

## QBE UK Limited

Audit Number – 2019E-26

## Final Report

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Our report was designed to meet the agreed requirements of the Company in respect of its obligation under ICOBS 8.4.4R. Our report should not therefore be regarded as suitable to be used or relied upon by any party wishing to acquire rights against us for any other purpose or in any other context.

This report is provided on the basis that it will not be copied or disclosed to any third party or otherwise quoted or referred to, in whole or in part, without our prior written consent. Any party other than the Company who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, we will accept no responsibility or liability in respect of our report to any other party.

## 1 Executive Summary

### 1.1 Company Background

QBE Insurance Group was formed in 1973 from the merger of North Queensland Insurance Company Limited ('QI'), Bankers' and Traders' Insurance Company ('B&T') and The Equitable Probate and General Insurance Company. Between 1982 and 2012 it made c.135 acquisitions. QBE Insurance Group has a single ELTO membership for QBE European Operations in the name of QBE UK Limited ('QBE' or 'the Company'), which includes the following additional contributing entities:

- QBE EU SA/NV; and
- QBE Underwriting Limited.

All data submitted by QBE European Operations to the Employers Liability Database ('ELD') name QBE UK Limited as the Current Insurer and the Opinion contained in Section 1.5 of this report relates to that legal entity only.

QBE UK Limited originated when QI opened its London office in 1904. Subsequent UK acquisitions have included Iron Trades Insurance and the Limit Group, both in 2000.

Management confirmed that QBE has written UK employers' liability ('EL') insurance since at least the early 1940s. EL is sold as both a stand-alone and packaged product to companies of all sizes (e.g. large corporations, SMEs and tradesmen), across all industrial sectors (ranging from construction projects to short-term event cover).

QBE does not write any EL business directly. All EL is sold via brokers on the open-market or via 20 Delegated Authorities ('DAs').

QBE's EL records are stored on the following underwriting systems / electronic repositories:

- IRIS, for which all records are fed into the Genius system;
- Acturis and QBord, whereby policy data input is controlled by third-party brokers;
- Enterprise Information ('EI') data warehouse, which contains data across the organisation;
- DUA, a consolidated spreadsheet of DA monthly bordereaux submissions; and
- CMS, the Company's claims management system.

QBE utilise a bespoke application (ELSA) to control and monitor monthly submissions of EL data to the ELD.

As at 31 March 2019, the Company had 629,950 records eligible for compulsory inclusion in their EL Register ('ELR') (Appendix B). This includes 5,750 records which inception prior to 1 April 2011 with claims received on or after 1 April 2011.

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### 1.2 Scope and Objective

In accordance with our Service Proposal dated 14 January 2019 we have been engaged by the Board of Directors of QBE UK Limited ('QBE' or 'the Company') to perform an independent limited assurance engagement in respect of the Company's Employers' Liability Register ('ELR') as at 31 March 2019 in line with ICOBS 8.4, ICOBS 8 Annex 1, SUP16.23A, and our respective responsibilities set out in Appendix A.

### 1.3 Approach

The procedures we have performed are based on our professional judgement. In addition to enquiry and observation testing we have:

- Evaluated the design and implementation of the key processes and controls for preparing the ELR;
- Where performed, reviewed the reconciliation process undertaken by the Company between its ELR and underlying records;
- Used computer assisted audit techniques to identify differences between policy data in the ELR and Company's underlying records; and
- Performed limited testing, on a sample basis, of data within the ELR and of exceptions identified through the above tests.

### 1.4 Key Findings

Discussions with relevant personnel about the steps taken to obtain ERNs at the point of sale and subsequent steps to obtain missing ERNs, supplemented by a review of documentary evidence, have provided assurance that the insurer:

- Has not been able to obtain ERNs solely due to failures by parties outside the insurer's control; and
- The firm has used and continues to use its best endeavours to obtain the information, other than refusing to provide cover to an employer solely because it has not provided the information requested.

