



10 August 2023

The Manager
Market Announcements Office
ASX Limited
Level 4
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

Report on results and financial statements for the half year ended 30 June 2023

The Directors of QBE Insurance Group Limited announce the financial results for the half year ended 30 June 2023.

The following documents are attached:

1. Appendix 4D – half year report;
2. QBE's half year report including financial statements for the half year ended 30 June 2023; and
3. QBE's Investor Report for the half year ended 30 June 2023.

This release has been authorised by the QBE Board of Directors.

Yours faithfully,

A handwritten signature in blue ink, appearing to read "Carolyn Scobie".

Carolyn Scobie
Company Secretary

Attachment

Appendix 4D

Half year report for the period to 30 June 2023

Results for announcement to the market

FOR THE HALF YEAR ENDED 30 JUNE	UP/DOWN	% CHANGE	2023 US\$M	RESTATED 2022 US\$M
Revenue from ordinary activities ¹	Up	11%	9,921	8,955
Profit from ordinary activities after income tax attributable to equity holders of the Company	Up	733%	400	48
Net profit for the period attributable to ordinary equity holders of the Company	Up	733%	400	48

1 Refers to insurance revenue. Reinsurance income during the period was \$1,814 million (2022 \$2,185 million).

Net profit after income tax for the half year ended 30 June 2023 was \$400 million, compared with \$48 million for the prior period. The comparative period has been restated to reflect the application of AASB 17 *Insurance Contracts* from 1 January 2023 which was adopted from 1 January 2023 and retrospectively applied to the 2022 comparative period disclosed.

The Group reported a statutory insurance operating result of \$377 million compared with \$386 million in the prior period, reflecting strong premium rate increases and targeted new business growth, offset by current and prior year catastrophe costs and the impact from the upfront net cost of the reserve transaction to reinsure certain prior accident year claims in North America and International.

Total net investment income was \$461 million for the current half year compared with a net loss of \$874 million in the prior period, reflecting strong returns on fixed income assets supported by higher interest rates and mark to market benefit from slightly tighter credit spreads, as well as returns on growth assets despite weaker performance in unlisted property assets.

The Group's effective tax rate was 30.8% compared with 16.4% in the prior period, reflecting the mix of corporate rates in the jurisdictions in which QBE operates and the recognition of previously unrecognised tax losses.

DIVIDENDS	AMOUNT PER SECURITY (AUSTRALIAN CENTS)	FRANKED AMOUNT PER SECURITY (AUSTRALIAN CENTS)
Interim dividend	14	1.4

The Dividend Reinvestment Plan and Bonus Share Plan will be satisfied by the issue of shares with no discount applicable. The interim dividend will be 10% franked. The unfranked part of the dividend is declared to be conduit foreign income.

The share issue price for the Dividend Reinvestment Plan and the Bonus Share Plan will be based on a volume weighted average in the 10 trading days between 25 August 2023 and 7 September 2023 (both dates inclusive).

The record date for determining shareholder entitlements to the dividend is 18 August 2023.

The last date for receipt of election notices applicable to the Dividend Reinvestment Plan and the Bonus Share Plan will be 21 August 2023.

The interim dividend will be paid on 22 September 2023.

Additional disclosures

Additional Appendix 4D disclosure requirements can be found in the QBE Insurance Group Limited Half Year Report for the period ended 30 June 2023 (Attachment A). The Half Year Report should be read in conjunction with any market or public announcements made by QBE Insurance Group Limited during the period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules. The independent auditor's review report is included at page 34 of the Half Year Report.

Other information

At the balance date, the Group held an interest in Chrysalis Management Ltd (20%), Raheja QBE General Insurance Company (49%) and Catalyst Technologies Pty Limited (9%). The Group's aggregate share of losses of these entities is not material.

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Enabling a more resilient future



2023 Half Year Report

QBE INSURANCE GROUP LIMITED

About this report

This is the Half Year Report for QBE Insurance Group Limited (and its controlled entities) for the half year ended 30 June 2023. It should be read in conjunction with the 2022 Annual Report.

This report includes a review of QBE's half year financial performance and outlook for the year, along with the financial statements, which have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards. Detailed information on the basis of preparation of the financial statements is provided on [page 16](#).

Definitions of key performance metrics in section 2 are provided in the glossary on [pages 35 and 36](#). Key metrics disclosed on a statutory basis are derived from unadjusted components of financial statement line items. Financial information prepared on a management basis in section 2 has not been audited or reviewed by QBE's external auditor.

Unless otherwise stated, references in this report to 'QBE', 'the Group', 'we', 'us' and 'our' refer to QBE Insurance Group Limited (and its controlled entities). References to 'the Company' refer to QBE Insurance Group Limited, the ultimate parent entity. Any references in this report to a 'half year' refer to the six months ended 30 June.

All dollar figures are expressed in US dollars unless otherwise stated.

2023 Half Year reporting suite

2022 Annual Report

QBE's Annual Report for the year ended 31 December 2022, containing the directors' report, operating and financial review, information on our governance practices and financial statements.

2023 Half Year Report

QBE's regulatory compliance document containing the directors' report, review of operations and financial statements for the half year ended 30 June 2023 prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards.

This report should be read in conjunction with the 2022 Annual Report.

2023 Half Year Investor Report

A deep dive into our strategic and financial performance for the half year ended 30 June 2023. Financial information in the Investor Report has not been audited or reviewed by QBE's external auditor.

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This is an interactive PDF designed to enhance your experience. The best way to view this report is with Adobe Acrobat Reader. Click on the links on the contents pages or use the  home button in the footer to navigate the report.

Directors' Report

FOR THE HALF YEAR ENDED 30 JUNE 2023

Your directors present their report on QBE Insurance Group Limited and the entities it controlled at the end of, or during, the half year ended 30 June 2023.

Directors

The following directors held office during the half year and up to the date of this report:

Yasmin Allen AM
Andrew Horton
Tan Le
Kathryn Lisson
Sir Brian Pomeroy
Jann Skinner
Eric Smith (until 10 March 2023)
Rolf Tolle
Michael Wilkins AO (Chair)

Review of operations

Information on the Group's performance and outlook is set out in the half year in review section on pages 4 to 9 of this Half Year Report.

Dividends

The directors are announcing an interim dividend of 14 Australian cents per share for the half year ended 30 June 2023 (2022 9 Australian cents per share). The interim dividend will be 10% franked (2022 10%). The total interim dividend payout is A\$209 million (2022 A\$133 million).

Events after balance date

Other than the declaration of the interim dividend, no matter or circumstance has arisen since 30 June 2023 that, in the opinion of the directors, has significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial periods.

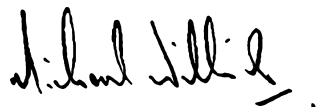
Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

Rounding of amounts

The Company is of a kind referred to in the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. Amounts have been rounded off in the Directors' Report in accordance with that instrument.

Signed in SYDNEY on 10 August 2023 in accordance with a resolution of the directors.



Michael Wilkins AO
Director



Andrew Horton
Director

Auditor's independence declaration

FOR THE HALF YEAR ENDED 30 JUNE 2023



pwc

As lead auditor for the review of QBE Insurance Group Limited for the half year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of QBE Insurance Group Limited and the entities it controlled during the period.

Voula Papageorgiou
Partner
PricewaterhouseCoopers

Sydney
10 August 2023

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Half year **in review**

QBE reported a statutory profit after tax attributable to ordinary equity holders of the Company of \$400 million for the half year ended 30 June 2023 compared with \$48 million for the prior period.

Summary financial performance

FOR THE HALF YEAR ENDED 30 JUNE		MANAGEMENT		STATUTORY	
		2023	RESTATED 2022	2023	RESTATED 2022
Insurance revenue	US\$M	9,911	8,942	9,921	8,955
Reinsurance expenses	US\$M	(1,934)	(1,614)	(2,278)	(1,691)
Insurance service result	US\$M	197	436	479	507
Insurance operating result	US\$M	95	375	377	386
Net investment income (loss)	US\$M	461	(874)	461	(874)
Income tax expense	US\$M	(180)	(10)	(180)	(10)
Profit after income tax attributable to ordinary equity holders	US\$M	400	48	400	48
Key metrics					
Gross written premium	US\$M	12,803	11,576	12,803	11,576
Net claims ratio	%	69.0	65.5	63.6	63.6
Net commission ratio	%	18.1	17.7	19.2	18.5
Expense ratio	%	11.7	11.7	12.2	12.6
Combined operating ratio	%	98.8	94.9	95.0	94.7

Unless otherwise stated, discussion of performance in this section of the report is on a management basis which is consistent with how performance is assessed internally. The management basis reflects adjustments to the statutory result to provide greater transparency over the underlying drivers of the Group's performance. A reconciliation between the management basis and the statutory result is provided on [page 8](#).

Catastrophe costs resulted in a disappointing underwriting result in the period, and serve to reinforce our focus on reducing volatility, and building greater resilience. Underwriting profitability was challenged by both current and prior year catastrophe costs. The combined operating ratio deteriorated to 98.8% from 94.9% in the prior period, which includes a 1.2% impact from the upfront cost of the \$1,889 million reserve transaction announced in February 2023.

Interest rates continued to increase over the period, as central banks have struggled to contain core inflation. Total investment income for the half, excluding fixed income losses from changes in risk-free rates, was \$662 million or a return of 2.4%, compared with a loss of \$20 million or (0.1)% in the prior period. During the period, there was an adverse impact from asset liability management activities of around \$30 million, which represents the net impact from changes in risk-free rates on the balance sheet.

QBE's balance sheet remains soundly positioned. The indicative APRA PCA multiple increased to 1.80x from 1.79x at 31 December 2022, and remains at the upper end of our 1.6–1.8x target range. Capital released from the \$1,889 million reserve transaction added around 6 basis points to the PCA multiple.

QBE adopted AASB 17 *Insurance Contracts* from 1 January 2023. The new standard is applied retrospectively, resulting in restatement of the comparative period. The impacts of adoption are detailed in note 1.1 of the consolidated financial statements on [page 17](#). Definitions of key metrics, including how they are calculated, are provided in the glossary on [pages 35 and 36](#). As a result of changes to the presentation of insurance line items introduced by AASB 17, the key metrics used by QBE to manage and assess underwriting performance are derived from components that are no longer separately presented in the financial statements. An analysis of the insurance operating result by these components is provided on [page 9](#).

Outlook

During the second half of 2023, our focus will continue to centre around initiatives to build resilience, with an emphasis on achieving an appropriate risk-adjusted return on capital in North America. We have strong enterprise-wide alignment around sound plans and strategies. It's pleasing to see foundational work on our strategic priorities driving business improvement, and greater engagement across our people.

The operating backdrop is expected to remain favourable, where premium rates should remain supportive. 2023 catastrophe experience is another reminder of the need for discipline across the industry to be sustained.

Underwriting performance

Unless otherwise stated, discussion of performance is on a management basis.
A reconciliation to the equivalent statutory result is provided on [page 8](#).

Net insurance revenue

Gross written premium

Gross written premium increased 11% on a headline basis to \$12,803 million from \$11,576 million in the prior period. On a constant currency basis, gross written premium increased 13% reflecting continued rate increases and organic growth. Excluding Crop, gross written premium growth was 14% on the same basis. The Group achieved an average renewal premium rate increase of 10.2% compared with 8.1% in the prior period, driven by a re-acceleration in property classes. Premium rate changes exclude North America Crop and Australian compulsory third party motor (CTP).

Reinsurance expenses

Reinsurance expense increased 20% to \$1,934 million from \$1,614 million in the prior period. Much of the increase relates to Crop, where the majority of growth in this portfolio was ceded to the Federal reinsurance scheme, in an effort to manage Crop net retention and earnings volatility. Reinsurance expense also included a charge of \$98 million, representing the upfront cost of the \$1,889 million reserve transaction announced in February 2023.

Net insurance revenue

Group net insurance revenue increased 12% on a constant currency basis, broadly in line with growth in gross written premium on the same basis. The upfront cost associated with the aforementioned reserve transaction was incurred in our North America and International business segments.

Net claims

The net claims ratio increased to 69.0% from 65.5% in the prior period. Elevated catastrophe costs had a material impact on both the current and prior year, where a higher frequency and severity of secondary perils was observed in a number of regions. While premium rate increases have remained supportive, elevated short-tail inflation and the changing nature of property catastrophe risk continue to result in a challenging operating backdrop.

The ex-cat claims ratio decreased to 60.6% from 61.6% in the prior period. The result included strain from current year risk adjustment of \$316 million, which reduced from \$348 million in the prior period. Excluding risk adjustment, the ex-cat claims ratio reduced to 56.6% from 56.9% in the prior period. Inflation preparedness and management remained a primary focus over the period. Across most lines, rate increases remained at or above observed inflation. The industry continues to exhibit good discipline in response to inflationary challenges, alongside other economic, geopolitical and climate-related sources of uncertainty. Inflation observations continue to be most clear and acute across short-tail property and motor classes. While evidence of higher claims inflation across many longer tail classes is limited, QBE remains attuned to the potential for lags and persistency of inflation in these lines, alongside the risks posed by social inflation.

The net cost of catastrophe claims increased to \$699 million or 8.7% of net insurance revenue, which compares to the first half allowance of \$535 million, and catastrophe costs of 6.2% in the prior period. Natural catastrophe costs in the period were underscored by Cyclone Gabrielle and the North Island flooding events in New Zealand, a particularly large number of North American convective storm events, a series of storm and flood events in Australia and reinsurance claims associated with the Turkey earthquake.

QBE strengthened the central estimate by \$177 million due to adverse development on a number of 2022 catastrophe events, principally reflecting winter storm Elliott in North America and flood events in Australia. This reserve strengthening was more than offset by favourable development of \$207 million related to the unwind of risk adjustment from prior accident years, a decrease from \$221 million in the prior period. This resulted in favourable prior accident year claims development of \$30 million or 0.3% of net insurance revenue, decreasing from \$169 million or 2.3% in the prior period.

Commission and expenses

The net commission ratio increased to 18.1% from 17.7% in the prior period, primarily due to business mix changes, where the impact from quota share reinsurance ceding commissions is now recorded within reinsurance income under AASB 17.

The Group's expense ratio was unchanged at 11.7%. This reflected constant currency expense growth of 13%, alongside the continued benefit from positive operating leverage. Expense growth included the impact of two Group salary increases, where an out of cycle increase was provided in July 2022 to reflect rising cost of living pressure, in addition to a 2023 increase as part of QBE's usual annual cycle.

Tax

QBE's effective statutory tax rate was 30.8% compared with 16.4% in the prior period. The effective tax rate reflects the mix of corporate tax rates across QBE's key regions, including the statutory loss in North America, alongside a small recognition of deferred tax assets. During the period, QBE paid \$74 million in corporate income tax globally, with no payments in the Australian tax group due to tax loss utilisation from prior periods. The balance of the franking account stood at A\$46 million as at 30 June 2023. Having regard to QBE's franked AT1 distribution commitments and carry over tax losses, the dividend franking percentage is expected to remain around 10%.



Divisional underwriting performance

Key metrics are defined in the glossary on [pages 35 and 36](#). Key metrics disclosed on a statutory basis are derived from unadjusted components of financial statement line items.

North America

Gross written premium increased by 6% to \$4,967 million, reflecting strong premium rate increases and targeted growth, partially offset by the impact of terminated programs and other non-core lines. Excluding Crop, gross written premium declined by 1%. North America reported a combined operating ratio of 106.9%, which compares to 95.9% in the prior period. Catastrophe costs were 9.3% of net insurance revenue, up from 2.8% in the prior period due to a high frequency and severity of convective storm and flood events over the half year. The result also included prior year reserve strengthening of 3.9% which reflected adverse development for winter storm Elliott and Crop, and compared to 3.6% favourable in the prior period. The combined commission and expense ratio improved to 29.7% from 30.5% in the prior period where favourable business mix and operating leverage more than offset investment initiatives.

FOR THE HALF YEAR ENDED 30 JUNE		MANAGEMENT ¹		STATUTORY	
		2023	RESTATED 2022	2023	RESTATED 2022
Key underwriting metrics					
Gross written premium	US\$M	4,967	4,708	4,967	4,708
Net insurance revenue	US\$M	2,285	2,170	2,148	2,037
Net claims ratio	%	77.2	65.4	71.0	63.1
Net commission ratio	%	20.5	20.7	21.9	22.0
Expense ratio	%	9.2	9.8	9.8	10.4
Combined operating ratio	%	106.9	95.9	102.7	95.5

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

International

Gross written premium increased by 18% in constant currency to \$5,072 million, reflecting an acceleration in rate increases for property and reinsurance lines, and organic growth across a number of multi-year opportunities. International reported a combined operating ratio of 93.2%, which compares to 95.4% in the prior period. Favourable prior year development of 0.9% was meaningfully improved compared to adverse of 0.8% in the prior period, which included an unfavourable COVID-19 business interruption court ruling. The combined commission and expense ratio increased to 30.0% from 29.1% in the prior period. While operating leverage supported further improvement in the expense ratio, the commission ratio increased due to mix.

FOR THE HALF YEAR ENDED 30 JUNE		MANAGEMENT ¹		STATUTORY	
		2023	RESTATED 2022	2023	RESTATED 2022
Key underwriting metrics					
Gross written premium	US\$M	5,072	4,367	5,072	4,367
Net insurance revenue	US\$M	3,278	2,890	3,088	2,902
Net claims ratio	%	63.2	66.3	56.9	66.1
Net commission ratio	%	17.9	16.8	19.0	16.8
Expense ratio	%	12.1	12.3	12.8	12.2
Combined operating ratio	%	93.2	95.4	88.7	95.1

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

Australia Pacific

Gross written premium increased 18% on a constant currency basis to \$2,771 million, reflecting supportive premium rate increases and selective growth. Australia Pacific reported a combined operating ratio of 98.9%, which compares to 92.9% in the prior period. Catastrophe costs were 11.8% of net insurance revenue, up from 9.6% in the prior period due to Cyclone Gabrielle and the North Island flooding events in New Zealand, and a series of storm and flood events in Australia. The combined commission and expense ratio increased by 0.6% to 29.1% largely due to an increase in the expense ratio, reflecting investment to support a number of modernisation projects.

FOR THE HALF YEAR ENDED 30 JUNE		MANAGEMENT ¹		STATUTORY	
		2023	RESTATED 2022	2023	RESTATED 2022
Key underwriting metrics					
Gross written premium	US\$M	2,771	2,503	2,771	2,503
Net insurance revenue	US\$M	2,393	2,255	2,397	2,313
Net claims ratio	%	69.8	64.4	66.0	61.0
Net commission ratio	%	15.6	15.7	16.8	17.3
Expense ratio	%	13.5	12.8	13.4	15.0
Combined operating ratio	%	98.9	92.9	96.2	93.3

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

Investment performance

Total investment income, excluding any fixed income losses from changes in risk-free rates, was \$662 million for the period, which equated to a return of 2.4%. The result improved substantially from a loss of \$20 million or (0.1)% in the prior period due to higher risk free rates since the beginning of 2023, and the mark to market benefit from slightly tighter credit spreads in the half year. As core inflation has proved more persistent than expected, aggressive action from global central banks has resulted in further improvement in fixed income returns, while risk asset returns were broadly in line with our long term target return.

