Reinsurer Roadshow - Energy

June 2024

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International – Natural Resources

June, 2024.
Dan Gray, Head of Onshore Energy

Agenda

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Natural Resources: results summary – journey overview.

Changing Mix, Growing Demand.

	GWP	NCOR	
2010	GBP 248m	56%	Energy Liability **moves into new** Global 'Oil & Gas' team. 2008: Singapore **added**, US offices added in 2009 into Global proposition. First Renewables contract written
2014	GBP 291m	60.2%	Peak oil price, followed by collapse 2015-2018 - Offshore Energy class heavily impacted. 2015 Business rebranded into **Natural Resources** in new 'Industry Vertical'- Political risks & Political violence lines split out.
2017	GBP 220m	63.3%	2015+ QBE increases Offshore Capacity to $500m, Onshore increases to $175m 2016, for core clients.
2018	GBP 256m	75.3%	Casualty build out – 'Combined product onshore/offshore developed' $150m capacity. Onshore market begins to harden . QBE joins CML. Onshore line moves to $225m.
2019	GBP 293m	76.6%	Added Onshore to US office - strong LNG, Onshore Energy, and US Energy Liabilities growth offsets weaker trading in Offshore Energy. First product sold by CML. Energy clients begin to commit to Net Zero.
2020	GBP 372m	72%	Onshore market hardening accelerates - all key lines post growth bar Offshore, despite COVID / demand shock. QBE launches Renewables account.
2021	GBP 422m	73.7%	Further scaling up in Power, Renewables and Onshore Energy lines. Onshore line moved to $300m* subject approval GCUO.
2022	GBP 443m	84.6%	Sustainable Energies Launch.- Power, Renewables & New Technologies.
2023	GBP 550m	77.6%	Addition of Energy Construction Specialism to Natural Resources. Launch of Sustainable Energies – Specialty Practice in Europe.

QBE

Global 'Natural Resources' Practice:

- QBE's oldest 'Industry Vertical' – grouping all our products together in a single management structure and P&L – to support clients in the highly diverse Energy Sector. Recognised leader with a reputation for long-lasting commitment to Energy business and responsiveness to ever changing Energy markets and customer needs.
- Business operates from London, Singapore, Spain, US & Canada. Both Lloyd's and Company platforms utilised.
- Recognised market leader, with a deep range of capabilities and strong performance track record through market cycles – QBE aim to be the lead
- Business philosophy is to have deep and long-lasting relationships supported by a strong claims and service proposition.
- Business mix and appetite varies according to our view of 'opportunity set' in markets. Business objective is to deliver gross 'above average' market returns through the cycle.
- Large and longstanding buyer of reinsurance – with the ambition of being the partner of choice, delivering superior returns to reinsurers through the cycle.
- QBE have endorsed investment in capabilities to support the transition – tasked with building out QBE capabilities for Construction, Operating and Liability lines for - Power, Renewables and Mining & Metals segments (Total income is circa 25% of 2024).

2024 Natural Resources Overview: Property and Casualty for the global Energy & Resource Sectors.

- **Oil and Gas**: Exploration and Production
- **Midstream**, Storage and Distribution:
- **Power Generation**, including Nuclear (not ceded).
- **Refining, Gas, Petro-Chemicals, Fertilizers and LNG**
- **Renewables**, Low and No Carbon and Future technologies
- **Mining & Metals –** materials of the future. Builds on strong QBE capabilities in QPS, Financial Lines and Liabilities – growing small positions in the global minerals and metals industries – leveraging brand and business reputation in Corporate and Specialty space for high hazard industries. *(Property and Construction lines only).*

2024 Natural Resources Overview: Strategic Actions and Initiatives underway.

- **2020 - 2023**
- Build, sustain and enhance core oil and gas business lines. Push rate and grow into improving market.
- Transition Strategy launched – QBE expands Natural Resources establishing new relationships for growth and sustainable performance, Power, Renewables and Utility lines.
- Addition of Construction capability Q4, 2022 – Portfolio specialising in Energy, Minerals, Power and Infrastructure risks – although IM business model gives broader remit.
- Grow our Emissions reporting capability and expand knowledge and understanding of decarbonisation strategies & progress tracking – QBE Carbon Tracker.

- **2024 initiatives:**
- Restructure reinsurance programme around Key QBE 'Property' Pillars – Onshore Energy, Offshore Energy and new, Power, Renewables & Mining.
- Growing Power & Renewables through our US platform.
- Launching selective Mining and Metals offering.
- Growing out Utility Casualty proposition for key Power & Renewable customers.
- Dubai and Miami CAR business lines now aligned into Natural Resources Portfolio Manager.

- **2025 actions:**
- Target increase of Construction line to USD $200m for key target Energy risks/customers.
- Continue to build out US business capabilities – including Construction.

Natural Resources – Why an industry specialism?

- Business History – ‘1036’ syndicate to be launched at Lloyd’s in 1987 – writing Offshore Energy & other Marine classes. Currently $650m GWP business.

