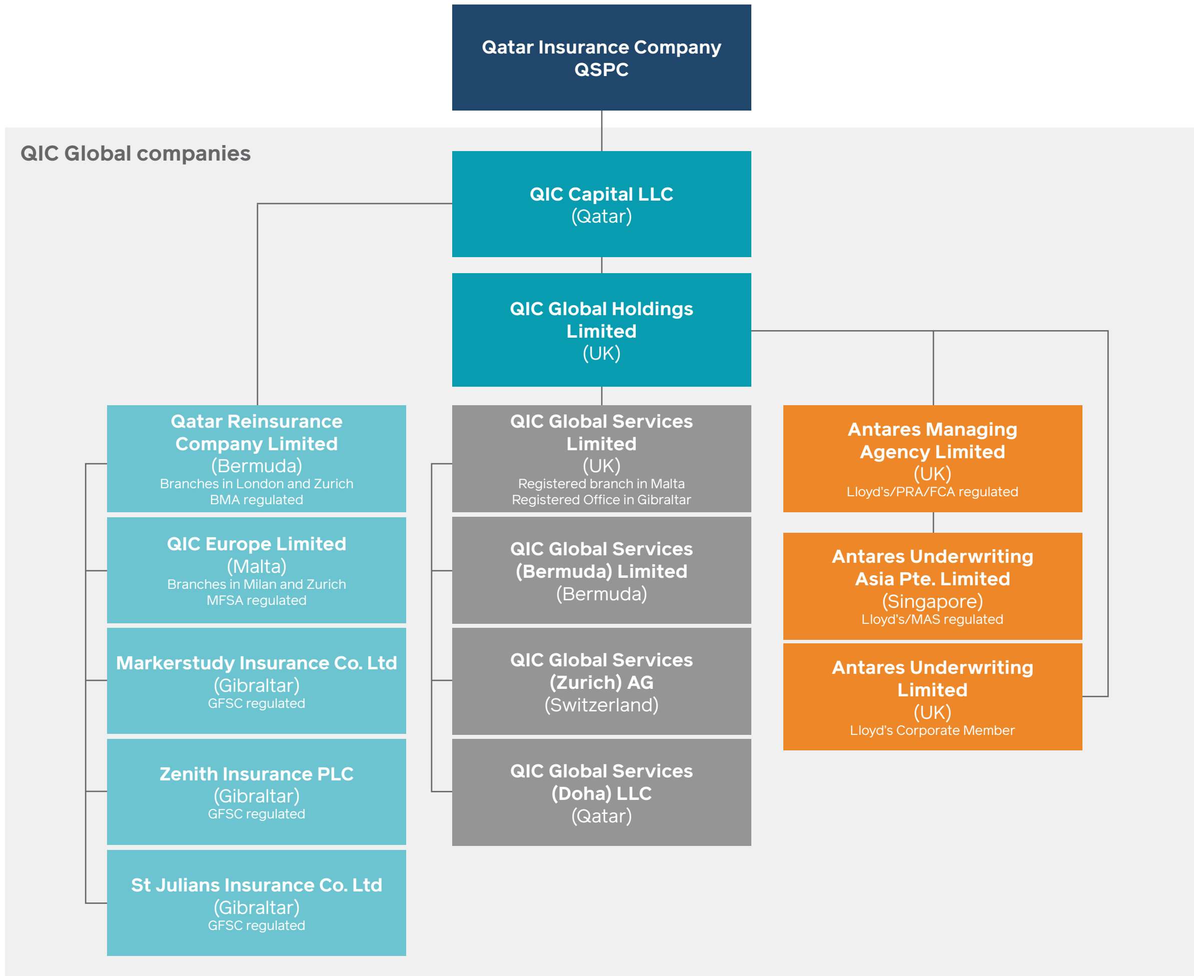
Malta Financial Services Authority
Triq l-Imdina, Zone 1, Central Business District, Birkirkara, CBD 1010, Malta

External Auditor:

Ernst and Young Malta Limited
Regional Business Centre, Achille Ferris Street, Msida MSD 1751, Malta

2.1.2 Ownership Structure

The QIC Group structure is presented below:



Qatar Re owns 22,500,000 (twenty-two million five hundred thousand) ordinary shares that have a nominal value of USD 1.00 (one US Dollar) in QEL.

1 On May 7th 2020 QEL notified MFSA of its intention to close the Italian branch. As at December 31st 2020, the process was still ongoing. Refer to section 7 (Subsequent Events) for an update.

2.1.3 Insurance and Reinsurance Business written

QIC Europe Limited holds licences to write the following classes of general business insurance and reinsurance business:

- Class 1 – Accident
- Class 2 – Sickness
- Class 3 – Land vehicles
- Class 4 – Railway rolling stock
- Class 5 – Aircraft
- Class 6 – Ships
- Class 7 – Goods in transit
- Class 8 – Fire and natural forces
- Class 9 – Other damage to property
- Class 10 – Motor vehicle liability (in some countries)
- Class 11 – Aircraft liability
- Class 12 – Liability for ships
- Class 13 – General liability
- Class 14 – Credit
- Class 15 – Suretyship
- Class 16 – Miscellaneous financial loss
- Class 17 – Legal expenses
- Class 18 – Assistance

2.2 Business Performance

The Company reported a net profit after tax of USD 4.7 million in FY 2020 compared to a net profit after tax of USD 2.4 million in FY 2019. The increase in profit is majorly attributable to improved underwriting income and foreign exchange gains recorded on revaluation of monetary assets and liabilities.

2.3 Underwriting Performance

Premiums written by the Company reached USD 594 million (2019: USD 633 million), thereby registering almost a 6% (2019: 10%) decrease. The decrease is primarily attributable to non-renewal of major Motor contract, which is partially offset by new business written in Property and Motor classes.

The technical result for general business in current year stands at USD 8.9 million compared to USD 3.4 million in FY 2019. The increase in underwriting income despite a 6% decrease in gross written premiums is attributable to earning from older years of account together with increase in commission income which is offset to an extent by major losses reported on the Property and Structured Finance lines of business.

On a gross basis (prior to reinsurance), the portfolio delivered a combined ratio of 119% in 2020 financial year, compared to 102% in 2019.

The gross written premiums for 2020 compared to 2019 by line of business are as follows:

Line of Business	Actual GWP 2020 (USD million)	Actual GWP 2019 (USD million)	Difference
Fire & Other Damage to Property	203	158.7	44.3
General Liability	43.1	65.1	-22
Motor vehicle liability	261.6	314.4	-52.8
Marine, Aviation & Transport (MAT)	3.1	3.1	0
Other motor	81.4	87	-5.6
Workers' Compensation	0	0	0
Miscellaneous financial loss	2.4	4.7	-2.3
Total	**594.6**	**633.1**	**-38.5**

The gross written premiums by geographical territory are as follows:

Territory	Actual GWP 2020 (USD million)	Actual GWP 2019 (USD million)	Difference
France	0.5	0.6	-0.1
Greece	22.2	39.1	-16.9
Ireland	11.3	7.9	3.4
Spain	2.4	2.7	-0.3
UK	548.8	574.9	-26.1
Denmark	3	0.8	2.2
Worldwide	2.9	7.1	-4.2
Gibraltar	1.8	0	1.8
Malta	0.4	0	0.4
Portugal	1.3	0	1.3
Total	**594.6**	**633.1**	**-38.5**

The portfolio continues to be dominated by Motor and Property business predominately in the UK.

The following table sets out the estimated GWP as at 31 December 2020 (on a Solvency II basis), with a comparison against the 2020 planned GWP by line of business.

Line of Business	Actual GWP 2020 (USD million)	Plan GWP 2019 (USD million)	Difference
Fire & Other Damage to Property	203	156.1	46.9
General Liability	43.1	54.3	-11.2
Motor vehicle liability	261.6	389.2	-127.6
Marine, Aviation & Transport	3.1	1	2.1
Other motor	81.4	103.9	-22.5
Workers' Compensation	0	0	0
Miscellaneous financial loss	2.4	4.5	-2.1
Total	594.6	709	-114.4

Analysis of performance versus plan

The initial business plan for 2020 anticipated USD 709 million of written premium income but actual income was USD 595 million, an unfavourable variance of 16.1% against the business plan. The material driver of this variance is the Motor vehicle liability business with actual GWP lower than plan by USD 128 million; mainly due to lower than plan in the Oyster 2020 renewal and due to some binders not having materialised as planned such as Lexham.

2.4 Investment Performance

QEL's investment strategy is tailored to meet the Company's business needs and objectives. The asset mix is closely managed to meet liquidity needs and investment return targets. QEL's investment income is driven by investments in fixed income bonds.

The Company's net investment income (net of investment management expenses) was as follows:

Income Allocation	2020 (USD '000)	2019 (USD '000)
Net Interest Income	**2,836**	**2,760**
-on Cash & Deposits	364	295
-on Fixed Income	2,510	2,497
-Facility & Repo Interest Expenses	-38	-33
Dividend income	**0.00**	**0.00**
Realized Gain / (Loss)	**314**	**358**
Unrealized Gain / (Loss)		
Gross Investment Income	**3,150**	**3,117**
Less: Advisory Fee	-310	-300
Net Investment Income	**2,840**	**2,817**

2.5 Other Material Income and Expense

The main expenses beyond underwriting and investment relate to employee compensation:

	2020 (USD '000)	2019 (USD '000)
Employee Related Costs	1,017	1,055

2.6 Any other material information

There is no other material information regarding the business and performance.

3 SYSTEM OF GOVERNANCE

3.1 Introduction

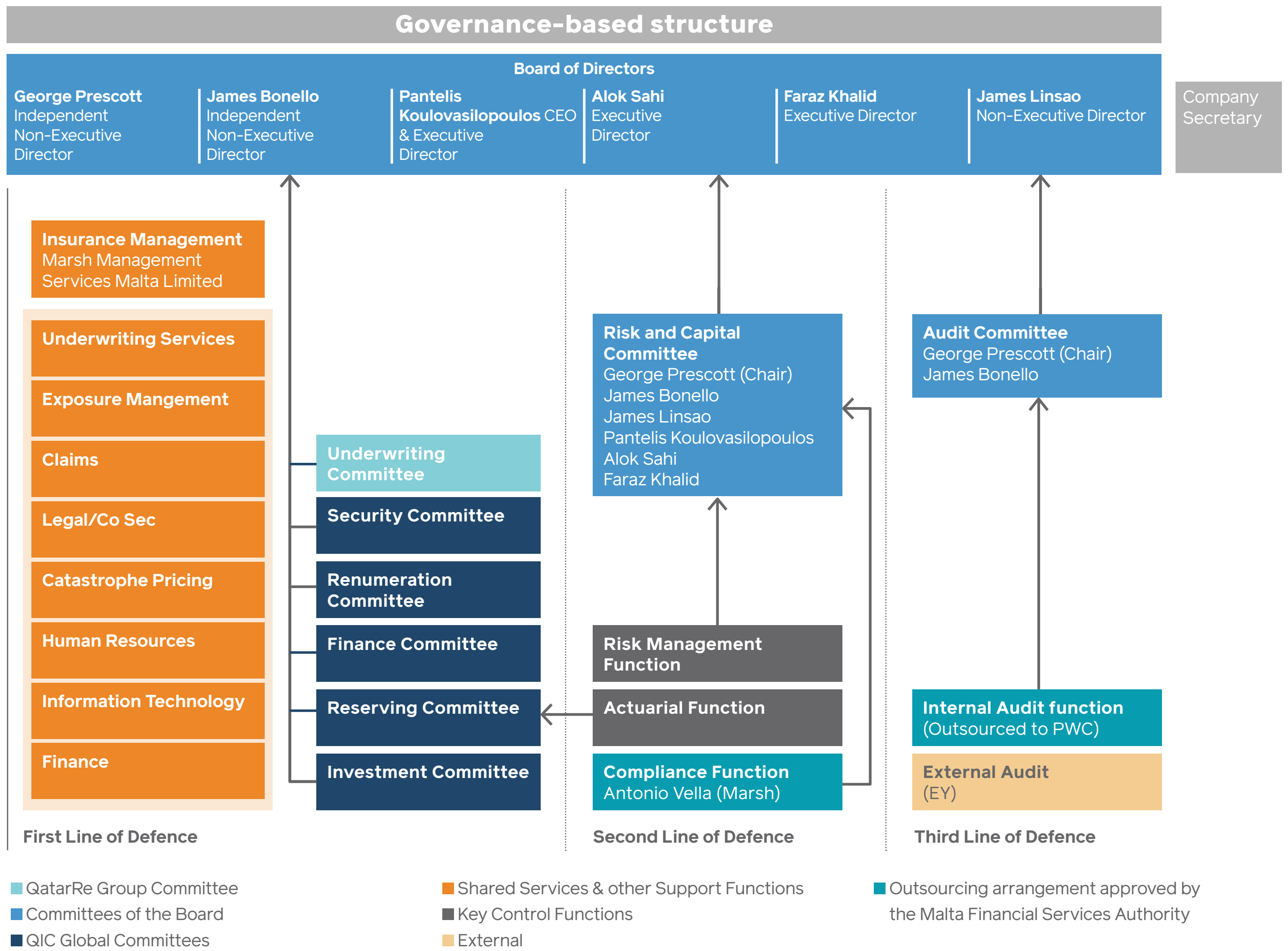
QEL has established a sound and effective corporate governance framework, which is appropriate to the size, nature, complexity and risk profile of the Company. This enables sound and prudent management of the Company's activities so that the interests of policyholders and other stakeholders are appropriately protected.

The governance framework is administered by the Board and its committees to provide robust oversight and clear accountability with specific focus on the delegated underwriting and claims management arrangements.

QEL 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 layers of review exist within each business function and between committees and the Board. These controls are audited on a regular basis by the Company's internal and external auditors.

The governance chart shown below is as at 31 December 2020, but with names updated to reflect the position at time of publishing.

The key functions have defined responsibilities, which are documented in various policies and procedures. The Board and committees have approved terms of reference .



3.2 Responsibilities of the Board and Committees

The key responsibilities of the Board of Directors are:

- Approve QEL's strategy, annual business plan, financial statements and Solvency II submissions.
- Oversee performance against the approved plan.
- Ensure there is adequate risk management and internal control frameworks and an adequate risk culture. Discuss emerging risks and their potential impact.
- Oversee the effectiveness of the Company's governance structure and internal control system. Confirm that corporate governance policies and practices are developed and applied in a sound and prudent manner.
- Approve the capital requirements. Ensure that the SCR and technical provisions continuously meet the Solvency II requirements.
- Ensure that QEL meets all regulatory requirements.
- Oversee the performance of the outsourced functions.
- Review and approve the investment strategy, including the adoption of a prudent approach to the holding and disposal of investments and the identification of appropriate asset allocations.
- Monitor the implementation of the investment strategy.
- Review and approve the investment guidelines and monitor compliance.
- Identify and implement measures for the preservation and enhancement of the invested assets for the purposes of ensuring continued solvency and adequate liquidity to meet the Company's obligations.
- Appoint investment managers and advisors and monitor their performance.

