Financial performance

QBE reported a statutory profit after tax attributable to ordinary equity holders of the Company of $1,355 million for the year ended 31 December 2023 compared with $587 million for the prior year.

Summary financial performance

		MANAGEMENT		STATUTORY	
FOR THE YEAR ENDED 31 DECEMBER		2023	RESTATED 2022	2023	RESTATED 2022
Insurance revenue	US$M	**20,825**	18,834	**20,826**	18,904
Reinsurance expenses	US$M	**(4,226)**	(3,746)	**(4,848)**	(3,850)
Insurance service result	US$M	**984**	766	**1,503**	971
Insurance operating result	US$M	**796**	614	**1,315**	759
Net investment income (loss)	US$M	**1,374**	570	**1,369**	(773)
Income tax expense	US$M	**(473)**	(81)	**(473)**	(81)
Profit after income tax attributable to ordinary equity holders	US$M	**1,355**	587	**1,355**	587
Key metrics					
Gross written premium	US$M	**21,748**	19,993	**21,748**	19,993
Net claims ratio	%	**65.1**	66.0	**60.2**	64.1
Net commission ratio	%	**18.3**	18.2	**19.4**	18.8
Expense ratio	%	**11.8**	11.7	**12.2**	12.1
Combined operating ratio	%	**95.2**	95.9	**91.8**	95.0

Unless otherwise stated, discussion of performance in this section of the report is on a management basis which is consistent with how performance is assessed internally. The management basis reflects adjustments to the statutory result to provide greater transparency over the underlying drivers of the Group's performance. A reconciliation between the management basis and the statutory result is provided on pages 14 and 15.

The Group reported a combined operating ratio of 95.2% which improved from 95.9% in the prior year, and includes a 0.6% impact from the upfront cost of the $1.9 billion reserve transaction announced in February 2023. The result was supported by attractive premium rate increases, which accelerated notably in property and reinsurance lines. As a result, aggregate rate increases trended at or above inflation across most lines, resulting in further ex-cat claims ratio improvement.

The year was characterised by a significant reinsurance supply-demand imbalance, particularly for lower attaching catastrophe coverage. Associated challenges were compounded by record significant secondary peril activity with 2023 industry insured losses of around $120 billion. Against this backdrop, it was pleasing to see current year catastrophe costs contained well within allowance. The result was however impacted by meaningful catastrophe related short-tail reserve strengthening, reflecting late-2022 events including winter storm Elliott and floods in Australia.

Total investment income, excluding fixed income losses from changes in risk-free rates, improved to $1,374 million or a return of 4.7%, compared with $570 million or 2.0% in the prior year, supported by higher interest rates across the core fixed income portfolio.

The broader result also included a $25 million impairment of QBE's North American owner occupied office premises.

QBE's balance sheet remains strong. The indicative APRA PCA multiple increased to 1.82x from 1.79x at 31 December 2022, and is at the upper end of our 1.6–1.8x target range. Allowing for the payment of the 2023 final dividend of 48 Australian cents, the pro-forma PCA multiple would decline to 1.74x. Capital released from the $1.9 billion reserve transaction added around 6 points to the PCA multiple, and supported growth in the period.

QBE adopted AASB 17 *Insurance Contracts* from 1 January 2023. The new standard is applied retrospectively, resulting in a restatement of the comparative period. The impacts of adoption are detailed in note 8.1.1 of the consolidated financial statements on page 133. Definitions of key metrics, including how they are calculated, are provided in the glossary from pages 156 to 160. As a result of changes to the presentation of insurance line items introduced by AASB 17, the key metrics used by QBE to manage and assess underwriting performance are derived from components that are no longer separately presented in the financial statements. An analysis of the insurance operating result by these components is provided on page 15.

Underwriting performance

Unless otherwise stated, discussion of performance is on a management basis. A reconciliation to the equivalent statutory result is provided on page 14.

Net insurance revenue

Gross written premium

Gross written premium increased 9% on a headline basis to $21,748 million from $19,993 million in the prior year. On a constant currency basis, gross written premium increased 10% as a result of strong premium rate increases and targeted new business growth, partially offset by deliberate property portfolio exits in North America and Australia, and reduced exposure across other property lines. Excluding Crop, gross written premium growth was 9% on the same basis. The Group achieved an average renewal premium rate increase of 9.7% compared with 7.9% in the prior year, driven by strong rate increases in property classes and favourable markets for QBE Re, alongside softening rates in financial lines. Premium rate changes exclude North America Crop and Australian compulsory third party motor (CTP).