  - Continuous support
  - Customers value strong and consistent relationships with their lead insurers
  - Claims experience with QBE

- Philosophy/Customer Engagement.
  - Customers are large, mature companies operating a wide range of assets, technologies and geographies – over long-life cycles in volatile pricing environments – risks vary from small operators to one off $30bn, single site investments. Asset operating lifetimes generally 30 year+.
  - Customers work to very high operating and safety standards – in highly regulated environments – under significant public scrutiny.
  - Energy and resources are geopolitically sensitive – and prone to significant commodity price swings – which they seek to hedge through efforts to seek stability in relationships with all stakeholders (insurers, banks, governments & customers).

- Energy Transition.
  - >80% of Energy consumed world-wide is currently fossil fuel derived
  - We appear to be approaching peak demand for fossil fuels
  - Most clients are ‘Western’ listed companies
  - Energy, mining, natural resources are all growth areas
  - Customers invest significant amounts of money in long-term projects with significant values at risk.
  - Multi-decade transition
  - Huge re-ordering of economies and significant risks to countries.
  - Rising population/rising demand
  - Unprecedented opportunity for insurers to support

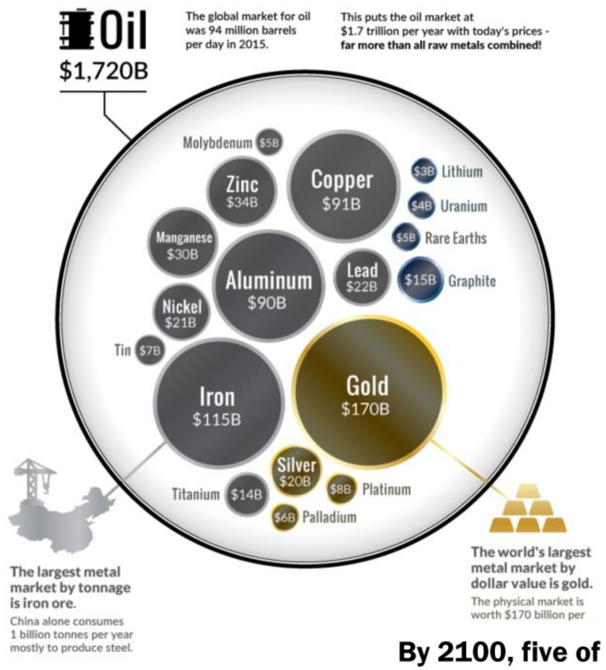
Business Capabilities and splits:

- Onshore Energy $300m (GWP $265m)
  - *Including Mining & Metals $100m (GWP $15m)*
- Offshore Energy $516.5m (GWP $130m)
- Power & Renewables $150m (GWP $100m)
- Energy Liabilities $150m (GWP $100m)
- Construction $200m (GWP $37.5m)
- **Total estimated GWP 2024: $625-650m.**

2024 Full Year outlook:

- Strong performance 2018 onwards – rates and trading environment have consistently exceeded plan, in all areas apart from Offshore Energy. Onshore margins/values continue to hold up.
- Healthy results are now leading to increasing seller competition & signings pressure
- Some of account locked up in LTA arrangements – offers some insulation. Large lines and cross class offerings also strengthen/bi-furcate some of our renewals.
- Benign claims experience – generally capping rate expectations.
- Rate: Strong start to the year +3% YTD, versus plan 0.5%. Later renewals now trending to flat to negative, with expectation of -2.5% - 5% range FY. Retention c.91% FY plan.
- New business ahead of plan in most lines – with values holding up well YTD.
- Claims - current performance better than plan for 2024 FY, M5.

Natural Resources – QBE's Universe of opportunities:

