Financial Report contents

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 2 to 15, none of which is part of this Financial Report. The Financial Report was authorised for issue by the directors on 16 February 2024. 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 2023

	NOTE	2023 US$M	RESTATED 2022 US$M
Insurance revenue	2.1	**20,826**	18,904
Insurance service expenses		**(18,421)**	(17,579)
Reinsurance expenses	2.2.1	**(4,848)**	(3,850)
Reinsurance income	2.2.1	**3,946**	3,496
Insurance service result		**1,503**	971
Other expenses		**(250)**	(286)
Other income		**62**	74
Insurance operating result		**1,315**	759
Insurance finance (expenses) income	2.2.1	**(1,039)**	1,157
Reinsurance finance income (expenses)	2.2.1	**460**	(120)
Investment income (loss) – policyholders' funds	3.1	**907**	(482)
Investment expenses – policyholders' funds	3.1	**(24)**	(19)
Insurance profit		**1,619**	1,295
Investment income (loss) – shareholders' funds	3.1	**499**	(262)
Investment expenses – shareholders' funds	3.1	**(13)**	(10)
Financing and other costs	5.1.2	**(232)**	(245)
Gain on sale of entities and businesses	7.1	**2**	38
Share of net loss of associates		**(2)**	(7)
Restructuring and related expenses		**–**	(106)
Impairment of owner occupied property		**(25)**	–
Amortisation and impairment of intangibles	7.2	**(11)**	(27)
Profit before income tax		**1,837**	676
Income tax expense	6.1	**(473)**	(81)
Profit after income tax		**1,364**	595
Other comprehensive income (loss)			
Items that may be reclassified to profit or loss			
Net movement in foreign currency translation reserve	5.3.2	**138**	(377)
Net movement in cash flow hedge and cost of hedging reserves	5.3.2	**(8)**	33
Income tax relating to these components of other comprehensive income	5.3.2	**2**	(10)
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plans		**(7)**	(36)
Income tax relating to this component of other comprehensive income		**2**	10
Other comprehensive income (loss) after income tax		**127**	(380)
Total comprehensive income after income tax		**1,491**	215
Profit after income tax attributable to:			
Ordinary equity holders of the Company		**1,355**	587
Non-controlling interests		**9**	8
		1,364	595
Total comprehensive income after income tax attributable to:			
Ordinary equity holders of the Company		**1,482**	207
Non-controlling interests		**9**	8
		1,491	215

EARNINGS PER SHARE FOR PROFIT AFTER INCOME TAX ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	NOTE	2023 US CENTS	RESTATED 2022 US CENTS
For profit after income tax			
Basic earnings per share	5.5	**87.6**	36.2
Diluted earnings per share	5.5	**87.0**	36.0

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

The Group adopted AASB 17 *Insurance Contracts* from 1 January 2023 and has correspondingly restated the comparative period. The impacts of adoption are detailed in note 8.1.1.

Consolidated balance sheet

AS AT 31 DECEMBER 2023

	NOTE	2023 US$M	RESTATED 2022 US$M	RESTATED 1 JANUARY 2022 US$M
Assets				
Cash and cash equivalents	5.2	**1,366**	833	819
Investments	3.2	**28,670**	27,299	28,111
Derivative financial instruments	5.6	**250**	284	142
Other receivables		**519**	423	570
Current tax assets		**30**	45	5
Reinsurance contract assets	2.2	**8,034**	7,144	6,713
Other assets		**2**	2	2
Assets held for sale		**1**	–	50
Defined benefit plan surpluses	8.7	**39**	46	92
Right-of-use lease assets		**264**	276	328
Property, plant and equipment		**119**	151	155
Deferred tax assets	6.2	**625**	613	526
Investment properties		**28**	35	37
Investment in associates		**49**	32	28
Intangible assets	7.2	**2,112**	2,018	2,449
Total assets		**42,108**	39,201	40,027
Liabilities				
Derivative financial instruments	5.6	**373**	387	452
Other payables		**432**	347	414
Current tax liabilities		**127**	39	23
Insurance contract liabilities	2.2	**27,567**	26,148	26,358
Lease liabilities		**289**	301	354
Provisions		**180**	203	129
Defined benefit plan deficits	8.7	**23**	26	29
Deferred tax liabilities	6.2	**366**	149	72
Borrowings	5.1	**2,798**	2,744	3,268
Total liabilities		**32,155**	30,344	31,099
Net assets		**9,953**	8,857	8,928
Equity				
Contributed equity	5.3.1	**9,381**	9,242	9,777
Treasury shares held in trust		**(3)**	(1)	(2)
Reserves	5.3.2	**(1,273)**	(1,363)	(1,608)
Retained profits		**1,845**	977	760
Shareholders' equity		**9,950**	8,855	8,927
Non-controlling interests		**3**	2	1
Total equity		**9,953**	8,857	8,928

The consolidated balance sheet should be read in conjunction with the accompanying notes.

The Group adopted AASB 17 *Insurance Contracts* from 1 January 2023 and has correspondingly restated the comparative period. The impacts of adoption are detailed in note 8.1.1.

Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2023

	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 2023 (restated)	**9,242**	**(1)**	**(1,363)**	**977**	**8,855**	**2**	**8,857**
Profit after income tax	**–**	**–**	**–**	**1,355**	**1,355**	**9**	**1,364**
Other comprehensive income (loss)	**–**	**–**	**132**	**(5)**	**127**	**–**	**127**
Total comprehensive income	**–**	**–**	**132**	**1,350**	**1,482**	**9**	**1,491**
Transactions with owners in their capacity as owners							
Shares issued under Employee Share and Option Plan and held in trust	**36**	**(37)**	**–**	**–**	**(1)**	**–**	**(1)**
Share-based payment expense	**–**	**–**	**42**	**–**	**42**	**–**	**42**
Shares vested and/or released	**–**	**35**	**(35)**	**–**	**–**	**–**	**–**
Dividends paid on ordinary shares	**–**	**–**	**–**	**(435)**	**(435)**	**(8)**	**(443)**
Dividend Reinvestment Plan and Bonus Share Plan	**49**	**–**	**–**	**3**	**52**	**–**	**52**
Distributions on capital notes	**–**	**–**	**–**	**(50)**	**(50)**	**–**	**(50)**
Foreign exchange	**54**	**–**	**(49)**	**–**	**5**	**–**	**5**
At 31 December 2023	**9,381**	**(3)**	**(1,273)**	**1,845**	**9,950**	**3**	**9,953**

	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 2022, as previously reported	9,777	(2)	(1,608)	714	8,881	1	8,882
Impact of initial application of AASB 17 (note 8.1.1)	–	–	–	46	46	–	46
At 1 January 2022 (restated)	9,777	(2)	(1,608)	760	8,927	1	8,928
Profit after income tax	–	–	–	587	587	8	595
Other comprehensive loss	–	–	(354)	(26)	(380)	–	(380)
Total comprehensive (loss) income	–	–	(354)	561	207	8	215
Transactions with owners in their capacity as owners							
Shares issued under Employee Share and Option Plan and held in trust	29	(30)	–	–	(1)	–	(1)
Share-based payment expense	–	–	39	–	39	–	39
Shares vested and/or released	–	31	(31)	–	–	–	–
Dividends paid on ordinary shares	–	–	–	(297)	(297)	(7)	(304)
Dividend Reinvestment Plan and Bonus Share Plan	36	–	–	3	39	–	39
Distributions on capital notes	–	–	–	(50)	(50)	–	(50)
Foreign exchange	(600)	–	591	–	(9)	–	(9)
At 31 December 2022 (restated)	9,242	(1)	(1,363)	977	8,855	2	8,857

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

The Group adopted AASB 17 *Insurance Contracts* from 1 January 2023 and has correspondingly restated the comparative period. The impacts of adoption are detailed in note 8.1.1.

Consolidated statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTE	2023 US$M	RESTATED 2022 US$M
Operating activities			
Premium received		**20,924**	18,472
Reinsurance recoveries received		**4,608**	2,502
Reinsurance premium paid net of ceding commissions received		**(5,879)**	(3,469)
Acquisition costs paid		**(3,732)**	(3,483)
Claims and other insurance service expenses paid		**(14,284)**	(10,953)
Interest received		**703**	421
Dividends received		**50**	126
Other operating payments		**(509)**	(463)
Interest paid		**(240)**	(246)
Income taxes paid		**(138)**	(74)
Net cash flows from operating activities	8.4	**1,503**	2,833
Investing activities			
Net proceeds on sale (payments for purchase) of growth assets		**54**	(512)
Net payments for purchase of interest-bearing financial assets		**(284)**	(1,494)
Net payments for foreign exchange transactions		**(23)**	(186)
Payments for purchase of intangible assets		**(145)**	(132)
Payments for purchase of property, plant and equipment		**(23)**	(33)
Payments for investment in associates		**(19)**	(11)
Proceeds on disposal of entities and businesses (net of cash disposed)		**9**	361
Proceeds on disposal of joint venture investment		**3**	–
Net cash flows from investing activities		**(428)**	(2,007)
Financing activities			
Purchase of treasury shares		**(1)**	(1)
Payments relating to principal element of lease liabilities		**(55)**	(62)
Proceeds from borrowings		**405**	–
Repayments of borrowings		**(406)**	(412)
Dividends and distributions paid		**(441)**	(315)
Net cash flows from financing activities		**(498)**	(790)
Net movement in cash and cash equivalents		**577**	36
Cash and cash equivalents at the beginning of the year		**833**	819
Effect of exchange rate changes		**(44)**	(22)
Cash and cash equivalents at the end of the year	5.2	**1,366**	833

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

The Group adopted AASB 17 *Insurance Contracts* from 1 January 2023 and has correspondingly restated the comparative period. The impacts of adoption are detailed in note 8.1.1.

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

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 13,000 people and carries on insurance activities in 27 countries, with operations in Australia, Europe, North America, Asia and the Pacific. QBE's captive reinsurers, Equator Re and Blue Ocean Re (collectively referred to as 'Equator Re'), provide 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

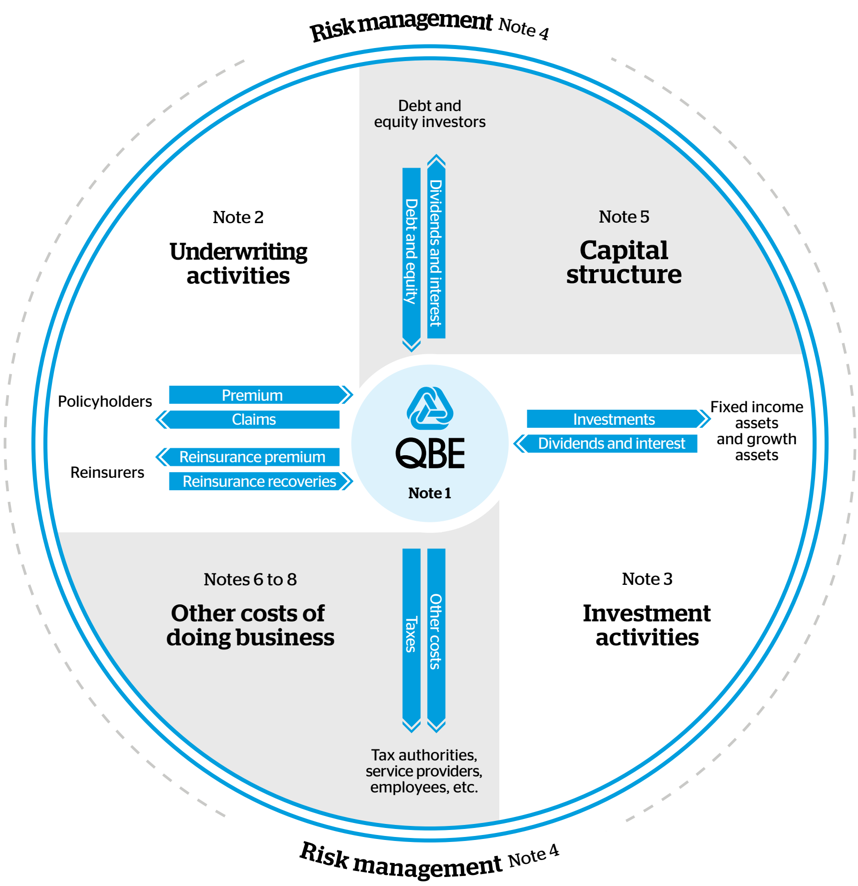
In simple terms, insurance and reinsurance companies help their customers (consumers, businesses and other insurance companies) to manage risk. More broadly put, an insurance company creates value by pooling and redistributing risk. This is done by collecting premium from those that it insures (i.e. policyholders), and then paying the claims of those 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 (or referred to as reinsurance contracts held), which is insurance for insurance companies. As not all policyholders will actually experience a claim 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 insurance contract liabilities 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 adopted AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* and AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants* as listed in note 8.1.1. Other than these, the Group has not adopted any other 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 2023 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 7.3.

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.

In view of the geographic and product diversity of its international operations, 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 within insurance liabilities and investment management.

Given the centralised approach, 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:

- measurement of insurance and reinsurance contract assets and liabilities (note 2.2);
- recoverability of deferred tax assets (note 6.2.1); and
- impairment testing of intangible assets (note 7.2.1).

The Group has also considered the impact of climate change on the amounts reported and disclosed in the financial statements, particularly in the context of the risks and opportunities identified in our climate change disclosures on pages 20 to 33 of this Annual Report. Details of how these considerations have been reflected in the critical accounting judgements and estimates are discussed in the relevant notes where appropriate.

1.2.3 Australian pricing promise review

In 2022, the Group recognised a provision on the balance sheet and a $75 million net cost (before tax) in the consolidated statement of comprehensive income following a review of pricing promises across a number of policy administration systems and products which identified instances where policy pricing promises were not fully delivered. The net cost comprises amounts for customer remediation, interest payable and other costs associated with administering the program.