Core fixed income includes cash and cash equivalents, and excludes enhanced fixed income risk assets which comprise emerging market debt, high yield debt and private credit. Enhanced fixed income risk assets are analysed as part of risk assets. The core fixed income portfolio delivered a return of 2.3% or \$583 million, a significant increase on \$6 million in the prior period. The result included a modest benefit from tighter credit spreads of \$52 million, compared to an adverse impact of \$208 million in the prior period.

The running yield for the core fixed income portfolio continued to trend higher through the period, with the 30 June 2023 exit running yield of 4.9% around 80 basis points higher than at 31 December 2022.

Risk asset performance improved meaningfully compared to the prior period. The portfolio delivered a return of 2.7% or \$87 million compared to a loss of (0.4)% in the prior period, and was broadly in line with our long term target return for the portfolio. During the period, equities, enhanced fixed income and infrastructure assets delivered strong returns which helped to offset negative performance in the unlisted property portfolio due to lower property valuations.

Funds under management

Funds under management comprise cash and cash equivalents, investments and investment properties. Funds under management of \$27,426 million declined by 3% compared to \$28,167 million at 31 December 2022, or 1% on a constant currency basis. Strong investment returns, further premium growth and the issuance of additional Tier 2 notes in June were offset by the material reduction in investment assets associated with the \$1,889 million reserve transaction announced in February 2023.

Portfolio mix continued to evolve over the half. The allocation to risk assets increased during the period to 13%, from 11%, with the core fixed income portfolio now representing 87% of total investments. QBE expects risk asset allocation will continue to trend higher in the near term, in line with the target strategic asset allocation of 15%.

Balance sheet and capital management

Net outstanding claims

Net outstanding claims comprise claims reserves within the net liability for incurred claims net of recoveries on reinsurance loss portfolio transfers. At 30 June 2023, the net discounted central estimate was \$15,885 million, which decreased from \$16,141 million at 31 December 2022 due to the impact of the undiscounted \$1,889 million reserve transaction and higher interest rates, partially offset by further organic growth, catastrophe reserve strengthening and Crop seasonality. At 30 June 2023, the risk adjustment was \$1,271 million or 8.0% of the net discounted central estimate, consistent with 31 December 2022, and at the top end of our 6–8% target range.

Borrowings

At 30 June 2023, total borrowings were \$2,959 million, an increase of \$215 million from \$2,744 million at 31 December 2022. The increase primarily reflects the issuance of A\$300 million of subordinated floating Tier 2 notes in June 2023. The notes are capital qualifying under APRA's capital adequacy framework. Gross interest expense on borrowings for the half year was \$83 million, a decrease from \$87 million in the prior period. The average annualised cash cost of borrowings at 30 June 2023 was 6.0%, an increase from 5.8% at 31 December 2022.

Capital

QBE's indicative PCA multiple improved to 1.80x at 30 June 2023 from 1.79x at 31 December 2022. The result was driven by a 6 basis point reduction in the insurance risk charge associated with the \$1,889 million reserve transaction, in addition to the generation of new qualifying capital following the issuance of capital qualifying Tier 2 subordinated notes in June 2023. These items more than offset the capital absorbed through ongoing premium growth, further deployment toward our long term investment portfolio strategic asset allocation, and the payment of the 2022 final dividend.

Balance sheet and share information

AS AT		STATUTORY	
		30 JUNE 2023	RESTATED 31 DECEMBER 2022
Net assets	US\$M	9,008	8,857
Less: intangible assets	US\$M	2,019	2,018
Net tangible assets	US\$M	6,989	6,839
Number of shares on issue	millions	1,492	1,485
Net tangible assets per share	US\$	4.68	4.61



Statutory to management result reconciliation

	STATUTORY	ADJUSTMENTS					MANAGEMENT
		DISCOUNT UNWIND	UNDERLYING PYD	LPT	INVESTMENT RFR	APPR	
FOR THE HALF YEAR ENDED 30 JUNE 2023	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Insurance revenue	9,921	–	(10)	–	–	–	9,911
Insurance service expenses ¹	(8,978)	(416)	10	–	–	–	(9,384)
Reinsurance expenses	(2,278)	–	–	344	–	–	(1,934)
Reinsurance income ¹	1,814	134	–	(344)	–	–	1,604
Insurance service result	479	(282)	–	–	–	–	197
Other expenses ¹	(126)	–	–	–	–	–	(126)
Other income ¹	24	–	–	–	–	–	24
Insurance operating result	377	(282)	–	–	–	–	95
Net insurance finance (expense) income	(133)	282	–	–	–	–	149
Fixed income losses from changes in risk-free rates	–	–	–	–	(201)	–	(201)
Net investment income on policyholders' funds	301	–	–	–	131	–	432
Insurance profit	545	–	–	–	(70)	–	475
Net investment income on shareholders' funds	160	–	–	–	70	–	230
Financing and other costs	(112)	–	–	–	–	–	(112)
Share of net loss of associates	(1)	–	–	–	–	–	(1)
Restructuring and related expenses	–	–	–	–	–	–	–
Amortisation and impairment of intangibles	(8)	–	–	–	–	–	(8)
Profit before income tax	584	–	–	–	–	–	584
Income tax expense	(180)	–	–	–	–	–	(180)
Profit after income tax	404	–	–	–	–	–	404
Non-controlling interests	(4)	–	–	–	–	–	(4)
Net profit after income tax	400	–	–	–	–	–	400

	STATUTORY	ADJUSTMENTS					MANAGEMENT
		DISCOUNT UNWIND	UNDERLYING PYD	LPT	INVESTMENT RFR	APPR	
FOR THE HALF YEAR ENDED 30 JUNE 2022 (RESTATED) ²	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Insurance revenue	8,955	–	(13)	–	–	–	8,942
Insurance service expenses ¹	(8,942)	(220)	(6)	–	–	–	(9,168)
Reinsurance expenses	(1,691)	–	19	58	–	–	(1,614)
Reinsurance income ¹	2,185	149	–	(58)	–	–	2,276
Insurance service result	507	(71)	–	–	–	–	436
Other expenses ¹	(179)	–	–	–	–	60	(119)
Other income ¹	58	–	–	–	–	–	58
Insurance operating result	386	(71)	–	–	–	60	375
Net insurance finance income	713	71	–	–	–	–	784
Fixed income losses from changes in risk-free rates	–	–	–	–	(854)	–	(854)
Net investment loss on policyholders' funds	(581)	–	–	–	568	–	(13)
Insurance profit	518	–	–	–	(286)	60	292
Net investment loss on shareholders' funds	(293)	–	–	–	286	–	(7)
Financing and other costs	(135)	–	–	–	–	15	(120)
Gain on sale of entities and businesses	36	–	–	–	–	–	36
Share of net loss of associates	(3)	–	–	–	–	–	(3)
Remediation	–	–	–	–	–	(75)	(75)
Restructuring and related expenses	(54)	–	–	–	–	–	(54)
Amortisation and impairment of intangibles	(8)	–	–	–	–	–	(8)
Profit before income tax	61	–	–	–	–	–	61
Income tax expense	(10)	–	–	–	–	–	(10)
Profit after income tax	51	–	–	–	–	–	51
Non-controlling interests	(3)	–	–	–	–	–	(3)
Net profit after income tax	48	–	–	–	–	–	48

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

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

Analysis of the insurance operating result

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

FOR THE HALF YEAR ENDED 30 JUNE	NET INSURANCE REVENUE		NET CLAIMS EXPENSE		NET COMMISSION		EXPENSES AND OTHER INCOME		TOTAL	
	2023 US\$M	RESTATED 2022 US\$M	2023 US\$M	RESTATED 2022 US\$M	2023 US\$M	RESTATED 2022 US\$M	2023 US\$M	RESTATED 2022 US\$M	2023 US\$M	RESTATED 2022 US\$M
Statutory										
Insurance revenue	9,921	8,955	—	—	—	—	—	—	9,921	8,955
Insurance service expenses	—	—	(6,744)	(6,920)	(1,401)	(1,225)	(833)	(797)	(8,978)	(8,942)
Reinsurance expenses	(2,278)	(1,691)	—	—	—	—	—	—	(2,278)	(1,691)
Reinsurance income	—	—	1,884	2,300	(70)	(115)	—	—	1,814	2,185
Insurance service result	7,643	7,264	(4,860)	(4,620)	(1,471)	(1,340)	(833)	(797)	479	507
Other expenses	—	—	—	—	—	—	(126)	(179)	(126)	(179)
Other income	—	—	—	—	—	—	24	58	24	58
Insurance operating result	7,643	7,264	(4,860)	(4,620)	(1,471)	(1,340)	(935)	(918)	377	386
Adjustments										
Discount unwind	—	—	(282)	(71)	—	—	—	—	(282)	(71)
Underlying PYD	(10)	6	13	8	(3)	(14)	—	—	—	—
LPT	344	58	(376)	(116)	32	58	—	—	—	—
APPR	—	—	—	—	—	—	—	60	—	60
Management basis	7,977	7,328	(5,505)	(4,799)	(1,442)	(1,296)	(935)	(858)	95	375

Adjustments

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

Discount unwind

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

Underlying prior year development (PYD)

Underlying prior accident year claims development within net claims expense amounting to \$13 million (2022 \$8 million) has been reclassified to net insurance revenue and net commission. In the current period, this principally related to Crop (North America) for additional premium cessions to the US government on prior year claims under the MPC scheme, CTP within Australia Pacific for profit commission income arising from favourable development under the 2021 reinsurance loss portfolio transfer and periodic payment order (PPO) liabilities within International to reflect their annuity characteristics.

Reinsurance loss portfolio transfer transactions (LPT)

The subsequent impacts of in-force reinsurance loss portfolio transfer contracts within reinsurance expenses and reinsurance income are analysed on a net basis within net claims expense to provide a view of the underlying development on these contracts against the corresponding development of the subject gross reserves, consistent with the focus on net underwriting performance. The current period adjustments include amounts related to the reinsurance of North American E&S reserves entered into in 2022 (\$80 million; 2022 \$36 million), other reinsurance loss portfolio transfer contracts in North America entered into in prior periods (\$31 million; 2022 \$19 million) and the current period transaction to reinsure reserves in North America and International (\$219 million).

Australian pricing promise review (APPR)

In 2022, the Group recognised a \$75 million net cost (before tax) following a review of pricing promises across a range of retail products which identified instances where the policy pricing promise was not fully delivered. The net cost comprises amounts for customer remediation, interest payable and other costs associated with administering the program. There has been no material change to this estimate during the current period.

Investment risk-free rate (RFR) impacts

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

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Consolidated statement of comprehensive income

FOR THE HALF YEAR ENDED 30 JUNE 2023

	NOTE	30 JUNE 2023 US\$M	RESTATED 30 JUNE 2022 US\$M
Insurance revenue	2.1	9,921	8,955
Insurance service expenses		(8,978)	(8,942)
Reinsurance expenses	2.2	(2,278)	(1,691)
Reinsurance income	2.2	1,814	2,185
Insurance service result		479	507
Other expenses		(126)	(179)
Other income		24	58
Insurance operating result		377	386
Insurance finance (expenses) income		(203)	1,206
Reinsurance finance income (expenses)		70	(493)
Investment income (loss) – policyholders' funds	3.1	312	(573)
Investment expenses – policyholders' funds	3.1	(11)	(8)
Insurance profit		545	518
Investment income (loss) – shareholders' funds	3.1	166	(289)
Investment expenses – shareholders' funds	3.1	(6)	(4)
Financing and other costs		(112)	(135)
Gain on sale of entities and businesses	5.1	–	36
Share of net loss of associates		(1)	(3)
Restructuring and related expenses		–	(54)
Amortisation and impairment of intangibles		(8)	(8)
Profit before income tax		584	61
Income tax expense		(180)	(10)
Profit after income tax		404	51
Other comprehensive income (loss)			
<i>Items that may be reclassified to profit or loss</i>			
Net movement in foreign currency translation reserve		23	(349)
Net movement in cash flow hedge and cost of hedging reserves		1	41
Income tax relating to these components of other comprehensive income		–	(12)
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of defined benefit plans		(5)	(2)
Income tax relating to this component of other comprehensive income		1	–
Other comprehensive income (loss) after income tax		20	(322)
Total comprehensive income (loss) after income tax		424	(271)
Profit after income tax attributable to:			
Ordinary equity holders of the Company		400	48
Non-controlling interests		4	3
		404	51
Total comprehensive income (loss) after income tax attributable to:			
Ordinary equity holders of the Company		420	(274)
Non-controlling interests		4	3
		424	(271)

EARNINGS PER SHARE FOR PROFIT AFTER INCOME TAX ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	NOTE	30 JUNE 2023 US CENTS	RESTATED 30 JUNE 2022 US CENTS
For profit after income tax			
Basic earnings per share	4.5	25.2	1.6
Diluted earnings per share	4.5	25.0	1.5

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

The Group adopted AASB 17 *Insurance Contracts* from 1 January 2023 and has restated the comparative period. The impacts of adoption are detailed in note 1.1.

Consolidated balance sheet

AS AT 30 JUNE 2023

	NOTE	30 JUNE 2023 US\$M	RESTATED 31 DECEMBER 2022 US\$M
Assets			
Cash and cash equivalents		767	833
Investments	3.2	26,624	27,299
Derivative financial instruments	4.2	356	284
Other receivables		599	423
Current tax assets		65	45
Reinsurance contract assets	2.2	8,964	7,126
Other assets		2	2
Defined benefit plan surpluses		44	46
Right-of-use lease assets		281	276
Property, plant and equipment		147	151
Deferred tax assets		614	613
Investment properties		35	35
Investment in associates		29	32
Intangible assets		2,019	2,018
Total assets		40,546	39,183
Liabilities			
Derivative financial instruments	4.2	586	387
Other payables		459	347
Current tax liabilities		58	39
Insurance contract liabilities	2.2	26,731	26,130
Lease liabilities		304	301
Provisions		194	203
Defined benefit plan deficits		27	26
Deferred tax liabilities		220	149
Borrowings	4.1	2,959	2,744
Total liabilities		31,538	30,326
Net assets		9,008	8,857
Equity			
Contributed equity	4.3	9,155	9,242
Treasury shares held in trust		(4)	(1)
Reserves		(1,196)	(1,363)
Retained profits		1,051	977
Shareholders' equity		9,006	8,855
Non-controlling interests		2	2
Total equity		9,008	8,857

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

The Group adopted AASB 17 *Insurance Contracts* from 1 January 2023 and has restated the comparative period. The impacts of adoption are detailed in note 1.1.

Consolidated statement of changes in equity

FOR THE HALF YEAR ENDED 30 JUNE 2023

	SHAREHOLDERS' EQUITY					NON-CONTROLLING INTERESTS US\$M	TOTAL EQUITY US\$M
	CONTRIBUTED EQUITY US\$M	TREASURY SHARES HELD IN TRUST US\$M	RESERVES US\$M	RETAINED PROFITS US\$M	TOTAL US\$M		
At 1 January 2023 (restated)	9,242	(1)	(1,363)	977	8,855	2	8,857
Profit after income tax	–	–	–	400	400	4	404
Other comprehensive income (loss)	–	–	24	(4)	20	–	20
Total comprehensive income	–	–	24	396	420	4	424
Transactions with owners in their capacity as owners							
Shares issued under Employee Share and Option Plan and held in trust	36	(36)	–	–	–	–	–
Share-based payment expense	–	–	22	–	22	–	22
Shares vested and/or released	–	33	(33)	–	–	–	–
Dividends paid on ordinary shares	–	–	–	(297)	(297)	(4)	(301)
Dividend Reinvestment Plan	32	–	–	–	32	–	32
Distribution on capital notes	–	–	–	(25)	(25)	–	(25)
Foreign exchange	(155)	–	154	–	(1)	–	(1)
At 30 June 2023	9,155	(4)	(1,196)	1,051	9,006	2	9,008

	SHAREHOLDERS' EQUITY					NON-CONTROLLING INTERESTS US\$M	TOTAL EQUITY US\$M
	CONTRIBUTED EQUITY US\$M	TREASURY SHARES HELD IN TRUST US\$M	RESERVES US\$M	RETAINED PROFITS US\$M	TOTAL 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 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	–	–	–	48	48	3	51
Other comprehensive loss	–	–	(320)	(2)	(322)	–	(322)
Total comprehensive (loss) income	–	–	(320)	46	(274)	3	(271)
Transactions with owners in their capacity as owners							
Shares issued under Employee Share and Option Plan and held in trust	29	(29)	–	–	–	–	–
Share-based payment expense	–	–	20	–	20	–	20
Shares vested and/or released	–	29	(29)	–	–	–	–
Dividends paid on ordinary shares	–	–	–	(208)	(208)	(3)	(211)
Dividend Reinvestment Plan	25	–	–	–	25	–	25
Distribution on capital notes	–	–	–	(25)	(25)	–	(25)
Foreign exchange	(451)	–	443	–	(8)	–	(8)
At 30 June 2022 (restated)	9,380	(2)	(1,494)	573	8,457	1	8,458

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

The Group adopted AASB 17 *Insurance Contracts* from 1 January 2023 and has restated the comparative period. The impacts of adoption are detailed in note 1.1.

Consolidated statement of cash flows

FOR THE HALF YEAR ENDED 30 JUNE 2023

	NOTE	30 JUNE 2023 US\$M	RESTATED 30 JUNE 2022 US\$M
Operating activities			
Premium received	2.2	8,644	7,444
Reinsurance recoveries received	2.2	1,144	418
Reinsurance premium paid net of ceding commissions received	2.2	(3,339)	(1,846)
Acquisition costs paid	2.2	(1,286)	(1,097)
Claims and other insurance service expenses paid	2.2	(6,025)	(4,349)
Interest received		318	187
Dividends received		15	88
Other operating payments		(206)	(320)
Interest paid		(113)	(101)
Income taxes paid		(74)	(43)
Net cash flows from operating activities		(922)	381
Investing activities			
Net proceeds on sale (payments for purchase) of growth assets		105	(635)
Net proceeds on sale of interest-bearing financial assets		853	738
Net proceeds from (payments for) foreign exchange transactions		97	(70)
Payments for purchase of intangible assets		(52)	(48)
Payments for purchase of property, plant and equipment		(13)	(16)
Payments for investments in associates		–	(2)
Proceeds on disposal of entities and businesses (net of cash disposed)		–	361
Proceeds on sale of joint venture investment		3	–
Net cash flows from investing activities		993	328
Financing activities			
Payments relating to principal element of lease liabilities		(28)	(32)
Proceeds from borrowings		198	–
Repayments of borrowings		(6)	(412)
Dividends and distributions paid		(294)	(211)
Net cash flows from financing activities		(130)	(655)
Net movement in cash and cash equivalents		(59)	54
Cash and cash equivalents at 1 January		833	819
Effect of exchange rate changes		(7)	(72)
Cash and cash equivalents at 30 June		767	801

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

The Group adopted AASB 17 *Insurance Contracts* from 1 January 2023 and has restated the comparative period. The impacts of adoption are detailed in note 1.1.

Notes to the financial statements

FOR THE HALF YEAR ENDED 30 JUNE 2023

1. OVERVIEW

1.1 Basis of preparation

This general purpose consolidated financial report for the half year ended 30 June 2023 (Half Year Financial Report) has been prepared in accordance with AASB 134 *Interim Financial Reporting* as issued by the Australian Accounting Standards Board and the *Corporations Act 2001*, and complies with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

The Half Year Financial Report does not include all the notes normally included in an annual financial report. Accordingly, it is recommended that this report be read in conjunction with QBE's Annual Report for the financial year ended 31 December 2022 and any public announcements made by QBE Insurance Group Limited and its controlled entities (QBE or the Group).