The Board meets at least quarterly and, ad-hoc, when required, and carries out its duties within established terms of reference.

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

A brief description of the responsibilities of the Board Committees are provided in the table below.

Board Committee	Responsibilities
Risk and Capital Committee (RCC)	• Review and recommend to the Board, the Risk Management Policy and ORSA Policy for approval. Ensure that the risk management framework remains adequate and effective. • Consider the impact of current and future material risks, recommend the risk appetite for approval to the Board and monitor actual exposures against risk appetite and tolerances. • Review the risk register and challenge the assessment of the key risks and controls. • Ensure maintenance of sufficient economic and regulatory capital. • Promote a risk-aware culture and encourage risk-based decision making. • Monitor emerging risk processes and associated actions • Approve the Company's compliance framework, including the annual Compliance Plan, monitor progress against plan. • Oversee the investigation of any material instances of non-compliance with applicable legislative or regulatory requirements or internal policies or procedures.
Audit Committee (AC)	• Approve the appointment of an external party to whom the internal audit function is outsourced. • Approve the three-year Internal Audit Plan and any subsequent material changes. • Review internal audit reports and any responses provided by management. • Monitor the integrity of the financial statements, including the annual reports. Review and challenge the accounting policies. • Recommend to the Board the appointment of external auditors. Review the external auditor's reports.

The Board also receives support and advice from the following QIC Global committees that provide services, advice and recommendations to the QIC Global companies, including:

- Reserving Committee;
- Remuneration Committee;
- Security Committee;
- Finance Committee;
- Investment Committee

This support is part of the successful initiative of integrating services through the intra-group Outsourcing Agreement to QIC Global Services Limited and by detailing the Service Level Agreement ("SLA") in respect of all functions, which is monitored by the Board and its Committees.

Additionally, the Qatar Re Group also has an in place a Group Underwriting Committee.

QEL is also supported by a Product Oversight Group (POG). which was set up for the governance and oversight of insurance products which it manufactures - or co-manufactures - and distributes, including where it outsources the manufacture and/ or distribution of insurance products.

3.3 Key functions/Responsibilities

The key functions at QEL are the Compliance function, Risk Management function, Actuarial function and Internal Audit function.

Each of the key functions is independent from the Company's operational functions, thereby ensuring they are able to undertake their activities in an unbiased and objective manner. The main responsibilities of the key functions are as follows:

3.3.1 Risk Management function

- Develop, implement and maintain the Risk Management Framework and associated Risk Management policies.
- Assist the Board in developing the Risk Appetite Statements, facilitate the ongoing monitoring of the risk appetite and tolerances and escalate any breaches to the CEO, committees and the Board.
- Coordinate the ORSA processes and prepare the ORSA report.
- Support the business functions in identifying, assessing and managing their risks. Facilitate the identification, documentation and assessment of the key controls. Communicate regularly with the business functions to understand, challenge and monitor their risks and controls.
- Investigate reported incidents of control failings or weaknesses, and document them.
- Update and maintain the Risk Register.
- Identify, document and assess the impact of emerging risks.
- Facilitate the stress, scenario and reverse stress testing.
- Provide advice, consultation and training to business functions on risk and control-related matters.
- Coordinate assurance activities with the Actuarial, Compliance and Internal Audit functions.
- Provide quarterly risk reports to the Risk and Compliance Committee and the Board.
- Liaise with external parties, including regulators, as appropriate.

3.3.2 Compliance Function

The Compliance function is outsourced to Marsh, with support services provided by a wider team at QIC Global (Intra-Group Shared Services Outsourcing Agreement). Steps were taken to gradually insource the Compliance function during the course of 2019 but during 2020 Marsh actively continued carrying the Compliance function. A decision will be taken in the forthcoming year to determine the allocation of specific compliance resources to QEL due to Brexit Contingency plans.

The Compliance function is responsible for directing and overseeing the management and monitoring of the Company's adherence to applicable regulatory and legislative requirements, and to the Company's internal policies, procedures and controls to ensure the effective mitigation of compliance risk. The Compliance function also acts in an advisory capacity to the Board and wider Company regarding the impact of a range of regulatory and legislative requirements.

The Compliance function fulfils its obligations by carrying out the following key activities:

- Act 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.
- Monitor the Company-wide compliance policies and procedures, as well as undertake regular and ad-hoc compliance activities.
- Develop an annual compliance plan setting out the key objectives and activities of the Compliance function in the year ahead and ensure adequate resources are in place.
- Provide guidance and support on regulatory and legislative requirements. Ensure that staff receive adequate training on various compliance matters.
- Ensure that business is written in accordance with applicable licensing requirements in those jurisdictions in which the Company writes business.
- Liaise with the regulator(s) to develop and maintain open and cooperative relationships and ensure that appropriate disclosures are made to the regulator(s) of anything relating to QEL that the regulator(s) would reasonably expect notice of. Ensure that all regulatory returns are submitted to the regulator(s) within the prescribed timescales.
- Promote and embed a strong compliance culture throughout the Company.

3.3.3 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 conduct internal audit reviews. The internal Audit function is outsourced to PricewaterhouseCoopers ("PwC").

The main responsibilities of the function are to:

- Provide independent assurance on the effectiveness of the risk management, internal control and governance frameworks.
- Conduct internal audit reviews, discuss the findings and agree action points with the relevant business areas, prior to reporting to the Audit Committee.
- Develop a rolling three-year Internal Audit Plan and provide the Audit Committee with quarterly updates against the plan.
- Review and evaluate the annual coverholder audit schedule and the completed coverholder audit reports.

Further assurance is being obtained through the use of a panel of coverholder auditors who examine in detail the controls and transactions of all coverholder partners. This is a management control under the oversight of the Delegated Authority Manager and all audit reports are also provided to the Internal Audit function to assist it in its work.

In each audit location, Internal Audit fulfils its responsibilities in compliance with local legal and regulatory requirements (such as the MFSA Insurance Code of Conduct), and in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors ("IIA") as well as further guidelines of the IIA.

3.3.4 Actuarial function

QEL's Actuarial function was provided via outsourcing agreements with an external consultant and an affiliated company, enabling segregation of duties within the actuarial team. The services provided to QEL, as they relate to actuarial work are overseen by the Actuarial function.

The Actuarial function's responsibilities are as follows:

- Ongoing development of reserving systems for QEL; performing a reserving function and preparing the necessary reserving reports for QEL's financial statements and external reporting including regulatory filings.
- Calculation of the technical provisions.
- Communication of reserve calculations to management within QEL.
- Preparing financial projections for the purposes of assessing potential future SCRs and QEL's ability to meet these.
- Ongoing review of QEL's recording of contract data that is used for the preparation of financial statements with the goal of improving accuracy.
- Supporting the Risk Management function in the calculation of the SCR.
- Providing support to ensure the achievement and maintenance of Solvency II compliance.
- Providing actuarial opinion on the UW policy and reinsurance strategy.

The affiliated company provides the following actuarial and modelling services to QEL:

- Advising QEL underwriters on technical price, profitability, product design, portfolio impact, data quality, applicability of modelling, uncertainties and third-party reliance.
- Assisting with business planning, researching new classes and territories of business, assisting with portfolio optimisation and improving return on capital.

3.4 Material Changes in the System of Governance

The material changes in the system of governance are noted as follows:

James Michael Linsao was formally approved by the Regulator as non-executive director during February 2020.

The following executive appointments were also approved by the Board during 2020:

- Damien Kelly (Key Function Holder – Actuarial)

In addition, Ms Meera Rajoo Oakley resigned as an executive director in 2020 and it was proposed that Damien Kelly be appointed on the board of QEL as an executive director subject to the regulatory approval. Ms Rajoo-Oakley also resigned as Key Function Holder – Actuarial.

3.5 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 QEL.

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 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 QEL 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.

QEL provides some employees with a pension, however the Company does not operate any early retirement schemes or defined benefit pension schemes.

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

Details on Board and employee remuneration over the reporting period can be found in section 2.5 Other Material Income and Expense.

3.6 Fit and Proper requirements

The Company ensures that the Board members 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 functions - 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 PQ (Personal Questionnaire) 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.

3.7 Risk Management System including Own Risk and Solvency Assessment

3.7.1 Risk Management System

The Risk Management Framework defines the process of identification, assessment and reporting on the material risks and the mitigating controls. The process is documented in the Risk Management policy.

QEL's overall risk strategy is designed to ensure:

- Alignment of the Risk Management System with the business objectives
- Clear ownership and accountability for risk management
- Complete coverage of all material risks
- Risk and control assessment, implementation of actions to reduce risks to acceptable level
- Risk and control monitoring and reporting, including escalation of material issues to committees and the Board
- Link to the capital assessment to demonstrate that the company is adequately capitalised for the risks assumed
- Compliance with all relevant regulatory requirements
- Risk Management outputs inform the ORSA process.

The Risk Management Framework comprises a set of key policies and procedures and is implemented and integrated through the various committees, processes and procedures. These processes contribute towards QEL's solvency self-assessment, and identify and measure all material risks to which the Company is exposed, informing the decision-making process.

Risk governance is a major component of the overall risk framework and provides for clear roles and responsibilities in the oversight and management of risks. It also provides a framework for the reporting and escalation of risk and control issues across the Company. QEL's governance framework is built using a 'three lines of defence' model. The current governance structure at the time of writing this report is presented in section 3.1.

The key functions have defined responsibilities, which are documented in various policies and procedures. The Board and Committees have approved terms of reference.

The key responsibilities of the Board, committees and functions are summarised in sections 3.2 and 3.3.

This section provides an overview of key aspects in the overall risk management framework.

Risk appetite & Risk Tolerance

QEL defined a set of Risk Appetite and Risk Tolerance statements that lay down the parameters within which the Company will manage risk. These statements are reviewed at least annually, and, if necessary, updated.

The Risk Appetite is monitored on an ongoing basis. Quarterly monitoring reports are prepared by the Risk Management function and provided to the committees and the Board.

Risk Register

The Risk Register summarises the overall risk profile of QEL. The business functions are responsible for identifying material risks associated with their activity. The risk identification and assessment process are facilitated by the Risk Management function.

Risk owners are required to assess the inherent and residual risk position using standardised assessment ratings. As part of the control self-assessment, the control owners have the responsibility to assess the design and performance of the risk register controls. The material risks and key controls are discussed with the business functions quarterly and documented in the Risk Register by the Risk Management function, which challenges the risks and controls ratings.

Output from the Risk Register and key changes to the risk profile are reported to the RCC with escalation to the Board as appropriate.

Exposure management

Exposure management at QEL is supported by the QIC Global Exposure Management team. Their responsibilities include producing exposure management reports, recommendations or remedial actions (as applicable) and contribution to the ORSA report. The Company's largest exposures are monitored quarterly, ensuring that QEL's exposure remains within its approved risk appetite.

Emerging risks

Emerging risks are risks that have not yet been fully understood or classified. The Risk Management function, with input from the wider management team, identifies and prioritises emerging risks for assessment. Emerging Risks are documented and reviewed by the RCC, and also reported to the Board.

Risk reporting

The Risk Management function provides quarterly written reports to the RCC and the Board that cover the following core risk information:

- Exposures against risk appetite and tolerances;
- Results of quarterly self-assessment on risk register control activities;
- Material operational risk events (and near misses); and
- Any proposed changes to the risk management framework.

The Risk Management function also ensures that the results from the SCR calculations are reported to the RCC and the Board.

Capital assessment

QEL's SCR is calculated using the Solvency II standard formula on a quarterly basis. The Board is responsible for ensuring that the Company continuously holds sufficient eligible own funds to cover the SCR and MCR.

QEL has a target to maintain eligible capital above the SCR as defined in the Risk Appetite Statements of maintaining a 140 – 160% solvency coverage ratio.

Material changes to the risk profile over the course of the year could trigger ad-hoc recalculation of the SCR and potentially an update of the ORSA.

A Capital Management plan is included in the ORSA report, which demonstrates how QEL will maintain the required regulatory and economic capital to support its business plan over the three-year period.

Stress testing and scenario testing

Stress testing and scenario testing include consideration of single stresses and multi-faceted scenarios across all material risk categories to assess QEL's ability to meet the capital requirements under stressed conditions.

3.7.2 Own Risk and Solvency Assessment

Own Risk and Solvency Assessment is defined as the entirety of the processes and procedures employed to identify, assess, monitor, manage, and report the current and long term risks an insurance undertaking faces or may face and to determine the own funds necessary to ensure that the undertaking's overall solvency needs are met at all times.

ORSA process

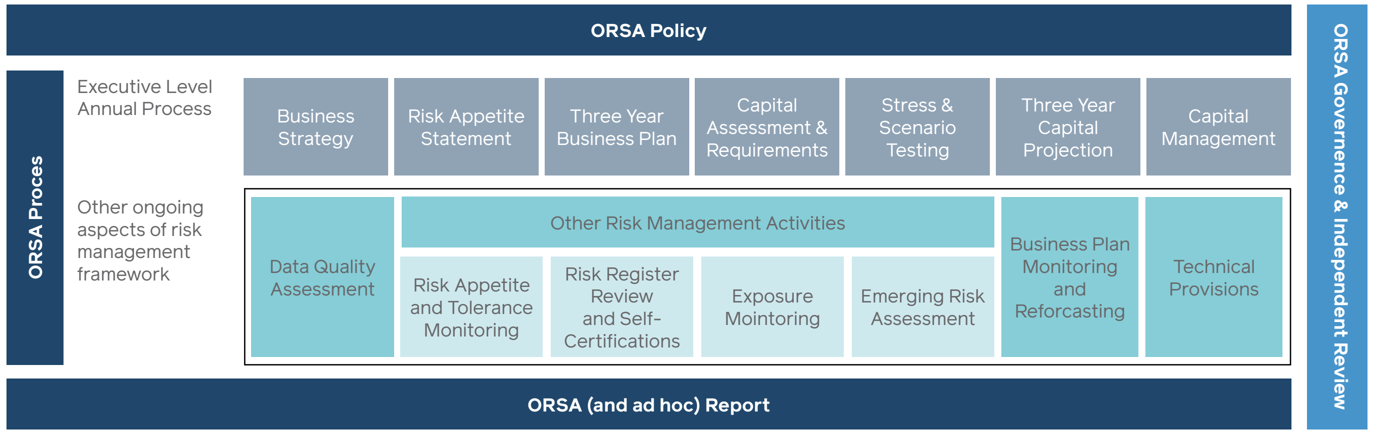
The risk management framework is implemented and integrated through the various committees, processes and procedures described in section 3.8.1. These processes contribute towards QEL's solvency self- assessment, which seeks to identify and measure all material risks to which the Company is exposed, informing the decision-making process. QEL's ORSA covers all material risk, including the quantifiable risks which are within the scope of the SCR, the material risks outside the scope of the SCR and the emerging risks.

