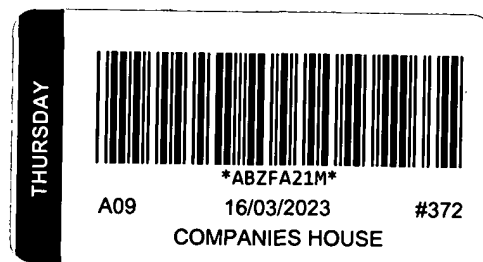


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# **QBE Underwriting Limited**

## **Annual Report**

**31 December 2022**



**Registered Number 1035198**

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## **QBE UNDERWRITING LIMITED**

### **ANNUAL REPORT**

*for the year ended 31 December 2022*

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## **QBE UNDERWRITING LIMITED**

### **DIRECTORS AND OFFICERS**

#### **Directors**

C A Brown\*

C Fresneau

J R Harris

T C W Ingram\*

C T Killourhy

S Maddock\*                      Appointed 11 February 2022

M G McCaig\*

R C Stone                      Appointed 12 December 2022

N J D Terry

#### **Former Directors who served during part of the year**

S J Postlewhite                      Resigned 13 June 2022

\* non-executive Director

#### **Company secretary**

A J Smith

#### **Registered office**

30 Fenchurch Street

London

EC3M 3BD

Registered Number 1035198

#### **Independent auditors**

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

7 More London Riverside

London

SE1 2RT

## QBE UNDERWRITING LIMITED

### STRATEGIC REPORT

The Directors of QBE Underwriting Limited (the Company), present their Strategic Report and audited financial statements for the Company for the year ended 31 December 2022.

#### Principal activities

The principal activity of the Company is that of a Managing Agent for Lloyd's Syndicates. This will continue to be the principal activity for the foreseeable future. The Company acts as managing agent for two syndicates: Syndicate 386 and Syndicate 2999 (together 'the Syndicates').

The Company is a private company, limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales with registration number 1035198. The address of the registered office is given on page 2. The Company is a wholly owned subsidiary of QBE European Operations plc ('EO plc'), which is the holding company for the European operations division ('QBE EO') of QBE Insurance Group Limited ('QBE Group'). The Company is managed at the QBE EO level.

The Company is ultimately wholly owned by QBE Group, a global (re)insurance group headquartered in Sydney, Australia and listed on the Australian stock exchange.

#### Business review

The results of the Company for the year are set out in the statement of comprehensive income on page 20. The total comprehensive loss for the year was £318k (2021: profit £1,409k). The profit commission earned as managing agent of Syndicate 386 for the financial year was £4,708k (2021: £8,399k). The capital of the Company comprises its net assets and totals £6,591k at year end (2021: £6,909k).

No interim dividends were declared or paid on the ordinary shares during the year (2021: £nil). The Directors do not propose the payment of a final dividend (2021: £nil).

The safety and wellbeing of our people, customers and their communities has remained our priority in 2022. The business continuity framework has proven resilient to the operational challenges encountered during the challenging macro-economic environment. Alongside the lifting of COVID-19 restrictions and return to the office in the majority of our locations, flexible working arrangements continued to support staff wellbeing.

As announced by QBE Group on 17 February 2023, the Syndicates managed by the Company entered into a 100% retrospective reinsurance arrangement covering certain prior year claims reserves within the syndicate, equating to approximately 10% of the total net claims reserves held on the balance sheet as at 31 December 2022. The effective date of the arrangement is 1 January 2023. The arrangement is part of a wider transaction entered into by QBE Group on the same day and, as at 7 March 2023, completion remains subject to regulatory approval.

#### Strategy

The Company has continued its strategy to act as the Lloyd's Managing Agent for Syndicates where QBE participates, being Syndicate 386 and Syndicate 2999. The Company intends to continue with this strategy.

The active underwriters' reports, contained within the financial statements of Syndicate 386 and Syndicate 2999, summarise the strategy, financial year performance and outlook for each Syndicate. These are filed with Lloyd's and publicly available from the Lloyd's website and the Company's registered office.

#### Future outlook of the business environment

While some uncertainty surrounds the macroeconomic outlook and the current geopolitical environment for 2023, we remain confident in our outlook for the year ahead, entering 2023 with strong business momentum. The Syndicates managed by the Company have had a promising start to 2023, with rate increases ahead of plan across most product lines. Whilst the Syndicates' outwards reinsurance treaty renewals were successful, the Syndicates have experienced increased retentions and pricing relative to plan.

With regards Environmental, Social and Governance ('ESG'), QBE has adopted the approach of an orderly and inclusive transition to a net-zero economy. Our current focus is to continue building our capability to measure, attribute and report insurance-associated greenhouse gas emissions.

## QBE UNDERWRITING LIMITED

### STRATEGIC REPORT (continued)

#### Future outlook of the business environment (continued)

QBE EO's vision is to be 'the most consistent and innovative risk partner' and our purpose is 'QBE – enabling a more resilient future', in line with the Vision and Purpose that appropriately reflect the ambitions of QBE Group and the world in which we live. Our refined Vision and Purpose provide a strong sense of direction for the future. Our priorities across QBE EO include:

Strategic priority	Description
Portfolio optimisation	Strive for both improved and more consistent risk-adjusted returns by actively managing portfolio mix and volatility
Sustainable growth	Achieve consistent growth through innovative risk solutions, leveraging improved digital capability and existing skill set across the enterprise
Bring the enterprise together	Simplify what we do and achieve greater consistency across the enterprise. Explore new ways to better leverage our global footprint and scale
Modernise our business	Strategically innovate and invest in differentiating capabilities that make things easier for our customers, partners and people
Our people	Empower a sustainable and diverse pipeline of leaders, while becoming an employer of choice in our markets
Our culture	Be a purpose-led organisation. Strengthen the alignment, trust and collaboration across the enterprise. Make sure our purpose is visible every day, in all our interactions

#### Principal risks and uncertainties of the Syndicates and the Company

The Syndicates and the Company face a number of principal risks and uncertainties specific to the Syndicates' roles as insurance undertakings.

The Company's established Enterprise Risk Management ('ERM') Framework describes QBE's approach to managing risk effectively, which in turn supports strategy and fundamental principles. QBE's Risk Appetite Statements ('RAS') set out the nature and level of risk that the Board are willing to take in pursuit of the organisation's objectives. The RAS are used to support risk-based decision making by clearly defining QBE's appetite (what we should do) and tolerance (what we can do) and provide coverage over the risk categories defined below.

A summary of the main risk categories faced by the Syndicate managed by the Company, and risk mitigation techniques to identify, assess, evaluate and mitigate these risks are outlined as follows:

#### Strategic risk

The Company defines strategic risk as the current and prospective impact on earnings and/or capital arising from strategic business decisions and responsiveness to external change.