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below. Where appropriate, comparative information has been restated to be comparable with information presented in the current period.

New and amended accounting standards adopted by the Group

The Group adopted the following new and amended accounting standards from 1 January 2023:

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

AASB 2023-2 *Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules* amends AASB 112 *Income Taxes* to introduce a mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income tax legislation. The Group has applied the exception during the current period.

With the exception of AASB 17, the impacts of which are detailed on the next page, the adoption of these new and amended standards did not significantly impact the Group's Half Year Financial Report.

AASB 17 Insurance Contracts

AASB 17 establishes new accounting requirements for insurance contracts. Significant changes to key estimates and judgements resulting from the application of AASB 17 are described in note 1.2.1. Disclosure of the applicable new accounting policies is also included in the relevant notes where it is considered useful to an understanding of the amounts disclosed.

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 (CSM), 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 CSM 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.

Notes to the financial statements continued

FOR THE HALF YEAR ENDED 30 JUNE 2023

1. OVERVIEW

1.2 Critical accounting judgements and estimates

The Group makes judgements and estimates in respect of the reported amounts of certain assets and liabilities. Noted below are the key areas in which critical judgements and estimates are applied and should be considered when reviewing the financial statements for the half year ended 30 June 2023.

1.2.1 Insurance and reinsurance contract assets and liabilities

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, IBNER 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 on 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.

Measurement models

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. For contracts with coverage periods greater than one year, the Group's eligibility assessment framework 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 further below;
- pattern of coverage units used to determine the earning pattern of the CSM (note 2.1), 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.

Further detail on the measurement of the components of insurance and reinsurance contract assets and liabilities is provided in note 2.2.

Future cash flows included within insurance contract liabilities

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 key assumptions used in the determination of future claims cash flows within the insurance contract liabilities are materially consistent with those applied to estimate the net central estimate within the outstanding claims liability under AASB 1023 *General Insurance Contracts*. The potential impact of changes in those assumptions on the Group's profit or loss is summarised in note 2.3.7 to the consolidated financial statements for the year ended 31 December 2022.

Discount rates

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 contracts. 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 illiquidity characteristics of insurance contracts is eliminated to estimate the portion of the spread that reflects the illiquidity premium.

Risk adjustment

The risk adjustment is determined 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 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.

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 has considered 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 (sum of present value of future cash flows and a risk adjustment) attributable to the group of contracts exceed the liability for remaining coverage for that group.

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.

The carrying values of the loss and corresponding reinsurance loss-recovery components as at 30 June 2023 are disclosed in note 2.2.

Notes to the financial statements continued

FOR THE HALF YEAR ENDED 30 JUNE 2023

1. OVERVIEW

1.2.2 Intangible assets

QBE monitors goodwill and identifiable intangible assets for impairment in accordance with the Group's policy, which is set out in note 7.2.1 to the consolidated financial statements for the year ended 31 December 2022. At 30 June 2023, QBE has reviewed all intangible assets for indicators of impairment and has completed a detailed impairment test where indicators of impairment were identified.

1.2.3 Recoverability of deferred tax assets

A deferred tax asset (DTA) of \$420 million (2022 \$390 million) has been recognised in relation to the entities included in the North American tax group. Uncertainty continues to exist in relation to the utilisation of this DTA and QBE has made a judgement that entities in the North American tax group will be able to generate sufficient taxable profits to utilise the DTA balance over the foreseeable future, based on business plans. Losses expire over the next 17 years, with the majority expiring between 2032 and 2040.

Recovery of the DTA remains sensitive to changes in the forecast combined operating ratio, premium growth and investment yield assumptions as these items are the key drivers of future taxable income.

1.2.4 Australian pricing promise review

The Group continues to recognise a provision on the balance sheet in relation to the Australian pricing promise review as disclosed in note 1.2.3 of the consolidated financial statements for the year ended 31 December 2022. The provision comprises amounts for customer remediation, interest payable and other costs associated with administering the program.

At 30 June 2023, QBE has reviewed the assumptions underlying the estimates based on the findings of the review to date, resulting in no material change to the amounts recognised.

1.3 Segment information

The Group's 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.

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. It also includes consolidation adjustments and internal reinsurance eliminations.

30 JUNE 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	3,518	3,788	2,604	9,910	11	9,921
Insurance revenue – internal	–	5	–	5	(5)	–
Insurance service expenses	(3,544)	(3,073)	(2,410)	(9,027)	49	(8,978)
Reinsurance expenses	(1,370)	(705)	(207)	(2,282)	4	(2,278)
Reinsurance income	1,357	372	127	1,856	(42)	1,814
Insurance service result	(39)	387	114	462	17	479
Other expenses	(20)	(37)	(49)	(106)	(20)	(126)
Other income	–	–	24	24	–	24
Insurance operating result	(59)	350	89	380	(3)	377
Insurance finance (expenses) income	(145)	(8)	(56)	(209)	6	(203)
Reinsurance finance income	50	2	14	66	4	70
Investment income (loss) – policyholders' funds	66	144	102	312	(11)	301
Insurance (loss) profit	(88)	488	149	549	(4)	545
Investment income – shareholders' funds	65	49	42	156	4	160
Financing and other costs	(1)	(13)	(2)	(16)	(96)	(112)
Share of net loss of associates	–	–	–	–	(1)	(1)
Amortisation and impairment of intangibles	–	–	(1)	(1)	(7)	(8)
(Loss) profit before income tax	(24)	524	188	688	(104)	584
Income tax credit (expense)	4	(124)	(68)	(188)	8	(180)
(Loss) profit after income tax	(20)	400	120	500	(96)	404
Net profit attributable to non-controlling interests	–	–	–	–	(4)	(4)
Net (loss) profit after income tax attributable to ordinary equity holders of the Company	(20)	400	120	500	(100)	400

1 Directors' Report

2 Half year In review

3 Financial Report

4 Other Information



Notes to the financial statements continued

FOR THE HALF YEAR ENDED 30 JUNE 2023

1. OVERVIEW

30 JUNE 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	3,208	3,292	2,448	8,948	7	8,955
Insurance revenue – internal	–	2	–	2	(2)	–
Insurance service expenses	(3,267)	(3,246)	(2,417)	(8,930)	(12)	(8,942)
Reinsurance expenses	(1,171)	(392)	(135)	(1,698)	7	(1,691)
Reinsurance income	1,314	517	341	2,172	13	2,185
Insurance service result	84	173	237	494	13	507
Other expenses	(22)	(31)	(105)	(158)	(21)	(179)
Other income	28	1	21	50	8	58
Insurance operating result	90	143	153	386	–	386
Insurance finance income	401	569	236	1,206	–	1,206
Reinsurance finance expenses	(240)	(155)	(98)	(493)	–	(493)
Investment (loss) income – policyholders' funds	(87)	(406)	(101)	(594)	13	(581)
Insurance profit	164	151	190	505	13	518
Investment loss – shareholders' funds	(73)	(155)	(41)	(269)	(24)	(293)
Financing and other costs	(1)	(1)	(17)	(19)	(116)	(135)
Gain on sale of entities and businesses	–	–	–	–	36	36
Share of net loss of associates	–	–	–	–	(3)	(3)
Restructuring and related expenses	(7)	(6)	(5)	(18)	(36)	(54)
Amortisation and impairment of intangibles	1	–	(1)	–	(8)	(8)
Profit (loss) before income tax	84	(11)	126	199	(138)	61
Income tax (expense) credit	(18)	8	(49)	(59)	49	(10)
Profit (loss) after income tax	66	(3)	77	140	(89)	51
Net profit attributable to non-controlling interests	–	–	–	–	(3)	(3)
Net profit (loss) after income tax attributable to ordinary equity holders of the Company	66	(3)	77	140	(92)	48

2. UNDERWRITING ACTIVITIES

2.1 Insurance revenue

	30 JUNE 2023 US\$M	RESTATED 30 JUNE 2022 US\$M
Insurance revenue from contracts measured under the premium allocation approach	9,828	8,842
Insurance revenue from contracts measured under the general model	93	113
Insurance revenue ¹	9,921	8,955

1 Includes \$171 million (2022 \$326 million) relating to contracts that applied the modified retrospective approach on transition (note 1.1).



How we account for the numbers

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. 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 CSM, 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 CSM during the period is disclosed in note 2.2.
- 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

	NOTE	30 JUNE 2023 US\$M	RESTATED 31 DECEMBER 2022 US\$M
Net insurance contract liabilities	2.2.1	26,731	26,130
Net reinsurance contract assets	2.2.2	(8,964)	(7,126)
		17,767	19,004

Notes to the financial statements continued

FOR THE HALF YEAR ENDED 30 JUNE 2023

2. UNDERWRITING ACTIVITIES

2.2.1 Movement in the net insurance contract liabilities

	30 JUNE 2023				31 DECEMBER 2022 (RESTATED)			
	LIABILITY (ASSET) FOR REMAINING COVERAGE		LIABILITY FOR INCURRED CLAIMS ¹	TOTAL ²	LIABILITY (ASSET) FOR REMAINING COVERAGE		LIABILITY FOR INCURRED CLAIMS ¹	TOTAL ²
	EXCLUDING LOSS COMPONENT	LOSS COMPONENT			EXCLUDING LOSS COMPONENT	LOSS COMPONENT		
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Insurance contract liabilities at 1 January	(1,280)	112	27,298	26,130	(74)	42	26,217	26,185
Insurance revenue (a)	(9,921)	–	–	(9,921)	(18,904)	–	–	(18,904)
Incurred claims and other attributable expenses	(32)	(83)	7,636	7,521	(92)	(42)	15,468	15,334
Amortisation of insurance acquisition cash flows	1,408	–	–	1,408	2,629	–	–	2,629
Changes that relate to past service – prior accident years	–	–	(88)	(88)	–	–	(787)	(787)
Losses on onerous contracts and reversals of those losses	–	84	–	84	–	115	–	115
Insurance service expenses ³ (b)	1,376	1	7,548	8,925	2,537	73	14,681	17,291
Insurance service result (a)+(b)	(8,545)	1	7,548	(996)	(16,367)	73	14,681	(1,613)
Insurance finance expenses (income)	11	–	192	203	(16)	–	(1,152)	(1,168)
Foreign exchange	(79)	(1)	141	61	(64)	(3)	(1,202)	(1,269)
Statement of comprehensive income	(8,613)	–	7,881	(732)	(16,447)	70	12,327	(4,050)
Investment components	(30)	–	30	–	(71)	–	71	–
Cash flows								
Premium received	8,644	–	–	8,644	18,021	–	–	18,021
Acquisition costs paid	(1,286)	–	–	(1,286)	(2,709)	–	–	(2,709)
Claims and expenses paid	–	–	(6,025)	(6,025)	–	–	(11,317)	(11,317)
Total cash flows	7,358	–	(6,025)	1,333	15,312	–	(11,317)	3,995
Insurance contract liabilities at balance date	(2,565)	112	29,184	26,731	(1,280)	112	27,298	26,130

1 Includes \$29,073 million (2022 \$27,152 million) relating to contracts measured under the premium allocation approach, comprising the present value of future cash flows of \$27,201 million (2022 \$25,376 million) and a risk adjustment of \$1,872 million (2022 \$1,776 million).

2 The carrying value of contracts measured under the general model of \$575 million (2022 \$645 million) comprises the present value of future cash flows of \$359 million (2022 \$340 million), a risk adjustment of \$68 million (2022 \$68 million) and a CSM of \$148 million (2022 \$237 million). The movement in the CSM reflects amounts earned to insurance revenue of \$27 million (2022 \$86 million) (note 2.1), \$62 million (2022 \$28 million increase) of changes that relate to future services and a foreign exchange decrease of \$3 million (2022 \$18 million), partly offset by insurance finance expense of \$3 million (2022 \$7 million). \$96 million (2022 \$190 million) of CSM relates to contracts that applied the modified retrospective approach on transition (note 1.1).

3 Excludes \$53 million (2022 \$116 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.

2.2.2 Movement in the net reinsurance contract assets

	30 JUNE 2023				31 DECEMBER 2022 (RESTATED)			
	ASSET FOR REMAINING COVERAGE		RECOVERIES OF INCURRED CLAIMS ¹	TOTAL ²	ASSET FOR REMAINING COVERAGE		RECOVERIES OF INCURRED CLAIMS ¹	TOTAL ²
	EXCLUDING LOSS-RECOVERY COMPONENT	LOSS-RECOVERY COMPONENT			EXCLUDING LOSS-RECOVERY COMPONENT	LOSS-RECOVERY COMPONENT		
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Reinsurance contract assets at 1 January	(1,619)	6	8,739	7,126	(1,144)	4	7,954	6,814
Reinsurance expenses (a)	(2,278)	–	–	(2,278)	(3,850)	–	–	(3,850)
Recovery of incurred claims and other expenses	(33)	(4)	1,610	1,573	(46)	(4)	3,735	3,685
Changes in credit risk	–	–	6	6	–	–	6	6
Changes that relate to past service – prior accident years	–	–	232	232	–	–	(373)	(373)
Recovery of onerous contract losses and reversals of those recoveries	–	3	–	3	–	6	–	6
Reinsurance income (b)	(33)	(1)	1,848	1,814	(46)	2	3,368	3,324
Insurance service result (a)+(b)	(2,311)	(1)	1,848	(464)	(3,896)	2	3,368	(526)
Reinsurance finance income (expenses)	1	–	69	70	(56)	–	(75)	(131)
Foreign exchange	(17)	–	54	37	163	–	(221)	(58)
Statement of comprehensive income	(2,327)	(1)	1,971	(357)	(3,789)	2	3,072	(715)
Investment components	(87)	–	87	–	(235)	–	235	–
Cash flows								
Premium paid net of ceding commissions received	3,339	–	–	3,339	3,549	–	–	3,549
Recoveries received	–	–	(1,144)	(1,144)	–	–	(2,522)	(2,522)
Total cash flows	3,339	–	(1,144)	2,195	3,549	–	(2,522)	1,027
Reinsurance contract assets at balance date	(694)	5	9,653	8,964	(1,619)	6	8,739	7,126

1 Includes \$9,349 million (2022 \$8,693 million) relating to contracts measured under the premium allocation approach, comprising the present value of future cash flows of \$8,866 million (2022 \$8,218 million) and a risk adjustment of \$483 million (2022 \$475 million).

2 The carrying value of contracts measured under the general model of \$2,594 million (2022 \$907 million) comprises the present value of future cash flows of \$2,440 million (2022 \$830 million), a risk adjustment of \$159 million (2022 \$62 million) and a CSM of \$(5) million (2022 \$15 million). The movement in the CSM reflects amounts earned to reinsurance expenses of \$1 million (2022 \$5 million) and \$19 million (2022 nil) of changes that relate to future services. \$(12) million (2022 \$9 million) of CSM relates to contracts that applied the modified retrospective approach on transition (note 1.1).

2.2.3 Reinsurance of prior accident year claims liabilities

During the current period, the Group entered into a 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 \$98 million within reinsurance expenses. Reinsurance expenses also include \$344 million (2022 \$58 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.

Notes to the financial statements continued

FOR THE HALF YEAR ENDED 30 JUNE 2023

2. UNDERWRITING ACTIVITIES



How we account for the numbers

The liability for remaining coverage under the premium allocation approach is measured as premiums received less amounts recognised as insurance revenue for coverage that has already been provided, and net of any unamortised acquisition cash flows. 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 liability for remaining coverage under the general 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 CSM, 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, more detail on which is provided in note 1.2.1. 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 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.

2.2.4 Risk adjustment

The risk adjustment included in the liability for incurred claims (net of reinsurance held) corresponds to a confidence level of 90.2%. 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 in relation to the net outstanding claims inclusive of these recoveries is 90.6%.



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 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 risk classes and geographical locations of the Group. The Group aims to maintain a risk adjustment for the net outstanding claims liability (being claims reserves within the liability for incurred claims net of recoveries from reinsurance loss portfolio transfers) in the range of 6% to 8% of the net present value of outstanding claims cash flows.

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

3. INVESTMENT ACTIVITIES

3.1 Investment income

	30 JUNE 2023 US\$M	RESTATED 30 JUNE 2022 US\$M
Income (loss) on fixed interest securities, short-term money and cash	422	(871)
Income on growth assets	47	14
Gross investment income (loss) ¹	469	(857)
Investment expenses	(17)	(12)
Net investment income (loss)	452	(869)
Foreign exchange	6	(6)
Other income	3	1
Total investment income (loss)	461	(874)
Investment income (loss) – policyholders' funds	312	(573)
Investment expenses – policyholders' funds	(11)	(8)
Investment income (loss) – shareholders' funds	166	(289)
Investment expenses – shareholders' funds	(6)	(4)
Total investment income (loss)	461	(874)

1 Includes net fair value gains of \$101 million (2022 losses of \$1,091 million), interest income of \$348 million (2022 \$198 million) and dividend and distribution income of \$20 million (2022 \$36 million).

3.2 Investment assets

	30 JUNE 2023 US\$M	31 DECEMBER 2022 US\$M
Fixed income assets		
Short-term money	5,187	5,396
Government bonds	5,016	5,094
Corporate bonds	12,757	13,649
Infrastructure debt	47	47
Emerging market debt	660	429
High yield debt	686	416
Private credit	173	113
	24,526	25,144
Growth assets		
Developed market equity	367	332
Emerging market equity	–	62
Unlisted property trusts	699	747
Infrastructure assets	866	834
Alternatives	166	180
	2,098	2,155
Total investments	26,624	27,299

Notes to the financial statements continued

FOR THE HALF YEAR ENDED 30 JUNE 2023

3. INVESTMENT ACTIVITIES

3.3 Fair value hierarchy

The Group's investment assets are disclosed in the table below using a fair value hierarchy which reflects the significance of inputs into the determination of their fair value.

	30 JUNE 2023				31 DECEMBER 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	252	4,935	–	5,187	326	5,070	–	5,396
Government bonds	3,619	1,397	–	5,016	3,547	1,547	–	5,094
Corporate bonds	–	12,757	–	12,757	–	13,649	–	13,649
Infrastructure debt	–	–	47	47	–	–	47	47
Emerging market debt	–	660	–	660	–	429	–	429
High yield debt	–	686	–	686	–	416	–	416
Private credit	–	–	173	173	–	–	113	113
	3,871	20,435	220	24,526	3,873	21,111	160	25,144
Growth assets								
Developed market equity	367	–	–	367	332	–	–	332
Emerging market equity	–	–	–	–	62	–	–	62
Unlisted property trusts	–	–	699	699	–	–	747	747
Infrastructure assets	–	–	866	866	–	–	834	834
Alternatives	100	–	66	166	112	–	68	180
	467	–	1,631	2,098	506	–	1,649	2,155
Total investments	4,338	20,435	1,851	26,624	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.

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	30 JUNE 2023 US\$M	31 DECEMBER 2022 US\$M
At 1 January	1,809	1,697
Purchases	192	200
Disposals/transfers to assets held for sale	(152)	(98)
Fair value movement recognised in profit or loss	–	70
Foreign exchange	2	(60)
At balance date	1,851	1,809

4. CAPITAL STRUCTURE**4.1 Borrowings**

The Group's borrowings are initially measured at fair value net of directly attributable transaction costs and are subsequently remeasured at amortised cost.