Reinsurance expenses

Headline reinsurance expenses increased 13% to $4,226 million from $3,746 million in the prior year. Much of the increase relates to Crop, where the majority of growth in the portfolio was ceded to the Federal reinsurance scheme, in an effort to manage net retention and earnings volatility. Reinsurance expenses also included a charge of $101 million, representing the upfront cost of the $1.9 billion reserve transaction completed in the first half of 2023.

Net insurance revenue

Group net insurance revenue increased 11% on a constant currency basis, slightly higher than the growth in gross written premium. This largely reflects the earn-through of strong premium rate increases in recent periods. The upfront cost associated with the aforementioned reserve transaction was incurred in our North America and International business segments.

Net claims

The net claims ratio decreased to 65.1% from 66.0% in 2022. The result was driven by improvement in the ex-cat claims ratio, partially offset by largely catastrophe related adverse prior year development. Current year catastrophe costs trended favourably relative to allowance, following more benign experience through the second half.

The ex-cat claims ratio decreased to 59.1% from 60.5% in the prior year. The result included the current year risk adjustment of $518 million, compared to $591 million in the prior year. Excluding risk adjustment, the ex-cat claims ratio reduced to 56.0% from 56.6% in the prior year. The industry continues to exhibit good discipline in response to elevated inflation, where rate increases remained at or above observed inflation across most lines. While inflation is easing in some lines, it remains more persistent across a small number of portfolios including Australia Pacific personal lines, and North America non-core lines and Accident & Health. While evidence of higher claims inflation across many longer tail classes is limited, QBE remains attuned to the potential for lags and persistency of inflation in these lines, alongside the risks posed by social inflation.

The net cost of catastrophe claims increased marginally to $1,092 million or 6.6% of net insurance revenue, from $1,060 million or 7.0% in the prior year. The result was below the Group's catastrophe allowance of $1,175 million. Natural catastrophe costs were driven by significant secondary peril activity, including the New Zealand floods, a series of North American convective storm events through the first half, and meaningful storm and flood activity in Europe and Australia in the second half.

QBE strengthened the central estimate of outstanding claims by $225 million, which largely reflected adverse development on short-tail lines. This compares to $141 million adverse in the prior year. The outcome was driven by late development on end-2022 catastrophe events including winter storm Elliott in North America and floods in Australia. In addition, the North America result was impacted by adverse development of $30 million in Crop. These impacts were partially offset by favourable development in LMI and CTP in Australia Pacific, and QBE Re. The aforementioned reserve strengthening was more than offset by favourable development of $320 million related to the unwind of risk adjustment from prior accident years, a decrease from $369 million in the prior year. This resulted in favourable prior accident year claims development of $95 million or 0.6% of net insurance revenue, decreasing from $228 million or 1.5% in the prior year.

Commission and expenses

The net commission ratio increased to 18.3% from 18.2% in the prior year, primarily due to business mix changes, where the impact from quota share reinsurance ceding commissions is now recorded within reinsurance income under AASB 17.

The Group's expense ratio of 11.8% was a slight increase from 11.7% last year. This reflected constant currency expense growth of 12%, which was balanced by strong net revenue growth. Elevated expense growth reflected investment in our modernisation program, the cost of targeted growth initiatives and the impact of elevated inflation across the broader expense base.

Divisional underwriting performance

Key metrics are defined in the glossary from pages 156 to 160. Key metrics disclosed on a statutory basis are derived from unadjusted components of financial statement line items.

North America

Gross written premium increased by 4% to $7,555 million, with strong premium rate increases and targeted organic growth partially offset by the run-off of non-core lines. Excluding premium rate increases and Crop, premium declined by 12% mainly reflecting the run-off of non-core lines. On the same basis and excluding this drag, premium growth was 4%.

North America reported a combined operating ratio of 103.7%, which compares to 99.5% in the prior year. The ex-cat claims ratio improved by 0.2% to 65.7%, or increased by 0.2% when excluding risk adjustment. This reflected inflationary pressures observed in Accident & Health, alongside challenges in non-core lines, partially offset by improvement in middle-market and property classes. Net catastrophe claims of $234 million or 4.9% of net insurance revenue were mainly driven by convective storm and flood events in the first half of 2023, and compared favourably to 5.4% in the prior year. Catastrophe experience was more benign through the second half. Adverse prior year central estimate development of $200 million or 4.2% compared with 0.9% in the prior year, and was driven predominantly by short-tail lines, including adverse development on winter storm Elliott from late-2022, and $30 million in Crop.