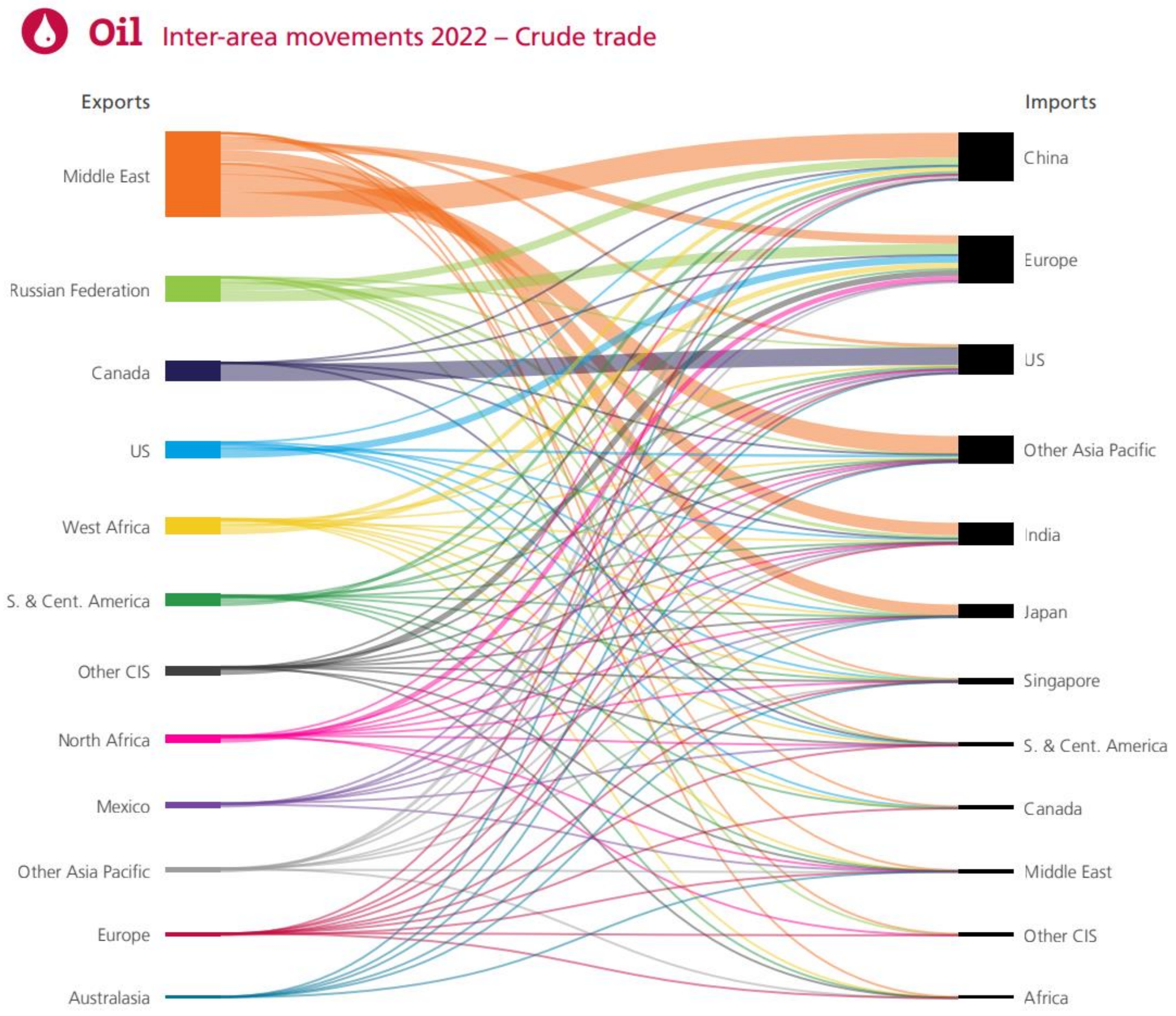


By 2100, five of the world's 10 largest countries are projected to be in Africa

Countries with largest population, in millions

Asia · Europe · Latin America and the Caribbean · Africa · Northern America

1950		2020		2100	
China	554	China	1,439	India	1,450
India	376	India	1,380	China	1,065
U.S.	159	U.S.	331	Nigeria	733
Russia	103	Indonesia	274	U.S.	434
Japan	83	Pakistan	221	Pakistan	403
Germany	70	Brazil	213	D.R. Congo	362
Indonesia	70	Nigeria	206	Indonesia	321
Brazil	54	Bangladesh	165	Ethiopia	294
UK	51	Russia	146	Tanzania	286
Italy	47	Mexico	129	Egypt	225



Team Composition & Structure.

02

International Markets – Natural Resources

Executive Director, International Markets
Kevin Shallow

Director of Natural Resources Product Leader, Energy
Duncan Wilson

- **Leanne Hathaway** – Personal Assistant
- **Mark Jeary** – Principal Officer QMES (Singapore)
- **Kristina Bush** – Vice President Underwriting QBEIM (Houston)
- **John Zvonek** – Vice President Underwriting QBEIM (New Orleans)

Sebastian Weaver – Specialty Practice Head

- **Paloma Docampo** – Practice Leader (Madrid) (Speciality)
  - **Irene Calvo Cervantes** – Underwriter (Madrid)
  - **Ana Marines - Vara De Rey Santos** – Underwriter (Madrid)
- **Net Zero Planning & Analysis**
  - **Will Ponty** – Lead Analyst
  - **Alex Curry** – Senior Exposure Analyst

Lyndsey Picton – Head Of Renewable Energy & Power (London)

- **Renewables**
  - **Vacancy** – Senior Underwriter
  - **Finn Mepham** – Assistant Underwriter
  - **Jenny Mercer** – Underwriting Assistant
- **Zoe Lovedale** – Portfolio Manager (Power & New Technologies)
  - **Peter Boucher-Byfield** – Underwriter
  - **Patrick Stranks** – Underwriting Assistant

Bernd Luckey – Portfolio Manager (Construction)

- **Will Mumby** – Senior Underwriter
- **Jamie Richardson** – Assistant Underwriter

Energy Liabilities

- **Rachel Pereira** – Senior Underwriter
- **Joseph Turnpenny** – Assistant Underwriter
- **Lewis Carter** – Assistant Underwriter
- **Cameron Hart** – Underwriting Assistant

