



Conditions imposed on the NOHC authorisation of a body corporate

Insurance Act 1973

I, Keith Chapman, a delegate of APRA, under paragraph 19(1)(a) of the *Insurance Act 1973* (the Act), IMPOSE the conditions specified in the attached Schedule on the NOHC authorisation of QBE Insurance Group Limited ABN 28 008 485 014.

Dated... 4 March 2015

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Keith Chapman
Executive General Manager
Diversified Institutions Division

Interpretation

In this Authorisation

APRA means the Australian Prudential Regulation Authority.

NOHC authorisation has the meaning given in subsection 18(1) of the *Insurance Act 1973*.

Schedule

Conditions imposed on the NOHC authorisation of QBE Insurance Group Limited ABN 28 008 485 014

Interpretation

1. In these conditions:

Act means the *Insurance Act 1973*;

Authorised NOHC for the purposes of this schedule refers to QBE Insurance Group Limited ABN 28 008 485 014;

Associate means an associate as defined under *Australian Accounting Standard AASB 128 Investments in Associates and Joint Ventures*;

Board means board of directors;

Capital Base has the same meaning as in *Prudential Standard GPS 112 Capital Adequacy: Measurement of Capital*;

Component of Capital has the same meaning as in *Prudential Standard GPS 112 Capital Adequacy: Measurement of Capital*

Financial Year for QBE Group has the same meaning as in *Prudential Standard GPS 001 Definitions*;

Foreign General Insurer means a body corporate, other than a General Insurer, that is authorised in a jurisdiction other than Australia to carry on insurance business in that jurisdiction.

General Insurance Business means *Insurance Business* engaged in by either a *General Insurer* or a *Foreign General Insurer*;

General Insurer means a body corporate authorised by APRA under section 12 of the Act to carry on insurance business in Australia;

General Insurance NOHC means QBE Insurance Holdings Pty Limited ABN 69 146 960 438, the immediate subsidiary of the Authorised NOHC, which is the non-operating holding company of the QBE General Insurance Group;

Insurance Business has the meaning set out in subsection 3(1) of the Act;

Insurance Group has the meaning given in *Prudential Standard GPS 001 Definitions*;

Life Insurance Business has the meaning given in section 11 of the *Life Insurance Act 1995*;

NOHC or *non-operating holding company* has the meaning given in subsection 3(1) of the Act; *u*

Non-Consolidated Subsidiary has the same meaning as in *Prudential Standard GPS 001 Definitions*;

Parent Entity has the same meaning as in *Prudential Standard GPS 001 Definitions*;

Prudential Standard means a prudential standard determined under the Act;

QBE General Insurance Group means the consolidated insurance group, comprising all entities controlled by the General Insurance NOHC and the General Insurance NOHC itself;

QBE Group Entity means any company within the QBE Group;

QBE Group means the consolidated group of companies of which the Authorised NOHC is the parent entity;

Responsible Person has the same meaning as in *Prudential Standard CPS 520 Fit and Proper*;

Service Companies means subsidiaries of the Authorised NOHC which predominantly provide services to the QBE Group, such as (without limitation) risk management, financial operations, human resources or information technology services;

Subsidiary means a subsidiary as defined under the *Corporations Act 2001 (Corporations Act)*.

Authorised NOHC Activities

2. The activities of the Authorised NOHC are limited to:
 - (a) providing executive leadership across the QBE Group;
 - (b) holding investments in Subsidiaries and Associates of QBE Group;
 - (c) holding properties used by QBE Group;
 - (d) raising funds to invest in, or to provide support to, Subsidiaries and Associates;
 - (e) investing funds on behalf of the QBE Group;
 - (f) conducting financial activities required for carrying out its functions under its NOHC authorisation;
 - (g) undertaking a corporate centre role¹ for the QBE Group, including:
 - i. group financial control;
 - ii. risk management;

¹ The roles outlined in subparagraph 2(g) may also be performed by service companies of the Authorised NOHC formed for that purpose. *ue*

- iii. reinsurance management;
- iv. funds and investment management;
- v. information technology;
- vi. human resources;
- vii. financial reporting; and
- viii. other group services such as secretarial services.

(h) Conducting other business ancillary to the core roles as outlined above

3. The Authorised NOHC is not permitted to:

- (a) trade in financial instruments (other than for hedging purposes for itself and the consolidated QBE Group, and managing its costs of capital and funding), except where APRA approval has been granted in writing beforehand;
- (b) provide material guarantees of the obligations of QBE Group entities without APRA's approval in writing beforehand. The requirements of this subparagraph do not apply to:
 - i. Guarantees in relation to insurance liabilities² where the **prescribed capital amount** of QBE Group includes an insurance risk charge from these insurance liabilities;
 - ii. Guarantees supporting securities (including letters of credit from third party banks) given in relation to the insurance liabilities where the **prescribed capital amount** of QBE Group includes an insurance risk charge from these insurance liabilities; or
 - iii. Guarantees for letters of credit used to support the group's participation at Lloyds; or
 - iv. Guarantees over a special purpose vehicle (SPV), where the SPV has issued a component of capital that has been included in the capital base of QBE Group.
- (c) utilise its investment in a General Insurer, or a Subsidiary of a General Insurer, as security without APRA's approval in writing beforehand;
- (d) utilise its investment in a QBE Group entity that provides reinsurance to a General Insurer as security without APRA's approval in writing beforehand;

² This includes reinsurance liabilities. *UC*

- (e) acquire entities or renewal rights, either directly or indirectly, including by way of options, without consultation with APRA beforehand, if the total acquisition costs for the financial year exceeds 10% of the capital base of QBE Group;
- (f) engage directly in either general insurance or life insurance business (or any reinsurance of such business).

4. The Authorised NOHC, subject to paragraph 5, must ensure that:

- (a) any Subsidiary of the Authorised NOHC which is a General Insurer or a Foreign General Insurer must be owned, directly or indirectly, by the General Insurance NOHC;
- (b) Subsidiaries owned, directly or indirectly, by the General Insurance NOHC are limited to:
 - i. Subsidiaries which carry on General Insurance Business or activities related to General Insurance Business³; and
 - ii. Subsidiaries undertaking activities of the kind outlined in paragraph 2;
- (c) the activities of the General Insurance NOHC are limited to:
 - i. holding investments in Subsidiaries or Associates of the General Insurance NOHC; and
 - ii. undertaking a corporate centre role (by providing services of the kind outlined in subparagraph 2(g) and conducting activities ancillary to those services) for the QBE General Insurance Group;
- (d) a Subsidiary of the General Insurance NOHC must not be a NOHC of a General Insurer other than where APRA consents in writing beforehand. APRA may, for prudential reasons, require a NOHC of a General Insurer to be authorised by APRA ;

Transition and exclusions

5. APRA may, by notice in writing, provide transitional relief from or exclude a requirement set out in paragraph 4 where APRA is satisfied there are reasonable grounds for doing so. *ue*

³ Where a subsidiary is engaged wholly or largely in such related activities, it is expected (but not required) that the subsidiary will be owned, directly or indirectly by the General Insurance NOHC.