The current accident year Crop combined operating ratio was 96.6%, slightly higher than expectations primarily due to lower commodity prices and drought across several States.

		MANAGEMENT[1]		STATUTORY	
FOR THE YEAR ENDED 31 DECEMBER		2023	RESTATED 2022	2023	RESTATED 2022
Key underwriting metrics					
Gross written premium	US$M	**7,555**	7,280	**7,555**	7,280
Net insurance revenue	US$M	**4,790**	4,641	**4,432**	4,435
Net claims ratio	%	**73.0**	68.9	**70.3**	67.8
Net commission ratio	%	**21.6**	21.4	**22.6**	22.3
Expense ratio	%	**9.1**	9.2	**9.8**	9.7
Combined operating ratio	%	**103.7**	99.5	**102.7**	99.8

1 Adjusted for subsequent impacts of in-force reinsurance loss portfolio transfer transactions (LPT), underlying prior accident year development (PYD) adjustments relating to Crop and the inclusion of unwind of discount on claims.

International

Gross written premium increased by 17% in constant currency to $8,802 million, reflecting an acceleration in rate increases for property and reinsurance lines, and continued execution against a number of multi-year growth opportunities. Growth was achieved across most segments, led by QBE Re and International Markets.

International reported a combined operating ratio of 89.5%, which compares with 94.8% in the prior year. The ex-cat claims ratio improved by 3.0% to 54.3%, or 1.6% excluding the risk adjustment. This strong result reflects the benefit from aggregate rate increases which continue to track at or above inflation, and benign large claims experience. Adverse prior year central estimate development of $57 million or 0.8%, improved from 2.4% in the prior year. Adverse experience in marine and International liability was partially offset by releases in QBE Re.

		MANAGEMENT[1]		STATUTORY	
FOR THE YEAR ENDED 31 DECEMBER		2023	RESTATED 2022	2023	RESTATED 2022
Key underwriting metrics					
Gross written premium	US$M	**8,802**	7,502	**8,802**	7,502
Net insurance revenue	US$M	**6,921**	5,871	**6,643**	5,939
Net claims ratio	%	**60.0**	65.1	**54.2**	63.2
Net commission ratio	%	**17.9**	17.9	**18.7**	17.7
Expense ratio	%	**11.6**	11.8	**12.1**	11.6
Combined operating ratio	%	**89.5**	94.8	**85.0**	92.5

1 Adjusted for subsequent impacts of in-force reinsurance LPT, underlying PYD adjustments relating to premium and periodic payment order (PPO) liabilities and the inclusion of unwind of discount on claims.

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Australia Pacific

Continued premium rate increases and targeted growth supported constant currency growth in gross written premium of 8% to $5,392 million. Excluding premium rate increases, gross written premium reduced by 1% compared to the prior year. The exit of two consumer portfolios, in line with our focus on reducing property catastrophe volatility was largely offset by organic growth in Australian commercial lines, CTP and in New Zealand.

Australia Pacific reported a combined operating ratio of 93.6%, which declined slightly from 92.8% in the prior year. The ex-cat claims ratio reduced by 1.1% to 58.2%, or 0.4% excluding the risk adjustment. Persistent short-tail claims inflation, particularly in personal lines, has been an ongoing challenge; however, the momentum in short-tail premium rate increases which generally built through 2023, is expected to support underwriting margins in the year ahead. Net catastrophe claims of $409 million or 8.4% of net insurance revenue, increased slightly from 8.1% in the prior year driven by storm and flood events in New Zealand, and Australian east coast storms in the final weeks of the year. Favourable prior year central estimate development of $20 million or 0.4% reduced from $44 million or 0.9% in the prior year. Favourable experience in LMI and CTP more than offset catastrophe and inflation-related strengthening in short-tail classes, and higher wage growth assumptions in liability lines.

