QEL

A QIC Global company

SOLVENCY AND FINANCIAL CONDITION REPORT 2021

QIC EUROPE LIMITED

Solvency and Financial Condition Report
(SFCR)
For the financial year ended 31 December 2021

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 2021.

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'.

1.1 Section 2: Business and Performance

QIC Europe Limited (QEL) is a wholly owned subsidiary of Qatar Reinsurance Company Limited. Qatar Insurance Company Q.S.P.C., 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/Negative" by Standard and Poor's and "A/Excellent" by A.M. Best and benefits from the QIC Group'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 2%, from USD $594.6m in 2020 to USD $582.4m in 2021. The decrease is primarily attributable to non-renewal of a major Motor contract, which is partly offset by the extension of motor coinsurance business and favourable exchange rates. On a gross basis, the portfolio delivered a combined ratio of 96% in 2021 financial year, compared to 119% in 2020, and the Company continued with the 90% quota share arrangement with its parent Qatar Re.

The Company reported a net profit after tax of USD $1.7m in 2021, compared to the net profit of USD $4.7m in 2020. The decrease in profit is mainly attributable to increase in administrative expenses & net foreign exchange impact on claims, and reduced investment income which is offset to an extent by an improved underwriting income when compared with previous year. QEL's investment income is driven by investments in fixed income bonds. The net investment income (net of investment management expenses) was USD $2.1m at the end of 2021, compared to USD2.8m in 2020.

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.

1.2 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).

1.3 Section 4: 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 total SCR has remained at a similar level compared to last year, and so has the risk ranking by risk category. The most material risk categories based on their capital impact are counterparty default risk and non-life underwriting risk.

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.

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 peril-regions to avoid material risk concentration.

QEL continues to monitor the impact of COVID-19. QEL continues work with its policyholders to resolve their COVID related claims. To date over 90% of covered claims have been settled. Nevertheless, and despite last year's Supreme Court judgement in the FCA test case, there remain certain unresolved coverage and quantification issues that a small proportion of policyholders have raised. QEL is working with these policyholders and, where applicable, their legal representatives to have these disputes adjudicated in the appropriate forum. QEL reserving is consistent with its opinion as to the correct application of policy coverage for all submitted claims. There is, therefore, an element of financial uncertainty should the disputes be adjudicated against QEL.

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.

1.4 Section 5: Valuation for Solvency Purpose

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

On an International Financial Reporting Standards ("IFRS") basis the asset base supporting the business decreased to USD $1.37b in 2021 from USD $1.4b in 2020. 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.

On a net basis, the Solvency II Technical Provision has remained at a similar level to 2020 YE. Both the gross technical provisions and the reinsurance recoverables decreased by a similar proportion, reflecting the consistent structure of reinsurance in the last years. The Risk Margin also remained at a similar value between 2020 and 2021 reflecting a consistent risk profile.

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.

1.5 Section 6: Capital Management

The Solvency Capital Requirement ("SCR") is calculated using the SII standard formula. The SCR as at 31 December 2021 is USD $53.7m (2020: USD $51.4m).

QEL – Eligible Capital to cover SCR (USD'000)	2021 Q4 Annual	2020 Q4 Actual	Diff
Eligible Capital for SCR	78,494	72,446	5,958
Solvency Capital Requirements (SCR)	53,710	51,414	2,296
SCR ratio	**146%**	**141%**	**5%**

The Board has an approved risk appetite of maintaining 140–160% solvency coverage ratio and the solvency ratio stood at 146% as at 31 December 2021 compared to 141% at 31 December 2020.

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

1.6 Section 7: Subsequent events

The QEL Italy Branch was completely closed 13th Jan 2022. The conflict in Ukraine has the potential to have indirect effects on QEL as a result of any consequences the conflict may have on wider economic conditions (e.g. inflation).

Over 80% of QIC Europe Limited's (QEL's) current book is written in the UK through UK coverholders and QEL continues to write UK business uninterrupted under the UK's Temporary Permissions Regime, which expires 31st December 2023. QIC Global has created a comprehensive Brexit plan and as part of this, a newly established UK risk carrier is in the process of being authorised as an insurer in the UK by the Prudential Regulation Authority and Financial Conduct Authority. We anticipate obtaining approval by 31st December 2022 and once authorised, QEL's UK business will be renewed into the newly established UK risk carrier, and an application for the portfolio transfer of the prior year business will actioned.

2 BUSINESS AND PERFORMANCE

2.1 Business

2.1.1 The Company

QIC Europe Limited (QEL) is a wholly owned subsidiary of Qatar Reinsurance Company Limited (Qatar Re), 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 Q.S.P.C., 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/Negative" by Standard and Poor's and "A/Excellent" by A.M. Best and benefits from the QIC Group's capital base.

Established in 2014, QEL is a Malta domiciled insurer with a branch in the UK authorised to underwrite all non-life classes of insurance and reinsurance throughout the European Economic Area ("EEA") and UK QEL's business model is based on writing insurance business through selected Managing General Agents (MGAs) and coinsurance partners across the EEA and UK. QEL's Italy Branch was closed on the 13th January 2022.

QEL is authorised and regulated by Malta Financial Services Authority.

Supervisory Authority

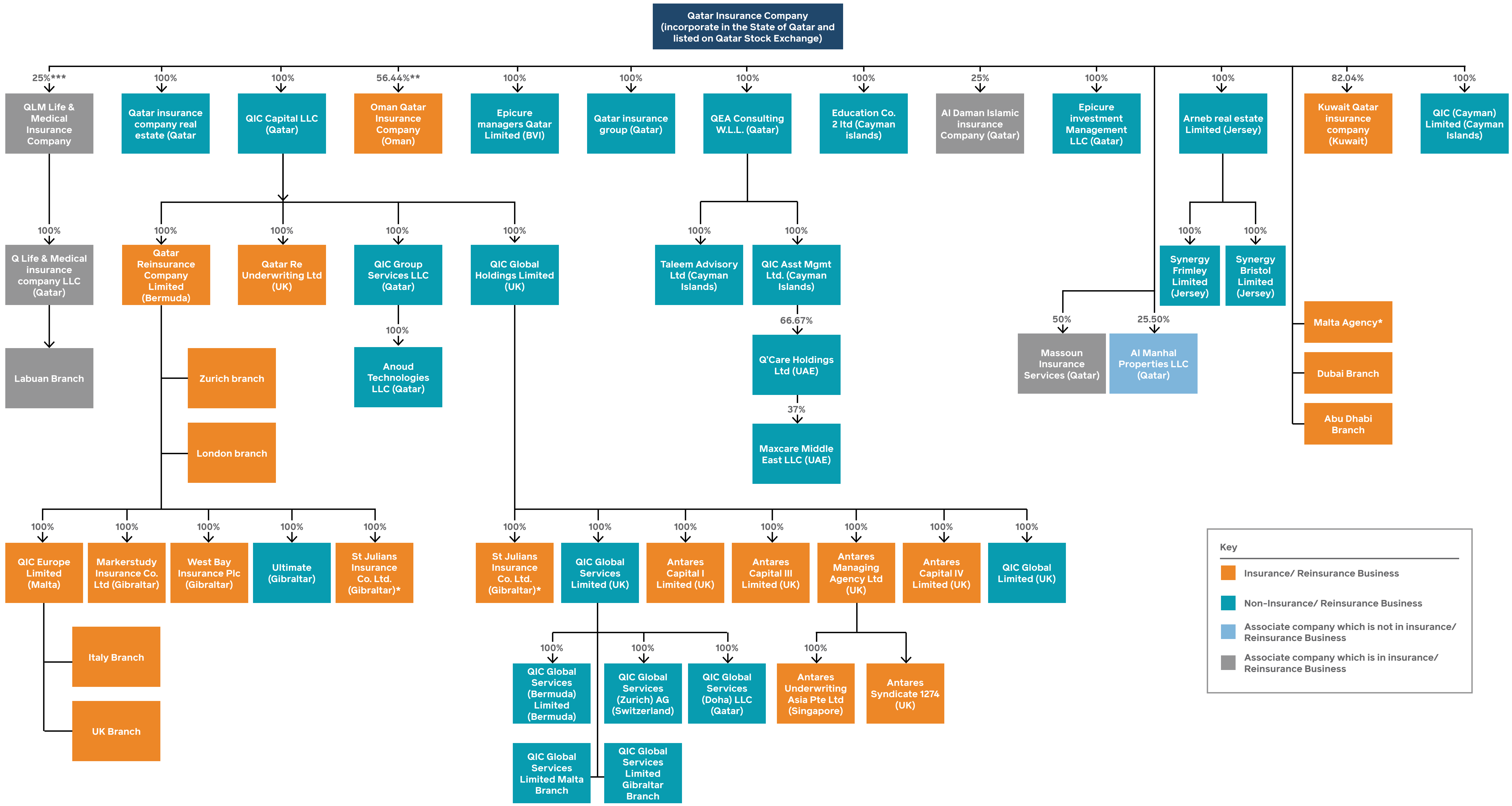
Malta Financial Services Authority
Triq l-Imdina, Zone 1, Central Business District,
Birkirkara, CBD 1010, Malta

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 legal structure is presented below. Qatar Re owns 22,500,000 ordinary shares that have a nominal value of USD 1.00 in QEL.



