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24 February 2015

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

Dear Sir/Madam

**Market Release – QBE announces strong rebound in 2014 results**

Please find attached an announcement for release to the market.

Yours faithfully,

A handwritten signature in blue ink, appearing to read "P Horton", is written over a light blue circular stamp.

Peter Horton  
**Company Secretary**

Encl.



## MARKET RELEASE

24 February 2015

### QBE ANNOUNCES STRONG REBOUND IN 2014 RESULTS

*"I am delighted to report a strong rebound in earnings with the 2014 net profit after tax up by \$1.0 billion to \$742 million. It is also pleasing to deliver a result broadly in line with previous targets and market expectations, notwithstanding economic headwinds including foreign exchange movements and a \$324 million discount rate impact, \$206 million of which impacted the second half result alone."*

*"An especially pleasing aspect of the result was the improved combined operating ratio of 96.1% and the absence of adverse prior year claims development, an issue that has weighed heavily on past results and undermined confidence in our balance sheet and future earnings potential."*

*"The successful implementation to date of the capital initiatives announced in August 2014 has significantly improved the Group's financial strength and flexibility. Debt to equity as well as regulatory and ratings agency capital measures have improved materially as evidenced by A.M.Best's recent decision to revise QBE's rating outlook from 'negative' to 'stable' and affirm our financial strength rating at 'A' (Excellent)."*

**John Neal, QBE Group Chief Executive Officer**

### 2014 RESULT HIGHLIGHTS<sup>1</sup>

- Full year results in line with the update provided to the market on 19 August 2014
- Net profit after tax up \$1 billion to \$742 million (FY13: \$254 million loss)
- Improved combined operating ratio of 96.1% (FY13: 97.8%)
- Underwriting profit up 60% to \$547 million (FY13: \$341 million)
- Improved insurance profit margin of 7.6% (FY13: 5.5%)
- Insurance profit up 28% to \$1,074 million (FY13: \$841 million)
- Pre-tax cash profit up 31% to \$1,048 million (FY13: \$797 million)
- Cash profit after tax up 8% to \$821 million (FY13: \$761 million)
- Gross written premium down 9% to \$16,332 million (FY13: \$17,975 million) or 6% on a constant currency basis
- Net earned premium down 9% \$14,084 million (FY2013: \$15,396 million) or 5% on a constant currency basis
- Implementation of capital plan initiatives has resulted in material balance sheet strengthening
- Net tangible assets up 22% to \$7,251 million (FY13: \$5,923 million)
- Debt to equity reduced to 32.5% and within our revised benchmark range (FY13: 44.1%)
- APRA PCA multiple improved to 1.70x and in line with our revised benchmark range (FY13: 1.59x)
- 2014 fully franked dividends up 16% to 37 Australian cents per share (2013: 32 Australian cents per share) including final 2014 fully franked dividend of 22 Australian cents per share (2013: 12 Australian cents per share)

<sup>(1)</sup> All figures in US\$ unless otherwise stated



## MARKET RELEASE

24 February 2015

### 2014 ACHIEVEMENTS

#### **Profitability**

Our 2014 results show a profit after tax of \$742 million, representing an improvement of \$1 billion on the prior year and an insurance profit margin of 7.6%. Despite a number of headwinds described below, we achieved a combined operating ratio of 96.1%, broadly in line with the target we set at 2014 half year.

We have shown positive prior accident year claims development in the second half of 2014, which has resulted in a neutral position over the course of the entire year. Our underlying attritional claims ratio has improved from 47.5% in 2013 to 46.6% this year. All of this evidences the stronger underwriting disciplines and controls we have implemented across our business.

#### **Financial strength and flexibility**

During 2014 we implemented a number of initiatives which have lowered our gearing, improved our capital metrics and contributed to a reduction in the carrying value of our intangibles by over \$600 million at the end of 2014. The completed initiatives include:

- \$780 million capital raising
- Repurchase and cancellation of \$500 million of convertible securities
- \$700 million tier 2 capital qualifying subordinated debt issue
- \$393 million buyback of non-qualifying senior debt
- Sale of the US agencies for up-front cash of \$217 million with an additional performance based earn out of up to \$83 million
- Sale of the Australian agencies for a performance based price range of A\$232 million - A\$348 million, including up-front cash of A\$290 million

As a result of these initiatives, our debt to equity ratio has reduced to 32.5% from 44.1% a year ago and is scheduled to reduce still further through 2015. Over the past 12 months we have added in excess of \$1.5 billion of capital to our balance sheet and already one of our key rating agencies, AM Best, has revised QBE's rating outlook from 'negative' to 'stable' and affirmed our financial strength rating at 'A' (Excellent).

Further enhancing our APRA PCA multiple since year end, we separately announced the sale of our Argentine workers' compensation business today for ARS\$760M or US\$95M based on the exchange rate at 31 December 2014. The sale price represents around 1.7x book value.

While we continue to plan for the partial IPO of our Australian lenders' mortgage insurance business, in light of the Group's significantly strengthened balance sheet neither the timing nor activation of the IPO is critical to meeting our expected capital needs.



