



## Independent auditor's report

To the Board of Directors and Shareholder of QBE Ocean Re Limited

### Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of QBE Blue Ocean Re Limited (the Company) and its subsidiaries (together 'the Group') as at 31 December 2023, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with Australian Accounting Standards.

### What we have audited

The Group's consolidated financial statements comprise:

- the balance sheet as at 31 December 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the consolidated financial statements in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.

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### Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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*PricewaterhouseCoopers Ltd.*

**Chartered Professional Accountants**

**Hamilton, Bermuda**

**30 April 2024**



2023

Annual  
Report

QBE BLUE OCEAN RE LIMITED

# Directors' report

FOR THE YEAR ENDED 31 DECEMBER 2023

The directors of QBE Blue Ocean Limited (the "Company") and the entities it controlled for the year present their report on the financial statements for the year ended 31 December 2023.

## Directors

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

M. Angelina  
D. Duclos  
N. Jones  
I. Singh  
A. Sodergren

B. Carlino was a director until 7 July 2023.  
V. Smith was a director until 11 August 2023.  
H. Farrer Fisher was appointed to the Board on 1 June 2023.  
C. Thomas was appointed to the Board on 14 August 2023.

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### David (Dave) Duclos

Chairman, Independent non-executive director

Dave was appointed non-executive director of the Company in July 2016 and then as Chairman in November 2017. Dave is a member of the Audit Committee and Risk and Capital Committees. Dave has 44 years of insurance and reinsurance experience in a number of technical and executive level roles with INA/CIGNA, XL and QBE. Since retiring from management in 2016, he now serves on the Board of RLI, AAIS and Brightway Insurance. Dave retired from the Chair of Lloyd's Global Network December 31, 2022.

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### Catherine Thomas

Managing Director

Catherine was appointed Managing Director of QBE Blue Ocean Re Limited and Equator Reinsurances Limited on 11 August 2023. Prior to joining QBE in 2023, Catherine was Head of Analytics for AM Best's London-based operations where she led the teams responsible for the analysis and credit ratings of insurers and reinsurers in Europe, the Middle East and Africa, including the London Market. Catherine has 20 years' experience within Financial Services.

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### Michael (Mike) Angelina

Independent non-executive director

Mike was appointed as an independent non-executive director of the Company in July 2014 and is Chair of the Risk and Capital Committee and a member of the Audit Committee. He is an insurance professional, with over 35 years practicing experience. Mike is a qualified actuary, former Chief Risk Officer, and insurance professional with consulting, executive, and directorship roles throughout his career. He currently serves as an Executive in Residence of the Maguire Academy of Insurance and Risk Management of Saint Joseph's University in Pennsylvania, U.S., after serving as the Executive Director for nine years where he led the Risk Management and Insurance undergraduate program.

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### Inder Singh

Non-independent non-executive director  
Group Chief Financial Officer, QBE Insurance Group

Inder was appointed as a non-independent non-executive director of the Company in April 2021. Inder joined QBE in 2015 and was appointed Group Chief Financial Officer in 2018. His previous roles at QBE include Chief Financial Officer for Australia & New Zealand Operations and Group Head of Corporate Development and Financial Planning & Analysis. Inder has more than 20 years' experience in financial services spanning property and casualty insurance, life insurance and banking. He started his career at Arthur Andersen before working in investment banking in Sydney and London with Deutsche Bank and UBS. Prior to joining QBE, he was Group M&A Director at Aviva plc in London where he led a number of transformational transactions.

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### Neil Jones

Non-independent non-executive director  
QBE Group Head of Ceded Reinsurance

Neil was appointed as a non-independent non-executive director of the Company in February 2018. He is also Chair of the QBE Group Technical Underwriting Committee and Deputy Chair of the Group Security Committee. Neil has over 30 years' experience in the reinsurance industry, 28 of them with the QBE Group, initially within the International Division and moving into a Group RI purchasing role in 2011. Neil was appointed QBE Group Head of Ceded Reinsurance in October 2021 and has responsibility for all external treaty reinsurance contracts purchased by QBE.

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### Amanda Sodergren

Independent non-executive director

Amanda was appointed as an independent non-executive director of the Company in August 2014 and is Chair of the Audit Committee and a member of the Risk & Capital Committee. Amanda also serves on the Boards of Hellenic Mutual War Risks Association (Bermuda) Limited, The UK P&I Club and a number of the Validus AlphaCat funds. In 2020, Amanda also became an independent non-executive director of both OmegaCat Reinsurance Ltd (a carrier associated with the AlphaCat funds) and Pacific Life Re Global Ltd (a Bermuda Life reinsurer which is a subsidiary of the US Pacific Life Group). Amanda was Chief Legal Counsel and Chief Ethics Officer of PartnerRe Ltd until December 2012 and has over 30 years' experience in the insurance, reinsurance and banking industries.

# Directors' report

FOR THE YEAR ENDED 31 DECEMBER 2023

**Hannah Farrer Fisher**

**Chief Financial Officer**

Hannah was appointed Chief Financial Officer of QBE Blue Ocean Re Limited and Equator Reinsurances Limited in June 2023. Hannah joined QBE in January 2021 in her previous role as Head of Capital Solutions. Prior to joining QBE, she was Chief Operating Officer of Armour Group. Hannah started her career at KPMG and has approximately 15 years' experience within the Insurance industry. She is a member of the Institute of Chartered Accountants in England and Wales.

## Financial results highlights

	2023 US\$M	RESTATED 2022 US\$M
Insurance revenue	2,743	2,365
Reinsurance expenses	(1,563)	(982)
Insurance service result	118	247
Net Insurance operating result	117	246
Net investment income (loss)	37	(236)
Income tax expense	(60)	(16)
Profit after income tax attributable to ordinary equity holders	86	38

The Company adopted AASB 17 *Insurance Contracts* from 1 January 2023. The new standard is applied retrospectively, resulting in restatement of the comparative period.

The Company reported a net profit after income tax of \$86 million for the year ended 31 December 2023, compared with \$38 million for the prior year.

The current year profit is largely driven by an improvement in net investment income, which was \$37 million for the current year, compared to a net investment loss of \$236 million in the prior year. The prior year loss was heavily impacted by unrealised losses associated with the significant step-change increase in bond yields during 2022. The improved investment result in 2023 is supported by the higher interest rate environment, where there are higher returns on QBE's core fixed income portfolio.

Net insurance operating profit for the year ended 31 December 2023 was \$117 million, compared to \$246 million in the prior year. The lower insurance operating profit was due to upfront reinsurance expenses in respect of an external Loss Portfolio Transfer; adverse development on prior accident year large and catastrophe claims; higher large claims activity during 2023; and partially offset by revenue growth and favourable catastrophe claims activity during 2023.

## About the Company

The Company is a company limited by shares, incorporated on 8 February 2018 and domiciled in Bermuda. The parent entity is QBE Investments (North America), Inc. and the ultimate parent is QBE Insurance Group Limited. The parent entity is incorporated and domiciled in the United States of America with its registered office at 55 Water Street, New York, New York, U.S.A. The ultimate parent is incorporated and domiciled in Australia with its registered office at Level 18, 388 George Street, Sydney 2000, NSW Australia.

The Company has two wholly owned subsidiaries, being Equator Reinsurances Limited (Equator Re) and QBE Reinsurance Services (Bermuda) Limited (QRSB). QRSB was incorporated on 15 February 2018 and acquired by the Company on that date. Equator Re was acquired by the Company on 31 March 2018 from QBE Insurance Holdings Pty Limited.

The Company is a wholly owned internal reinsurer for the QBE Group. Based in Bermuda, the Company provides reinsurance protections to the QBE Group's operations in North America and through its subsidiary Equator Re provides reinsurance protections to the QBE Group's operations in other jurisdictions around the world. The Company aims to assist in management of QBE Group's capital and net exposure to large individual risk and catastrophe claims

## Dividends

Dividends of \$118 million were paid during 2023 (2022 \$Nil).

## Shareholders' funds

Shareholders' funds were \$1,465 million at 31 December 2023 (2022 \$1,497 million). Shareholders' funds increased with net profit after tax for the year of \$86 million (2022 \$38 million) and decreased by the dividend paid of \$118 million (2022 \$Nil) during the year.

## Presentation currency

**The presentation currency of these financial statements is US dollar.** The functional currency of the Company is US dollar.

## Indemnification and insurance

During the year, a related company paid a premium in respect of a contract insuring directors and officers of the Company. In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

# Directors' report

FOR THE YEAR ENDED 31 DECEMBER 2023

No such insurance cover has been provided for the benefit of the auditor of the Company.

## Significant changes

There were no significant changes in the Company's state of affairs during the financial year.

## Likely developments and expected results

Information on likely developments in the Company's operations in future financial years and the expected results of those operations have not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

## Events after balance sheet date

No matter or circumstance has arisen since 31 December 2023 that, in the opinion of the directors, has significantly affected or may significantly affect the Company's operations, the results of those operations or the Company's state of affairs in future financial periods.

## Material business risks

As a global reinsurance business, the Company is subject to a variety of business risks. The Board believes that effective management of these risks is critical to delivering value for its stakeholders. It is the Company's policy to adopt a rigorous approach to managing risk; risk management is a continuous process and an integral part of the Company's governance structure, its broader business processes and, most importantly, its culture.

Some of the material business risks that the Company faces include strategic, insurance, credit, market, liquidity, operational and compliance risks. Explanations of these risks and their mitigations are set out in more detail in note 4 to the financial statements.

The directors are committed to high standards of Corporate Governance. The Company adopts a proactive governance framework consistent with the requirements of the Insurance Code of Conduct issued by the Bermuda Monetary Authority and the governance and risk management requirements and best practice standards of the QBE Group.

The Company makes judgements and estimates in respect of the reported amounts of certain assets and liabilities, the most significant of which are in relation to the determination of the outstanding claims liability. More detail of each of these is included in note 2.2.

## Board selection criteria and terms of reference

Directors are selected to achieve a broad range of skills, experience and expertise complementary to the Company's activities. The Board currently comprises seven directors including four executive and three non-executive directors.

In accordance with its charter, the Board's functions include:

- establishing financial and strategic objectives;
- evaluating, approving and monitoring strategic, business and financial plans;
- establishing and monitoring an appropriate governance and operational structure of the Company for the purpose of ensuring the sound and prudent management of the Company;
- approving and monitoring the Company's risk management and internal control framework to enable key business risks to be appropriately identified and managed;
- approving and monitoring adherence to policies, including code of conduct, fitness and probity and outsourcing;
- monitoring the Company's operations against legal, regulatory and financial responsibilities.
- reviewing and ensuring the adequacy of human resources, information technology and other resources; and
- appointment and, where appropriate, removal of the external auditor.

The Board ensures it has the information it requires to be effective including, where necessary, professional advice.

## Company Secretary

The Company's appointed Company Secretary is Compass Administration Services Ltd, a firm registered in Bermuda.

## Directors' interests and benefits

### Director fees

The Company paid directors fees of \$300,000 during the financial year (2022 \$300,000) to independent non-executive directors external to the QBE Group, being David Duclos, Michael Angelina and Amanda Sodergren. Executive directors of the Company and non-independent non-executive directors are remunerated for their contribution to the Board as part of their overall remuneration package, paid either by the Company or another entity within the QBE Group.

### Ordinary share capital

At no time during the year did any director have a beneficial interest in the shares of the Company.

### Loans to directors and executives

The Company does not provide loans to directors or executives.

# Directors' report

FOR THE YEAR ENDED 31 DECEMBER 2023

## Other governance matters

The Company has adopted a code of conduct which outlines a set of general business ethics that apply to all Directors and employees when conducting any activity on behalf of the Company. The code of conduct requires employees to carry out business in an open and honest manner with customers, shareholders, employees, regulatory bodies, outside suppliers, intermediaries, and the community. The code provides guidelines in respect of other requirements including whistle-blowing, confidentiality, disclosure of information, conflicts of interest and fraud.

## Environmental regulation

The Company is not currently required to report upon any significant environmental regulations under Bermuda legislation.

## Auditor

PricewaterhouseCoopers Ltd., Chartered Professional Accountants, Bermuda, continue in office in accordance with section 327B of the *Corporations Act 2001* of the Commonwealth of Australia, and Bermuda's Insurance Act 1978, amendments thereto and related Regulations.

## Non-audit services

During the year, PricewaterhouseCoopers Ltd did not perform other services in addition to its statutory duties, however a process remains in place by which any planned or actual activities are assessed.

Details of amounts paid or payable to PricewaterhouseCoopers for audit and non-audit services are provided in note 7.5 to the financial statements.

## Rounding of amounts

Amounts have been rounded off in the Directors' Report to the nearest million dollars or, in certain cases, to the nearest thousand dollars.



# Directors' report

FOR THE YEAR ENDED 31 DECEMBER 2023

## Registered office and principal place of business

The Company's registered office and principal place of business is at the 4th Floor, 19 Par-La-Ville Road, Hamilton HM11, Bermuda.

Signed in HAMILTON, Bermuda 30th day of April 2024 in accordance with a resolution of the directors.



A. Sodergren  
Director



C. Thomas  
Director

# Consolidated Financial Report contents

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This Financial Report includes the consolidated financial statements for QBE Blue Ocean Re Limited (the Company) and its controlled entities (the Group).

All amounts in this Financial Report are presented in US dollars unless otherwise stated.

QBE Blue Ocean Re Limited is a company limited by shares, incorporated and domiciled in Bermuda. Its registered office is located at: 4th Floor, 19 Par-La-Ville Road, Hamilton HM11, Bermuda.

The parent entity is QBE Investments (North America), Inc. and the ultimate parent is QBE Insurance Group Limited (the QBE Group). The parent entity is incorporated and domiciled in the United States of America with its registered office at 55 Water Street, New York, New York, U.S.A. The ultimate parent is incorporated and domiciled in Australia with its registered office at Level 18, George Street, Sydney 2000, NSW Australia.

The Company is a wholly owned internal reinsurer for the QBE Group.

The Financial Report was authorised for issue by the directors on 30 April 2024. The directors have the power to amend and reissue the financial statements.