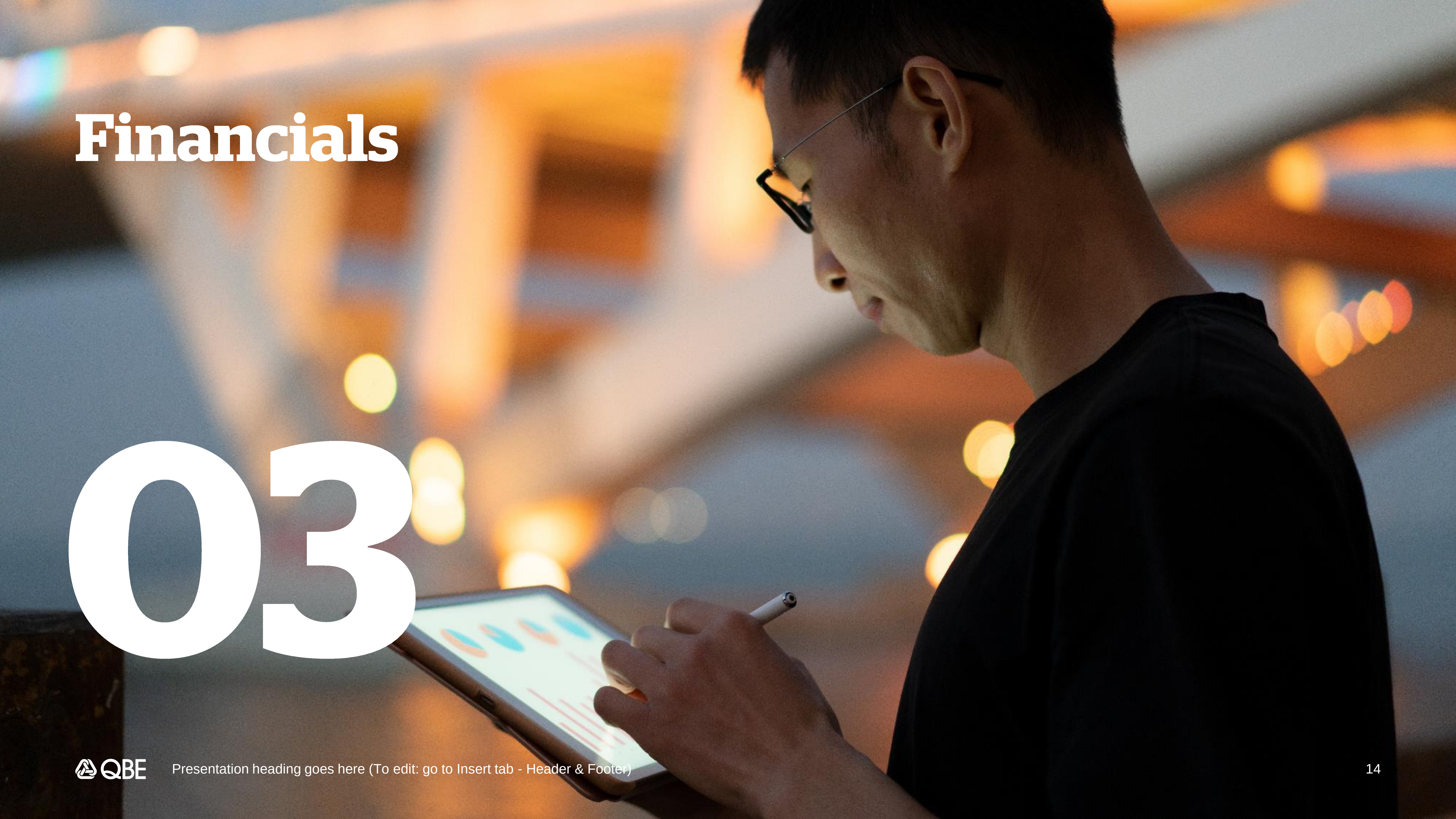
Daniel Gray – Head Of Onshore Energy (Calgary)

- **Travis Thompson** – Portfolio Manager (Onshore)
- **Alasdair Haines** – Underwriter
- **James Wheeler** – Assistant Underwriter
- **Kevin Gormley** – Engineering Manager
- **Freya Harrison** – Underwriting Assistant

Alex Byrne – Portfolio Manager (Offshore Energy)

- **Patrick Baines** – Senior Underwriter
- **Camilla Haydock** – Underwriter
- **Krishna Mistry** – Assistant Underwriter
- **Kate Murphy-O'Connor** – Exposure Analyst
- **Jazz Williams** – Underwriting Assistant

QBE



Financials

03

Income overview

Full year plan – and key metrics, year to date (May) v Original Plan.

Insurance Monthly Premium Income Monitoring Summary

Gross Written Premium calculated on an PIM Basis converted using Planning Rates. Plan Figures as per Original Plan.