## MARKET RELEASE

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### **Cost management**

At a time when market conditions remain tough and rates are generally low or flat, we believe it is essential to proactively manage our expenses, allowing benefits to flow directly to our bottom line. Our operational transformation program has delivered \$250 million in run rate savings as planned, with an additional \$90 million saving in claims related procurement activities.

Our Group Shared Service Centre now operates in three locations in the Philippines, with over 2,000 employees providing largely operational support. In addition to the obvious cost arbitrage, even more important to us is their world class expertise in transforming and simplifying processes, offering further efficiency and effectiveness benefits.

### **Investments**

At the half year result, we set out plans to enhance the Group's investment yield via a number of initiatives including an increased exposure to growth assets. From a portfolio weighting of only 2% at the beginning of the year, growth assets increased to around 9% of total cash and investments by year end and have increased further in 2015. Importantly, even at this increased level of exposure, our portfolio remains conservative relative to our global peers, and we are satisfied that we can pursue further yield enhancement as opportunities allow.

### **Leadership**

We completed the reset of our Group Executive leadership through 2014 with the appointments of Pat Regan as Group Chief Financial Officer, Mike Emmett as Group Executive Officer Operations and Jason Brown as Group Chief Risk Officer.

At the same time, the experience and depth of the divisional leadership teams has been significantly strengthened.

## **2014 FINAL DIVIDEND AND DIVIDEND POLICY**

The Group's dividend policy is to pay out up to 50% of annual cash profit by way of dividends to shareholders.

Excluding amortisation and impairment of goodwill and intangibles after tax, the Group's cash profit was \$821 million, up 8% compared with \$761 million for the same period last year.

The final dividend for 2014 will be 22 Australian cents per share fully franked. Combined with the 2014 interim dividend of 15 Australian cents per share, the total dividend for 2014 will be 37 Australian cents per share, up 16% compared with the total 2013 dividend of 32 Australian cents per share.

As we focus on growing profit, we will target strong growth in dividends.

Shares will begin trading ex-dividend on 4 March 2015, the record date is 6 March 2015 and the dividend will be paid on 13 April 2015.



## MARKET RELEASE

24 February 2015

### 2015 OUTLOOK <sup>1 2</sup>

Gross written premium	\$15.5 – 15.9 billion (\$16.4 - \$16.8 billion on a constant currency basis)
Net earned premium	US\$ 12.6 – 13.0 billion (\$13.4 - \$13.8 billion on a constant currency basis)
Combined operating ratio	94% - 95%
Insurance profit margin	8.5% - 10%

We anticipate global pricing will remain broadly flat in 2015. Accordingly, our focus will be on maintaining underwriting discipline, exercising strict cost control and leveraging greater value from our substantial investment portfolio.

While we anticipate our premium line will remain flat on a constant currency basis, it is inevitable that the relative strengthening of the US dollar will see headline premiums reduce, albeit with no material impact on the construct of our combined operating ratio. We remain resolutely focused on our overarching priority of returning to earnings improvement and predictability when measured against our published business plans and targets.

<sup>1</sup> Excludes businesses held for sale at 31 December 2014.

<sup>2</sup> Forward-looking statements assume: large individual risk and catastrophe claims do not exceed the significant allowance in our business plans; no overall reduction in premium rates; no significant fall in equity markets and interest rates; no major movement in budgeted foreign exchange rates; no material change to key inflation and economic growth forecasts; recoveries from our strong reinsurance panel; and no substantial change in regulation. Should one or more of these assumptions prove incorrect, actual results may differ materially from the expectations described.

- ENDS -

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QBE Insurance Group Limited is listed on the Australian Securities Exchange, is one of the top 20 global insurance and reinsurance companies as measured by net earned premium and has operations in 38 countries.

#### IMPORTANT DISCLAIMER

Any forward-looking statements assume large individual risk and catastrophe claims do not exceed the significant allowance in our business plans; no overall reduction in premium rates; no significant fall in equity markets and interest rates; no major movement in budgeted foreign exchange rates; no material change to key inflation and economic growth forecasts; recoveries from our strong reinsurance panel; and no substantial change in regulation. Should one or more of these assumptions prove incorrect, actual results may differ materially from the expectations described in this market release.