* In run-off

** OQIC is listed on Muscat Securities Market. QIC's direct ownership is 51.7%, remaining shares are held through group entities

*** QLM is listed on Qatar Stock Exchange

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 $1.7m in FY 2021 compared to a net profit after tax of USD $4.7m in FY 2020. The decrease in profit is mainly attributable to increase in administrative expenses & net foreign exchange impact on claims, and reduced investment income. This was offset to an extent by improved underwriting income when compared to 2020.

2.3 Underwriting Performance

Premiums written by the Company were USD $582.4m (2020: USD $594.6m), representing a 2% decrease on prior year. The decrease is primarily attributable to non-renewal of a major Motor contract, which is partly offset by the extension of motor coinsurance business and favourable exchange rate movements.

The technical result for general business in current calendar year stands at USD $11.9m compared to USD $8.9m in 2020. The improvement in the technical result, despite a 2% decrease in gross written premiums, is attributable to a small increase in net retention at QEL compared to prior year. However, this is partially offset by adverse claims experience during the year.

On a gross basis (prior to reinsurance), the portfolio delivered a combined ratio of 96% in 2021 financial year, compared to 119% in 2020.

The gross written premiums for 2021 compared to the 2020 gross written premiums by line of business are as follows:

Line of Business	Actual GWP 2021 (USD million)	Actual GWP 2020 (USD million)	2021 Actual GWP vs 2020 Actual GWP Difference
Fire & Other Damage to Property	204.5	203	1.5
Motor vehicle liability	261.9	43.1	0.3
Workers' Compensation	0.0	261.6	0.0
Marine, Aviation & Transport (MAT)	1.1	3.1	(2.0)
Miscellaneous financial loss	0.4	81.4	(2.0)
General Liability	38.8	0	(4.3)
Other motor	75.7	2.4	(5.7)
Total	**582.4**	**594.6**	**(12.2)**

The gross written premiums by geographical territory are as follows:

Territory	Actual GWP 2021 (USD million)	Actual GWP 2020 (USD million)	Difference
UK	536.7	548.8	(12.1)
Denmark	0.2	3.0	(2.8)
Worldwide	1.0	2.9	(2.0)
Greece	20.9	22.2	(1.4)
Spain	1.8	2.4	(0.6)
France	0.5	0.5	0.0
Malta	0.5	0.4	0.1
Portugal	2.0	1.3	0.7
Gibraltar	2.5	1.8	0.7
Ireland	16.3	11.3	5.0
Total	**582.4**	**594.6**	**(12.2)**

The portfolio continues to be focussed on Motor and Property business predominately in the UK.

The following table compares the actual GWP of underwriting year 2021 (on a Solvency II Lines of Business) to the initial business plan for 2021.

Line of Business	Actual GWP 2021 (USD million)	Plan GWP 2020 (USD million)	2021 Actual GWP vs 2020 Actual GWP Difference
Fire & Other Damage to Property	204.5	169.2	35.3
Other motor	75.7	41.8	33.9
General Liability	38.8	30.1	8.7
Miscellaneous financial loss	0.4	0.0	0.4
Workers' Compensation	0.0	0.1	(0.1)
Marine, Aviation & Transport (MAT)	1.1	2.2	(1.1)
Motor vehicle liability	261.9	276.3	(14.4)
Total	**582.4**	**519.7**	**62.7**

The initial business plan for 2021 anticipated USD $519.7m of written premium income but actual income was USD $584.2m, a favourable variance of 12.3% against the business plan. The material drivers of this variance are the 'Fire & Other Damage to Property' with actual GWP higher than plan by USD $35.3m; and 'other motor' with actual GWP higher than plan by USD $33.9m. The material drivers of the increase relate to two binders, one property and one motor.

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	2021 (USD '000)	2020 (USD '000)
Net Interest Income	**2,109**	**2,836**
-on Cash & Deposits	307	364
-on Fixed Income	1,839	2,510
-Facility & Repo Interest Expenses	(38)	(38)
Dividend income	**0**	**0**
Realized Gain / (Loss)	**217**	**314**
Unrealized Gain / (Loss)		
Gross Investment Income	**2,325**	**3,150**
Less: Advisory Fee	(240)	(310)
Net Investment Income	**2,086**	**2,840**

2.5 Other Material Income and Expense

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

	2021 (USD '000)	2020 (USD '000)
Employee Related Costs	5,406	1,017

The increase in the employee related costs vs prior year is mainly attributable to the higher recharge from group service entity QGSL. During the year we have also reclassified expenses under correct headings which is also causing some of the increase that we note above.

2.6 Any other material information

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

3 SYSTEM OF GOVERNANCE

3.1 Introduction

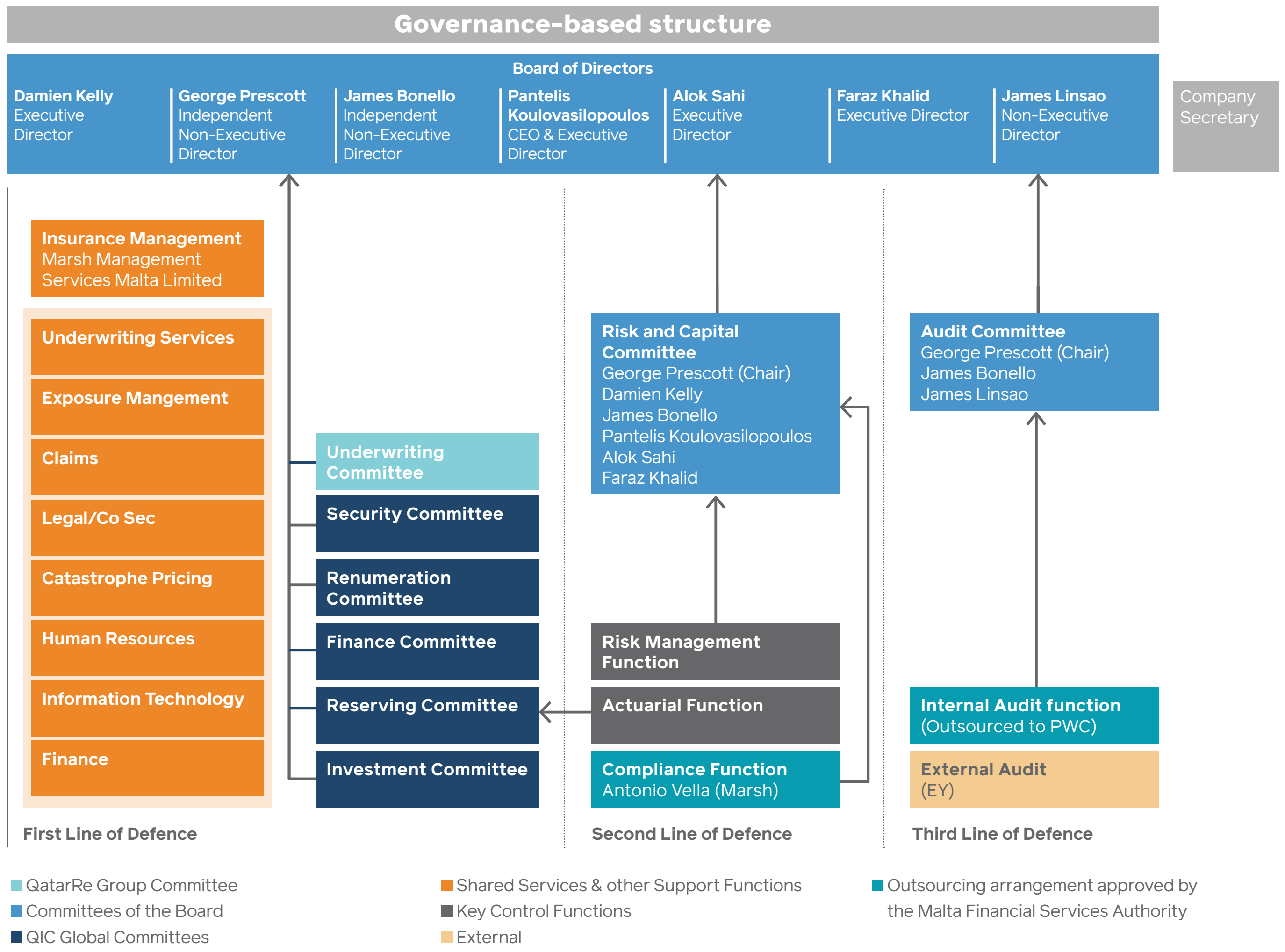
QEL has established a sound and effective corporate governance framework, which is appropriate to the size, nature, complexity and risk profile of the Company. This enables sound and prudent management of the Company's activities so that the interests of policyholders and other stakeholders are appropriately 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 current governance structure for QEL at the time of writing this report is presented below.

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 and any individual large or complex transactions, and financial statements
- Oversee operating performance against the approved plan.
- Ensure sufficient capital is held to maintain the Company's ongoing solvency.
- Oversee the risk management system, including setting the Company's risk appetite and tolerances.
- Set and oversee the effectiveness of the Company's Governance Structure and Internal Control System as detailed within this policy.
- Set and oversee adherence to corporate policies.
- Ensure QEL meets minimum regulatory requirements.
- Have on-going regard as to whether any outsourced functions to third parties or affiliates:
  - adversely affect QEL's governance and risk management structures;
  - have an increased operational risk;
  - affect the MFSA's ability to effectively supervise QEL; and
  - be detrimental to policyholder interests

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 approve for recommendation to the Board the Risk Management Policy and ORSA Policy. Ensure the enterprise risk management system remains adequate and effective given the Company's risk profile. • Identify current and future potential risk exposures and monitor actual exposures against risk appetite and tolerances, including emerging risks. • Ensure maintenance of sufficient economic and regulatory capital. • Promote a risk aware culture and encourage risk-based decision making.

