



# QBE

## MARKET RELEASE

11 January 2021

### QBE FINALISES 2021 REINSURANCE PROGRAM<sup>1</sup>

QBE has finalised renewal of the Group's reinsurance program effective 1 January 2021.

The program was placed broadly in line with expectations, at terms slightly better than allowed for in the Group's business planning assumptions and strikes an appropriate balance between cost, capital and earnings volatility protection.

Key features of, and changes to, the Group's 2021 reinsurance program include:

- main catastrophe tower increased to \$3.4BN (2020: \$3.3BN);
- North America peak catastrophe retention of \$200M (2020: initially \$400M but reduced to \$150M in April 2020 as part of COVID-19 de-risking initiatives);
- US and Australian non-peak catastrophe retention of \$175M (2020: \$125M) while retention for all other non-peak perils is unchanged at \$100M;
- catastrophe aggregate limit unchanged at \$500M and attaching at \$625M (2020: \$545M) with a per occurrence deductible of \$10M (2020: \$5M);
- per risk XOL cover renewed materially as expired;
- Equator Re 50% quota share renewed as expired;
- largely unchanged divisional per risk and catastrophe retentions;
- the multi-year nature of the main Group catastrophe program of \$2.1BN xs \$400M limited the risk adjusted premium rate increase to less than 5% while the overall increase in reinsurance spend on the Group's XOL reinsurance program was ~\$30M or ~10%; and
- renewing portions of the per risk XOL and main catastrophe treaties have been placed for 24 months.

The increase in the catastrophe aggregate attachment reflects exposure growth, increased US and Australian non-peak retentions as well as recent industry-wide catastrophe frequency.

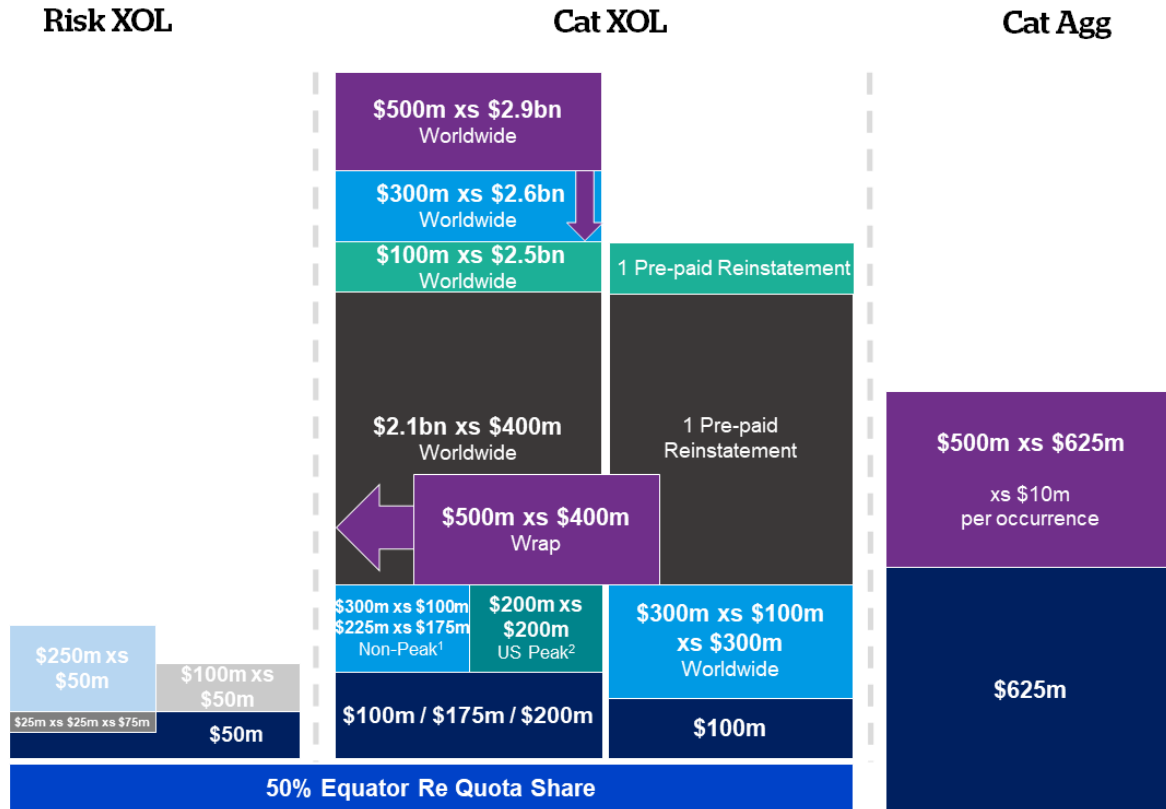
Anticipating the new structure and to allow for continued heightened catastrophe frequency, the Group's 2021 financial plans and pricing assumptions include a net catastrophe allowance of \$685M, up from \$550M in 2020 and broadly in line with the 2020 retained experience.

On a like-for-like basis, the probability of exceeding the Group's increased 2021 catastrophe allowance is lower than in 2020.

QBE Interim Group CEO, Richard Pryce said: *"I am pleased that we have renewed the Group's reinsurance structure broadly consistent with the expiring program and at terms slightly better than budget. The reinsurance renewal (including increased catastrophe allowance) has been factored into our pricing models and we remain confident of driving appropriate margin expansion in 2021."*

<sup>1</sup> All figures in US\$ unless otherwise stated

QBE 2021 global reinsurance program



**Key program changes**

- **Cat Top or Drop or Non-Peak<sup>1</sup>**  
US and Australia Non-Peak<sup>1</sup> attachment increased to \$175m
- **US Peak Buy-Down**  
Attachment increased from \$150m to \$200m
- **Cat Top Layer**  
New purchase for 2021
- **Cat Top or Wrap or Agg**  
Aggregate attachment increased from \$545m to \$625m  
Per event deductible increased from \$5m to \$10m

**Cat**

- **Main Cat XOL**
  - \$2.1bn x \$400m
- **Cat Top Layer**
  - \$100m x \$2.5bn
- **Cat Top or Drop or Non-Peak<sup>1</sup>**
  - Top \$300m x \$2.6bn for Peak *and/or*
  - Drop \$300m x \$100m x \$300m for Peak *and/or*
  - Drop \$225m x \$175m US & Aust Non Peak *and/or*
  - Drop \$300m x \$100m for All Other Non-Peak
- **US Peak Buy-Down**
  - \$200m x \$200m 50% order due to Equator Re QS
- **Cat Top or Wrap or Agg**
  - Top \$500m x \$2.9bn (or \$2.6bn) *and/or*
  - Wrap \$500m x \$400m including QBE Re & Syndicate 1036 retained claims and EQ Re Share *and/or*
  - Aggregate \$500m x \$625m x \$10m

**Risk**

- Main cover \$250m x \$50m
- Clash and Cyber Aggregate Section \$100m x \$50m
- Sub layer \$25m x \$25m x \$75m

1. Peak perils defined as cyclone, hurricane & typhoon, and earthquake (and fire following) with respect to Australia, New Zealand (quake only) and US (excluding Puerto Rico). All other perils are non-peak.  
2. US Peak perils defined as hurricane and earthquake (and fire following)

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Any forward-looking statements assume large individual risk and catastrophe claims do not exceed the significant allowance in our business plans; no reduction in premium rates in excess of our 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 strong reinsurance panel; no unplanned 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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