**Made possible by**



**QBE Insurance Group Limited** ABN 28 008 485 014

# **Analyst Pack**

# **Financial results**

**for the full year ended**

## **31 December 2014**

**IMPORTANT DISCLAIMER**

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## Earnings per share (EPS)

<i>Pillar label</i>		US cents
2014	Basic	57.4
	Diluted	55.8
2013	Basic	(22.8)
	Diluted	(22.8)
2012	Basic	65.1
	Diluted	61.6
2011	Basic	64.9
	Diluted	61.3
2010	Basic	123.7
	Diluted	119.6

## Return on average shareholders' funds

<i>Pillar label</i>		%
2014	ROE	6.9
2013	ROE	(2.3)
2012	ROE	7.0
2011	ROE	6.8
2010	ROE	13.1

## Combined operating ratio (COR)

<i>Pillar label</i>	COR %	Net claims ratio %	Combined commssion and expense ratio %
2014	96.1	63.2	32.9
2013	97.8	64.5	33.3
2012	97.1	66.0	31.1
2011	96.8	68.2	28.6
2010	89.7	59.9	29.8



## Insurance profit and underwriting result

<i>Pillar label</i>		US\$M
2014	Ins. Profit	1,074
	UW result	547
2013	Ins. Profit	841
	UW result	341
2012	Ins. Profit	1,262
	UW result	453
2011	Ins. Profit	1,085
	UW result	494
2010	Ins. Profit	1,703
	UW result	1,168

## Net profit after income tax

<i>Pillar label</i>		US\$M
2014	NPAT	742
2013	NPAT	(254)
2012	NPAT	761
2011	NPAT	704
2010	NPAT	1,278

## Dividend per share

<i>Pillar label</i>		A\$ cents	A\$M
2014	final	22	
	interim	15	
	total	37	492
2013	final	12	
	interim	20	
	total	32	394
2012	final	10	
	interim	40	
	total	50	593
2011	final	25	
	interim	62	
	total	87	956
2010	final	66	
	interim	62	
	total	128	1,336

## Net earned premium by type

<i>Label</i>	<b>US\$M</b>	<b>%</b>
Direct and facultative	13,053	93%
Inward reinsurance	1,031	7%

## Investments and cash at 31 December

<i>Label</i>	<b>US\$M</b>	<b>2014</b>	<b>2013</b>
Cash	852	3.0%	4.0%
Short-term money	7,771	27.2%	21.3%
Equities	844	2.9%	0.9%
Emerging market debt and equities	486	1.8%	0.0%
High yield debt	276	1.0%	0.0%
Property trusts Investment properties	948	3.3%	1.1%
Government bonds	4,815	16.8%	24.6%
Corporate bonds	12,249	42.9%	47.2%
Infrastructure debt	254	0.9%	0.5%
Unit trusts	73	0.2%	0.4%

## Net profit after income tax by division

<i>Pillar label</i>	<b>US\$M</b>	<b>TOTAL</b>
<b>2014</b>		
North America	75	
Europe	311	
Australia & New Zealand	531	
Emerging markets	(20)	
Equator Re	151	
Corporate & other	(306)	742
<b>2013</b>		
North America	(310)	
Europe	354	
Australia & New Zealand	558	
Emerging markets	119	
Equator Re	147	
Corporate & other	(1,122)	(254)
<b>2012</b>		
North America	64	
Europe	393	
Australia & New Zealand	515	
Emerging markets	120	
Equator Re	327	
Corporate & other	(658)	761

## Gross written premium and net earned premium

<i>Pillar label</i>	<b>US\$M</b>
<b>2014</b>	
GWP	16,332
NEP	14,084
<b>2013</b>	
GWP	17,975
NEP	15,396
<b>2012</b>	
GWP	18,434
NEP	15,798
<b>2011</b>	
GWP	18,291
NEP	15,359
<b>2010</b>	
GWP	13,629
NEP	11,362

## Divisional analysis of net earned premium

<i>Pillar label</i>		US\$M	%
<b>2014</b>	North America	4,471	31.7
	Europe	3,567	25.3
	Australia & New Zealand	3,834	27.2
	Emerging markets	1,705	12.1
	Equator Re	525	3.7
	Corporate adjustments	(18)	
<b>2013</b>	North America	5,030	32.6
	Europe	4,160	27.0
	Australia & New Zealand	4,028	26.1
	Emerging markets	1,702	11.0
	Equator Re	509	3.3
	Corporate adjustments	(33)	
<b>2012</b>	North America	5,625	35.6
	Europe	3,971	25.1
	Australia & New Zealand	4,149	26.3
	Emerging markets	1,446	9.1
	Equator Re	621	3.9
	Corporate adjustments	(14)	

## Gross earned premium by class of business

<i>Label</i>	2014	2013
Commercial & domestic property	32.6%	34.2%
Motor & motor casualty	17.1%	16.1%
Agriculture & bloodstock	11.0%	11.4%
Public/product liability	11.0%	8.9%
Workers' compensation	8.7%	8.5%
Marine energy & aviation	6.7%	7.1%
Professional indemnity	4.6%	6.2%
Financial & credit	4.5%	3.7%
Accident & health	3.0%	3.6%
Other	0.8%	0.3%