		MANAGEMENT[1]		STATUTORY	
FOR THE YEAR ENDED 31 DECEMBER		2023	RESTATED 2022	2023	RESTATED 2022
Key underwriting metrics					
Gross written premium	US$M	**5,392**	5,219	**5,392**	5,219
Net insurance revenue	US$M	**4,881**	4,585	**4,901**	4,689
Net claims ratio	%	**64.0**	64.2	**60.2**	61.0
Net commission ratio	%	**15.7**	15.5	**16.8**	17.1
Expense ratio	%	**13.9**	13.1	**14.0**	14.1
Combined operating ratio	%	**93.6**	92.8	**91.0**	92.2

1 Adjusted for the subsequent impacts of CTP LPT, underlying PYD adjustment related to CTP, Australian pricing promise review (APPR) and the inclusion of unwind of discount on claims.

Investment performance

Total investment income for the year was $1,374 million, equating to a return of 4.7%. The result improved substantially from $570 million or 2.0% in the prior year, with higher interest rates supporting fixed income returns, which also included a favourable mark to market impact from tighter credit spreads. Risk asset returns were broadly in line with our long-term return expectations, a pleasing outcome given valuation pressure in the unlisted property portfolio.

Core fixed income includes cash and cash equivalents, and excludes enhanced fixed income risk assets which comprise emerging market debt, high yield debt and private credit. Enhanced fixed income assets are analysed as part of risk assets. The core fixed income portfolio delivered a return of 4.8% or $1,247 million, a significant increase on $544 million in the prior year. The result included a $116 million benefit from tighter credit spreads, compared to an adverse impact of $128 million in the prior year. The running yield on the core fixed income portfolio remained strong through the year, with the 31 December 2023 exit running yield of 4.6% around 50 basis points higher than at 31 December 2022.

Risk asset performance improved significantly compared to the prior year. Enhanced fixed income and infrastructure assets delivered strong returns, helping to offset weaker performance in the unlisted property portfolio, due to lower property valuations. Despite negative unlisted property returns, the risk asset portfolio delivered a return of 5.7% or $190 million compared with 1.2% in the prior year.

Funds under management

Funds under management comprise cash and cash equivalents, investments and investment properties. Funds under management of $30,064 million increased by 7% compared to $28,167 million at 31 December 2022, or 5% on a constant currency basis. Strong investment returns and continued premium growth were offset by the material reduction in investment assets associated with the $1.9 billion reserve transaction, which was announced in February 2023.

Portfolio mix continued to trend toward our target strategic asset allocation in 2023. The allocation to risk assets increased to 12% (and 14% on a committed basis) from 11% at 31 December 2022. The core fixed income portfolio now represents 88% of total investments, and QBE continues to target a strategic asset allocation of ~85% core fixed income and ~15% risk assets.

Tax

QBE's effective statutory tax rate was 25.7% compared with 12.0% in the prior year. The effective tax rate reflects the mix of corporate tax rates across QBE's key regions. The 2022 effective tax rate was impacted by the recognition of previously unrecognised tax losses in the North American tax group.

During the year, QBE paid $138 million in corporate income tax globally. No tax payments were made by the Australian tax group for the year due to the utilisation of tax losses, which are now fully utilised. The Australian tax group is expected to pay taxes from 2024. The balance of the franking account stood at A$46 million as at 31 December 2023. Having regard to QBE's franked AT1 distribution commitments and carry over tax losses, the dividend franking percentage is expected to remain around 10%.

Balance sheet and capital management

Balance sheet and share information

		STATUTORY	
AS AT		31 DECEMBER 2023	RESTATED 31 DECEMBER 2022
Net assets	US$M	**9,953**	8,857
Less: intangible assets	US$M	**2,112**	2,018
Net tangible assets	US$M	**7,841**	6,839
Number of shares on issue	millions	**1,494**	1,485
Net tangible assets per share	US$	**5.25**	4.61

Net outstanding claims

Net outstanding claims comprise claims reserves within the net liability for incurred claims including recoveries on reinsurance loss portfolio transfers. At 31 December 2023, the net discounted central estimate was $17,198 million, which increased from $16,101 million at 31 December 2022 due to organic growth and reserve strengthening, partially offset by the impact of the $1.9 billion reserve transaction and higher discount rates.

Excluding foreign exchange and the reserve transaction, the net discounted central estimate increased by $2,485 million. This underlying growth primarily reflected new business growth, inflation and reserve strengthening in the period.