In estimating the amounts recognised, assumptions were made based on the findings of the review, including in relation to the number of affected customers, and the premiums and interest refundable. As at 31 December 2023, QBE has reviewed the assumptions underlying the estimates based on latest information, and payments made, resulting in no material change to the costs recognised in profit or loss since the prior year.

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:

	2023		2022	
	PROFIT OR LOSS	BALANCE SHEET	PROFIT OR LOSS	BALANCE SHEET
A$/US$	**0.664**	**0.682**	0.693	0.678
£/US$	**1.243**	**1.275**	1.232	1.203
€/US$	**1.081**	**1.105**	1.051	1.067

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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, the 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. Intersegment transactions are priced on an arm's length basis and are eliminated on consolidation.

2023	NORTH AMERICA US$M	INTERNATIONAL US$M	AUSTRALIA PACIFIC US$M	TOTAL REPORTABLE SEGMENTS US$M	CORPORATE & OTHER US$M	TOTAL US$M
Insurance revenue – external	7,447	8,047	5,318	20,812	14	20,826
Insurance revenue – internal	–	12	–	12	(12)	–
Insurance service expenses	(7,595)	(6,209)	(4,638)	(18,442)	21	(18,421)
Reinsurance expenses	(3,015)	(1,416)	(417)	(4,848)	–	(4,848)
Reinsurance income	3,085	629	232	3,946	–	3,946
Insurance service result	(78)	1,063	495	1,480	23	1,503
Other expenses	(42)	(70)	(107)	(219)	(31)	(250)
Other income	2	4	56	62	–	62
Insurance operating result	(118)	997	444	1,323	(8)	1,315
Insurance finance expenses	(429)	(453)	(157)	(1,039)	–	(1,039)
Reinsurance finance income	300	144	16	460	–	460
Investment income (loss) – policyholders' funds	140	522	248	910	(27)	883
Insurance (loss) profit	(107)	1,210	551	1,654	(35)	1,619
Investment income – shareholders' funds	145	205	99	449	37	486
Financing and other costs	(1)	(12)	(6)	(19)	(213)	(232)
Gain on sale of entities and businesses	–	–	2	2	–	2
Share of net loss of associates	–	–	(2)	(2)	–	(2)
Impairment of owner occupied property	(25)	–	–	(25)	–	(25)
Amortisation of intangibles	–	–	(2)	(2)	(9)	(11)
Profit (loss) before income tax	12	1,403	642	2,057	(220)	1,837
Income tax (expense) credit	(2)	(331)	(203)	(536)	63	(473)
Profit (loss) after income tax	10	1,072	439	1,521	(157)	1,364
Net profit attributable to non-controlling interests	–	–	–	–	(9)	(9)
Net profit (loss) after income tax attributable to ordinary equity holders of the Company	10	1,072	439	1,521	(166)	1,355

2022 (RESTATED)	NORTH AMERICA US$M	INTERNATIONAL US$M	AUSTRALIA PACIFIC US$M	TOTAL REPORTABLE SEGMENTS US$M	CORPORATE & OTHER US$M	TOTAL US$M
Insurance revenue – external	7,170	6,764	4,965	18,899	5	18,904
Insurance revenue – internal	–	7	–	7	(7)	–
Insurance service expenses	(6,711)	(6,498)	(4,429)	(17,638)	59	(17,579)
Reinsurance expenses	(2,735)	(832)	(276)	(3,843)	(7)	(3,850)
Reinsurance income	2,319	1,060	157	3,536	(40)	3,496
Insurance service result	43	501	417	961	10	971
Other expenses	(54)	(62)	(95)	(211)	(75)	(286)
Other income	17	4	45	66	8	74
Insurance operating result	6	443	367	816	(57)	759
Insurance finance income	222	801	134	1,157	–	1,157
Reinsurance finance expenses	(2)	(89)	(29)	(120)	–	(120)
Investment (loss) income – policyholders' funds	(81)	(422)	(17)	(520)	19	(501)
Insurance profit (loss)	145	733	455	1,333	(38)	1,295
Investment loss – shareholders' funds	(64)	(185)	(4)	(253)	(19)	(272)
Financing and other costs	(1)	(2)	(19)	(22)	(223)	(245)
Gain on sale of entities and businesses	–	–	–	–	38	38
Share of net loss of associates	–	–	–	–	(7)	(7)
Restructuring and related expenses	(51)	(21)	(14)	(86)	(20)	(106)
Amortisation and impairment of intangibles	–	–	(13)	(13)	(14)	(27)
Profit (loss) before income tax	29	525	405	959	(283)	676
Income tax (expense) credit	(7)	(100)	(138)	(245)	164	(81)
Profit (loss) after income tax	22	425	267	714	(119)	595
Net profit attributable to non-controlling interests	–	–	–	–	(8)	(8)
Net profit (loss) after income tax attributable to ordinary equity holders of the Company	22	425	267	714	(127)	587

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.

Insurance revenue – external was $4,796 million (2022 $4,480 million) for Australia, the ultimate parent entity's country of domicile, and was $2,572 million (2022 $2,335 million) for risks located in the United Kingdom. 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. Insurance 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 Insurance revenue

Overview

Insurance revenue reflects the consideration the Group expects to be entitled to in exchange for providing insurance contract services. Insurance revenue mainly comprises premiums charged for providing insurance coverage, excluding any amounts that are repayable to policyholders in all circumstances (referred to as investment components) and taxes collected on behalf of third parties.

	2023 US$M	RESTATED 2022 US$M
Contracts measured under the premium allocation approach		
Insurance revenue from contracts measured under the premium allocation approach	**20,637**	18,700
Contracts measured under the general model		
Insurance service expenses incurred in the period	**101**	88
Changes in risk adjustment	**16**	12
Contractual service margin recognised in profit or loss	**54**	86
Amounts relating to changes in the liability for remaining coverage	**171**	186
Recovery of insurance acquisition cash flows	**18**	18
Insurance revenue from contracts measured under the general model	**189**	204
Insurance revenue	**20,826**	18,904

How we account for the numbers

The measurement models applicable to measuring insurance and reinsurance contracts are described in note 2.2.1.

Insurance revenue under the premium allocation approach is an allocation of total expected premium to each period of coverage on the basis of the passage of time, or a pattern that reflects the expected timing of incurred insurance service expenses if the expected pattern of incidence of risk differs significantly from the passage of time.

For contracts measured under the general model, insurance revenue comprises:

- changes in the liability for remaining coverage (excluding the loss component) that relate to services provided in the period. The contractual service margin, which represents the unearned profit, is earned to insurance revenue based on a pattern of coverage units which reflects the provision of insurance services over the expected coverage period. The determination of the coverage units pattern is based on the quantity of benefits provided under the contracts in each period and includes consideration of amounts that can be validly claimed by policyholders if an insured event occurs, as well as expected lapses. The movement in the contractual service margin during the period is disclosed in note 2.2.3.
- the recovery of insurance acquisition cash flows, which is determined by allocating a portion of the premium that relates to recovering those cash flows on a straight line basis over the coverage period of the contracts.

2.2 Insurance and reinsurance contract assets and liabilities

Overview

Insurance contract liabilities represent the rights and obligations arising from insurance and reinsurance contracts issued, and comprise the following components:

- the liability for remaining coverage, being the obligation to provide future insurance services in relation to contracts in force at the balance date; and
- the liability for incurred claims, being the obligation to pay claims reported but not yet paid, IBNR and other incurred insurance service expenses such as claims handling costs.

Reinsurance contract assets represent the rights and obligations arising from reinsurance contracts held, and comprise the following components:

- the asset for remaining coverage, being the amounts that are expected to be recoverable from reinsurers in relation to future insured claims that have not yet been incurred; and
- recoveries of incurred claims, being the amounts that are expected to be recoverable from reinsurers in relation to claims that have been incurred on underlying contracts.

The Group's insurance and reinsurance contracts are aggregated into portfolios, each comprising contracts that are of similar risks and managed together. Portfolios of insurance and reinsurance contracts issued that are assets are presented separately from those that are liabilities on the balance sheet. Similarly, portfolios of reinsurance contracts held that are assets are presented separately from those that are liabilities. There were no portfolios of insurance contracts issued that were assets or portfolios of reinsurance contracts held that were liabilities at the balance date and at 31 December 2022.

	2023			2022 (RESTATED)		
	PREMIUM ALLOCATION APPROACH US$M	GENERAL MODEL US$M	TOTAL US$M	PREMIUM ALLOCATION APPROACH US$M	GENERAL MODEL US$M	TOTAL US$M
Insurance contract liabilities	**27,003**	**564**	**27,567**	25,503	645	26,148
Reinsurance contract assets	**(5,819)**	**(2,215)**	**(8,034)**	(6,248)	(896)	(7,144)
Net insurance contract liabilities (assets)	**21,184**	**(1,651)**	**19,533**	19,255	(251)	19,004

How we account for the numbers

Insurance and reinsurance contracts must be measured using a general model, unless the contracts meet certain eligibility criteria, in which case they may be measured using a simplified approach known as the premium allocation approach. Contracts are eligible for the simplified approach if they have coverage periods of one year or less or if the liability for remaining coverage under that approach is not expected to materially differ from that under the general model. The Group applies the premium allocation approach to most of its insurance and reinsurance contracts on the basis that these eligibility requirements are met.

Critical accounting judgements and estimates

For contracts with coverage periods greater than one year, the Group's assessment of eligibility for the premium allocation approach involves a qualitative consideration of contract features and, where applicable, modelling of the liability for remaining coverage under a range of reasonably expected scenarios. The following key assumptions and estimates are modelled:

- expected future cash flows and the risk adjustment as described in notes 2.2.1 and 2.2.4;
- pattern of coverage units used to determine the earning pattern of the contractual service margin, which includes consideration of the economic value of policyholders' insurable interests and any contractual limits to amounts that can be claimed under the relevant insurance contracts; and
- expected variability in assumptions used, such as changes in discount rates.

2. UNDERWRITING ACTIVITIES

2.2.1 Movement in the net carrying amounts

Insurance contract liabilities

	2023				2022 (RESTATED)			
	LIABILITY (ASSET) FOR REMAINING COVERAGE				LIABILITY (ASSET) FOR REMAINING COVERAGE			
	EXCLUDING LOSS COMPONENT US$M	LOSS COMPONENT US$M	LIABILITY FOR INCURRED CLAIMS US$M	TOTAL US$M	EXCLUDING LOSS COMPONENT US$M	LOSS COMPONENT US$M	LIABILITY FOR INCURRED CLAIMS US$M	TOTAL US$M
Insurance contract liabilities at 1 January	**(1,262)**	**112**	**27,298**	**26,148**	–	42	26,316	26,358
Insurance revenue – contracts under the modified retrospective approach	**(314)**	**–**	**–**	**(314)**	(554)	–	–	(554)
Insurance revenue – other contracts	**(20,512)**	**–**	**–**	**(20,512)**	(18,350)	–	–	(18,350)
Insurance revenue (a)	**(20,826)**	**–**	**–**	**(20,826)**	(18,904)	–	–	(18,904)
Incurred claims and other attributable expenses	**(68)**	**(112)**	**14,573**	**14,393**	(92)	(42)	14,768	14,634
Amortisation of insurance acquisition cash flows	**3,654**	**–**	**–**	**3,654**	3,333	–	–	3,333
Changes that relate to past service – prior accident years	**–**	**–**	**92**	**92**	–	–	(696)	(696)
Losses on onerous contracts and reversals of those losses	**–**	**86**	**–**	**86**	–	115	–	115
Insurance service expenses (b)[1]	**3,586**	**(26)**	**14,665**	**18,225**	3,241	73	14,072	17,386
Insurance service result (a)+(b)	**(17,240)**	**(26)**	**14,665**	**(2,601)**	(15,663)	73	14,072	(1,518)
Insurance finance expenses (income)	**19**	**–**	**1,020**	**1,039**	(5)	–	(1,152)	(1,157)
Foreign exchange	**(51)**	**–**	**393**	**342**	(132)	(3)	(1,178)	(1,313)
Statement of comprehensive income	**(17,272)**	**(26)**	**16,078**	**(1,220)**	(15,800)	70	11,742	(3,988)
Investment components	**(71)**	**–**	**71**	**–**	(71)	–	71	–
Disposals	**(3)**	**–**	**(8)**	**(11)**	–	–	–	–
Cash flows								
Premium received	**20,445**	**–**	**479**	**20,924**	18,021	–	451	18,472
Acquisition costs paid	**(3,655)**	**–**	**(77)**	**(3,732)**	(3,412)	–	(71)	(3,483)
Claims and expenses, including taxes, paid	**–**	**–**	**(14,542)**	**(14,542)**	–	–	(11,211)	(11,211)
Total cash flows	**16,790**	**–**	**(14,140)**	**2,650**	14,609	–	(10,831)	3,778
Insurance contract liabilities at 31 December	**(1,818)**	**86**	**29,299**	**27,567**	(1,262)	112	27,298	26,148

1 Excludes $196 million (2022 $193 million) of insurance service expenses which represent movements in assets and liabilities that do not form part of insurance contract liabilities on the balance sheet.