Audit Committee (AC)	• Review and approve for recommendation to the Board the Company's annual and interim financial statements.
	• Review all significant changes concerning the principles and practice of auditing and accounting used by the external auditor or the Company's
	• Finance department in preparing financial statements.
	• Review any internal audit or financial reports issued to management and any associated responses provided by management.
	• Annually review and report on the quality and effectiveness of the audit process, including assessing the external auditor's independence.
	• Evaluate the effectiveness of the Internal Audit function, including its purpose, activities, scope, adequacy and costs, and approve the three-year Internal Audit Plan and any subsequent material changes.
	• Provide assurance as to the integrity of:
	  • Risk Management and Internal Control System
	  • Compliance function
	  • Internal Audit function

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).

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:

Mr Marios Georgiou was formally approved by the Regulator as Executive director, Actuarial Function Holder and Member of the Risk and Capital Committee during November 2021.

Mr Damien Kelly was also appointed as Executive Director during March 2021, however, he resigned from the QEL Board and Key Function Holder – Actuarial during May 2021.

In addition, Ms Zara Coke resigned as the person responsible within management for (re)insurance distribution activities during December 2021. It was proposed that Leon Attard be appointed in her stead. He is currently completing his Personal Questionnaire.

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 2021 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 Function Holders – Compliance, Risk Management, Actuarial and Internal Audit;
- Officers and managers of the company; and
- Third-party service providers, including insurance managers, auditors, actuaries and country representatives.
- Any other approved roles (as required by the local regulator)

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 has a 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 an internally targeted 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 in place which provides formal guidance on how QEL maintains the required regulatory and economic capital to support its business plan over a 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

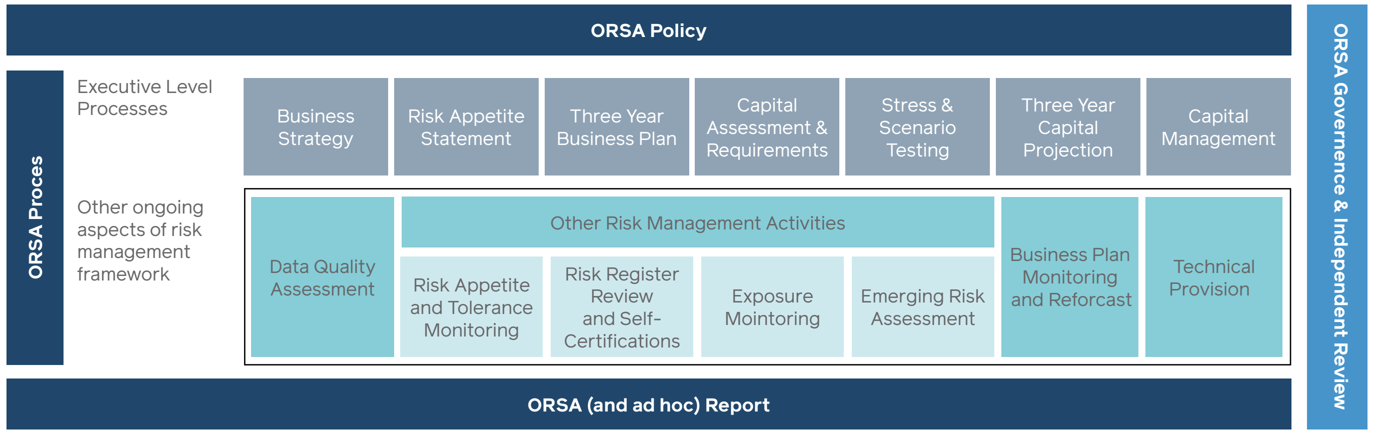
The risk management framework is implemented and integrated through the various committees, processes and procedures described in section 3.1, 3.2 and 3.7.1. These processes contribute towards QEL's solvency self-assessment, which seeks to identify and measure all material risks to which the Company 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 foreign exchange 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 Risk
- Reputational Risk (including Conduct 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 3.1 and 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 requires QEL 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.

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

Function / Work performed as at 31 December 2021	Jurisdiction of the Function	Name of Provider
Insurance Management	Malta	Marsh Management Services Malta Limited
Internal Audit (Critical Function)	Zurich	PWC
Company Secretarial	Malta	Valletta Legal
Compliance (Critical Function)	Malta	Marsh Management Services Malta Limited
Compliance (Critical Function)	London	QIC Global Services Limited
Payroll	Malta	RSM Malta
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/London	QIC Global Services Limited
Risk Management	Bermuda/London	QIC Global Services Limited
Actuarial	Bermuda/London	QIC Global Services Limited

The Board maintains oversight and control of all outsourced functions.

3.9.2 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 and traditional 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 standard formula SCR is set out below.

QEL – Capital Requirement (USD'000)	2021 Q4	% of undiv SCR	Rank	2020 Q4	% of undiv SCR	Rank
Counterparty Default	27,945	56%	1	25,988	50%	1
Non-Life Underwriting	17,459	35%	2	17,403	33%	2
Market Risk	4,826	10%	3	9,100	17%	3
Underwriting Risk Health	29	0%		36	0%	
Underwriting Risk Life	-	0%		-	0%	
Undiversified SCR	50,230			52,492		
Diversification	(8,914)			(11,122)		
Basic SCR	41,315			41,370		
Operational Risk Charge	12,395	30% of BSCR		12,411	30% of BSCR	
Adjustment for Deferred Tax*	0			(2,367)		
Solvency Capital Requirement (SCR)	**53,710**			**51,414**		

The total SCR has remained at a similar level compared to last year, and so has the risk ranking by risk category. Counterparty default risk is the largest risk given the small QEL retention overall and also drives the relative large operational risk charge, see Section 5.2 for a comparison of gross and net technical provisions.

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 and analysis, rating tools and related monitoring reports. QEL benefits from underwriting advice and assistance from affiliated companies.

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 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 and extensive XoL reinsurance protection is in place.

The Company's largest exposure to natural catastrophe risk is driven by the risk of a wind storm in the UK, albeit this has reduced compared to last year due to the discontinued Eaton Gate binder. This risk is continually monitored within the exposure management framework, ensuring that QEL's exposure remains within its approved risk appetite.

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:

QEL – Capital Requirement (USD'000)	2021 Q4	2020 Q4	Diff
Underwriting Risk Non-Life	**17,459**	**17,403**	**56**
Diversification within UW Risk NL	(4,527)	(4,691)	164
Premium and Reserve Risk	15,754	14,075	1,679
Lapse Risk	1,890	739	1,150
CAT Risk	4,342	7,279	(2,937)

*All numbers relate to the assessed Year End position

The SCR for non-life underwriting risk has remained stable. The increase in premium and reserve risk has been offset by a reduction in Cat risk. Due to its size, lapse risk largely diversifies away.

The changes in sub-risks are explained as follows:

- Premium and Reserve risk: The net reserve volume has increased by 5% whereas the net premium volume has increased by 20% (driven by motor vehicle liability and Fire & Other Damage to Property) and constitutes 58% of the total volume.
- Catastrophe risk: The reduction in cat risk is primarily explained by a reduced UK windstorm exposure due to the discontinued Eaton Gate business, which reduces UK retentions. We also see a reduction in Irish business and retentions.
- Lapse risk: The increase in lapse risk is a function of the reduction in premium volumes.

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 sets out a number of objectives including:

- Preservation of capital
- Delivering an appropriate return relative to risk
- Ensures liquidity requirements are met

In 2021 the QIC Global Investment Committee reviewed the investment & liquidity policy, including investment strategy and QEL's 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, the wholly owned investment advisory services subsidiary of QIC Group, is appointed as Investment Advisors for QEL. Epicure provides a range of investment advisory and investment management services to the Company under an Investment Management Agreement. Epicure is responsible for managing day-to-day portfolio activities under their management and providing a quarterly investment report to the investment committee. Investment Mandates are approved by the Investment Committee and the Board and include details of permitted investments (including limits), minimum credit ratings, maximum concentrations and duration limits (with due regard to liability duration).

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 4.7.3.