Show Reforecast

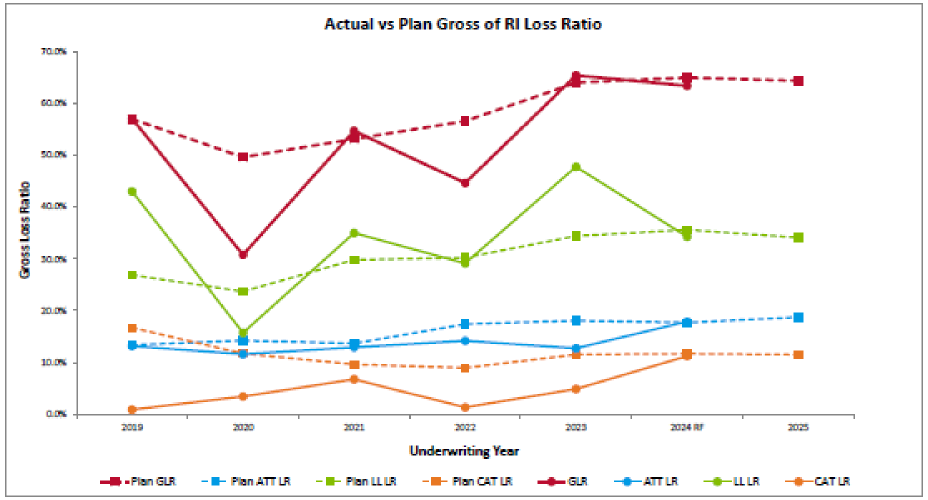
Division	Sub Division	Trading Unit	Legal Entity	Distribution Channel	QBE Branch	PIM Month	PIM Year	GWP Type	Currency
All	NATURAL RESOU...	All	All	All	All	Latest Availabl... May	Latest Availa... 2024	PIM	GBP

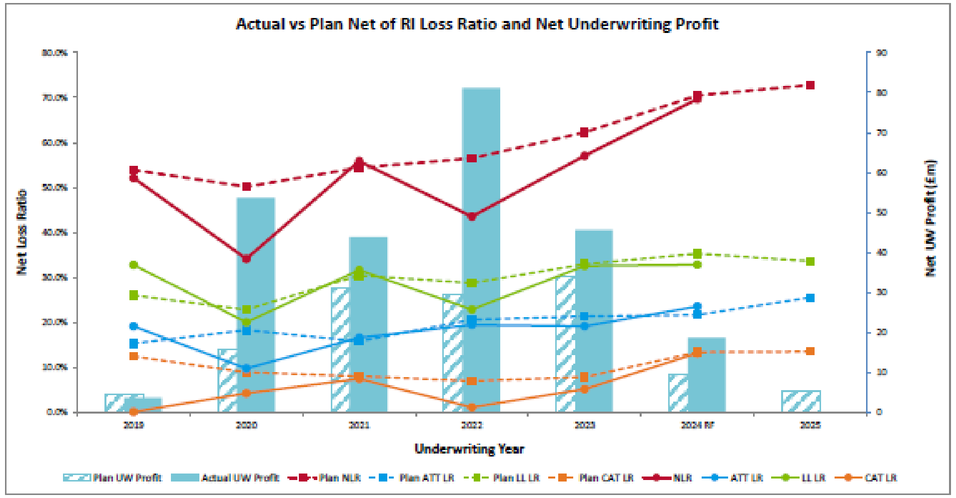
Total GWP vs Plan	New GWP vs Plan	Renewal GWP vs Plan	SRM vs Plan	Commission vs Plan	Retention vs Plan
219M	52M	168M	3.0%	8.7%	90.2%
Plan: 217M (+1.2%)	Plan: 38M (+35.2%)	Plan: 179M (-6.1%)	Plan: 0%	Plan: 9%	Plan: 92%

