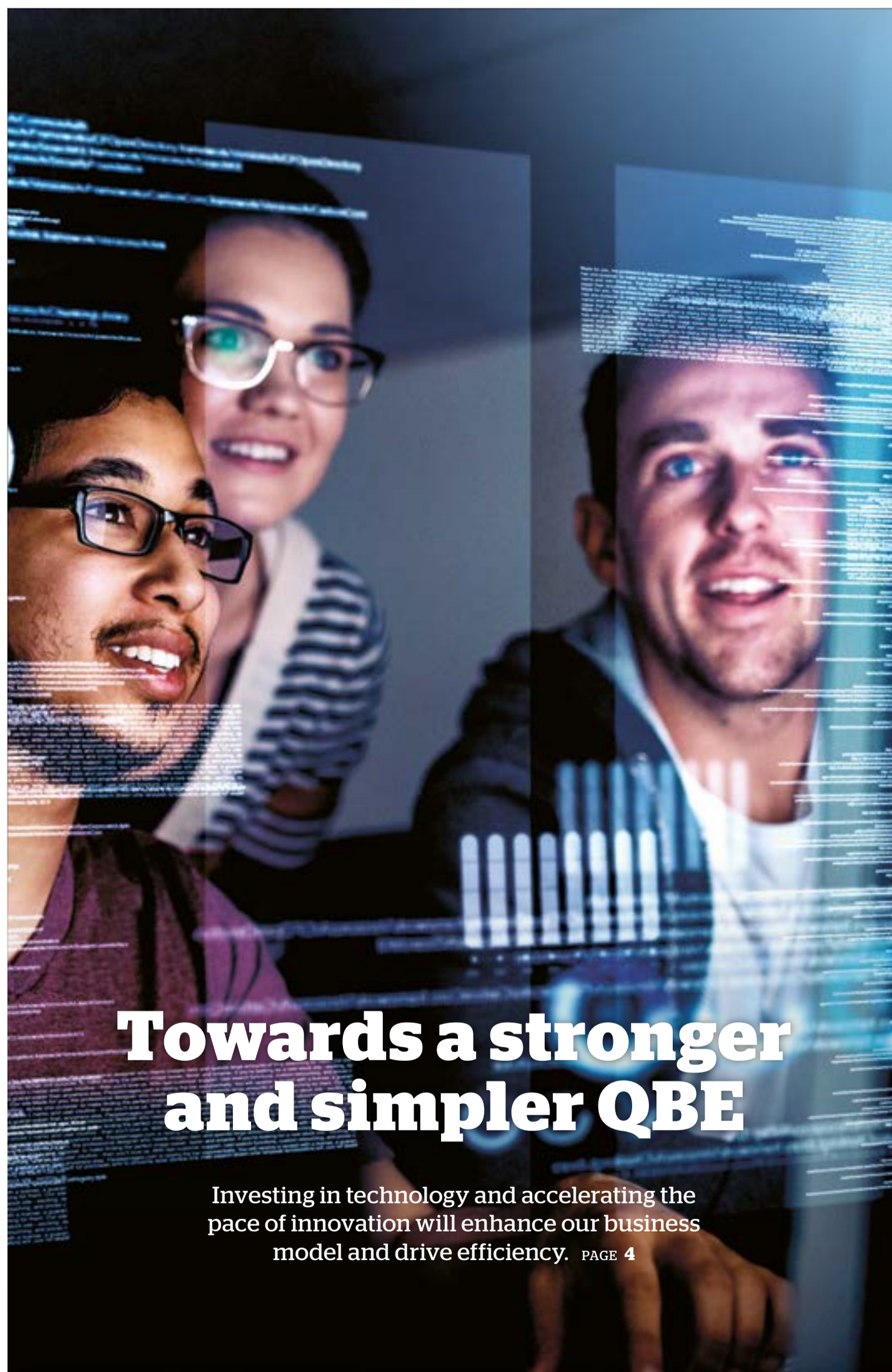


# 2017 IN REVIEW



QBE INSURANCE GROUP LIMITED

QBE.COM



## Towards a stronger and simpler QBE

Investing in technology and accelerating the pace of innovation will enhance our business model and drive efficiency. **PAGE 4**

### CONTENTS:

#### CHAIRMAN AND GROUP CEO REVIEW

PAGE 2

#### OUR PRIORITIES FOR 2018

PAGE 3

#### INNOVATION

Embracing change

PAGE 4

#### THE QBE FOUNDATION

Supporting our communities

PAGE 5

#### CATASTROPHE RESPONSE

Delivering on our purpose

PAGE 6

#### 2017 SNAPSHOT

PAGE 7

#### SHAREHOLDER INFORMATION

Key financial performance measures

Financial calendar

PAGE 8

# Towards a stronger and simpler QBE

## CHAIRMAN AND GROUP CEO REVIEW



### As a general insurance and reinsurance company, QBE's purpose is very clear - we give people the confidence to achieve their ambitions.