## Divisions at a glance

		2014	2013		Change
<b>North American Operations</b>	Gross written premium (US\$M)	<b>5,310</b>	5,951	↓	-11%
	Gross earned premium (US\$M)	<b>5,457</b>	6,225	↓	-12%
	Net earned premium (US\$M)	<b>4,471</b>	5,030	↓	-11%
	Combined operating ratio (%)	<b>100.8</b>	111.5	↓	
	Insurance profit (loss) (US\$M)	<b>8</b>	(535)	↑	101%
	Insurance profit margin (%)	<b>0.2</b>	(10.6)	↑	
	Staff numbers	<b>4,264</b>	5,385	↓	-21%
<b>European Operations</b>	Gross written premium (US\$M)	<b>4,526</b>	5,236	↓	-14%
	Gross earned premium (US\$M)	<b>4,805</b>	5,146	↓	-7%
	Net earned premium (US\$M)	<b>3,567</b>	4,160	↓	-14%
	Combined operating ratio (%)	<b>93.8</b>	93.7	↑	
	Insurance profit (US\$M)	<b>345</b>	376	↓	-8%
	Insurance profit margin (%)	<b>9.7</b>	9.0	↑	
	Staff numbers	<b>2,426</b>	2,663	↓	-9%
<b>Australian &amp; New Zealand Operations</b>	Gross written premium (US\$M)	<b>4,392</b>	4,805	↓	-9%
	Gross earned premium (US\$M)	<b>4,386</b>	4,626	↓	-5%
	Net earned premium (US\$M)	<b>3,834</b>	4,028	↓	-5%
	Combined operating ratio (%)	<b>87.0</b>	87.9	↓	
	Insurance profit (US\$M)	<b>680</b>	693	↓	-2%
	Insurance profit margin (%)	<b>17.7</b>	17.2	↑	
	Staff numbers	<b>3,862</b>	4,016	↓	-4%
<b>Emerging Markets</b>	Gross written premium (US\$M)	<b>2,179</b>	2,107	↑	3%
	Gross earned premium (US\$M)	<b>1,942</b>	1,984	↓	-2%
	Net earned premium (US\$M)	<b>1,705</b>	1,702	↑	0%
	Combined operating ratio (%)	<b>112.7</b>	96.6	↑	
	Insurance (loss) profit (US\$M)	<b>(109)</b>	121	↓	-190%
	Insurance profit margin (%)	<b>(6.4)</b>	7.1	↓	
	Staff numbers	<b>3,502</b>	3,362	↑	4%
<b>Equator</b>	Gross written premium (US\$M)	<b>642</b>	783	↓	-18%
	Gross earned premium (US\$M)	<b>764</b>	802	↓	-5%
	Net earned premium (US\$M)	<b>525</b>	509	↑	3%
	Combined operating ratio (%)	<b>79.9</b>	84.2	↓	
	Insurance profit (US\$M)	<b>145</b>	135	↑	7%
	Insurance profit margin (%)	<b>27.7</b>	26.5	↑	
	Staff numbers	<b>30</b>	29	↑	3%

## Analysis of net claims ratio

For the year ended 31 December	EX MED MAL		2013
	2014 %	2014 %	
Attritional claims	52.1	50.7	49.6
Large individual risk and catastrophe claims 1	11.4	11.2	9.5
Claims settlement costs 1	2.8	2.7	2.8
Claims discount	(3.9)	(3.8)	(2.7)
Net incurred claims estimate claims ratio (current accident year)	62.4	60.8	59.2
Changes in undiscounted prior accident year central estimate 2	(2.6)	–	3.6
Changes in discount rates	2.3	2.2	(1.8)
Other (including unwind of prior year discount)	2.4	2.4	1.8
Net incurred central estimate claims ratio	64.5	65.4	62.8
Movement in risk margins	(1.3)	(1.3)	1.7
Net incurred claims ratio (current financial year)	63.2	64.1	64.5

## Analysis of attritional claims ratio

For the year ended 31 December	2014		2013	
	NEP US\$M	ATTRITIONAL %	NEP US\$M	ATTRITIONAL %
Rest of world	12,303	46.6	12,721	47.5
Medical malpractice reinsurance 1	(362)	–	–	–
US multi-peril crop insurance 2	965	67.0	1,141	67.0
Lender-placed insurance 3	544	43.6	797	43.5
Argentina 4	634	111.9	737	65.8
QBE Group	14,084	52.1	15,396	49.6

## Large individual risk and catastrophe claims

In the year ended 31 December 2014	COST US\$M	% OF NEP
North American crop 1	260	1.8
UK Floods (January and February)	136	1.0
Brisbane & SE Queensland hailstorm (27 November)	85	0.6
North American wind/hail (April to June)	78	0.6
Hurricane Odile (15 September)	52	0.4
European Hailstorms (15 June)	25	0.2
North American winter storms (5 January)	22	0.2
North American tornadoes (3 April)	21	0.1
Cyclone Ita (13 April)	12	0.1
Other catastrophe claims including bulk IBNR	85	0.5
Total catastrophe claims including bulk IBNR	776	5.5
Forge Group Limited (11 February)	46	0.3
Jade Sa (15 May)	38	0.3
Bo Kwang Printing (29 May)	30	0.2
Big River Group (5 November)	21	0.1
Atlantic Ltd (4 February)	15	0.1
Synergy Sterilisation Rawang (15 April)	13	0.1
Brian Bell & Co (23 January)	13	0.1
Shih-Teng Hsu (22 March)	12	0.1
Conma Industries (4 February)	11	0.1
Buckby's Coaches (13 April)	11	0.1
Mbay Netherlands (11 August)	11	0.1
Kenwick Park Hotel Ltd (13 October)	11	0.1
SVI Public Company (12 November)	10	0.1
Other individual risk claims including bulk IBNR	593	4.1
Total large individual risk claims including bulk IBNR	835	5.9
Total large individual risk & catastrophe claims including bulk IBNR	1,611	11.4