FINAL MATURITY DATE	ISSUE DATE	PRINCIPAL AMOUNT	30 JUNE 2023 US\$M	31 DECEMBER 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	332	338
13 September 2038	13 September 2021	£400 million	506	478
28 June 2039	21 June 2023	A\$300 million	199	–
24 November 2043	21 November 2016	\$400 million/A\$689 million ²	400	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
			2,959	2,738
Total borrowings			2,959	2,744

1 The senior notes were redeemed on 24 May 2023.

2 Details of related hedging activities are included in note 4.1.2.

Subordinated debt due 2039

On 21 June 2023, the Group issued A\$300 million of subordinated notes maturing on 28 June 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. 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 or regulatory events and on 28 June 2029 and each interest payment date thereafter up to but excluding the maturity date. The securities 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 volume-weighted average price of the shares in the five trading days before the date of issue of the securities.

4.1.1 Fair value of borrowings

	30 JUNE 2023 US\$M	31 DECEMBER 2022 US\$M
Senior debt	–	6
Subordinated debt	2,812	2,561
Total fair value of borrowings	2,812	2,567

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 resetable notes are priced at par plus accrued interest.

Notes to the financial statements continued

FOR THE HALF YEAR ENDED 30 JUNE 2023

4. CAPITAL STRUCTURE

4.1.2 Cash flow hedges of borrowings

The Group has hedged foreign currency risk associated with highly probable forecast transactions in relation to \$400 million of subordinated debt maturing in 2043 and \$700 million of subordinated debt maturing in 2044. Foreign currency risk on future coupons and principal amounts is hedged up to and including the first call dates of the subordinated debt, being 2023 and 2024 respectively. Similarly, an interest rate swaption was put in place to hedge interest rate risk in relation to coupons on A\$500 million of subordinated debt maturing in 2036. The swaption is exercisable in August 2023 and hedges coupon payments from that 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.

4.2 Derivatives

Forward foreign exchange contracts are used as a tool to manage the Group's foreign exchange exposures. Interest rate swaptions are used to hedge exposure to interest rate movements in relation to some of the Group's borrowings. Commodity options are used in managing the impact of movements in commodity prices on certain claims.

	30 JUNE 2023			31 DECEMBER 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	903	317	379	990	251	172
Forward foreign exchange contracts used in cash flow hedges	(1,335)	–	152	(1,404)	–	186
Forward foreign exchange contracts used in hedges of net investments in foreign operations	1,059	–	55	1,081	2	29
Interest rate swaptions	333	32	–	339	31	–
Commodity options	933	7	–	–	–	–
		356	586		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.

4.3 Contributed equity

	NOTE	30 JUNE 2023 US\$M	31 DECEMBER 2022 US\$M
Issued ordinary shares, fully paid	4.3.1	8,269	8,356
Capital notes		886	886
Contributed equity		9,155	9,242

4.3.1 Share capital

	30 JUNE 2023		30 JUNE 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	3	29
Shares issued under the Dividend Reinvestment Plan	3	32	3	25
Foreign exchange	–	(155)	–	(451)
Issued ordinary shares, fully paid at 30 June	1,492	8,269	1,483	8,494
Shares notified to the Australian Securities Exchange	1,492	8,271	1,483	8,497
Less: plan shares subject to non-recourse loans, de-recognised under accounting standards	–	(2)	–	(3)
Issued ordinary shares, fully paid at 30 June	1,492	8,269	1,483	8,494

4.4 Dividends

	2022		2021
	FINAL	INTERIM	FINAL
Dividend per share (Australian cents)	30	9	19
Franking percentage	10%	10%	10%
Franked amount per share (Australian cents)	3.0	0.9	1.9
Dividend payout (A\$M)	447	133	281
Payment date	14 April 2023	23 September 2022	12 April 2022

On 10 August 2023, the directors declared a 10% franked interim dividend of 14 Australian cents per share, payable on 22 September 2023. The interim dividend payout is A\$209 million. The record date is 18 August 2023.

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.

4.5 Earnings per share

	30 JUNE 2023	RESTATED 30 JUNE 2022
For profit after income tax		
Profit used in calculating basic and diluted earnings per share (US\$M)	375	23
Basic earnings per share (US cents)	25.2	1.6
Diluted earnings per share (US cents)	25.0	1.5

4.5.1 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:

	30 JUNE 2023 US\$M	RESTATED 30 JUNE 2022 US\$M
Profit after income tax attributable to ordinary equity holders of the Company	400	48
Less: distributions paid on capital notes classified as equity	(25)	(25)
Profit used in calculating basic and diluted earnings per share	375	23

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

	30 JUNE 2023 NUMBER OF SHARES MILLIONS	30 JUNE 2022 NUMBER OF SHARES MILLIONS
Weighted average number of ordinary shares on issue and used as the denominator in calculating basic earnings per share	1,488	1,480
Weighted average number of dilutive potential ordinary shares relating to shares issued under the Employee Share and Option Plan	10	9
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	1,498	1,489

Notes to the financial statements continued

FOR THE HALF YEAR ENDED 30 JUNE 2023

5. GROUP STRUCTURE

5.1 Disposals

During the prior period, the Group disposed of Westwood Insurance Agency in North America and recognised a gain of \$36 million.

6. OTHER

6.1 Contingent liabilities

The Group continues to be exposed to contingent liabilities in the ordinary course of business in relation to claims litigation and regulatory examinations arising out of its insurance and reinsurance activities, as well as in relation to the Group's support of the underwriting activities of controlled entities which are corporate members at Lloyd's of London, as described in note 8.2 to the consolidated financial statements for the year ended 31 December 2022. 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.

6.2 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 period.

6.3 Events after the balance date

Other than the declaration of the interim dividend, no matter or circumstance has arisen since 30 June 2023 that, in the opinion of the directors, has significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial periods.

Directors' declaration

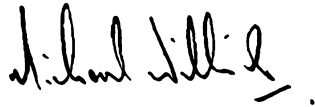
FOR THE HALF YEAR ENDED 30 JUNE 2023

In the directors' opinion:

- the financial statements and notes set out on pages 12 to 32 are in accordance with the *Corporations Act 2001*, including:
 - complying with accounting standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the half year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the Group Chief Executive Officer and Group Chief Financial Officer recommended under the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*.

Signed in SYDNEY on 10 August 2023 in accordance with a resolution of the directors.



Michael Wilkins AO
Director



Andrew Horton
Director

Independent auditor's review report

TO THE MEMBERS OF QBE INSURANCE GROUP LIMITED



Report on the Half Year Financial Report

Conclusion

We have reviewed the Half Year Financial Report of QBE Insurance Group Limited (the Company) and the entities it controlled during the half year (together the Group), which comprises the consolidated balance sheet as at 30 June 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, material accounting policy and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying Half Year Financial Report of QBE Insurance Group Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the half year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the Half Year Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the Half Year Financial Report

The directors of the Company are responsible for the preparation of the Half Year Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the Half Year Financial Report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibilities for the review of the Half Year Financial Report

Our responsibility is to express a conclusion on the Half Year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half Year Financial Report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Half Year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

PricewaterhouseCoopers

V. Papageorgiou

Voula Papageorgiou
Partner

Sydney
10 August 2023

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Glossary

SELECTED TERMS

AASB 1023	AASB 1023 <i>General Insurance Contracts</i> was the accounting standard that previously applied to accounting for insurance and reinsurance contracts. This standard was replaced by AASB 17 <i>Insurance Contracts</i> which became effective from 1 January 2023.
Acquisition costs	Commission and other costs incurred in selling, underwriting and starting insurance contracts.
Attributable expenses	Administrative, general and other expenses that directly relate to fulfilling insurance contracts.
Catastrophe claims	Total of all net claims resulting from catastrophe events. Referred to as catastrophe claims ratio when expressed as a percentage of net insurance revenue.
Combined operating ratio (COR)	The sum of the net claims ratio, commission ratio and expense ratio. A combined ratio below 100% indicates an underwriting profit. A combined operating ratio over 100% indicates an underwriting loss.
Confidence level	A statistical measure of the level of confidence that the insurance contract liabilities will be sufficient to pay claims as and when they fall due. This was previously referred to as probability of adequacy under AASB 1023.
Contractual service margin (CSM)	A component of the asset or liability for remaining coverage of contracts measured under the general model, which represents 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.
Ex-cat claims	Net claims excluding catastrophe claims and prior accident year claims development (including movements in risk adjustment related to prior accident years). Referred to as ex-cat claims ratio when expressed as a percentage of net insurance revenue.
Expenses and other income	The sum of attributable expenses (within insurance service expenses), other expenses and other income. Referred to as expense ratio when expressed as a percentage of net insurance revenue.
Gross written premium (GWP)	The total premium on insurance underwritten by an insurer or reinsurer during an accounting period, before deduction of reinsurance premium. This metric is used to derive insurance revenue under the premium allocation method, which is an allocation of total expected premium, derived based on gross written premium, to each period of coverage on the basis of the passage of time as described in note 2.1 of the Financial Report.
Insurance profit or loss	The sum of the insurance operating result, net insurance finance income or expenses and net investment income or loss on assets backing policyholders' funds. Referred to as insurance profit margin when expressed as a percentage of net insurance revenue.
Insurance revenue	The proportion of gross written premium recognised as revenue in the current accounting period, reflecting insurance coverage provided during the period. This is the equivalent of gross earned premium under AASB 1023.
Liability for incurred claims (LIC)	The liability established for claims and attributable expenses that have occurred but have not been paid. This replaces the outstanding claims liability under AASB 1023.
Liability for remaining coverage (LfRC)	The liability that represents insurance coverage to be provided by QBE after the balance date. This is the equivalent of unearned premium net of premium receivable, unclosed premium, deferred commission and deferred acquisition costs under AASB 1023.
Loss component	A component of the LfRC within the insurance contract liabilities that relates to losses recognised on onerous contracts.

Glossary continued

SELECTED TERMS

Loss-recovery component	A component of the asset for remaining coverage (AfRC) within the reinsurance contract assets that represents recoveries on reinsurance contracts held that correspond to losses recognised on onerous contracts.
Net claims expense	The portion of insurance service expenses related to gross claims expenses, net of reinsurance income associated with reinsurance recoveries on claims. Management analysis of net claims expense includes the impacts of unwind of discount on claims reserves.
Net claims ratio	Net claims expense as a percentage of net insurance revenue.
Net commission	The portion of insurance service expenses related to commission expenses, net of commission income from reinsurance contracts held that are recognised within reinsurance income.
Net commission ratio	Net commission as a percentage of net insurance revenue.
Net insurance revenue	Insurance revenue net of reinsurance expenses. This is the equivalent of net earned premium under AASB 1023.
Net outstanding claims	Claims reserves within the net LIC net of recoveries from reinsurance loss portfolio transfers.
Prior accident year claims development	The portion of net claims expense attributable to prior accident years. Referred to as prior accident year claims development ratio when expressed as a percentage of net insurance revenue.
Reinsurance	An agreement to indemnify an insurer by a reinsurer in consideration of a premium with respect to agreed risks insured by the insurer. The entity accepting the risk is the reinsurer and is said to accept inward reinsurance (or referred to as a reinsurance contract issued). The entity ceding the risks is the cedant or ceding company and is said to place outward reinsurance (or referred to as a reinsurance contract held).
Risk adjustment	A component of insurance and reinsurance contract asset and liabilities that reflects the compensation required for bearing uncertainty about the amount and timing of cash flows that arises from non-financial risk. This replaces the risk margin under AASB 1023.

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Enabling a more resilient future



2023 Half Year Investor Report

QBE INSURANCE GROUP LIMITED

Important information

Basis of presentation (unless otherwise stated)

This Investor Report should be read in conjunction with QBE's 2023 Half Year Report. Unless otherwise stated, discussion of financial performance is on a management basis. A detailed reconciliation between the statutory income statement and the management basis result is provided on [page 26](#).

Unless otherwise stated, references in this report to 'QBE', 'the Group', 'we', 'us' and 'our' refer to the QBE Insurance Group Limited. Any references in this report to a 'half', 'half year' or 'period' refer to the six months ended 30 June.

Management basis financial information in this report has not been audited or reviewed by QBE's external auditor.

QBE adopted AASB 17 *Insurance Contracts* from 1 January 2023 and has restated the comparative period (excluding premium growth rates and premium rate changes). The impacts of adoption are detailed in note 1.1 of the consolidated financial statements in the 2023 Half Year Report. Further information was also provided in the AASB 17 transition update released on 30 May 2023 with a subsequent update on 8 August 2023.

Definitions of key insurance terms and ratios are provided in the glossary on [page 32](#).

All figures are expressed in US dollars unless otherwise stated.

Premium growth rates are quoted on a constant currency basis.

Premium rate changes exclude North America Crop and/or Australian compulsory third party motor (CTP).

Funds under management (Total cash and investments) comprise cash and cash equivalents, investments and investment properties.

Core fixed income excludes enhanced fixed income risk assets which comprise emerging market debt, high yield debt and private credit.

Adjusted net cash profit after tax adjusts statutory net profit for Additional Tier 1 capital coupon accruals, as well as any gain on disposal, amortisation or restructuring costs.

APRA PCA calculations at 30 June 2023 are indicative. Prior period calculation has been updated to be consistent with APRA returns finalised subsequent to year end.

Analysis of the Group by division excludes Corporate & Other segment.

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SECTION 2

Half year performance review

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SECTION 3

Other information

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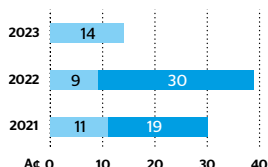
2023 half year highlights

Shareholder highlights

Dividend per share (A\$)

14

2022 **9**



● Dividend per share (A\$) final
● Dividend per share (A\$) interim

Return on average shareholders' equity - adjusted cash basis

10.1%

2022 **1.7%**

Basic earnings per share - adjusted cash basis (US\$)

27.2

2022 **4.5**

Financial and operational highlights

Gross written premium growth

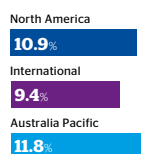
↑ 13%

2022 **18%**

Average renewal premium rate increase

10.2%

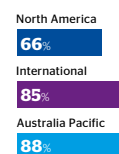
2022 **8.1%**



Premium retention

82%

2022 **85%**



Combined operating ratio

98.8%

2022 **94.9%**

Insurance operating result (US\$M)

95

2022 **375**

Insurance margin

6.0%

2022 **4.0%**

Sustainability highlights

Sustainable insurance



4x winner of the
Finder Green Insurer
of the Year

Inclusion of diversity



Continued recognition
of our focus on
Gender Equality

Financial snapshot

FOR THE HALF YEAR ENDED 30 JUNE	2023 US\$M	RESTATED ¹ 2022 US\$M
Insurance revenue	9,911	8,942
Insurance service expenses	(9,384)	(9,168)
Reinsurance expenses	(1,934)	(1,614)
Reinsurance income	1,604	2,276
Insurance service result	197	436
Other expenses	(126)	(119)
Other income	24	58
Insurance operating result	95	375
Analysed as		
Gross written premium	12,803	11,576
Insurance revenue	9,911	8,942
Reinsurance expenses	(1,934)	(1,614)
Net insurance revenue	7,977	7,328
Net claims expense	(5,505)	(4,799)
Net commission	(1,442)	(1,296)
Expenses and other income	(935)	(858)
Insurance operating result	95	375
Net insurance finance income	149	784
Fixed income losses from changes in risk-free rates	(201)	(854)
Net investment income (loss) on policyholders' funds	432	(13)
Insurance profit	475	292
Net investment income (loss) on shareholders' funds	230	(7)
Financing and other costs	(112)	(120)
Gain on sale of entities and businesses	–	36
Share of net loss of associates	(1)	(3)
Restructuring and related expenses	–	(54)
Amortisation and impairment of intangibles	(8)	(8)
Remediation	–	(75)
Profit before income tax	584	61
Income tax expense	(180)	(10)
Profit after income tax	404	51
Non-controlling interests	(4)	(3)
Net profit after income tax	400	48

Management result

Combined operating ratio

98.8%

2022 94.9%

Net profit after income tax (US\$M)

400

2022 48

Statutory result

Insurance operating result (US\$M)

377

2022 386

Net profit after income tax (US\$M)

400

2022 48

Unless otherwise stated, the Group and business commentary following are based on the management result.

¹ 2022 has been restated to reflect the application of AASB 17 *Insurance Contracts*.
Detailed statutory to management result reconciliation is included on [page 26](#) of this report.

Underwriting metrics

FOR THE HALF YEAR ENDED 30 JUNE	2023 %	RESTATED 2022 %
Gross written premium growth	13	18
– North America	6	24
– International	18	19
– Australia Pacific	18	6
Ex-rate growth	7	13
Average renewal premium rate increases	10.2	8.1
– North America	10.9	10.4
– International	9.4	7.0
– Australia Pacific	11.8	9.1
Retention	82	85
Net insurance revenue growth	12	–
Net claims ratio	69.0	65.5
– Ex-cat claims ratio	60.6	61.6
– Catastrophe claims ratio	8.7	6.2
– Prior accident year claims development	(0.3)	(2.3)
Net commission ratio	18.1	17.7
Expense ratio	11.7	11.7
Combined operating ratio	98.8	94.9
– North America	106.9	95.9
– International	93.2	95.4
– Australia Pacific	98.9	92.9
Insurance profit margin	6.0	4.0

Investment metrics

FOR THE HALF YEAR ENDED 30 JUNE	2023 %	RESTATED 2022 %
Net investment return	2.4	(0.1)
– Core fixed income return	2.3	0.0
– Risk asset return	2.7	(0.4)
AS AT	30 JUNE 2023	31 DECEMBER 2022
Closing – Funds under management	US\$M 27,426	28,167
Average – Funds under management	US\$M 27,797	28,567
Risk asset allocation	% 13	11
Core fixed income allocation	% 87	89
Core fixed income exit running yield	% 4.9	4.1
Core fixed income investment duration	Years 1.8	1.6

Profitability and balance sheet metrics

FOR THE HALF YEAR ENDED 30 JUNE	2023	RESTATED 2022
Basic earnings per share – Adjusted cash basis	US¢ 27.2	4.5
Dividend per share	A¢ 14	9
Dividend payout ratio (percentage of adjusted cash profit)	% 35	NA
Dividend franking	% 10	10
Tax rate	% 30.8	16.4
Adjusted cash return on equity	% 10.1	1.7
AS AT	30 JUNE 2023	RESTATED 31 DECEMBER 2022
Average shareholders' equity – Adjusted for AT1	US\$M 8,047	8,007
Prescribed capital amount (PCA) multiple	1.80x	1.79x
Debt to total capital	% 24.7	23.7
Risk adjustment % of central estimate	% 8	8



Group Chief Executive Officer's report

Building resilience striving for consistency

Challenges from catastrophe events over the period serve to reinforce our focus and aspiration to build a more resilient and consistent business. We remain confident in the outlook, and while I'm pleased with the progress we've made across our strategic priorities, our performance this half highlights there is more work to be done.

Embedding our strategic priorities

Our vision is to be the most consistent and innovative risk partner

Foundational work across our strategic priorities is now driving improved outcomes and culture

Our sustainability focus will help us to deliver on our purpose of enabling a more resilient future

Across our key regions, economic conditions have remained relatively supportive. Economies have proven more resilient to higher interest rates than expected, and the outlook is generally favourable.

Inflation has remained elevated into 2023, although it does appear to be easing in some regions. Managing through a higher inflation environment has been a primary focus for QBE over the past two years, and I'm pleased with our preparedness and response.