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# Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTE	2023 US\$M	RESTATED 2022 US\$M
Insurance revenue	2.1	2,743	2,365
Insurance service expense	2.2.1	(1,984)	(1,987)
Reinsurance expenses	2.2.1	(1,563)	(982)
Reinsurance income	2.2.1	922	851
<b>Insurance service result</b>		<b>118</b>	<b>247</b>
Other expenses		–	–
Other income		(1)	(1)
<b>Insurance operating result</b>		<b>117</b>	<b>246</b>
Insurance finance (expenses) income		(128)	196
Reinsurance finance income (expenses)		136	(133)
Investment (loss) income – policyholders' funds	3.1	(51)	(197)
Investment expenses – policyholders' funds	3.1	(2)	(2)
<b>Insurance profit (loss)</b>		<b>72</b>	<b>110</b>
Investment (loss) income – shareholders' funds	3.1	92	(36)
Investment expenses – shareholders' funds	3.1	(2)	(1)
Financing and other costs		(16)	(19)
Profit before income tax		146	54
Income tax expense	6.1	(60)	(16)
Profit after income tax		86	38
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Net movement in foreign currency translation reserve		–	–
<b>Total comprehensive income after income tax</b>		<b>86</b>	<b>38</b>
<b>Profit after income tax attributable to:</b>			
Ordinary equity holders of the company		86	38
<b>Total comprehensive income after income tax attributable to:</b>			
Ordinary equity holders of the company		86	38

	NOTE	2023 US CENTS	RESTATED 2022 US CENTS
<b>EARNINGS PER SHARE FOR PROFIT AFTER INCOME TAX ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic earnings per share	5.4	6	3

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

The Company has adopted AASB 17 Insurance Contracts from 1 January 2023 and has restated the comparative period.

# Consolidated balance sheet

FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTE	2023 US\$M	RESTATED	
			2022 US\$M	1 JAN 2022 US\$M
<b>Assets</b>				
Cash and cash equivalents	5.1	110	287	303
Investments	3.2	3,368	3,349	3,318
Derivative financial instruments	5.5	30	52	16
Other receivables	2.4	489	599	675
Current tax assets		–	23	–
Reinsurance contract assets	2.2.1	4,325	3,562	3,695
Right-of-use assets		–	–	1
Property, plant and equipment		–	–	1
Deferred tax assets	6.2	115	55	53
<b>Total assets</b>		<b>8,437</b>	<b>7,927</b>	<b>8,062</b>
<b>Liabilities</b>				
Derivative financial instruments	5.5	51	42	22
Other payables	2.5	102	12	12
Current tax liabilities		22	–	4
Insurance contract liabilities	2.2	6,797	6,375	6,564
Lease liabilities		–	1	1
<b>Total liabilities</b>		<b>6,972</b>	<b>6,430</b>	<b>6,603</b>
<b>Net assets</b>		<b>1,465</b>	<b>1,497</b>	<b>1,459</b>
<b>Equity</b>				
Contributed equity	5.2.1	1,344	1,344	1,344
Reserves	5.2.2	(190)	(190)	(190)
Retained profits		311	343	305
<b>Total equity</b>		<b>1,465</b>	<b>1,497</b>	<b>1,459</b>

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

The Company has adopted AASB 17 Insurance Contracts from 1 January 2023 and has restated the comparative period.

# Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2023

	CONTRIBUTED EQUITY US\$M	RESERVES US\$M	RETAINED PROFITS US\$M	TOTAL EQUITY US\$M
<b>2023</b>				
As at 1 January (restated)	1,344	(190)	343	1,497
Profit after income tax	-	-	86	86
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	-	-
<b>Transactions with owners in their capacity as owners:</b>				
Dividends paid on ordinary shares	-	-	(118)	(118)
As at 31 December	1,344	(190)	311	1,465

	CONTRIBUTED EQUITY US\$M	RESERVES US\$M	RETAINED PROFITS US\$M	TOTAL EQUITY US\$M
<b>2022</b>				
As at 1 January, as previously reported	1,344	(190)	271	1,425
Impact of initial application of AASB 17 (note 7.1)	-	-	34	34
As at 1 January (restated)	1,344	(190)	305	1,459
Profit after income tax	-	-	38	38
Other comprehensive income	-	-	-	-
Total comprehensive (loss) income	-	-	-	-
<b>Transactions with owners in their capacity as owners:</b>				
Dividends paid on ordinary shares	-	-	-	-
As at 31 December	1,344	(190)	343	1,497

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

The Company has adopted AASB 17 Insurance Contracts from 1 January 2023 and has restated the comparative period.

# Consolidated statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTE	2023 US\$M	RESTATED 2022 US\$M
<b>Operating activities</b>			
Premium received and commissions received		3,442	2,485
Reinsurance recoveries received		1,380	1,051
Premiums paid and ceding commissions received		(2,670)	(1,399)
Claims and other insurance service expenses paid		(2,315)	(1,717)
Interest received		85	50
Dividends received		8	27
Other operating payments		(17)	–
Finance costs paid		(15)	(18)
Income taxes paid		(76)	(44)
Net cash flows from operating activities	7.3	(178)	435
<b>Investing activities</b>			
Proceeds on sale of growth assets		11	40
Proceeds / (Payments) on foreign exchange transactions		38	59
Payments on purchase of growth assets		(16)	(37)
(Payments) / Proceeds on sale of interest-bearing financial assets		(119)	(495)
Net cash flows from investing activities		(86)	(433)
<b>Financing activities</b>			
Payments from related entities		162	5
Dividends paid		(64)	–
Net cash flows from financing activities		98	5
Net movement in cash and cash equivalents		(166)	7
Cash and cash equivalents at the beginning of the year		287	303
Effect of exchange rate changes		(11)	(23)
Cash and cash equivalents at the end of the year	5.1	110	287

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

During the year, dividends of \$54 million were paid in-specie and \$64 million in cash.

The Company has adopted AASB 17 Insurance Contracts from 1 January 2023 and has restated the comparative period.

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

## 1. OVERVIEW

### 1.1 About the Company

#### About our ultimate parent, the QBE Group

QBE Group is one of the world's largest insurance and reinsurance companies, with operations in all the major insurance markets. Formed in Australia in 1886, QBE employs more than 13,000 people and carries on insurance activities in 27 countries, with operations in Australia, Europe, North America, Asia and the Pacific.

The QBE Group is listed on the Australian Securities Exchange and is a for-profit entity.

#### About our history and activities

The Company is a company limited by shares, incorporated on 8 February 2018, and domiciled in Bermuda. The parent entity is QBE Investments (North America), Inc. and the ultimate parent is QBE Insurance Group Limited.

The Company is a wholly owned internal reinsurer for the QBE Group. Based in Bermuda, the Company provides reinsurance protections to the QBE Group's operations around the world. Business written and retained by the Company is within the risk appetite of the QBE Group and is designed to support the management of aggregate exposures to any one large individual risk or catastrophe claim and to optimise the levels of capital held within the QBE Group.

#### About insurance

In simple terms, reinsurance companies help their customers (insurance companies) to manage risk. More broadly put, a reinsurance company creates value by pooling and redistributing risk. This is done by collecting premium from those that it insures (i.e. policyholders), and then paying the claims of the few that call upon their insurance protection. The Company may also choose to reduce some of its own accumulated risk through the use of outward reinsurance (referred to as reinsurance contracts held), which is insurance for insurance companies. As not all policyholders will actually experience a claim event, the effective pooling and redistribution of risk lowers the total cost of risk management, thereby making insurance protection more cost effective for all.

The operating model of reinsurance companies relies on profits being generated by:

- appropriately pricing risk and charging adequate premium to cover the expected payouts that will be incurred over the life of the policy (both claims and operating expenses); and
- earning a return on the collected premium and funds withheld to pay future claims through the adoption of an appropriate investment strategy.

Reinsurance therefore serves a critical function of providing customers with the confidence to achieve their business goals through cost-effective risk management. This is achieved within a highly regulated environment, designed to ensure that reinsurance companies maintain adequate capital to protect the interests of policyholders. The Company is regulated by the Bermuda Monetary Authority, who also liaises with other global regulators including the QBE Group regulator, Australian Prudential Regulatory Authority.

### 1.2 About this report

The Financial Report includes the four primary statements, namely the statement of comprehensive income (which comprises profit or loss and other comprehensive income), balance sheet, statement of changes in equity and statement of cash flows as well as associated notes as required by Australian Accounting Standards, subject to materiality and commercial confidentiality. Disclosures have been grouped into the following categories in order to assist users in their understanding of our financial statements:

1. **Overview** contains information that impacts the Financial Report as a whole.
2. **Underwriting activities** brings together results and balance sheet disclosures relevant to the Company's reinsurance activities.
3. **Investment activities** includes the results and balance sheet disclosures relevant to the Company's investment activities.
4. **Risk management** provides commentary on the Company's exposure to various financial and capital risks, explaining the potential impact on the results and balance sheet and how the Company manages these risks.
5. **Capital structure** provides information about the Company's capital.
6. **Tax** includes required disclosures in relation to the Company's tax balances.
7. **Other** includes additional disclosures required in order to comply with Australian Accounting Standards.

Where applicable within each note, disclosures are further analysed as follows:

- Overview provides some context to assist users in understanding the disclosures.
- Disclosures (both numbers and commentary) provides analysis of balances as required by Australian Accounting Standards.
- How we account for the numbers summarises the accounting policies relevant to an understanding of the numbers.

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

- Critical accounting judgements and estimates explains the key estimates and judgements applied by management in determining the numbers.

The notes include information which the directors believe is required to understand the financial statements and is material and relevant to the operations, balance sheet and results of the Company. Information is considered material and relevant if:

- the amount in question is significant because of its size or nature; and
- it is important to assist an understanding the results of the Company.

## 1.2.1 Basis of preparation

This Financial Report is a general purpose financial report which:

- has been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001;
- complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC);
- has been prepared on a historical cost basis as modified by certain exceptions, the most significant of which are the measurement
- of investments and derivatives at fair value and the measurement of the net insurance contract liabilities at present value;
- is presented in US dollars; and
- is presented with values rounded to the nearest million dollars or, in certain cases, to the nearest thousand dollars.

New and amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are now effective are detailed in note 7.1.

The company has not adopted any Accounting Standards and Interpretations that have been issued or amended but are not yet effective as listed in note 7.1.

Where necessary, comparative information has been restated to conform to the current year's disclosures.

## 1.2.2 Critical accounting judgements and estimates

The preparation of the Company's financial statements requires management to make judgements and estimates that affect amounts reported in the profit or loss and balance sheet. The key areas in which critical estimates and judgements are applied are as follows:

- measurement of insurance and reinsurance contract assets and liabilities (note 2.2);
- recoveries on the group reinsurance covers (note 2.2 and note 3.2); and
- recoverability of deferred tax assets (note 6.2.1)

## C1.2.3 Foreign currency

### Translation of foreign currency transactions and balances

Foreign currency transactions are translated into functional currencies at the spot rates of exchange applicable at the dates of the transactions. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are remeasured at the rates of exchange prevailing at that date. Resulting exchange gains and losses are included in profit or loss.

### Derivatives and hedging transactions

The Company uses derivatives in mitigating risk associated with foreign currency transactions and balances.

### Exchange rates

The principal exchange rates used in the preparation of the financial statements were:

	2023		2022	
	PROFIT OR LOSS	BALANCE SHEET	PROFIT OR LOSS	BALANCE SHEET
A\$/US\$	0.664	0.682	0.693	0.678
£/US\$	1.243	1.275	1.232	1.203



# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

## 2. UNDERWRITING ACTIVITIES

### Overview

This section provides analysis and commentary on the Company's underwriting activities. Underwriting, in simple terms, is the agreement by the reinsurer to assume reinsurance risk in return for a premium paid by the reinsured. The underwriter assesses the quality of the risk and prices it accordingly.

### 2.1 Insurance revenue

### Overview

Insurance revenue reflects the consideration the Company 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.

	NOTE	2023 US\$M	2022 US\$M
<b>Contracts measured under the premium allocation approach</b>			
Insurance revenue from contracts measured under the premium allocation approach		2,719	2,333
<b>Contracts measured under the general model</b>			
Insurance service expenses incurred in the period		14	14
Change in risk adjustment		2	2
Contractual service margin recognised in profit or loss		8	16
Amounts relating to changes in the liability for remaining coverage		24	32
Recovery of insurance acquisition cash flows		-	-
Insurance revenue from contracts measured under the general model		24	32
Insurance revenue		2,743	2,365

### How we account for the numbers

The measurement models applicable to measuring insurance and reinsurance contracts are described in note 2.2.1.

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 contractual service margin ("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 2.2.3.
- 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.

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

## 2.2 Insurance and reinsurance contract assets and liabilities

### Overview

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 Company'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.

	2023			2022 (RESTATED)		
	PREMIUM ALLOCATION APPROACH	GENERAL MODEL	TOTAL	PREMIUM ALLOCATION APPROACH	GENERAL MODEL	TOTAL
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Insurance contract liabilities	6,710	87	6,797	6,248	127	6,375
Reinsurance contract assets	(2,540)	(1,785)	(4,325)	(3,108)	(454)	(3,562)
Net insurance contract liabilities (assets)	4,170	(1,698)	2,472	3,140	(327)	2,813

### How we account for the numbers

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 Company applies the premium allocation approach to most of its insurance contracts on the basis that these eligibility requirements are met. The Company applies the premium allocation approach to its reinsurance contracts, with the exception of loss portfolio transfers, which are measured using the general model.

### Critical accounting judgements and estimates

For contracts with coverage periods greater than one year, QBE'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 in notes 2.2.1 and 2.2.4;
- pattern of coverage units used to determine the earning pattern of the CSM, which includes consideration of the economic value of policyholders' insurable interests and any contractual limits to amounts that can be claimed under

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

the relevant insurance contracts; and

- expected variability in assumptions used, such as changes in discount rates.

