

Reinsurer Roadshow – Motor

June 2024



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European Operations Commercial Motor

24th June 2024

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02

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Team Composition.

01

Global Motor Product Committee

Established formally in 2023 to -

- Support an enterprise approach and the Group U/w Committee in reviewing performance including underwriting & pricing strategy.
- Enables cross divisional collaboration to leverage capabilities.
- Committee comprises of representation across all QBE territories (EO, North America, Aus Pac, Asia, QBE Re), plus colleagues from support areas (Pricing, Risk, Performance).

Insights...

General EV market trends

- EVs predominance is starting to pick up globally as more brands introduce EVs into their line up, introducing more affordable models with global EV sales in 2023 expected to increase by 35% year on year
- An increasing number of countries are setting targets to cease registration of new ICE vehicles within the next 5-10 years; further accelerating uptake
- Whilst there is a strong move towards the EVs in end consumer markets, an increasing number of commercial and government organisations are shifting their fleets towards EVs as a means to support their net-zero ambitions
 - This will drive supply up in the used car consumer markets in the following years

Insurance

- While existing risk/price factors will more than likely continue to be a good indicator of risk (i.e. sum insured, power to weight, category etc), there are indications of inherently different/new exposures in particular around battery safety and trip hazards from charging cables.
 - To this extent it's likely that existing motor insurance will evolve over time as opposed to requiring new insurance products to be built from the ground up.
- Many of the driver assistance features offered in EVs are also made available to new ICE vehicles, which further supporting the evolution of existing motor insurance

https://www.iea.org/energydata/graphics/index.php?id=2023-2023-motor-vehicle-compare



Principles...

1. Customer/Product:
 - a) Conduct regular customer research (both retail and commercial) to identify both real and 'perceived' gaps in coverage as well as tracking trends over time
 - b) Review EV specific claims against current product offerings and conduct 'scenario' testing
 - c) Review competitor product offerings globally and specifically in China where electric vehicles have the greatest market penetration
 - d) Consider exclusions and/or add-on coverages that contemplate possible damage from and to charging stations
 - e) Review potential crossing over to Property (private charging stations) and Cyber (hacking) covers
2. Pricing/Underwriting:
 - a) Establish or refine ability to rate vehicles by manufacturer to cater for the different levels of EV maturity (short to medium term)
 - b) When building new rating/underwriting tools, consider how to build them with flexibility to add new factors
 - c) Look for more robust/complete external data sources to fill gaps in experience where possible
3. Claims:
 - a) Review existing repair networks to assess EV repair capabilities to ensure pricing and underwriting are aligned to our ability to repair EVs and cost containment
 - b) Establish qualitative feedback loops with underwriting to pre-empt underwriting controls; technology will develop more rapidly than claims experience will inform pricing



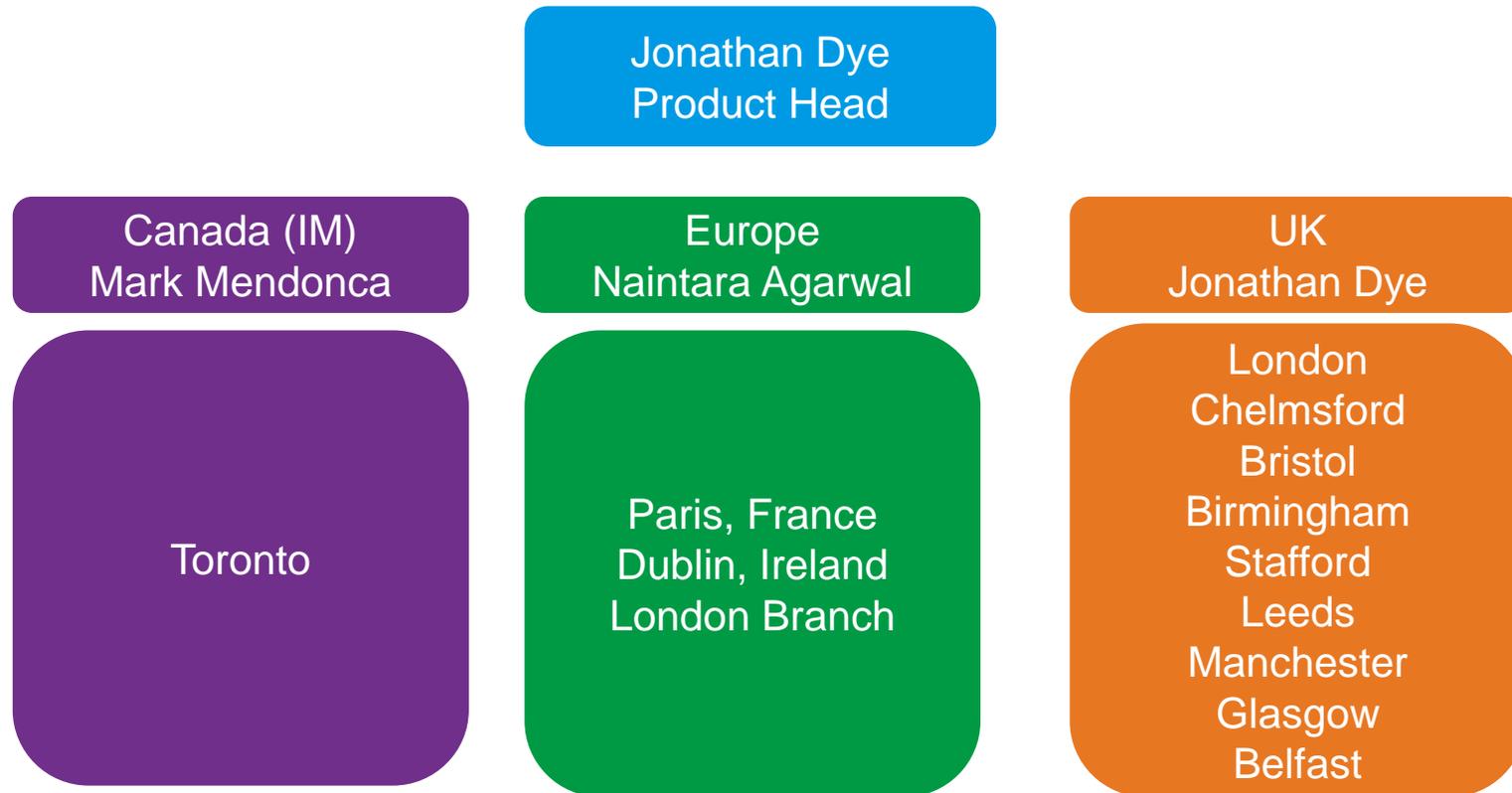
Tools and levers...