At 31 December 2023, the risk adjustment was $1,379 million or 8.0% of the net discounted central estimate, consistent with 31 December 2022, and at the top end of our 6–8% target range.

Borrowings

At 31 December 2023, total borrowings were $2,798 million, an increase of $54 million from $2,744 million at 31 December 2022. The broadly stable outcome reflects Tier 2 funding activity in the period, including the issuance of A$300 million and A$330 million in June 2023 and October 2023 respectively, largely offsetting a $400 million redemption in November 2023.

Debt to total capital reduced to 21.9% at 31 December 2023, from 23.7% at 31 December 2022, reflecting continued growth across the business along with improved investment performance. At 31 December 2023, all the Group's borrowings count towards regulatory capital. Gross interest expense on borrowings for the year was $169 million, an increase from $166 million in the prior year, reflecting the sequencing of funding activity in the year. The average annualised cash cost of borrowings at 31 December 2023 was 5.9%, consistent with the prior year.

Capital

QBE's indicative PCA multiple improved to 1.82x at 31 December 2023 from 1.79x at 31 December 2022. Allowing for the payment of the 2023 final dividend of 48 Australian cents, the pro-forma PCA multiple would decline to 1.74x. Capital generation over the period was supported by strong profitability, alongside a 6 point benefit associated with the $1.9 billion reserve transaction. This more than offset capital consumed through ongoing premium growth and the payment of dividends during the year.

Cash profit and dividends

Reconciliation of cash profit

FOR THE YEAR ENDED 31 DECEMBER	2023 US$M	RESTATED 2022 US$M
Net profit after income tax	**1,355**	587
Amortisation and impairment of intangibles after tax[1]	**59**	71
Write-off deferred tax assets	**–**	–
Write-off capitalised tax assets	**–**	–
Net cash profit after income tax	**1,414**	658
Restructuring and related expenses	**–**	94
Net gain on disposals after tax	**(2)**	(38)
Additional Tier 1 capital coupon	**(50)**	(50)
Adjusted net cash profit after income tax	**1,362**	664
Basic earnings per share – statutory (US cents)	**87.6**	36.2
Diluted earnings per share – statutory (US cents)	**87.0**	36.0
Basic earnings per share – adjusted cash basis (US cents)	**91.4**	44.8
Diluted earnings per share – adjusted cash basis (US cents)	**90.8**	44.5
Return on average shareholders' equity – adjusted cash basis (%)	**16.0**	8.3
Dividend payout ratio (percentage of adjusted cash profit)[2]	**45**	60

1 $65 million of pre-tax amortisation expense is included in expenses and other income (2022 $63 million).
2 Dividend payout ratio is calculated as the total A$ dividend divided by adjusted cash profit converted to A$ at the period average rate of exchange.

Dividends

The Board declared a final dividend for 2023 of 48 Australian cents per share, which results in a full year dividend of 62 Australian cents per share, an increase from the 2022 full year dividend of 39 Australian cents per share. This represents a full year dividend payout ratio of 45% of adjusted cash profit. QBE's dividend policy is calibrated to a 40–60% payout of annual adjusted cash profit, which has been set at a level which can support the Group's growth ambitions and provide flexibility to manage the dynamics associated with the global insurance cycle. The payout for the current period reflects the Board's confidence in the strength of the balance sheet and favourable outlook for returns, while retaining flexibility given the positive outlook for premium growth. The full year dividend payout of A$926 million compares with A$580 million in 2022. The final dividend will be 10% franked and is payable on 12 April 2024. The Dividend Reinvestment Plan and Bonus Share Plan will be satisfied by the issue of shares at a nil discount.

Outlook

We exit 2023 having executed multiple initiatives to reduce potential reserve volatility and build a more resilient property portfolio. Our portfolio optimisation focus will continue to centre around reducing volatility, with meaningful scope for further improvement. Elevated investment will continue in 2024 as we progress our modernisation agenda. This will ultimately position QBE to grow our core franchises and become a more accessible and efficient partner.

The outlook for premium rate increases remains favourable. While we expect some moderation from 2023 levels, the degree of uncertainty surrounding the path of inflation, geopolitical tensions and elevated catastrophe activity should serve to maintain market discipline. We enter the year with a broad growth agenda and see good opportunity for further ex-rate growth. This will be tempered by the ongoing run-off of exited property portfolios in North America and Australia, which are collectively expected to represent a ~$300 million gross written premium headwind in 2024. Executing on our strategy in North America remains a primary focus. The underwriting loss associated with non-core lines should reduce meaningfully into 2024, and then reduce further and broadly conclude in 2025.