Our 14,000 people around the world are committed to this purpose every day, but it's never more important than in the aftermath of a catastrophe that has caused widespread devastation and loss to a community. At these times we marshal our specialist catastrophe claims response teams, with support from across the organisation, to respond promptly to claims and provide other assistance such as the delivery of essential aid relief.

As one of the largest international insurers, our role in assisting customers in their

time of need was put to the test in 2017 by a sequence of weather-related catastrophes, which included Hurricanes Harvey, Irma and Maria across the Americas; wildfires in California; and Tropical Cyclone Debbie in Australia.

This run of events caused an estimated US\$135 billion<sup>1</sup> in insured catastrophe losses in 2017. This level of loss was unprecedented, and for QBE the net cost of catastrophes, after our comprehensive reinsurance protections, was US\$1,227 million. This compares with US\$439 million in 2016.

QBE's underwriting result was also marred by a material decline in the performance of our emerging markets businesses, while the Group reported a statutory financial loss that included

significant non-cash items as we impaired North American goodwill and responded to the reduction in the US corporate tax rate by writing down the value of the deferred tax asset in our North American Operations.

While our European and Australian & New Zealand Operations delivered strong results, aspects of QBE's performance in 2017 were unsatisfactory. Necessary action has been taken and we started 2018 with refreshed leadership and a clear plan for a simpler geographic footprint and improved performance in the current year and beyond. In keeping with these plans, we recently announced the sale of our Latin American Operations after a review identified that QBE was no longer the best strategic owner of these businesses.

Our new leadership team has commenced an accelerated reshaping of the company's strategic focus to create a stronger and simpler QBE. This includes a program of work that we are confident will simplify the Group, improve performance and reduce volatility. The key elements of the program are outlined on the adjacent page and include a prioritisation of "Brilliant Basics" - improving underwriting quality, pricing and claims handling in every market in which we operate and every product we underwrite. QBE has areas of real expertise and strength and the objective now is to deliver excellence across the Group consistently. With a relentless commitment to getting the basics right, improvements in the quality and predictability of our earnings will naturally follow.

Aligned with Brilliant Basics is a rigorous program of performance management across the Group. Using the same approach as we have employed in Australian & New Zealand Operations since mid-2016, this work involves regular reviews of discrete business "cells" to identify strengths and weaknesses, develop strategies and specific plans for performance improvement and make decisions about the overall structure of the portfolio.

Investing in technology and accelerating the pace of innovation will play a substantial role across all elements of the revised strategy. For example, our technology roadmap will support Brilliant Basics through a focus on enhancing our systems to support the use of complex pricing models, improved risk selection and increase the use of data throughout our underwriting processes. Importantly, the simplification of our portfolio will facilitate some cost reduction as will the ability to leverage savings from the investment in better tools and systems for our people.

Managing the likely impact of climate change is also an area of particular focus and QBE supports the recommendations of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD). We believe they are an important step in the right direction to inform and improve transparency on the risks and opportunities climate change poses.