The Company manages strategic risk as follows:

- Through management and monitoring of strategic risks including performance, capital, reputational, Environmental, Social and Governance ('ESG') and emerging risks;
- Considering strategic options in light of the impact on return volatility and capital requirements of the Company; and
- Planning and monitoring capital levels of the Company on an ongoing basis, with reference to economic requirements.

During periods of uncertainty like during the COVID-19 outbreak, as well as the conflict in Ukraine, the Company increases the frequency of monitoring capital and liquidity positions. The Company also has a programme of stress and scenario testing in order to review the potential impacts of a range of different strategic threats on the Syndicates' capital position and exposure to market, liquidity and operational risks.

## QBE UNDERWRITING LIMITED

### STRATEGIC REPORT (continued)

#### Principal risks and uncertainties of the Syndicates and the Company (continued)

##### Insurance risk

The Company defines insurance risk as the risk of fluctuations in the timing, frequency and severity of insured events and claims settlements, relative to expectations impacting the Syndicates' performance.

The Syndicates' exposure to insurance risk arises from:

- Underwriting/pricing;
- Insurance concentrations; and
- Reserving.

The Company manages the Syndicates' insurance risk as follows:

- Analysing historical pricing and claims experience;
- Setting a tolerance to concentration risk;
- Monitoring and reviewing underwriting performance and authority limits;
- Monitoring usage and availability of pricing models including independent reviews;
- Purchase of appropriate reinsurance programme to reduce EO Group's exposure to individual losses or an accumulation of losses;
- Setting thresholds and monitoring of reserve probability of adequacy ('PoA'); and
- Conducting both an in-house and external actuarial review of our claims provisions, independent of our underwriting teams.

##### Credit risk

The Company defines credit risk as the risk of financial loss where a customer, counterparty, issuer or insurance obligor fails to meet their financial obligations to the Company and the Syndicates in accordance with agreed terms. This can be due to the inability or unwillingness of a counterparty to meet financial obligations.

The Company manages credit risk as follows:

- Thorough management and monitoring of credit related risks including investment and treasury risk;
- Various forms of credit risk are captured and reported against using the Board-approved credit Risk Appetite Statement, which is monitored against on a regular basis;
- Regular counterparty monitoring through dedicated systems and procedures to manage and control exposure to counterparties;
- The monitoring on an on-going basis of external issuer default and financial strength ratings and QBE Group ratings and updating as appropriate; and
- Regular review of receivables, the collectability of those debts, and the adequacy of associated impairments.

##### Market risk

The Company defines market risk as the risk of adverse impacts on earnings resulting from changes in market factors impacting the Syndicates' performance. Market factors include but are not limited to: interest rates, credit spreads and foreign exchange rates.

The Company manages market risk as follows:

- Management and monitoring of market related risks including investment market movements (including equity prices, interest rate, credit spreads) and foreign exchange rate movement;
- Actively managing investment assets;
- Maintaining a diversified portfolio;
- Hedging residual non-functional currency net asset exposures;
- Use of derivatives for efficient portfolio management; and
- Monitoring compliance with legal and regulatory requirements, including the Prudent Person Principle;

## QBE UNDERWRITING LIMITED

### STRATEGIC REPORT (continued)

#### Principal risks and uncertainties of the Syndicates and the Company (continued)

##### Liquidity risk

The Company defines liquidity risk as the risk of holding insufficient liquid assets to meet liabilities as they fall due to policyholders and creditors, or only being able to do so at excessive cost.

The Company manages liquidity risk impacting the Syndicates' performance using the following:

- Board-approved Risk Appetite Statements that ensures minimum coverage of cash outflows for liabilities in line with the Prudential Regulation Authority ('PRA's') Supervisory Statement 5/19 – Liquidity risk management for insurers;
- Setting minimum levels of liquid, short-term money market securities;
- Matching assets and liabilities in our major currency positions;
- Regular monitoring of the ratio of liquid assets to liabilities is undertaken;
- The production of cash-flow forecasts, supplemented by Early Warning Indicators to proactively identify any changes to the liquidity position or potential funding needs;
- Recourse to a Board-approved Liquidity Contingency Plan, permitting access to sources of further liquid assets in the event of extreme liquidity stress.

##### Operational risk

The Company defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Exposure to operational risk arises from - internal fraud, external fraud, employment practices and workplace safety, improper business practices, damage to physical assets, business disruption and system failures, execution, delivery and process management.

The Company manages the Syndicates' operational risk using the following:

- Actively monitoring our key processes and systems;
- Conducting scenario reviews to identify and quantify potential exposures for mitigation;
- Maintaining effective segregation of duties, access controls, governance and reconciliation procedures;
- Performance of functional Risk and Control Self-Assessments ('RCSA') providing periodic assessment of risks as well as assurance over control design and performance;
- Operational Risk Dashboard monitoring including Operational Risk Appetites, key management focus areas and other risk MI; Operational Key Risk Indicators ('KRIs') are also being monitored; and
- Identification and management of Issues and Incidents with defined remediation plans in place, as appropriate.

The safety and wellbeing of our people, customers and partners and their communities remained our priority during 2022. The business continuity framework has proven resilient to the operational challenges encountered during the challenging macro-economic environment. Alongside the lifting of COVID-19 restrictions and return to the office in the majority of our locations, flexible working arrangements continued to ensure staff wellbeing and enhance performance.

##### Compliance risk

The Company defines compliance risk as the risk of legal or regulatory penalties, financial loss or non-financial loss or customer detriment resulting from non-compliance with laws, regulations or conduct standards.

The Company manages the Syndicates' compliance risk using the following:

- Identifying and monitoring of compliance obligations/risks;
- Embedding of compliance requirements into processes, systems and procedures including through RCSAs;
- Identification and management of Issues and Incidents with defined remediation plans in place, as appropriate;
- Conducting scenario reviews to identify and quantify potential exposures for mitigation;
- Monitoring of internal / external fraud, improper business practices and non-compliance with external requirements;
- Compliance Risk Dashboard monitoring including Compliance Risk Appetite, key management focus areas and other risk MI; Compliance Key Risk Indicators ('KRIs') are also being monitored;
- Closely monitoring rapid changes in the international sanctions regulatory environment, undertaking appropriate screening and due diligence and communicating requirements to the business as required; and
- Maintaining effective segregation of duties, access controls, governance and reconciliation procedures.

## QBE UNDERWRITING LIMITED

### STRATEGIC REPORT (continued)

#### Principal risks and uncertainties of the Syndicates and the Company (continued)

##### Group and Lloyd's risk

The Company defines group risk as the risk arising specifically from being part of a wider group, including financial impact and loss of support from the parent company.

The Company manages the Syndicates' group risk as follows:

- Challenge and oversight from independent non-executive Directors on the Company Board;
- Contractual arrangements in place and actively monitored against for material services provided by other QBE Group divisions and companies;
- Conducting scenario reviews to identify and quantify potential exposures for mitigation;
- Functional RCSAs include Group risks;
- Identification and management of Issues and Incidents with defined remediation plans in place, as appropriate;
- Board's group risk appetite monitoring including intra-group loans, intra-EO loans, Group Outsourced Services SLAs monitoring and Group issues and incidents impacting EO; and
- Involvement of QBE EO individuals within material QBE Group and Lloyd's initiatives that could impact the Company.

