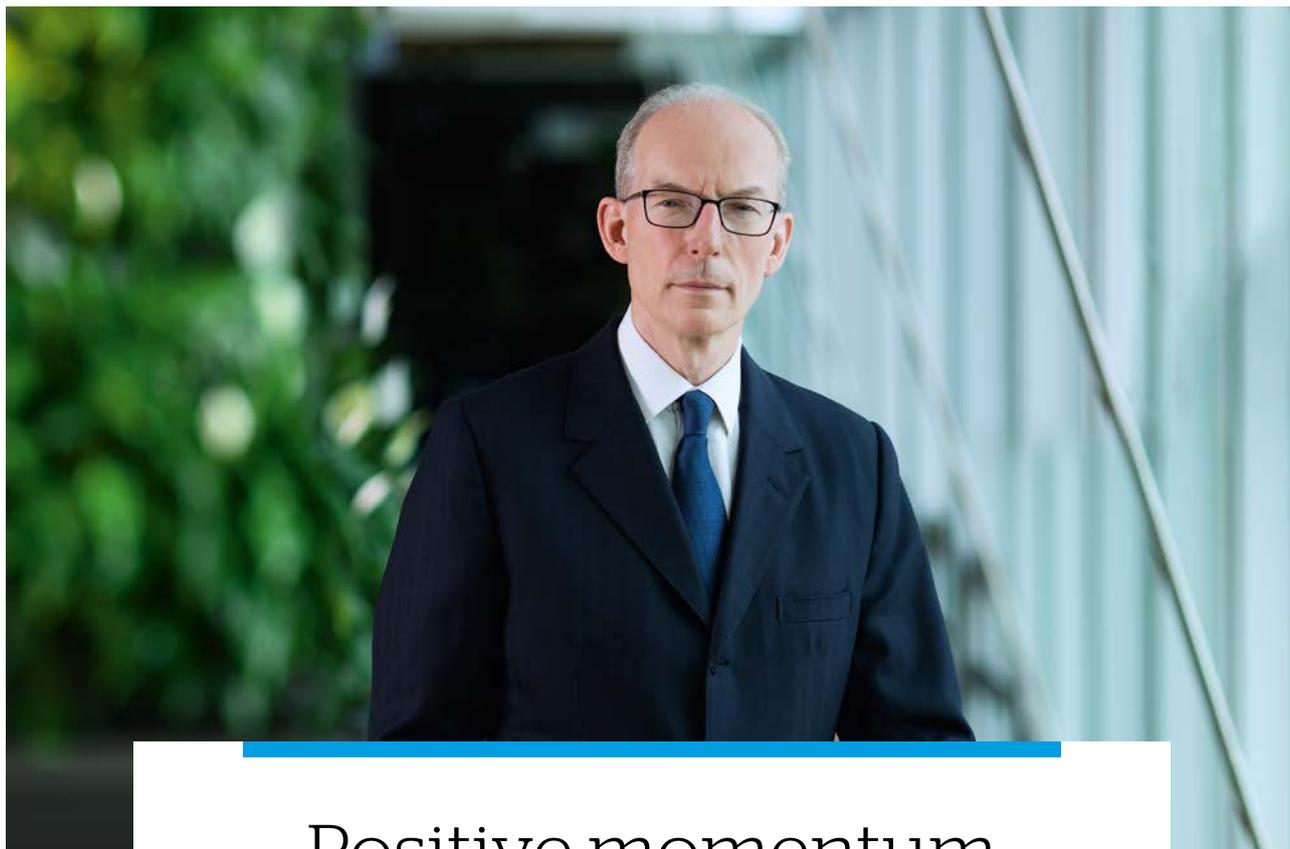


## GROUP CHIEF EXECUTIVE OFFICER'S REPORT



# Positive momentum across the business

The global economy continued to recover in 2021 as a gradual reopening in key regions saw activity levels progressively normalise, underpinned by supportive fiscal and monetary policy settings. The economic outlook remains encouraging into 2022, although we remain conscious of the risks associated with inflationary pressures, ongoing disruption to global supply chains and the withdrawal of emergency stimulus measures in many key economies.

The Omicron variant serves to highlight that the health and economic risks associated with COVID-19 will be ongoing in 2022. Against this backdrop, we continue to support our people, customers and communities and recognise their ongoing resilience through 2021. Maintaining momentum in global vaccination programs will remain a key mitigating factor throughout the year.