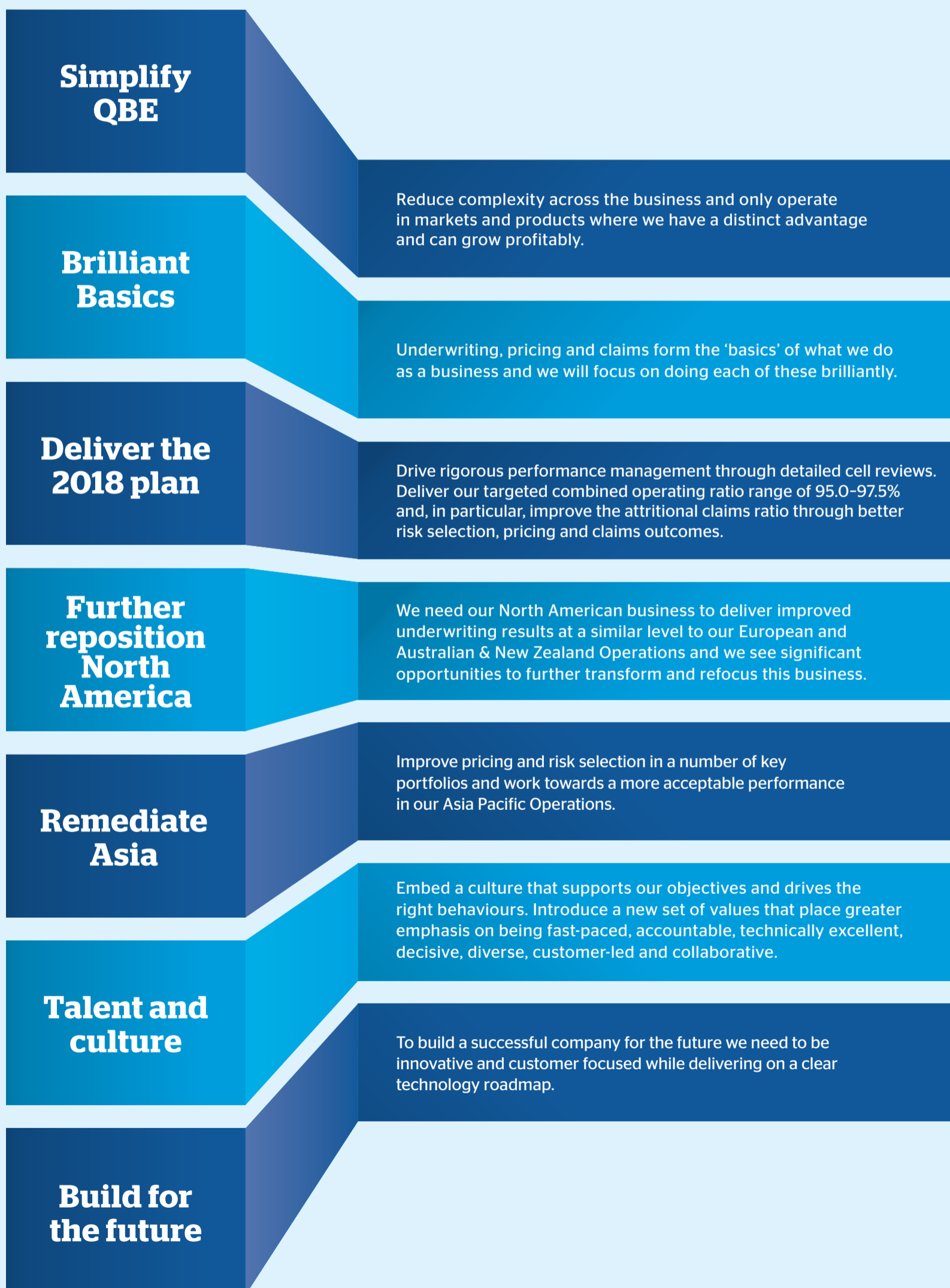
Finally, we would like to thank our shareholders and other stakeholders. QBE has been through a period of challenge and change with financial results that are below expectations. We expect better and more consistent results in the future that will reward your continued support and we look forward to reporting on our progress in years to come.

**Pat Regan**  
GROUP CHIEF EXECUTIVE OFFICER

**Marty Becker**  
CHAIRMAN

<sup>1</sup> Source: Munich Re, 4 January 2018.

# Our priorities for 2018



# Embracing change

## INNOVATION



### QBE Ventures

**QBE Ventures was launched in 2017 to invest globally in start-ups that provide access to differentiated technology which has the potential to enhance QBE's business model, drive efficiencies and develop new avenues of growth.**

One of the things that QBE Ventures looks for when investing in a start-up is the potential to bring their product or technology back into QBE through the creation of commercial partnerships alongside our equity investment. There's a twin benefit to this approach - our equity investments provide QBE with a unique vantage point into the rapidly evolving landscape of new technologies and business models, while our commercial partnerships deliver an immediate impact to our divisions through efficiencies and revenue growth along with opportunities to collaborate and co-develop future products and services.

In 2017, QBE Ventures invested in its first two portfolio companies, Cytora and RiskGenius.

Cytora ([www.cytora.com](http://www.cytora.com)) is a London-based start-up that uses artificial intelligence (AI) and open source data to help insurers lower loss ratios, grow premiums and improve expense ratios.

RiskGenius ([www.riskgenius.com](http://www.riskgenius.com)) is a Kansas City-based machine learning company that helps carriers, brokers and regulators analyse policy and endorsement language and aid in product development.

"The RiskGenius team chose to partner with QBE because we believed in its people and its mission. The QBE people are passionate about insurance and they are hungry for new solutions. I love the fact that QBE has decided to focus on data and analytics when partnering with Insurtechs. The two parties are aligned in our vision for RiskGenius to become a utility, a standard, for insurance professionals looking to evaluate insurance policy language. That's exciting." - Chris Cheatham, CEO of RiskGenius

### Emerging Technology Research

The QBE Digital Innovation Lab continues to help create a future that is driven by the emerging technologies of today. The research that the Lab conducted in 2017 has had a far-reaching impact on the organisation - from the development of new insurance products and services to a better appreciation of the risks and opportunities posed by cutting edge technologies. Its research included highly sophisticated simulation of losses to specific components of electric vehicles, advanced object and loss detection using satellite imagery, and research into the opportunities presented to insurers through advances in quantum computing. In many cases, the research that comes out of the Lab will form the foundation of the future of how QBE operates and how we sustain our competitive advantage in the marketplace.



### B3i

**The Blockchain Insurance Industry Initiative (B3i) is a collaboration of insurers and reinsurers formed to explore the potential of using Distributed Ledger Technologies within the insurance industry for the benefit of all stakeholders.**

B3i is focused on developing and testing technical developments aimed at better serving customers and enhancing transaction efficiency, thus promoting competition. QBE Re, which is QBE's reinsurance division, joined the consortium in 2017 and is working closely with other members on the evaluation of B3i's first product, a Property Catastrophe excess of loss contract.