In order to counter the impact and challenges high and rising inflation bring there are a number of actions we can take across the QBE motor portfolios. These may not be relevant to all territories and portfolios, dependent on a number of characteristics, but they should be considered when assessing what activity to prioritise -

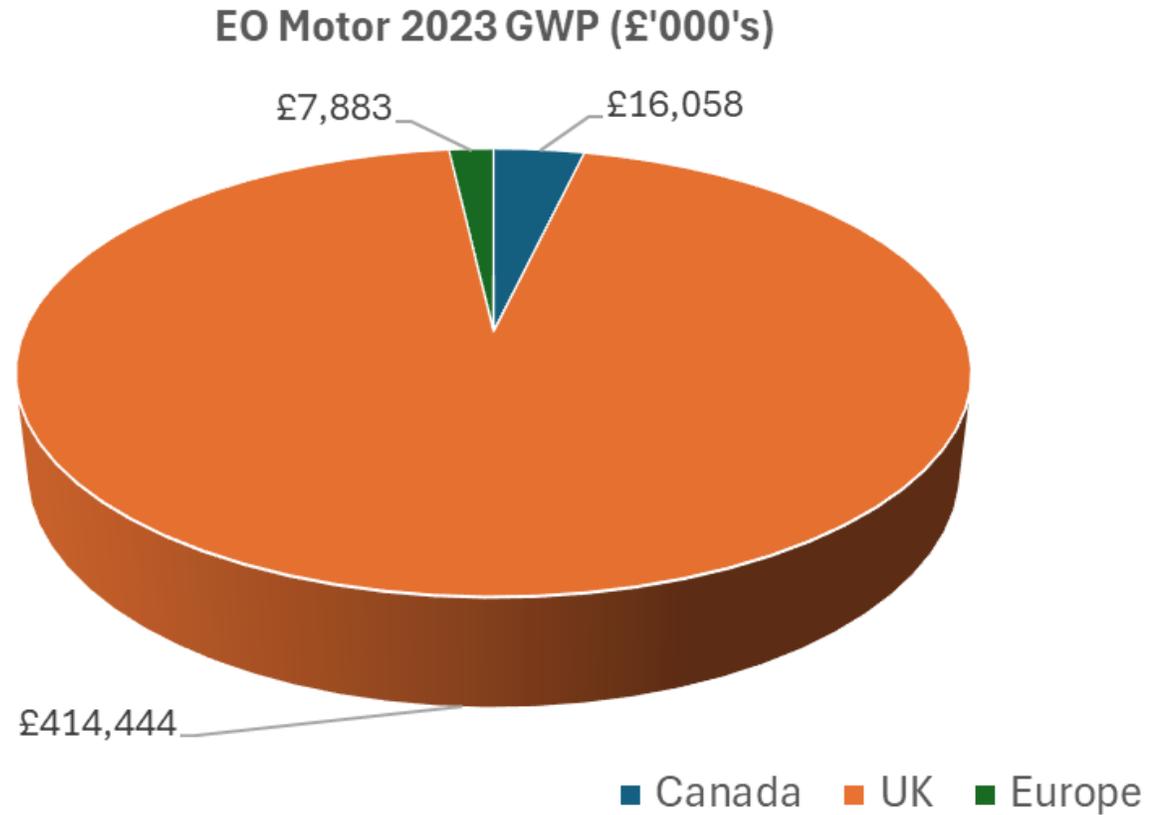
- Write a greater percentage of business in segments that allow immediate, non-filed rate increases
 - Products rated using manual trading, pricing models or products traded digitally
 - Large account premiums eligible for rate deregulation in US.
- Reduce policy limits on both the primary and excess layers
 - Greater premium increases at higher limits
 - Reduce limits available on less desirable business
- Increase liability and physical damage deductibles
- Manage exposure in geographies with higher claim severity trends and/or regulatory restrictions on rate increases including:
 - Large multinationals with significant US exposures. These may be an easy target in "deep pockets" litigation especially where excessive jury awards are more likely including
 - The states of California, Georgia, New York, Louisiana, Texas, Florida, & Louisiana, and
 - Cities/Countries that are designated "Judicial Hellholes" (Chicago, St. Louis, Philadelphia, etc.)
- Manage exposure in products with higher claim severity trends
 - Products exposures should continue to be written with significant consideration of development tail, limits exposed and our attachment. Auto and food products are of particular concern.
 - For-hire trucking, public transportation, and auto dealerships
 - Electric vehicles



