

# Navigating uncertainty



In a period characterised by significant economic, geopolitical and climate-related challenges, QBE's underwriting performance demonstrated strong discipline and much improved resilience. Material effort to improve underwriting quality, consistency and capability is now translating into better financial outcomes and deeper relationships with our customers and partners.

**Sam Harrison** Group Chief Underwriting Officer

Average renewal  
premium rate  
increase (%)

**7.9**

↓ 1.8% from 2021

Underwriting result  
(US\$M)

**933**

↑ 238 from 2021

Group COR (%)

**93.7**

2021 95.0

QBE has demonstrated adaptability, discipline and resilience in a dynamic and challenging year. The insurance industry navigated new geopolitical and inflation challenges, alongside a continuation of COVID-19 litigation and extreme weather. Despite challenges, we maintained our focus and pleasing progress was made around performance, portfolio optimisation, and our desire to be a successful sustainable insurer. We continue to modernise and improve data capability, which has supported improved financial performance and enhanced relationships with our customers and partners.

QBE achieved a combined operating ratio of 93.7% compared to 95.0% in the prior year, which supported a double digit ROE of 10.5%, QBE's strongest in over a decade following 10.3% achieved in the prior period. Looking ahead, we remain confident in our primary ambition for QBE to achieve a consistent combined operating ratio in the low-to-mid 90s.

Rate adequacy continued to improve in 2022, where markets remained disciplined in most lines of business. While inflation was a significant challenge for the business, I am pleased with our preparedness, collaboration and response. We expect higher inflation will remain persistent in the year ahead, which, combined with the impact of higher reinsurance costs and an uncertain economic outlook, suggests a pressing need for further rate increases and discipline across the industry.

Our reinvigorated focus on portfolio optimisation and volatility has driven meaningful cultural change over the year, resulting in continued refinement of our cell review and planning process. We enter 2023 with more deliberate and defined enterprise level portfolio growth and mix targets, with our first formal interim target for our underwriting portfolio to be published in line with the Protocol. Environmental and social considerations continue to play a larger role in our planning and underwriting process, where we see a great opportunity surrounding QBE's role in supporting an orderly and inclusive transition towards net zero.

# 2022 focus areas

## Inflation: our experience and approach

Inflation has proven a major challenge for the industry in 2022, and question-marks around its persistency remain a key uncertainty in the year ahead

While inflation was a significant challenge for the business, we were well prepared with the early establishment of a co-ordinated global inflation working group, which helped to both detect and respond to inflation. Over the past two years, we have progressively embedded higher inflation assumptions across a number of classes of business to reflect a mix of experience, and uncertainty regarding the emergence of inflation.

## Looking ahead

While there are increasing signals suggesting inflation may have peaked, the persistency of inflation remains a key risk. We remain focused on maintaining dynamic feedback loops between claims, pricing and underwriting teams, and ensuring exposure and rating remains commensurate with inflation.

## Portfolio optimisation: more deliberate planning

The portfolio optimisation strategy has been pivotal in leveraging the foundational enhancement undertaken over recent years into a more deliberate and focused enterprise planning process

Our global underwriting teams are collaborating more effectively than ever before. This has supported the evolution and success of our portfolio optimisation strategy, where our planning process is now calibrated to more defined and deliberate portfolio mix targets, determined as an enterprise. This cohesion has been particularly important in navigating a more challenging reinsurance marketplace, in which we recalibrated our global property catastrophe strategy and appetite.

## Looking ahead

Growth opportunities in 2023 remain attractive, and we expect to achieve further measured growth across our focus areas. Our approach to volatility has matured over the year, and we continue to improve our tools and data to better integrate volatility analysis into our cell review and planning process.

## Sustainability: underwriting a successful transition

Our desire is for QBE to be a successful sustainable insurer, and we have made pleasing progress around integrating environmental and social considerations into our underwriting culture

We are proud to have played an active role in the NZIA, as the industry works towards a consistent approach to measuring insured emissions. With this methodology now finalised, QBE's focus for the year ahead will centre around underwriting emission measurement and target setting. This will be a significant and challenging body of work, though we see great opportunities ahead as we begin working more closely with our customers to ensure a successful transition.

## Looking ahead

To support our transition plan, we remain focused on the ongoing development of the tools needed to improve our underwriting emission measurement depth and quality. We are optimistic and continue to explore transition opportunities that will arise, both relating to nascent industries and technology, and product innovation.

## Future fit: an innovative underwriting culture

We want to foster an innovative and modern underwriting culture, and continually explore ways to modernise, expand our data capability and assess new product lines and opportunities

In 2022, we successfully launched our new global property pricing tool, which established an enterprise-consistent approach to risk selection, pricing and terms. We continue to explore opportunities in cyber insurance and have collaborated to take our existing capability and establish a new global product. We remain focused on product innovation, particularly where we can encourage and reward sustainable behaviours, and were proud to launch our new green Lenders' Mortgage Insurance (LMI) product in Australia.

## Looking ahead

QBE has an underwriting platform that continues to attract top talent, and is known in our key markets for being innovative and dynamic. The benefit of material positive operating leverage in recent periods has allowed for the opportunity to invest in further data analytics capability and tools to ensure we can maintain and build on our leading reputation.

