2021 Annual Report

QBE INSURANCE GROUP LIMITED

QBE

Important information

Basis of presentation (unless otherwise stated)

All amounts in this report are US dollars.

Premium growth rates are quoted on a constant currency basis.

Premium rate changes exclude North America Crop and/or Australian compulsory third party motor (CTP).

Adjusted net cash profit (loss) after tax adjusts for Additional Tier 1 capital coupon accruals, amortisation and restructuring costs.

APRA PCA calculations at 31 December are indicative. Prior year calculation is consistent with APRA returns finalised subsequent to year end.

Basis of presentation (Section 1)

Combined operating ratio, net claims ratio and underwriting results exclude the impact of changes in risk-free rates used to discount net outstanding claims.

Basis of presentation (Section 2)

Combined operating ratio and net claims ratio exclude the impact of changes in risk-free rates used to discount net outstanding claims.

2021 figures exclude the impact of COVID-19 and the transaction to reinsure Australian CTP.

2020 figures exclude the impact of COVID-19.

Prior accident year claims development excludes North America Crop development that is matched by premium cessions under the MPCI scheme.

North America and International results (2019 and earlier) have been restated for the transfer of North America's inward reinsurance business to QBE Re, part of International.

Prior periods (2019 and earlier) are presented on a continuing operations basis and adjusted basis as presented in prior year reports.

Analysis of the Group by division excludes Corporate & Other.

This is an interactive PDF designed to enhance your experience. The best way to view this report is with Adobe Acrobat Reader. Click on the links on the contents pages or use the home button in the footer to navigate the report.

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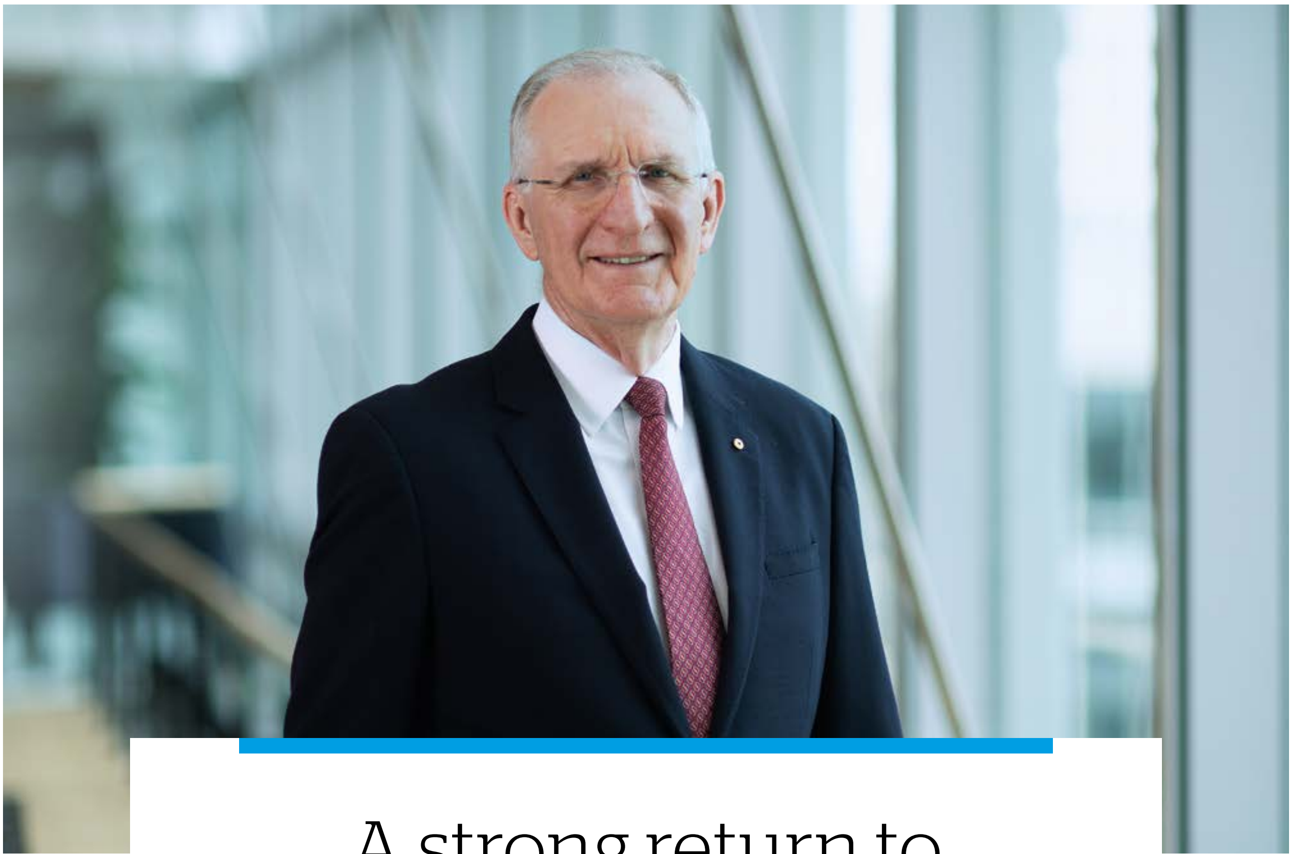


A strong return to profitability and growth

We started 2021 with cautious optimism and while global economic growth surpassed expectations, headwinds still remain with a resurgence of the pandemic and inflationary pressures contributing to uncertainty.

We are acutely aware of the ongoing impact of the pandemic on our people, customers and the communities in which we operate. In this environment we continue to provide support and innovative solutions in response, focusing on their wellbeing and continued recovery.

While the global pandemic and associated economic and societal impacts have been top of mind for everyone, we recognise the ever-increasing threat of climate change. In 2021 a high level of natural catastrophes ranging from severe flooding and hurricanes to unprecedented rainfall and record-breaking temperatures impacted our results during the year.

Amidst this backdrop, QBE has seen a strong return to profitability and growth, reflecting the strength of our business and the ongoing hard work by our teams across the world. We remain well placed to support and grow with our customers as the economies in which we operate recover.

We are pleased with our statutory profit of $750 million for the 2021 financial year and the significant level of growth in each of our divisions. This growth and operating performance were achieved while also maintaining our strong capital position. Delivery against strategic priorities and an unrelenting focus on the fundamentals of the business were critical to this improved performance. As a result of this improved outcome, the Board has declared a final dividend of 19 Australian cents per share, up from nil for the 2020 final dividend.

Leadership

In March 2021, we were pleased to announce the appointment of Andrew Horton as our new Group Chief Executive Officer with effect from 1 September. Andrew has over 30 years' experience in insurance and banking and has a deep understanding of the insurance landscape. During the interview process, the Board was particularly impressed with his engaging, inclusive and collaborative leadership style. It is evident that Andrew is a leader who believes in the power of culture as a key driver of business success and he has already demonstrated his keenness to build on the important work of our Board-sponsored Culture Accelerator program to enhance and evolve QBE's culture.

Andrew succeeded Richard Pryce who provided important continuity and stable leadership as Interim Group Chief Executive Officer for the better part of 2021. On behalf of our shareholders, the Board and all of the people of QBE, I extend my thanks to Richard for his leadership during his time at QBE and wish him well in his retirement.

We also made key appointments to our Group Executive Committee in 2021, complementing the existing team and skillset. We welcomed Fiona Larnach as Group Chief Risk Officer in March and Sue Houghton as our new Chief Executive Officer, Australia Pacific in August. Sam Harrison was promoted to the role of Group Chief Underwriting Officer in April and Amanda Hughes was promoted to the role of Group Executive, People and

Culture in December, reflecting our focus on succession planning and investment in the development of our talent pipeline.

Our Group Executive Committee now comprises 45.5% women and reflects our commitment to diversity. We continued to make progress on our target of having 40% women in leadership by 2025, with an increase over last year from 34.8% to 35.9%.

Culture

The Board is committed to a respectful and inclusive environment for all our people and culture has remained a key focus throughout the year. We made significant progress with our Culture Accelerator, which has been sponsored by John Green, Deputy Chair, and Tan Le, non-executive director, reflecting its importance. We believe culture is foundational to our future success.

As a result of this work, we have a clear view of our target-state culture and a blueprint for change which will guide our focus over coming years. Our people are at the heart of our culture and have shaped the pathway forward. We have undertaken a comprehensive review of our culture by engaging with our people through a global survey, interviews with over 150 senior leaders across the business and workshops with over 1,000 employees. A global culture advisory group of 20 leaders and a culture connectors group of 120 employees were established and will continue to shape how we better foster and embed a QBE culture which embraces an inclusive and respectful workplace.

To help our people understand expected behaviour, we refreshed our QBE DNA which interlinks seven cultural attributes that are fundamental to who we are and how we operate to achieve success. Moreover, we introduced a shared language of behaviours, to help everyone live the QBE DNA each day.

Central to our cultural efforts has been an ongoing focus on inclusion and diversity. We conducted a global maturity assessment and refreshed our Inclusion of Diversity Policy.

A key aspect of culture is how we invest in our people and foster talent, particularly with a focus on succession planning and building future-ready leaders across our organisation. During the year, QBE introduced the executive team health framework which is designed to support the development of our current and future Group Executive leaders, with specific and measurable outcomes based on relevant context and priorities. We will continue to use these tools as we look to cascade our talent practices to build a consistent people focus and accountability throughout the organisation.

Operating sustainably

QBE remains committed to integrating sustainability across the business. Our sustainability framework helps drive performance, manage risks and identify opportunities across the areas of sustainability that are most important to our business, customers, communities and other stakeholders. There are six focus areas outlined in our framework: sustainable insurance, impact and responsible investment, operational excellence, people and culture, customer and community, and governance.

In line with our framework, we publish an annual Sustainability Scorecard that outlines our key initiatives, commitments and targets. During 2021, we made strong progress against our scorecard and continued to strengthen our approach to sustainability. Further information can be found in our 2021 Sustainability Report.

In June 2021, we published QBE's Human Rights Policy outlining our commitment to respecting human rights in our role as an employer, insurer, investor and business partner. We have also outlined how we respect human rights in our interactions with customers and in our communities. We will continue to integrate human rights considerations across the business according to international principles.

Our annual Modern Slavery and Human Trafficking Statement will be released in due course, outlining the steps we have taken to identify and address modern slavery risks across our operations and supply chain. In 2022, we will continue to enhance our modern slavery program of work.

Our new Environmental and Social Risk Framework became effective from 1 January 2022 and our focus has been on integrating this into our business over the last year. The framework further supports the integration of environmental, social and governance (ESG) considerations into our core business and helps improve transparency for our customers.

Through our positions in the framework, we have committed to reduce our exposure to higher transition risks in the energy sector including no new coal and oil sands projects, and only supporting oil sands and Arctic drilling where the company is on a pathway consistent with achieving the Paris Agreement objectives. Further detail on how we assess the transition pathway is on page 36. We also continue to maintain zero direct investments in thermal coal.

QBE has a diverse and international portfolio of customers in the energy sector, and we are committed to working with them to support a shift to more sustainable business models and reducing the emissions intensity across the economy.

An exclusionary approach to all fossil fuel-related activity on a categorical basis does not represent an orderly path to a net-zero economy. Gas continues to be an important transition fuel and oil has a role in many transport sectors, in addition to its inclusion in many industrial processes, until viable alternatives are available. We need energy that is reliable, safely produced and affordable as well as clean. We continue to support a smooth transition pathway and new business models that are being implemented at pace, particularly where this is towards renewable energy.

Climate change is a global challenge requiring the collaborative efforts of a range of stakeholders to minimise economic disruption and deliver an orderly transition to a net-zero emissions economy. We engage in climate-related partnerships for impact, working with government, industry, customers and community groups.

In 2020, we were proud to be the first Australian-based insurer to join the UN-convened Net-Zero Asset Owner Alliance, committing to transition our investment portfolio to net-zero greenhouse gas emissions by 2050. We also extended our commitment to supporting the transition to a net-zero economy by joining the UN-convened Net-Zero Insurance Alliance in January 2022 and by setting a new target to achieve net-zero emissions for our global operations by 2030. We remain focused on our commitment to reduce our overall energy use and source 100% renewable electricity for our operations by 2025.

In January this year, we launched a sustainable energies unit in our International business to support customers as they transition to lower carbon energy. The unit will align QBE underwriting to the growing range of companies and energy systems that form part of a rapidly changing energy mix throughout the world. Projects include hydrogen, ammonia, hydro, solar, fixed and floating wind-power and carbon capture and sequestration.

We remain proud of our impact investment initiative, Premiums4Good, which now has $1.4 billion invested in 83 securities across 10 impact areas, and our ambition is to grow impact investments to $2 billion by 2025.

Looking ahead

While some uncertainty surrounds the global economic outlook for 2022, we start the year expecting supportive trading conditions across the major markets in which we operate. Noting the strong momentum across the Group, we remain confident of further growth and margin improvement in 2022.

We also start the year with a renewed QBE Vision and Purpose and longer-term strategic priorities, which are outlined in detail in the Group Chief Executive Officer's report on page 6. It has never been more important to have a Vision and Purpose that appropriately reflect the ambitions of the organisation and the world in which we live. Our refined Vision and Purpose provide a strong sense of direction for the future.

2021 was another momentous but ultimately successful year for our organisation and I thank all our employees, customers, partners, shareholders and my fellow directors for their continued support of QBE.

Mike Wilkins AO
Independent Chair

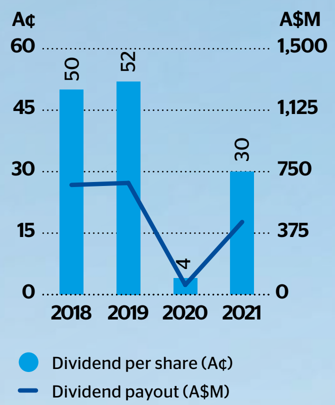
2021 snapshot[1]

Shareholder highlights

Dividend payout (A$M)

443

651% from 2020



Return on average shareholders' equity – adjusted cash basis

10.3%

2020 **(10.9)%**

Basic earnings (loss) per share – adjusted cash basis (US¢)

54.6

2020 **(60.7)**

Dividend per share (A¢)

30

2020 **4**

Sustainability highlights

Transitioning to net-zero

2025

Set intermediate targets for our investment portfolio

2030

Committed to net-zero emissions across our global operations

2050

Committed to net-zero emissions across our underwriting and investment activities[2]

Met RE100 target

Used 100% renewable electricity for our operations globally[3]

Inclusion of diversity

Awarded Gold Employer Status in the Australian Workplace Equality Index

AUSTRALIAN LGBTQ INCLUSION AWARDS 2021 AWEI GOLD EMPLOYER

Women in leadership

35.9%

2020 **34.8%**

Included on the 2022 Bloomberg Gender-Equality Index

Bloomberg Gender-Equality Index 2022

Launched new global QBE Foundation strategy

Creating strong, resilient and inclusive communities

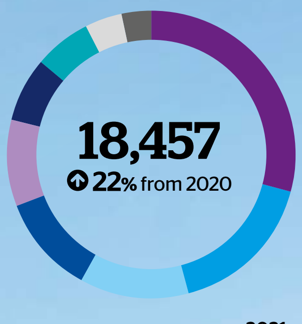
1 Financial information above is extracted or derived from the Group's audited financial statements on pages 81 to 162 of this Annual Report. The Group Chief Financial Officer's report provides out further analysis of the results.

2 Commitment to net-zero emissions in investment portfolio made in 2020 by joining the UN-convened Net-Zero Asset Owner Alliance.

3 In 2021, we aligned our reporting to the RE100. RE100's calculations (as per RE100 Materiality Threshold guidance) exclude electricity use from countries with small electricity loads (<100MWh/year and up to a total of 500MWh/year) and where it is not feasible to source renewable electricity. The exclusion equated to 0.5% of our global electricity use in 2021.

Statutory financial highlights

Gross written premium by class of business (US$M)



	2021 %	2020 %
Commercial & domestic property	29.4	30.4
Agriculture	16.6	14.1
Public/product liability	12.1	11.9
Motor & motor casualty	11.1	12.1
Professional indemnity	9.8	9.2
Marine energy & aviation	7.2	8.2
Workers' compensation	6.3	5.8
Accident & health	4.3	4.8
Financial & credit	3.2	3.2
Other	-	0.3

Net earned premium (US$M)

13,408

10% from 2020

Net earned premium by type

90% direct and facultative insurance

10% inward reinsurance

Combined operating ratio

93.7%

2020 **104.2%**

Net profit (loss) after tax (US$M)

750

2020 **(1,517)**

Insurance profit (loss) (US$M)

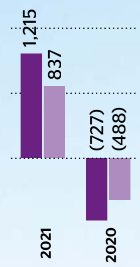
1,215

2020 **(727)**

Underwriting result (US$M)

837

2020 **(488)**



Ex-cat claims ratio

Group

59.4%

2020 **59.3%**

Segment

Catastrophe claims (US$M)

924

3% from 2020

Catastrophe claims ratio

6.9%

2020 **7.7%**

Operational highlights

Gross written premium growth

22%

2020 **10%**

Average renewal premium rate increase

Group

9.7%

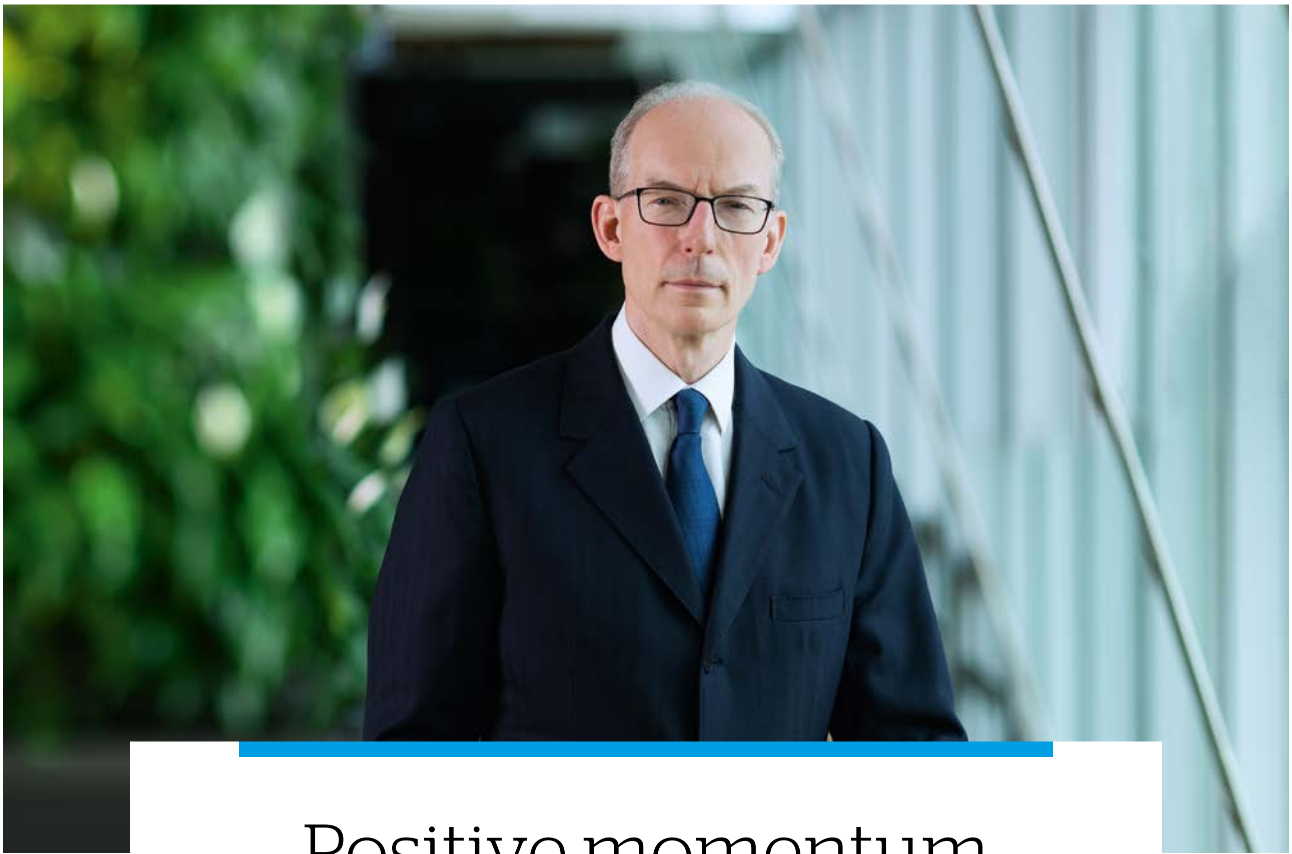
2020 **9.8%**

Segment

Premium retention

84%

2020 **82%**



Positive momentum across the business

The global economy continued to recover in 2021 as a gradual reopening in key regions saw activity levels progressively normalise, underpinned by supportive fiscal and monetary policy settings. The economic outlook remains encouraging into 2022, although we remain conscious of the risks associated with inflationary pressures, ongoing disruption to global supply chains and the withdrawal of emergency stimulus measures in many key economies.

The Omicron variant serves to highlight that the health and economic risks associated with COVID-19 will be ongoing in 2022. Against this backdrop, we continue to support our people, customers and communities and recognise their ongoing resilience through 2021. Maintaining momentum in global vaccination programs will remain a key mitigating factor throughout the year.

Insurance trading conditions were favourable throughout 2021 and QBE remained focused on driving further improvement in profitability while also achieving measured growth across select portfolios. Our top line momentum was particularly noteworthy, supported by strong rate increases across all divisions, improved premium retention and targeted new business growth.

Following another year of elevated natural catastrophe claims costs, building inflationary signals and continued low interest rates, the premium pricing environment is expected to remain supportive in 2022. With such a degree of uncertainty in the outlook for the global economy, the industry should remain pragmatic about both building financial resilience and improving returns.

Business performance

We experienced positive momentum across the business in 2021, culminating in a statutory combined operating ratio of 93.7%, compared with 104.2% in the prior year. Group-wide premium rate increases of 9.7% were again broad-based and continue to compound on prior year increases including 9.8% achieved in 2020. Constant currency premium growth was 22%, the strongest organic growth achieved in over a decade, underpinned by ex-rate growth of 15% as targeted growth initiatives gathered momentum. US Crop delivered outstanding growth, assisted by materially higher commodity prices and further growth in policy count.

Heightened natural catastrophe activity continued in 2021, with annual insurance industry insured losses likely to settle as one of the highest on record. Not surprisingly given this backdrop, catastrophe costs of $924 million materially exceeded our planned allowance for the year. This disappointing outcome was partly offset by ongoing expense discipline coupled with positive operating leverage

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due to strong growth, which contributed to further improvement in our expense ratio to 13.6% from 15.0% in 2020.

Our investment result declined in 2021, albeit materially impacted by the mark-to-market associated with the gradual improvement in risk-free rates over the year, partly offset by a recovery in growth asset returns and improved running yield. Over the course of 2022 and 2023, we expect to gradually add risk to our currently conservative investment asset allocation which, together with the higher running yield at year end, should support an improved investment return in the coming year.

North America's performance improved in 2021 benefitting from organic growth and a continued positive rate environment; however, heightened catastrophe experience and further adverse prior accident year claims development resulted in a combined operating ratio of 105.2%. While the result fell short of our expectations, we are focused on a number of initiatives aimed at reducing volatility and balancing the risk profile of the overall business. North America delivered double digit premium growth across all three business segments, helping to drive improved operating leverage, with growth initiatives executed around a focus on building scale and relevance in core portfolios including financial lines and retail. We are confident that performance will continue to improve as the team executes a multi-year strategy to reshape the business into a platform of relevant and at-scale businesses that deliver a consistent, sustainable and appropriate risk-adjusted return on capital.

International achieved strong premium growth in 2021 and, while much of this was driven by continued rate momentum across most markets, promising volume growth was noted across the majority of portfolios. The business responded promptly to the UK Supreme Court judgement on COVID-19 business interruption, swiftly paying valid claims and conducting a review of our policy wording in parallel. Our strategic focus has been on both leveraging market conditions to deliver robust in-year performance and building a strong platform for future organic growth across key geographies and sectors. The well diversified nature of our business served us well in 2021, and we will continue to optimise the portfolio to both improve returns and reduce volatility.

Australia Pacific delivered a strong performance in 2021, achieving premium growth of 17% alongside a materially improved underwriting result. The business maintained its focus on supporting customers, partners and people through the evolving and challenging COVID-19 backdrop while continuing to progress digital capability, develop go-to-market propositions and maintain 'Brilliant Basics' operating disciplines. This helped to deliver a material improvement in customer retention and new business volumes which, together with the recovering economy and sustained strong rating environment, supported encouraging business momentum.

Further detailed information on our financial performance is outlined in the Group Chief Financial Officer's report on page 10.

Our people, customers and communities

Throughout 2021, our people successfully navigated a constantly changing landscape, demonstrating both resilience and adaptability. I am proud of their hard work and steadfast focus on supporting our customers, partners and each other.

We have continued to evolve our ways of working in response to the systemic shifts brought about by the pandemic. Our people have embraced hybrid working which provides greater flexibility to work from home or the office, depending on the nature of work required. Our ongoing focus on culture and a newly employed listening strategy have enabled us to gain a deeper understanding of what drives employee engagement.

In 2021, we refreshed our approach to 'inclusion of diversity' recognising that in order to foster and realise the benefits of our differences, it is essential to create an environment where everyone is, and feels, included. We value the collective diversity of our people with different perspectives, backgrounds and ways of working contributing to our ability to innovate, challenge and support each other, and serve our diverse customer base.

We have worked hard to adapt to the evolving needs of our customers and continually improve our customer support. This year, we further developed digital tools to assess customer claims and expedite our response. In Australia, we have responded to the needs of our more vulnerable customers and now offer domestic violence support, as well as providing interpreter services for customers in over 160 languages and dialects. Supporting those most vulnerable in our community is important to QBE.

In Europe, we launched a new ESG initiative for SMEs that includes a template sustainability policy and a framework to identify, monitor and manage a range of ESG issues that may impact their business. In North America, we broadened the reach of our Customer@QBE program to further embed a customer mindset through improved customer support training.

Importantly, we have supported customers through a large number of natural perils across the world, including Cyclone Seroja in Western Australia, the Eastern Australian floods, Texas Winter Storm Uri and Hurricane Ida in the United States and Storm Bernd in Europe.

We are proud of the support we provide to the communities in which we operate and, in 2021, our QBE Foundation celebrated its 10th birthday. To mark this anniversary, the QBE Foundation launched a new strategic framework and guiding principles focused on addressing climate resilience and inclusion for communities. Through this increased focus, we believe we can contribute to better prepared communities and improved financial stability, resulting in better outcomes for those in need. The strategy draws on our global sustainability framework, priority United Nations Sustainable Development Goals and the annual materiality assessment to achieve greater impact and directly target the areas where QBE can make the greatest contribution.

Performance against 2021 strategic priorities

Meaningful progress was achieved against each of our 2021 strategic priorities of performance, modernisation, customer focus and culture. We saw significant progress on a number of activities underpinning the performance agenda with the reinvigoration of cell reviews, delivery against key sustainability and climate commitments and targeted growth. Our modernisation journey continues with ongoing efforts to upgrade critical foundational capabilities and to further embed our digital capabilities across the organisation. Embedding automation across underwriting, distribution and claims to support the evolving needs of our customers and partners remains an ongoing focus. While there are still key programs of work to deliver, we are now well progressed with our modernisation journey.

Work on Customer@QBE continued throughout the year with a focus on developing the framework on 'how we show up' to all our customers on a consistent basis across the globe. This builds on the foundational elements of the program that were launched earlier in the year and includes customer mindset (how we think about our customers), insights (the knowledge we have about our customers combined with our insurance expertise) and delivery (what and how we deliver to our customers).

Our talent & culture pillar was a key area of focus throughout the year, building on our QBE DNA and leveraging our work on culture through the Board-sponsored Culture Accelerator program. We have defined the type of culture we want to create and have mapped this against our current state, which has helped to identify key priorities for 2022. This important conversation spanned much of the year and involved the entire organisation, creating a refreshed DNA that reflects desired behaviours and a shared language to encourage people to speak up. The work also identified the need for a refreshed recognition program grounded in the DNA.

Cultural focus should be ongoing and, now that we have created our first enterprise culture plan, we will embed the Culture Accelerator into our strategic priorities, recognising that culture is one of the fundamental strategic pillars that supports our ongoing success.

Setting a new strategic direction

I was honoured to join QBE on 1 September 2021 and immediately recognised that I had joined an organisation with great potential. My overarching goal is to establish QBE as a consistently high-performing enterprise that is both culturally and operationally united, with a clear strategic direction.

The Group Executive and I have spent considerable time defining our strategic priorities for the medium to long term. In determining QBE's future strategic priorities and direction, we felt it was important to go right back to the core of why we exist. We have spent time considering our vision and purpose statements to ensure they better reflect the world in which we live, how we can help to make a positive contribution and support our people. As a result, we were pleased to launch our new Vision and Purpose in January 2022.

Our vision is to be 'the most consistent and innovative risk partner' and our purpose is 'QBE – enabling a more resilient future'.

Our organisational Vision and Purpose have shaped six new strategic priorities for QBE (as outlined in the page opposite), being portfolio optimisation, sustainable growth, bring the enterprise together, modernise our business, our people and our culture.

Portfolio optimisation is about more actively managing the future direction of our business by making deliberate choices about the mix of products we offer, the business lines and geographies in which we operate and the customers we support. This will lead to a better understanding of the risks we are assuming, including the inherent volatility in the business we write, and therefore, a better balance of risk resulting in more consistent outcomes. We will be developing a globally consistent framework to apply across QBE with specified targets to be set by region, customer type and class.

As we think more broadly about our portfolio mix, we will also identify opportunities that enable QBE to deliver sustainable growth, increasing our reach and strengthening our market relevance. We will harness the depth and breadth of product knowledge and expertise and innovate new product offerings and risk solutions to address our customers' needs. Our growth ambition will be realised through a balanced portfolio of initiatives that include deepening our existing business with clear strategies aligned to risk appetite; selectively extending our core business into new segments, regions or product lines and experimenting to better understand emerging opportunities; and developing innovative solutions for the long term.

To achieve our vision and deliver on our purpose, we need to evolve our operating model and organisational structure to bring the enterprise together, to help us more effectively organise, manage and leverage our capabilities across all markets. We also need to simplify what we do and remove complexity in how we do it, by supporting strategy-aligned prioritisation of activities, driving consistent processes, having clearer and more effective governance, and providing more clarity of accountabilities across QBE.

To ensure we are a future fit and modern insurer, we must complete the modernisation of our foundational systems and processes. We also need to accelerate development of, and investment in, our digital capabilities to make interactions with QBE easier for our customers, partners and people. We will strategically invest in differentiating capabilities (people, processes, technology and data) that drive insight and support innovation.

We are focused on becoming an employer of choice in our chosen markets and on building and empowering a sustainable and diverse pipeline of leaders. Our strategy also depends on our ability to enhance the link between the performance, culture and way we reward our people, so we will be doing further work on this.

We will also be investing in more targeted workforce and succession planning to ensure we can harness the talent we already have and help to build the capabilities we need now and in the future.

Finally, we will focus on becoming a more purpose-led organisation. We need to strengthen the alignment, trust and collaboration that takes place across the enterprise. Our goal is to ensure that our purpose is visible every day, in every interaction we have.

Underpinning these priorities is a continuing focus on increasing consistency in how we plan and deliver performance, integrating sustainability into all facets of our business, demonstrating an enterprise mindset and continually evolving the experience we provide our customers and partners.

Conclusion

QBE generated strong momentum in 2021 during a second year impacted by the pandemic, underpinned by a collective team effort across the globe. Our people continue to demonstrate enormous resilience, responding well to the changes in our ways of working, and delivering for our customers and partners.

I am confident we have a strong international insurance business with enormous potential and my priority is to build on the existing business momentum, bringing together our people with our shared Vision and Purpose to drive our future strategic direction.

I want to extend my thanks to both the Group Executive Committee for their hard work and support and the over 11,000 people who come to work each day in support of our customers and partners.

Outlook

QBE delivered a strong result in 2021, with notable momentum across many of the key value drivers for the business. Our new strategic priorities will build on these strong foundations in 2022, where we are increasingly confident in our ability to drive sustained improvement across the organisation, and expect this should result in a consistent low to mid-90's combined operating ratio for the business. We currently expect growth in constant currency gross written premium in 2022 to be in the high single digits.

Andrew Horton
Group Chief Executive Officer

Our strategy

Our purpose

QBE – enabling a more resilient future

Our vision

To be the most consistent and innovative risk partner

	Portfolio optimisation	Sustainable growth	Bring the enterprise together	Modernise our business	Our people	Our culture
Our priorities	Actively manage for consistency and resilience Consistent framework to identify and monitor target portfolio Reduce volatility in earnings	Harness the depth and breadth of product knowledge and expertise Innovate new product offerings and risk solutions to solve customer needs	Leverage expertise and capability across markets Optimise our operating model Simplify what we do and remove complexity in how we do it	Complete the modernisation of foundational systems and processes Accelerate digital capabilities to make it easier for our customers, partners and people Invest in differentiating capabilities that drive insight and support innovation	Reward and recognition to drive culture and enterprise performance Invest in our people and internal succession Future focus through strategic workforce planning	Strengthen alignment and collaboration across the enterprise Live our purpose every day
What success looks like	**Consistent profitability**	**Sustainable growth**	**Easier to get things done**	**Easier and simpler to do business with**	**Employer of choice in chosen markets**	**Culture drives performance**

Our DNA

- We are accountable
- We are courageous
- We are technical experts
- We are fast-paced
- We are customer-focused
- We are inclusive
- We are a team

Operating and financial review

Group Chief Financial Officer's report

QBE achieved a strong rebound in profitability during 2021, reflecting a material improvement in underwriting earnings despite heightened catastrophe experience. Favourable market conditions and a focus on targeted growth supported a 22% increase in our premium base. We enter 2022 with real momentum.

Gross written premium (US$M)

18,457

22% from 2020

Net earned premium (US$M)

13,408

10% from 2020

Statutory underwriting profit (loss) (US$M)

1,138

2020 (869)

Financial performance

QBE reported a statutory net profit after tax of $750 million compared with a loss of $1,517 million in 2020.

Adjusted cash profit after tax improved to $805 million from a loss of $863 million in the prior year and equates to a return on equity of 10.3%.

The statutory underwriting profit improved to $1,138 million (which included a $301 million risk-free rate benefit) from a loss of $869 million (which included a $381 million risk-free rate charge) in 2020, notwithstanding increased catastrophe claims and further adverse prior accident year claims development.

Gross written premium increased 22% as a result of premium rate increases, improved retention and strong new business growth. Growth in our Crop business was particularly strong, supported by higher commodity prices and targeted organic initiatives.

The statutory combined operating ratio improved to 93.7% from 104.2% in 2020, reflecting significant COVID-19 claims in the 2020 result and improved current accident year profitability.

The benefits of increased operating efficiency more than offset a material increase in catastrophe claims.

Crop reported a combined operating ratio of 92.7% compared with 95.0% in the first half and 98.2% in 2020. Underwriting profit increased to $87 million from $14 million in 2020.

The Group's statutory expense ratio improved to 13.6% from 15.0% in the prior year, reflecting further cost savings from the operational efficiency program coupled with operating leverage due to strong premium growth.

We are now well into the next phase of our operating efficiency journey, including the rationalisation and modernisation of our IT estate, which is expected to contribute to an expense ratio of 13% by 2023. In addition to cost efficiencies, digitisation and modernisation are expected to drive sustained improvement in operating capacity and business agility.

As we approach our 13% expense ratio target, we expect to increasingly reinvest incremental operating efficiencies to capitalise on longer-term growth opportunities.

Financial strength and capital management

QBE's capital position strengthened during the year, notwithstanding very significant organic growth.

QBE's indicative APRA PCA multiple increased to 1.81x at 31 December 2021. Excluding GBP327 million of subordinated debt intended to be redeemed, the indicative pro forma APRA PCA multiple was 1.75x, up from 1.72x at the end of 2020, and at the higher end of our 1.6–1.8x target range.

The improvement in the regulatory capital position primarily reflects strong organic earnings generation during the year.

We have revised our measure of gearing from debt to equity to debt to total capital to align with the approach underpinning our external debt covenants. Debt to total capital was 26.9% at 31 December 2021. Excluding the subordinated debt intended to be redeemed, pro forma gearing improved to 24.1% from 25.8% at the end of 2020, and is within the Group's 15–30% target range.

The probability of adequacy (PoA) of net outstanding claims reduced slightly to 91.7% from 92.5% at the end of 2020, but remains towards the top end of our 87.5–92.5% target range.

Investment performance and strategy

The total investment return for the year was 0.4% and compared with 0.9% in 2020.

During the year the Group held a modestly short asset duration relative to outstanding claims liabilities. With the significant steepening in yield curves, the Group generated a pre-tax profit of $41 million as a result of this tactical curve positioning.

Our investment approach remains conservative, with 94% of our cash and investments in high quality fixed income securities and the remaining 6% in risk assets, primarily unlisted property and infrastructure.

In 2022, we will gradually move towards our long-term strategic asset allocation benchmark of 15% exposure to risk assets, including equities, high yield and emerging market debt, and private credit.

Statutory net profit (loss) after tax (US$M)

750

2020 (1,517)

Adjusted cash profit (loss) ROE

10.3%

2020 (10.9)%

Summary income statement and underwriting performance

	STATUTORY		ADJUSTMENTS			MANAGEMENT BASIS	
FOR THE YEAR ENDED 31 DECEMBER	**2021 US$M**	**2020 US$M**	**CTP 2021 US$M**	**COVID 2021 US$M**	**COVID 2020 US$M**	**2021[1,2] US$M**	**2020[1] US$M**
Gross written premium	**18,457**	14,643	**–**	**4**	(42)	**18,453**	14,685
Gross earned premium	**17,035**	14,008	**–**	**4**	(42)	**17,031**	14,050
Net earned premium	**13,408**	11,708	**(365)**	**(6)**	(77)	**13,779**	11,785
Net claims expense	**(8,371)**	(8,934)	**349**	**141**	(560)	**(8,861)**	(8,374)
Net commission	**(2,070)**	(1,891)	**19**	**2**	9	**(2,091)**	(1,900)
Underwriting and other expenses	**(1,829)**	(1,752)	**–**	**2**	(27)	**(1,831)**	(1,725)
Underwriting result	**1,138**	(869)	**3**	**139**	(655)	**996**	(214)
Net investment income on policyholders' funds	**77**	142	**–**	**–**	–	**77**	142
Insurance profit	**1,215**	(727)	**3**	**139**	(655)	**1,073**	(72)
Net investment income on shareholders' funds	**45**	84					
Financing and other costs	**(247)**	(252)					
Loss on sale of entities and businesses	**–**	(2)					
Share of net loss of associates	**(7)**	(5)					
Restructuring and related expenses	**(72)**	(104)					
Amortisation and impairment of intangibles	**(21)**	(466)					
Profit (loss) before income tax	**913**	(1,472)					
Income tax expense	**(156)**	(39)					
Profit (loss) after income tax	**757**	(1,511)					
Non-controlling interests	**(7)**	(6)					
Net profit (loss) after income tax	**750**	(1,517)					

KEY RATIOS	**%**	**%**	**%**	**%**
Net claims ratio (ex risk-free rate)	**64.6**	73.1	**66.5**	67.9
Prior accident year claims development	***(1.1)***	*3.1*	***1.4***	*3.1*
Risk margin (release) charge	***(0.6)***	*2.9*	***0.7***	*0.4*
Net commission ratio	**15.5**	16.1	**15.2**	16.1
Expense ratio	**13.6**	15.0	**13.3**	14.6
Combined operating ratio (ex risk-free rate)	**93.7**	104.2	**95.0**	98.6
Combined operating ratio	**91.5**	107.4	**92.8**	101.8
Insurance profit (loss) margin	**9.1**	(6.2)	**7.8**	(0.6)

1 Excludes estimated impact of COVID-19 on Group underwriting results.
2 Excludes transaction to reinsure CTP liabilities which, although immaterial to profit overall, materially impacts year-on-year comparison of net earned premium and underwriting ratios.

Cash profit and dividends

Reconciliation of cash profit

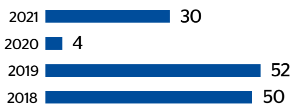
FOR THE YEAR ENDED 31 DECEMBER	2021 US$M	2020 US$M
Net profit (loss) after tax	**750**	(1,517)
Amortisation and impairment of intangibles after tax [1]	**53**	455
Write-off of deferred tax assets	**–**	120
Write-off of capitalised IT assets	**–**	27
Net cash profit (loss) after tax	**803**	(915)
Restructuring and related expenses after tax	**52**	75
Net loss on disposals after tax	**–**	2
Additional Tier 1 capital coupon accrual	**(50)**	(25)
Adjusted net cash profit (loss) after tax	**805**	(863)
Return on average shareholders' equity – adjusted cash basis (%)	**10.3**	(10.9)
Basic earnings (loss) per share – adjusted cash basis (US cents)	**54.6**	(60.7)
Dividend payout ratio (percentage of adjusted cash profit) [2]	**41%**	N/A

1 $50 million of pre-tax amortisation expense is included in underwriting expenses (2020 $50 million).

2 Dividend payout ratio is calculated as the total A$ dividend divided by adjusted cash profit converted to A$ at the period average rate of exchange.

Dividends per share (A¢)

30



Dividend payout (A$M)

443

Dividends

The Board has reassessed the Group's dividend policy and now expects to pay out 40%–60% of adjusted cash profit annually. This revised approach will better support the Group's growth ambitions and provide flexibility to manage the dynamics of the global insurance cycle.

The final dividend for 2021 is 19 Australian cents per share, compared with the nil 2020 final dividend.

The final dividend will be 10% franked and is payable on 12 April 2022. The Dividend Reinvestment Plan and Bonus Share Plan will be satisfied by the issue of shares at a nil discount.

The combined 2021 interim and final dividend of 30 Australian cents per share is up substantially from 4 Australian cents per share in 2020 and equates to a total payout of A$443 million or 41% of adjusted cash profit.

The payout for the current period balances the need to reward shareholders while retaining capital flexibility to support the near-term growth outlook and the normalisation of risk settings in our investment portfolio.

Significant items impacting the underwriting result

The summary income statement on the preceding page shows the statutory result excluding the following items to more clearly present underlying performance.

CTP reinsurance

During 2021, the Group entered into a transaction to reinsure Australian CTP prior accident year liabilities which reduced net earned premium and net claims expense by $365 million and $349 million respectively, while positively impacting commission expense by $19 million.

While not materially impacting profit, the transaction impacts year-on-year comparison of net earned premium and underwriting ratios.

COVID-19

The result included a COVID-19 benefit of $139 million compared with a charge of $655 million in 2020, mainly due to a $140 million risk margin release reflecting reduced uncertainty with respect to business interruption, LMI and trade credit claims outcomes.

In addition, a current accident year charge of $63 million was offset by favourable prior accident year claims development of $64 million.

The current accident year charge included North America claims (mainly accident & health (A&H), professional liability and workers' compensation) and a modest second half charge for potential Australian business interruption claims.

Prior accident year claims development included adverse development in North America which was more than offset by favourable development in International as well as positive development in business interruption, LMI, CTP and trade credit in Australia Pacific.

While QBE separately identified obvious COVID-19 impacts, there could be other less significant impacts, both positive and negative, that were not readily identifiable or quantifiable.

Further commentary in relation to COVID-19 is included in Note 1.2.3 on page 88 of this Annual Report.

Unless otherwise stated, the Group and business commentary following excludes the impact of COVID-19 and the 2021 CTP reinsurance transaction.

Segment underwriting performance

Combined operating ratio

95.0%

Net claims ratio

66.5%

Net commission ratio

15.2%

Expense ratio

13.3%

- North America
- International
- Australia Pacific

North America

North America reported a combined operating ratio of 102.9%, down from 112.7% in 2020.

Excluding further disappointing adverse prior accident year claims development, the current accident year combined ratio improved to 99.2% from 103.7% in 2020.

Significantly higher catastrophe costs, which included Winter Storm Uri and Hurricane Ida, were more than offset by an improvement in the ex-cat claims ratio and the combined commission and expense ratio as a result of premium rate increases, cost savings and favourable operating leverage.

Despite drought conditions in parts of the Mid West, Crop recorded a combined operating ratio of 92.7%, down from 98.2% in 2020. Strong premium growth and higher commodity prices contributed to a materially improved expense ratio.

International

International delivered another strong result reporting a combined operating ratio of 90.6%, down from 91.3% in 2020.

Excluding favourable prior accident year claims development, the current accident year combined ratio increased to 91.8% from 89.6% in the prior year.

Materially higher catastrophe costs more than offset further improvement in the combined commission and expense ratio. Both the insurance and reinsurance businesses were impacted by elevated catastrophe claims which included Storm Bernd as well as Winter Storm Uri and Hurricane Ida in the US.

The ex-cat claims ratio increased slightly with the benefit of further premium rate increases on the attritional claims ratio more than offset by strengthened IBNR assumptions, especially with respect to large individual risk claims.

European insurance and Asia recorded improved underwriting results relative to the prior year while QBE Re was impacted by heightened catastrophe costs and adverse prior accident year claims development.

Australia Pacific

Australia Pacific reported a strong combined operating ratio of 91.4%, down from 92.8% in 2020.

Excluding adverse prior accident year claims development, the current accident year combined ratio improved to 88.8% from 93.3% in the prior year.

Although elevated relative to the prior year, catastrophe claims costs reduced as a percentage of net earned premium.

The ex-cat claims ratio and the combined commission and expense ratio improved further, supported by premium rate increases, cost control and favourable operating leverage.

LMI reported a greatly improved combined operating ratio of 35.4%, down from 62.3% in the prior year. The strong residential property market and buoyant employment conditions contributed to the improved underwriting result.

	GROSS WRITTEN PREMIUM		NET EARNED PREMIUM		COMBINED OPERATING RATIO		INSURANCE PROFIT (LOSS) BEFORE INCOME TAX	
FOR THE YEAR ENDED 31 DECEMBER	2021 US$M	2020 US$M	2021 US$M	2020 US$M	2021 %	2020 %	2021 US$M	2020 US$M
North America	**6,289**	4,775	**3,965**	3,351	**102.9**	112.7	**(23)**	(488)
International	**6,958**	5,856	**5,545**	4,812	**90.6**	91.3	**716**	265
Australia Pacific	**5,215**	4,079	**4,265**	3,626	**91.4**	92.8	**446**	252
Corporate & Other	**(9)**	(25)	**4**	(4)	**–**	–	**(66)**	(101)
Group management basis	**18,453**	14,685	**13,779**	11,785	**95.0**	98.6	**1,073**	(72)
Risk-free rate impact	**–**	–	**–**	–	**(2.2)**	3.2	**–**	–
NSW CTP reinsurance	**–**	–	**(365)**	–	**(0.2)**	–	**3**	–
COVID-19 impact	**4**	(42)	**(6)**	(77)	**(1.1)**	5.6	**139**	(655)
Group statutory	**18,457**	14,643	**13,408**	11,708	**91.5**	107.4	**1,215**	(727)

Premium income and pricing

Gross written premium (US$M)

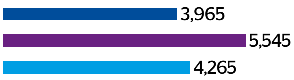
18,453

21% from 2020

Net earned premium (US$M)

13,779

12% from 2020



- North America
- International
- Australia Pacific

Average renewal premium rate increase

Group

+9.7%

North America	+10.7%
International	+10.2%
Australia Pacific	+8.3%

Group

Gross written premium increased 26% to $18,453 million from $14,685 million in the prior year.

On a constant currency basis, gross written premium increased 21% reflecting rate increases, organic growth and improved retention coupled with especially strong growth in Crop.

Excluding Crop, gross written premium growth was 17% on the same basis.

The Group achieved an average renewal premium rate increase of 9.7% compared with 9.8% in 2020.

Excluding premium rate increases and Crop, constant currency growth was 10% for the year, up from 1% in 2020 and 7% during the first half of 2021.

North America

North America reported a 32% increase in gross written premium, underpinned by an average renewal premium rate increase of 10.7% compared with 10.2% in 2020.

Excluding Crop, gross written premium grew 20%, mainly due to premium rate increases and growth in financial lines, programs (property and specialty) and retail (middle market).

Crop premium grew 51% as a result of significantly higher commodity prices coupled with strong organic growth.

Excluding premium rate increases and Crop, growth was 14%.

International

International reported a 15% uplift in gross written premium, underpinned by a 10.2% premium rate increase compared with 12.8% in the prior year.

European insurance (financial lines, property and liability) and QBE Re achieved strong top-line growth of 29% and 26% respectively, while the UK and International markets grew by 15% and 10% respectively. Asia contracted by 2% due to significantly reduced travel insurance business.

Excluding premium rate increases, growth was 6%.

Australia Pacific

Australia Pacific reported a 17% increase in gross written premium reflecting an 8.3% premium rate increase compared with 5.4% in 2020.

Growth in commercial lines, home, motor and LMI was partly offset by moderation in CTP and the impact of the economic slowdown in the Pacific Islands.

Excluding premium rate increases, growth was 11%.

Reinsurance expense

Reinsurance expense increased 44% to $3,252 million from $2,264 million in the prior year.

Much of the increase reflects growth in more heavily reinsured portfolios including Crop, North America financial lines (where growth is being supported by a 50% quota share) and LMI (where the current accident year quota share was increased to 50%) as well as additional (largely government) reinsurance on trade credit & surety.

Average renewal premium rate increases

FOR THE YEAR ENDED 31 DECEMBER	2021 %	2020 %	2019 %	2018 %
North America	**10.7**	10.2	5.7	3.8
International	**10.2**	12.8	6.0	4.1
Australia Pacific	**8.3**	5.4	7.3	7.2
Group	**9.7**	9.8	6.3	5.0

Foreign exchange rates

FOR THE YEAR ENDED 31 DECEMBER		2021		2020	
		PROFIT OR LOSS	BALANCE SHEET	PROFIT OR LOSS	BALANCE SHEET
Australian dollar	A$	**0.751**	**0.727**	0.688	0.771
Sterling	£	**1.375**	**1.353**	1.283	1.368
Euro	€	**1.182**	**1.138**	1.140	1.222

Underwriting expenses, commission and tax

Expense ratio

13.3%

2020 14.6%

Net commission ratio

15.2%

2020 16.1%

Tax rate

17.1%

2020 (2.6)%

Underwriting and other expenses

The Group's expense ratio improved to 13.3% from 14.6% in the prior year, reflecting disciplined cost management (albeit assisted by modest non-recurring savings) coupled with operating leverage as a result of strong premium growth.

North America reported significant improvement due to cost savings and operating leverage driven by strong premium growth, especially in Crop.

International and Australia Pacific also enjoyed a modest reduction in their expense ratios as a result of cost control coupled with positive operating leverage.

Net commission

The net commission ratio reduced to 15.2% from 16.1% in 2020, primarily due to business mix.

Growth in Crop, where commissions are reimbursed by the US Government, and in classes protected by quota share such as financial lines and LMI, beneficially impacted net commission expense in North America and Australia Pacific.

International's commission ratio improved due to profit commissions coupled with additional reinsurance on trade credit.

Income tax expense

QBE's effective statutory tax rate was 17.1% compared with a negative 2.6% in the prior year and reflects the mix of corporate tax rates in the countries where we operate, with profits in the North American tax group offset by previously unrecognised tax losses.

The prior year tax rate was impacted by the non-deductible impairment of goodwill and corresponding write-off of deferred tax assets.

During the year, QBE paid $88 million in corporate income tax globally, net of a $3 million refund in Australia which reduced our dividend franking account, the balance of which stood at A$54 million as at 31 December 2021. The franking account balance will enable the Group to fully frank A$126 million of dividends.

Having regard to QBE's franked AT1 distribution commitments, the dividend franking percentage is expected to remain around 10% for the foreseeable future.

Operational efficiency

Underwriting and other expenses (US$M)

1,831

Stable on 2020[1]

Expense ratio

13.3%

1 Constant currency basis.

We have made good progress on the next phase of our efficiency journey targeting an expense ratio of 13% by 2023.

We are making steady progress on the rationalisation and modernisation of our IT estate, with our exposure to end-of-life technology reducing in line with plan through a structured program of systems upgrades and decommissioning work underway in each of our divisions.

Automation of testing and infrastructure operations is ongoing and delivering gradual improvement in quality and efficiency. As an example, 50 simple infrastructure automations delivered to date are estimated to save in excess of 3,750 person days per annum.

We are nearing completion of the transition from our Sydney data centre to a co-located facility and, as part of this process, have commenced active migration of existing legacy applications to cloud based infrastructure.

The Group transitioned to a new contract relationship with our main IT service provider earlier in the year which is already delivering material benefits, including reduced development and operational service costs as well as increased contract flexibility and protection.

Our digital capability continues to improve with digitisation and automation of claims processes and innovation driving improved customer and partner experience, particularly in Australia, Asia and North America.

During the year we consolidated our real estate footprint in Australia and North America in line with new working practices. We also achieved a meaningful reduction in third party consulting costs and simplified divisional organisational structures, particularly in North America.

These measures are supporting reinvestment into key areas of strategic growth and helping to unlock greater operating leverage in our business as well as improving the expense ratio.

The expected cost of the restructure is approximately $150 million over three years, including a $72 million charge recognised in the current year that was not reported as part of the Group's underwriting expenses.

Claims

Ex-cat claims ratio

57.4%

Catastrophe claims ratio

6.6%

- North America
- International
- Australia Pacific

Incurred claims

Excluding the impact of changes in risk-free rates used to discount net outstanding claims, the net claims ratio improved to 66.5% from 67.9% in the prior year.

This was primarily driven by improvement in the ex-cat claims ratio and a reduced level of adverse prior accident year claims development, which were partly offset by an increase in the net cost of catastrophe claims.

The major components of the Group's net claims ratio are discussed hereafter.

Ex-cat claims

The ex-cat claims ratio improved to 57.4% from 58.8% in the prior year, primarily due to premium rate increases in excess of claims inflation and reduced claims settlement costs, albeit partly offset by a strengthened current accident year IBNR allowance.

The ex-cat claims ratio in North America improved to 66.7% from 69.3% in the prior year (57.1% from 60.2% excluding Crop) reflecting premium rate increases in excess of claims inflation and reduced severity of claims experience in aviation.

Despite the strong premium rate environment, International's ex-cat claims ratio increased marginally to 53.1% from 52.8%, with the benefit of premium rates in excess of claims inflation more than offset by stronger IBNR assumptions in long-tail classes.

Australia Pacific's ex-cat claims ratio improved to 54.2% from 56.6% in the prior year, reflecting the benefit of premium rate increases in excess of claims inflation coupled with continued refinements to risk selection and claims management initiatives.

Weighted average risk-free rates

CURRENCY		31 DECEMBER 2021	30 JUNE 2021	31 DECEMBER 2020	31 DECEMBER 2019	31 DECEMBER 2018
Australian dollar	%	**1.12**	**0.68**	0.41	1.11	2.06
US dollar	%	**1.44**	**1.35**	0.82	1.95	2.74
Sterling	%	**0.86**	**0.72**	0.07	0.80	1.08
Euro	%	**(0.33)**	**(0.30)**	(0.59)	(0.08)	0.23
Group weighted	%	**0.87**	**0.73**	0.30	1.05	1.66
Estimated risk- free rate benefit (charge)	US$M	**301**	**205**[1]	(381)	(231)	13

1 Estimated risk-free rate benefit for the six months to 30 June 2021.

Catastrophe claims

The net cost of catastrophe claims increased to $905 million or 6.6% of net earned premium compared with an allowance of 5.7% and a net cost of 5.8% in 2020.

Catastrophe costs included Winter Storm Uri, Hurricane Ida, Storm Bernd, Cyclone Seroja and widespread flooding and storm losses in Australia.

The world experienced another costly year of natural catastrophes in 2021 and, most notably, the US experienced its third most costly year on record. At $36 billion, Hurricane Ida resulted in one of the largest individual losses ever recorded.

Catastrophe experience can be intensified by the effects of climate change. In that context, we continue to analyse hazard and claims trends while reviewing our exposure to properly balance the risk we face against the need to achieve an appropriate return on the capital required to support that risk. As a consequence, we are currently reducing our exposure to North American hurricane risk.

Weighted average risk-free rates

As tabled on the preceding page, the currency weighted average risk-free rate used to discount net outstanding claims liabilities increased to 0.87% at 31 December 2021 from 0.30% at 31 December 2020.

Risk-free rates increased materially across all currencies resulting in a $301 million underwriting benefit that decreased the net claims ratio by 2.2% compared with a $381 million charge in the prior year that increased the net claims ratio by 3.2%.

The $301 million beneficial risk-free rate impact on the underwriting result was largely offset by a $260 million adverse mark-to-market impact on investment income.

Net catastrophe claims (US$M)

905

6.6% of NEP

2020 688

Prior accident year claims development

Prior accident year claims development was $192 [1,2] million adverse or 1.4% of net earned premium, compared with $366 [2] million or 3.1% adverse in the prior year.

North America reported $148 [2] million of adverse development reflecting significant strengthening in legacy excess & surplus (E&S) lines and discontinued programs. Across reserves for ongoing business, we experienced a modest overall release with increases in financial lines and property programs more than offset by favourable development in commercial retail, workers' compensation and A&H.

International reported $66 [1] million of favourable development, primarily due to better than expected development in QBE Re casualty, property, UK motor, European liability and Asia which more than offset further strengthening in financial lines and QBE Re North America.

Australia Pacific reported $111 million of adverse development, reflecting significant strengthening in commercial liability as well as workers' compensation and New Zealand, partly offset by releases in CTP, LMI and credit & surety.

Prior accident year claims development (US$M)

(192) [1,2]

1 Excludes $55 million of adverse prior accident year claims development in International which is more than offset by related premium adjustments also recognised in the period.

2 Excludes $1 million (2020 $20 million) of positive prior accident year claims development pertaining to North America Crop insurance that is matched by additional premium cessions under the MPCI scheme.

Balance sheet and capital management

PCA multiple

1.75x[1]

2020 1.72x

Target PCA multiple

1.6–1.8x

Debt to total capital

24.1%[1]

2020 25.8%

Target debt to total capital

15–30%

Capital management

In March 2021, QBE redeemed $200 million of subordinated Tier 2 notes. These notes were subject to APRA's transitional arrangements and, as of 31 December 2020, only $37 million was regulatory capital qualifying. As such, the redemption had minimal impact on regulatory capital at 31 December 2021.

In September 2021, QBE undertook a GBP400 million capital qualifying Tier 2 subordinated debt issuance to prefund the intended redemption of GBP327 million of subordinated debt.

Debt to total capital was 26.9% at 31 December 2021. Allowing for the subordinated debt which is intended to be redeemed, pro forma debt to total capital improved to 24.1% from 25.8% at 31 December 2020.

QBE has $900 million of perpetual fixed rate resetting capital notes that are AT1 qualifying under APRA's capital adequacy framework. The notes are classified as equity, pay franked after tax distributions and do not impact the weighted average number of shares for earnings per share calculations (since the notes are written off in whole or in part if APRA determines QBE is, or would become, non-viable).

The after-tax distribution on QBE's AT1 capital was $50 million, while the reclassification of the 2017 notes (in July 2020) contributed to an $11 million reduction in financing and other costs during the year.

Prescribed capital amount

QBE's indicative PCA multiple increased to 1.81x at 31 December 2021 from 1.72x at 31 December 2020, reflecting:

- the $803 million full year cash profit;
- the GBP400 million subordinated Tier 2 note issue in September 2021; and
- an increase in the premium liabilities surplus due to significant premium rate increases.