## 2.2.1 Movement in the net carrying amounts

### Insurance contract liabilities

	2023				2022 (RESTATED)			
	LIABILITY (ASSET) FOR REMAINING COVERAGE			TOTAL US\$M	LIABILITY (ASSET) FOR REMAINING COVERAGE			TOTAL US\$M
	EXCLUDIN G LOSS COMPONE	LOSS COMPONE	LIABILITY FOR INCURRED CLAIMS		EXCLUDIN G LOSS COMPONE	LOSS COMPONE	LIABILITY FOR INCURRED CLAIMS	
	NT US\$M	NT US\$M	US\$M	NT US\$M	NT US\$M	US\$M		
Insurance contract liabilities at 1 January	1,192	95	5,088	6,375	1,230	180	5,154	6,564
Insurance revenue – contracts under the modified retrospective approach	-	-	-	-	-	-	-	-
Insurance revenue – other contracts	(2,743)	-	-	(2,743)	(2,365)	-	-	(2,365)
Insurance revenue (a)	(2,743)	-	-	(2,743)	(2,365)	-	-	(2,365)
Incurred claims and other attributable expenses	(17)	(43)	1,944	1,884	(81)	(85)	1,956	1,790
Amortisation of insurance acquisition cash flows	3	-	-	3	3	-	-	3
Changes that relate to past service - prior accident years	-	-	6	6	-	-	194	194
Losses on onerous contracts and reversals of those losses	-	91	-	91	-	-	-	-
Insurance service expenses (b) <sup>1</sup>	(14)	48	1,950	1,984	(78)	(85)	2,150	1,987
Insurance service result (a)+(b)	(2,757)	48	1,950	(760)	(2,443)	(85)	2,150	(378)
Insurance finance expenses (income)	(5)	-	133	128	-	-	(196)	(196)
Foreign exchange	(53)	-	(23)	(76)	(90)	-	(315)	(405)
<b>Statement of comprehensive income</b>	<b>(2,815)</b>	<b>48</b>	<b>2,060</b>	<b>(707)</b>	<b>(2,533)</b>	<b>(85)</b>	<b>1,639</b>	<b>(979)</b>
Investment components	(9)	-	9	-	(12)	-	12	-
<b>Cash flows</b>								
Premium received	3,442	-	-	3,442	2,485	-	-	2,485
Claims and expenses paid	-	-	(2,315)	(2,315)	-	-	(1,717)	(1,717)
Acquisition costs paid	2	-	-	2	22	-	-	22
Total cash flows	3,444	-	(2,315)	1,129	2,507	-	(1,717)	790
<b>Insurance contract liabilities at 31 December</b>	<b>1,812</b>	<b>143</b>	<b>4,842</b>	<b>6,797</b>	<b>1,192</b>	<b>95</b>	<b>5,088</b>	<b>6,375</b>

<sup>1</sup> Excludes \$146 million (2022 \$163 million) of insurance service expenses which represent movements in assets and liabilities that do not form part of the insurance contract liabilities on the balance sheet.

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

## Reinsurance contract assets

	2023				2022			
	ASSET FOR REMAINING COVERAGE			TOTAL US\$M	ASSET FOR REMAINING COVERAGE			TOTAL US\$M
EXCLUDING LOSS-RECOVERY COMPONENT NT US\$M	LOSS-RECOVERY COMPONENT NT US\$M	RECOVERIES OF CLAIMS INCURRED US\$M	EXCLUDING LOSS-RECOVERY COMPONENT NT US\$M		LOSS-RECOVERY COMPONENT NT US\$M	RECOVERIES OF CLAIMS INCURRED US\$M		
Reinsurance contract assets at 1 January	337	–	3,225	3,562	307	–	3,388	3,695
Reinsurance expenses (a)	(1,563)	–	–	(1,563)	(982)	–	–	(982)
Recovery of incurred claims and other expenses	(11)	–	781	770	(51)	–	660	609
Changes in credit risk	–	–	3	3	–	–	10	10
Changes that relate to past service - prior accident years	–	–	149	149	–	–	232	232
Recovery of losses on onerous contracts and reversals of those recoveries	–	–	–	–	–	–	–	–
Reinsurance income (b)	(11)	–	933	922	(51)	–	902	851
Insurance service result (a)+(b)	(1,574)	–	933	(641)	(1,033)	–	902	(131)
Reinsurance finance income (expense)	75	–	60	135	(24)	–	(109)	(133)
Foreign exchange	(38)	–	(17)	(55)	(312)	–	95	(217)
<b>Statement of comprehensive income</b>	<b>(1,537)</b>	<b>–</b>	<b>976</b>	<b>(561)</b>	<b>(1,369)</b>	<b>–</b>	<b>888</b>	<b>(481)</b>
Investment components	–	–	–	–	–	–	–	–
Transfer from other financial asset	–	–	34	34	–	–	–	–
<b>Cash flows</b>								
Premium paid net of ceding commissions received	2,670	–	–	2,670	1,399	–	–	1,399
Recoveries and taxes received	–	–	(1,380)	(1,380)	–	–	(1,051)	(1,051)
Total cash flows	2,670	–	(1,380)	1,290	1,399	–	(1,051)	348
<b>Reinsurance contract assets at 31 December</b>	<b>1,470</b>	<b>–</b>	<b>2,855</b>	<b>4,325</b>	<b>337</b>	<b>–</b>	<b>3,225</b>	<b>3,562</b>

### How we account for the numbers

The asset or liability for remaining coverage under the premium allocation approach is measured as premiums received net of unamortised acquisition cash flows and amounts recognised as insurance revenue for coverage that has been provided. 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 asset or liability for remaining coverage under the general measurement model is measured as the sum of:

- the present value of future cash flows that are expected to arise as the Company fulfils the contracts, which mainly comprise premium, claims and attributable expenses;
- a risk adjustment for non-financial risk (note 2.2.4); and
- a contractual service margin, 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. 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 (and corresponding recoveries of incurred claims) is measured as the fulfilment cash flows (sum of the 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.

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

## Critical accounting judgements and estimates

The determination of the amounts that the Company 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 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 estimation of IBNR and IBNER is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims that have been reported to the Company but are not yet paid, for which more information about claims is generally available. The notification and settlement of claims relating to liability and other long-tail classes of business may not happen for many years after the event giving rise to the claim. As a consequence, liability and other long-tail classes typically display greater variability between initial estimates and final settlement due to delays in reporting claims and uncertainty in respect of court awards and future claims inflation. Claims in respect of property and other short-tail classes are typically reported and settled soon after the claim event, giving rise to more certainty.

Estimates of future cash flows for each class of business are determined using a variety of estimation techniques, generally based on an analysis of historical experience and with reference to external benchmarks where relevant. The cash flows are discounted to present value using appropriate discount rates as described in note 2.2.5.

### 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 Company has considered management information for 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 Company'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.

## 2.2.2 Movement in the net liability for incurred claims

	2023			2022 (RESTATED)		
	PREMIUM ALLOCATION APPROACH US\$M	GENERAL MODEL US\$M	TOTAL US\$M	PREMIUM ALLOCATION APPROACH US\$M	GENERAL MODEL US\$M	TOTAL US\$M
<b>Net liability for incurred claims</b>						
Insurance contract liabilities	4,812	30	4,842	5,030	58	5,088
Reinsurance contract assets	(2,695)	(160)	(2,855)	(3,187)	(38)	(3,225)
<b>Net liability for incurred claims</b>	<b>2,117</b>	<b>(130)</b>	<b>1,987</b>	1,843	20	1,863

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

The movements in the net liability for incurred claims for contracts measured under the premium allocation approach are analysed in the tables below:

## Insurance contract liabilities

	2023			2022 (RESTATED)		
	PRESENT VALUE OF FUTURE CASH FLOWS US\$M	RISK ADJUSTMENT US\$M	LIABILITY FOR INCURRED CLAIMS US\$M	PRESENT VALUE OF FUTURE CASH FLOWS US\$M	RISK ADJUSTMENT US\$M	LIABILITY FOR INCURRED CLAIMS US\$M
Insurance contract liabilities at 1 January	4,506	524	5,030	4,584	476	5,060
Incurred claims and other attributable expenses	1,953	104	2,057	1,928	151	2,079
Changes that relate to past service - prior accident years	6	(100)	(94)	194	(97)	97
Insurance service expenses	1,959	4	1,963	2,122	54	2,176
Insurance service result	1,959	4	1,963	2,122	54	2,176
Insurance finance expenses	146	(13)	133	(194)	-	(194)
Foreign exchange	(23)	15	(8)	(303)	(6)	(309)
<b>Statement of comprehensive income</b>	<b>2,082</b>	<b>6</b>	<b>2,088</b>	<b>1,625</b>	<b>48</b>	<b>1,673</b>
Investment components	7	-	7	11	-	11
<b>Cash flows</b>						
Claims and expenses paid	(2,313)	-	(2,313)	(1,714)	-	(1,714)
<b>Insurance contract liabilities at 31 December</b>	<b>4,282</b>	<b>530</b>	<b>4,812</b>	<b>4,506</b>	<b>524</b>	<b>5,030</b>

## Reinsurance contract assets

	2023			2022 (RESTATED)		
	PRESENT VALUE OF FUTURE CASH FLOWS US\$M	RISK ADJUSTMENT US\$M	RECOVERIES OF INCURRED CLAIMS US\$M	PRESENT VALUE OF FUTURE CASH FLOWS US\$M	RISK ADJUSTMENT US\$M	RECOVERIES OF INCURRED CLAIMS US\$M
Reinsurance contract assets at 1 January	2,922	240	3,162	3,127	245	3,372
Recovery of incurred claims and other expenses	303	66	369	532	29	561
Changes in credit risk	3	-	3	10	-	10
Changes that relate to past service - prior accident years	149	(114)	35	232	(9)	223
Reinsurance income	455	(48)	407	774	20	794
Insurance service result	455	(48)	407	774	20	794
Reinsurance finance income (expense)	67	2	69	(109)	-	(109)
Foreign exchange	(17)	-	(17)	116	-	116
<b>Statement of comprehensive income</b>	<b>505</b>	<b>(46)</b>	<b>459</b>	<b>781</b>	<b>20</b>	<b>801</b>
Investment components	-	-	-	-	-	-
Transfer from other financial asset	34	-	34	-	-	-
<b>Cash flows</b>						
Recoveries and taxes received	(960)	-	(960)	(986)	-	(986)
Total cash flows	(960)	-	(960)	(986)	-	(986)
<b>Reinsurance contract assets at 31 December</b>	<b>2,501</b>	<b>195</b>	<b>2,695</b>	<b>2,922</b>	<b>265</b>	<b>3,187</b>

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

## 2.2.3 Analysis of contracts measured under the general model

### Insurance contract liabilities

	2023				2022 (RESTATED)			
	PRESENT VALUE OF FUTURE CASH FLOWS US\$M	RISK ADJUSTMENT US\$M	CONTRACTUAL SERVICE MARGIN US\$M	TOTAL US\$M	PRESENT VALUE OF FUTURE CASH FLOWS US\$M	RISK ADJUSTMENT US\$M	CONTRACTUAL SERVICE MARGIN US\$M	TOTAL US\$M
Insurance contract liabilities at 1 January	68	20	38	126	104	24	58	186
<b>Changes that relate to current service</b>								
Contractual service margin release for services provided	-	-	(8)	(8)	-	-	(16)	(16)
Changes in risk adjustment	-	(17)	-	(17)	-	(4)	-	(4)
Experience adjustments	8	-	-	8	4	-	-	4
	8	(17)	(8)	(17)	4	(4)	(16)	(16)
<b>Changes that relate to future service</b>								
Contracts initially recognised in the period	(4)	-	4	-	(8)	1	7	-
Changes that adjust the contractual service margin	12	2	(14)	-	8	1	(9)	-
Losses on onerous contracts and reversals of those losses	-	-	-	-	-	-	-	-
	8	2	(10)	-	-	2	(2)	-
<b>Changes that relate to past service</b>								
Adjustments to liability for incurred claims	(34)	-	-	(34)	(43)	-	-	(43)
	(18)	(15)	(18)	(51)	(39)	(2)	(18)	(59)
Insurance service result	(18)	(15)	(18)	(51)	(39)	(2)	(18)	(59)
Insurance finance expenses	1	-	1	2	(3)	-	1	(2)
Foreign exchange	-	-	-	-	(9)	(2)	(3)	(14)
<b>Statement of comprehensive income</b>	<b>(17)</b>	<b>(15)</b>	<b>(17)</b>	<b>(49)</b>	<b>(51)</b>	<b>(4)</b>	<b>(20)</b>	<b>(75)</b>
Investment components	1	-	-	1	1	-	-	1
<b>Cash flows</b>								
Premium received	11	-	-	11	20	-	-	20
Claims and expenses paid	(2)	-	-	(2)	(3)	-	-	(3)
Acquisition costs paid	-	-	-	-	(3)	-	-	(3)
Total cashflows	9	-	-	9	14	-	-	14
<b>Insurance contract liabilities at 31 December</b>	<b>61</b>	<b>5</b>	<b>21</b>	<b>87</b>	<b>68</b>	<b>20</b>	<b>38</b>	<b>126</b>

### Contracts initially recognised in the period

The following table provides an analysis of contracts measured under the general model that were initially recognised in the period:

	2023		2022 (RESTATED)	
		TOTAL US\$M		TOTAL US\$M
Insurance acquisition cash flows		21		112
Claims and other insurance service expenses payable		67		18
Estimates of the present value of future cash outflows		88		130
Estimates of the present value of future cash inflows		(135)		(235)
Risk adjustment		11		18
Contractual service margin		36		87
Movement in insurance contract liabilities		-		-

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

## Contractual service margin by transition method

The following table provides an analysis of contractual service margin by transition method:

	2023			2022 (RESTATED)		
	CONTRACTS UNDER THE MODIFIED RETROSPECTIVE TRANSITION APPROACH	OTHER CONTRACTS	TOTAL	CONTRACTS UNDER THE MODIFIED RETROSPECTIVE TRANSITION APPROACH	OTHER CONTRACTS	TOTAL
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
At 1 January	20	18	38	58	-	58
<b>Changes that relate to current service</b>						
Contractual service margin release for services provided	(5)	(3)	(8)	(6)	(10)	(16)
<b>Changes that relate to future service</b>						
Contracts initially recognised in the period	(1)	5	4	(21)	28	7
Changes in estimates that adjust the contractual service margin	(13)	(1)	(14)	(9)	-	(9)
Insurance service result	(19)	1	(18)	(36)	18	(18)
Insurance finance income (expenses)	-	1	1	1	-	1
Foreign exchange	-	-	-	(3)	-	(3)
Statement of comprehensive income	(19)	2	(17)	(38)	18	(20)
At 31 December	1	20	21	20	18	38