"QBE Re joined the B3i initiative because we strongly believe it has the right foundations in place to drive more efficient data processing across the whole reinsurance value chain, to the benefit of all parties involved."  
- Piet Haers, Head of Reinsurance Operations at QBE Re

### Innovation

**Advances in technology will have a dramatic impact on both the insurance industry and the world in which our customers operate. Embracing this change is a challenge and opportunity for QBE. We know we need to innovate faster than ever before to improve our processes, create new products and services and capture new market opportunities.**

**Rising to this challenge is central to our strategy and we are investing across a broad portfolio of innovation activities. Our innovation portfolio grew considerably in 2017 to include participation in industry-leading consortiums, the introduction of a new corporate venture capital unit and advances in our emerging technology research capabilities.**

# Supporting our communities

## THE QBE FOUNDATION



### Encouraging diversity in sport

#### AUSTRALIAN & NEW ZEALAND OPERATIONS

**QBE Australia has been Principal Partner of the Sydney Swans for 31 years. We also support the QBE Sydney Swans Academy, which provides elite talent development programs for boys aged 11-19 years. In 2017, we became supporters of the Academy's new Youth Girls program, which is providing talent pathways for young female footballers.**

We also got behind the Swans' first Diversity Action Plan. This followed the club's important work through their Reconciliation Action Plan, which is strengthening relationships with Aboriginal and Torres Strait Islander communities through education and opportunities.

The club's Diversity Action Plan makes meaningful commitments to disability empowerment, multicultural inclusion, the advancement of women and LGBTIQ pride. Like QBE, the Swans joined Australia's Marriage Equality campaign in 2017, and we once again supported the annual Pride Game, which promotes diversity and inclusion.



### Wounded Warrior Project

#### NORTH AMERICAN OPERATIONS

**In North America, our people, supported by the QBE Foundation, have a focus on supporting military veterans.**

Since 2011, the QBE Foundation has partnered with the Wounded Warrior Project, providing monetary grants, awareness campaign advocacy, employee volunteering and fundraising efforts. Through Warriors at Work, unemployed and wounded veterans gain

access to employment and regain their independence. We have also assisted the Warrior Care Network, which provides access to support and services for veterans living with moderate to severe post-traumatic stress disorder and other mental health issues. Our employees have also been involved in awareness campaigns such as the Soldier Ride in New York, Atlanta and Chicago, a unique four-day cycling event that helps warriors gain confidence and experience the heartfelt appreciation and support of communities around the country.

### In the community

As an insurance company, we are uniquely placed to help people in their times of need and our community initiatives mirror this role. We have three main channels for community contribution and participation across our global business divisions: The QBE Foundation; natural disaster relief; and sponsorship and events. We also seek to positively impact communities through business initiatives such as Premiums4Good, our dedicated impact investing platform, and identifying opportunities through our procurement decisions (e.g. seeking to purchase from social enterprises).

### Balia Foundation

#### EUROPEAN OPERATIONS

**The QBE Foundation has partnered with the Balia Foundation since 2012 on a range of funding initiatives that help children and young people who are at risk of social exclusion in Madrid.**

Our funding supports activities that aim to prevent early school leaving, reduce the likelihood of addiction and violence, and improve personal and social skills. Colleagues from our Spanish office are also involved in the Balia corporate volunteering program for the Young District Project.



### Smile Train

#### ASIA PACIFIC OPERATIONS

**Each year the QBE Foundation partners with charities that strive to improve medical research, treatment and support for health concerns such as cancer, diabetes, rare genetic conditions, birth defects, mental health and physical disability.**

Our support includes formal charity partnerships, grants, events participation, volunteering, awareness-raising events and fundraising.

The QBE Foundation has partnered with Smile Train, an international organisation providing corrective surgery and comprehensive care for children and adults with orofacial clefts. Over six weeks, life-changing surgeries were performed for a total of 90 children and adults in Metro Manila and Central Visayas. Comprehensive care and learning development were also given to the beneficiaries after their surgery. They undergo speech therapy with a professional pathologist and take part in social learning sessions. These efforts will help them prepare for their reintegration to the community and enjoy a new life.

# Delivering on our purpose

## CATASTROPHE RESPONSE



### Applying technology to natural disaster response

**We are always experimenting with technology to improve QBE's catastrophe claims response process.**

In Australia, drones were used for the first time to visually inspect areas affected by Tropical Cyclone Debbie. We now have plans to use high-resolution aerial imagery to view widespread damage caused by cyclones and are trialling a number of platforms to enhance the claims triage process.

QBE's Digital Innovation Lab is in the experimental phase of using satellite imagery to accelerate disaster response. We know that for some losses and geographies, being able to access satellite imagery will allow us to make better claims handling decisions. Work is also underway to automate analytical capabilities and improve the customer experience, with recent hurricanes in Houston and Puerto Rico used as test cases for the technology.