These beneficial impacts were largely offset by:

- the March 2021 redemption of $200 million of subordinated notes which reduced Tier 2 capital by $37 million;
- an increase in the insurance liabilities risk charge, primarily driven by strong premium growth; and
- a higher asset risk charge reflecting the increase in reinsurance recoveries receivable, premium receivable and deferred reinsurance expense.

Allowing for the intended redemption of GBP327 million of subordinated debt, the Group's indicative pro forma PCA multiple was 1.75x, at the higher end of our 1.6–1.8x target range.

Capitalisation and capital metrics

AS AT 31 DECEMBER			2021		2020
		BENCHMARK	STATUTORY	PRO FORMA[1]	STATUTORY
Net assets	US$M		**8,882**	**8,882**	8,492
Less: intangible assets	US$M		**(2,449)**	**(2,449)**	(2,534)
Net tangible assets	US$M		**6,433**	**6,433**	5,958
Add: borrowings	US$M		**3,268**	**2,826**	2,955
Total tangible capitalisation	US$M		**9,701**	**9,259**	8,913
Debt to total capital	%	15–30	**26.9**	**24.1**	25.8
Debt to equity	%		**36.8**	**31.8**	34.8
Debt to tangible equity	%		**50.8**	**43.9**	49.6
Premium solvency[2]	%		**46.7**	**46.7**	50.6
QBE's regulatory capital base	US$M		**10,387**	**9,945**	9,348
APRA's PCA	US$M		**5,725**	**5,692**	5,434
PCA multiple		1.6–1.8x	**1.81x**	**1.75x**	1.72x

1 Pro forma adjusting for GBP327 million pre-funded debt repayment intended to be repaid.

2 The ratio of net tangible assets to net earned premium.

Net outstanding claims

At 31 December 2021, the risk margin was $1,418 million or 8.8% of the net discounted central estimate of outstanding claims compared with $1,537 million and 9.7% at 31 December 2020.

Excluding foreign exchange and the CTP reinsurance transaction, the risk margin decreased $45 million in 2021 compared with a $344 million increase in 2020.

The probability of adequacy (PoA) of net outstanding claims reduced to 91.7% from 92.5% at 31 December 2020 but remains comfortably above the midpoint of the Group's 87.5%–92.5% target range.

The reduction in risk margin as a percentage of the net discounted central estimate primarily reflects a $140 million risk margin release due to reduced COVID-19 related uncertainty, particularly with respect to business interruption, trade credit and LMI, which more than offset significant margin strain associated with strong new business growth.

Excluding foreign exchange, the risk margin increased $95 million on a management basis compared with $44 million in the prior year, reflecting especially strong new business growth.

Borrowings

At 31 December 2021, total borrowings were $3,268 million, up $313 million from $2,955 million at 31 December 2020.

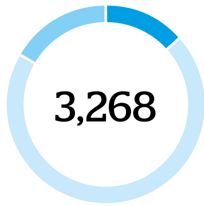
The increase in borrowings reflects the GBP400 million subordinated note issue in September 2021, which more than offset the $200 million subordinated note redemption in March 2021.

Excluding the pre-funding of the intended redemption of GBP327 million of subordinated debt, pro forma borrowings are $2,826 million.

Gross interest expense on borrowings for the year was $177 million, down from $185 million in the prior year. The average annualised cash cost of borrowings at 31 December 2021 was 5.4%, down from 6.1% as at 31 December 2020, and will reduce to around 5.3% after the intended redemption of GBP327 million of subordinated debt.

At 31 December 2021, all but $6 million of the Group's borrowings continued to count towards regulatory capital.

Total borrowings[1] (US$M)



Less than one year	442
One to five years	2,288
More than five years	538

Borrowings profile

Senior debt[2]	-
Subordinated debt	100%

1 Based on first call date.
2 Senior debt at 31 December 2021 is $6 million.

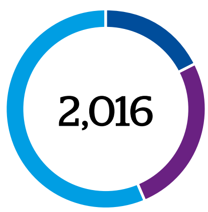
AS AT 31 DECEMBER		2021	2020
Net discounted central estimate	US$M	**16,107**	15,797
Risk margin	US$M	**1,418**	1,537
Net outstanding claims	US$M	**17,525**	17,334
Probability of adequacy	%	**91.7**	92.5
Risk margin to central estimate	%	**8.8**	9.7

Identifiable intangibles and goodwill

The carrying value of identifiable intangibles and goodwill at 31 December 2021 was $2,449 million, down from $2,534 million at 31 December 2020.

During the year, the carrying value of intangibles reduced by $85 million due to amortisation and impairment expense of $71 million and a $104 million foreign exchange impact which more than offset net additions in the period, being mainly the capitalisation of software in relation to various information technology projects.

Goodwill (US$M)



North America	358
International	524
Australia Pacific	1,134

Investment performance and strategy

Total investment income (US$M)

122

104 from 2020

Total investment return

0.4%

2020 0.9%

Fixed income	Vs	Growth assets
(0.4)%		13.5%
2020 1.9%		2020 (4.8%)

The Group's investment portfolio remains conservatively positioned with around 94% invested in high quality fixed income securities and the remaining 6% invested in growth assets, primarily unlisted property and infrastructure assets.

Our corporate credit portfolio performed in line with general spread movements throughout the year and contributed incremental yield as expected.

The portfolio proved highly resilient from a credit event perspective with minimal exposure to ratings downgrades and certainly well below the level of ratings downgrades seen across the fixed income market more broadly.

Our decision to adopt a duration position modestly short of that required to match the Group's insurance liabilities added value as bond yields rose, benefitting pre tax profit by $41 million.

Unlisted property, infrastructure and private equity enjoyed strong returns of 13.6%, 10.8% and 15.9% respectively, with most of the private equity portfolio (excluding $50 million held for sale at year end) sold immediately prior to year-end.

The total investment return for the year was 0.4% compared with 0.9% in the prior year reflecting the increase in risk-free rates during the year. After adjusting for the risk-free rate impact on fixed income securities, the total investment return was 1.3% compared with a negative return of 0.9% in the prior year.

Closing total cash and investments was $28,967 million, up from $27,735 million at 31 December 2020. Strong operating cash flow coupled with the net increase in subordinated debt were partly offset by a $764 million foreign exchange impact.

We intend gradually introducing a modest amount of additional risk to the portfolio during 2022.

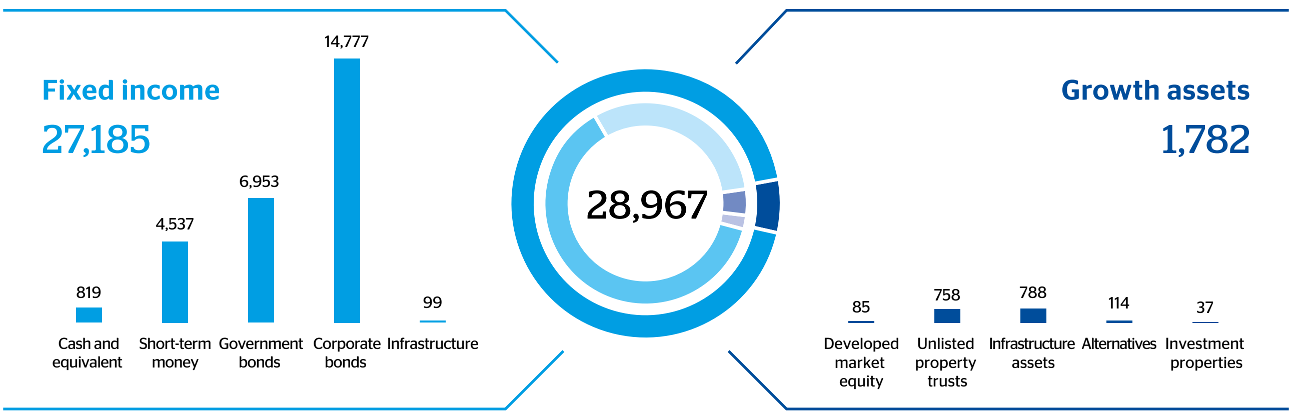
Interest bearing financial assets – S&P security grading

AS AT 31 DECEMBER	2021 %	2020 %
Rating		
AAA	**16**	12
AA	**37**	38
A	**37**	36
<A	**10**	14

Currency mix of investments

AS AT 31 DECEMBER	2021 %	2020 %
US dollar	**31**	33
Australian dollar	**27**	27
Sterling	**19**	17
Euro	**13**	14
Other	**10**	9

Total cash and investments (US$M)



	POLICY-HOLDERS' FUNDS	SHARE-HOLDERS' FUNDS
Cash and cash equivalents	547	272
Short-term money	3,030	1,507
Government bonds	4,643	2,310
Corporate bonds	9,868	4,909
Infrastructure debt	66	33

Fixed income
- Policyholders' funds
- Shareholders' funds

Growth assets
- Policyholders' funds
- Shareholders' funds

	POLICY-HOLDERS' FUNDS	SHARE-HOLDERS' FUNDS
Developed market equity	57	28
Unlisted property trusts	506	252
Infrastructure assets	526	262
Alternatives	76	38
Investment properties	25	12

Closing remarks

Continued favourable market conditions and strong business momentum underpin our confidence in the outlook; however, we remain cautious around economic uncertainty and the potential trajectory of inflation. The prospect of rising interest rates holds positive implications for earnings longer term.

Outlook focus

Maximise market opportunity

Drive targeted growth and margin improvement

Reduce volatility

Enhance portfolio balance to reduce volatility and increase risk-adjusted returns

Build further capital strength

To support our growth ambitions

Sustainability

Make a positive contribution to the economies and communities in which we operate

We are encouraged by the strong turnaround in profitability and organic growth momentum achieved in 2021, and are focused on building on this momentum in 2022 by capitalising on continued favourable market conditions to drive targeted growth and a further improvement in underwriting performance.

Achieving an appropriate risk-adjusted return on capital in North America remains our highest priority. We have several initiatives underway to further optimise and grow the portfolio in order to build a better balanced, less volatile and higher quality earnings base in the region.

We continue to focus on risk (including reserve, underwriting, catastrophe, credit and operational) at a more granular level to improve capital allocation by cell and by region, thus facilitating a more accurate assessment of premium rate adequacy and better informing our decisions on where to grow. As return on equity continues to improve, we are increasingly focused on developing the systems and culture to sustain long-term organic growth.

The further, albeit reduced level of, adverse prior accident year claims development was disappointing, particularly in North America. In a reserving context, claims inflation remains a key area of focus and, where appropriate, we have strengthened both current and prior accident year assumptions to allow for elevated inflation levels going forward. Given the uncertain inflationary backdrop, we have also taken a more cautious approach to reserving for large individual risk claims.

Notwithstanding very significant growth, the Group's regulatory capital position strengthened during the year and remains comfortably above the midpoint of our target range. The recently revised dividend policy will better support the Group's growth ambitions, facilitate the gradual re-risking of the investment book and provide flexibility to manage the dynamics of the global insurance cycle more broadly.

During 2022, we intend to gradually optimise investment returns by modestly increasing exposure to risk assets, including reintroducing enhanced fixed income assets. Our target asset allocation is designed to be resilient, enabling stable cross-cycle exposures.

Sustainability is essential to our new purpose and our ability to make a positive and impactful contribution to the environments, economies and communities in which we operate. Progress against our sustainability commitments will enhance our ability to attract and retain customers, talent and capital. Our 2022 Sustainability Scorecard includes clear sustainability goals aligned to the QBE Sustainability Framework and we remain focused on integrating sustainability into our strategy and business planning to meet our climate and broader sustainability commitments.

With premium rate increases in excess of claims inflation, coupled with ongoing expense discipline and operating leverage, we remain confident of achieving a stronger, more consistent and sustainable level of financial performance over the medium term.

Inder Singh
Group Chief Financial Officer

North America business review

While North America's performance benefitted from the continuation of a positive premium rate environment and a profitable organic growth strategy, the overall result was impacted by heightened catastrophe claims and ongoing inflationary pressures.

Todd Jones • Chief Executive Officer • North America

Gross written premium (US$M)

6,289

32% from 2020

Net earned premium (US$M)

3,965

18% from 2020

Combined operating ratio

102.9%

2020 112.7%

Underwriting result[1] (US$M)

(118)

307 from 2020

Insurance (loss) margin

(0.6)%

2020 (14.6)%

2021 overview

Market conditions remained favourable in 2021 with pricing momentum resulting in an average renewal rate increase (excluding Crop) of 10.7% compared with 10.2% in the prior year.

This included rate increases of 26% in financial lines, 16% in general aviation, 16% in property programs and 10% in A&H. While rate increases continue to exceed claims inflation, during 2021 we observed heightened inflationary pressure, most notably in property.

Strong growth, particularly in Crop, financial lines and middle market commercial, reflected higher premium rates, increased new business volumes and slightly improved retention. Materially higher commodity prices underpinned very substantial premium growth in Crop.

In addition to an improvement in the ex-cat claims ratio, cost savings and operating leverage resulted in a materially lower expense ratio. This was partly offset by elevated catastrophe claims due to Winter Storm Uri and Hurricane Ida.

Operating and financial performance

Underwriting performance

North America reported a combined operating ratio of 102.9%, down from 112.7% in 2020.

The result was impacted by a heightened level of catastrophe claims which increased to $305 million or 7.7% of net earned premium compared with 7.1% in 2020.

The underwriting result benefitted from a 2.5% improvement in the ex-cat claims ratio and a 4.0% reduction in the total acquisition cost ratio, due to rate increases and a combination of cost savings and improved operating leverage.

Prior accident year claims development added 3.7% to the claims ratio, primarily in legacy E&S lines and discontinued programs, albeit down from 9.0% in 2020. We also strengthened our underlying claims inflation assumptions.

The combined operating ratio for Crop was 92.7% compared with 98.2% reported in 2020.

Underwriting result

FOR THE YEAR ENDED 31 DECEMBER		2021	EX-COVID 2021	EX-COVID 2020	2019	2018
Gross written premium	US$M	**6,289**	**6,289**	4,775	4,361	4,450
Gross earned premium	US$M	**5,838**	**5,838**	4,551	4,375	4,348
Net earned premium	US$M	**3,965**	**3,965**	3,351	3,692	3,557
Net incurred claims	US$M	**3,136**	**3,046**	2,917	2,929	2,397
Net commission	US$M	**512**	**512**	486	536	535
Expenses	US$M	**460**	**460**	469	488	528
Underwriting result	US$M	**(143)**	**(53)**	(521)	(261)	97
Net claims ratio	%	**80.7**	**78.4**	84.2	77.9	68.2
Net commission ratio	%	**12.9**	**12.9**	14.5	14.5	15.1
Expense ratio	%	**11.6**	**11.6**	14.0	13.2	14.8
Combined operating ratio	%	**105.2**	**102.9**	112.7	105.6	98.1
Statutory combined operating ratio	%	**103.6**	**101.3**	115.5	107.0	97.3
Insurance (loss) margin	%	**(2.8)**	**(0.6)**	(14.6)	(3.7)	N/A

1 Excludes impact of changes in risk-free rates used to discount net outstanding claims.

Premium income

Gross written premium increased 32% to $6,289 million. This reflected especially strong growth in Crop and 20% growth across broader P&C lines as a result of continued strong premium rate increases, new business growth and slightly improved retention levels.

Crop gross written premium increased 51% primarily due to higher commodity prices, notably for Corn (+18%) and Soybeans (+29%), coupled with organic growth of around 21%. The Crop business continues to grow market share through its especially strong technology-based service offering, deeply ingrained agent loyalty and investment in new talent.

Specialty & Commercial premium grew 28% compared with 2020. Premium rate increases remained strong in all lines while investment in market-leading talent as part of the build-out of financial lines translated into strong organic growth. Increased new business in middle market commercial lines, coupled with rate increases and improved retention in A&H, further contributed to premium growth.

Alternative Markets' gross written premium increased 14% due to strong premium rates in commercial property as well as new business growth in casualty programs.

Net earned premium increased 18% to $3,965 million. Growth in net earned premium lagged top line growth largely due to strong growth in heavily reinsured portfolios such as Crop (including growth in dairy that is fully reinsured) while material quota share reinsurance was purchased to prudently support the expansion of our financial lines business.

Claims expense

The ex-cat claims ratio improved to 66.7% from 69.3% in 2020 or to 57.1% from 60.2% excluding Crop insurance.

This reflected rate increases in excess of claims inflation across most classes, coupled with reduced severity in aviation following unusual experience in 2020. Notwithstanding the aforementioned improvement, we observed increased severity in certain property segments and higher social inflation in casualty lines during the second half of the year.

Catastrophe claims increased to 7.7% of net earned premium from 7.1% in 2020, primarily due to Winter Storm Uri and Hurricane Ida.

Adverse prior accident year claims development was $148 million or 3.7% of net earned premium compared with 9.0% in 2020, reflecting significant strengthening in legacy E&S lines and discontinued programs. Elsewhere, increases in financial lines and property programs were more than offset by favourable development in commercial retail, workers' compensation and A&H.

The result included a risk margin charge of 0.3% of net earned premium compared with a release of 0.7% in the prior year.

Claims management efficiencies and improved operating leverage in the Crop business resulted in a reduction in claims settlement costs to 4.1% of net earned premium from 4.5% in 2020.

The statutory claims ratio included around 1.3% of COVID-19 related claims, primarily in A&H, professional liability and workers' compensation as well as a 1.0% impact from COVID-19 related supply chain disruption which resulted in higher average claims costs, most notably in property classes.

Commission and expenses

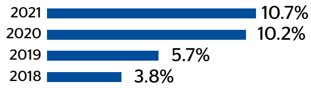
The combined commission and expense ratio improved to 24.5% from 28.5% in 2020, partly reflecting the benefit of business mix and operating leverage associated with strong growth in Crop which operates on commission and expense ratios well below the North America average.

Excluding Crop, North America's combined commission and expense ratio improved by approximately 3%, due to underwriting expense savings coupled with improved operating leverage as a result of strong premium growth in targeted segments.

Average renewal premium rate increase

10.7%

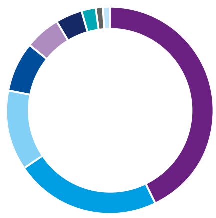
0.5% from 2020



Gross written premium by segment

	2021 %
Crop	42.9
Alternative Markets	30.6
Specialty & Commercial	21.6
Retail	4.9

Gross written premium by class of business



	2021 %
Agriculture	42.9
Commercial & domestic property	22.7
Professional indemnity	12.6
Accident & health	7.7
Workers' compensation	5.7
Public/product liability	4.0
Marine, energy & aviation	2.4
Motor & motor casualty	1.0
Financial & credit and other	1.0

Combined commission and expense ratio

24.5%

4.0% from 2020

International business review

Despite heightened catastrophe activity, International recorded a strong combined operating ratio of 90.6%. Focus remained on leveraging the favourable pricing backdrop to drive selective growth and strengthen our market position whilst further optimising returns.

Jason Harris • Chief Executive Officer • International

Gross written premium (US$M)

6,958

15% from 2020

Net earned premium (US$M)

5,545

11% from 2020

Combined operating ratio

90.6%

2020 91.3%

Underwriting result[1] (US$M)

522

103 from 2020

Insurance profit margin

12.9%

2020 5.5%

2021 overview

International delivered an excellent result in 2021, and enters the new year with strong fundamentals and significant momentum as a result of strong premium rates and growth in targeted lines.

Continued favourable pricing conditions coupled with a relentless focus on underwriting discipline contributed to another strong combined operating ratio despite significantly elevated catastrophe claims during the year.

Premium rate increases continued across all markets during 2021. Double digit rate increases prevailed across regional UK and London Market business while pricing momentum in European insurance increased as the year progressed. Although there are signs of a deceleration in certain areas of the portfolio, this is typically limited to classes that have benefitted from very material cumulative increases over recent years.

We are seeing increasing opportunities to grow in European insurance and targeted areas within casualty and specialty reinsurance. Maintaining underwriting discipline and utilising portfolio optimisation techniques remain key and we have curtailed plans for growth in lines where further rate increases are warranted with short-tail reinsurance lines being a pertinent example.

Operating and financial performance

Underwriting performance

International reported a combined operating ratio of 90.6% compared with 91.3% in 2020. The improved underwriting performance reflects favourable prior accident year claims development (relative to adverse development in 2020) which more than offset heightened catastrophe experience.

The improvement in underwriting profitability was broad based with International Markets, the UK, Continental Europe and Asia all recording an improved underwriting margin, while QBE Re was impacted by heightened catastrophe experience and adverse prior accident year claims development.

Excluding Asia, the combined operating ratio of our insurance business improved to 86.5% from 88.6% in 2020, while QBE Re's combined ratio increased to 98.7% from 96.4% in the prior year due to heightened catastrophe activity in both North America and Europe.

Profitability in our Asian business improved, delivering a combined operating ratio of 96.7% compared with 100.8% in 2020.

Underwriting result

FOR THE YEAR ENDED 31 DECEMBER		2021	EX-COVID 2021	EX-COVID 2020	2019	2018
Gross written premium	US$M	**6,962**	**6,958**	5,856	5,200	5,137
Gross earned premium	US$M	**6,480**	**6,476**	5,542	5,010	5,153
Net earned premium	US$M	**5,539**	**5,545**	4,812	4,339	4,463
Net incurred claims	US$M	**3,118**	**3,134**	3,106	2,918	2,811
Net commission	US$M	**978**	**980**	877	752	840
Expenses	US$M	**724**	**726**	655	652	657
Underwriting result	US$M	**719**	**704**	174	17	155
Net claims ratio	%	**59.6**	**59.8**	59.4	64.5	63.2
Net commission ratio	%	**17.6**	**17.7**	18.3	17.3	18.8
Expense ratio	%	**13.1**	**13.1**	13.6	15.0	14.7
Combined operating ratio	%	**90.3**	**90.6**	91.3	96.8	96.7
Statutory combined operating ratio	%	**87.0**	**87.3**	96.4	99.6	96.6
Insurance profit margin	%	**13.2**	**12.9**	5.5	7.9	N/A

1 Excludes impact of changes in risk-free rates used to discount net outstanding claims.

Premium income

Gross written premium increased 15% to $6,958 million, reflecting the strong premium rate environment coupled with improved retention and strong new business growth which accelerated over the second half of the year.

Premium retention improved to 86% from 83% in 2020, while new business increased 10% relative to the prior year.

International achieved an average renewal premium rate increase of 10.2% compared with 12.8% in the prior year, including increases of 13.4% in International Markets and 10.5% in the UK. Although renewal rates are showing some signs of moderating, particularly in the London Market, rate increases remain well above inflation and portfolios that require further correction, such as financial lines and international liability, continue to attract strong rate increases.

Continental Europe is benefitting from rate acceleration, with an average renewal rate increase of 11.4% compared with 7.8% in 2020. Growth was achieved across targeted areas including property, financial lines and liability portfolios.

Premium pricing remains more subdued across reinsurance markets, with rate increases averaging 7.3%, broadly consistent with 2020. Growth was achieved in casualty and specialty lines across our London, New York, Bermuda and Dubai platforms, though we continue to maintain discipline in property classes where returns remain less compelling despite recent rate increases.

Asia has been challenged by the economic effects of COVID-19. Government restrictions impacted our travel insurance business and we have significantly reduced our trade credit exposure.

Strong growth in gross written premium is translating to momentum in net earned premium which increased 11% during the year. Growth in net earned premium is despite absorbing increased reinsurance costs including government reinsurance of trade credit insurance.

Claims expense

The net claims ratio increased to 59.8% from 59.4% in 2020.

The ex-cat claims ratio increased slightly to 53.1% from 52.8%, with the benefit of premium rate increases in excess of claims inflation more than offset by stronger IBNR assumptions in respect of long-tail classes.

Net catastrophe costs increased to $359 million or 6.5% of net earned premium compared with 4.3% in the prior year, and impacted both the primary and reinsurance businesses.

The heightened catastrophe experience reflected a number of large events, including Texas Winter Storm Uri in the first half, and Storm Bernd and Hurricane Ida in the second half of the year.

The result included positive prior accident year claims development of $66 million or 1.2% of net earned premium compared with 1.7% of adverse development in the prior year. This was primarily due to better than expected development in QBE Re casualty, property, UK motor, European liability and Asia, which more than offset further strengthening in financial lines and QBE Re North America.

The result included a risk margin charge of 0.4% of net earned premium compared with 0.6% in the prior year.

Claims settlement costs reduced to 1.8% of net earned premium from 2.0% in 2020.

Commission and expenses

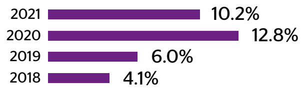
The net commission ratio reduced to 17.7% from 18.3% in 2020. This was largely due to the combined effect of profit commission revenue from reinsurers in International Markets and additional reinsurance on trade credit associated with government support initiatives.

The expense ratio improved to 13.1% from 13.6% in the prior year, due to ongoing positive operating leverage alongside disciplined expense management, which saw the increase in constant currency underwriting expense contained to 4% relative to premium growth of 15%.

Average renewal premium rate increase

10.2%

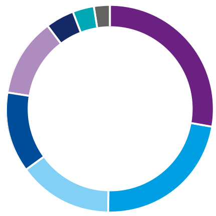
2.6% from 2020



Gross written premium by segment

	2021 %
International Markets	32.9
UK	24.1
QBE Re	22.5
Continental Europe	14.1
Asia	6.4

Gross written premium by class of business

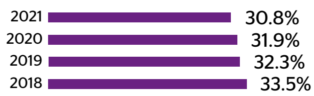


	2021 %
Commercial & domestic property	27.9
Public/product liability	22.6
Marine, energy & aviation	14.6
Professional indemnity	12.6
Motor & motor casualty	12.2
Workers' compensation	4.5
Accident & health	3.3
Financial & credit and other	2.3

Combined commission and expense ratio

30.8%

1.1% from 2020



Australia Pacific business review

Australia Pacific recorded a strong combined operating ratio of 91.4%. Gross written premium increased 17% underpinned by an average renewal premium rate increase of 8.3%, new business growth and improved retention.

Sue Houghton • Chief Executive Officer • Australia Pacific

Gross written premium (US$M)

5,215

17% from 2020

Net earned premium (US$M)

4,265

8% from 2020

Combined operating ratio

91.4%

2020 92.8%

Underwriting result[1] (US$M)

370

110 from 2020

Insurance profit margin

10.4%

2020 6.9%

2021 overview

Australia Pacific reported a material profit uplift in 2021, underpinned by strong premium growth and improved underwriting profitability.

Brilliant Basics initiatives supported targeted premium growth, with the continued modernisation of partner propositions enabling the establishment of new distribution partnerships and the strengthening of existing relationships. This, in turn, drove improved customer retention and a strong uplift in new business volumes, particularly in commercial lines.

Claims initiatives, including digitisation and automation, continued to enhance customer and distribution partner experience, also contributing to improved retention and new business growth.

Despite COVID-19, the economy remained resilient and the housing market buoyant. Together with the addition of a major bank broker relationship, this supported strong premium growth in LMI.

Natural peril activity remained elevated, although not quite to the extent experienced in 2020. Nevertheless, catastrophe costs were once again above planned allowances with La Nina conditions contributing to a heightened frequency of flood and storm activity. Cyclone Seroja, the Victorian Earthquake and bushfires in Western Australia were also notable events in 2021.

Operating and financial performance

Underwriting performance

Australia Pacific reported a combined operating ratio of 91.4% compared with 92.8% in 2020. A further reduction in the ex-cat claims ratio coupled with efficiency gains more than offset adverse prior accident year claims development.

The current accident year combined operating ratio improved to 88.8% from 93.3% in the prior year.

LMI's combined operating ratio improved to 35.4% from 62.3% in 2020. Better than expected economic conditions, including low unemployment and strong house price appreciation, contributed to lower arrears and claims severity. The statutory result also included $26 million of favourable COVID-19 related prior accident year development.

While the initial COVID-19 related business interruption test case ruling was favourable, the final cost will remain uncertain pending the outcome of the Federal Court appeal, clarity around the application of the ruling and any further avenues of appeal. Regardless of the eventual outcome, QBE remains comfortable with its net provision (inclusive of the related and substantial risk margin).

Underwriting result

FOR THE YEAR ENDED 31 DECEMBER		2021	EX-CTP/ COVID 2021	EX-COVID 2020	2019	2018
Gross written premium	US$M	**5,215**	**5,215**	4,079	3,920	4,104
Gross earned premium	US$M	**4,730**	**4,731**	3,985	3,885	4,103
Net earned premium	US$M	**3,900**	**4,265**	3,626	3,568	3,758
Net incurred claims	US$M	**2,217**	**2,640**	2,316	2,223	2,310
Net commission	US$M	**581**	**600**	534	526	561
Expenses	US$M	**601**	**601**	555	519	542
Underwriting result	US$M	**501**	**424**	221	300	345
Net claims ratio	%	**58.3**	**63.2**	62.8	60.7	61.0
Net commission ratio	%	**14.9**	**14.1**	14.7	14.8	14.9
Expense ratio	%	**15.4**	**14.1**	15.3	14.5	14.4
Combined operating ratio	%	**88.6**	**91.4**	92.8	90.0	90.3
Statutory combined operating ratio	%	**87.2**	**90.1**	93.9	91.6	90.8
Insurance profit margin	%	**13.4**	**10.4**	6.9	13.6	13.3

1 Excludes impact of changes in risk-free rates used to discount net outstanding claims.

Premium income

Gross written premium increased 17% to $5,215 million reflecting healthy premium rate increases across the majority of our portfolios coupled with improved retention and strong new business growth.

Excluding the structural moderation in CTP premium, underlying gross written premium growth was even stronger at 20%.

Renewal premium rate increases averaged 8.3%, up from 5.4% in 2020. Premium rate increases were particularly strong in strata, householders, liability, commercial property and engineering.

Premium rate momentum increased during the second half in response to ongoing catastrophe experience and the associated implications for reinsurance costs.

Premium retention improved to 87% from 86% in 2020 while new business increased 32% relative to the prior year.

Premium growth was broad-based with strong growth achieved in workers' compensation, LMI, commercial packages, farm, engineering, New Zealand, householders and private motor. This was moderated slightly by a modest reduction in CTP, personal accident and the Pacific, the latter due to subdued economic conditions.

LMI gross written premium increased by $104 million, helped by expansion of a major bank relationship and increased market lending volumes driven by historically low interest rates and government stimulus. Despite the top line growth, LMI's net earned premium increased by only $21 million due to the long-term earning pattern of the business and an increase in quota share reinsurance to 50% from 30% in 2020.

Net earned premium increased 8%, below top line growth and reflecting increased reinsurance costs, the LMI impact noted above and the delay in premium earning after an acceleration in written premium growth.

Claims expense

The net claims ratio increased to 63.2% from 62.8% in 2020, due to adverse prior accident year claims development which more than offset an improved ex-cat claims ratio and lower (albeit still elevated) catastrophe costs.

The ex-cat claims ratio improved to 54.2% from 56.6% in 2020, reflecting the benefit of premium rate increases in excess of inflation coupled with continued refinements to risk selection and claims management initiatives. These were partly offset by increased non-cat weather claims impacting householders and further premium rate reductions in CTP.

Catastrophe claims remained elevated at $242 million or 5.7% of net earned premium, albeit down from 6.7% in 2020, which included the extreme and widespread bushfires on Australia's east coast.

Although down from the prior year, catastrophe claims exceeded Australia Pacific's increased catastrophe allowance primarily due to an increased frequency of storm and flood claims, consistent with the La Nina weather pattern.

Prior accident year claims development was $111 million adverse or 2.6% of net earned premium compared with a favourable impact of 0.5% in 2020. This reflected significant strengthening in commercial liability as well as workers' compensation and New Zealand, partly offset by releases in CTP, LMI and credit & surety.

Our claims teams continue to adapt to mitigate the impact of inflationary pressures from border restrictions and supply chain disruption. Inflationary pressures in a number of short-tail classes were largely offset by some lock-down related frequency benefits in motor and CTP.

Commission and expenses

The combined commission and expense ratio improved to 28.2% from 30.0% in the prior year.

The net commission ratio reduced to 14.1% from 14.7% in 2020, reflecting business mix changes and additional commission income associated with increased LMI quota share reinsurance.

The expense ratio improved to 14.1% from 15.3% in the prior year, primarily due to positive operating leverage associated with premium growth coupled with disciplined cost containment.

Average renewal premium rate increase

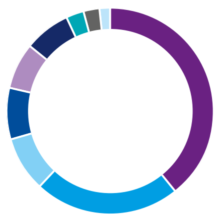
8.3%

2.9% from 2020

Gross written premium by segment

	2021 %
Commercial	58.9
Personal	24.4
New Zealand & Pacific	8.9
LMI & Financial	7.8

Gross written premium by class of business



	2021 %
Commercial & domestic property	39.3
Motor & motor casualty	22.7
Public/product liability	8.7
Financial & credit	8.0
Workers' compensation	7.3
Agriculture	7.1
Marine, energy & aviation	3.0
Professional indemnity	2.5
Accident & health	1.4

Combined commission and expense ratio

28.2%

1.8% from 2020

Managing risk – our business

Group Chief Risk Officer's report

We have continued to enhance the maturity of our risk management capabilities, responding effectively to the challenges presented by COVID-19 and extreme weather in 2021.

Fiona Larnach
Group Chief Risk Officer

Introduction

QBE has proactively managed the economic and insurance exposure impacts of COVID-19 alongside the operational challenges presented by the pandemic. COVID-19 has changed our approach to remote working, increasing the need for QBE to implement policies and practices to support a hybrid workforce. The focus now is on the ongoing monitoring and management of the risks that arise with a hybrid workforce.

Business interruption claims and associated legal test cases and class actions have presented a number of issues for QBE (as well as the insurance industry more broadly) which we continue to manage through our Business Interruption Steering Committee.

As a property insurer, QBE is exposed to weather events such as, in 2021 Hurricane Ida and the Winter Storm Uri in North America. Further developing our understanding of the effects of climate change on our underwriting exposures continues to be a top priority for QBE.

Enterprise Risk Management framework

The Enterprise Risk Management (ERM) framework describes QBE's approach to managing risk effectively, which in turn supports our strategy and fundamental principles. The purpose of the ERM framework is to embed the way we manage risk in the day-to-day business operations, which in turn supports QBE's overall strategic objectives. The framework covers:

- strategic objectives and business plan;
- strategic planning, risk appetite and capital management;
- risk governance, monitoring and reporting;
- risk identification, measurement and mitigation;
- risk management systems; and
- risk skills and risk culture.

QBE continues to mature and enhance our ERM framework, with a heightened focus on embedding increasing community and regulatory expectations into our governance, risk and compliance system, Insight. This allows more informed risk-based decision making that is data driven and represents a significant improvement in our understanding of risk management within QBE. Two of the key processes we use to manage risk and drive more informed risk-based decision making are the Risk and Control Self-Assessment (RCSA) and Incident and Issue Management processes. The increasing maturity of these processes is allowing QBE to better understand our risk exposures, thereby improving our control environment and allowing us to better manage risk and compliance and drive continuous improvement in a more consistent manner across the Group. This uplift in the way we manage risk in a centralised global platform will help us build a stronger and more resilient QBE.

Risk governance

QBE's risk governance model reflects a 'three lines of defence' approach, encompassing authorities, accountabilities and responsibilities for managing risk across the Group. In 2021, QBE has continued to focus on embedding the firm foundations delivered from the risk transformation program, with greater ownership of risk management in the first line and greater consistency in the way key risks are assessed and understood across the Group.

Governance structures serve as an important tool in the management of QBE's risk profile. Board and executive committees discuss QBE's risk profile and risk issues, and act as an escalation point for any identified issues or concerns. The alignment of divisional and group-wide risk reporting has further enhanced the risk reporting capabilities and streamlined risk reporting across the Group.

Risk culture

A robust risk management strategy is underpinned by a strong risk mindset and a culture that supports safety to speak up. In 2021, the Group further refined its risk culture framework, working closely with the broader culture initiatives program and aligning to the risk culture guidance provided by the Australian Prudential Regulation Authority (APRA).

Through our culture initiatives, we defined a QBE target state culture, conducted a deep dive on current state culture and commenced implementation of a blueprint for change to address gaps identified. This collaboration has enabled us to further embed a risk mindset across the Group through more explicit inclusion in our refreshed QBE DNA, leadership attributes and cultural metrics. QBE's risk culture was assessed as part of a risk maturity assessment in 2021, which provides a benchmark against which future enhancements will be assessed.

Our top material risks

Cyber

QBE has continued to develop its cyber security capabilities and control environment to adapt to the ever-changing and increasing internal and external threat of cyber risk. Increasing sophistication of external attackers, along with significant internal technology change such as through the IT modernisation program, demand an effective and up to date cyber security control environment to prevent significant organisational loss, damage or disruption.

QBE has established and built its cyber security foundational capabilities to protect QBE over the last three years of cyber transformation (2019–2021), creating a coordinated function to proactively defend, monitor and respond to known and emerging threats in all our regions. The focus of the Group's cyber security team is to evolve our capabilities to meet the threat landscape, whilst remaining flexible in developing the next horizon of the strategy, and mature today's capabilities that support and protect QBE's modernised technology and business agenda. The focus of the cyber strategy has been on:

- visibility and response – which have provided the ability to quickly detect and respond to suspicious activity in the QBE environment;
- data security including data loss prevention controls;
- global identity and access management platforms which ensure our people only have access to the systems and information they need to do their jobs;
- network security; and
- a comprehensive global program to raise cyber security risk awareness.

COVID-19

COVID-19 will have an ongoing impact on the broader community, as well as QBE. Actual and potential impacts span investment return volatility, insurance exposures, operational impacts and impacts on staff and the broader population. We remain well reserved for potential COVID-19 insurance claims and continue to closely monitor claims development as well as industry-wide developments. QBE has proactively supported its staff through the pandemic, with a particular focus on wellbeing and mental health. Our return to office strategy is aligned with local government health advice and is targeted at protecting the safety of our staff and other stakeholders.

Climate change

Climate-related risks are likely to impact QBE over the short, medium and long-term. By offering insurance products such as property, crop, marine, aviation and lenders' mortgage insurance, our business is exposed to increased claims from climate-related physical risks such as sea level rise, bushfires, hurricanes and floods. As a result of the transition to a low carbon economy, the insurance needs of our customers are changing, and we need to adjust to ensure we support our customers over the long term. Globally, regulatory and disclosure expectations in relation to the management of climate risk continue to increase.

Further detail on our approach to managing climate risk is provided on pages 30–37.

Insurance accumulations

As an insurance company, accepting appropriate insurance exposures is part of our business. Unknown or inappropriate concentrations of insurance exposures can result in earnings volatility and capital strain. QBE monitors and manages its insurance accumulations closely. We utilise sophisticated modelling to understand both our current and forecast exposures, with a direct link to the Board's risk appetite in relation to extreme loss events. Regular scenario analysis is also utilised to understand the potential impact of unexpected events. Reinsurance and broader portfolio management strategies are integral to ensuring that our insurance accumulations remain at acceptable levels.

Inflation

As the global economy continues to emerge from COVID-19, the profile of inflation risk is shifting and has become a source of heightened focus across the Group. Our inflation working group brings together cross-functional leaders to consider predicted inflationary trends and propose our response across all dimensions of QBE's business. The recent supply chain stresses are expected to accentuate claims cost inflation. We have conducted an actuarial review of the potential impact to claims reserves and have made provision for the anticipated trajectory of inflation where appropriate. In addition, pricing teams have incorporated our best forecast of inflation impacts within product pricing models. We continue to monitor this risk and will make adjustments in anticipation of any further changes in trend.

Our top emerging risks

Supply chain disruption

As COVID-19 has shown, supply chain disruption has the potential for material, long-term impacts on businesses and consumers alike. The pace, direction and duration of disruption can vary significantly based on the underlying cause of the disruption. Given the evolving nature of this risk, it is important that we maintain a current and accurate understanding of all major supply chains to our business.

Changing customer preferences

QBE strives to maintain an accurate and up-to-date view of our customers' preferences and challenges in order to better serve their commercial interests. New technology and ways of working are accelerating innovation and changing the risks customers face and their expectations in terms of delivery, product experience and timeliness. This requires QBE to continuously understand their expectations and respond in an agile and flexible way. These changes will likely have a more immediate impact on personal lines and SME business as customers continue to digitise. The impact on larger clients, which are often intermediated, may take longer to emerge and will likely be linked to understanding and mitigating new types of risks such as autonomy and the increasing importance of cyber and data.

Climate change – our approach to risks and opportunities

As an insurer, our responsibility is to safeguard our customers against financial loss. We recognise the material risk that climate change poses to our business, and are embedding consideration of climate-related risks and opportunities into our decision making.

Focus on climate change has increased significantly across the globe in 2021. The 26th United Nations (UN) Framework Convention on Climate Change Conference of Parties (COP26) meeting in Glasgow reinforced the need for urgent and significant action to reduce emissions if the world is to achieve the goal of limiting the temperature rise to 1.5°C. The Task Force on Climate-related Financial Disclosures (TCFD) recommendations and Network for Greening the Financial System scenarios were both updated, and there has been a significant increase in the level of regulatory oversight of this risk.

We support an orderly transition to a net-zero emissions economy, aligned with the 2015 Paris Agreement objectives. We recognise the importance of addressing climate change and incorporating climate-related risks and opportunities into our decision making.

We have committed to be a net-zero emissions organisation across our operations by 2030 and through our investment and underwriting activities by 2050.

We have taken meaningful actions in progressing our commitment to achieving net-zero. For our operations, we set a new target of a further 25% reduction in energy use by 2025 (from a 2019 baseline).

We are a member of the UN-convened Net-Zero Asset Owner Alliance (AOA) and this year we set intermediate targets for carbon intensity reduction, engagement with high emitting issuers and external managers, and financing the transition.

As a global insurer, we recognise that the insurance industry has a key role in supporting the transition to a net-zero economy. This is why we have joined the Net-Zero Insurance Alliance (NZIA) and committed to transition our underwriting portfolio to net-zero emissions by 2050.

We will need to balance setting out a road map to net-zero with the need to support our customers through their transition. For this reason, we are proud to collaborate with significant industry peers to collectively work our way through these challenges. As a member of the NZIA and Partnership for Carbon Accounting Financials insured emissions working group, we will contribute to the development of an industry methodology for assessing the carbon intensity of underwriting portfolios. Over the coming years, we will explore strategies and approaches to align our underwriting portfolio with a net-zero emissions by 2050 pathway including setting and communicating our interim targets.

Our Environmental and Social (E&S) Risk Framework came into effect on 1 January 2022. This outlines our updated positions for underwriting and investment across a range of sectors, including energy. Implementing this framework has been a key focus in the last 12 months.

Governance

The Board approves QBE's strategy, which includes consideration of climate risks and opportunities. The Group Executive Committee (GEC) is accountable for developing and implementing the strategy.

As part of the oversight of the Group's risk management strategy, the Board Risk & Capital Committee and the Executive Risk Committee receive regular reports on environment, social and governance (ESG) issues, including climate change. In 2021, both committees considered our physical and transition scenario analysis, as did our divisional board and management committees.

In 2021, we created a new GEC sub-committee, which meets monthly to focus on environmental and social issues including climate change. The sub-committee is comprised of our Group Chief Risk Officer, Group Chief Financial Officer, Group Chief Underwriting Officer, Group Executive, Corporate Affairs and Sustainability, and Group Chief Information Officer.

The sub-committee considers QBE's strategy and management of environmental and social risks and opportunities, with a particular focus on climate change.

QBE Foundation focuses on climate resilience

The QBE Foundation has developed a new strategic framework with the overarching aim of creating strong, resilient and inclusive communities. Climate resilience is one of two pillars of focus, alongside inclusion. The objective is to provide support and mitigation options for communities to become more resilient and prepared for climate impacts. It aims to do this through partnerships that focus on:

- increasing understanding of the physical and financial risks due to climate change and associated mitigation options;
- building capacity to prepare and respond; and
- implementing innovative solutions that support the transition to a low carbon economy.

For further detail on our collaboration on climate change, sustainable finance and resilience, refer to QBE's 2021 Sustainability Report at www.qbe.com/sustainability.

Investments

Net-zero 2050 intermediate targets

Carbon intensity reduction

25% by 2025

of our Scope 1 and 2 emissions in our equity portfolio

Engagement

All external managers

across our investment portfolio

20 highest emitters

in our investment grade corporate credit portfolio

Financing the transition

5% by 2025

of assets under management in climate solutions investments

Net-zero 2050 intermediate target setting

Aligned with our broader climate strategy and our commitment to responsible investments, QBE was the first Australian headquartered insurance company to become a member of the UN-convened Net-Zero AOA in 2020, joining an international group of institutional investors committed to transitioning their investment portfolios to net-zero by 2050.

As asset owners, we have a unique role at the top of the investment value chain, and we acknowledge both the responsibilities and opportunities that come with this role. In order to deliver on our commitment to transition our investment portfolios to net-zero emissions by 2050, consistent with a maximum temperature rise of 1.5°C above pre-industrial temperatures, we established a cross-functional working group composed of key QBE personnel. Members came from areas including fixed income, growth assets, investments data, financial reporting, compliance, ESG risk and sustainability. This diverse representation enabled us to leverage the broad range of skills across our organisation in order to establish our first set of intermediate targets to 2025.

Within this working group, we established three sub-working groups for our three intermediate target areas (carbon intensity reduction, engagement and financing the transition), each dedicated to setting targets that were suitable for QBE whilst recognising the imperative to decarbonise the real economy, not just our portfolio.

Throughout this process, we utilised the guidance, tools and support of the AOA as well as collaborating with the other members, one on one and in working groups, to leverage the deep insights they gained in developing and setting their own intermediate targets.

In line with the recommendations made within the AOA Target Setting Protocol, the working groups initially worked to baseline key data including the carbon footprint of our equity and investment grade corporate credit portfolios, identify our top 20 highest emitters and understand our current exposure to assets that finance the transition.

Carbon intensity reduction

QBE will target a 25% reduction in the carbon intensity of our developed market equity portfolio by 2025, relative to a 2019 baseline. Over the coming years, as methodologies develop through the AOA Target Setting Protocol, we will expand the asset classes where reduction targets are set and continue to align our investment portfolio with the net-zero 2050 objective. We will also continue to communicate our strategy, approach and achievements.

Engagement

We believe that having meaningful dialogue on climate change is a critical component of our responsibility as an asset owner and in ensuring sustainable financial outcomes. Engagement on climate-related risks and opportunities is a key target within our commitment to the UN-convened Net-Zero AOA. We have set a target to engage with the top 20 highest emitters in our portfolio as well as all our external fund managers, deepening our conversations around climate change and setting specific expectations in line with the AOA's Target Setting Protocol.

Financing the transition

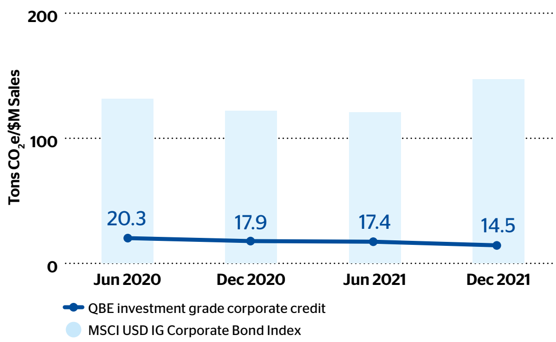
In addition to providing risk management solutions, the insurance industry is one of the largest investors in assets globally with trillions of dollars of assets under management. The industry therefore has an opportunity to align investment decisions, and reorient significant capital, to financing the transition. Consistent with this, we currently have over $950 million invested in assets that finance the transition. This is 3% of assets under management (AUM) and, in line with our net-zero 2050 intermediate targets, we aim to grow this to 5% of AUM by 2025. We are also committed to enhancing the supply of assets that finance the transition by working with external fund managers, intermediaries and issuers to develop investable opportunities and participating in relevant industry forums to encourage the development of institutional grade investment products.

Investment grade corporate credit - transition risk

Carbon footprint

Building on the transition risk analysis done over the past few years, we undertook deeper analysis of our investment grade corporate credit portfolio during 2021 to understand our exposure to climate-related risks and opportunities. Given its significance in our portfolio, representing approximately half of our AUM, our investment grade corporate credit portfolio has always been a key area of focus for us. We have been tracking the Scope 1 and 2 weighted average carbon intensity of this portfolio monthly since 2019. We have committed to maintaining a low carbon risk rating and are pleased to again have achieved this in 2021.[1]

Weighted average carbon intensity



1 Carbon risk measures exposure to carbon intensive companies. It is based on MSCI CarbonMetrics and is calculated as the portfolio weighted average of issuer carbon intensity. Carbon intensity is the ratio of annual Scope 1 and 2 carbon emissions to annual revenue. Carbon risk is categorised as very low (0 to <15), low (15 to <70), moderate (70 to <250), high (250 to <525), and very high (>=525).

High emitting sectors exposure

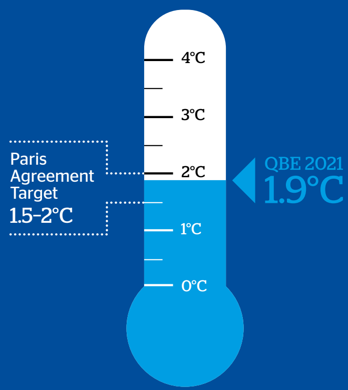
To confirm the portfolio's low transition risks associated with a disruptive shift to a net-zero economy, we again quantified our exposure by assessing the proportion of our investment grade corporate credit portfolio to high emitting sectors using the Paris Agreement Capital Transition Assessment tool. Our exposure to these high emitting sectors is small, with 4.3% of our portfolio in automotive, and no exposure to coal mining, power generation, oil and gas production, cement production, steel production, shipping, and aviation, all of which contribute significantly to global greenhouse gas emissions. Understanding our small exposure to the automotive industry will enable us to continue to target our engagement strategies towards the companies we hold in this sector.

Warming potential

With increased availability of underlying data tailored to understanding climate risk, working with our data provider we were also able to determine the combined Scope 1 and 2 warming potential of the portfolio. A portfolio's warming potential is calculated as a weighted average of each portfolio company's individual contribution to rising temperatures. While a carbon footprint is intrinsically backward-looking, a warming potential metric incorporates individual company emission reduction targets and allows for a forward-looking analysis of the portfolio. Our combined Scope 1 and 2 warming potential of 1.9°C indicates that we are within the Paris Agreement temperature range of 1.5°C to 2°C. We will continue to push for 1.5°C alignment through targeted engagement with our highest emitters.
By understanding where our sector exposures lie and engaging with our top emitters, we will continue our progress towards net-zero by 2050 and 1.5°C alignment.

Investment grade corporate credit warming potential

The temperature gauge illustrates the Scope 1 and 2 combined warming potential for the investment grade corporate credit portfolio.



Investments (continued)

Engaging on climate change

Engagement is our preferred method to effect change in companies and external fund managers. We adopt targeted engagement to gain insight into integration of climate-related issues, which allows us to understand our exposure to risks and opportunities for improvement.

An ESG review is undertaken for all existing managers and, as part of this process, we have included targeted due diligence questions focusing on climate change strategy including mitigation and adaptation, policy implementation and practical business actions, with a view to better understanding what emission reduction targets have been set, as well as the key strategic initiatives being undertaken to ensure a just transition.

In 2021, we strengthened this review process with the introduction of a new scoring methodology, informed by industry best practice frameworks. This scoring methodology allows us to produce a quantitative indicator score of how our external fund managers are implementing responsible investment practices and approaching these key ESG areas including climate risks and opportunities. The outcome of each assessment enables us to further understand the journey of our external fund managers and lays a strong foundation for engagement on action in 2022.

We have also actively engaged our external fund managers in reporting in line with the TCFD and understanding the climate scenario analysis they are undertaking to identify key physical and transition risks. At a minimum, we will conduct an ESG review annually for all existing managers, with additional reviews if material issues arise. We are also committed to reviewing our own integration of ESG into these processes on an annual basis, to reflect continuing changes in market practice and business priorities.

Positively, while our external fund manager reviews and discussions highlighted that climate change is the largest challenge they are currently facing, over 75% of our external fund managers are committed to net-zero by 2050 and integrating emissions reduction considerations into key investment decisions. Approximately 50% of our external fund managers are also doing targeted work to understand their progress in achieving the UN Sustainable Development Goals and exploring opportunities to further develop in this space.

Risk management

Climate change is embedded into QBE's risk management framework. As part of our Risk Management Strategy, we categorise risks into eight classes, with ESG risk classified as part of strategic risk.

Our Group ESG Risk Standard, which forms part of our Strategic Risk Policy, outlines the process we use to identify and manage ESG risks across our business. ESG risks are reported to the Group Chief Risk Officer regularly, with our ESG Risk Committee focusing on material ESG risks.

Our E&S Risk Framework helps us identify and mitigate risks to our underwriting and investment portfolios across a range of material ESG risk issues and sectors including energy.

Since the initial release of our E&S Risk Framework, we have focused on the development of practical implementation guidance ahead of it coming into effect.

As a result of this work, we made some minor amendments to our commitments in relation to biodiversity and protected areas, and controversial weapons to ensure we are able to practically implement and comply with our commitments.

The E&S Risk Framework is available here: www.qbe.com/investor-relations/corporate-governance/global-policies.

Risk tool

In Europe QBE has developed a tool to provide a risk management framework for customers to better assess ESG risk. Developed by QBE's Risk Solutions practice, the tool provides a template sustainability policy and ESG framework to help smaller and medium sized enterprises identify, monitor and manage a range of ESG issues that may impact on their business.

Underwriting

Climate in business planning

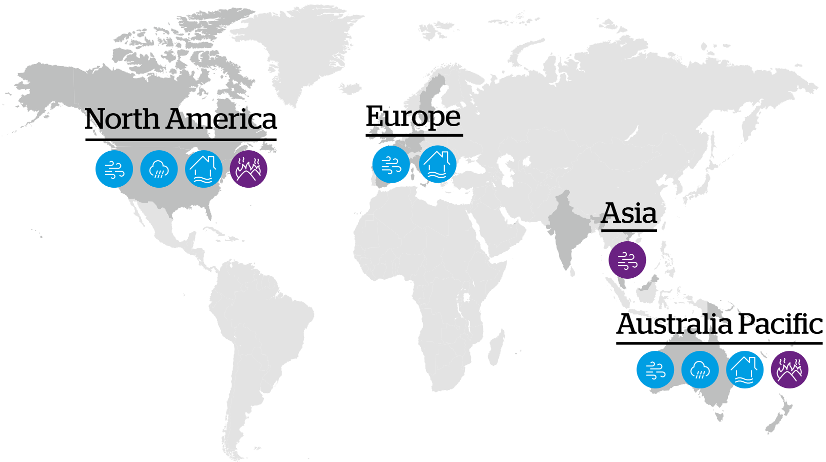
This year, our Group business planning process has explicitly considered the potential impact of climate change. This includes consideration of how climate change is reflected within divisional business plans, the potential impact to the portfolio/product's horizon strategy and anticipated impact on exposures, and any medium-term activities to be considered to adapt to the risks posed by climate change.

Climate change underwriting strategy

As part of its roadmap work in response to the UK Prudential Regulation Authority, our European division has undertaken detailed analysis, mapping exposure by line of business to climate sensitive sectors. There has been extensive engagement with the product heads of each line of business on scenario analysis and the identification of risks and responses to inform our underwriting strategy. A divisional climate change underwriting strategy has been developed, led by the division's Chief Underwriting Officer. It is built upon product-based strategies and has been updated to reflect the latest Network for Greening the Financial System transition scenarios as used by the Bank of England as part of its climate biennial exploratory scenarios.

Physical scenario analysis

Both the frequency and severity of natural catastrophes have increased steadily over time, causing economic and insured losses with the general trend further heightened by climate change. In 2021, we undertook a deeper review of our natural catastrophe exposure to ensure that QBE is not over-exposed to climate risk as the climate continues to change. This resulted in a change in our natural catastrophe business planning philosophy. We strengthened our annual natural catastrophe allowance in the business plan, reflecting the recent period of elevated natural catastrophe activity. We are continuing to learn from the various natural catastrophes, and are continuously refining our models to better price catastrophe risk. This leads to a better understanding of climate change resilience and therefore, where meaningful, credits are built into our pricing for properties with more resilient and energy efficient building features.



Key:
- Windstorm
- Convective storm/Hail
- Flood
- Bushfire/Wildfire
- Scenario analysis completed
- Scenario analysis underway

How do we manage physical risks from climate change?

We use stochastic catastrophe models to better understand our exposure to climate risk. These models inform capital requirements, policy pricing and risk selection, to monitor our change in climate risk exposure, to define and quantify policy exclusions, and to structure reinsurance protection. They are also used to inform financial and strategic planning. We routinely review the adequacy of our catastrophe models and adjust them to reflect the current climate risk.

How do we adjust the catastrophe models for future climate change?

Firstly, we need to determine how climate change will impact the intensity and frequency of severe weather events. This requires the interpretation of scientific papers and establishing consensus scientific views on the impact of climate change and the related timeframe for specific weather phenomena and specific regions. The next step is to modify the weather events embedded in the models to reflect the impact of future climate change. Over the past few years we have worked with catastrophe modelling vendors, Risk Management Solutions, Inc. and AIR Worldwide, and with Aon plc to better understand the impact of climate change and to reflect it in our catastrophe models. This exercise essentially provides us with a tool to better quantify the impact future climate change could have on our insurance and reinsurance portfolios.

Pricing

Change in exposure

Exclusions

Reinsurance

Energy sector

QBE has a diverse and international portfolio of customers in the energy sector. We are committed to working with them to support a shift to more sustainable business models and providing risk management solutions for innovative technologies which will be key to achieving a net-zero economy by 2050.

We have committed to reduce our exposure to higher transition risks in the energy sector, including no longer underwriting new coal and oil sands projects and ensuring that we are only supporting oil sands and Arctic drilling where the company is on a pathway consistent with achieving the Paris Agreement objectives.

To assess the transition pathway for oil sands, we have developed a methodology which considers five key dimensions (governance, metrics, strategy, reporting, and carbon commitments) that will impact a company's emission pathway to 2050. In analysing these dimensions in a standardised way, we expect to gain insight into the level of awareness, acknowledgement and integration of climate change at an operational and a management level. Furthermore, we are seeking to establish how these companies are integrating their climate change strategies into a transition plan. However, this is a complex and unfolding topic, and one in which we need to continue to engage and better understand. It is clear that the evaluation of a pathway towards the Paris Agreement objectives continues to be an evolving space with national, regional and industry-wide issues to consider. In addition, consideration needs to be given to the development and commercialisation of new technologies and other abatement strategies.

We will rely on each company's public disclosures on this topic to assess these dimensions, but we will also enter into more advanced due diligence discussions with them if this helps to develop and improve our understanding of their approach and baselines. In addition, we will also consider the operational environmental policies in place, particularly those that measure and drive companies towards material reductions in their emissions, as a key consideration in assessing the transition pathway goals in place at the time of underwriting the company. There are restrictions on the maximum policy period QBE will commit to before re-checking their progress.

We will continue to review our approach towards emissions-intensive industries, including assessing and refining the transition pathway methodology. This will allow us to evolve our approach and reflect changes to national or intergovernmental policies and agreements, technology and the availability of practical alternatives. We will continue to support industries and companies as they themselves work through the transition to a net-zero economy and continue to develop and offer new insurance products and risk management solutions in support of net-zero by 2050.

Sustainable energies unit

QBE has launched a sustainable energies unit to support customers as they transition to lower carbon energy. The unit will align QBE underwriting capabilities across construction, operational, property & casualty, and D&O lines, focusing on underwriting the growing range of companies and energy systems that form part of a rapidly changing energy mix throughout the world. Projects include hydrogen, ammonia, hydro, solar, fixed and floating wind-power and carbon capture and sequestration.