EO Motor Organisation Chart



EO Commercial Motor Portfolio



Product Overview

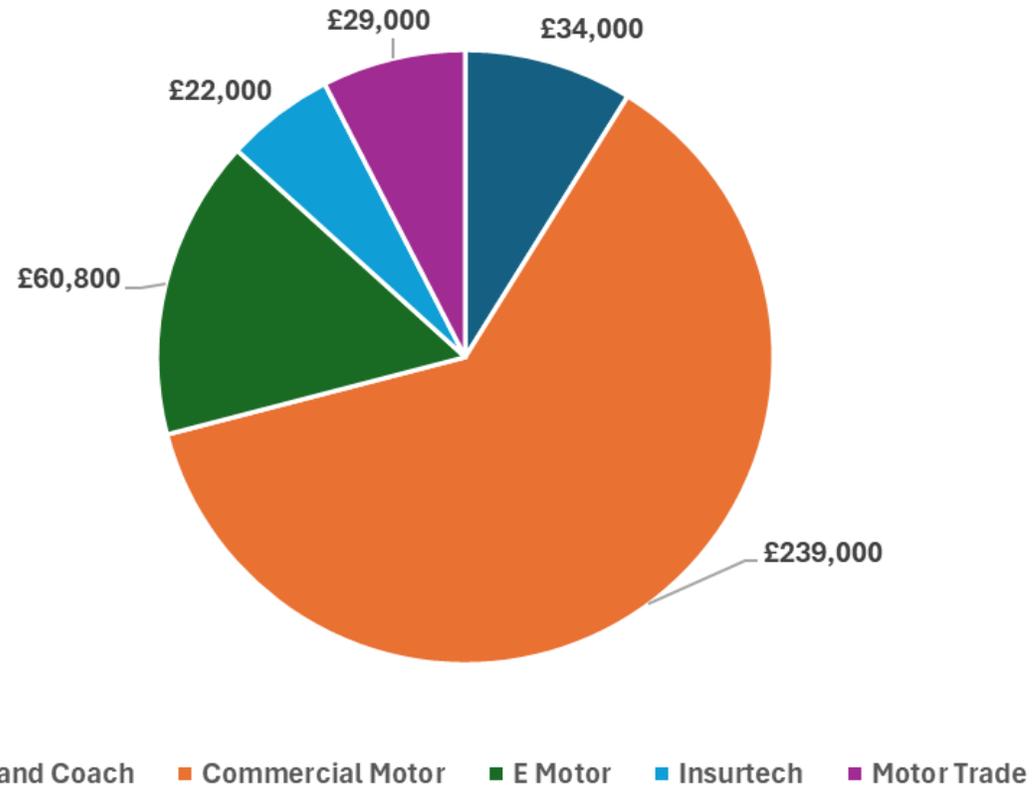


02

UK Motor segmentation

Commercial /
business insurance
focus, no retail or
personal lines motor
business written.

UK Motor Portfolio, 2023, GWP 000's



UK Motor Portfolio Segmentation

Portfolio	Target Segments	Limited Appetite Segments
Bus & Coach	Distribution through specialist brokers or select wholesale partners. School Contracts, Private Hire Coach ,Local Authority , Community Transport	Non-Conventional, National Express, Urban Stage carriage and Taxi.
Commercial Motor	Focus on conventional comprehensive covers in core areas, SMC / Mid Market Car and commercial vehicle fleets (own goods).	Logistic, haulage, waste, courier, new ventures underwritten with strict criteria.
E Motor	Minibus / B&C target exposure segments – School contracts / Education, Charity, Private Hire, Health care / Nursing homes. Mini Fleet full cycle E traded product targets risks between 3 and 15 vehicles comprising mainly cars and small commercial vehicles (own goods only). The product rules focus appetite across key risks including drivers, area, business type, claims history.	
Insurtech	Exposures where we benefit from using new distribution channels and data led insights to enable improve risk selection and pricing	
Motor Trade	Focus on SMC+ through to Corporate clients. Core sectors include vehicle repairers, Automotive dealers, Bodyshop's.	Airport car parking, End of vehicle life risks, Mobile automotive trades (without premises) / Motor factors, Accessories shops / Petrol filling stations / Self-drive hire operators, Vehicle transportation risks.