## Responding to Harvey and Irma

**QBE North America calls upon a dedicated team of claims professionals when a hurricane is first detected. The claims team works with colleagues from underwriting and disaster modelling to monitor the path of a weather event and assess the risk associated with insured locations potentially in harm's way. Based on projections, the team estimates the resources needed to handle the expected claims volume.**

In addition to internal capability, the claims team draws upon a network of contracted independent service providers. Overall, these external vendors handled more than 4,600 independent adjuster assignments for Harvey and Irma.

Effective communication was critical for co-ordination of our catastrophe response in 2017. Daily calls involving claims, underwriting, modelling, IT and facilities kept all efforts aligned and ensured issues were solved quickly. Proactive communication to agents and brokers ahead of the hurricanes assured them of our readiness and provided safety advice

and claims reporting information. After landfall, the claims team proactively called customers where the storms hit hardest - even though they hadn't yet reported a claim. Claims senior leaders travelled to Florida post-Irma to meet with customers, complete inspections along with field adjusters, and survey impacted areas from the air.

Our dedicated crop team, a pioneer in the use of drones, assembled from all parts of the country to apply their skills in hurricane-affected areas. The drones proved invaluable for reconnaissance missions to assess the damage to commercial nurseries insured by QBE, enabling workflow mapping and more efficient deployment of resources.

Overall in 2017, QBE North America responded to 51 events designated as catastrophes. Harvey and Irma were the most challenging events and at the peak of these events we received 500 claims lodgement calls a day during Harvey and 200 during Irma. The average time it took to answer a First Notification of Loss call for the two weeks after Irma was eight seconds. For both Harvey and Irma, 100% of customers were contacted by a claims professional within 24 hours of reporting a claim, and it took 14 days on average for us to inspect a claim. We approved damages estimates on average less than two days later.

## Puerto Rico

**Hurricane Maria was particularly devastating for Puerto Rico and our 180 employees on the ground were not immune.**

We mobilised support from QBE's North American and global teams to assist. Our specialty Aviation business in North America worked with a QBE customer, MillionAir/American Jet International, to organise emergency airlift responses. Risk and business continuity teams from Latin America and North America partnered to create a communications system to locate all staff across the Island and ensure their safety.

Employees volunteered in Miami to organise and distribute donated and company-purchased emergency supplies including water, medication and food to our Puerto Rico colleagues.

## Tropical Cyclone Debbie

**Tropical Cyclone Debbie made landfall in Queensland in March 2017 with damage and flooding recorded from the Whitsunday Islands down to central New South Wales.**

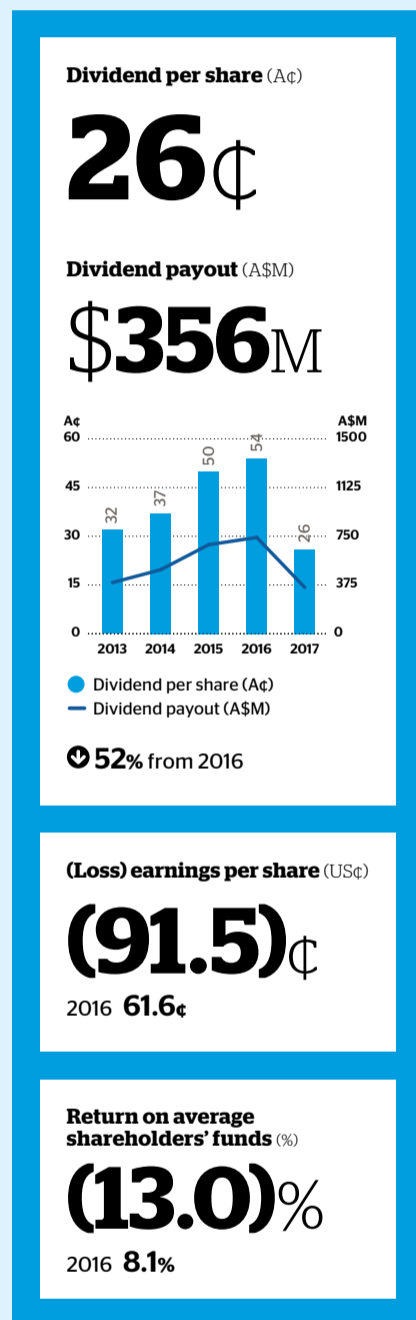
Debbie ranks second only to Cyclone Tracy in 1974 in terms of collective insurance losses caused by a cyclone in Australia.

The high claims volume proved challenging for insurers looking to access resources to complete repairs. QBE set out to give work to local suppliers, but the objective of supporting local industry had to be balanced against a desire to get the job completed quickly.