## Reinsurance contract assets

	2023				2022 (RESTATED)			
	PRESENT VALUE OF FUTURE CASH FLOWS US\$M	RISK ADJUSTMENT US\$M	CONTRACTUAL SERVICE MARGIN US\$M	TOTAL US\$M	PRESENT VALUE OF FUTURE CASH FLOWS US\$M	RISK ADJUSTMENT US\$M	CONTRACTUAL SERVICE MARGIN US\$M	TOTAL US\$M
	<b>Reinsurance contract assets at 1 January</b>	415	39	-	454	171	14	-
<b>Changes that relate to current service</b>								
Contractual service margin release for services provided	-	-	-	-	-	-	-	-
Changes in risk adjustment	-	1	-	1	-	(7)	-	(7)
Experience adjustments	-	-	-	-	-	-	-	-
	-	1	-	1	-	(7)	-	(7)
<b>Changes that relate to future service</b>								
Contracts initially recognised in the period	(235)	93	-	(142)	(111)	27	-	(84)
Changes in estimates that do not adjust the contractual service margin	65	5	-	70	63	5	-	68
Recovery of onerous contract losses and reversals of those recoveries	-	-	-	-	-	-	-	-
	(170)	98	-	(72)	(48)	32	-	(16)
<b>Changes that relate to past service</b>								
Adjustments to recoveries on incurred claims	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Reinsurance service result	(170)	99	-	(71)	(48)	25	-	(23)
Reinsurance finance income (expenses)	83	(9)	-	74	(25)	-	-	(25)
Foreign exchange	33	-	-	33	(3)	-	-	(3)
Statement of comprehensive income	(54)	90	-	36	(76)	25	-	(51)
Investment components	-	-	-	-	-	-	-	-
<b>Cash flows</b>								
Premium paid net of ceding commissions received	1,715	-	-	1,715	390	-	-	390
Recoveries received	(420)	-	-	(420)	(70)	-	-	(70)
Total cash flows	1,295	-	-	1,295	320	-	-	320
<b>Reinsurance contract assets at 31 December</b>	<b>1,656</b>	<b>129</b>	<b>-</b>	<b>1,785</b>	<b>415</b>	<b>39</b>	<b>-</b>	<b>454</b>



# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

## Contracts initially recognised in the period

The following table provides an analysis of contracts measured under the general model that were initially recognised in the period:

	2023	2022 (RESTATED)
	TOTAL US\$M	TOTAL US\$M
Estimates of the present value of future cash outflows	1,736	390
Estimates of the present value of future cash inflows	(1,505)	(295)
Risk adjustment	(121)	(27)
Contractual service margin	-	-
Movement in reinsurance contract assets	110	68

## 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 81.5%. The net liability for incurred claims includes assumed and ceded loss portfolio transfer contracts.

### 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 Group's weighted average cost of economic capital allocated to earned reserve risk of the Company. The risk adjustment also reflects the benefit from the diversification of risk classes and geographical allocations 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, which is then allocated to the Company based on the relative uncertainty of its reserves compared to the rest of the Group.

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

### Critical accounting judgements and estimates

The risk adjustment represents the compensation the Company 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 Group 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 across the QBE Group; and
- the level of uncertainty in the central estimate due to estimation error, data quality, variability of key inflation assumptions, and possible economic and legislative changes.

The uncertainty by class of business is measured using techniques that determine a range of possible outcomes of ultimate payments and assign a likelihood to outcomes at different levels. These techniques generally use standard statistical distributions, and the measure of variability is referred to as the coefficient of variation.

The allocation of risk adjustment to the Company is based on the Company's standard deviation relative to the mean (central estimate) where the mean represents the expected future cashflows.

The confidence level for the Company is determined by analysing the variability of each class of business and the correlation between classes of business. Correlations are determined for aggregations of classes of business, where appropriate. The

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

correlations adopted by the Company are generally derived from industry analysis, the Company's historical experience, and the judgement of experienced and qualified actuaries.

## 2.2.5 Discount rates used to estimate the present value of future cash flows

### Overview

Claims in relation to long-tail classes of business (e.g. professional indemnity and workers' compensation) typically may not settle for many years. As such, the liability is discounted to reflect the time value of money. The table below summarises the weighted average discount rate for each operating segment.

The following yield curves were used to discount the estimates of future cash flows:

AASB 17.120

	2023			2022 (RESTATEd)		
	1 YEAR	5 YEARS	10 YEARS	1 YEAR	5 YEARS	10 YEARS
Australian dollar	4.53%	3.95%	4.29%	3.58%	4.00%	4.41%
US dollar	5.55%	4.23%	4.20%	5.14%	4.43%	4.26%
Sterling	5.18%	3.68%	3.92%	3.51%	3.90%	4.01%
Euro	3.84%	2.21%	2.34%	2.41%	2.77%	2.86%
Hong Kong dollar	4.58%	3.46%	3.55%	4.30%	4.09%	4.00%
New Zealand dollar	5.79%	4.51%	4.70%	5.77%	5.02%	4.84%
Canadian dollar	5.19%	3.46%	3.42%	4.84%	3.73%	3.64%

### How we account for the numbers

AASB 17 *Insurance Contracts* requires the estimates of future cash flows to be discounted to reflect the time value of money and financial risks related to those cash flows. 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 insurance contracts.

### Critical accounting judgements and estimates

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.

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

## 2.2.6 Maturity profile of the net insurance contract liabilities

### Overview

The maturity profile is the Company's expectation of the period over which the cash flows arising from insurance and reinsurance contracts will be settled. The Company uses this information to ensure that it has adequate liquidity to pay claims and expenses as they are due to be settled and to inform the Company's investment strategy.

### Expected timing of settlement of the present value of future cash flows

The following table summarises the expected maturity profile of the present value of future cash flows within the Company's insurance and reinsurance contract assets and liabilities.

	1 YEAR OR LESS US\$M	13 TO 24 MONTHS US\$M	25 TO 36 MONTHS US\$M	37 TO 48 MONTHS US\$M	49 TO 60 MONTHS US\$M	OVER 5 YEARS US\$M	TOTAL US\$M
<b>2023</b>							
Insurance contract liabilities	2,545	1,370	889	631	431	931	6,797
Reinsurance contract assets	1,559	936	595	390	283	562	4,325
<b>2022 (RESTATED)</b>							
Insurance contract liabilities	2,438	1,382	850	564	387	753	6,374
Reinsurance contract assets	1,507	826	450	298	169	312	3,562

There were no amounts payable on demand at the balance date (2022 nil).

### Expected timing of contractual service margin release

The following table sets out when the Company expects to recognise the remaining contractual service margin in profit or loss:

	2023				2022 (RESTATED)			
	1 YEAR OR LESS US\$M	2 TO 5 YEARS US\$M	MORE THAN 5 YEARS US\$M	TOTAL US\$M	1 YEAR OR LESS US\$M	2 TO 5 YEARS US\$M	MORE THAN 5 YEARS US\$M	TOTAL US\$M
Insurance contracts issued	4	12	5	21	11	20	7	38
Reinsurance contracts held	-	-	-	-	-	-	-	-

## 2.2.7 Impact of changes in key variables on the net insurance contract liabilities

### Overview

The impact of changes in key variables used in the calculation of the net insurance contract liabilities is summarised in the table below and is shown gross and net of reinsurance held. Each change has been calculated in isolation from the other changes and shows the after-tax impact on profit or loss assuming that there is no change to any of the other variables. In practice, this is considered unlikely to occur as, for example, an increase in interest rates is normally associated with an increase in the rate of inflation. Over the medium to longer term, the impact of a change in discount rates is expected to be largely offset by the impact of a change in the rate of inflation.

The sensitivities below assume that all changes directly impact profit after tax. In practice, if the present value of future cash flows was to increase, it is possible that part of the increase may result in an offsetting change in the level of risk adjustment required rather than in a change to profit or loss after tax, depending on the nature of the change in the cash flow estimate and risk outlook.

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

	SENSITIVITY %	PROFIT (LOSS)			
		GROSS		NET	
		2023 US\$M	2022 US\$M	2023 US\$M	2022 US\$M
Present value of future cash flows	+5	(190)	(201)	(14)	(60)
	-5	190	201	14	60
Risk adjustment	+5	(25)	(28)	(9)	(11)
	-5	25	28	9	11
Inflation rate	+1	(76)	(82)	8	(58)
	-1	80	87	(9)	47
Discount rate <sup>1</sup>	+1	80	87	(9)	47
	-1	(76)	(82)	8	(58)
Weighted average term to settlement	+10	57	56	19	27
	-10	(58)	(58)	(19)	(28)

<sup>1</sup> The impact of reasonably possible changes in interest rates on interest-bearing financial assets owned by the Company at the balance date is shown in note 4.4.

## 2.3 Claims development – net liability for incurred claims

### Overview

The claims development table demonstrates the extent to which the original estimate of net ultimate claims payments in any one accident year (item (a) in the table below) has subsequently developed favourably (i.e. claims cost estimates have reduced) or unfavourably (i.e. further claims expense has been recognised in subsequent years). This table therefore illustrates the variability and inherent uncertainty in estimating the expected claims cash flows each year. The ultimate claims cost for any particular accident year is not known until all claims payments have been made which, for some long-tail classes of business, could be many years into the future. The estimate of net ultimate claims payments at the end of each subsequent accident year demonstrates how the original estimate has been revised over time (b).

Cumulative net claims payments (d) are deducted from the estimate of net ultimate claims payments in each accident year (c) at the current balance date, resulting in the undiscounted claims estimate at a fixed rate of exchange (e). This is revalued to the balance date rate of exchange (f) to report the net undiscounted claims estimate (g), which is reconciled to the net liability for incurred claims (h). The treatment of foreign exchange in the claims development table is explained below.

The net increase (decrease) in estimated net ultimate claims payments (i) reflects the estimated ultimate net claims payments at the end of the current financial year (c) less the equivalent at the end of the previous financial year (b).

The claims development table is presented net of reinsurance.

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

		2018 & Prior	2019	2020	2021	2022	2023	Total
Net ultimate claims payments <sup>1</sup>		US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
(a)	Original estimate of net ultimate claims payments		981	776	679	1,080	1,152	4,668
(b)	One year later		1,213	637	806	1,083	-	3,739
	Two years later		1,136	727	854	-	-	2,717
	Three years later		1,187	701	-	-	-	1,888
	Four years later		1,207	-	-	-	-	1,207
(c)	Current estimate of net ultimate claims payments		1,207	701	854	1,083	1,152	4,997
(d)	Cumulative net payments to date		(1,068)	(619)	(641)	(623)	(263)	(3,214)
(e)	Net undiscounted central estimate at fixed rate of exchange	(88)	139	82	214	460	889	1,696
(f)	Foreign exchange impact							(20)
	Provision for impairment							4
(g)	Net undiscounted central estimate at 31 Dec 2023							1,680
	Discount to present value							(168)
	DivRI Adjustment	57	-	57	55	28	-	197
	Other attributable cash flows	-	-	-	-	-	-	(28)
	Risk adjustment	-	-	-	-	-	-	306
(h)	Net liability for incurred claims at 31 Dec 2023 (note 2.2.2)	-	-	-	-	-	-	1,987
(i)	Movement in estimated net ultimate claims payments	4	20	(26)	49	3	1,152	1,201

## How we account for the numbers

The estimate of net ultimate claims payments attributable to business acquired is included in the claims development table in the accident year in which the acquisition was made. This includes the acquisition of net outstanding claims liabilities via loss portfolio transfers.

The Company writes business in many currencies. The translation of estimated net ultimate claims payments denominated in foreign currencies gives rise to foreign exchange movements which have no direct bearing on the development of the underlying claims. To eliminate this distortion, estimated net ultimate claims payments have been translated to the functional currencies of our controlled entities at constant rates of exchange. All estimates of ultimate claims payments for the 10 most recent accident years reported in functional currencies other than US dollars have been translated to US dollars using 2023 average rates of exchange.

## 2.4 Other receivables

### Overview

Treasury and investment receivables are amounts due from counterparties in settlement of treasury and investment transactions.

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 US\$M	2022 US\$M
Amounts due from related entities <sup>1</sup>	467	572
Investment receivables	21	26
Other receivables	1	1
Trade and other receivables	489	599
Receivable within 12 months	489	599
Receivable in greater than 12 months	–	–
Trade and other receivables	489	599

1 Included in amounts due from related entities are three loans totalling \$467 million (2022 \$570 million) to QBE Strategic Capital (Europe) Limited, on commercial terms. All three loans with QBE Strategic Capital (Europe) Limited have been rolled until 17 November 2024 with an interest rate of 5.76% (2 loans totalling \$421 million) and 6.49% (\$46 million loan).

Due to the predominantly short-term nature of these receivables, the carrying value is assumed to approximate the fair value.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables. As at 31 December 2023, no receivables are pledged by the Company as collateral for liabilities. Information on the ageing and credit rating of these balances is included in note 4.3.

## How we account for the numbers

Receivables are recognised initially at fair value and are subsequently measured at amortised cost less any impairment.

Receivables are assessed for impairment based on both incurred and expected credit losses, the impacts of which are not material. Any increase or decrease in the provision for impairment is recognised in profit or loss within non attributable expenses.

## 2.5 Other payables

### Overview

Treasury and investment payables are amounts due to counterparties in settlement of treasury and investment transactions.

	2023 US\$M	2022 US\$M
Other payables and accrued expenses	9	9
Investment payables	4	2
Amounts due to related entities	89	1
Trade and other payables	102	12
Payable within 12 months	102	12
Payable in greater than 12 months	–	–
Trade and other payables	102	12

## How we account for the numbers

Trade payables are recognised initially at their fair value.