The purpose of the ORSA report is to:

- Inform the Board annually of the capital requirements in line with the business plan and strategy;
- Summarise the current and future/emerging material risks (quantifiable and non-quantifiable);
- Present the current regulatory Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) and own view of capital;
- Project the future capital requirements, including a comparison with the expected own funds over the planning horizon;
- Summarise the capital management plan; and
- Present the results of the stress and scenario testing, as well as reverse stress testing.

The ORSA report is addressed to QEL's Board. It will also be submitted to MFSA as part of the Company's annual filing requirements.

The processes which comprise the ORSA operate throughout the year, and the ORSA report summarises the outcome of these processes for the Board on an annual basis. The ORSA processes are summarised in the following figure:



The responsibilities and frequency of the ORSA processes/reports are documented in the ORSA Policy.

The ORSA report is prepared by the Risk Management function with contributions from the relevant business functions throughout the Company.

Should there be significant changes to the business strategy or the risk profile, an ad-hoc ORSA update will be produced and submitted to the Board and shared with the MFSA. The trigger events for such ad-hoc ORSA are documented in the ORSA Policy.

ORSA Risk Coverage

The ORSA includes all identified risks that QEL is exposed to as a result of its activities.

Solvency II regulation requires QEL to quantify the SCR relating to the following risks:

- Insurance Risk - Underwriting Risk (including Catastrophe Risk)
- Insurance Risk - Reserving Risk
- Market Risk (including FX risk)
- Credit risk
- Operational Risk

The Standard Formula SCR computation excludes the risk categories listed below and they are assessed and managed as part of the wider Risk Management System and qualitatively assessed as part of the ORSA:

- Group Risk
- Strategic and Reputational Risk
- Liquidity Risk
- Regulatory Risk
- Emerging Risk

Use of the ORSA report

The ORSA report summarises the outcome from the ORSA processes for the Board and management on an annual basis. The ORSA report is used by the Board to assess the solvency capital needed to execute the business plan.

The ORSA outputs are also used for:

- Business planning process and strategy. The ORSA Report notifies the Board of any strategic changes, emerging risks and the stressed conditions that may impact on the business plan.
- Risk appetite and tolerance setting, including using the ORSA results to explore strategies for mitigating risks that exceed the risk appetite.
- Risk Management Framework improvements, including Risk Register updates, risk policy updates and internal control improvements.
- The results from the capital projections are used for capital planning, including alternatives to ensure the continued solvency is maintained under normal and adverse conditions.
- Reinsurance and investment strategies may be changed as a result of the ORSA.
- The ORSA supports senior management in defining future management actions to transfer or accept the risk position taken by the QEL. These potential risks and the related courses of action inform the stress tests, reverse stress tests and emerging risks of the ORSA process.

3.8 Internal Control System

3.8.1 Internal Control Framework

QEL has established a sound and effective corporate governance framework that is appropriate to the size, nature, complexity and risk profile of the Company and that allows for the sound and prudent management of its activities.

The internal control framework 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.

QEL's internal control framework is based on the following elements:

- A Three Lines of Defence model that ensures appropriate segregation of risk ownership (as documented in section 3.3)
- Adequate and transparent organisational structure with clear allocation and segregation of responsibilities, ensuring decisions are made and information is transmitted appropriately at the right levels.
- Corporate policies defining key principles and rules for operation; operating procedures detailing the activities and controls individuals are expected to perform. The policies and procedures are documented for all significant operations across the Company and are reviewed at least once a year.
- Specific focus on outsourcing procedures and controls.
- Appropriate management information framework that allows for the monitoring of key areas (i.e. 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)
- Promoting a risk responsible culture and training staff to ensure that they understand their responsibilities relating to internal controls, ensuring that their actions are in compliance with QEL's policies, procedures and relevant laws and regulations.

The key controls mitigating material risks are documented in the risk register and assessed as part of the quarterly risk and control assessment process.

Internal and external auditors play a key role in the oversight and assessment of the overall control environment. Findings from audit reviews are shared with and discussed by the Audit Committee, and also feed into the risk and solvency assessment processes.

3.9 Outsourcing

3.9.1 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 QEL'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. QEL 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.

QEL 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 MFSA 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 Company's outsourcing policy has been amended to reflect that an authorised undertaking will now be required to notify the competent authority of its intention to outsource any critical or important outsourcing functions and activities sixty (60) days prior to the outsourcing of critical or important functions.

In line with the new paragraph 6.8.4 of Chapter 6 of the Insurance Rules, the MFSA will be required to review the information submitted by the authorised undertaking and within sixty (60) days.

In 2020, the services have been transferred to QGSL.

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
Insurance Management	Malta	Marsh Management Services Malta Limited
Internal Audit (Critical Function)	Malta	PWC
Compliance (Critical Function)	Malta	Marsh Management Services Malta Limited
Company Secretarial	Malta	Valletta Legal
Compliance (Critical Function)	London	QIC Global Services Limited
Investment Advisors	Doha	Epicure Investment Management LLC
Finance	London / Malta	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	London / Malta	QIC Global Services Limited

The Board maintains oversight and control of all outsourced functions.

3.9.2 Delegated Underwriting and Claims Management

QEL focuses on coverholder or coinsurance partners across the UK and Europe. QEL's business model was designed to provide access to niche insurance business either by line of business, or geography, or both, for both existing portfolios and entrepreneurial start-up ventures. The coverholder or an appointed third-party administrator are responsible for claims management with QEL's Claims team providing oversight of performance in accordance with service level agreements.

An appropriate governance structure is in place and is administered by the CEO, Delegated Underwriting Authority ("DUA") Manager and the Board to provide robust oversight and clear accountability of delegated underwriting and claims management arrangements. QEL has a robust process for selecting and managing coverholders and third-party administrators.

Pre-bind due diligence includes business rationale in respect of new or renewal delegated authority and provides detail of market assessment, rates, loss ratio and alignment with the QEL strategy.

Each arrangement is governed by a delegated authority agreement (whether for delegation of underwriting or claims) and provide detailed guidance, limits, scope, terms and conditions. Delegated arrangements are reviewed by the compliance team.

Post bind the arrangements are monitored through regular coverholder performance monitoring including monitoring actual premium income against estimated premium, exposures, compliance with limits and the conditions of the agreement, service standards and business written in classes and territories as specified in the agreement. This is augmented by audits, typically carried out by specialist auditors.

QEL maintain an approved panel of coverholder auditors and uses a market standard for the scope of audit work, with a specific focus on certain areas depending on the nature of the transaction and the performance of the coverholder. A log is maintained for tracking the completion of audit recommendations.

3.10 Any other Material Information

There is no other material information regarding the system of governance.

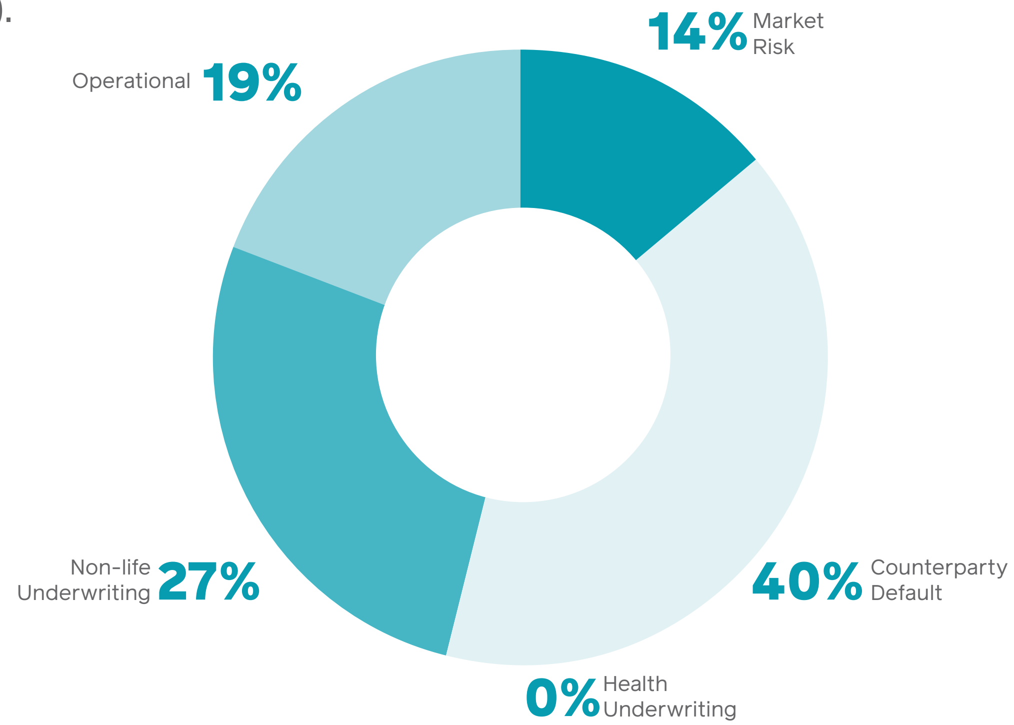
4 RISK PROFILE

The view of material risks at QEL is a combination of the top risks from the Risk Register (based on their residual rating) and the SCR risk ranking (based on the capital impact).

The most material risk categories based on their capital impact are outlined below. The counterparty default risk and non-life underwriting risk continue to be the key drivers of the SCR.

The ranking by risk category based on the 2020 year end SCR calculations (as a percentage of the total SCR excluding the loss absorbing capacity of deferred taxes, without allowing for diversification between risk modules) is as follows:

Solvency Capital Requirement Breakdown



The key risk drivers, the rationale for the ranking of each type of risk, and the approach to managing the risks are documented in this chapter.

4.1 Insurance risk

4.1.1 Insurance Risk Management

Insurance risk includes underwriting and reserve risk.

QEL manages the insurance risk through:

- Selection and implementation of the underwriting strategy and guidelines;
- Adequate reinsurance arrangements;
- Exposure management;
- Adequate reserves and claims management processes.

Underwriting risk is defined as the risk that the frequency and severity of insured events exceeds the expectations of QEL at the time of underwriting.

QEL manages underwriting risk through the use of defined limits, pricing models, peer review processes and oversight from the Underwriting Management Committee and the Board. QEL's underwriters ensure that:

- Inward business written, or authority delegated to coverholders is matched by suitable reinsurance;
- The net retained position of QEL remains within the risk appetite; and
- QEL has appropriate licenses and regulatory approval for any business written.

The pricing adequacy of the underlying business is assessed as part of the evaluation of coverholder business propositions at inception and renewal through the use of various pricing models, rating tools and related monitoring reports. QEL benefits from underwriting advice and assistance from affiliated companies.

Premium risk is the largest driver of QEL's insurance risk SCR.

Reserving risk is defined as the risk of loss due to the previously established reserves for claims reported on previously exposed business turning out to be incorrect in terms of quantum or timing.

Reserve risk arises from the inherent uncertainty (fluctuations in the timing and amount of claim settlements) surrounding the adequacy of the reserves or technical provisions set aside to cover insurance liabilities. QEL's reserve risk profile is primarily short-tail, where claims are reported and settled quickly. However, some classes include an element of long-tail run-off (notably UK motor that includes third-party liability) and they expose QEL to reserve variations in the longer term.

Robust controls are in place to ensure that reserving processes are adequate and that reserving data is complete and appropriate. Reserve risk is not a significant driver of QEL's insurance risk SCR, but will grow as the company matures and reserve volumes build up.

Reserve risk exposure is managed within the Actuarial function and through defined reserving practices, which are overseen by the Reserving Committee and the Board.

4.1.2 Insurance Risk Measurement and Exposure

QEL targets a multi-class balanced portfolio. The portfolio is composed of principally low severity/ high frequency business. The risk of an accumulation relating to a natural catastrophe is low relative to the size of the portfolio.

The Company's largest exposure to natural catastrophe risk is driven by the risk of a wind storm in the UK. This risk is continually monitored within the exposure management framework, ensuring that QEL's exposure remains within its approved risk appetite.

Reserve risk is increasing and becoming a more material driver of QEL's required capital as the portfolio matures and the volume of reserve increases.

The majority of QEL's insurance risk exposure is short-tailed with claims reported and settled quickly. The Company's highest exposure to reserve risk comes from longer-tail lines of business, notably motor liability, which is more exposed to reserve variations in the longer term. The long-tail portion of the UK motor portfolio contributes to around 10% of incurred losses within this line of business each year.

Solvency Capital Requirement

The SCR using the standard formula provides an appropriate method for QEL to quantify its exposure to insurance risk, given the risk profile, size and complexity of the Company. Material changes to the underwriting risk profile would trigger a recalculation of the SCR and a reassessment of the suitability of the standard formula for quantifying the risks to which the Company is exposed.

The diversified SCR for insurance risk at the end of the reporting period and at the end of last year is composed as follows:

Risk	Capital Requirement (USD) 31/12/2020	Capital Requirement (USD) 31/12/2019
Premium & Reserve	14,075,284	15,297,931
Lapse	739,243	2,943,332
Catastrophe	7,279,476	11,012,212
Total	**22,094,003**	**29,253,475**
Diversification	-4,690,520	-8,082,959
Diversified SCR	**17,403,483**	**21,170,516**

The SCR for non-life underwriting risk changed during 2020 for the following reasons:

- Premium & Reserve risk – In 2019, we predicted much higher premium in 2020 than actually materialised. The 2020 calculation has lower premium for 2020 and 2021 than estimated in the 2019 calculation. This has reduced the Premium and Reserve risk. Net claims provisions have remained broadly stable.
- Catastrophe risk – QEL's exposure to catastrophe risk has reduced mainly due to lower Windstorm peril and Flood peril. This is due to a better understanding of and more granular approach to reinsurance.
- Lapse risk –reduction in lapse risk is a function of the reduction in premium volumes.

The highest contributor to premium and reserve risk is motor vehicle liability, which is driven by the relatively high volume of premium and reserves within QEL from this segment.

4.2 Market risk

4.2.1 Market Risk Management

Market risk is defined as the risk of loss, or of adverse change in the financial situation, resulting directly or indirectly from fluctuations in the volatility of market prices of assets, liabilities and financial instruments. It is the risk that the value of basic own funds changes unfavourably, due to economic factors such as variations in interest rates.

The Board has adopted an investment strategy tailored to meet the Company's business needs, objectives and regulatory requirements. The investment strategy is designed to achieve:

- A low-risk portfolio, structured to deliver a consistent return.
- A low maintenance portfolio which is transparent and liquid.
- Matched duration of assets and liabilities.

In 2020 the QIC Global Investment Committee provided review of QEL's investment policy, strategy and performance then made recommendations to The Board as necessary. The Board continue to provide ultimate oversight of QEL's investment policy, strategy and performance.

Epicure Investment Management LLC (Formerly Qatar Economic Advisors (QEA)), is a wholly-owned subsidiary of QIC that provides investment advisory services. Epicure has been appointed investment managers for QEL. 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 Board.