Premium rate increases remain supportive, this was particularly evident in property and reinsurance classes where capacity has been more restrained, and inflation most pronounced.

The ongoing impact of natural catastrophe activity in the first half should serve to maintain discipline in the industry, and we expect premium rates to remain supportive.

I'm pleased with the progress we've made across our strategic priorities, though our financial performance this period highlights that there is more work to be done.

Our efforts over the near term will continue to concentrate around resilience and reducing volatility, which should drive more consistent outcomes for our people, customers and stakeholders.

We are acutely focused on delivering better performance in North America. Following an unsatisfactory result this period, we will learn from and respond, to improve performance going forward.

Business performance

QBE continues to deliver strong growth. Over the year we have made progress on a number of our multi-year growth strategies, which are underpinned by opportunities to grow in our core businesses.

Underwriting performance was impacted by catastrophe costs, which resulted in a 3.9% increase in the first half combined operating ratio to 98.8%, from 94.9% in the prior period.

Catastrophe costs included both Cyclone Gabrielle and the North Island flooding events in New Zealand, alongside a series of convective storms in North America. The result was also impacted by deterioration in a number of 2022 catastrophe events, such as winter storm Elliott and Australian floods.

North America's combined operating ratio of 106.9% was disappointing and unsatisfactory. Initiatives to reduce catastrophe exposure and improve balance will continue.

While there are some encouraging signals, the outlook for inflation is uncertain; and we remain attuned to the risks of a more persistent inflationary backdrop.

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

For detailed discussion of Group and divisional performance, please refer to [pages 8 to 25](#) of this report.

Strategy in action

We've continued to make pleasing progress on each of our six strategic priorities, which are the key foundations to support our vision of being the most consistent and innovative risk partner.

Pages 6 and 7 of this report detail progress and achievements against these priorities, along with future focus areas.

Our strategy to improve balance and returns in North America remains the primary focus for the Board and management. The North America result highlights the need to maintain discipline and drive improvement.

We have established a number of underwriting actions to carefully manage the remaining run-off of non-core lines. These lines drove much of the underwriting loss for North America this period.

While our core business in North America is now in better balance, we remain focussed on portfolio quality, further reducing catastrophe exposure and better managing volatility in Crop.

I'm encouraged by the degree to which the enterprise is becoming more collaborative, aligned and engaged. This half we were delighted to launch QShare, QBE's new employee share purchase plan, which gives employees the opportunity to invest and participate more broadly in QBE's future.

We have continued to invest in our people, with a focus on career and development opportunities, plus building deeper succession pathways. As they continue to deepen and mature, these initiatives are having a positive impact on our culture.

Focus on sustainability

We believe integrating sustainability into our business and culture better helps us to deliver on our purpose of enabling a more resilient future.

We have been named Green Insurer of the Year by Finder, for the fourth year in a row. The award recognises our focus on reducing our environmental footprint, including our commitments to sourcing electricity from 100% renewable sources for our global operations and our emissions reduction targets.

We have also been recognised by Equileap as one of the top 100 companies globally for Gender Equality, and by Bloomberg's Gender Equality Index for the sixth year, reflecting our focus on Inclusion of Diversity.

In April we launched QGiving, an employee fundraising and volunteering platform that brings our people together with our community partners. QGiving empowers our employees to give back in their own way and supports our ambition to be an employer of choice.

In May, QBE made the decision to withdraw our membership of the UN-convened Net Zero Insurance Alliance (NZIA). The NZIA helped set a consistent industry-wide accounting approach to measure insured emissions across our commercial and private motor portfolios.

Our departure from the NZIA does not diminish our focus on sustainability and we remain driven by our desire to positively contribute to the economies and communities in which we operate, the customers we support and our people.

Our customer engagement target focuses on material commercial relationships operating in higher-emitting sectors across our Asia Pacific and European businesses. We will continue to review and update our focus on a regular basis taking into account regulations and improvements in data quality.

Outlook

Following a challenging first half, we are all highly motivated to deliver against our full year outlook.

Our focus will continue to centre around initiatives to build resilience, with emphasis on achieving an appropriate risk-adjusted return on capital in North America.

We have strong enterprise-wide alignment around sound plans and strategies. It's pleasing to see foundational work on our strategic priorities driving business improvement, and greater engagement across our people.

The operating backdrop is expected to remain favourable, where premium rates should remain supportive. 2023 catastrophe experience is indeed another reminder of the need for discipline across the industry to be sustained.

Our outlook for the remainder of the year remains positive and we expect better underwriting performance in the second half. We forecast constant currency gross written premium growth of around 10% for FY2023, consistent with our previous expectation. Our combined operating ratio outlook remains unchanged, at around 94.5%. Elevated interest rates should continue to support strong investment returns.

Andrew Horton
Group Chief Executive Officer

Our strategic priorities

building momentum

Our purpose is to enable a more resilient future. As an organisation, we have been helping our customers grow, innovate, explore, prepare and recover from setbacks since 1886. Our strategy should ensure we build on this legacy.



Portfolio optimisation

Strive for both improved and more consistent risk-adjusted returns by actively managing portfolio mix and volatility



Sustainable growth

Achieve consistent growth through innovative risk solutions, leveraging improved digital capability and existing skill set across the enterprise



Bring the enterprise together

Simplify what we do and achieve greater consistency across the enterprise. Explore new ways to better leverage our global footprint and scale



Modernise our business

Strategically innovate and invest in differentiating capabilities that make things easier for our customers, partners and people



Our people

Empower a sustainable and diverse pipeline of leaders, while becoming an employer of choice in our markets



Our culture

Be a purpose-led organisation, and ensure our purpose is visible every day, in all our interactions. Strengthen the alignment and collaboration across the enterprise

What we have achieved so far in 2023

- Continued recalibration of property catastrophe exposure, with focus on building greater resilience for the changing nature of risk
- Greater oversight and resourcing for North American non-core lines to ensure remaining run-off is successfully managed

- Progressed a number of growth opportunities, including Cyber
- Continue to drive greater cohesion between multi-year growth focus areas and enterprise modernisation efforts

- Embedding of QBE operating principles to align workflow and decision making around QBE's purpose
- Greater cohesion and collaboration through recent business planning, which incorporates medium-term growth and mix targets

- Mapping of market specific needs versus capabilities, to prosecute potential for standardisation, sharing or common sourcing
- Ongoing exploration of use cases, and deeper application of AI across underwriting and operations

- Launch of QShare, QBE's new employee share purchase plan
- Launch of Employee Promise via "Why QBE" campaign, to focus on performance, career development, mobility and broader equity ownership

- Launch of QGiving, QBE's employee fundraising and volunteering platform that brings our people together with our community partners
- Recognised as one of the top companies globally for gender equality, reflecting our focus on inclusion of diversity

Future focus

- Continue to deepen volatility framework, with more recent focus on the evolving risk profile of catastrophe events
- Incorporate evolving view of insured emissions and commitments into medium-term portfolio mix targets

- Enhance enterprise distribution strategy, with near term focus on growth opportunities
- Market conditions expected to remain supportive, with further opportunity for selective growth across our focus areas

- Continue to identify and define enterprise opportunities, unlocked through better sharing of knowledge and relationships
- Build out underwriting capabilities to create a globally consistent approach that leverages market opportunities and supports the resilience of our clients in an increasingly complex risk environment

- Build and improve operational capability, effectiveness and resilience in a sustainable way as we grow
- Emphasis on supporting sustainable growth agenda through improving process, underwriting tools and data capabilities

- Drive accelerated preparedness of key successor pools for executive and senior leader roles
- Increase the diversity of our workforce in line with targets including increasing representation of women in all leadership roles

- Develop internal and external campaigns to help further embed, and bring our new purpose to life
- Continue to build innovation capability, and further embed QBE's operating principles to drive purpose-aligned decisions

Group Chief Financial Officer's **report**

Catastrophe costs resulted in a disappointing underwriting result in the period, and serve to reinforce our focus on reducing volatility, and building greater resilience. Our confidence in the outlook is underpinned by momentum across growth, efficiency and portfolio optimisation initiatives, alongside market conditions which should remain supportive.

Embedding our strategic priorities

Building a more resilient QBE

Embedding better metrics around volatility across the business

Medium-term planning and targets supported by modernisation initiatives

Financial performance

QBE reported net profit after tax of \$400 million compared with \$48 million in the prior period.

Adjusted cash profit after tax increased to \$405 million from \$66 million in the prior period, and equates to an annualised return on equity of 10.1%.

Unless otherwise stated, all discussion of performance within this Investor Report is on a management basis, and should be read in conjunction with the statutory income statement and management reconciliation on page 26 of this report. 2022 figures within this report are on an adjusted basis, restated for AASB 17.

Gross written premium increased 13% as a result of strong premium rate increases and targeted new business growth, partially offset by terminated programs in North America alongside reduced exposure in other property lines.

Underwriting profitability was challenged by both current and prior year catastrophe costs. The combined operating ratio deteriorated to 98.8% from 94.9% in the prior period, which includes a 1.2% impact from the upfront cost of the \$1.9 billion reserve transaction announced in February 2023.

This transaction has been meaningful in the Group's efforts to reduce reserve volatility, where around \$1.9 billion, or roughly 15% of Group long tail reserves have been successfully reinsured. The transaction has reduced both the net outstanding claims liability, and investment funds under management by around \$1.9 billion in the period.

While the impact from catastrophe costs was disappointing, encouraging core business momentum alongside considered expense management should

serve to mitigate pressure on the full year combined operating ratio.

Interest rates continued to increase over the period, as central banks have struggled to contain core inflation. Total investment income for the half was \$662 million or a return of 2.4%, compared with a loss of \$20 million or (0.1)% in the prior period.

Higher interest rates supported core fixed income returns where the exit running yield for the period increased to 4.9% from 4.1% at 31 December 2022. Risk asset returns were also sound, despite lower valuations in the unlisted property portfolio. Risk assets now account for 13% of total investments.

During the period there was an adverse impact from asset liability management activities of around \$30 million, which represents the net impact from changes in risk-free rates on the balance sheet.

The effective tax rate in the period increased to 30.8%, from 16.4% in the prior period. This was due to the statutory loss in North America, offset by a small recognition of deferred tax assets.

QBE's balance sheet remains soundly positioned. The indicative APRA PCA multiple increased to 1.80x from 1.79x at 31 December 2022, and remains at the upper end of our 1.6–1.8x target range. Capital released from the \$1.9 billion reserve transaction added around 6 basis points to the PCA multiple.

Debt to total capital was 24.7% at 30 June 2023, a minor increase from 23.7% at 31 December 2022, reflecting the recent issuance of Tier 2 capital notes; though remains comfortably within the Group's 15–30% target range.

Summary income statement and underwriting performance

FOR THE HALF YEAR ENDED 30 JUNE	2023 US\$M	RESTATED 2022 US\$M
Insurance revenue	9,911	8,942
Insurance service expenses	(9,384)	(9,168)
Reinsurance expenses	(1,934)	(1,614)
Reinsurance income	1,604	2,276
Insurance service result	197	436
Other expenses	(126)	(119)
Other income	24	58
Insurance operating result	95	375
Analysed as		
Gross written premium	12,803	11,576
Insurance revenue	9,911	8,942
Reinsurance expenses	(1,934)	(1,614)
Net insurance revenue	7,977	7,328
Net claims expense	(5,505)	(4,799)
Net commission	(1,442)	(1,296)
Expenses and other income	(935)	(858)
Insurance operating result	95	375
Net insurance finance income	149	784
Fixed income losses from changes in risk-free rates	(201)	(854)
Net investment income (loss) on policyholders' funds	432	(13)
Insurance profit	475	292
Net investment income (loss) on shareholders' funds	230	(7)
Financing and other costs	(112)	(120)
Gain on sale of entities and businesses	–	36
Share of net loss of associates	(1)	(3)
Restructuring and related expenses	–	(54)
Amortisation and impairment of intangibles	(8)	(8)
Remediation	–	(75)
Profit before income tax	584	61
Income tax expense	(180)	(10)
Profit after income tax	404	51
Non-controlling interests	(4)	(3)
Net profit after income tax	400	48
	%	%
Ex-cat claims ratio	60.6	61.6
Catastrophe claims ratio	8.7	6.2
Prior accident year claims development	(0.3)	(2.3)
Net claims ratio	69.0	65.5
Net commission ratio	18.1	17.7
Expense ratio	11.7	11.7
Combined operating ratio	98.8	94.9
Insurance profit margin	6.0	4.0

Premium income and pricing

Gross written premium (US\$M)

12,803

⬆️ 13% from 2022

Net insurance revenue (US\$M)

7,977

⬆️ 12% from 2022

Gross written premium increased 11% on a headline basis to \$12,803 million from \$11,576 million in the prior period.

On a constant currency basis, gross written premium increased 13% reflecting continued rate increases and organic growth. Excluding Crop, gross written premium growth was 14% on the same basis.

The Group achieved an average renewal premium rate increase of 10.2% compared with 8.1% in the prior period, driven by a re-acceleration in property classes.

Growth excluding premium rate increases was 7% for the first half of 2023, or 6% excluding Crop, which was consistent with the prior period.

Retention reduced to 82% from 85% in the prior period, reflecting the termination of a number of North America programs alongside broader measures to reduce standalone property exposure.

Reinsurance expense

Reinsurance expense increased 20% to \$1,934 million from \$1,614 million in the prior period.

Much of the increase relates to Crop, where the majority of growth in this portfolio was ceded to the Federal

reinsurance scheme, in an effort to manage Crop net retention and earnings volatility.

The expense associated with the Group catastrophe and risk reinsurance was broadly consistent with the prior period, given significantly reduced spend on catastrophe aggregate and drop down programs.

Income associated with quota share reinsurance increased slightly over the prior period, largely due to an increased use of quota share arrangements to assist with volatility management within International.

Reinsurance expense also included a charge of \$98 million, representing the upfront cost of the \$1.9 billion reserve transaction announced in February.

Net insurance revenue

Group net insurance revenue increased 12% on a constant currency basis, broadly in line with growth in gross written premium on the same basis.

The upfront cost associated with the aforementioned reserve transaction was incurred in our North America and International business segments.

Gross written premium mix by product

	GROUP	NORTH AMERICA	INTERNATIONAL	AUSTRALIA PACIFIC
Commercial & domestic property	29.4	16.8	31.1	43.6
Agriculture	25.1	59.4	–	8.6
Public/product liability	11.9	2.7	25.3	7.7
Motor & motor casualty	10.4	0.5	14.7	22.0
Professional indemnity	4.0	5.5	3.7	1.7
Marine energy & aviation	7.4	0.9	15.9	3.0
Workers' compensation	5.2	4.6	3.7	8.8
Accident & health	5.2	9.5	3.5	1.5
Financial & credit	1.3	0.1	1.6	3.1
Other	0.1	–	0.5	–

Key premium metrics

		GROUP		NORTH AMERICA		INTERNATIONAL		AUSTRALIA PACIFIC	
FOR THE HALF YEAR ENDED 30 JUNE		2023	RESTATED 2022	2023	RESTATED 2022	2023	RESTATED 2022	2023	RESTATED 2022
Gross written premium	US\$M	12,803	11,576	4,967	4,708	5,072	4,367	2,771	2,503
Gross written premium – Crop and LMI	US\$M	3,008	2,786	2,959	2,679	–	–	49	107
Gross written premium growth	%	13	18	6	24	18	19	18	6
Ex-rate growth	%	7	13	3	22	10	12	9	–
Average renewal premium rate increases	%	10.2	8.1	10.9	10.4	9.4	7.0	11.8	9.1
Retention	%	82	85	66	73	85	88	88	86
Net insurance revenue	US\$M	7,977	7,328	2,285	2,170	3,278	2,890	2,393	2,255
Net insurance revenue – Crop and LMI	US\$M	766	783	686	683	–	–	80	100
Net insurance revenue growth	%	12	–	5	–	16	–	13	–

North America

Gross written premium (US\$M)

4,967

↑ 6% from 2022

Gross written premium increased by 6% to \$4,967 million, reflecting strong premium rate increases and targeted growth, partially offset by the impact of terminated programs and other non-core lines. Excluding Crop, gross written premium declined by 1%.

Net insurance revenue increased by 5% to \$2,285 million.

Average premium rate increases of 10.9% increased from 10.4% in the prior period, and were driven by a re-acceleration in property lines. This helped to offset lower rate increases across financial lines, where competition has increased, most notably in management liability classes.

Growth excluding premium rate increases of 3% was driven by further momentum across focus areas including Accident and Health, Middle Market and Crop. Excluding premium rate increases and Crop, premium declined by 7%, reflecting the run-off of non-core lines, which resulted in a reduction in North America's retention ratio to 66%.

Crop gross written premium growth of 10% was primarily driven by organic growth, with key corn and soybean commodity prices broadly stable compared to the prior year. Crop net insurance revenue growth is expected to be below gross written premium growth in 2023.

International

5,072

↑ 18% from 2022

Gross written premium increased by 18% in constant currency to \$5,072 million, reflecting an acceleration in rate increases for property and reinsurance lines, and organic growth across a number of multi-year opportunities.

On a constant currency basis, net insurance revenue increased by 16% to \$3,278 million.

Average premium rate increases of 9.4% improved notably from 7.0% in the prior period. This reflected particularly attractive markets for QBE Re and property lines, alongside broadly stable trends in other segments.

Growth excluding premium rate increases was 10%, marginally less than the prior period. New business increased across each segment.

Dislocation within segments of the reinsurance marketplace provided a compelling opportunity for QBE Re to improve the rating, quality and balance of its property footprint.

Further progress was also achieved to deepen QBE's core UK regional franchise, supported by efforts to broaden distribution and partner relationships.

Growth in the International Markets segment was supported by growth in QPS following the inception of a new portfolio services facility.

Australia Pacific

2,771

↑ 18% from 2022

Gross written premium increased 18% on a constant currency basis to \$2,771 million, reflecting supportive premium rate increases and selective growth.

On a constant currency basis, net insurance revenue increased by 13% to \$2,393 million.

Premium rate increases averaged 11.8%, a significant improvement from 9.1% in the prior period, and have steadily increased over the past year. Rate increases were broad based, though most pronounced in short-tail lines where the impacts of inflation and natural peril activity have been most acute.

Growth excluding premium rate increases was 9%, reflecting further growth across a number of focus commercial lines segments including commercial packages, engineering and farm.

Whilst there was a meaningful reacceleration of premium rate increases across most property segments, Australia Pacific exited a key householders portfolio as part of a broader re-positioning to reduce exposure to convective storms.

LMI gross written premium declined 51% to \$49 million, driven by reduced housing market activity and new government initiatives for first home buyers.

Net insurance revenue by business segment

	2023 %
● Crop	33.4
● Commercial	31.1
● Specialty	35.5

	2023 %
● International markets	30.3
● QBE Re	27.1
● UK	22.9
● Continental Europe	13.4
● Asia	6.3

	2023 %
● Commercial	66.7
● Consumer	25.5
● NZ and Pacific	7.8

Claims

Net claims ratio

69.0%



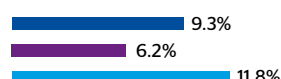
Ex-cat claims ratio

60.6%



Catastrophe claims ratio

8.7%



- North America
- International
- Australia Pacific

The net claims ratio increased to 69.0% from 65.5% in the prior period. Elevated catastrophe costs had a material impact on both the current and prior year, where a higher frequency and severity of secondary perils was observed in a number of regions.

While premium rate increases have remained supportive, elevated short-tail inflation and the changing nature of property catastrophe risk continue to result in a challenging operating backdrop.