Reinsurance contract assets

	2023				2022 (RESTATED)			
	ASSET FOR REMAINING COVERAGE				ASSET FOR REMAINING COVERAGE			
	EXCLUDING LOSS-RECOVERY COMPONENT US$M	LOSS-RECOVERY COMPONENT US$M	RECOVERIES OF INCURRED CLAIMS US$M	TOTAL US$M	EXCLUDING LOSS-RECOVERY COMPONENT US$M	LOSS-RECOVERY COMPONENT US$M	RECOVERIES OF INCURRED CLAIMS US$M	TOTAL US$M
Reinsurance contract assets at 1 January	**(1,629)**	**6**	**8,767**	**7,144**	(1,031)	4	7,740	6,713
Reinsurance expenses (a)	**(4,848)**	**–**	**–**	**(4,848)**	(3,850)	–	–	(3,850)
Recovery of incurred claims and other expenses	**(25)**	**(6)**	**4,076**	**4,045**	(46)	(4)	3,781	3,731
Changes in credit risk	**–**	**–**	**5**	**5**	–	–	6	6
Changes that relate to past service – prior accident years	**–**	**–**	**(107)**	**(107)**	–	–	(247)	(247)
Recovery of onerous contract losses and reversals of those recoveries	**–**	**3**	**–**	**3**	–	6	–	6
Reinsurance income (b)	**(25)**	**(3)**	**3,974**	**3,946**	(46)	2	3,540	3,496
Insurance service result (a)+(b)	**(4,873)**	**(3)**	**3,974**	**(902)**	(3,896)	2	3,540	(354)
Reinsurance finance income (expense)	**110**	**–**	**350**	**460**	(56)	–	(64)	(120)
Foreign exchange	**(2)**	**–**	**74**	**72**	40	–	(182)	(142)
Statement of comprehensive income	**(4,765)**	**(3)**	**4,398**	**(370)**	(3,912)	2	3,294	(616)
Investment components	**(201)**	**–**	**201**	**–**	(235)	–	235	–
Disposals	**–**	**–**	**(1)**	**(1)**	–	–	–	–
Cash flows								
Premium paid net of ceding commissions received[1]	**5,869**	**–**	**10**	**5,879**	3,549	–	43	3,592
Recoveries and taxes received	**–**	**–**	**(4,618)**	**(4,618)**	–	–	(2,545)	(2,545)
Total cash flows	**5,869**	**–**	**(4,608)**	**1,261**	3,549	–	(2,502)	1,047
Reinsurance contract assets at 31 December	**(726)**	**3**	**8,757**	**8,034**	(1,629)	6	8,767	7,144

1 2022 includes amounts settled via the transfer of non-cash assets.

How we account for the numbers

The asset or liability for remaining coverage under the premium allocation approach is measured as premiums received net of unamortised acquisition cash flows and amounts recognised as insurance revenue for coverage that has been provided. Insurance acquisition cash flows are amortised over the coverage period of the related insurance contracts on the same basis as the insurance revenue earning pattern (note 2.1) for the business to which the cash flows relate. The liability for remaining coverage is not discounted where the time between providing each part of the services and the related premium due date is no more than a year.

The asset or liability for remaining coverage under the general measurement model is measured as the sum of:

- the present value of future cash flows that are expected to arise as the Group fulfils the contracts, which mainly comprise premium, claims and attributable expenses;
- a risk adjustment for non-financial risk (note 2.2.4); and
- a contractual service margin, representing the profit that has not yet been recognised in profit or loss as it relates to future services to be provided over the remaining coverage of the insurance contracts.

The liability for remaining coverage includes a loss component which depicts amounts recognised on onerous contracts. A corresponding loss-recovery component within the reinsurance asset for remaining coverage depicts amounts recoverable in respect of losses on onerous contracts covered by reinsurance contracts held.

Under both measurement models, the liability for incurred claims (and corresponding recoveries of incurred claims) is measured as the fulfilment cash flows (sum of present value of future cash flows and a risk adjustment) relating to incurred claims and attributable expenses that have not yet been paid, including claims that have been incurred but not yet reported.

2. UNDERWRITING ACTIVITIES

Critical accounting judgements and estimates

The determination of the amounts that the Group will ultimately pay for claims arising under insurance and reinsurance contracts issued 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; and
- changing social, environmental, political and economic trends, for example price and wage inflation.

The estimation of IBNR 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 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, typically giving rise to less uncertainty.

Estimates of future cash flows 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 cash flows are discounted to present value using appropriate discount rates as described in note 2.2.5.

Onerous contracts

Insurance contracts are onerous when the liability for remaining coverage is insufficient to pay future claims and other insurance service expenses attributable to the contracts.

Contracts that are measured using the premium allocation approach are assumed not to be onerous unless facts and circumstances indicate otherwise. In identifying facts and circumstances that may be indicators of onerous contracts, the Group considers management information for Group planning and performance management, in combination with other indicators where relevant. If there are facts and circumstances that may indicate the existence of possible onerous contracts, the onerous contract losses are measured based on the extent to which the fulfilment cash flows attributable to the group of contracts exceed the liability for remaining coverage for that group.

Under both measurement models, onerous contract losses are measured on a gross basis (excluding the effect of reinsurance contracts held) and are immediately recognised in profit or loss. A loss component of the liability for remaining coverage is established (or increased) to depict the onerous contract losses recognised. Where the onerous contracts are covered by reinsurance contracts held, reinsurance income is recognised in profit or loss and a corresponding loss-recovery component of the reinsurance asset for remaining coverage is established to depict expected recoveries attributable to the onerous contract losses.

The consideration of facts and circumstances as well as the measurement of any onerous contract losses are determined separately for each underwriting year within a portfolio of contracts that are of similar risks and managed together. Where a subset of contracts within a portfolio would be identified as a separate group from other contracts within the portfolio only because of the existence of specific legal or regulatory constraints to the Group's practical ability to set a different price or level of benefits for policyholders with different characteristics, such contracts are included in the same group for the purposes of identifying and measuring onerous contracts.

2.2.2 Movement in the net liability for incurred claims

	2023			2022 (RESTATED)		
	PREMIUM ALLOCATION APPROACH US$M	GENERAL MODEL US$M	TOTAL US$M	PREMIUM ALLOCATION APPROACH US$M	GENERAL MODEL US$M	TOTAL US$M
Net liability for incurred claims						
Insurance contract liabilities	**29,170**	**129**	**29,299**	27,152	146	27,298
Reinsurance contract assets	**(8,635)**	**(122)**	**(8,757)**	(8,711)	(56)	(8,767)
	20,535	**7**	**20,542**	18,441	90	18,531

The movement in the net liability for incurred claims for contracts measured under the premium allocation approach is analysed in the tables below:

Insurance contract liabilities

	2023			2022 (RESTATED)		
	PRESENT VALUE OF FUTURE CASH FLOWS US$M	RISK ADJUSTMENT US$M	LIABILITY FOR INCURRED CLAIMS US$M	PRESENT VALUE OF FUTURE CASH FLOWS US$M	RISK ADJUSTMENT US$M	LIABILITY FOR INCURRED CLAIMS US$M
Insurance contract liabilities at 1 January	**25,376**	**1,776**	**27,152**	24,323	1,766	26,089
Incurred claims and other attributable expenses	**14,210**	**285**	**14,495**	14,031	662	14,693
Changes that relate to past service – prior accident years	**342**	**(163)**	**179**	(112)	(462)	(574)
Insurance service expenses	**14,552**	**122**	**14,674**	13,919	200	14,119
Insurance service result	**14,552**	**122**	**14,674**	13,919	200	14,119
Insurance finance expenses (income)	**980**	**40**	**1,020**	(1,033)	(113)	(1,146)
Foreign exchange	**347**	**46**	**393**	(1,089)	(77)	(1,166)
Statement of comprehensive income	**15,879**	**208**	**16,087**	11,797	10	11,807
Investment components	**71**	**–**	**71**	71	–	71
Disposals	**(7)**	**(1)**	**(8)**	–	–	–
Cash flows						
Premium received	**470**	**–**	**470**	435	–	435
Acquisition costs paid	**(77)**	**–**	**(77)**	(71)	–	(71)
Claims and expenses, including taxes, paid	**(14,525)**	**–**	**(14,525)**	(11,179)	–	(11,179)
Total cash flows	**(14,132)**	**–**	**(14,132)**	(10,815)	–	(10,815)
Insurance contract liabilities at 31 December	**27,187**	**1,983**	**29,170**	25,376	1,776	27,152

2. UNDERWRITING ACTIVITIES

Reinsurance contract assets

	2023			2022 (RESTATED)		
	PRESENT VALUE OF FUTURE CASH FLOWS US$M	RISK ADJUSTMENT US$M	RECOVERIES OF INCURRED CLAIMS US$M	PRESENT VALUE OF FUTURE CASH FLOWS US$M	RISK ADJUSTMENT US$M	RECOVERIES OF INCURRED CLAIMS US$M
Reinsurance contract assets at 1 January	**8,236**	**475**	**8,711**	7,206	520	7,726
Recovery of incurred claims and other expenses	**3,382**	**1**	**3,383**	3,424	264	3,688
Changes in credit risk	**5**	**–**	**5**	6	–	6
Changes that relate to past service – prior accident years	**(103)**	**(1)**	**(104)**	10	(249)	(239)
Reinsurance income	**3,284**	**–**	**3,284**	3,440	15	3,455
Insurance service result	**3,284**	**–**	**3,284**	3,440	15	3,455
Reinsurance finance income (expenses)	**351**	**(1)**	**350**	(31)	(33)	(64)
Foreign exchange	**63**	**12**	**75**	(154)	(27)	(181)
Statement of comprehensive income	**3,698**	**11**	**3,709**	3,255	(45)	3,210
Investment components	**175**	**–**	**175**	127	–	127
Disposals	**(1)**	**–**	**(1)**	–	–	–
Cash flows						
Premium paid net of ceding commissions received	**10**	**–**	**10**	43	–	43
Recoveries and taxes received	**(3,969)**	**–**	**(3,969)**	(2,395)	–	(2,395)
Total cash flows	**(3,959)**	**–**	**(3,959)**	(2,352)	–	(2,352)
Reinsurance contract assets at 31 December	**8,149**	**486**	**8,635**	8,236	475	8,711

2.2.3 Analysis of contracts measured under the general model

Insurance contract liabilities

	2023				2022 (RESTATED)			
	PRESENT VALUE OF FUTURE CASH FLOWS US$M	RISK ADJUSTMENT US$M	CONTRACTUAL SERVICE MARGIN US$M	TOTAL US$M	PRESENT VALUE OF FUTURE CASH FLOWS US$M	RISK ADJUSTMENT US$M	CONTRACTUAL SERVICE MARGIN US$M	TOTAL US$M
Insurance contract liabilities at 1 January	**340**	**68**	**237**	**645**	419	78	308	805
Changes that relate to current service								
Contractual service margin release for services provided	**–**	**–**	**(54)**	**(54)**	–	–	(87)	(87)
Changes in risk adjustment	**–**	**3**	**–**	**3**	–	6	–	6
Experience adjustments	**(38)**	**–**	**–**	**(38)**	(31)	–	–	(31)
	(38)	**3**	**(54)**	**(89)**	(31)	6	(87)	(112)
Changes that relate to future service								
Contracts initially recognised in the period	**(31)**	**7**	**24**	**–**	(73)	11	62	–
Changes that adjust the contractual service margin	**54**	**9**	**(63)**	**–**	28	7	(35)	–
	23	**16**	**(39)**	**–**	(45)	18	27	–
Changes that relate to past service								
Adjustments to liability for incurred claims	**(63)**	**(24)**	**–**	**(87)**	(97)	(25)	–	(122)
	(63)	**(24)**	**–**	**(87)**	(97)	(25)	–	(122)
Insurance service result	**(78)**	**(5)**	**(93)**	**(176)**	(173)	(1)	(60)	(234)
Insurance finance expenses (income)	**14**	**2**	**5**	**21**	(17)	(3)	7	(13)
Foreign exchange	**2**	**–**	**(1)**	**1**	(26)	(6)	(18)	(50)
Statement of comprehensive income	**(62)**	**(3)**	**(89)**	**(154)**	(216)	(10)	(71)	(297)
Cash flows								
Premium received	**107**	**–**	**–**	**107**	181	–	–	181
Acquisition costs paid	**(17)**	**–**	**–**	**(17)**	(12)	–	–	(12)
Claims and expenses, including taxes, paid	**(17)**	**–**	**–**	**(17)**	(32)	–	–	(32)
Total cash flows	**73**	**–**	**–**	**73**	137	–	–	137
Insurance contract liabilities at 31 December	**351**	**65**	**148**	**564**	340	68	237	645

2. UNDERWRITING ACTIVITIES

Contracts initially recognised in the period

The following table provides an analysis of contracts measured under the general model that were initially recognised in the period:

	2023 US$M	RESTATED 2022 US$M
Insurance acquisition cash flows	**15**	12
Claims and other insurance service expenses payable	**45**	77
Estimates of the present value of future cash outflows	**60**	89
Estimates of the present value of future cash inflows	**(91)**	(162)
Risk adjustment	**7**	11
Contractual service margin	**24**	62
Movement in insurance contract liabilities	**–**	–

Contractual service margin by transition method

The following table provides an analysis of contractual service margin by transition method applied to measure the contracts on adoption of AASB 17 (note 8.1.1):

	2023			2022 (RESTATED)		
	CONTRACTS UNDER THE MODIFIED RETROSPECTIVE APPROACH US$M	OTHER CONTRACTS US$M	TOTAL US$M	CONTRACTS UNDER THE MODIFIED RETROSPECTIVE APPROACH US$M	OTHER CONTRACTS US$M	TOTAL US$M
At 1 January	**190**	**47**	**237**	308	–	308
Changes that relate to current service						
Contractual service margin release for services provided	**(39)**	**(15)**	**(54)**	(75)	(12)	(87)
Changes that relate to future service						
Contracts initially recognised in the period	**–**	**24**	**24**	–	62	62
Changes in estimates that adjust the contractual service margin	**(56)**	**(7)**	**(63)**	(35)	–	(35)
Insurance service result	**(95)**	**2**	**(93)**	(110)	50	(60)
Insurance finance expenses	**4**	**1**	**5**	7	–	7
Foreign exchange	**(2)**	**1**	**(1)**	(15)	(3)	(18)
Statement of comprehensive income	**(93)**	**4**	**(89)**	(118)	47	(71)
At 31 December	**97**	**51**	**148**	190	47	237