Investment of assets in accordance with the prudent person principle

The investment strategy is heavily weighted towards fixed income and cash deposits and ensures that the Company only invests in instruments that any reasonable individual aiming for capital preservation and return on investment would own, in the best interests of its policyholders. Investment mandates include details of permitted investments (including limits), minimum credit ratings and maximum concentrations. The guidelines only allow the assumption of investment risks that can be properly identified, measured, responded to, monitored, controlled, and reported. The guidelines are set to ensure appropriate and adequate capital, liquidity and ability to meet policyholder obligations. QEL's investment guidelines are approved by the Board which provides oversight of QEL's investment policy, strategy and performance.

Political, economic and social environment

QEL continuously monitors the wider external risk environment, which includes emerging risks identified through the emerging risk process, as outlined in section 4.6.

4.2.2 Market Risk Measurement and Exposure

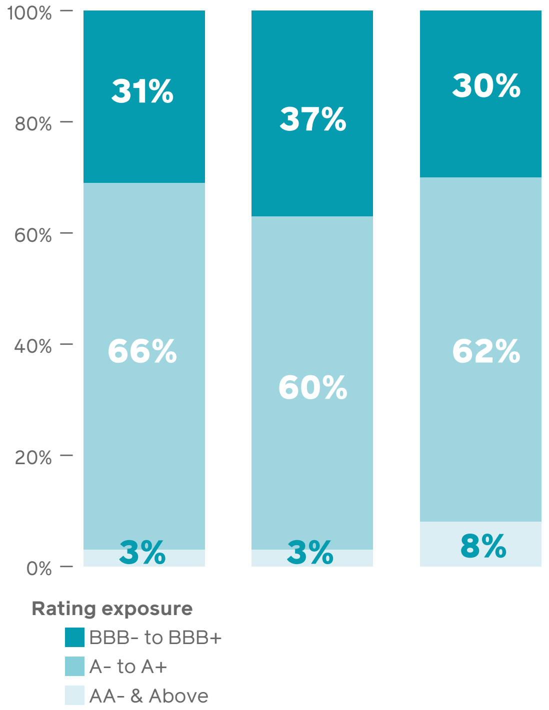
Market risk is measured against the Company's risk appetite and tolerance statements, which define the investment allocation limits by investment type, geographical region, credit rating etc.

The investment portfolio is as follows:

Investment Portfolio	USD 31/12/2020	USD 31/12/2019
Cash and cash equivalents	6,880,517	1,756,000
Bonds (Government & Corporate)	75,866,483	72,065,000
Collective Investment Undertakings	18,249,829	10,421,000
Total	**100,996,830**	**84,241,000**

The investment portfolio was comprised of cash, bonds and highly liquid money market funds (classified as collective investment undertakings) at the end of the reporting period.

The breakdown of the fixed income portfolio by rating is as follows:



Fixed Income portfolio has an average rating of A-.

In addition, QEL's exposure is further split amongst different sectors, with the greatest reliance being around investments in the financial sector. The remainder of the portfolio is spread across Government, Industrial & Basic Materials, Diversified, Utilities, Communications & Technology & Consumer Disc & Staples.

The highest contributor to market risk is spread, which relates to the risks that arise from changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure. This is driven by QEL's fixed income portfolio.

Foreign exchange risk arises due to mismatches in the currencies of the assets held to match liabilities. The Company monitors this risk on an ongoing basis, including the impact of adverse currency movements as part of the stress and scenario testing. QEL invests predominantly in USD-denominated investments to optimise the returns achieved. Given that liabilities are mostly GBP and EUR denominated, QEL is exposed to a weakening of the USD. However, the main reinsurance contracts (which are with Qatar Re and the QIC Group) are USD denominated, but written so as to follow the fortunes of the ceded portion of risk so there is no mismatch between the foreign exchange rate at which the gross claim is paid and the rate at which the ceded portion is recovered. Also, Investments team employs various derivative option strategies which are intended for hedging QEL's exposure to foreign exchange 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 the Company's risk appetite and tolerance statements, which limit the concentration of asset holdings.

Solvency Capital Requirement

The diversified SCR for market risk at the end of 2020 compared to 2019 is composed as follows::

Risk	Capital (USD) 31/12/2020	Capital (USD) 31/12/2019
Interest Rate	1,505,103	1,440,168
Property	0	0
Spread	5,478,599	5,343,270
Currency	5,397,032	2,010,030
Concentration	1,598,208	1,506,451
Total	**13,978,942**	**10,299,919**
Diversification	-4,879,039	-3,685,413
Diversified SCR	**9,099,903**	**6,614,506**

- Interest, concentration and spread risks – The required capital associated with these risk types remains broadly consistent with last year, with a small increase in interest rate risk driven by an increase in the proportion of the portfolio which is exposed to interest rate risk (i.e. fixed income and money market funds.
- Currency Risk – There are more Euro denominated assets and liabilities than in 2019 and these are not as well matched in 2020 as they were in 2019. Also, the GBP assets and liabilities are less well matched. This has increased the currency risk.

4.3 Credit risk

4.3.1 Credit Risk Management

Credit Risk is defined as the risk of loss due to counterparty default or failure to fulfil their obligations. It arises from both underwriting and investment activities.

Failure of a reinsurer to settle claims in full, failure of a coverholder or a bank are the most material credit risks for QEL.

The Board is ultimately responsible for ensuring that credit risk exposures are appropriately managed and monitored. The Finance Director is responsible for the identification and management of credit risk with the support of the finance function, business functions and the Investment Managers.

The key mitigating controls for credit risk include:

- Approval procedures for accepting new counterparties;
- Monitoring of the security rating of all banking and reinsurance counterparties;
- Aged debt monitoring and reporting;
- Investment Guidelines that include details of permitted securities, minimum credit ratings and maximum concentrations;
- Monitoring of the concentrations of credit risk arising from similar geographic regions and activities
- Assessing the financial stability of the coverholders and third-party administrators during the due-diligence process and before renewal.

Consistent with a Group-wide capital management strategy and the group restructuring involving Qatar Re, QEL takes advantage of risk mitigation techniques contemplated in Article 189 paragraph 2(d) of Commission Delegated Regulation (EU) 2015/35 (the Delegated Acts). This allows for the reclassification of certain counterparty exposures where certain tests criteria, set out in Articles 209-215 of the Delegated Acts can be satisfied. Qatar Re has provided a facility to the Company that meets the requirements and thus causes a reduction in the required capital of the Company.

4.3.2 Credit Risk Measurement and Exposure

Credit risk is measured through monitoring exposure in accordance with the risk appetite and tolerance statements.

Credit risk is the largest contributor to capital requirements. At the end of the reporting period, the Company's largest exposure to credit risk came from the large proportion of risk ceded to reinsurance counterparties. The majority of the exposure is intra-Group due to the large proportion of business ceded to Qatar Re (and historical business which was ceded to QIC). Both Qatar Re and QIC are rated A by S&P Global Ratings and A by A.M. Best. This exposure is classified as type 1 in the SCR standard formula.

In addition, QEL is exposed to premium counterparty default risk as it transacts with a number of coverholders. Exposure to coverholders is captured and actively monitored by the Finance function. Exposures to receivables from intermediaries and policyholder debtors are classified as type 2 exposures in the SCR standard formula.

The security rating of all banking and custodian counterparties is considered an appropriate metric for measuring credit risk arising as a result of QEL's need to hold cash at bank. These ratings are monitored on a daily basis. Deposits with banks and custodians are classified as type 1 exposures in the SCR standard formula.

Solvency Capital Requirement

Credit risk is the largest contributor to the Company's capital requirements (50% of the undiversified SCR). The diversified SCR for credit risk at the end of the reporting period, and at the end of last year is composed as follows:

Default risk capital requirements	Capital (USD) 31/12/2020	Capital (USD) 31/12/2019
Type 1	25,751,302	23,892,140
Type 2	314,968	2,689,373
Diversification within counterparty default risk module	-77,907	-611,349
Diversified Total	**25,988,363**	**25,970,163**

- Type 1 credit risk – The increase in type 1 credit risk is consistent with the additional reinsurance in place to mitigate the insurance risk (note the reduced Catastrophe Risk).
- Type 2 credit risk – The reduction in type 2 counterparty default risk of £2.4m is explained by the change to the letter of guarantee. In Q3 there was a letter of guarantee provided by QatarRe in respect of Type 2 exposures, which partially protected QEL to default from coverholders. At Q4 this has been extended to almost fully mitigate the risk to QEL of counterparty default, in this respect.

In managing exposure to credit risk, the Company also considers counterparty default risk arising as a result of the fixed income portfolio, and continuously monitors the ratings of its fixed income counterparties. This risk is considered within the market risk module of the SCR.

4.4 Liquidity risk

4.4.1 Liquidity Risk Management

Liquidity risk is the risk of loss or inability to realise investments and other assets in order to settle financial obligations when they fall due.

QEL ensures that sufficient liquidity is maintained to meet both immediate and foreseeable cash-flow requirements.

The Board has ultimate responsibility for the management of liquidity risk and it has delegated oversight and ownership of liquidity management to the Finance Director. Day-to-day management of liquidity is the responsibility of the Finance function. Both short-term and long-term liquidity risks are considered, with actions taken to ensure QEL has a long-term view of its liquidity requirements, arising from liabilities based on an actuarial assessment of risk, and to ensure access to liquid funds to meet these liabilities.

Liquidity risk limits are defined in the risk appetite and in the Investment Manager Guidelines (provided to the external manager of the funds).

Other liquidity monitoring controls are:

- Review of settlement advices that provides a useful indicator in forecasting short-term future cashflows;
- Bordereau monitoring process;
- Monitoring of the debt positions.

4.4.2 Liquidity Risk Measurement and Exposure

The market value of liquid assets is compared to the expected cash flows on a quarterly basis. In addition, QEL ensures that sufficient liquid funds will be available to meet the largest probable maximum loss, such that minimal costs are incurred to meet the cashflow requirements.

The Company remains within the liquidity risk appetite limits as at December 2020.

4.4.3 Expected Profit Included in Future Premiums

The amount of expected profit included in future premiums (EPIFP) was calculated in accordance with Article 260 of the Solvency II Delegated Acts.

The EPIFP net of reinsurance (QEL's profits are driven by net results) is USD 7,358,330 at the end of the 2020 reporting period. This is an increase from USD 6,646,684 reported prior year and results from an increase in expected profitability of the business.

4.5 Operational risk

4.5.1 Operational Risk Management

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people, systems or from external events impacting the organisation's ability to operate. This risk encompasses all functions rendered in the course of conducting business. This includes legal and regulatory risk, but excludes risks arising from strategic and reputational risk.

The heads of functions at QEL have responsibility for the oversight of operational risks in their respective areas.

Operational risk is managed through:

- A strong internal control culture
- Effective corporate governance, including segregation of duties, avoidance of conflicts of interest, clear lines of management responsibility, adequate management information reporting.
- Staff training/awareness of the control responsibilities relating to their roles.
- IT systems, Business Continuity and Disaster Recovery plans.
- Compliance with laws and regulations.
- Recruiting/retaining adequately skilled staff, adequate performance assessment system.
- Procedures to minimise internal/external fraud.
- Ensuring accurate and timely financial (and other external) reporting.
- Assessment of the impact of outsourcing material functions on operational risks and procedures for due diligence, monitoring and reporting of outsourced service providers.
- Operational loss monitoring process.

QEL monitors operational risk exposures through its Risk Register and the operational loss monitoring (risk event reporting) process, which are overseen by the Risk and Compliance Committee.

QEL Solvency and Financial Condition Report 2020

4.5.2 Operational Risk Measurement and Exposure

Solvency Capital Requirement

The operational risk capital charge calculations within the SCR standard formula are based on the volume of business, and do not take into account the quality of the operational risk management system or the internal control framework. The calculation factors in the Company's gross earned premiums and gross technical provisions, and is capped at 30% of the basic SCR. The premium-based operational risk charge, calculated based on earned gross premiums, exceeds the maximum capped capital charge set at 30% of the basic SCR, meaning that the charge is driven by 30% of the basic SCR.

The SCR for operational risk at the end of the reporting period and at the end of 2020 were as follows:

	Capital (USD) 31/12/2020	Capital (USD) 31/12/2019
Operational Risk	12,410,873	12,982,023

The operational risk capital requirement reduced over the period in line with the reduction in the basic SCR.

4.6 Other material risks

4.6.1 Strategic and reputational risk

Strategic risk is defined as a function of the incompatibility between two or more of the following components: the strategic goals, the business strategies, the resources deployed to achieve these goals, the quality of implementation and the economic situation of the markets in which the insurer operates.

QEL recognises reputational risk as a by-product of inappropriate/inadequate management and mitigation of all other risk categories. As such, the identification of the reputational risk is the combined responsibility of all Risk Owners. The internal controls framework, effective compliance and risk management functions, monitoring of operations by the Board and the committees and the due diligence/audit procedures for coverholders contribute to minimising reputational risk.

Strategic and reputational risks are monitored through the risk appetite, risk management oversight and stress/reverse stress testing process. Other specific mitigants of strategic risk include:

- Effective business planning and performance monitoring.
- Aligning the business strategy, risk appetite, business plan, underwriting guidelines and capital requirements.
- Periodic review of the emerging risks and assessment of the potential impact on the business.
- Capital management planning.

QEL ensures that Board members are fit and proper to discharge their responsibilities, which includes providing the necessary strategic direction.

4.6.2 Group risk

Group risk arises as a result of being part of an insurance group, including exposures resulting from intra-group transactions.

QEL has ceded a large proportion of risk to Qatar Re and historically to QIC, which are both rated A by S&P Global Ratings and A/Excellent by A.M. Best.

There is also some operational dependency as a result of some key functions being outsourced within the Group (see section 3.10 for further details).

4.6.3 Emerging Risks

There are currently fourteen emerging risks in QEL's emerging risk register, and the following three emerging risks have a significant relevance to QEL:

Emerging risk	Comment
Non-Underwriting Cyber	Part of the risk has already materialised; given the retail nature of QEL, the risk is heightened in that it deals with personal data and high volumes of transactions. While no significant issues have materialised at QEL, QIC Global more broadly has been targeted by fraudsters and other cyber activity. During the year significant progress has been made in respect of the cyber risk with introduction of the QIC Global Cyber Risk strategy and policies. Information Security Group (ISG) has been established that monitors the cyber risk.
Brexit	See below for further information on Brexit. Section 7 covers subsequent events after 31st December 2020 in respect of Brexit.
Business Interruption (Operational and Underwriting)	Business interruption (BI) risks can be physical, such as storms, or virtual, such as an IT outage, which can occur through malicious or accidental means. For QEL, in the current environment due to Covid-19, the BI impact from both an operational and underwriting perspective is summarised below: • Operational: Due to Covid-19 restrictions, strong business continuity measures are extremely important in overcoming unexpected circumstances (e.g. working remotely). • Underwriting: Covid-19 exposes QEL to first-party liability claims, primarily arising from business interruption (BI) covers. BI is underwritten across multiple lines and books of business, and the key elements of Covid 19 exposure stem from the Property binders for QEL. QEL benefits from Group arrangements that oversee developments in these areas, closely monitor and manage business continuity, claims management, reserving and regulatory reporting. See below for further details on Covid-19 impact. Section 7 covers subsequent events after 31st December 2020 in respect of Covid-19.