## Significant items in profit before tax

For the year ended 31 December	2014 US\$M	2013 US\$M
Realised and unrealised gains on investments	137	86
Cost of large individual and catastrophe claims (current accident year)	(1,611)	(1,462)
Discount rate (cost) benefit, excluding Argentine peso	(324)	272
Prior accident year central estimate claims development 1	1	(552)
Risk margin release (strengthening)	184	(266)
Amortisation and impairment of intangibles	(117)	(1,245)
QBE LMI premium earning pattern	75	–

## Summary income statement

For the year ended 31 December	2014 US\$M	2013 US\$M
Gross written premium	16,332	17,975
Gross earned premium	16,521	17,889
Net earned premium	14,084	15,396
Net claims expense	(8,900)	(9,931)
Net commission	(2,363)	(2,580)
Underwriting and other expenses	(2,274)	(2,544)
Underwriting result	547	341
Net investment income on policyholders' funds	527	500
Insurance profit	1,074	841
Net investment income on shareholders' funds	270	301
Financing and other costs	(297)	(345)
Share of net profits of associates	1	–
Amortisation/impairment of intangible assets	(117)	(1,245)
Profit (loss) before tax	931	(448)
Tax (expense) credit	(182)	204
Profit (loss) after tax	749	(244)
Profit attributable to non-controlling interests	(7)	(10)
Net profit (loss) after tax	742	(254)

## Cash profit

For the year ended 31 December	2014 US\$M	2013 US\$M
Cash profit before tax	1,048	797
Tax expense on cash profit	(220)	(26)
Profit attributable to non-controlling interests	(7)	(10)
Net cash profit after tax	821	761
Amortisation/impairment of intangible assets after tax	(79)	(1,015)
Net profit (loss) after tax	742	(254)
Basic earnings per share – cash basis (US cents)	63.5	62.9
Dividend payout ratio (percentage of cash profit)	49%	50%

## Key ratios - Group

For the year ended 31 December	EX MED MAL		2013
	2014	2014	
	%	%	%
Net claims ratio	63.2	64.1	64.5
Net commission ratio	16.8	16.4	16.8
Expense ratio	16.1	15.7	16.5
Combined operating ratio	96.1	96.2	97.8
Insurance profit margin	7.6	7.4	5.5

## Contributions by region

For the year ended 31 December	Gross written premium		Net earned premium		Combined operating ratio		Insurance profit before income tax	
	2014	2013	2014	2013	2014	2013	2014	2013
	US\$M	US\$M	US\$M	US\$M	%	%	US\$M	US\$M
North American Operations	5,310	5,951	4,471	5,030	100.8	111.5	8	(535)
European Operations	4,526	5,236	3,567	4,160	93.8	93.7	345	376
Australian & New Zealand Operations	4,392	4,805	3,834	4,028	87.0	87.9	680	693
Emerging Markets	2,179	2,107	1,705	1,702	112.7	96.6	(109)	121
Equator Re	642	783	525	509	79.9	84.2	145	135
Equator Re elimination	(642)	(783)	—	—	—	—	—	—
Corporate adjustments	(75)	(124)	(18)	(33)	0.1	(0.2)	5	51
Group	16,332	17,975	14,084	15,396	96.1	97.8	1,074	841
Direct and facultative	15,198	16,610	13,053	14,156	96.5	99.8	951	490
Inward reinsurance	1,134	1,365	1,031	1,240	91.0	74.5	123	351
Group	16,332	17,975	14,084	15,396	96.1	97.8	1,074	841

## Impact of foreign exchange rate movements

	2014 at 2013 EXCHANGE RATES <sup>1</sup>		EXCHANGE RATE IMPACT	
	2014 ACTUAL	2013	US\$M	%
	US\$M	US\$M	US\$M	
Gross written premium	16,332	16,933	(601)	(4)
Gross earned premium	16,521	17,056	(535)	(3)
Net earned premium	14,084	14,600	(516)	(4)
Net profit after tax	742	761	(19)	(3)
Total investments and cash	28,583	30,425	(1,842)	(6)
Total assets	45,000	47,547	(2,547)	(6)
Gross outstanding claims provision	20,412	21,748	(1,336)	(7)
Total liabilities	33,918	35,765	(1,847)	(5)

## Capital summary

As at 31 December	2014	2013
	US\$M	US\$M
Net assets	11,082	10,403
Less: intangible assets	(3,831)	(4,480)
Net tangible assets	7,251	5,923
Add: borrowings	3,581	4,571
Total capitalisation	10,832	10,494