##### Climate change

The Company, as part of the QBE Group, recognises the material risk that climate change poses to its business, including the Syndicates, and is committed to embedding climate change considerations within its decision making.

Climate change is a material financial risk in and of itself and it can also act as a risk multiplier. For example, prolonged droughts combined with stronger winds are making bushfires in Australia and wildfires in California, and elsewhere, more intense. Coastal windstorms, together with increasing sea levels, may multiply the scale and intensity of damage within a coastal region. There are also risks associated with climate transition, as part of the adjustment to a low-carbon economy. The past may no longer be a good guide to the future; risk models based on historic experience need to be adjusted to allow for the impact of climate change over time.

This represents a challenge where the Company, including the Syndicates, and the QBE Group provide cover for physical loss or damage to assets. It also increases the potential for third party injury and/or damage. Given this, QBE Group has invested in scenario analysis to assess the potential impacts of climate change from physical, liability and transition risk perspectives. For physical risks, the ability has been developed to model changes in expected and remote losses to the Syndicates over longer time horizons (for example, in 2022, 2030 and 2050), based on the different reference climate scenarios (i.e. Representative Concentration Pathways). For transition risks, we are able to measure the extent that the Syndicates' premium is exposed to industries considered sensitive to climate transition risks, and how this may change over longer time horizons in several transition scenarios. Similarly, we are able to apply scenario analysis to assess the implications of climate risks for the Syndicates' investments.

This analysis is supporting our responses to climate change, for example through the implementation of underwriting strategy and business planning, and by informing our risk appetite.

The Syndicates' approach to managing ESG risks, including Climate Change, is guided by QBE Group's strategic purpose to enable a resilient future, and by our sustainability framework and commitments.

In 2021, the Company, including the Syndicates, implemented its Board-approved Roadmap to address the PRA's requirements set out in Supervisory Statement 3/19 ('SS 3/19') on the Financial Risks from Climate Change ('FRCC'). The Roadmap ensured the Company embedded its approach to managing climate-related financial risks, addressing the following requirements:

- embed the consideration of the FRCC in their governance arrangements;
- incorporate the FRCC into existing financial risk management practice;
- use (long-term) scenario analysis to inform strategy setting and risk assessment and identification; and
- develop an approach to disclosure on the FRCC.



## QBE UNDERWRITING LIMITED

### STRATEGIC REPORT (continued)

#### Climate change (continued)

Following the implementation of the Roadmap, the Company, including the Syndicates, continues to build upon the requirements of SS 3/19. In 2022, developments to our approach to managing climate and broader ESG risks included:

- The Board / Executive Management Board ('EMB') received second round of climate risk training;
- Updated scenario assessments of physical and transition climate risks to estimate exposure materiality and to inform underwriting strategy updates for EO insurance products;
- The completion of liability scenario analysis, in line with the litigation analysis included in the Bank of England's Climate Biennial Exploratory Scenario;
- Participation in QBE's Net Zero Insured Emissions Programme, which seeks to prepare QBE for meeting our commitment to be net zero for underwriting by 2050;
- The establishment of a Climate Risk Dashboard for additional risk reporting capability, including a climate related assessment of the Insurance Concentration RAS.

In addition, in the first half of 2022 the Environmental, Social and Governance Management Group ('ESG MG') was established as part of the QBE EO formal governance structure. This forum, whose membership is the same as the EO EMB, was established to ensure an appropriate executive governance and oversight of ESG and Climate Change matters and to support the decision making around QBE EO's strategic response and compliance with impending reporting requirements. All members of the ESG MG are required to own their respective areas of responsibility for reporting on ESG matters and ensure that subject matter experts in their teams are accountable for their part in the disclosure reporting. The ESG MG is co-chaired by the Chief Underwriting Officer, Insurance and the CRO, who both share responsibility for identifying and managing the financial risks arising from climate change as part of their Senior Manager functions.

Material ESG risks, including those relating to the FRCC, are assessed and reported to the QBE EO Risk and Capital Group, Risk and Capital Committee and EO Boards (including the Board of the Company), via the climate Risk Dashboard and the ORSA. This allows the EO Board to review and challenge management of climate change risks.

The QBE Group, including the Company, continues to support the objectives of the Paris Agreement and the Task Force on Climate-related Financial Disclosures recommendations.

QBE Group also prepares a sustainability report which is available from the Group website.

Energy consumption by the Company does not exceed 40,000kWh per year, therefore the Company has not disclosed the quantity of energy consumed through its activities.

QBE EO remains committed in this area over the medium to long-term to strengthening our data and scenario analysis and adapting our modelling; pricing; capital management; financial reporting and disclosure, in partnership with QBE Group and external stakeholders.

#### Solvency II and capital adequacy

The Syndicates managed by the Company apply QBE EO's internal capital model, as approved by the Prudential Regulation Authority ('PRA') and Lloyd's. The internal model is an integrated framework to support the Company's objectives by managing risk and capital across the Syndicates' business. The internal model has broad scope including: capital modelling; risk identification, mitigation, assessment and monitoring, and is used in the day-to-day operations of the Company.

The internal model is used to help assess our risk and calculate the appropriate level of risk-based capital to allocate to risks to which we are exposed. The assessment of risk-based capital enables us to make decisions that involve quantitative risk reward trade-offs. The allocation of risk-based capital helps ensure that the level of risk we take is commensurate with the required returns and is within the approved risk appetite and tolerance.

#### Corporate governance

The Company is a subsidiary of EO plc, which is the holding company for the QBE EO of QBE Group. The corporate governance framework is managed at QBE EO level.

## QBE UNDERWRITING LIMITED

### STRATEGIC REPORT (continued)

#### Corporate governance (continued)

During 2022, the Company's corporate governance structure and system of governance continued to evolve, reflecting the Board's ongoing commitment to ensuring that it remains efficient, relevant and supportive of the strategic aims of the Company. The structure continues to comply with all relevant regulatory and legal requirements. From 1 January 2023, the Company has adopted the Wates Corporate Governance Principles for Large Private Companies ('Principles').

During the year, the Committee Terms of Reference were reviewed by the relevant Committees and Boards, with minor enhancements made to reflect ongoing assessment of key responsibilities and the requirements of the Group Governance Framework ('GGF') and general housekeeping updates.

In June 2022, the QBE Group, undertook a Board Effectiveness Review encompassing the Divisional Boards, including the Board of the Company. The Review was conducted by a UK based external provider. Comments supporting continuous improvement of effectiveness of the Board arising from the Review were discussed by the Board and a number of minor actions were agreed.