Inflation challenges are expected to remain a feature for the foreseeable future. While we expect aggregate claims inflation to normalise slightly into 2024, recent experience highlights this is unlikely to occur uniformly across all regions and classes, and the operating backdrop remains dynamic.

Statutory to management result reconciliation

FOR THE YEAR ENDED 31 DECEMBER 2023	STATUTORY US$M	ADJUSTMENTS DISCOUNT UNWIND US$M	UNDERLYING PYD US$M	LPT US$M	INVESTMENT RFR US$M	MANAGEMENT US$M
Insurance revenue	20,826	–	(1)	–	–	20,825
Insurance service expenses[1]	(18,421)	(942)	1	–	–	(19,362)
Reinsurance expenses	(4,848)	–	(1)	623	–	(4,226)
Reinsurance income[1]	3,946	423	1	(623)	–	3,747
Insurance service result	1,503	(519)	–	–	–	984
Other expenses[1]	(250)	–	–	–	–	(250)
Other income[1]	62	–	–	–	–	62
Insurance operating result	1,315	(519)	–	–	–	796
Net insurance finance (expense) income	(579)	519	–	–	–	(60)
Fixed income losses from changes in risk-free rates	–	–	–	–	(5)	(5)
Net investment income on policyholders' funds	883	–	–	–	3	886
Insurance profit	1,619	–	–	–	(2)	1,617
Net investment income on shareholders' funds	486	–	–	–	2	488
Financing and other costs	(232)	–	–	–	–	(232)
Gain on sale of entities and businesses	2	–	–	–	–	2
Share of net loss of associates	(2)	–	–	–	–	(2)
Impairment of owner occupied property	(25)	–	–	–	–	(25)
Amortisation of intangibles	(11)	–	–	–	–	(11)
Profit before income tax	1,837	–	–	–	–	1,837
Income tax expense	(473)					(473)
Profit after income tax	1,364					1,364
Non-controlling interests	(9)					(9)
Net profit after income tax	1,355					1,355

FOR THE YEAR ENDED 31 DECEMBER 2022[2]	STATUTORY US$M	ADJUSTMENTS DISCOUNT UNWIND US$M	UNDERLYING PYD US$M	LPT US$M	INVESTMENT RFR US$M	APPR US$M	MANAGEMENT US$M
Insurance revenue	18,904	–	(70)	–	–	–	18,834
Insurance service expenses[1]	(17,579)	(608)	53	–	–	–	(18,134)
Reinsurance expenses	(3,850)	–	17	87	–	–	(3,746)
Reinsurance income[1]	3,496	403	–	(87)	–	–	3,812
Insurance service result	971	(205)	–	–	–	–	766
Other expenses[1]	(286)	–	–	–	–	60	(226)
Other income[1]	74	–	–	–	–	–	74
Insurance operating result	759	(205)	–	–	–	60	614
Net insurance finance income	1,037	205	–	–	–	–	1,242
Fixed income losses from changes in risk-free rates	–	–	–	–	(1,343)	–	(1,343)
Net investment (loss) income on policyholders' funds	(501)	–	–	–	891	–	390
Insurance profit	1,295	–	–	–	(452)	60	903
Net investment (loss) income on shareholders' funds	(272)	–	–	–	452	–	180
Financing and other costs	(245)	–	–	–	–	15	(230)
Gain on sale of entities and businesses	38	–	–	–	–	–	38
Share of net loss of associates	(7)	–	–	–	–	–	(7)
Remediation	–	–	–	–	–	(75)	(75)
Restructuring and related expenses	(106)	–	–	–	–	–	(106)
Amortisation and impairment of intangibles	(27)	–	–	–	–	–	(27)
Profit before income tax	676	–	–	–	–	–	676
Income tax expense	(81)						(81)
Profit after income tax	595						595
Non-controlling interests	(8)						(8)
Net profit after income tax	587						587

1 Further analysed as net claims expense, net commission and expenses and other income in the management discussion as shown in the table on the next page.

2 2022 has been restated to reflect the application of AASB 17 *Insurance Contracts*.