4.2.2 Market Risk Measurement and Exposure

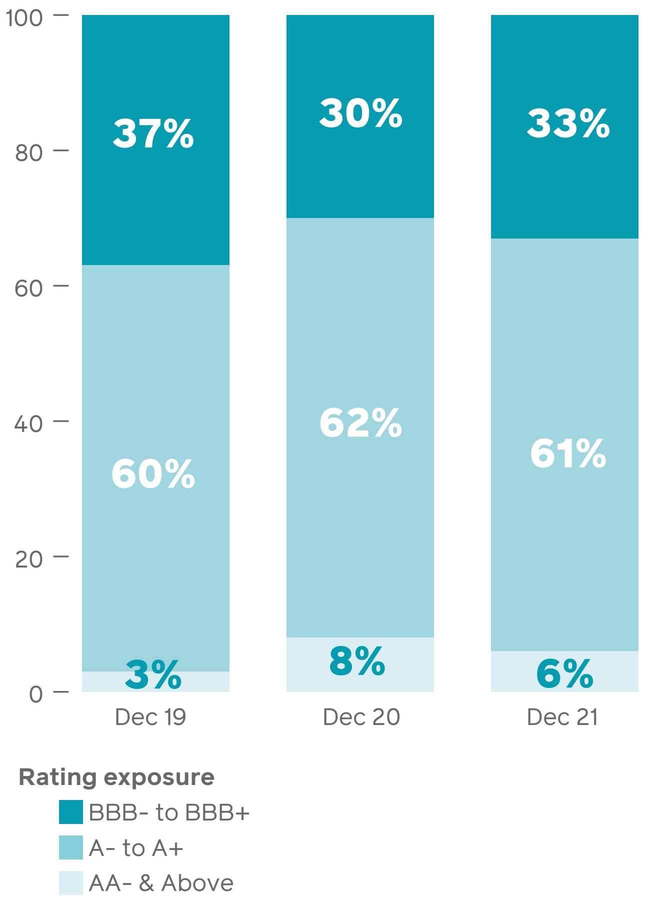
Market risk is measured against the Company's risk appetite and tolerance statements, which define the investment allocation limits by investment type, geographical region, credit rating etc.

The investment portfolio is as follows:

Investment Portfolio	USD (,000) 31/12/2021	USD (,000) 31/12/2020
Cash and cash equivalents (inc. MMFs)	37,123	25,130
Bonds (Government & Corporate)	60,447	75,866
Total	**97,570**	**100,997**

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:



The 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 risk, 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, 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.

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.

Liquidity risk arises when the Company is unable to meet its payment obligations as and when they fall due. Liquidity risk management is discussed in section 4.4.

Solvency Capital Requirement

The diversified SCR for market risk as follows:

QEL – Capital Requirement (USD'000)	2021 Q4	2020 Q4	Diff
Market Risk	4,826	9,100	(4,274)
Diversification within Market Risk	(2,817)	(4,879)	2,062
Spread Risk	3,845	5,479	(1,633)
Interest Rate Risk	1,171	1,505	(334)
Currency Risk	1,452	5,397	(3,945)
Concentration Risk	1,174	1,598	(424)
Equity Risk	-	-	-
Property Risk	-	-	-

*All numbers relate to the assessed Year End position

The reduction in market risk is driven by a reduction in Currency Risk and Spread Risk:

- The reduction in Spread Risk is explained by a decrease in bonds by c. 20%. This together with a reduction in cash balances concentrated in a banking counterparty also explains the reduction in concentration risk.
- The reduction in Currency Risk is explained by a better currency match between GBP assets and liabilities

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. This allows for the reclassification of certain counterparty exposures where certain tests criteria, set out in Articles 209-215 of the Delegated Regulation 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 QEL's capital requirement. 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. There is no exposure against reinsurers with a rating below A.

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. There are no balances overdue by more than three months.

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). It is mostly generated by Type 1 exposure due to its extensive reinsurance programme. This can be seen in the gross vs net TP numbers as shown in Section 5.2.

QEL – Capital Requirement (USD'000)	2021 Q4	2020 Q4	Diff
Credit Risk	27,945	25,988	1,957
Diversification within Credit Risk	(45)	(78)	33
Type 1	27,810	25,751	2,059
Type 2	179	315	(136)

*All numbers relate to the assessed Year End position

- Type 1 credit risk – The increase in type 1 credit risk is consistent with the additional reinsurance in place to mitigate the insurance risk
- Type 2 credit risk – The change in type 2 counterparty default risk is very small.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 Key Function Holder for Finance. 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.

The approach to Liquidity Risk Management is set out in the Investment & Liquidity Policy. Liquidity risk limits are defined in the risk appetite and in the Investment Guidelines.

Other liquidity monitoring controls include:

- Cash balance monitoring
- Cashflow forecasting & projections
- Regular liquidity reporting to Investment Committee

4.5 Liquidity Risk Measurement and Exposure

The company continues monitoring its liquidity via a range of metrics including through a series of risk appetites. Based upon the liquid nature of QEL's investment portfolio there is no significant concern from a liquidity risk perspective.

4.5.1 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 $9.4m at the end of the 2021 reporting period. This is an increase from USD $7.4m reported in 2020. This increase results from an increase in expected profitability of the business.

4.6 Operational Risk

4.6.1 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 broad range of controls including:

- 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.

4.6.2 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 considers 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 determined as 30% of the basic SCR.

The SCR for operational risk as follows:

QEL – Capital Requirement (USD'000)	2021 Q4	2020 Q4	Diff
Operational Risk	12,395	12,411	(16)

*All numbers relate to the assessed Year End position

The operational risk capital requirement shows little movement in line with the movement in total SCR.

4.7 Other material risks

4.7.1 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.

4.7.2 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 3.9 for further details).

4.7.3 Emerging Risks

An ongoing emerging risks process is in place, with material risks identified, monitored, and where applicable managed.

Emerging risk	Comment
COVID-19 pandemic insurance exposure	The COVID-19 pandemic remains ongoing, and there remains uncertainty around the duration and long term effects of COVID-19 and associated variants. There remains some uncertainty around how losses and reinsurance recoveries may further develop in response to COVID-19 losses. This is a risk that continues to be monitored.
IFRS-17	IFRS 17 has a direct impact to the accounting for insurance contracts due to come into force from 1 January 2023. QEL as an IFRS reporter will be directly impacted. A project is underway to establish the necessary processes for IFRS17 reporting.
Climate change	Climate Change is an increasing area of focus from many stakeholders, and has the potential to generate physical, liability and transitional loss impacts. There may also be operational impacts. This is a risk that continues to be monitored and considered as part of wider ongoing risk management processes, including regulatory expectations in this area.
Environmental, Social And Governance (ESG)	There continues to be an ongoing focus from stakeholders on ESG topics. There is also increased potential for enquiries from stakeholders in this topic.
Social & economic inflation	Social inflation (e.g. increased awards by courts) and economic inflation both have the potential to increase insurance losses and investments in both the short and medium term.

4.8 Risk Exposure arising from Off-balance Sheet Positions

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

4.9 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. A large proportion of business is 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.

4.10 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 3.8. 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 reduce volatility and concentration of exposure from individual MGAs.

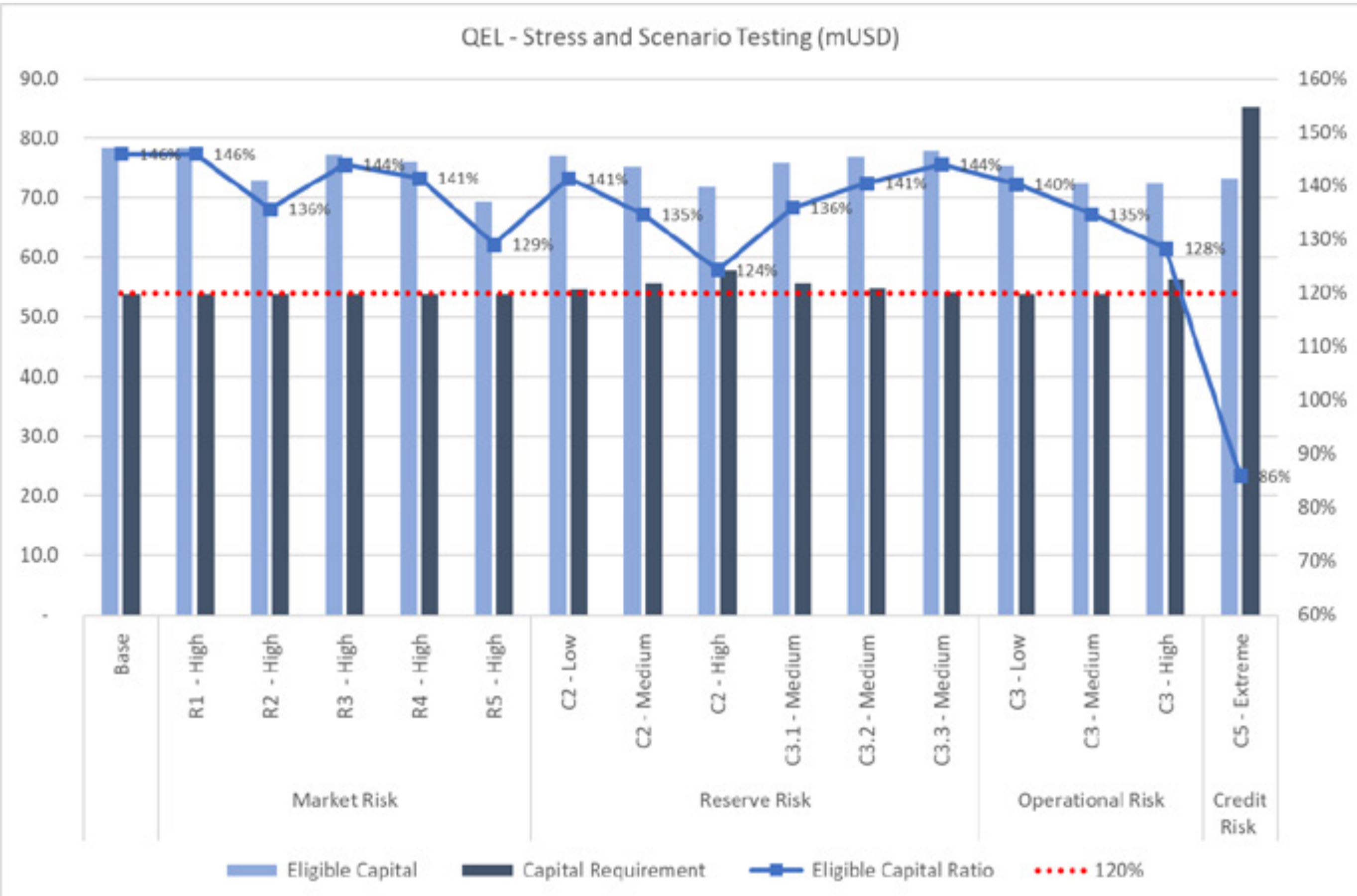
The effectiveness of the reinsurance programme is monitored to ensure it meets the defined objectives.

