Reinsurer Roadshow – Marine

June 2024

QBE

European Operations, Marine

Kevin Shallow

Executive Director, International Markets

Agenda

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Marine: Headwinds,
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update

Portfolio Overview

01

European Operations, Marine.

Global

We write marine business worldwide through our various teams

Products

Cargo
Hull
Marine Liabilities
Specie
Port and terminals
Marine War
British Marine – Hull & P&I

Local Underwriting

International Markets
London
USA (Miami & Houston
France (regions & Paris)
Germany
Sweden
British Marine - Singapore

Portfolio

Planned 2024 GWP of GWP
GBP 361m

Growth

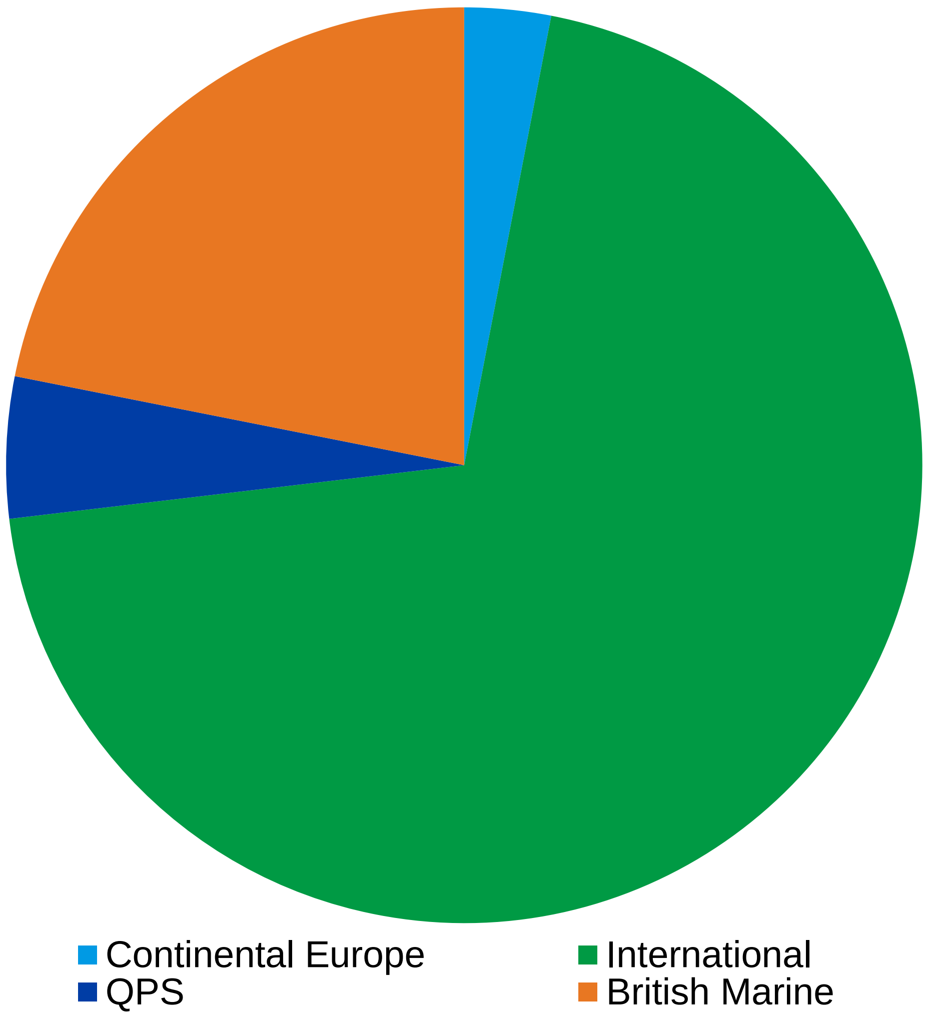
Significant GWP growth since 2019
(FY19 GWP GBP210m).