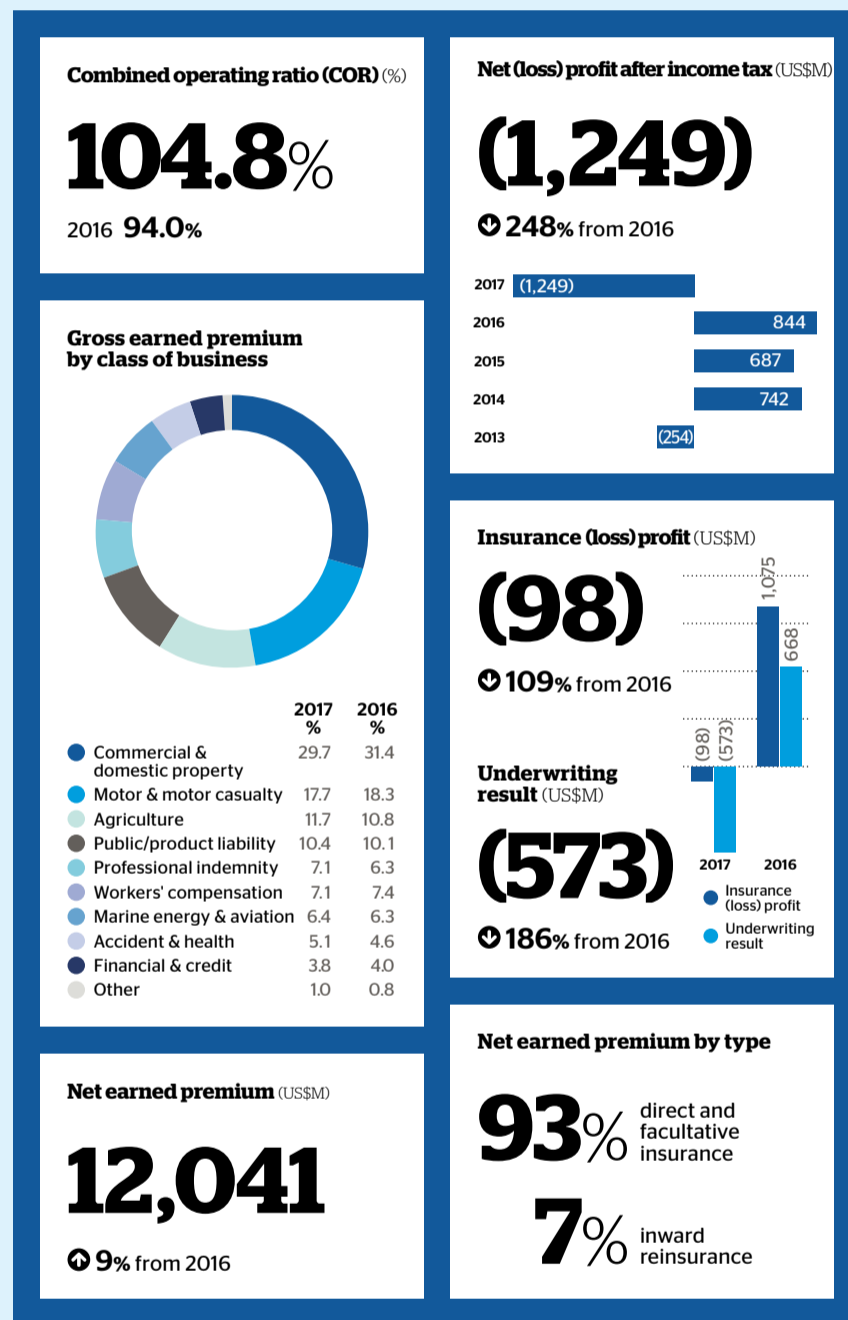
As at March 2018, QBE had closed more than 85% of claims relating to Tropical Cyclone Debbie, with the vast majority of remaining claims relating to large, complex losses.