Metrics and targets

We are committed to net-zero across our operations by 2030, and our investment and underwriting portfolios by 2050. Getting to net-zero in operations will require ongoing work to optimise the energy efficiency of our buildings; transition our fleet to hybrid and, when feasible, fully electric vehicles; and transition to 100% renewable electricity. This year, we refreshed our energy reduction target which came to an end in 2021 and maintained carbon neutrality.

More detail on QBE's Sustainability Framework and our performance and progress is available in QBE's 2021 Sustainability Report.

MEASURE	TARGET	2021	2020	STATUS
Energy use (GJ)	25% reduction by 2025 (2019 baseline)	106,673	122,115	Achieved
Scope 1 and 2 emissions (1.5°C trajectory aligned science-based target) (tCO_2-e)	30% reduction by 2025 (2018 baseline)	6,062	5,881	Achieved
Renewable electricity use (MWh)	100% by 2025	20,199 (100%)[1]	22,529 (97%)	Achieved
Underwriting portfolio emissions	Net-zero emissions (Scope 1 and 2) in underwriting portfolio by 2050	N/A	N/A	Interim targets to be set
Carbon intensity reduction	25% reduction by 2025 of Scope 1 and 2 emissions in equity portfolio	N/A	N/A	Target set in 2021
Engagement	• All external managers • 20 highest emitters in investment grade corporate credit portfolio	N/A	N/A	Target set in 2021
Financing the transition	5% increase of assets under management in climate solutions investments by 2025	N/A	N/A	Target set in 2021
Impact investing ambition	$2 billion by 2025	$1.4 billion	$1.1 billion	On track

1 Based on RE100 Materiality Threshold guidance and excludes electricity use from countries with small electricity loads (<100 MWh/year) up to a total of 500 MWh/year and where it is not feasible to source renewable electricity.

Sustainability-linked loan

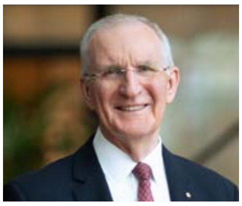
In 2021, we launched our first syndicated sustainability-linked banking facility, connecting fees paid on the facility to QBE's commitment to sustainability performance, underpinned by performance targets linked to renewable electricity, women in leadership and Premiums4Good impact investments. The sustainability aspect of the facility has been drafted in accordance with the Sustainability Linked Loan Principles published by the Asia Pacific Loan Market Association.

Partnerships and initiatives

Climate change is a global challenge requiring the collaborative efforts of a range of stakeholders to minimise economic disruption and deliver an orderly transition to a low carbon economy. We engage in climate-related partnerships for impact, working with government, industry, customers and community groups. These include:

- Actuaries Institute – Climate Change Working Group
- Australian Sustainable Finance Institute
- CDP
- ClimateWise
- CRO Forum
- Investor Group on Climate Change
- Insurance Council of Australia – Climate Change Action Committee
- RE100
- UN-convened Net-Zero AOA
- UN-convened NZIA, including the insured emissions working group in collaboration with the Partnership for Carbon Accounting Financials
- UNEP FI Principles for Responsible Investment
- UNEP FI Principles for Sustainable Insurance

Board of Directors



Michael (Mike) Wilkins AO BCom, MBA, FCA, FAICD

Independent Chair

Mike became a non-executive director of QBE in 2016 and was appointed Chair in March 2020. He is Chair of the Governance & Nomination Committee and a member of the People & Remuneration, Audit, Investment, Risk & Capital and Operations & Technology Committees. Mike has more than 30 years' experience in financial services. He was the Managing Director and CEO of Insurance Australia Group Limited until November 2015 and previously served as Managing Director and CEO of Promina Group Limited and Managing Director of Tyndall Australia Limited. He is currently Chair of Medibank Private Limited and a non-executive director of Scentre Group Limited. He previously served as a non-executive director of AMP Limited, Alinta Limited, Maple-Brown Abbott Limited, The Geneva Association and the Australian Business and Community Network. Mike was the founding member of the Australian Business Roundtable for Disaster Resilience & Safer Communities from 2013 until his retirement in 2015.

Andrew Horton BA Natural Sciences, ACA

Group Chief Executive Officer

Andrew joined QBE as Group Chief Executive Officer in September 2021. He was previously the CEO, and before that the Finance Director, of Beazley Group, a specialist insurer based in the United Kingdom with operations in Europe, the United States and Asia. Prior to this, he held various senior finance roles in ING, NatWest and Lloyds Bank. Andrew has more than 30 years' experience across insurance and banking, and has extensive experience across international markets.

Stephen Fitzgerald AO BEc

Independent Director

Stephen became a non-executive director of QBE in 2014. He is Chair of the Investment Committee, Deputy Chair of the People & Remuneration Committee and a member of the Risk & Capital and Governance & Nomination Committees. Stephen joined Goldman Sachs in 1992 and held a number of leadership roles in London, Tokyo, Hong Kong and Australia. He was Chair of Goldman Sachs, Australia and New Zealand when he retired in 2012. Stephen is currently the Managing Partner of Affirmative Investment Management and sits on the boards of Great Barrier Reef Foundation and Champions of Change Coalition and is a member of the Investment Committee of the British Museum. He is also on the board of Lombard Odier Investment Management. Stephen was previously a member of the Board of Guardians of the Future Fund (Australia's Sovereign Wealth Fund).

John M Green BJuris/LLB, FAICD, SF FIN

Independent Deputy Chair

John became a non-executive director of QBE in 2010. He is Deputy Chair of the Board, Chair of the People & Remuneration Committee and Deputy Chair of the Investment, Operations & Technology and Governance & Nomination Committees. He is also a member of the Risk & Capital and Audit Committees. John was previously a director of Worley Limited, an executive director at Macquarie Group leading its financial institutions group and a partner at two major law firms. John is a non-executive director of the Cyber Security Cooperative Research Centre and Challenger Limited. He is also a novelist and co-founder of independent book publisher Pantera Press.

Tan Le BCom (Hons), LLB (Hons)

Independent Director

Tan became a non-executive director of QBE in September 2020. She is a member of the Audit, Operations & Technology and Governance & Nomination Committees. Tan is the founder and CEO of EMOTIV, a neuroinformatics company advancing understanding of the human brain. She was previously co-founder and President of SASme, a wireless technology company. Tan has been a contributor at the World Economic Forum (WEF) and previously served on the WEF Global Future Council and on the WEF Board of Stewards on Shaping the Future of Information & Entertainment.

Kathryn (Kathy) Lisson BSc (Hons)

Independent Director

Kathy became a non-executive director of QBE in 2016. She is Chair of the Operations & Technology Committee and a member of the Audit and Governance & Nomination Committees. Kathy has over 30 years' experience across insurance and banking in technology, operations and management. She was previously Chief Operating Officer for two insurance companies (QBE Europe (a QBE regulated entity) and Brit Insurance) and Operational Transformation Director at Barclays Bank PLC, which included delivering global solutions in digital technology, cyber security and IT risk. Kathy also held executive positions at Bank of Montreal, including as President of its Mortgage Corporation and EVP Technology Strategy and Delivery. Kathy was a senior partner at Ernst & Young and Price Waterhouse in Canada, leading their insurance and banking advisory practices. Kathy has also held several other non-executive director roles in the United Kingdom and in Canada.

Sir Brian Pomeroy MA, FCA

Independent Director

Sir Brian became a non-executive director of QBE in 2014. He is Deputy Chair of the Audit Committee and a member of the Investment, Risk & Capital and Governance & Nomination Committees. He has extensive insurance industry experience, including in his previous role as a Nominated Member of the Council of Lloyd's and as Chair of the Independent Commission on Equitable Life Payments. He was formerly a non-executive member of the board of the Financial Conduct Authority in the United Kingdom and a non-executive director on QBE's European regulated boards. Sir Brian also chaired the United Kingdom Treasury's Financial Inclusion Taskforce, the Payments Council and the Gambling Commission. He was the Senior Partner of Deloitte Consulting in the United Kingdom until 1999.

Jann Skinner BCom, FCA, FAICD

Independent Director

Jann became a non-executive director of QBE in 2014. She is Chair of the Audit Committee, Deputy Chair of the Risk & Capital Committee and a member of the People & Remuneration and Governance & Nomination Committees. Jann has over 30 years' professional experience in audit and accounting with a focus on financial services, particularly the insurance industry. She was an audit partner for 17 years with PricewaterhouseCoopers before retiring in 2004. Jann is a non-executive director of Telix Pharmaceuticals Limited, HSBC Bank Australia Limited and Create Foundation Limited. Previously, Jann was a non-executive director of Enstar Australia Group and the Tasmanian Public Finance Corporation. Jann was also a non-executive director on QBE's Australian regulated boards.

Eric Smith MBA, BSc

Independent Director

Eric became a non-executive director of QBE in September 2020. He is a member of the Risk & Capital, Operations & Technology and Governance & Nominations Committees. Eric has more than 40 years' experience in insurance and financial services, and was most recently President and Chief Executive Officer of Swiss Re Americas from 2011 to 2020. Eric has held a number of executive roles in his career including President of USAA Life Insurance Co and President of Allstate Financial Services, Allstate's business unit that distributes life insurance, annuities and other financial products. He has also held various roles in property and casualty insurance with Country Financial over a 20 year period. Eric is a non-executive director of Deutsche Bank Americas.

Rolf Tolle Dipl.-Pol

Independent Director

Rolf became a non-executive director of QBE in 2016. He is Chair of the Risk & Capital Committee and a member of the Audit, People & Remuneration and Governance & Nomination Committees. He has significant experience in specialist insurance and reinsurance businesses, having held senior positions in a number of global companies. He was the first ever Franchise Performance Director at Lloyd's, for which he was awarded the Silver Medal for Services at Lloyd's, an honour bestowed on only a few individuals since its creation in 1917. Rolf is a director of Marco Insurance PCC Limited and British Reserve Insurance Company Limited and is also on the advisory board of Wrisk Ltd. Rolf was previously a director of Beazley plc and Beazley Furlonge Ltd.

Group Executive Committee

Andrew Horton BA Natural Sciences, ACA

Group Chief Executive Officer

Andrew joined QBE as Group Chief Executive Officer in September 2021. He was previously the CEO, and before that the Finance Director, of Beazley Group, a specialist insurer based in the United Kingdom with operations in Europe, the United States and Asia. Prior to this, he held various senior finance roles in ING, NatWest and Lloyds Bank. Andrew has more than 30 years' experience across insurance and banking, and has extensive experience across international markets.

Inder Singh BCom

Group Chief Financial Officer

Inder joined QBE in 2015 and was appointed Group Chief Financial Officer in 2018. His previous roles at QBE include Chief Financial Officer for Australian & New Zealand Operations and Group Head of Corporate Development and Financial Planning & Analysis. Inder has more than 20 years' experience in financial services spanning property and casualty, life insurance and banking. He started his career at Arthur Andersen before working in investment banking in Sydney and London with Deutsche Bank and UBS. Prior to joining QBE, he was Group M&A Director at Aviva plc in London where he led a number of transformational transactions.

Vivienne (Viv) Bower BA Organisational Communication

Group Executive, Corporate Affairs and Sustainability

Viv joined QBE in 2017 and was appointed Group Executive, Corporate Affairs and Sustainability in 2019. She previously held senior investor relations and corporate affairs roles, including Group Head of Corporate Affairs and Investor Relations at Lendlease, Head of Group Internal Communications at Westpac and Group General Manager of Communications at Multiplex Group.

Jason Harris BSc (Hons) Geology

Chief Executive Officer, International

Jason joined QBE as Chief Executive Officer, International in October 2020. Prior to joining QBE, Jason held a number of global and international leadership roles at XL Group including most recently as Chief Executive, Global Property and Casualty and previously as Chief Executive, International Property and Casualty. He previously worked at AIG/Chartis in several senior roles including Executive Director, Commercial Lines. He is an underwriter by background and started his career in offshore energy. He has worked in insurance for over 25 years.

Sam Harrison BA (Hons) Economics

Group Chief Underwriting Officer

Sam was appointed Group Chief Underwriting Officer in April 2021. Having worked at QBE for more than 23 years, Sam has held a number of senior roles including most recently as Managing Director, Insurance, for QBE's International division and prior to this as Managing Director of International Markets. Sam joined QBE in 1998 as an offshore energy underwriter and has 30 years' experience in underwriting across the global market.

Sue Houghton BA History, ACA

Chief Executive Officer, Australia Pacific

Sue joined QBE as Chief Executive Officer, Australia Pacific in August 2021. She was previously Managing Director, Insurance for the Westpac Group. Sue has more than 20 years' experience in the financial services sector, having held senior leadership and management roles at Wesfarmers Insurance, Insurance Australia Group and Arthur J Gallagher. She is a member of the Champions of Change Coalition and is a director and immediate past President of the Insurance Council of Australia.

Amanda Hughes BCom, MBA, CA, GAICD

Group Executive, People and Culture

Amanda joined QBE in 2020 as Group Head of Culture, Performance and Reward and was appointed Group Executive, People and Culture in December 2021. Prior to joining QBE, she was the Director of People and Culture at AMP and she previously held senior HR roles at Lendlease and Macquarie Group. Amanda began her career as a chartered accountant and has worked in Sydney, London and Auckland.

Todd Jones BSc, MBA

Chief Executive Officer, North America

Todd joined QBE in October 2019 as Chief Executive Officer, North America. Prior to joining QBE, Todd held a number of senior roles at Willis Towers Watson, including most recently as Head of Global Corporate Risk and Broking, and previously as CEO for Willis North America. Todd began his career as a technical broker in management liability insurance serving large, complex and middle market clients. Todd has over 25 years' experience in the insurance and financial services industry.

Fiona Larnach FCPA, MAICD

Group Chief Risk Officer

Fiona joined QBE in March 2021 as Group Chief Risk Officer. She has previously held senior executive roles at major financial services companies in Australia and the United Kingdom and was, most recently, the Chief Risk Officer for Barclays UK. Prior to this, she has held senior management roles including as Chief Risk Officer, Retail Banking for Commonwealth Bank of Australia and as a risk advisory partner at Ernst & Young consulting to insurance, banking and wealth management clients, and has worked at Westpac, AMP Limited, GE Mortgage Insurance and Citibank.

Matt Mansour MBA

Group Executive, Operations and Technology

Matt joined QBE in 2018 as Group Chief Information Officer and was appointed to the Group Executive Committee in 2019. Prior to joining QBE, he held senior global roles in Barclays Bank and GE Capital. Matt has over 27 years' experience in technology, operations and digital business leadership roles.

Carolyn Scobie BA, LLB, MA, AGIA, GAICD

Group General Counsel and Company Secretary

Carolyn joined QBE in 2016 as Group General Counsel and Company Secretary. Prior to joining QBE, she was Group General Counsel at Goodman Group for 17 years, where she ran a multi-disciplinary legal team. Carolyn has extensive experience in corporate law, compliance, regulatory matters, litigation and managing the complexity of multiple jurisdictions.

Richard Pryce BHis (Hons)

Former Interim Group Chief Executive Officer

Richard joined QBE in 2012 and was appointed Interim Group Chief Executive Officer in October 2020. He ceased this role in September 2021 on the arrival of the new Group Chief Executive Officer, and retired from QBE in December 2021.

Margaret Murphy BA (Hons) Business

Former Group Executive, People and Change

Margaret joined QBE in October 2016 and resigned from her position as Group Executive, People and Change in 2021. Amanda Hughes succeeded her in that role from 1 December 2021 and Margaret will cease employment with QBE in March 2022.

Jason Brown BEC ACA

Former Group Chief Underwriting Officer

Jason joined QBE in 2002 and was appointed as Group Chief Underwriting Officer in 2019. He ceased employment with QBE in December 2021.

Corporate governance statement

QBE is committed to the highest standards of corporate governance. The QBE DNA consists of seven interwoven elements that are fundamental to QBE and how QBE needs to operate to succeed, recognising its customers, people, shareholders and communities. QBE believes that a culture that rewards transparency, integrity and performance will promote its long-term sustainability and the ongoing success of its business.

Board and management

Board functions

The Board charter sets out the role and responsibilities of the Board, including matters expressly reserved for the Board and those delegated to its Committees and management. The role of the Board is to represent and serve the interests of shareholders by providing guidance and oversight of QBE's strategies, policies and performance. This includes demonstrating leadership, setting the strategic direction for QBE, approving QBE values that underpin the desired culture, monitoring the performance of management in the delivery of strategy and instilling the values and desired culture of QBE. The Board's principal objective is to maintain and increase shareholder value while ensuring that the activities of QBE are properly managed.

The Board reviews strategy on an ongoing basis. To help the Board maintain its understanding of the business and to effectively assess management, directors receive regular presentations from the divisional chief executive officers and other senior managers of the various divisions on relevant topics, including budgets, three-year business plans and operating performance. The Board receives updated forecasts during the year. The non-executive directors also have contact with senior executives in various forums throughout the year.

Visits by non-executive directors to QBE's offices in key locations are encouraged. The Board meets regularly in Australia and, due to QBE's substantial overseas operations, usually spends time in the United Kingdom and the United States each year; however, in 2021, due to COVID-19, Board and Committee meetings, strategy sessions and other meetings were held virtually.

Each formal Board meeting normally considers reports from the Group Chief Executive Officer and the Group Chief Financial Officer, together with other relevant reports. The non-executive directors regularly meet in the absence of management. The Chair and Group Chief Executive Officer in particular, and directors in general, including those on the divisional boards, have substantial contact outside Board and Committee meetings.

Details of the number of Board meetings held during the 2021 financial year and attendance by directors are set out in the Directors' Report. Directors are expected to attend all Board meetings.

Senior management functions

Management's responsibilities are to:

- develop a draft strategy, make recommendations to the Board and implement the Board approved strategy, subject to market conditions;
- instil and reinforce QBE's values and desired culture;
- prepare annual budgets and three-year business plans;
- carry on day-to-day operations within the Board-approved annual budget and three-year business plans, subject to market conditions;
- design and maintain internal controls;
- establish and monitor the effectiveness of the risk management and compliance management system, and monitor and manage all material risks consistent with the strategic objectives, risk appetite statements and policies approved by the Board;
- provide the Board with accurate, timely and clear information on the Group's operations, including on compliance with material legal and regulatory requirements and any conduct materially inconsistent with the Group Code of Ethics and Conduct;
- inform the Board of material matters and keep the Board and market fully informed about material continuous disclosure; and
- monitor that succession plans exist for all Group executive positions other than the Group Chief Executive Officer. The succession plans for the Group Chief Executive Officer are managed by the Governance & Nomination Committee, and are discussed in more detail below.

The Board delegates responsibility to the Group Chief Executive Officer for the day-to-day management of the business.

QBE has operated under an extensive written system of delegated authorities for many years. In particular, a written delegated authority with specified limits is approved by the Board each year to enable the Group Chief Executive Officer to conduct QBE's business in accordance with detailed budgets and business plans. This delegated authority deals with topics such as underwriting, reinsurance protection, claims, investments, acquisitions and expenses. The Group Chief Executive Officer delegates authority to management throughout the Group on a selective basis, taking into account expertise and past performance. Compliance with delegated authorities is monitored by management and adjusted as required based on performance, market conditions and other factors. Management and the Group's internal audit teams review compliance with delegated authorities and a breach can lead to disciplinary procedures, including dismissal.

1 Performance overview
2 Operating and financial review
3 Governance
4 Directors' Report
5 Financial Report
6 Other information

Chair

The independent Chair of the Board is Mike Wilkins AO, who was appointed to that role in March 2020. The Chair is responsible for ensuring that the Board functions as an effective and cohesive group. The Chair works closely with the Group Chief Executive Officer to determine the strategic direction for QBE and to establish high standards of governance and leadership.

Committees

The Board is supported by several Committees which meet regularly to consider audit, risk management, investments, remuneration, technology, operations and other matters. The main Committees of the Board are the Audit, Governance & Nomination, Investment, Operations & Technology, People & Remuneration and Risk & Capital Committees. Further sub-committees of the Board may be convened to confer on particular issues from time to time. Any non-executive director may attend a Committee meeting. The Board is considering how the work of some Committees could be streamlined and accordingly there may be changes to some Committees in 2022.

The Committees have free and unfettered access to QBE's senior managers and may consult external advisers at QBE's cost, including requiring their attendance at Committee meetings, with the consent of the Committee Chair. A report on each Committee's last meeting is provided at the next Board meeting.

Each Committee comprises at least three independent directors and each Committee Chair is an independent director who is not the Chair of the Board (excluding the Governance & Nomination Committee, the Chair of which is Mike Wilkins). Each Committee operates under a written charter approved by the Board. These charters are available at www.qbe.com/investor-relations/corporate-governance/qbe-charters-and-constitution. The membership of each Committee is provided at www.qbe.com/about-qbe/group-board-of-directors and details of the number of Committee meetings held during the 2021 financial year and attendance by Committee members at Committee meetings is set out in the Directors' Report.

Further information regarding the Committees can be found throughout this corporate governance statement.

Company Secretary

The Company Secretary acts as secretary to the Board and all of the Committees and is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. All directors have direct access to the Company Secretary.

The Company Secretary's role is described in the Board Charter and includes communication with regulatory bodies and the Australian Securities Exchange (ASX), all statutory and other filings and assisting with good information flows within the Board and its Committees and between non-executive directors and senior management, as well as facilitating induction and professional development as required. The Company Secretary may also provide guidance to directors in relation to governance matters.

Board skills and experience

Directors are selected to provide to QBE a broad range of skills, experience and expertise complementary to QBE's insurance activities. The Board comprised 10 directors at 31 December 2021, being an independent Chair, Group Chief Executive Officer and eight other independent directors.

The Board has a skills matrix covering the range of competencies and experience of each director. When the need for a new director is identified, the required experience and competencies of the new director are considered in the context of this matrix and any gaps that may exist.

The Board's skills matrix is summarised below:

SKILLS	
Financial literacy	Government relations
Legal	Executive leadership
Governance	Digital technology
Strategy	Cyber security
Commercial expertise	IT risks
Risk management	Data analytics

INDUSTRY	
General insurance	Private equity
Reinsurance	Financial services
Investment banking	Accounting

Details of individual directors, including their qualifications and experience, independence status and period of Board tenure, are set out in the Board of Directors section of the Annual Report and can also be found on the QBE website at www.qbe.com/about-qbe/group-board-of-directors.

Independence of the Board

During the 2021 year, the majority of the directors on the Board were independent directors, applying the 'independence' definition of the ASX Corporate Governance Council. When applying this definition, the Board has determined that an independent director's relationship with QBE as a professional adviser, consultant, supplier, customer or otherwise is not material unless amounts paid under that relationship exceed 0.1% of QBE's revenue. The roles of the Chair and Group Chief Executive Officer are generally also not exercised by the same individual.

Directors are required to advise the Board on an ongoing basis of any interest they have that they believe could conflict with QBE's interests. If a potential conflict does arise, either the director concerned may choose not to, or the Board may decide that he or she should not, receive documents or take part in Board discussions while the matter is being considered. Conflicts of interest, including related party transactions, are a standing agenda item and are considered by the Board at each Board meeting.

Corporate governance statement continued

Tenure

The mere fact that a director has served on the Board for a lengthy period of time does not, of itself, suggest a lack of independence; however, the Board has agreed that a non-executive director's term should be approximately 10 years. Under the Company's Constitution, there is no maximum fixed term or retirement age for non-executive directors. The Board considers that a mandatory limit on tenure would deprive the Group of valuable and relevant corporate experience in the complex world of international general insurance and reinsurance. John M Green has been a non-executive director since 2010 and Deputy Chair since 2015. He was re-elected as a director at the 2019 Annual General Meeting (AGM). QBE's other directors believe that Mr Green continues to exercise independent judgement and, through his QBE experience, makes an important contribution. The tenure of each director is set out in the Board of Directors section of the Annual Report and can also be found on the QBE website at www.qbe.com/about-qbe/group-board-of-directors.

The Constitution provides that no director, except the Group Chief Executive Officer, shall hold office for a continuous period in excess of three years or past the third AGM following a director's appointment, whichever is the longer, without submission for individual re-election.

Board and senior executive selection process

The Board has a Governance & Nomination Committee which meets regularly during the year around the time of the Board meetings. The Committee assists the Board in appointing directors so that the Board as a whole has the necessary range of skills, knowledge and experience to be effective. The Committee also assists the Board in managing the succession plans for the Group Chief Executive Officer and reviewing succession plans for members of the Group Executive Committee. The Governance & Nomination Committee is comprised of all the non-executive directors of the Board and is chaired by Mike Wilkins.

A formal process for the selection and appointment of directors or senior executives is undertaken by the Governance & Nomination Committee and Board. Appropriate background checks are undertaken before the Board appoints a new director or senior executive or puts forward a candidate for election. External consultants may be employed, where necessary, to search for prospective directors. Candidates are assessed against the required skills and on their qualifications, background and personal qualities.

For Board appointments, candidates must also have the required time to commit to the position. The Board regularly reviews the mix of skills that is required to operate effectively. Under the Constitution, the size of the Board is limited to 12 directors. The Board considers that a maximum of 12 directors reflects the largest realistic size of the Board that is consistent with:

- maintaining the Board's efficiency and cohesion in carrying out its governance duties on behalf of shareholders;
- reducing the risk of a director being insufficiently involved in, and informed about, the business of QBE; and
- providing individual directors with greater potential to contribute and participate.

QBE also provides shareholders with all material information in its possession that is relevant to a decision on whether or not to elect or re-elect a director through a number of channels, such as the notice of meeting, director biographies and other information contained in the Annual Report.

Upon appointment, each non-executive director and senior executive is provided with a written agreement which sets out the terms of their appointment.

The Board believes that orderly succession and renewal contribute to strong corporate governance and are achieved by careful planning and continual review. As an ongoing evaluation, the Board regularly discusses its composition in relation to the mix of skills, diversity and geographic location of directors to meet the needs of QBE.

Director induction and training

Upon appointment, directors attend induction sessions where they are briefed on QBE's history, DNA, strategy, financials, and risk management and governance frameworks.

The Board obtains the information it requires to be effective including, where necessary, independent professional advice.

A non-executive director may seek such advice at QBE's cost with the consent of the Chair. Directors are also provided with ongoing professional development and training programs to enable them to develop and maintain their skills and knowledge at QBE's cost, with the consent of the Chair. Non-executive directors are required to complete continuing professional development each year, including on insurance, customer and regulatory matters.

Performance evaluation and remuneration

Performance evaluation – Board and directors

The Chair oversees the performance of the Board, its Committees and each director. The Board regularly reviews its performance through internal and external assessments, and recommendations for either improvement or increased focus are agreed and promptly implemented.

A Board performance evaluation was conducted in 2021 for the 2020 year. The review covered the performance of boards and committees at both the Group and divisional levels.

People & Remuneration Committee

The Board has a People & Remuneration Committee which meets at least quarterly to assist it in, amongst other things, overseeing major remuneration practices of QBE. The People & Remuneration Committee is comprised of independent directors and is chaired by John M Green.

Performance evaluation – senior executives

The People & Remuneration Committee oversees the performance of senior executives. In addition, the Board continually monitors the performance of senior executives through regular review and reporting.

In 2021, QBE used a balanced scorecard of an individual's achievement against specific strategic priorities. Other than as set out in the Remuneration Report, senior executives have 35% of their short-term incentive plan outcome determined with reference to individual objectives.

The scorecard is aligned to QBE's business plans and measures performance against objectives, which supported QBE's strategic objectives in 2021. The Remuneration Report sets out a summary of the key objectives and outcomes against these for the executive key management personnel.

The Group Chief Executive Officer's and Interim Group Chief Executive Officer's (26 October 2020 – 31 August 2021) scorecards were formulated initially through a discussion between them and the Chair and were approved by the Board. Consistent with the Group Chief Executive Officer's scorecard, the scorecards for the other senior executives align with QBE's business plans and support the strategic priorities. The approval and assessment process for the senior executives' scorecards is completed by the People & Remuneration Committee.

A senior executives' performance evaluation was conducted for the 2021 year, with reference to their performance against agreed 2021 objectives.

Remuneration policies and practices

Details of QBE's policies and practices regarding the remuneration of executives and non-executive directors (being key management personnel) are set out in the Remuneration Report.

Other than meeting statutory superannuation requirements, QBE does not have in place any retirement benefit schemes for non-executive directors.

QBE's Securities Trading Policy outlines QBE's approach to derivatives or otherwise limiting the economic risk of participating in an equity-based remuneration scheme, and is available at www.qbe.com/investor-relations/corporate-governance/global-policies.

Group governance

Governance frameworks

QBE has a Board-approved Group governance framework that sets out five overarching governance principles that support best practice governance across QBE and is designed to encourage collective accountability across Group Head Office and the divisions.

The framework defines the roles, responsibilities and composition of the Group and divisional boards and committees to facilitate the governance surrounding appropriate guidance and oversight of the business. The framework also strengthens the relationship and information flows between the Group and divisional boards and committees, so they can work together to achieve the best possible outcomes for QBE.

Corporate governance statement continued

QBE DNA

Everything we do at QBE is underpinned by our QBE DNA, which consists of seven interwoven elements. These elements describe who we are and what we stand for, and outline the standards and behaviours we expect from our employees to achieve our goals and fulfil our purpose.

At QBE, when we show up for our customers, shareholders, communities and each other:

- we are customer-focused;
- we are technical experts;
- we are inclusive;
- we are fast-paced;
- we are courageous;
- we are accountable; and
- we are a team.

The QBE DNA is set and approved by the Board, with the GEC responsible for bringing the elements to life throughout the organisation through our day-to-day interactions as well through our recruitment, onboarding, performance, reward, leadership, feedback, learning and communication practices.

Employees' demonstration of the QBE DNA is integral to how strategic performance objectives are measured. At the end of the performance year, employees are assessed in terms of both what they have achieved and how they have achieved it – whether their behaviours were aligned to the QBE DNA. This in turn links to reward outcomes and is applicable for all employees, including senior executives.

The Group Code of Ethics and Conduct addresses the responsibilities employees have to the Group, to each other and to customers, suppliers, communities and governments. It provides clear guidance to help employees apply good judgement and make considered decisions that exemplify the QBE DNA.

Group policies

QBE maintains a suite of Group policies commensurate with a mature and well-run organisation. QBE policies are governed by a global policy framework designed to establish consistent policy design and management requirements. Group policies serve as vital conduits to facilitate an understanding of the Group's compliance and conduct expectations. QBE's approach in key compliance areas recognises that employees (including contractors, directors and agents) are key to maintaining a compliant and ethical approach to QBE's business practices. Most global policies are supported by Group standards and procedures that provide additional information and guidance to support employees.

The Group Code of Ethics and Conduct applies to all employees as well as directors, agents and contractors. The Group Code of Ethics and Conduct is complemented by the Group Conduct Reporting & Whistleblower Policy, which was last updated in December 2021 for release in 2022. The Board oversees, and receives reports on compliance with amongst other things, the Group Code of Ethics and Conduct. The Group Conflicts of Interest Policy operates in conjunction with the Group Gift and Entertainment Policy, to create a system to identify and report actual, perceived or potential conflicts of interest. In recognition of the importance of protecting employee and customer data across QBE, we have a global privacy framework that is periodically reviewed and updated to reflect developments in privacy laws across the global footprint.

QBE's policy framework also addresses sanctions, outsourcing, modern slavery, anti-bribery and corruption, health, safety and wellbeing, continuous disclosure, diversity and inclusion, securities trading, flexible working, supplier sustainability, and environment and energy. Policy summaries are available at www.qbe.com/investor-relations/corporate-governance/global-policies. Material breaches and incidents relating to the policies within the policy framework, including the Group Code of Ethics and Conduct and the Group Conduct Reporting & Whistleblower Policy, are required to be recorded and reported to the Board.

Global policies are also in place to address the prudential requirements of APRA, including risk management, cyber risk, business continuity management, reinsurance management, fitness and propriety and material outsourcing.

In Australia, QBE complies with the General Insurance Code of Practice, an industry code relating to the provision of products and services to customers of the general insurance industry in Australia. The Code Governance Committee is the independent body that monitors and enforces insurers' compliance with the Code. The General Insurance Code of Practice will also have sections that are enforceable by ASIC. Discussion as to identification of relevant sections is ongoing with ASIC and the Insurance Council of Australia. QBE's Australian business is also a member of the Australian Financial Complaints Authority, the external dispute resolution scheme that deals with complaints from consumers related to financial services.

Diversity and inclusion

People are at the heart of our business, and creating a workplace culture and influencing the external environment so that our people, customers, suppliers and stakeholders feel included is essential to our success, now and into the future.

In 2021, we developed a new Group Inclusion of Diversity Policy that sets out our expectations for how we interact with each other, and our aspiration to be a positive influence for the inclusion of diversity beyond the boundaries of the organisation. At QBE:

- We fundamentally believe everyone should be included.
- We know the inclusion of diversity is good for us now and in the future.
- We are positive role models for our communities.

To achieve this, the GEC has set the following key global focus areas, which are overseen and progressed by the GEC and monitored by the People & Remuneration Committee of the Board:

AREA OF FOCUS	ACHIEVEMENTS IN 2021
Diverse workforce including diverse leadership representation, diverse pipeline of talent and fair remuneration	• In 2021, we maintained 33.3% women on the Group Board, just below our target of 40% by 2025. Across QBE we continued to make progress during 2021 regarding our 2025 target of 40% women in leadership, with an increase over last year from 34.8% to 35.9%. 43% of all leader hires and 49% of leader promotions were women, reflecting the continued focus on gender diversity in leadership, and we continue to identify opportunities for further progress, and to develop targeted initiatives to address attraction, progression and retention of women in leadership at QBE. • We were honoured to be recognised in the 'Top 100 Companies for Gender Equality Globally' in Equileap's 'Gender Equality Global Report & Ranking' 2021, for positively progressing our gender equality agenda. Equileap, the leading organisation for data and insights on gender equality in the corporate sector, ranks over 3,500 public companies worldwide across gender pay gap, work-life balance and parental leave policies. • We were a gold sponsor for the Insurance Business Australia 'Women in Insurance Summit 2021' with Cecile Fresneau, Managing Director – Insurance Division, featuring in a panel discussion on personal resilience. 39 women from our talent pipeline also attended. • In Asia, two of our female Asian leaders were named 'Elite Women' of 2021 by Insurance Business Asia for going above and beyond for their clients, colleagues, QBE and the insurance industry as a whole. • Our performance management and remuneration frameworks are highly correlated and support a pay-for-performance methodology. This is designed to remove gender bias from the process and we annually review performance, by gender, to ensure comparable outcomes. • In Europe, we have continued our pay equity exercise, extending the work we began on gender pay reporting. The scope of our review has moved beyond gender and now takes into consideration other factors such as tenure, performance and market position. The exercise aims to identify individuals paid below peers using statistical modelling, and also relies on software to allow us to have instant and accurate access to the data. In 2021, we published our first United Kingdom Ethnicity Pay Gap report, holding a follow-up session entitled 'An insight into…', which allowed us to speak to the data from the report in more detail and how we planned to use it to further embed positive change.

Corporate governance statement continued

AREA OF FOCUS	ACHIEVEMENTS IN 2021
Inclusive workplace including inclusive leader capabilities, QBE DNA, Voice of Employee, Flex@QBE and Workplace Wellbeing	• In 2021, we undertook an extensive maturity assessment of diversity and inclusion at QBE, which informed the development of a contemporary policy and strategy. These will be launched in 2022, along with a more extensive and globally consistent approach to diversity data. Our new approach to 'Inclusion of Diversity' includes a move to this new terminology, as we recognise that to foster and realise the benefits of all the ways we are different, it is essential to create an environment where everyone is, and feels that they are, included. • Additionally in 2021 we refreshed our seven DNA attributes – our organisational values – and the ideal behaviours that underpin them. In line with our new Inclusion of Diversity approach was the rebadging of one of our attributes from "We are diverse" to "We are inclusive". • A shared language of phrases for calling out behaviour in the moment, both positive and negative, was created. This was supported by the development of a GIF for each phrase to support calling out behaviour in the virtual environment. • We are committed to supporting a diverse and inclusive workforce by recognising and responding to people's needs at different stages of their lives through Flex@QBE. While maintaining a cohesive and purpose-led common culture is vital, we recognise our ways of working are changing, and will continue to change in the future. We offer a range of flexible ways of working including part-time hours, flexible working hours, working from home, job sharing and flexible return from parental leave. • In Europe, we created a network of champions, Flex Champions, to help drive and embed Flex@QBE. We also launched 'Team Connection' plans to agree how and when we come together to collaborate, and facilitated 'Flex Checks' with senior leadership teams to review these plans and ensure our Flex@QBE principles are applied fairly and consistently. • The Flex@QBE approach across Asia allows employees to work in another location, outside the office, for up to two days a week (subject to any local regulatory safe-distancing measures). • In North America, we rolled out unconscious bias training that will continue through 2022, focusing on inclusion and providing ways to foster it further. • Our Minimum Corporate Standards set the minimum standards of behaviour and conduct for all QBE employees. Our people are required to meet these standards and complete a self-declaration during the 'My Year in Review' process. • Our new Learning@QBE platform provides continuous learning modules to all employees regardless of location. In Australia Pacific, in 2021, over 1,000 employees participated in at least one of more than 50 'Learning for All' sessions during the year. Topics included 'Thrive with Change', 'Building Hybrid Team Connections' and 'Digital Meetings that Matter'.
Connected marketplace including customer satisfaction and retention, vulnerable customers and diversity in supply chain	• Where appropriate, QBE continues to offer Premiums4Good to customers, which invites them to join with us to make a real difference. By choosing QBE, a portion of a customer's premium is directed towards investments and select customers can ask us to direct a further 25% of their insurance premium towards impact investments – investments in securities with an additional environmental or social objective. This social objective includes social inclusion, diversity and gender. • QBE maintains supplier sustainability principles to provide minimum expectations of suppliers to foster an inclusive workforce and a culture; provide a workplace that is free from direct and indirect discrimination, harassment, and bullying; and develop, monitor and maintain workforce management systems and/or policies which include and seek to improve diversity in recruitment, equal opportunity, pay equity, anti-discrimination and anti-harassment standards.

Gender balance at Board and senior management levels

In 2020, we set ourselves the goal of achieving 40% women in leadership across QBE by 2025, and 40% women on our Board by 2025. During 2021 we saw an increase from 34.8% to 35.9% women in leadership, and maintained 33.3% women on our Board. Action plans and succession planning continue to progress the diversity of our leadership and our Board.

Details of gender representation across our workforce and management levels together with targets are set out below:

FEMALE REPRESENTATION	GENDER TARGET BY 2025	ACTUAL 31 DECEMBER 2021	ACTUAL 31 DECEMBER 2020	ACTUAL 31 DECEMBER 2019	ACTUAL 31 DECEMBER 2018
Board	40%	**33.3%**	33.3%	22.2%	22.2%
GEC		**45.5%**	30.0%	27.3%	27.3%
Level 1		**28.3%**	25.5%	19.6%	23.1%
Level 2		**32.0%**	29.4%	28.8%	25.7%
Level 3		**36.9%**	36.3%	35.3%	33.8%
Women in leadership (total % of GEC and levels 1–3)	40%	**35.9%**	34.8%	33.7%	32.0%
Women in workforce	40% to 60%	**52.2%**	52.0%	52.2%	52.7%

In addition to gender equality, QBE's commitment extends to other areas of diversity including:

- actively promoting inclusion for lesbian, gay, bisexual, transgender, intersex and queer plus (LGBTIQ+) employees with a global QBE Pride employee network;
- ongoing commitment to supporting indigenous communities in Australia and driving our third Reconciliation Action Plan (RAP), which is now at the Innovate stage of the RAP framework;
- looking to embed accessibility in the workplace and enhance our ability to employ people with a disability, with our recruitment team embedding questions around workplace adjustments into every stage of the recruitment process;
- actively promoting racial equity with a global guide and glossary with advice on how to engage in conversation around race relations, inequality and injustice; and
- increasing the quality and consistency of our diversity data globally and across the employee lifecycle, so we can understand the diversity of our workforce, and how representative we are of the communities in which we operate.

For further details on our approach and progress, refer to QBE's 2021 Sustainability Report. QBE also makes an annual filing to comply with the *Workplace Gender Equality Act 2012* (Cth) (WGEA) in Australia disclosing our performance against the 'Gender Equality Indicators'. The report can be found at www.qbe.com/investor-relations/corporate-governance/global-policies.

Communications with shareholders

Shareholder engagement

QBE is committed to regularly communicating with its shareholders and other stakeholders in a timely and accessible manner, and encouraging shareholder participation at its AGM. Detailed information about QBE can be found on the website at www.qbe.com including:

- its history;
- the Board and management;
- its Constitution, Board charter and the charters of each of its Committees;
- corporate governance and policies;
- periodic disclosures, including annual reports, half year reports and sustainability reports;
- ASX announcements;
- shareholder calendar;
- notices of meeting and any accompanying documents;
- presentation materials provided at investor and analyst briefings; and
- webcasts of meetings of shareholders and investor and analyst briefings.

The QBE website includes a dedicated investor relations section where shareholders can access relevant information regarding their shares. There is also a direct link where shareholders can access their shareholding online through QBE's share registry, Computershare. They can update their personal information and provide their email address and elect to receive communications electronically. Shareholders can discuss their shareholding with either QBE's shareholder services department by email to shares@qbe.com or by contacting QBE's share registry, Computershare, by email to qbe.queries@computershare.com.au or by phone at +61 3 9415 4840. Shareholders may request to receive a hard copy of the Annual Report by updating their communication preferences by logging into their shareholding at www.investorcentre.com/au.

QBE has a comprehensive investor relations program that facilitates effective communication with its investors. The Group Chief Executive Officer, Group Chief Financial Officer, Group Chief Risk Officer, Group General Counsel and Company Secretary, Global Head of Investor Relations, Group Executive, Corporate Affairs and Sustainability, Group Treasurer and divisional chief executives generally deal with analysts, investors, media, rating agencies and others, taking account of regulatory guidelines including those issued by the ASX on continuous disclosure. The presentations on the 30 June and 31 December results and other major presentations are sent to the ASX before the presentations commence and are available promptly at www.qbe.com/investor-relations/reports-presentations. The 30 June and 31 December results presentations are also webcast live and subsequently archived at www.qbe.com/investor-relations/reports-presentations.

Annual General Meetings

QBE welcomes and encourages shareholder participation at its AGM, in person, online or by proxy. The AGM is held in Sydney each year. In 2021, QBE held a hybrid AGM in response to the COVID-19 pandemic. Shareholders were able to:

- participate by attending the meeting in person, watching online or dialling in to the teleconference;
- ask questions in person, online or on the telephone once they were verified; and
- vote by appointing a proxy, direct voting prior to the AGM and direct voting online during the AGM.

Within the required statutory period before each AGM, QBE distributes to shareholders a notice of meeting and proxy form in accordance with the requirements of the *Corporations Act 2001*, the ASX Listing Rules and the Company's Constitution. To encourage effective participation at AGMs, QBE:

- issues notices of meeting that are honest, accurate and not misleading;
- includes explanatory notes for all resolutions included in the notice;
- provides a proxy appointment form which clearly indicates how a shareholder may appoint a proxy, direct their proxy how to vote on a particular resolution if they so choose and, if they appoint the Chair of the meeting as their proxy, how the Chair intends to vote undirected proxies;
- only combines or 'bundles' resolutions in notices of meeting in limited circumstances; and
- provides shareholders with the opportunity to lodge proxies electronically.

Shareholders are encouraged to provide questions or comments ahead of the AGM so that these can be addressed at the meeting. QBE will make directors, members of the management team and the external auditor available to shareholders at the AGM to respond to questions regarding the items of business, including about the conduct of the audit and the preparation and content of the auditor's report.

Votes at the AGM are by way of a poll, i.e. one vote for each fully paid ordinary share held.

Continuous disclosure

QBE takes its continuous disclosure obligations seriously and issues market releases during the year to satisfy those obligations. Significant developments affecting QBE may be the subject of an announcement to the ASX. All ASX announcements are placed on QBE's website at www.qbe.com/investor-relations/asx-announcements as soon as practicable after release. The Board and relevant management also receive copies of all material market announcements promptly after they have been made. QBE's Continuous Disclosure Policy is available at www.qbe.com/investor-relations/corporate-governance/global-policies.

Verification of periodic corporate reports

QBE prepares periodic corporate reports for the benefit of investors such as annual reports, half year reports and sustainability reports. QBE follows a robust process for satisfying itself that the report is materially accurate and balanced, and that it provides investors with appropriate information to make investment decisions.

Periodic corporate reports are drafted by staff with direct responsibility for, or expertise in, the subject matter and are supported by evidence, including by documenting the various sources of information and consultation undertaken within QBE or with external parties. The information is then reviewed by senior management who have the knowledge and skills to verify the accuracy and completeness of the information provided. QBE uses an independent assurance engagement to confirm that certain data in the annual sustainability report has been prepared and presented appropriately in all material aspects.

The Board and its Committees review and approve statutory and other significant corporate reports prior to release to the market. All other periodic corporate reports are submitted for approval to the Disclosure Committee, a committee comprised of senior executives including the Group Chief Executive Officer and Group Chief Financial Officer.

Financial and other reporting

Audit Committee

The Board has an Audit Committee which meets at least quarterly to support the Board in overseeing the effectiveness of the Group's financial reporting and risk management framework. In particular, the Audit Committee oversees and monitors the integrity of the Group's financial reporting, including climate-related financial disclosures. The Audit Committee is also responsible for overseeing the management of tax risks. The Audit Committee is comprised of independent directors, all of whom have financial expertise, and is chaired by Jann Skinner.

Group Chief Executive Officer and Group Chief Financial Officer declaration

Prior to the Audit Committee's review and the Board's approval of the 2021 Annual Report, the Group Chief Executive Officer and Group Chief Financial Officer provided a declaration to the Board that, in their opinion, the financial records were properly maintained, that the financial statements complied with the appropriate accounting standards and that they gave a true and fair view of the financial position and performance of QBE. The declaration also provides that the opinion of the Group Chief Executive Officer and Group Chief Financial Officer was based on a sound system of risk management and internal control which is operating effectively.

External auditor independence

QBE firmly believes that the external auditor must be, and must be seen to be, independent. The external auditor confirms its independence and the Audit Committee verifies this by separate enquiry. The Audit Committee regularly meets with the external auditor in the absence of management. The external auditor attends the AGM and a representative is available to answer questions from shareholders relevant to the audit.

The Audit Committee has free and unfettered access to the external auditor. The external auditor has free and unfettered access to the Audit Committee.

QBE has issued an internal policy on external auditor independence. Under this policy, the external auditor is not allowed to provide the excluded services of preparing accounting records, financial reports or asset or liability valuations. Furthermore, it cannot act in a management capacity, as an advocate, as a custodian of assets or as a share registry.

The Board believes some non-audit services are appropriate given the external auditor's knowledge of the QBE Group. QBE may engage the external auditor for some non-audit services, subject to the general principle that fees for non-audit services excluding audit-related and assurance services should not exceed 50% of all fees paid to the external auditor in any one financial year. External tax services are generally provided by an accounting firm other than the external auditor.

The Audit Committee approves the audit plan each year and receives information on the external auditor's fees. QBE also considers the terms of engagement of the external auditor every few years. The *Corporations Act 2001* and Australian professional auditing standards require rotation of the lead engagement partner after five years. The lead engagement partner of the external auditor was last rotated in 2019.

The Audit Committee regularly reviews the need to rotate external auditors and if the Audit Committee thought it appropriate to change the firm undertaking QBE's external audit, it would conduct a competitive tender process.

Actuarial review

The central estimate of QBE's insurance liabilities, comprising outstanding claims and premium liabilities, is determined by experienced internal actuarial staff. Actuarial staff form an independent view of both the central estimate and the probability of adequacy of outstanding claims and premium liabilities. At 31 December 2021, close to 100% of QBE's outstanding claims central estimate was also reviewed by external actuaries.

Internal audit

A global internal audit function is a core part of QBE's three lines of defence approach to effective risk management. QBE's Group Internal Audit team is an independent global function that operates on an integrated basis and is managed by the Group Head of Internal Audit. Group Internal Audit is formally accountable to the Chair of the Audit Committee and has an operational reporting line to the Group Chief Financial Officer. Group Internal Audit operates under an Audit Committee-approved internal audit charter that provides Group Internal Audit with free and unrestricted access to the Audit Committee, and all management, records and properties.

Group Internal Audit's primary purpose is to assist the Audit Committee and senior management to discharge their responsibility for sound and prudent management of risk at QBE. Group Internal Audit does this by performing audits, reviews and investigations to provide independent assurance that the design and operation of controls across QBE's international operations are effective.

Group Internal Audit develops and delivers an annual risk-based internal audit plan that is aligned to QBE's risk management framework and includes audits to address relevant regulatory requirements. The annual Group Internal Audit plan is designed so that higher materiality risk processes are reviewed more frequently. Audit findings and related themes are reported to management, local audit committees and the Audit Committee.

Risk management

QBE is in the business of managing risk. The Board and management are fully committed to adopting a disciplined approach to managing risk, delivering leading practice and maintaining robust and independent risk management processes and systems.

QBE's risk management framework supports its businesses across all divisions and provides a sound foundation for reducing uncertainty and volatility in business performance.

Further details of how QBE manages risk are set out in the Group Chief Risk Officer's report and the climate change section of the Annual Report on pages 28 to 37. An overview of QBE's risk management framework, including QBE's material economic risks and how these are mitigated, is also set out in note 4 to the financial statements.

Risk & Capital Committee

The Board monitors QBE's performance and, as such, plays a significant role in monitoring that an effective risk management strategy is established and maintained. The Board has a Risk & Capital Committee which meets at least quarterly to support the Board in overseeing the effectiveness of QBE's risk and capital management frameworks. The proper oversight of these frameworks supports strategic objectives, informs business plans and enables current and future risks to be identified, assessed and monitored in line with risk appetite. Under its charter, the Risk & Capital Committee is required to review the risk management framework periodically to confirm it continues to be sound. This review was undertaken during 2021 as part of the annual refresh of the Risk Management Strategy. The Risk & Capital Committee is also responsible for overseeing QBE's ESG responsibilities and performance, and external reporting relating to this.

The Risk & Capital Committee is comprised of independent directors and is chaired by Rolf Tolle. The Risk & Capital Committee has free and unfettered access to the Group Chief Risk Officer and other relevant senior management.

Environmental, social and governance risk

Information about how QBE approaches sustainability and the management of ESG issues can be found in the climate change disclosures section on pages 30 to 37 of the Annual Report and in the 2021 Sustainability Report available at www.qbe.com/sustainability.

Refer to QBE's 2021 Sustainability Report at www.qbe.com/sustainability.

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2021

Your directors present their report on QBE Insurance Group Limited and the entities it controlled at, or during, the year ended 31 December 2021.

Directors

Michael Wilkins AO (Chair)
Andrew Horton (from 1 September 2021)
Stephen Fitzgerald AO
John M Green (Deputy Chair)
Tan Le
Kathryn Lisson
Sir Brian Pomeroy
Jann Skinner
Eric Smith
Rolf Tolle

Consolidated results

	STATUTORY RESULT	
	2021 US$M	**2020 US$M**
Gross written premium	**18,457**	14,643
Gross earned premium revenue	**17,035**	14,008
Net earned premium	**13,408**	11,708
Net claims expense	**(8,371)**	(8,934)
Net commission	**(2,070)**	(1,891)
Underwriting and other expenses	**(1,829)**	(1,752)
Underwriting result	**1,138**	(869)
Net investment income on policyholders' funds	**77**	142
Insurance profit (loss)	**1,215**	(727)
Net investment income on shareholders' funds	**45**	84
Financing and other costs	**(247)**	(252)
Loss on sale of entities and businesses	**–**	(2)
Share of net loss of associates	**(7)**	(5)
Restructuring and related expenses	**(72)**	(104)
Amortisation and impairment of intangibles	**(21)**	(466)
Profit (loss) before income tax	**913**	(1,472)
Income tax expense	**(156)**	(39)
Profit (loss) after income tax	**757**	(1,511)
Net profit attributable to non-controlling interests	**(7)**	(6)
Net profit (loss) after income tax attributable to ordinary equity holders of the Company	**750**	(1,517)

Result

The Group reported a net profit after tax attributable to ordinary equity holders of the Company of $750 million for the year ended 31 December 2021, compared with a net loss after tax of $1,517 million for the prior year. The current year profit reflects a material turnaround from the prior year which included a significant underwriting loss due to COVID-19, adverse prior accident year claims development, and impairments of North American goodwill and deferred tax assets.

Gross written premium increased by $3,814 million mainly due to premium rate increases, improved retention and new business growth across the Group, with particularly strong growth in Crop. Reinsurance expense increased by $1,327 million, mainly reflecting the cost of reinsuring certain prior accident year Australian compulsory third party motor (CTP) liabilities ($365 million) combined with growth in more heavily reinsured portfolios and the higher cost of renewal of the Group's main catastrophe and per risk treaties.

The Group reported an underwriting profit of $1,138 million compared with a loss of $869 million in the prior year, equating to a combined operating ratio of 91.5% compared with 107.4%. Excluding the impacts of changes in risk-free rates, the combined operating ratio was 93.7% compared with 104.2% in the prior year.

The net claims ratio was 62.4% compared with 76.3% in the prior year. Excluding the impact of changes in risk-free rates, the net claims ratio was 64.6% compared with 73.1%, with the improvement reflecting the aforementioned CTP reinsurance transaction ($349 million), the reduced impact of COVID-19 claims (a net release of $141 million compared with a cost of $560 million in the prior year), and a reduced level of adverse prior accident year claims development relative to the prior year.

The combined commission and expense ratio decreased to 29.1% from 31.1% in the prior year. The net commission ratio reduced to 15.5% from 16.1% in the prior year, primarily due to business mix changes in North America and Australia Pacific. The Group's expense ratio decreased to 13.6% from 15.0% in the prior year, mainly reflecting disciplined cost management and operating leverage driven by strong premium growth.

Total investment income was $122 million compared with $226 million in the prior year, reflecting the adverse impact of higher risk-free rates partly offset by improved returns on growth assets.

The Group's effective tax rate was 17% compared with negative 3% in the prior year reflecting the mix of corporate tax rates in the jurisdictions in which QBE operates and the utilisation of previously unrecognised tax losses in the North American tax group. The prior year tax rate was also impacted by the non-deductible impairment of goodwill and derecognition of deferred tax assets in North America.

Dividends

The directors are announcing a final dividend of 19 Australian cents per share, 10% franked, compared with no final dividend for the prior year. The 2021 full year dividend payout is A$443 million compared with A$59 million for 2020. Further details of dividends paid during the year are set out in note 5.4 to the financial statements.

The directors have reassessed the Group's dividend policy and expect to pay out 40%–60% of annual adjusted cash profit. This approach will better support the Group's growth ambitions and provide flexibility to manage the dynamics of the global insurance cycle.

Activities

The principal activities of QBE during the year were underwriting general insurance and reinsurance risks, management of Lloyd's syndicates and investment management.

Presentation currency

The Group has presented the Financial Report in US dollars because a significant proportion of its underwriting activity is denominated in US dollars. The US dollar is also the currency that is widely understood by the global insurance industry, international investors and analysts.

Operating and financial review

Information on the Group's results, operations, business strategy, prospects and financial position is set out in the operating and financial review on pages 10 to 21 of this Annual Report.

Outstanding claims liability

The net central estimate of outstanding claims is determined by the Group Chief Actuary. The assessment takes into account the statistical analysis of past claims, allowance for claims incurred but not reported, reinsurance and other recoveries and future interest and inflation factors.

As in previous years, the directors consider that substantial risk margins are required to mitigate the inherent uncertainty in the net central estimate. The probability of adequacy of the outstanding claims liability at 31 December 2021 was 91.7% compared with 92.5% last year. The Australian Prudential Regulation Authority (APRA) prudential standards provide a capital credit for risk margins in excess of a probability of adequacy of 75%.

Group indemnities

Rule 78 of the Company's Constitution provides that the Company indemnifies past and present directors, secretaries or other officers against any liability incurred by that person as a director, secretary or other officer of the Company or its subsidiaries. The indemnity does not apply to any liability (excluding legal costs):

- owed to the Company or a related body corporate (e.g. breach of directors' duties);
- for a pecuniary penalty under section 1317G or a compensation order under sections 1317H or 1317HA of the *Corporations Act 2001* (Cth) (or a similar provision of the corresponding legislation in another jurisdiction); or
- that is owed to someone other than the Company or a related body corporate and which did not arise out of conduct in good faith.

The indemnity extends to legal costs other than where:

- in civil proceedings, one or more of the above exclusions apply;
- in criminal proceedings, the person is found guilty;
- the person is liable in proceedings brought by the Australian Securities and Investments Commission (ASIC), a corresponding regulator in another jurisdiction or a liquidator (unless as part of the investigation before proceedings are commenced); or
- the court does not grant relief after an application under the *Corporations Act 2001* or corresponding legislation in another jurisdiction.

In addition, a deed exists between the Company and each director which includes an indemnity in similar terms to rule 78 of the Company's Constitution.

Directors' Report continued

FOR THE YEAR ENDED 31 DECEMBER 2021

Directors' and officers' insurance

QBE pays a premium each year in respect of a contract insuring directors, secretaries, senior managers and employees of the Group together with any natural person who is either a trustee or a member of a policy committee for a superannuation plan established for the benefit of the Group's employees against liabilities past, present or future. The officers of the Group covered by the insurance contract include the directors listed on pages 38 and 39 of this Annual Report, the Group Company Secretary, Carolyn Scobie, and Deputy Company Secretary, Peter Smiles.

In accordance with normal commercial practice, disclosure of the amount of premium payable under, and the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

No such insurance cover has been provided for the benefit of any external auditor of the Group.

Significant changes

There were no significant changes in the Group's state of affairs during the financial year other than as disclosed in this Annual Report.

Likely developments and expected results of operations

Likely developments in the Group's operations in future financial years and the expected results of those operations have been included in the operating and financial review on pages 10 to 21 of this Annual Report.

Events after balance date

Other than the declaration of the final dividend, no matter or circumstance has arisen since 31 December 2021 that, in the opinion of the directors, has significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial periods.

Material business risks

As a global insurance and reinsurance business, QBE is subject to a substantial variety of business risks. The directors believe that effective management of these risks is critical to delivering value for QBE's stakeholders. It is QBE's policy to adopt a rigorous approach to managing risk throughout the Group. Risk management is a continuous process and an integral part of QBE's governance structure, QBE's broader business processes and, most importantly, QBE's culture.

Some of the material business risks that QBE faces include strategic, insurance, credit, market, liquidity, operational, compliance and Group risks. Explanations of these risks and their mitigations are set out in detail in note 4 to the financial statements which we recommend you read. Further details of how QBE manages risk are set out in the Group Chief Risk Officer's Report on pages 28 to 29, the climate change section on pages 30 to 37 and the risk management section of the corporate governance statement on page 51 of this Annual Report.

The Group makes judgements and estimates in respect of the reported amounts of certain assets and liabilities, the most significant of which are in relation to the determination of the net outstanding claims liability, the application of the liability adequacy test and the valuation of deferred tax assets and impairment testing of goodwill in North America. Details of these, and information on how QBE has responded to uncertainties created by COVID-19, are included in the notes to the financial statements.

