

# Divisional outlook for 2017

## North American Operations



North American Operations aims to be a top quartile, diversified specialty insurer in the markets in which we compete. The goal is to deliver sustainable, profitable growth with a strong underwriting margin.

During 2016, we further strengthened the depth and breadth of our management team while building a truly national platform, both of which are essential to remaining a profitable and growing operation. Although faced with competitive industry challenges, the outlook for 2017 remains positive. Improvements in underlying business trends indicate that the North American transformation is on track and our expanded field operations are well established with highly respected and recognised industry executives which bodes well for future growth and industry relevance.

Despite headwinds in resetting our Property & Casualty business, the growth of our Specialty franchise and diversification from our high quality Crop and Reinsurance businesses underpin our confidence in sustaining a mid-90s combined operating ratio over the medium-term.

## European Operations



European Operations is prepared for another challenging year but, as always, will remain focused on further improving an already very strong business. In this regard, several ongoing operational projects are expected to deliver additional benefits in 2017 and beyond.

Our approach to new business will be careful and considered but we expect to see even more value from our extended distribution during 2017 with most growth coming from our continental European offices.

Inevitably, managing the outcome of the European Union referendum is very important and remains a priority for the executive team.

## Australian & New Zealand Operations



The insurance market will remain competitive; however, the premium rate cycle is hardening as our competitors respond to higher claims costs and continuing low investment returns. We anticipate premium rate increases at least in line with claims inflation and in some products, particularly property and motor vehicle, at levels above inflation.

We will drive further improvement in our attritional claims ratio during 2017 as the remediation initiatives are fully embedded and earned through the underwriting account. Improved risk selection is also expected to benefit our large individual risk claims ratio.

The NSW Government remains committed to regulatory reform in the CTP market. At this stage, the exact nature of the likely changes is difficult to predict. We continue to work closely with the Government in relation to the proposed reforms that aim to deliver a fairer and more sustainable scheme.

## Emerging Markets



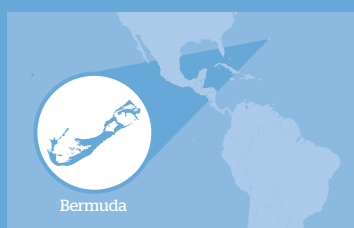
Emerging Markets remains committed to maintaining strong premium growth with an overarching focus on profitability. We continue to build strong partnerships with customers by providing products where the QBE Group's core strengths are best utilised. We remain focused on the areas of business where we see the highest growth potential.

In Asia Pacific, the outlook for all the markets we serve is positive. Strong growth is forecast this year in a number of economies, providing a solid platform for us to continue to expand our business in the region.

In Latin America, overall GDP growth is expected to rebound in 2017. The region has the potential to sustain strong economic growth with more than 160 million people between the ages of 15 and 29.

The favourable longer-term economic outlook for emerging markets in general should translate into additional trade and infrastructure investment, with corresponding positive implications for our business growth.

## Equator Re



Over 90% of Equator Re's portfolio renews at 1 January and our renewal pricing was in line with the broader market. While the majority of our portfolio renewed similar to expiring policy terms and structure, portfolios without claims activity saw rate changes between zero and negative 10% depending on geography and product line.

Equator Re increased its participation on some marine, crop and reinsurance programs that will provide an additional source of income in 2017. While we do not expect major changes to our portfolio during the remainder of the year, we anticipate a change in the earning pattern in 2017, reflecting the increased proportional treaty component of our business. The volume of net earned proportional business will continue to increase as business already written is earned.

The 2017 outwards reinsurance placement was achieved within budget and expectations. External reinsurance premium spend has reduced in line with expectations without any meaningful increase in the retained risk profile of the Group. The structure is as per plan and provides extensive per risk, catastrophe and aggregate protection to the QBE Group.