A Board away day was held in May, providing the opportunity for the Boards to focus on strategy (with presentations from senior management, external insights from third parties and a number of interactive sessions focussing on various areas of strategy and key focus areas for 2022 and beyond. Engagement with the EO Non-Executive Directors was further supported through informal meetings with business leaders and management, global conference calls with the Chairs of each of the QBE Group Board Committees, as well as virtual meetings between the Chairs of the respective Boards. A QBE Group wide non-executive Directors' conference was held in October 2022.

The main QBE EO Boards and Board Committees met regularly during the year and there was strong attendance from all members. The Board of the Company met 14 times during 2022.

#### The Board of QBE Underwriting Limited

The Board Charter of the Company states that the role of the Board is to provide leadership, to oversee the design and implementation of QBE EO's strategy and to set a framework of prudent and effective controls which enable risk to be assessed and managed within it. The Board Charter includes an agreed set of matters reserved for the Board's consideration. The Board ensures that the necessary financial and human resources are in place for QBE EO to meet its objectives and reviews the performance of management in delivering on QBE EO's strategic aims. The Board sets and instils QBE EO's values and culture in line with those set by QBE Group and ensures that its obligations to its shareholder and other stakeholders of QBE EO are understood and met.

The Board is currently chaired by Tim Ingram, independent Non-Executive Director ('NED'). Mr Keith Skeoch will become the new Chair of the Board and an independent NED upon receipt of regulatory approval and Mr Ingram will resign as Chair and independent NED on the same date. The role of the Chair of the Board is distinct from that of the Chief Executive Officer ('CEO'), and each role is clearly established. This separation of roles ensures that the balance of responsibilities, accountabilities and decision making are effectively maintained. Directors have equal voting rights when making decisions and the Chair has a casting vote when required. All Directors have access to the advice and services of the Company Secretary and are able to seek professional advice at the Company's expense.

With effect from 1 September 2022 Mr C T Killourhy was appointed Managing Director of QBE Re. Mr C T Killourhy retained the Chief Financial Officer ('CFO') role through to 12 December 2022 when Mr R C Stone was appointed CFO.

The Board considers that the experience and areas of focus which each Board member brings to the Company results in a strong and balanced leadership team. The Independent NEDs have no material business or relationships with the Company that might influence their independence or judgement and bring a range of financial services and wider industry experience to the Board. As such, the size and composition of the Board is considered to be appropriate.

QBE Group have a continuing professional development programme which requires each NED to undertake ten hours of continuous professional development each year covering areas such as Regulation, Insurance and Customer. A NED skills matrix is maintained by Company Secretarial, together with NED training records.

## QBE UNDERWRITING LIMITED

### STRATEGIC REPORT (continued)

#### The Board of QBE Underwriting Limited (continued)

In conjunction with QBE Group and led by the Nomination Committee, succession planning is undertaken in accordance with the talent and culture objectives within the strategic priorities of both QBE EO and QBE Group whilst ensuring the Board has the right balance of skills, knowledge, experience and diversity to be effective.

The duties of the Board are executed to some degree through Board Committees that are each chaired by a NED. The Board and other regulated companies in QBE EO have jointly constituted these Board Committees which comprise appropriately skilled members and are supported by attendees as necessary. QBE EO's key Committees comprise: Audit Committee; People & Remuneration Committee ('PARC'); Nomination Committee; and Risk and Capital Committee ('RCC'), noting that the QBE EO Investment Committee disbanded in July 2022 and its responsibilities subsumed by the Board and RCC as appropriate.

In addition, the Executive Management Board ('EMB') has also been constituted to act as a Management Committee of the Company and other UK regulated companies in QBE EO. The EMB is Chaired by the CEO (and its management groups are each chaired by an EMB member). The Board delegates authority for day-to-day management of the Company to the CEO who is supported by the EMB. Membership of the EMB includes the CFO, CRO, leaders of the Insurance and Reinsurance business areas, Human Resources, Operations, Technology & Operations and Claims functions. The EMB's responsibilities include formulating and implementing approved strategies and plans, and management of the day-to-day effective running of the Company. During the year the EMB met formally nine times and additional regular informal discussion forums took place during the year.

#### Section 172 Companies Act 2006 statement

The Directors are fully aware of their duty under section 172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard amongst other matters to the duties contained therein.

The Directors have acted in accordance with such responsibilities during the year. The Board has identified that its key stakeholders are its employees, shareholders, customers, suppliers, regulators, brokers and other intermediaries, together with communities and the environment.

Being a part of QBE Group, the Company adheres to QBE's purpose and DNA values. QBE's purpose is to enable a more resilient future. QBE is committed to the highest standards of corporate governance as reflected in its DNA. The QBE DNA interlinks seven cultural elements (listed below) that are fundamental to QBE and how QBE needs to operate in the future to succeed, recognising its customers, employees, shareholders and the community. QBE believes that a culture, which rewards transparency, integrity and performance will promote its long-term substantiality and the ongoing success of its business.

#### The QBE DNA is as follows:

- **customer-focused** – we proactively listen with empathy to guide how we meet customer needs and have an impact (#Outside In)<https://www.yammer.com/qbe.com/>
- **technical experts** – we build and share our expertise, striving for excellence and knowing when to ask for guidance (#Know your stuff)<https://www.yammer.com/qbe.com/>
- **fast-paced** – we move with pace, adapting with our purpose and future in mind (#Ramp It Up)<https://www.yammer.com/qbe.com/>
- **inclusive** – we treat each other with respect and fairness, and value diverse perspectives (#Value All Views)
- **courageous** – we act with integrity and challenge the status quo, feeling safe to speak up and experiment with new ideas (#Do the Right Thing)
- **accountable** – we take ownership and follow through to deliver, managing risks and learning from mistakes (#Own It Now)
- **a team** – we support each other and collaborate widely to achieve common goals, knowing we are stronger together (#Together)

## **QBE UNDERWRITING LIMITED**

### **STRATEGIC REPORT (continued)**

#### **Section 172 Companies Act 2006 statement (continued)**

##### **How the Board engages**

##### **QBE employees**

- The EO Board receives updates on the results of the annual QBE Group led Voice survey together with action plans that management will take forward;
- There are presentations/webinars on strategy and quarterly performance updates by the Group and Divisional CEOs;
- Each Executive Management Board ('EMB') member (of which five are QBE EO board members) host Town Halls on a quarterly basis. Further engagement opportunities are available through coffee mornings, updates via email, and webcasts;
- The non-executive Directors visit (including virtually via videoconference) regional and overseas offices, and have deep dives and other update sessions with management and staff across the business;
- The CEO has undertaken face to face visits to a number of regional offices in the UK, Europe and Internationally;
- There is keen focus on culture and whistleblowing reports, and updates from internal and external auditors around controls;
- The Chief People Officer Report includes updates on activities to enhance employee engagement and senior leadership capabilities. This includes an overview of our Inclusion & Wellbeing initiatives and the activities of our employee networks; MIX, Circle, Pride, Workability and Open Mind;
- The Executive Management Board proactively encourage and act on employee feedback through regular pulse surveys, people & culture forums and employee networks to help identify opportunities to improve our ways of working, benefits, policies and overall culture. Examples include embedding our approach to hybrid working, Flex@QBE, and a suite of UK benefit and leave enhancements to support employee wellbeing (equalising paternity leave, increasing holiday allowances and extending private medical cover); and
- The Managing Director, Insurance Division chairs a quarterly Inclusion Forum with the CEO, CHRO, Inclusion & Wellbeing team, employee network chairs, people and culture forum reps to discuss, review and challenge thinking and plans in relation to a broad range of inclusion and diversity issues.