Reinsurance contract assets

	2023				2022 (RESTATED)			
	PRESENT VALUE OF FUTURE CASH FLOWS US$M	RISK ADJUSTMENT US$M	CONTRACTUAL SERVICE MARGIN US$M	TOTAL US$M	PRESENT VALUE OF FUTURE CASH FLOWS US$M	RISK ADJUSTMENT US$M	CONTRACTUAL SERVICE MARGIN US$M	TOTAL US$M
Reinsurance contract assets at 1 January	**819**	**62**	**15**	**896**	668	38	20	726
Changes that relate to current service								
Contractual service margin release for services provided	**–**	**–**	**(2)**	**(2)**	–	–	(5)	(5)
Changes in risk adjustment	**–**	**(69)**	**–**	**(69)**	–	(5)	–	(5)
Experience adjustments	**(5)**	**–**	**–**	**(5)**	(16)	–	–	(16)
	(5)	**(69)**	**(2)**	**(76)**	(16)	(5)	(5)	(26)
Changes that relate to future service								
Contracts initially recognised in the period	**(282)**	**156**	**7**	**(119)**	(94)	34	7	(53)
Changes in estimates that do not adjust the contractual service margin	**76**	**5**	**–**	**81**	14	–	–	14
Changes that adjust the contractual service margin	**15**	**2**	**(17)**	**–**	6	1	(7)	–
	(191)	**163**	**(10)**	**(38)**	(74)	35	–	(39)
Changes that relate to past service								
Adjustments to recoveries of incurred claims	**(3)**	**–**	**–**	**(3)**	(8)	–	–	(8)
	(3)	**–**	**–**	**(3)**	(8)	–	–	(8)
Insurance service result	**(199)**	**94**	**(12)**	**(117)**	(98)	30	(5)	(73)
Reinsurance finance income (expenses)	**107**	**4**	**–**	**111**	(57)	(5)	–	(62)
Foreign exchange	**51**	**1**	**–**	**52**	(24)	(1)	–	(25)
Statement of comprehensive income	**(41)**	**99**	**(12)**	**46**	(179)	24	(5)	(160)
Cash flows								
Premium paid net of ceding commissions received[1]	**1,922**	**–**	**–**	**1,922**	480	–	–	480
Recoveries received	**(649)**	**–**	**–**	**(649)**	(150)	–	–	(150)
Total cash flows	**1,273**	**–**	**–**	**1,273**	330	–	–	330
Reinsurance contract assets at 31 December	**2,051**	**161**	**3**	**2,215**	819	62	15	896

1 2022 includes amounts settled via the transfer of non-cash assets.

2. UNDERWRITING ACTIVITIES

Contracts initially recognised in the period

The following table provides an analysis of contracts measured under the general model that were initially recognised in the period:

	2023 US$M	RESTATED 2022 US$M
Estimates of the present value of future cash outflows	**(2,083)**	(138)
Estimates of the present value of future cash inflows	**1,801**	44
Risk adjustment	**156**	34
Contractual service margin	**7**	7
Movement in reinsurance contract assets	**(119)**	(53)

Contractual service margin by transition method

The following table provides an analysis of contractual service margin by transition method applied to measure the contracts on adoption of AASB 17 (note 8.1.1):

	2023			2022 (RESTATED)		
	CONTRACTS UNDER THE MODIFIED RETROSPECTIVE APPROACH US$M	OTHER CONTRACTS US$M	TOTAL US$M	CONTRACTS UNDER THE MODIFIED RETROSPECTIVE APPROACH US$M	OTHER CONTRACTS US$M	TOTAL US$M
At 1 January	**9**	**6**	**15**	20	–	20
Changes that relate to current service						
Contractual service margin release for services provided	**–**	**(2)**	**(2)**	(4)	(1)	(5)
Changes that relate to future service						
Contracts initially recognised in the period	**–**	**7**	**7**	–	7	7
Changes in estimates that adjust the contractual service margin	**(15)**	**(2)**	**(17)**	(7)	–	(7)
Insurance service result	**(15)**	**3**	**(12)**	(11)	6	(5)
Statement of comprehensive income	**(15)**	**3**	**(12)**	(11)	6	(5)
At 31 December	**(6)**	**9**	**3**	9	6	15

2.2.4 Risk adjustment

The risk adjustment recognised in relation to the liability for incurred claims (net of reinsurance held) corresponds to a confidence level of 90.0% (2022 90.1%). The net liability for incurred claims excludes recoveries under reinsurance loss portfolio transfer contracts that are accounted for under the general model and recognised within the reinsurance asset for remaining coverage as they relate to underlying claims that have not yet been settled. The confidence level inclusive of these recoveries is 90.6% (2022 90.0%).

How we account for the numbers

The risk adjustment reflects the compensation required for bearing uncertainty about the amount and timing of cash flows that arises from non-financial risk. For contracts measured under the premium allocation approach, unless the contracts are onerous, an explicit risk adjustment for non-financial risk is only estimated for the measurement of the liability for incurred claims.

The risk adjustment recognised in relation to the liability for incurred claims is determined with reference to QBE's weighted average cost of economic capital allocated to earned reserve risk. The risk adjustment also reflects the benefit from the diversification of the classes and geographies of the Group. The Group aims to maintain a risk adjustment within a range of 6% to 8% of the net present value of future cash flows in relation to the net outstanding claims liability (being claims reserves within the liability for incurred claims) inclusive of recoveries from reinsurance loss portfolio transfer contracts.

Changes in the risk adjustment are disaggregated between the insurance service result and insurance and reinsurance finance income and expenses.

Critical accounting judgements and estimates

The risk adjustment is approved by the Board and represents the compensation QBE requires for bearing the uncertainty in the net discounted estimate of future cash flows within the insurance liabilities. The determination of the appropriate level of risk adjustment takes into account:

- the level of economic capital that QBE allocates to support the net discounted cash flows and the weighted average cost of servicing that capital;
- the run-off profile and term to settlement of the net discounted cash flows;
- mix of business, in particular the mix of short-tail and long-tail business;
- the benefit of diversification between classes of business and geographic locations; and
- the level of uncertainty in the cash flow estimates due to estimation error, data quality, variability of key inflation assumptions, and possible economic and legislative changes.

The uncertainty 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 coefficient of variation for two or more classes of business or for two or more geographic locations combined is likely to be less than the coefficients of variation for the individual classes, reflecting the benefit of diversification in general insurance. 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 confidence level 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. The net present value of future cash flows used in the determination of the confidence level is discounted using risk-free rates.

2. UNDERWRITING ACTIVITIES

2.2.5 Discount rates used to estimate the present value of future cash flows

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 yield curves used to discount estimates of future cash flows within the net insurance contract liabilities.

	2023			2022 (RESTATED)		
	1 YEAR	5 YEARS	10 YEARS	1 YEAR	5 YEARS	10 YEARS
New Zealand dollar	**5.79**	**4.51**	**4.70**	5.77	5.02	4.84
US dollar	**5.55**	**4.23**	**4.20**	5.14	4.43	4.26
Canadian dollar	**5.19**	**3.46**	**3.42**	4.84	3.73	3.64
Sterling	**5.18**	**3.68**	**3.92**	3.51	3.90	4.01
Hong Kong dollar	**4.58**	**3.46**	**3.55**	4.30	4.09	4.00
Australian dollar	**4.53**	**3.95**	**4.29**	3.58	4.00	4.41
Euro	**3.84**	**2.21**	**2.34**	2.41	2.77	2.86

How we account for the numbers

AASB 17 *Insurance Contracts* requires the estimates of future cash flows to be discounted to reflect the time value of money and financial risks related to those cash flows. A bottom-up approach is applied to determine the discount rates used to discount insurance and reinsurance contract cash flows, which uses risk-free rates adjusted to reflect the liquidity characteristics of the insurance contracts.

Critical accounting judgements and estimates

The illiquidity premium within discount rates is derived based on the long-term weighted average credit spread of a reference portfolio of assets with a similar currency mix and weighted average duration as the related insurance liabilities over the longer term. The effect of credit risk and other factors that are not relevant to the liquidity characteristics of insurance contracts is eliminated to estimate the portion of the spread that reflects the illiquidity premium.

2.2.6 Maturity profile of the net insurance contract liabilities

Overview

The maturity profiles below set out the Group's expectation of the period over which the cash flows arising from insurance and reinsurance contracts will be settled and the period over which the contractual service margin of contracts applying the general model is expected to be released to profit or loss. The Group uses information about the maturity profile of the present value of future cash flows to ensure that it has adequate liquidity to pay claims and expenses as they are due to be settled and to inform the Group's investment strategy.

Expected timing of settlement of the present value of future cash flows

The following table summarises the expected maturity profile of the present value of future cash flows within the Group's insurance and reinsurance contract assets and liabilities. The net liability for remaining coverage of contracts measured under the premium allocation approach is excluded from the below.

2023	1 YEAR OR LESS 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
Insurance contract liabilities	**12,656**	**4,419**	**2,985**	**2,098**	**1,499**	**3,881**	**27,538**
Reinsurance contract assets	**5,707**	**1,368**	**917**	**689**	**429**	**1,090**	**10,200**

2022 (RESTATED)	1 YEAR OR LESS 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
Insurance contract liabilities	12,330	4,170	2,748	1,905	1,303	3,260	25,716
Reinsurance contract assets	5,577	1,182	731	481	402	682	9,055

There were no amounts payable on demand at the balance date (2022 nil).

Expected timing of contractual service margin release

The following table sets out when the Group expects to recognise the remaining contractual service margin in profit or loss:

	2023				2022 (RESTATED)			
	1 YEAR OR LESS US$M	2 TO 5 YEARS US$M	MORE THAN 5 YEARS US$M	TOTAL US$M	1 YEAR OR LESS US$M	2 TO 5 YEARS US$M	MORE THAN 5 YEARS US$M	TOTAL US$M
Insurance contract liabilities	**39**	**79**	**30**	**148**	62	127	48	237
Reinsurance contract assets	**(2)**	**3**	**2**	**3**	3	9	3	15

2. UNDERWRITING ACTIVITIES

2.2.7 Impact of changes in key variables on the net insurance contract liabilities

Overview

The impact of changes in key variables used in the calculation of the net insurance contract liabilities is summarised in the table below, and is shown gross and net of reinsurance held. 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, at least partly, 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 present value of future cash flows was to increase, it is possible that part of the increase may result in an offsetting change in the level of risk adjustment required rather than in a change to profit or loss after tax, depending on the nature of the change in the cash flow estimate and risk outlook.

		PROFIT (LOSS)[1]			
		GROSS		NET	
	SENSITIVITY %	2023 US$M	RESTATED 2022 US$M	2023 US$M	RESTATED 2022 US$M
Present value of future cash flows	+5	**(895)**	(852)	**(635)**	(620)
	-5	**895**	852	**635**	620
Risk adjustment	+5	**(70)**	(63)	**(48)**	(45)
	-5	**70**	63	**48**	45
Inflation rate	+1	**(524)**	(475)	**(395)**	(375)
	-1	**486**	443	**366**	348
Discount rate[2]	+1	**462**	422	**348**	334
	-1	**(507)**	(461)	**(383)**	(365)
Weighted average term to settlement	+10	**197**	185	**145**	143
	-10	**(200)**	(187)	**(147)**	(144)

1 Net of tax at the Group's prima facie income tax rate of 30%.

2 The impact of reasonably possible changes in interest rates on interest-bearing financial assets owned by the Group at the balance date is shown in note 4.4.

2.3 Claims development – net liability for incurred claims

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 expected claims cash flows 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 claims estimate at a fixed rate of exchange (e). This is revalued to the balance date rate of exchange (f) to report the net undiscounted claims estimate (g), which is reconciled to the net liability for incurred claims (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).

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.

		2018 & PRIOR US$M	2019 US$M	2020 US$M	2021 US$M	2022 US$M	2023 US$M	TOTAL US$M
Net ultimate claims payments								
(a)	Original estimate of net ultimate claims payments		7,199	7,170	7,707	9,224	9,550	
(b)	One year later		7,469	6,925	7,872	9,511		
	Two years later		7,695	7,012	7,843			
	Three years later		7,748	6,930				
	Four years later		7,815					
(c)	Current estimate of net ultimate claims payments		7,815	6,930	7,843	9,511	9,550	41,649
(d)	Cumulative net payments to date		(6,474)	(5,185)	(5,341)	(5,443)	(2,401)	(24,844)
(e)	Net undiscounted claims estimate at fixed rate of exchange	4,010	1,341	1,745	2,502	4,068	7,149	20,815
(f)	Foreign exchange impact							(29)
	Provision for impairment							20
(g)	Net undiscounted claims estimate at 31 December 2023							20,806
	Discount to present value							(2,421)
	Other attributable cash flows							637
	Risk adjustment							1,520
(h)	Net liability for incurred claims at 31 December 2023 (note 2.2.2)							20,542
(i)	Movement in estimated net ultimate claims payments	142	67	(82)	(29)	287	9,550	9,935

2. UNDERWRITING ACTIVITIES

How we account for the numbers

The estimate of net ultimate claims payments attributable to business acquired that apply the modified retrospective transition approach (note 8.1.1) is included in the claims development table in the accident year in which the acquisition was made. Information about claims development has been disclosed for the five accident years preceding the end of the current reporting period as permitted by AASB 17.

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 accident years reported that are in functional currencies other than US dollars have been translated to US dollars using 2023 average rates of exchange.

2.3.1 Reinsurance of prior accident year claims liabilities

During 2023, the Group entered into a reserve transaction to reinsure certain prior accident year claims liabilities in North America and International which resulted in the recognition of an upfront net cost of $101 million within reinsurance expenses. Reinsurance expenses also include $620 million (2022 $87 million) relating to this transaction and reinsurance loss portfolio transfer contracts entered into in prior periods that remain in-force, reflecting amounts recognised over the coverage period as the underlying claims settle.