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

4.11 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 chart below shows a selection of the scenarios executed for QEL:



The Low, Medium, High, Extreme labels on the scenario descriptions indicate the extremity of the scenario to indicate the estimated return period (with an extreme scenario considered to have an extremely high return period). The immediate impact of any such event will be managed through the capital support from the Parent and revised business planning. Regulators expect that the solvency ratio does not fall below 120% and for this purpose the CMAP sets the Effective Capital Requirement at 125% which provides a buffer above the regulatory expectations.

It can be seen in the above graph that despite the extreme nature of the scenarios, the solvency ratio remains above the regulatory threshold of 120% except for the following scenario where a material reduction below the regulatory threshold is observed:

- C5 – Extreme: Rating Agency to downgrade QIC Group and QRe from A to BBB (two notch downgrade)
  - QIC currently holds an A rating. A downgrade would first mean a rating of A- (which has no impact on capital requirements), before moving to BBB.
  - It can be seen that QEL's strategy and large amount of reinsurance to the wider group relies on the continued strong rating of the group.

QIC Group is QEL's largest reinsurer and has total assets equivalent to USD $12B, and Shareholder's Equity equivalent to USD $2.3B and benefits from an "A" rating from both Standard & Poor's and A.M. Best. Both global credit rating agencies, reaffirmed the Group's "A" rating with a negative outlook during 2021.

The table below provides further details on the stresses applied:

Chart Label	Chart Label	Scenario Description	Stress Metric
	Base	Unstressed situation	
Market Risk	R1 – High	The stress test is a decrease of 40 % of the value of equities in a portfolio.	-40%
	R2 – High	The stress test is a writedown in valuations of Alternative Investments and Real Estate by -40%	-40%
	R3 – High	The stress test is a Upwards movement in the U.S. yield curve	1 in 100 yield curve shift across all maturities
	R4 – High	The stress test assumes a widening of credit spreads in line with the increase of the perceived credit risk in the market.	Credit spreads widen equivalent to: Credit spreads widen equivalent to: 1 in 100 for AAA 1 in 1000 for AA–BBB ratings 1 in 10,000 for BB or below
	R5 – High	The stress test is a combo of R1–R4 happening at the same time	Combo R1–R4
Reserve Risk	C2 – Low	Deterioration in SII TPs (gross and net)	+2%
	C2 – Medium	Deterioration in SII TPs (gross and net)	+5%
	C2 – High	Deterioration in SII TPs (gross and net)	+10%
	C3.1 – Medium	Deterioration in SII TPs Claims Provision (gross and net)	+5%
	C3.2 – Medium	Deterioration in SII TPs Claims Provision (gross and net) – Motor only	+5%
	C3.3 – Medium	Deterioration in SII TPs Claims Provision (gross and net) – General Liability only	+5%
Operational Risk	C3 – Low	Operational Risk causing impact on Tier 1 assets and ECR	+0% SCR, -5% Tier 1 assets
	C3 – Medium	Operational Risk causing impact on Tier 1 assets and ECR	+0% SCR, -10% Tier 1 assets
	C3 – High	Operational Risk causing impact on Tier 1 assets and ECR	+5% SCR, -10% Tier 1 assets
Credit Risk	C5 – Extreme	Rating agencies downgrade of QIC Group and QRe from A to BBB	A to BBB

In addition to the scenarios listed above, 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.

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 are considered as part of the Own Risk and Solvency Assessment process, and include those scenarios which 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. Potential scenarios considered include group risk and investment illiquidity.

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.

4.12 Any other Material Information

COVID-19: QEL has continued to operate effectively throughout the COVID-19 pandemic. QEL continues to work with its policyholders to resolve their COVID related claims. To date over 90% of covered claims have been settled. Nevertheless, and despite last year's Supreme Court judgement in the FCA test case, there remain certain unresolved coverage and quantification issues that a small proportion of policyholders have raised. QEL is working with these policyholders and, where applicable, their legal representatives to have these disputes adjudicated in the appropriate forum. QEL reserving is consistent with its opinion as to the correct application of policy coverage for all submitted claims. There is, therefore, an element of financial uncertainty should the disputes be adjudicated against QEL.

Economic Conditions: QEL may be impacted by the wider economic environment, including factors such as inflation which could have an impact on ultimate claims costs. QEL continues to monitor the impact of wider economic conditions on its business.

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 2021 for the IFRS financial statements and the Solvency II balance sheet.

Class of Assets (mUSD)	31/12/2021 IFRS	31/12/2020 IFRS	31/12/2021 Solvency II	31/12/2020 Solvency II
Deferred Acquisition Costs (DAC)	109.1	102.9	-	-
Deferred Tax Assets	-	-	4.5	5.2
Property Plant & Equipment	0.2	0.3	0.2	0.3
Investments (Bonds)	60.4	75.9	60.4	75.9
Investments (Collective Investments Undertakings)	13.6	18.2	13.6	18.2
Reinsurance Recoverables	887.1	900.6	676.6	697.8
Insurance Receivables	56.0	161.5	56.0	161.5
Cash & Cash equivalents	23.6	6.9	23.6	6.9
Deposits to Cedants	217.9	162.9	44.8	1.2
Other Assets	0.0	0.5	0.0	0.5
Total Assets	**1,368.0**	**1,429.7**	**879.6**	**967.5**

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 2021, 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

The asset base supporting the business has slightly reduced in size over the 12 months to 31 December 2021, from USD $1,430m to USD $1,368m (IFRS basis). This is not unexpected, given QELs reduced premium income from the 2021 underwriting year.

The following asset items are directly affected by reductions in business volume, the smaller portfolio directly driving a reduction in their value:

- 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 will decrease as the volume of business written falls. On a Solvency II basis, the reinsurance recoverable also decreases 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. QEL has a funds withheld arrangement with one of its MGAs. This amount has increased in 2021 leading to the increased deposits to cedants compared to the previous year.

The insurance receivables relate to the outstanding amount due from its MGAs in the form of premiums, recoveries and inward commissions. Conversely, the insurance receivables have fallen in the year. This is driven by the reduced amount of business overall, and the above stated funds withheld arrangement.

Furthermore, there was a decrease in the value of the investments held by QEL, with a corresponding increase 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.

Deferred acquisition costs (DAC) relate to the commissions/brokerage paid on portion of premium that is written but not earned as at the valuation date. This amount has increased in 2021 compared to 2020. 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.

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 2021, 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, RI and net technical provisions and the expected reinsurance recoveries on Solvency II basis.

Non-Life & Health Technical Provisions on a Solvency II Basis (mUSD)	As at 2021 YE IFRS (USD)	Assets – Recoverable TP	Solvency II (USD)	As at 2020 YE IFRS (USD)	Assets – Recoverable TP	Solvency II (USD)
Best Estimate	**736.3**	**676.6**	**59.7**	**756.7**	**697.8**	**58.9**
Workers' Compensation	1.2	1.1	0.1	1.7	1.5	0.1
Motor Vehicle Liability	316.8	289.1	27.7	315.2	289.1	26.1
Other Motor	91.3	83.3	8.0	92.3	84.6	7.7
Marine, Aviation & Transport	10.9	10.6	0.3	12.0	11.7	0.4
Fire & Other Damage to Property	188.0	174.6	13.5	202.5	187.4	15.2
General Liability	121.0	110.9	10.1	113.2	104.4	8.8
Miscellaneous Financial Loss	7.1	6.9	0.2	19.8	19.1	0.7
Risk Margin			**6.2**			**6.7**
Workers' Compensation			0.0			0.0
Motor Vehicle Liability			2.7			2.7
Other Motor			0.8			0.8
Marine, Aviation & Transport			0.1			0.1
Fire & Other Damage to Property			1.7			1.9
General Liability Insurance			1.0			1.0
Miscellaneous Financial Loss			0.1			0.2
Credit and Suretyship			0.0			0.0
TP – Non-Life (Including Health)	**736.3**	**676.6**	**66.0**	**756.7**	**697.8**	**65.6**
% Increase/Decrease from 2020	**(2.69%)**	**(3.04%)**	**0.60%**			

5.2.1 Comparison to previous year

On a net basis, the Solvency II Technical Provision has remained at a similar level to 2020 YE. Both the gross technical provisions and the reinsurance recoverables decreased by a similar proportion, reflecting the consistent structure of reinsurance in the last years.