Ex-cat claims

The ex-cat claims ratio decreased to 60.6% from 61.6% in the prior period.

The result included strain from current year risk adjustment of \$316 million, which reduced from \$348 million in the prior period. Excluding risk adjustment, the ex-cat claims ratio reduced to 56.6% from 56.9% in the prior period.

This reflected inflation challenges in Australia Pacific, alongside better results in North America and International.

Inflation preparedness and management remained a primary focus over the period. Across most lines, rate increases remained at or above observed inflation. The industry continues to exhibit good discipline in response to inflationary challenges, alongside other economic, geopolitical and climate-related sources of uncertainty.

Inflation observations continue to be most clear and acute across short-tail property and motor classes. While evidence of higher claims inflation across many longer tail classes is limited, QBE remains attuned to the potential for lags and persistency of inflation in these lines, alongside the risks posed by social inflation.

Catastrophe claims

The net cost of catastrophe claims increased to \$699 million or 8.7% of net insurance revenue, which compares to the first half allowance of \$535 million, and catastrophe costs of 6.2% in the prior period.

Natural catastrophe costs in the period were underscored by Cyclone Gabrielle and the North Island flooding events in New Zealand, a particularly large number of North American convective storm events, a series of storm and flood events in Australia and reinsurance claims associated with the Turkey earthquake.

Prior accident year claims development

QBE strengthened the central estimate by \$177 million due to adverse development on a number of 2022 catastrophe events, principally reflecting winter storm Elliott in North America and flood events in Australia.

Further, the North America result was impacted by adverse development of \$40 million in Crop.

International reserves were strengthened in a marine class which is now in run-off, which was broadly offset by LMI and CTP releases in Australia Pacific.

Aforementioned reserve strengthening was more than offset by favourable development of \$207 million related to the unwind of risk adjustment from prior accident years, a decrease from \$221 million in the prior period.

This resulted in favourable prior accident year claims development of \$30 million or 0.3% of net insurance revenue, decreasing from \$169 million or 2.3% in the prior period.

Key claims metrics

		GROUP		NORTH AMERICA		INTERNATIONAL		AUSTRALIA PACIFIC	
		2023	RESTATED 2022	2023	RESTATED 2022	2023	RESTATED 2022	2023	RESTATED 2022
FOR THE HALF YEAR ENDED 30 JUNE									
Ex-cat claims ratio	%	60.6	61.6	64.0	66.2	57.9	59.5	61.8	60.0
Catastrophe claims ratio	%	8.7	6.2	9.3	2.8	6.2	6.0	11.8	9.6
Prior accident year claims development	%	(0.3)	(2.3)	3.9	(3.6)	(0.9)	0.8	(3.8)	(5.2)
Net claims ratio	%	69.0	65.5	77.2	65.4	63.2	66.3	69.8	64.4
Net insurance revenue	US\$M	7,977	7,328	2,285	2,170	3,278	2,890	2,393	2,255

North America

International

Australia Pacific

Net claims ratio

77.2%

2022 65.4%

The net claims ratio increased to 77.2% from 65.4% in the prior period, as both current and prior year catastrophe events had a significant impact.

Catastrophe claims increased to \$213 million or 9.3% of net insurance revenue compared to 2.8% in the prior period, due to a high frequency and severity of convective storm and flood events. North American industry insured losses for the first half of 2023 are expected to materially exceed long term averages.

The result included adverse prior year development of 3.9%, which compares with 3.6% favourable in the prior period, and included central estimate strengthening for winter storm Elliott and Crop, alongside non-core lines.

The ex-cat claims ratio decreased by 2.2% to 64.0%, and decreased by 2.0% when excluding the strain from current year risk adjustment. This reflected improvement in Crop, premium rate increases which have on aggregate remained ahead of inflation and a reduction in large property claims, partially offset by higher loss picks for non-core lines.

The current accident year Crop combined operating ratio was 94%, slightly higher than expectations primarily to reflect some risk posed by dryer conditions in certain states.

63.2%

2022 66.3%

The improvement in the net claims ratio to 63.2% from 66.3% was underscored by a reduction in the ex-cat claims ratio, and favourable prior year development.

International recorded net catastrophe claims of \$204 million or 6.2%, broadly in line with allowance, and a minor increase on 6.0% in the prior period. Catastrophe costs in the period were underscored by QBE Re exposure to the Turkey earthquake, alongside impacts from Cyclone Gabriel and storm events in North America.

The ex-cat claims ratio improved by 1.6% to 57.9%, or 0.2% excluding the strain from current year risk adjustment. This reflects the benefit from compound rate increases relative to inflation over the period, alongside adverse portfolio mix impacts.

International strengthened the central estimate by \$33 million or 1.0% of net insurance revenue, reducing from 2.6% adverse in the prior period. This reflected adverse development for a marine class now in run-off. Inclusive of favourable development of \$62 million related to the unwind of risk adjustment from prior accident years, International recorded favourable prior year development of 0.9%, compared with adverse prior year development of 0.8% in the prior period.

69.8%

2022 64.4%

The impact from higher catastrophe costs, reinsurance and inflation resulted in an increase in the net claims ratio to 69.8% from 64.4% in the prior period.

Catastrophe claims increased to 11.8% of net insurance revenue, from 9.6% in the prior period, and were driven by Cyclone Gabrielle and the North Island flooding events in New Zealand. Beyond, the result included a high frequency of smaller events in Australia including Tropical Cyclone Ilsa in Western Australia and multiple storm and hail events on the east coast.

The ex-cat claims ratio increased by 1.8% to 61.8%, or 2.2% excluding the strain from current year risk adjustment.

Through the period earned premium rate increases did not keep pace with claims inflation across a number of short tail lines. The recent improvement in short tail premium rate increases should support a more favourable outlook for margins.

Australia Pacific reported positive prior accident year central estimate development of \$19 million or 0.8%, compared with \$52 million favourable in the prior period. Favourable experience in LMI and CTP more than offset catastrophe related prior accident year strengthening, and higher wage growth assumptions in liability lines.

Comparison of ex-cat claims ratio by division

2023 64.0%
2022 66.2%

2023 57.9%
2022 59.5%

2023 61.8%
2022 60.0%

Commission, expenses and other income

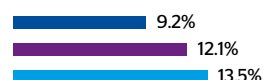
Net commission ratio

18.1%



Expense ratio

11.7%



- North America
- International
- Australia Pacific

Net commission

The net commission ratio increased to 18.1% from 17.7% in the prior period, primarily due to business mix changes, where the impact from quota share reinsurance ceding commissions is now recorded within reinsurance income under AASB 17.

North America's net commission ratio improved to 20.5% from 20.7% in the prior period. The improvement was supported by favourable mix associated with further growth in Crop, which has a commission ratio below the divisional average, alongside the benefit of recent non-core run off, where certain lines carried an elevated commission ratio.

The net commission ratio in International increased to 17.9% from 16.8% in the prior period, largely reflecting portfolio mix impacts. Growth in QBE Re over the period attracted a higher commission ratio than the divisional average, while more generally, commission ratios were broadly stable across most segments.

Australia Pacific's net commission ratio also improved to 15.6% from 15.7% in the prior period. This primarily reflected business mix changes, given growth in certain commercial lines segments, combined with ongoing reduction in LMI gross written premium and negative ex-rate growth across the broader consumer segment.

Expenses and other income

The Group's expense ratio was unchanged at 11.7%. This reflected constant currency expense growth of 13%, alongside the continued benefit from positive operating leverage.

Expense growth included the impact of two Group salary increases, where an out of cycle increase was provided in July 2022 to reflect rising cost of living pressure, in addition to a 2023 increase as part of QBE's usual annual cycle.

Through our modernisation agenda, QBE is focused on innovation, and developing differentiating capabilities that make things easier for our customers, partners and people.

During the period investment was concentrated around initiatives to support simplified organisational structures, QBE's sustainable growth agenda and ongoing simplification of our IT estate and processes.

Modernisation investment was partially offset by disciplined core expense management, and ongoing operating leverage as a result of strong premium growth.

North America and International reported an improvement in expense ratio, largely reflecting the benefit of positive operating leverage, plus recent revisions to organisational structure.

In Australia Pacific the expense ratio increased to 13.5% from 12.8% in the prior period, reflecting increased investment to support a number of modernisation projects along with an increase in the transitional excess profits and excess losses (TEPL) charge in CTP.

Key expense metrics

		GROUP		NORTH AMERICA		INTERNATIONAL		AUSTRALIA PACIFIC	
		2023	RESTATED 2022	2023	RESTATED 2022	2023	RESTATED 2022	2023	RESTATED 2022
FOR THE HALF YEAR ENDED 30 JUNE									
Net commission	US\$M	1,442	1,296	469	450	588	487	374	355
Net commission ratio	%	18.1	17.7	20.5	20.7	17.9	16.8	15.6	15.7
Expenses and other income	US\$M	935	858	211	212	395	355	322	288
Expense ratio	%	11.7	11.7	9.2	9.8	12.1	12.3	13.5	12.8
Net insurance revenue	US\$M	7,977	7,328	2,285	2,170	3,278	2,890	2,393	2,255

Underwriting performance

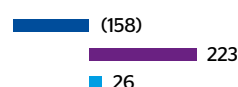
Combined operating ratio

98.8%



Insurance operating result (US\$M)

95



- North America
- International
- Australia Pacific

The Group reported a combined operating ratio of 98.8%, which deteriorated from 94.9% in the prior period, largely due to the significant impact of catastrophes on both the current and prior year.

The combined operating ratio also includes a 1.2% impact from the upfront cost of the \$1.9 billion reserve transaction announced in February 2023.

North America

North America reported a combined operating ratio of 106.9%, which compares to 95.9% in the prior period.

Catastrophe costs were 9.3% of net insurance revenue, up from 2.8% in the prior period due to a high frequency and severity of convective storm and flood events over the half.

The result also included prior year reserve strengthening of 3.9% which reflected adverse development for winter storm Elliott and Crop.

The combined commission and expense ratio improved to 29.7% from 30.5% in the prior period where favourable business mix and operating leverage more than offset investment initiatives.

Continued premium growth in Crop reflected organic growth across target states. Crop recorded a combined operating ratio of 99.4%, an increase from 93.7% in the prior period, which primarily reflects aforementioned prior year development.

International

International reported a combined operating ratio of 93.2%, which compares with 95.4% in the prior period.

Higher total acquisition costs were more than offset by improved ex-cat claims and favourable prior year development.

The ex-cat claims ratio improved by 1.6% to 57.9%, though was broadly stable excluding the strain from current year risk adjustment.

Favourable prior year development of 0.9% was meaningfully improved compared to adverse of 0.8% in the prior period, which included an unfavourable COVID-19 business interruption court ruling.

The combined commission and expense ratio increased to 30.0% from 29.1% in the prior period. While operating leverage supported further improvement in the expense ratio, the commission expense ratio increased due to mix.

Australia Pacific

Australia Pacific reported a combined operating ratio of 98.9%, deteriorating from 92.9% in the prior period.

Catastrophe costs were 11.8% of net insurance revenue, up from 9.6% in the prior period due to Cyclone Gabrielle and the North Island flooding events in New Zealand, and a series of storm and flood events in Australia.

The ex-cat claims ratio increased by 1.8% to 61.8% reflecting earned rate increases which lagged the impact of heightened inflation across short tail lines. The improvement in short tail premium rate increases should support a more favourable outlook for margins.

The combined commission and expense ratio increased by 0.6% to 29.1% largely due to an increase in the expense ratio, reflecting investment to support a number of modernisation projects.

The LMI result was characterised by further reduction in gross written premium, albeit a strong underwriting result, which was supported by favourable prior year development.

FOR THE HALF YEAR ENDED 30 JUNE	GROSS WRITTEN PREMIUM		NET INSURANCE REVENUE		COMBINED OPERATING RATIO		INSURANCE OPERATING RESULT	
	2023	RESTATED 2022	2023	RESTATED 2022	2023	RESTATED 2022	2023	RESTATED 2022
	US\$M	US\$M	US\$M	US\$M	%	%	US\$M	US\$M
North America	4,967	4,708	2,285	2,170	106.9	95.9	(158)	88
International	5,072	4,367	3,278	2,890	93.2	95.4	223	132
Australia Pacific	2,771	2,503	2,393	2,255	98.9	92.9	26	159
Corporate & Other	(7)	(2)	21	13	—	—	4	(4)
Group	12,803	11,576	7,977	7,328	98.8	94.9	95	375

Investment performance and strategy

Total investment income
(US\$M)

662

682 from 2022

Total investment return

2.4%

2022 (0.1)%

Fixed income Vs Risk assets

2.3%

2022 0.0%

2.7%

2022 (0.4)%

Total investment income was \$662 million for the period, which equated to a return of 2.4%. The result improved substantially from a loss of \$20 million or (0.1)% in the prior period due to higher risk free rates since the beginning of 2023, and the mark to market benefit from slightly tighter credit spreads in the half.

As core inflation has proved more persistent than expected, aggressive action from global central banks has resulted in further improvement in fixed income returns, while risk asset returns were broadly in line with our long term target return.

During the period we continued to reposition towards our target strategic asset allocation. Risk assets now account for 13% of total investments, from 11% at 31 December 2022. High quality fixed income securities account for the remaining 87% of the portfolio.

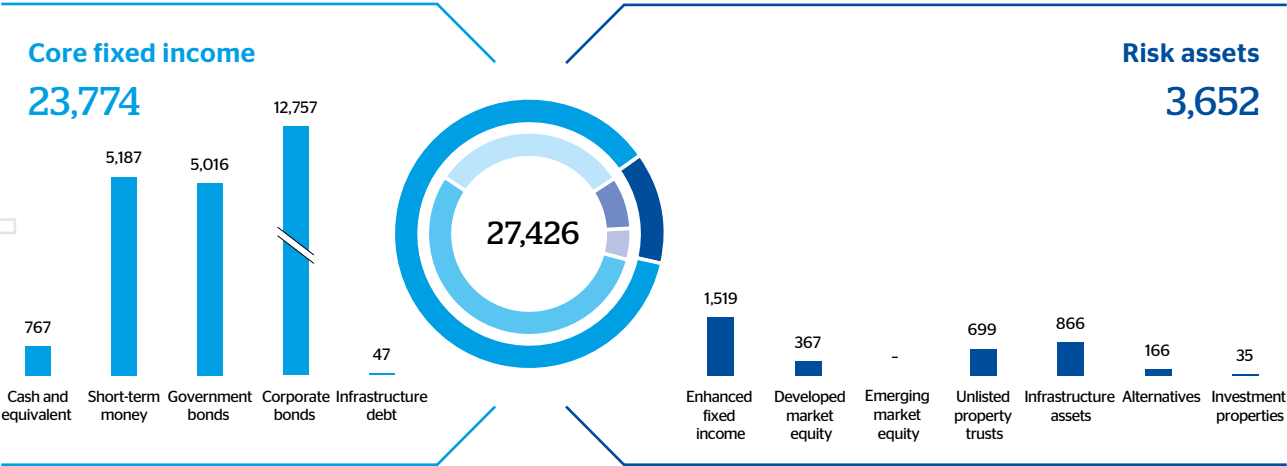
Core fixed income

The core fixed income portfolio delivered a return of 2.3% or \$583 million, a significant increase on \$6 million in the prior period. The result included a modest benefit from tighter credit spreads of \$52 million, compared to an adverse impact of \$208 million in the prior period.

The running yield for the core fixed income portfolio continued to trend higher through the period, with the 30 June 2023 exit running yield of 4.9% around 80 basis points higher than at 31 December 2022.

Credit quality remains sound, where the corporate credit portfolio performed consistently with broad market indices during the half. The portfolio remains conservatively positioned, and consists predominantly of high quality investment grade credit; with 89% rated A or higher, and an average AA rating.

Total cash and investments (US\$M)



	POLICY-HOLDERS' FUNDS	SHARE-HOLDERS' FUNDS		POLICY-HOLDERS' FUNDS	SHARE-HOLDERS' FUNDS
Cash and cash equivalents	490	277	Fixed income		
Short-term money	3,311	1,876	Policyholders' funds		
Government bonds	3,202	1,814	Shareholders' funds		
Corporate bonds	8,144	4,613	Risk assets		
Infrastructure debt	30	17	Policyholders' funds		
			Shareholders' funds		
			Enhanced fixed income	969	550
			Developed market equity	234	133
			Emerging market equity	-	-
			Unlisted property trusts	446	253
			Infrastructure assets	553	313
			Alternatives	106	60
			Investment properties	22	13

Risk assets

Risk asset performance improved meaningfully compared to the prior period. The portfolio delivered a return of 2.7% or \$87 million compared to a loss of (0.4)% in the prior period, and was broadly in line with our long term target return for the portfolio.

During the period equities, enhanced fixed income and infrastructure assets delivered strong returns which helped to offset negative performance in the unlisted property portfolio due to lower property valuations.

QBE's unlisted property portfolio benefits from being globally diversified across regions, sectors and external managers. While this diversification has helped to mitigate pressure in the office and retail sectors, the trend of lower property valuations is expected to persist into the second half of 2023.

Funds under management

Funds under management of \$27.4 billion declined by 3% compared to \$28.2 billion at 31 December 2022, or 1% on a constant currency basis.

Strong investment returns, further premium growth and the issuance of additional Tier 2 notes in June were offset by the material reduction in investment assets associated with the \$1.9 billion reserve transaction announced in February 2023.

Portfolio mix continued to evolve over the half. The allocation to risk assets increased during the period to 13%, from 11%, with the core fixed income portfolio now representing 87% of total investments. QBE expects risk asset allocation will continue to trend higher in the near term, in line with the target strategic asset allocation of 15%.