UK Distribution channels

- Consistently a broker dominated distribution approach with c95% of GWP via brokers with a diminishing reliance on wholesale brokers, representing c6% of GWP in 2025.
- Very limited delegation / facilities, one facility (Insurtech) representing less than 5% of GWP in 2023.
- Insurtech product and facility distributed mostly B2C utilising data and digital integrated technology solutions
- Regional motor trading teams with local portfolio managers with specific accountability for Motor.
- Specialist sectors and teams e.g. Bus and Coach, Motor Trade have distribution limited to brokers with desired expertise and sector knowledge.
- E Motor underwriting operations centralised in Stafford with broad broker distribution although majority of GWP underwritten through major trading partner panels.

EO Motor Strategy

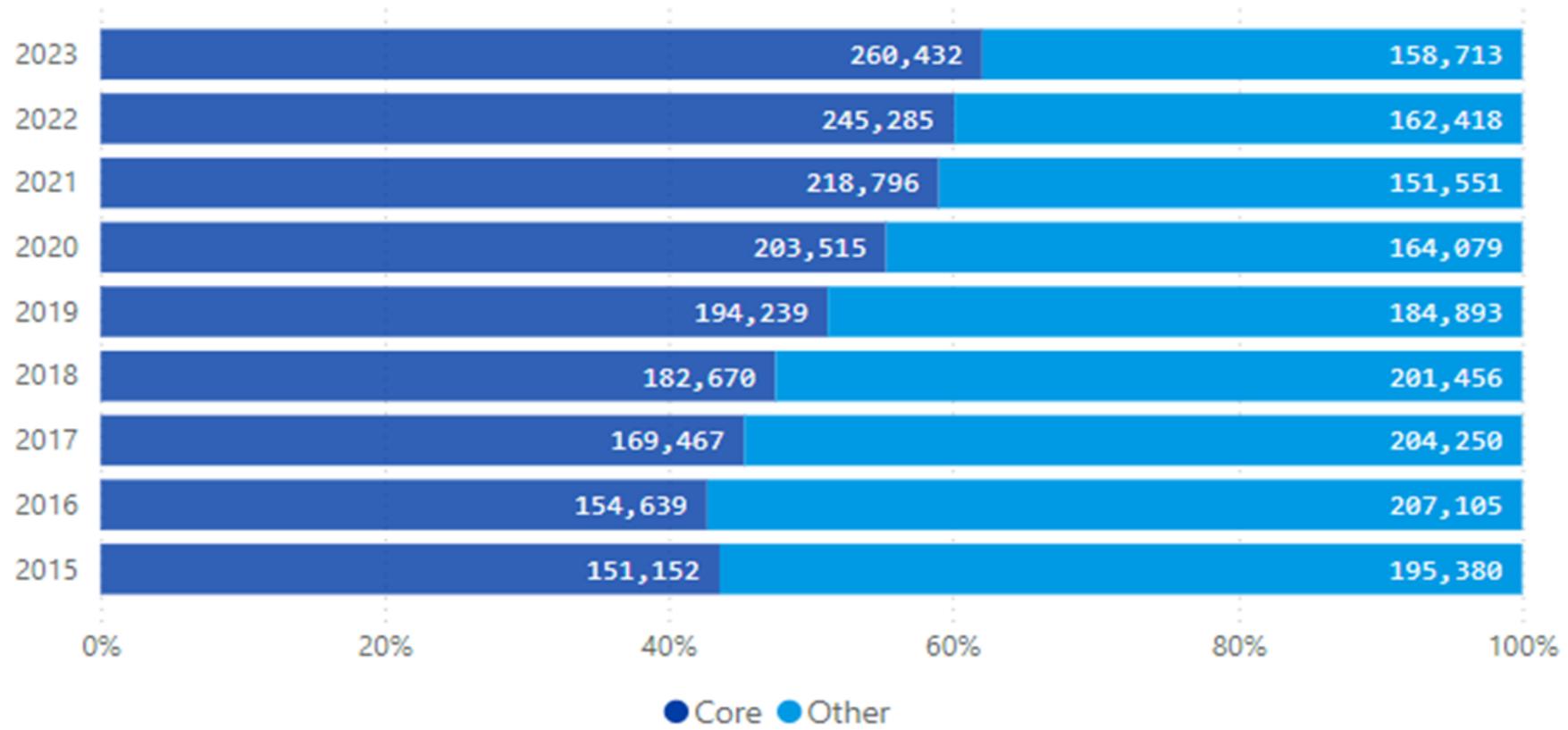