EO Marine 2024 GWP

Figs in £000s per Mar24 reforecast

• International*	£253m
• British Marine	£79m
• Continental Europe	£11m
• QPS	£18m
• **TOTAL**	**£361m**

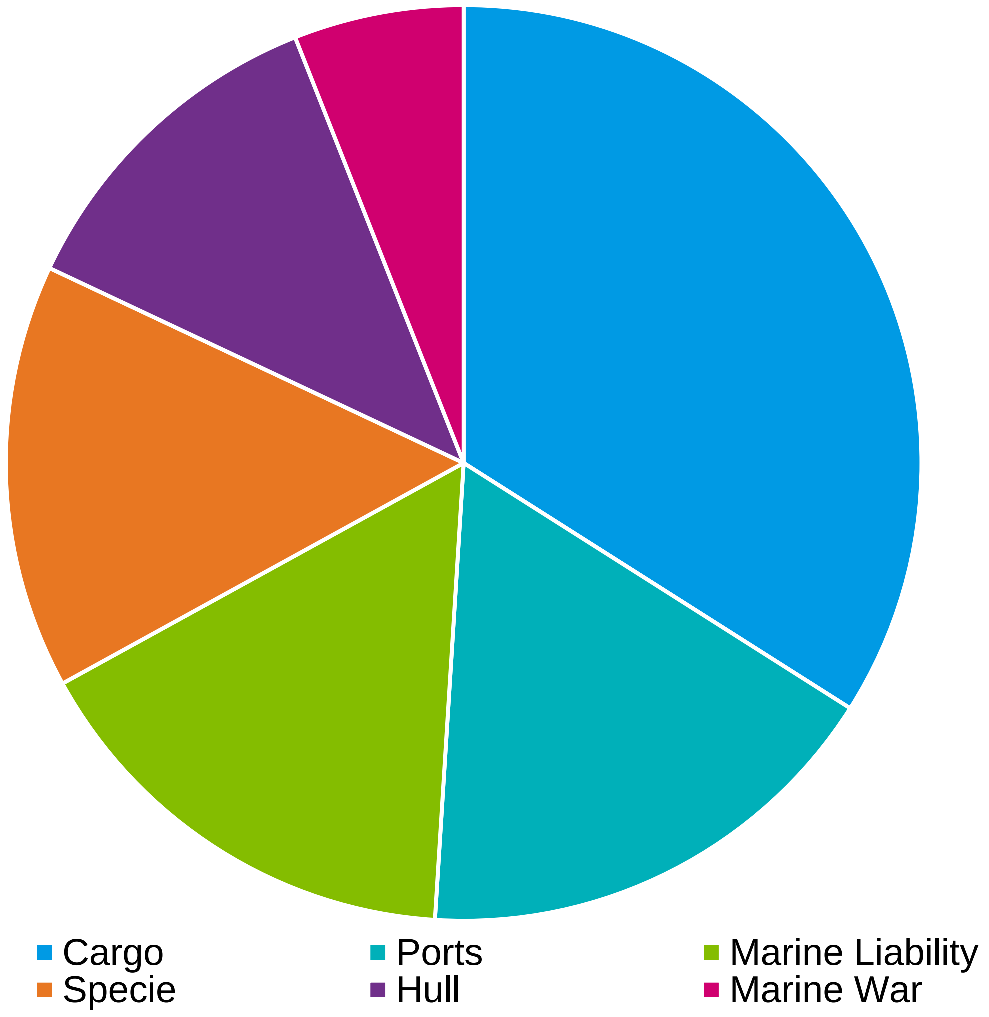
** International split on the following slide*



EO Marine 2024 GWP

Figs in £000s per Mar24 reforecast

International	£253m
Split:	
• Cargo (incl. Multinational)	34%
• Ports	17%
• Marine Liability	16%
• Specie	15%
• Hull	12%
• Marine War	6%



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Accumulation Management

Cargo

NatCAT update: significant remedial work has already been completed in the cargo portfolio to rebalance primary and XS lines which culminated in a 19% reduction in gross exposure to reinsurers as at Jan ‘24 renewal versus prior year. US named WS appetite remains limited, with a preference to insure locations and Assureds with appropriate risk controls such as additional physical building protections and Hurricane Preparedness Strategy SOPs or similar. Some competitors in the market appear to be less stringent on such risks taken onto their balance sheet resulting in competition on this business where we are having to walk away from potential opportunities.