##### **Our shareholder**

- There is regular interaction with the shareholder on a frequent basis. The shareholder's Board receives on an annual basis a presentation on the business plan for the forthcoming year; and
- There is a global NED conference held on a bi-annual basis. Chairs of Board Committees around the globe meet frequently to discuss key matters. The Board meets with the Group CEO to discuss the strategy for group and succession planning.

##### **Our customers**

- The EO Board reviews strategy and monitors performance during the year with the aim of meeting customers' needs more effectively/efficiently;
- The EO Board receives competitor updates to understand QBE's competitive performance and its strengths and weaknesses as regards to meeting customer needs;
- Benchmarks QBE's performance in relation to customers using research and survey results;
- EO Board representation at key industry trade bodies (e.g. Lloyd's Market Association); and
- Supporting the 'Customer@QBE' which delivers QBE's promise of placing customers at the heart of everything we do and comprises three elements: mindset, insight and deliver.

##### **Our brokers and other intermediaries**

- The EO Board receives updates regarding partner relationships, development and engagement;
- Consideration of key strategic partnerships and technology; and
- Understand our approach with partners.

## QBE UNDERWRITING LIMITED

### STRATEGIC REPORT (continued)

#### Section 172 Companies Act 2006 statement (continued)

##### How the Board engages (continued)

##### **Our regulators (of subsidiaries companies) including the PRA, National Bank of Belgium, FCA, Financial Services and Markets Authority and Lloyd's of London**

- There is transparent and regular communication with our regulators and Lloyd's which is facilitated through our Compliance Department; and
- Various teams in the business and Board members including non-executive Directors have ongoing engagement with our regulators on a frequent basis, including discussion on specific matters requested. All material regulator engagements are reported to the EO Board.

##### **Our suppliers**

- The EO Board receives updates as necessary from management on suppliers (e.g. claim service providers and IT and operational suppliers), and reviews and approves applicable policies and procedures. Key areas of focus for regulators include treating customers fairly, fair pricing, and employee conduct standards and awareness of the regulatory environment they operate in as well as financial risks arising from climate change.

##### **Our communities and the environment**

- The EO Board receives updates on the QBE Group wide approach to sustainability and has jointly appointed the Chief Risk Officer and Chief Underwriting Officer – Insurance to be responsible for identifying and managing the financial risks arising from climate change;
- The EO Board receives regular updates on the work underway across the Company to better identify, measure, monitor, manage, and report on our exposure to the risks arising from climate change;
- The EO Board supports the following initiatives across EO operations:
  - As part of the sustainability initiatives across the QBE Group, the 2022 Sustainability Report is published on the QBE website and provides detailed explanation of this (Group-wide) framework and includes case studies and examples, highlighting the active steps that QBE Group is taking to embed sustainability into its business practices;
  - Tax transparency through the annual publication of the QBE Group Tax Transparency Report and the production of a Tax strategy document outlining its UK tax strategy; and
  - Efforts to integrate human rights considerations across the business, as outlined in the QBE Group Human Rights Policy and in our Modern Slavery and Human Trafficking Statements.
- Premiums4Good is the QBE Group's unique and innovative collaboration between QBE, our customers, partners and shareholders through which we invest a portion of everyday premiums into investments that have additional social or environmental benefits at no extra cost to the customer;
- The EO Board endorses a culture of "giving back to the community" time and skills (e.g. through employee volunteer days and pro bono support); and
- The QBE Foundation EO, which supports involvement in the community by promoting employee volunteering, employee matching, and through grant donations to registered charities aligned to the Foundation's focus areas.

For all of the above interactions, the Board seeks to ensure that all stakeholder interests are considered.

##### **Board Committees**

The Boards of the Company, QBE UK Limited ('QUK') and QBE Europe SA/NV, have jointly constituted Board Committees. The Committees all comprise appropriately skilled members and are supported by attendees, as necessary. QBE EO's key Committees comprise: Audit Committee, People & Remuneration Committee, Nomination Committee and Risk and Capital Committee.

In addition, the Executive Management Board constituted by the Board of the Company acts as a Management Committee of the Company as well as for QUK.

## QBE UNDERWRITING LIMITED

### STRATEGIC REPORT (continued)

#### Business continuity management

An established business continuity management framework is in place to ensure the Company is able to respond effectively to incidents that threaten business continuity and is designed to ensure that the impact of any major disruption is minimised.

The framework includes a set of crisis and specialist team plans, department-level business continuity plans and technology recovery plans. It is supported by a range of activities, including staff awareness and testing.

This Strategic report was approved by the Board of Directors on 7 March 2023 and signed on its behalf by:

DocuSigned by:  
**Rob Stone**  
829F35F241994CE...

**R C Stone**

Director

QBE Underwriting Limited

London

## QBE UNDERWRITING LIMITED

### DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2022.

#### Strategic report

The strategic report, which includes details on the Company's principal activities, business review, future outlook of the business environment, financial risk management framework, climate change, governance structure and Section 172 statement, is set out on pages 3 to 13.

#### Dividends

No interim dividends were declared or paid on the ordinary shares during the year (2021: £nil). No final dividend has been proposed (2021: £nil).

#### Directors

Details of the Directors that served during the year and up to the date of signing the financial statements are shown on page 2.

#### Directors' indemnities

A qualifying third-party indemnity provision (as defined in section 234 of the Companies Act 2006) was in force during the course of the financial year ended 31 December 2022 and up to the date of approval of the financial statements for the benefit of all past and present Directors of the Company. This provision remains in force for the benefit of the Directors and provides indemnity protection in relation to certain losses, expenses and liabilities which they may incur in the actual or purported execution and/or discharge of their duties.

#### Going concern

The directors have reasonable expectations, having made appropriate enquiries, together with the receipt of a limited letter of support from its parent company, that the Company has adequate resources to continue in operational existence for the foreseeable future. The directors consider that preparation of these financial statements on the going concern basis is appropriate as EO plc has agreed to provide financial support to the Company in an amount up to, and no more than £20m in aggregate should the Company require it in order to meet its operating costs and liabilities as they fall due.

#### Internal audit

An internal audit department provides assurance to the Audit Committee as to the effectiveness of internal systems and controls, makes recommendations for improvement and monitors progress towards completion via management action plans. Internal audit also provide feedback on the risk management process.