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

	2023 US$M	RESTATED 2022 US$M
Income (loss) on fixed interest securities, short-term money and cash	**1,361**	(812)
Income on growth assets	**71**	60
Gross investment income (loss)[1]	**1,432**	(752)
Investment expenses	**(37)**	(29)
Net investment income (loss)	**1,395**	(781)
Foreign exchange	**(19)**	18
Other expenses	**(7)**	(10)
Total investment income (loss)	**1,369**	(773)
Investment income (loss) – policyholders' funds	**907**	(482)
Investment expenses – policyholders' funds	**(24)**	(19)
Investment income (loss) – shareholders' funds	**499**	(262)
Investment expenses – shareholders' funds	**(13)**	(10)
Total investment income (loss)	**1,369**	(773)

1 Includes net fair value gains of $631 million (2022 $1,295 million losses), interest income of $739 million (2022 $466 million) and dividend and distribution income of $62 million (2022 $77 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. INVESTMENT ACTIVITIES

3.2 Investments

	2023 US$M	2022 US$M
Fixed income assets		
Short-term money	**6,728**	5,396
Government bonds	**6,325**	5,094
Corporate bonds	**12,030**	13,649
Infrastructure debt	**50**	47
Emerging market debt	**565**	429
High yield debt	**612**	416
Private credit	**194**	113
	26,504	25,144
Growth assets		
Developed market equity	**464**	332
Emerging market equity	**–**	62
Unlisted property trusts	**585**	747
Infrastructure assets	**928**	834
Alternatives	**189**	180
	2,166	2,155
Total investments	**28,670**	27,299
Amounts maturing within 12 months	**11,386**	11,032
Amounts maturing in greater than 12 months	**17,284**	16,267
Total investments	**28,670**	27,299

At 31 December 2023, QBE had undrawn commitments to externally managed investment vehicles of $645 million (2022 $237 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 optimise 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.

3.2.1 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.

	2023				2022			
	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	**222**	**6,506**	**–**	**6,728**	326	5,070	–	5,396
Government bonds	**4,943**	**1,382**	**–**	**6,325**	3,547	1,547	–	5,094
Corporate bonds	**–**	**12,030**	**–**	**12,030**	–	13,649	–	13,649
Infrastructure debt	**–**	**–**	**50**	**50**	–	–	47	47
Emerging market debt	**–**	**565**	**–**	**565**	–	429	–	429
High yield debt	**–**	**612**	**–**	**612**	–	416	–	416
Private credit	**–**	**–**	**194**	**194**	–	–	113	113
	5,165	**21,095**	**244**	**26,504**	3,873	21,111	160	25,144
Growth assets								
Developed market equity	**464**	**–**	**–**	**464**	332	–	–	332
Emerging market equity	**–**	**–**	**–**	**–**	62	–	–	62
Unlisted property trusts	**–**	**–**	**585**	**585**	–	–	747	747
Infrastructure assets	**–**	**–**	**928**	**928**	–	–	834	834
Alternatives	**118**	**–**	**71**	**189**	112	–	68	180
	582	**–**	**1,584**	**2,166**	506	–	1,649	2,155
Total investments	**5,747**	**21,095**	**1,828**	**28,670**	4,379	21,111	1,809	27,299

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 level 1 in the fair value hierarchy. 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, corporate bonds, emerging market debt and high yield debt

These assets 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.

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.

Private credit

These assets comprise investments in fund vehicles that are valued using current unit prices as advised by the investment fund manager. As the valuation techniques require the use of significant unobservable inputs, these assets have been categorised as level 3.

3. INVESTMENT ACTIVITIES

Developed market equity and emerging market equity

These assets mainly comprise listed equities traded in active markets valued by reference to quoted prices.

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.

Alternatives

These assets mainly comprise investments in exchange-traded commodity products that are listed, traded in active markets and valued by reference to quoted 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	2023 US$M	2022 US$M
At 1 January	**1,809**	1,697
Purchases	**157**	200
Disposals	**(137)**	(98)
Fair value movement recognised in profit or loss	**(17)**	70
Foreign exchange	**16**	(60)
At 31 December	**1,828**	1,809

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 $4,053 million (2022 $3,538 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 $1,068 million (2022 $790 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.

The Group's notional exposure to investment derivatives at the balance date is set out in the table below:

NOTIONAL EXPOSURE	2023 US$M	2022 US$M
Bond futures		
Short government bond futures	**(527)**	(1,347)
Long government bond futures	**202**	12
Interest rate futures		
Short interest rates futures	**(2,809)**	–
Equity index futures		
Short equity index futures	**–**	(80)

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 above.

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.

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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 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. QBE's framework sets out the approach to managing risk effectively to meet strategic objectives while taking into account the creation of value for our shareholders.

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 key risk categories used by QBE to classify risk are 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).

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 16 of this Annual Report.

4. RISK MANAGEMENT

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 five 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: this is the negative impact on QBE's strategic priorities or objectives from ESG issues.
- Emerging risk: these are new or future risks which are difficult to assess but may have a significant impact to QBE or the markets in which it operates.

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 potential earnings volatility against its risk appetite and considering the changing levels of risk in its business plan. The plan is supported by an established regime of attestations by chief underwriting officers, chief actuaries, chief financial officers and chief risk officers, enabling action 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 risk reviews).

Capital risk

The Internal Capital Adequacy Assessment Process (ICAAP) outlines QBE's approach to:

- assessing the risks arising from its activities and ensuring that capital held is commensurate with the level of risk; and
- maintaining adequate capital over time, including the setting of capital targets consistent with risk profile, risk appetite and regulatory capital requirements.

QBE maintains a level of eligible regulatory capital that exceeds requirements, with the capital target set at a multiple of 1.6–1.8 times the 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.

QBE aims to maintain the ratio of borrowings to total capital at 15%–30%. At the balance date, this ratio was 21.9% (2022 23.7%). 2022 is calculated based on total capital that has been restated for the application of AASB 17 (note 8.1.1).

The ICAAP also sets out QBE's approach to:

- accessing potential sources of additional capital if required;
- setting and monitoring risk indicators and triggers for capital levels, to alert management to periods of potential heightened risk;
- outlining the management actions that can be used to mitigate the potential implications of heightened risk;
- undertaking stress testing and scenario analysis to anticipate, and be better prepared for, certain adverse events;
- assessing the quality and composition of capital to meet regulatory requirements and rating agency guidelines and rules; and
- determining and monitoring capital allocation and ensuring that QBE earns an effective rate of return on its capital deployed.

The governance over the ICAAP includes the Board and Board Committees, the Executive Investment & Capital Committee, the Executive Risk Committee, senior management, and supporting functions.

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

ESG and emerging risk horizon scans are performed annually to identify and assess the key ESG and emerging risks to QBE. We maintain oversight of ESG risks through the ESG Risk Committee and both ESG and emerging risks are considered as part of the development of the Group's top risk profile. The Group's top risk profile is overseen by the Executive Risk Committee and the Board Risk & Capital Committee.

ESG, including climate change, is a material business risk for QBE, potentially impacting our business and customers in the medium to long term. We have considered short-term scenarios that could affect our insurance business written to date and current investments. Climate change is expected to increasingly impact the frequency and severity of weather-related natural catastrophes over the long term. In the short term, it is often difficult to distinguish the impact of climate change from the normal variability in weather and natural catastrophes. Claims in respect of classes most impacted by these events (e.g. property classes) are typically reported and settled soon after the claim event, and climate change is therefore not expected to materially impact the level of uncertainty in estimating the ultimate cost of those claims. QBE looks to manage for natural catastrophe volatility by considering a wide range of event frequency and severity scenarios in our capital planning, and by purchasing a comprehensive Group catastrophe reinsurance program.

QBE's investments continue to be resilient with respect to climate transition risks as they have limited exposure to highly impacted sectors. Given the medium to long-term nature of the estimated impacts of climate transition, this factor is not expected to be significant to the fair value measurement of the Group's investment assets at the balance date.

Further detail on QBE's approach to climate change is included in our climate change disclosures on pages 20 to 33 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.

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.

4. RISK MANAGEMENT

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:

INSURANCE REVENUE	2023 US$M	RESTATED 2022 US$M
Commercial and domestic property	**6,306**	5,538
Agriculture	**4,310**	3,935
Public/product liability	**2,703**	2,243
Motor and motor casualty	**2,059**	1,900
Marine, energy and aviation	**1,506**	1,297
Professional indemnity	**1,373**	1,540
Workers' compensation	**1,082**	1,131
Accident and health	**969**	802
Financial and credit	**385**	419
Other	**133**	99
	20,826	18,904

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. In determining catastrophe risk accumulation, QBE considers the insurance concentration risk charge (ICRC), a capital measure under APRA prudential standards. QBE's maximum risk tolerance for an individual natural catastrophe is determined annually and is linked to the maximum net annual allowance for catastrophe 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 present value of future claims cash flows within the net insurance contract liabilities is performed by qualified and experienced actuaries, with reference to historical data and reasoned expectations of future experience and events. The present value of future claims cash flows within the net insurance contract liabilities is subject to a comprehensive independent review at least annually.

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, including loss portfolio transfer contracts, is $1,261 million (2022 $1,809 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 financial strength credit ratings. AAA is the highest possible rating.

	CREDIT RATING					
	AAA US\$M	AA US\$M	A US\$M	BBB US\$M	NOT RATED US\$M	TOTAL US\$M
At 31 December 2023						
Reinsurance recoveries on incurred outstanding claims[1]	**72**	**4,931**	**2,655**	**11**	**153**	**7,822**
Reinsurance recoveries on paid claims	**4**	**1,797**	**383**	**9**	**19**	**2,212**
At 31 December 2022 (RESTATED)						
Reinsurance recoveries on incurred outstanding claims[1]	69	4,423	1,892	31	77	6,492
Reinsurance recoveries on paid claims	2	2,066	437	4	15	2,524

1 Includes $1,798 million (2022 $636 million) of recoveries under reinsurance loss portfolio transfer contracts that are recognised within the reinsurance asset for remaining coverage.

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	**2023**	**1,119**	**1,031**	**5**	**1**	**56**	**2,212**
	2022 (RESTATED)	1,183	1,043	54	147	97	2,524

4. RISK MANAGEMENT

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. Amounts within insurance contract liabilities 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	SPECULATIVE GRADE US$M	NOT RATED US$M	TOTAL US$M
At 31 December 2023							
Cash and cash equivalents	**314**	**478**	**558**	**11**	**–**	**5**	**1,366**
Interest-bearing investments	**4,310**	**11,051**	**7,652**	**2,587**	**688**	**217**	**26,505**
Derivative financial instruments	**–**	**147**	**99**	**3**	**–**	**1**	**250**
At 31 December 2022 (RESTATED)							
Cash and cash equivalents	137	231	437	17	1	10	833
Interest-bearing investments	3,796	10,217	7,629	2,869	482	153	25,146
Derivative financial instruments	–	121	154	8	–	1	284

The carrying amount of non-derivative 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
At 31 December 2023						
Premium receivable[1]	**9,312**	**427**	**115**	**71**	**27**	**9,952**
Other trade debtors	**212**	**2**	**1**	**4**	**1**	**220**
Receivables within insurance contract liabilities	**9,524**	**429**	**116**	**75**	**28**	**10,172**
Other receivables	**513**	**3**	**1**	**1**	**1**	**519**
At 31 December 2022 (RESTATED)						
Premium receivable[1]	8,149	282	110	51	28	8,620
Other trade debtors	213	1	1	2	5	222
Receivables within insurance contract liabilities	8,362	283	111	53	33	8,842
Other receivables	417	3	1	1	1	423

1 Net of a provision for impairment.

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.

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 risk 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 risk factors which have a significant impact on the investment portfolio such as interest rate risk.

Interest rate risk

QBE's exposure to interest rate risk arises mainly through its holdings in interest-bearing assets and the measurement of its net insurance contract liabilities. 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.

Interest-bearing investments 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. 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 investment portfolio and other financial instruments. All investments are financial assets measured at fair value through profit or loss. Movements in interest rates impacting the fair value of interest-bearing financial assets therefore impact reported profit or loss after income tax.

The estimates of future cash flows in the net insurance contract liabilities are discounted to present value by reference to risk-free interest rates adjusted to reflect an illiquidity premium (note 2.2.5). The Group is therefore also exposed to potential profit or loss volatility arising from the measurement of the net insurance contract liabilities 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. The impacts of changes in interest rates on the Group's net insurance contract liabilities are recognised within the net insurance finance result in profit or loss which is analysed as follows:

	NOTE	2023 US$M	RESTATED 2022 US$M
Insurance finance (expenses) income			
Effect of changes in interest rates		**(72)**	1,796
Discount unwind and changes in financial assumptions		**(962)**	(632)
Accretion of interest on contractual service margin		**(5)**	(7)
	2.2.1	**(1,039)**	1,157
Reinsurance finance income (expenses)			
Effect of changes in interest rates		**42**	(546)
Discount unwind and changes in financial assumptions		**434**	426
Accretion of interest on contractual service margin and premium financing component		**(16)**	–
	2.2.1	**460**	(120)
Net insurance finance (expenses) income		**(579)**	1,037

The impact of interest rate changes on the fair value of interest-bearing financial assets will be partially offset by the corresponding impact on the Group's net insurance contract liabilities. The Group seeks to minimise the net impact of movements in interest rates on the Group's profit or loss through managing the duration of fixed interest securities relative to the net insurance contract liabilities. At the balance date, the average modified duration of cash and fixed interest securities was 1.7 years (2022 1.6 years). Although QBE maintains a shorter asset duration relative to net insurance contract 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 the net insurance contract liabilities.