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

## 3. INVESTMENT ACTIVITIES

### Overview

Premiums collected from policyholders are invested to meet the Company's cash flow needs to pay claims and other expenses, as well as generating a return that contributes to the Company's profitability. A sound investment strategy is therefore integral to the success of the Company's operations.

The Company invests across a diversified range of instruments to achieve an appropriate balance between risk and return. Decisions on where to invest are dependent on expected returns, cash flow requirements of the Company, liquidity of the instrument, credit quality of the instrument, and the Company's overall risk appetite. Further details on the management of risk associated with investment assets can be found in note 4.

The Company's investment assets are categorised as either backing policyholders' or shareholders' funds, with the former being investment assets which back insurance liabilities whilst the latter comprises all other investment assets.

### 3.1 Investment income

	2023 US\$M	RESTATED 2022 US\$M
Income on growth assets	16	9
Income (loss) on fixed interest securities, short-term money and cash <sup>1</sup>	191	(86)
(Loss) on other financial assets	(153)	(163)
Gross investment income (loss)	54	(240)
Investment expenses	(4)	(3)
Net investment income (loss)	50	(243)
Foreign exchange movement	(13)	7
Total investment income (loss)	37	(236)
Investment income (loss) – policyholders' funds	(51)	(197)
Investment expenses – policyholders' funds	(2)	(2)
Investment income (loss) – shareholders' funds	92	(36)
Investment expenses – shareholders' funds	(2)	(1)
Total investment income (loss)	37	(236)

<sup>1</sup> Includes intercompany interest income of \$27 million (2022 interest income of \$14 million)

### How we account for the numbers

Interest income is recognised in the period in which it is earned. Dividends and distributions are recognised when the right to receive payment is established. Investment income includes realised and unrealised gains or losses on financial assets which are reported on a combined basis as fair value gains or losses on financial assets.

# Notes to the consolidated financial statements

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## 3.2 Investment assets

	2023 US\$M	2022 US\$M
<b>Fixed income</b>		
Short-term money	501	448
Government bonds	571	407
Corporate bonds	1,621	1,644
Emerging Market Debt	136	143
High Yield Debt	73	78
	<b>2,902</b>	<b>2,720</b>
<b>Growth assets</b>		
Developed market equity	51	11
Emerging market equity	–	17
Unlisted property trusts	44	54
Infrastructure assets	174	163
	<b>269</b>	<b>245</b>
<b>Other financial assets</b>	<b>197</b>	<b>384</b>
<b>Total investments</b>	<b>3,368</b>	<b>3,349</b>
Amounts maturing within 12 months	1,117	1,531
Amounts maturing in greater than 12 months	2,251	1,818
<b>Total investments</b>	<b>3,368</b>	<b>3,349</b>

### How we account for the numbers

Investments are required to be measured at fair value through profit or loss. They are initially recognised at the cost of acquisition excluding transaction costs and are subsequently remeasured to fair value through profit or loss at each reporting date. The fair value hierarchy and the Company's approach to measuring the fair value of each investment instrument is disclosed in note 3.2.1.

All purchases and sales of investments that require delivery of the asset within the timeframe established by regulation or market convention are recognised at trade date, being the date on which the Company commits to buy or sell the asset. Investments are derecognised when the right to receive future cash flows from the asset has expired or has been transferred and the Company has transferred substantially all the risks and rewards of ownership.

#### Group Aggregate Risk Cover

In 2016, the Company entered into agreements with each QBE division, whereby the divisions reassigned their rights to recoveries under the external Group Aggregate Risk (GAR) reinsurance program, across accident years with effective dates 1 January 2011 through 2014, to the Company. In exchange for this reassignment of recoveries, the Company paid cash to each division, equivalent to the discounted central estimate of their share of the GAR recovery at the date of the rights reassignment.

The amount recognised as other financial assets represents the portion of the GAR asset that does not directly relate to the underwriting activities of the Company and henceforth any gain or loss on the asset (relating to divisional claims experience) is recognised in the statement of comprehensive income as investment and other income related to shareholder funds.

The asset is classified as a 'financial asset held at fair value through profit and loss' according to AASB 9. The asset is presented under "Other Financial Assets" in the tables above and below.

#### 2020 to 2023 QBE Group Reinsurance Covers

In 2020, 2021, 2022 and 2023, the Company assumed gross outstanding claims provisions from the divisions which contribute to recoveries on certain QBE Group reinsurance treaties. In addition, each of the divisions has applicable retained losses that contribute to recoveries on these QBE Group reinsurance treaties. All the recoveries are recovered by the Company.

The recoveries have been split into the share that relates to the Company's claims and the portion that relates to the claims retained in the divisions. The Company's share of the recoveries are accounted for as a reinsurance asset. The divisional portions of the recoveries are reported as a financial asset rather than a reinsurance asset. This is because the asset value is based on divisional claims, which have no impact on the Company's underwriting profit and loss or balance sheet.

The asset is classified as a 'financial asset held at fair value through profit and loss' according to AASB 9. The asset is presented under "Other Financial Assets" in the tables above and below.



# Notes to the consolidated financial statements

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## 3.2.1 Fair value hierarchy

### Overview

The Company's Board Risk and Capital Committee is responsible for the governance and oversight of the investment valuation process. The fair value of investments is determined in accordance with the Company's investment valuation policy. This Board committee reviews the advice and recommendation of the Management Investment and Capital Committee.

The investments of the Company are disclosed in the table below using a fair value hierarchy which reflects the significance of inputs into the determination of fair value as follows:

**Level 1:** Valuation is based on quoted prices in active markets for the same instruments.

**Level 2:** Valuation is based on quoted prices for identical instruments in markets which are not active, quoted prices for similar instruments, or valuation techniques for which all significant inputs are based on observable market data, for example, consensus pricing using broker quotes or valuation models with observable inputs.

**Level 3:** Valuation techniques are applied in which one or more significant inputs are not based on observable market data.

	2023				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
<b>Fixed income</b>								
Short-term money	10	491	–	501	16	432	–	448
Government bonds	405	166	–	571	213	194	–	407
Corporate bonds	–	1,621	–	1,621	–	1,644	–	1,644
Emerging Market Debt	–	136	–	136	–	143	–	143
High Yield Debt	–	73	–	73	–	78	–	78
	<b>415</b>	<b>2,487</b>	<b>–</b>	<b>2,902</b>	<b>229</b>	<b>2,491</b>	<b>–</b>	<b>2,720</b>
<b>Growth assets</b>								
Developed market equity	51	–	–	51	11	–	–	11
Emerging market equity	–	–	–	–	17	–	–	17
Unlisted property trusts	–	–	44	44	–	–	54	54
Infrastructure assets	–	–	174	174	–	–	163	163
	<b>51</b>	<b>–</b>	<b>218</b>	<b>269</b>	<b>28</b>	<b>–</b>	<b>217</b>	<b>245</b>
Other financial assets	–	–	197	197	–	–	384	385
<b>Total investments</b>	<b>466</b>	<b>2,487</b>	<b>415</b>	<b>3,368</b>	<b>257</b>	<b>2,491</b>	<b>601</b>	<b>3,349</b>

The Company'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 a level 1 fair value measurement. Term deposits are valued at par and are classified as level 2 fair value measurement. 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 and is categorised as a level 2 measurement.

#### Government bonds, corporate bonds, emerging market debt and high yield debt

Government bonds, corporate bonds and high yield debt are valued based on quoted process sourced from external data providers. The fair value categorisation of these assets is based on the observability of the inputs.

#### Developed market equity and emerging market equity

These assets mainly comprise listed equities traded in active markets valued by reference to quoted bid prices.

#### Unlisted property trusts and infrastructure assets

These assets are valued using current unit process 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.

#### Other financial assets

The financial asset is not actively traded and therefore no external price or benchmark exists. It is valued using commonly accepted actuarial valuation techniques taking into consideration the value of the underlying assets upon which the financial asset is based, and the expected timing of future cashflows relating to this asset.

# Notes to the consolidated financial statements

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## Movements in level 3 investments

The following table provides an analysis of investments valued with reference to level 3 inputs.

LEVEL 3	2023 US\$M	2022 US\$M
At 1 January	601	756
Purchases	5	–
Disposals	(9)	(1)
Fair value movement recognised in profit or loss	(148)	(154)
Transfer to reinsurance asset	(34)	–
Foreign exchange	–	–
At 31 December	415	601

### 3.2.2 Charges over investments and restrictions on use

Included in investments are amounts totalling \$1,074 million (2022 \$1,906 million) which are held in portfolio trust funds for the benefit of various QBE ceding affiliates. These funds can only be used to settle such recoverable amounts and amounts cannot be withdrawn from the funds without the permission of the respective QBE ceding affiliate.

# Notes to the consolidated financial statements

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## 4. RISK MANAGEMENT

### Overview

The Company is in the business of managing risk. The Company's ability to satisfy policyholder needs is central to what we do. The Company aims to generate wealth and maximise returns for its shareholder by pursuing opportunities that involve risk. Our people are responsible for ensuring that the Company's risks are identified, managed and controlled on a day-to-day basis. The Company aims to understand and manage its risk in order to provide increased certainty and improved outcomes for all stakeholders.

The Company employs QBE's consistent and integrated approach to Enterprise Risk Management (ERM). QBE's global risk management framework sets out the approach to managing key risks effectively and delivering strategic objectives whilst taking into account the creation of value for shareholders. QBE's risk management framework is articulated in QBE Group Risk Management Strategy (RMS) and Reinsurance Management Strategy (ReMS), both of which are approved annually by the QBE Group Board and lodged with APRA and shared with the BMA.

The ERM framework consists of complementary elements that are embedded throughout the business management cycle and culture of the organisation. Key aspects include strategic planning, risk appetite and capital management; risk governance, monitoring and reporting; risk identification, measurement and mitigation; risk management systems, risk management skills and capabilities; and risk culture.

Risk Management is a continuous process and an integral part of robust business management. The Company's approach is to integrate risk management into the broader management processes of the organisation. Specifically, the management of risk must occur at each point in the business management cycle.

The Company's strategy for managing risk is to:

- achieve competitive advantage by better understanding the risk environments in which we operate;
- operate within our stated risk appetites and effectively allocate capital and resources by assessing the balance of risk and reward;
- avoid unwelcome surprises to the achievement of business objectives by reducing uncertainty and volatility through the identification and management of risks.

The framework is supported by a suite of risk policies that detail the Company's approach to the following key risk categories used by the Company to classify risk:

- Strategic risk (note 4.1)
- Insurance risk (note 4.2)
- Credit risk (note 4.3)
- Market risk (note 4.4)
- Liquidity risk (note 4.5)
- Operational risk (note 4.6)
- Compliance risk (note 4.7)

### 4.1 Strategic risk

#### Overview

Strategic risk is the current and prospective impact on earnings and/or capital as a result of strategic business decisions or responsiveness to external change. The Company classifies strategic risk into six subcategories, as follows:

- Performance risk: The Company is not able to achieve its performance objectives.
- Capital risk: The Company's structure and availability of capital does not meet regulatory requirements and/or support strategic initiatives.
- Reputational risk: The Company's stakeholders have a negative perception of the Company's brand which may damage the Company's reputation and threaten overall performance.
- Environmental, Social and Governance (ESG) risk: Negative impact to the Company's strategic priorities or objectives by environmental (including climate change), social or governance issues.

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

- Emerging risk: New or future risks which are difficult to assess but may have a significant impact to the Company or the markets it operates in.

The Company's approach to managing strategic risk is summarised below.

## Performance risk

Failure to deliver acceptable performance can result in stakeholders losing confidence in the Company, impacting our reputation and ultimately impacting our ability to deliver our strategic objectives.

The Company evaluates performance risk by assessing potential earnings volatility against its risk appetite and considering the changing levels of risk in its business plan. The plan is supported by an established regime of attestations by the chief actuary, chief financial officer, VP Treaty Underwriter and Head of Risk & Compliance, enabling action prior to signing off the business plan and making market commitments. Performance risk is monitored throughout the year against committed business plans (supported by performance monitoring and mid-year risk reviews).

## Capital risk

The Company's objective when managing capital is to maintain an optimal capital structure to generate an acceptable return on capital whilst meeting capital adequacy requirements, providing security for policyholders, and continuing to provide returns to its shareholder.

Where appropriate, adjustments are made to capital levels in light of changes in economic conditions and risk characteristics of the Company. In order to maintain or adjust the capital structure, the Company has the option to adjust the amount of dividends paid to the shareholder, return capital or issue new shares.

The Company uses an economic capital model (ECM) to assess the level of capital required for the underwriting, claims estimation, credit, market, liquidity and operational risk to which it is exposed. Economic capital is determined as the level of capital that the Company needs to ensure that it can, with a pre-specified probability, satisfy its ultimate policyholder obligations in relation to all reinsurance contracts issued on or before the end of the business plan year. The ECM is used by management to inform decisions on capital strategy, risk appetites, business planning, reinsurance arrangements, and pricing.

As a Class 3A insurer, the Company is subject to the capital requirements of the Bermuda Monetary Authority (BMA). These requirements are designed to ensure sufficient capital is maintained to provide adequate protection for policyholders and maintain Solvency II equivalence. For the current period the Company met the minimum and surplus requirements as prescribed by the BMA. The Company also met minimum liquidity margins.

The Company believes that insurer financial strength ratings provided by the major rating agencies are an important factor in demonstrating the financial strength and claims paying ability. The Company is rated "A+/Stable" by Standard & Poor's (2022 A+/Stable) and A+, Outlook Stable (2022 A+, Outlook Stable) by Fitch Ratings as at 31 December 2023.

Management monitors and actively manages the Company's capital levels on an ongoing basis. Management has a particular focus on the level of eligible regulatory capital that exceeds the BMA requirements. Having determined that the current risk appetite of the Company remains appropriate, the Board has a target level of regulatory capital as a percentage of the Bermuda Solvency Capital Requirement (BSCR). As at 31 December 2023, the capital coverage ratio was 176% (2022 155%).