#### Employees

The Company does not employ any staff (2021: nil). QBE Management Services (UK) Limited and QBE Europe SA/NV, fellow group undertakings, jointly employ staff providing services to the Company during the year and up to the date of signing. The policies for employees are set at a QBE EO wide level and include the following:

#### Employees - disabled persons

Applications for employment by disabled persons are always considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within QBE EO continues and the appropriate training is arranged. It is the policy of QBE EO that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

## QBE UNDERWRITING LIMITED

### DIRECTORS' REPORT (continued)

#### Employees (continued)

##### Employees - employee involvement

Consultation with employees or their representatives has continued at all levels with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests. All employees are aware of the financial and economic performance of their business units and of QBE Group as a whole and are rewarded according to the results of both through share schemes and performance-related bonus schemes. Employee representatives are consulted to ensure employee views are considered in decision-making likely to affect their interests.

#### Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for the shareholder to assess the Company's performance, business model and strategy.

Each of the Directors, whose names are listed in Directors and Officers confirm that, to the best of their knowledge:

- the Company's financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.



## QBE UNDERWRITING LIMITED

### DIRECTORS' REPORT (continued)

#### Statement of disclosure of information to auditors

Each person who is a Director at the date of this report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the auditors are unaware; and
- The Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of, and to establish that the Company's auditors are aware of, any relevant audit information.

This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the Board:

DocuSigned by:  
**Rob Stone**  
829F35F241994CE...

**R C Stone**

Director

QBE Underwriting Limited

Registered Number 1035198

London

7 March 2023

## QBE UNDERWRITING LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QBE UNDERWRITING LIMITED

# Report on the audit of the financial statements

## Opinion

In our opinion, QBE Underwriting Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of financial position as at 31 December 2022; the Statement of comprehensive income and statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

## Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

## QBE UNDERWRITING LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QBE UNDERWRITING LIMITED (continued)

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

#### Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

### Responsibilities for the financial statements and the audit

#### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and those regulations set by the Council of Lloyd's, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journals to increase revenue or reduce expenditure or to manipulate equity. Audit procedures performed by the engagement team included:

- inspecting relevant meeting minutes, including those of the Audit Committee, and correspondence with regulatory authorities, including the Council of Lloyd's, the Prudential Regulation Authority and the Financial Conduct Authority;
- discussions with the Board, management, compliance function and internal audit function, including consideration of known or suspected instances of fraud and non-compliance with laws and regulations;
- identifying and testing journal entries where identified in accordance with our risk assessment; and
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

## QBE UNDERWRITING LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QBE UNDERWRITING LIMITED (continued)

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

**ANDREW BOX**

Andrew Box (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
7 March 2023

**QBE UNDERWRITING LIMITED****STATEMENT OF COMPREHENSIVE INCOME***for the year ended 31 December 2022*

	Note	2022 £'000	2021 £'000
Turnover	3	6,906	10,397
Administrative expenses	4	(7,286)	(8,663)
Foreign exchange (loss) / profit		(12)	6
<b>(Loss) / profit before taxation</b>		<b>(392)</b>	<b>1,740</b>
Tax on loss / (profit)	5	74	(331)
<b>(Loss) / profit for the financial year and total comprehensive (loss) / income</b>		<b>(318)</b>	<b>1,409</b>

The results above are all derived from continuing operations.

There is no other comprehensive income for the current and preceding financial year other than that included in the statement of comprehensive income above.

The notes on pages 23 to 30 form an integral part of these financial statements.

**QBE UNDERWRITING LIMITED****STATEMENT OF CHANGES IN EQUITY***for the year ended 31 December 2022*

	<b>Called up share capital</b>	<b>Profit and loss Account</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 January 2022	400	6,509	6,909
Loss for the financial year	-	(318)	(318)
Total comprehensive loss for the year	-	(318)	(318)
<b>At 31 December 2022</b>	<b>400</b>	<b>6,191</b>	<b>6,591</b>

	<b>Called up share capital</b>	<b>Profit and loss Account</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 January 2021	400	5,100	5,500
Profit for the financial year	-	1,409	1,409
Total comprehensive income for the year	-	1,409	1,409
<b>At 31 December 2021</b>	<b>400</b>	<b>6,509</b>	<b>6,909</b>

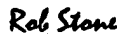
The notes on pages 23 to 30 form an integral part of these financial statements

**QBE UNDERWRITING LIMITED****STATEMENT OF FINANCIAL POSITION***as at 31 December 2022*

		<b>2022</b>	<b>Restated</b>
	<b>Note</b>	<b>£'000</b>	<b>2021</b>
		<b>£'000</b>	<b>£'000</b>
<b>Non-current assets</b>			
Investments	9	385	385
Trade and other receivables - amounts falling due after more than one year	12	14,145	9,437
<b>Current assets</b>			
Trade and other receivables - amounts falling due within one year	12	631	7,340
Cash at bank and in hand		3,019	1,204
		<b>3,650</b>	<b>8,544</b>
<b>Total assets</b>		<b>18,180</b>	<b>18,366</b>
<b>Creditors – amounts falling due within one year</b>	13	<b>(11,589)</b>	<b>(11,457)</b>
<b>Net current liabilities</b>		<b>(7,939)</b>	<b>(2,913)</b>
<b>Total assets less current liabilities</b>		<b>6,591</b>	<b>6,909</b>
<b>Net assets</b>		<b>6,591</b>	<b>6,909</b>
<b>Equity</b>			
Called up share capital	14	400	400
Profit and loss account		6,191	6,509
<b>Total equity</b>		<b>6,591</b>	<b>6,909</b>

The comparative balance sheet has been restated, refer to note 13.

These financial statements on pages 20 to 30 were approved and authorised for issue by the Board of Directors on 7 March 2023 and signed on its behalf by:

DocuSigned by:  
  
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R C Stone  
 Director

QBE Underwriting Limited  
 Registered Number: 1035198 (England & Wales)  
 Registered office: 30 Fenchurch Street, London - EC3M 3BD

The notes on pages 23 to 30 form an integral part of these financial statements.

## QBE UNDERWRITING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

*for the year ended 31 December 2022*

#### 1. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

##### (a) Basis of preparation

These financial statements are prepared in accordance with Financial Reporting Standard 101 “Reduced Disclosure Framework”.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council and has adopted Financial Reporting Standard 101 “Reduced Disclosure Framework” (‘FRS 101’). These financial statements are prepared in accordance with FRS 101 and the Companies Act 2006 as applicable to companies using FRS 101.

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the provision of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The directors consider that preparation of these financial statements on the going concern basis is appropriate as QBE European Operations plc has agreed to and will provide financial support to the Company of an amount up to, and no more than £20m in aggregate should the Company require it in order to meet its operating costs and liabilities as they fall due. In evaluating the application of the going concern basis, the Directors have considered business plans as well as liquidity and capital resources of QBE European Operations plc as at date of approval of the financial statements. Having completed this assessment, the Directors are satisfied that the Company, with support from its parent, has adequate resources to continue to operate as a going concern for a period of not less than 12 months from the date of this report, and that there is no material uncertainty in relation to going concern at 31 December 2022. The Company has externally imposed capital requirements as a requirement of its continued registration as an underwriting agent of Lloyd’s. The Company meets the Financial Resources Requirements made by the Franchise Board through a continued letter of guarantee provided to Lloyd’s by its ultimate parent undertaking, QBE Insurance Group Limited.