Meetings of directors

	FULL MEETINGS OF DIRECTORS[1]		MEETINGS OF INDEPENDENT DIRECTORS		MEETINGS OF COMMITTEES: AUDIT		GOVERNANCE & NOMINATION		INVESTMENT		OPERATIONS & TECHNOLOGY		PEOPLE & REMUNERATION		RISK & CAPITAL		SUB-COMMITTEES[2]	
	H	A	H	A	H	A	H	A	H	A	H	A	H	A	H	A	H	A
Stephen Fitzgerald	11	10	6	6	–	–	6	6	4	4	–	–	4	4	6	6	1	1
John M Green	11	11	6	6	5	5	6	6	4	4	4	4	4	4	6	5	10	10
Andrew Horton	3	3	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Tan Le	11	11	6	6	5	5	6	6	–	–	4	4	–	–	–	–	–	–
Kathryn Lisson	11	11	6	6	5	5	6	6	–	–	4	4	–	–	–	–	–	–
Sir Brian Pomeroy	11	11	6	6	5	5	6	6	4	4	–	–	–	–	6	6	3	3
Jann Skinner	11	11	6	6	5	5	6	6	–	–	–	–	4	4	6	6	12	12
Eric Smith	11	11	6	6	–	–	6	6	–	–	4	4	–	–	6	6	–	–
Rolf Tolle	11	11	6	6	5	5	6	6	–	–	–	–	4	4	6	6	5	5
Michael Wilkins	11	11	6	6	5	5	6	6	4	4	4	4	4	4	6	6	8	8

H Number of meetings held while a Board or Committee member.

A Number of meetings attended while a Board or Committee member.

1 All directors attended all scheduled Board meetings. Some of the 2021 Board meetings were unscheduled and called at short notice, resulting in some directors being unable to attend.

2 Ad hoc committees of the Board were convened during the year in relation to the financial results and other reporting matters.

Further meetings occurred during the year, including meetings of the Chair, Group Chief Executive Officer and Interim Group Chief Executive Officer, and meetings of the directors with management. Often directors attend meetings of committees of which they are not currently members.

Directorships of listed companies held by the members of the Board

From 1 January 2018 to 18 February 2022, the directors also served as directors of the following listed entities:

DIRECTOR	POSITION	DATE APPOINTED	DATE CEASED
John M Green			
Challenger Limited	Director	6 December 2017	–
Michael Wilkins			
AMP Limited	Director	12 September 2016	14 February 2020
Medibank Private Limited	Director	25 May 2017	–
Scentre Group Limited	Director	8 April 2020	–
Jann Skinner			
Telix Pharmaceuticals Limited	Director	19 June 2018	–

Qualifications and experience of directors

The qualifications and experience of each director are set out on pages 38 and 39 of this Annual Report.

Qualifications and experience of company secretaries

Carolyn Scobie, BA, LLB, MA, AGIA, GAICD
Carolyn joined QBE in 2016 as Group General Counsel and Company Secretary. Prior to joining QBE, Carolyn was Group General Counsel at Goodman Group for 17 years, where she ran a multi-disciplinary legal team. Carolyn has extensive experience in corporate law, compliance, regulatory matters, litigation and managing the complexity of multiple jurisdictions.

Peter Smiles, LLB, MBA, FGIA, FCIS, GAICD
Peter is Deputy Company Secretary of QBE Insurance Group Limited and a company secretary of various QBE subsidiaries in Australia. He has 30 years of insurance experience, which includes 25 years as a corporate lawyer. In addition to his current company secretarial duties, he acts as a corporate lawyer advising Group head office departments.

Directors' interests and benefits

Ordinary share capital

Directors' relevant interests, including those of their personal related parties, in the ordinary share capital of the Company at the date of this report are as follows:

DIRECTOR	NUMBER OF SHARES HELD
Stephen Fitzgerald	**69,268**
John M Green	**41,253**
Andrew Horton	**150,000**
Tan Le	**4,127**
Kathryn Lisson	**44,079**
Sir Brian Pomeroy	**37,445**
Jann Skinner	**70,000**
Eric Smith	**4,127**
Rolf Tolle	**67,618**
Michael Wilkins	**72,258**

Options and conditional rights

At the date of this report, Andrew Horton has 335,570 conditional rights to ordinary shares of the Company. No executives hold options at the date of this report. Details of the schemes under which options and conditional rights are granted are provided in the Remuneration Report and in note 8.5 to the financial statements.

The names of all persons who currently hold options granted under the Employee Share and Option Plan and conditional rights to ordinary shares of the Company are entered in the registers kept by the Company pursuant to section 168 of the *Corporations Act 2001*.

Environmental regulation

While the Group is not currently required to report under any significant environmental regulations under Commonwealth, State or Territory legislation, climate change disclosures are provided on pages 30 to 37 of this Annual Report and operational greenhouse gas emissions and other environmental data are disclosed in the 2021 Sustainability Report.

Remuneration Report

Remuneration Report contents

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To our shareholders

On behalf of the Board, I present QBE's Remuneration Report for 2021.

The efforts of our people and the ongoing support of our customers, along with continued premium rate momentum, have resulted in a Group result reflecting strong top line growth and ongoing improvement across the business. A strong return to profitability was achieved with a Group adjusted cash return on equity (ROE) of 10.3% whilst our balance sheet continued to strengthen. Relative to initial expectations, COVID-19 impacts were more benign through 2021 than expected, though our teams have nonetheless remained focused in light of considerable uncertainty across our key markets. From the strong foundations evident in this result, we expect further momentum in the business as our new purpose, vision and six strategic priorities are embedded across the Group and our culture.

During 2021, we also welcomed a number of new executives and, as foreshadowed in last year's report, carried out a broader review of remuneration arrangements to address the incoming regulatory requirements across the Australian financial services sector.

For more information about the changes for 2022, refer to page 59.

In a challenging year, we are pleased with the results our people have achieved for your Company and delivered for our customers.

For more information on how we performed in 2021, refer to pages 60–61.

Executive changes

As announced in March 2021, we appointed a new Group Chief Executive Officer (CEO), Andrew Horton, who commenced in September 2021, replacing Interim Group CEO, Richard Pryce. Mr Horton was also appointed an executive director of QBE effective 1 September 2021.

Mr Horton's experience in the insurance sector provides QBE with refreshed rigour having driven positive change and high performance in his previous roles. Upon Mr Horton's commencement, Mr Pryce transitioned to an advisory role and retired in December 2021.

We also welcomed Fiona Larnach as the Group Chief Risk Officer (CRO) and Sue Houghton as CEO, Australia Pacific. Pleasingly, we promoted two members of our senior management to the Group Executive being Sam Harrison to the role of Group Chief Underwriting Officer and Amanda Hughes to the role of Group Executive, People and Culture.

It has been encouraging to see tangible benefit from our efforts to build our internal talent pipeline to fill a number of these roles. We are confident that these most recent executive changes provide QBE with the capability to continue to build the momentum across the business for future success.

There were no changes in non-executive director membership or fees during 2021.

For more information, refer to page 77.

People, culture and inclusion

There continued to be a strong commitment to the wellbeing of our people in 2021.

Having regard to both physical and mental health during the year, we evolved our employee listening strategy to better connect with our people. The former annual engagement and enablement survey is now carried out through more frequent, shorter and tailored pulse surveys. Through these, we have started to deliver on our ambition for a modernised listening approach at QBE and we are able to gather important insights into how our people are feeling. Our focus is on four key dimensions: wellbeing, respect, inclusion and risk.

Our progress on the 'Culture Accelerator' program during 2021 has provided a solid base from which to build. The activities carried out as part of the program, which were to refine and enhance our DNA and support our journey towards making QBE more future-fit, have seen significant traction. A refreshed DNA and shared language for calling out behaviour were launched in October 2021 and sponsorship of a number of culture-related initiatives will continue into 2022.

The development of a renewed approach to inclusion occurred during 2021 with the formal launch of a new Inclusion of Diversity policy in early 2022. The change in terminology is representative of the fact that inclusion is needed to both foster and unlock the value of diversity and QBE's continued commitment and focus in this area.

Pleasingly, during the year, QBE became one of the first organisations in Australia certified as a Family Friendly Workplace and is a founding partner of the National Work + Family Standards, launched in partnership with UNICEF Australia and Parents at Work. The standards set out best practice and ways to build family-friendly workplace cultures. In addition, we have been recognised in the Top 100 of Equileap's 2021 Gender Equality Global Report & Ranking for progressing our gender equality agenda and included in the 2022 Bloomberg Gender-Equality Index.

For more information, refer to QBE's Sustainability Report at www.qbe.com/sustainability.

Performance during 2021

The Group's 2021 financial result was pleasing as we have seen a strong return to profitability and growth in comparison to 2020. Across the three divisions of North America, International and Australia Pacific, strong premium growth and progress against key initiatives was delivered against a backdrop of heightened natural catastrophe activity. The Group's statutory combined operating ratio (COR) (excluding the impact of changes in risk-free rates) was 93.7% compared with 104.2% in 2020 and the Group cash ROE of 10.3% compared with (10.9)% in 2020.

For 2021 incentives, the Group COR used to determine short-term incentive (STI) calculations is based on a blend of divisional COR outcomes. This results in a payout of 93.9%. The non-financial component of the STI for the executive KMP, the ME@QBE component, was determined by the Board and outcomes ranged from 100% to 120%.

Based on the above, overall STI outcomes for the current executive KMP ranged from 80% to 128% of their target. The 2021 STI outcome for the Group CEO reflects his part year in the role. Based on this, he will receive 115.2% of his target opportunity (76.8%% of his maximum opportunity). For the other executive KMP, the average STI outcome is 73% of their maximum opportunity.

There was no executive KMP long-term incentive (LTI) due to vest during 2021.

For more information on 2021 performance and STI outcomes, refer to pages 60-64.

Changes for 2022

For 2022, we have continued to evolve our remuneration arrangements to support our future direction and proactively respond to the upcoming regulatory requirements in Australia.

A number of changes were introduced in 2021 such as the revised malus and new clawback provisions, and we will continue to transition further in 2022 and 2023.

For STI in 2022 we will be taking a broader view of performance and will include overall enterprise financial and also non-financial performance including risk, people and strategic measures. The detail of the measures will be provided along with the outcomes at the end of the performance year and will consider both qualitative and quantitative factors. In addition, executive KMP STI deferral periods will be lengthened from vesting across two years to four years.

We will also simplify the LTI award in 2022. Whilst the use of average Group cash ROE and relative total shareholder return (TSR) measures will be retained, a varied weighting will apply.

We will recommence our use of a three year average Group cash ROE with ranges set with reference to a risk free rate plus margin and remove the use of a catastrophe collar. This measure will be weighted as 70%.

The remaining 30% weighting will be based on the performance of a relative TSR peer group which will reflect a global insurance peer group.

These changes maintain a strong link to measures management are able to influence and provide a stepped change approach to the regulatory requirements being introduced in 2023.

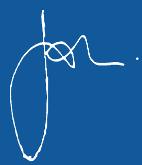
For more information, refer to page 59.

Looking ahead

With culture and our people being two of the six strategic priorities, highlighted on page 9, I am confident that we will continue to drive forward a strong agenda for the benefit of our employees, customers and shareholders in 2022 and beyond.

The remuneration changes provide QBE with an opportunity to continue to adapt to the changing landscape along with the additional areas of focus for the year ahead.

As always, we look forward to shareholder feedback.



John M Green
Deputy Chair
Chair, People & Remuneration Committee

This Remuneration Report sets out QBE's remuneration framework and provides detail of remuneration outcomes for key management personnel (KMP) for 2021 and how this aligns with QBE's performance.

Accounting standards define KMP as those executives and non-executive directors with the authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly.

The 2021 Remuneration Report has been prepared and audited in accordance with the disclosure requirements of the *Corporations Act 2001*.

1 Performance overview
2 Operating and financial review
3 Governance
4 Directors' Report
5 Financial Report
6 Other information

Our remuneration framework at a glance

Our remuneration strategy is designed to attract, motivate and retain QBE's executives by providing market competitive remuneration aligned with the creation of sustained shareholder value.

Our purpose

QBE – enabling a more resilient future

Our remuneration principles

The guiding principles which promote robust risk management practices are applied effectively to manage remuneration and reward across the Group.

- Simple and clear
- Linked to strategy
- Motivating
- Aligned to shareholders
- Globally consistent and locally competitive

The remuneration framework supports the strategy

Simple and clear

A simple and clear view of how delivery of our strategy impacts incentive outcomes for our executives.

Adaptable to changes in our strategy and external environment

Performance targets aimed at delivering our long-term objectives will evolve with our strategy, changes to business cycles and the external operating environment.

Measures that are correlated with performance

Measures that focus on profitability, management of the balance sheet and our longer-term strategic priorities enable remuneration outcomes to reflect a holistic view of performance.

Encourages our executives to think and act like business owners

A significant portion of incentives is paid in equity which focuses executives on creating shareholder value, managing risk and being accountable for the long-term success of QBE.

Aligning remuneration to culture and managing risk

The remuneration structure is designed to align remuneration with prudent risk-taking, underpinned by clear messaging of our QBE DNA which describes who we are, what we stand for and how we need to operate to be successful. The way that each executive manages risk and conduct is a key consideration of the Board in determining incentive outcomes. An enhanced focus on measuring not only what was achieved but how it was achieved will be implemented in 2022.

A number of changes to the QBE short and long-term incentive plans will apply with effect from 2022. The Group CEO terms are shown below. Additional details will be provided in the 2022 Remuneration Report.

Key features:	2021	2022
Short-term incentive	**Delivered through** A mix of STI cash (50%) and STI deferred equity (50%)	No change for 2022
	Incentive opportunity 150% (target), 225% (maximum)	
	Performance period One year	
	Equity deferral period One to two years from end of performance period	One to four years from end of performance period
	Performance measures Group cash ROE (25%), blended Group COR (40%), strategic performance objectives (35%)	Performance measured through a business scorecard containing Group cash ROE and Group COR financial measures alongside risk, people and strategic non-financial measures. In addition, personal performance objectives will focus both on what has been achieved and how it was achieved during the year.
Long-term incentive	**Delivered through** Equity (100%)	No change for 2022
	Incentive opportunity 200% (face-value)	
	Performance period Three years	
	Equity deferral period Three to five years from start of performance period	
	Performance measures Group average cash ROE (50%) and relative TSR (50%) with two peer groups A catastrophe collar may apply to Group average cash ROE	New weighting of two measures: Group average cash ROE (70%) and relative TSR (30%) with a single global insurance peer group, no catastrophe collar on Group average cash ROE.

The STI and LTI arrangements for the Interim Group CEO in 2021 were consistent with terms disclosed in the 2020 Remuneration Report.

Risk and behaviours, malus and clawback (no change)

Executive KMP performance assessments include a formal assessment of risk and behaviours using input from the Group CRO, the Chair of People & Remuneration Committee, the Chair of the Risk & Capital Committee and chairs of divisional boards where relevant. Malus and clawback provisions and executive minimum shareholding requirements (MSR) will continue to apply in 2022.

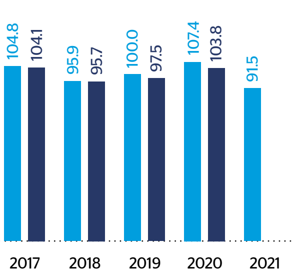
How we performed: **Financial performance**

Financial performance for the Group reflected strong top line momentum from continued premium rate increases and targeted growth across all divisions, alongside a much improved combined operating ratio.

The impact of the financial performance on the incentive payouts for executive KMP is provided on pages 62 to 64.

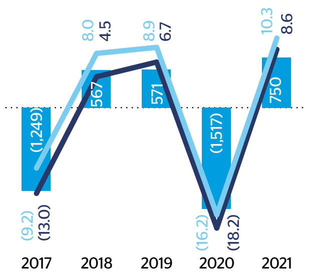
Financial performance

COR



- Statutory COR (%) [1]
- Group COR for incentive purposes (%) [2]

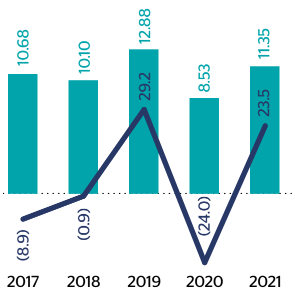
Profit measures



- Net profit (loss) after tax (US$M) [1]
- Group cash ROE for incentive purposes (%) [3]
- Return on average shareholders' equity (%)

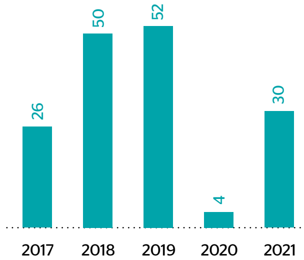
Return to shareholders

Return to shareholders



- Share price at 31 December (A$/share)
- TSR (%)

Dividend per share

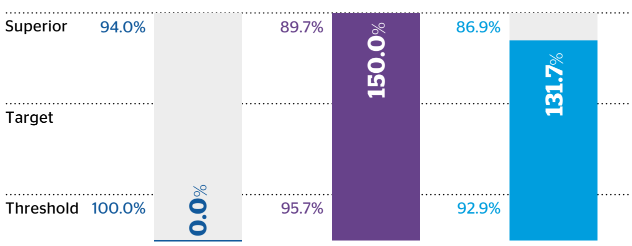


- Dividend per share (Australian cents)

Award outcomes

COR

North America COR award | **International COR award** | **Australia Pacific COR award**



Blended Group COR

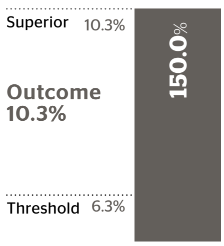
Award 93.9%

An equal blend of the divisional COR outcomes (to the left) is used to determine the blended Group COR award for 2021 STI purposes.

Cash ROE

Group cash ROE [3]

Award 150.0%



Group CEO outcomes [4]

	2017	2018	2019	2020	2021
STI or Executive Incentive Plan (EIP) (from 2017 to 2018) achievement as % of target	15.6	98.6	68.5	90.4	115.2
LTI vested (% of grant)	0	0	0	–	–

Tracking of unvested LTI awards

2019 LTI award – vesting Q1 2022/23/24 – Average cash ROE and relative TSR performance – Will not vest

2020 LTI award – vesting Q1 2023/24/25 – Average cash ROE and relative TSR performance – Unlikely to vest in full

2021 LTI award – vesting Q1 2024/25/26 – Average cash ROE and relative TSR performance – On track

1 From 2018, the results reflect continuing operations only. For 2017, the results reflect consolidated Group performance including discontinued operations.
2 For incentive purposes, the 2021 Group COR was replaced by a blended Group COR award as detailed above.
3 For incentive purposes, the adjusted cash ROE of 10.3% is as provided on page 12. Prior year adjustments are detailed in the Remuneration Report for each relevant year.
4 For 2021, the results reflect the pro-rated STI outcome for the Group CEO. For full details see page 62. Previous Group CEO outcomes are detailed in the Remuneration Report for each relevant year. There were no LTI grants due to vest in 2021.

How we performed: **2021 priorities**

The progress made against our strategic priorities through 2021 is summarised below. The executive KMP objectives are aligned with these and a portion of their STI outcomes are tied to their delivery.

Performance

Evolve and reinvigorate cell reviews and Brilliant Basics+ to further enhance performance discipline and drive portfolio optimisation. Targeted, sustainable, profitable growth, maximising the favourable rate environment. Deliver against our sustainability and climate commitments. Continued focus on shareholder returns.

▶ Cell reviews

A redesign of the format of cell reviews and reporting metrics provided for a more streamlined process and performance focus. Greater emphasis on underwriting actions (cell performance) and new lenses to focus on growth and claims provided a step-change in our ability to proactively address issues.

▶ Sustainability and climate commitment

Ongoing integration of sustainability considerations saw QBE set a new net-zero commitment across its global operations by 2030 and complete a new Environment & Social Risk Framework which came into effect on 1 January 2022. QBE celebrated the 10th anniversary of the QBE Foundation, won Green Insurer of the Year, launched our first syndicated sustainability linked loan and made progress towards our $2 billion impact investment target.

▶ Robust growth and shareholder returns

Performance discipline focused on maximising the favourable rate environment. GWP growth was driven by strong rate momentum and improved new business volumes in targeted growth areas. Launched a project to assess how we optimise natural catastrophe business.

Modernisation

Deliver on our program of work to accelerate our technology infrastructure modernisation. Continued automation across underwriting, distribution and claims to support the evolving needs of our customers and partners. Accelerate adoption of machine learning models across pricing and claims.

▶ Technology infrastructure modernisation

Building blocks for a more modern, efficient and secure QBE are taking shape. End of life remediation plans remain on track, rollouts of capability across core platforms continue and cyber security capability delivered.

▶ Automation

The evolution of our maturity in digitalisation continues. Tactical robots and automation solutions introduced across a range of underwriting and claims areas. Ongoing digitisation of claims lifecycle in place for many products and growing capability in this area. Digital channels available to support full sales lifecycle for most flow products and modernisation of customer portals underway in Australia Pacific and North America.

▶ Machine learning

Emergence of advanced analytics across the claims lifecycle in certain pockets of QBE. Initial stages of embedding data-enabled pricing/risk selection and decision support.

Customer focus

Deliver value and exceed customer expectations through Customer@QBE. Better understanding of our customers' industries and needs. Embed a culture of proactive, insightful customer engagement. Fully embed the use of Salesforce and related analytical tools across the business, central to all our customer activity.

▶ Customer@QBE

Developed the customer engagement framework to drive consistent discovery around our customers; how we articulate value to our customers and partners and increase visibility of customer metrics. Global awareness and education targeted to enhance customer mindset and shape our customer-focused culture.

▶ Customer insights

Increased global visibility of core customer and industry data in one place supported the sharing of global customer research with business leaders. Customer-focused panels allowed sharing of insights and best practice. Consistency in measurement allows for trend analysis and interconnections between customer experience, our people, brand and results.

▶ Salesforce

Sales enablement tools embedded with greater visibility of new business pipeline and opportunities to cross sell. Related analytical tools expanded along with consistent increase in usage across all divisions.

Talent & culture

Enhance the QBE culture and reinforce a positive risk culture by building on the QBE DNA through the Culture Accelerator. Accelerate our talent and leadership strategy by developing our people and building a diverse talent pipeline. Focus on embedding performance through ME@QBE and retaining and motivating people through our Reward approach. Define our future ways of working.

▶ Culture

Defined the culture we want to create, supported through a global survey and 'Culture Hack' to source ideas from our people. Launched our new employee listening approach to capture employee feedback on a continuous basis. Refreshed our QBE DNA to reflect desired behaviours, created a shared language to encourage people to speak up and identified the need for a refreshed recognition program grounded in our DNA.

▶ Talent and leadership

Continued to build deeper insights into our talent pool and pipeline to enable focus on our senior leader hiring and development activities. Launched an online learning platform that provides skills-based training relevant to individual roles, supported by a campaign around development conversations.

▶ Ways of working

Strengthened our understanding of our workforce so we can define our future workforce needs and deliver on our strategic ambitions. Continued focus on employee wellbeing and defined future ways of working through Flex@QBE.

1. EXECUTIVE KMP PERFORMANCE SNAPSHOTS

QBE discloses actual remuneration outcomes in the financial period under review.

The realised 2021 remuneration figures below include the accrued STI cash award for the 2021 financial year, the value of any conditional rights granted in prior years that vested during 2021 and executive shareholdings against the MSR. The value of vested conditional rights awards has been calculated using the share price on the vesting date. These figures are different from those shown in the statutory table on page 73. For example, the statutory table includes an apportioned accounting value for all unvested conditional rights held during the year, which remain subject to performance and service conditions and consequently may or may not ultimately vest.

Group CEO

Andrew Horton
Group CEO

Term as KMP in 2021
Commenced 1 September 2021

Country of residence
Australia

Total value of shareholdings against the MSR (times fixed remuneration) **3.2**

Target remuneration mix

22% | 17% | 17% | 44%

2021 STI outcome (US$000)

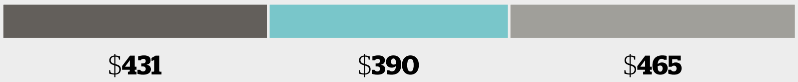
STI (cash) $390
STI (deferred) $390

115.2% of target

measured on...

25.0% Group cash ROE (achieved 150.0%)
40.0% Blended Group COR (achieved 93.9%)
35.0% Strategic performance objectives (achieved 114.8%)

2021 realised remuneration[1] (US$000) $**1,286** Total



Divisional executive KMP

Jason Harris
Chief Executive Officer, International

Term as KMP in 2021
Full year

Country of residence
United Kingdom

Total value of shareholdings against the MSR (times fixed remuneration) **0.9**

Target remuneration mix

31% | 26% | 12% | 31%

2021 STI outcome (US$000)

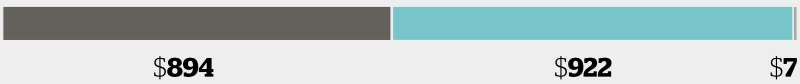
STI (cash) $922
STI (deferred) $454

128.2% of target

measured on...

11.5% Group cash ROE (achieved 150.0%)
18.5% Blended Group COR (achieved 93.9%)
35.0% Divisional COR [2] (achieved 146.7%)
35.0% Strategic performance objectives (achieved 120.6%)

2021 realised remuneration (US$000) $**1,823** Total



1 Other total for Andrew Horton includes a cash payment of A$500,000 on commencement of employment with QBE, payable in February 2022.
2 Divisional COR achievement outcome adjusted for items held in the Corporate & Other segment.

Key: Fixed remuneration · STI (cash) · STI (deferred) · LTI face-value · Value of vested rights · Other

Sue Houghton
Chief Executive Officer, Australia Pacific

Term as KMP in 2021
Commenced 3 August 2021

Country of residence
Australia

Total value of shareholdings against the MSR (times fixed remuneration) **1.4**

Target remuneration mix

31% | 26% | 12% | 31%

2021 STI outcome (US$000)

STI (cash) **$289**
STI (deferred) **$142**

115.7% of target

measured on...

11.5% Group cash ROE (achieved 150.0%)
18.5% Blended Group COR (achieved 93.9%)
35.0% Divisional COR (achieved 131.7%)
35.0% Strategic performance objectives (achieved 100.0%)

2021 realised remuneration[1] (US$000) **$740** Total

$300 | $289 | $151

Todd Jones
Chief Executive Officer, North America

Term as KMP in 2021
Full year

Country of residence
United States

Total value of shareholdings against the MSR (times fixed remuneration) **2.2**

Target remuneration mix

27% | 22% | 11% | 40%

2021 STI outcome (US$000)

STI (cash) **$659**
STI (deferred) **$325**

80.1% of target

measured on...

11.5% Group cash ROE (achieved 150.0%)
18.5% Blended Group COR (achieved 93.9%)
35.0% Divisional COR[2] (achieved 30.0%)
35.0% Strategic performance objectives (achieved 100.0%)

2021 realised remuneration (US$000) **$2,883** Total

$1,023 | $659 | $1,174 | $27

Group Head Office executive KMP

Sam Harrison
Group Chief Underwriting Officer

Term as KMP in 2021
Commenced 1 April 2021

Country of residence
United Kingdom

Total value of shareholdings against the MSR (times fixed remuneration) **1.3**

Target remuneration mix

31% | 26% | 12% | 31%

2021 STI outcome (US$000)

STI (cash) **$578**
STI (deferred) **$285**

110.1% of target

measured on...

25.0% Group cash ROE (achieved 150.0%)
40.0% Blended Group COR (achieved 93.9%)
35.0% Strategic performance objectives (achieved 100.0%)

2021 realised remuneration (US$000) **$1,242** Total

$650 | $578 | $14

1 Other total for Sue Houghton includes a cash payment of A$200,000 on commencement of employment with QBE, paid in August 2021.
2 The Board has considered the performance of North America as being in line with the 2021 plan (excluding the above average catastrophes in 2021), and has specifically considered the strong top line growth, delivery of cost savings and build-out of financial lines in determining the North America COR outcome applied to Todd Jones.

Key: Fixed remuneration · STI (cash) · STI (deferred) · LTI face-value · Value of vested rights · Other

1. EXECUTIVE KMP PERFORMANCE SNAPSHOTS

Amanda Hughes
Group Executive, People and Culture

Term as KMP in 2021
Commenced 1 December 2021

Country of residence
Australia

Total value of shareholdings against the MSR (times fixed remuneration) **0.3**

Target remuneration mix

33% | 23% | 11% | 33%

2021 STI outcome (US$000)

STI (cash) $38
STI (deferred) $19

110.1% of target

measured on...

25.0% Group cash ROE (achieved 150.0%)
40.0% Blended Group COR (achieved 93.9%)
35.0% Strategic performance objectives (achieved 100.0%)

2021 realised remuneration (US$000)

$**80** Total

$**42** | $**38**

Fiona Larnach
Group Chief Risk Officer

Term as KMP in 2021
Commenced 2 March 2021

Country of residence
Australia

Total value of shareholdings against the MSR (times fixed remuneration) **0.0**

Target remuneration mix

36% | 19% | 9% | 36%

2021 STI outcome (US$000)

STI (cash) $306
STI (deferred) $151

107.7% of target

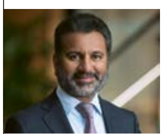
measured on...

19.2% Group cash ROE (achieved 150.0%)
30.8% Blended Group COR (achieved 93.9%)
50.0% Strategic performance objectives (achieved 100.0%)

2021 realised remuneration (US$000)

$**863** Total

$**556** | $**306** | $**1**



Inder Singh
Group Chief Financial Officer

Term as KMP in 2021
Full year

Country of residence
Australia

Total value of shareholdings against the MSR (times fixed remuneration) **2.1**

Target remuneration mix

31% | 26% | 12% | 31%

2021 STI outcome (US$000)

STI (cash) $905
STI (deferred) $446

115.4% of target

measured on...

25.0% Group cash ROE (achieved 150.0%)
40.0% Blended Group COR (achieved 93.9%)
35.0% Strategic performance objectives (achieved 115.2%)

2021 realised remuneration[1] (US$000)

$**2,217** Total

$**980** | $**905** | $**322** | $**10**

1 The fixed remuneration for Inder Singh was increased from A$1,100,000 to A$1,300,000 with effect from 1 January 2021 following a broadening of his role and a market review.

Key: Fixed remuneration · STI (cash) · STI (deferred) · LTI face-value · Value of vested rights · Other

Former executive KMP

Jason Brown (former Group Chief Underwriting Officer) – Jason Brown ceased as executive KMP on 31 March 2021 immediately prior to the internal promotion of Sam Harrison.

Margaret Murphy (former Group Executive, People & Culture) – Margaret Murphy ceased as executive KMP on 30 November 2021 immediately prior to the internal promotion of Amanda Hughes.

Richard Pryce (former Interim Group CEO) – Richard Pryce ceased as executive KMP on 31 August 2021 immediately prior to the appointment of Andrew Horton. Mr Pryce's planned retirement was previously communicated.

2. REMUNERATION GOVERNANCE

QBE has a robust remuneration governance framework overseen by the Board. This ensures that the remuneration arrangements are appropriately designed, managed and that the agreed frameworks and policies are applied and monitored across QBE.

Board

Has overall responsibility for the remuneration strategy and outcomes for executives and non-executive directors.

People & Remuneration Committee

Is the main governing body for key people and remuneration items across the Group.

Further details on the role and scope of the People & Remuneration Committee are set out in the QBE People & Remuneration Committee charter (available from www.qbe.com/investor-relations/corporate-governance/qbe-charters-and-constitution).

Group CEO | **Divisional people and remuneration committees** | **External advisors**

Managing risk

The continued focus on and investment in managing our risk provides for a stronger and resilient QBE.

The People & Remuneration Committee works with Group Risk and Human Resources to ensure that any risk associated with remuneration arrangements is managed within the Group's risk management framework. The Chair of the People & Remuneration Committee is a member of the Risk & Capital Committee and vice versa. The attendance of other members of the Board at the People & Remuneration Committee meetings and close working relationship with the Risk & Capital Committee strengthen remuneration governance across QBE. The Group CRO attends the People & Remuneration Committee periodically to report on executive risk behaviours.

Executive KMP are required to adhere to a range of Group-wide policies to ensure risks are well managed, strong governance structures are in place and high ethical standards are maintained. The Board approves a comprehensive delegated authority for the Group CEO, which is an integral part of QBE's risk management process. The remuneration governance framework incorporates risk oversight principles so that executives cannot unduly influence a decision that could materially impact their own incentive outcome, and the performance-based components of remuneration established in QBE's incentive plans are designed to encourage behaviour that supports the Group's long-term financial soundness. Specifically, the QBE incentive plans:

- are designed to deliver a target remuneration mix balanced between fixed/variable remuneration and short and long-term and cash and equity;
- incorporate individual objectives through the STI that measure demonstrable proactive sound risk management, including the setting of a clear and consistent tone about the importance of managing risk throughout the organisation;
- incorporate robust corporate standards for all employees supporting the QBE risk culture;
- balance performance outcomes based on delivery against a range of financial and non-financial strategic metrics which are set in the context of business plans that have been appropriately stress-tested by the Group CRO;
- enable the build-up of meaningful shareholding with deferred STI equity and LTI underpinned by a MSR for executive KMP (refer to page 66);
- provide the Board with discretion to take other factors into account when determining the appropriate award outcome; and
- allow for multiple risk adjustments, notably in year, malus provisions for unvested awards and clawback of cash payments and vested equity (refer to page 66).

2. REMUNERATION GOVERNANCE

As part of the year end process, an assessment of each senior executive's approach to risk management has been completed using input from the CRO. This process recognises positive and negative risk culture and risk management through upward or downward adjustment of performance ranges, incentive payouts and consequences that can include executives leaving the organisation.

Across the Group in 2021, over 100 assessments were carried out including for executive KMP and divisional executive teams. Based on the assessments in 2021, there were adjustments applied both upwards and downwards.

Malus provision

The malus provision gives the People & Remuneration Committee and the Board discretion to reduce the amount of an unvested award (including to zero) in certain circumstances during the retention period including in the case of:

- misconduct leading to significant adverse outcomes;
- a significant failure of financial or non-financial risk management;
- a significant failure or breach of accountability, fitness and propriety, or compliance obligations;
- a significant error or a significant misstatement of criteria on which the variable remuneration determination was based; and/or
- significant adverse outcomes for customers, beneficiaries or counterparties.

This provision reflects QBE's obligations under APRA's Prudential Standard CPS 510 *Governance* to incorporate terms allowing for the adjustment of incentive awards to protect QBE's financial soundness and ability to respond to unforeseen significant issues. A review against the malus provision was completed as part of the year end process. There was no requirement to apply the provision in 2021.

Clawback provision

The clawback provision, introduced for the 2021 performance year, allows, to the extent permissible by applicable law, all variable remuneration (cash and deferred remuneration) to remain subject to clawback for a period of two years from the date of payment or vesting (as the case may be) of the relevant component of variable remuneration. The Board can determine whether to apply clawback to paid or vested variable remuneration and, if so, the appropriate value over which clawback will be applied. The circumstances in which the Board may apply clawback include those where it concludes in good faith that there is or has been:

- misconduct leading to material adverse outcomes;
- a material failure of financial or non-financial risk management;
- a material failure or breach of accountability, fitness and propriety, or compliance obligations;
- a material error or a material misstatement of criteria on which the variable remuneration determination was based; and/or
- material adverse outcomes for customers, beneficiaries or counterparties.

Clawback may be applied to any variable remuneration that has been paid or vested (as the case may be) regardless of whether or not the employment or engagement of the relevant person is ongoing.

A review against the clawback provision was completed as part of the year end process. There was no requirement to apply the provision in 2021.

Trading policy

Trading in QBE ordinary shares is generally permitted outside of designated closed periods. QBE's trading policy states that non-executive directors and other designated employees must notify any intended share transaction to nominated people within the Group. The policy prohibits the hedging of QBE securities at all times. The purpose of this prohibition is to ensure that there is an alignment between the interests of executives and shareholders.

A copy of QBE's trading policy for dealing in securities is available from www.qbe.com/investor-relations/corporate-governance/global-policies.

Minimum shareholding requirement

The MSR ensures executives build their shareholding to have significant exposure to QBE's share price. Under the MSR, a minimum of three times fixed remuneration for the Group CEO (one and a half times for other executive KMP) is to be maintained as long as the executive KMP remains at QBE. The value of shareholdings as a percentage of fixed remuneration at 31 December 2021 for each executive KMP is shown on pages 62 to 64. New executive KMP are required to build their shareholdings over a five-year period after becoming executive KMP.

Dilution limits for share plans

Shares awarded under QBE's employee share plans may be purchased on-market or issued subject to Board discretion and the requirements of the *Corporations Act 2001* and the ASX Listing Rules. At 31 December 2021, the proportion of shares and unvested conditional rights and options held in the QBE Employee Share Plan is 1.12%. This is significantly less than the maximum of 10% over a 10-year period allowed under the plan rules.

Treatment of conditional rights on a change in control of QBE

In accordance with the rules of each of QBE's incentive plans, a change in control is defined as either a scheme of arrangement that has been approved by QBE's shareholders or the acquisition by a bidder of at least 50% of the issued and to be issued QBE shares under an unconditional takeover offer made in accordance with the *Corporations Act 2001*.

Should a change in organisational control occur, the People & Remuneration Committee has discretion to determine how unvested conditional rights should be treated, having regard to factors such as the length of time elapsed in the performance period, the level of performance to date and the circumstances of the change of control.

Use of external advisors

Remuneration consultants provide guidance on remuneration for executives, facilitate discussion, review remuneration and at-risk reward benchmarking within industry peer groups and provide guidance on current trends in executive remuneration practices. Any advice provided by remuneration consultants is used as a guide and is not a substitute for consideration of all the issues by each non-executive director on the People & Remuneration Committee.

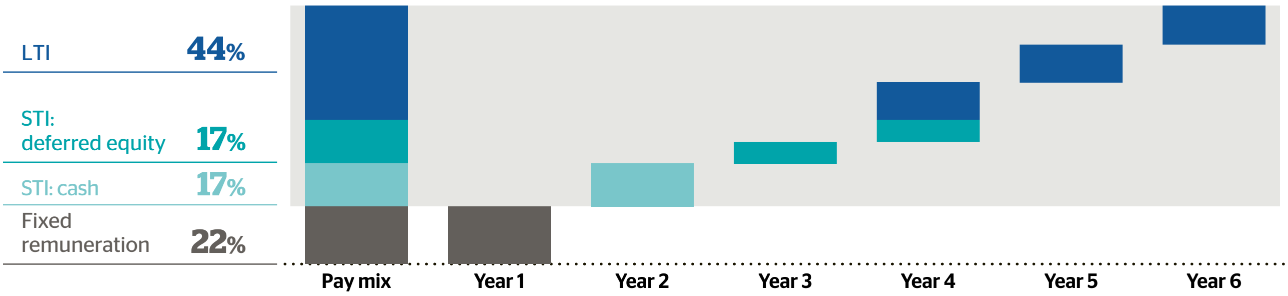
Australian-based firm Ernst & Young (EY) currently acts as the independent remuneration advisor to the People & Remuneration Committee. The People & Remuneration Committee and the Board are satisfied that the advice provided by EY during 2021 was free from undue influence. The cost of advice and assistance provided by EY in 2021 was $61,000 (2020 $65,000).

During 2021, management requested and utilised reports on market practice from various reputable sources. No recommendations in relation to the remuneration of KMP were provided as part of these engagements.

3. EXECUTIVE KMP REMUNERATION IN DETAIL

At QBE, having the right talent across the Group enables us to create shareholder value, while prudently managing risk and maintaining strong corporate governance. To deliver our strategic ambitions, we must ensure that our executive remuneration framework reflects QBE's desire to attract and retain the best people.

This section sets out our approach for 2021. The graph below sets out the typical remuneration structure and delivery for the Group CEO for on-target performance, and how the remuneration vests over time:



Executive remuneration structure

QBE's executive remuneration structure for 2021 remained broadly consistent with the prior year and comprised a mix of fixed and at-risk remuneration through STI and LTI plan arrangements.

Each of these components is discussed in further detail in the following pages.

FIXED REMUNERATION – KEY DETAILS

Description

Fixed remuneration comprises cash salary, superannuation/pension and packaged benefits, additional annual benefits and associated taxes. Additional annual benefits may include health insurance, life assurance, personal accident insurance, car allowances, expatriate benefits, occasional spouse travel to accompany the executive on business and applicable taxes.

Fixed remuneration is delivered in accordance with terms and conditions of employment.

Determining fixed remuneration levels

Fixed remuneration considers the diversity, complexity and expertise required of individual roles. Remuneration quantum is set in the context of QBE's broader reward strategy and internal relativities.

To assess the competitiveness of fixed remuneration, the People & Remuneration Committee considers market data and recognised published surveys.

Executive roles that are Australian-based are generally benchmarked to the ASX 30 and ASX 10-50 peer group of companies, with a specific focus on global companies and companies in the financial services industry. Overseas-based executives or roles that have a global reach are compared with a peer group consisting of global insurers. The peer group of companies used for remuneration benchmarking purposes is set out in the table below:

PEER GROUP	DESCRIPTION
ASX peer group	The financial services company sub-peer group is determined based on the industry classification listed on the ASX and includes commercial banks and insurers.
Global insurance peer group	Consists of large, global insurance companies aligned with the peer group used for the LTI plan.

STI - KEY DETAILS

Description

The STI is a performance-based incentive delivered in the form of an annual cash payment and deferred award in the form of conditional rights to QBE shares. Performance is measured over a 12-month period.

Performance measures and rationale

STI outcomes are based on performance against Group cash ROE and COR, and divisional COR targets in the case of divisional executives, as well as individual strategic performance objectives reflecting QBE's strategic priorities as they apply to each executive's role. An explanation of the financial measures and their rationale is provided below:

Group cash return on equity

DEFINITION
A measure of how effectively we are managing shareholders' investment in QBE. For the STI, this measure will generally be measured on the same basis as that used to determine shareholder dividends. As a principle, losses due to unbudgeted amortisation/impairment of intangibles will, other than in exceptional circumstances, be included in cash ROE so that executives remain accountable for the management of intangible assets.

RATIONALE
Cash ROE is a measure of how effectively we manage shareholders' funds.

Combined operating ratio

DEFINITION
Net claims, commissions and expenses as a percentage of net earned premium. Consistent with how we report COR to the market, this is measured excluding the impact of changes in risk-free rates used to discount net outstanding claims. An equal blend of the COR outcomes for North America (1/3), International (1/3) and Australia Pacific (1/3) is used for the 2021 blended Group COR.

RATIONALE
COR is the most relevant measure of the underwriting performance of our insurance operations. The measure excludes the impact of risk-free rates because it is consistent with the way we report and with the basis on which the market assesses the underwriting performance of QBE.

Strategic performance objectives: These objectives are linked to our longer-term strategic priorities. Executive KMP performance against the strategic performance objectives is evaluated annually by the Group CEO, and by the Chair in respect of the Group CEO, through formal business review assessments which include management of risk.

A summary of the achievements against the strategic performance objectives for 2021 is provided on page 61.

ADJUSTMENTS
STI outcomes may be adjusted by other items (such as material acquisitions or divestments) not included in the business plan and as deemed appropriate by the People & Remuneration Committee.

Vesting schedule

The indicative STI vesting schedule is outlined below:

	THRESHOLD	TARGET	SUPERIOR
% of STI opportunity achieved	30%	100%	150%

The STI rules provide suitable discretion to the People & Remuneration Committee to adjust any formulaic outcome to ensure STI awards appropriately reflect performance.

Instrument and deferral mechanics

The STI award is delivered as 67% in cash (50% in the case of the Group CEO and Interim Group CEO) and 33% is deferred as conditional rights to QBE shares (50% in the case of the Group CEO and Interim Group CEO).

Deferred STI vests in two equal tranches – half on the first anniversary of the award and the remainder on the second anniversary of the award. Vesting is subject to service conditions during the deferral period. Malus and clawback also apply.

To calculate the number of conditional rights to be granted, the award value is divided by the volume weighted average price of QBE shares over the five trading days prior to the grant date. Notional dividends accrue during the deferral period.

STI awards for the 2021 performance year are detailed on pages 62 to 64.

Leaver provisions

On voluntary termination, dismissal or termination due to poor performance, all awards are forfeited.

'Good leaver' provisions (e.g. retirement, redundancy, ill health, injury, mutually agreed separation (in some cases)) will apply such that:

- STI opportunity is reduced to a pro-rata amount to reflect the proportion of the performance year in service; and
- deferred awards remain in the plan subject to the original vesting conditions.

Malus and clawback provisions

STI is subject to malus and clawback, as applicable, enabling awards to be either forfeited, reduced or have clawback applied at the discretion of the People & Remuneration Committee and Board.

3. EXECUTIVE KMP REMUNERATION IN DETAIL

LTI – KEY DETAILS

Description

The LTI plan consists of an award of conditional rights to QBE shares. Conditional rights are awarded at no cost to the executive KMP.

Performance measures

Vesting is subject to two equally weighted performance conditions measured over a three-year performance period:

Average cash return on equity

DEFINITION

The average of the three individual annual cash ROEs for the three individual years comprising the performance period (used for the 2021 grant due to volatility).
A catastrophe adjustment may apply, which defines a ceiling and floor for catastrophe claims (see below) when determining LTI outcomes. Prior year grant details are provided in the relevant Annual Reports.

RATIONALE

Cash ROE is the primary financial measure of success for QBE and is most tangible for long-term decision making.

Relative total shareholder return

DEFINITION

TSR is the change in percentage value of an entity's share price plus the value of reinvested dividends and any capital returns measured over the three-year performance period.

TSR of QBE is measured against two independent peer groups, shown below for 2021:

- ASX 50 peer group (for 50% of the TSR component); and
- a global insurance peer group (for 50% of the TSR component).

RATIONALE

The use of a relative TSR measure enables stronger pay for performance, aligning with shareholders.

ADJUSTMENTS

Because the LTI performance period is measured over three years, extreme or benign catastrophe periods can have a material effect across multiple LTI awards. A levelling mechanism, introduced in 2019, effectively puts a ceiling and a floor on aggregate catastrophe claims when determining LTI outcomes. This levelling mechanism uses a range of +/- 1.5% of net earned premium either side of the budgeted catastrophe allowance for which LTI participants are exposed to catastrophe risk. For 2021, the range of $505 million to $865 million is applied. This means where actual aggregate catastrophe claims (after allowing for reinsurance recoveries) exceed $865 million, aggregate catastrophe claims are capped at this amount for calculating cash ROE. Conversely, in a very benign period, the lower limit of the collar ($505 million) provides a floor on aggregate catastrophe claims for calculating cash ROE. The cost of catastrophe claims for 2021 was $924 million, and this in excess of the range and consequently an after-tax adjustment of $49 million is applied and an adjusted cash ROE of 11% will be used for the 2021 performance period (2020 (14.2)%).

Any other items (such as material acquisitions or divestments) not included in the business plan and deemed appropriate by the People & Remuneration Committee may be adjusted.

TSR peer group 1 – ASX 50 peer group (excludes any organisations domiciled overseas)

Afterpay Limited	Dexus	Qantas Airways Limited	Sydney Airport
APA Group	Fortescue Metals Group Ltd	QBE Insurance Group Limited	Tabcorp Holdings Limited
Aristocrat Leisure Limited	Goodman Group	Ramsay Health Care Limited	Telstra Corporation Limited
ASX Limited	GPT Group	REA Group Ltd	TPG Telecom Limited
Australia and New Zealand Banking Group Limited	Insurance Australia Group Limited	Reece Limited	Transurban Group
Australian Foundation Investment Company Limited	Lendlease Group	Rio Tinto Limited	Wesfarmers Limited
BHP Group Limited	Macquarie Group Limited	Santos Limited	Westpac Banking Corporation
BlueScope Steel Limited	Magellan Financial Group Limited	Scentre Group	WiseTech Global Limited
Brambles Limited	Mirvac Group	Seek Limited	Woodside Petroleum Ltd
Cochlear Limited	National Australia Bank Limited	Sonic Healthcare Limited	Woolworths Group Limited
Coles Group Limited	Newcrest Mining Limited	South32 Limited	
Commonwealth Bank of Australia	Northern Star Resources Ltd	Stockland	Coca-Cola Amatil Limited (removed due to delisting)
CSL Limited	Origin Energy Limited	Suncorp Group Limited	

TSR peer group 2 – Global insurance peer group

Allianz SE	Beazley PLC	Insurance Australia Group Limited	The Travelers Companies, Inc.
American International Group	Chubb Ltd	QBE Insurance Group Limited	Zurich Insurance Group AG
Aviva plc	CNA Financial Corp	Suncorp Group Limited	RSA Insurance Group plc (removed due to delisting)
AXA SA	Hiscox Ltd	Hartford Financial Services Group, Inc.	

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5 Financial Report
6 Other information

LTI allocation

To calculate the number of conditional rights granted, the award value is divided by the volume weighted average price of QBE shares over the five trading days prior to the grant date.

Vesting schedules

For the 2021 LTI, the Group cash ROE component is determined with reference to the average of the three annual performance ranges set over the three individual years, being 2021, 2022 and 2023 to determine vesting outcomes. This approach addresses the difficulty of long range forecasting due to the economic volatility.

The indicative Group average cash ROE vesting schedule for 2021 awards is outlined below:

QBE'S GROUP CASH ROE PERFORMANCE	% OF LTI CONDITIONAL RIGHTS SUBJECT TO THE GROUP CASH ROE COMPONENT WHICH MAY VEST
Below 6.3%	0%
At 6.3%	30%
Between 6.3% and 10.3%	Straight line vesting between 30% and 100%
At or above 10.3%	100%

For the 2021 LTI only, target ranges for 2021, 2022 and 2023 will be set at the start of the relevant years and disclosed in the following year. The individual annual ranges will be used to create the target range for the three-year period.

The indicative relative TSR vesting schedule for 2021 awards is outlined below:

QBE'S TSR PERFORMANCE RELATIVE TO THE PEER GROUPS	% OF LTI CONDITIONAL RIGHTS SUBJECT TO THE TSR COMPONENT WHICH MAY VEST
Less than 50th percentile	0%
At the 50th percentile	50%
Between 50th and 75th percentile	50% plus 2% for each percentile above the 50th percentile
75th percentile or greater	100%

The LTI rules provide suitable discretion to the People & Remuneration Committee to adjust any formulaic outcome to ensure LTI awards appropriately reflect performance.

Vesting periods

Following assessment of performance measures at the end of the three-year performance period, conditional rights will vest in three tranches as set out in the table below, subject to service conditions and malus provisions:

TRANCHE	VESTING DATE	PERFORMANCE PERIOD	PROPORTION OF ELIGIBLE 2021 LTI CONDITIONAL RIGHTS TO VEST
1	25 February 2024	End of the three-year performance period	33%
2	25 February 2025	First anniversary of the end of the performance period	33%
3	25 February 2026	Second anniversary of the end of the performance period	34%

Notional dividends accrue during the vesting period.

Leaver provisions

In cases of 'Good leaver' (e.g. retirement, redundancy, ill health, injury, mutually agreed separation (in some cases)) the unvested LTI conditional rights may be reduced to a pro-rata amount to reflect the proportion of the performance period in service and may continue to be held subject to the same vesting conditions.

Malus and clawback provisions

LTI is subject to malus and clawback provisions, enabling awards to be either forfeited or reduced or have clawback applied at the discretion of the People & Remuneration Committee and Board.

3. EXECUTIVE KMP REMUNERATION IN DETAIL

Changes to incentives for 2022

In considering our future incentive design, we have included feedback from multiple sources in an effort to evolve our incentive plans to better support our future strategy, target culture and align with the future requirements being introduced by Australian regulators.

Dialogue captured through the Culture Accelerator identified a number of areas that could be enhanced through incentive plan design. These included, being more future focused, being more enterprise focused, having a broader view of performance and having an increased focus on behaviours.

Based on this the three key areas of change are firstly, the introduction of non-financial metrics with a material weighting through the STI. These would be assessed through quantitative and qualitative methods. Secondly, the use of a formalised 'how' rating which informs the overall rating of an executive KMP. This emphasises its importance and brings focus to the role that behaviours play in achieving STI outcomes across QBE. Thirdly, changes to simplify LTI for future grants include the removal of the relative TSR ASX 50 peer group and a higher weighting of the Group cash ROE component for 2022, removing the catastrophe adjustment mechanism and using risk free rate plus margin basis ensure that LTI outcomes are more easily understood, and therefore supported, by our internal stakeholders and shareholders. The People & Remuneration Committee retain discretion to adjust performance outcomes.

Employment agreements

The table below summarises the material terms for the current executive KMP which are subject to applicable laws. The terms and conditions of employment of each executive KMP reflect market conditions at the time of their contract negotiation on appointment and thereafter. In addition, the typical treatment of incentives is also provided below.

CONTRACTUAL TERM	GROUP CEO[1]	OTHER EXECUTIVE KMP
Duration	Permanent full-time employment contract until notice given by either party.	
Notice period (by executive KMP or QBE)	12 months: QBE may elect to make a payment in lieu of notice.	Six months: QBE may elect to make a payment in lieu of notice.
Post-employment restraints	12 months non-compete and non-solicitation.	Six to 12 months non-compete and non-solicitation.

1 The terms for the Interim Group CEO were not aligned with the Group CEO role due to the interim nature of the role.

Treatment of incentives

Involuntary termination

On termination with cause or for poor performance: All unvested incentives are forfeited.

On termination without cause: For STI in the year of termination, the executive remains eligible to be considered for an award on a pro-rata basis, with any award to be determined following the end of the performance year and subject to the standard deferral arrangements. Unvested deferred EIP and STI conditional rights remain in the plan subject to the original vesting dates and malus provisions. The unvested LTI conditional rights may be reduced to a pro-rata amount to reflect the proportion of the performance period in service and may continue to be held subject to the same performance and vesting conditions. Legacy LTI awards generally remain in the plan subject to the original performance and vesting conditions; however, the People & Remuneration Committee has discretion to vest these awards.

Voluntary termination

All unvested incentives are forfeited.

4. EXECUTIVE KMP REMUNERATION TABLES

4.1 Statutory remuneration disclosures

The following table provides details of the remuneration of QBE's executive KMP as determined by reference to applicable Australian Accounting Standards (AASB) for the financial year ended 31 December 2021. Remuneration has been converted to US dollars using the average rate of exchange for the relevant year.

		SHORT-TERM EMPLOYMENT BENEFITS			POST-EMPLOYMENT BENEFITS	OTHER LONG-TERM EMPLOYEE BENEFITS			
	YEAR	BASE SALARY US$000	OTHER[1] US$000	STI CASH[2] US$000	SUPERANNUATION US$000	LEAVE ACCRUALS[3] US$000	SHARE-BASED PAYMENTS[4] US$000	TERMINATION BENEFITS[5] US$000	TOTAL US$000
Andrew Horton[6]	**2021**	**431**	**465**	**390**	**–**	**33**	**913**	**–**	**2,232**
Jason Harris	**2021**	**894**	**7**	**922**	**–**	**–**	**810**	**–**	**2,633**
	2020	60	847	–	–	–	39	–	946
Sam Harrison[6]	**2021**	**650**	**14**	**578**	**–**	**–**	**620**	**–**	**1,862**
Sue Houghton[6]	**2021**	**295**	**151**	**289**	**5**	**6**	**396**	**–**	**1,142**
Amanda Hughes[6]	**2021**	**42**	**–**	**38**	**–**	**(10)**	**2**	**–**	**72**
Todd Jones	**2021**	**1,000**	**27**	**659**	**23**	**–**	**818**	**–**	**2,527**
	2020	1,000	106	–	23	–	2,160	–	3,289
Fiona Larnach[6]	**2021**	**540**	**1**	**306**	**16**	**32**	**168**	**–**	**1,063**
Inder Singh	**2021**	**962**	**10**	**905**	**18**	**21**	**733**	**–**	**2,649**
	2020	743	9	–	15	23	568	–	1,358
Former executive KMP									
Jason Brown[7]	**2021**	**172**	**50**	**165**	**–**	**–**	**674**	**–**	**1,061**
	2020	641	97	–	–	–	472	–	1,210
Margaret Murphy[7]	**2021**	**602**	**104**	**487**	**5**	**–**	**510**	**–**	**1,708**
	2020	605	84	–	15	15	582	–	1,301
Richard Pryce[7]	**2021**	**1,011**	**147**	**945**	**–**	**–**	**5,610**	**–**	**7,713**
	2020	1,089	177	–	–	–	2,003	–	3,269
Total	**2021**	**6,599**	**976**	**5,684**	**67**	**82**	**11,254**	**–**	**24,662**
	2020[8]	4,138	1,320	–	53	38	5,824	–	11,373

1 Other includes, where relevant, provision of motor vehicles, health insurance, spouse travel, accommodation costs, staff insurance discount benefits received during the year, life assurance and personal accident insurance and applicable taxes. It also includes the deemed value of interest-free share loans, tax accruals in respect of employment benefits and other one-off expenses. For Andrew Horton and Sue Houghton, this includes a cash payment of A$500,000 (payable in February 2022) and A$200,000 (paid in August 2021) respectively to compensate for incentives forfeited in ceasing previous employment to join QBE.

2 STI cash is payable in March 2022 for performance in 2021. Where an executive is a KMP for only part of the year, amounts shown are pro-rated. The Board exercised its discretion to deliver the 2020 STI in conditional rights.

3 Includes the movement in annual leave and long service leave provisions during the relevant year.

4 Includes conditional rights and legacy cash-settled awards. The fair value at grant date of conditional rights is determined using appropriate models including Monte Carlo simulations, depending on the vesting conditions. The fair value of each conditional right is recognised evenly over the service period ending at vesting date. Where an award will no longer vest, the related accounting charge for any non-market component is reversed in full and the reversal is included in the table above. For new executive KMP, this may include conditional rights granted as compensation for incentives forfeited on ceasing previous employment to join QBE in addition to a pro-rata grant of conditional rights for the 2021 LTI. Details of grants of conditional rights are provided on pages 74 to 75. For Sam Harrison, this includes legacy cash-settled share-based awards relating to grants made prior to his appointment as executive KMP under the 2019 and 2020 EIP. Details of EIP awards are provided on page 76. For Jason Brown and Richard Pryce, the accelerated accounting charge relating to conditional rights awards which remain unvested is included.

5 There were no termination benefits payable in this period.

6 Andrew Horton, Sam Harrison, Sue Houghton, Amanda Hughes and Fiona Larnach were all executive KMP for part of the year. Dates are shown on pages 62 to 64.

7 Jason Brown, Margaret Murphy and Richard Pryce were executive KMP through to 31 March 2021, 30 November 2021 and 31 August 2021 respectively.

8 The 2020 totals above are not the same as those disclosed in the 2020 Remuneration Report because of changes in executive KMP.

4. EXECUTIVE KMP REMUNERATION TABLES

4.2 Conditional rights movements

Equity awards at QBE are granted in the form of conditional rights. A conditional right is a promise by QBE to acquire or issue one fully paid ordinary QBE Insurance Group Limited share where certain conditions are met.

The table below details conditional rights provided under the terms of both current and legacy plans, details of which can be found on pages 69 and 76, and contractual arrangements. LTI conditional rights are subject to future performance hurdles as detailed on pages 70 to 71 and 76. Conditional rights under the STI for the 2021 performance year will be granted in the first quarter of 2022.