UK Coverage and limits

- UK Standard policy limits unlimited Third-Party Injury, £5m TPPD for commercial vehicles and £20m for private cars. Max offered on TPPD subject to sign off is £50m P/cars & £20m C/v's. Exposure to Hazardous goods is limited with TPPD restricted to £1.2m.
- Majority of Business is placed on a conventional comprehensive basis including both damage and third-party liability covers.
- Non-Conventional portfolio (Commercial Motor and Bus & Coach) represents c13% of GWP (based on 2023 full year) with a 35% reduction in policy count and 30% reduction in vehicle exposure during past 5 years.
- During past c10 years loss corridors also introduced for a number of Bus non-conventional programmes which has significantly reduced exposure to QBE and RI placement.

Exposure Trends

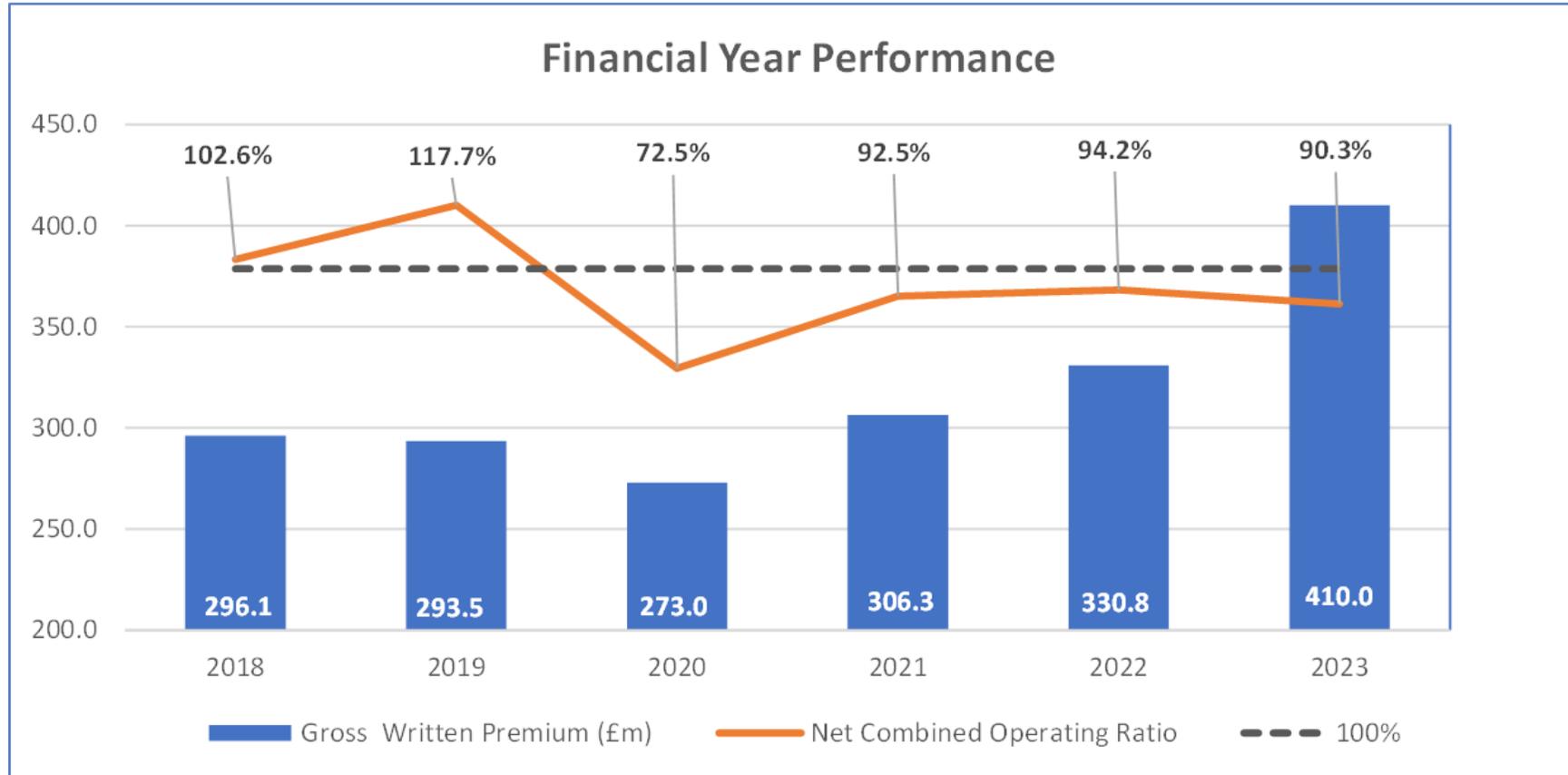
UK Vehicle Exposure by Undewriting Year - Core/Other



