

1 July 2020

Reference: QBECLA

Dear Sir/Madam

Proposed transfer of the European freedom of services business (and other ancillary business) written by QBE UK Limited from its UK head office to QBE Europe SA/NV

Background

After the UK electorate voted in favour of leaving the European Union (Brexit), QBE European Operations Plc (QBE EO), the parent company of the European division of the QBE group, took the decision to restructure its operations in order to ensure continued access to the European single market for its policyholders. In 2018, as a consequence of this decision: (a) QBE Europe SA/NV (QBE Europe) was incorporated (and received its (re)insurance licence) in Belgium; (b) QBE UK Limited (QBE UK) transferred its European branch business to QBE Europe; and (c) QBE Re Limited transferred the entirety of its business to QBE Europe (and subsequently merged with QBE Europe).

When QBE EO took the decision referred to above the final outcome of Brexit, and the implications for UK-based insurance undertakings carrying on business in the European Economic Area (EEA), was unclear and it was expected that arrangements would be put in place which would allow QBE UK to run-off the European business it had previously underwritten on a freedom of services basis itself.

However, there is now a risk that, if the UK leaves the European Union without a trade deal on 31 December 2020 following the expiration of the implementation period as provided for in the legislation effecting Brexit, the European Union (Withdrawal Agreement) Act 2020, it will not be possible for UK-based insurance undertakings to provide insurance-related cross border services from the UK into the EEA beyond any separately negotiated jurisdiction-specific additional transitional periods.

Accordingly, QBE UK has now taken the decision to transfer to QBE Europe all of the general insurance and reinsurance policies written on a freedom of services basis throughout the EEA from QBE UK's head office in the UK between 1 January 1970 and 31 December 2018, which:

- relate solely to a risk (or risks) situated in an EEA member state;
- relate to a risk (or risks) situated in an EEA member state and the UK; or
- relate to a risk (or risks) situated in an EEA member state and another jurisdiction (other than the UK), (the **Transferring Business**),

so that such business can be properly serviced by QBE Europe regardless of the existence, or the terms, of any trade deal agreed between the UK and the European Union. We are writing to you as a reinsurer of QBE UK to explain how it is intended that QBE Europe will replace QBE UK under the current reinsurance arrangements in respect of the Transferring Business and the steps being taken to achieve this.

Information about the proposed transfer

The proposed transfer will result in all of the Transferring Business, together with the assets and liabilities comprised in the Transferring Business, automatically transferring to QBE Europe and will be effected by means of an insurance business transfer scheme under Part VII of the Financial Services and Markets Act 2000 (**FSMA**).

The transfer will require the approval of the High Court of Justice of England and Wales (the **Court**). An application has already been presented to the Court for approval of the transfer, and this application is due to be heard on 21 October 2020. As required by FSMA, an independent expert (the **Independent Expert**) approved by the UK regulator for prudential matters, the Prudential Regulation Authority, has been appointed to prepare a report on the transfer and its effect on policyholders and their security. The terms of the transfer and the report of the Independent Expert are set out in a summary (the **Summary**) which is enclosed with this letter.

The proposal

Under the reinsurance agreements between QBE UK and yourselves (the **Reinsurance Agreements**), you presently reinsure risks of QBE UK under certain policies that comprise part of the Transferring Business. After the transfer, QBE Europe, in place of QBE UK, will become the cedant under the Reinsurance Agreements to the extent that such Reinsurance Agreements reinsure policies forming part of the Transferring Business.

At the hearing, the Court will be asked to order the transfer of the benefit (subject to the burden) of the Reinsurance Agreements from QBE UK to QBE Europe to the extent set out above as part of the transfer. The effect of the order is that all rights, benefits and powers conferred on or vested in QBE UK under the Reinsurance Agreements, as well as all obligations imposed on QBE UK in respect of the Reinsurance Agreements, will, without further action and insofar as such rights, benefits, powers and obligations relate to the Transferring Business, be transferred to QBE Europe subject to the terms of the transfer. All references in the Reinsurance Agreements to QBE UK and its directors, officers and employees or agents would then be read and construed, to the extent that such references relate to the Transferring Business, as being references to QBE Europe and its directors, officers and employees or agents.

The terms of the transfer means that you will not be prejudiced as you will have no greater or lesser liability to QBE Europe under any Reinsurance Agreement than you would have had to QBE UK under that Reinsurance Agreement in the absence of the transfer. In addition to the Summary, we enclose with this letter the following documents which provide more information and background in relation to the transfer and the Transferring Business:

- "Questions and Answers" about the transfer; and
- A copy of a legal notice setting out details of the Court hearing to consider the proposed transfer.

If you have any queries or if you require further copies of any of the enclosed documents or a copy of the report of the Independent Expert or the document effecting the transfer, please:

- call our dedicated helpline on +44 (0)20 3465 3330;
- write to us at 30 Fenchurch Street, London EC3M 3BD; or
- email us at brexit.queries@uk.qbe.com.

Reinsurers are not required to take any steps in relation to the transfer. However, if you believe you may be adversely affected by the transfer, you are entitled to attend in person or by legal counsel at the hearing of the application to sanction the transfer and/or make written representations to the Court. Those who are intending to do this are kindly requested to give written notice of their intention and details of their objections. This notice should be sent to us at Plantation Place, 30 Fenchurch Street, London EC3M 3BD as soon as possible and preferably by no later than 14 October 2020. We would encourage those with any concerns to discuss these with us as soon as possible.

Yours faithfully,



For and on behalf of
QBE UK Limited



For and on behalf of
QBE Europe SA/NV