Ports & Terminals

Our underwriting strategy looks to pursue a diversification of risks in both type and location, whilst managing percentage line sizes to maintain a balanced portfolio. We are stringent in managing our AAL and just under 50% of our AAL emanates from ten assureds which we view as longer-term relationships. This is a consequence of our approach to transactional business; where we have either declined, reduced exposures, or increased our attachment points. In deploying CAT aggregate, we have a preference towards doing so in areas where the market responds - not where insurable values are low and we become isolated to events relative to the global insurance market. We continue to analyse how we deploy our aggregate and in the past two years have sought to create greater miss factors for North Atlantic WS which we believe will leave us less exposed to significant market events.

Team Composition.

02

Organisation Chart

- **Executive Director, International Markets** — **Kevin Shallow**
  - **Director of Underwriting, Product Leader, Marine** — **Kevin Shallow**
    - **Lucy Gray** — Personal Assistant
    - **Sophie Seeley** — Portfolio Manager (Speciality)
      - **Kimberley Hallam** — Underwriter
      - **Rhys O'Neill** — Underwriter
      - **Henry Hirons** — Assistant Underwriter
    - **Guy Pierpoint** — Portfolio Manager (British Marine P&I)
      - **Kevin Healy** — Senior Underwriter
      - **Liam Glynn** — Senior Underwriter
      - **Matthew Ginman** — Senior Underwriter
      - **Frankie Hazle** — Underwriter
      - **Richard Maile** — Underwriter
      - **Daniel Ripton** — Assistant Underwriter
      - **Mark Smith** — Assistant Underwriter
      - **Callum Rich** — Underwriting Assistant
      - **Jasmine Harper** — Underwriting Assistant
      - **Sanam Gill** — Underwriting Assistant
      - **Sebastian Tjornelund (Asia P&I)** — U/W Manager
        - **Jamie Baggett** — Underwriter
        - **Cindy Teo** — Underwriter
        - **Siti Suhaila Binte Mohamed Bakri** — Underwriting Assistant
      - **Neil Hobson** — Chief Surveyor
        - **Kirk McGregor** — Staff Surveyor
        - **Emily Ashdown** — Survey Administrator
    - **James Munn** — Portfolio Manager (Transportation & Logistics)
      - **Dan Eager** — Senior Underwriter
      - **Joe Cheeseman** — Senior Underwriter
      - **Dominic Campany** — Assistant Underwriter
      - **Kiera Sawyer** — Underwriting Assistant
    - **Matthew Mitchell** — Portfolio Manager (Hull/War)
      - **Catherine Penwarden** — Senior Underwriter
      - **Ian Hunt** — Senior Underwriter
      - **Martin Rush** — Senior Underwriter
      - **Thomas Bishop** — Senior Underwriter
      - **Toby Howe** — Assistant Underwriter
      - **George Barrett** — Underwriting Assistant
    - **Ryan Joseph** — Portfolio Manager (Specie)
      - **Richard Ansted** — Senior Underwriter
      - **Maisie Springett** — Underwriter
      - **Jack Spencer** — Assistant Underwriter
      - **Jack Richie** — Underwriting Assistant
    - **Simon Lascelles** — Portfolio Manager (Cargo)
      - **Roisin Mulroy** — Senior Underwriter
      - **Alice Tyler** — Underwriter
      - **Harry Higgins** — Assistant Underwriter
      - **Matt Phillips** — Assistant Underwriter
      - **Ella Brown** — Underwriting Assistant
      - **James Howett** — Underwriting Assistant
    - **Tania Bensoussan-Arthur** — Practice lead Europe, Marine France
      - **Christopher Hesselbrandt** — Portfolio Manager Sweden
        - **Gustav Fornalik** — Underwriter Sweden
      - **Gregoire Stephan** — Underwriter France
      - **Lars Habersaat** — Underwriter Germany
      - **Mathilde Duthoit-Michelet** — Underwriter France
      - **Philip Specht** — Underwriter Germany
      - **Jeanne Kakou** — Assistance Underwriter France