Comparing the risk margin as at 31 December 2020 to that as at 31 December 2021 shows a similar risk margin value. This reflects consistency in the business written between 2020 and 2021. The risk margin is also influenced by the magnitude of various components of the SCR, in particular non-life underwriting risk and counterparty default risk which remained at similar levels.

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 99.85% at the end of 2021, compared to 99.81% at the end of 2020.

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.

The following table shows the valuation differences of the technical provisions between IFRS and Solvency II:

Non-Life & Health Technical Provisions (mUSD)	Liabilities – TP		Assets – Recoverable TP		Net TP	
	IFRS	Solvency II	IFRS	Solvency II	IFRS	Solvency II
TP calculated as a whole	970.1		887.1		83.0	
Best Estimate		**736.3**		**676.6**		**59.7**
Workers' Compensation	0.8	1.2	0.8	1.1	0.0	0.1
Motor Vehicle Liability	370.4	316.8	339.4	289.1	31.0	27.7
Other Motor	104.1	91.3	94.6	83.3	9.4	8.0
Marine, Aviation & Transport	10.5	10.9	10.3	10.6	0.2	0.3
Fire & Other Damage to Property	336.0	188.0	307.6	174.6	28.4	13.5
General Liability	140.9	121.0	127.2	110.9	13.7	10.1
Miscellaneous Financial Loss	7.5	7.1	7.3	6.9	0.2	0.2
Risk Margin						**6.2**
Workers' Compensation						0.0
Motor Vehicle Liability						2.7
Other Motor						0.8
Marine, Aviation & Transport						0.1
Fire & Other Damage to Property						1.7
General Liability Insurance						1.0
Miscellaneous Financial Loss						0.1
Credit and Suretyship						0.0
TP – Non-Life (Including Health)	**970.1**	**736.3**	**887.1**	**676.6**	**83.0**	**66.0**

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 capital 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 divide the 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 (i.e. allowing for the expected profits or losses in case of unprofitable business).
- 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 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 simplifications as set out within Article 58 of the SII Delegated Regulation 2015/35, 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

There are several material assumptions, involved in the calculation of IFRS technical provisions which are also relevant in the context of the Solvency II Technical Provisions. The actuarial valuation of loss reserves incorporates a degree of uncertainty, emerging from the fact that the actual payment dates of the future cash flows as well as the actual eventual loss settlement amount are unknown. Additionally expected recoveries may not be realised as counterparties might default.

SII Technical Provisions

The uncertainties outlined above would also affect the SII technical provisions. There are also additional uncertainties in moving to a Solvency II valuation basis. It should however be noted that:

- The Methodologies and assumptions used in the Technical Provision valuation are appropriate for the specific classes of business of QEL and the way the business is managed, having regard to the available data.
- The calculations are performed in line with the underlying guidance issued by EIOPA

Lastly, in addition to the internal reserving quality assurance process, the reserve estimates are subject to an external independent review as well as full review from an Audit firm. These reviews provide an extra layer of assurance that the best estimate reserves are with a reasonable range.

5.2.5 Reinsurance recoverable

The following table shows the reinsurance recoverable as at 31 December 2021, valued 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 on a Solvency II (Best Estimate) Basis	2021 YE (mUSD)	2020 YE (mUSD)	Change (mUSD)
Motor Vehicle Liability	289.1	289.1	0.1
Other Motor	83.3	84.6	(1.3)
Marine, Aviation & Transport (MAT)	10.6	11.7	(1.1)
Fire & Other Damage to Property	174.6	187.4	(12.8)
General Liability	110.9	104.4	6.5
Legal Expenses	0.0	0.0	0.0
Miscellaneous Financial Loss	6.9	19.1	(12.2)
Total Reinsurance Recoverable (Non-life – Excluding Health)	**675.5**	**696.3**	**(20.8)**

Health Reinsurance Recoverables By Line of Business on a Solvency II (Best Estimate) Basis	2021 YE (mUSD)	2020 YE (mUSD)	Change (mUSD)
Medical Expense	0.0	0.0	0.0
Workers' Compensation	1.1	1.5	(0.4)
Total Reinsurance Receivables (Health)	**1.1**	**1.5**	**(0.4)**

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 depending on their rating (e.g. 0.05% for an A rated reinsurer).

5.3 Other Liabilities

The liabilities other than the technical provisions as at 31 December 2021 are set out below, alongside their value as at 31 December 2020 on each of the IFRS and Solvency II bases.

Other Liabilities (mUSD)	Reference	31/12/2021 IFRS	31/12/2020 IFRS	31/12/2021 Solvency II	31/12/2020 Solvency II
Deferred Commission Income	a	97.5	92.7	-	-
Reinsurance Payables	b	207.2	268.8	52.2	123.5
Trade Payables	c	4.6	4.8	4.6	4.8
Insurance and Intermediaries Payables	d	15.6	12.7	15.6	12.7
Total		**324.9**	**378.9**	**72.4**	**141.0**

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 decrease in IFRS balances during the 12 months to 31 December 2021 relate to business decrease 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.

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 following table shows the available and eligible capital to cover the SCR

QEL – Capital Requirement (USD'000)	2021 Q4 Annual	2020 Q4 Annual	Diff
Tier 1 – Available Capital	60,120	58,014	2,106
Tier 2 – Available Capital	14,000	10,000	4,000
Tier 3 – Available Capital	4,284	4,432	(148)
Available Capital	**78,404**	**72,446**	**5,958**
Tier 1 – Eligible Capital	60,120	58,014	2,106
Tier 2 – Eligible Capital	14,000	10,000	4,000
Tier 3 – Eligible Capital	4,284	4,432	(148)
Eligible Capital for SCR	**78,404**	**72,446**	**5,958**
Ineligible Capital for SCR	-	-	-
Solvency Capital Requirement (SCR)	**53,710**	**51,414**	**2,296**
SCR ratio	**146%**	**141%**	**5%**

The Tier 2 Letter of Credit has been increased by 4m during 2021. Up to 50% of the SCR may be covered by Tier 3 and Tier 2 capital, i.e. there is still Letter of Credit capacity not yet utilised.

The following table shows the eligible capital to cover the MCR:

The Tier 2 Letter of Credit is not eligible to cover the MCR as it is not a basic own funds item (SII Delegated Regulation 2015/35, Article 98.4). There are no planned redemptions, repayment or maturity dates linked to the share capital.

QEL – Capital Requirement (USD'000)	2021 Q4 Annual	2020 Q4 Annual	Diff
Tier 1 – Eligible Capital	60,120	58,014	2,106
Tier 2 – Eligible Capital	-	-	-
Eligible Capital for MCR	**60,120**	**58,014**	**2,106**
Ineligible Capital for MCR	-	-	-
Minimum Capital Requirement (MCR)	13,427	12,853	574
MCR ratio	**448%**	**451%**	**(4%)**

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 2021:

Detail USD'000s	Reference	IFRS	Solvency II Base	Variance
Ordinary Share Capital		22,500	22,500	-
Profit and loss Account	a	10,769	-	(10,769)
Reconciliation Reserve	a	-	(1,838)	(1,838)
Deferred Tax Assets	b	-	4,284	4,284
Capital Contribution	c	39,458	39,458	-
Total Basic Own Funds		**72,727**	**64,404**	**(8,323)**
Letter of Credit		-	14,000	14,000

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 $1.8m

b) A net deferred tax asset (DTA) of USD $4.3m 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.

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 14m 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 2015/35.

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 Delegated Regulation 2015/35.

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 USD $10.2m at 31st December 2021.
- The Combined MCR is based on the Linear MCR and this should fall within a range between 25% and 45% of the SCR, being USD $13.4m and USD $24.2m respectively. As the Linear MCR is below the lower limit, the Combined MCR is the lower limit of this range being USD $13.4m.
- 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 m for (re) insurers authorised for liability business, and for the period ended 31st December 2021, the AMCR equated to USD $4.2m. The Company's MCR is therefore USD 13.4m. (which means a small increase from last year's $12.9m).