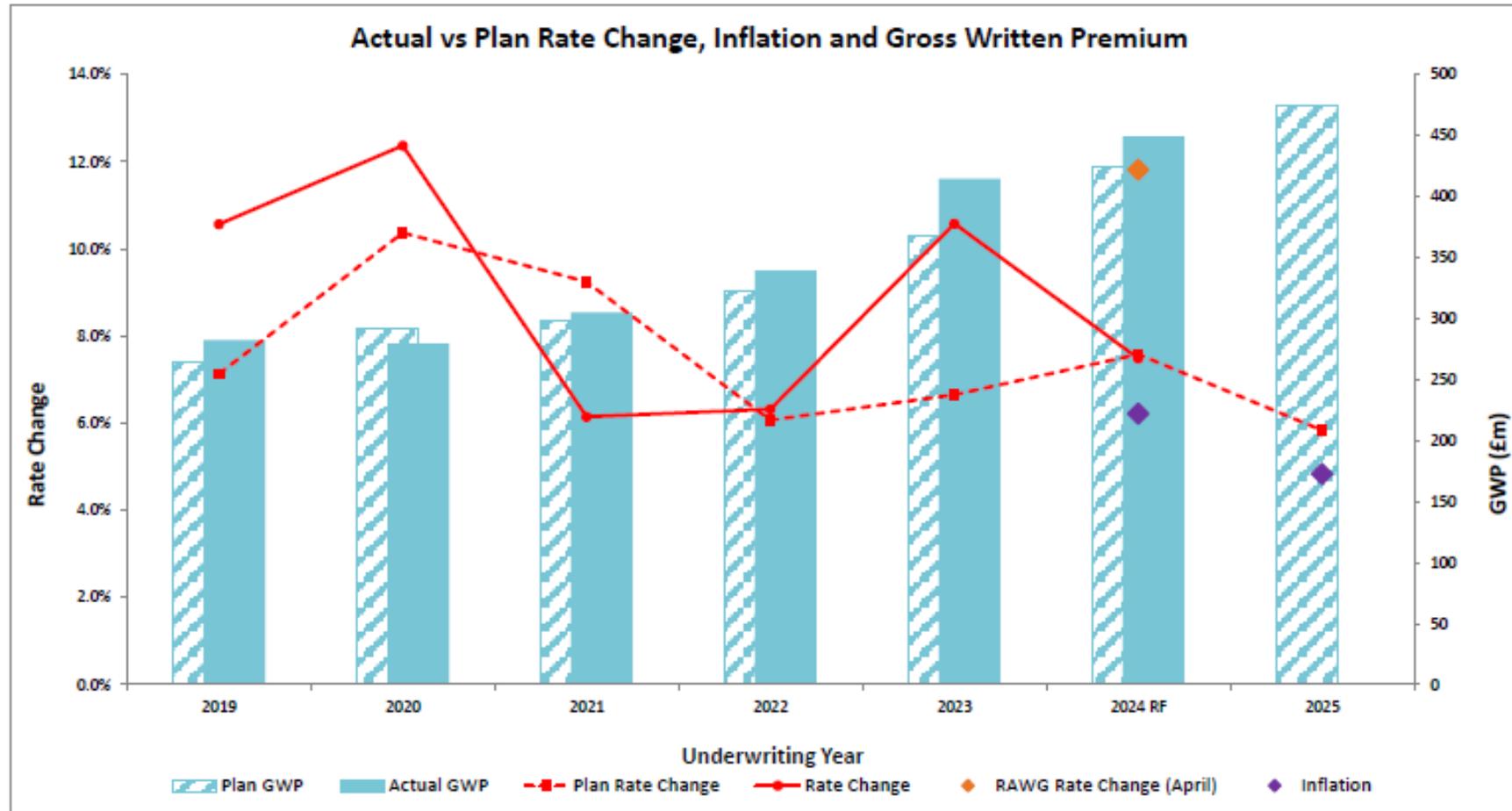
Financials

03

QBE UK Motor Performance..