The Company has dedicated staff responsible for understanding the regulatory capital requirements of the entity. These staff regularly interact with their global peers through-out QBE to assess the net capital impact of various transactions and reinsurances which the Company provides. The quality of the Company's assets (particularly investments and reinsurance recoveries) is continuously monitored to ensure any potential issues are identified and remedial action, where necessary, is taken to restore effective capital performance and levels.

## Reputation risk

The Company assesses reputation risk through the quality of the relationships with key stakeholders, including senior stakeholders in QBE Group and the divisions, regulators, government, communities, employees, and third-party partners including suppliers. Each of these relationships is actively managed by the Company through functional teams, which include senior management.

## ESG and emerging risks

ESG and emerging risk horizon scans are performed annually to identify and assess the key ESG and emerging risks to QBE. Both ESG and emerging risks are considered as part of the development of the Company's top risk profile. The Company's top risk profile is overseen by the Board Risk & Capital Committee.

ESG, including climate change, is a material business risk for QBE, potentially impacting our business and customers in the medium to long term. QBE has considered short-term scenarios that could affect our insurance business written to date and current investments. Climate change is expected to increasingly impact the frequency and severity of weather-related natural catastrophes over the long term. In the short term, it is often difficult to distinguish the impact of climate change from the normal variability in weather and natural catastrophes. Claims in respect of classes most impacted by these events (e.g. property classes) are typically reported and settled soon after the claim event, and climate change is therefore not expected to materially impact the level of uncertainty in estimating the ultimate cost of those claims. QBE looks to manage for natural catastrophe volatility by considering a wide range of event frequency and severity scenarios in our capital planning, and by purchasing a comprehensive Group catastrophe reinsurance program.

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

QBE's investments continue to be resilient with respect to climate transition risks as they have limited exposure to highly impacted sectors. Given the medium to long-term nature of the estimated impacts of climate transition, this factor is not expected to be significant to the fair value measurement of the Company's investment assets at the balance date.

## 4.2 Insurance risk

### Overview

Insurance risk is the risk of fluctuations in the timing, frequency and severity of insured events and claims settlements, relative to expectations.

The Company classifies insurance risk into three subcategories, as follows:

- Underwriting/pricing risk;
- Insurance concentrations risk; and
- Reserving risk.

The Company's approach to managing insurance risk is underpinned by the Company's insurance risk appetite statements as set by the Board and is summarised below.

### Underwriting/pricing risk

The Company manages underwriting/pricing risk by appropriately setting and adjusting underwriting strategy, risk selection and pricing practices throughout the underwriting cycle.

The Company's underwriting strategy aims to diversify and limit the aggregation of a single type of reinsurance risk accepted. The underwriting strategy is implemented through QBE's annual business planning process, supported by underwriting standards and delegated authorities. These authorities reflect the level of risk that the Company is prepared to take with respect to each permitted reinsurance class.

Pricing of risks is controlled by the use of in-house pricing models relevant to specific portfolios and the markets in which the Company operates. Underwriters and actuaries maintain pricing and claims analysis for each portfolio, combined with a knowledge of current developments in the respective markets and classes of business.

One of the core objectives of the Company is to provide the QBE Group with stability in pricing and ease of access to external reinsurance at a more competitive cost, on an aggregate basis, than otherwise available in the local division markets. The Company's underwriting strategy is supportive and linked to the annual divisional business planning process. In addition, the Company responds to ad-hoc or bespoke reinsurance requirements of the various divisions of the QBE Group.

For catastrophe XoL programs, the Company makes use of both proprietary and in-house models to calculate a comprehensive view of loss costs. This exposure-based approach is blended with an experience rated approach using an appropriate credibility weighting. For per risk XoL programs, a similar approach is used where industry loss curves are blended with an experience rated approach. For quota share programs, the historical results are analysed to determine whether the business plan loss ratio and commission rate, yield a sufficient profit margin to service the allocated capital.

### Insurance concentration risk

The Company's exposure to concentrations of reinsurance risk is mitigated by maintaining a business portfolio that is diversified across countries and classes of business. Product diversification is pursued through a strategy of developing strong underwriting skills in a wide variety of classes of business and close partnership with the QBE operating divisions.

The table below demonstrates the diversity of the Company's operations.

	2023	RESTATED 2022
INSURANCE REVENUE	US\$M	US\$M
Commercial and domestic property	1,499	1,324
Agriculture	43	51
Public/product liability	840	661
Motor and motor casualty	95	46
Marine, energy, and aviation	156	145
Accident and health	43	29
Financial and credit	47	55
Other	20	54
	2,743	2,365

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FOR THE YEAR ENDED 31 DECEMBER 2023

Concentration risk includes the risks from natural or man-made events that have the potential to produce claims from multiple policyholders at the same time (e.g., natural catastrophes, industrial accidents, financial downturn, etc.). The Company currently uses a variety of methodologies to monitor aggregate exposures and manage concentration/accumulation risk. These include the use of catastrophe models from third party vendors such as RMS and AIR, the Society of Lloyd's realistic disaster scenarios (RDS) and QBE Group aggregate methodology. The Company sets its risk appetite in accordance with prevailing requirements of the BMA and generally acceptable market practices, in addition to considering the relevance, where applicable, of catastrophe risk according to the QBE Group's risk appetite and APRA (the QBE Group's regulator) insurance concentration risk charge (ICRC).

## Reserving risk

Reserving risk is managed through the quarterly actuarial valuation of insurance liabilities. The valuation of the present value of future claims cash flows within the net insurance contract liabilities is performed by qualified and experienced actuaries, with reference to historical data and reasoned expectations of future events. The present value of future claims cash flows within the net insurance contract liabilities is subject to a comprehensive independent review at least annually.

## 4.3 Credit risk

### Overview

Credit risk is the risk of financial loss from obligors' failure to meet their finance obligations, including both the inability and unwillingness to pay, as well as loss due to credit quality deterioration. The Company's exposure to credit risk arises from financial transactions with securities issuers, debtors, brokers, policyholders, reinsurers and guarantors.

The Company's approach to managing credit risk is underpinned by the Company's credit risk appetite statements as set by the Board and summarised below.

### Reinsurance credit risk

The Company's objective is to maximise placement of reinsurance with highly rated counterparties. Concentration of risk with reinsurance counterparties is monitored strictly and regularly by the Company's Board and the QBE Group's Security Committee and is controlled by reference to the following protocols:

- treaty or facultative reinsurance is placed in accordance with the requirements of the QBE Group ReMS and QBE Group Security Committee guidelines;
- reinsurance arrangements are regularly reassessed to determine their effectiveness based on current exposures, historical claims and potential future losses based on the Company's inwards reinsurance concentrations; and
- exposure to reinsurance counterparties and the credit quality of those counterparties is actively monitored.

Credit risk exposures are calculated regularly and compared with authorised credit limits. In certain cases, the Company requires letters of credit or other collateral arrangements to be provided to guarantee the recoverability of the amount involved. There is \$500 million (2022: \$500 million) held on behalf of the Company in the form of LOCs to guarantee the recoverability of the amounts involved. The credit rating analysis below includes the impact of such security arrangements. In some cases, further security has been obtained in the form of trust arrangements, reinsurer default protection and other potential offsets. This additional security has not been included in the credit rating analysis set out below.

The following table provides information about the quality of the Company's credit risk exposure in respect of reinsurance recoveries at the balance sheet date. The analysis classifies the assets according to Standard & Poor's (S&P) counterparty credit ratings. AAA is the highest possible rating. Rated assets falling outside the range of AAA to BBB are classified as speculative grade.

	CREDIT RATING					TOTAL US\$M
	AAA US\$M	AA US\$M	A US\$M	BBB US\$M	NOT RATED <sup>2</sup> US\$M	
<b>At 31 December 2023</b>						
Reinsurance recoveries on incurred outstanding claims <sup>1</sup>	–	1,578	498	1	1,423	3,500
Reinsurance recoveries on paid claims	–	297	86	1	148	532
<b>At 31 December 2022 (RESTATED)</b>						
Reinsurance recoveries on incurred outstanding claims <sup>1</sup>	–	1,855	505	2	457	2,819
Reinsurance recoveries on paid claims	–	262	125	1	147	535

<sup>1</sup> Net of a provision for impairment of \$3 million (2022 \$5 million). Includes \$595 million (2022 \$158 million) of recoveries under reinsurance loss portfolio transfer contracts that are recognised within the reinsurance asset for remaining coverage.

<sup>2</sup> Not rated are fully collateralised by "A" grade investments.

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The following table provides further information regarding the ageing of reinsurance recoveries on paid claims at the balance sheet date.

	YEAR	NEITHER PAST DUE NOR IMPAIRED US\$M	PAST DUE BUT NOT IMPAIRED				TOTAL US\$M
			0 TO 3 MONTHS US\$M	4 TO 6 MONTHS US\$M	7 MONTHS TO 1 YEAR US\$M	GREATER THAN 1 YEAR US\$M	
Reinsurance recoveries on paid claims	<b>2023</b>	<b>411</b>	<b>106</b>	<b>–</b>	<b>8</b>	<b>7</b>	<b>532</b>
	2022	170	214	18	108	25	535

## Investment and treasury credit risk

The Company only transacts with investment counterparties within the limits outlined in the delegated authorities' policy. Investment counterparty exposure limits are applied to individual counterparty exposures outside the QBE Group and to multiple exposures within a group of related companies in relation to investments, cash deposits and forward foreign exchange exposures. Counterparty exposure limit compliance is monitored daily.

The following table provides information regarding the Company's aggregate credit risk exposure at the balance sheet date in respect of the major classes of financial assets. Other receivables except balances due from related entities are excluded from this analysis on the basis that they comprise smaller credit risk items which generally cannot be rated and are not individually material. The analysis classifies the assets according to S&P counterparty credit ratings. AAA is the highest possible rating. Rated assets falling outside the range of AAA to BBB are classified as speculative grade.

	CREDIT RATING						TOTAL US\$M
	AAA US\$M	AA US\$M	A US\$M	BBB US\$M	GRADE SPECULATIVE E US\$M	NOT RATED US\$M	
<b>At 31 December 2023</b>							
Cash and cash equivalents	–	–	19	1	–	90	110
Interest-bearing investments	403	1,245	765	391	96	2	2,902
Derivative financial instruments	–	–	30	–	–	–	30
Other financial assets	–	–	–	–	–	415	415
Amounts due from related entities	–	–	467	–	–	–	467
<b>At 31 December 2022</b>							
Cash and cash equivalents	–	–	283	4	–	–	287
Interest-bearing investments	294	1,077	801	433	102	3	2,720
Derivative financial instruments	–	–	52	–	–	–	52
Other financial assets	–	–	–	–	–	601	601
Amounts due from related entities	–	–	572	–	–	–	572

The carrying amount of the relevant asset classes on the balance sheet represents the maximum amount of credit exposure at the balance sheet date. The fair value of derivatives shown on the balance sheet represents the current risk exposure but not the maximum risk exposure that could arise in the future as a result of changing values.

## Insurance and other credit risk

As an internal captive reinsurer of the QBE Group, the Company almost always transacts with related entities. The Company regularly reviews the collectability of receivables and the adequacy of associated provisions for impairment. Balances are monitored on the basis of uncollected debt and debt outstanding in excess of six months. Concentration risk is also monitored.

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

The following table provides information regarding the ageing of the Company's financial assets that are past due but not impaired and which are largely unrated at the balance date.

	NEITHER PAST DUE NOR IMPAIRED US\$M	PAST DUE BUT NOT IMPAIRED			GREATER THAN 1 YEAR US\$M	TOTAL US\$M
		0 TO 3 MONTHS US\$M	4 TO 6 MONTHS US\$M	7 MONTHS TO 1 YEAR US\$M		
<b>At 31 December 2023</b>						
Premium receivable	343	128	38	60	38	607
Other trade receivables	371	–	–	–	–	371
Receivable within insurance contract liabilities	714	128	38	60	38	978
Amounts due from related entities	467	–	–	–	–	467
Other receivables	22	–	–	–	–	22
<b>At 31 December 2022 (RESTATED)</b>						
Premium receivable	809	49	22	5	11	896
Other trade receivables	388	–	–	–	–	388
Receivable within insurance contract liabilities	1,197	49	22	5	11	1,284
Amounts due from related entities	572	–	–	–	–	572
Other receivables	27	–	–	–	–	27

## 4.4 Market risk

### Overview

Market risk is the risk of adverse impacts on earnings resulting from changes in market factors including, but are not limited to, interest rates, credit spreads, foreign exchange rates and equity prices.

The Company's approach to managing market risk is underpinned by its market risk appetite statements, as informed by the QBE Group and set by the Company's Board which is summarised below.

The Company's approach to managing investment market movements is underpinned by its investment strategy which outlines the Company's view of the markets and its corresponding investment approach.

Investment market risk is managed through the application of exposure and asset limits. These limits are based on the market risk appetite as determined by the Board and apply to:

- losses generated on the investment portfolio under market stress scenarios. The scenarios assume adverse movements in market factors and are designed to reflect a significant market stress event; and
- sensitivities to changes in interest rate and credit spread risk, measured in terms of modified duration and spread duration.

### Interest rate risk

The Company is exposed to interest rate risk through its holdings in interest-bearing assets. Financial instruments with a floating interest rate expose the Company to cash flow interest rate risk, whereas fixed interest rate instruments expose the Company to fair value interest rate risk.

The Company's risk management approach is to minimise interest rate risk by actively managing investment portfolios to achieve a balance between cash flow interest rate risk and fair value interest rate risk. The Company predominantly invests in high quality, liquid interest-bearing securities and cash, and may use derivative financial instruments to manage the interest rate risk of the fixed interest portfolio. The risk management processes over these derivative financial instruments include close senior management scrutiny, including appropriate board and other management reporting. Derivatives are used only for approved purposes and are subject to delegated authority levels provided to management. The level of derivative exposure is reviewed on an ongoing basis. Appropriate segregation of duties exists with respect to derivative use and compliance with policy, limits and other requirements is closely monitored.