The accounting policies set out below, and applicable accounting standards in the United Kingdom have been applied consistently throughout the year.

These financial statements are separate financial statements. In accordance with Section 401 of the Companies Act 2006, the Company is exempt from preparing group financial statements. QBE Insurance Group Limited, incorporated in Australia, prepares consolidated financial statements for the year ended 31 December 2022, in which the Company is included. The consolidated financial statements for QBE Insurance Group Limited, the ultimate parent company, are publicly available.

##### (b) Disclosure exemptions

The Company’s financial results are included in the consolidated financial statements of QBE Insurance Group Limited. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to the presentation of:

IAS 7: Presentation of a cash flow statement

IAS 8: Disclosures in respect of new standards and interpretations that have been issued but which are not yet effective

IAS 24: Related party transactions entered into with other wholly owned entities included in the QBE Insurance Group Limited group financial statements.

Equivalent disclosures have been presented in the consolidated financial statements of QBE Insurance Group Limited, which are publicly available and can be obtained from the Company’s registered office as set out in note 14.

##### (c) Turnover

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring services to the Syndicates. For each arrangement, the Company: identifies whether the arrangement meets the definition of a contract with the managed syndicate; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time



**QBE UNDERWRITING LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)***for the year ended 31 December 2022***1. Accounting policies (continued)****(d) Turnover (continued)**

value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each performance obligation to be delivered; and recognises revenue when or as such performance obligation is satisfied in a manner that depicts the transfer to the Syndicates of the services promised.

Agency fees, payable to the Company under agency agreements with members of Lloyd's, are recognised when the contractual right to such fees is established, and to the extent that the Company's relevant obligations under those agency agreements have been performed.

Profit commission arising from managed Syndicates is recognised when the contractual right to such profit commission is established, but only to the extent that a reliable estimate of the amount due can be made.

**(e) Administrative expenses**

The management and administration of the Company is principally carried out by QBE Management Services (UK) Limited, a fellow subsidiary undertaking, and the service companies listed in note 9. Administrative expenses, where recharged to the Company, and those incurred directly by the Company are taken into the statement of comprehensive income on an accruals basis. These expenses include the costs of staff jointly employed by QBE Management Services (UK) Limited and QBE Europe SA/NV. QBE Management Services (UK) Limited operates both defined benefit and defined contributions pension schemes, the expense of which is included in the recharges.

**(f) Income from subsidiary undertakings**

Dividend income is recognised when the right to receive payment is established, for interim dividends, when they are paid and, for final dividends, when they are approved by shareholders.

**(g) Taxation**

The charge for tax is based on the result for the year adjusted for disallowable items. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

**(h) Foreign currency**

The functional currency of the Company is UK pound sterling (£). The Company presents its financial statements in thousands of pounds sterling.

Transactions denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the time of the transactions. Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the balance sheet date, with the exception of non-monetary items, which are maintained at historic rates.

Exchange gains or losses are recognised in the statement of comprehensive income.

**(i) Investments**

Investments comprise shareholdings in subsidiary companies and are carried at cost less any provision for losses arising on impairment.

Investments in subsidiaries are subject to annual impairment tests, or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an investment in a subsidiary exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the investment is written down accordingly.

**QBE UNDERWRITING LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)***for the year ended 31 December 2022***1. Accounting policies (continued)****(h) Investments (continued)**

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised is reversed in a subsequent period if, and only if, the reasons for the impairment loss have ceased to apply.

**(i) Financial instruments**

Financial assets and liabilities are not held for trading purposes. Financial assets and financial liabilities are set off and the net amount presented in the balance sheet when, and only when, the Company currently has a legal right to set off the amounts and intends to settle on a net basis.

**Financial assets**

Financial assets comprise trade and other receivables, including loans with fellow group undertakings, and cash at bank and in hand. Debtors are initially recognised at transaction price and where applicable are subsequently measured at amortised costs using the effective interest rate method, less any provision for impairment. Cash comprises cash at bank for use by the Company in the management of its short-term commitments. The Company assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and expected loss given default. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for other receivables.

**Financial liabilities**

Financial liabilities comprise amounts due in the normal course of business and loans with fellow group undertakings. Creditors are recognised initially at transaction price, and where applicable are subsequently measured at amortised cost using the effective interest rate method. Amounts owed to group undertakings are unsecured, interest free and payable on demand, except where specific loan agreements exist prescribing the term and other features of the loan.

**(j) Dividend distributions**

Interim dividends are recognised when paid and final dividends are recognised as a liability when they are approved by the members.

**(k) Issued capital**

Ordinary shares are classified as equity.

**2. Critical accounting estimates and judgements****Impairment of trade and other receivables**

The Company makes an estimate of the recoverable value of its loans, trade and other receivables. When assessing impairment, the Company considers factors including the credit rating of the counterparty to the financial asset and historical experience. The Company applies the IFRS 9 simplified approach to measuring expected credit losses, where applicable, to trade receivables and revenue contract assets, which uses a lifetime expected loss allowance. For intercompany loans and receivables that are not also trade receivables or revenue contract assets, the Company assesses the impairment based on the type of intercompany loans and receivables. For intercompany loans and receivables repayable on demand, expected credit losses are based on the assumption that the repayment is demanded at the reporting date. For intercompany loans and receivables that have low credit risk and are not repayable on demand, the Company recognises 12-month expected credit losses. The Company also uses historical data to estimate the eventual recovery rates that would apply to different credit ratings within the expected credit losses calculation.

**QBE UNDERWRITING LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)***for the year ended 31 December 2022***3. Turnover**

Turnover comprises agency fees and profit commissions, both of which are derived from UK activities.

	2022	2021
	£'000	£'000
Agency fees	2,198	1,998
Profit commissions	4,708	8,399
	6,906	10,397

**4. Administrative expenses**

	2022	2021
	£'000	£'000
Administrative expenses	7,286	8,663

Administrative expenses include costs recharged to the Company by fellow group undertakings for the management and administration of the Company.