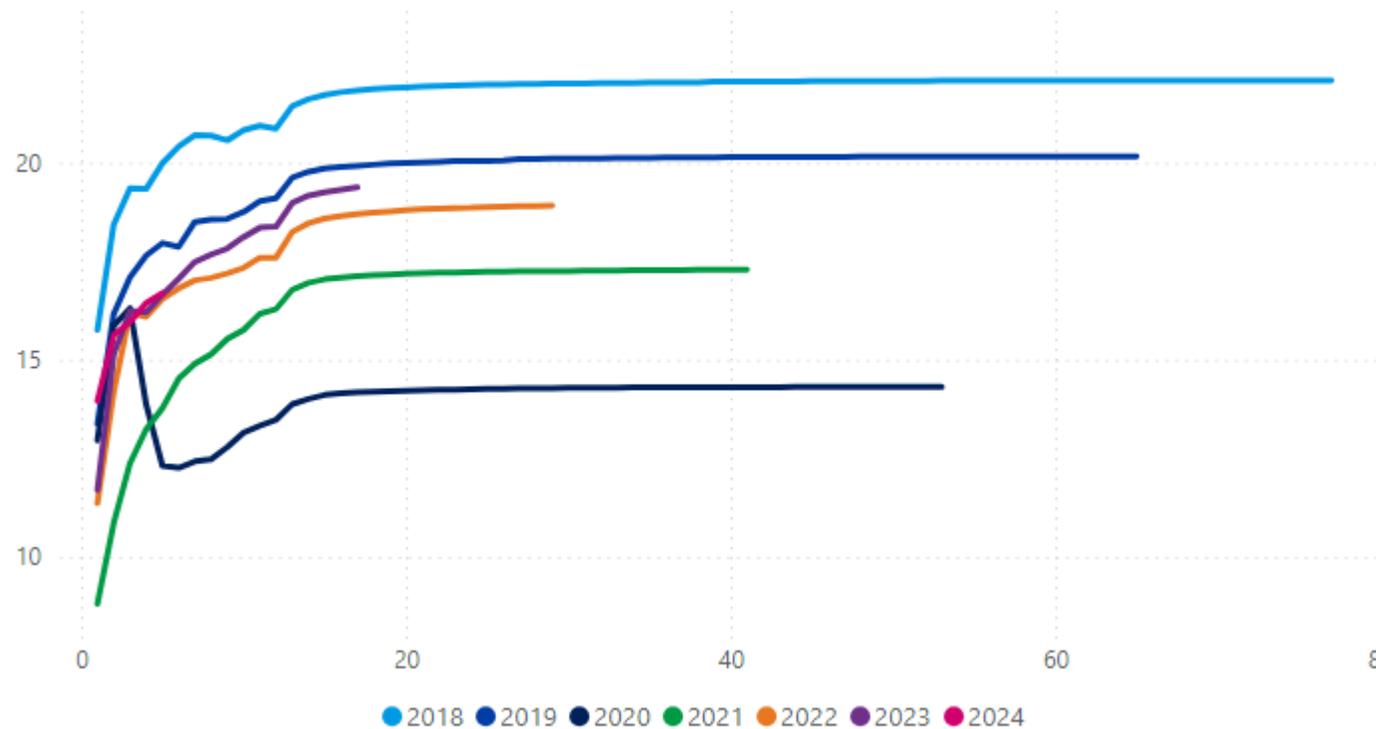


Rating environment



Claims Frequency trends

UK Conventional Claim Frequency by Accident Year

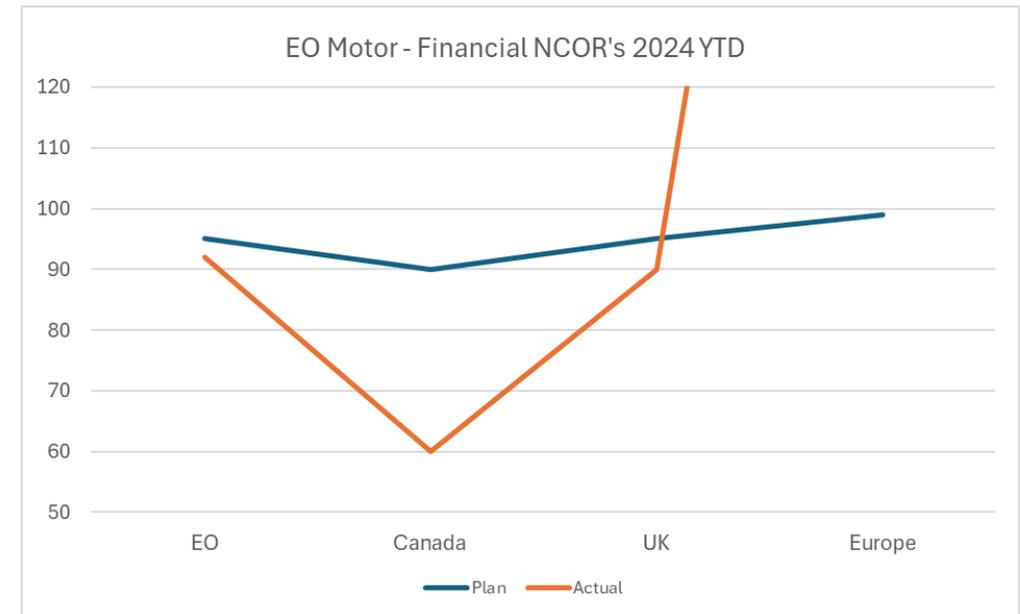


Claims frequency reducing across long term with 2024 continuing trend (ex covid)

Inflation

	2023	2024	2025	2026
Bus & Coach %	7.4	6.3	4.9	4.7
Commercial Motor %	7.6	6.3	4.8	4.5
E Motor %	7.8	6.3	4.8	4.5
Motor Trade %	7.5	6.3	4.8	4.6