## Regulatory capital

As at 31 December	2014	2013
	US\$M	US\$M
APRA's Prescribed Capital Amount (PCA)	5,887	5,624
QBE's regulatory capital base	10,008	8,955
PCA multiple	1.70x	1.59x

## Key financial strength ratios

	Benchmark	2014	2013
Debt to equity	25% to 35%	32.5%	44.1%
Debt to tangible equity		49.7%	77.8%
PCA multiple	1.7x to 1.9x	1.70x	1.59x
Premium solvency		51.5%	38.5%
Probability of adequacy of outstanding claims	87.5% to 92.5%	88.7%	90.7%

## Borrowings maturity

As at 31 December	2014	2013
	%	%
Less than one year	13	10
One to five years	26	51
More than five years	61	39

## Borrowings profile

As at 31 December	2014	2013
	%	%
Subordinated debt	61	50
Senior debt	30	43
Capital securities	9	7
Bank loans	—	—

## Insurance liabilities

As at 31 December	2014	2013	2012	2011	2010
	US\$M	US\$M	US\$M	US\$M	US\$M
Net outstanding claims	16,948	18,208	18,412	16,984	15,017
Unearned premium net of deferred insurance costs 1	5,341	5,968	6,023	5,929	4,785
	22,289	24,176	24,435	22,913	19,802
Central estimate – outstanding claims	15,595	16,643	17,079	15,783	13,747
Central estimate – unearned premium	4,398	4,956	5,024	5,062	3,901
Risk margin – outstanding claims	1,353	1,565	1,333	1,201	1,270
Risk margin – unearned premium 1	943	1,012	999	867	884
	22,289	24,176	24,435	22,913	19,802
Risk margin in excess of 75% probability of adequacy using APRA's risk weighted capital adequacy model	1,396	1,606	1,374	1,152	1,353
	%	%	%	%	%
Probability of adequacy – outstanding claims	88.7	90.7	87.5	86.3	89.8
Probability of adequacy – total insurance liabilities	94.7	95.3	93.9	92.6	95.5
Weighted average discount rate	3.5	2.8	2.2	2.1	3.2
Weighted average term to settlement	2.8	3.0	2.9	2.9	3.0

## Reconciliation of movement in intangible assets

	31 December 2014			31 December 2013		
	Identifiable intangibles	Goodwill	Total	Identifiable intangibles	Goodwill	Total
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Opening balance	579	3,901	4,480	1,240	4,814	6,054
Acquisitions	—	—	—	5	(3)	2
Disposals	—	—	—	(3)	(8)	(11)
Transfer to assets held for sale	(35)	(291)	(326)	—	—	—
Additions/reclassifications	9	1	10	8	(2)	6
Amortisation/impairment	(106)	(11)	(117)	(645)	(600)	(1,245)
Foreign exchange	(24)	(192)	(216)	(26)	(300)	(326)
Closing balance	423	3,408	3,831	579	3,901	4,480

## Total net investment income

	Policyholders' funds		Shareholders' funds		Total	
For the year ended 31 December	2014	2013	2014	2013	2014	2013
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Income on growth assets	86	53	66	59	152	112
Income on fixed interest securities, short-term money and cash	448	447	246	223	694	670
Foreign exchange gain	17	24	—	—	17	24
Realised (losses) gains on repurchased debt securities	—	1	(18)	1	(18)	2
Realised (losses) gains on sale of related entities	—	—	(17)	29	(17)	29
Other income (expense)	2	(2)	7	—	9	(2)
Gross investment income	553	523	284	312	837	835
Investment expenses	(26)	(23)	(14)	(11)	(40)	(34)
Net investment income	527	500	270	301	797	801

## Gross and net yield

	Yield on investment assets backing policyholders' funds		Yield on investment assets backing shareholders' funds		Total	
For the year ended 31 December	2014	2013	2014	2013	2014	2013
	%	%	%	%	%	%
Gross 1	2.9	2.5	2.7	3.0	2.8	2.7
Net 2	2.7	2.4	2.6	2.9	2.7	2.6
Gross excluding foreign exchange gain (loss)	2.8	2.4	2.7	3.0	2.8	2.6
Net excluding foreign exchange gain (loss)	2.6	2.3	2.6	2.9	2.6	2.5

## Total investments and cash

	Investment assets backing policyholders' funds		Investment assets backing shareholders' funds		Total	
As at 31 December	2014	2013	2014	2013	2014	2013
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Cash and cash equivalents	544	826	308	412	852	1,238
Short-term money	4,965	4,352	2,806	2,173	7,771	6,525
Government bonds	3,077	5,030	1,738	2,514	4,815	7,544
Corporate bonds	7,827	9,635	4,422	4,812	12,249	14,447
Infrastructure debt	162	107	92	53	254	160
Unit trusts	47	57	26	28	73	85
Equities – listed and unlisted	466	106	378	187	844	293
Emerging market debt	155	—	88	—	243	—
Emerging market equity	155	—	88	—	243	—
High yield debt	176	—	100	—	276	—
Property trusts	606	210	342	104	948	314
Investment properties	10	9	5	4	15	13
Total investments and cash	18,190	20,332	10,393	10,287	28,583	30,619