The net central estimate of outstanding claims is discounted to present value by reference to risk-free interest rates. The Company is therefore exposed to potential underwriting result volatility as a result of interest rate movements. In practice, over the longer term, an increase or decrease in interest rates is normally offset by a corresponding increase or decrease in inflation. Details are provided in note 2.2.7. As at the balance sheet date, the weighted average modified duration of cash and fixed interest securities was 1.86 years (2022 1.55 years).



# Notes to the consolidated financial statements

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All investments are financial assets measured at fair value through profit or loss. Movements in interest rates impact the fair value of interest-bearing financial assets and therefore impact reported profit after tax. The impact of a 1% increase or decrease in interest rates on interest-bearing financial assets owned by the Company at the balance sheet date is shown in the table below.

	SENSITIVITY %	PROFIT (LOSS)	
		2023 US\$M	2022 US\$M
Interest rate movement – interest-bearing financial assets	+1	(36)	(34)
	-1	39	37

## Equity price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded on the market.

The Company is exposed to equity price risk on its investment in equities and may use derivative financial instruments to manage this exposure. The risk management processes over these derivative financial instruments are the same as those explained above in respect of interest rate derivative financial instruments. Exposure is also managed by diversification across international markets and currencies where possible.

All equities are measured at fair value through profit or loss. The impact of a 20% increase or decrease in the value of equity investments (including derivatives – refer to note 3.2.1) owned by the Company at the balance sheet date on profit after tax is shown in the table below.

	SENSITIVITY %	PROFIT (LOSS)	
		2023 US\$M	2022 US\$M
S&P 500	+20	7	2
	-20	(7)	(2)
Infrastructure assets	+20	-	3
	-20	-	(3)
CIS – Emerging Markets	+20	24	33
	-20	(24)	(33)

The Company is also exposed to price risk on fixed interest securities as discussed above in relation to interest rate risk, and below in relation to credit spread risk. All securities are measured at fair value through profit or loss.

## Credit spread risk

Movements in credit spreads impact the value of corporate interest-bearing securities, emerging market and high yield debt and therefore impact reported profit after tax. This risk is managed by investing in high quality, liquid interest-bearing securities and by managing the credit spread duration of the interest-bearing securities portfolio.

The impact of either a 0.5% increase or decrease in credit spreads on interest-bearing financial assets held by the Company at the balance sheet date on profit after tax is shown in the table below.

	SENSITIVITY %	PROFIT (LOSS)	
		2023 US\$M	2022 US\$M
Credit spread movement – corporate interest-bearing financial assets	+0.5	(17)	(16)
	-0.5	17	14

The Company is also exposed to price risk on its investment in unlisted property trusts. All unlisted property trust investments are measured at fair value through profit or loss. The Company manages this risk by investing in high quality, diversified unlisted property funds. Movements in unit prices impact the value of unlisted property trusts and therefore impact reported profit after tax. The impact of a 20% increase or decrease in unit prices on unlisted property trust securities owned by the Company at the balance sheet date was \$8.9 million (2022 \$10.8 million).

## Foreign exchange

The Company's approach to foreign exchange management is underpinned by the Company's foreign currency strategy. The Company's foreign exchange exposure generally arises as a result of the translation of foreign currency amounts to the functional currency of the Company (operational currency risk).

### Operational currency risk

Operational currency risk is managed as follows:

- the Company manages the volatility arising from changes in foreign exchange rates by matching liabilities with assets of the same currency, thus ensuring that any exposures to foreign currencies are minimised; and
- forward foreign exchange contracts are used to protect residual currency positions. These forward foreign exchange contracts are accounted for in accordance with the derivatives accounting policy set out in note 5.5.

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

- Foreign exchange gains or losses arising from operational foreign currency exposures are reported in profit or loss consistent with the gains or losses from the related forward foreign exchange contracts. The risk management process covering the use of forward foreign exchange contracts involves close senior management scrutiny. All forward foreign exchange contracts are subject to delegated authority levels provided to management and the levels of exposure are reviewed on an ongoing basis.
- The analysis below demonstrates the impact on profit after income tax of a 10% strengthening or weakening of the major currencies against the functional currency of the Company, being USD. The sensitivity is measured with reference to the Company's residual (or unmatched) operational foreign currency exposures at the balance sheet date. Operational foreign exchange gains or losses are recognised in profit or loss in accordance with the procedure outlined in note 1.2.3. The sensitivities provided demonstrate the impact of a change in one key variable in isolation whilst other assumptions remain unchanged.
- The sensitivities shown in the table below are relevant only at the balance sheet date, as any unmatched exposures are actively monitored by management and the exposure subsequently matched. The table below includes derivatives entered into on 31 December 2023 to mitigate exposures not currently reflected in the Company's balance sheet relating to unearned premium and deferred insurance costs balances as their equivalents are monetary items under AASB 17 Insurance Contracts (refer to note 7.1.1).

EXPOSURE CURRENCY	2023			2022		
	RESIDUAL EXPOSURE	SENSITIVITY	PROFIT (LOSS)	RESIDUAL EXPOSURE	SENSITIVITY	PROFIT (LOSS)
	US\$M	%	US\$M	US\$M	%	US\$M
Australian dollar	52	+10	5	(1)	+10	–
		-10	(5)		-10	–
Great British pound	(9)	+10	(1)	(4)	+10	–
		-10	1		-10	–
Euro	12	+10	1	(1)	+10	–
		-10	(1)		-10	–
New Zealand dollar	(6)	+10	(1)	3	+10	–
		-10	1		-10	–

## 4.5 Liquidity risk

### Overview

Liquidity risk is the risk of insufficient liquid assets to meet liabilities as they fall due or only being able to access liquidity at excessive cost. The Company's liquidity risk arises due to the nature of insurance activities where the timing and amount of cash outflows are uncertain.

The Company's approach to managing liquidity risk is underpinned by the liquidity risk appetite statement as set by the Board and is summarised below.

The Company manages liquidity risk using a number of tools, as follows:

- cash flow targeting;
- maintaining a minimum level of liquid assets relative to the Company's liabilities;
- cash flow forecasting; and
- stress testing and contingency planning.

Liquidity is managed across the Company using a number of cash flow forecasting and targeting tools and techniques. Cash flow forecasting involves actively managing operational cash flow requirements.

In addition to treasury cash held for working capital requirements, and in accordance with the Company's liquidity policy, a minimum percentage of investments and cash is held in liquid, short-term money market securities to ensure that there are sufficient liquid funds available to meet insurance and investment obligations. At 31 December 2023, the weighted average duration of cash and fixed interest securities was 1.52 years (2022 1.42 years).

The Company has amounts due to related entities of \$1 million (2022 \$1 million) of which \$1 million (2022 \$1 million) is repayable in one year or less. The Company has no significant concentration of liquidity risk. The maturity profile of the Company's net discounted central estimate is analysed in note 2.2.6.

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FOR THE YEAR ENDED 31 DECEMBER 2023

The maturity of the Company's directly held interest-bearing financial assets is shown in the table below.

		INTEREST-BEARING FINANCIAL ASSETS MATURING IN						
		LESS THAN ONE YEAR	13 TO 24 MONTHS	25 TO 36 MONTHS	37 TO 48 MONTHS	49 TO 60 MONTHS	OVER 5 YEARS	TOTAL
<b>As at 31 December 2023</b>								
Fixed rate	US\$M	802	461	235	165	133	442	2,238
Weighted average interest rate	%	4.99	4.78	4.88	5.00	5.05	4.87	4.92
Floating rate	US\$M	228	263	135	43	13	92	774
Weighted average interest rate	%	4.79	5.80	5.47	5.44	5.63	4.46	5.26
<b>As at 31 December 2022</b>								
Fixed rate	US\$M	1,417	277	349	115	108	331	2,597
Weighted average interest rate	%	4.13	5.26	4.83	5.26	5.26	4.96	4.54
Floating rate	US\$M	193	129	55	8	12	12	409
Weighted average interest rate	%	3.47	4.48	5.01	4.97	6.33	6.33	4.17

## 4.6 Operational risk

### Overview

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Operational risk can materialise in a number of forms including fraud perpetrated by employees or by external parties (e.g. claims fraud or cyber attacks), employment practices (e.g. losses arising from acts inconsistent with laws or agreements governing employment, employee health or safety, or from diversity or discrimination events involving internal employees), improper business practices (e.g. failure to meet professional obligations or issues with the nature or design of an insurance product), business disruption and system failures or business and transaction processing failures.

The Company and the Group manages operational risk through setting policy, minimum standards, and process and system controls, including effective segregation of duties, access controls, authorisations and reconciliation processes, business continuity management, fraud management, information security and physical security.

The Company's approach to managing operational risk is underpinned by the Company's operational risk appetite as set by the Board and is summarised below.

The Company identifies, assesses and manages operational risk through the:

- risk and control self-assessment process, which identifies and assesses top risks to achieving business objectives and is conducted at the functional unit level;
- top risks and emerging risks processes, which involves the identification and assessment of the key risks relating to the entity by its executive management board. The emerging risks process identifies and assesses new risks, which are characterised by incomplete but developing knowledge or existing risks that develop in new or surprising ways;
- operational risk appetite statement, which sets out the nature and level of risk that the Board is willing to take in pursuit of the Company's objectives. The operational risk appetite statement is measured through an assessment of the control environment, key risk indicators, issues and incidents;
- stress and scenario testing, which assesses the impact of severe but plausible scenarios against the Company's control environment; and
- total risk assessment, which process parameterizes the operational risk input to the capital model on an annual basis.

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

## 4.7 Compliance risk

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### Overview

Compliance risk is the risk of legal or regulatory penalties, financial loss or non financial loss or customer detriment resulting from non-compliance with laws, regulations or conduct standards.

The Company's approach to managing compliance risk is underpinned by QBE Group's Compliance Risk Policy which is aligned to QBE Group's Risk Management Strategy and risk appetite as set by the QBE Group and Company's Board and is summarised below.

The Company manages compliance risk through the following approach:

- Governance arrangements that establish accountability, responsibility and authority in relation to the management of compliance risk;
- A culture based on honesty, integrity and respect that is embedded as part of QBE DNA and the QBE Group's Code of Ethics and Conduct;
- Stakeholder management to maintain pro-active and co-operative relationships with lawmakers, regulators and other relevant external parties;
- Strategic priorities and objectives that are aligned to risk appetites set by the Board; and
- People, systems and processes to support effective compliance risk management.

Compliance management is subject to continuous review and improvement to recognise changes in the regulatory and legal environment and, industry, customer and community expectations.

## 4.8 Group risk

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### Overview

Group risk is the risk arising specifically from being part of the wider QBE Group, including financial impact and loss of support from the parent company.

The Company's approach to managing Group risk is underpinned by the Group risk appetite statements as set by the Company's Board and is summarised below.

Sources of Group risk may include:

- intercompany loans;
- contagion reputational risk;
- credit agency dependency;
- use of Group functions where there is a global operating model in place;
- use of QBE's internal asset management function;
- QBE Group initiatives or decisions with a material impact on the Company; and
- liquidity and central foreign exchange management.

The Company manages Group risk through various systems, controls and processes, use of intercompany transactions and balances accounting guidance, transfer pricing guidelines, investment management agreement, capital planning and assessments of the use of QBE Group functions, QBE Group initiatives and contagion reputational events.

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

## 5. CAPITAL STRUCTURE

### Overview

The Company's objective in managing capital is to reduce the overall cost of capital whilst satisfying the capital adequacy requirements of its regulator, providing financial security for our policyholders and continuing to provide an adequate return to our shareholder.

Details of the Company's approach to capital risk management are disclosed in note 4.1.

### 5.1 Cash and cash equivalents

	NOTE	2023 US\$M	2022 US\$M
Cash at bank and on hand		110	59
Term deposits		–	228
		110	287

#### Restrictions on use

There are no restrictions on amounts included in cash and cash equivalents as at 31 December 2023.

### How we account for the numbers

Cash and cash equivalents include cash at bank and on hand and deposits at call which are readily convertible to cash on hand and which are used for operational cash requirements. Amounts in cash and cash equivalents are the same as those included in the statement of cash flows.

The reconciliation of profit after income tax to cash flows from operating activities is included in note 7.3.

### 5.2 Equity and reserves

#### Overview

Ordinary shares in the Company rank after all creditors, have a par value of \$1.00 and entitle the holder to participate in dividends and the proceeds on winding up of the Company, in proportion to the number of shares held.

Preference shares outstanding at the balance sheet date were issued in 2020, details of which are set out in note 5.2.1. The preference shares together with ordinary shares, are presented as contributed equity in the consolidated balance sheet.

#### 5.2.1 Contributed equity

	2023 US\$M	2022 US\$M
Issued ordinary shares, fully paid	1,274	1,274
Issued preference shares, fully paid	70	70
Contributed equity	1,344	1,344

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

## Ordinary share capital

	2023		2022	
	NUMBER OF SHARES MILLIONS	US\$M	NUMBER OF SHARES MILLIONS	US\$M
Authorised shares	1,500		1,500	
Issued ordinary shares, fully paid at 1 January	1,427	1,274	1,427	1,274
Shares issued during the year	–	–	–	–
Issued ordinary shares, fully paid at 31 December	1,427	1,274	1,427	1,274

## 5.2.2 Reserves

	2023 US\$M	2022 US\$M
<b>Foreign currency translation reserve</b>		
At 1 January	(190)	(190)
Movement in the year	–	–
At 31 December	(190)	(190)

## 5.3 Dividends

### Overview

The Company's dividend policy is to transfer excess capital above its target capital level to the parent entity. Excess capital is determined with reference to the capital strategy which determines the capital target as the aggregate of the regulatory capital requirement and a buffer above regulatory minimum capital. The buffer is expressed as a percentage of the regulatory minimum and is determined with reference to a probability of breaching regulatory minimum. As per the Insurance Act s31B, Class 3B insurers cannot, without BMA prior approval, pay out more than 25% of total statutory capital and surplus as determined in the prior year's filing. The policy does not prescribe the split of dividend between interim and final, as this will be contingent on the capital available at each date.

	2023	2022
Dividend per share (US dollar)	0.08	-
Total dividend payout (US\$ million)	118	-

## 5.4 Earnings per share

### Overview

Earnings per share (EPS) is the amount of profit or loss after tax attributable to each share.