Asset allocation

Core fixed income

87%

Target 85%

Risk assets

13%

Target 15%

Exit running yield

4.9%

Investment result

	POLICYHOLDERS' FUNDS		SHAREHOLDERS' FUNDS		TOTAL	
	2023 US\$M	RESTATED 2022 US\$M	2023 US\$M	RESTATED 2022 US\$M	2023 US\$M	RESTATED 2022 US\$M
FOR THE HALF YEAR ENDED 30 JUNE						
Core fixed income yield (ex risk-free rate)	345	141	186	73	531	214
Credit spreads – Mark to market	34	(137)	18	(71)	52	(208)
Risk assets	57	(6)	30	(3)	87	(9)
Expenses and other	(4)	(15)	(4)	(2)	(8)	(17)
Net return	432	(17)	230	(3)	662	(20)

Total cash and investments

	POLICYHOLDERS' FUNDS		SHAREHOLDERS' FUNDS		TOTAL FUNDS UNDER MANAGEMENT	
	30 JUNE 2023 US\$M	31 DECEMBER 2022 US\$M	30 JUNE 2023 US\$M	31 DECEMBER 2022 US\$M	30 JUNE 2023 US\$M	31 DECEMBER 2022 US\$M
AS AT						
Core fixed income	15,177	16,514	8,597	8,505	23,774	25,019
Risk assets	2,330	2,078	1,322	1,070	3,652	3,148
Total cash and investments – closing	17,507	18,592	9,919	9,575	27,426	28,167
Average – Core fixed income	15,846	17,334	8,551	8,768	24,397	26,102
Average – Risk assets	2,204	1,634	1,196	831	3,400	2,465
Total cash and investments – average	18,050	18,968	9,747	9,599	27,797	28,567



Balance sheet and capital management

Summary balance sheet

AS AT	30 JUNE 2023	RESTATED 31 DECEMBER 2022
	US\$M	US\$M
Assets		
Cash, investments and investment properties	27,426	28,167
Reinsurance contract assets	8,964	7,126
Intangible assets	2,019	2,018
Other receivables	599	423
Deferred tax assets	614	613
Current tax assets	65	45
Other assets	859	791
Total assets	40,546	39,183
Liabilities		
Insurance contract liabilities	26,731	26,130
Borrowings	2,959	2,744
Other payables	459	347
Deferred tax liabilities	220	149
Current tax liabilities	58	39
Other liabilities	1,111	917
Total liabilities	31,538	30,326
Net assets	9,008	8,857
Equity		
Shareholders' funds	8,120	7,969
Capital notes	886	886
Non-controlling interests	2	2
Total equity	9,008	8,857
Closing shareholders' equity	9,008	8,857
Average shareholders' equity	8,933	8,893
Average shareholders' equity – Adjusted for AT1	8,047	8,007

Key balance sheet and capitalisation metrics

AS AT		BENCHMARK	30 JUNE 2023	RESTATED 31 DECEMBER 2022
Net discounted central estimate	US\$M		15,885	16,141
Risk adjustment	US\$M		1,271	1,289
Net outstanding claims	US\$M		17,156	17,430
Net assets	US\$M		9,008	8,857
Less: intangible assets	US\$M		2,019	2,018
Net tangible assets	US\$M		6,989	6,839
Add: borrowings	US\$M		2,959	2,744
Total tangible capitalisation	US\$M		9,948	9,583
Risk adjustment to central estimate	%	6–8	8.0	8.0
Debt to total capital	%	15–30	24.7	23.7
Debt to equity	%		32.8	31.0
QBE's regulatory capital base	US\$M		10,945	10,373
APRA's Prescribed Capital Amount (PCA)	US\$M		6,064	5,797
PCA multiple		1.6–1.8x	1.80x	1.79x
Ordinary shares			1,492	1,485
Weighted average shares			1,488	1,480
Weighted average shares – diluted			1,498	1,489

1 2022 has been restated to reflect the application of AASB 17 *Insurance Contracts*.

Net outstanding claims

At 30 June 2023, the net discounted central estimate was \$15.9 billion, which decreased from \$16.1 billion at 31 December 2022 due to the impact of the undiscounted \$1.9 billion reserve transaction and higher interest rates, partially offset by further organic growth, catastrophe reserve strengthening and Crop seasonality.

Excluding foreign exchange and the reserve transaction, the net discounted central estimate increased by \$1.3 billion. This underlying growth primarily reflected further new business growth, crop seasonality, where reserves are established in the first half and catastrophe reserve strengthening.

At 30 June 2023, the risk adjustment was \$1.3 billion or 8.0% of the net discounted central estimate, remaining consistent with the 31 December 2022 risk adjustment, and at the top end of our 6–8% target range.

Borrowings

At 30 June 2023, total borrowings were \$3.0 billion, an increase of \$0.3 billion from \$2.7 billion at 31 December 2022.

The increase primarily reflects the issuance of A\$300 million of subordinated floating Tier 2 notes in June 2023. The notes are capital qualifying under APRA's capital adequacy framework.

Debt to total capital was 24.7% at 30 June 2023, slightly higher than 23.7% at 31 December 2022 reflecting the Tier 2 issuance.

Gross interest expense on borrowings for the half year was \$83 million, a decrease from \$87 million in the prior period.

The average annualised cash cost of borrowings at 30 June 2023 was 6.0%, an increase from 5.8% at 31 December 2022.

At 30 June 2023, all the Group's borrowings continue to count towards regulatory capital.

Tax

QBE's effective statutory tax rate was 30.8% compared with 16.4% in the prior period.

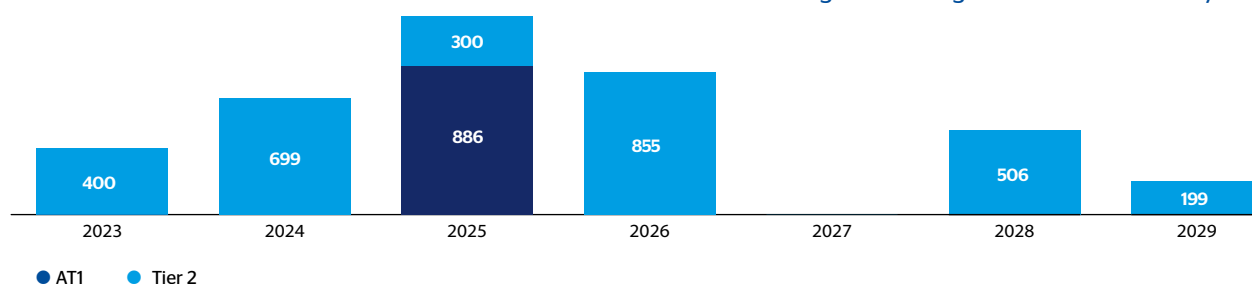
The effective tax rate reflects the mix of corporate tax rates across QBE's key regions, including the statutory loss in North America, alongside a small recognition of deferred tax assets.

During the period, QBE paid \$74 million in corporate income tax globally, with no payments in the Australian tax group due to tax loss utilisation from prior periods.

The balance of the franking account stood at A\$46 million as at 30 June 2023. Having regard to QBE's franked AT1 distribution commitments and carry over tax losses, the dividend franking percentage is expected to remain around 10%.

Capital markets issuance profile

Date to first call (\$M)
Weighted average time to first call 2.5 years



		ISSUED INSTRUMENTS	ISSUE DATE	CURRENCY	NOMINAL VALUE LOCAL CURRENCY	FIRST CALL DATE	COUPON	MATURITY DATE	BALANCE SHEET VALUE US\$M
Accounted for as equity	Additional Tier 1 (AT1)	Capital Notes	Nov-17	US\$M	400	May-25	5.25%	Perp	393
		Capital Notes	May-20	US\$M	500	May-25	5.88%	Perp	493
	AT1 subtotal								886
Accounted for as debt	Tier 2	16NC6	Aug-20	A\$M	500	Aug-26	3M BBSW + 2.75%	Aug-36	332
		17NC7	Sep-21	£M	400	Mar–Sept-28	2.50%	Sep-38	506
		16NC6	Jun-23	A\$M	300	Jun-29	3M BBSW + 3.10%	Jun-39	199
		27NC7	Nov-16	US\$M	400	Nov-23	7.50%	Nov-43	400
		30NC10	Dec-14	US\$M	700	Dec-24	6.75%	Dec-44	699
		30NC10	Nov-15	US\$M	300	Nov-25	6.10%	Nov-45	300
		30NC10	Jun-16	US\$M	524	Jun-26	5.88%	Jun-46	523
		Tier 2 subtotal							
Total instruments									3,845

Capital and dividends

Dividend per share (A¢)

14



Dividend payout (A\$M)

209

PCA multiple (US\$M)

1.80x

Capital

QBE's indicative PCA multiple improved to 1.80x at 30 June 2023 from 1.79x at 31 December 2022.

Allowing for the payment of the 2023 interim dividend of 14 Australian cents, the pro-forma PCA multiple would decline to 1.78x at 30 June 2023.

The result was driven by a 6 basis point reduction in the insurance risk charge associated with the \$1.9 billion reserve transaction, in addition to the generation of new qualifying capital following the issuance of capital qualifying Tier 2 subordinated notes in June 2023.

These items more than offset the capital absorbed through ongoing premium growth, further deployment toward our long term investment portfolio strategic asset allocation, and the payment of the 2022 final dividend.

QBE has \$900 million of perpetual fixed rate resetting capital notes that are AT1 qualifying under APRA's capital adequacy framework. The notes are classified as equity, pay franked after-tax distributions and do not impact the weighted average number of shares for earnings per share calculations (since the notes are written off in whole or in part if APRA determines QBE is, or would become, non-viable).

The after-tax distribution on QBE's AT1 capital was \$25 million, consistent with the prior period.

Dividends

The interim dividend for 2023 is 14 Australian cents per share or 35% of current period adjusted cash profit, an increase from 9 Australian cents per share for the 2022 interim dividend.

The interim dividend payout is A\$209 million compared with A\$133 million in the prior period.

The interim dividend will be 10% franked and is payable on 22 September 2023. The Dividend Reinvestment Plan and Bonus Share Plan will be satisfied by the issue of shares at a nil discount.

The payout for the current period reflects the Board's confidence around the strength of the balance sheet and positive business momentum, while retaining flexibility to manage earnings volatility in the second half of the year, where catastrophe incidence and Crop variability can be impactful.

QBE's dividend policy is calibrated to a 40–60% payout of annual adjusted cash profit, which has been set at a level which can support the Group's growth ambitions and provide flexibility to manage the dynamics associated with the global insurance cycle.

Prescribed Capital Amount

AS AT	30 JUNE 2023 US\$M	31 DECEMBER 2022 US\$M
Ordinary share capital and reserves	8,122	8,105
Net surplus relating to insurance liabilities	1,619	1,287
Regulatory adj to Common Equity Tier 1 Capital	(2,642)	(2,643)
Common Equity Tier 1 Capital	7,099	6,749
Additional Tier 1 Capital – Capital securities	886	886
Total Tier 1 Capital	7,985	7,635
Tier 2 Capital – Subordinated debt and hybrid securities	2,959	2,738
Total capital base	10,944	10,373
Insurance risk charge	3,475	3,465
Insurance concentration risk charge	788	788
Asset risk charge	2,606	2,243
Operational risk charge	636	602
Less: Aggregation benefit	(1,441)	(1,301)
APRA Prescribed Capital Amount (PCA)	6,064	5,797
PCA multiple	1.80x	1.79x
CET1 ratio (APRA requirement >60%)	117%	116%

Reconciliation of cash profit

FOR THE HALF YEAR ENDED 30 JUNE

	2023 US\$M	RESTATED 2022 US\$M
Net profit after income tax	400	48
Amortisation and impairment of intangibles after tax ¹	30	30
Write-off deferred tax assets	–	–
Write-off capitalised tax assets	–	–
Net cash profit after income tax	430	78
Restructuring and related expenses	–	49
Net gain on disposals after tax	–	(36)
Additional Tier 1 capital coupon	(25)	(25)
Adjusted net cash profit after income tax	405	66
Basic earnings per share – statutory (US cents)	25.2	1.6
Diluted earnings per share – statutory (US cents)	25.0	1.5
Basic earnings per share – adjusted cash basis (US cents)	27.2	4.5
Diluted earnings per share – adjusted cash basis (US cents)	27.0	4.4
Return on average shareholders' equity – adjusted cash basis (%)	10.1	1.7
Dividend payout ratio (percentage of adjusted cash profit) ²	35	NA

1 \$31 million of pre-tax amortisation expense is included in expenses and other income (2022 \$29 million).

2 Dividend payout ratio is calculated as the total A\$ dividend divided by adjusted cash profit converted to A\$ at the period average rate of exchange.

Divisional review

North America

Gross written premium (US\$M)

4,967

⬆ 6% from 2022

Combined operating ratio

106.9%

2022 95.9%

While meaningful catastrophe activity challenged profitability, North America made progress to rebalance and simplify its portfolio. Growth was achieved in Crop, Accident and Health and Middle Market, while we remain disciplined in financial lines as competition has increased. Recently terminated and legacy non-core lines weighed heavily on underwriting performance, which also accounted for a significant level of catastrophe costs. We remain focused on managing a considered run-off of non-core lines, which will improve profitability over the near term.

International

Gross written premium (US\$M)

5,072

⬆ 18% from 2022

Combined operating ratio

93.2%

2022 95.4%

International continued to execute against a growth agenda which spans multiple opportunities, whilst delivering ongoing resilience and improvement in returns. Gross written premium growth was a function of further progress to deepen International's franchise and capability in core markets, alongside particularly favourable markets for QBE Re, which allowed the business to meaningfully reposition and expand its footprint. Inflation preparedness and management remain a primary focus, with impacts over the period broadly in line with expectations.

Australia Pacific

Gross written premium (US\$M)

2,771

⬆ 18% from 2022

Combined operating ratio

98.9%

2022 92.9%

Above allowance catastrophe claims, rising reinsurance costs and persistent inflation contributed to a challenging underwriting result. Market conditions however remain supportive, where rating has responded to building cost pressures, which we expect will support a more favourable outlook for margins. Strong levels of new business growth continue to be achieved across a number of core franchises, including Australian commercial lines and farm, while a material improvement in rate and terms is underway in New Zealand following recent events.

Underwriting result

FOR THE HALF YEAR ENDED 30 JUNE		2023	RESTATED 2022
Gross written premium	US\$M	4,967	4,708
Insurance revenue	US\$M	3,508	3,208
Net insurance revenue	US\$M	2,285	2,170
Net claims expense	US\$M	(1,763)	(1,420)
Net commission	US\$M	(469)	(450)
Expenses and other income	US\$M	(211)	(212)
Insurance operating result	US\$M	(158)	88
Net claims ratio	%	77.2	65.4
Net commission ratio	%	20.5	20.7
Expense ratio	%	9.2	9.8
Combined operating ratio	%	106.9	95.9
Insurance loss margin	%	(4.1)	0.3

Underwriting result

FOR THE HALF YEAR ENDED 30 JUNE		2023	RESTATED 2022
Gross written premium	US\$M	5,072	4,367
Insurance revenue	US\$M	3,793	3,281
Net insurance revenue	US\$M	3,278	2,890
Net claims expense	US\$M	(2,072)	(1,916)
Net commission	US\$M	(588)	(487)
Expenses and other income	US\$M	(395)	(355)
Insurance operating result	US\$M	223	132
Net claims ratio	%	63.2	66.3
Net commission ratio	%	17.9	16.8
Expense ratio	%	12.1	12.3
Combined operating ratio	%	93.2	95.4
Insurance profit margin	%	13.5	4.3

Underwriting result

FOR THE HALF YEAR ENDED 30 JUNE		2023	RESTATED 2022
Gross written premium	US\$M	2,771	2,503
Insurance revenue	US\$M	2,600	2,448
Net insurance revenue	US\$M	2,393	2,255
Net claims expense	US\$M	(1,671)	(1,453)
Net commission	US\$M	(374)	(355)
Expenses and other income	US\$M	(322)	(288)
Insurance operating result	US\$M	26	159
Net claims ratio	%	69.8	64.4
Net commission ratio	%	15.6	15.7
Expense ratio	%	13.5	12.8
Combined operating ratio	%	98.9	92.9
Insurance profit margin	%	6.0	8.3



Divisional review continued

North America

Operational review

North America reported a combined operating ratio of 106.9%, which was meaningfully impacted by catastrophe costs. Challenges associated with higher inflation and catastrophe activity have resulted in the need for further discipline, as reflected by the re-acceleration in rate increases led by property classes, resulting in an average 1H23 rate increase of 10.9%.

The net cost of catastrophe claims increased to 9.3%, compared with 2.8% in the prior period, reflecting a series of convective storm events which are expected to generate first half industry losses well above historic experience. Catastrophe costs also drove the majority of 1H23 adverse prior year development (3.9%), which largely related to the elevated severity and complexity associated with the breadth of winter storm Elliott in late 2022.

Crop organic growth continued with gross written premium up 10%. Net insurance revenue was more stable, as initiatives to manage net retention and portfolio mix continue. The combined operating ratio of 99.4% reflected the impact of adverse prior year development.

International

Operational review

Strong financial performance for the period was underscored by a combined operating ratio of 93.2% compared with 95.4% in the prior period. Growth in gross written premium of 18% was driven by ex-rate growth of 10% across targeted areas of expansion, alongside premium rate increases of 9.4% which continue to compound and reflect discipline across key markets.

The result included strong underwriting profitability across each of the core segments in International. The ex-cat claims ratio improved by 1.6%, where aggregate rate increases continue to be at or above inflation, while there is some early moderation in inflationary pressures across select lines and geographies. Further, adverse prior year development reduced materially relative to the prior period, following efforts to build resilience for the persistency of inflation in 2022, alongside some reduction in reserve risk following the reserve transaction announced in February 2023.

Premium growth remains a highlight, where first half gross written premium exceeded \$5 billion for the first time on record. Despite recent investment to support growth strategies, meaningful premium growth continues to drive favourable operating leverage where International achieved further improvement in the underwriting expense ratio to 12.1%.

Australia Pacific

Operational review

Against an operating backdrop characterised by persistently elevated inflation and heightened natural catastrophe activity, Australia Pacific reported a combined operating ratio of 98.9% compared with 92.9% in the prior period. Recent revenue momentum was maintained, where gross written premium growth of 18% reflected a further rise in premium rate increases to 11.8%, as markets continue to respond to inflation, catastrophe and reinsurance cost pressures.

Whilst premium rate increases remain above inflation, earned rate increases in the period lagged elevated inflation across short tail property and motor lines. Higher raw material and labour costs, compounded by recent natural catastrophe activity across the region, have resulted in heightened severity being more persistent than expected. The recent improvement in short tail premium rate increases should support a more favourable outlook for margins.

Catastrophe costs were meaningfully above allowance following two of New Zealand's largest natural catastrophe events on record, alongside a series of Australian flood and storm events. The New Zealand franchise is now focused on driving tighter terms for storm and flood events, alongside higher rate increases.

Our strategic priorities



Portfolio optimisation

Active management of portfolio mix and volatility



Bring the enterprise together

Achieve consistent growth through leveraging diverse enterprise skill set and digital



Sustainable growth

Simplify what we do to achieve greater consistency across the enterprise



Modernise our business

Make things easier for our customers, partners and people



Our people

Become an employer of choice in our key markets



Our culture

Be a purpose-led organisation. Strengthen alignment, trust and collaboration

Strategy in action

North America's strategy remains anchored around reducing volatility, whilst improving portfolio balance and returns. Dedicated resourcing and infrastructure have been established to effectively manage the run-off of remaining non-core lines. These non-core lines collectively contributed an underwriting loss of ~\$150 million in 1H23, which should reduce over the near term.

Portfolio balance will also continue to improve with the run-off of non-core lines, which are materially skewed to property catastrophe exposed classes, and accounted for a material amount of North America's total catastrophe costs in the first half of 2023.

Specialty lines continue to deliver strong results, with a 1H23 combined operating ratio of 94% for the segment. Accident and health continues to achieve consistent organic growth, with recent success in select product adjacencies. Growth plans in financial lines have been tempered given recent competition, though profitability remains strong across a well diversified portfolio.

Strategy in action

Dislocation within segments of the reinsurance market provided a compelling opportunity for QBE Re to execute on a strategy framed around complementary growth, deepening customer relationships, and improving the rating, quality and balance of its property footprint.

Further progress was achieved to deepen QBE's core UK regional franchise. The strategy is focused on expanding capability and presence beyond the primary commercial motor and financial lines focus for the franchise, supported by efforts to broaden distribution and partner relationships.

International's renewable energies business continues to build profile, positioning to be a key partner in insuring the transition, both for existing customers in our natural resources segment, and in supporting new and emerging technologies and solutions.

Strategy in action

Portfolio optimisation initiatives remain focused on volatility, with particular consideration of the changing nature of property catastrophe risk. Whilst there was a meaningful re-acceleration of premium rate increases across most property segments, Australia Pacific exited a key householders portfolio, and ex-rate growth declined across most standalone property segments given the ongoing focus on portfolio quality.

Targeted growth was achieved across core Australian commercial lines and farm, where strong levels of new business were achieved in key commercial packs and engineering franchises.