## Interest bearing financial assets - security grading

As at 31 December	2014	2013
	%	%
<b>Moody's rating</b>		
Aaa	26	31
Aa	30	36
A	39	28
<A	5	5

## Currency mix

As at 31 December	MARKET VALUE OF GROWTH ASSETS		MARKET VALUE OF TOTAL INVESTMENTS AND CASH	
	2014	2013	2014	2013
	%	%	%	%
US dollar	61	22	32	31
Australian dollar	25	58	32	31
Sterling	11	12	19	19
Euro	3	8	7	9
Other	—	—	10	10



## NA - Underwriting result

For the year ended 31 December		2014	2013	2012
Gross written premium	US\$M	5,310	5,951	6,565
Gross earned premium	US\$M	5,457	6,225	6,984
Net earned premium	US\$M	4,471	5,030	5,625
Net incurred claims	US\$M	3,023	3,804	4,038
Net commission	US\$M	698	795	883
Expenses	US\$M	788	1,011	830
Underwriting result	US\$M	(38)	(580)	(126)
Net claims ratio	%	67.6	75.6	71.8
Net commission ratio	%	15.6	15.8	15.7
Expense ratio	%	17.6	20.1	14.7
Combined operating ratio	%	100.8	111.5	102.2
Insurance profit margin	%	0.2	(10.6)	(1.0)

## NA - Insurance profit

For the year ended 31 December		2014	2013	2012
Insurance profit (loss)	US\$M	8	(535)	(56)

## NA - Gross earned premium by class of business

Label	2014	2013
Commercial & domestic property	37.7%	40.8%
Motor & motor casualty	12.3%	11.5%
Agriculture & bloodstock	28.3%	28.0%
Public/product liability	7.8%	8.4%
Workers' compensation	8.5%	7.3%
Marine energy & aviation	0.7%	0.3%
Professional indemnity	1.0%	0.3%
Financial & credit	0.7%	0.7%
Accident & health	2.7%	2.8%
Other	0.3%	0.0%

## EO - Underwriting result

For the year ended 31 December		2014	2014 ex MedMal	2013	2012
Gross written premium	US\$M	4,526	4,526	5,236	5,162
Gross earned premium	US\$M	4,805	4,805	5,146	4,903
Net earned premium	US\$M	3,567	3,929	4,160	3,971
Net incurred claims	US\$M	2,000	2,362	2,486	2,441
Net commission	US\$M	718	718	768	699
Expenses	US\$M	626	626	646	607
Underwriting result	US\$M	223	223	260	224
Net claims ratio	%	56.1	60.1	59.7	61.5
Net commission ratio	%	20.1	18.3	18.5	17.6
Expense ratio	%	17.6	15.9	15.5	15.3
Combined operating ratio	%	93.8	94.3	93.7	94.4
Insurance profit margin	%	9.7	8.8	9.0	10.9

## EO - Insurance profit

For the year ended 31 December		2014	2013	2012
Insurance profit (loss)	US\$M	345	376	433

## EO - Gross earned premium by class of business

Label	2014	2013
Commercial & domestic property	28.0%	27.8%
Motor & motor casualty	11.3%	10.6%
Agriculture & bloodstock	0.5%	0.6%
Public/product liability	21.7%	21.0%
Workers' compensation	6.0%	5.9%
Marine energy & aviation	15.8%	18.1%
Professional indemnity	11.9%	11.2%
Financial & credit	1.6%	1.6%
Accident & health	1.4%	1.4%
Other	1.0%	1.0%
Life	0.8%	0.9%

## ANZ - Underwriting result

For the year ended 31 December		2014	2013	2012
Gross written premium	US\$M	4,392	4,805	5,008
Gross earned premium	US\$M	4,386	4,626	4,801
Net earned premium	US\$M	3,834	4,028	4,149
Net incurred claims	US\$M	2,242	2,347	2,501
Net commission	US\$M	532	572	555
Expenses	US\$M	562	623	701
Underwriting result	US\$M	498	486	392
Net claims ratio	%	58.4	58.2	60.3
Net commission ratio	%	13.9	14.2	13.4
Expense ratio	%	14.7	15.5	16.9
Combined operating ratio	%	87.0	87.9	90.6
Insurance profit margin	%	17.7	17.2	15.7

## ANZ - Insurance profit

For the year ended 31 December		2014	2013	2012
Insurance profit (loss)	US\$M	680	693	651

## ANZ - Gross earned premium by class of business

Label	2014	2013
Commercial & domestic property	34.8%	37.2%
Motor & motor casualty	21.9%	20.2%
Agriculture & bloodstock	5.2%	5.5%
Public/product liability	8.5%	9.0%
Workers' compensation	7.2%	8.2%
Marine energy & aviation	3.0%	3.2%
Professional indemnity	2.4%	2.6%
Financial & credit	13.5%	10.3%
Accident & health	3.4%	3.6%
Other	0.0%	0.0%
Life	0.1%	0.2%