4. RISK MANAGEMENT

The impact of a 1.0% increase or decrease in interest rates on interest-bearing financial assets owned by the Group and the corresponding impact of a 1.0% increase or decrease in discount rates on the net insurance contract liabilities at the balance date is shown in the table below:

		PROFIT (LOSS)[1]	
	SENSITIVITY %	2023 US$M	RESTATED 2022 US$M
Interest rate movement – interest-bearing financial assets	+1	**(337)**	(294)
	-1	**347**	309
Discount rate movement – net insurance contract liabilities[2]	+1	**348**	334
	-1	**(383)**	(365)

1 Net of tax at the Group's prima facie income tax rate of 30%.
2 Net of reinsurance held. Further information relating to the sensitivity of the net insurance contract liabilities to changes in key variables is provided in note 2.2.7.

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. 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 or loss after income tax is shown in the table below:

		PROFIT (LOSS)[1]	
	SENSITIVITY %	2023 US$M	2022 US$M
Infrastructure assets	+20	**130**	117
	-20	**(130)**	(117)
Unlisted property trusts	+20	**82**	105
	-20	**(82)**	(105)
Alternatives	+20	**26**	25
	-20	**(26)**	(25)
ASX 200	+20	**21**	8
	-20	**(21)**	(8)
S&P 500	+20	**18**	8
	-20	**(18)**	(8)
FTSE 100	+20	**18**	8
	-20	**(18)**	(8)
EURO STOXX	+20	**8**	11
	-20	**(8)**	(11)
Emerging market equity	+20	**–**	9
	-20	**–**	(9)

1 Net of tax at the Group's prima facie income tax rate of 30%.

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.

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Credit spread risk

Movements in credit spreads impact the value of corporate interest-bearing securities, emerging market and high yield debt and private credit, and therefore impact reported profit or loss after tax. This risk is managed by investing in mostly high quality, liquid interest-bearing securities and by managing the credit spread duration of the interest-bearing 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 income tax is shown in the table below:

	SENSITIVITY %	PROFIT (LOSS)[1] 2023 US$M	PROFIT (LOSS)[1] 2022 US$M
Credit spread movement – interest-bearing financial assets[2]	+0.5	**(116)**	(125)
	-0.5	**111**	120

1 Net of tax at the Group's prima facie income tax rate of 30%.
2 Includes infrastructure debt and other investments.

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. 2022 amounts have been restated to reflect amounts within the net insurance contract liabilities that became monetary items following the application of AASB 17.

	2023			2022 (RESTATED)		
EXPOSURE CURRENCY	RESIDUAL EXPOSURE US$M	SENSITIVITY %	PROFIT (LOSS)[1] US$M	RESIDUAL EXPOSURE US$M	SENSITIVITY %	PROFIT (LOSS)[1] US$M
US dollar	**165**	**+10**	**12**	350	+10	25
		(10)	**(12)**		(10)	(25)
Euro	**116**	**+10**	**8**	(154)	+10	(11)
		(10)	**(8)**		(10)	11
Australian dollar	**64**	**+10**	**4**	15	+10	1
		(10)	**(4)**		(10)	(1)
Sterling	**17**	**+10**	**1**	15	+10	1
		(10)	**(1)**		(10)	(1)
Canadian dollar	**(2)**	**+10**	**–**	13	+10	1
		(10)	**–**		(10)	(1)

1 Net of tax at the Group's prima facie income tax rate of 30%.

4. RISK MANAGEMENT

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.

	2023			2022 (RESTATED)		
EXPOSURE CURRENCY	RESIDUAL EXPOSURE US$M	SENSITIVITY %	EQUITY INCREASE (DECREASE) US$M	RESIDUAL EXPOSURE US$M	SENSITIVITY %	EQUITY INCREASE (DECREASE) US$M
Australian dollar	**3,564**	**+10**	**356**	3,214	+10	321
		(10)	**(356)**		(10)	(321)
Euro	**1,670**	**+10**	**167**	1,573	+10	157
		(10)	**(167)**		(10)	(157)
Sterling	**1,144**	**+10**	**114**	664	+10	66
		(10)	**(114)**		(10)	(66)
New Zealand dollar	**302**	**+10**	**30**	303	+10	30
		(10)	**(30)**		(10)	(30)
Hong Kong dollar	**213**	**+10**	**21**	151	+10	15
		(10)	**(21)**		(10)	(15)
Singapore dollar	**137**	**+10**	**14**	126	+10	13
		(10)	**(14)**		(10)	(13)

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, and includes derivative assets used to hedge contractual undiscounted interest payments on borrowings. Contractual cash flows are undiscounted and may not necessarily agree with their carrying amounts. Borrowings and contractual undiscounted interest payments are disclosed by reference to the first call date of the borrowings, details of which, including redemption terms, 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
At 31 December 2023						
Forward foreign exchange contracts	**378**	**–**	**–**	**–**	**–**	**378**
Other payables	**399**	**31**	**–**	**–**	**2**	**432**
Lease liabilities	**59**	**104**	**76**	**71**	**–**	**310**
Borrowings[1]	**700**	**1,165**	**735**	**205**	**–**	**2,805**
Contractual undiscounted interest payments	**166**	**191**	**75**	**8**	**–**	**440**
Interest rate swaps used to hedge contractual undiscounted interest payments	**(12)**	**(20)**	**–**	**–**	**–**	**(32)**
At 31 December 2022 (RESTATED)						
Forward foreign exchange contracts	256	131	–	–	–	387
Other payables	334	11	–	2	–	347
Lease liabilities	49	88	70	94	–	301
Borrowings[1]	406	1,000	863	481	–	2,750
Contractual undiscounted interest payments	155	195	49	9	–	408

1 Excludes capitalised finance costs of $7 million (2022 $6 million). Redemption is subject to the prior written approval of APRA.

The maturity profile of the Group's insurance contract liabilities is analysed in note 2.2.6.

4. RISK MANAGEMENT

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
At 31 December 2023								
Fixed rate	US$M	**9,879**	**3,066**	**1,999**	**1,125**	**1,262**	**3,989**	**21,320**
Weighted average interest rate	% p.a.	**4.8**	**4.3**	**4.3**	**4.3**	**4.5**	**4.3**	**4.6**
Floating rate	US$M	**2,872**	**1,363**	**1,008**	**414**	**159**	**735**	**6,551**
Weighted average interest rate	% p.a.	**4.7**	**5.4**	**5.6**	**5.3**	**5.4**	**5.7**	**5.1**
At 31 December 2022								
Fixed rate	US$M	9,911	2,905	2,007	1,220	887	3,398	20,328
Weighted average interest rate	% p.a.	4.0	4.5	4.7	5.0	5.1	4.7	4.4
Floating rate	US$M	1,954	1,051	1,110	396	436	704	5,651
Weighted average interest rate	% p.a.	2.4	4.0	4.3	4.8	4.2	5.2	3.7

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 acts inconsistent with laws or agreements governing employment, employee health or safety, or from diversity or discrimination events involving internal employees), 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.

4.7 Compliance risk

Overview

Compliance risk is the risk of legal or regulatory penalties, financial loss or impacts and customer detriment resulting from non-compliance with laws, regulations or conduct standards.

QBE's approach to managing compliance risk is underpinned by the Group Compliance Risk Policy which is aligned to the Group RMS and risk appetite set by the Board and is summarised below.

QBE manages compliance risk through the following approach:
- governance arrangements that establish accountability, responsibility and authority in relation to the management of compliance risk;
- a culture based on honesty, integrity and respect that is embedded as part of QBE DNA and the Code of Ethics and Conduct;
- stakeholder management to maintain pro-active and co-operative relationships with lawmakers, regulators and other relevant external parties;
- strategic priorities and objectives that are aligned to risk appetites set by the Board; and
- people, systems and processes to support effective compliance risk management.

QBE's approach to compliance management is subject to continuous review and improvement to recognise 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 and receivables;
- 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.

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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	2023 US$M	2022 US$M
Senior debt				
25 May 2023	25 September 2017	$6 million[1]	**–**	6
			–	6
Subordinated debt				
25 August 2036	25 August 2020	A$500 million[2]	**340**	338
13 September 2038	13 September 2021	£400 million	**508**	478
26 October 2038	19 October 2023	A$330 million	**224**	–
28 June 2039	21 June 2023	A$300 million	**204**	–
24 November 2043	21 November 2016	$400 million/A$689 million[2]	**–**	400
2 December 2044	2 December 2014	$700 million/A$1,169 million[2]	**699**	699
12 November 2045	12 November 2015	$300 million	**300**	300
17 June 2046	17 June 2016	$524 million	**523**	523
			2,798	2,738
Total borrowings[3]			**2,798**	2,744
Amounts expected to be settled within 12 months[4]			**699**	406
Amounts expected to be settled in greater than 12 months[4]			**2,099**	2,338
Total borrowings			**2,798**	2,744

1 The senior notes were redeemed on 24 May 2023.
2 Details of related hedging activity are included in note 5.6.1.
3 $2 million of finance costs (2022 nil) were capitalised during the year.
4 Redemption of the securities is subject to the prior written approval of APRA.

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

For the sterling denominated debt, 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.

For the Australian dollar denominated debt, interest is payable quarterly in arrears at a rate equal to the three-month BBSW rate plus a margin of 2.55% per annum.

Subordinated debt due 2039

Interest is payable quarterly in arrears at a rate equal to the three-month BBSW rate plus a margin of 3.10% per annum.

Subordinated debt due 2043

The securities were redeemed on 24 November 2023. Interest was payable semi-annually in arrears at a fixed rate of 7.50% per annum.

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.

Deferral of interest

QBE has an option to defer payment of interest in certain circumstances and such deferral will not constitute an event of default for securities due 2036, 2038, 2039, 2044, 2045 and 2046.

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, 26 October 2028 and 28 June 2029 and each interest payment date thereafter for Australian dollar denominated securities due 2036, 2038 and 2039 respectively;
- 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 sterling securities due 2038; and
- each reset date for securities due 2044, 2045 and 2046.

Conversion terms

The securities due 2036, 2038, 2039, 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. CAPITAL STRUCTURE

5.1.1 Fair value of borrowings

	2023 US$M	2022 US$M
Senior debt	–	6
Subordinated debt	**2,726**	2,561
Total fair value of borrowings	**2,726**	2,567

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 in the fair value hierarchy. 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

	2023 US$M	2022 US$M
Interest expense on borrowings	**169**	166
Other costs	**63**	79
Total financing and other costs	**232**	245

5.1.3 Movement in borrowings

	2023 US$M	2022 US$M
At 1 January	**2,744**	3,268
Net changes from financing cash flows	**(1)**	(412)
Other non-cash changes	**2**	2
Foreign exchange	**53**	(114)
At 31 December	**2,798**	2,744

5.2 Cash and cash equivalents

	2023 US$M	2022 US$M
Fixed interest rate	**18**	1
Floating interest rate	**1,348**	832
	1,366	833

Restrictions on use

Included in cash and cash equivalents are amounts totalling $113 million (2022 $71 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 $160 million (2022 $126 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.

5.3 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

	2023 US$M	2022 US$M
Issued ordinary shares, fully paid	**8,495**	8,356
Capital notes	**886**	886
Contributed equity	**9,381**	9,242

Share capital

	2023		2022	
	NUMBER OF SHARES MILLIONS	US$M	NUMBER OF SHARES MILLIONS	US$M
Issued ordinary shares, fully paid at 1 January	**1,485**	**8,356**	1,477	8,891
Shares issued under the Employee Share and Option Plan	**4**	**36**	4	29
Shares issued under the Dividend Reinvestment Plan	**5**	**49**	4	36
Shares issued under the Bonus Share Plan	**–**	**–**	–	–
Foreign exchange	**–**	**54**	–	(600)
Issued ordinary shares, fully paid at 31 December	**1,494**	**8,495**	1,485	8,356
Shares notified to the Australian Securities Exchange	**1,494**	**8,497**	1,485	8,358
Less: plan shares subject to non-recourse loans, derecognised under accounting standards	**–**	**(2)**	–	(2)
Issued ordinary shares, fully paid at 31 December	**1,494**	**8,495**	1,485	8,356

Capital notes

ISSUE DATE	PRINCIPAL AMOUNT	2023 US$M	2022 US$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. CAPITAL STRUCTURE

5.3.2 Reserves

	2023 US$M	RESTATED 2022 US$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	**22**	–
Hedging amounts recognised in other comprehensive income	**10**	104
Hedging amounts reclassified to profit or loss	**(13)**	(72)
Taxation	**1**	(10)
At 31 December	**20**	22
Cost of hedging reserve[3]		
At 1 January	**6**	5
Amounts recognised in other comprehensive income	**(4)**	3
Amounts reclassified to profit or loss	**(1)**	(2)
Taxation	**1**	–
At 31 December	**2**	6
Foreign currency translation reserve[4]		
At 1 January	**(1,542)**	(1,765)
Net movement on translation	**93**	224
Net movement on hedging transactions	**(9)**	(1)
At 31 December	**(1,458)**	(1,542)
Share-based payment reserve[5]		
At 1 January	**162**	164
Options and conditional rights expense	**42**	39
Transfers from reserve on vesting of options and conditional rights	**(35)**	(31)
Foreign exchange	**5**	(10)
At 31 December	**174**	162
Premium on purchase of non-controlling interests[6]		
At 1 January	**(12)**	(13)
Foreign exchange	**–**	1
At 31 December	**(12)**	(12)
Total reserves at 31 December	**(1,273)**	(1,363)

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.

5.4 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.

	2023	2022	
	INTERIM	**FINAL**	**INTERIM**
Dividend per share (Australian cents)	**14**	30	9
Franking percentage	**10%**	10%	10%
Franked amount per share (Australian cents)	**1.4**	3.0	0.9
Dividend payout (A$M)	**209**	447	133
Payment date	**22 September 2023**	14 April 2023	23 September 2022

On 16 February 2024, the directors declared a 10% franked final dividend of 48 Australian cents per share payable on 12 April 2024. The final dividend payout is A$717 million (2022 A$447 million).