Modernisation efforts were recently recalibrated, and anchored around supporting further growth across core franchises. These projects are targeting an uplift in underwriting and claims management capability and process, which should improve customer and partner experience, ultimately making QBE an easier partner with which to trade.

Statutory to management result reconciliation

	STATUTORY		ADJUSTMENTS				MANAGEMENT
		DISCOUNT UNWIND	UNDERLYING PYD	LPT	INVESTMENT RFR	APPR	
FOR THE HALF YEAR ENDED 30 JUNE 2023	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Insurance revenue	9,921	–	(10)	–	–	–	9,911
Insurance service expenses ¹	(8,978)	(416)	10	–	–	–	(9,384)
Reinsurance expenses	(2,278)	–	–	344	–	–	(1,934)
Reinsurance income ¹	1,814	134	–	(344)	–	–	1,604
Insurance service result	479	(282)	–	–	–	–	197
Other expenses ¹	(126)	–	–	–	–	–	(126)
Other income ¹	24	–	–	–	–	–	24
Insurance operating result	377	(282)	–	–	–	–	95
Net insurance finance (expense) income	(133)	282	–	–	–	–	149
Fixed income losses from changes in risk-free rates	–	–	–	–	(201)	–	(201)
Net investment income on policyholders' funds	301	–	–	–	131	–	432
Insurance profit	545	–	–	–	(70)	–	475
Net investment income on shareholders' funds	160	–	–	–	70	–	230
Financing and other costs	(112)	–	–	–	–	–	(112)
Share of net loss of associates	(1)	–	–	–	–	–	(1)
Restructuring and related expenses	–	–	–	–	–	–	–
Amortisation and impairment of intangibles	(8)	–	–	–	–	–	(8)
Profit before income tax	584	–	–	–	–	–	584
Income tax expense	(180)	–	–	–	–	–	(180)
Profit after income tax	404	–	–	–	–	–	404
Non-controlling interests	(4)	–	–	–	–	–	(4)
Net profit after income tax	400	–	–	–	–	–	400

	STATUTORY		ADJUSTMENTS				MANAGEMENT
		DISCOUNT UNWIND	UNDERLYING PYD	LPT	INVESTMENT RFR	APPR	
FOR THE HALF YEAR ENDED 30 JUNE 2022 (RESTATED) ²	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Insurance revenue	8,955	–	(13)	–	–	–	8,942
Insurance service expenses ¹	(8,942)	(220)	(6)	–	–	–	(9,168)
Reinsurance expenses	(1,691)	–	19	58	–	–	(1,614)
Reinsurance income ¹	2,185	149	–	(58)	–	–	2,276
Insurance service result	507	(71)	–	–	–	–	436
Other expenses ¹	(179)	–	–	–	–	60	(119)
Other income ¹	58	–	–	–	–	–	58
Insurance operating result	386	(71)	–	–	–	60	375
Net insurance finance income	713	71	–	–	–	–	784
Fixed income losses from changes in risk-free rates	–	–	–	–	(854)	–	(854)
Net investment loss on policyholders' funds	(581)	–	–	–	568	–	(13)
Insurance profit	518	–	–	–	(286)	60	292
Net investment loss on shareholders' funds	(293)	–	–	–	286	–	(7)
Financing and other costs	(135)	–	–	–	–	15	(120)
Gain on sale of entities and businesses	36	–	–	–	–	–	36
Share of net loss of associates	(3)	–	–	–	–	–	(3)
Remediation	–	–	–	–	–	(75)	(75)
Restructuring and related expenses	(54)	–	–	–	–	–	(54)
Amortisation and impairment of intangibles	(8)	–	–	–	–	–	(8)
Profit before income tax	61	–	–	–	–	–	61
Income tax expense	(10)	–	–	–	–	–	(10)
Profit after income tax	51	–	–	–	–	–	51
Non-controlling interests	(3)	–	–	–	–	–	(3)
Net profit after income tax	48	–	–	–	–	–	48

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

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

Analysis of the insurance operating result

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

FOR THE HALF YEAR ENDED 30 JUNE	NET INSURANCE REVENUE		NET CLAIMS EXPENSE		NET COMMISSION		EXPENSES AND OTHER INCOME		TOTAL	
	2023 US\$M	RESTATED 2022 US\$M	2023 US\$M	RESTATED 2022 US\$M	2023 US\$M	RESTATED 2022 US\$M	2023 US\$M	RESTATED 2022 US\$M	2023 US\$M	RESTATED 2022 US\$M
Statutory										
Insurance revenue	9,921	8,955	–	–	–	–	–	–	9,921	8,955
Insurance service expenses	–	–	(6,744)	(6,920)	(1,401)	(1,225)	(833)	(797)	(8,978)	(8,942)
Reinsurance expenses	(2,278)	(1,691)	–	–	–	–	–	–	(2,278)	(1,691)
Reinsurance income	–	–	1,884	2,300	(70)	(115)	–	–	1,814	2,185
Insurance service result	7,643	7,264	(4,860)	(4,620)	(1,471)	(1,340)	(833)	(797)	479	507
Other expenses	–	–	–	–	–	–	(126)	(179)	(126)	(179)
Other income	–	–	–	–	–	–	24	58	24	58
Insurance operating result	7,643	7,264	(4,860)	(4,620)	(1,471)	(1,340)	(935)	(918)	377	386
Adjustments										
Discount unwind	–	–	(282)	(71)	–	–	–	–	(282)	(71)
Underlying PYD	(10)	6	13	8	(3)	(14)	–	–	–	–
LPT	344	58	(376)	(116)	32	58	–	–	–	–
APPR	–	–	–	–	–	–	–	60	–	60
Management basis	7,977	7,328	(5,505)	(4,799)	(1,442)	(1,296)	(935)	(858)	95	375

Adjustments

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

Discount unwind

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

Underlying prior year development (PYD)

Underlying prior accident year claims development within net claims expense amounting to \$13 million (2022 \$8 million) has been reclassified to net insurance revenue and net commission. In the current period, this principally related to Crop (North America) for additional premium cessions to the US government on prior year claims under the MPC scheme, CTP within Australia Pacific for profit commission income arising from favourable development under the 2021 reinsurance loss portfolio transfer and periodic payment order (PPO) liabilities within International to reflect their annuity characteristics.

Reinsurance loss portfolio transfer transactions (LPT)

The subsequent impacts of in-force reinsurance loss portfolio transfer contracts within reinsurance expenses and reinsurance income are analysed on a net basis within net claims expense to provide a view of the underlying development on these contracts against the corresponding development of the subject gross reserves, consistent with the focus on net underwriting performance. The current period adjustments include amounts related to the reinsurance of North American E&S reserves entered into in 2022 (\$80 million; 2022 \$36 million), other reinsurance loss portfolio transfer contracts in North America entered into in prior periods (\$31 million; 2022 \$19 million) and the current period transaction to reinsure reserves in North America and International (\$219 million).

Australian pricing promise review (APPR)

In 2022, the Group recognised a \$75 million net cost (before tax) following a review of pricing promises across a range of retail products which identified instances where the policy pricing promise was not fully delivered. The net cost comprises amounts for customer remediation, interest payable and other costs associated with administering the program. There has been no material change to this estimate during the current period.

Investment risk-free rate (RFR) impacts

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



Key sensitivities

The following includes information on the mix of QBE's business across key currencies for both gross written premium and cash and investments, alongside sensitivities to key external benchmarks for both claims and investments as at the balance sheet date.

Foreign exchange

Foreign exchange rates

FOR THE HALF YEAR ENDED 30 JUNE		2023		2022	
		PROFIT OR LOSS	BALANCE SHEET	PROFIT OR LOSS	BALANCE SHEET
Australian dollar	A\$	0.676	0.666	0.719	0.690
Sterling	£	1.233	1.271	1.296	1.218
Euro	€	1.081	1.091	1.092	1.048

Premium and investments currency mix

Gross written premium by currency

FOR THE HALF YEAR ENDED 30 JUNE		2023		2022	
		US\$M	%	US\$M	%
US dollar		7,261	57	6,600	57
Australian dollar		2,624	20	2,352	20
Sterling		1,112	9	958	8
Euro		1,092	8	955	8
New Zealand dollar		198	2	185	2
Canadian dollar		167	1	177	2
Hong Kong dollar		104	1	100	1
Singapore dollar		96	1	98	1
Other		149	1	151	1
Total		12,803	100	11,576	100

Cash and investments by currency

AS AT		30 JUNE 2023		31 DECEMBER 2022	
		US\$M	%	US\$M	%
US dollar		8,826	32	9,599	34
Australian dollar		7,852	28	7,426	26
Sterling		4,394	16	4,755	17
Euro		3,517	13	3,584	13
Canadian dollar		1,434	5	1,310	5
New Zealand dollar		479	2	595	2
Hong Kong dollar		414	2	404	1
Singapore dollar		174	1	174	1
Other		336	1	320	1
Total		27,426	100	28,167	100

Claims

Weighted average risk-free rates

AS AT CURRENCY		30 JUNE 2023	31 DECEMBER 2022	30 JUNE 2022
Australian dollar	%	4.09	3.69	3.16
US dollar	%	4.35	4.21	3.09
Sterling	%	4.70	3.64	2.15
Euro	%	2.59	2.50	1.19
Group weighted	%	3.95	3.60	2.49
Estimated risk-free rate benefit	US\$M	170	1,242	787

Impact of changes in key variables on the net outstanding claims liability

AS AT		PROFIT (LOSS) ¹	
		30 JUNE 2023 US\$M	31 DECEMBER 2022 US\$M
	%		
Net discounted central estimate	+5	(556)	(565)
	-5	556	565
Inflation rate	+1	(327)	(333)
	-1	299	304
Discount rate	+1	299	304
	-1	(327)	(333)
Weighted average term to settlement	+10	146	149
	-10	(148)	(151)

Cash and investments

Fixed income – interest rate and credit spread risk

AS AT		PROFIT (LOSS) ¹	
		30 JUNE 2023 \$M	31 DECEMBER 2022 \$M
	%		
Interest rate movement – interest-bearing financial assets	+1.0	(331)	(294)
	-1.0	338	309
Credit spread movement – interest-bearing financial assets	+0.5	(121)	(125)
	-0.5	117	120

Growth assets – price risk

AS AT		PROFIT (LOSS) ¹	
		30 JUNE 2023 \$M	31 DECEMBER 2022 \$M
	%		
ASX 200	+20	16	8
	-20	(16)	(8)
S&P 500	+20	17	8
	-20	(17)	(8)
FTSE 100	+20	11	8
	-20	(11)	(8)
EURO STOXX	+20	8	11
	-20	(8)	(11)
Emerging Market Equities	+20	–	9
	-20	–	(9)
Unlisted property trusts	+20	98	105
	-20	(98)	(105)
Infrastructure assets	+20	121	117
	-20	(121)	(117)
Alternatives	+20	23	25
	-20	(23)	(25)

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

Financial calendar

YEAR	MONTH	DAY	ANNOUNCEMENT
2023	August	10	Results and dividend announcement for the half year ended 30 June 2023
		17	Shares begin trading ex-dividend
		18	Record date for determining shareholders' entitlement to the 2023 interim dividend
		21	DRP/BSP election close date – last day to nominate participation in the DRP or BSP
	September	22	Payment date for the 2023 interim dividend
	November	27	3Q23 Performance update
	December	31	Full year end

Historical management result review

FOR THE HALF YEAR ENDED 30 JUNE 2023

		HALF YEAR ENDED 30 JUNE ^{1,2}					YEAR ENDED 31 DECEMBER ^{1,2}				
		2023	2022	2021	2020	2019	2022	2021	2020	2019 ³	2018 ³
Insurance contracts issued											
Gross written premium	US\$M	12,803	11,576	10,203	8,011	7,637	19,993	18,453	14,643	13,442	13,657
Insurance revenue/Gross earned premium	US\$M	9,911	8,942	7,980	6,509	6,458	18,834	17,031	14,008	13,257	13,601
Net insurance revenue/Net earned premium	US\$M	7,977	7,328	6,571	5,506	5,671	15,088	13,779	11,708	11,609	11,830
Combined operating ratio	%	98.8	94.9	93.3	97.4	95.2	95.9	95.0	104.2	97.5	95.7
Investment income (loss)											
excluding net fair value gains/losses	US\$M	662	(20)	241	225	279	570	531	432	555	690
after net fair value gains/losses	US\$M	461	(874)	58	(90)	755	(773)	122	226	1,036	547
Insurance profit (loss)	US\$M	475	292	674	(584)	495	883	1,073	(727)	708	861
Insurance profit (loss) to net insurance revenue/net earned premium	%	6.0	4.0	10.3	(10.6)	8.7	5.9	7.8	(6.2)	6.1	7.3
Financing and other costs	US\$M	(112)	(120)	(126)	(125)	(129)	(230)	(247)	(252)	(257)	(305)
Operating profit (loss)											
before income tax	US\$M	584	61	530	(778)	662	676	913	(817)	733	662
after income tax and non-controlling interests	US\$M	400	48	441	(712)	573	587	750	(869)	616	573
Balance sheet and share information											
Number of shares on issue ⁴	millions	1,492	1,483	1,475	1,468	1,313	1,485	1,477	1,471	1,305	1,327
Total equity	US\$M	9,008	8,458	8,839	8,438	8,366	8,857	8,882	8,492	8,153	8,400
Total assets	US\$M	40,546	38,590	49,390	43,167	41,193	39,183	49,303	46,624	40,162	39,582
Net tangible assets per share ⁴	US\$	4.68	4.35	4.30	3.88	4.27	4.61	4.36	4.05	4.11	4.22
Borrowings to total capital	%	24.7	24.6	23.7	23.2	23.4	23.7	26.9	25.8	24.0	24.5
Basic earnings (loss) per share ⁴	US cents	25.2	1.6	28.2	(51.9)	34.9	36.3	47.5	(108.5)	41.8	29.0
Basic earnings (loss) per share – adjusted cash basis ⁵	US cents	27.2	4.5	31.4	(48.6)	42.3	44.8	54.6	(60.7)	55.7	51.4
Diluted earnings (loss) per share	US cents	25.0	1.5	28.1	(51.9)	34.7	36.1	47.2	(108.5)	41.5	28.6
Return on average shareholders' equity – adjusted cash basis ⁵	%	10.1	1.7	10.2	(17.2)	11.1	8.3	8.6	(18.2)	6.7	4.5
Dividend per share	Australian cents	14	9	11	4	25	39	30	4	52	50
Dividend payout	A\$M	209	133	162	59	329	580	443	59	681	669
Total investments and cash ⁶	US\$M	27,426	26,749	27,864	24,432	23,094	28,167	28,967	27,735	24,374	22,887

1 2022 and 2023 prepared on a AASB 17 basis.

2 2018–2021 prepared on a AASB 1023 basis.

3 Profit or loss information for 2018 and 2019 excludes the results of discontinued operations.

4 Reflects shares on an accounting basis.

5 Calculated with reference to adjusted cash profit, being profit after tax adjusted for impairment of intangibles and other non-cash items net of tax as well as coupons on Additional Tier 1 instruments.

6 Includes financial assets at fair value through profit or loss, cash and cash equivalents and investment properties; excludes any balances held for sale.

Glossary

AASB 1023	AASB 1023 <i>General Insurance Contracts</i> was the accounting standard that previously applied to accounting for insurance and reinsurance contracts. This standard was replaced by AASB 17 <i>Insurance Contracts</i> which became effective from 1 January 2023.
Acquisition costs	Commission and other costs incurred in selling, underwriting and starting insurance contracts.
Attributable expenses	Administrative, general and other expenses that directly relate to fulfilling insurance contracts.
Catastrophe claims	Total of all net claims resulting from catastrophe events. Referred to as catastrophe claims ratio when expressed as a percentage of net insurance revenue.
Combined operating ratio (COR)	The sum of the net claims ratio, commission ratio and expense ratio. A combined ratio below 100% indicates an underwriting profit. A combined operating ratio over 100% indicates an underwriting loss.
Confidence level	A statistical measure of the level of confidence that the insurance contract liabilities will be sufficient to pay claims as and when they fall due. This was previously referred to as probability of adequacy under AASB 1023.
Contractual service margin (CSM)	A component of the asset or liability for remaining coverage of contracts measured under the general model, which represents 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.
Ex-cat claims	Net claims excluding catastrophe claims and prior accident year claims development (including movements in risk adjustment related to prior accident years). Referred to as ex-cat claims ratio when expressed as a percentage of net insurance revenue.
Expenses and other income	The sum of attributable expenses (within insurance service expenses), other expenses and other income. Referred to as expense ratio when expressed as a percentage of net insurance revenue.
Gross written premium (GWP)	The total premium on insurance underwritten by an insurer or reinsurer during an accounting period, before deduction of reinsurance premium. This metric is used to derive insurance revenue under the premium allocation method, which is an allocation of total expected premium, derived based on gross written premium, to each period of coverage on the basis of the passage of time as described in note 2.1 of the Financial Report.
Insurance profit or loss	The sum of the insurance operating result, net insurance finance income or expenses and net investment income or loss on assets backing policyholders' funds. Referred to as insurance profit margin when expressed as a percentage of net insurance revenue.
Insurance revenue	The proportion of gross written premium recognised as revenue in the current accounting period, reflecting insurance coverage provided during the period. This is the equivalent of gross earned premium under AASB 1023.
Liability for incurred claims (LIC)	The liability established for claims and attributable expenses that have occurred but have not been paid. This replaces the outstanding claims liability under AASB 1023.
Liability for remaining coverage (LfRC)	The liability that represents insurance coverage to be provided by QBE after the balance date. This is the equivalent of unearned premium net of premium receivable, unclosed premium, deferred commission and deferred acquisition costs under AASB 1023.
Loss component	A component of the LfRC within the insurance contract liabilities that relates to losses recognised on onerous contracts.
Loss-recovery component	A component of the asset for remaining coverage (AfRC) within the reinsurance contract assets that represents recoveries on reinsurance contracts held that correspond to losses recognised on onerous contracts.
Net claims expense	The portion of insurance service expenses related to gross claims expenses, net of reinsurance income associated with reinsurance recoveries on claims. Management analysis of net claims expense includes the impacts of unwind of discount on claims reserves.
Net claims ratio	Net claims expense as a percentage of net insurance revenue.
Net commission	The portion of insurance service expenses related to commission expenses, net of commission income from reinsurance contracts held that are recognised within reinsurance income.
Net commission ratio	Net commission as a percentage of net insurance revenue.
Net insurance revenue	Insurance revenue net of reinsurance expenses. This is the equivalent of net earned premium under AASB 1023.
Net outstanding claims	Claims reserves within the net LIC net of recoveries from reinsurance loss portfolio transfers.
Prior accident year claims development	The portion of net claims expense attributable to prior accident years. Referred to as prior accident year claims development ratio when expressed as a percentage of net insurance revenue.
Reinsurance	An agreement to indemnify an insurer by a reinsurer in consideration of a premium with respect to agreed risks insured by the insurer. The entity accepting the risk is the reinsurer and is said to accept inward reinsurance (or referred to as a reinsurance contract issued). The entity ceding the risks is the cedant or ceding company and is said to place outward reinsurance (or referred to as a reinsurance contract held).
Risk adjustment	A component of insurance and reinsurance contract asset and liabilities that reflects the compensation required for bearing uncertainty about the amount and timing of cash flows that arises from non-financial risk. This replaces the risk margin under AASB 1023.

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