For the three most material emerging risks, the following details should be noted:

Cyber Risk Operational Management

QGSL provides all IT services, including cyber security, to QEL. QGSL have an Information Security Group which is chaired by the Chief Risk Officer and has a Board approved Terms of Reference. This group meets quarterly and on an ad-hoc basis, as required. The group agrees, prioritises and reviews all information security related matters and reports to the QGSL Board. A gap analysis of the BMA's Code of Conduct has been carried out and all gaps are being addressed with the Information Security Group. In summary QGSL has policies and processes "In place" addressing 36 of the requirements, 2 requirement are "Partially in place" and are being addressed via a new policy and new technology. 1 requirement is "Awaiting approval".

A cyber strategy has been developed, which is based on the National Institute of Standards and Technology Cyber Security Framework. An Information Security Management System has been developed and will be used to manage and review the progress of our cyber maturity improvement process using the NIST cyber maturity assessment model.

The over arching aim of the cyber strategy is to embed cyber security in all activities of the organisation in addition to introducing a risk based governance framework.

Brexit

The United Kingdom has left the European Union on 31 January 2020. 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.

QEL's existing UK branch will need to comply with the PRA's third-country branch requirements. This will require QEL to meet the Threshold Conditions ("TCs") which are designed to ensure that firms conduct their business in a prudent manner and are managed by persons with adequate skills and experience. Furthermore, QEL will also be required to hold assets in the UK equal to the value of the Branch Solvency Capital Requirement. Brexit remains a material emerging risk which is being monitored and discussed by the QEL and Qatar Re (Bermuda) Group management on an on-going basis.

Covid-19 Update

QEL 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.

The Reserving team has been heavily guided by claims and underwriting when assessing the appropriate amount to provision for claims arising from Covid-19. Covid-19 exposes QEL to first-party liability claims, primarily arising from business interruption (BI) covers. BI is underwritten across multiple lines and books of business, and the key elements of Covid 19 exposure stem from the Property binders.

The Covid-19 impact on best estimate reserving has been through robust governance and review by the quarterly Reserving Committee for the period ending 31 December 2020 and no material adjustment was required in respect of the Supreme Court ruling on the FCA test case. All affected policyholders with claims have been notified under the relevant policies to confirm cover "in principle" subject to the T&Cs of the policies.

4.7 Risk Exposure arising from Off-balance Sheet Positions

QEL does not have any risk exposure arising from Off-Balance sheet positions.

4.8 Material Risk Concentrations

The Company's risk appetite and tolerance statements, approved by the Board, govern the concentration limits in relation to counterparties, credit quality and geographical locations to avoid material risk concentration.

There are also a number of managerial level limits 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. Market risk concentrations are discussed in section 4.2.2.

QEL's most material credit risk concentrations relate to reinsurance recoverables and receivables from coverholders. The approach to managing this risk is documented in section 4.3.

4.9 Risk Mitigation Techniques

The internal control framework seeks to mitigate risks, protect policyholders and limit the likelihood of losses or other adverse outcomes, as well as to provide a framework for the overall management and oversight of the business. QEL's internal control framework is summarised in section 3.9. Key controls are captured within the Risk Register and assessed as part of the risk and control assessment process described in section 3.8.1.

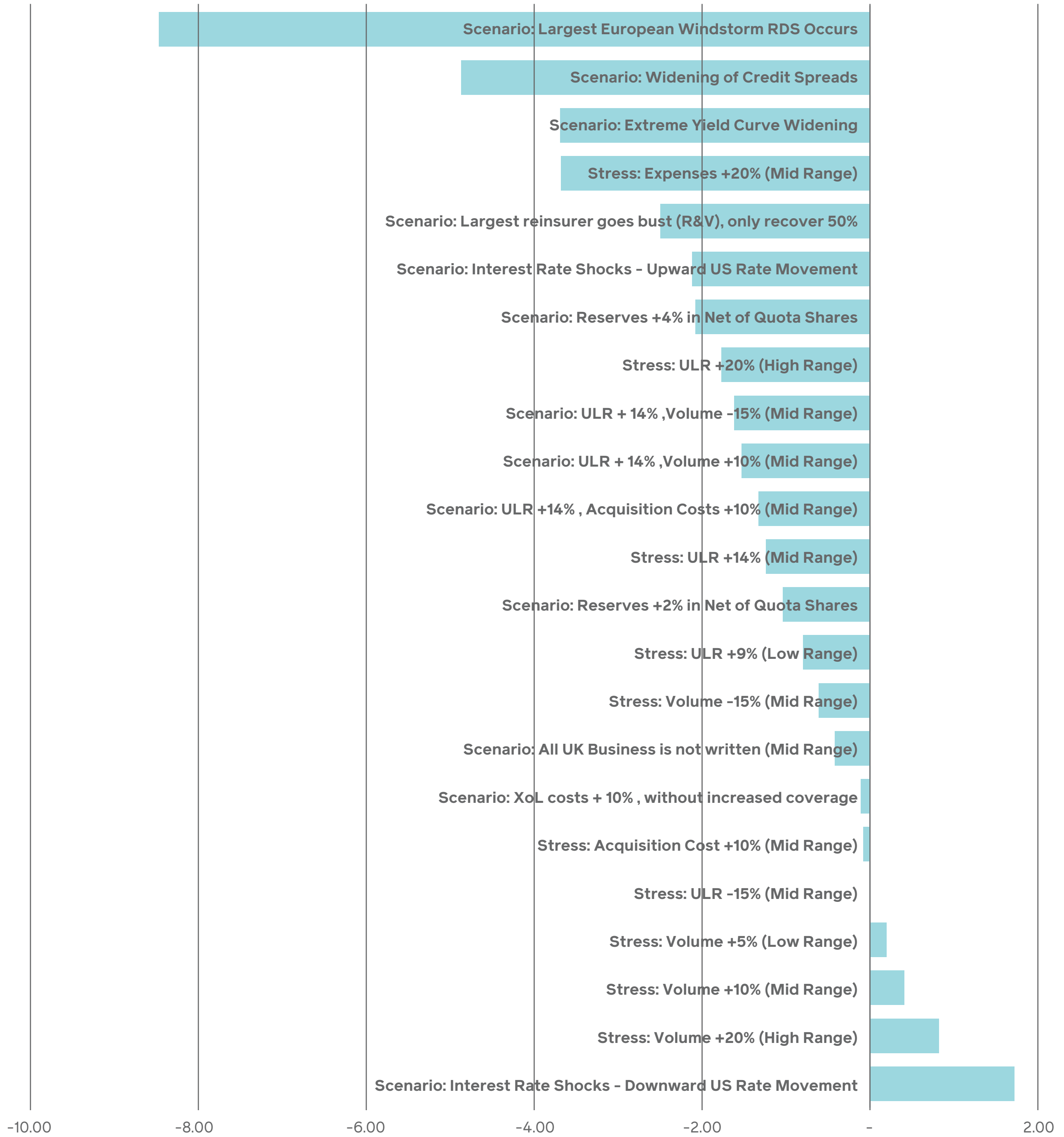
The Company purchases both quota share and excess of loss treaty reinsurance by line of business to provide stability in claims costs and increase capacity to write new and larger lines of business. The effectiveness of the reinsurance programme is monitored to ensure it meets the defined objectives.

As noted in section 4.3, QEL took advantage of the risk mitigation techniques contemplated in Article 189 of the Delegated Acts.

4.10 Risk Sensitivity Stress and Scenario Testing

Stress and scenario tests

QEL's risk management process includes a range of stress and scenario tests, analysing and reporting on the outputs as part of the ORSA processes. The results of the stress and scenario testing is illustrated in the figure below:



The QEL ORSA process defines a balance sheet event which causes a net loss of 10% of SCR or more.

It can be seen in the figure above that none of the scenarios despite their extreme nature breach the balance sheet event threshold except the largest European Windstorm.

Catastrophe risk is primarily mitigated through reinsurance that is purchased to bridge the gap between the gross and net risk appetites of QEL, and through active monitoring of exposure through the Exposure Management framework. The assessment and management of this risk category is performed through a range of control activities, business plan limits and risk appetite/tolerance statements that monitor catastrophe exposures.

Despite the extreme nature of this event, the QEL capital position does not fall below the solvency capital requirements and the corresponding solvency ratio stays above 120%.

The immediate impact of such an event will be managed through the capital support from the Parent and revised business planning. It will be expected that an event of this magnitude will drive hardening of the market in future years.

The QEL Exposure Management framework has established appropriate measures in respect of aggregate exposure monitoring, mitigation and reporting.

Reverse stress tests

Reverse stress tests identify individual and combined scenarios that would place significant stress upon the business and threaten the financial viability of the Company. These scenarios could cause a loss of market confidence, which could render the business model unviable, albeit not necessarily to the point where the business runs out of capital.

As part of this process, potential scenario drivers are identified. The likelihood of their occurrence is assessed, and their materiality defined, management actions are then identified that could prevent and/or mitigate the scenarios.

Business model failure due to adverse outcomes of the reverse stress tests over the planning horizon is considered to be remote.

4.11 Any other Material Information

There is no other material information regarding the risk profile.

5 VALUATION FOR SOLVENCY PURPOSES

The assessment of available and required regulatory capital is made by taking an economic view of the Company's assets and liabilities, in accordance with the Solvency II valuation principles. The Solvency II balance sheet is produced on an economic basis and is presented in Appendix 1.

5.1 Assets

The following table sets out the assets held within QEL's balance sheet, alongside their value as at 31 December 2020 for the IFRS financial statements and the Solvency II balance sheet.

Class of Assets	31/12/2020 IFRS (USD)	31/12/2019 IFRS (USD)	31/12/2020 Solvency II Basis (USD)	31/12/2019 Solvency II Basis (USD)
Deferred Acquisition Costs (DAC)	102,857,868	108,146,885	0	0
Deferred Tax Assets	0	0	5,162,640	2,390,322
Property Plant & Equipment	320,511	64,875	320,511	64,875
Investments (Bonds)	75,866,483	72,064,639	75,866,483	72,064,639
Investments (Collective Investments Undertakings)	18,249,829	10,421,357	18,249,829	10,421,357
Reinsurance Recoverables	900,563,754	700,643,336	697,807,693	591,036,652
Insurance Receivables	161,542,786	152,305,537	161,542,786	142,560,260
Cash & Cash equivalents	6,880,517	1,755,565	6,880,517	1,755,565
Deposits to Cedants	162,877,710	133,498,871	1,159,184	133,498,871
Other Assets	524,539	303,082	524,539	303,082
Total Assets	**1,429,683,998**	**1,179,204,148**	**967,514,183**	**954,095,623**

5.1.1 Valuation bases, methods and main assumptions

Cash and cash equivalents, fixed income securities and all other assets on the Solvency II balance sheet are recorded at fair value in line with IFRS, with changes in fair value of available-for-sale investments being included in the statement of other comprehensive income, with the total comprehensive income (or loss) increasing (or decreasing) the own funds.

The Company does not use any alternative methods for valuation of investments, in accordance with Article 263 of the Solvency II Delegated Regulation.

In cases where the IFRS principles do not require fair value, investments are valued using the Solvency II valuation hierarchy, as defined in the Solvency II Delegated Regulation. Receivable balances which are due in more than one year are discounted using the risk-free discount curve.

Differences between the bases, methods and assumptions used for the valuation for solvency purposes (Solvency II balance sheet) and in financial statements (IFRS balance sheet) are outlined below:

- Deferred acquisition costs (DAC) are valued at nil in the Solvency II balance sheet as the company does not expect future cashflows to arise from this asset.
- Deferred tax assets in the Solvency II balance sheet arise from the difference between the IFRS balance sheet and the Solvency II balance sheet. As at 31 December 2019, the movement from the IFRS valuation basis to the Solvency II valuation basis resulted in an instantaneous reduction in equity. This 'loss' would give rise to a deferred tax asset. Deferred tax assets are recognised within the Solvency II balance sheet if there is a reasonable likelihood of the company making a large enough profit over a reasonable time horizon so as to be able to benefit from the deferred tax asset. The management believe that it is not unreasonable to expect QEL to make such a profit.

5.1.2 Comparison to previous year

QEL is a growing business and as such it is not unexpected for the asset base supporting the business to have increased in size over the 12 months to 31 December 2020, from USD 1,179 million to USD 1,430 million (IFRS basis).

The following asset items are directly affected by increases in business volume, the larger portfolio directly driving an increase in their value:

- DAC: deferred acquisition costs relate to the commissions/brokerage paid on portion of premium that is written but not earned as at the valuation date. QEL wrote a greater volume of business during 2019 compared to the previous year. Assuming an average rate of acquisition costs that is stable over the two years, the greater level of business will generate a larger amount of unearned premium and a correspondingly larger amount of DAC.

DAC is not recognised as an asset on a Solvency II basis. Its change in value on an IFRS basis has no direct impact on the value of assets on a Solvency II basis.

- Reinsurance recoverables: the reinsurance recoverables relate to the portion of claims, both reported outstanding and incurred but not reported, that QEL expects to be able to recover from its reinsurance contracts. Since many of QEL's reinsurance contracts are proportional covers, the value of reinsurance recoverables is directly proportional to the value of gross claims reserves, which in turn increase with the increase in business written.

On a Solvency II basis, the reinsurance recoverable also increases for the same reasons.

- The increase in deposits to cedants relates to the amount of premium written by coverholders which is yet to be passed on to QEL under the relevant terms of the binding authority agreements. As volume of business increases this asset will increase in size.

Furthermore, there was an increase in the value of the investments held by QEL, with a corresponding reduction in cash. Investments also yielded returns that were reinvested in the portfolio. QEL continues to actively manage cash balances, ensuring it holds sufficient liquidity to meet liabilities falling due within a reasonable timeframe.

The value of property plant and equipment has remained stable over the year.

5.2 Technical Provisions

The main liabilities on the Solvency II balance sheet are the technical provisions, net of reinsurance recoverables, which consist of liabilities for claims outstanding and premium provisions.

As at 31 December 2020, QEL held technical provisions (TP) for non-life business and for health business (health exposure is very limited due to ancillary coverages on some of the core business lines) as defined within Solvency II.

The following table sets out the gross technical provisions and the expected reinsurance recoveries on both an IFRS and Solvency II basis.

