



Building resilience and strengthening returns

Our new purpose of enabling a more resilient future has been a great foundation for QBE in another particularly dynamic year for the insurance industry. Our vision to become the most consistent and innovative risk partner provides clear guardrails as we seek to build deep and lasting relationships with our customers.

Strong momentum against strategic priorities

Our new purpose, vision and strategic priorities launched at the start of 2022 have been embraced by our people

Bringing the enterprise together sits at the core of our strategy

As I reflect on my first year at QBE, I am incredibly impressed and proud of our people and how they show up for our customers and the communities we serve.

Our new purpose, vision and strategic priorities launched at the start of 2022 have been embraced by our people, helping to bring us together and become a more consistent organisation. As part of this strategy, we remain focused on our commitment to culture and living our QBE DNA, which is the heartbeat of our organisation and supports everything we do.

Earlier this year, QBE released a new sustainability strategy following extensive consultation and a thorough review of the external landscape. Our refined strategy has clear sustainability objectives that are embodied within our strategic priorities. These are to foster an orderly and inclusive transition to a net-zero economy, enable a sustainable and resilient workforce, and partner for growth through innovative, sustainable and impactful solutions.

The foundational work in 2022 will allow us to move faster over the coming 12 months. I see great opportunity to leverage the expertise across our markets and unlock the value of our global organisation. I look forward to updating you on our progress and achievements over the coming year.

Business performance

The operating backdrop has been marked by a number of challenges for the industry, including geopolitical tensions, elevated catastrophe experience and a surge in inflation.

Despite these headwinds, the business is demonstrating improved resilience, achieving a combined operating ratio of 93.7% compared to 95.0% in the prior period. Our return on equity of 10.5% has been impacted by adverse investment mark-to-market impacts, though this should improve meaningfully into 2023 on account of higher interest rates.

The rating environment remained supportive, and I am pleased with the growth we have achieved, which importantly has been calibrated to refreshed medium-term portfolio mix and growth targets. We expect recent momentum will continue into 2023.

Achieving an appropriate risk-adjusted return on capital in North America remains a key priority, and the turnaround in profitability this year is encouraging. We are making good progress on our strategy to further optimise and grow the portfolio, to achieve better balance and reduced volatility.

North America achieved a combined operating ratio of 98.9%, compared to 102.9% in the prior period. I am pleased with the return to profitability for the division in what was a tough year in many aspects, though we have further work to do to ensure the division trends towards our Group combined operating ratio target range.

We now have quite a narrow product focus in the division, great people and strong distribution relationships. I am confident in our strategy for the division, and see a clear pathway towards improved and more consistent returns.

Strategic priorities

Our new direction will define our priorities for the medium to long term and further integrate our sustainability strategy. It is my commitment to provide transparency on our progress and focus on each of our six strategic priorities, as we look to deliver on our vision of being the most consistent and innovative risk partner. In all this work we are fundamentally guided by our purpose of enabling a more resilient future.

We have made good progress against our strategic priorities this year. Work commenced on our portfolio optimisation targets and these have been incorporated into 2023 business planning. Going forward, QBE will adopt a five-year portfolio planning model and identify the capabilities required to successfully grow in selected classes.

To ensure sustainable growth, we completed a comprehensive reassessment of our geographical footprint and lines of business that will support QBE's medium to long-term growth aspirations. We will take a longer-term view, and these growth opportunities have been reflected in business planning across the Group.

Work continues on initiatives for cross-divisional opportunities and establishing stronger links between our growth initiatives, to be more aligned with our broader strategic priorities.

Bringing the enterprise together sits at the core of our strategy, and the key objective is to unlock the value of QBE through initiatives that help us better organise and leverage capabilities across our markets. The focus for 2023 is to build on our enterprise focus, improve and simplify how we operate to ensure that we can achieve greater consistency and innovation across our global organisation.

To support our ambition, we need to thoughtfully modernise our business, with many initiatives already underway. We made good progress with our digitisation efforts across divisions and functions. There is ongoing focus on core platforms and further IT estate simplification, all centred around making QBE an easier partner to deal with, and work for, ensuring we fully leverage our data and global scale.

Against our people priority, we have made good progress in key areas of reward and performance, leadership and capability; and workforce planning. We launched our 2022 Annual Performance Incentive plan to enable a clear link between culture and performance, which is driving improved outcomes. We established enterprise leadership capabilities through three new leader forums to evolve the way our leaders learn, connect and help embed our enterprise strategy. We have focused on workforce planning to better understand capabilities, and plan and ensure QBE has the right people in the right roles to deliver on its priorities.

I am pleased with the progress made in 2022 against our stated culture priorities. We have clear objectives through our Culture Blueprint initiatives, including an enterprise recognition program and programs aimed at improving meeting effectiveness. The Blueprint initiatives will continue to be informed by data, employees, and key stakeholders across QBE. We established a new Culture Governance approach to drive priority enterprise initiatives and both the Group Executive Committee and Board remain engaged with our culture work through regular updates on progress.

Outlook

We remain focused on delivering our strategic priorities and consistently supporting our customers, partners and communities. I am proud of what we have achieved together in 2022 and I am optimistic about the year ahead.

We expect the risks associated with inflation, ongoing economic uncertainty and climate change should serve to maintain pricing discipline across the insurance industry. Across property classes in particular, these themes will be compounded by the withdrawal of property reinsurance capacity, which should result in higher reinsurance costs for the industry. We expect gross written premium growth to be in the mid-to-high single digits in 2023, and our Plan combined operating ratio on a AASB 1023 basis is ~93.5%.

It has been a pleasure to work with my colleagues on the Group Executive Committee and the stability in our leadership team has reflected positively across the organisation. I thank our people for their dedication and support of our customers. I have been humbled this year as I met so many people across our divisions and witnessed their genuine care and pride in our company. I look forward to continuing to work with them to help enable a more resilient future and demonstrate the positive role insurance plays for economies and people. Finally, I wish to thank our shareholders for their support over the year.

Andrew Horton
Group Chief Executive Officer