

QBE Insurance Group Limited ABN 28 008 485 014
Level 27, 8 Chifley Square, SYDNEY NSW 2000 Australia
GPO Box 82, Sydney NSW 2001
telephone + 612 9375 4444 • facsimile + 612 9231 6104

www.qbe.com



19 November 2020

The Manager
Market Announcements Office
ASX Limited
Level 4
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

QBE Response to AFCA Test Case Decision

Please find attached an announcement for release to the market.

This release has been authorised by the QBE Board of Directors.

Yours faithfully,

A handwritten signature in blue ink that reads 'Peter Smiles'.

Peter Smiles
Deputy Company Secretary

Attachment



QBE

MARKET RELEASE

19 November 2020

QBE RESPONSE TO AFCA TEST CASE DECISION¹

The NSW Court of Appeal yesterday handed down its decision in the test case commenced by the Insurance Council of Australia (ICA) and the Australian Financial Complaints Authority (AFCA) in August 2020.

The test case considered the operation of an infectious disease cover restriction in business interruption policies in circumstances where the cover restriction referred to the now repealed Quarantine Act 1908 (Cth). Specifically, the Court was asked whether a reference to a quarantinable disease under the (now repealed) Quarantine Act 1908 'and subsequent amendments' should be construed as a reference to a listed human disease under the Biosecurity Act 2015 and, if so, whether the listed human diseases were those determined as at the date the policy was entered into or at any time during the insurance period.

The Court ruled in favour of the insureds on the basis that the reference to quarantinable diseases declared under the Quarantine Act 1908 'and subsequent amendments' could be read literally as a reference to the quarantinable diseases declared under that Act immediately before its repeal.

Notwithstanding the ruling, QBE notes that the particular wording of QBE business interruption policies require a number of policy triggers to be met in order for policyholders to be entitled to indemnity for business interruption. The ICA has already taken steps to fund and progress a further test case through AFCA to provide clarity on whether policy coverage triggers in certain business interruption policies, including QBE business interruption policies, are satisfied in the unprecedented circumstances of COVID-19.

Including expected recoveries under the Group's catastrophe reinsurance protections, the net cost of any business interruption claims in Australia is likely to be limited to \$5M per occurrence. This is subject to contributing losses (after recoveries under the Group's main catastrophe and quota share reinsurance treaties) not exceeding the Group's catastrophe aggregate reinsurance treaty limit of \$500M.

¹ All figures in US\$ unless otherwise stated

For further information, please contact:

Investor Relations

Tony Jackson
Group Head of Investor Relations
Tel: +61 (2) 9375 4364
investor.relations@qbe.com

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ABN 28 008 485 014
8 Chifley Square
SYDNEY NSW 2000
Australia
www.qbe.com

Media Enquiries

Viv Bower
Group Executive, Corporate Affairs and
Sustainability
Tel: +61 (2) 9375 4707
viv.bower@qbe.com

IMPORTANT DISCLAIMER

Any forward-looking statements assume: large individual risk and catastrophe claims do not exceed the significant allowance in our business plans; no overall reduction in renewal premium rates in excess of business plans; no significant fall in equity markets and interest rates; no major movement in budgeted foreign exchange rates; no material change to key inflation and economic growth forecasts; recoveries from our reinsurance panel; no significant asset sales and no substantial change in regulation. Should one or more of these assumptions prove incorrect, actual results may differ materially from the expectations described in this market release.

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