6.2.3 SCR by risk module

The following table shows the SCR by risk module:

QEL – Capital Requirement (USD'000)	2021 Q4 Annual	2020 Q4 Annual	Diff
Underwriting Risk Non-life	**17,459**	**17,403**	**56**
Diversification within UW Risk NL	(4,527)	(4,691)	164
Premium and Reserve Risk	15,754	14,075	1,679
Lapse Risk	1,890	739	1,150
CAT Risk	4,342	7,279	(2,937)
Underwriting Risk Life	**–**	**–**	**–**
Underwriting Risk Health	**29**	**36**	**(7)**
Market Risk	**4,826**	**9,100**	**(4,274)**
Diversification within Market Risk	-	-	-
Minimum Capital Requirement (MCR)	(2,817)	(4,879)	2,062
Spread Risk	3,845	5,479	(1,633)
Interest Rate Risk	1,171	1,505	(334)
Currency Risk	1,452	5,397	(3,945)
Concentration Risk	1,174	1,598	(424)
Equity Risk	-	-	-
Property Risk	-	-	-
Credit Risk	**27,945**	**25,988**	**1,957**
Diversification within Credit Risk	(45)	(78)	33
Type 1	27,810	25,751	2,059
Type 2	179	315	(136)
BSCR post diversification	**41,315**	**41,370**	**(54)**
Diversification btw risk types	(8,914)	(11,122)	2,208
Operational Risk	**12,395**	**12,411**	**(16)**
SCR Adjustment	**0**	**(2,367)**	**2,367**
Solvency Capital Requirement (SCR)	**53,710**	**51,414**	**2,296**

*All numbers relate to the assessed Year End position

The Company's SCR has seen a small increase of USD $2.3m since last year which is explained primarily by the following:

- The largest sub risk module Credit Risk has increased due to an increase in Type 1 exposure due to an increased gross underwriting risk. QEL continues to utilise risk mitigation techniques contemplated in Article 189 of the Delegated Regulations. 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. See Section 4.3.2.
- The NL Underwriting risk has remained stable as a small increase in Premium and Reserve Risk (due to increased premium volumes) was compensated by a reduction in catastrophe risk (primarily explained by a reduction in UK windstorm exposure due to the discontinued Eaton Gate business, which reduces UK retentions), see Section 4.1.2
- The market risk sub module plays a minor part and has further reduced due to a reduction in Currency Risk due to a better match of GBP assets and liabilities, see Section 4.2.2.
- This year, no SCR adjustment was made for the risk mitigating effect of deferred taxes due to the current size of the deferred tax asset and in light of

6.2.4 Solvency Position

The following tables show the SCR and MCR ratio of the Company:

QEL – Eligible capital to cover SCR (USD'000)	2021 Q4 Annual	2020 Q4 Annual	Diff
Eligible Capital for SCR	78,404	72,446	5,958
Minimum Capital Requirement (SCR)	53,710	51,414	2,296
SCR ratio	**146%**	**141%**	**5%**

*All numbers relate to the assessed Year End position

QEL – Eligible capital to cover MCR (USD'000)	2021 Q4 Annual	2020 Q4 Annual	Diff
Eligible Capital for MCR	60,120	58,014	2,106
Minimum Capital Requirement (MCR)	13,427	12,853	574
MCR ratio	**448%**	**451%**	**(4%)**

*All numbers relate to the assessed Year End position

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

7 SUBSEQUENT EVENTS

7.1 Board and executive management changes

These are detailed in section 3.4.

7.2 Italian Branch

The QEL Italy Branch was completely closed 13th Jan 2022. Last step is to file the 2021 year taxes, due Nov 2022.

7.3 Ukraine Conflict

As noted in Section 4.13, QEL may be impacted by wider economic conditions. The conflict in Ukraine has the potential to have indirect effects on QEL as a result of any consequences the conflict has on wider economic conditions (e.g. inflation).

7.4 Brexit

Over 80% of QIC Europe Limited's (QEL's) current book is written in the UK through UK coverholders and QEL continues to write UK business uninterrupted under the UK's Temporary Permissions Regime, which expires 31st December 2023. QIC Global has created a comprehensive Brexit plan and as part of this, a newly established UK risk carrier is in the process of being authorised as an insurer in the UK by the Prudential Regulation Authority and Financial Conduct Authority. We anticipate obtaining approval by 31st December 2022 and once authorised, QEL's UK business will be renewed into the newly established UK risk carrier, and an application for the portfolio transfer of the prior year business will actioned.

Following the authorisation of the new UK risk carrier, the QIC Global group will be able to access markets in the UK, EU / EEA and internationally through company market and Lloyd's platforms, on a direct open market basis as well as through local delegated underwriting authorities and select MGA partners.

A

APPENDICES

Appendix 1

Quantitative Reporting Templates (QRTs) for Public Disclosure

S.02.01.02 – BALANCE SHEET

S.02.01.02 – BALANCE SHEET (CONTINUED)

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 (NON-CUMULATIVE) – DEVELOPMENT YEAR – TOTAL NON LIFE BUSINESS

S.19.01.21 – GROSS CLAIMS PAID (NON-CUMULATIVE) – CURRENT YEAR,SUM OF YEARS (CUMULATIVE) – TOTAL NON LIFE BUSINESS

S.19.01.21 – GROSS UNDISCOUNTED BEST ESTIMATE CLAIMS PROVISIONS – DEVELOPMENT YEAR(ABSOLUTE AMOUNT) – TOTAL NON-LIFE BUSINESS

S.19.01.21 – GROSS DISCOUNTED BEST ESTIMATE CLAIMS PROVISIONS – CURRENT YEAR, SUM OF YEARS(CUMULATIVE) – TOTAL NON-LIFE BUSINESS

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.25.03.21.03 – APPROACH BASED ON AVERAGE TAX RATE

S.25.03.21.05 – CALCULATION OF LOSS ABSORBING CAPACITY OF DEFERRED TAXES

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

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

Assets		Solvency II Solvency II value C0010
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	4,482
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	211
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	
Equities – listed	R0110	
Equities – unlisted	R0120	
Bonds	R0130	
Government Bonds	R0140	5,690
Corporate Bonds	R0150	54,758
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	13,554
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	676,595
Non-life and health similar to non-life	R0280	676,595
Non-life excluding health	R0290	675,467
Health similar to non-life	R0300	1,128
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	44,767
Insurance and intermediaries receivables	R0360	55,965
Reinsurance receivables	R0370	
Receivables (trade, not insurance)	R0380	6
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	23,569
Any other assets, not elsewhere shown	R0420	
Total assets	**R0500**	**879,597**

S.02.01.02.01 – BALANCE SHEET (CONTINUED)

Liabilities		Solvency II Solvency II value C0010
Technical provisions – non-life	R0510	742,558
Technical provisions – non-life (excluding health)	R0520	741,334
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	735,123
Risk margin	R0550	6,211
Technical provisions – health (similar to non-life)	R0560	1,224
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	1,215
Risk margin	R0590	9
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	198
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	15,628
Reinsurance payables	R0830	52,189
Payables (trade, not insurance)	R0840	4,620
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**	**815,193**
Excess of assets over liabilities	**R1000**	**64,404**

S.05.01.02 – 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	$000s
			C0030	C0040	C0050	C0060	C0070	C0080	C0120	C0200
Premiums written	Gross – Direct Business	R0110	0	261,878	75,671	1,136	204,526	38,830	429	582,470
	Gross – Proportional reinsurance accepted	R0120								
	Gross – Non-proportional reinsurance accepted	R0130								
	Reinsurers' share	R0140	0	232,223	67,184	1,272	185,239	34,972	376	521,267
	Net	R0200	0	29,655	8,487	(136)	19,287	3,858	53	61,203
Premiums earned	Gross – Direct Business	R0210	0	268,096	80,105	1,409	189,979	38,259	2,547	580,395
	Gross – Proportional reinsurance accepted	R0220								
	Gross – Non-proportional reinsurance accepted	R0230								
	Reinsurers' share	R0240	0	240,033	71,840	1,493	172,178	34,528	2,370	522,442
	Net	R0300	0	28,063	8,266	(84)	17,801	3,731	178	57,954
Claims incurred	Gross – Direct Business	R0310	(15)	141,503	41,400	1,214	155,192	35,925	(12,854)	362,366
	Gross – Proportional reinsurance accepted	R0320								
	Gross – Non-proportional reinsurance accepted	R0330								
	Reinsurers' share	R0340	19	125,887	36,066	7,703	132,947	34,247	(11,324)	325,546
	Net	R0400	(34)	15,617	5,334	(6,489)	22,245	1,678	(1,530)	36,820
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	1	5,419	1,570	(22)	2,688	(63)	149	9,742
Other expenses		R1200								10,803
Total expenses		**R1300**								**20,545**

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 GREECE C0090_85	IRELAND C0090_106	PORTUGAL C0090_178	UNITED KINGDOM C0090_234	UNITED KINGDOM (GIBRALTAR) C0090_235
Premiums written	Gross – Direct Business	R0110	20,850	16,320	2,036	537,678	2,544
	Gross – Proportional reinsurance accepted	R0120					
	Gross – Non-proportional reinsurance accepted	R0130					
	Reinsurers' share	R0140	18,878	14,752	1,842	480,761	2,304
	Net	R0200	1,973	1,568	194	56,917	240
Premiums earned	Gross – Direct Business	R0210	22,559	14,573	1,893	535,031	2,478
	Gross – Proportional reinsurance accepted	R0220					
	Gross – Non-proportional reinsurance accepted	R0230					
	Reinsurers' share	R0240	20,414	13,193	1,711	481,401	2,242
	Net	R0300	2,145	1,380	181	53,630	236
Claims incurred	Gross – Direct Business	R0310	12,971	10,153	1,266	334,500	1,583
	Gross – Proportional reinsurance accepted	R0320					
	Gross – Non-proportional reinsurance accepted	R0330					
	Reinsurers' share	R0340	11,785	9,210	1,150	300,259	1,438
	Net	R0400	1,187	943	117	34,241	145
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	279	9	8	9,391	12
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	579,428
	Gross – Proportional reinsurance accepted	R0120	
	Gross – Non-proportional reinsurance accepted	R0130	
	Reinsurers' share	R0140	518,536
	Net	R0200	60,893
Premiums earned	Gross – Direct Business	R0210	576,533
	Gross – Proportional reinsurance accepted	R0220	
	Gross – Non-proportional reinsurance accepted	R0230	
	Reinsurers' share	R0240	518,961
	Net	R0300	57,572
Claims incurred	Gross – Direct Business	R0310	360,474
	Gross – Proportional reinsurance accepted	R0320	
	Gross – Non-proportional reinsurance accepted	R0330	
	Reinsurers' share	R0340	323,841
	Net	R0400	36,633
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	9,700
Other expenses		R1200	
Total expenses		**R1300**	