	2023 US$M	2022 US$M
Previous year final dividend on ordinary shares – 10% franked (2021 10% franked)	**300**	210
Interim dividend on ordinary shares – 10% franked (2022 10% franked)	**135**	87
Bonus Share Plan dividend forgone	**(3)**	(3)
Total dividend paid	**432**	294

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, 360,792 (2022 349,232) ordinary shares were issued under the BSP.

Franking credits

The franking account balance on a tax paid basis at 31 December 2023 was a surplus of A$46 million (2022 A$54 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.

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5. CAPITAL STRUCTURE

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.

	2023 US CENTS	RESTATED 2022 US CENTS
For profit after income tax		
Basic earnings per share	**87.6**	36.2
Diluted earnings per share	**87.0**	36.0

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:

	2023 US$M	RESTATED 2022 US$M
Profit after income tax attributable to ordinary equity holders of the Company	**1,355**	587
Less: distributions paid on capital notes classified as equity (note 5.3.1)	**(50)**	(50)
Profit used in calculating basic and diluted earnings per share	**1,305**	537

5.5.2 Reconciliation of weighted average number of ordinary shares used for earnings per share measures

	2023 NUMBER OF SHARES MILLIONS	2022 NUMBER OF SHARES MILLIONS
Weighted average number of ordinary shares on issue and used as the denominator in calculating basic earnings per share	**1,490**	1,482
Weighted average number of dilutive potential ordinary shares issued under the Employee Share and Option Plan	**10**	11
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**1,500**	1,493

How we account for the numbers

Basic earnings 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 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 per share utilises the same earnings figure used in the determination of basic earnings per share.

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 may also be utilised in cash flow hedging of foreign currency borrowings and/or hedging exposure to net investments in foreign operations (NIFO).

Interest rate swaps and 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:

	2023			2022		
	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	**1,249**	**218**	**248**	990	251	172
Forward foreign exchange contracts used in cash flow hedges	**(854)**	**–**	**105**	(1,404)	–	186
Forward foreign exchange contracts used in NIFO hedges	**806**	**5**	**20**	1,081	2	29
Interest rate swaps	**341**	**27**	**–**	–	–	–
Interest rate swaptions	**–**	**–**	**–**	339	31	–
		250	**373**		284	387

The fair value of these derivatives 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. CAPITAL STRUCTURE

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 $700 million of subordinated debt maturing in 2044. Foreign currency risk on future coupons and the principal amount is hedged up to and including the first call date of the subordinated debt in 2024. Similarly, interest rate swaps were used to hedge interest rate risk in relation to coupons on A$500 million of subordinated debt maturing in 2036, following the exercise of interest rate swaptions during the year. The interest rate swaps hedge coupon payments from the exercise 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.

Only the spot components of forward foreign exchange contracts, the fair value of interest rate swaps and the intrinsic value of interest rate swaptions prior to exercise, 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 swaps, reclassifications of any cumulative hedging gains or losses to profit or loss 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 the forward foreign exchange contracts and interest rate swaptions, 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 timing of the nominal amounts of the hedging instruments and corresponding average rates, if applicable, are provided in the following table:

		2023			2022		
		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
Forward foreign exchange contracts							
Nominal amounts	Buy US$M/ Sell A$M	**747/1,251**	**–**	**–**	477/819	747/1,251	–
Average forward rate	US$/A$	**0.60**	**–**	**–**	0.58	0.60	–
Interest rate swaps							
Nominal amounts	A$M	**–**	**500**	**–**	–	–	–
Average fixed interest rate	%	**–**	**0.80**	**–**	–	–	–

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 NIFO hedges. 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), with a 'cost of hedging' election made in respect of US dollar NIFO hedges, as described below. 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 where available (refer to note 5.1):

		2023			2022		
		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$M	**–**	**823**	**–**	–	528	–
Senior debt	US$M	**–**	**–**	**–**	6	–	–
Debt instruments used in sterling NIFO hedges							
Subordinated debt	£M	**–**	**327**	**–**	–	–	327
Forward foreign exchange contracts used in Hong Kong dollar NIFO hedges							
Nominal amounts	Buy A$M/ Sell HKDM	**190/970**	**–**	**–**	185/970	–	–
Average forward rate	A$/HKD	**5.10**	**–**	**–**	5.24	–	–
Forward foreign exchange contracts used in US dollar NIFO hedges							
Nominal amounts	Buy A$M/ Sell US$M	**991/700**	**–**	**–**	418/300	991/700	–
Average forward rate	A$/US$	**0.71**	**–**	**–**	0.72	0.71	–

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 NIFO hedges, 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 NIFO hedges, 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.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2023

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

	NOTE	2023 US$M	RESTATED 2022 US$M
Profit before income tax		**1,837**	676
Prima facie tax expense at 30%		**551**	203
Tax effect of non-temporary differences:			
Untaxed dividends		**(2)**	(3)
Differences in tax rates		**(42)**	17
Other, including non-taxable income and non-allowable expenses		**4**	55
Prima facie tax adjusted for non-temporary differences		**511**	272
Deferred tax assets re-recognised		**(41)**	(203)
Underprovision in prior years		**3**	12
Income tax expense		**473**	81
Analysed as follows:			
Current tax		**280**	91
Deferred tax		**193**	(10)
		473	81
Deferred tax expense (credit) comprises:			
Deferred tax assets recognised in profit or loss	6.2.1	**112**	(214)
Deferred tax liabilities recognised in profit or loss	6.2.2	**81**	204
		193	(10)

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.

6.2 Deferred income tax

	NOTE	2023 US$M	RESTATED 2022 US$M
Deferred tax assets	6.2.1	**625**	613
Deferred tax liabilities	6.2.2	**366**	149

6.2.1 Deferred tax assets

	NOTE	2023 US$M	RESTATED 2022 US$M
Amounts recognised in profit or loss			
Financial assets – fair value movements		**19**	22
Provision for impairment		**19**	13
Employee benefits		**74**	66
Intangible assets		**65**	158
Insurance provisions		**761**	747
Tax losses recognised		**348**	290
Other		**101**	196
		1,387	1,492
Amounts recognised in other comprehensive income and equity			
Defined benefit plans		**28**	29
Other		**3**	5
		31	34
Deferred tax assets before set-off		**1,418**	1,526
Set-off of deferred tax liabilities	6.2.2	**(793)**	(913)
	6.2	**625**	613

Movements

	NOTE	2023 US$M	RESTATED 2022 US$M
At 1 January		**1,526**	1,340
Amounts recognised in profit or loss	6.1	**(112)**	214
Amounts recognised in other comprehensive income		**(3)**	1
Foreign exchange		**7**	(29)
At 31 December		**1,418**	1,526

6. TAX

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 $420 million (2022 $390 million) comprises $300 million (2022 $220 million) of carry forward tax losses and $120 million (2022 $170 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 the Group's business plan and assumptions which are consistent with those used in the impairment testing of goodwill. Key assumptions include an expectation of future taxable profit driven by no material deterioration in the estimates of prior accident year insurance liabilities, a sustained return to underwriting profitability, benefits flowing from initiatives to reduce the cost base of the division and sustained investment yields. Losses expire over the next 19 years, with the majority expiring between 2032 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.

6.2.2 Deferred tax liabilities

	NOTE	2023 US$M	RESTATED 2022 US$M
Amounts recognised in profit or loss			
Intangible assets		**93**	154
Insurance provisions		**951**	757
Financial assets – fair value movements		**15**	37
Other provisions		**6**	23
Other		**86**	82
		1,151	1,053
Amounts recognised in other comprehensive income and equity			
Defined benefit plans		**8**	9
		8	9
Deferred tax liabilities before set-off		**1,159**	1,062
Set-off of deferred tax assets	6.2.1	**(793)**	(913)
	6.2	**366**	149

Movements

	NOTE	2023 US$M	RESTATED 2022 US$M
At 1 January		**1,062**	886
Amounts recognised in profit or loss	6.1	**81**	204
Amounts recognised in other comprehensive income		**(2)**	(9)
Foreign exchange		**18**	(19)
At 31 December		**1,159**	1,062

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 $168 million (2022 $187 million) of tax losses, which includes some benefit arising from tax losses in overseas countries. $81 million (2022 $69 million) of tax losses not brought to account have an indefinite life and the remaining $87 million (2022 $118 million) expire in eight 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.

6.2.5 International tax reform – Pillar Two model rules

The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income tax legislation, in accordance with AASB 112 *Income Taxes* as amended by AASB 2023-2 *Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules.*

As at the balance date, Pillar Two legislation has been enacted or substantively enacted in several jurisdictions in which QBE operates and will be effective from 1 January 2024, with a number of other jurisdictions expected to enact this legislation in 2024 with possible retrospective application from 1 January 2024.

Under the Pillar Two model rules, the Group is expected to be liable to pay a top-up tax for the difference between the effective tax rate calculated in accordance with Pillar Two and a 15% minimum tax rate. The quantitative impact of Pillar Two legislation is not yet reasonably estimable, but the Group's exposure to Pillar Two income taxes is not expected to be material based on the Group's assessment to date. The Group's assessment is ongoing and actual impacts are subject to the finalisation of tax laws and guidance relating to the application of Pillar Two rules which continue to be developed and established.

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 Disposals

During 2023, the Group disposed of QBE (PNG) Limited and its wholly-owned operating subsidiary, QBE Insurance (PNG) Limited.

During 2022, the Group disposed of Westwood Insurance Agency in North America.

7.2 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 13 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.

2023	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	GOODWILL US$M	TOTAL US$M
	IDENTIFIABLE INTANGIBLES							
Cost								
At 1 January	**76**	**390**	**25**	**132**	**463**	**10**	**1,578**	**2,674**
Additions	**–**	**–**	**–**	**–**	**145**	**–**	**–**	**145**
Disposals/reclassifications[1]	**–**	**–**	**–**	**–**	**(44)**	**–**	**–**	**(44)**
Foreign exchange	**5**	**–**	**–**	**1**	**3**	**–**	**18**	**27**
At 31 December	**81**	**390**	**25**	**133**	**567**	**10**	**1,596**	**2,802**
Amortisation								
At 1 January	**–**	**(377)**	**(21)**	**(74)**	**(174)**	**(10)**	**–**	**(656)**
Amortisation[2]	**–**	**(9)**	**–**	**(2)**	**(65)**	**–**	**–**	**(76)**
Disposals/reclassifications[1]	**–**	**–**	**–**	**–**	**41**	**–**	**–**	**41**
Foreign exchange	**–**	**–**	**–**	**–**	**1**	**–**	**–**	**1**
At 31 December	**–**	**(386)**	**(21)**	**(76)**	**(197)**	**(10)**	**–**	**(690)**
Carrying amount								
At 31 December	**81**	**4**	**4**	**57**	**370**	**–**	**1,596**	**2,112**

1 Includes de-recognition of $38 million of fully amortised intangible assets no longer in use.
2 Amortisation of $65 million is included in insurance service expenses as it relates to intangible assets integral to the Group's underwriting activities.

2022	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	GOODWILL US$M	TOTAL US$M
	IDENTIFIABLE INTANGIBLES							
Cost								
At 1 January	86	454	26	139	492	19	2,016	3,232
Additions	–	–	–	–	132	–	–	132
Impairment	–	–	–	–	(11)	–	–	(11)
Disposals	–	(57)	–	–	(119)	(9)	(328)	(513)
Foreign exchange	(10)	(7)	(1)	(7)	(31)	–	(110)	(166)
At 31 December	76	390	25	132	463	10	1,578	2,674
Amortisation								
At 1 January	–	(426)	(22)	(77)	(239)	(19)	–	(783)
Amortisation[1]	–	(13)	–	(2)	(64)	–	–	(79)
Disposals	–	56	–	–	119	9	–	184
Foreign exchange	–	6	1	5	10	–	–	22
At 31 December	–	(377)	(21)	(74)	(174)	(10)	–	(656)
Carrying amount								
At 31 December	76	13	4	58	289	–	1,578	2,018

1 Amortisation of $63 million is included in insurance service 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 insurance service 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. GROUP STRUCTURE

7.2.1 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:

	2023 US$M	2022 US$M
North America	**30**	30
International	**501**	490
Australia Pacific	**1,065**	1,058
	1,596	1,578

Impairment losses

No intangible assets were impaired during 2023. During 2022, software assets of $11 million were impaired.

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 determined with reference to 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% (2022 2.3%), Australia Pacific 2.5% (2022 2.5%) and International 2.0% (2022 2.0%).
- Discount rates reflect a beta and a market risk premium determined with reference to 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 12.9% (2022 12.7%), Australia Pacific 14.5% (2022 14.0%) and International 12.2% (2022 10.8%). The post-tax discount rates used were: North America 9.9% (2022 9.9%), Australia Pacific 10.1% (2022 9.9%) and International 9.0% (2022 8.6%).

Critical accounting judgements and estimates

The Group's business plan, which is the basis for cash flow forecasts used to determine the recoverable amount of goodwill, considers the potential impact of climate change through the catastrophe allowance which reflects the anticipated rise in trends in the frequency and cost of weather-related events, as well as other assumptions, including relating to premium rate, which reflect QBE's underwriting strategy and planned management actions in response to these risks.

The disposal of Westwood Insurance Agency in 2022 (note 7.1) included an allocation of $328 million of goodwill relating to the North American cash-generating unit.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2023

7. GROUP STRUCTURE

7.3 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 2023 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.