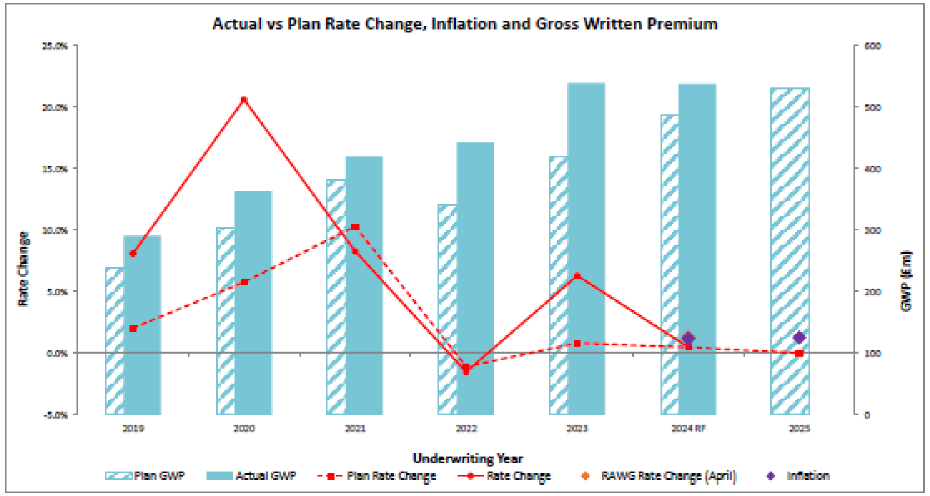
Division	GWP Full Year (000's)	GWP YTD (000's)			New Business YTD (000's)		Rate Change % YTD		Rate Adequacy % YTD		Commission % YTD		Retention % YTD	
	Plan	Plan	Actual	Unprocessed	Plan	Actual	Plan	Actual	Benchmark Actual	Technical Actual	Plan	Actual	Plan	Actual
INTERNATIONAL MARKETS	495,887	216,713	219,274	4,942	38,140	51,560	0.5%	3.0%	110.9%	107.8%	9.3%	8.7%	91.9%	90.2%
NATURAL RESOURCES	495,887	216,713	219,274	4,942	38,140	51,560	0.5%	3.0%	110.9%	107.8%	9.3%	8.7%	91.9%	90.2%
CAR	30,580	12,942	12,333	938	12,316	12,131	2.3%	-4.5%	140.0%	130.7%	12.5%	11.5%	80.0%	0.0%
ENERGY LIABILITY	71,544	27,462	31,792	809	1,596	8,857	5.2%	10.9%	104.1%	94.6%	10.5%	8.8%	88.2%	93.1%
ENERGY OFFSHORE	104,630	54,320	57,476	1,213	14,393	14,530	2.4%	2.3%	92.0%	88.4%	10.8%	9.1%	92.5%	91.2%
ENERGY ONSHORE	210,092	86,779	89,138	1,304	2,500	11,132	-2.1%	0.4%	119.6%	121.7%	7.0%	5.7%	92.9%	88.0%
RENEWABLE ENERGY				678										
SUSTAINABLE ENERGY	79,041	35,210	28,536		7,335	4,910	1.8%	2.1%	139.8%	139.3%	11.0%	16.3%	92.1%	94.7%
Total	495,887	216,713	219,274	4,942	38,140	51,560	0.5%	3.0%	110.9%	107.8%	9.3%	8.7%	91.9%	90.2%