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	Credit and suretyship insurance	Miscellaneous financial loss	
				C0040	C0050	C0060	C0070	C0080	C0090	C0100	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			R0060									
Best estimate	Premium provisions	Gross	R0140		78,467	23,372	487	18,892	12,002	0	848	134,068
		Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0150		70,588	21,025	459	16,929	10,799	0	827	120,627
		Net Best Estimate of Premium Provisions	R0160		7,879	2,347	28	1,962	1,203	0	22	13,441
	Claims provisions	Gross	R0240	1,215	238,357	67,931	10,393	169,141	109,007	0	6,226	602,270
		Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0250	1,128	218,568	62,280	10,144	157,647	100,149	0	6,053	555,968
		Net Best Estimate of Claims Provisions	R0260	87	19,789	5,651	249	11,494	8,858	0	173	46,302
Total Best estimate – gross			R0270	1,215	316,823	91,303	10,880	188,033	121,009	0	7,075	736,338
Total Best estimate – net			R0280	87	27,668	7,998	277	13,456	10,062	0	195	59,743
Risk margin			R0290	9	2,657	753	83	1,665	996	2	55	6,220
Amount of the transitional on Technical Provisions		Technical Provisions calculated as a whole	R0300									
		Best estimate	R0310									
		Risk margin	R0320									
Technical provisions – total			R0330	1,224	319,480	92,056	10,963	189,698	122,005	2	7,130	742,558
Technical provisions – total			R0340	1,128	289,156	83,304	10,603	174,577	110,947	0	6,880	676,595
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – total			R0330	96	30,325	8,752	360	15,121	11,058	2	250	65,963
Technical provisions minus recoverables from reinsurance/SPV and Finite Re – total			R0340									

S.19.01.21 – GROSS CLAIMS PAID (NON-CUMULATIVE) – DEVELOPMENT YEAR – TOTAL NON LIFE BUSINESS

		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	915	35,249	32,119	17,383	11,255	8,267	3,382				
N-5	R0200	17,496	71,590	47,040	18,327	38,781	2,770					
N-4	R0210	18,409	142,293	64,125	23,006	17,743						
N-3	R0220	30,445	142,317	89,395	31,822							
N-2	R0230	31,633	161,361	121,194								
N-1	R0240	19,854	154,928									
N	R0250	21,874										

S.19.01.21 – GROSS CLAIMS PAID (NON-CUMULATIVE) – CURRENT YEAR, SUM OF YEARS (CUMULATIVE) – TOTAL NON LIFE BUSINESS

		In Current year	Sum of years (cumulative)
		C0170	C0180
Prior	R0100		
N-9	R0160		
N-8	R0170		
N-7	R0180		
N-6	R0190	3,382	108,570
N-5	R0200	2,770	196,004
N-4	R0210	17,743	265,576
N-3	R0220	31,822	293,979
N-2	R0230	121,194	314,189
N-1	R0240	154,928	174,783
N	R0250	21,874	21,874
Total	R0260	353,714	1,374,975

S.19.01.21 – GROSS UNDISCOUNTED BEST ESTIMATE CLAIMS PROVISIONS – DEVELOPMENT YEAR(ABSOLUTE AMOUNT) – TOTAL NON-LIFE BUSINESS

		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	0	0	33,619	29,068	26,571	24,713	20,090				
N-5	R0200	0	128,183	75,882	84,459	48,723	55,727					
N-4	R0210	94,095	144,211	88,189	70,449	54,304						
N-3	R0220	84,572	162,335	114,727	82,183							
N-2	R0230	105,792	270,115	193,496								
N-1	R0240	99,633	147,905									
N	R0250	62,611										

S.19.01.21 – GROSS DISCOUNTED BEST ESTIMATE CLAIMS PROVISIONS –CURRENT YEAR, SUM OF YEARS(CUMULATIVE) – TOTAL NON-LIFE BUSINESS

		Year end (discounted data)
		C0360
Prior	R0100	
N-9	R0160	235
N-8	R0170	4,582
N-7	R0180	9,123
N-6	R0190	6,699
N-5	R0200	6,095
N-4	R0210	26,718
N-3	R0220	53,245
N-2	R0230	86,637
N-1	R0240	151,310
N	R0250	263,376
Total	R0260	608,021

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	22,500			
	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	(1,838)	(1,838)			
	Subordinated liabilities	R0140					
	An amount equal to the value of net deferred tax assets	R0160	4,284				4,284
	Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	39,458	39,458			
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					
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	14,000			14,000	
	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	14,000			14,000	
Available and eligible own funds	Total available own funds to meet the SCR	R0500	78,404	60,120		14,000	4,284
	Total available own funds to meet the MCR	R0510	60,120	60,120			
	Total eligible own funds to meet the SCR	R0540	78,404	60,120		14,000	4,284
	Total eligible own funds to meet the MCR	R0550	60,120	60,120			
SCR		**R0580**	**53,710**				
MCR		**R0600**	**13,427**				
Ratio of Eligible own funds to SCR		**R0620**	**146%**				
Ratio of Eligible own funds to MCR		**R0640**	**448%**				

QEL Solvency and Financial Condition Report 2021

S.23.01.02 – RECONCILIATION RESERVE

			C0060
Reconciliation reserve	Excess of assets over liabilities	R0700	64,404
	Own shares (held directly and indirectly)	R0710	
	Foreseeable dividends, distributions and charges	R0720	
	Other basic own fund items	R0730	66,242
	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve		R0760	(1,838)
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	4,826	
Counterparty default risk	R0020	27,945	
Life underwriting risk	R0030		
Health underwriting risk	R0040	29	
Non-life underwriting risk	R0050	17,459	
Diversification	R0060	(8,943)	
Intangible asset risk	R0070		
Basic Solvency Capital Requirement	R0100	41,315	

S.25.01.21.02 – CALCULATION OF SOLVENCY CAPITAL REQUIREMENT

		Value C0100
Solvency II		
Operational risk	R0130	12,395
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency Capital Requirement excluding capital add-on	R0200	53,710
Capital add-on already set	R0210	
Solvency capital requirement	R0220	53,710
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.25.03.21.03 – APPROACH BASED ON AVERAGE TAX RATE

		Yes/No C0109
Approach based on average tax rate	R0590	Null value

S.25.03.21.05 – CALCULATION OF LOSS ABSORBING CAPACITY OF DEFERRED TAXES

		Solvency II LAC DT C0130
Loss-absorbing capacity of deferred taxes		
Amount/estimate of LAC DT	R0640	
Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	R0650	
Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	R0660	
Amount/estimate of LAC DT justified by carry back, current year	R0670	
Amount/estimate of LAC DT justified by carry back, future years	R0680	
Amount/estimate of Maximum LAC DT	R0690	

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

			MCR components C0010
Solvency II	MCRNL Result	R0010	10,705

S.28.01.01.02 – BACKGROUND INFORMATION

		Background information	
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040	87	
Motor vehicle liability insurance and proportional reinsurance	R0050	27,668	29,666
Other motor insurance and proportional reinsurance	R0060	7,998	8,487
Marine, aviation and transport insurance and proportional reinsurance	R0070	277	86
Fire and other damage to property insurance and proportional reinsurance	R0080	13,456	19,054
General liability insurance and proportional reinsurance	R0090	10,062	3,858
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	195	53
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	10,705
SCR	R0310	53,710
MCR cap	R0320	24,169
MCR floor	R0330	13,427
Combined MCR	R0340	4,190
Absolute floor of the MCR	R0350	13,427
Minimum Capital Requirement	R0400	13,427

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

Non-Life and Health technical provisions split as at 31 December 2021:

	Liabilities – TP		Assets – Recoverable TP	
Non-Life Technical Provisions	**IFRS (USD)**	**Solvency II (USD)**	**IFRS (USD)**	**Solvency II (USD)**
TP calculated as a whole	970,133,093		887,145,301	
Best Estimate		735,122,799		675,462,047
Risk Margin		6,214,630		
Gross TP – Non-Life (Excluding Health)	**970,133,093**	**741,337,429**	**887,145,301**	**675,462,047**

	Liabilities – TP		Assets – Recoverable TP	
Health Technical Provisions	**IFRS (USD)**	**Solvency II (USD)**	**IFRS (USD)**	**Solvency II (USD)**
TP calculated as a whole	0		0	
Best Estimate		1,215,024		1,127,567
Risk Margin		8,715		
Gross TP – Health	**0**	**1,223,739**	**0**	**1,127,567**

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

	Liabilities – TP		Assets – Recoverable TP	
Non-Life Technical Provisions	**IFRS (USD)**	**Solvency II (USD)**	**IFRS (USD)**	**Solvency II (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**

	Liabilities – TP		Assets – Recoverable TP	
Health Technical Provisions	**IFRS (USD)**	**Solvency II (USD)**	**IFRS (USD)**	**Solvency II (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**

QEL

A QIC Global company

QIC Europe Limited
Pendergardens Business Centre,
Level 1, St Julian's, STJ 1901, Malta