Analysis of the insurance operating result

The insurance operating result is further analysed as net insurance revenue, net claims, net commission and expenses and other income for the purposes of explaining the key drivers of the Group's operating result and calculating key metrics. Analysis of the nature of income and expenses within the insurance operating result provides useful additional information about underlying trends in relation to the different components of underwriting profitability.

	NET INSURANCE REVENUE		NET CLAIMS EXPENSE		NET COMMISSION		EXPENSES AND OTHER INCOME		TOTAL	
FOR THE YEAR ENDED 31 DECEMBER	2023 US$M	RESTATED 2022 US$M	2023 US$M	RESTATED 2022 US$M	2023 US$M	RESTATED 2022 US$M	2023 US$M	RESTATED 2022 US$M	2023 US$M	RESTATED 2022 US$M
Statutory										
Insurance revenue	**20,826**	18,904	**–**	–	**–**	–	**–**	–	**20,826**	18,904
Insurance service expenses	**–**	–	**(13,740)**	(13,367)	**(2,916)**	(2,595)	**(1,765)**	(1,617)	**(18,421)**	(17,579)
Reinsurance expenses	**(4,848)**	(3,850)	**–**	–	**–**	–	**–**	–	**(4,848)**	(3,850)
Reinsurance income	**–**	–	**4,122**	3,724	**(176)**	(228)	**–**	–	**3,946**	3,496
Insurance service result	**15,978**	15,054	**(9,618)**	(9,643)	**(3,092)**	(2,823)	**(1,765)**	(1,617)	**1,503**	971
Other expenses	**–**	–	**–**	–	**–**	–	**(250)**	(286)	**(250)**	(286)
Other income	**–**	–	**–**	–	**–**	–	**62**	74	**62**	74
Insurance operating result	**15,978**	15,054	**(9,618)**	(9,643)	**(3,092)**	(2,823)	**(1,953)**	(1,829)	**1,315**	759
Adjustments										
Discount unwind	**–**	–	**(519)**	(205)	**–**	–	**–**	–	**(519)**	(205)
Underlying PYD	**(2)**	(53)	**20**	75	**(17)**	(22)	**(1)**	–	**–**	–
LPT	**623**	87	**(688)**	(191)	**65**	104	**–**	–	**–**	–
Other	**–**	–	**–**	–	**–**	–	**–**	60	**–**	60
Management	**16,599**	15,088	**(10,805)**	(9,964)	**(3,044)**	(2,741)	**(1,954)**	(1,769)	**796**	614

Adjustments

The statutory result has been adjusted for the following items when discussing the result to provide greater transparency over the underlying drivers of performance.

Discount unwind

The subsequent unwind of claims discount within net insurance finance income is analysed as part of the net claims expense component of the insurance operating result as these are associated with claims and directly relate to the impact of initial discounting of claims reported within insurance service expenses.

Underlying prior year development (PYD)

Underlying prior accident year claims development within net claims expense amounting to $20 million (2022 $75 million) has been reclassified to net insurance revenue and net commission. In the current year, this principally related to Crop (North America) for additional premium cessions to the US government on prior year claims under the MPCI scheme and CTP (Australia Pacific) for profit commission income arising from favourable development under the 2021 reinsurance loss portfolio transfer. Underlying PYD also includes an adjustment for periodic payment order (PPO) liabilities within International to reflect their annuity characteristics.

Reinsurance loss portfolio transfer transactions (LPT)

The subsequent impacts of in-force reinsurance loss portfolio transfer contracts within reinsurance expenses and reinsurance income are analysed on a net basis within net claims expense to provide a view of the underlying development on these contracts against the corresponding development of the subject gross reserves, consistent with the focus on net underwriting performance. Adjustments relate to the current year reserve transaction to reinsure claims liabilities in North America and International, and other reinsurance loss portfolio transfer contracts entered into in prior years.

Australian pricing promise review (APPR)

In 2022, the Group recognised a $75 million net cost (before tax) following a review of pricing promises across a range of retail products which identified instances where the policy pricing promise was not fully delivered. The net cost comprised amounts for customer remediation, interest payable and other costs associated with administering the program. There has been no material change to the costs recognised in profit or loss since the prior year.

Investment risk-free rate (RFR) impacts

Net investment income (loss) is analysed separately between risk-free rate movement impacts on fixed income assets, and remaining income (loss). This enables analysis of these risk-free rate movement impacts alongside the corresponding offsetting impacts on net insurance liabilities within insurance finance income.