# 2017 snapshot<sup>1</sup>

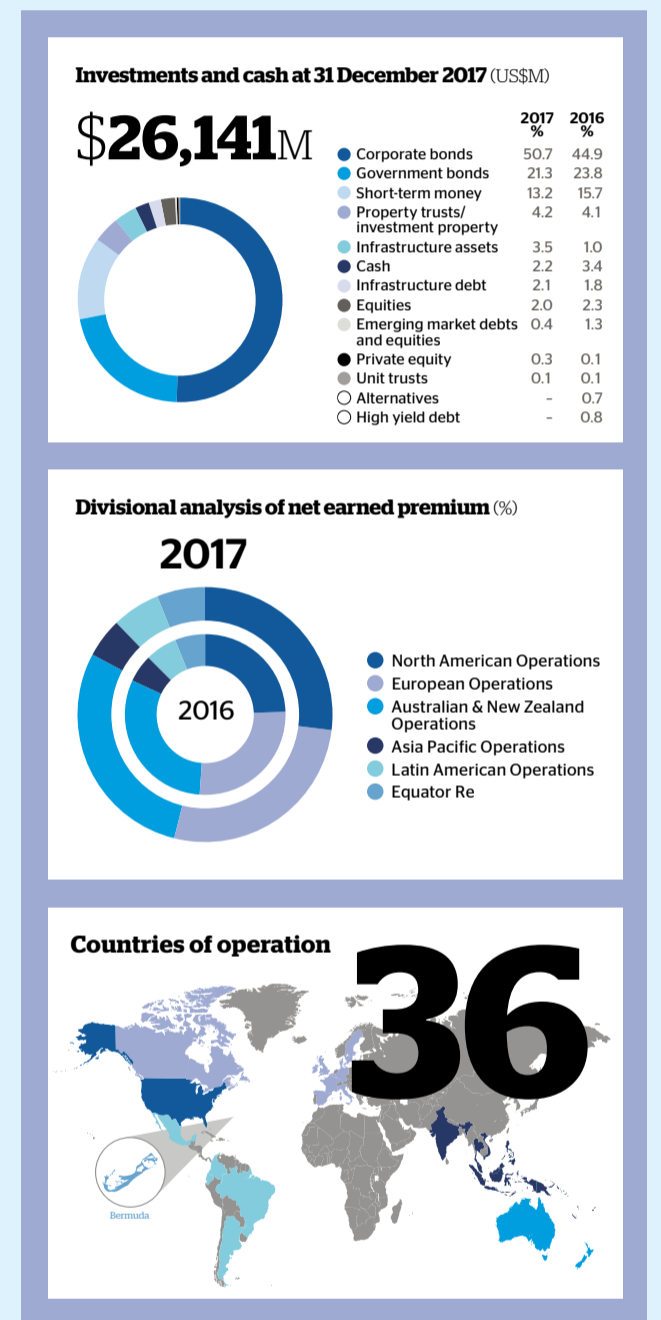
## Shareholder highlights



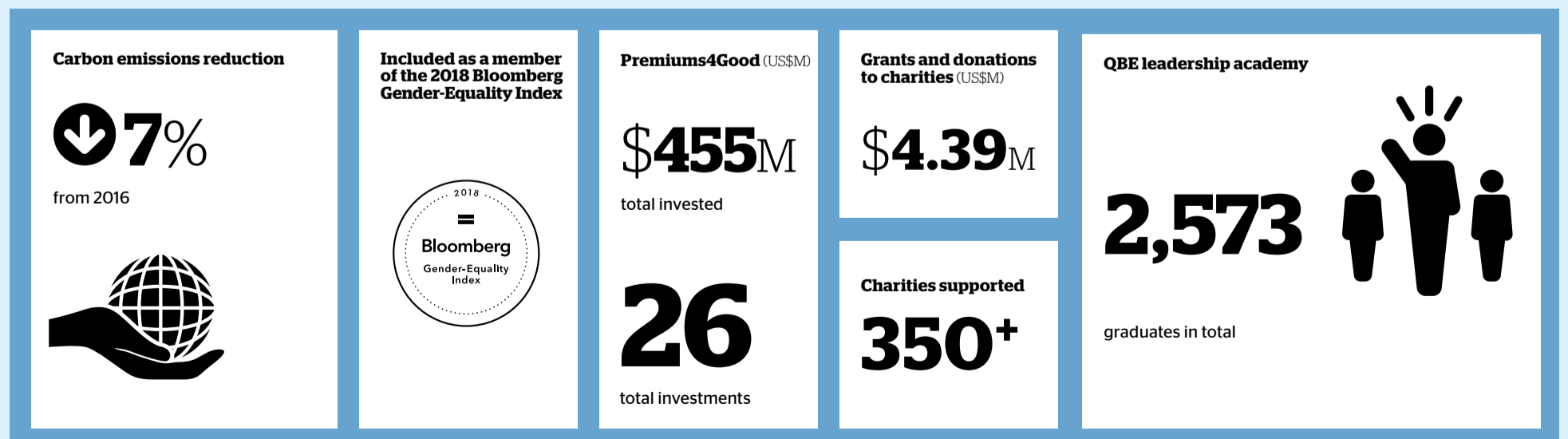
## Financial highlights



## Operational highlights



## Environmental and social highlights



<sup>1</sup> The information in the tables above is extracted or derived from the Group's 2017 Annual Report.

