

Group Chief Executive Officer's message



Demonstrating resilience in a **complex** **environment**

The operating environment has remained dynamic in 2023, given the complex geopolitical landscape and challenges relating to inflation. Against this backdrop I am pleased with the improved resilience in the business, as we remain focused on building greater consistency.

Recent years have demanded the need for organisations to respond and steer through complex circumstances. Our QBE teams around the world continue to demonstrate their commitment to our customers, and I am incredibly proud of their enthusiasm in our purpose of enabling a more resilient future.

Our efforts over the near term will continue to concentrate around resilience and reducing volatility, which should drive more consistent outcomes for our people, customers and stakeholders. We remain focused on delivering better performance in North America; and despite an unsatisfactory result this period, we have made the business simpler, terminated poorer performing property relationships, and performance is expected to improve with the run-off of non-core lines.

I am pleased with our internal appointments to the Group Executive Committee during the year. In September 2023, Peter Burton, who has over 15 years with QBE in underwriting and management, was appointed as Group Chief Underwriting Officer; and Julie Wood was appointed Chief Executive Officer, North America.

Business performance

Financial performance improved in the period, and QBE is demonstrating greater consistency and resilience. Our Group adjusted cash return on equity of 16.0% improved materially from the prior year.

Our combined operating ratio of 95.2% improved from 95.9% in the prior year; however this missed our original plan, largely due

to short-tail prior year reserve deterioration, and inflationary pressure across a small group of portfolios.

Reducing volatility remains a primary focus, and we have made good progress this year. Our property catastrophe exposure has undergone a dramatic recalibration, and will benefit from recent portfolio terminations plus material improvement in rate and terms.

Markets remain attractive, and we achieved gross written premium growth of 10%, driven by premium rate increases of 9.7%, which continue to compound.

We take comfort from the general stability in long-tail reserves in the year, with the reserve transaction completed in 1H23, a significant milestone in reducing potential reserve volatility. With global insured losses of around \$120 billion, it is encouraging to see our catastrophe costs land below allowance for the year.

Our North America division delivered a combined operating ratio of 103.7%. While performance will improve with the run-off of non-core lines, we remain focused on driving incremental performance improvement in our core segments.

Higher interest rates have supported a strong investment result for the period, and continue to suggest a positive outlook for returns in 2024.

For detailed discussion of Group and divisional performance, please refer to [pages 8 to 15](#) of this report.

Strategy in action

Our six strategic priorities remain consistent. We are focused on having the right capabilities, people and technology to deliver our strategy, drive competitive advantage and support our customers. Pages 6 and 7 of this report detail our progress and achievements against these priorities, along with future focus areas.

Our strategy to improve performance in North America remains a primary focus for the Board and management, and we are tasked to build a business which delivers performance that is consistent with our Group targets. We have renewed our focus on building and strengthening relationships with our major trading partners, and are confident we can successfully manage our priorities for the division. This includes the run-off of non-core lines, improvement in middle-market performance, driving growth in adjacent specialties and achieving better balance across our three core insurance segments of Crop, Speciality and Commercial.

Portfolio Optimisation and Sustainable Growth priorities play a critical role in our ambition to deliver a consistent Group combined operating ratio in the low to mid 90s. Our Portfolio Optimisation initiatives in 2023 focused on our property portfolio, where we have improved balance across the Group and reduced potential earnings volatility.

We want to accelerate QBE's data-centric capabilities and expand our ability to support customer resilience through new technologies, such as AI. We will continue to leverage technology to deliver better outcomes for customers through our Modernisation strategic priority and QBE Ventures initiatives.

Delivering against the strategic priorities outlined at the beginning of 2022 is uniting our enterprise and we have made good progress. We enter 2024 with a consistent set of strategic priorities and strong momentum across the enterprise.

Supporting our customers, communities and people

People are at the heart of our business, and it is the actions we take to support our customers, communities and people that underline this commitment. As a global insurer, QBE's portfolio is broad and diverse, helping customers recover from a range of unexpected events. We are proud of our dedicated people, who are experts in their fields across our business, and are there for our customers and partners around the world.

QBE has been there for families, businesses and communities who have been impacted by extreme weather events. This year there were a number of natural catastrophe events globally, including the flooding and cyclone events in New Zealand, earthquakes in Turkey and Syria and a series of powerful convective storms across the United States and Europe.

I am encouraged by the progress we are making on our sustainability agenda and integrating sustainability into our business. Importantly, from 2024 our long-term incentive target will have an element directly tied to our sustainability performance. We continue to progress against our three sustainability focus areas and further details can be found in our Sustainability Report, [Sustainability Data Book](#) and [pages 20 to 33](#) of this report. In October 2023, the QBE Foundation was recognised at the Australian Workplace Giving Awards and received three Runners Up Awards for Best Corporate and Charity Partnership for our Global Disaster Relief and Resilience Partnership, Best Grants Program and Best Innovation for QGiving (an employee fundraising and volunteering platform).

Outlook

Over the last two years, QBE has been focused on delivering greater resilience and consistency. I see meaningful progress across the business, and I am confident that we can drive further progress against our strategic priorities in 2024.

The alignment and connectivity across the enterprise has improved considerably in my time at QBE and we are motivated to deliver on our plan, better leverage our unique global platform and ultimately realise our potential.

We expect trading conditions to remain favourable in the year ahead. Challenges associated with inflation, geopolitics and climate should encourage further discipline, and we expect premium rates should remain supportive.

Against this backdrop, we forecast constant currency gross written premium growth in the mid-single digits for 2024, and a Group combined operating ratio of around 93.5%. Elevated interest rates should continue to support strong investment returns.

Andrew Horton

Group Chief Executive Officer