	Liabilities – TP		Assets – Recoverable TP	
Non-Life & Health Technical Provisions	**IFRS (USD)**	**Solvency II (USD)**	**IFRS (USD)**	**Solvency II (USD)**
TP calculated as a whole	978,001,907		900,563,754	697,807,693
Best Estimate		756,678,409		
Risk Margin		6,708,527		
Gross TP – Non-Life (Including Health)	**978,001,907**	**763,386,936**	**900,563,754**	**697,807,693**

5.2.1 Comparison to previous year

The above tables are compared to the analogous amounts as at 31 December 2019. These are set out in the tables below:

	Liabilities – TP		Assets – Recoverable TP	
Non-Life & Health Technical Provisions	**IFRS (USD)**	**Solvency II (USD)**	**IFRS (USD)**	**Solvency II (USD)**
TP calculated as a whole	763,968,034		700,643,336	591,036,652
Best Estimate		645,582,893		
Risk Margin		6,660,212		
Gross TP – Non-Life (Including Health)	**763,968,034**	**652,243,104**	**700,643,336**	**591,036,652**
% Increase/Decrease from 2019	**28.0%**	**17.0%**	**28.5%**	**18.1%**

Overall the technical provisions increased by 28% on an IFRS basis (17% on a Solvency II basis) in 2020 compared to 2019; this is driven by business volume growth.

Both the gross technical provisions and the reinsurance recoverables increased by the same proportion, reflecting the consistent structure of reinsurance in the later year compared to the previous.

Comparing the risk margin as at 31 December 2019 to that as at 31 December 2020 shows an increase. This reflects the greater level of technical provisions; the risk margin being calculated in proportion to the technical provisions.

The risk margin is also influenced by the magnitude of various other components of the SCR, such as non-life underwriting risk and counterparty default risk.

These risks charges both increased compared to last year and has the effect of increasing the estimated risk margin.

The segmentation of the business between non-life classes and health classes remained stable over the last 12 months, with the proportion of the technical provisions relating to non-life classes being 99.8% at the end of 2020, compared to 99.7% at the end of 2019.

5.2.2 Valuation Basis, Methods and Assumptions

Solvency II requires insurers to place an economic value on their assets and liabilities for solvency purposes. More specifically, the value of the technical provisions should be the amount that the insurer would be required to pay in order to transfer its obligations relating to its insurance contracts to a willing third party in an arm's-length transaction.

Insurance liabilities are difficult to value due to uncertainty of both the amounts and timing of future payments. Therefore, alongside the net present value of the expected future cashflows relating to claims liabilities, a risk margin is required to cover the cost of the increased risk that the receiving party is subject to, having taken on the obligations. The risk margin can be thought of as the mechanism that moves the valuation of the insurance liabilities to a mark-to-market basis.

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 QEL's policies. The best estimate cash flows include future best estimate premium payments, claim payments, expenses expected to be incurred in servicing the Company's policies over their lifetime, investment costs and any payments to and from reinsurers. The best estimate liability is discounted using the currency-specific risk-free yield curves as published by the European Insurance and Occupational Pensions Authority (EIOPA).

The method and assumptions used within the estimation of the technical provisions are equivalent to those used within the estimation as at the previous reporting period.

In determining the technical provisions on a Solvency II basis, QEL's starting point is the technical provisions on an IFRS basis. These are valued at best estimate, with no explicit margin for prudence.

The reserves on an IFRS basis are estimated using the following reserving classes:

- Agriculture, including pets, livestock and bloodstock;
- Aviation & Space;
- Property: contracts covering single risks;
- Energy: contracts covering single risks;
- Property: binding authority business;
- Engineering: contracts covering single risks;
- Liability professional lines & General Liability;
- Marine;
- Motor: non-UK business; and
- Motor: UK business.

The reserving classes segment business into homogeneous groupings based on the underlying risks. The groupings set out above have been used for estimating QEL's reserves consistently since QEL's inception.

The reserves on an IFRS basis are split between earned reserves, relating to periods of past exposure, and the unearned premium reserve, relating to periods of future exposure on already incepted policies.

The main differences between the value of the technical provisions for solvency purposes and the IFRS valuation are as follows:

- Expected losses on the unearned business are taken into account in the calculation of premium provisions, removing any portion of the unearned premium reserve (UPR) that is in excess of this amount.
- The premium provisions and claims provisions include an amount relating to all future expenses to run off the insurance liabilities and for events not in the data set.
- Future cash flows are discounted to reflect the time value of money.
- A risk margin is added, calculated using the cost of capital approach.

The Company did not make use of any of the following:

- Matching adjustment referred to in Article 77b of the Solvency II Directive;
- Volatility adjustment referred to in Article 77d of the Solvency II Directive;
- Transitional risk-free interest term structure referred to in Article 308c of the Solvency II Directive;
- Transitional deduction referred to in Article 308d of the Solvency II Directive.

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 risk free rate yield curve.

Further, on an IFRS basis, technical provisions are split into an earned portion, relating to periods of risk exposure that have already expired, and an unearned portion, relating to periods of risk exposure that are yet to expire.

On the Solvency II basis, this distinction is also made, however profit within the yet-to-expire period of risk is recognised immediately within the premium provisions.

Similarly any loss relating to the cession of assumed business due to the reinsurer's profit margin etc. is recognised immediately. 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.

5.2.3 Risk margin

The risk margin is added to the best estimate to reflect the uncertainty associated with the probability-weighted cash flows. It is calculated using a cost of capital approach, which calculates the cost of providing eligible own funds for the duration of the run-off of the obligations to cover the insurance risk, counterparty credit risk and operational risk components of the SCR. The rate used in the determination of the cost of providing the own funds is called cost-of-capital rate. 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.

Given the size and complexity of QEL's business model, projecting QEL's balance sheet over the lifetime of its insurance obligations in order to forecast the associated SCR at each future period would be disproportionate to the amount of analysis required. QEL therefore calculated the risk margin using one of the simplifications set out within the Solvency II regulations and guidelines, which is proportional to the nature, scale and complexity of QEL's business.

Under this simplification, the risk module elements of future SCRs are assumed to be proportional to the value of the undiscounted technical provisions or the value of the undiscounted reinsurance recoverables. Under this assumption the expected run-off of the technical provisions was used to estimate the expected SCR over the lifetime of the insurance obligations.

5.2.4 Uncertainty

Considering the short period of operation of the Company, the growing and evolving portfolio and underlying volatility of the reinsurance business written, there is no credible volume of historical loss development triangles or factors, which increases the need to rely on pricing estimates and suitable benchmarks. QEL has selected benchmarks it believes are appropriate to the specifics of the business, and they are substituted for actual development experience as the Company builds up a volume of statistically credible data.

5.2.5 Reinsurance recoverable

The following table shows the reinsurance recoverable as at 31 December 2020, valued under IFRS and under Solvency II, split by line of business:

Reinsurers' share of technical provisions by line of business is as follows:

Non-Life Reinsurance Recoverables by Line of Business	IFRS (USD)	Solvency II (Best Estimate) (USD)
Motor Vehicle Liability	372,874,150	289,084,304
Other Motor	109,184,442	84,629,488
Marine, Aviation & Transport (MAT)	15,047,968	11,656,828
Fire & Other Damage to Property	241,693,630	187,364,224
General Liability	135,096,708	104,449,350
Legal Expenses	0	0
Miscellaneous Financial Loss	24,667,903	19,075,113
Total Reinsurance Recoverable (Non-life – Excluding Health)	**898,564,801**	**696,259,306**

Health Reinsurance Recoverable by Line of Business	IFRS (USD)	Solvency II (Best Estimate) (USD)
Medical Expense		
Workers' Compensation	1,998,953	1,548,387
Total Reinsurance Receivables (Health)	**1,998,953**	**1,548,387**

The estimation of the reinsurance recoverable is analogous to that of the gross technical provisions with the exception that the estimate of the reinsurers' share of technical provisions is adjusted to allow for the potential default of a reinsurer.

To estimate an appropriate adjustment for the potential default of a reinsurer, the best estimate of the reinsurance recoverable is multiplied by the counterparty recovery rate (which is set at 50%), multiplied by the modified duration of the receivables and again multiplied by the probability of default over a one-year time horizon which is set at 0.05%.

5.2.5.1 Comparison to previous year

The above tables are compared to the analogous amounts as at 31 December 2019. These are set out in the tables below:

Non-Life Reinsurance Recoverables by Line of Business	IFRS (USD)	Solvency II (Best Estimate) (USD)
Motor Vehicle Liability	308,213,477	261,012,337
Other Motor	84,879,544	71,851,345
Marine, Aviation & Transport (MAT)	14,770,028	12,509,351
Fire & Other Damage to Property	167,147,540	141,108,099
General Liability	118,082,475	98,196,163
Legal Expenses	0	0
Miscellaneous Financial Loss	5,540,835	4,647,463
Total Reinsurance Recoverable (Non-life – Excluding Health)	**698,633,899**	**589,324,759**

Health Reinsurance Recoverable by Line of Business	IFRS (USD)	Solvency II (Best Estimate) (USD)
Medical Expense	0	0
Workers' Compensation	2,009,440	1,711,892
Total Reinsurance Receivables (Health)	**2,009,440**	**1,711,892**

Changes in 2019 have been discussed in previous sections and are driven by growth in the business. Growth was greater in some segments than in others, resulting in the observed change in portfolio proportions between classes of business.

5.3 Other Liabilities

The liabilities other than the technical provisions as at 31 December 2020 are set out below, alongside their value as at 31 December 2019 on each of the IFRS and Solvency II bases.

Other Liabilities	Reference	31/12/2020 IFRS (USD)	31/12/2019 IFRS (USD)	31/12/2020 Solvency II (USD)	31/12/2019 Solvency II (USD)
Deferred Commission Income	a	92,979,256	99,097,570	0	0
Reinsurance Payables	b	268,751,244	232,187,232	123,455,536	220,524,012
Trade Payables	c	4,782,402	2,759,789	4,782,402	2,759,789
Insurance and Intermediaries Payables	d	12,707,229	13,515,726	12,707,229	13,515,726
Total		**379,220,131**	**347,560,317**	**140,945,167**	**236,799,527**

Valuation bases, methods and main assumptions are:

a. Deferred commission income is valued at nil within the Solvency II balance sheet as the Company does not expect future cashflows from this liability.

b. Reinsurance payables due within three months are not discounted. This is analogous to the treatment of insurance receivables within the balance sheet assets.

c. Payables (trade, not insurance) relate to trade accruals and are valued at face value.

d. Insurance and intermediary payables relate to amounts owed to intermediaries and for IPT and are valued at face value.

5.3.1 Comparison to previous year

The increase in IFRS balances during the 12 months to 31 December 2020 relate to business growth as described in previous sections. The reduction in SII balances in the same period is driven by the change in methodology, outlined in section 5.2.2, whereby we reduce both the Technical provisions and the assets held by the client withheld fund amount (QMetric property).

5.4 Any other Material Information

There is no other material information regarding the valuation of assets and liabilities for solvency purposes.

6 CAPITAL MANAGEMENT

The Company is required by the MFSA to hold available own funds of an amount that is equal to or exceeds the MCR and SCR, in accordance with the Solvency II Directive. The SCR is calculated using the Solvency II standard formula.

QEL benefits from its parent company's credit rating due to the backing provided by QIC in the form of a parental guarantee and the quota share treaties with Qatar Re and QIC.

6.1 Own Funds

6.1.1 Management of Own Funds

Capital adequacy is maintained with reference to QEL's risk appetite. At any given time, the Company aims to maintain a strong capital base to enable QEL to support the business plan based on its own view of the capital required, and meeting regulatory capital requirements on an ongoing basis.

The ORSA process enables QEL to identify, assess, monitor, manage and report on the current and emerging risks that it 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 QEL will adopt to maintain capital adequacy. QEL can manage its capital position by either increasing the amount of available capital or by taking action to reduce the required capital. The approach taken is dependent on the specific circumstances of the event giving rise to the depletion of available capital.

6.1.2 Tiers of Own Funds

Solvency II legislation has introduced a three-tiered capital system designed to assess the quality of insurers' capital resources eligible to satisfy their regulatory capital requirement levels. 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 or insolvency. Tier 2, while providing full protection to policyholders in a wind-up or insolvency scenario, 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.

The majority of QEL's own funds as of 31 December 2020 qualify as Tier 1 capital, confirming that the Company meets the eligibility limits applied to each tier to cover the MCR and SCR:

Composition USD '000	Available Capital	Eligible Capital	Eligible to meet MCR
Tier 1 Unrestricted			
Tier 2 Ancillary	10,000	10,000	
Tier 3	**4,432**	**4,432**	
Total	**72,446**	**72,446**	**58,014**

The changes in own funds over the reporting period are presented in the table below. Please note: rounding differences of +/- one unit can occur in the table.

Basic Own Funds (USD Million)	31st December 2020 Tier 1 Unrestricted	31st December 2019 Tier 1 Unrestricted	31st December 2020 Tier 2	31st December 2019 Tier 2	31st December 2020 Tier 3	31st December 2019 Tier 3
Ordinary Share Capital	22.5	22.5	-	-	-	-
Share premium account relating to ordinary share capital	-	-	-	-	-	-
Reconciliation Reserve	(3.9)	(1.2)	-	-	-	-
Letter of Credit	-	-	10.0	-	-	-
Deferred Tax Assets	-	-	-	-	4.4	1.8
Capital Contribution	39.5	39.5	-	-	-	-
Total Basic Own Funds	**58.1**	**60.8**	**10.0**	**-**	**4.4**	**1.8**

Other than changes made to Tier 2 capital there were no other significant movements in Capital during the year.

There are no planned redemptions, repayment or maturity dates linked to the share capital.

There has been a $ 2.7million decrease on Tier 1 Total Basic Own Funds, a $10 million increase for Tier 2 (in the form of Letter of credit guaranteed by parent) and $2.6 million increase in Tier 3

6.1.3 Differences in Shareholder's Equity as Stated in the Financial Statements vs. the Available Capital and Surplus for Solvency Purposes

The table below shows the comparison of QEL's basic own funds under Solvency II and shareholders' equity under IFRS as of 31 December 2020:

Detail USD'000s	Reference	IFRS	Solvency II Base	Variance
Ordinary Share Capital		22,500	22,500	-
Profit and loss Account	a	10,076	-	(10,076)
Reconciliation Reserve	a	-	(3,944)	(3,944)
Letter of Credit		-	10,000	10,000
Deferred Tax Assets	b	-	4,432	4,432
Capital Contribution	c	39,458	39,458	-
Total Basic Own Funds		**72,034**	**72,446**	**412**

The key differences between the total equity shown under IFRS and Solvency II are as follows:

a) Under Solvency II, a reconciliation reserve is recognised. This reserve is the amount of the adjustments made to the assets and liabilities to arrive at the Solvency II estimates by applying Solvency II valuation principles. This reserve reduces the company's Total Basic Own Funds by USD 3.9 million

b) A net deferred tax asset (DTA) of USD 4.4 million has arisen due to the difference between the IFRS balance sheet and the Solvency II balance sheet. The DTA is mainly driven by the difference in the valuation of the net best estimate liability when compared to IFRS net reserves. The DTA is considered under Tier 3 capital up to a limitation of 15% of the total capital being taken as allowable against the SCR.

c) In 2017, QIC in its capacity as shareholder made an additional capital contribution of cash amounting to USD 12.958 million. USD 20 million represents a capital contribution made in 2016. A further capital contribution of USD 6.5 million was made during 2019.