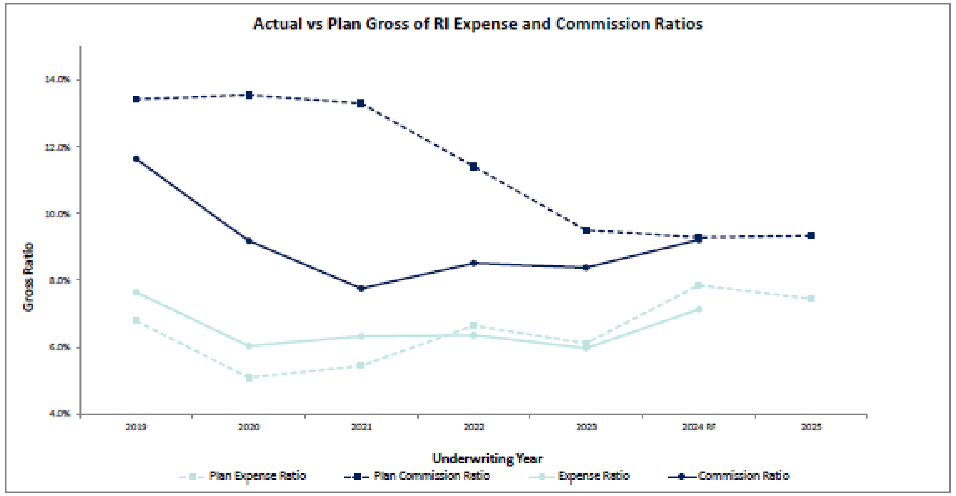
Financial Performance 5 years

CELL	SUB CELL
IM NATURAL RESOURCES	ALL









QBE

Underwriting Conditions

Market Commentary: Challenges / Opportunities/ Key Risks to Manage

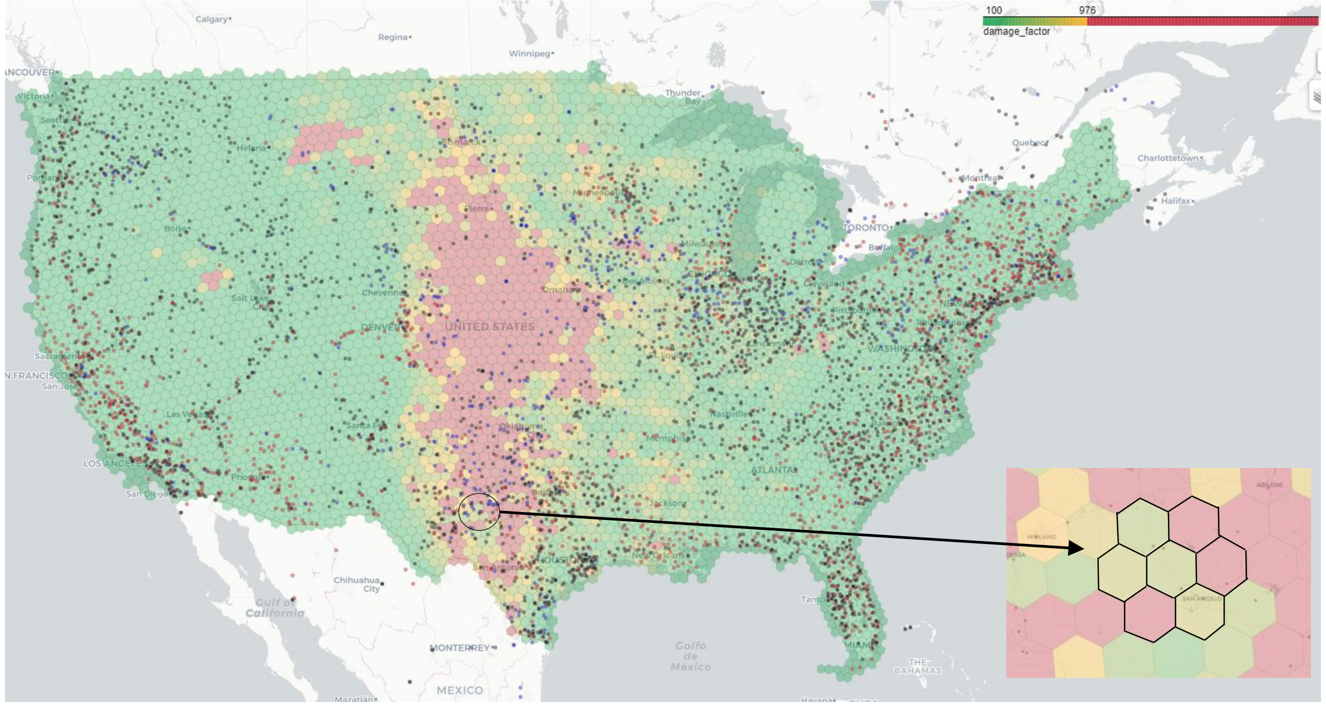
- Overall trading conditions are strong across the business, excluding Offshore – with desire to keep growing/protecting market shares in this phase:
- *Onshore Energy* - trading at cyclical high, values holding up. Rates beginning to feel pressure and lower loss activity reducing SRM upside.
- *Offshore Energy* - remains structurally oversupplied – we have minimum/defensive outlook. Rates softening and difficult market continue – and is not moving despite losses.
- *Energy Liabilities* - casualty market outside US is starting to soften. US/Offshore Energy remain stronger. Significant growth in our US Utilities book.
- *CAR* – seeing significant investments in energy and infrastructure. Good market, particularly in the US/Latam – where we are evaluating further growth through Burnett. Signings in London are under pressure.
- *Renewables* – Growing line of business, but market is increasingly competitive.
- *Power* – our account has matured –with good conditions, but rate is now starting to slip, as are signings. More markets moving from mono-line renewables into Power & Renewables.
- *Mining/Metals (heavy industries?*) – good traction/take-up, but now need permanent resourcing to support further growth and develop longer term strategy. Final launch of our new initiatives.

Underwriting Conditions

Emerging Risk and Hot Topics

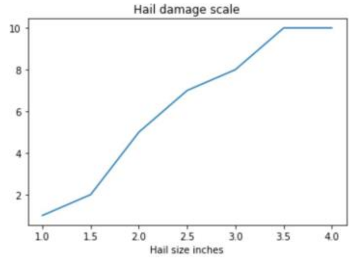
- Book is inherently prone to cycles - which can require fortitude/patience.
- Very attractive performance brings hot money into the space and create imbalance quite quickly.
- QBE business is a long-term relationship business – but prices still count.
- All lines carry recession/commodity price risks.
- M&A/structural difficulties in Offshore Energy book – uncertain energy future for UK/European oil/gas - due to policies/public perception. Not counteracted by demand reduction.
- Claims are growing in size/complexity and are very high profile (ageing assets, raw materials/supply chain stress/volatility)
- Resourcing remains difficult, due to limited experience in market. Missing a generation of 10 years - 15 years+ experience, as lines were very difficult.
- All products are all very reinsurance dependent – given capacities/risks carried, with large retentions due to volatility. Strong relationships and track record is a key differentiator.
- Speed of transition away from oil/gas business remains an open question. Offshore Energy impossible to decarbonise. But onshore is in Petro-states....

Sustainable Energies Hail Aggregations



Blue dots – Wind farms, Red dots – Solar farms. Black dots – all other occupancy types. Plotted Exposure for Sustainable energies. Colour is based on damage factor. Which uses the size of the hail sized scaled up by a factor based on what damage it could do to assets, particular solar.