## Key financial performance measures

		2017	2016	2015	2014	2013	2012
Gross written premium	US\$M	<b>14,191</b>	14,395	15,092	16,332	17,975	18,434
Gross earned premium	US\$M	<b>14,446</b>	14,276	14,922	16,521	17,889	18,341
Net earned premium	US\$M	<b>12,041</b>	11,066	12,314	14,084	15,396	15,798
Claims ratio	%	<b>70.9</b>	58.2	60.4	63.2	64.5	66.0
Commission ratio	%	<b>17.6</b>	18.4	17.2	16.8	16.8	16.2
Expense ratio	%	<b>16.3</b>	17.4	17.3	16.1	16.5	14.9
Combined operating ratio	%	<b>104.8</b>	94.0	94.9	96.1	97.8	97.1
Investment income							
before investment gains/losses	US\$M	<b>589</b>	641	541	676	691	723
after investment gains/losses	US\$M	<b>812</b>	746	665	814	772	1,227
Insurance (loss) profit	US\$M	<b>(98)</b>	1,075	1,031	1,074	841	1,262
Insurance (loss) profit to net earned premium	%	<b>(0.8)</b>	9.7	8.4	7.6	5.5	8.0
Financing and other costs	US\$M	<b>305</b>	294	244	297	345	324
Operating (loss) profit							
before income tax	US\$M	<b>(825)</b>	1,072	953	931	(448)	941
after income tax and non-controlling interests	US\$M	<b>(1,249)</b>	844	687	742	(254)	761
Number of shares on issue <sup>1</sup>	millions	<b>1,358</b>	1,370	1,370	1,363	1,247	1,194
Shareholders' funds	US\$M	<b>8,859</b>	10,284	10,505	11,030	10,356	11,358
Total assets	US\$M	<b>43,862</b>	41,583	42,176	45,000	47,271	50,748
Net tangible assets per share <sup>1</sup>	US\$	<b>4.29</b>	4.90	5.07	5.32	4.75	4.49
Borrowings to shareholders' funds	%	<b>40.8</b>	33.8	33.6	32.5	44.1	43.4
Basic (loss) earnings per share <sup>1</sup>	US cents	<b>(91.5)</b>	61.6	50.3	57.4	(22.8)	65.1
Basic (loss) earnings per share - cash basis <sup>2</sup>	US cents	<b>(18.9)</b>	65.5	65.3	63.5	62.9	89.1
Diluted (loss) earnings per share	US cents	<b>(91.5)</b>	60.8	49.8	55.8	(22.8)	61.6
Return on average shareholders' funds	%	<b>(13.0)</b>	8.1	6.4	6.9	(2.3)	7.0
Dividend per share	Australian cents	<b>26</b>	54	50	37	32	50
Dividend payout	A\$M	<b>356</b>	741	685	492	394	593
Total investments and cash <sup>3</sup>	US\$M	<b>26,141</b>	25,235	26,708	28,583	30,619	31,525

1 Reflects shares on an accounting basis.

2 Earnings per share on a cash basis is calculated with reference to cash profit, being profit after tax adjusted for amortisation and impairment of intangibles and other non-cash items net of tax.

3 Includes financial assets at fair value through profit or loss, cash and cash equivalents and investment properties.

## Financial calendar

YEAR	MONTH	DAY	ANNOUNCEMENT
2018	February	26	Results and dividend announcement for the year ended 31 December 2017
		March	8
	9		Record date for determining shareholders' entitlement to 2017 final dividend
	12		DRP/BSP election close date - last day to nominate to participate in the Dividend Reinvestment Plan or the Bonus Share Plan
	April	20	Payment date for the 2017 final dividend
	May	3	2018 Annual General Meeting
	June	30	Half year end
	August	16 <sup>1</sup>	Results and dividend announcement for the half year ending 30 June 2018
		23 <sup>1</sup>	Shares begin trading ex dividend
		24 <sup>1</sup>	Record date for determining shareholders' entitlement to 2018 interim dividend
		27 <sup>1</sup>	DRP/BSP election close date - last day to nominate to participate in the Dividend Reinvestment Plan or the Bonus Share Plan
	October	5 <sup>1</sup>	Payment date for the 2018 interim dividend
	December	31	Year end

<sup>1</sup> Dates shown may be subject to change.

## Shareholder information

QBE is incorporated in Australia, is listed on the Australian Securities Exchange (ASX) and trades under the code "QBE".

### Registered office

#### QBE Insurance Group Limited

Level 27, 8 Chifley Square  
Sydney NSW 2000 Australia

Telephone: +61 2 9375 4444

Facsimile: +61 2 9231 6104

Website: www.qbe.com

### QBE website

QBE's website provides investors with information about QBE including annual reports, corporate governance statements, sustainability report, half yearly reports and announcements to the ASX. The website also offers regular QBE share price updates, a calendar of events, a history of QBE's dividend and online access to your shareholding details via the share registry.

### Shareholder information and enquiries

Enquiries and correspondence regarding shareholdings can be directed to QBE's share registry:

#### Computershare Investor Services Pty Limited (Computershare)

GPO Box 2975  
Melbourne VIC 3001 Australia

452 Johnston Street  
Abbotsford VIC 3067 Australia

Telephone: 1300 723 487 (Australia)

Telephone: +61 3 9415 4840

(International)

Web: www.computershare.com.au

Email: qbe.queries@computershare.com.au

For security purposes, you will need to quote your Securityholder Reference Number (SRN) or Holder Identification Number (HIN).

If you are broker (CHESS) sponsored, queries relating to incorrect registrations and changes to name and/or address can only be processed by your stockbroker. Please contact your stockbroker. Computershare cannot assist you with these changes.