6.1.4 Own Funds subject to Transitional Arrangements

At the end of the reporting period, QEL does not hold any own funds which are subject to transitional arrangements.

6.1.5 Ancillary Own Funds

At the end of the reporting period, QEL holds USD 10 million of Tier 2 capital which has been provided in the form of Letter of credit guaranteed by parent (Qatar Reinsurance Company Limited).

6.1.6 Factors Affecting the Availability and Transferability of Own Funds

There are no factors affecting the availability and transferability of own funds.

6.2 Solvency Capital Requirement and Minimum Capital Requirement

6.2.1 Calculation of the SCR

The SCR and MCR have been determined using the standard formula approach set out in the Solvency II Delegated Regulation.

QEL uses a simplified calculation of the recoverable from reinsurance contracts under Article 57, which is proportionate to the nature, scale and complexity of its risks.

QEL does not use undertaking-specific parameters pursuant to Article 104(7) of the Solvency II Directive.

No internal or partial model was used in the calculation of the SCR.

QEL is not subject to any capital add-on at the end of the reporting period.

The final amount of the SCR is subject to supervisory assessment.

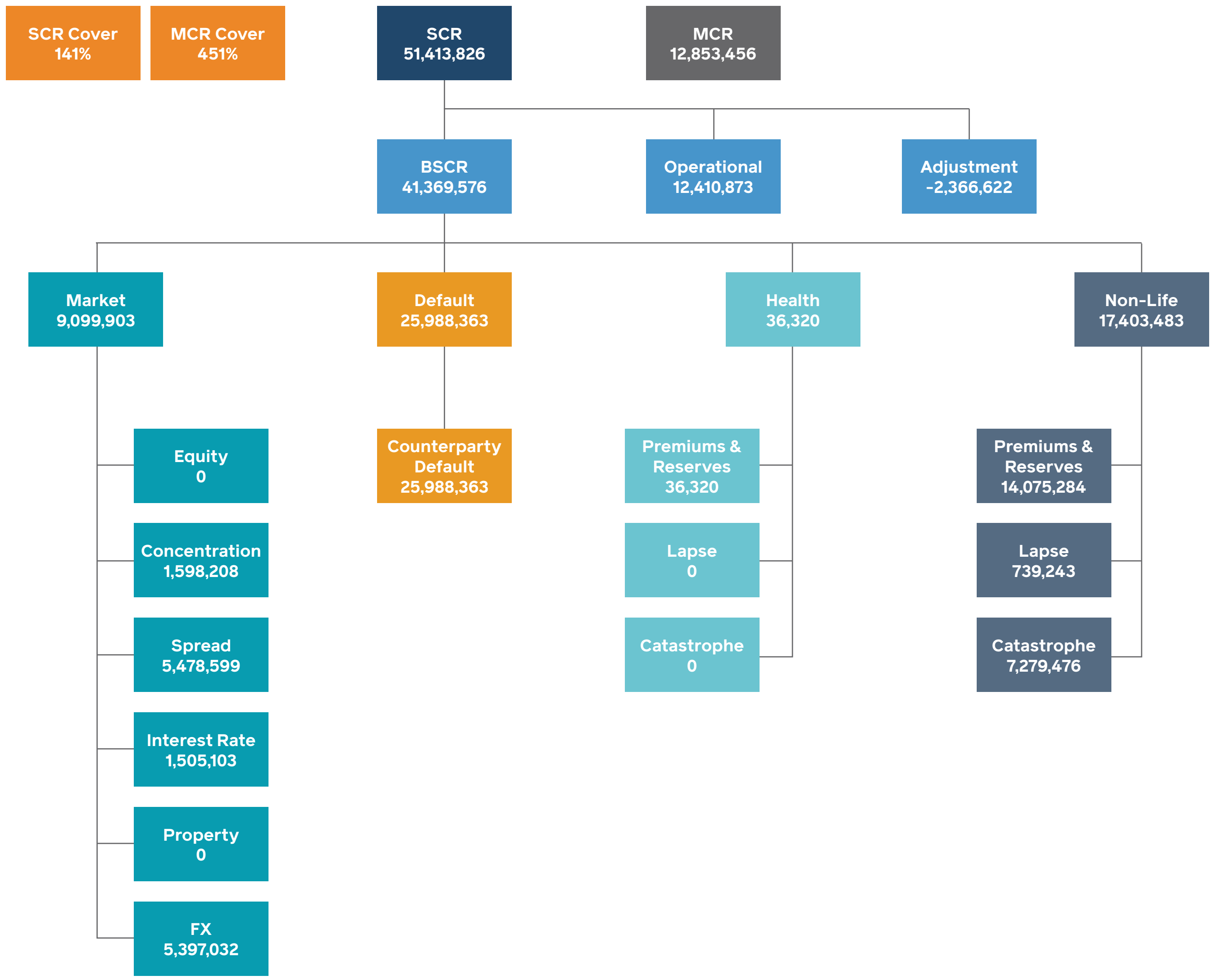
6.2.2 Calculation of the MCR

The MCR is determined by the standard formula as follows:

- The Linear MCR is calculated based on the net best estimate liability and net written premiums by Solvency II lines of business. The Company's Linear MCR equated to $10.2 million at 31st December 2020.
- The Combined MCR is based on the Linear MCR and this should fall within a range between 25% and 45% of the SCR, being $12.9 million and $23.1 million respectively. As the Linear MCR is below the lower limit, the Combined MCR is the lower limit of this range being $12.9 million.
- The MCR is then the greater of the Combined MCR and the Absolute floor of the MCR (aMCR). The aMCR is equivalent to EUR 3.7 million for (re) insurers authorised for liability business, and for the period ended 31st December 2020, the aMCR equated to $4.6 million. The Company's MCR is therefore $12.9 million.

6.2.3 SCR by risk module

The SCR and MCR for QEL, together with a split of the relevant risk modules that the Company is exposed to can be seen in the following diagram:



6.2.4 Movement in the SCR over the reporting period

The movements between the SCR and MCR over the reporting period are set out in the table below:

	31 December 2020 (USD million)	31 December 2019 (USD million)	Movement (USD million)
Market Risk	9.1	6.6	2.5
Counterparty Default Risk	26.0	26.0	0.0
Health Underwriting Risk	0.0	0.0	0.0
Non-Life Underwriting Risk	17.4	21.2	-3.8
Undiversified SCR	52.5	53.8	-1.3
Diversification	-11.1	-10.5	-0.6
Basic SCR	41.4	43.3	-1.9
Operational risk	12.4	13.0	-0.6
Adjustment for Deferred Tax Assets	-2.4	-5.6	3.2
SCR	51.4	50.6	0.8
MCR	12.9	12.7	0.2

The Company's SCR was relatively stable over 2020. Changes to Non-Life Risk are driven by changes to Catastrophe Risk. The increase in the capital requirement for market risk is driven by an increase in currency risk. Counterparty Default Risk increased in line with the increase in the reinsurer's share in technical provisions, offset by increased coverage of the letter of guarantee. QEL continues to utilise risk mitigation techniques contemplated in Article 189 of the Delegated Acts. Qatar Re guarantees certain balances due to QEL from agencies, therefore allowing QEL to look through to Qatar Re's rating when assessing the counterparty default risk associated with these balances. Section 4 provides additional information on the key risk drivers for each type of risk.

The MCR was also relatively stable over the reporting period.

6.2.5 Solvency Position

The Company maintained own funds in excess of the MCR and the SCR throughout the reporting period.

The solvency ratio stood at 141% as at 31 December 2020 (compared to 124% as at 31 December 2019). The solvency position is summarised in the table below:

Solvency Position	Capital Requirement (USD)	Eligible Capital (USD)	Solvency Ratio	MCR as % of SCR
SCR	51,413,826	72,446,072	141%	0.25
MCR	12,853,456	58,013,728	451%	

7 SUBSEQUENT EVENTS

7.1 Board and executive management changes

These are detailed in section 3.4.

7.2 Italian Branch

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.

7.3 Brexit

The United Kingdom left the European Union on 31 January 2020. QEL has successfully been included in the transition arrangements under the Temporary Permissions Regime ("TPR") while preparing applications to convert its existing UK Branch to a Third Country Branch and also establishing a subsidiary in Gibraltar. Permission has also been obtained from the PRA to appoint Pantelis Koulovasilopoulos as Head of the Third Country Branch.

The management team is closely liaising with the regulators and the applicable applications in respect of the above Brexit plan will be submitted to the Regulators during 2021.

7.4 Covid-19

Following the Supreme Court judgment in the business interruption (BI) insurance test case on 15 January 2021, QIC Global wrote to all affected policyholders with claims notified under the relevant policies to confirm cover "in principle" subject to the T&Cs of the policies. Prior to the handing down of the judgment, the number of claims made spiked, though the numbers decreased somewhat in February 2021. QIC Global continues to monitor this closely.

The FCA has published a "policy checker" on their website to assist policyholders in establishing if their insurance policy may cover business interruption losses.

The following regulatory returns have been submitted to the UK authorities in order to enable them to track the progress on claim payments:

- The PRA requested for information from QEL on best estimate gross losses and reinsurances responding to Covid-19 losses. This was a one-off request. The branch return was Nil as no underwriting activity is performed from the UK Branch.
- The FCA has requested a monthly return on the 3rd of each month covering the list below. At the time of drafting the report, the first return was submitted on the 3rd of March 2021.
    - Claims and complaints data for policies responding to Covid-19
    - Update on policies previously indicated as being affected by the Test Case.
    - Any other non-damage BI policy that in principle, will be responding to Covid-19.

A APPENDICES

Appendix 1

S.02.01.02 – BALANCE SHEET

S.05.01.02 – NON LIFE BUSINESS WRITTEN

S.05.01.02 – NON LIFE BUSINESS WRITTEN (TOP 5 COUNTRIES)

S.05.01.02 – NON LIFE BUSINESS WRITTEN (TOP 5 COUNTRIES TOTAL)

S.17.01.02 NON-LIFE TECHNICAL PROVISIONS

S.19.01.21 – GROSS CLAIMS PAID TRIANGULATIONS – DEVELOPMENT YEAR

S.19.01.21 – GROSS CLAIMS PAID TRIANGULATIONS – SUM OF YEARS

S.19.01.21 – GROSS UNDISCOUNTED BEST ESTIMATE CLAIMS PROVISIONS TRIANGULATIONS – DEVELOPMENT YEAR

S.19.01.21 – GROSS UNDISCOUNTED BEST ESTIMATE CLAIMS PROVISIONS TRIANGULATIONS – SUM OF YEARS

S.23.01.01 – OWN FUNDS

S.23.01.02 – RECONCILIATION RESERVE

S.25.01.21.01 – BASIC SOLVENCY CAPITAL REQUIREMENT

S.25.01.21.02 – CALCULATION OF SOLVENCY CAPITAL REQUIREMENT

S.28.01.01 – LINEAR FORMULA COMPONENT FOR NON-LIFE INSURANCE

S.28.01.01.02 – BACKGROUND INFORMATION

S.28.01.01.05 – OVERALL MCR CALCULATION

Appendix 2

Technical Provisions split by non-life and health

Appendix 1: Quantitative Reporting Templates (QRTs) for Public Disclosure

S.02.01.02.01 – BALANCE SHEET

		Solvency II Solvency II value C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	5,162,640
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	320,511
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	94,116,312
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	R0130	75,866,483
Government Bonds	R0140	6,883,751
Corporate Bonds	R0150	68,982,732
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	18,249,829
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	R0230	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	R0270	697,807,693
Non-life and health similar to non-life	R0280	697,807,693
Non-life excluding health	R0290	696,259,306
Health similar to non-life	R0300	1,548,387
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	1,159,184
Insurance and intermediaries receivables	R0360	161,542,786
Reinsurance receivables	R0370	
Receivables (trade, not insurance)	R0380	524,539
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	6,880,517
Any other assets, not elsewhere shown	R0420	
Total assets	**R0500**	**967,514,183**

S.02.01.02.01 – BALANCE SHEET (CONTINUED)

		Solvency II Solvency II value C0010
Liabilities		
Technical provisions - non-life	R0510	763,386,936
Technical provisions - non-life (excluding health)	R0520	761,715,759
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	755,020,059
Risk margin	R0550	6,695,700
Technical provisions - health (similar to non-life)	R0560	1,671,177
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	1,658,350
Risk margin	R0590	12,827
Technical provisions - life (excluding index-linked and unit-linked)	R0600	
Technical provisions - health (similar to life)	R0610	
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	
Risk margin	R0680	
Technical provisions - index-linked and unit-linked	R0690	
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	730,297
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	12,707,229
Reinsurance payables	R0830	123,461,248
Payables (trade, not insurance)	R0840	4,782,402
Subordinated liabilities	R0850	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	**R0900**	**905,068,111**
Excess of assets over liabilities	**R1000**	**62,446,072**

S.05.01.02.01 – NON LIFE BUSINESS WRITTEN

			Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)							Total
			Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Miscellaneous financial loss	
			C0030	C0040	C0050	C0060	C0070	C0080	C0120	C0200
Premiums written	Gross - Direct Business	R0110	4,451	261,611,021	81,353,293	3,060,349	203,000,649	43,136,555	2,448,088	594,614,408
	Gross - Proportional reinsurance accepted	R0120								
	Gross - Non-proportional reinsurance accepted	R0130								
	Reinsurers' share	R0140	4,228	237,233,092	73,775,134	2,795,487	183,386,395	39,201,815	2,236,471	538,632,622
	Net	R0200	223	24,377,930	7,578,159	264,863	19,614,255	3,934,740	211,617	55,981,785
Premiums earned	Gross - Direct Business	R0210	4,451	271,083,308	79,483,937	3,005,354	190,315,703	51,662,606	5,088,694	600,644,054
	Gross - Proportional reinsurance accepted	R0220								
	Gross - Non-proportional reinsurance accepted	R0230								
	Reinsurers' share	R0240	4,228	248,935,856	72,917,653	2,735,722	171,700,272	47,301,641	4,814,226	548,409,598
	Net	R0300	223	22,147,452	6,566,284	269,633	18,615,431	4,360,966	274,468	52,234,456
Claims incurred	Gross - Direct Business	R0310	221,165	210,683,565	59,247,574	6,434,404	229,857,658	28,022,568	(8,489,322)	525,977,612
	Gross - Proportional reinsurance accepted	R0320								
	Gross - Non-proportional reinsurance accepted	R0330								
	Reinsurers' share	R0340	514,873	186,404,109	48,519,813	37,911,500	181,259,406	31,232,267	(13,647,659)	472,194,310
	Net	R0400	(293,708)	24,279,455	10,727,761	(31,477,096)	48,598,252	(3,209,699)	5,158,337	53,783,302
Changes in other technical provisions	Gross - Direct Business	R0410								
	Gross - Proportional reinsurance accepted	R0420								
	Gross - Non-proportional reinsurance accepted	R0430								
	Reinsurers' share	R0440								
	Net	R0500								
Expenses incurred		R0550	(9,396)	(1,679,404)	(786,779)	153,840	2,579,752	276,100	116,721	650,834
Other expenses		R1200								3,599,994
Total expenses		**R1300**								**4,250,828**