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H1 '24 Market Update & H2 '24 Outlook

03

Cargo – London (including Multinational)

H1 '24 Market Update

Original 2024 planned rate of +4.5% is becoming challenged. Increase in the number of underwriters offering small (-2.5%) to larger (-10%) rate reductions on accounts where they are concerned they may lose business to a competitor. Some established Lloyd's leaders seeming to drive rate down faster than anticipated.

More new capacity expected to enter the London market in H2 '24 & 2025

Ukraine Grain Corridor – cargo opportunities have reduced significantly

Some significant claims in the London market (we have no involvement) such as: Dollar Tree tornado, Turning Point Holdings tornado, Wistron & AMD fire (Taiwan), Ford hail loss (USA)

H2 '24 Outlook & additional comments

Rate
We expect increased downward pressure on rate in the coming months if the US Hurricane season has a limited insurance impact. Conversely, an active season will likely help underwriters maintain rate.

Distribution
We continue to grow through our Houston and Miami teams

Facilities
Appetite unchanged per previous years – we write this on a select basis where we feel it is accretive to the portfolio and provides better access to business vs writing it in London on an ad hoc basis.

Cargo War
Opportunities are discussed in conjunction with the Hull War team to ensure we are aligned re strategy

Automotive Risks
We continue to have no appetite for the transportation or storage of cars. We also have limited appetite for Lithium Ion battery storage risks.

Cargo & Specie - Europe

H1 ‘24 Market Update

The market is fairly stable in Sweden and Germany; however we see some signs of softening in France.

Rating flat other than claims driven rises.

New capacities in Europe – marine teams now actively writing business: Everest, Sompo and Zurich (in France); Sompo and Everest plan to also write Fine Art business.

H2 ‘24 Outlook & additional comments

Rate
We expect increased downward pressure on rate in the coming months, unless the marine reinsurance treaty market becomes materially harder; however, even in this eventuality there is a risk that the European marine markets do not react to such a dynamic until 01/01/25

Distribution
70% is on open market retail basis but some European markets are more driven by prior-submit MGAs (or similar) such as Germany with the “Assekuradeures”

Facilities
Increase in requests to be part of European facilities - we are cautiously looking at such opportunities in Fine Art and Specie.

Cargo War
Nominal requests for Red Sea voyages - suspect that some shipments are not insured at all for war.

Automotive Risks
We continue to have no appetite for the transportation or storage of cars

Specie

H1 ‘24 Market Update

Rating is flat for clean business, rate rises can only obtained on loss making accounts.

Capacity continues to increase but very few new leaders appearing.

H2 ‘24 Outlook & additional comments

Rate
We are expecting the market to remain generally flat with the occasional decrease.

Distribution

We will continue to grow our US platform by means of Marketscout and Huntington T block this accounts for a third of our GPI.

Small growth is expected for the general business placed at Lloyd's.

Facilities

We participate on a number of market facilities, Our line size is dependant on leadership and business mix. Results have been satisfactory.

Ports & Terminals

H1 ‘24 Market Update

Rating quickly deteriorated in Q1 and is tracking at +1.8% for H1, significantly down on planned rate. However we are in a good position to accommodate this from a rate adequacy perspective.

2024 began with +5 to +7.5% as the norm, then as orders into London began to shrink we had to be more defensive with rate moving more towards flat to single digit reductions.

We have manoeuvred ourselves onto many of the better rated orders for various placements and as a result, have had to give larger reductions here to protect our position or face reduced orders.

Order pressure is being driven by a combination of domestic markets reappearing and broker facilities.

H2 ‘24 Outlook & additional comments

Rate
Rate pressure expected to continue into H2 – expectation 0% to +2.5%.