Insurance trading conditions were favourable throughout 2021 and QBE remained focused on driving further improvement in profitability while also achieving measured growth across select portfolios. Our top line momentum was particularly noteworthy, supported by strong rate increases across all divisions, improved premium retention and targeted new business growth.

Following another year of elevated natural catastrophe claims costs, building inflationary signals and continued low interest rates, the premium pricing environment is expected to remain supportive in 2022. With such a degree of uncertainty in the outlook for the global economy, the industry should remain pragmatic about both building financial resilience and improving returns.

### Business performance

We experienced positive momentum across the business in 2021, culminating in a statutory combined operating ratio of 93.7%, compared with 104.2% in the prior year. Group-wide premium rate increases of 9.7% were again broad-based and continue to compound on prior

year increases including 9.8% achieved in 2020. Constant currency premium growth was 22%, the strongest organic growth achieved in over a decade, underpinned by ex-rate growth of 15% as targeted growth initiatives gathered momentum. US Crop delivered outstanding growth, assisted by materially higher commodity prices and further growth in policy count.

Heightened natural catastrophe activity continued in 2021, with annual insurance industry insured losses likely to settle as one of the highest on record. Not surprisingly given this backdrop, catastrophe costs of \$924 million materially exceeded our planned allowance for the year. This disappointing outcome was partly offset by ongoing expense discipline coupled with positive operating leverage

due to strong growth, which contributed to further improvement in our expense ratio to 13.6% from 15.0% in 2020.

Our investment result declined in 2021, albeit materially impacted by the mark-to-market associated with the gradual improvement in risk-free rates over the year, partly offset by a recovery in growth asset returns and improved running yield. Over the course of 2022 and 2023, we expect to gradually add risk to our currently conservative investment asset allocation which, together with the higher running yield at year end, should support an improved investment return in the coming year.

North America's performance improved in 2021 benefitting from organic growth and a continued positive rate environment; however, heightened catastrophe experience and further adverse prior accident year claims development resulted in a combined operating ratio of 105.2%. While the result fell short of our expectations, we are focused on a number of initiatives aimed at reducing volatility and balancing the risk profile of the overall business. North America delivered double digit premium growth across all three business segments, helping to drive improved operating leverage, with growth initiatives executed around a focus on building scale and relevance in core portfolios including financial lines and retail. We are confident that performance will continue to improve as the team executes a multi-year strategy to reshape the business into a platform of relevant and at-scale businesses that deliver a consistent, sustainable and appropriate risk-adjusted return on capital.

International achieved strong premium growth in 2021 and, while much of this was driven by continued rate momentum across most markets, promising volume growth was noted across the majority of portfolios. The business responded promptly to the UK Supreme Court judgement on COVID-19 business interruption, swiftly paying valid claims and conducting a review of our policy wording in parallel. Our strategic focus has been on both leveraging market conditions to deliver robust in-year performance and building a strong platform for future organic growth across key geographies and sectors. The well diversified nature of our business served us well in 2021, and we will continue to optimise the portfolio to both improve returns and reduce volatility.

Australia Pacific delivered a strong performance in 2021, achieving premium growth of 17% alongside a materially improved underwriting result. The business maintained its focus on supporting customers, partners and people through the evolving and challenging COVID-19 backdrop while continuing to progress digital capability, develop go-to-market propositions and maintain 'Brilliant Basics' operating

disciplines. This helped to deliver a material improvement in customer retention and new business volumes which, together with the recovering economy and sustained strong rating environment, supported encouraging business momentum.

**i** Further detailed information on our financial performance is outlined in the Group Chief Financial Officer's report on [page 10](#).

## Our people, customers and communities

Throughout 2021, our people successfully navigated a constantly changing landscape, demonstrating both resilience and adaptability. I am proud of their hard work and steadfast focus on supporting our customers, partners and each other.

We have continued to evolve our ways of working in response to the systemic shifts brought about by the pandemic. Our people have embraced hybrid working which provides greater flexibility to work from home or the office, depending on the nature of work required. Our ongoing focus on culture and a newly employed listening strategy have enabled us to gain a deeper understanding of what drives employee engagement.

In 2021, we refreshed our approach to 'inclusion of diversity' recognising that in order to foster and realise the benefits of our differences, it is essential to create an environment where everyone is, and feels, included. We value the collective diversity of our people with different perspectives, backgrounds and ways of working contributing to our ability to innovate, challenge and support each other, and serve our diverse customer base.