2021	BALANCE AT 1 JANUARY 2021 NUMBER[1]	GRANTED NUMBER[2]	VALUE AT GRANT DATE US$000[3]	VESTED AND EXERCISED NUMBER	VALUE AT VESTING DATE US$000	FORFEITED/ LAPSED NUMBER	NOTIONAL DIVIDENDS ATTACHING IN THE YEAR NUMBER	BALANCE AT 31 DECEMBER 2021 NUMBER[4]
Andrew Horton	–	335,570	3,003	–	–	–	–	335,570
Jason Harris	162,533	155,200	893	–	–	–	2,950	320,683
Sam Harrison	126,290	120,179	654	–	–	–	2,292	248,761
Sue Houghton	–	193,572	1,435	–	–	–	1,798	195,370
Amanda Hughes	6,916	–	–	–	–	–	–	6,916
Todd Jones	488,646	265,522	1,535	(168,374)	1,174	–	5,442	591,236
Fiona Larnach	–	96,729	527	–	–	–	897	97,626
Inder Singh	288,111	199,304	1,177	(45,586)	322	–	4,107	445,936
Former executive KMP								
Jason Brown	246,372	44,082	308	(33,713)	238	–	–	256,741
Margaret Murphy	293,470	140,775	829	(111,929)	792	–	2,997	325,313
Richard Pryce	824,172	211,431	1,476	(120,544)	853	–	–	915,059

1 The opening balance for Sam Harrison and Amanda Hughes is their respective conditional rights holding at the date they became executive KMP.
2 On commencement of employment, Andrew Horton and Sue Houghton were granted conditional rights as compensation for incentives forfeited on ceasing their previous employment to join QBE. The award details are shown in table 4.3. In addition for new executive KMP, 2021 LTI grants made, where relevant, are subject to the performance conditions detailed on pages 70 to 71.
3 The value at grant date is calculated in accordance with AASB 2 *Share-based Payment*.
4 For former executive KMP Jason Brown, Margaret Murphy and Richard Pryce, this represents the balance at 31 March 2021, 30 November 2021 and 31 August 2021 respectively, being the dates they ceased to be executive KMP.

4.3 Valuation of conditional rights outstanding at 31 December 2021

The table below details the conditional rights issued affecting remuneration of executives in the previous, current or future reporting periods:

2021	GRANT	GRANT DATE	PERFORMANCE PERIOD START DATE	EXERCISE DATE	CONDITIONAL RIGHTS AT 31 DECEMBER 2021 NUMBER[1]	MAXIMUM VALUE OF AWARD TO VEST A$	FAIR VALUE PER CONDITIONAL RIGHT A$[2] GROUP ROE	TSR	TIME
Andrew Horton	Special	1-Sep-21	1-Sep-21	2022-2025	335,570	3,999,994	–	–	11.92
Jason Harris	Special	1-Oct-20	1-Oct-20	1-Mar-22	62,492	543,680	–	–	8.70
	2020 LTI	1-Oct-20	1-Jan-20	2023-2025	101,549	631,891	8.70	3.75	–
	2020 STI	26-Feb-21	1-Jan-20	2022-2023	31,496	292,913	–	–	9.30
	2021 LTI	26-Feb-21	1-Jan-21	2024-2026	125,146	907,930	9.30	5.21	–
Sam Harrison	2017 EIP	5-Mar-18	1-Jan-17	4-Mar-22	13,502	139,206	–	–	10.31
	2018 EIP	4-Mar-19	1-Jan-18	2022-2023	35,632	433,641	–	–	12.17
	2019 EIP	24-Feb-20	1-Jan-19	2022-2024	27,221	405,865	–	–	14.91
	2020 EIP	26-Feb-21	1-Jan-20	2022-2025	51,111	475,332	–	–	9.30
	2021 LTI	26-Feb-21	1-Jan-21	2024-2026	121,295	879,993	9.30	5.21	–
Sue Houghton	2021 LTI	3-Aug-21	1-Jan-21	2024-2026	92,680	810,797	10.89	6.61	–
	Special	3-Aug-21	3-Aug-21	2022-2024	102,690	1,118,294	–	–	10.89
Amanda Hughes	2020 EIP	26-Feb-21	1-Jan-20	2022-2025	6,916	64,319	–	–	9.30

4.3 Valuation of conditional rights outstanding at 31 December 2021 (continued)

2021	GRANT	GRANT DATE	PERFORMANCE PERIOD START DATE	EXERCISE DATE	CONDITIONAL RIGHTS AT 31 DECEMBER 2021 NUMBER[1]	MAXIMUM VALUE OF AWARD TO VEST A$	FAIR VALUE PER CONDITIONAL RIGHT A$[2]		
							GROUP ROE	TSR	TIME
Todd Jones	2019 LTI	1-Oct-19	1-Jan-19	2022-2024	157,013	1,602,722	12.60	7.82	–
	2019 STI	24-Feb-20	1-Jan-19	23-Feb-22	4,078	60,803	–	–	14.91
	2020 LTI	24-Feb-20	1-Jan-20	2023-2025	162,155	2,072,744	14.91	10.66	–
	2020 STI	26-Feb-21	1-Jan-20	2022-2023	58,615	545,120	–	–	9.30
	2021 LTI	26-Feb-21	1-Jan-21	2024-2026	209,375	1,519,014	9.30	5.21	–
Fiona Larnach	2021 LTI	26-Feb-21	1-Jan-21	2024-2026	97,626	708,281	9.30	5.21	–
Inder Singh	2017 EIP	5-Mar-18	1-Jan-17	4-Mar-22	10,541	108,678	–	–	10.31
	2018 EIP	4-Mar-19	1-Jan-18	2022-2023	46,282	563,252	–	–	12.17
	2019 LTI	4-Mar-19	1-Jan-19	2022-2024	98,522	1,022,148	12.17	8.58	–
	2019 STI	24-Feb-20	1-Jan-19	23-Feb-22	12,328	183,810	–	–	14.91
	2020 LTI	24-Feb-20	1-Jan-20	2023-2025	77,108	985,633	14.91	10.66	–
	2020 STI	26-Feb-21	1-Jan-20	2022-2023	60,139	559,293	–	–	9.30
	2021 LTI	26-Feb-21	1-Jan-21	2024-2026	141,016	1,023,071	9.30	5.21	–
Former executive KMP									
Jason Brown	2017 EIP	5-Mar-18	1-Jan-17	4-Mar-22	7,361	75,892	–	–	10.31
	2018 EIP	4-Mar-19	1-Jan-18	2022-2023	31,390	382,016	–	–	12.17
	2019 LTI	4-Mar-19	1-Jan-19	2022-2024	88,573	918,947	12.17	8.58	–
	2019 STI	24-Feb-20	1-Jan-19	23-Feb-22	10,658	158,911	–	–	14.91
	2020 LTI	24-Feb-20	1-Jan-20	2023-2025	74,677	954,552	14.91	10.66	–
	2020 STI	26-Feb-21	1-Jan-20	2022-2023	44,082	409,963	–	–	9.30
Margaret Murphy	2017 EIP	5-Mar-18	1-Jan-17	4-Mar-22	6,873	70,861	–	–	10.31
	2018 EIP	4-Mar-19	1-Jan-18	2022-2023	33,486	407,525	–	–	12.17
	2019 LTI	4-Mar-19	1-Jan-19	2022-2024	71,650	743,365	12.17	8.58	–
	2019 STI	24-Feb-20	1-Jan-19	23-Feb-22	8,127	121,174	–	–	14.91
	2020 LTI	24-Feb-20	1-Jan-20	2023-2025	63,092	806,473	14.91	10.66	–
	2020 STI	26-Feb-21	1-Jan-20	2022-2023	41,004	381,337	–	–	9.30
	2021 LTI	26-Feb-21	1-Jan-21	2024-2026	101,081	733,345	9.30	5.21	–
Richard Pryce[3]	2017 EIP	5-Mar-18	1-Jan-17	4-Mar-22	39,138	403,513	–	–	10.31
	2018 EIP	4-Mar-19	1-Jan-18	2022-2023	107,676	1,310,417	–	–	12.17
	2019 Special LTI	4-Mar-19	1-Jan-19	2022-2024	165,594	2,015,279	–	–	12.17
	2019 STI	24-Feb-20	1-Jan-19	23-Feb-22	27,571	411,084	–	–	14.91
	2020 Special LTI	24-Feb-20	1-Jan-20	2023-2025	135,772	2,024,361	–	–	14.91
	2020 STI	26-Feb-21	1-Jan-20	2022-2023	211,431	1,966,308	–	–	9.30
	2021 Special LTI	26-Oct-20	26-Oct-20	2024-2026	227,877	2,014,433	–	–	8.84

1 Includes original grant of conditional rights and notional dividends. For the former executive KMP shown, this represents the number of conditional rights immediately prior to ceasing to be executive KMP. These remain subject to original performance and vesting conditions.
2 The fair value of conditional rights at grant date is determined using appropriate models including Monte Carlo simulations, depending on the vesting conditions. The fair value of each conditional right is recognised evenly over the service period ending at vesting date. For the LTI allocations, the TSR fair value shown above was averaged over the two peer groups.
3 The Special LTI awards for Richard Pryce include specific performance measures as detailed on page 76.

4. EXECUTIVE KMP REMUNERATION TABLES

4.4 Executive KMP shareholdings

The table below provides details of movements during the year in the number of ordinary shares in QBE held by executive KMP, including their personally-related parties. In prior years, where non-recourse loans were provided by the Group to executive KMP for the purchase of shares in QBE, details are shown in the Remuneration Report of each relevant year. There are no loans outstanding at 31 December 2021 to any executive KMP.

2021	INTEREST IN SHARES AT 1 JANUARY 2021 NUMBER[1]	DIVIDENDS REINVESTED NUMBER	CONDITIONAL RIGHTS VESTED NUMBER	SHARES PURCHASED (SOLD) NUMBER[2]	INTEREST IN SHARES AT 31 DECEMBER 2021[3] NUMBER
Andrew Horton	150,000	–	–	–	150,000
Jason Harris	–	–	–	–	–
Sam Harrison	199	2	–	–	201
Sue Houghton	17,000	–	–	–	17,000
Amanda Hughes	16,460	–	–	–	16,460
Todd Jones	101,334	–	168,374	(64,552)	205,156
Fiona Larnach	–	–	–	–	–
Inder Singh	67,455	–	45,586	–	113,041
Former executive KMP					
Jason Brown	189,639	–	33,713	–	223,352
Margaret Murphy	35,853	810	111,929	(60,587)	88,005
Richard Pryce	255,888	–	120,544	(56,832)	319,600

1 The opening balances for Andrew Horton, Sam Harrison, Sue Houghton and Amanda Hughes is their respective holding at the date they became executive KMP.
2 The shares listed as sold may either partially or fully relate to sales to meet withholding tax obligations upon the vesting of conditional rights.
3 For former executive KMP Jason Brown, Margaret Murphy and Richard Pryce, this represents the interest in shares at 31 March 2021, 30 November 2021 and 31 August 2021 respectively, being the dates they ceased to be executive KMP.

4.5 Legacy equity schemes

The information below summarises QBE's legacy incentive plans.

Executive Incentive Plan – until 31 December 2018

The EIP was an at-risk reward structure comprised of cash and deferred equity that vested progressively over a five-year period. 40% of the award was delivered in cash and 60% of the award was deferred as conditional rights to fully paid ordinary QBE shares.

The conditional rights were deferred over four equal tranches: 25% over each of the four anniversaries of the award. EIP outcomes were subject to the achievement of multiple performance measures over the one-year performance period including the Group's cash ROE and COR targets, individual performance ratings and, for divisional staff, divisional COR targets.

The EIP was replaced by the STI and LTI plans for executive KMP from 2019 but remains in existence for senior employees below the executive KMP level. The EIP awards made to Sam Harrison prior to his appointment as executive KMP include cash-settled share based payment awards which are subject to the same vesting conditions as the equivalent conditional rights described above. The benefit received at vesting is indexed to the movement in the A$ value of QBE's shares including dividends declared in the period between grant and vest dates.

Special long-term incentive awards

The LTI award made to Richard Pryce in early 2020 includes performance criteria aligned to specific deliverables as he transitioned to retirement. Other than the tailored performance criteria, the terms and conditions of the award are consistent with other executive KMP.

The LTI award made to Richard Pryce in October 2020, at the time of his appointment as Interim Group CEO, is subject to two performance conditions measured by the Board over the period he held this role. The performance measures were set with a focus on the delivery of a number of important priorities. These include a blend of individual and strategic measures to both reward for the stability provided as Interim Group CEO through 2021, setting QBE up for future success, and the creation of alignment with shareholder interests, structured as follows:

- **individual component (40%)** – the Board will apply its discretion to determine outcomes against this component having considered achievement of agreed deliverables relating to executive team transition and development, building talent succession and depth, and effective engagement with regulators and shareholders; and
- **strategic component (60%)** – this component will be measured against the delivery of a number of objectives including Customer@QBE, reinsurance strategy, IT modernisation strategy and cultural change.

Subject to performance against the above, consideration of appropriate financial outcomes, risk behaviours during the vesting period and malus provisions, the conditional rights will vest in three tranches in Q1 2024 (33%), 2025 (33%) and 2026 (34%).

1 Performance overview
2 Operating and financial review
3 Governance
4 Directors' Report
5 Financial Report
6 Other information

5. NON-EXECUTIVE DIRECTOR REMUNERATION

The following section contains information on the approach to non-executive director remuneration, the fees, other benefits and shareholdings.

Remuneration philosophy

Non-executive director remuneration reflects QBE's desire to attract, motivate and retain experienced independent directors and to ensure their active participation in the Group's affairs for the purpose of corporate governance, regulatory compliance and other matters. QBE aims to provide a level of remuneration for non-executive directors comparable with that of its peers, which include multi-national financial institutions. The Board reviews surveys published by independent remuneration consultants and other public information to ensure that fee levels are appropriate. The remuneration arrangements of non-executive directors are distinct and separate from those of the executive KMP.

Fee structure and components

The aggregate amount approved by shareholders at the 2017 AGM was A$4,000,000 per annum.

The total amount paid to non-executive directors in 2021 was A$3,398,414 (2020 A$3,237,700).

Under the current fee framework, non-executive directors receive a base fee expressed in Australian dollars. In addition, a non-executive director (other than the Chair) may receive further fees for chairing or membership of a board committee.

No changes were made to non-executive director remuneration during 2021.

The non-executive director fee structure in place since 2017 is shown in the table below:

ROLE	CHAIR FEE	DEPUTY CHAIR FEE	MEMBER FEE
Board	A$663,000	A$229,000	A$208,000
Committee	A$50,000	–	A$27,000

Other benefits

Non-executive directors do not receive any performance-based remuneration such as cash incentives or equity awards. Under QBE's Constitution, non-executive directors are entitled to be reimbursed for all travel and related expenses properly incurred in connection with the business of QBE. All non-executive directors are eligible to receive an annual cash travel allowance of A$42,750 (A$64,000 for the Chair), in addition to fees for the time involved in travelling to Board meetings and other Board commitments. Due to the impacts of COVID-19, the travel allowance was temporarily ceased in 2021 for non-executive directors.

Superannuation

QBE pays superannuation to Australian-based non-executive directors in accordance with Australian superannuation guarantee (SG) legislation. Overseas-based non-executive directors receive the cash equivalent amount in addition to their fees. From 1 July 2021, the SG contribution increased by 0.5% to 10.0%. This change is reflected in table 5.2.

Since 1 January 2020, Australian-based directors may elect to opt out of superannuation contributions as long as they are still receiving contributions from at least one employer. In such cases, a superannuation allowance will be paid in lieu of actual contributions.

Minimum shareholding requirement

With effect from 1 April 2014, a non-executive director MSR was introduced for the Board. Under this requirement, non-executive directors have five years to build a minimum shareholding equal to 100% of annual base fees.

To assist current and new non-executive directors in meeting the requirement, a Director Share Acquisition Plan (DSAP) was established with effect from 1 June 2014. The DSAP allows non-executive directors to sacrifice a portion of their director pre-tax fees to acquire QBE shares.

Where the MSR has not been met, non-executive directors are required to sacrifice a mandatory minimum amount of 20% of pre-tax fees into the DSAP until the MSR is achieved. Shares acquired in this way are not subject to performance targets, as they are acquired in place of cash payments. Directors' shareholdings are shown overleaf. All non-executive directors have met the MSR as at 31 December 2021, or are within the five-year period to achieve the MSR.

5. NON-EXECUTIVE DIRECTOR REMUNERATION

5.1 Non-executive director shareholdings

The table below details movements during the year in the number of ordinary shares in QBE held by the non-executive directors, all of whom were in role for the full year, including their personally-related parties:

2021	INTEREST IN SHARES AT 1 JANUARY 2021 NUMBER	CHANGES DURING THE YEAR NUMBER	INTEREST IN SHARES AT 31 DECEMBER 2021 NUMBER
Michael Wilkins	63,172	9,086	72,258
Stephen Fitzgerald	65,286	3,982	69,268
John M Green	41,253	–	41,253
Tan Le	783	3,344	4,127
Kathryn Lisson	40,442	3,637	44,079
Sir Brian Pomeroy	33,757	3,688	37,445
Jann Skinner	63,995	6,005	70,000
Eric Smith	783	3,344	4,127
Rolf Tolle	63,336	4,282	67,618

5.2 Remuneration details for non-executive directors

The table below details the nature and amount of each component of the remuneration of QBE's current non-executive directors. Remuneration has been converted to US dollars using the average rate of exchange for the relevant year.

		SHORT-TERM EMPLOYMENT BENEFITS		POST-EMPLOYMENT BENEFITS		
NON-EXECUTIVE DIRECTOR	YEAR	FEES[1] US$000	OTHER US$000	SUPERANNUATION - SG[2] US$000	SUPERANNUATION - OTHER[2] US$000	TOTAL US$000
Michael Wilkins	**2021**	**498**	**–**	**17**	**32**	**547**
	2020	422	–	15	25	462
Stephen Fitzgerald	**2021**	**257**	**–**	**–**	**–**	**257**
	2020	253	–	–	–	253
John M Green	**2021**	**290**	**–**	**–**	**28**	**318**
	2020	263	–	–	25	288
Tan Le	**2021**	**216**	**1**	**–**	**–**	**217**
	2020	66	2	–	–	68
Kathryn Lisson	**2021**	**235**	**3**	**–**	**–**	**238**
	2020	223	4	–	–	227
Sir Brian Pomeroy	**2021**	**238**	**3**	**–**	**–**	**241**
	2020	226	4	–	–	230
Jann Skinner	**2021**	**234**	**–**	**4**	**18**	**256**
	2020	222	–	4	17	243
Eric Smith	**2021**	**216**	**1**	**–**	**–**	**217**
	2020	66	1	–	–	67
Rolf Tolle	**2021**	**257**	**3**	**–**	**–**	**260**
	2020	243	4	–	–	247
Total	**2021**	**2,441**	**11**	**21**	**78**	**2,551**
	2020[3]	1,984	15	19	67	2,085

1 Travel allowances, additional fees in lieu of superannuation in Australia and amounts sacrificed in relation to the DSAP are included in directors' fees.
- Stephen Fitzgerald, Tan Le, Kathryn Lisson, Sir Brian Pomeroy, Eric Smith and Rolf Tolle received additional fees of 9.5% in lieu of superannuation in Australia from 1 January 2021 to 30 June 2021, and 10.0% from 1 July 2021 to 31 December 2021.
- Michael Wilkins, Stephen Fitzgerald, Tan Le, Kathryn Lisson, Sir Brian Pomeroy, Eric Smith and Rolf Tolle all participated in the DSAP.

2 Michael Wilkins, John M Green and Jann Skinner are Australian residents. Superannuation is calculated as 9.5% of fees, up to 30 June 2021 and increased by 0.5% to 10.0% through to 31 December 2021. Superannuation in excess of the statutory minimum may be taken as additional cash fees or in the form of superannuation contributions at the option of the director. During all or part year during 2021, John M Green and Jann Skinner elected to opt out of superannuation contributions and a superannuation allowance was paid in lieu of superannuation contributions.

3 The 2020 totals above are not the same as those disclosed in the 2020 Remuneration Report because of changes in non-executive directors.

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2021

Auditor

PricewaterhouseCoopers, Chartered Accountants, continues in office in accordance with section 327B of the *Corporations Act 2001*.

Non-audit services

During the year, PricewaterhouseCoopers performed certain other services in addition to statutory duties.

The Board, on the advice of the Audit Committee, has considered the position and is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are also satisfied that the provision of non-audit services by the auditor, as set out in note 8.8 to the financial statements, did not compromise the auditor independence requirements of the *Corporations Act 2001*.

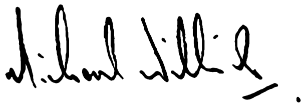
A copy of the auditor's independence declaration required under section 307C of the *Corporations Act 2001* is set out on page 80.

Details of amounts paid or payable to PricewaterhouseCoopers for audit and non-audit services are provided in note 8.8 to the financial statements.

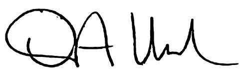
Rounding of amounts

The Company is of a kind referred to in the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. Amounts have been rounded off in the Directors' Report to the nearest million dollars or, in certain cases, to the nearest thousand dollars in accordance with that instrument.

Signed in SYDNEY this 18th day of February 2022 in accordance with a resolution of the directors.



Michael Wilkins AO
Director



Andrew Horton
Director

pwc

Auditor's independence declaration

As lead auditor for the audit of QBE Insurance Group Limited for the year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of QBE Insurance Group Limited and the entities it controlled during the period.

V. Papageorgiou

Voula Papageorgiou
Partner, PricewaterhouseCoopers

Sydney
18 February 2022

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This Annual Report includes the consolidated financial statements for QBE Insurance Group Limited (the ultimate parent entity or the Company) and its controlled entities (QBE or the Group). All amounts in this Financial Report are presented in US dollars unless otherwise stated. QBE Insurance Group Limited is a company limited by its shares and incorporated and domiciled in Australia. Its registered office is located at:

Level 18, 388 George Street
Sydney NSW 2000
Australia.

A description of the nature of the Group's operations and its principal activities is included on pages 4 to 27, none of which is part of this Financial Report. The Financial Report was authorised for issue by the directors on 18 February 2022. The directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete and available globally at minimum cost to the Company. All material press releases, this Financial Report and other information are available at our QBE investor centre at our website: www.qbe.com.

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTE	2021 US$M	2020 US$M
Gross written premium		**18,457**	14,643
Unearned premium movement		**(1,422)**	(635)
Gross earned premium revenue	2.1	**17,035**	14,008
Outward reinsurance premium		**(3,983)**	(2,462)
Deferred reinsurance premium movement		**356**	162
Outward reinsurance premium expense		**(3,627)**	(2,300)
Net earned premium (a)		**13,408**	11,708
Gross claims expense	2.2	**(11,464)**	(12,300)
Reinsurance and other recoveries revenue	2.2	**3,093**	3,366
Net claims expense (b)	2.2	**(8,371)**	(8,934)
Gross commission expense		**(2,704)**	(2,331)
Reinsurance commission revenue	2.1	**634**	440
Net commission (c)		**(2,070)**	(1,891)
Underwriting and other expenses (d)		**(1,829)**	(1,752)
Underwriting result (a)+(b)+(c)+(d)		**1,138**	(869)
Investment income – policyholders' funds	3.1	**94**	153
Investment expenses – policyholders' funds	3.1	**(17)**	(11)
Insurance profit (loss)		**1,215**	(727)
Investment income – shareholders' funds	3.1	**53**	90
Investment expenses – shareholders' funds	3.1	**(8)**	(6)
Financing and other costs	5.1.2	**(247)**	(252)
Loss on sale of entities and businesses		**–**	(2)
Share of net loss of associates		**(7)**	(5)
Restructuring and related expenses		**(72)**	(104)
Amortisation and impairment of intangibles	7.1	**(21)**	(466)
Profit (loss) before income tax		**913**	(1,472)
Income tax expense	6.1	**(156)**	(39)
Profit (loss) after income tax		**757**	(1,511)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Net movement in foreign currency translation reserve	5.3.2	**(272)**	375
Net movement in cash flow hedge and cost of hedging reserves	5.3.2	**41**	(24)
Income tax relating to these components of other comprehensive income		**(13)**	7
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plans		**21**	38
Income tax relating to this component of other comprehensive income		**(7)**	(10)
Other comprehensive (loss) income after income tax		**(230)**	386
Total comprehensive income (loss) after income tax		**527**	(1,125)
Profit (loss) after income tax attributable to:			
Ordinary equity holders of the Company		**750**	(1,517)
Non-controlling interests		**7**	6
		757	(1,511)
Total comprehensive income (loss) after income tax attributable to:			
Ordinary equity holders of the Company		**520**	(1,131)
Non-controlling interests		**7**	6
		527	(1,125)

EARNINGS (LOSS) PER SHARE FOR PROFIT (LOSS) AFTER INCOME TAX ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	NOTE	2021 US CENTS	2020 US CENTS
For profit (loss) after income tax			
Basic earnings (loss) per share	5.5	**47.5**	(108.5)
Diluted earnings (loss) per share	5.5	**47.2**	(108.5)

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

AS AT 31 DECEMBER 2021

	NOTE	2021 US$M	2020 US$M
Assets			
Cash and cash equivalents	5.2	**819**	766
Investments	3.2	**28,111**	26,935
Derivative financial instruments	5.6	**142**	520
Trade and other receivables	2.6	**7,109**	5,760
Current tax assets		**6**	60
Deferred insurance costs	2.5	**2,697**	2,282
Reinsurance and other recoveries on outstanding claims	2.3	**6,757**	6,527
Other assets		**2**	19
Assets held for sale	3.2	**50**	–
Defined benefit plan surpluses	8.7	**92**	65
Right-of-use lease assets		**328**	383
Property, plant and equipment		**155**	167
Deferred tax assets	6.2	**521**	546
Investment properties		**37**	34
Investments in associates		**28**	27
Intangible assets	7.1	**2,449**	2,534
Total assets		**49,303**	46,625
Liabilities			
Derivative financial instruments	5.6	**452**	845
Trade and other payables	2.7	**3,215**	2,338
Current tax liabilities		**24**	15
Unearned premium	2.5	**8,637**	7,466
Gross outstanding claims	2.3	**24,282**	23,861
Lease liabilities		**354**	431
Provisions		**129**	149
Defined benefit plan deficits	8.7	**29**	22
Deferred tax liabilities	6.2	**31**	51
Borrowings	5.1	**3,268**	2,955
Total liabilities		**40,421**	38,133
Net assets		**8,882**	8,492
Equity			
Contributed equity	5.3.1	**9,777**	10,273
Treasury shares held in trust		**(2)**	(1)
Reserves	5.3.2	**(1,608)**	(1,898)
Retained profits		**714**	117
Shareholders' equity		**8,881**	8,491
Non-controlling interests		**1**	1
Total equity		**8,882**	8,492

The consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2021

	SHAREHOLDERS' EQUITY						
	CONTRIBUTED EQUITY US$M	TREASURY SHARES HELD IN TRUST US$M	RESERVES US$M	RETAINED PROFITS US$M	TOTAL US$M	NON-CONTROLLING INTERESTS US$M	TOTAL EQUITY US$M
At 1 January 2021	**10,273**	**(1)**	**(1,898)**	**117**	**8,491**	**1**	**8,492**
Profit after income tax	**–**	**–**	**–**	**750**	**750**	**7**	**757**
Other comprehensive (loss) income	**–**	**–**	**(244)**	**14**	**(230)**	**–**	**(230)**
Total comprehensive (loss) income	**–**	**–**	**(244)**	**764**	**520**	**7**	**527**
Transactions with owners in their capacity as owners							
Shares issued under Employee Share and Option Plan and held in trust	**31**	**(31)**	**–**	**–**	**–**	**–**	**–**
Share-based payment expense	**–**	**–**	**32**	**–**	**32**	**–**	**32**
Shares vested and/or released	**–**	**30**	**(30)**	**–**	**–**	**–**	**–**
Dividends paid on ordinary shares	**–**	**–**	**–**	**(118)**	**(118)**	**(7)**	**(125)**
Dividend Reinvestment Plan and Bonus Share Plan	**11**	**–**	**–**	**1**	**12**	**–**	**12**
Distributions on capital notes	**–**	**–**	**–**	**(50)**	**(50)**	**–**	**(50)**
Foreign exchange	**(538)**	**–**	**532**	**–**	**(6)**	**–**	**(6)**
At 31 December 2021	**9,777**	**(2)**	**(1,608)**	**714**	**8,881**	**1**	**8,882**

	SHAREHOLDERS' EQUITY						
	CONTRIBUTED EQUITY US$M	TREASURY SHARES HELD IN TRUST US$M	RESERVES US$M	RETAINED PROFITS US$M	TOTAL US$M	NON-CONTROLLING INTERESTS US$M	TOTAL EQUITY US$M
At 1 January 2020	7,594	(1)	(1,335)	1,895	8,153	–	8,153
Loss after income tax	–	–	–	(1,517)	(1,517)	6	(1,511)
Other comprehensive income	–	–	358	28	386	–	386
Total comprehensive income (loss)	–	–	358	(1,489)	(1,131)	6	(1,125)
Transactions with owners in their capacity as owners							
Shares issued under Employee Share and Option Plan and held in trust	26	(28)	–	–	(2)	–	(2)
Share-based payment expense	–	–	20	–	20	–	20
Shares vested and/or released	–	28	(28)	–	–	–	–
Contributions of equity, net of transaction costs	1,699	–	–	–	1,699	–	1,699
Reclassification on disposal of controlled entities	–	–	2	(2)	–	–	–
Dividends paid on ordinary shares	–	–	–	(265)	(265)	(5)	(270)
Dividend Reinvestment Plan and Bonus Share Plan	27	–	–	3	30	–	30
Distributions on capital notes	–	–	–	(25)	(25)	–	(25)
Foreign exchange	927	–	(915)	–	12	–	12
At 31 December 2020	10,273	(1)	(1,898)	117	8,491	1	8,492

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTE	2021 US$M	2020 US$M
Operating activities			
Premium received		**17,020**	14,471
Reinsurance and other recoveries received		**2,538**	2,080
Outward reinsurance premium paid		**(2,616)**	(2,054)
Claims paid		**(10,056)**	(9,429)
Acquisition and other underwriting costs paid		**(4,116)**	(3,793)
Interest received		**406**	426
Dividends received		**124**	77
Other operating payments		**(220)**	(174)
Interest paid		**(238)**	(257)
Income taxes paid		**(88)**	(113)
Net cash flows from operating activities	8.4	**2,754**	1,234
Investing activities			
Net proceeds on sale of growth assets		**156**	42
Net payments for purchase of interest-bearing financial assets		**(2,782)**	(2,387)
Net (payments for) proceeds from foreign exchange transactions		**(20)**	277
Payments for purchase of intangible assets		**(91)**	(71)
Payments for purchase of property, plant and equipment		**(29)**	(40)
Payments for investments in associates		**(9)**	–
Proceeds on disposal of entities and businesses (net of cash disposed)		**–**	17
Proceeds on sale of investment property		**4**	–
Net cash flows from investing activities		**(2,771)**	(2,162)
Financing activities			
Net proceeds from issue of equity instruments		**–**	1,300
Proceeds from settlement of staff share loans		**–**	1
Payments relating to principal element of lease liabilities		**(85)**	(61)
Proceeds from borrowings		**550**	358
Repayments of borrowings		**(202)**	(140)
Dividends and distributions paid		**(162)**	(265)
Net cash flows from financing activities		**101**	1,193
Net movement in cash and cash equivalents		**84**	265
Cash and cash equivalents at the beginning of the year		**766**	547
Effect of exchange rate changes		**(31)**	(46)
Cash and cash equivalents at the end of the year	5.2	**819**	766

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2021

1. OVERVIEW

1.1 About QBE

About QBE Insurance Group

QBE is one of the world's largest insurance and reinsurance companies, with operations in all the major insurance markets. Formed in Australia in 1886, QBE employs more than 11,000 people and carries on insurance activities in 27 countries, with operations in Australia, Europe, North America, Asia and the Pacific. QBE's captive reinsurer, Equator Re, provides reinsurance protection to our divisions in conjunction with the Group's external reinsurance programs.

The Company is listed on the Australian Securities Exchange and is a for-profit entity.

About insurance

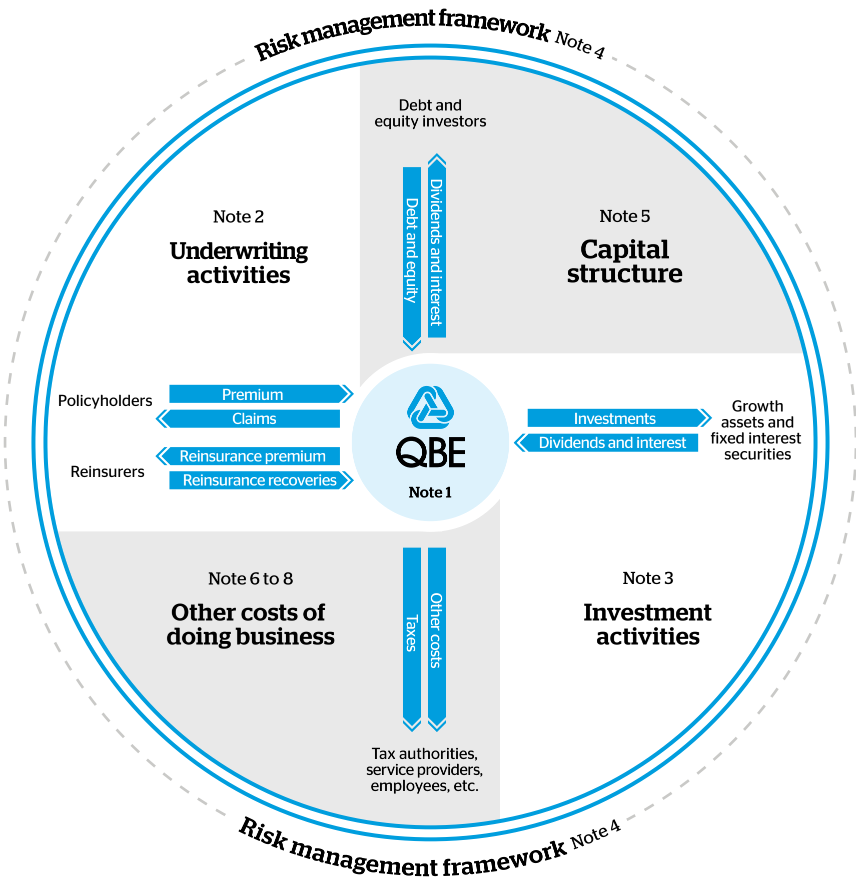
In simple terms, insurance and reinsurance companies help their customers (consumers, businesses and other insurance companies) to manage risk. More broadly put, an insurance company creates value by pooling and redistributing risk. This is done by collecting premium from those that it insures (i.e. policyholders), and then paying the claims of the few that call upon their insurance protection. A company may also choose to reduce some of its own accumulated risk through the use of outward reinsurance, which is insurance for insurance companies. As not all policyholders will actually experience a claims event, the effective pooling and redistribution of risk lowers the total cost of risk management, thereby making insurance protection more cost effective for all.

The operating model of insurance companies relies on profits being generated by:

- appropriately pricing risk and charging adequate premium to cover the expected payouts that will be incurred over the life of the insurance policy (both claims and operating expenses); and
- earning a return on the collected premium and funds withheld to pay future claims through the adoption of an appropriate investment strategy.

Insurance therefore serves a critical function of providing customers with the confidence to achieve their business and personal goals through cost-effective risk management. This is achieved within a highly regulated environment, designed to ensure that insurance companies maintain adequate capital to protect the interests of policyholders.

The diagram below presents a simplified overview of the key components of this Financial Report:



1.2 About this report

This Financial Report includes the consolidated financial statements of QBE Insurance Group Limited (the ultimate parent entity or the Company) and its controlled entities (QBE or the Group).

The Financial Report includes the four primary statements, namely the statement of comprehensive income (which comprises profit or loss and other comprehensive income or loss), balance sheet, statement of changes in equity and statement of cash flows as well as associated notes as required by Australian Accounting Standards. Disclosures have been grouped into the following categories in order to assist users in their understanding of the financial statements:

1. **Overview** contains information that impacts the Financial Report as a whole as well as segment reporting disclosures.
2. **Underwriting activities** brings together results and balance sheet disclosures relevant to the Group's insurance activities.
3. **Investment activities** includes results and balance sheet disclosures relevant to the Group's investments.
4. **Risk management** provides commentary on the Group's exposure to various financial and capital risks, explaining the potential impact on the results and balance sheet and how the Group manages these risks.
5. **Capital structure** provides information about the debt and equity components of the Group's capital.
6. **Tax** includes disclosures relating to the Group's tax expense and balances.
7. **Group structure** provides a summary of the Group's controlled entities and includes disclosures in relation to transactions impacting the Group structure.
8. **Other** includes additional disclosures required to comply with Australian Accounting Standards.

Where applicable within each note, disclosures are further analysed as follows:

- **Overview** provides some context to assist users in understanding the disclosures.
- **Disclosures** (both numbers and commentary) provide analysis of balances as required by Australian Accounting Standards.
- **How we account for the numbers** summarises the accounting policies relevant to an understanding of the numbers.
- **Critical accounting judgements and estimates** explains the key estimates and judgements applied by QBE in determining the numbers.

The notes include information which the directors believe is required to understand the financial statements and is material and relevant to the operations, balance sheet and results of the Group. Information is considered material and relevant if:

- the amount in question is significant because of its size or nature;
- it is important to assist in understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business – for example, significant acquisitions or disposals; or
- it relates to an aspect of the Group's operations that is important to its future performance.

1.2.1 Basis of preparation

This Financial Report is a general purpose financial report which:

- has been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001*;
- complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC);
- has been prepared on a historical cost basis as modified by certain exceptions, the most significant of which are the measurement of investments and derivatives at fair value and the measurement of the net outstanding claims liability at present value;
- is presented in US dollars; and
- is presented with values rounded to the nearest million dollars or, in certain cases, to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

New and amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are now effective are detailed in note 8.1.1.

The Group has not adopted any Accounting Standards and Interpretations that have been issued or amended but are not yet effective as listed in note 8.1.2.

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company as at 31 December 2021 and the results for the financial year then ended. In preparing the consolidated financial statements, all transactions between controlled entities are eliminated in full. Where control of an entity commences or ceases during a financial year, the results are included for that part of the year during which control existed. A list of entities controlled by the Company at the balance date is contained in note 7.2.

Lloyd's syndicates are accounted for on a proportional basis. The nature of Lloyd's syndicates is such that, even when one party provides the majority of capital, the syndicate as a whole is not controlled for accounting purposes.

Where necessary, comparative information has been restated to conform to the current year's disclosures.

1. OVERVIEW

1.2.2 Critical accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements and estimates that affect reported amounts. The diversity and complexity of the Group are evidenced by its international operations and the broad product range as shown in the class of business analysis in note 4.2.

In view of its geographic and product diversity, the Group has developed a centralised risk management and policy framework designed to ensure consistency of approach across a number of operational activities, subject to the specific requirements of local markets, legislation and regulation. Such operational activities include underwriting, claims management, actuarial assessment of the outstanding claims liability and investment management.

Given the centralised approach to many activities and the diversity of products and geographies, sensitivity analyses in respect of critical accounting estimates and judgements are presented at the consolidated Group level in order to provide information and analysis which is meaningful, relevant, reliable and comparable year-on-year. Sensitivity disclosure at business segment or product level would not provide a meaningful overview given the complex interrelationships between the variables underpinning the Group's operations.

The key areas in which critical estimates and judgements are applied are as follows:

- net outstanding claims liability (note 2.3);
- liability adequacy test (note 2.5.1);
- recoverability of deferred tax assets (note 6.2.1); and
- impairment testing of intangible assets (note 7.1.1).

The impacts of COVID-19 on these areas are discussed in note 1.2.3 and in individual notes where appropriate.

1.2.3 COVID-19

COVID-19 was declared a pandemic by the World Health Organisation in March 2020. The virus itself, as well as measures to slow its spread, have had a profound impact on the global economy. QBE has considered a broad range of factors in assessing the impact of the resulting uncertainty on the consolidated financial statements.

While the areas of critical accounting judgements and estimates did not change, the impact of COVID-19 resulted in the application of further judgement within those identified areas. Given the continued uncertainty related to the potential impact of COVID-19, there may be changes in market conditions in the future and the impact of these changes will be accounted for in future reporting periods as they arise and/or can be reasonably predicted.

Areas which were most impacted by COVID-19 at the balance date were as follows:

- **Net discounted central estimate (note 2.3):** QBE's result and balance sheet were materially impacted by the estimated cost of COVID-19-related claims in 2020. The projected net ultimate cost of COVID-19-related claims is based on detailed reviews of the Group's emerging claims experience and exposure, scenario analysis under a variety of macroeconomic and legislative outcomes, and consideration of the Group's reinsurance protections. There has been no material change to the projected ultimate cost of COVID-19-related claims, noting a release of claims incurred in 2020 has been offset by claims incurred in 2021. Although the overall cost of COVID-19-related claims is relatively unchanged, the uncertainty in relation to ultimate outcomes is, in our view, somewhat reduced compared with the prior reporting period. The release relating to COVID-19-related claims incurred in 2020, which is supported by emerging claims experience, is consistent with this view.

  The potential impact of ongoing litigation relating to the Group's property business interruption exposure (refer to note 8.2), including the second industry test case in Australia concerning the interpretation and application of exclusion clauses in relation to COVID-19, has been considered in the determination of the net discounted central estimate and risk margin (see below). While the initial judgement from the second Australian business interruption test case was favourable to insurers, it is currently subject to appeal. The ultimate cost of claims therefore remains uncertain pending the outcome of the appeal.

  QBE will continue to monitor emerging claims experience, legislative outcomes and wider market developments to ensure that the net discounted central estimate is reflective of the Group's best estimate of expected future claims.
- **Risk margin (note 2.3.3):** The Group aims to maintain a probability of adequacy in the range of 87.5% to 92.5% reflecting the level of uncertainty in the net discounted central estimate. In response to the heightened level of uncertainty related to the potential impact of COVID-19 on claims outcomes, QBE increased the risk margin at 31 December 2020 to achieve a probability of adequacy of 92.5%, at the upper end of the Group's target range. During the current period, the Group released $140 million of this risk margin reflecting the reduced uncertainty related to COVID-19, particularly with respect to business interruption claims across all regions where we have exposure, trade credit and LMI claims. The probability of adequacy at 31 December 2021 is 91.7%.
- **Liability adequacy test (note 2.5.1):** This assessment is informed by the Group's expectation of future net claims including a risk margin and is therefore subject to uncertainties similar to those discussed above. Future claims assumptions used in the liability adequacy test have been selected whilst giving consideration to, amongst other factors, the potential for ongoing impact from COVID-19, albeit that the future risk associated with COVID-19 is somewhat reduced compared with the prior reporting period.
- **Goodwill impairment testing (note 7.1.1):** A detailed impairment test has been completed in respect of the carrying value of QBE's cash-generating units, which included consideration of the impact of COVID-19 consistent with the process undertaken at 31 December 2020. The explicit risk premium adjustment which was included in the pre-tax discount rate at 31 December 2020 in response to COVID-19 uncertainty has been removed with the continuing, albeit reduced, uncertainty in relation to COVID-19 now implicitly reflected in the equity beta used to calculate the cost of equity. The impact of this change on the recoverable value of the cash-generating units was not material.

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- **North American tax group deferred tax asset recoverability (note 6.2.1):** QBE's reassessment of the recoverability of this asset included consideration of the potential impacts of COVID-19. The recoverability assessment has been updated, consistent with the impairment testing completed for the North American cash-generating unit and other entities where relevant.

The Group's COVID-19 financial impact assessment was not limited to the areas identified above. All material components of the balance sheet were considered in detail, as was the effectiveness of QBE's risk management framework in responding to both financial and non-financial risks, with no material issues identified.

1.2.4 Foreign currency

Translation of foreign currency transactions and balances

Transactions included in the financial statements of controlled entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). Foreign currency transactions are translated into functional currencies at the spot rates of exchange applicable at the dates of the transactions. At the balance date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at that date. Resulting exchange gains and losses are included in profit or loss.

Translation of foreign operations

The results and balance sheets of all foreign operations that have a functional currency different from the Group's presentation currency of US dollars are translated into US dollars as follows:

- income, expenses and other current period movements in comprehensive income are translated at average rates of exchange; and
- balance sheet items are translated at the closing balance date rates of exchange.

On consolidation, exchange differences arising from the translation of net investments in foreign operations are taken to shareholders' equity and recognised in other comprehensive income. When a foreign operation is sold in whole or part and capital is repatriated, exchange differences on translation from the entity's functional currency to the ultimate parent entity's functional currency of Australian dollars are reclassified out of other comprehensive income and recognised in profit or loss as part of the gain or loss on sale.

Hedging of foreign exchange risk

The Group manages its foreign exchange exposures as part of its foreign currency risk management processes, further information on which is provided in note 4.4.

QBE uses borrowings to mitigate currency risk on translation of net investments in foreign operations to the ultimate parent entity's functional currency of Australian dollars. QBE may elect to use derivatives to manage currency translation risk in order to preserve capital.

QBE also uses derivatives to mitigate risk associated with foreign currency transactions and balances.

The Group designates hedge relationships which meet the specified criteria in AASB 9 *Financial Instruments* as either cash flow hedges or hedges of net investments in foreign operations. Further information on the accounting for derivatives and for designated hedge relationships is provided in note 5.6.

Exchange rates

The principal exchange rates used in the preparation of the financial statements were:

	2021		2020	
	PROFIT OR LOSS	BALANCE SHEET	PROFIT OR LOSS	BALANCE SHEET
A$/US$	**0.751**	**0.727**	0.688	0.771
£/US$	**1.375**	**1.353**	1.283	1.368
€/US$	**1.182**	**1.138**	1.140	1.222

1. OVERVIEW

1.3 Segment information

Overview

Information is provided by operating segment to assist an understanding of the Group's performance. The operating segments are consistent with the basis on which information is provided to the Group Executive Committee for measuring performance and determining the allocation of capital, being the basis upon which the Group's underwriting products and services are managed within the various markets in which QBE operates.

Operating segments

The Group's operating segments are as follows:

- North America writes general insurance, reinsurance and Crop business in the United States.
- International writes general insurance business in the United Kingdom, Europe and Canada. It also writes general insurance and reinsurance business through Lloyd's; worldwide reinsurance business through offices in the United Kingdom, United States, Ireland, Bermuda, Dubai and mainland Europe; and provides personal and commercial insurance covers in Hong Kong, Singapore, Malaysia and Vietnam.
- Australia Pacific primarily underwrites general insurance risks throughout Australia, New Zealand and the Pacific region, providing all major lines of insurance for personal and commercial risks.

Corporate & Other includes non-operating holding companies that do not form part of the Group's insurance operations; gains or losses on disposals; and financing costs and amortisation of any intangibles which are not allocated to a specific operating segment. It also includes consolidation adjustments and internal reinsurance eliminations. Intersegment transactions are priced on an arm's length basis and are eliminated on consolidation.

2021	NORTH AMERICA US$M	INTERNATIONAL US$M	AUSTRALIA PACIFIC US$M	TOTAL REPORTABLE SEGMENTS US$M	CORPORATE & OTHER US$M	TOTAL US$M
Gross written premium	6,289	6,962	5,215	18,466	(9)	18,457
Gross earned premium revenue – external	5,838	6,480	4,730	17,048	(13)	17,035
Gross earned premium revenue – internal	–	6	1	7	(7)	–
Outward reinsurance premium expense	(1,873)	(947)	(831)	(3,651)	24	(3,627)
Net earned premium	3,965	5,539	3,900	13,404	4	13,408
Net claims expense	(3,136)	(3,118)	(2,217)	(8,471)	100	(8,371)
Net commission	(512)	(978)	(581)	(2,071)	1	(2,070)
Underwriting and other expenses	(460)	(724)	(601)	(1,785)	(44)	(1,829)
Underwriting result	(143)	719	501	1,077	61	1,138
Investment income – policyholders' funds	30	12	22	64	13	77
Insurance (loss) profit	(113)	731	523	1,141	74	1,215
Investment income – shareholders' funds	30	5	10	45	–	45
Financing and other costs	(1)	(2)	(6)	(9)	(238)	(247)
Share of net loss of associates	–	–	–	–	(7)	(7)
Restructuring and related expenses	(18)	(8)	(13)	(39)	(33)	(72)
Amortisation and impairment of intangibles	–	–	(5)	(5)	(16)	(21)
(Loss) profit before income tax	(102)	726	509	1,133	(220)	913
Income tax credit (expense)	21	(139)	(149)	(267)	111	(156)
(Loss) profit after income tax	(81)	587	360	866	(109)	757
Net profit attributable to non-controlling interests	–	–	–	–	(7)	(7)
Net (loss) profit after income tax attributable to ordinary equity holders of the Company	(81)	587	360	866	(116)	750

2020	NORTH AMERICA US$M	INTERNATIONAL US$M	AUSTRALIA PACIFIC US$M	TOTAL REPORTABLE SEGMENTS US$M	CORPORATE & OTHER US$M	TOTAL US$M
Gross written premium	4,744	5,845	4,079	14,668	(25)	14,643
Gross earned premium revenue – external	4,519	5,513	3,984	14,016	(8)	14,008
Gross earned premium revenue – internal	1	18	1	20	(20)	–
Outward reinsurance premium expense	(1,200)	(765)	(360)	(2,325)	25	(2,300)
Net earned premium	3,320	4,766	3,625	11,711	(3)	11,708
Net claims expense	(2,974)	(3,229)	(2,479)	(8,682)	(252)	(8,934)
Net commission	(480)	(874)	(534)	(1,888)	(3)	(1,891)
Underwriting and other expenses	(482)	(648)	(572)	(1,702)	(50)	(1,752)
Underwriting result	(616)	15	40	(561)	(308)	(869)
Investment income (loss) – policyholders' funds	33	91	31	155	(13)	142
Insurance (loss) profit	(583)	106	71	(406)	(321)	(727)
Investment income – shareholders' funds	33	27	7	67	17	84
Financing and other costs	(2)	(2)	(5)	(9)	(243)	(252)
Loss on sale of entities and businesses	–	–	–	–	(2)	(2)
Share of net loss of associates	–	–	–	–	(5)	(5)
Restructuring and related expenses	(22)	(8)	(37)	(67)	(37)	(104)
Amortisation and impairment of intangibles	–	(5)	(16)	(21)	(445)	(466)
(Loss) profit before income tax	(574)	118	20	(436)	(1,036)	(1,472)
Income tax credit (expense)	121	(25)	(6)	90	(129)	(39)
(Loss) profit after income tax	(453)	93	14	(346)	(1,165)	(1,511)
Net profit attributable to non-controlling interests	–	–	–	–	(6)	(6)
Net (loss) profit after income tax attributable to ordinary equity holders of the Company	(453)	93	14	(346)	(1,171)	(1,517)

Geographical analysis

North America is defined by reference to its geographical location and, as such, satisfies the requirements of a geographical analysis as well as an operating segment analysis.

Gross earned premium revenue – external for Australia, the ultimate parent entity's country of domicile, was $4,254 million (2020 $3,573 million). No other country within International or Australia Pacific is individually material in this respect.

Product analysis

QBE does not collect Group-wide revenue information by product and the cost to develop this information would be excessive. Gross earned premium revenue by class of business is disclosed in note 4.2.

2. UNDERWRITING ACTIVITIES

Overview

This section provides analysis and commentary on the Group's underwriting activities. Underwriting, in simple terms, is the agreement by the insurer to assume insurance risk in return for a premium paid by the insured. The underwriter assesses the quality of the risk and prices it accordingly.

2.1 Revenue

Overview

Revenue mainly comprises premiums charged for providing insurance coverage. Premiums are classified as:

- direct, being those paid by the policyholder to the insurer;
- facultative, being reinsurance of an individual (usually significant) risk by a ceding insurer or reinsurer; or
- inward reinsurance, being coverage provided to an insurer or reinsurer in relation to a specified grouping of policies or risks.

Other sources of revenue include amounts recovered from reinsurers under the terms of reinsurance contracts, commission income from reinsurers and salvage or third-party recoveries.

	NOTE	2021 US$M	2020 US$M
Gross earned premium revenue			
Direct and facultative		**15,493**	12,634
Inward reinsurance		**1,542**	1,374
		17,035	14,008
Other revenue			
Reinsurance and other recoveries revenue	2.2	**3,093**	3,366
Reinsurance commission revenue		**634**	440
		20,762	17,814

How we account for the numbers

Premium revenue

Premium written comprises amounts charged to policyholders, excluding taxes collected on behalf of third parties. Premium is recognised as revenue in profit or loss based on the incidence of the pattern of risk associated with the insurance policy. The earned portion of premium on unclosed business, being business that is written at the balance date but for which detailed policy information is not yet booked, is also included in premium revenue.

Reinsurance and other recoveries

Reinsurance and other recoveries on paid claims, reported claims not yet paid, claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER) are recognised as revenue. Recoveries are measured as the present value of the expected future receipts.

2.2 Net claims expense

Overview

The largest expense for an insurance company is net claims expense, which is the difference between the net outstanding claims liability (as described in note 2.3) at the beginning and the end of the financial year plus any claims payments made net of reinsurance and other recoveries received during the financial year.

	NOTE	2021 US$M	2020 US$M
Gross claims expense			
Direct and facultative		**10,321**	11,144
Inward reinsurance		**1,143**	1,156
		11,464	12,300
Reinsurance and other recoveries revenue			
Direct and facultative		**2,851**	3,217
Inward reinsurance		**242**	149
	2.1	**3,093**	3,366
Net claims expense		**8,371**	8,934
Analysed as follows:			
Movement in net discounted central estimate	2.4.2	**8,453**	8,590
Movement in risk margin	2.3.3	**(82)**	344
Net claims expense		**8,371**	8,934

2.3 Net outstanding claims liability

Overview

The net outstanding claims liability comprises the elements described below:

- **the gross central estimate (note 2.3.1):** This is the provision for expected future claims payments and includes claims reported but not yet paid, IBNR, IBNER and estimated claims handling costs; less
- **reinsurance and other recoveries on outstanding claims (note 2.3.2):** Insurance companies may elect to purchase reinsurance cover to manage their exposure to any one claim or series of claims. When an insurance company incurs a claim as a result of an insured loss, it may be able to recover some of that claim from reinsurance. An insurer may also be entitled to non-reinsurance recoveries under the insurance contract such as salvage, subrogation and sharing arrangements with other insurers; less
- **an amount to reflect the discount to present value using risk-free rates of return:** The net central estimate is discounted to present value recognising that the claim and/or recovery may not be settled for some time. The weighted average risk-free rate for each operating segment and for the consolidated Group are summarised in note 2.3.4; plus
- **a risk margin (note 2.3.3):** A risk margin is added to reflect the inherent uncertainty in the net discounted central estimate of outstanding claims.

	NOTE	2021 US$M	2020 US$M
Gross discounted central estimate	2.3.1	**22,864**	22,324
Risk margin	2.3.3	**1,418**	1,537
Gross outstanding claims		**24,282**	23,861
Reinsurance and other recoveries on outstanding claims	2.3.2	**(6,757)**	(6,527)
Net outstanding claims		**17,525**	17,334

2. UNDERWRITING ACTIVITIES

The table below analyses the movement in the net outstanding claims liability, showing separately the movement in the gross liability and the impact of reinsurance:

		2021			2020		
	NOTE	GROSS US$M	REINSURANCE US$M	NET US$M	GROSS US$M	REINSURANCE US$M	NET US$M
At 1 January		**23,861**	**(6,527)**	**17,334**	19,915	(5,104)	14,811
Claims expense – current accident year	2.4.2	**12,172**	**(3,359)**	**8,813**	10,947	(3,099)	7,848
Claims expense – prior accident years	2.4.2	**(626)**	**266**	**(360)**	1,009	(267)	742
Movement in risk margin	2.3.3	**(82)**	**–**	**(82)**	344	–	344
Incurred claims recognised in profit or loss	2.2	**11,464**	**(3,093)**	**8,371**	12,300	(3,366)	8,934
Claims payments		**(10,361)**	**2,742**	**(7,619)**	(9,254)	2,079	(7,175)
Foreign exchange		**(682)**	**121**	**(561)**	900	(136)	764
At 31 December		**24,282**	**(6,757)**	**17,525**	23,861	(6,527)	17,334

2.3.1 Gross discounted central estimate

	NOTE	2021 US$M	2020 US$M
Gross undiscounted central estimate excluding claims settlement costs		**23,129**	22,169
Claims settlement costs		**500**	447
Gross undiscounted central estimate		**23,629**	22,616
Discount to present value		**(765)**	(292)
Gross discounted central estimate	2.3	**22,864**	22,324
Payable within 12 months		**8,339**	7,777
Payable in greater than 12 months		**14,525**	14,547
Gross discounted central estimate	2.3	**22,864**	22,324

How we account for the numbers

The gross discounted central estimate is the present value of the expected future payments for claims incurred and includes reported but unpaid claims, IBNR, IBNER and claims handling costs. The central estimate is determined by the Group Chief Actuary, supported by a team of actuaries in each of the Group's divisions. The valuation process is performed quarterly and, on at least a semi-annual basis, includes extensive consultation with claims and underwriting staff as well as senior management. The central estimate of outstanding claims is also subject to annual comprehensive independent actuarial review. The risk management procedures related to the actuarial function are explained in note 4.2.

Critical accounting judgements and estimates

The determination of the amounts that the Group will ultimately pay for claims arising under insurance and inward reinsurance contracts involves a number of critical assumptions. Some of the uncertainties impacting these assumptions are as follows:

- changes in patterns of claims incidence, reporting and payment;
- volatility in the estimation of future costs for long-tail insurance classes due to the longer period of time that can elapse before a claim is paid in full;
- existence of complex underlying exposures;
- incidence of catastrophic events close to the balance date;
- changes in the legal environment, including the interpretation of liability laws and the quantum of damages;
- changing social, political and economic trends, for example price and wage inflation; and
- impacts of COVID-19 as described in note 1.2.3.

The estimation of IBNR and IBNER is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims that have been reported to the Group but are not yet paid, for which more information about the claims is generally available. The notification and settlement of claims relating to liability and other long-tail classes of business may not happen for many years after the event giving rise to the claim. As a consequence, liability and other long-tail classes typically display greater variability between initial estimates and final settlement due to delays in reporting claims and uncertainty in respect of court awards and future claims inflation. Claims in respect of property and other short-tail classes are typically reported and settled soon after the claim event, giving rise to more certainty.

Central estimates for each class of business are determined using a variety of estimation techniques, generally based on an analysis of historical experience and with reference to external benchmarks where relevant. The gross central estimate is discounted to present value using appropriate risk-free rates.

Central estimates are calculated gross of any reinsurance and other recoveries. A separate estimate is made of the amounts recoverable based on the gross central estimate (refer to note 2.3.2).

2.3.2 Reinsurance and other recoveries on outstanding claims

	NOTE	2021 US$M	2020 US$M
Reinsurance and other recoveries on outstanding claims – undiscounted[1]		**7,014**	6,623
Discount to present value		**(257)**	(96)
Reinsurance and other recoveries on outstanding claims	2.3	**6,757**	6,527
Receivable within 12 months		**2,758**	2,715
Receivable in greater than 12 months		**3,999**	3,812
Reinsurance and other recoveries on outstanding claims	2.3	**6,757**	6,527

1 Net of a provision for impairment of $32 million (2020 $21 million).

How we account for the numbers

The recoverability of amounts due from reinsurers is assessed at each balance date to ensure that the balances properly reflect the amounts ultimately expected to be received, taking into account counterparty credit risk and the contractual terms of the reinsurance contract. Counterparty credit risk in relation to reinsurance assets is considered in note 4.3. Recoveries are discounted to present value using appropriate risk-free rates.

2. UNDERWRITING ACTIVITIES

2.3.3 Risk margin

Overview

A risk margin is determined by the Board to reflect the inherent uncertainty in the net discounted central estimate.