Distribution
The Portfolio remains heavily focused on London Market Wholesale business.

Facilities
Appetite unchanged per previous years – we write this on a select basis where we feel it is accretive to the portfolio and provides better access to business vs writing it in London on an ad hoc basis.

Hull

H1 ‘24 Market Update

The market is now in a negative rating environment and trending further down. Main driver is overcapacity in the market – a mixture of new and old.

Several new startups in the last 24 months – AiMarine, Guardian, Clearwater – all writing a mixture of Hull and construction.

Off the back of strong market results for period 2020-22 – circa 62% NLR Grs of RI – most providers have growth in their plans and are also setting up specialist Consortia – such as Apollo & Brit. This has caused further pressure on rates.

Notwithstanding this, positively the 2023 Lloyds risk code T is currently settling at 56% as at Q1 ‘24. This is the highest it has been since 2018 which may temper some of the top line behaviour.

H2 ‘24 Outlook & additional comments

Expectation is that -7.5% to -10% will be offered on ancillary product classes and clean HM business by 2024 end.

We do expect there to be further pressure on orders and perhaps further verticalization in the class due to QS broker facilities. Marsh Fast Track and Markel led Slipstream will reduce orders to the facultative market.

Marine War

H1 ‘24 Market Update

The Israel/Gaza war shows no signs of easing and its negative impact on shipping remains. The Iranian backed Houthi rebels in Yemen continue to cause chaos on the Red Sea/GOA shipping lane, which peaked on the 13th June with the air and sea attack on bulk carrier “Tutor”. The vessel is now abandoned and drifting, in need of salvage assistance.

To date, since the start of the hostilities on October 7th, there have now been >100 vessels targeted.

The exportation of grain and some oils from the Black Sea continues, but the insurance landscape look very different now to 18 months ago. Additional premium rating for Hull and Cargo war are up to 50% lower than initially, with many vessels now going uninsured for the breach.

Similar to the Hull market, over capacity is an issue, but the dynamic is different with fewer players overall, but with the ability to write 100% lines. QBE are one of those markets.

H2 ‘24 Outlook & additional comments

The current 6 year average loss ratio for W/WB/Q risk code combined stands at 35.87% (Q4 ‘23). Therefore we anticipate this firece competition to continue up to the end of the year and into 2025.

Price is the most important factor in the AP market, often fuelled by charterers not willing to pay the rate that an owner passes to them as part of the charter party. This, as well as loss activity, drives huge volatility in the day to day trading space and there really isn't much guarantee the environment will be the same one week to the next.

There are still efforts for a ceasefire in Israel/Gaza, brokered by the US, but this has reportedly been turned down by Hamas at least twice.

There appears no end in sight to the fighting in Ukraine.

Marine Liability

H1 ‘24 Market Update

Recent years have seen multiple new entrants into the market, with lead underwriters leaving large incumbent insurers for smaller MGAs and syndicates, all with significant growth targets. This, coupled with a challenging hiring environment (we currently believe there are 12 open Marine Liability Underwriting roles in the market, including one at QBE) had put significant downward pressure on rate in the ML market. Pre Baltimore, rate reductions accelerated faster than planned (rate @ +2.5.% pre loss).

Ex Baltimore, our Marine Liability portfolio continues to report favourable attrition vs. expected (following a £6m release at March reserving) highlighting the impact of the remedial work that was commenced early 2020 and continues to be executed upon.

H2 ‘24 Outlook & additional comments

Rate
2024 ROY rate planned at +10%

2024 full year SRM 2.91% (including IGA) and 8.47% excluding IGA

Distribution
We continue to grow through our Houston office

Facilities
Brokers covers/portfolio solutions including marsh Fasttrack and slipstream (combined over 20% capacity) and Aon SPS put further pressure on signings in the market. We are however often able to leverage our leadership position to reduce the impact of this. Post remediation we are incredibly selective with the facilities that we participate on and will mostly only do so in a position of leadership

Other
Inflation, most especially claims/social inflation in the US remains a pressing concern, and continues to be at the forefront of our US remediation strategy; reduction in line size and large limits offered, ventilation throughout programmes and careful risk selection to de-risk this proportion of the portfolio.