The reviews of QBE's ELR extract, and comparisons against their underlying EL policy data, identified the following instances of non-compliance:

- A comparison of QBE's underlying data for policies incepting on or after 1 April 2011, against the ELR as at 31 March 2019, identified nine policies within the underlying data which had been omitted from the ELR in its entirety.
- A comparison of QBE's underlying data for policies incepting prior to 1 April 2011 for which a claim was received on or after 1 April 2011, against the ELR as at 31 March 2019, identified 16 policies within the underlying data which were omitted from their ELR in their entirety.
- A review of the ELR identified 31 records where the Company had not provided either a valid address, postcode or both.
- A review of the ELR and the Company's source data identified 28 records in which the employer name contained unambiguous errors or potential truncation.
- The review of records included in the Company's ELR identified 14 records which had no EL cover on the policies underwritten by QBE for the period entered on the ELR.

### 1.5 Opinion

In our opinion, based on our work, in all material respects, the tracing office maintains a database which accurately and reliably stores information submitted to it by firms for the purpose of complying with relevant requirements in ICOBS 8.4 and that it has systems which can adequately keep it up to date in the light of new information provided by firms.

Nothing has come to our attention that causes us to believe that the Company, solely in relation to its extraction of information from its underlying records, has not materially complied with the requirements in ICOBS 8.4.4R(2) and in ICOBS 8 Annex 1 for the production of its Employers' Liability Register as at 31 March 2019.

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### 2 Summary of Exceptions and Other Findings

Our Audit findings below are RAG prioritised in accordance with the following definitions:

- **Red:** Issues which are fundamental to the achievement of the objective and prevent the member from achieving material compliance in isolation (i.e. the issue affects 1% or more of the population).
- **Amber:** Issues which affect the outcome of a search of the ELD and affect 0.2% or more of the population but do not prevent the Company from achieving material compliance in isolation (i.e. the issue affects less than 1% of the population).
- **Green:** Issues which affect the outcome of a search of the ELD but affect less than 0.2% of the population in isolation.

No.	Priority	Test Performed	Finding	% Error
1	GREEN	<b>CURCOM Records - Omissions</b>  QBE's underlying data for its EL policies incepted on or after 1 April 2011 was reconciled to the ELR as at 31 March 2019.	A comparison of QBE's underlying data for policies incepting on or after 1 April 2011, against the ELR as at 31 March 2019, identified nine policies within the underlying data which had been omitted from the ELR in its entirety. Each of the nine records was a child policy.	0.00%
2	GREEN	<b>HISCOM Records - Omissions</b>  The Company's underlying data for EL policies incepting before 1 April 2011 but for which claims have been received on or after 1 April 2011 was reconciled to the ELR extracted as at 31 March 2019.	A comparison of QBE's underlying data for policies incepting prior to 1 April 2011 for which a claim was received on or after 1 April 2011, against the ELR as at 31 March 2019, identified 16 policies within the underlying data which were omitted from the ELR in their entirety.	0.00%
3	GREEN	<b>CURCOM Records - Missing Information</b>  QBE's ELR extracted from the ELD as at 31 March 2019 was reviewed to identify gaps in the information included, such as addresses and postcodes.	A review of the ELR identified 31 records where the Company had not provided either a valid address, postcode or both.	0.00%
4	GREEN	<b>CURCOM Records - Unambiguous Employer Name Errors</b>  QBE's underlying data for its EL policies incepted on or after 1 April 2011 was reviewed for unambiguous errors in the Employer Name field.	A review of the ELR and QBE's source data identified 28 records in which the Employer Name field contained unambiguous errors. This includes: <ul style="list-style-type: none"> <li>• 15 records where the Employer Name has been truncated; and</li> <li>• 13 records where the Employer Name is incomplete or erroneous and materially affects the outcome of a search.</li> </ul>	0.00%

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No.	Priority	Test Performed	Finding	% Error
5	GREEN	<b>Non-EL records included in the ELR</b>  QBE's ELR extracted from the ELD as at 31 March 2019 was reconciled to their underlying data to identify records which may have been erroneously included in the ELR, where EL cover is not included in the policy.	The reconciliation between QBE's ELR and the company's source records identified 14 records in the ELR which did not include UK EL cover during the period shown.	0.00%

### 3 Appendices

#### Appendix A - Responsibilities

##### Responsibilities of the Directors

As the directors of the Company, you are responsible for the design, implementation and maintenance of control procedures that provide an adequate level of control to meet the relevant rules of the Financial Conduct Authority ("FCA") including those in Insurance: Conduct of Business Sourcebook (ICOBs) 8.4 and SUP 16.23A. These responsibilities include requiring you to:

- Produce the Company's employers' liability register ("ELR") for all policies entered into, renewed or for which claims are made from 1 April 2011, complying with the requirements in ICOBS 8.4.4 R(1)(a) and subject to ICOBS TP 1, as at 31 March 2019;
- Obtain and submit to the FCA and the Employers Liability Tracing Office ("ELTO") a written statement, by a director of the company responsible for the production of the ELR confirming that to the best of the director's knowledge that in its production of the register the firm is either:
  - i. Materially compliant with the rules set out in ICOBS 8.4.4R(2) and ICOBS 8 Annex 1; or
  - ii. Not materially compliant with the provisions referred to in (i), in which case the statement must also set out, to the best of the director's knowledge, the information required by SUP 16.23A.5R(3); and
- Obtain and submit to the FCA a report satisfying the requirements of SUP 16.23A.6 R, prepared by an auditor satisfying the requirements of SUP 3.4 and SUP 3.8.5 R to 3.8.6 R, and addressed to the directors of the firm.

'Materially compliant' means that in relation to at least ninety-nine percent of policies for which information is required to be included, the information in the register does not contain any inaccuracy or lack faithful reproduction (as relevant) that would affect the outcome of a search when compared to a search carried out with fully accurate and/or faithfully reproduced information.



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### Responsibilities of the Auditor

Our responsibility is to express a limited assurance conclusion on the firm's material compliance with the requirements in ICOBS 8.4 and ICOBS 8 Annex 1 based on the procedures we have performed and the evidence we have obtained.

We conducted this limited assurance engagement in accordance with International Standard of Assurance Engagements 3000 (Revised) – "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board ("ISAE 3000"). That standard requires that we plan and perform this engagement to obtain limited assurance about whether the Member is materially compliant with the requirements set out in ICOBS 8.4.4 and ICOBS 8 Annex 1.

A limited assurance engagement involves performing procedures to obtain sufficient appropriate evidence to give limited assurance over the ELR. The procedures selected depend on our judgement, on our understanding of the Register and other engagement circumstances, and our consideration of areas where material errors or omissions are likely to arise.

Our review is limited to confirming that data has been appropriately extracted from underlying records. Our work will not provide assurance over the accuracy or completeness of the underlying records from which the register is extracted.

We are required by SUP 16.23A.6 R (2) to carry out our work having regard in particular to the following possible risks in:

- Information relating to certain policies issued or renewed on or after 1 April 2011 is entirely omitted from the register even though some relevant policy details are included in the firm's underlying records;
- Information relating to certain policies in respect of which claims were made on or after 1 April 2011 is entirely omitted from the register even though some relevant policy details are included in the firm's underlying records;
- Relevant information required to be included in the register, and which is included in the firm's underlying records, is omitted from, or is inaccurately entered on to, the register; and
- Information relating to policies which do not provide employers' liability insurance are included in the register.

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### Appendix B - Denominator

EL records incepting on or after 1 April 2011 per Insurer	624,200
Add: EL claims received on or after 1 April 2011 per Insurer	5,750
<b>Total unique EL records per Insurer (Denominator)</b>	<b>629,950</b>
Less: Records identified as missing from ELD	(25)
Add: Erroneous records on the ELD	14
Add: Duplicates on ELD (not errors)	64,533
<b>Total records held on the ELD</b>	<b>694,472</b>

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### Appendix C - Numerator

	No. Records	Error %
Errors related to records on Insurer's systems:		
1) EL records omitted entirely from the ELR where cover inceptioned on or after 1 April 2011	9	0.00%
2) EL records omitted entirely from the ELR where cover inceptioned prior to 1 April 2011 but with claims received on or after 1 April 2011	16	0.00%
3) EL records uploaded to the ELR with unambiguous errors in the employer name	28	0.00%
Errors related to records on the ELR:		
4) Non-EL records uploaded to the ELD erroneously	14	0.00%
5) EL Records uploaded to the ELR where the ELR is missing either an address, a postcode, or both	31	0.00%
<b>Aggregate errors (98 / 629,950)</b>	<b>98</b>	<b>0.02%</b>