The risk margin and the net discounted central estimate are key inputs in the determination of the probability of adequacy, which is a statistical measure of the relative adequacy of the outstanding claims liability to ultimately be able to pay claims. For example, a 90% probability of adequacy indicates that the outstanding claims liability is expected to be adequate nine years in 10.

		2021	2020
Risk margin	US$M	**1,418**	1,537
Risk margin as a percentage of the net discounted central estimate	%	**8.8**	9.7
Probability of adequacy	%	**91.7**	92.5

Excluding the impact of foreign exchange which reduced the risk margin by $37 million (2020 $57 million increase), the net movement in profit or loss was a release of $82 million (2020 $344 million charge). The resulting probability of adequacy was 91.7% (2020 92.5%). Net profit after tax would have reduced by $40 million, at the Group's prima facie income tax rate of 30%, if the probability of adequacy was maintained at 92.5%.

The reduction in risk margin mainly reflects reduced uncertainty related to the impact of COVID-19 partly offset by additional risk margin in response to business growth.

How we account for the numbers

AASB 1023 *General Insurance Contracts* requires an entity to adopt an appropriate risk margin. The resulting probability of adequacy is not of itself an accounting policy as defined by AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

QBE reviews a number of factors when determining the appropriate risk margin, including any changes in the level of uncertainty in the net discounted central estimate, the resulting probability of adequacy and the risk margin as a percentage of the net discounted central estimate. The Group aims to maintain a probability of adequacy in the range of 87.5% to 92.5%.

Critical accounting judgements and estimates

The risk margin is determined by the Board and is held to mitigate the potential for uncertainty in the net discounted central estimate. The determination of the appropriate level of risk margin takes into account similar factors to those used to determine the central estimate, such as:

- mix of business, in particular the mix of short-tail and long-tail business and the overall weighted average term to settlement; and
- the level of uncertainty in the central estimate due to estimation error, data quality, variability of key inflation assumptions and possible economic and legislative changes.

The variability by class of business is measured using techniques that determine a range of possible outcomes of ultimate payments and assign a likelihood to outcomes at different levels. These techniques generally use standard statistical distributions, and the measure of variability is referred to as the coefficient of variation.

The appropriate risk margin for two or more classes of business or for two or more geographic locations combined is likely to be less than the sum of the risk margins for the individual classes, reflecting the benefit of diversification in general insurance, but is not determined by reference to a fixed probability of adequacy. The statistical measure used to determine diversification is called the correlation; the higher the correlation between two classes of business, the more likely it is that a negative outcome in one class will correspond to a negative outcome in the other class. For example, higher correlation exists between classes of business affected by court cases involving bodily injury claims such as motor third-party liability, workers' compensation and public liability, particularly in the same jurisdiction.

The probability of adequacy for the Group is determined by analysing the variability of each class of business and the correlation between classes of business and divisions. Correlations are determined for aggregations of classes of business, where appropriate, at the divisional level. The correlations adopted by the Group are generally derived from industry analysis, the Group's historical experience and the judgement of experienced and qualified actuaries.

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2.3.4 Discount rate used to determine the outstanding claims liability

Overview

Claims in relation to long-tail classes of business (e.g. professional indemnity and workers' compensation) typically may not settle for many years. As such, the liability is discounted to reflect the time value of money. The table below summarises the weighted average discount rate for each operating segment and for the Group.

	2021 %	2020 %
North America	**1.44**	0.84
International	**0.55**	0.03
Australia Pacific	**1.12**	0.41
Group	**0.87**	0.30

How we account for the numbers

AASB 1023 *General Insurance Contracts* requires that the net central estimate is discounted to reflect the time value of money using risk-free rates that are based on current observable, objective rates that reflect the nature, structure and terms of the future obligations.

2.3.5 Weighted average term to settlement

Overview

The weighted average term to settlement refers to the period from the balance date to the expected date of claims settlement. All other factors being equal, a longer weighted average term to settlement generally results in a larger impact on the central estimate from discounting. The table below summarises the weighted average term to settlement for each operating segment and for the consolidated Group.

	2021 YEARS						2020 YEARS					
	US$	£	A$	€	OTHER	TOTAL	US$	£	A$	€	OTHER	TOTAL
North America	**3.2**	**–**	**–**	**–**	**–**	**3.2**	3.6	–	–	–	–	3.6
International	**4.0**	**5.0**	**3.5**	**4.0**	**2.5**	**4.1**	3.6	3.3	3.5	4.3	2.4	3.7
Australia Pacific	**–**	**–**	**2.2**	**–**	**1.7**	**2.2**	–	–	2.7	–	1.9	2.6
Group	**3.4**	**5.0**	**2.4**	**4.0**	**2.4**	**3.5**	3.6	3.3	2.7	4.3	2.3	3.3

2. UNDERWRITING ACTIVITIES

2.3.6 Net discounted central estimate maturity profile

Overview

The maturity profile is the Group's expectation of the period over which the net central estimate will be settled. The Group uses this information to ensure that it has adequate liquidity to pay claims as they are due to be settled and to inform the Group's investment strategy. The table below summarises the expected maturity profile of the Group's net discounted central estimate for each operating segment.

2021	LESS THAN 1 YEAR US$M	13 TO 24 MONTHS US$M	25 TO 36 MONTHS US$M	37 TO 48 MONTHS US$M	49 TO 60 MONTHS US$M	OVER 5 YEARS US$M	TOTAL US$M
North America	**1,578**	**608**	**413**	**274**	**193**	**647**	**3,713**
International	**2,404**	**1,631**	**1,143**	**842**	**632**	**2,120**	**8,772**
Australia Pacific	**1,599**	**713**	**465**	**300**	**190**	**355**	**3,622**
	5,581	**2,952**	**2,021**	**1,416**	**1,015**	**3,122**	**16,107**

2020	LESS THAN 1 YEAR US$M	13 TO 24 MONTHS US$M	25 TO 36 MONTHS US$M	37 TO 48 MONTHS US$M	49 TO 60 MONTHS US$M	OVER 5 YEARS US$M	TOTAL US$M
North America	1,241	571	417	289	195	684	3,397
International	2,581	1,192	1,201	897	665	1,992	8,528
Australia Pacific	1,240	831	596	454	268	483	3,872
	5,062	2,594	2,214	1,640	1,128	3,159	15,797

2.3.7 Impact of changes in key variables on the net outstanding claims liability

Overview

The impact of changes in key variables used in the calculation of the outstanding claims liability is summarised in the table below. Each change has been calculated in isolation from the other changes and shows the after-tax impact on profit or loss assuming that there is no change to any of the other variables. In practice, this is considered unlikely to occur as, for example, an increase in interest rates is normally associated with an increase in the rate of inflation. Over the medium to longer term, the impact of a change in discount rates is expected to be largely offset by the impact of a change in the rate of inflation.

The sensitivities below assume that all changes directly impact profit after tax. In practice, if the central estimate was to increase, it is possible that part of the increase may result in an offsetting change in the level of risk margin required rather than in a change to profit or loss after tax, depending on the nature of the change in the central estimate and risk outlook. Likewise, if the coefficient of variation were to increase, it is possible that the probability of adequacy would reduce from its current level rather than result in a change to net profit or loss after income tax.

		PROFIT (LOSS)[1]	
	SENSITIVITY %	2021 US$M	2020 US$M
Net discounted central estimate	+5	**(564)**	(553)
	-5	**564**	553
Risk margin	+5	**(50)**	(54)
	-5	**50**	54
Inflation rate	+0.5	**(206)**	(194)
	-0.5	**193**	185
Discount rate	+0.5	**193**	185
	-0.5	**(206)**	(194)
Coefficient of variation	+1	**(163)**	(166)
	-1	**162**	166
Probability of adequacy	+1	**(53)**	(60)
	-1	**48**	54
Weighted average term to settlement	+10	**38**	11
	-10	**(38)**	(11)

1 Net of tax at the Group's prima facie income tax rate of 30%.

2.4 Claims development – net undiscounted central estimate

Overview

The claims development table demonstrates the extent to which the original estimate of net ultimate claims payments in any one accident year (item (a) in the table below) has subsequently developed favourably (i.e. claims cost estimates have reduced) or unfavourably (i.e. further claims expense has been recognised in subsequent years). This table therefore illustrates the variability and inherent uncertainty in estimating the central estimate each year. The ultimate claims cost for any particular accident year is not known until all claims payments have been made which, for some long-tail classes of business, could be many years into the future. The estimate of net ultimate claims payments at the end of each subsequent accident year demonstrates how the original estimate has been revised over time (b).

Cumulative net claims payments (d) are deducted from the estimate of net ultimate claims payments in each accident year (c) at the current balance date, resulting in the undiscounted central estimate at a fixed rate of exchange (e). This is revalued to the balance date rate of exchange (f) to report the net undiscounted central estimate (g), which is reconciled to the discounted net outstanding claims liability (h). The treatment of foreign exchange in the claims development table is explained on the following page.

The net increase (decrease) in estimated net ultimate claims payments (i) reflects the estimated ultimate net claims payments at the end of the current financial year (c) less the equivalent at the end of the previous financial year (b). This is further summarised in note 2.4.1.

The claims development table is presented net of reinsurance. With insurance operations in 27 countries, hundreds of products, various reinsurance arrangements and with the Group's risk tolerance managed on a consolidated basis, it is considered neither meaningful nor practicable to provide this information other than on a consolidated Group basis.

		2011 & PRIOR US$M	2012 US$M	2013 US$M	2014 US$M	2015 US$M	2016 US$M	2017 US$M	2018 US$M	2019 US$M	2020 US$M	2021 US$M	TOTAL US$M
Net ultimate claims payments[1]													
(a)	Original estimate of net ultimate claims payments		**7,805**	**7,400**	**7,230**	**6,514**	**6,967**	**8,264**	**7,359**	**7,831**	**7,791**	**8,463**	
(b)	One year later		**7,860**	**7,310**	**7,230**	**6,531**	**6,746**	**8,336**	**7,535**	**8,116**	**7,554**		
	Two years later		**7,747**	**7,253**	**7,071**	**6,302**	**6,621**	**8,271**	**7,546**	**8,213**			
	Three years later		**7,739**	**7,228**	**6,976**	**6,277**	**6,635**	**8,479**	**7,607**				
	Four years later		**7,732**	**7,143**	**6,947**	**6,177**	**6,691**	**8,474**					
	Five years later		**7,684**	**7,249**	**6,964**	**6,144**	**6,643**						
	Six years later		**7,615**	**7,200**	**6,916**	**6,117**							
	Seven years later		**7,590**	**7,181**	**6,908**								
	Eight years later		**7,577**	**7,176**									
	Nine years later		**7,559**										
(c)	Current estimate of net ultimate claims payments		**7,559**	**7,176**	**6,908**	**6,117**	**6,643**	**8,474**	**7,607**	**8,213**	**7,554**	**8,463**	**74,714**
(d)	Cumulative net payments to date		**(7,363)**	**(6,929)**	**(6,617)**	**(5,865)**	**(6,022)**	**(7,210)**	**(6,306)**	**(6,001)**	**(4,806)**	**(2,605)**	**(59,724)**
(e)	Net undiscounted central estimate at fixed rate of exchange	**1,310**	**196**	**247**	**291**	**252**	**621**	**1,264**	**1,301**	**2,212**	**2,748**	**5,858**	**16,300**
(f)	Foreign exchange impact												**(217)**
	Provision for impairment												**32**
(g)	Net undiscounted central estimate at 31 December 2021												**16,115**
	Discount to present value												**(508)**
	Claims settlement costs												**500**
	Risk margin												**1,418**
(h)	Net outstanding claims liability at 31 December 2021 (note 2.3)												**17,525**
(i)	Movement in estimated net ultimate claims payments (note 2.4.1)	**48**	**(18)**	**(5)**	**(8)**	**(27)**	**(48)**	**(5)**	**61**	**97**	**(237)**	**8,463**	**8,321**

1 Excludes claims settlement costs.

2. UNDERWRITING ACTIVITIES

How we account for the numbers

The estimate of net ultimate claims payments attributable to business acquired is generally included in the claims development table in the accident year in which the acquisition was made. The exception is increased participation in Lloyd's syndicates where the estimate of net ultimate claims payments is allocated to the original accident year(s) in which the underlying claim was incurred.

The Group writes business in many currencies. The translation of estimated net ultimate claims payments denominated in foreign currencies gives rise to foreign exchange movements which have no direct bearing on the development of the underlying claims. To eliminate this distortion, estimated net ultimate claims payments have been translated to the functional currencies of our controlled entities at constant rates of exchange. All estimates of ultimate claims payments for the 10 most recent accident years reported in functional currencies other than US dollars have been translated to US dollars using 2021 average rates of exchange.

2.4.1 Reconciliation of claims development table to profit or loss

Overview

The table below reconciles the net increase or decrease in estimated net ultimate claims payments in the current financial year from the claims development table (item (i) in note 2.4) to the analysis of current and prior accident year net central estimate development recognised in profit or loss (refer to note 2.4.2).

	2021			2020		
	CURRENT ACCIDENT YEAR US$M	PRIOR ACCIDENT YEARS US$M	TOTAL US$M	CURRENT ACCIDENT YEAR US$M	PRIOR ACCIDENT YEARS US$M	TOTAL US$M
Movement in estimated net ultimate claims payments (note 2.4)[1,2,3]	**8,463**	**(142)**	**8,321**	7,469	363	7,832
Movement in claims settlement costs	**433**	**1**	**434**	413	(1)	412
Movement in discount	**(85)**	**(232)**	**(317)**	(39)	387	348
Other movements	**2**	**13**	**15**	5	(7)	(2)
Movement in net discounted central estimate (note 2.4.2)	**8,813**	**(360)**	**8,453**	7,848	742	8,590

1 Excludes claims settlement costs.

2 2021 prior accident year claims includes a benefit of $324 million from the reinsurance of Australian CTP liabilities. Excluding this recovery, the movement in prior accident year claims in 2021 reflects adverse development in North America and Australia Pacific, partly offset by positive development in International.

3 The movement in prior accident year claims in 2020 mainly reflects adverse development in North America and, to a lesser extent, International, partly offset by positive development in Australia Pacific.

2.4.2 Net central estimate development

Overview

The table below further analyses the current and prior accident year movement in the net discounted central estimate, separately identifying the gross and reinsurance components. Prior accident year claims are those claims that occurred in a previous year but for which a reassessment of the claims cost has impacted the result in the current period.

	2021			2020		
	CURRENT ACCIDENT YEAR US$M	PRIOR ACCIDENT YEARS US$M	TOTAL US$M	CURRENT ACCIDENT YEAR US$M	PRIOR ACCIDENT YEARS US$M	TOTAL US$M
Gross central estimate development						
Undiscounted	**12,280**	**(253)**	**12,027**	10,994	476	11,470
Discount	**(108)**	**(373)**	**(481)**	(47)	533	486
	12,172	**(626)**	**11,546**	10,947	1,009	11,956
Reinsurance and other recoveries						
Undiscounted	**(3,382)**	**125**	**(3,257)**	(3,107)	(121)	(3,228)
Discount	**23**	**141**	**164**	8	(146)	(138)
	(3,359)	**266**	**(3,093)**	(3,099)	(267)	(3,366)
Net central estimate development						
Undiscounted	**8,898**	**(128)**	**8,770**	7,887	355	8,242
Discount	**(85)**	**(232)**	**(317)**	(39)	387	348
Net discounted central estimate development (note 2.4.1)	**8,813**	**(360)**	**8,453**	7,848	742	8,590

2.5 Unearned premium and deferred insurance costs

Overview

Unearned premium

Gross written premium is earned in profit or loss in accordance with the pattern of risk of the business written. The unearned premium liability is that portion of gross written premium that QBE has not yet earned in profit or loss as it represents insurance coverage to be provided by QBE after the balance date.

Deferred insurance costs

Premium ceded to reinsurers by QBE in exchange for reinsurance protection is expensed in profit or loss in accordance with the reinsurance contract's expected pattern of incidence of risk. The deferred reinsurance premium asset is that portion of the reinsurance premium that QBE has not yet expensed in profit or loss as it represents reinsurance coverage to be received by QBE after the balance date.

Acquisition costs are the costs associated with obtaining and recording insurance business. Acquisition costs are similarly capitalised and amortised, consistent with the earning of the related premium for that business. Commissions are a type of acquisition cost and are disclosed separately.

2. UNDERWRITING ACTIVITIES

Summary of unearned premium and deferred insurance costs

	2021 US$M	2020 US$M
Unearned premium (a)	**8,637**	7,466
To be earned within 12 months	**7,847**	6,429
To be earned in greater than 12 months	**790**	1,037
Unearned premium	**8,637**	7,466
Deferred reinsurance premium[1]	**1,052**	724
Deferred net commission	**1,230**	1,141
Deferred acquisition costs	**415**	417
Deferred insurance costs (b)	**2,697**	2,282
To be expensed within 12 months	**2,260**	1,909
To be expensed in greater than 12 months	**437**	373
Deferred insurance costs	**2,697**	2,282
Net unearned premium (a)–(b)	**5,940**	5,184

1 Deferred reinsurance premium relating to future business not yet written was $114 million (2020 $96 million).

Unearned premium movements

	2021 US$M	2020 US$M
At 1 January	**7,466**	6,460
Deferral of unearned premium on contracts written in the financial year	**7,516**	5,988
Earning of premium written in previous financial years	**(6,094)**	(5,353)
Net profit or loss movement	**1,422**	635
Foreign exchange	**(251)**	371
At 31 December	**8,637**	7,466

Deferred insurance costs movements

	DEFERRED REINSURANCE PREMIUM		DEFERRED NET COMMISSION		DEFERRED ACQUISITION COSTS	
	2021 US$M	2020 US$M	2021 US$M	2020 US$M	2021 US$M	2020 US$M
At 1 January	**724**	523	**1,141**	1,008	**417**	376
Costs deferred in financial year	**951**	593	**1,038**	891	**354**	329
Amortisation of costs deferred in previous financial years	**(595)**	(431)	**(922)**	(815)	**(342)**	(310)
Net profit or loss movement	**356**	162	**116**	76	**12**	19
Foreign exchange	**(28)**	39	**(27)**	57	**(14)**	22
At 31 December	**1,052**	724	**1,230**	1,141	**415**	417

How we account for the numbers

Unearned premium

Unearned premium is calculated based on the coverage period of the insurance or reinsurance contract and in accordance with the expected pattern of the incidence of risk, using either the daily pro-rata method or the 24ths method, adjusted where appropriate to reflect different risk patterns.

Deferred insurance costs

Deferred reinsurance premium is calculated based on the period of indemnity provided to QBE by the reinsurance contract and in accordance with the related pattern of the incidence of risk.

Acquisition costs are capitalised when they relate to new business or the renewal of existing business and are amortised on the same basis as the earning pattern for that business. At the balance date, deferred acquisition costs represent the capitalised acquisition costs that relate to unearned premium and are carried forward to a subsequent accounting period in recognition of their future benefit. The carrying value of deferred acquisition costs is subject to impairment testing in the form of the liability adequacy test (refer to note 2.5.1). Deferred net commission is a type of deferred acquisition cost and is disclosed separately.

2.5.1 Liability adequacy test

Overview

At each balance date, the Group is required to assess net unearned premium to determine whether the amount provided is sufficient to pay future claims net of reinsurance recoveries attributable to the net unearned premium.

If the present value of expected future net claims including a risk margin exceeds the net unearned premium, adjusted for deferred reinsurance premium relating to future business not yet written, the net unearned premium is deemed deficient. This deficiency is immediately recognised in profit or loss. In recognising the deficiency, an insurer must first write down related intangible assets and then deferred acquisition costs before recognising an unexpired risk liability.

Expected present value of future cash flows for future claims including risk margin

	2021 US$M	2020 US$M
Undiscounted net central estimate	**5,282**	4,676
Discount to present value	**(98)**	(23)
	5,184	4,653
Risk margin at the 75th percentile of insurance liabilities	**197**	181
Expected present value of future cash flows for future claims including risk margin	**5,381**	4,834

The risk margin at the 75th percentile of insurance liabilities as a percentage of the net discounted central estimate is 3.8% (2020 3.9%).

The application of the liability adequacy test at 31 December 2021 did not identify a deficiency (2020 nil).

How we account for the numbers

At each balance date, the adequacy of net unearned premium is assessed on a net of reinsurance basis against the present value of the expected future claims cash flows in respect of the relevant insurance contracts, plus an additional risk margin to reflect the inherent uncertainty of the central estimate. The assessment is carried out at the operating segment level other than Europe, Asia and the Group's captive reinsurer, Equator Re, which are assessed separately, each being a portfolio of contracts subject to broadly similar risks and which are managed together as a single portfolio.

2. UNDERWRITING ACTIVITIES

Critical accounting judgements and estimates

In assessing the adequacy of net unearned premium, AASB 1023 *General Insurance Contracts* requires the inclusion of a risk margin but does not prescribe a minimum level of margin. While there is established practice in the calculation of the probability of adequacy of the outstanding claims liability, no such guidance exists in respect of the level of risk margin to be used in determining the adequacy of net unearned premium.

The liability adequacy test assumes a 75% probability of adequacy. The risk margin applied in the liability adequacy test is determined on a consistent basis with the methodology described in note 2.3.3 and also reflects the benefit of diversification. The 75% basis is a recognised industry benchmark in Australia, being the minimum probability of adequacy required for Australian licensed insurers by APRA.

2.6 Trade and other receivables

Overview

Trade and other receivables are principally amounts owed to QBE by policyholders or reinsurance counterparties. Unclosed premium receivables are estimated amounts due to QBE in relation to business for which the Group is on risk but which have not yet been processed into financial systems.

	2021 US$M	2020 US$M
Trade debtors		
Premium receivable[1]	**3,462**	2,990
Reinsurance and other recoveries[2]	**2,118**	1,452
Unclosed premium	**774**	729
Other trade debtors	**195**	224
	6,549	5,395
Other receivables	**560**	365
Trade and other receivables	**7,109**	5,760
Receivable within 12 months	**6,628**	5,471
Receivable in greater than 12 months	**481**	289
Trade and other receivables	**7,109**	5,760

1 Net of a provision for impairment of $81 million (2020 $88 million).
2 Net of a provision for impairment of $17 million (2020 $14 million).

Due to the predominantly short-term nature of these receivables, the carrying value is assumed to approximate the fair value.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables. No receivables are pledged by the Group as collateral for liabilities or contingent liabilities. Information on the ageing and credit rating of these balances is included in note 4.3.

How we account for the numbers

Receivables are recognised initially at fair value and are subsequently measured at amortised cost less any impairment.

The vast majority of the Group's receivables arise from general insurance contracts. These include premium receivable, reinsurance and other recoveries, and unclosed premium. For these receivables, a provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. The remainder of the Group's receivables are assessed for impairment based on expected credit losses, the impacts of which are not material. Any increase or decrease in the provision for impairment is recognised in profit or loss within underwriting expenses.

2.7 Trade and other payables

Overview

Trade payables primarily comprise amounts owed to reinsurance counterparties and cedants. Treasury and investment payables are amounts due to counterparties in settlement of treasury and investment transactions.

	2021 US$M	2020 US$M
Trade payables	**2,322**	1,604
Other payables and accrued expenses	**823**	714
Treasury payables	**19**	16
Investment payables	**51**	4
Trade and other payables	**3,215**	2,338
Payable within 12 months	**3,029**	2,174
Payable in greater than 12 months	**186**	164
Trade and other payables	**3,215**	2,338

Due to the predominantly short-term nature of these payables, the carrying value is assumed to approximate the fair value.

How we account for the numbers

Trade payables are recognised initially at their fair value and are subsequently measured at amortised cost using the effective interest method.

3. INVESTMENT ACTIVITIES

Overview

Premiums collected from policyholders are invested to meet the Group's cash flow needs to pay claims and other expenses, as well as generating a return that contributes to the Group's profitability. A sound investment strategy is therefore integral to the success of the Group's operations.

The Group invests across a diversified range of instruments to achieve an appropriate balance between risk and return. Decisions on where to invest are dependent on expected returns, cash flow requirements of the Group, liquidity of the instrument, credit quality of the instrument and the overall risk appetite of the Group. Further details on the management of risk associated with investment assets can be found in note 4.

3.1 Investment income

	2021 US$M	2020 US$M
(Loss) income on fixed interest securities, short-term money and cash	**(96)**	449
Income (loss) on growth assets	**258**	(170)
Gross investment income[1]	**162**	279
Investment expenses	**(25)**	(17)
Net investment income	**137**	262
Foreign exchange	**(4)**	(29)
Other income	**–**	5
Other expenses	**(11)**	(12)
Total investment income	**122**	226
Investment income – policyholders' funds	**94**	153
Investment expenses – policyholders' funds	**(17)**	(11)
Investment income – shareholders' funds	**53**	90
Investment expenses – shareholders' funds	**(8)**	(6)
Total investment income	**122**	226

1 Includes net fair value losses of $409 million (2020 $206 million), interest income of $396 million (2020 $407 million) and dividend and distribution income of $175 million (2020 $78 million).

How we account for the numbers

Interest income is recognised in the period in which it is earned. Dividends and distribution income are recognised when the right to receive payment is established. Investment income includes realised and unrealised gains or losses on financial assets which are reported on a combined basis as fair value gains or losses on financial assets.

3.2 Investment assets

	2021 US$M	2020 US$M
Fixed income assets		
Short-term money	**4,537**	2,974
Government bonds	**6,953**	5,600
Corporate bonds	**14,777**	15,958
Infrastructure debt	**99**	372
	26,366	24,904
Growth assets		
Developed market equity	**85**	25
Unlisted property trusts	**758**	750
Infrastructure assets	**788**	894
Private equity[1]	**–**	262
Alternatives	**114**	100
	1,745	2,031
Total investments	**28,111**	26,935
Amounts maturing within 12 months	**10,051**	6,679
Amounts maturing in greater than 12 months	**18,060**	20,256
Total investments	**28,111**	26,935

1 At 31 December 2021, $50 million of private equity assets were reclassified to assets held for sale and are expected to be disposed of during 2022.

At 31 December 2021, QBE had undrawn commitments to externally managed investment vehicles of $209 million (2020 $156 million).

How we account for the numbers

The Group's investments are required to be measured at fair value through profit or loss, with all investments managed and assessed on a fair value basis to maximise returns within risk appetites and investment strategy parameters and limits. They are therefore initially recognised at fair value, determined as the cost of acquisition excluding transaction costs, and are remeasured to fair value through profit or loss at each reporting date. The fair value hierarchy and the Group's approach to measuring the fair value of each category of investment instrument are disclosed in note 3.2.1.

All purchases and sales of investments that require delivery of the asset within the time frame established by regulation or market convention are recognised at trade date, being the date on which the Group commits to buy or sell the asset. Investments are de-recognised when the right to receive future cash flows from the asset has expired or has been transferred along with substantially all the risks and rewards of ownership.

3. INVESTMENT ACTIVITIES

3.2.1 Fair value hierarchy

Overview

The Group Revaluation Committee is responsible for the governance and oversight of the valuation process. The fair value of investments is determined in accordance with the Group's investment valuation policy.

The investments of the Group are disclosed in the table below using a fair value hierarchy which reflects the significance of inputs into the determination of fair value as follows:

Level 1: Valuation is based on quoted prices in active markets for identical instruments.

Level 2: Valuation is based on quoted prices for identical instruments in markets which are not active, quoted prices for similar instruments, or valuation techniques for which all significant inputs are based on observable market data, for example, consensus pricing using broker quotes or valuation models with observable inputs.

Level 3: Valuation techniques are applied in which one or more significant inputs are not based on observable market data.

	2021				2020			
	LEVEL 1 US$M	LEVEL 2 US$M	LEVEL 3 US$M	TOTAL US$M	LEVEL 1 US$M	LEVEL 2 US$M	LEVEL 3 US$M	TOTAL US$M
Fixed income assets								
Short-term money	**141**	**4,396**	**–**	**4,537**	24	2,950	–	2,974
Government bonds	**5,236**	**1,717**	**–**	**6,953**	2,978	2,622	–	5,600
Corporate bonds	**–**	**14,777**	**–**	**14,777**	–	15,953	5	15,958
Infrastructure debt	**–**	**–**	**99**	**99**	–	–	372	372
	5,377	**20,890**	**99**	**26,366**	3,002	21,525	377	24,904
Growth assets								
Developed market equity	**83**	**–**	**2**	**85**	23	–	2	25
Unlisted property trusts	**–**	**–**	**758**	**758**	–	–	750	750
Infrastructure assets	**–**	**–**	**788**	**788**	–	–	894	894
Private equity	**–**	**–**	**–**	**–**	–	–	262	262
Alternatives	**64**	**–**	**50**	**114**	100	–	–	100
	147	**–**	**1,598**	**1,745**	123	–	1,908	2,031
Total investments	**5,524**	**20,890**	**1,697**	**28,111**	3,125	21,525	2,285	26,935

The Group's approach to measuring the fair value of investments is described below:

Short-term money

Cash managed as part of the investment portfolio is categorised as a level 1 fair value measurement. Term deposits are valued at par; other short-term money (bank bills, certificates of deposit, treasury bills and other short-term instruments) is priced using interest rates and yield curves observable at commonly quoted intervals.

Government bonds and corporate bonds

Government bonds and corporate bonds are valued based on quoted prices sourced from external data providers. The fair value categorisation of these assets is based on the observability of the inputs. At 31 December 2021, $332 million of government bonds were reclassified from level 2 to level 1 following a reassessment of the observability of inputs used in the valuation of those assets.

Infrastructure debt

Infrastructure debt is priced by external data providers where quoted prices are available or by the external fund manager who may use a combination of observable market prices or comparable prices where available and other valuation techniques. When valuation techniques require the use of significant unobservable inputs, these assets have been categorised as level 3.

Developed market equity

Listed equities traded in active markets are valued by reference to quoted bid prices. Unlisted equities are priced using QBE's share of the net assets of the entity.

Unlisted property trusts and infrastructure assets

These assets are valued using current unit prices as advised by the responsible entity, trustee or equivalent of the investment management scheme. As the valuation techniques require the use of significant unobservable inputs, these assets have been categorised as level 3.

Private equity

These assets comprise limited partnerships and fund of funds vehicles. Fair value is based on the net asset value of the vehicle, and the responsibility for the valuation of the underlying securities lies with the external fund manager. In most cases, an independent administrator will be utilised by the external fund manager for pricing and valuation. When the most up to date information is not available at the balance date, management may consider a combination of other valuation techniques in the determination of fair value. During the period, these assets were disposed of, or reclassified to assets held for sale as described in note 3.2.

Alternatives

These assets mainly comprise investments in exchange-traded commodity products that are listed, traded in active markets and valued by reference to quoted bid prices. Alternatives also includes strategic unlisted investments which are valued based on other valuation techniques utilising significant unobservable inputs.

Movements in level 3 investments

The following table provides an analysis of investments valued with reference to level 3 inputs:

LEVEL 3	2021 US$M	2020 US$M
At 1 January	**2,285**	1,379
Purchases	**61**	121
Disposals/transfers to assets held for sale	**(675)**	(146)
Reclassifications from level 2	**–**	816
Fair value movement recognised in profit or loss	**86**	17
Foreign exchange	**(60)**	98
At 31 December	**1,697**	2,285

3.2.2 Charges over investments and restrictions on use

A controlled entity has given fixed and floating charges over certain of its investments and other assets in order to secure the obligations of the Group's corporate members at Lloyd's as described in note 8.2.

Included in investments are amounts totalling $3,417 million (2020 $3,071 million) which are held in Lloyd's syndicate trust funds. In order to conduct underwriting business within some territories, Lloyd's syndicates are required to lodge assets in locally regulated trust funds. Under Lloyd's byelaws, these amounts can only be used to pay claims and allowable expenses of the syndicate and cannot be withdrawn from the trust funds until they become distributable as profit once annual solvency requirements are met. Included in this amount is $287 million (2020 $164 million) of short-term money.

3.2.3 Derivatives over investment assets

In accordance with our investment management policies and procedures, derivatives may be used in the investment portfolio as both a hedging tool and to alter the risk profile of the portfolio. Risk management policies over the use of derivatives are set out in note 4.

QBE may also have exposure to derivatives through investments in underlying pooled funds in accordance with the fund mandate. Those derivative exposures are not included in the table below.

The Group's notional exposure to investment derivatives at the balance date is set out in the table below:

NOTIONAL EXPOSURE	2021 US$M	2020 US$M
Bond futures and options		
Short government bond futures	**(1,751)**	(403)
Long government bond futures	**36**	–
Short government bond options	**(23)**	–
Interest rate futures		
Short interest rates futures	**(1,214)**	–

How we account for the numbers

Derivatives over investment assets are required to be measured at fair value through profit or loss. They are therefore initially recognised at fair value, determined as the cost of acquisition excluding transaction costs, and are remeasured to fair value through profit or loss at each reporting date. For futures and options traded in an active market, the fair value is determined by reference to quoted market prices. The mark-to-market value of futures positions is cash settled on a daily basis resulting in a fair value of nil at the balance date. The fair value of options was not material at the balance date.

4. RISK MANAGEMENT

Overview

QBE is in the business of managing risk. The Group's ability to satisfy customers' risk management needs is central to what we do. QBE aims to generate wealth and maximise returns for its shareholders by pursuing opportunities that involve risk. Our people are responsible for ensuring that QBE's risks are managed and controlled on a day-to-day basis. QBE aims to use its ability to properly manage risk to provide more certainty and improved outcomes for all stakeholders.

QBE applies a consistent and integrated approach to enterprise risk management (ERM). QBE's framework for managing risk sets out the approach to managing risk effectively to meet strategic objectives whilst taking into account the creation of value for our shareholders. QBE's ERM framework is articulated in the Group Risk Management Strategy (RMS) and Reinsurance Management Strategy (REMS), both of which are approved annually by the Board and lodged with APRA.

The ERM framework consists of complementary elements that are embedded throughout the business management cycle and culture of the organisation. Key aspects include risk appetite, governance, reporting, risk identification and measurement, modelling and stress testing, risk systems, and risk culture.

Risk management is a continuous process and an integral part of robust business management. QBE's approach is to integrate risk management into the broader management processes of the organisation. It is QBE's philosophy to ensure that risk management remains embedded in the business and that the risk makers or risk takers are themselves the risk managers. Specifically, the management of risk must occur at each point in the business management cycle.

The Group's strategy for managing risk is to:

- achieve competitive advantage by better understanding the risk environments in which we operate;
- give confidence to the business to make objective, risk-based decisions to optimise returns; and
- avoid unwelcome surprises to the achievement of business objectives by reducing uncertainty and volatility through the identification and management of risks.

The framework is supported by a suite of policies that detail QBE's approach to the key risk categories used by QBE to classify risk as follows:

- strategic risk (note 4.1);
- insurance risk (note 4.2);
- credit risk (note 4.3);
- market risk (note 4.4);
- liquidity risk (note 4.5);
- operational risk (note 4.6);
- compliance risk (note 4.7); and
- Group risk (note 4.8).

4.1 Strategic risk

Overview

Strategic risk is the current and prospective impact on earnings and/or capital arising from strategic business decisions and responsiveness to external change. QBE classifies strategic risk into six subcategories, as follows:

- Performance risk: QBE is not able to achieve its performance objectives.
- Capital risk: QBE's structure and availability of capital do not meet regulatory requirements and/or support strategic initiatives.
- Reputational risk: QBE's stakeholders have a negative perception of QBE's brand which may damage QBE's reputation and threaten overall performance.
- Environmental, social and governance (ESG) risk: negative impact on QBE's strategic priorities or objectives from ESG issues.
- Emerging risk: new or future risks which are difficult to assess but may have a significant impact to QBE or the markets in which it operates.
- Risk culture: the norms of behaviour within QBE that determine the organisation's ability to understand, discuss and act on current and future risks.

QBE's approach to managing strategic risk is underpinned by the Group strategic risk appetite statement as set by the Board and is summarised below.

Performance risk

Failure to deliver acceptable performance can result in shareholders losing confidence, impacting our reputation in the market and ultimately impacting our ability to deliver our strategic objectives.

QBE evaluates performance risk by assessing changing levels of risk in the business plan (supported by an established regime of attestations to the business plan by chief underwriting officers, chief actuaries, chief financial officers and chief risk officers) and taking action accordingly, prior to signing off the business plan and making market commitments. Performance risk is monitored throughout the year against committed business plans (supported by performance monitoring, cell reviews and mid-year performance risk reviews.)

Capital risk

The Internal Capital Adequacy Assessment Process (ICAAP) outlines QBE's approach to ensuring that the Group maintains adequate capital over time and monitors compliance with regulatory capital requirements and targets. The ICAAP includes:

- specific capital targets set in the context of QBE's risk profile, the Board's risk appetite and regulatory capital requirements;
- plans for how target levels of capital are to be met; and
- potential sources of additional capital, if required.

The ICAAP also sets out QBE's actions and procedures for monitoring compliance with its regulatory capital requirements and capital targets. These include:

- the setting of triggers to alert management to potential breaches of these requirements; and
- actions to avert and rectify potential breaches of these requirements.

Achieving capital targets is dependent on an appropriate level and mix of capital, and effective capital management to yield adequate returns. Oversight of the Group's capital management framework is performed by senior management, the Executive Investment & Capital Committee, Executive Risk Committee and the Board Risk & Capital Committee.

Management has a particular focus on the following performance indicators:

- The Group actively manages the components of capital in order to maintain a level of eligible regulatory capital that exceeds APRA requirements. Having determined that the current risk appetite remains appropriate, the Board sets the target level of regulatory capital for 2021 at 1.6–1.8 times (2020 1.6–1.8 times) the Group's Prescribed Capital Amount (PCA).
- All regulated controlled entities are required to maintain a minimum level of capital to meet obligations to policyholders. It is the Group's policy that each regulated entity maintains a capital base appropriate to its size, business mix, complexity and risk profile which fully complies with and meets or exceeds local regulatory requirements.
- The Group aims to maintain the ratio of borrowings to total capital at 15%–30%. At the balance date, the ratio of borrowings to total capital was 26.9% (2020 25.8%). Excluding the subordinated debt due 2042 which is intended to be redeemed (refer to note 5.1), the ratio at the balance date was 24.1%.
- Insurer financial strength ratings are provided by the major rating agencies which indicate the Group's financial strength and claims paying ability.

4. RISK MANAGEMENT

Reputational risk

QBE assesses reputational risk through the quality of the relationships with key stakeholders, including shareholders, regulators, customers, governments, communities, employees, and third-party partners including distributors and suppliers. Each of these relationships is managed through divisional and Group teams, including corporate affairs, human resources, regulatory, compliance and distribution teams.

ESG and emerging risks

QBE's ESG risk and emerging risk standards operationalise QBE's approach to managing ESG and emerging risks respectively, including climate change. Biannual horizon scans are performed on ESG and emerging risks, including assessment of potential financial and reputational impacts to the Group. Risk treatment plans are developed for material risks, which include development of underwriting and investment policy, monitoring frameworks and stress and scenario analysis. ESG and emerging risks are regularly reported to the Executive Risk Committee and the Board Risk & Capital Committee.

Climate change is a material business risk for QBE, potentially impacting our business and customers in the medium to long term. We have considered potential short-term scenarios that could affect our insurance business written to date and our current investments, and we expect no material impact on the amounts recognised or disclosed in the financial statements. Further detail on QBE's approach to climate change is included in our climate change disclosures on pages 30 to 37 of this Annual Report.

Risk culture

A sound risk culture underpins QBE's risk management strategy and is a key component of the ERM framework.

QBE is committed to, and supports, a strong risk culture. It recognises the importance of risk awareness and culture as being instrumental in the effectiveness of the ERM framework. Further information on risk culture is provided on page 28 of this Annual Report.

4.2 Insurance risk

Overview

Insurance risk is the risk of fluctuations in the timing, frequency and severity of insured events and claims settlements, relative to expectations.

QBE classifies insurance risk into three subcategories, as follows:

- underwriting/pricing risk;
- insurance concentration risk; and
- reserving risk.

QBE's approach to managing insurance risk is underpinned by the Group's insurance risk appetite statement which is set by the Board and is summarised below.

1 Performance overview
2 Operating and financial review
3 Governance
4 Directors' Report
5 Financial Report
6 Other information

Underwriting/pricing risk

QBE manages underwriting/pricing risk by appropriately setting and adjusting underwriting strategy, risk selection and pricing practices throughout the underwriting cycle. Underwriting/pricing risk is monitored throughout the year against committed business plans underpinned by cell reviews.

QBE's underwriting strategy aims to diversify and limit the type of insurance risks accepted and reduce the variability of the expected outcome. The underwriting strategy is implemented through QBE's annual business planning process, supported by minimum underwriting standards and delegated authorities. These authorities reflect the level of risk that the Group is prepared to take with respect to each permitted insurance class.

Pricing of risks is controlled by the use of in-house pricing models relevant to specific portfolios and the markets in which QBE operates. Underwriters and actuaries maintain pricing and claims analysis for each portfolio, combined with a knowledge of current developments in the respective markets and classes of business.

Insurance concentration risk

QBE's exposure to concentrations of insurance risk is mitigated by maintaining a business portfolio that is diversified across countries and classes of business. Product diversification is pursued through a strategy of developing strong underwriting skills in a wide variety of classes of business.

The table below demonstrates the diversity of QBE's operations:

GROSS EARNED PREMIUM REVENUE	2021 US$M	2020 US$M
Commercial and domestic property	**5,031**	4,194
Agriculture	**2,825**	1,957
Public/product liability	**1,983**	1,647
Motor & motor casualty	**1,937**	1,750
Professional indemnity	**1,644**	1,263
Marine, energy and aviation	**1,271**	1,098
Workers' compensation	**1,040**	847
Accident and health	**772**	727
Financial and credit	**511**	465
Other	**21**	60
	17,035	14,008

Insurance concentration risk includes the risks from natural or man-made events that have the potential to produce claims from many of the Group's policyholders at the same time (e.g. catastrophes). QBE currently uses a variety of methodologies to monitor aggregate exposures and manage catastrophe risk. These include the use of catastrophe models from third-party vendors, realistic disaster scenarios and group aggregate methodology. QBE sets the risk appetite relating to catastrophe risk with reference to the insurance concentration risk charge (ICRC). QBE's maximum risk tolerance for an individual natural catastrophe, measured using the ICRC methodology, is determined annually and is linked to a maximum net aggregate allowance of catastrophe and large individual risk claims.

Reserving risk

Reserving risk is managed through the actuarial valuation of insurance liabilities, which is conducted at least half-yearly. The valuation of the net discounted central estimate of outstanding claims is performed by qualified and experienced actuaries, with reference to historical data and reasoned expectations of future experience and events. The net discounted central estimate of outstanding claims is subject to a comprehensive independent review at least annually.

4. RISK MANAGEMENT

4.3 Credit risk

Overview

Credit risk is the risk of financial loss from a counterparty's failure to meet their financial obligations, including both inability or unwillingness to pay, as well as loss due to credit quality deterioration from rating downgrades. QBE's exposure to credit risk results from financial transactions with securities issuers, debtors, brokers, policyholders, reinsurers and guarantors.

QBE's approach to managing credit risk is underpinned by the Group's credit risk appetite as set by the Board and is summarised below.

Reinsurance credit risk

The Group's objective is to maximise placement of reinsurance with highly rated counterparties. Concentration of risk with reinsurance counterparties is monitored strictly and regularly by the Group's Security Committee and is controlled by reference to the following protocols:

- treaty or facultative reinsurance is placed in accordance with the requirements of the Group REMS and Group Security Committee guidelines;
- reinsurance arrangements are regularly reassessed to determine their effectiveness based on current exposures, historical claims and potential future claims based on the Group's insurance concentrations; and
- exposure to reinsurance counterparties and the credit quality of those counterparties are actively monitored.

Credit risk exposures are calculated regularly and compared with authorised credit limits. The Group is exposed to material concentrations of credit risk in relation to reinsurance recoveries at the balance date, in particular to large global reinsurers. In certain cases, the Group requires letters of credit or other collateral arrangements to be provided to guarantee the recoverability of the amount involved. Collateral held for the Group in respect of reinsurance arrangements is $1,960 million (2020 $1,098 million). The carrying amount of relevant asset classes on the balance sheet represents the maximum amount of credit exposure. Collateral held may reduce the level of credit risk associated with this exposure but does not change the total amount recoverable. The credit rating analysis below includes the impact of such security arrangements. In some cases, further security has been obtained in the form of trust arrangements, reinsurer default protection and other potential offsets. This additional security has not been included in the credit rating analysis below.

The following table provides information about the quality of the Group's credit risk exposure in respect of reinsurance recoveries at the balance date. The analysis classifies the assets according to Standard & Poor's (S&P) counterparty credit ratings. AAA is the highest possible rating. Rated assets falling outside the range of AAA to BBB are classified as speculative grade.

	CREDIT RATING					
	AAA US$M	AA US$M	A US$M	BBB US$M	NOT RATED US$M	TOTAL US$M
As at 31 December 2021						
Reinsurance recoveries on outstanding claims[1,2]	**2**	**4,713**	**1,662**	**55**	**64**	**6,496**
Reinsurance recoveries on paid claims[1]	**–**	**1,701**	**388**	**4**	**25**	**2,118**
As at 31 December 2020						
Reinsurance recoveries on outstanding claims[1,2]	67	4,613	1,419	58	67	6,224
Reinsurance recoveries on paid claims[1]	1	1,138	301	3	9	1,452

1 Net of a provision for impairment.
2 Excludes other recoveries of $261 million (2020 $303 million).

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The following table provides further information regarding the ageing of reinsurance recoveries on paid claims at the balance date:

			PAST DUE BUT NOT IMPAIRED				
	YEAR	NEITHER PAST DUE NOR IMPAIRED US$M	0 TO 3 MONTHS US$M	4 TO 6 MONTHS US$M	7 MONTHS TO 1 YEAR US$M	GREATER THAN 1 YEAR US$M	TOTAL US$M
Reinsurance recoveries on paid claims[1]	**2021**	**1,333**	**642**	**58**	**36**	**49**	**2,118**
	2020	1,014	304	76	31	27	1,452

1 Net of a provision for impairment.

Investment and treasury credit risk

The Group only transacts with investment counterparties within the limits outlined in the delegated authorities. Investment counterparty exposure limits are applied to individual counterparty exposures and to multiple exposures within a group of related companies in relation to investments, cash deposits and forward foreign exchange exposures. Counterparty exposure limit compliance is monitored daily.

The following table provides information regarding the Group's aggregate credit risk exposure at the balance date in respect of the major classes of financial assets. Trade and other receivables are excluded from this analysis on the basis that they comprise smaller credit risk items which generally cannot be rated and are not individually material. The analysis classifies the assets according to S&P counterparty credit ratings. AAA is the highest possible rating. Rated assets falling outside the range of AAA to BBB are classified as speculative grade.

	CREDIT RATING					
	AAA US$M	AA US$M	A US$M	BBB US$M	NOT RATED US$M	TOTAL US$M
As at 31 December 2021						
Cash and cash equivalents	**–**	**232**	**499**	**35**	**53**	**819**
Interest-bearing investments	**4,435**	**9,706**	**9,474**	**2,715**	**38**	**26,368**
Derivative financial instruments	**–**	**53**	**81**	**6**	**2**	**142**
As at 31 December 2020						
Cash and cash equivalents	38	238	275	155	60	766
Interest-bearing investments	2,947	9,509	8,982	3,427	39	24,904
Derivative financial instruments	–	218	115	186	1	520

The carrying amount of the relevant asset classes on the balance sheet represents the maximum amount of credit exposure at the balance date. The fair value of derivatives shown on the balance sheet represents the risk exposure at the balance date but not the maximum risk exposure that could arise in the future as a result of changing values.

Insurance and other credit risk

The Group transacts with brokers that are reputable, suitable and approved in accordance with local broker policies. The continuous due diligence over brokers involves an assessment of the broker's reputation, regulatory standing and financial strength.

QBE regularly reviews the collectability of receivables and the adequacy of associated provisions for impairment. Concentration risk for large brokers is also monitored. Balances are monitored on the basis of uncollected debt and debt outstanding in excess of six months. Brokers are also subject to regular due diligence to ensure adherence to local broker policies and associated requirements.

The following table provides information regarding the ageing of the Group's financial assets that are past due but not impaired and which are largely unrated at the balance date:

		PAST DUE BUT NOT IMPAIRED				
	NEITHER PAST DUE NOR IMPAIRED US$M	0 TO 3 MONTHS US$M	4 TO 6 MONTHS US$M	7 MONTHS TO 1 YEAR US$M	GREATER THAN 1 YEAR US$M	TOTAL US$M
As at 31 December 2021						
Premium receivable[1]	**2,789**	**421**	**152**	**65**	**35**	**3,462**
Other trade debtors	**126**	**60**	**2**	**1**	**6**	**195**
Other receivables	**508**	**41**	**1**	**1**	**9**	**560**
As at 31 December 2020						
Premium receivable[1]	2,425	334	159	50	22	2,990
Other trade debtors	212	1	2	3	6	224
Other receivables	353	4	1	1	6	365

1 Net of a provision for impairment.

4. RISK MANAGEMENT

4.4 Market risk

Overview

Market risk is the risk of adverse impacts on earnings resulting from changes in market factors. Market factors include, but are not limited to, interest rates, equity prices, credit spreads and foreign exchange rates.

QBE's approach to managing market risk is underpinned by the Group's market risk appetite as set by the Board and is summarised below.

QBE's approach to managing investment market movements is underpinned by the Group's investment strategy which outlines QBE's view of the markets and its corresponding investment approach.

Investment market risk is managed through the application of exposure and asset limits. These limits are based on the market risk appetite as determined by the Board and apply to:

- losses generated on the investment portfolio under market stress scenarios. The scenarios assume adverse movements in market factors and are designed to reflect a significant market stress event; and
- sensitivities to changes in interest rate and credit spread risk, measured in terms of sensitivities to changes in risk factors such as interest rate risk.

Interest rate risk

QBE is exposed to interest rate risk through its holdings in interest-bearing assets. Financial instruments with a floating interest rate expose the Group to cash flow interest rate risk, whereas fixed interest rate instruments expose the Group to fair value interest rate risk. Interest-bearing borrowings issued by the Group are measured at amortised cost and therefore do not expose the Group result to fair value interest rate risk.

QBE's risk management approach is to minimise interest rate risk by actively managing investment portfolios to achieve a balance between cash flow interest rate risk and fair value interest rate risk. The Group predominantly invests in high quality, liquid interest-bearing securities and cash and may use derivative financial instruments to manage the interest rate risk of the fixed interest portfolio and other financial instruments. The risk management processes over these derivative financial instruments include close senior management scrutiny, including appropriate board and other management reporting. Derivatives are used only for approved purposes and are subject to Board-approved risk appetites and delegated authority levels provided to management. The level of derivative exposure is reviewed on an ongoing basis. Appropriate segregation of duties exists with respect to derivative use, and compliance with policy, limits and other requirements is closely monitored.

The net central estimate of outstanding claims is discounted to present value by reference to risk-free interest rates. The Group is therefore exposed to potential underwriting result volatility as a result of interest rate movements. In practice, over the longer term, an increase or decrease in interest rates is normally offset by a corresponding increase or decrease in inflation. Information relating to this sensitivity is provided in note 2.3.7. At the balance date, the average modified duration of cash and fixed interest securities was 2.1 years (2020 2.1 years). Although QBE maintains a shorter asset duration relative to insurance liabilities, the Group's overall exposure to interest rate risk is not material given the quantum by which the value of fixed income assets exceeds the value of insurance liabilities.

All investments are financial assets measured at fair value through profit or loss. Movements in interest rates impact the fair value of interest-bearing financial assets and therefore impact reported profit or loss after tax. The impact of a 0.5% increase or decrease in interest rates on interest-bearing financial assets owned by the Group at the balance date is shown in the table below:

		PROFIT (LOSS)[1]	
	SENSITIVITY %	2021 US$M	2020 US$M
Interest rate movement – interest-bearing financial assets	+0.5	**(199)**	(186)
	-0.5	**169**	101

1 Net of tax at the Group's prima facie income tax rate of 30%.

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Equity price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded on the market.

QBE is exposed to equity price risk on its investment in growth assets and may use derivative financial instruments to manage this exposure. The risk management processes over these derivative financial instruments are the same as those already explained in respect of interest rate derivative financial instruments. Exposure is also managed by diversification across international markets and currencies.

Growth assets are measured at fair value through profit or loss. The impact of a 20% increase or decrease in the value of investments owned by the Group at the balance date on profit after tax is shown in the table below:

		PROFIT (LOSS)[1]	
	SENSITIVITY %	2021 US$M	2020 US$M
Infrastructure assets	+20	**110**	125
	-20	**(110)**	(125)
Unlisted property trusts	+20	**106**	105
	-20	**(106)**	(105)
Alternatives	+20	**16**	14
	-20	**(16)**	(14)
ASX 200	+20	**3**	2
	-20	**(3)**	(2)
S&P 500	+20	**3**	–
	-20	**(3)**	–
Private equity[2]	+20	**–**	37
	-20	**–**	(37)

1 Net of tax at the Group's prima facie income tax rate of 30%.
2 At 31 December 2021, $50 million of private equity is classified as held for sale (note 3.2) but is not considered subject to equity price risk.

QBE is also exposed to price risk on its fixed interest securities as discussed above in relation to interest rate risk, and below in relation to credit spread risk. All securities are measured at fair value through profit or loss.

Credit spread risk

Movements in credit spreads impact the value of corporate interest-bearing securities, and therefore impact reported profit or loss after tax. This risk is managed by investing in high quality, liquid interest-bearing securities and by managing the credit spread duration of the corporate securities portfolio.

The impact of a 0.5% increase or decrease in credit spreads on interest-bearing financial assets held by the Group at the balance date on profit or loss after tax is shown in the table below:

		PROFIT (LOSS)[1]	
	SENSITIVITY %	2021 US$M	2020 US$M
Credit spread movement – corporate interest-bearing financial assets[2]	+0.5	**(114)**	(143)
	-0.5	**96**	111

1 Net of tax at the Group's prima facie income tax rate of 30%.
2 Includes infrastructure debt and other investments in non-government bonds.

4. RISK MANAGEMENT

Foreign exchange risk

QBE's approach to foreign exchange management is underpinned by the Group's foreign currency strategy. The Group's foreign exchange exposure generally arises as a result of either the translation of foreign currency amounts to the functional currency of a controlled entity (operational currency risk) or due to the translation of the Group's net investments in foreign operations to the functional currency of the ultimate parent entity of Australian dollars and to QBE's presentation currency of US dollars (currency translation risk).

Operational currency risk

Operational currency risk is managed as follows:

- Each controlled entity manages the volatility arising from changes in foreign exchange rates by matching liabilities with assets of the same currency, as far as is practicable, thus ensuring that any exposures to foreign currencies are minimised. The Group's aim is to mitigate, where possible, its operational foreign currency exposures at a controlled entity level.
- Forward foreign exchange contracts are used where possible to protect any residual currency positions. Where appropriate, forward foreign exchange contracts may also be used in relation to the Group's borrowings and may be designated as hedge relationships for accounting purposes. Further information on forward foreign exchange contracts used to manage operational currency risk is provided in note 5.6.

The risk management process relating to the use of forward foreign exchange contracts involves close senior management scrutiny. All forward foreign exchange contracts are subject to delegated authority levels provided to management and the levels of exposure are reviewed on an ongoing basis.

The analysis below demonstrates the impact on profit or loss after income tax of a 10% strengthening or weakening of the major currencies against the functional currencies of the underlying QBE entities for which the Group has a material exposure at the balance date. The exposures below reflect the aggregation of operational currency exposures of multiple entities with different functional currencies. The sensitivity is measured with reference to the Group's residual (or unmatched) operational foreign currency exposures at the balance date. Operational foreign exchange gains or losses are recognised in profit or loss in accordance with the policy set out in note 1.2.4. The sensitivities provided demonstrate the impact of a change in one key variable in isolation while other assumptions remain unchanged.

The sensitivities shown in the table below are relevant only at the balance sheet date, as any unmatched exposures are actively monitored by management and the exposure subsequently matched.

	2021			2020		
EXPOSURE CURRENCY	RESIDUAL EXPOSURE US$M	SENSITIVITY %	PROFIT (LOSS)[1] US$M	RESIDUAL EXPOSURE US$M	SENSITIVITY %	PROFIT (LOSS)[1] US$M
US dollar	**198**	**+10**	**14**	258	+10	18
		-10	**(14)**		-10	(18)
Australian dollar	**95**	**+10**	**7**	(55)	+10	(4)
		-10	**(7)**		-10	4

1 Net of tax at the Group's prima facie income tax rate of 30%.

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Currency translation risk

QBE is exposed to currency risk in relation to the translation of:

- the ultimate parent entity's net investments in foreign operations to its functional currency of Australian dollars; and
- all non-US dollar functional currency operations to the Group's presentation currency of US dollars.

Currency translation risk in relation to QBE's investment in foreign operations is monitored on an ongoing basis and may be mitigated by designation of foreign currency borrowings as a hedge of this risk. Any borrowing that qualifies as a hedging instrument may be designated as a hedge of the Australian dollar ultimate parent entity's net investments in foreign operations and any residual exposure to foreign operations in tradeable currencies may be hedged up to the limit specified in the Group risk appetite statement. The extent of hedging this exposure is carefully managed to ensure an appropriate balance between currency risk and associated risks such as liquidity risk and stability of capital adequacy levels.

QBE does not ordinarily seek to use derivatives to mitigate currency translation risk on translation to the ultimate parent entity functional currency of Australian dollars for the following reasons:

- currency translation gains and losses generally have no cash flow;
- currency translation gains and losses are accounted for in the foreign currency translation reserve (a component of equity) and therefore do not impact profit or loss unless the related foreign operation is disposed of; and
- management of translation risk needs to be balanced against the impact on capital requirements and liquidity risk.

QBE may, however, elect to use derivatives to manage currency translation risk in order to preserve capital.

Currency management processes are actively monitored by Group Treasury and involve close senior management scrutiny. All hedge transactions are subject to delegated authority levels provided to management, and the levels of exposure are reviewed on an ongoing basis. All instruments that are designated as hedges are tested for effectiveness in accordance with AASB 9 *Financial Instruments*.

Further information on derivatives and borrowings designated as hedges of net investments in foreign operations is provided in note 5.6.1.

Foreign exchange gains or losses arising on translation of the Group's foreign operations from the ultimate parent entity's functional currency of Australian dollars to the Group's US dollar presentation currency are recognised directly in equity in accordance with the policy set out in note 1.2.4. The Group cannot hedge this exposure.

The analysis below demonstrates the impact on equity of a 10% strengthening or weakening against the US dollar of the major currencies to which QBE is exposed through its net investments in foreign operations. The basis for the sensitivity calculation is the Group's actual residual exposure at the balance date.

	2021			2020		
EXPOSURE CURRENCY	RESIDUAL EXPOSURE US$M	SENSITIVITY %	EQUITY INCREASE (DECREASE) US$M	RESIDUAL EXPOSURE US$M	SENSITIVITY %	EQUITY INCREASE (DECREASE) US$M
Australian dollar	**2,702**	**+10**	**270**	2,962	+10	296
		-10	**(270)**		-10	(296)
Euro	**1,538**	**+10**	**154**	1,632	+10	163
		-10	**(154)**		-10	(163)
Sterling	**782**	**+10**	**78**	150	+10	15
		-10	**(78)**		-10	(15)
New Zealand dollar	**278**	**+10**	**28**	222	+10	22
		-10	**(28)**		-10	(22)
Singapore dollar	**121**	**+10**	**12**	120	+10	12
		-10	**(12)**		-10	(12)
Hong Kong dollar	**116**	**+10**	**12**	36	+10	4
		-10	**(12)**		-10	(4)

4. RISK MANAGEMENT

4.5 Liquidity risk

Overview

Liquidity risk is the risk of having insufficient liquid assets to meet liabilities as they fall due to policyholders and creditors or only being able to access liquidity at excessive cost.

