

27 June 2017

Ms Stephanie So
Senior Adviser, Listings
Compliance (Sydney)
ASX Limited

By Email

Dear Ms So

QBE Insurance Group Limited (QBE)

I refer to your letter of 23 June 2017.

QBE responds as follows to the questions contained in that letter:

1. *When did QBE first become aware of the information in the Earnings Guidance?*

ASX Guidance Note 8 recognises that in determining whether an entity is aware that its earnings for the current reporting period will be different from market expectations there needs to be a reasonable degree of certainty that there will be such a difference. At the 2017 QBE AGM, based on then available information, being the first quarter of FY17, QBE believed its public target of a combined operating ratio for the full year of 93.5% - 95% was appropriate.

It was not until a board meeting on 21 June 2017 that the financial condition of each of its global divisions, including the Emerging Markets division, had been clarified and confirmed and, as a result, the Board determined that there was a reasonable degree of certainty that the statement that it had made at its 2017 AGM regarding a target combined operating ratio of 93.5%-95% would need to be revised.

2. *Does QBE consider the Earnings Guidance to be information that a reasonable person would expect to have a material effect on the price or value of its securities?*

QBE did consider that a 1% increase in the Group's interim and FY17 combined operating ratio as expressed in the Earnings Guidance could be information that a reasonable person would expect to have a material effect on the price or value of its securities.

3. *If the answer to question 2 is "yes" and QBE first became aware of the information before the relevant date, did QBE make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe QBE was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps QBE took to ensure that the information was released promptly and without delay.*

The relevant date for the purpose of responding to your question is 21 June 2017. Claims activity in Emerging Markets, QBE's smallest operating division, became the catalyst for an accelerated reforecast by QBE's global divisions. Throughout this process, QBE believed that no change to the previously disclosed target full year combined operating ratio of 93.5%-95.0% was required.

In the days before the Announcement was made, key information was still being gathered and assessed through the accelerated reforecast process and QBE's global divisions were re-evaluating and finalising individual forecasts. QBE agrees with the statement in ASX Guidance Note 8 that *the preparation of earnings guidance will take time and will need to be properly vetted and signed off at a senior level and most likely approved by the board before it is released*. That is precisely the process that QBE followed. The Announcement was made immediately following completion of that process and the determination by the QBE board that there was a reasonable degree of certainty that the target combined operating ratio for 2017 would now most likely be outside the range previously communicated to the market.

4. *If the answer to question 2 is "no", please advise the basis for that view.*

Not applicable.

5. *Please confirm that QBE is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.*

QBE confirms that it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

6. *Please confirm that QBE's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of QBE with delegated authority from the board to respond to ASX on disclosure matters.*

QBE confirms that its responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of QBE with delegated authority from the board to respond to ASX on disclosure matters.

Yours sincerely



Carolyn Scobie
Group General Counsel & Company Secretary



23 June 2017

Ms Carolyn Scobie
Company Secretary
QBE Insurance Group Limited
8 Chifley Square
Sydney NSW 2000

By email: carolyn.scobie@qbe.com

Dear Ms Scobie

QBE Insurance Group Limited (“QBE”): aware query

ASX Limited (“ASX”) refers to the following:

- A. QBE’s announcement entitled “2017 AGM Chairman’s and CEO’s address” lodged with the ASX Market Announcements Platform (“MAP”) and released at 8:20am on 3 May 2017 (“AGM Chairman’s and CEO’s address”), disclosing amongst other things:

“Our Emerging Markets business operates in 22 of the world’s emerging economies in Asia and Latin America, and continues to contribute positively to the group.

Our goal is to grow GWP revenues at a compound annual growth rate of 3% across the pricing cycle. We also see the opportunity to consistently achieve a Combined Operating Ratio of 93% or better.

Whilst these objectives were described as “medium term” targets when they were first announced in May 2016, we are now talking about our goals for the next year and a half. Nonetheless, while the timeframe is getting closer, the targets remain as valid today as they were when first announced.

Turning now to our 2017 targets,...

Whilst our target combined operating ratio target of 93.5% – 95.0% - which excludes the one time impact for Ogden discount rate changes in the UK – superficially implies no improvement on the 93.2% figure recorded in 2016, our business is now configured to deliver a higher quality result.

Whilst we don’t provide formal quarterly updates, our internal review of the first quarter performance continues to indicate our ability to execute against these targets for 2017.”

- B. QBE’s announcement entitled “QBE update on 2017 performance” lodged with MAP and released at 8:53am AEST on 21 June 2017 (the “Announcement”), disclosing the following statements:

“.....Emerging Markets has experienced significantly higher than expected claims activity during the first five months of the year which is expected to cause that division to report a first half combined operating ratio of around 110%.

The heightened claims activity in Emerging markets is due to a combination of increased frequency of medium sized risk claims in Asia, weather related claims in Latin America and adverse experience in legacy portfolios in Latin America. This is likely to add around 1% to the Group's interim and FY17 combined operating ratio resulting in an expected interim and FY17 combined operating ratio of 94.5% - 96.0%."

("Earnings Guidance").

- C. The decrease in the price of QBE's securities after the release of the Announcement from a closing price on 20 June 2017 of \$13.23 to a closing price of \$11.87 on 21 June 2017, a 10.28% decrease, reaching a low of \$11.83 on 21 June 2017.
- D. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- E. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity"

and section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B* "When does an entity become aware of information".

- F. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

"3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- *It would be a breach of a law to disclose the information;*
- *The information concerns an incomplete proposal or negotiation;*
- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- *The information is generated for the internal management purposes of the entity; or*
- *The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed."

- G. ASX's policy position on the concept of "confidentiality", which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular, the Guidance Note states that:

“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.”

Having regard to the above, ASX asks QBE to respond separately to each of the following questions and requests for information:

1. When did QBE first become aware of the information in the Earnings Guidance?
2. Does QBE consider the Earnings Guidance to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
3. If the answer to question 2 is “yes” and QBE first became aware of the information before the relevant date, did QBE make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe QBE was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps QBE took to ensure that the information was released promptly and without delay.
4. If the answer to question 2 is “no”, please advise the basis for that view.
5. Please confirm that QBE is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
6. Please confirm that QBE’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of QBE with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than half an hour before the start of trading (ie before 9.30 a.m. AEST) on Tuesday, 27 June 2017. If we do not have your response by then, ASX will have no choice but to consider suspending trading in QBE’s securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, QBE’s obligation is to disclose the information “immediately”. This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to QBE’s obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that QBE's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in QBE's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

[Sent electronically without signature]

Stephanie So
Senior Adviser, Listings Compliance (Sydney)