We have worked hard to adapt to the evolving needs of our customers and continually improve our customer support. This year, we further developed digital tools to assess customer claims and expedite our response. In Australia, we have responded to the needs of our more vulnerable customers and now offer domestic violence support, as well as providing interpreter services for customers in over 160 languages and dialects. Supporting those most vulnerable in our community is important to QBE.

In Europe, we launched a new ESG initiative for SMEs that includes a template sustainability policy and a framework to identify, monitor and manage a range of ESG issues that may impact their business. In North America, we broadened the reach of our Customer@QBE program to further embed a customer mindset through improved customer support training.

Importantly, we have supported customers through a large number of natural perils across the world, including Cyclone Seroja in Western Australia, the Eastern Australian floods, Texas Winter Storm Uri and Hurricane Ida in the United States and Storm Bernd in Europe.

We are proud of the support we provide to the communities in which we operate and, in 2021, our QBE Foundation celebrated its 10th birthday. To mark this anniversary, the QBE Foundation launched a new strategic framework and guiding principles focused on addressing climate resilience and inclusion for communities. Through this increased focus, we believe we can contribute to better prepared communities and improved financial stability, resulting in better outcomes for those in need. The strategy draws on our global sustainability framework, priority United Nations Sustainable Development Goals and the annual materiality assessment to achieve greater impact and directly target the areas where QBE can make the greatest contribution.

## Performance against 2021 strategic priorities

Meaningful progress was achieved against each of our 2021 strategic priorities of performance, modernisation, customer focus and culture. We saw significant progress on a number of activities underpinning the performance agenda with the reinvigoration of cell reviews, delivery against key sustainability and climate commitments and targeted growth. Our modernisation journey continues with ongoing efforts to upgrade critical foundational capabilities and to further embed our digital capabilities across the organisation. Embedding automation across underwriting, distribution and claims to support the evolving needs of our customers and partners remains an ongoing focus. While there are still key programs of work to deliver, we are now well progressed with our modernisation journey.

Work on Customer@QBE continued throughout the year with a focus on developing the framework on 'how we show up' to all our customers on a consistent basis across the globe. This builds on the foundational elements of the program that were launched earlier in the year and includes customer mindset (how we think about our customers), insights (the knowledge we have about our customers combined with our insurance expertise) and delivery (what and how we deliver to our customers).

Our talent & culture pillar was a key area of focus throughout the year, building on our QBE DNA and leveraging our work on culture through the Board-sponsored Culture Accelerator program. We have defined the type of culture we want to



create and have mapped this against our current state, which has helped to identify key priorities for 2022. This important conversation spanned much of the year and involved the entire organisation, creating a refreshed DNA that reflects desired behaviours and a shared language to encourage people to speak up. The work also identified the need for a refreshed recognition program grounded in the DNA.

Cultural focus should be ongoing and, now that we have created our first enterprise culture plan, we will embed the Culture Accelerator into our strategic priorities, recognising that culture is one of the fundamental strategic pillars that supports our ongoing success.

## Setting a new strategic direction

I was honoured to join QBE on 1 September 2021 and immediately recognised that I had joined an organisation with great potential. My overarching goal is to establish QBE as a consistently high-performing enterprise that is both culturally and operationally united, with a clear strategic direction.

The Group Executive and I have spent considerable time defining our strategic priorities for the medium to long term. In determining QBE's future strategic priorities and direction, we felt it was important to go right back to the core of why we exist. We have spent time considering our vision and purpose statements to ensure they better reflect the world in which we live, how we can help to make a positive contribution and support our people. As a result, we were pleased to launch our new Vision and Purpose in January 2022.

Our vision is to be 'the most consistent and innovative risk partner' and our purpose is 'QBE – enabling a more resilient future'.

Our organisational Vision and Purpose have shaped six new strategic priorities for QBE (as outlined in the page opposite), being portfolio optimisation, sustainable growth, bring the enterprise together, modernise our business, our people and our culture.

Portfolio optimisation is about more actively managing the future direction of our business by making deliberate choices about the mix of products we offer, the business lines and geographies in which we operate and the customers we support. This will lead to a better understanding of the risks we are assuming, including the inherent volatility in the business we write, and therefore, a better balance of risk resulting in more consistent outcomes. We will be developing

a globally consistent framework to apply across QBE with specified targets to be set by region, customer type and class.

