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6 May 2020

Mr Chris Killourhy
Chief Financial Office
QBE Insurance (Australia) Limited
2 Park Street Sydney NSW 2000

Dear Chris

Re: Actuarial Review of Proposed Transfer of the Insurance Business of Realcover Insurances Pty Limited ("Realcover") to QBE Insurance (Australia) Limited ("QIA")

Background and Purpose

The Real Estate Institute of New South Wales placed the insurance portfolio of its subsidiary insurance company, Realcover, into run off with effect from 1 July 2017. Realcover and QIA propose to enter into an arrangement to undertake a portfolio transfer under Part III Div 3A of the *Insurance Act 1973* (Cth).

I have been requested to review a proposed scheme for the transfer of Realcover's run-off professional indemnity insurance portfolio to QIA (the "Scheme") in my capacity as Appointed Actuary of QIA.

The purpose of this report is to:

1. comment on the independent Actuarial Report on the Scheme prepared by Ernst and Young (the "EY Report") dated 7 February 2020; and

2. consider the effect of the Scheme on Realcover's transferred policyholders and QIA's policyholders.

Comments on the EY Report

In its report, Ernst and Young ("EY") has provided an assessment of the impact of the Scheme on Realcover's policyholders as well as the impact on QIA's existing policyholders. The EY Report has been prepared by Warrick Gard, a partner of EY. Mr Gard's opinion is considered to be independent from QIA.

QIA has no objections with regards to the information related to its business presented in the EY Report.

I have reviewed EY's assessment of the impact of the implementation of the Scheme on QIA's financial position. I am of the opinion that the Scheme will have no adverse material impact on QIA's post transfer balance sheet and prescribed capital amount. This is expected given the small size of the portfolio to be transferred relative to QIA's current liabilities or premium pool.

Effect of the Scheme on policyholders

Mr Gard concluded that the interests of Realcover's transferred policyholders would not be materially adversely affected as a result of the Scheme becoming effective.

In assessing the impact of the Scheme on QIA's financial position, the EY Report concluded that it will not present any material adverse impact to QIA's policyholders from a capital perspective.

The EY Report also concluded that the interests of QIA's policyholders should not be adversely affected in any material way as a consequence of the Scheme.

I have reached the same conclusions based on:

- QIA policyholders would not be adversely impacted because the QIA PCA coverage ratio would be unchanged after the transfer;
- although the PCA coverage ratio for Realcover policyholders would fall after the transfer, my view is that the security of the policyholders would be increased by having access to a greater capital base from QIA as well as access to capital under the Contingent Capital Facility arrangement with QBE Group.

As Appointed Actuary of QIA, I am satisfied, based on the most recent financial information available to me, that the interests of the policyholders of QIA and the interests of Realcover's transferred policyholders will remain adequately protected under the proposed Scheme.

Yours sincerely

Francois Rademeyer

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QIA Appointed Actuary