## LA - Underwriting result

For the year ended 31 December		2014	2013	2012
Gross written premium	US\$M	1,394	1,380	1,223
Gross earned premium	US\$M	1,222	1,341	1,170
Net earned premium	US\$M	1,112	1,185	1,003
Net incurred claims	US\$M	939	726	574
Net commission	US\$M	246	258	223
Expenses	US\$M	182	196	170
Underwriting result	US\$M	(255)	5	36
Net claims ratio	%	84.4	61.5	57.3
Net commission ratio	%	22.1	21.6	22.2
Expense ratio	%	16.4	16.5	16.9
Combined operating ratio	%	122.9	99.6	96.4
Insurance profit margin	%	(13.6)	5.3	8.3

## LA - Insurance profit

For the year ended 31 December		2014	2013	2012
Insurance profit (loss)	US\$M	(151)	64	83

## LA - Gross earned premium by class of business

Label	2014	2013
Commercial & domestic property	22.6%	20.1%
Motor & motor casualty	42.7%	41.7%
Agriculture & bloodstock	1.4%	1.0%
Public/product liability	2.2%	2.1%
Workers' compensation	19.3%	21.0%
Marine energy & aviation	2.8%	4.0%
Professional indemnity	0.2%	0.2%
Financial & credit	0.7%	1.0%
Accident & health	4.1%	4.0%
Other	0.6%	0.0%
Life	3.4%	4.9%

## AP - Underwriting result

For the year ended 31 December		2014	2013	2012
Gross written premium	US\$M	785	727	580
Gross earned premium	US\$M	720	643	547
Net earned premium	US\$M	593	517	443
Net incurred claims	US\$M	306	250	216
Net commission	US\$M	122	106	93
Expenses	US\$M	127	108	83
Underwriting result	US\$M	38	53	51
Net claims ratio	%	51.5	48.3	48.6
Net commission ratio	%	20.6	20.6	21.0
Expense ratio	%	21.4	20.9	19.0
Combined operating ratio	%	93.5	89.8	88.6
Insurance profit margin	%	7.1	11.0	12.5

## AP - Insurance profit

For the year ended 31 December		2014	2013	2012
Insurance profit (loss)	US\$M	42	57	55

## AP - Gross earned premium by class of business

Label	US\$M	2014	2013
Commercial & domestic property	193,999	26.9%	28.0%
Motor & motor casualty	83,734	11.6%	12.8%
Agriculture & bloodstock	-	0.0%	0.0%
Public/product liability	63,939	8.9%	9.4%
Workers' compensation	137,009	19.0%	16.1%
Marine energy & aviation	130,925	18.2%	18.3%
Professional indemnity	33,234	4.6%	4.7%
Financial & credit	16,149	2.3%	2.1%
Accident & health	61,023	8.5%	8.6%
Other	-	0.0%	0.0%
Life	-	0.0%	0.0%

## EM - Underwriting result

For the year ended 31 December		2014	2013	2012
Gross written premium	US\$M	2,179	2,107	1,803
Gross earned premium	US\$M	1,942	1,984	1,717
Net earned premium	US\$M	1,705	1,702	1,446
Net incurred claims	US\$M	1,245	976	790
Net commission	US\$M	368	364	316
Expenses	US\$M	309	304	253
Underwriting result	US\$M	(217)	58	87

## EM - Insurance profit

For the year ended 31 December		2014	2013	2012
Insurance profit (loss)	US\$M	(109)	121	138

## EQRe - Underwriting result

For the year ended 31 December		2014	2013	2012
Gross written premium	US\$M	642	783	939
Gross earned premium	US\$M	764	802	922
Net earned premium	US\$M	525	509	621
Net incurred claims	US\$M	389	400	553
Net commission	US\$M	18	21	17
Expenses	US\$M	13	8	6
Underwriting result	US\$M	105	80	45
Net claims ratio	%	74.2	78.6	89.0
Net commission ratio	%	3.3	4.1	2.7
Expense ratio	%	2.4	1.5	1.0
Combined operating ratio	%	79.9	84.2	92.7
Insurance profit margin	%	27.7	26.5	29.7

## EQRe - Insurance profit

For the year ended 31 December		2014	2013	2012
Insurance profit (loss)	US\$M	145	135	184

## EQRe - Gross earned premium by class of business

Label	2014	2013
Commercial & domestic property	58.0%	51.6%
Motor & motor casualty	2.6%	3.3%
Agriculture & bloodstock	0.3%	0.4%
Public/product liability	13.0%	9.8%
Workers' compensation	2.5%	3.9%
Marine energy & aviation	5.4%	6.5%
Professional indemnity	9.6%	15.2%
Financial & credit	7.9%	7.7%
Accident & health	0.6%	1.2%
Other	0.1%	0.4%
Life	0.0%	0.0%