	2023 US CENTS	RESTATED 2022 US CENTS
Basic earnings per share	6	3

### 5.4.1 Earnings used in calculating earnings per share

	2023 US\$M	RESTATED 2022 US\$M
Net profit after income tax attributable to ordinary equity holders of the company used in calculating basic earnings per share	86	38

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

## 5.4.2 Ordinary shares used in calculating earnings per share

	2023 NUMBER OF SHARES	2022 NUMBER OF SHARES
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,426,899,000	1,426,899,000

### How we account for the numbers

#### Basic earnings per share

Basic earnings per share is calculated by dividing net profit (loss) after income tax attributable to members of the company by the weighted average number of ordinary shares outstanding at the year end.

## 5.5 Derivatives

### Overview

Derivatives may be used as a tool to hedge the Company's foreign exchange exposures. The Company manages operational foreign exchange volatility by matching liabilities with assets of the same currency, as far as practicable. Forward foreign exchange contracts are used to hedge residual currency exposures, with both the foreign exchange and derivatives impact reported through profit or loss.

Refer to note 4.4 for additional information relating to the Company's approach to managing currency risk.

The Company's exposure to foreign exchange derivatives at the balance sheet date is set out in the table below:

	2023			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	506	30	51	761	52	42

All forward foreign exchange contracts are with QBE Strategic Capital Company Pty Ltd., a related entity.

### How we account for the numbers

Derivatives are initially recognised at fair value, being the transaction price on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives which are not part of a hedging relationship are valued at fair value through profit or loss.

For derivatives traded in an active market, the fair value of derivatives presented as assets is determined by reference to published closing bid price quotations, and the fair value of derivatives presented as liabilities is determined by reference to published closing ask price quotations. For derivatives that are not traded, or which are traded in a market that is not sufficiently active, fair value is determined using generally accepted valuation techniques, including the use of forward exchange rates for the valuation of forward foreign exchange contracts.

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

## 6. TAX

### Overview

Income tax expense is the accounting tax charge for the period and is calculated as the tax payable on the current period taxable income based on the applicable income tax rates for each jurisdiction, adjusted for changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses. The relationship between accounting profit and income tax expense is provided in the reconciliation of prima facie tax to income tax expense (note 6.1). Income tax expense does not equate to the amount of tax actually paid to tax authorities, as it is based upon the accrual accounting concept.

Accounting income and expenses do not always have the same recognition pattern as taxable income and expenses, creating a timing difference as to when a tax expense or benefit can be recognised. These differences usually reverse over time but until they do, a deferred tax asset or liability is recognised on the balance sheet. Note 6.2 details the composition and movements in deferred tax balances.

### Bermuda

With the assent of the Governor on December 27, 2023, the Bermuda Corporate Income Tax Act of 2023 ("The 2023 Act") became law and beginning in 2025, a 15% corporate income tax will be applicable to the Company, with the current Bermuda government exemption becoming void from 1 January 2025. The Company has evaluated the impact of the Act and has not recorded any deferred income tax arising from the Economic Transition Adjustment ("ETA") or for carry-forward tax losses. The Company expects that the Bermudan corporate income tax will have no material impact on the income tax expense of the Company due to the interaction with existing U.S. income tax imposed on the Company.

### United States

The Company made an irrevocable election under Section 953(d) of the United States Internal Revenue Code of 1986, as amended, to be taxed as a U.S. domestic insurance company for U.S. federal income tax purposes with effect from 1 April 2018. This election was approved by the United States Internal Revenue Service on 7 February 2020. As a result of this "domestic election", the Company is subject to U.S. federal taxation on its world-wide income as if it were a U.S. corporation.

The Company's approach to managing tax risk is disclosed in note 4.1.

### 6.1 Reconciliation of prima facie tax to income tax expense (credit)

	NOTE	2023 US\$M	RESTATED 2022 US\$M
Profit before income tax from continuing operations		146	54
Prima facie tax expense at 21%		31	11
Tax effect of non-temporary differences:			
Other income		–	–
Creditable premium tax		10	11
Prima facie tax adjusted for non-temporary differences		41	22
Deferred tax assets de-recognised		30	–
(Over) under provision in prior years		(11)	(6)
Income tax expense		60	16
Analysed as follows:			
Current tax		120	24
Deferred tax		(60)	(8)
		60	16

### How we account for the numbers

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts



# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

expected to be paid to tax authorities.

Current tax assets and tax liabilities are offset where the Company has a legally enforceable right to offset and intends to either settle on a net basis or to realise the assets and settle the liability simultaneously. Current and deferred tax is recognised in profit or loss.

Non-creditable premium taxes deducted by foreign jurisdictions are expensed when notified and included within underwriting deductions.

Creditable income taxes withheld by ceding affiliates or investment counterparties on behalf of foreign jurisdictional tax authorities are recognised when so withheld and included in income tax expense.

## 6.2 Deferred income tax

	NOTE	2023 US\$M	RESTATED 2022 US\$M
Deferred tax assets	6.2.1	156	116
Deferred tax liabilities	6.2.2	41	61
Net deferred tax assets		115	55

### 6.2.1 Deferred tax assets

	NOTE	2023 US\$M	RESTATED 2022 US\$M
<b>Amounts recognised in profit and loss</b>			
Insurance provisions		86	97
Tax losses recognised		58	-
Other -financial assets-related		12	19
	6.2	156	116
<b>Deferred tax assets before set-off</b>		156	116
Set-off of deferred tax liabilities	6.2.2	(41)	(61)
		115	55

#### Movements:

	NOTE	2023 US\$M	RESTATED 2022 US\$M
At 1 January		55	53
Amounts recognised in profit or loss		60	2
At 31 December		115	55

### Critical accounting judgements and estimates

#### Recoverability of deferred tax assets:

The Company assesses the recoverability of deferred tax assets at each balance date. In making this assessment, the Company considers in particular each controlled entity's future business plans, history of generating taxable profits, whether the unused tax losses resulted from identifiable causes which are unlikely to recur and if any tax planning opportunities exist in the period in which the taxable losses can be utilised.

The recognised deferred tax asset of \$115 million (2022 \$55 million) comprising of \$58 million (2022 \$0 million) of carry forward tax losses and \$57 million (2022 \$55 million) of deductible temporary differences, net of applicable offsetting deferred tax liabilities, as a result of insurance technical reserves and the tax deductibility of financial investments.

Uncertainty continues to exist in relation to the utilisation of this asset, which is subject to there being continued future taxable profits over the period of time in which the losses can be utilised. The Company has made a judgement that there will be sufficient taxable profits over the foreseeable future, based upon its future business plans. Key assumptions include an expectation of future taxable profit driven by no material deterioration in the prior accident year central estimate,

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

a sustained return to underwriting profitability and ongoing investment yields. Losses expire over the next 19 years, with the majority expiring between 2039 and 2042. The uncertainty around the recognition of the deferred tax asset will be resolved in future years if taxable profits are generated. Recovery of the asset continues to be sensitive to changes in the combined operating ratio, premium growth and investment yield assumptions as these items are the key drivers of future taxable profits.

The company has evaluated the Economic Transition Adjustment ("ETA") and transitional carry-forward tax losses that arise under the 2023 Act. A deferred tax asset of \$57 million has not been recognised as it is not probable that the deferred tax asset will be available to the Company due to the interaction between US and Bermuda tax law. The uncertainty will be resolved in future years if taxable profits are generated and subject to any additional interpretation or changes in Bermuda tax law.

## 6.2.2 Deferred tax liabilities

	NOTE	2023 US\$M	RESTATED 2022 US\$M
<b>Amounts recognised in profit and loss</b>			
Insurance provisions		39	59
Financial liabilities – fair value movements		2	2
	6.2	41	61
<b>Deferred tax liabilities before set-off</b>			
Set-off of deferred tax assets	6.2.1	(41)	(61)
		–	–

### Movements:

	NOTE	2023 US\$M	RESTATED 2022 US\$M
At 1 January		61	35
Amounts recognised in profit or loss		(20)	26
At 31 December		41	61

## How we account for the numbers

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

## 6.3 Tax losses

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The Company has not brought to account \$30 million (2022 \$nil million) of tax losses, which includes the benefit arising from U.S. tax losses on the Company. \$30 million (2022 \$nil million) of tax losses not brought to account expire in 17 to 19 years. The benefits of unused tax losses will only be brought to account when it is probable that they will be realised.

This benefit of tax losses will only be obtained if:

- the Company derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- the Company continues to comply with the conditions for deductibility imposed by tax legislation; and
- no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

## 7. OTHER

### Overview

This section includes other information that must be disclosed to comply with the Australian Accounting Standards or the *Corporations Act 2001* of the Commonwealth of Australia.

### 7.1 Other accounting policies

#### 7.1.1 New and amended standards adopted by the Company

The Company adopted the following new or amending accounting standards from 1 January 2023:

TITLE	
AASB 17	Insurance Contracts
AASB 2020-1	Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current
AASB 2021-2	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates
AASB 2021-5	Amendments to Australian Accounting Standards – Deferred Tax related Assets and Liabilities arising from a Single Transaction
AASB 2022-6	Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants
AASB 2021-3	<i>Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions beyond 30 June 2021</i>

With the exception of AASB 17, the impacts of which are detailed below, the adoption of these new and amended standards did not significantly impact the Company's financial statements.

#### AASB 17 Insurance Contracts

AASB 17 establishes new accounting requirements for insurance contracts. 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 \$34 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 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, 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 contractual service margin 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.

#### 7.1.2 New accounting standards and amendments issued but not yet effective

TITLE	OPERATIVE DATE	
AASB 2022-5	<i>Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback</i>	1 January 2024
AASB 2014-10	<i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	1 January 2025

The Australian Accounting Standards and amendments detailed in the table above are not mandatory for the Company until the operative dates stated; however, early adoption is often permitted.

The Company plans to adopt the standards and amendments detailed above in the reporting periods beginning on their respective operative

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

dates. An assessment of the financial impact of the standards and amendments has been undertaken and they are not expected to have a material impact on the Company's financial statements.

## 7.2 Contingent liabilities

### Overview

Contingent liabilities are disclosed when the possibility of a future settlement of economic benefits is considered to be less than probable but more likely than remote. If the expected settlement of the liability becomes probable, a provision is recognised.

In the normal course of business, the Company is exposed to contingent liabilities in relation to claims litigation and regulatory examination arising out of its insurance and reinsurance activities. The Company may also be exposed to the possibility of contingent liabilities in relation to non-insurance litigation and compliance matters, which may result in legal or regulatory penalties and financial or non-financial losses and other impacts.

Provisions are made for obligations that are probable and quantifiable. There are no amounts otherwise not provided for in the financial statements. The Company has no contingent liabilities to disclose. There are no individually significant amounts not provided for and such transactions are not considered likely to have a material impact on the net assets of the Company.

## 7.3 Reconciliation of profit after income tax to cash flows from operating activities

### Overview

AASB 1054 *Australian Additional Disclosures* requires a reconciliation of profit after income tax to cash flows from operating activities.

	2023	RESTATED 2022
	US\$M	US\$M
Profit after income tax	86	38
Adjustments for:		
Net foreign exchange gains (losses)	77	(7)
Other (gains) losses on financial assets	(223)	323
Balance sheet movements:		
Decrease (increase) in other receivables	297	(320)
(Increase) decrease in net operating assets	(4)	7
Increase (decrease) in other payables	(9)	(56)
(Decrease) increase in insurance contract liabilities	(280)	557
Increase in reinsurance contract assets	(54)	(69)
Increase in net amounts receivable from related entities	(23)	(10)
Decrease in net tax assets	(45)	(28)
Net cash flows from operating activities	(178)	435

## 7.4 Related parties

### Overview

AASB 124 *Related Party Disclosures* requires disclosure of related party transactions. The majority of all inwards

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

reinsurance business assumed is from related entities, with only an immaterial amount of third-party business being written during the year. All outwards reinsurance business is placed with third parties. In addition, the Company has entered into a number of outsourced service agreements with related entities.

All material information required to be disclosed under AASB 124: Related Party Disclosures has been included in the financial statements, as follows:

	REFERENCE
Interest received or receivable from related entities	Note 3.1
Amounts due from related entities	Note 2.4
Amounts due to related entities	Note 2.5

The Company has entered into a number of outsourced service agreements with related entities. Details of related entities, the services provided, and the fees charged are as follows:

RELATED ENTITY	SERVICES PROVIDED	2023 \$000	2022 \$000
QBE Investment Management Pty Limited	Investment management services	3,454	2,775
QBE Management services Pty Limited	QBE Group head office services and license fee	2,346	2,808
QBE Americas Inc.	System and infrastructure support	1,517	2,021
QBE Global Shared Services Limited	Reinsurance technical services, financial reporting, claims administration support	746	626
		<b>8,063</b>	8,230

The company has entered into forward foreign exchange contracts with QBE Strategic Capital Company Pty Ltd., a related entity, as disclosed in note 5.5.

## 7.5 Remuneration of auditors

### Overview

The Company may engage the external auditor for non-audit services other than excluded services, subject to the general principle that fees for non-audit services should not exceed 50% of all fees paid to the external auditor in any one financial year. The Board believes some non-audit services are appropriate given the external auditor's knowledge of the Company.

Consistent with prior periods, the external auditor cannot provide the excluded services of preparing accounting records or financial reports or acting in a management capacity.

	2023 US\$000	2022 US\$000
Audit and assurance services	543	643
Other Services	-	7
	<b>543</b>	650

# Director's declaration

FOR THE YEAR ENDED 31 DECEMBER 2023

In the directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 51 are in accordance with the *Corporations Act 2001* of the Commonwealth of Australia, including:
- (i) complying with accounting standards, the *Corporations Regulations 2001* of the Commonwealth of Australia and other mandatory professional reporting requirements applicable under Australian Accounting Standards; and
  - (ii) giving a true and fair view of the Company's financial position as at 31 December 2023 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1.2.1 confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Signed in HAMILTON, Bermuda this 30th day of April 2024, in accordance with a resolution of the directors.



A. Sodergren  
Director



C. Thomas  
Director