**5. Tax on loss / (profit)**

	2022	2021
	£'000	£'000
<b>Analysis of tax credit / (charge) in year</b>		
<i>Current tax:</i>		
UK corporation tax at 19.00% (2021: 19.00%)	74	(331)
Adjustments to tax in respect of prior years	-	-
<b>Total tax on loss / (profit)</b>	<b>74</b>	<b>(331)</b>

**Factors affecting tax charge for the year**

The total tax for the year is equal to (2021: tax: equal to) the standard rate of corporation tax in the United Kingdom of 19.00% (2021: 19.00%). A reconciliation between the effective tax rate and the standard rate of corporation tax in the United Kingdom is below:

	2022	2021
	£'000	£'000
(Loss) / profit before taxation	(392)	1,740
(Loss) / profit before taxation multiplied by standard rate of UK corporation tax in the United Kingdom of 19.00% (2021: 19.00%)	74	(331)
<b>Total tax on loss / (profit) for the year</b>	<b>74</b>	<b>(331)</b>

**QBE UNDERWRITING LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)***for the year ended 31 December 2022***5. Tax on loss / (profit) (continued)****Factors affecting current and future tax charges**

The headline rate of UK corporation tax remained at 19% for the period, following the enactment of Finance Act 2020 on 22 July 2020. Finance Bill 2021, enacted on 10 June 2021 includes a provision to change the standard rate of corporation tax from 19% to 25% with effect from 1 April 2023.

**6. Employees**

The Company did not directly incur staff costs during the year (2021: nil). QBE Management Services (UK) Limited and QBE Europe SA/NV jointly employ staff providing services to the Company during the year and up to the date of signing. QBE Management Services (UK) Limited recharges the Company for the services provided by these staff, via QBE Partner Services (Europe) LLP. QBE Management Services (UK) Limited, QBE Europe SA/NV and QBE Partner Services (Europe) LLP are fellow group undertakings.

**7. Directors' emoluments**

The following aggregate emoluments were paid to Directors of the Company in respect of services as Directors of the Company and the Syndicates under management for the year to 31 December.

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Emoluments (excluding pension contributions)	2,119	2,401
Company pension contributions to money purchase scheme	4	3
	<b>2,123</b>	<b>2,404</b>

	<b>Number</b>	<b>Number</b>
Number of Directors serving during the year who are members of a money purchase scheme	3	3

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Highest paid Director:		
Remuneration	897	825

Full details of the pension schemes are included in the consolidated financial statements of QBE Insurance Group Limited.

**8. Profit before taxation**

Remuneration receivable by the Company's auditors for the auditing of these financial statements of £20k (2021: £20k) and in respect of other assurance services supplied of £3k (2021: £3k) is borne by QBE Management Services (UK) Limited. Fees for the supply of professional services are borne by fellow subsidiary undertakings and are disclosed in total in the QBE Insurance Group Limited financial statements. There are no non-audit fees in respect of QBE Underwriting Limited.

**QBE UNDERWRITING LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)***for the year ended 31 December 2022***9. Investments**

	2022	2021
	£'000	£'000
	Shares in group undertakings	Shares in group undertakings
At 1 January and 31 December	385	385

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

At 31 December 2022 and 31 December 2021, the Company had the following subsidiaries:

Held by Company	Registered address	Equity holdings %	Principal activity
QBE Underwriting Services (UK) Limited	30 Fenchurch Street, London, EC3M 3BD United Kingdom	100	Dormant company
QBE Underwriting Services (Ireland) Limited	6-10 Suffolk Street, Dublin 2 Ireland	100	Service company
QBE European Underwriting Services (Australia) Pty Limited	388 George Street, Sydney NSW 2000	100	Service company
QBE International Markets Pte Limited	8 Marina View Asia Square Tower 1 #15-01 Singapore	100	Service company
QBE Services Inc.	333 Bay Street, Suite 520 Toronto ON M5H 2R2 Canada	100	Service company
QBE European Services Limited	30 Fenchurch Street, London, EC3M 3BD United Kingdom	100	Service company

**10. Financial assets and liabilities**

Financial assets of the Company include amounts owed by group undertakings, including profit commission receivable from Syndicate 386; prepayments and accrued income and cash at bank. Financial liabilities of the Company include amounts owed to group undertakings and other payables. The Company considers the carrying value of financial assets and liabilities is equal to their fair value.

**QBE UNDERWRITING LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)***for the year ended 31 December 2022***11. Financial risk management**

The activities of the Company expose it to financial risks, specifically liquidity risk. The Company does not have exposure to significant currency, interest rate or credit risk

**(i) Liquidity risk**

The Directors consider that the Company is not exposed to significant liquidity risk. The Company is in a net current liability position as at 31 December 2022.

The table below summarises the maturity profile of all financial liabilities based on the remaining contractual obligations.

	2022	Restated 2021
	£'000	£'000
Due within one year:		
Creditors	11,589	11,457

The comparative amounts have been restated, refer to note 13.

QBE European Operations plc has agreed to and will provide financial support to the Company of an amount up to, and no more than £20m in aggregate should the Company require it in order to meet its operating costs and liabilities as they fall due.

**12. Trade and other receivables**

	2022	2021
	£'000	£'000
<b>Amounts falling due within one year</b>		
Amounts owed by group undertakings	-	89
Prepayments and accrued income:		
Profit commission from managed syndicates	-	7,133
Corporation tax	74	-
Other prepayments and accrued income	557	118
	631	7,340
<b>Amounts falling due after more than one year</b>		
Profit commission from managed syndicates - amounts falling due after more than one year	14,145	9,437
	14,145	9,437
	14,776	16,777

There was no profit commission relating to the closing year of account (2021: £7,133k) and £14,145k relates to the open years of account (2021: £9,437k).

There are no provisions for impairment as at the balance sheet date (2021: £nil).

**QBE UNDERWRITING LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)***for the year ended 31 December 2022***13. Creditors – amounts falling due within one year**

	2022	Restated 2021
	£'000	£'000
Amounts owed to group undertakings	11,583	10,990
Corporation tax	-	444
Other payables	6	23
	11,589	11,457

The comparative figures have been restated for a correction in amounts owed to group undertakings to account for a balance not previously recorded, which also impacted cash balances. The correction resulted in an increase of £195k in amounts owed to group undertakings and cash at bank and in hand. The restatement has impacted the balance sheet only.

**14. Called up share capital**

	2022	2021
	£'000	£'000
<b>Authorised, allotted and fully paid</b>		
400,000 (2021: 400,000) ordinary shares of £1 each	400	400

**15. Parent undertakings**

The Company's ultimate parent undertaking and controlling entity is QBE Insurance Group Limited, which is incorporated in Australia. This is the largest and smallest group of undertakings into which the Company's financial statements are consolidated. The immediate parent undertaking is QBE Holdings (EO) Limited, which is incorporated in the United Kingdom.

The consolidated financial statements for QBE Insurance Group Limited are available from the Company's registered office at 30 Fenchurch Street, London, EC3M 3BD.

**16. Subsequent events**

As announced by QBE Group on 17 February 2023, the Syndicates managed by the Company entered into a 100% retrospective reinsurance arrangement covering certain prior year claims reserves within the syndicate, equating to approximately 10% of the total net claims reserves held on the balance sheet as at 31 December 2022. The effective date of the arrangement is 1 January 2023. The arrangement is part of a wider transaction entered into by QBE Group on the same day and, as at 7 March 2023, completion remains subject to regulatory approval.