7.3.1 Controlled entities

	COUNTRY OF INCORPORATION/ FORMATION	EQUITY HOLDING 2023 %	EQUITY HOLDING 2022 %
Ultimate parent entity			
QBE Insurance Group Limited	Australia		
Controlled entities			
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
Champlain Insurance PCC, Inc. (incorporated 26 April 2023)	United States	**100.00**	–
Cumberland Insurance PCC, Inc. (incorporated 9 May 2023)	United States	**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
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 (sold effective 31 October 2023)[1]	PNG	**–**	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	Malaysia	**100.00**	100.00
QBE Blue Ocean Re Limited	Bermuda	**100.00**	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[2]	Australia	**–**	–
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 (deregistered 23 August 2023)	Australia	**–**	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
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

	COUNTRY OF INCORPORATION/ FORMATION	EQUITY HOLDING 2023 %	2022 %
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 (sold effective 31 October 2023)[1]	PNG	**–**	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 (dissolved 8 May 2023)	Singapore	**–**	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[2]	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 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[2]	United Kingdom	**–**	–
QBE Underwriting Limited	United Kingdom	**100.00**	100.00
QBE Underwriting Services (Ireland) Limited (dissolved 11 April 2023)	Ireland	**–**	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
Southern National Risk Management Corporation	United States	**100.00**	100.00
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

1 Disclosures relating to the disposal of these controlled entities are included in note 7.1.

2 QBE Employee Share Trust, QBE Irish Share Incentive Plan and QBE UK 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.

All equity in controlled entities is held in the form of shares or through contractual arrangements.

7. GROUP STRUCTURE

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 2023:

TITLE	
AASB 17	*Insurance Contracts*
AASB 2020-1	*Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*
AASB 2021-2	*Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*
AASB 2021-5	*Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
AASB 2022-6	*Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants*
AASB 2023-2	*Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules*

With the exception of AASB 17, the impacts of which are detailed below, the adoption of these new and amended standards did not significantly impact the Group's financial statements.

AASB 17 *Insurance Contracts*

AASB 17 establishes new accounting requirements for insurance contracts. The new standard was adopted in accordance with its transitional provisions which require retrospective application and restatement of comparative information as if AASB 17 had always been in effect, except to the extent that it is impracticable to do so, in which case permitted modifications have been applied ('modified retrospective approach'). The adoption of AASB 17 has resulted in an increase in net assets as at 1 January 2022 of $46 million. This amount, being the cumulative retrospective effect of adoption, was recognised as an adjustment to the opening balance of retained earnings as shown in the statement of changes in equity. The opening net asset impact mainly reflects increases from the application of the AASB 17 risk adjustment ($130 million) and higher discount rates due to the inclusion of the illiquidity premium ($168 million), partly offset by decreases driven by onerous contracts ($39 million), the impact of changes in the pattern of revenue recognition for certain classes of business (largely resulting from the application of the general model) ($174 million), tax impacts ($36 million) and other smaller items.

The following permitted modifications under the modified retrospective approach have been applied to present and measure certain groups of insurance and reinsurance contracts on transition to AASB 17:

- 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 were classified as liabilities for incurred claims, on the basis that it was impracticable to treat these liabilities as related to unexpired coverage;
- determination of the contractual service margin, being the unearned profit for contracts measured under the general model, for which sufficient data on historical assumptions was not available for the estimation of future cash flows and risk adjustment at initial recognition as well as the amount of contractual service margin earned to profit or loss up to the transition date, which are key inputs. To the extent that this information was not available without the use of hindsight, permitted modifications in AASB 17 have been applied to estimate these amounts based on transition date expectations about changes that occurred between initial recognition and the transition date; and
- identification of groups of onerous contracts relating to past underwriting years. These have been assessed based on information available at the transition date to the extent that reasonable and supportable information about facts and circumstances prior to that date was not available without the use of hindsight.

8. OTHER

8.1.2 New accounting standards and amendments issued but not yet effective

TITLE		OPERATIVE DATE
AASB 2022-5	*Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback*	1 January 2024
AASB 2014-10	*Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2025

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.

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 $2,361 million (2022 $2,330 million) were in place in respect of the Group's participation in Lloyd's, along with cash and investments of $110 million (2022 $89 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.

Entities in the Group may also provide guarantees to support representations in commercial transactions.

8.3 Offsetting financial assets and liabilities

At 31 December 2022, the Group had a $228 million receivable and payable with a single counterparty which were fully offset in the balance sheet in accordance with Australian Accounting Standards, on the basis that the Group intended to settle these on a net basis and had a legally enforceable right to do so.

The receivable and payable are nil at the balance date as they were net settled during the current year.

8.4 Reconciliation of profit 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.

	2023 US$M	RESTATED 2022 US$M
Profit after income tax	**1,364**	595
Adjustments for:		
Depreciation and impairment of property, plant and equipment	**59**	31
Amortisation of right-of-use lease assets	**58**	61
Amortisation/impairment of intangibles	**76**	90
Gain on sale of entities and businesses	**(2)**	(38)
Share of net loss of associates	**2**	7
Net foreign exchange losses (gains)	**9**	(20)
Fair value (gains) losses on financial assets	**(631)**	1,295
Equity-settled share-based payments expense	**42**	39
Balance sheet movements:		
Decrease in other receivables	**8**	18
(Increase) decrease in net operating assets	**(40)**	109
Decrease in other payables	**(47)**	(10)
Increase in insurance contract liabilities	**1,087**	620
(Increase) decrease in reinsurance contract assets	**(818)**	29
Increase in net defined benefit obligation	**1**	–
Decrease in net tax assets	**335**	7
Net cash flows from operating activities	**1,503**	2,833

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:

Current deferred equity plans

PLAN	AVAILABLE TO	NATURE OF AWARD	CONDITIONS
Annual Performance Incentive (API) (2022–2023)	Executives and other key senior employees	• 60%–67% delivered in cash (50% in the case of the Group CEO). • 33%–40% 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 equal tranches over two, three or four years, dependent on the vesting period of the award. API outcomes are subject to the achievement of: • performance outcomes measured through a business scorecard containing key financial measures alongside strategically important non-financial measures; and • individual performance objectives measured both on what has been achieved and how it was achieved during the year.
Long-term Incentive (LTI) (2019–2023)	Executives and other key senior employees	• Conditional rights to fully paid ordinary shares of the Company.	The conditional rights vest in three tranches on achievement of the performance measures at the end of a three-year period 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: • For 2022–2023 awards, 70% of conditional rights are subject to the achievement against the Group cash ROE performance target based on a three-year arithmetic average; and 30% of conditional rights are based on the Group's relative total shareholder return, compared against a global insurance peer group, over a three-year performance period. • For 2019–2021 awards, 50% of conditional rights are subject to the achievement against the Group cash 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 arithmetic average (for 2019 and 2020 awards); and 50% of conditional rights are based on the Group's relative total shareholder return, compared against two independent peer groups, over a three-year performance period.
QShare (2023)	Permanent employees in approved countries	• Conditional rights to fully paid ordinary shares of the Company which match the number of shares purchased by participants under the plan.	The conditional rights vest at the end of three years, subject to the following conditions: • participants must remain in the Group's service throughout the three-year period except in cases where good leaver provisions apply. Under good leaver provisions (e.g. retirement, redundancy, ill health, injury or mutually agreed separation and death), all awarded conditional rights may vest and be converted into ordinary shares of the Company; and • participants must retain the underlying purchased shares throughout the three-year service period in order for the awards to vest. The conditional rights do not provide participants with entitlement to dividends (including notional dividends).

Legacy deferred equity plans

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 were subject to the achievement of: • a blend of divisional combined operating ratios (COR) for 2021, or Group COR for 2017–2020, and Group 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 were subject to the achievement of: • a blend of divisional CORs for 2021, or Group COR for 2017–2020, and Group cash ROE targets; • divisional COR targets[2] in the case of divisional employees; and • individual performance objectives reflecting QBE's strategic priorities.

1 For participants outside Australia, the deferred component was generally delivered in equal shares of conditional rights and cash.
2 Divisional return on allocated capital targets until 31 December 2016.

Additionally, for the API, LTI, EIP and STI deferred equity plans:

- plan rules provide suitable discretion for the People & Remuneration Committee to adjust any formulaic outcome to ensure that awards made 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 allocations since 2021 under the plans;
- under good leaver provisions, 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:

	2023 NUMBER OF RIGHTS	2022 NUMBER OF RIGHTS
At 1 January	**12,660,558**	10,983,929
Granted	**6,477,583**	6,938,596
Dividends attaching	**593,365**	306,532
Vested and transferred to employees	**(3,610,031)**	(3,741,501)
Forfeited	**(717,019)**	(1,826,998)
At 31 December	**15,404,456**	12,660,558
Weighted average share price at date of vesting of conditional rights during the year	**A$15.14**	A$11.43
Weighted average fair value of conditional rights granted during the year	**A$14.24**	A$11.20

8. OTHER

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:

		2023	2022
Five-day volume weighted average price of instrument at grant date	A$	**12.57–15.26**	11.42–12.61
Expected volatility	%	**27–29**	28–29
Risk-free rate	%	**3.04–3.83**	1.49–3.12
Dividend yield[1]	%	**5.41–6.21**	–
Expected life of instrument	Years	**0.1–5.0**	0.1–5.0

1 Applies to QShare where participants are not entitled to dividends on conditional rights during the vesting period.

The fair value is determined using appropriate models including Monte Carlo simulations and the Black-Scholes model, 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

Options were issued to employees in 2004 in lieu of shares under the Plan with an exercise price of A$11.08. The options vested immediately and are exercisable until March 2024. The market value of all shares underlying the options at the balance date was nil (2022 A$0.2 million). During 2023, 14,250 options (2022 nil) were cancelled or forfeited and 2,250 options (2022 nil) were exercised. At 31 December 2023, 500 options remained, excluding notional dividends (2022 17,000).

8.5.5 Share-based payment expense

This expense, which includes amounts in relation to cash-settled share-based payment awards, was $47,712 thousand (2022 $44,344 thousand). These amounts are included in insurance service 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 0.3 million (2022 0.1 million) such shares during the period at an average price of A$14.97 (2022 A$11.78).

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.

8.6 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.

	2023 US$000	2022 US$000
Short-term employee benefits	**12,201**	13,446
Post-employment benefits	**200**	192
Other long-term employment benefits	**6**	101
Share-based payments	**7,244**	7,088
	19,651	20,827

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. 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. When applicable, 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. OTHER

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.

	DATE OF LAST ACTUARIAL ASSESSMENT	FAIR VALUE OF PLAN ASSETS		PRESENT VALUE OF PLAN OBLIGATIONS		NET RECOGNISED SURPLUSES (DEFICITS)	
		2023 US$M	2022 US$M	2023 US$M	2022 US$M	2023 US$M	2022 US$M
Defined benefit plan surpluses							
Iron Trades Insurance staff trust	31 Dec 2023	**211**	205	**(177)**	(164)	**34**	41
Janson Green final salary superannuation scheme[1]	31 Dec 2023	**120**	117	**(115)**	(112)	**5**	5
		331	322	**(292)**	(276)	**39**	46
Defined benefit plan deficits							
QBE the Americas plan[1]	31 Dec 2023	**153**	154	**(164)**	(167)	**(11)**	(13)
Other plans[2]	31 Dec 2023	**24**	23	**(36)**	(36)	**(12)**	(13)
		177	177	**(200)**	(203)	**(23)**	(26)

1 Defined benefit plan obligations are funded.
2 Other plans include $8 million (2022 $9 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 plan assets, most of which are managed by 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 $1 million (2022 $2 million) is included in insurance service expenses. Total employer contributions expected to be paid to the various plans in 2024 amount to $2 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.

8.8 Remuneration of auditors

Overview

QBE may engage the external auditor for non-audit services (which include assurance and non-assurance services) other than excluded services. This is subject to the general principle that the fees for non-assurance 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 excluded services which include preparing accounting records or financial reports or acting in a management capacity.

	2023 US$000	2022 US$000
PricewaterhouseCoopers (PwC) Australian firm		
Audit or review of financial reports of the ultimate parent entity	**2,208**	2,051
Audit of financial reports of controlled entities	**2,176**	2,223
Audit of statutory returns	**656**	553
Other assurance services	**1,465**	725
Taxation services	**11**	14
Advisory services	**484**	–
	7,000	5,566
Related practices of PwC Australian firm (including overseas PwC firms)		
Audit of financial reports of controlled entities	**9,349**	8,247
Audit of statutory returns	**2,758**	2,691
Other assurance services	**180**	135
Taxation services	**4**	11
Advisory services	**22**	1,058
	12,313	12,142
	19,313	17,708
Audit and assurance services	**18,792**	16,625
Other services	**521**	1,083
	19,313	17,708
Other auditors		
Audit of financial reports of controlled entities	**1,754**	1,231

8. OTHER

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)

	2023 US$M	2022 US$M
Profit after income tax	**16**	225
Other comprehensive income (loss)	**77**	(795)
Total comprehensive income (loss)	**93**	(570)
Assets maturing within 12 months[1]	**712**	859
Shares in controlled entities	**13,153**	13,072
Other assets	**175**	333
Total assets	**14,040**	14,264
Liabilities maturing within 12 months[2]	**602**	568
Borrowings	**2,798**	2,738
Total liabilities	**3,400**	3,306
Net assets	**10,640**	10,958
Contributed equity	**9,381**	9,242
Treasury shares held in trust	**(3)**	(1)
Foreign currency translation reserve	**(38)**	(39)
Other reserves	**121**	112
Retained profits	**1,179**	1,644
Total equity	**10,640**	10,958

1 Includes amounts due from controlled entities of $434 million (2022 $360 million). 2023 reflects disclosure based on maturity date. 2022 has been updated for consistency and includes a reclassification of $300 million to other assets, with no change to reported profit, total assets or total equity.

2 Includes amounts due to controlled entities of $366 million (2022 $241 million). 2023 reflects disclosure based on maturity date. 2022 has been updated for consistency and includes a reclassification of $234 million from borrowings, with no change to reported profit, total liabilities or total equity.

8.9.2 Guarantees and contingent liabilities

	2023 US$M	2022 US$M
Support of the Group's participation in Lloyd's	**2,361**	2,330
Support of other insurance operations of controlled entities	**1,571**	2,383

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.