QBE's approach to managing liquidity risk is underpinned by the Group's liquidity risk appetite which is set by the Board and is summarised below.

QBE manages liquidity risk using a number of tools, as follows:

- cash flow targeting;
- maintenance of a minimum level of liquid assets relative to the Group's liabilities;
- cash flow forecasting; and
- stress testing and contingency planning.

Liquidity is managed across the Group using a number of cash flow forecasting and targeting tools and techniques. Cash flow forecasting and targeting are conducted at a legal entity level and involve actively managing operational cash flow requirements.

To supplement the cash flow targeting and to ensure that there are sufficient liquid funds available to meet insurance and investment obligations, a minimum percentage of QBE's liabilities is held, at all times, in cash and liquid securities. QBE also maintains a defined proportion of the funds under management in liquid assets.

QBE actively forecasts cash flow requirements to identify future cash surpluses and shortages to optimise invested cash balances and limit unexpected calls from the investment pool. The Group limits the risk of liquidity shortfalls resulting from mismatches in the timing of claims payments and receipts of claims recoveries by negotiating cash call clauses in reinsurance contracts and seeking accelerated settlements for large reinsurance recoveries.

The following table summarises the maturity profile of the Group's financial liabilities based on the remaining contractual obligations. Borrowings and contractual undiscounted interest payments are disclosed by reference to the first call date of the borrowings, details of which are included in note 5.1.

	LESS THAN 1 YEAR US$M	13 TO 36 MONTHS US$M	37 TO 60 MONTHS US$M	OVER 5 YEARS US$M	NO FIXED TERM US$M	TOTAL US$M
As at 31 December 2021						
Derivative financial instruments	**130**	**322**	**–**	**–**	**–**	**452**
Trade payables	**2,123**	**191**	**2**	**1**	**5**	**2,322**
Other payables and accrued expenses	**767**	**46**	**5**	**–**	**5**	**823**
Treasury payables	**19**	**–**	**–**	**–**	**–**	**19**
Investment payables	**51**	**–**	**–**	**–**	**–**	**51**
Lease liabilities	**56**	**90**	**60**	**148**	**–**	**354**
Borrowings[1]	**442**	**1,106**	**1,188**	**541**	**–**	**3,277**
Contractual undiscounted interest payments	**162**	**268**	**108**	**17**	**–**	**555**
As at 31 December 2020						
Derivative financial instruments	316	231	298	–	–	845
Trade payables	1,475	122	3	–	4	1,604
Other payables and accrued expenses	679	26	3	–	6	714
Treasury payables	16	–	–	–	–	16
Investment payables	4	–	–	–	–	4
Lease liabilities	68	103	84	176	–	431
Borrowings[1]	200	854	1,000	909	–	2,963
Contractual undiscounted interest payments	191	326	194	23	–	734

1 Excludes capitalised finance costs of $9 million (2020 $8 million).

The maturity profile of the Group's net discounted central estimate is analysed in note 2.3.6.

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The maturity of the Group's interest-bearing financial assets is shown in the table below.

		INTEREST-BEARING FINANCIAL ASSETS MATURING IN:						
		LESS THAN 1 YEAR	13 TO 24 MONTHS	25 TO 36 MONTHS	37 TO 48 MONTHS	49 TO 60 MONTHS	OVER 5 YEARS	TOTAL
As at 31 December 2021								
Fixed rate	US$M	**9,353**	**4,105**	**2,636**	**2,038**	**1,348**	**3,369**	**22,849**
Weighted average interest rate	% p.a.	**0.3**	**0.7**	**1.0**	**1.2**	**1.2**	**1.3**	**0.7**
Floating rate	US$M	**1,517**	**705**	**762**	**337**	**294**	**723**	**4,338**
Weighted average interest rate	% p.a.	**0.1**	**0.3**	**0.6**	**0.7**	**0.8**	**1.1**	**0.5**
As at 31 December 2020								
Fixed rate	US$M	5,867	4,095	3,677	2,314	2,030	3,374	21,357
Weighted average interest rate	% p.a.	0.4	0.2	0.3	0.4	0.4	0.6	0.4
Floating rate	US$M	1,578	630	610	297	341	857	4,313
Weighted average interest rate	% p.a.	0.1	0.3	0.4	1.0	0.8	1.2	0.5

4.6 Operational risk

Overview

Operational risk is the risk of financial loss resulting from inadequate or failed internal processes, people and systems or from external events.

Operational risk can materialise in a number of forms including fraud perpetrated by employees or by external parties (e.g. claims fraud or cyber attacks), employment practices (e.g. losses arising from breaches of employment, health or safety laws), improper business practices (e.g. failure to meet professional obligations or issues with the nature or design of an insurance product), business disruption and system failures, or business and transaction processing failures.

QBE manages operational risk through setting policy, minimum standards, and process and system controls, including effective segregation of duties, access controls, authorisations and reconciliation procedures, business continuity management, fraud management, information security and physical security.

QBE identifies, assesses and manages operational risk through the:

- risk and control self-assessment process, which identifies and assesses the key risks to achieving business objectives and is conducted at the business unit level;
- operational risk appetite statement, which sets out the nature and level of risk that the Board and Group Executive Committee are willing to take in pursuit of the organisation's objectives. The operational risk appetite statement is measured through an assessment of the control environment, key risk indicators, issues and incidents; and
- scenario analysis process, which assesses the impact of potentially extreme scenarios and the appropriateness of our contingency planning.

Key residual risks from the above processes are monitored by the Executive Risk Committee.

4. RISK MANAGEMENT

4.7 Compliance risk

Overview

Compliance risk is the risk of legal or regulatory penalties, financial loss or impacts and non-financial loss or impacts (including reputational damage) resulting from a breach of obligations. Obligations refer to those in legislation, regulation, industry codes and standards, internal policies and ethical and business standards.

QBE's approach to managing compliance risk is underpinned by the Group risk appetite as set by the Board and is summarised below.

QBE manages compliance risk through its governance, culture, stakeholder management and strategy approach. There are six components for managing compliance risk:

- identify compliance obligations and controls;
- embed compliance obligations across systems and processes;
- communicate and train staff on compliance requirements;
- monitor obligations and controls;
- identify and rectify incidents, issues and breaches; and
- report on and assess the state of compliance.

Compliance management is subject to continuous improvement, recognising changes in the regulatory and legal environment and industry, customer and community expectations.

4.8 Group risk

Overview

Group risk is the risk to a division arising specifically from being part of the wider Group, including financial impact and loss of support from the Company.

QBE's approach to managing Group risk is supported by divisional Group risk appetite statements where divisions define the Board-approved plan to address identified Group risk exposures. Sources of Group risk are summarised below.

Sources of Group risk may include:

- shared global reinsurance program, including counterparty risk of Equator Re;
- intercompany loans;
- contagion reputational risk;
- credit agency dependency;
- use of Group functions where there is a global operating model in place;
- use of QBE's internal asset management function – Group Investments;
- Group initiatives or decisions with a material impact on one or more divisions; and
- liquidity and central foreign exchange management.

QBE manages Group risk through various systems, controls and processes, including the management of reinsurance arrangements, use of intercompany transactions and balances accounting guidance, transfer pricing guidelines, investment management agreements, capital planning and assessments of the use of Group functions, Group initiatives and contagion reputational events.

5. CAPITAL STRUCTURE

Overview

QBE's objective in managing capital is to maintain an optimal balance between debt and equity in order to reduce the overall cost of capital while satisfying the capital adequacy requirements of regulators and rating agencies, providing financial security for our policyholders and continuing to provide an adequate return to shareholders.

The Company is listed on the Australian Securities Exchange and its share capital is denominated in Australian dollars. The Group also accesses international debt markets to diversify its funding base and maintain an appropriate amount of leverage. Borrowings are diversified across currencies and tenure.

Details of the Group's approach to capital risk management are disclosed in note 4.1.

5.1 Borrowings

FINAL MATURITY DATE	ISSUE DATE	PRINCIPAL AMOUNT	2021 US$M	2020 US$M
Senior debt				
25 May 2023	25 September 2017	$6 million	**6**	6
			6	6
Subordinated debt				
25 August 2036	25 August 2020	A$500 million[1]	**362**	385
13 September 2038	13 September 2021	£400 million (2020 nil)	**538**	–
24 May 2041	24 May 2011	Nil (2020 $167 million)	**–**	167
24 May 2041	24 May 2011	Nil (2020 £24 million)	**–**	33
24 May 2042	24 May 2016	£327 million	**442**	445
24 November 2043	21 November 2016	$400 million/A$689 million[1]	**400**	400
2 December 2044	2 December 2014	$700 million/A$1,169 million[1]	**698**	697
12 November 2045	12 November 2015	$300 million	**300**	300
17 June 2046	17 June 2016	$524 million	**522**	522
			3,262	2,949
Total borrowings[2]			**3,268**	2,955
Amounts expected to be settled within 12 months			**442**	200
Amounts expected to be settled in greater than 12 months			**2,826**	2,755
Total borrowings			**3,268**	2,955

1 Details of related hedging activity are included in note 5.6.1.
2 $3 million of finance costs (2020 $2 million) were capitalised during the year.

Subordinated debt key terms

Subordinated debt due 2036

Interest is payable quarterly in arrears at a rate equal to the three-month BBSW rate plus a margin of 2.75% per annum.

Subordinated debt due 2038

Interest is payable semi-annually in arrears at a fixed rate of 2.5% per annum until 13 September 2028. The rate will reset in 2028 and 2033 to a rate calculated by reference to the then five-year gilt rate plus a margin of 2.061% per annum.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2021

5. CAPITAL STRUCTURE

Subordinated debt due 2041

The securities were redeemed on 8 March 2021. Interest was payable semi-annually in arrears at a fixed rate of 7.25% per annum on the US dollar denominated debt and 7.5% per annum on the sterling debt.

Subordinated debt due 2042

Interest is payable semi-annually in arrears at a fixed rate of 6.115% per annum until 24 May 2022. The rate will reset in 2022, 2027, 2032 and 2037 to a rate calculated by reference to the then five-year mid-market swap rate plus a margin of 5.0% per annum. The securities are intended to be redeemed.

Subordinated debt due 2043

Interest is payable semi-annually in arrears at a fixed rate of 7.50% per annum until 24 November 2023. The rate will reset in 2023 and 2033 to a rate calculated by reference to the then 10-year US dollar swap rate plus a margin of 6.03% per annum.

QBE has an option to defer payment of interest in certain circumstances and such deferral will not constitute an event of default.

Subordinated debt due 2044

Interest is payable semi-annually in arrears at a fixed rate of 6.75% per annum until 2 December 2024, at which time the rate will reset to a 10-year mid-market swap rate plus a margin of 4.3% per annum. The rate will reset again, on the same basis, on 2 December 2034.

Subordinated debt due 2045

Interest is payable semi-annually in arrears at a fixed rate of 6.1% per annum until 12 November 2025, at which time the rate will reset to a 10-year mid-market swap rate plus a margin of 3.993% per annum. The rate will reset again, on the same basis, on 12 November 2035.

Subordinated debt due 2046

Interest is payable semi-annually in arrears at a fixed rate of 5.875% per annum until 17 June 2026. The rate will reset in 2026 and 2036 to a rate calculated by reference to the then 10-year mid-market swap rate plus a margin of 4.395% per annum.

Redemption terms

The securities are redeemable at the option of QBE, with the prior written approval of APRA, at any time in the event of certain tax and regulatory events and on:

- 25 August 2026 and each interest payment date thereafter for securities due 2036;
- any business day within the six-month period up to and including the first reset date of 13 September 2028 and on each reset date thereafter for securities due 2038; and
- each reset date for securities due 2042, 2043, 2044, 2045 and 2046.

Conversion terms

The securities due 2036, 2038, 2042, 2043, 2044, 2045 and 2046 must be converted into a variable number of the Company's ordinary shares, or written off, if APRA determines QBE to be non-viable. The conversion rate is subject to a price floor of 20% of the VWAP of the shares in the five trading days before the date of issue of the securities.

Security arrangements

The claims of bondholders pursuant to the subordinated debt will be subordinated in right of payment to the claims of all senior creditors.

How we account for the numbers

Borrowings are initially measured at fair value net of transaction costs directly attributable to the transaction and are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised through profit or loss over the period of the financial liability using the effective interest method.

5.1.1 Fair value of borrowings

	2021 US$M	2020 US$M
Senior debt	**6**	6
Subordinated debt	**3,475**	3,220
Total fair value of borrowings	**3,481**	3,226

Consistent with other financial instruments, QBE is required to disclose the basis of valuation with reference to the fair value hierarchy which is explained in detail in note 3.2.1. The fair value of the Group's borrowings is categorised as level 2 fair value measurements. Fixed and floating rate securities are priced using broker quotes and comparable prices for similar instruments in active markets. Where no active market exists, floating rate resettable notes are priced at par plus accrued interest.

5.1.2 Financing and other costs

	2021 US$M	2020 US$M
Interest expense on borrowings	**177**	188
Other costs	**70**	64
Total financing and other costs	**247**	252

5.1.3 Movement in borrowings

	2021 US$M	2020 US$M
At 1 January	**2,955**	3,095
Net changes from financing cash flows	**348**	218
Reclassification of Additional Tier 1 instrument	**–**	(399)
Other non-cash changes	**2**	(1)
Foreign exchange	**(37)**	42
At 31 December	**3,268**	2,955

5.2 Cash and cash equivalents

	2021 US$M	2020 US$M
Fixed interest rate	**14**	13
Floating interest rate	**805**	753
	819	766

Restrictions on use

Included in cash and cash equivalents are amounts totalling $74 million (2020 $73 million) which are held in Lloyd's syndicate trust funds. In order to conduct underwriting business within some territories, Lloyd's syndicates are required to lodge assets in locally regulated trust funds. Under Lloyd's byelaws, these amounts can only be used to pay claims and allowable expenses of the syndicates and cannot be withdrawn from the trust funds until allowed to be distributed as profit once annual solvency requirements are met.

Also included in cash and cash equivalents is $125 million (2020 $110 million) relating to policyholder trust accounts in the United Kingdom which can only be accessed by QBE in certain circumstances, such as when QBE is owed a deductible by the policyholder on a claim. The Group recognises a corresponding payable in relation to these until such an event occurs.

QBE has operations in many countries which have foreign exchange controls and regulations. These controls and regulations can vary from simple reporting requirements to outright prohibition of movement of funds without explicit prior central bank or regulator approval. The impact of these controls and regulations may restrict the Group's capacity to repatriate capital and/or profits.

How we account for the numbers

Cash and cash equivalents include cash at bank and on hand and deposits at call which are readily convertible to cash on hand and which are used for operational cash requirements. Amounts in cash and cash equivalents are the same as those included in the consolidated statement of cash flows.

The reconciliation of profit or loss after income tax to net cash flows from operating activities is included in note 8.4.

5. CAPITAL STRUCTURE

5.3 Contributed equity and reserves

Overview

Contributed equity comprises share capital and capital notes.

Ordinary shares in the Company rank after all creditors, have no par value and entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

Capital notes are Additional Tier 1 instruments with discretionary and non-cumulative distributions, and no fixed redemption date.

5.3.1 Contributed equity

	2021 US$M	2020 US$M
Issued ordinary shares, fully paid	**8,891**	9,387
Capital notes	**886**	886
Contributed equity	**9,777**	10,273

Share capital

	2021		2020	
	NUMBER OF SHARES MILLIONS	US$M	NUMBER OF SHARES MILLIONS	US$M
Issued ordinary shares, fully paid at 1 January	**1,471**	**9,387**	1,305	7,594
Shares issued on-market net of transaction costs	**–**	**–**	157	813
Shares issued under the Employee Share and Option Plan	**4**	**31**	3	26
Shares issued under Dividend Reinvestment Plan	**1**	**11**	5	27
Shares issued under Bonus Share Plan	**1**	**–**	1	–
Foreign exchange	**–**	**(538)**	–	927
Issued ordinary shares, fully paid at 31 December	**1,477**	**8,891**	1,471	9,387
Shares notified to the Australian Securities Exchange	**1,477**	**8,894**	1,471	9,390
Less: plan shares subject to non-recourse loans, de-recognised under accounting standards	**–**	**(3)**	–	(3)
Issued ordinary shares, fully paid at 31 December	**1,477**	**8,891**	1,471	9,387

Capital notes

ISSUE DATE	PRINCIPAL AMOUNT	2021 US$M	2020 US$M
12 May 2020	$500 million	**493**	493
16 July 2020[1]	$400 million	**393**	393
		886	886

1 In July 2020, the terms of these instruments (originally issued in November 2017) were amended such that the notes are written off at a point of non-viability, as determined by APRA, with no possibility of conversion into ordinary shares of the Company. This resulted in the classification of these instruments as equity.

Key terms

Capital note issued 12 May 2020

Distributions of 5.875% per annum are paid semi-annually in arrears until 12 May 2025. The rate will reset in 2025 and on every fifth anniversary thereafter to a rate calculated by reference to the then five-year US Treasury rate plus a margin of 5.513% per annum.

Capital note issued 16 July 2020

Distributions of 5.250% per annum are paid semi-annually in arrears until 16 May 2025. The rate will reset in 2025 and on every fifth anniversary thereafter to a rate calculated by reference to the then five-year US Treasury rate plus a margin of 3.047% per annum.

Redemption terms

The notes are redeemable at the option of QBE, with the prior written approval of APRA, on each interest reset date or at any time in the event of certain tax or regulatory events. In the event that APRA was to declare a point of non-viability, the notes would be written off.

5.3.2 Reserves

	2021 US$M	2020 US$M
Owner occupied property revaluation reserve[1]		
At 1 January	**1**	1
At 31 December	**1**	1
Cash flow hedge reserve[2]		
At 1 January	**(25)**	(4)
Hedging amounts recognised in other comprehensive income	**92**	(157)
Hedging amounts reclassified to profit or loss	**(56)**	127
Taxation	**(11)**	9
At 31 December	**–**	(25)
Cost of hedging reserve[3]		
At 1 January	**2**	(2)
Amounts recognised in other comprehensive income	**7**	11
Amounts reclassified to profit or loss	**(2)**	(5)
Taxation	**(2)**	(2)
At 31 December	**5**	2
Foreign currency translation reserve[4]		
At 1 January	**(2,031)**	(1,479)
Net movement on translation	**218**	(525)
Net movement on hedging transactions	**48**	(27)
At 31 December	**(1,765)**	(2,031)
Share-based payment reserve[5]		
At 1 January	**168**	164
Options and conditional rights expense	**32**	20
Transfers from reserve on vesting of options and conditional rights	**(30)**	(28)
Foreign exchange	**(6)**	12
At 31 December	**164**	168
Premium on purchase of non-controlling interests[6]		
At 1 January	**(13)**	(15)
Reclassification to retained profits on disposal	**–**	2
At 31 December	**(13)**	(13)
Total reserves at 31 December	**(1,608)**	(1,898)

Each of the above reserves relates to the following:

1 Fair value movements in the carrying value of owner occupied property.

2 Cash flow hedges of foreign exchange and interest rate risk, the accounting policies for which are disclosed in note 5.6.1.

3 Cost of hedging elections as described in note 5.6.1.

4 Exchange gains and losses arising on translation of foreign controlled entities and related hedging instruments, the accounting policies for which are disclosed in note 5.6.1.

5 Equity-settled share-based payment awards.

6 Movements in ownership interests in controlled entities that do not result in a loss of control and represent the difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received.

5. CAPITAL STRUCTURE

5.4 Dividends

Overview

Our dividend policy is designed to ensure that we reward shareholders relative to cash profit and maintain sufficient capital for future investment and growth of the business.

	2021	2020	
	INTERIM	FINAL	INTERIM
Dividend per share (Australian cents)	**11**	–	4
Franking percentage	**10%**	–	10%
Franked amount per share (Australian cents)	**1.1**	–	0.4
Dividend payout (A$M)	**162**	–	59
Payment date	**24 September 2021**	N/A	25 September 2020

On 18 February 2022, the directors declared a 10% franked final dividend of 19 Australian cents per share payable on 12 April 2022. The final dividend payout is A$281 million (2020 nil).

	2021 US$M	2020 US$M
Previous year final dividend on ordinary shares – Nil (2019 30% franked)	**–**	224
Interim dividend on ordinary shares – 10% franked (2020 10% franked)	**118**	41
Bonus Share Plan dividend forgone	**(1)**	(3)
Total dividend paid	**117**	262

Dividend Reinvestment and Bonus Share Plans

The Company operates a Dividend Reinvestment Plan (DRP) and a Bonus Share Plan (BSP) which allow equity holders to receive their dividend entitlement in the form of ordinary shares of the Company.

Bonus Share Plan dividend forgone

The amount paid in dividends during the year has been reduced as a result of certain eligible shareholders participating in the BSP and forgoing all or part of their right to dividends. These shareholders were issued ordinary shares under the BSP. During the year, 116,016 (2020 523,532) ordinary shares were issued under the BSP.

Franking credits

The franking account balance on a tax paid basis at 31 December 2021 was a surplus of A$54 million (2020 A$71 million).

The unfranked part of the dividend is declared to be conduit foreign income. For shareholders not resident in Australia, the dividend will not be subject to Australian withholding tax.

5.5 Earnings per share

Overview

Earnings per share (EPS) is the amount of profit or loss after income tax attributable to each share. Diluted EPS adjusts the EPS for the impact of shares that are not yet issued but which may be in the future, such as shares potentially issuable from convertible notes, options and employee share-based payments plans.

	2021 US CENTS	2020 US CENTS
For profit (loss) after income tax		
Basic earnings (loss) per share	**47.5**	(108.5)
Diluted earnings (loss) per share	**47.2**	(108.5)

5.5.1 Reconciliation of earnings used for earnings per share measures

Earnings per share is based on profit or loss after income tax attributable to ordinary equity holders of the Company, as follows:

	2021 US$M	2020 US$M
Profit (loss) after income tax attributable to ordinary equity holders of the Company	**750**	(1,517)
Less: distributions paid on capital notes classified as equity (note 5.3.1)	**(50)**	(25)
Profit (loss) used in calculating basic and diluted earnings per share	**700**	(1,542)

5.5.2 Reconciliation of weighted average number of ordinary shares used for earnings per share measures

	2021 NUMBER OF SHARES MILLIONS	2020 NUMBER OF SHARES MILLIONS
Weighted average number of ordinary shares on issue and used as the denominator in calculating basic earnings per share	**1,474**	1,421
Weighted average number of dilutive potential ordinary shares issued under the Employee Share and Option Plan[1]	**8**	–
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**1,482**	1,421

1 In the prior year, eight million potential ordinary shares issued were excluded from the calculation because they were anti-dilutive.

How we account for the numbers

Basic earnings (loss) per share is calculated by dividing profit or loss after income tax attributable to members of the Company, adjusted for the cost of servicing capital notes classified as equity, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings (loss) per share adjusts the weighted average number of shares to include dilutive potential ordinary shares and instruments with mandatory conversion features. As there are no impacts on interest and other financing costs from such instruments, diluted earnings (loss) per share utilises the same earnings (loss) figure used in the determination of basic earnings (loss) per share.

5. CAPITAL STRUCTURE

5.6 Derivatives

Overview

Derivatives may be used as a tool to hedge the Group's foreign exchange exposures. Each controlled entity manages operational foreign exchange volatility by matching liabilities with assets of the same currency, as far as practicable. Forward foreign exchange contracts are used to manage residual currency exposures, with both the foreign exchange gains or losses on translation of the exposure and the mark-to-market of related derivatives reported through profit or loss. Forward foreign exchange contracts and purchased currency options may also be utilised in cash flow hedging of foreign currency borrowings and/or exposure to net investments in foreign operations (NIFO).

Interest rate swaptions are used to hedge exposure to interest rate movements on the Group's borrowings.

Refer to note 4.4 for additional information relating to QBE's approach to managing interest rate risk and foreign exchange risk.

The Group's exposure to treasury derivatives at the balance date determined by reference to the functional currency of the relevant controlled entity is set out in the table below:

	2021			2020		
	EXPOSURE US$M	FAIR VALUE ASSET US$M	FAIR VALUE LIABILITY US$M	EXPOSURE US$M	FAIR VALUE ASSET US$M	FAIR VALUE LIABILITY US$M
Forward foreign exchange contracts not in designated hedges	**2,143**	**118**	**161**	2,603	505	394
Forward foreign exchange contracts used in cash flow hedges	**(1,599)**	**–**	**291**	(1,796)	–	419
Forward foreign exchange contracts used in NIFO hedges	**489**	**11**	**–**	(345)	13	32
Interest rate swaptions	**363**	**13**	**–**	385	2	–
		142	**452**		520	845

The fair value of forward foreign exchange contracts and interest rate swaptions are categorised as level 2 in the fair value hierarchy. They are fair valued using present value techniques utilising observable market data, broker quotes and/or comparable prices for similar instruments in active markets.

How we account for the numbers

Derivatives are initially recognised at fair value, determined as the cost of acquisition excluding transaction costs, and remeasured to fair value at each reporting date. Remeasurements are recognised in profit or loss at each reporting date, unless the derivative is designated as part of a qualifying hedge relationship (refer to note 5.6.1).

5.6.1 Designated hedges

The Group's material designated hedge relationships are analysed below by risk category and are accounted for with reference to the accounting policies set out at the end of this note. Hedging ratios, being the relationship between the quantity of the hedging instrument and the quantity of the hedged item, are 1:1 as the nominal values of hedging instruments match those of the hedged items. Any ineffectiveness arising from factors such as credit risk is not expected to be material. Amounts recognised in equity or reclassified to profit or loss are disclosed in note 5.3.2.

Cash flow hedges of borrowings

At the balance date, forward foreign exchange contracts were used to hedge foreign currency risk associated with highly probable forecast transactions in relation to $400 million of subordinated notes maturing in 2043 and $700 million of subordinated notes maturing in 2044. Foreign currency risk on future coupons and principal amounts is hedged up to and including the first call dates of the notes, being 2023 and 2024 respectively. Similarly, an interest rate swaption was put in place to hedge interest rate risk in relation to coupons on A$500 million of subordinated notes maturing in 2036. The swaption is exercisable in August 2023 and hedges coupon payments from that date to the first call date in August 2026. These hedges were put in place to more effectively manage currency exposures and costs of funding.

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Only the spot components of the forward foreign exchange contracts and the intrinsic value of the interest rate swaption are designated in hedge relationships. For forward foreign exchange contracts, reclassifications of hedging gains and losses to profit or loss are included in foreign exchange (refer to note 3.1), consistent with the currency movement of the hedged borrowings. For the interest rate swaption, reclassifications of any cumulative hedging gains or losses to profit or loss will occur as related coupon payments are made during the period from August 2023 to August 2026. A 'cost of hedging' election was made in respect of these hedges, as described below, and amortisation of the forward and currency basis components is included in financing costs (refer to note 5.1.2) where they relate to hedged coupons, or in foreign exchange (refer to note 3.1) where they relate to principal amounts.

The interest rate swaption does not generate any cash flows until August 2023, when the potential settlement would occur if the swaption is in-the-money at that point in time. The timing of cash flows relating to the forward foreign exchange contracts and corresponding average forward rates are provided in the following table:

		2021			2020		
		MATURING IN:			MATURING IN:		
		LESS THAN 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	LESS THAN 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS
Nominal amounts	Buy US$M/ Sell A$M	**77/130**	**1,225/2,071**	**–**	77/129	1,301/2,200	–
Average forward rate	US$/A$	**0.60**	**0.59**	**–**	0.60	0.59	–

Hedges of currency risk relating to translation of net investments in foreign operations

At the balance date, forward foreign exchange contracts and borrowings were designated as hedges of net investments in foreign operations. Only the spot components of the forward foreign exchange contracts are designated as being in hedge relationships. The forward and currency basis components are included in foreign exchange (refer to note 3.1). Cumulative hedging gains or losses recognised in equity are recycled to profit or loss only on disposal of the foreign operation.

The timing of cash flows relating to the hedging instruments and corresponding average forward rates, if applicable, are provided in the following table, with borrowings being disclosed by reference to their first call dates (refer to note 5.1):

		2021			2020		
		MATURING IN:			MATURING IN:		
		LESS THAN 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	LESS THAN 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS
Debt instruments used in US dollar NIFO hedges							
Subordinated debt	US$M	**–**	**528**	**–**	–	–	49
Senior debt	US$M	**–**	**6**	**–**	–	6	–
Debt instruments used in sterling NIFO hedges							
Subordinated debt	£M	**327**	**–**	**–**	25	327	–
Forward foreign exchange contracts used in sterling NIFO hedges							
Nominal amounts	Buy A$M/ Sell £M	**–**	**–**	**–**	657/367	–	–
Average forward rate	A$/£	**–**	**–**	**–**	0.56	–	–
Forward foreign exchange contracts used in Hong Kong dollar NIFO hedges							
Nominal amounts	Buy A$M/ Sell HKDM	**175/970**	**–**	**–**	177/970	–	–
Average forward rate	A$/HKD	**5.55**	**–**	**–**	5.48	–	–
Forward foreign exchange contracts used in Indian rupees NIFO hedges							
Nominal amounts	Buy A$M/ Sell INRM	**–**	**–**	**–**	27/1,484	–	–
Average forward rate	A$/INR	**–**	**–**	**–**	54.89	–	–
Forward foreign exchange contracts used in US dollar NIFO hedges							
Nominal amounts	Buy A$M/ Sell US$M	**–**	**497/350**	**–**	–	–	–
Average forward rate	A$/US$	**–**	**0.70**	**–**	–	–	–

5. CAPITAL STRUCTURE

How we account for the numbers

When a derivative or other financial instrument is designated in a qualifying hedge relationship, the relevant controlled entity formally documents the relationship between the hedging instrument and hedged item, as well as its risk management objectives and its strategy for undertaking hedging transactions. The relevant entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedge effectiveness requirements are met, including the relevant economic relationship, the effect of credit risk and the hedge ratio.

For qualifying cash flow hedges and hedges of net investments in foreign operations, the gain or loss on the hedging instrument associated with the effective portion of the hedge is accumulated in equity through other comprehensive income and is subsequently reclassified to profit or loss when the hedged item also affects profit or loss. For cash flow hedges, this is reflected in the cash flow hedge reserve; for hedges of net investments in foreign operations, this is reflected in the foreign currency translation reserve (refer to note 5.3.2). The gain or loss on any ineffective portion of the hedging instrument is recognised in profit or loss immediately.

Where the forward and currency basis components of a designated derivative do not form part of the designated hedge relationship, these components are accounted for at fair value through profit or loss unless a 'cost of hedging' election is made. Under this election, the fair value of these components at inception of the hedge are amortised through profit or loss over time periods relevant to the hedge, with other changes in their fair values after inception recognised in equity through other comprehensive income. This election can be made on a hedge-by-hedge basis and is reflected in the cost of hedging reserve (refer to note 5.3.2).

Hedge accounting is discontinued when the qualifying hedge no longer meets the criteria for hedge accounting, including when the risk management objective is no longer met or is no longer relevant; the hedging instrument expires or is sold, terminated or exercised; the hedged item matures, is sold or repaid; or a hedged forecast transaction is no longer considered highly probable. When a cash flow hedge is discontinued, any cumulative hedging gain or loss in equity at that time remains in equity and is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is a forecast transaction that is no longer considered highly probable, the cumulative gain or loss is immediately reclassified to profit or loss. When a hedge of a net investment in a foreign operation is discontinued, any cumulative hedging gain or loss at that time remains in equity and is only recycled to profit or loss on disposal of the foreign operation, forming part of the resulting gain or loss.

6. TAX

Overview

Income tax expense or credit is the accounting tax outcome for the period and is calculated as the tax payable on the current period taxable income based on the applicable income tax rate for each jurisdiction, adjusted for changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses. The relationship between accounting profit or loss and income tax expense or credit is provided in the reconciliation of prima facie tax to income tax expense or credit (refer to note 6.1). Income tax expense does not equate to the amount of tax actually paid to tax authorities around the world, as it is based upon the accrual accounting concept.

Accounting income and expenses do not always have the same recognition pattern as taxable income and expenses, creating a timing difference as to when a tax expense or credit can be recognised. These differences usually reverse over time but, until they do, a deferred tax asset or liability is recognised on the balance sheet. Note 6.2 details the composition and movements in deferred tax balances and the key management assumptions applied in recognising tax losses.

Details of franking credits available to shareholders are disclosed in note 5.4.

6.1 Reconciliation of prima facie tax to income tax expense or credit

	NOTE	2021 US$M	2020 US$M
Profit (loss) before income tax		**913**	(1,472)
Prima facie tax expense (credit) at 30%		**274**	(442)
Tax effect of non-temporary differences:			
Untaxed dividends		**(2)**	(1)
Differences in tax rates		**(93)**	109
Other, including non-allowable expenses and non-taxable income		**(2)**	75
Prima facie tax adjusted for non-temporary differences		**177**	(259)
Deferred tax assets (re-recognised) de-recognised		**(18)**	278
(Overprovision) underprovision in prior years		**(3)**	20
Income tax expense		**156**	39
Analysed as follows:			
Current tax		**169**	59
Deferred tax		**(13)**	(20)
		156	39
Deferred tax (credit) expense comprises:			
Deferred tax assets recognised in profit or loss	6.2.1	**(57)**	(125)
Deferred tax liabilities recognised in profit or loss	6.2.2	**44**	105
		(13)	(20)

How we account for the numbers

The current income tax expense or credit is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries in which controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, as appropriate.

6. TAX

6.2 Deferred income tax

	NOTE	2021 US$M	2020 US$M
Deferred tax assets	6.2.1	**521**	546
Deferred tax liabilities	6.2.2	**31**	51

6.2.1 Deferred tax assets

	NOTE	2021 US$M	2020 US$M
Amounts recognised in profit or loss			
Financial assets – fair value movements		**6**	4
Provision for impairment		**13**	14
Employee benefits		**70**	55
Intangible assets		**159**	161
Insurance provisions		**706**	696
Tax losses recognised		**197**	204
Other		**159**	136
		1,310	1,270
Amounts recognised in other comprehensive income and equity			
Defined benefit plans		**30**	32
Other		**4**	4
		34	36
Deferred tax assets before set-off		**1,344**	1,306
Set-off of deferred tax liabilities	6.2.2	**(823)**	(760)
	6.2	**521**	546

Movements

	NOTE	2021 US$M	2020 US$M
At 1 January		**1,306**	1,150
Amounts recognised in profit or loss	6.1	**57**	125
Amounts recognised in other comprehensive income		**1**	(1)
Foreign exchange		**(20)**	32
At 31 December		**1,344**	1,306

Critical accounting judgements and estimates

Recoverability of deferred tax assets

QBE assesses the recoverability of deferred tax assets at each balance date. In making this assessment, QBE considers in particular each controlled entity's future business plans, history of generating taxable profits, whether the unused tax losses resulted from identifiable causes which are unlikely to recur and if any tax planning opportunities exist in the period in which the taxable losses can be utilised.

The recognised deferred tax asset relating to the North American tax group of $295 million (2020 $295 million) comprises $105 million (2020 $117 million) of carry forward tax losses and $190 million (2020 $178 million) of deductible temporary differences, net of applicable offsetting deferred tax liabilities, as a result of insurance technical reserves and the tax deductibility of goodwill and other intangibles.

Uncertainty continues to exist in relation to the utilisation of this asset, which is subject to there being continued future taxable profits over the period of time in which the losses can be utilised. QBE has made a judgement that the North American tax group will be able to generate sufficient taxable profits over the foreseeable future, based upon its future business plans. Key assumptions include an expectation of future taxable profit driven by no material deterioration in the prior accident year central estimate, a sustained return to underwriting profitability, benefits flowing from initiatives to reduce the cost base of the division and future increases in investment yields. Losses expire over the next 19 years, with the majority expiring between 2031 and 2040. The uncertainty around the recognition of the deferred tax asset will be resolved in future years if taxable profits are generated. Recovery of the asset continues to be sensitive to changes in the combined operating ratio, premium growth and investment yield assumptions as these items are the key drivers of future taxable profits.

We continue to monitor developments in global tax reform led by the Organisation for Economic Co-operation and Development (OECD) for potential impacts on the Group's deferred tax balances.

6.2.2 Deferred tax liabilities

	NOTE	2021 US$M	2020 US$M
Amounts recognised in profit or loss			
Intangible assets		**155**	143
Insurance provisions		**556**	531
Financial assets – fair value movements		**2**	7
Other provisions		**38**	27
Other		**83**	92
		834	800
Amounts recognised in other comprehensive income and equity			
Defined benefit plans		**20**	11
		20	11
Deferred tax liabilities before set-off		**854**	811
Set-off of deferred tax assets	6.2.1	**(823)**	(760)
	6.2	**31**	51

Movements

	NOTE	2021 US$M	2020 US$M
At 1 January		**811**	686
Amounts recognised in profit or loss	6.1	**44**	105
Amounts recognised in other comprehensive income		**8**	6
Foreign exchange		**(9)**	14
At 31 December		**854**	811

6. TAX

How we account for the numbers

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill or if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the controlled entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset in the consolidated financial statements when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

6.2.3 Tax losses

The Group has not brought to account $402 million (2020 $414 million) of tax losses, which includes the benefit arising from tax losses in overseas countries. $78 million (2020 $66 million) of tax losses not brought to account have an indefinite life and the remaining $324 million (2020 $348 million) expire in nine to 19 years. The benefits of unused tax losses will only be brought to account when it is probable that they will be realised.

This benefit of tax losses will only be obtained if:

- the Group derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- the Group continues to comply with the conditions for deductibility imposed by tax legislation; and
- no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

6.2.4 Tax consolidation legislation

On adoption of the tax consolidation legislation, the Company and its wholly-owned Australian controlled entities entered into a tax sharing and tax funding agreement that requires the Australian entities to fully compensate the Company for current tax liabilities and to be fully compensated by the Company for any current tax or deferred tax assets in respect of tax losses arising from external transactions occurring after the date of implementation of the tax consolidation legislation. The contributions are allocated by reference to the notional taxable income of each Australian entity. The head entity is QBE Insurance Group Limited.

7. GROUP STRUCTURE

Overview

This section provides information to help users understand the Group structure, including the impact of changes in the financial year. This includes acquisitions and disposals of businesses, intangible assets acquired or developed and the results of impairment reviews.

7.1 Intangible assets

Overview

Intangible assets are assets with no physical substance. The most significant classes of intangible assets are detailed below:

Lloyd's syndicate capacity

The Lloyd's syndicate capacity intangible asset relates to the syndicate capacity acquired as part of the acquisition of QBE Underwriting Limited (formerly trading as Limit) in 2000 and costs incurred as a result of increasing capacity since that date. Syndicate capacity is the aggregate of the premium limits of each member of that syndicate at a point in time. An existing capital provider has the first right to participate on the next year of account, giving the indefinite right to participate on all future years of account. The Group has demonstrated a long-term commitment to developing its operations at Lloyd's. The value of this asset is in the access it gives to future underwriting profits at Lloyd's. For these reasons, Lloyd's syndicate capacity is deemed to have an indefinite useful life.

Customer relationships

Customer relationships comprise the capitalisation of future profits relating to insurance contracts acquired and the expected renewal of those contracts. It also includes the value of distribution networks and agency relationships. Customer relationships are amortised over remaining lives of up to eight years depending on the classes of business to which the assets relate.

Brand names

These assets reflect the revenue generating ability of acquired brands. In some circumstances, brand names are considered to have an indefinite useful life due to the long-term nature of the asset.

Insurance licences

These assets give the Group the right to operate in certain geographic locations and to write certain classes of business with a potential to generate additional revenue. In some cases, these are considered to have an indefinite useful life due to their long-term nature; however, where there is a finite useful life, assets are amortised over the remaining period, up to 15 years.

Software

This includes both acquired and internally developed software which is not integral or closely related to an item of hardware such as an underwriting system. Capitalised software is amortised over periods of up to 10 years, reflecting the period during which the Group is expected to benefit from the use of the software.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets acquired. Goodwill has an indefinite useful life and therefore is not subject to amortisation but is tested for impairment annually, or more often if there is an indication of impairment.

7. GROUP STRUCTURE

2021	IDENTIFIABLE INTANGIBLES						GOODWILL	TOTAL
	LLOYD'S SYNDICATE CAPACITY US$M	CUSTOMER RELATION-SHIPS US$M	BRAND NAMES US$M	INSURANCE LICENCES US$M	SOFTWARE US$M	OTHER US$M	US$M	US$M
Cost								
At 1 January	**87**	**455**	**27**	**148**	**442**	**19**	**2,107**	**3,285**
Additions	**–**	**–**	**–**	**–**	**91**	**–**	**–**	**91**
Impairment	**–**	**–**	**–**	**(2)**	**–**	**–**	**–**	**(2)**
Disposals	**–**	**–**	**–**	**–**	**(1)**	**–**	**–**	**(1)**
Foreign exchange	**(1)**	**(1)**	**(1)**	**(7)**	**(40)**	**–**	**(91)**	**(141)**
At 31 December	**86**	**454**	**26**	**139**	**492**	**19**	**2,016**	**3,232**
Amortisation								
At 1 January	**–**	**(412)**	**(22)**	**(79)**	**(219)**	**(19)**	**–**	**(751)**
Amortisation[1]	**–**	**(16)**	**–**	**(2)**	**(51)**	**–**	**–**	**(69)**
Foreign exchange	**–**	**2**	**–**	**4**	**31**	**–**	**–**	**37**
At 31 December	**–**	**(426)**	**(22)**	**(77)**	**(239)**	**(19)**	**–**	**(783)**
Carrying amount								
At 31 December	**86**	**28**	**4**	**62**	**253**	**–**	**2,016**	**2,449**

1 Amortisation of $50 million is included in underwriting expenses as it relates to intangible assets integral to the Group's underwriting activities.

2020	IDENTIFIABLE INTANGIBLES						GOODWILL	TOTAL
	LLOYD'S SYNDICATE CAPACITY US$M	CUSTOMER RELATION-SHIPS US$M	BRAND NAMES US$M	INSURANCE LICENCES US$M	SOFTWARE US$M	OTHER US$M	US$M	US$M
Cost								
At 1 January	84	454	26	152	378	19	2,330	3,443
Additions	–	–	–	–	71	–	–	71
Impairment	–	(3)	–	(11)	(34)	–	(390)	(438)
Disposals/transfer to assets held for sale	–	–	–	(3)	(1)	–	–	(4)
Foreign exchange	3	4	1	10	28	–	167	213
At 31 December	87	455	27	148	442	19	2,107	3,285
Amortisation								
At 1 January	–	(388)	(21)	(70)	(155)	(18)	–	(652)
Amortisation[1]	–	(21)	–	(2)	(50)	(1)	–	(74)
Foreign exchange	–	(3)	(1)	(7)	(14)	–	–	(25)
At 31 December	–	(412)	(22)	(79)	(219)	(19)	–	(751)
Carrying amount								
At 31 December	87	43	5	69	223	–	2,107	2,534

1 Amortisation of $46 million is included in underwriting expenses as it relates to intangible assets integral to the Group's underwriting activities.

How we account for the numbers

Intangible assets are measured at cost less accumulated amortisation and impairment. Those with a finite useful life are amortised over their estimated useful life in accordance with the pattern of expected consumption of economic benefits, with amortisation expense reported in underwriting and other expenses or in amortisation and impairment of intangibles depending on the use of the asset. Intangible assets with an indefinite useful life are not subject to amortisation but are tested for impairment annually or more frequently if there are indicators of impairment. Intangible assets with a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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7.1.1 Impairment testing of intangible assets

Overview

An intangible asset's recoverable value is the greater of its value in use and its fair value less cost to sell.

For intangible assets with a finite life, if there are indicators that the intangible asset's recoverable value has fallen below its carrying value (e.g. due to changing market conditions), an impairment test is performed and a loss is recognised for the amount by which the carrying value exceeds the asset's recoverable value.

Intangible assets that have an indefinite useful life, such as goodwill, are tested annually for impairment or more frequently where there is an indication that the carrying amount may not be recoverable.

Goodwill is allocated to cash-generating units, or groups of cash-generating units, expected to benefit from synergies arising from the acquisition giving rise to the goodwill. Cash-generating units or groups of cash-generating units reflect the level at which goodwill is monitored for impairment by QBE. As the Group acquires or disposes of operations or reorganises the way that operations are managed, reporting structures may change, giving rise to a reassessment of cash-generating units and the allocation of goodwill to those cash-generating units.

The goodwill relating to certain acquisitions is denominated in currencies other than the US dollar and so is subject to foreign exchange movements.

Goodwill is analysed by groups of cash-generating units as follows:

	2021 US$M	2020 US$M
North America	**358**	358
International	**524**	546
Australia Pacific	**1,134**	1,203
	2,016	2,107

Impairment losses

During 2021, insurance licences of $2 million were impaired.

During 2020, $390 million of goodwill relating to North America and $48 million of identifiable intangible assets were impaired.

7. GROUP STRUCTURE

How we account for the numbers

Impairment testing of identifiable intangible assets

The recoverable amount of each intangible asset with an indefinite useful life has been determined by reference to a value in use calculation based on the following key assumptions and estimates:

- Cash flow forecasts relevant to the initial valuation of the identifiable intangible asset are reviewed and updated (if appropriate). Cash flow forecasts are based on a combination of actual performance to date and expectations of future performance based on prevailing and anticipated market factors.
- Discount rates include a beta and a market risk premium sourced from observable market information and a specific risk premium appropriate to reflect the nature of the risk associated with the intangible asset or the cash-generating unit to which the asset is allocated.

Impairment testing of goodwill

The recoverable amount of each cash-generating unit or group of cash-generating units has been determined by reference to a value in use calculation based on the following key assumptions and estimates:

- Cash flow forecasts reflect combined operating ratio and investment return assumptions that build from the latest three-year business plan. These forecasts cover a period of five years, with the final two years determined with reference to the terminal growth rates discussed below. The cash flow forecasts are based on a combination of historical performance and expectations of future performance based on prevailing and anticipated market factors and the benefit of committed cost saving measures.
- Terminal value is calculated using a perpetuity growth formula from the end of the cash flow forecast period. Growth rates reflect the long-term average growth rates of the countries relevant to the cash-generating unit or group of cash-generating units and are based on observable market information. The terminal growth rates used in impairment testing are: North America 2.3% (2020 2.3%), Australia Pacific 2.5% (2020 2.5%) and International 2.0% (2020 2.0%).
- Discount rates reflect a beta and a market risk premium sourced from observable market information and a specific risk premium appropriate to reflect the nature of the business of each cash-generating unit or group of cash-generating units. The pre-tax discount rates used were: North America 9.7% (2020 9.8%), Australia Pacific 12.8% (2020 12.5%) and International 8.9% (2020 9.0%). The post-tax discount rates used were: North America 7.6% (2020 7.8%), Australia Pacific 9.1% (2020 9.1%) and International 7.2% (2020 7.3%).

Critical accounting judgements and estimates

Based on the detailed impairment test completed in respect of goodwill relating to North America, the headroom (being the excess of recoverable value over carrying value) at the current balance date increased to $83 million compared with nil at 31 December 2020. The valuation continues to be highly sensitive to a range of assumptions, in particular the forecast combined operating ratio used in the terminal value calculation, discount rate and long-term investment return. The impact of changes in these key assumptions is shown in the table below and each change has been calculated in isolation from other changes. In practice, this is considered unlikely to occur due to interrelationships between assumptions.

KEY ASSUMPTION	ASSUMPTION %	SENSITIVITY %	IMPACT OF SENSITIVITY ON CARRYING VALUE OF GOODWILL	ASSUMPTION AT WHICH HEADROOM IS NIL %
Terminal value combined operating ratio	98.5	+1	Impairment of $358 million	98.7
	(2020 98.5)	-1	Increase headroom to $641 million	
Long-term investment return	3.43	+1	Increase headroom to $863 million	3.33
	(2020 3.75)	-1	Impairment of $358 million	
Post-tax discount rate	7.6	+1	Impairment of $358 million	7.8
	(2020 7.8)	-1	Increase headroom to $733 million	

7.2 Controlled entities

Overview

This section lists the Group's controlled entities. The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company at 31 December 2021 and the results for the financial year then ended, or for the period during which control existed if the entity was acquired or disposed of during the financial year.

7.2.1 Controlled entities

	COUNTRY OF INCORPORATION/ FORMATION	EQUITY HOLDING 2021 %	EQUITY HOLDING 2020 %
Ultimate parent entity			
QBE Insurance Group Limited	Australia		
Controlled entities			
Anex Jenni & Partner SA (liquidated 19 March 2021)	Switzerland	**–**	100.00
Austral Mercantile Collections Pty Limited	Australia	**100.00**	100.00
Australian Aviation Underwriting Pool Pty Limited	Australia	**100.00**	100.00
Burnett & Company, Inc.	United States	**100.00**	100.00
Elders Insurance (Underwriting Agency) Pty Limited	Australia	**80.00**	80.00
Equator Reinsurances Limited	Bermuda	**100.00**	100.00
General Casualty Company of Wisconsin	United States	**100.00**	100.00
General Casualty Insurance Company	United States	**100.00**	100.00
Greenhill BAIA Underwriting GmbH	Germany	**100.00**	100.00
Greenhill International Insurance Holdings Limited	United Kingdom	**100.00**	100.00
Greenhill Sturge Underwriting Limited	United Kingdom	**100.00**	100.00
Greenhill Underwriting Espana Limited	United Kingdom	**100.00**	100.00
Insurance Box Holdings Pty Limited (deregistered 22 March 2021)	Australia	**–**	100.00
Insurance Box Pty Limited (deregistered 4 February 2021)	Australia	**–**	100.00
Lifeco s.r.o.	Czech Republic	**100.00**	100.00
NAU Country Insurance Company	United States	**100.00**	100.00
North Pointe Insurance Company	United States	**100.00**	100.00
Praetorian Insurance Company	United States	**100.00**	100.00
QBE (PNG) Limited	PNG	**100.00**	100.00
QBE Administration Services, Inc.	United States	**100.00**	100.00
QBE Americas, Inc.	United States	**100.00**	100.00
QBE Asia Pacific Holdings Limited	Hong Kong	**100.00**	100.00
QBE Asia Services Sdn. Bhd (incorporated 3 May 2021)	Malaysia	**100.00**	–
QBE Blue Ocean Re Limited	Bermuda	**100.00**	100.00
QBE Capital Funding III Limited (dissolved 16 December 2021)	Jersey	**–**	100.00
QBE Capital Funding IV Limited (dissolved 16 December 2021)	Jersey	**–**	100.00
QBE Corporate Limited	United Kingdom	**100.00**	100.00
QBE Emerging Markets Holdings Pty Limited	Australia	**100.00**	100.00
QBE Employee Share Trust[1]	Australia	**–**	–
QBE Europe Intermediary Services SAS (deregistered 27 December 2021)	France	**–**	100.00
QBE Europe SA/NV	Belgium	**100.00**	100.00
QBE European Operations plc	United Kingdom	**100.00**	100.00
QBE European Services Limited	United Kingdom	**100.00**	100.00
QBE European Underwriting Services (Australia) Pty Limited	Australia	**100.00**	100.00
QBE Finance Holdings (EO) Limited	United Kingdom	**100.00**	100.00
QBE FIRST Enterprises, LLC	United States	**100.00**	100.00
QBE FIRST Property Tax Solutions, LLC	United States	**100.00**	100.00
QBE General Insurance (Hong Kong) Limited	Hong Kong	**100.00**	100.00
QBE Group Services Pty Ltd	Australia	**100.00**	100.00
QBE Group Shared Services Limited	United Kingdom	**100.00**	100.00

7. GROUP STRUCTURE

	COUNTRY OF INCORPORATION/ FORMATION	EQUITY HOLDING 2021 %	2020 %
QBE Holdings (AAP) Pty Limited	Australia	**100.00**	100.00
QBE Holdings (EO) Limited	United Kingdom	**100.00**	100.00
QBE Holdings, Inc.	United States	**100.00**	100.00
QBE Hongkong & Shanghai Insurance Limited	Hong Kong	**100.00**	100.00
QBE Insurance (Australia) Limited	Australia	**100.00**	100.00
QBE Insurance (Fiji) Limited	Fiji	**100.00**	100.00
QBE Insurance (International) Pty Limited	Australia	**100.00**	100.00
QBE Insurance (Malaysia) Berhad	Malaysia	**100.00**	100.00
QBE Insurance (PNG) Limited	PNG	**100.00**	100.00
QBE Insurance (Singapore) Pte Ltd	Singapore	**100.00**	100.00
QBE Insurance (Vanuatu) Limited	Vanuatu	**100.00**	100.00
QBE Insurance (Vietnam) Company Limited	Vietnam	**100.00**	100.00
QBE Insurance Corporation	United States	**100.00**	100.00
QBE Insurance Holdings Pty Limited	Australia	**100.00**	100.00
QBE International Markets Pte Ltd	Singapore	**100.00**	100.00
QBE Investments (Australia) Pty Limited	Australia	**100.00**	100.00
QBE Investments (North America), Inc.	United States	**100.00**	100.00
QBE Irish Share Incentive Plan[1]	Ireland	**–**	–
QBE Latin America Insurance Holdings Pty Ltd	Australia	**100.00**	100.00
QBE Lenders' Mortgage Insurance Limited	Australia	**100.00**	100.00
QBE Management (Ireland) Limited	Ireland	**100.00**	100.00
QBE Management, Inc.	United States	**100.00**	100.00
QBE Management Services (Philippines) Pty Limited	Australia	**100.00**	100.00
QBE Management Services (UK) Limited	United Kingdom	**100.00**	100.00
QBE Management Services Pty Limited	Australia	**100.00**	100.00
QBE Mortgage Insurance (Asia) Limited	Hong Kong	**100.00**	100.00
QBE Partner Services (Europe) LLP	United Kingdom	**100.00**	100.00
QBE Regional Companies (N.A.), Inc.	United States	**100.00**	100.00
QBE Reinsurance Corporation	United States	**100.00**	100.00
QBE Reinsurance Services (Bermuda) Limited	Bermuda	**100.00**	100.00
QBE Services Inc	Canada	**100.00**	100.00
QBE SK s.r.o. (dissolved 19 January 2021)	Slovakia	**–**	100.00
QBE Specialty Insurance Company	United States	**100.00**	100.00
QBE s.r.o.	Czech Republic	**100.00**	100.00
QBE Stonington Insurance Holdings Inc	United States	**100.00**	100.00
QBE Strategic Capital (Europe) Limited	United Kingdom	**100.00**	100.00
QBE Strategic Capital (International) Limited	United Kingdom	**100.00**	100.00
QBE Strategic Capital Company Pty Limited	Australia	**100.00**	100.00
QBE UK Finance IV Limited	United Kingdom	**100.00**	100.00
QBE UK Limited	United Kingdom	**100.00**	100.00
QBE UK Share Incentive Plan[1]	United Kingdom	**–**	–
QBE Underwriting Limited	United Kingdom	**100.00**	100.00
QBE Underwriting Services (Ireland) Limited	Ireland	**100.00**	100.00
QBE Underwriting Services (UK) Limited	United Kingdom	**100.00**	100.00
QBE Ventures Pty Limited	Australia	**100.00**	100.00
QBE Workers Compensation (NSW) Limited (dormant)	Australia	**100.00**	100.00
QBE Workers Compensation (VIC) Pty Limited (dormant)	Australia	**100.00**	100.00
Queensland Insurance (Investments) Pte Limited (in liquidation)	Fiji	**100.00**	100.00
Regent Insurance Company	United States	**100.00**	100.00
Ridgwell Fox & Partners (Underwriting Management) Limited (dissolved 20 February 2021)	United Kingdom	**–**	100.00
Sinkaonamahasarn Company Limited[2]	Thailand	**49.00**	49.00
Southern National Risk Management Corporation	United States	**100.00**	100.00

	COUNTRY OF INCORPORATION/ FORMATION	EQUITY HOLDING 2021 %	EQUITY HOLDING 2020 %
Southern Pilot Insurance Company	United States	**100.00**	100.00
Standfast Corporate Underwriters Limited	United Kingdom	**100.00**	100.00
Stonington Insurance Company	United States	**100.00**	100.00
Trade Credit Collections Pty Limited	Australia	**100.00**	100.00
Trade Credit Underwriting Agency NZ Limited	New Zealand	**100.00**	100.00
Trade Credit Underwriting Agency Pty Limited	Australia	**100.00**	100.00
Westwood Insurance Agency	United States	**100.00**	100.00

1 QBE Employee Share Trust, QBE Irish Share Incentive Plan and QBE United Kingdom Share Incentive Plan have been included in the consolidated financial statements as these entities are special purpose entities that exist for the benefit of the Group.
2 Although QBE has less than a 50% equity interest in Sinkaonamahasarn Company Limited, controlled entities have the right to acquire the remaining share capital.

All equity in controlled entities is held in the form of shares or through contractual arrangements.

How we account for the numbers

Controlled entities

Control exists when the Group is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over it. All transactions between and with controlled entities are eliminated in full. Non-controlling interests in the results and equity of controlled entities are shown separately in the consolidated statement of comprehensive income, balance sheet and statement of changes in equity.

Where control of an entity commences during a financial year, its results are included in the consolidated statement of comprehensive income from the date on which control is obtained. Where control of an entity ceases during a financial year, its results are included for that part of the year during which the control existed.

A change in ownership of a controlled entity without the gain or loss of control is accounted for as an equity transaction.

8. OTHER

Overview

This section includes other information that must be disclosed to comply with the Australian Accounting Standards or the *Corporations Act 2001*.

8.1 Other accounting policies

8.1.1 New accounting standards and amendments adopted by the Group

The Group adopted the following new or amended accounting standards from 1 January 2021:

TITLE	
AASB 2020-4	*Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions*
AASB 2020-8	*Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*

The adoption of these revised standards did not significantly impact the Group's accounting policies or financial statements.

In March 2021, the IFRIC issued an agenda decision on *Configuration or Customisation Costs in a Cloud Computing Arrangement*. The IFRIC decision is consistent with the Group's accounting policies and did not materially impact the Group's financial statements.

8.1.2 New accounting standards and amendments issued but not yet effective

TITLE		OPERATIVE DATE
AASB 2014-10	*Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2022
AASB 2020-3	*Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments*	1 January 2022
AASB 2021-3	*Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions beyond 30 June 2021*	1 January 2022
AASB 2020-1	*Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*	1 January 2023
AASB 2021-2	*Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*	1 January 2023
AASB 2021-5	*Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
AASB 17	*Insurance Contracts*	1 January 2023

The Australian Accounting Standards and amendments detailed in the table above are not mandatory for the Group until the operative dates stated; however, early adoption is often permitted.

The Group currently plans to adopt the standards and amendments detailed above in the reporting periods beginning on their respective operative dates. An assessment of the financial impact of the standards and amendments has been undertaken and they are not expected to have a material impact on the Group's financial statements, except where noted below.

AASB 17 *Insurance Contracts*

AASB 17, a new accounting standard for insurance contracts, was adopted by the AASB in July 2017. In June 2020, the IASB issued *Amendments to IFRS 17* which deferred the effective date from 1 January 2021 to 1 January 2023 and made significant amendments to the standard in response to feedback from, and implementation issues raised by, stakeholders. These amendments were adopted by the AASB in July 2020.

Measurement of insurance contracts

Measurement models

The standard introduces a new 'general model' for the recognition and measurement of insurance contracts. The liability for remaining coverage (which represents insurance coverage to be provided after the balance date) under the general model is measured as the sum of:

- the present value of expected future cash flows and a risk adjustment (collectively referred to as the 'fulfilment cash flows'); and
- a contractual service margin, being the unearned profit, which is recognised as insurance revenue in profit or loss over the coverage period of the contracts. The contractual service margin is earned based on a pattern of coverage units which may not be the same as the pattern of incidence of risk used to earn gross written premium under AASB 1023 *General Insurance Contracts* (AASB 1023).