S.05.01.02 – NON LIFE BUSINESS WRITTEN (TOP 5 COUNTRIES)

				Other than home country Country (by amount of gross premiums written) – non-life obligations				
				DENMARK C0090_61	GREECE C0090_85	IRELAND C0090_106	SPAIN C0090_208	UNITED KINGDOM C0090_234
Premiums written	Gross - Direct Business	R0110	2,986,696	22,177,711	11,309,465	2,436,309	548,816,737	
	Gross - Proportional reinsurance accepted	R0120						
	Gross - Non-proportional reinsurance accepted	R0130						
	Reinsurers' share	R0140	2,711,451	19,932,027	10,251,647	2,191,395	497,277,460	
	Net	R0200	275,246	2,245,683	1,057,818	244,914	51,539,277	
Premiums earned	Gross - Direct Business	R0210	2,719,348	28,326,465	10,006,921	2,347,980	550,944,173	
	Gross - Proportional reinsurance accepted	R0220						
	Gross - Non-proportional reinsurance accepted	R0230						
	Reinsurers' share	R0240	2,475,505	25,439,842	9,057,394	2,105,001	503,488,325	
	Net	R0300	243,844	2,886,623	949,527	242,979	47,455,848	
Claims incurred	Gross - Direct Business	R0310	1,299,583	21,048,737	9,566,435	3,036,001	485,229,075	
	Gross - Proportional reinsurance accepted	R0320						
	Gross - Non-proportional reinsurance accepted	R0330						
	Reinsurers' share	R0340	1,103,344	18,435,365	8,458,200	2,700,183	447,284,383	
	Net	R0400	196,239	2,613,372	1,108,235	335,818	37,944,692	
Changes in other technical provisions	Gross - Direct Business	R0410						
	Gross - Proportional reinsurance accepted	R0420						
	Gross - Non-proportional reinsurance accepted	R0430						
	Reinsurers' share	R0440						
	Net	R0500						
Expenses incurred		R0550	(4,065)	413,129	(10,464)	(12,214)	349,747	
Other expenses		R1200						
Total expenses		R1300						

S.05.01.02 – NON-LIFE BUSINESS WRITTEN (TOP 5 COUNTRIES TOTAL)

			Non-life and Health non-SLT Total Top 5 and home country C0140
Premiums written	Gross – Direct Business	R0110	587,726,919
	Gross – Proportional reinsurance accepted	R0120	
	Gross – Non-proportional reinsurance accepted	R0130	
	Reinsurers' share	R0140	532,363,980
	Net	R0200	55,362,939
Premiums earned	Gross – Direct Business	R0210	594,344,888
	Gross – Proportional reinsurance accepted	R0220	
	Gross – Non-proportional reinsurance accepted	R0230	
	Reinsurers' share	R0240	542,566,067
	Net	R0300	51,778,821
Claims incurred	Gross – Direct Business	R0310	520,179,831
	Gross – Proportional reinsurance accepted	R0320	
	Gross – Non-proportional reinsurance accepted	R0330	
	Reinsurers' share	R0340	477,981,475
	Net	R0400	42,198,356
Changes in other technical provisions	Gross – Direct Business	R0410	
	Gross – Proportional reinsurance accepted	R0420	
	Gross – Non-proportional reinsurance accepted	R0430	
	Reinsurers' share	R0440	
	Net	R0500	
Expenses incurred		R0550	736,132
Other expenses		R1200	
Total expenses		**R1300**	**736,132**

S.17.01.02 – NON-LIFE TECHNICAL PROVISIONS

				Direct business and accepted proportional reinsurance							Total Non-Life obligation
				Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Miscellaneous financial loss	
				C0040	C0050	C0060	C0070	C0080	C0090	C0130	C0180
Solvency II											
Technical provisions calculated as a whole			R0010								
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole			R0050								
Technical provisions calculated as a sum of BE and RM											
Best estimate	Premium provisions	Gross	R0060	84,604,823	26,567,226	641,280	21,864,364	11,914,757	2,406,307	147,998,758	
		Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	76,071,366	23,890,412	576,624	19,627,613	10,750,369	2,322,797	133,239,181	
		Net Best Estimate of Premium Provisions	R0150	8,533,457	2,676,814	64,656	2,236,751	1,164,389	83,510	14,759,577	
	Claims provisions	Gross	R0160	1,658,350	230,567,675	65,757,620	11,368,120	180,661,743	101,321,498	17,344,646	608,679,651
		Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	1,548,387	213,012,938	60,739,076	11,080,204	167,736,611	93,698,981	16,752,316	564,568,512
		Net Best Estimate of Claims Provisions	R0250	109,963	17,554,737	5,018,544	287,916	12,925,132	7,622,517	592,330	44,111,139
Total Best estimate - gross			R0260	1,658,350	315,172,498	92,324,846	12,009,400	202,526,107	113,236,256	19,750,953	756,678,409
Total Best estimate - net			R0270	109,561	26,088,194	7,695,358	352,572	15,161,884	8,786,906	675,840	58,870,716
Risk margin			R0280	12,827	2,733,139	780,707	91,189	1,870,844	1,029,375	190,445	6,708,527
Amount of the transitional on Technical Provisions		Technical Provisions calculated as a whole	R0290								
		Best estimate	R0300								
		Risk margin	R0310								
Technical provisions – total											
Technical provisions - total			R0320	1,671,177	317,905,636	93,105,553	12,100,589	204,396,952	114,265,631	19,941,398	763,386,936
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total			R0330	1,548,387	289,084,304	84,629,488	11,656,828	187,364,224	104,449,350	19,075,113	697,807,693
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total			R0340	122,790	28,821,332	8,476,066	443,761	17,032,728	9,816,281	866,285	65,579,243

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S.19.01.21 – GROSS CLAIMS PAID TRIANGULATIONS – DEVELOPMENT YEAR

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											
N-9	R0160											
N-8	R0170											
N-7	R0180											
N-6	R0190											
N-5	R0200	915,487	35,249,351	32,118,663	17,382,520	11,255,227	8,266,646					
N-4	R0210	17,495,955	71,589,986	47,040,437	18,327,412	38,780,926						
N-3	R0220	18,408,785	142,293,129	64,125,225	23,006,113							
N-2	R0230	30,444,657	142,317,341	89,394,955								
N-1	R0240	31,632,948	161,361,165									
N	R0250	19,854,330										

S.19.01.21 – GROSS CLAIMS PAID TRIANGULATIONS – SUM OF YEARS

		In Current year	Sum of years (cumulative)
		C0170	C0180
Prior	R0100		
N-9	R0160		
N-8	R0170		
N-7	R0180		
N-6	R0190		
N-5	R0200	8,266,646	105,187,894
N-4	R0210	38,780,926	193,234,715
N-3	R0220	23,006,113	247,833,252
N-2	R0230	89,394,955	262,156,952
N-1	R0240	161,361,165	192,994,114
N	R0250	19,854,330	19,854,330
Total	R0260	340,664,135	1,021,261,256

S.19.01.21 – GROSS UNDISCOUNTED BEST ESTIMATE CLAIMS PROVISIONS TRIANGULATIONS – DEVELOPMENT YEAR

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											
N-9	R0160											
N-8	R0170											
N-7	R0180											
N-6	R0190											
N-5	R0200	0	0	33,618,594	29,067,869	26,570,860	24,713,499					
N-4	R0210	0	128,183,202	75,881,987	84,458,532	48,722,778						
N-3	R0220	94,094,759	144,211,203	88,188,909	70,448,925							
N-2	R0230	84,572,434	162,334,696	114,727,061								
N-1	R0240	105,822,959	270,774,417									
N	R0250	99,633,061										

S.19.01.21 – GROSS UNDISCOUNTED BEST ESTIMATE CLAIMS PROVISIONS TRIANGULATIONS – SUM OF YEARS

		Year end (discounted data)
		C0360
Prior	R0100	
N-9	R0160	2,019,160
N-8	R0170	8,393,746
N-7	R0180	5,722,451
N-6	R0190	4,785,918
N-5	R0200	12,361,441
N-4	R0210	32,514,353
N-3	R0220	67,051,844
N-2	R0230	97,609,462
N-1	R0240	159,278,449
N	R0250	218,942,828
Total	R0260	608,679,652

S.23.01.01 – OWN FUNDS

			Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
			C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Ordinary share capital (gross of own shares)	R0010	22,500,000	22,500,000			
	Share premium account related to ordinary share capital	R0030					
	Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
	Subordinated mutual member accounts	R0050					
	Surplus funds	R0070					
	Preference shares	R0090					
	Share premium account related to preference shares	R0110					
	Reconciliation reserve	R0130	(3,944,162)	(3,944,162)			
	Subordinated liabilities	R0140					
	An amount equal to the value of net deferred tax assets	R0160	4,432,343				4,432,343
	Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	39,457,890	39,457,890			
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions	Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions		R0290	62,446,071	58,013,728			4,432,343
Ancillary own funds	Unpaid and uncalled ordinary share capital callable on demand	R0300					
	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
	Unpaid and uncalled preference shares callable on demand	R0320					
	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	10,000,000			10,000,000	
	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
	Other ancillary own funds	R0390					
Total ancillary own funds		R0400					
Available and eligible own funds	Total available own funds to meet the SCR	R0500	72,446,071	58,013,728		10,000,000	4,432,343
	Total available own funds to meet the MCR	R0510	58,013,728	58,013,728			
	Total eligible own funds to meet the SCR	R0540	72,446,071	58,013,728		10,000,000	4,432,343
	Total eligible own funds to meet the MCR	R0550	58,013,728	58,013,728			
SCR		**R0580**	**51,413,826**				
MCR		**R0600**	**12,853,456**				
Ratio of Eligible own funds to SCR		**R0620**	**141%**				
Ratio of Eligible own funds to MCR		**R0640**	**451%**				

S.23.01.02 – RECONCILIATION RESERVE

			C0060
Reconciliation reserve	Excess of assets over liabilities	R0700	62,446,072
	Own shares (held directly and indirectly)	R0710	
	Foreseeable dividends, distributions and charges	R0720	
	Other basic own fund items	R0730	66,390,233
	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	R0740	
Reconciliation reserve		R0760	(3,944,162)
Expected profits	Expected profits included in future premiums (EPIFP) – Life business	R0770	
	Expected profits included in future premiums (EPIFP) – Non-life business	R0780	
Total expected profits included in future premiums (EPIFP)		R0790	

S.25.01.21.01 – BASIC SOLVENCY CAPITAL REQUIREMENT

		Gross solvency capital requirement C0110	Simplifications C0120
Market risk	R0010	9,099,903	
Counterparty default risk	R0020	25,988,363	
Life underwriting risk	R0030		
Health underwriting risk	R0040	36,320	
Non-life underwriting risk	R0050	17,403,483	
Diversification	R0060	(11,158,493)	
Intangible asset risk	R0070		
Basic Solvency Capital Requirement	R0100	41,369,576	

S.25.01.21.02 – CALCULATION OF SOLVENCY CAPITAL REQUIREMENT

			Value C0100
Solvency II			
Operational risk		R0130	12,410,873
Loss-absorbing capacity of technical provisions		R0140	
Loss-absorbing capacity of deferred taxes		R0150	(2,366,622)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC		R0160	
Solvency Capital Requirement excluding capital add-on		R0200	51,413,826
Capital add-on already set		R0210	
Solvency capital requirement		R0220	51,413,826
Other information on SCR	Capital requirement for duration-based equity risk sub-module	R0400	
	Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
	Total amount of Notional Solvency Capital Requirements for ring-fenced funds	R0420	
	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
	Diversification effects due to RFF nSCR aggregation for Article 304	R0440	

S.28.01.01 – LINEAR FORMULA COMPONENT FOR NON-LIFE INSURANCE

			MCR components C0010
Solvency II	MCRNL Result	R0010	10,240,549

S.28.01.01.02 – BACKGROUND INFORMATION

		Background information	
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole C0020	Net (of reinsurance) written premiums in the last 12 months C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040	109,963	223
Motor vehicle liability insurance and proportional reinsurance	R0050	26,088,194	24,699,983
Other motor insurance and proportional reinsurance	R0060	7,695,358	7,540,815
Marine, aviation and transport insurance and proportional reinsurance	R0070	352,572	301,553
Fire and other damage to property insurance and proportional reinsurance	R0080	15,161,884	19,613,156
General liability insurance and proportional reinsurance	R0090	8,786,906	3,934,718
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130	675,840	211,617
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

S.28.01.01.05 – OVERALL MCR CALCULATION

		C0070
Linear MCR	R0300	10,240,549
SCR	R0310	51,413,826
MCR cap	R0320	23,136,222
MCR floor	R0330	12,853,456
Combined MCR	R0340	12,853,456
Absolute floor of the MCR	R0350	4,550,262
Minimum Capital Requirement	R0400	12,853,456

Appendix 2: Technical Provisions split by non-life and health

Non-Life and Health technical provisions split as at 31 December 2020::

Non-Life Technical Provisions	Liabilities – TP IFRS (USD)	IFRS (USD)	Assets – Recoverable TP IFRS (USD)	IFRS (USD)
TP calculated as a whole	978,001,907		900,563,754	
Best Estimate		755,020,059		696,259,306
Risk Margin		6,695,700		
Gross TP – Non-Life (Excluding Health)	**978,001,907**	**761,715,759**	**900,563,754**	**696,259,306**

Health Technical Provisions	Liabilities – TP IFRS (USD)	IFRS (USD)	Assets – Recoverable TP IFRS (USD)	IFRS (USD)
TP calculated as a whole	0		0	
Best Estimate		1,658,350		1,548,387
Risk Margin		12,827		
Gross TP – Health	**0**	**1,671,177**	**0**	**1,548,387**

Non-Life and Health technical provisions split as at 31 December 2019

Non-Life Technical Provisions	Liabilities – TP IFRS (USD)	IFRS (USD)	Assets – Recoverable TP IFRS (USD)	IFRS (USD)
TP calculated as a whole	763,968,034		700,643,336	
Best Estimate		645,582,893		589,324,759
Risk Margin		6,660,212		
Gross TP – Non-Life (Excluding Health)	**763,968,034**	**652,234,104**	**700,643,336**	**589,324,759**

Health Technical Provisions	Liabilities – TP IFRS (USD)	IFRS (USD)	Assets – Recoverable TP IFRS (USD)	IFRS (USD)
TP calculated as a whole	0		0	
Best Estimate		1,802,346		1,711,892
Risk Margin		14,019		
Gross TP – Health	**0**	**1,816,365**	**0**	**1,711,892**

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