British Marine P&I

H1 '24 Market Update

Positive rate continues into H2. H1 rate of 7.8%, against plan of 9.9%

New Business on plan

No new entrants to the market and none anticipated, so capacity for the business remains relatively static

With exception of the Baltimore loss, claims remain relatively benign with no further large loss reported to the market. However the Baltimore loss is likely to have a positive rating impact on the sector, which counters the expectation, prior to the loss, of a reducing rate environment.

H2 '24 Outlook & additional comments

Rate
Stable market with no new capacity entering market

Distribution
Development initiatives in plan utilising offices of QBE to present a localised presence for underwriting and claims. Service proposition improvements to drive efficiencies and client/broker support

Facilities
No new facilities or entrants. Pressure growing on existing MGA facilities due to adverse loss experience and increasing operational costs. MGA will be very directly impacted by market reactions to the Baltimore loss, leading to possible destabilisation.

Marine: Headwinds, Tailwinds, Baltimore update

04

Headwinds

- *Market Conditions*

Market conditions are softening, particularly in 1st party classes. Increased competition, in part driven by an influx of new MGAs, and improving results within the sector, has led to downwards pressure on rating which is anticipated to continue into 2025.

- *Follow form market*

The rise of Quota Share facilities allowing brokers to access pre-secured coinsurance capacity.

Whilst we support some of these facilities, their impact to the Marine portfolio will likely be the increased pressure on signings and its resulting effect on rating. We anticipate the impact of this on our portfolio to be less significant than for many of our competitors.

- *Geopolitical Instability*

Conflict throughout the world, with the most recent flashpoint in the Middle East, continues to impact our insureds through various factors such as oil/steel prices, changing trading routes, risk assessment and the sanctions environment. This in turn influences our own profit/loss through a mix of exposure fluctuations, claims inflation and the potential for loss activity.

However, this also represents opportunity for the Marine war products written within the portfolio.

Tailwinds

- *Increase in Distribution Points*

Build out of the Miami, Houston and Europe offering to leverage expertise for targeted growth into profitable sectors.

Repositioning of British Marine in the marketplace through the distribution and marketing of the product via hubs in Miami and Dubai, with potential for further access points, to ensure regional representation with better access to Insureds and retail brokers.

- *Line Size Deployment*

Deployment of increased $150m line (previously $75m) on cruise and construction business, to both build out the cruise portfolio and solidify our status as the market leader of large marine construction projects. This line to only be deployed on large cruise/construction values where % line size remains within previous percentage line size appetite.

Leverage our status as the only carrier that can write Cargo Multinational business on Lloyd’s paper to deploy increased $160m gross line ($75m net of multinational QS).

Deployment of 100% RUB war line size offering, via recently created QS structure, to target historically profitable war breach business.

- *Lead Status*

With all QBE Marine portfolios being market leaders in their respective class, the ability to control terms & conditions, versus pure follow syndicates, will likely minimise the impact of softening market conditions.

Baltimore update

We expected Baltimore as a market moving event (we know of only two of our peers who do not participate on the programme); however, due to the abundance of capacity and potential for late addressing of claims, we are disappointed that rate has only moved to +5 to +10%, despite our best efforts.

Insight from Lloyd's is that the market has only reported a GBP 500m net loss, indicating that not all carriers have posted a reserve yet against the Baltimore Loss and are happy to follow reserves set by The International Group (IGA) (currently USD100m – no loss to reinsurance programme).

The DALI loss is reserved 100% at $2.1bn by QBE; we are working with the planning and pricing actuaries during this business planning round to review participation on the International Group Reinsurance programme. This will encompass layer participation, line size strategy, the impact on income and reinsurance capacity available (including impact on Marine specifics).

Following recent update from the P&I Club handling the claim, we can confirm litigation regarding the loss will extend well into 2026.