AASB 17 permits the use of a simplified approach (which is similar to the current basis on which general insurance is brought to account under AASB 1023) if the liability for remaining coverage under the simplified approach is not expected to materially differ from that under the general model, or if the coverage period of the contracts is less than one year. QBE has developed a model and methodology for assessing eligibility of contracts with coverage periods of greater than one year to apply the simplified approach. Our preliminary assessment, which involves detailed modelling under a range of scenarios as well as a qualitative assessment of contract features, has determined that the simplified approach is expected to apply to more than 98% of the Group's business based on gross written premium.

For groups of contracts that apply the simplified approach and have a coverage period of one year or less, AASB 17 provides an option to recognise any insurance acquisition costs as expenses when incurred. QBE does not plan to apply this option and expects to amortise acquisition costs over the coverage period of the related insurance contracts, consistent with current accounting under AASB 1023.

Onerous contracts

AASB 17 requires the identification of 'groups' of onerous contracts which are expected to be determined at a more granular level of aggregation than the level at which the liability adequacy test is performed under AASB 1023. Contracts that are measured using the simplified approach are assumed not to be onerous unless facts and circumstances indicate otherwise. QBE has developed a framework for identifying relevant facts and circumstances that may be indicators of possible onerous contracts which includes consideration of management information provided to the Group Executive Committee for planning and performance management purposes.

If such facts and circumstances that may be indicators of possible onerous contracts exist, the onerous contract losses are measured based on an estimation of fulfilment cash flows and are recognised in profit or loss. Models for measuring potential onerous contract losses are currently being developed, tested and approved. Onerous contract losses must be measured on a gross basis (excluding the effect of reinsurance), with the impact on equity and profit or loss mitigated by the deduction of related income on reinsurance recoveries to the extent that the onerous contracts are covered by reinsurance. The financial impact is still being determined but the application of the onerous contracts requirements could result in a decrease in opening equity on adoption of AASB 17.

Risk adjustment

The measurement of insurance contract liabilities will include a risk adjustment which replaces the risk margin under AASB 1023. The risk margin under AASB 1023 reflects the inherent uncertainty in the net discounted central estimate, whereas the risk adjustment is defined as the compensation required for bearing the uncertainty that arises from non-financial risk. Similar to the risk margin, the risk adjustment includes the benefit of diversification. AASB 17 requires the disclosure of the confidence level that corresponds to the risk adjustment used in the measurement of insurance contract liabilities. The application of the AASB 17 requirements is one of substantial judgement and QBE is currently defining the methodology for determining the risk adjustment and, in doing so, is giving consideration to evolving industry interpretation. Given QBE's ongoing work on this complex component of the standard, the financial impact cannot be reasonably estimated at the balance date.

Discount rates

AASB 1023 requires the net central estimate of outstanding claims to be discounted using risk-free rates as described in note 2.3.4. AASB 17 requires estimates of future cash flows to be discounted to reflect the time value of money and financial risks related to those cash flows but does not prescribe a methodology for determining the discount rates used. QBE expects to apply a 'bottom-up approach' which uses risk-free rates adjusted to reflect the illiquidity characteristics of the insurance contracts, which could result in higher discount rates relative to current requirements. The methodology and impact of reflecting illiquidity within discount rates is currently being determined.

Foreign exchange

Insurance contract assets and liabilities that are denominated in foreign currency are treated as monetary items under AASB 17. This differs from current industry practice in respect of unearned premium and deferred insurance costs which are treated as non-monetary items. The financial impact of this change will be known once the other measurement impacts of AASB 17 have been determined and will be impacted by the exchange rates at the balance date. QBE will reassess its operational and translational currency exposures, as well as related risk management strategies, once the impacts are reasonably estimable.

Interim reporting

AASB 17 provides an option to change the treatment of accounting estimates made in interim financial statements when applying AASB 17 in the subsequent annual financial statements (i.e. a 'year-to-date basis'). QBE expects to apply this option and will measure accounting estimates on a year-to-date basis which is consistent with current practice.

Presentation and disclosure

The standard introduces significant changes to the presentation and disclosure of insurance line items in the financial statements, introducing new line items on the balance sheet and statement of comprehensive income and increased disclosure requirements compared with existing reporting requirements.

Existing insurance and reinsurance contract line items on the balance sheet (including trade debtors arising from general insurance contracts, unearned premium, deferred insurance costs, gross outstanding claims and reinsurance and other recoveries on outstanding claims) will be replaced with insurance contract assets and liabilities, and reinsurance contract assets and liabilities. Insurance contract liabilities under AASB 17 will include all cash flows that directly relate to the fulfillment of insurance contracts (direct and inward reinsurance), including acquisition, claims settlement, policy administration and maintenance costs. It also includes other costs such as direct overheads which are currently recognised in trade and other payables on the balance sheet.

8. OTHER

Transition

AASB 17 will be applied retrospectively to all of QBE's insurance contracts on transition except to the extent that it is impracticable to do so, in which case either a modified retrospective or fair value approach may be applied. QBE expects to apply a modified retrospective approach to certain contracts acquired in the past (e.g. as part of a business combination) that, at the time of acquisition, were considered past expiry and were in their claims settlement period. For these contracts, the related liabilities are expected to be classified as liabilities for incurred claims, on the basis that it would be impracticable to treat these liabilities as related to unexpired coverage. QBE is currently performing an assessment to conclude on the expected transition approach to be applied for the remainder of the business.

Financial impact

The requirements of AASB 17 are complex and the expectations noted above are subject to change as the implementation progresses and as QBE continues to analyse the impacts of the standard and recent amendments. Market developments also continue to be monitored in order to assess the impact of evolving interpretations and other changes. The financial impact of adopting AASB 17 cannot be reasonably estimated at the date of this report. QBE intends to disclose the potential financial impact of adopting AASB 17 once it is practical to provide a reliable estimate.

Implementation progress

QBE has performed an impact assessment which identified the key areas of expected impact. Group-wide accounting guidance and application methodologies are being developed, and a global implementation team has been mobilised to progress the detailed design and implementation of required changes to financial reporting systems.

In addition to concluding on methodology decisions in relation to the areas of judgement described above, the implementation team is currently focused on the development and testing of actuarial models as well as the implementation of changes to finance systems and reporting processes. Complementing these changes, QBE's transition approach also includes the development and delivery of training to the global finance teams and relevant stakeholders on the new requirements and their practical application.

8.2 Contingent liabilities

Overview

Contingent liabilities are disclosed when the possibility of a future settlement of economic benefits is considered to be less than probable but more likely than remote. If the expected settlement of the liability becomes probable, a provision is recognised.

QBE is required to support the underwriting activities of the Group's controlled entities including corporate members at Lloyd's. Funds at Lloyd's are those funds of the Group which are subject to the terms of the Lloyd's Deposit Trust Deed and are required to support underwriting for the following year and the open years of account, determined by a formula prescribed by Lloyd's each year. At the balance date, letters of credit and similar forms of support of $2,177 million (2020 $2,085 million) were in place in respect of the Group's participation in Lloyd's, along with cash and investments of $106 million (2020 $250 million). In addition, a controlled entity has entered into various trust and security deeds with Lloyd's in respect of assets lodged to support its underwriting activities. These deeds contain covenants that require the entity to meet financial obligations should they arise in relation to cash calls from syndicate participations. A cash call would be made first on the assets held in syndicate trust funds and would only call on funds at Lloyd's after syndicate resources were exhausted. Only if the level of these trust funds was not sufficient would a cash call result in a draw down on the letters of credit and other assets lodged with Lloyd's.

In the normal course of business, the Group is also exposed to contingent liabilities in relation to claims litigation and regulatory examinations arising out of its insurance and reinsurance activities. The Group may also be exposed to the possibility of contingent liabilities in relation to insurance and non-insurance litigation including but not limited to regulatory test cases and class actions, taxation and compliance matters, which may result in legal or regulatory penalties and financial or non-financial losses and other impacts. QBE is currently defending a representative class action in Australia relating to policyholders with business interruption policies (refer to note 1.2.3).

Entities in the Group may also provide guarantees to support representations in commercial transactions.

8.3 Offsetting financial assets and liabilities

The Group has $243 million (2020 $261 million) receivable from and payable to a single counterparty which are fully set off in the balance sheet in accordance with Australian Accounting Standards, on the basis that the Group intends to settle these on a net basis and has a legally enforceable right to do so.

8.4 Reconciliation of profit or loss after income tax to net cash flows from operating activities

Overview

AASB 1054 *Australian Additional Disclosures* requires a reconciliation of profit or loss after income tax to net cash flows from operating activities.

	2021 US$M	2020 US$M
Profit (loss) after income tax	**757**	(1,511)
Adjustments for:		
Depreciation and impairment of property, plant and equipment	**37**	40
Amortisation of right-of-use lease assets	**60**	68
Amortisation/impairment of intangibles	**71**	512
Loss on sale of entities and businesses	**–**	2
Share of net loss of associates	**7**	5
Net foreign exchange losses	**4**	29
Fair value losses on financial assets	**409**	206
Equity-settled share-based payments expense	**32**	20
Balance sheet movements:		
Increase in trade debtors	**(1,920)**	(433)
Increase in net operating assets	**(229)**	(142)
Increase in trade payables	**1,755**	378
Increase in gross outstanding claims liability	**753**	1,760
Increase in unearned premium	**1,422**	635
Increase in deferred insurance costs	**(474)**	(262)
Increase in net defined benefit obligation	**2**	1
Decrease (increase) in net tax assets	**68**	(74)
Net cash flows from operating activities	**2,754**	1,234

8. OTHER

8.5 Share-based payments

Overview

Share-based payments are equity-based compensation schemes provided to employees and executives. The Company issues shares from time to time under an Employee Share and Option Plan (the Plan). Any full-time or part-time employee of the Group or any equally-owned joint venture who is offered shares or options is eligible to participate in the Plan.

8.5.1 Share schemes

A summary of deferred equity award plans is set out below:

PLAN	AVAILABLE TO:	NATURE OF AWARD	VESTING CONDITIONS
Executive Incentive Plan (EIP) (2017–2021)	Executives (before 1 Jan 2019) and other key senior employees	• 40%-50% delivered in cash. • 50%-60% deferred as conditional rights[1] to fully paid ordinary shares of the Company.	The conditional rights are deferred in four equal tranches, such that 25% vests on each of the first, second, third and fourth anniversaries of the award. EIP outcomes are subject to the achievement of: • a blend of divisional combined operating ratios (COR) for 2021, or Group COR for 2017-2020, and cash ROE targets; • divisional COR targets in the case of divisional employees; and • individual performance objectives reflecting QBE's strategic priorities.
Short-term Incentive (STI) (2014–2021)	Executives and other key senior employees	• 67% delivered in cash (50% in the case of the Group CEO). • 33% deferred as conditional rights to fully paid ordinary shares of the Company (50% in the case of the Group CEO).	The conditional rights are deferred in two equal tranches such that 50% vests on the first anniversary of the award and 50% vests on the second anniversary of the award. STI outcomes are subject to the achievement of: • a blend of divisional CORs for 2021, or Group COR for 2017-2020, and cash ROE targets; • divisional COR targets[2] in the case of divisional employees; and • individual performance objectives reflecting QBE's strategic priorities.
Long-term incentive (LTI) (2019–2021)	Executives	• Conditional rights to fully paid ordinary QBE shares.	On achievement of the performance measures at the end of a three-year performance period, conditional rights vest in three tranches as follows: • 33% at the end of the three-year performance period; • 33% on the first anniversary of the end of the performance period; and • 34% on the second anniversary of the end of the performance period. Vesting is subject to performance conditions as follows: • 50% of each tranche is subject to the achievement against the Group ROE performance target based on the average of three individual annual performance ranges set over three individual years (for 2021 awards), or a three-year average target (for 2019 and 2020 awards); and • 50% of each tranche is based on the Group's relative total shareholder return, compared against two independent peer groups, over a three-year performance period.

1 For participants outside Australia, the deferred component may be delivered in equal shares of conditional rights and cash.
2 Divisional return on allocated capital targets until 31 December 2016.

Additionally:
- plan rules provide suitable discretion for the People & Remuneration Committee to adjust any formulaic outcome to ensure that awards made under the EIP, STI and LTI appropriately reflect performance;
- during the period from the grant date to the vesting date, further conditional rights are issued under the BSP to reflect dividends paid on ordinary shares of the Company. These conditional rights are subject to the same vesting conditions as the original grant of conditional rights;
- recipients must remain in the Group's service throughout the service period in order for the awards to vest, except in cases where good leaver provisions apply. Vesting is also subject to malus, with clawback provisions applicable to 2021 allocations under the plan;
- under good leaver provisions (e.g. retirement, redundancy, ill health, injury or mutually agreed separation), conditional rights remain subject to the performance and vesting conditions; and
- once vested, conditional rights can be exercised for no consideration.

8.5.2 Conditional rights

Details of the number of employee entitlements to conditional rights to ordinary shares granted, vested and transferred to employees during the year are as follows:

	2021 NUMBER OF RIGHTS	2020 NUMBER OF RIGHTS
At 1 January	**13,247,240**	13,484,807
Granted	**4,061,715**	3,999,178
Dividends attaching	**83,887**	357,956
Vested and transferred to employees	**(4,196,217)**	(2,827,980)
Forfeited	**(2,212,696)**	(1,766,721)
At 31 December	**10,983,929**	13,247,240
Weighted average share price at date of vesting of conditional rights during the year	**A$9.41**	A$13.10
Weighted average fair value of conditional rights granted during the year	**A$9.23**	A$12.35

8.5.3 Fair value of conditional rights

The fair value of conditional rights granted during the year was determined using the following significant assumptions:

		2021	2020
Five-day volume weighted average price of instrument at grant date	A$	**9.30–12.01**	7.49–14.91
Expected volatility	%	**25–27**	21–24
Risk-free rate	%	**0.09–0.81**	0.18–0.68
Expected life of instrument	Years	**0.1–5.0**	0.1–5.0

The fair value is determined using appropriate models including Monte Carlo simulations, depending on the vesting conditions. Some of the assumptions used may be based on historical data which is not necessarily indicative of future trends. Reasonable changes in these assumptions would not have a material impact on the Group's financial statements.

8.5.4 Employee options

The market value of all shares underlying the options at the balance date was A$0.2 million (2020 A$0.1 million). During 2021, no options were cancelled or forfeited. At 31 December 2021, 17,000 remained, excluding notional dividends (2020 17,000). The options were issued to employees in 2004 in lieu of shares under the Plan. The options vested immediately and are exercisable until March 2024.

8.5.5 Share-based payment expense

This expense, which includes amounts in relation to cash-settled share-based payment awards, was $36 million (2020 $20 million). These amounts are included in underwriting and other expenses.

8.5.6 Shares purchased on-market

The Group may purchase shares on-market to satisfy entitlements under employee share schemes. The Group acquired 0.1 million (2020 0.2 million) such shares during the period at an average price of A$11.07 (2020 A$13.18).

How we account for the numbers

The fair value of the employee services received in exchange for the grant of equity-settled instruments is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the instruments granted, excluding the impact of any non-market vesting conditions. The impacts of non-market vesting conditions are included in assumptions about the number of instruments that are expected to become exercisable.

The fair value of each instrument is recognised evenly over the service period ending at the vesting date; however, at each balance date, the Group revises its estimates of the number of instruments that are expected to become exercisable due to the achievement of non-market vesting conditions. The Group recognises the impact of the revision of original estimates, if any, in profit or loss with a corresponding adjustment to equity.

8. OTHER

8.6 Key management personnel

Overview

AASB 124 *Related Party Disclosures* requires disclosure of the compensation of directors (executive and non-executive) and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly. This group is collectively defined as key management personnel. Additional details in respect of key management personnel and their remuneration are shown in the Remuneration Report.

	2021 US$000	2020 US$000
Short-term employee benefits	**15,711**	10,060
Post-employment benefits	**166**	162
Other long-term employment benefits	**82**	38
Share-based payments	**11,254**	2,793
Termination benefits	**–**	622
	27,213	13,675

How we account for the numbers

Short-term employee benefits – profit sharing and bonus plans

A provision is recognised for profit sharing and bonus plans where there is a contractual obligation or where past practice has created a constructive obligation at the end of each reporting period. Bonus or profit sharing obligations are settled within 12 months from the balance date.

Post-employment benefits – defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays a fixed contribution into a fund during the course of employment and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Contributions to defined contribution plans are expensed as incurred.

Other long-term employee employment benefits

The liabilities for long service leave and annual leave are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using high quality corporate bond yields with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

Share-based payments

Further information in relation to remuneration under equity-based compensation schemes is provided in note 8.5.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the date when the Group:

- can no longer withdraw the offer of those benefits; and
- recognises costs for a restructuring that is within the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

8.7 Defined benefit plans

Overview

Defined benefit plans are post-employment plans which provide benefits to employees on retirement, disability or death. The benefits are based on years of service and an average salary calculation. Contributions are made to cover the current cash outflows from the plans and a liability is recorded to recognise the estimated accrued but not yet funded obligations.

		FAIR VALUE OF PLAN ASSETS		PRESENT VALUE OF PLAN OBLIGATIONS		NET RECOGNISED SURPLUSES (DEFICITS)	
	DATE OF LAST ACTUARIAL ASSESSMENT	2021 US$M	2020 US$M	2021 US$M	2020 US$M	2021 US$M	2020 US$M
Defined benefit plan surpluses							
Iron Trades Insurance staff trust	31 Dec 2021	**365**	363	**(285)**	(299)	**80**	64
Janson Green final salary superannuation scheme[1]	31 Dec 2021	**197**	209	**(185)**	(208)	**12**	1
		562	572	**(470)**	(507)	**92**	65
Defined benefit plan deficits							
QBE the Americas plan[1]	31 Dec 2021	**214**	258	**(224)**	(259)	**(10)**	(1)
Other plans[2]	31 Dec 2021	**34**	44	**(53)**	(65)	**(19)**	(21)
		248	302	**(277)**	(324)	**(29)**	(22)

1 Defined benefit plan obligations are funded.
2 Other plans include $11 million (2020 $12 million) of defined benefit post-employment plan obligations that are not funded.

The measurement of assets and liabilities in defined benefit plans makes it necessary to use assumptions about discount rates, expected future salary increases, investment returns, inflation and life expectancy. If actual outcomes differ materially from actuarial assumptions, this could result in a significant change in employee benefit expense recognised in profit or loss or in actuarial remeasurements recognised in other comprehensive income, together with the defined benefit assets and liabilities recognised in the balance sheet.

The Group does not control the investment strategies of defined benefit plans; they are managed by independent trustees. Nonetheless, the Group has agreed, as part of ongoing funding arrangements, that the trustees should manage their strategic asset allocation in order to minimise the risk of material adverse impact. In particular, the Group has agreed with the trustees to reduce the level of investment risk by investing in assets that match, where possible, the profile of the liabilities. This involves holding a mixture of government and corporate bonds. The Group believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is also appropriate.

The charge recognised in profit or loss in the year of $2 million (2020 $3 million) is included in underwriting expenses. Total employer contributions expected to be paid to the various plans in 2022 amount to $1 million.

How we account for the numbers

The surplus or deficit recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate or government bonds that are denominated in the currency in which the benefits will be paid, and that have a term to maturity approximating the term of the related superannuation liability. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, and are recognised in other comprehensive income. Past service costs are recognised immediately in profit or loss.

8. OTHER

8.8 Remuneration of auditors

Overview

QBE may engage the external auditor for non-audit services other than excluded services subject to the general principle that fees for non-audit services should not exceed 50% of all fees paid to the external auditor in any one financial year. The Board believes some non-audit services are appropriate given the external auditor's knowledge of the Group. External tax services are generally provided by an accounting firm other than the external auditor. Consistent with prior periods, the external auditor cannot provide the excluded services of preparing accounting records or financial reports or acting in a management capacity.

	2021 US$000	2020 US$000
PricewaterhouseCoopers (PwC) Australian firm		
Audit or review of financial reports of the ultimate parent entity	**2,022**	1,868
Audit of financial reports of controlled entities	**2,258**	1,805
Audit of statutory returns	**591**	483
Other assurance services	**515**	920
Taxation services	**14**	32
Advisory services	**524**	505
	5,924	5,613
Related practices of PwC Australian firm (including overseas PwC firms)		
Audit of financial reports of controlled entities	**9,157**	9,654
Audit of statutory returns	**2,640**	2,824
Other assurance services	**53**	130
Taxation services	**34**	74
Advisory services	**72**	102
	11,956	12,784
	17,880	18,397
Audit and assurance services	**17,236**	17,684
Other services	**644**	713
	17,880	18,397
Other auditors		
Audit of financial reports of controlled entities	**1,101**	15

8.9 Ultimate parent entity information

Overview

The *Corporations Act 2001* requires the disclosure of summarised financial information relating to the ultimate parent entity, QBE Insurance Group Limited.

8.9.1 Summarised financial data of QBE Insurance Group Limited (the Company)

	2021 US$M	2020 US$M
Loss after income tax	**(73)**	(78)
Other comprehensive loss	**(727)**	(1,011)
Total comprehensive loss	**(800)**	(1,089)
Assets due within 12 months[1]	**1,737**	1,366
Shares in controlled entities	**14,012**	14,860
Total assets	**15,749**	16,226
Liabilities payable within 12 months[2]	**451**	504
Borrowings	**3,511**	3,016
Total liabilities	**3,962**	3,520
Net assets	**11,787**	12,706
Contributed equity	**9,777**	10,273
Treasury shares held in trust	**(2)**	(1)
Foreign currency translation reserve	**137**	315
Other reserves	**112**	116
Retained profits	**1,763**	2,003
Total equity	**11,787**	12,706

1 Includes amounts due from QBE companies of $667 million (2020 $977 million).
2 Includes amounts due to QBE companies of $379 million (2020 $255 million).

8.9.2 Guarantees and contingent liabilities

	2021 US$M	2020 US$M
Support of the Group's participation in Lloyd's	**2,177**	2,085
Support of other insurance operations of controlled entities	**2,512**	2,187
Guarantees to investors in subordinated debt[1]	**–**	1,443

1 Excludes subordinated debt owned by the ultimate parent entity.

8.9.3 Tax consolidation legislation

The accounting in relation to the legislation is set out in note 6.2.4. On adoption of the tax consolidation legislation, the directors of the Company and its wholly-owned Australian controlled entities entered into a tax sharing and tax funding agreement that requires the Australian entities to fully compensate the Company for current tax liabilities and to be fully compensated by the Company for any current tax or deferred tax assets in respect of tax losses arising from external transactions occurring after the date of implementation of the tax consolidation legislation. The contributions are allocated by reference to the notional taxable income of each Australian entity.

Details of franking credits available to shareholders are shown in note 5.4.

How we account for the numbers

The financial information of the ultimate parent entity of the Group has been prepared on the same basis as the consolidated financial report except for shares in controlled entities, which are recorded at cost less any provision for impairment.

Directors' declaration

FOR THE YEAR ENDED 31 DECEMBER 2021

In the directors' opinion:

(a) the financial statements and notes set out on pages 82 to 153 are in accordance with the *Corporations Act 2001*, including:

 (i) complying with accounting standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

 (ii) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1.2.1 confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Group Chief Executive Officer and Group Chief Financial Officer required by section 295A of the *Corporations Act 2001* and as recommended under the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

Signed in Sydney this 18th day of February 2022 in accordance with a resolution of the directors.

Michael Wilkins AO
Director

Andrew Horton
Director

Independent auditor's report

TO THE MEMBERS OF QBE INSURANCE GROUP LIMITED

Report on the audit of the Financial Report

Our opinion

In our opinion:

The accompanying Financial Report of QBE Insurance Group Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group Financial Report comprises:

- the consolidated balance sheet as at 31 December 2021
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Independent auditor's report

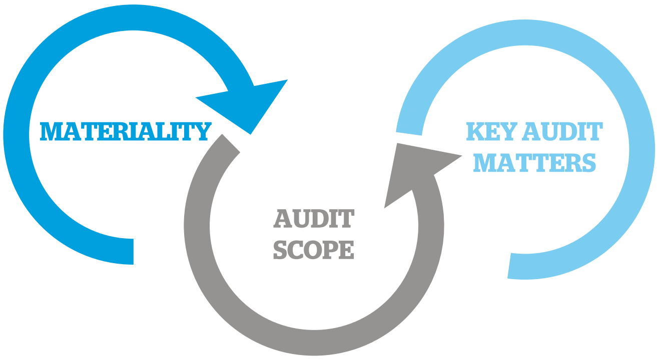
TO THE MEMBERS OF QBE INSURANCE GROUP LIMITED

pwc

Our audit approach

An audit is designed to provide reasonable assurance about whether the Financial Report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Financial Report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit we used overall Group materiality of US$60 million, which represents approximately 0.5% of the Group's net earned premium.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the Financial Report as a whole.
- We chose Group net earned premium because, in our view, it is a key financial statement metric used in assessing the performance of the Group and is not as volatile as other profit or loss measures.
- We utilised a 0.5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. To conduct this risk assessment, we considered the inherent risks facing the Group, including those arising from its respective business operations, and how the Group manages these risks.
- In conjunction with component auditors, we conducted an audit of the most financially significant components, being the Australia Pacific, International and North America divisions. In addition, we performed specified risk focused audit procedures in relation to the captive reinsurer, Equator Re, and other head office entities. Further audit procedures were performed over the consolidation process.
- We determined the level of direction and supervision we needed to have over the audit work performed by component auditors to be satisfied that sufficient audit evidence had been obtained for the purposes of our opinion.
- We kept in regular communication with component auditors throughout the year with conference calls and written instructions.
- We also ensured that our team, including the component auditors across the Group, possessed the appropriate competence and capabilities needed for the audit of a complex global insurer. This included industry expertise as well as specialists and experts in IT, actuarial, tax and valuations.

1 Performance overview
2 Operating and financial review
3 Governance
4 Directors' Report
5 Financial Report
6 Other information

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report for the current period. The key audit matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit Committee.

Key audit matter	How our audit addressed the key audit matter

Valuation of net outstanding claims liability

(Refer to note 2.3) $17,525 million

The liability for outstanding claims relates to claims incurred during the year or prior periods, net of any reinsurance and other recoveries.

The liability for outstanding claims is estimated by the Group as a central estimate but, as is the case with any accounting estimate, there is a risk that the ultimate claims paid will differ from the initial estimate. A risk margin is therefore applied by the Group to reflect the uncertainty in the estimate. The central estimate and risk margin combined, which are estimated based on judgements and actuarial expertise, are intended to achieve a probability of adequacy within the Group's desired range of 87.5% - 92.5%, being the estimated overall sufficiency of the liability to pay future claims.

We considered the valuation of the net outstanding claims liability a key audit matter due to:

- The significant judgement required by the Group and the inherent uncertainty in estimating the expected future payments for claims incurred, including those not yet reported.
- The uncertainty related to catastrophe events, particularly those occurring closer to year end, and in relation to classes of business where there is a greater length of time between the initial claim event and settlement, because of the inherent difficulty in assessing amounts until further evidence is available.
- The uncertainty created by the COVID-19 pandemic on particular classes of business including property business interruption, credit exposed lines and certain long-tail classes as a result of ongoing legal test cases, wider macroeconomic impacts and other factors.
- Models used to calculate the net outstanding claims liability across the Group are complex and judgement is applied in determining the appropriate construct of the models.
- The higher degree of auditor subjectivity and effort in performing procedures and evaluating audit evidence related to significant assumptions, particularly patterns of claims incidence, reporting and payments.
- The audit effort required the use of experts with specialised skills and knowledge.

Together with PwC actuarial experts, our procedures included:

Gross discounted central estimate

- Evaluating the design of the Group's relevant controls over the claims reserving process and assessing whether a sample of these controls operated effectively throughout the year.
- Evaluating whether the Group's actuarial methodologies were consistent with recognised practices and with prior periods.
- Evaluating the appropriateness and reliability of data used to derive the central estimate, including testing a sample of case estimates and settlement by agreeing to underlying documentation.
- Assessing the appropriateness of significant actuarial assumptions such as patterns of claims incidence, reporting and payments, focusing on those classes of business which present a higher risk and in particular those impacted by the COVID-19 pandemic. We assessed these assumptions by comparing them with our expectations based on the Group's experience, current trends and benchmarks, and our own industry knowledge.
- Testing the discount assumptions applied through evaluating the yield curves and claims payment patterns. This included comparing the rates applied to external market data and the payment patterns to historical information.

Reinsurance and other recoveries

- Evaluating a sample of reinsurance recoveries held by divisions and the Group against underlying contracts to assess the existence of cover and appropriateness of their recognition, including making inquiries regarding legal advice obtained by the Group.
- Assessing the recoverability of reinsurance recoveries by considering the payment history and credit worthiness of reinsurer counterparties for a sample of reinsurance recoveries.

Independent auditor's report

TO THE MEMBERS OF QBE INSURANCE GROUP LIMITED

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Key audit matter	How our audit addressed the key audit matter
	Risk margin and probability of adequacy • Assessing the Group's approach to setting the risk margin in accordance with the requirements of Australian Accounting Standards, with a focus on the assessed level of uncertainty in the net central estimate leading to a change in the margin year on year. • Considering the Group's key judgements about the variability of each class of business underwritten and the extent of correlation within each division based on the Group's experience and prior periods. • Evaluating the Group's calculation of the probability of adequacy for reasonableness and consistency with previous valuations by developing an understanding of and testing the actuarial techniques applied by the Group. We also considered the reasonableness of the Group's disclosures against the requirements of Australian Accounting Standards.
Carrying value of goodwill (Refer to note 7.1.1) $2,016 million An impairment assessment is performed annually by the Group, or more frequently if events or circumstances indicate that the carrying value of goodwill may be impaired. Potential impairment is identified by comparing the value-in-use of a cash-generating unit (CGU) to its carrying value, including goodwill. The value-in-use for each of the CGUs is estimated by the Group using a discounted cash flow model which includes significant judgements and assumptions relating to cash flow projections, investment returns, terminal growth rates, and discount rates. We considered the carrying value of goodwill a key audit matter due to: • The inherent estimation uncertainty and subjectivity in judgements in a number of assumptions, including cash flow projections, investment returns, terminal growth rates and discount rates. • Models used to calculate value-in-use are complex and judgement is applied in determining the appropriate construct of the models. • The higher degree of auditor subjectivity and effort in performing procedures and evaluating audit evidence in relation to significant assumptions, particularly cash flow projections. • The audit effort required the use of experts with specialised skills and knowledge.	Our procedures included: • Evaluating the determination and composition of the CGUs to which goodwill is allocated. • Evaluating the appropriateness of the value-in-use methodology adopted against the requirements of Australian Accounting Standards. • Developing an understanding of the process by which the cash flow projections were developed and comparing the cash flows included in the impairment assessment with the three year business plan presented to the Board. • Evaluating the reasonableness of significant assumptions used to derive the cash flow projections by comparing to external market and industry data where available, and current and past performance of the CGUs. • Together with PwC valuation experts, we: – Assessed the consistency of the terminal growth rates and investment returns with available external information. – Reperformed the calculation of the discount rates applied to cash flow projections, comparing key inputs (including risk-free rates, market premiums and unlevered betas) to industry and other benchmarks. • Testing the mathematical accuracy of the models which were used to determine the value-in-use of the CGUs. We also considered the reasonableness of the Group's disclosures against the requirements of Australian Accounting Standards.

Key audit matter	How our audit addressed the key audit matter
Recoverability of deferred tax assets in the North American tax group (Refer to note 6.2.1) $295 million The Group holds deferred tax assets comprised of carry forward tax losses and deductible temporary differences related to the North American tax group. The Group performs a recoverability assessment at each balance date in order to evaluate the expected utilisation of the deferred tax assets. The assessment is largely dependent upon the future profitability of the North American CGU, as well as the period over which tax losses will be available for recovery, and the execution of any future tax planning strategies. We considered the recoverability of the deferred tax assets in the North American tax group a key audit matter due to: • The inherent estimation uncertainty and subjectivity in judgements in a number of assumptions, including cash flow projections, investment returns, and terminal growth rates. • The higher degree of auditor subjectivity and effort in performing procedures and evaluating audit evidence related to significant assumptions, particularly cash flow projections.	Our procedures included: • Evaluating the appropriateness of the recoverability assessment against the requirements of Australian Accounting Standards, and in particular the "convincing other evidence" test under AASB 112 *Income Taxes*. • Evaluating the appropriateness of significant assumptions used to derive the cash flow projections, by comparing with external market and industry data where available, and current and past performance of the North American CGU. • Comparing cash flow projections and other assumptions used in the recoverability assessment to those used for the goodwill impairment assessment for the North American CGU. • Testing the mathematical accuracy of the model which was used to determine the recoverability of the deferred tax assets. We also considered the reasonableness of the Group's disclosures against the requirements of Australian Accounting Standards.

Independent auditor's report

TO THE MEMBERS OF QBE INSURANCE GROUP LIMITED

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Key audit matter	How our audit addressed the key audit matter
Valuation of level 3 investments (Refer to note 3.2.1) $1,697 million The Group held US$28,111 million of investments at 31 December 2021, of which US$1,697 million were classified as level 3 in accordance with AASB 13 *Fair Value Measurements*. The Group exercises judgement in valuing level 3 investments as there are significant unobservable inputs as a result of market illiquidity and/or instrument complexity. The level 3 investments held at fair value largely consist of infrastructure assets and unlisted property trusts. We considered the valuation of level 3 investments a key audit matter due to: • The extent of judgement involved in determining the fair value of investments as a result of significant unobservable market inputs. • The level of effort required in evaluating audit evidence obtained in relation to the valuation, and use of experts with specialised skills and knowledge.	Our procedures included: • Evaluating the design of the Group's relevant controls over the investments process and assessing whether a sample of these controls operated effectively throughout the year. • Evaluating the appropriateness of the valuation methodologies used against the requirements of Australian Accounting Standards. • For infrastructure assets and unlisted property trusts, where the Group determines the fair value with reference to external information, we: – Compared the price used by the Group to the 31 December 2021 price quoted by the fund manager. – Obtained the most recent audited financial statements of the relevant funds and evaluated the reliability and accuracy of past statements. – Inspected the most recent reports provided by the fund manager setting out the controls in place at the fund manager, and that included an independent audit opinion over the design and operating effectiveness of those controls, where available. We also considered the reasonableness of the Group's disclosures against the requirements of Australian Accounting Standards.
Operation of IT systems and controls The Group's operations and financial reporting systems are heavily dependent on IT systems, including automated accounting procedures and IT dependent manual controls. The Group's IT controls over IT systems include: • The framework of governance over IT systems. • Controls over program development and changes. • Controls over access to programs, data and IT operations. • Governance over generic and privileged user accounts. We considered this a key audit matter given the reliance on the IT systems in the financial reporting process and the impact on relevant controls we seek to rely on as part of our audit.	Our procedures included: • Evaluating the design and testing the operating effectiveness of key controls over the continued integrity of the IT systems that are relevant to financial reporting. Where we identified design and operating effectiveness issues relating to IT systems or application controls relevant to our audit, we performed alternative audit procedures. • Assessing the operation of key applications to establish the accuracy of selected calculations, the correct generation of certain reports, and to evaluate the correct operation of selected automated controls and technology-dependent manual controls. • Where technology services were provided by a third party, we considered assurance reports from the third party's auditor on the design and operating effectiveness of controls and management's monitoring controls over third parties.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report for the year ended 31 December 2021, but does not include the Financial Report and our auditor's report thereon.

Our opinion on the Financial Report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the Financial Report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Independent auditor's report

TO THE MEMBERS OF QBE INSURANCE GROUP LIMITED

Report on the Remuneration Report

Our opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 56 to 78 of the Directors' Report for the year ended 31 December 2021.

In our opinion, the Remuneration Report of QBE Insurance Group Limited for the year ended 31 December 2021 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

V. Papageorgiou

Voula Papageorgiou
Partner

Sydney
18 February 2022

Shareholder information

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

Registered office

QBE Insurance Group Limited
Level 18, 388 George Street
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 reports, 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 dividends 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)

Website: 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.

Shareholding details online

Manage your shareholding online by visiting QBE's share registry, Computershare. Log onto www.investorcentre.com to view your holding balance and dividend statements, to update your address (if you are registered with an SRN) or direct credit instructions, provide DRP or BSP instructions or change/add your tax file number (TFN)/Australian Business Number (ABN) details.

You may also register to receive shareholder documentation electronically including your dividend statements, notices of meetings and proxy and annual reports.

Privacy legislation

Chapter 2C of the *Corporations Act 2001* requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in QBE's share register. These details must continue to be included in the public register even if you cease to be a securityholder. A copy of the privacy policy is available on Computershare's website.

Dividends

QBE pays cash dividends to shareholders resident in Australia and New Zealand by direct credit. Shareholders in the United Kingdom and the United States also have the option to receive their cash dividends by direct credit, although it is not mandatory. The benefit to shareholders of the direct credit facility is access to cleared funds quickly and securely, reducing the risk of cheques being lost or stolen. Shareholders in other countries will receive cheque payments in Australian dollars if they have not elected to receive their payment by direct credit. Shareholders receive a dividend statement for tax records, either by post or by email depending on the selected communications option.

Eligible shareholders can participate in QBE's DRP and BSP when the plans are active. The DRP enables shareholders to subscribe for additional shares. The BSP is a bonus share plan whereby the dividend entitlement is forgone for bonus shares in lieu of the dividend. In order to participate in either the DRP or BSP, shareholders must have a minimum shareholding of 100 shares and have a registered address in Australia or New Zealand.

Participants may change their election to participate in the DRP and BSP at any time. DRP/BSP election cut-off dates and application forms are available from QBE's website.

Shareholder information continued

Tax File Number (TFN), Australian Business Number (ABN) or exemption – Australian residents

You can confirm whether you have lodged your TFN, ABN or exemption by visiting Computershare's Investor Centre. If you choose not to lodge these details, QBE is obliged to deduct tax at the highest marginal rate (plus the Medicare levy) from the unfranked portion of dividends paid. Australian shareholders living abroad should advise Computershare of their resident status.

Conduit foreign income (CFI)

Shareholders will receive CFI credits in respect of the whole unfranked portion of QBE dividends. These credits exempt non-resident shareholders from Australian withholding tax.

Unpresented cheques/unclaimed money

Under the Unclaimed Moneys Act 1950, unclaimed dividends six or more years old must be given to the Australian Capital Territory. It is very important that shareholders bank outstanding dividend cheques promptly and advise Computershare immediately of changes of address or bank account details.

Recent QBE dividends

DATE PAID	TYPE	RECORD DATE	AUSTRALIAN CENTS PER SHARE	FRANKING %
28 March 2013	Final	8 March 2013	10	100
23 September 2013	Interim	2 September 2013	20	100
31 March 2014	Final	13 March 2014	12	100
23 September 2014	Interim	29 August 2014	15	100
13 April 2015	Final	6 March 2015	22	100
2 October 2015	Interim	28 August 2015	20	100
14 April 2016	Final	11 March 2016	30	100
28 September 2016	Interim	26 August 2016	21	50
13 April 2017	Final	10 March 2017	33	50
29 September 2017	Interim	25 August 2017	22	30
20 April 2018	Final	9 March 2018	4	30
5 October 2018	Interim	24 August 2018	22	30
18 April 2019	Final	8 March 2019	28	60
4 October 2019	Interim	23 August 2019	25	60
9 April 2020	Final	6 March 2020	27	30
25 September 2020	Interim	21 August 2020	4	10
24 September 2021	Interim	20 August 2021	11	10

Annual General Meeting

The Annual General Meeting of QBE Insurance Group Limited will be held at 10am on Thursday, 5 May 2022. Details of the meeting, including information about how to vote, will be contained in our notice of meeting.

Annual Report mailing list

Amendments to the *Corporations Act 2001* have removed the obligation for companies to mail an annual report to shareholders. To improve efficiency, save costs and reduce our impact on the environment by minimising unnecessary use of paper and printing resources, QBE's Annual Report is published on our website at www.qbe.com.

If you wish to receive a hard copy of the Annual Report, please update your communication preferences by logging into your shareholding at www.investorcentre.com.

Top 20 shareholders as at 31 January 2022

NAME	NUMBER OF SHARES	% OF TOTAL
HSBC Custody Nominees (Australia) Limited	502,000,177	34.00
J P Morgan Nominees Australia Pty Limited	371,562,463	25.16
Citicorp Nominees Pty Limited	164,334,093	11.13
National Nominees Limited	97,676,185	6.62
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	30,926,462	2.09
BNP Paribas Noms Pty Ltd (DRP)	30,353,565	2.06
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	29,336,220	1.99
HSBC Custody Nominees (Australia) Limited – A/C 2	11,502,844	0.78
BNP Paribas Nominees Pty Ltd Six Sis Ltd (DRP A/C)	9,481,319	0.64
Argo Investments Limited	9,040,088	0.61
HSBC Custody Nominees (Australia) Limited (NT-Comnwlth Super Corp A/C)	8,418,712	0.57
Netwealth Investments Limited (Wrap Services A/C)	3,946,732	0.27
CPU Share Plans Pty Ltd (QBE Ves Control A/C)	3,597,504	0.24
BNP Paribas Nominees Pty Ltd (Global Markets DRP)	3,315,085	0.22
HSBC Custody Nominees (Australia) Limited – GSCO Customers A/C)	3,115,542	0.21
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd (DRP A/C)	2,557,778	0.17
UBS Nominees Pty Ltd	1,863,532	0.13
Mutual Trust Pty Ltd	1,849,220	0.13
BNP Paribas Noms (NZ) Ltd (DRP)	1,452,606	0.10
The Senior Master Of The Supreme Court (Common Fund No 3 A/C)	1,433,614	0.10
	1,287,763,741	87.22

QBE substantial shareholders as at 31 January 2022

NAME	NUMBER OF SHARES	% OF TOTAL	DATE OF NOTICE[1]
AustralianSuper Pty Ltd	108,811,707	7.37	29 October 2021
Vanguard Group (The Vanguard Group, Inc and its controlled entities)	80,289,148	6.06	17 May 2019
BlackRock Group (and its associated entities)	76,689,478	6.03	6 June 2019

1 Percentage of total at date of notice.

Distribution of shareholders and shareholdings as at 31 January 2022

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1 to 1,000	46,475	58.15	18,016,525	1.23
1,001 to 5,000	26,679	33.39	60,248,282	4.08
5,001 to 10,000	4,242	5.31	29,724,798	2.01
10,001 to 100,000	2,405	3.01	49,968,096	3.38
100,001 and over	109	0.14	1,318,555,065	89.30
Total	79,910	100.00	1,476,512,766	100.00

Shareholdings of less than a marketable parcel as at 31 January 2022

	SHAREHOLDERS		SHARES	
	NUMBER	% OF TOTAL	NUMBER	% OF TOTAL
Holdings of 45 or fewer shares	4,504	5.64	81,860	0.0055

Financial calendar

YEAR	MONTH	DAY	ANNOUNCEMENT
2022	**February**	**18**	Results and dividend announcement for the full year ended 31 December 2021
	March	**7**	Shares begin trading ex dividend
		8	Record date for determining shareholders' entitlement to the 2021 final dividend
		9	DRP/BSP election close date - last day to nominate participation in the DRP or BSP
	April	**12**	Payment date for the 2021 final dividend
	May	**5**	2022 Annual General Meeting
	June	**30**	Half year end
	August	**11**[1]	Results and dividend announcement for the half year ended 30 June 2022
		18[1]	Shares begin trading ex dividend
		19[1]	Record date for determining shareholders' entitlement to the 2022 interim dividend
		22[1]	DRP/BSP election close date – last day to nominate participation in the DRP or BSP
	September	**23**[1]	Payment date for the 2022 interim dividend
	December	**31**	Full year end

1 Dates shown may be subject to change.

10-year history

FOR THE YEAR ENDED 31 DECEMBER

		2021	2020	2019[1]	2018[1]	2017[1]	2016	2015	2014	2013	2012
Profit or loss information											
Gross written premium	US$M	**18,457**	14,643	13,442	13,657	13,328	14,395	15,092	16,332	17,975	18,434
Gross earned premium	US$M	**17,035**	14,008	13,257	13,601	13,611	14,276	14,922	16,521	17,889	18,341
Net earned premium	US$M	**13,408**	11,708	11,609	11,640	11,351	11,066	12,314	14,084	15,396	15,798
Claims ratio	%	**62.4**	76.3	69.8	63.6	71.5	58.2	60.4	63.2	64.5	66.0
Commission ratio	%	**15.5**	16.1	15.6	16.9	17.1	18.4	17.2	16.8	16.8	16.2
Expense ratio	%	**13.6**	15.0	14.6	15.4	15.9	17.4	17.3	16.1	16.5	14.9
Combined operating ratio	%	**91.5**	107.4	100.0	95.9	104.5	94.0	94.9	96.1	97.8	97.1
Investment income											
before investment gains/losses	US$M	**531**	432	555	690	576	641	541	676	691	723
after investment gains/losses	US$M	**122**	226	1,036	547	758	746	665	814	772	1,227
Insurance profit (loss)	US$M	**1,215**	(727)	647	826	(60)	1,075	1,031	1,074	841	1,262
Insurance profit (loss) to net earned premium	%	**9.1**	(6.2)	5.6	7.1	(0.5)	9.7	8.4	7.6	5.5	8.0
Financing and other costs	US$M	**247**	252	257	305	302	294	244	297	345	324
Operating profit (loss)											
before income tax	US$M	**913**	(1,472)	672	627	(793)	1,072	953	931	(448)	941
after income tax and non-controlling interests	US$M	**750**	(1,517)	571	567	(1,212)	844	687	742	(254)	761
Balance sheet and share information											
Number of ordinary shares on issue[2]	millions	**1,477**	1,471	1,305	1,327	1,358	1,370	1,370	1,363	1,247	1,194
Shareholders' equity	US$M	**8,881**	8,491	8,153	8,381	8,859	10,284	10,505	11,030	10,356	11,358
Total assets	US$M	**49,303**	46,625	40,035	39,582	43,862	41,583	42,176	45,000	47,271	50,748
Net tangible assets per share[2]	US$	**4.36**	4.05	4.11	4.22	4.29	4.90	5.07	5.32	4.75	4.49
Borrowings to total capital	%	**26.9**	25.8	24.0	24.5	27.1	24.1	24.0	24.1	32.8	32.9
Basic earnings (loss) per share[2]	US cents	**47.5**	(108.5)	41.8	29.0	(91.5)	61.6	50.3	57.4	(22.8)	65.1
Basic earnings (loss) per share – adjusted cash basis[3]	US cents	**54.6**	(60.7)	55.7	51.4	(19.2)	65.5	65.3	63.5	62.9	89.1
Diluted earnings (loss) per share	US cents	**47.2**	(108.5)	41.5	28.6	(91.5)	60.8	49.8	55.8	(22.8)	61.6
Return on average shareholders' equity	%	**8.6**	(18.2)	6.7	4.5	(13.0)	8.1	6.4	6.9	(2.3)	7.0
Dividend per share	Australian cents	**30**	4	52	50	26	54	50	37	32	50
Dividend payout	A$M	**443**	59	681	669	356	741	685	492	394	593
Total investments and cash[4]	US$M	**28,967**	27,735	24,374	22,887	26,141	25,235	26,708	28,583	30,619	31,525

1 Profit or loss information for 2017 to 2019 excludes the results of discontinued operations.
2 Reflects shares on an accounting basis.
3 Calculated with reference to adjusted cash profit or loss, being profit or loss after tax adjusted for impairment of intangibles and other non-cash items net of tax as well as coupons on Additional Tier 1 instruments.
4 Includes financial assets at fair value through profit or loss, cash and cash equivalents and investment properties; excludes balances held for sale.

Glossary

Accident year claims	The matching of all claims occurring (regardless of when reported or paid) during a given 12-month period with all premium earned over the same period.
Acquisition cost	The total of net commission and underwriting and other expenses incurred in the generation of net earned premium and often expressed as a percentage of net earned premium.
Admitted insurance	Insurance written by an insurance company that is admitted (or licensed) to do business in the state in the United States in which the policy was sold.
Agent	One who negotiates contracts of insurance or reinsurance as an insurance company's representative i.e. the agent's primary responsibility is to the insurance company, not the insured party.
Aggregate reinsurance	Reinsurance cover that provides protection for an accumulation of claims arising from multiple events over a specified period of time.
APRA	Australian Prudential Regulation Authority, being the Group's primary insurance regulator.
Attachment point	The amount of claims retained by the cedant in a reinsurance arrangement, after which reinsurance protection will apply.
Attritional claims ratio	Total of all claims with a net cost of less than $2.5 million as a percentage of net earned premium.
Borrowings to total capital	The Group's gearing ratio (also referred to as debt to total capital), calculated as borrowings expressed as a percentage of total capital. Total capital is shareholders' equity plus Tier 1 instruments classified as liabilities (which are excluded from borrowings for the purposes of this calculation), and subordinated debt.
Broker	One who negotiates contracts of insurance or reinsurance on behalf of an insured party, receiving a commission from the insurance or reinsurance company for placement and other services rendered. In contrast with an agent, the broker's primary responsibility is to the insured party, not the insurance company.
Capacity	In relation to a Lloyd's member, the maximum amount of insurance premium (gross of reinsurance but net of brokerage) which a member can accept. In relation to a syndicate, it is the aggregate of each member's capacity allocated to that syndicate.
Captive	A licensed entity within the Group that provides reinsurance protection to other controlled entities.
Cash profit or loss	Profit or loss after tax attributable to QBE shareholders, adjusted for the post-tax effect of amortisation and impairment of intangibles and other non-cash items.
Casualty insurance	Insurance that is primarily concerned with the claims resulting from injuries to third persons or their property (i.e. not the policyholder) and the resulting legal liability imposed on the insured. It includes, but is not limited to, general liability, employers' liability, workers' compensation, professional liability, public liability and motor liability insurance.
Catastrophe reinsurance	A reinsurance contract (often in the form of excess of loss reinsurance) that, subject to specified limits and retention, compensates the ceding insurer for financial losses related to an accumulation of claims resulting from a catastrophe event or series of events.
Claim	The amount payable under a contract of insurance or reinsurance arising from a loss relating to an insured event.
Claims incurred	The aggregate of all claims paid during an accounting period adjusted for the change in the claims provision in that accounting period.
Claims provision	The estimate of the most likely cost of settling present and future claims and associated claims adjustment expenses plus a risk margin to cover possible fluctuation of the liability.

Claims ratio	Net claims incurred as a percentage of net earned premium.
Coefficient of variation	The measure of variability in the net discounted central estimate used in the determination of the probability of adequacy.
Combined operating ratio (COR)	The sum of the net claims ratio, commission ratio and expense ratio. A combined operating ratio below 100% indicates an underwriting profit. A combined operating ratio over 100% indicates an underwriting loss.
Commercial lines	Refers to insurance for businesses, professionals and commercial establishments.
Commission	Fee paid to an agent or broker as a percentage of the policy premium. The percentage varies widely depending on coverage, the insurer and the marketing methods.
Commission ratio	Net commission expense as a percentage of net earned premium.
Credit spread	The difference in yield between a bond and a reference yield (e.g. LIBOR, BBSW or a fixed sovereign bond yield).
Credit spread duration	The weighted average term of cash flows for a corporate bond. It is used to measure the price sensitivity of a corporate bond to changes in credit spreads.
Deductible	The amount or proportion of some or all losses arising under an insurance contract that the insured must bear.
Deferred acquisition costs	Acquisition costs relating to the unexpired period of risk of contracts in force at the balance date which are carried forward from one accounting period to subsequent accounting periods.
Excess of loss reinsurance	A form of reinsurance in which, in return for a premium, the reinsurer accepts liability for claims settled by the original insurer in excess of an agreed amount, generally subject to an upper limit.
Expense ratio	Underwriting and administrative expenses as a percentage of net earned premium.
Facultative reinsurance	The reinsurance of individual risks through a transaction between the reinsurer and the cedant (usually the primary insurer) involving a specified risk.
General insurance	Generally used to describe non-life insurance business including property and casualty insurance.
Gross claims incurred	The amount of claims incurred during an accounting period before deducting reinsurance recoveries.
Gross earned premium (GEP)	The proportion of gross written premium recognised as revenue in the current accounting period, reflecting the pattern of the incidence of risk and the expiry of that risk.
Gross written premium (GWP)	The total premium on insurance underwritten by an insurer or reinsurer during an accounting period, before deduction of reinsurance premium.
Incurred but not enough reported (IBNER)	The upward adjustment to claims incurred as a result of the initial under-estimation of the ultimate cost of claims.
Incurred but not reported (IBNR)	Claims arising out of events that have occurred before the end of an accounting period but have not been reported to the insurer by that date.
Insurance profit or loss	The sum of the underwriting result and net investment income or loss on assets backing policyholders' funds.
Insurance profit margin	The ratio of insurance profit or loss to net earned premium.
Inward reinsurance	See Reinsurance.

Glossary continued

Large individual risk and catastrophe claims ratio	The aggregate of claims each with a net cost of $2.5 million or more as a percentage of net earned premium.
Lead/non-lead underwriter	A lead underwriter operates in the subscription market and sets the terms and price of an insurance or reinsurance policy. The follower or non-lead underwriter is an underwriter of a syndicate or an insurance or reinsurance company that agrees to accept a proportion of a given risk on terms set by the lead underwriter.
Lenders' mortgage insurance (LMI)	A policy that protects the lender (e.g. a bank) against non-payment or default on the part of the borrower on a residential property loan.
Letters of credit (LoC)	Written undertaking by a financial institution to provide funding if required.
Limit	The maximum amount that a reinsurer will pay in respect of claims covered by a reinsurance contract.
Lloyd's	Insurance and reinsurance market in London. It is not a company but is a society of individuals and corporate underwriting members.
Lloyd's managing agent	An underwriting agent which has permission from Lloyd's to manage one or more syndicates and carry on underwriting and other functions for a member.
Long-tail	Classes of insurance business involving coverage for risks where notice of a claim may not be received for many years and claims may be outstanding for more than one year before they are finally quantifiable and settled by the insurer.
Managing General Agent (MGA)	A wholesale insurance agent with the authority to accept placements from (and often to appoint) retail agents on behalf of an insurer. MGAs generally provide underwriting and administrative services such as policy issuance on behalf of the insurers they represent. Some may handle claims.
Maximum event retention (MER)	An estimate of the largest claim to which an insurer will be exposed (taking into account the probability of that loss event at a return period of one in 250 years) due to a concentration of risk exposures, after netting off any potential reinsurance recoveries and inward and outward reinstatement premiums.
Modified duration	The weighted average term of cash flows in a bond. It is used to measure the price sensitivity of a bond to changes in interest rates.
Multi-peril crop insurance (MPCI)	United States federally regulated crop insurance protecting against crop yield losses by allowing participating insurers to insure a certain percentage of historical crop production.
Net claims incurred	The amount of claims incurred during an accounting period after deducting reinsurance recoveries.
Net claims ratio	Net claims incurred as a percentage of net earned premium.
Net earned premium (NEP)	Net written premium adjusted by the change in net unearned premium.
Net written premium (NWP)	The total premium on insurance underwritten by an insurer during a specified period after the deduction of premium applicable to reinsurance.
Outstanding claims liability	The amount of provision established for claims and related claims expenses that have occurred but have not been paid.
Personal lines	Insurance for individuals and families, such as private motor vehicle and homeowners' insurance.
Policyholders' funds	The net insurance liabilities of the Group.
Premium	Amount payable by the insured or reinsured in order to obtain insurance or reinsurance protection.

Premium solvency ratio	Ratio of net tangible assets to net earned premium. This is an important industry indicator in assessing the ability of general insurers to settle their existing liabilities.
Prescribed Capital Amount (PCA)	The sum of the capital charges for asset risk, asset concentration risk, insurance concentration risk and operational risk as required by APRA. The PCA must be disclosed at least annually.
Probability of adequacy	A statistical measure of the level of confidence that the outstanding claims liability will be sufficient to pay claims as and when they fall due.
Proportional reinsurance	A type of reinsurance in which the insurer and the reinsurer share claims in the same proportion as they share premiums.
Prudential Capital Requirement (PCR)	The sum of the PCA plus any supervisory adjustment determined by APRA. The PCR may not be disclosed.
Recoveries	The amount of claims recovered from reinsurance, third parties or salvage.
Reinsurance	An agreement to indemnify an insurer by a reinsurer in consideration of a premium with respect to agreed risks insured by the insurer. The enterprise accepting the risk is the reinsurer and is said to accept inward reinsurance. The enterprise ceding the risks is the cedant or ceding company and is said to place outward reinsurance.
Reinsurance to close	A reinsurance agreement under which members of a syndicate, for a year of account to be closed, are reinsured by members who comprise that or another syndicate for a later year of account against all liabilities arising out of insurance business written by the reinsured syndicate.
Reinsurer	The insurer that assumes all or part of the insurance or reinsurance liability written by another insurer. The term includes retrocessionaires, being insurers that assume reinsurance from a reinsurer.
Retention	That amount of liability for which an insurer will remain responsible after it has completed its reinsurance arrangements.
Retrocession	Reinsurance of a reinsurer by another reinsurance company.
Return on allocated capital (RoAC)	Divisional management-basis profit as a percentage of allocated capital as determined by the Group's economic capital model.
Return on equity (ROE)	Net profit after tax as a percentage of average shareholders' equity.
Short-tail	Classes of insurance business involving coverage for risks where claims are usually known and settled within 12 months.
Stop loss reinsurance	A form of excess of loss reinsurance which provides that the reinsurer will pay some or all of the reinsured's claims in excess of a stated percentage of the reinsured's premium income, subject (usually) to an overall limit of liability.
Surplus (or excess) lines insurers	In contrast to admitted insurers, every state in the United States also allows non-admitted (or surplus lines or excess lines) carriers to transact business where there is a special need that cannot or will not be met by admitted carriers. The rates and forms of non-admitted carriers generally are not regulated in that state, nor are the policies back-stopped by the state insolvency fund covering admitted insurance. Brokers must inform insurers if their insurance has been placed with a non-admitted insurer.
Survival ratio	A measure of how many years it would take for dust disease claims to exhaust the current level of claims provision. It is calculated on the average level of claims payments in the last three years.

Glossary continued

Syndicate	A member or group of members underwriting insurance business at Lloyd's through the agency of a managing agent.
Total investment income or loss	Gross investment income or loss including foreign exchange gains and losses and net of investment expenses.
Total shareholder return (TSR)	A measure of performance of a company's shares over time. It includes share price appreciation and dividend performance.
Treaty reinsurance	Reinsurance of risks in which the reinsurer is obliged by agreement with the cedant to accept, within agreed limits, all risks to be underwritten by the cedant within specified classes of business in a given period of time.
Underwriting	The process of reviewing applications submitted for insurance or reinsurance coverage, deciding whether to provide all or part of the coverage requested and determining the applicable premium.
Underwriting expenses	The aggregate of policy acquisition costs, excluding commissions, and the portion of administrative, general and other expenses attributable to underwriting operations.
Underwriting result	The amount of profit or loss from insurance activities exclusive of net investment income or loss and capital gains or losses.
Underwriting year	The year in which the contract of insurance commenced or was underwritten.
Unearned premium	The portion of a premium representing the unexpired portion of the contract term as of a certain date.
Volume weighted average price (VWAP)	A measure of the average trading price during a period, adjusted for the volume of transactions. This is often used for determining the share price applicable to dividend and other share-related transactions.

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