State	County	Damage Factor	Count Solar	Hexagon Exposure	Solar Hexagon Exposure	Ring Solar Exposure	Return Period 2.0	Return Period 2.5	Return Period 3.0	Return Period 3.5	Return Period 4.0
Texas	Howard	556	1	$27,436,029	$1,622,250	$11,905,589	1.7936	3.7858	0	0	0



	State	County	Damage Factor	Solar Exposure (Event Limit Applied)	Line Size	Limit 100%	Project Count (Solar)
Single Hex	Texas	Howard	556	1,622,250			2
			Nextera	1,622,250	3.5%	750,000,000	1
7 Hex				11,905,589			7
			Gcube	4,689,573	15%	300,000,000	5
			Nextera	7,216,016	3.5%	750,000,000	2

Monitoring the hail exposure on a hail event limit scenario. Line size is applied afterwards to get solar exposure. This monitored monthly in our aggregates meeting, looking at key areas, specifically Texas. Breaking down each hexagon into the assureds, so we can look at the hail event limit and line size. Also possible to do this with the 7-hexagon ring.

Hexagons are the size of greater London, 58km in diameter.

Automating the process between the cat team and the hail model, for quick and easy monthly updates.

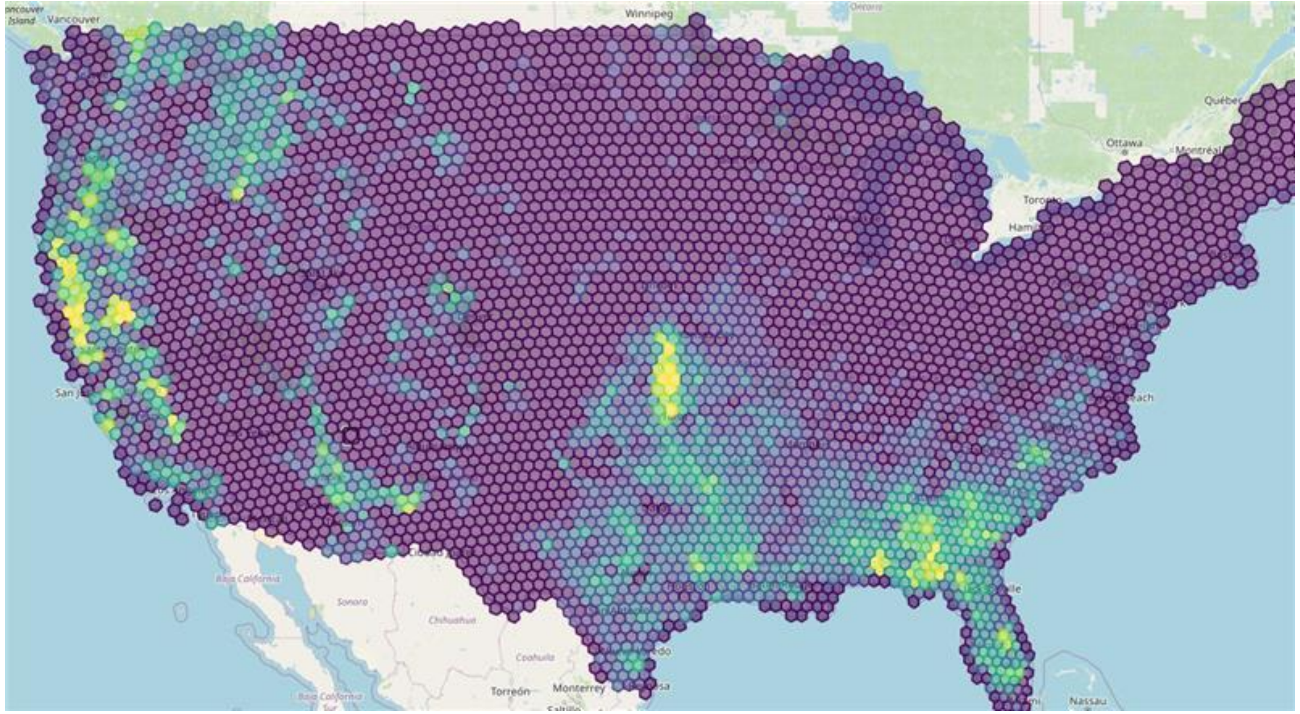
Updated hail counts after the hail season, then calibrate damage factor according to any further claims we have.

As the damage factor uses hail counts since 2014, it's not looked at on a per year basis, but rather a sum of the past 10 years. We will be looking at yearly changes to see if that gives us any further information we could use. For example, is the last 5 years worse than the first 5 years in our dataset.

Looking at different distributions, currently one distribution is fitted to the entire United States. Potentially looking at different sections of the United States and model them accordingly, to get more accurate return periods.

QBE

Sustainable Energies Wildfire Aggregations



Hexagon geospatial map can be used as a primary aggregation tool with overlays being drawn from tools such as NOAA datasets.

Image to the left introduces heat mapping for wildfire - return period and frequency based analysis currently under development.

Geospatial tool has been developed worldwide, however overlays are limited by dataset availability.

Thematic update

04

Thematic update

- OPA