2024 Financial Year Performance



H1 trading / market environment update

- Positive H1 trading with UK GWP exceeding plan due to better performance across all KPI's (Rate, NB and retention)
- UK motor market continues to support material rate increases with overall UK portfolio tracking in excess of +12% YTD.
- Some evidence of dual pricing from some insurers (New business vs Renewals)

Thematic update

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Events and Trends



Vehicle Technology (Assisted, self-driving & connected) and construction advancements

Environmental (Electrification), Social (Sharing Economy) and Governance (ESG)

Regulation and Legislative change

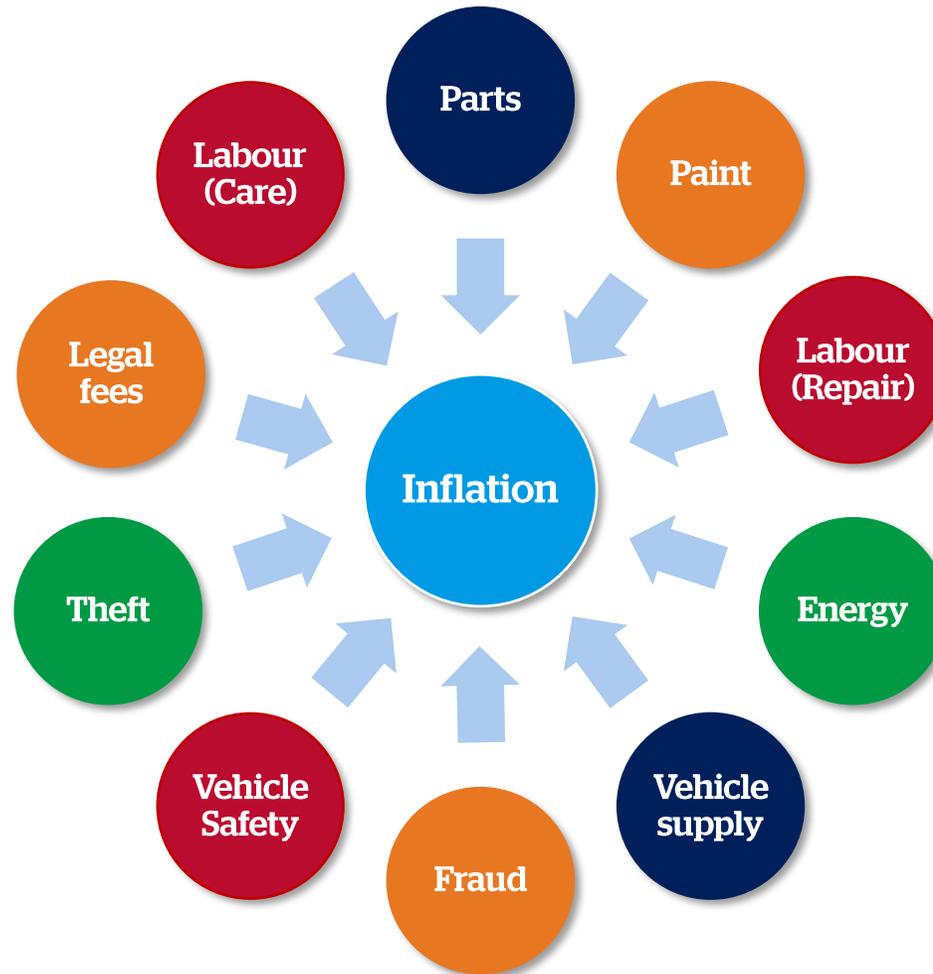
UK Motor Market Challenges...



Source: 2023 Deloitte Motor Insurance Seminar Survey

Uncertainty remains elevated but 'stabilising'...

Claims Inflation



Severity

Disproportionate influence from damage inflation

Frequency

Ogden Discount Rate

The rate is a calculation used to determine how much Insurers pay as compensation to claimants with life-changing injuries so that it will cover predicted future losses including loss of earnings and care costs. The rate is applied to allow for investment returns and inflation on a lump sum payment.

Current rate -0.25% for England and new rate to be implemented by January 2025. Isle of Man changed from -0.25% to +1% in October 2023....

Impact of large claims can be material e.g.

- Claimants aged 3 at time of accident and now 20. Double amputee. Projected costs based on varying levels of ODR –

	-0.25%	+0.5%	+1.0%
General Damages £	200,000	200,000	200,000
Loss of Earnings / Care costs / Prosthetics £	5,000,222	3,851,500	3,287,300
Total Cost £	5,200,222	4,051,500	3,487,300

Summary

- Strong portfolio performance across a volatile period for UK motor insurers
- Inflation remains elevated for damage (AD & TP) driving continued premium growth through rating uplifts
- Portfolio segmentation (cover / exposure) continues to shift driving a lower propensity for large loss
- Historical RI treaty performance positive for reinsurers
- Ogden Discount rate change is likely to support a reduction in cost of large losses