As we think more broadly about our portfolio mix, we will also identify opportunities that enable QBE to deliver sustainable growth, increasing our reach and strengthening our market relevance. We will harness the depth and breadth of product knowledge and expertise and innovate new product offerings and risk solutions to address our customers' needs. Our growth ambition will be realised through a balanced portfolio of initiatives that include deepening our existing business with clear strategies aligned to risk appetite; selectively extending our core business into new segments, regions or product lines and experimenting to better understand emerging opportunities; and developing innovative solutions for the long term.

To achieve our vision and deliver on our purpose, we need to evolve our operating model and organisational structure to bring the enterprise together, to help us more effectively organise, manage and leverage our capabilities across all markets. We also need to simplify what we do and remove complexity in how we do it, by supporting strategy-aligned prioritisation of activities, driving consistent processes, having clearer and more effective governance, and providing more clarity of accountabilities across QBE.

To ensure we are a future fit and modern insurer, we must complete the modernisation of our foundational systems and processes. We also need to accelerate development of, and investment in, our digital capabilities to make interactions with QBE easier for our customers, partners and people. We will strategically invest in differentiating capabilities (people, processes, technology and data) that drive insight and support innovation.

We are focused on becoming an employer of choice in our chosen markets and on building and empowering a sustainable and diverse pipeline of leaders. Our strategy also depends on our ability to enhance the link between the performance, culture and way we reward our people, so we will be doing further work on this.

We will also be investing in more targeted workforce and succession planning to ensure we can harness the talent we already have and help to build the capabilities we need now and in the future.

Finally, we will focus on becoming a more purpose-led organisation. We need to strengthen the alignment, trust and collaboration that takes place

across the enterprise. Our goal is to ensure that our purpose is visible every day, in every interaction we have.

Underpinning these priorities is a continuing focus on increasing consistency in how we plan and deliver performance, integrating sustainability into all facets of our business, demonstrating an enterprise mindset and continually evolving the experience we provide our customers and partners.

## Conclusion

QBE generated strong momentum in 2021 during a second year impacted by the pandemic, underpinned by a collective team effort across the globe. Our people continue to demonstrate enormous resilience, responding well to the changes in our ways of working, and delivering for our customers and partners.

I am confident we have a strong international insurance business with enormous potential and my priority is to build on the existing business momentum, bringing together our people with our shared Vision and Purpose to drive our future strategic direction.

I want to extend my thanks to both the Group Executive Committee for their hard work and support and the over 11,000 people who come to work each day in support of our customers and partners.

## Outlook

QBE delivered a strong result in 2021, with notable momentum across many of the key value drivers for the business. Our new strategic priorities will build on these strong foundations in 2022, where we are increasingly confident in our ability to drive sustained improvement across the organisation, and expect this should result in a consistent low to mid-90's combined operating ratio for the business. We currently expect growth in constant currency gross written premium in 2022 to be in the high single digits.

**Andrew Horton**  
Group Chief Executive Officer

# Our strategy

Our purpose

*QBE – enabling a more resilient future*

Our vision

To be the most consistent and innovative risk partner

Our priorities

	 Portfolio optimisation	 Sustainable growth	 Bring the enterprise together	 Modernise our business	 Our people	 Our culture
Actively manage for consistency and resilience	Harness the depth and breadth of product knowledge and expertise	Leverage expertise and capability across markets	Complete the modernisation of foundational systems and processes	Reward and recognition to drive culture and enterprise performance	Strengthen alignment and collaboration across the enterprise	
Consistent framework to identify and monitor target portfolio	Innovate new product offerings and risk solutions to solve customer needs	Optimise our operating model	Accelerate digital capabilities to make it easier for our customers, partners and people	Invest in our people and internal succession	Live our purpose every day	
Reduce volatility in earnings		Simplify what we do and remove complexity in how we do it	Invest in differentiating capabilities that drive insight and support innovation	Future focus through strategic workforce planning		

What success looks like

Consistent profitability

Sustainable growth

Easier to get things done

Easier and simpler to do business with

Employer of choice in chosen markets

Culture drives performance

Our DNA

We are accountable

We are courageous

We are technical experts

We are fast-paced

We are customer-focused

We are inclusive

We are a team

