

Reinsurer Roadshow - Blue Ocean & Equator Re

June 2024



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Blue Ocean & Equator Re ("BO&E")

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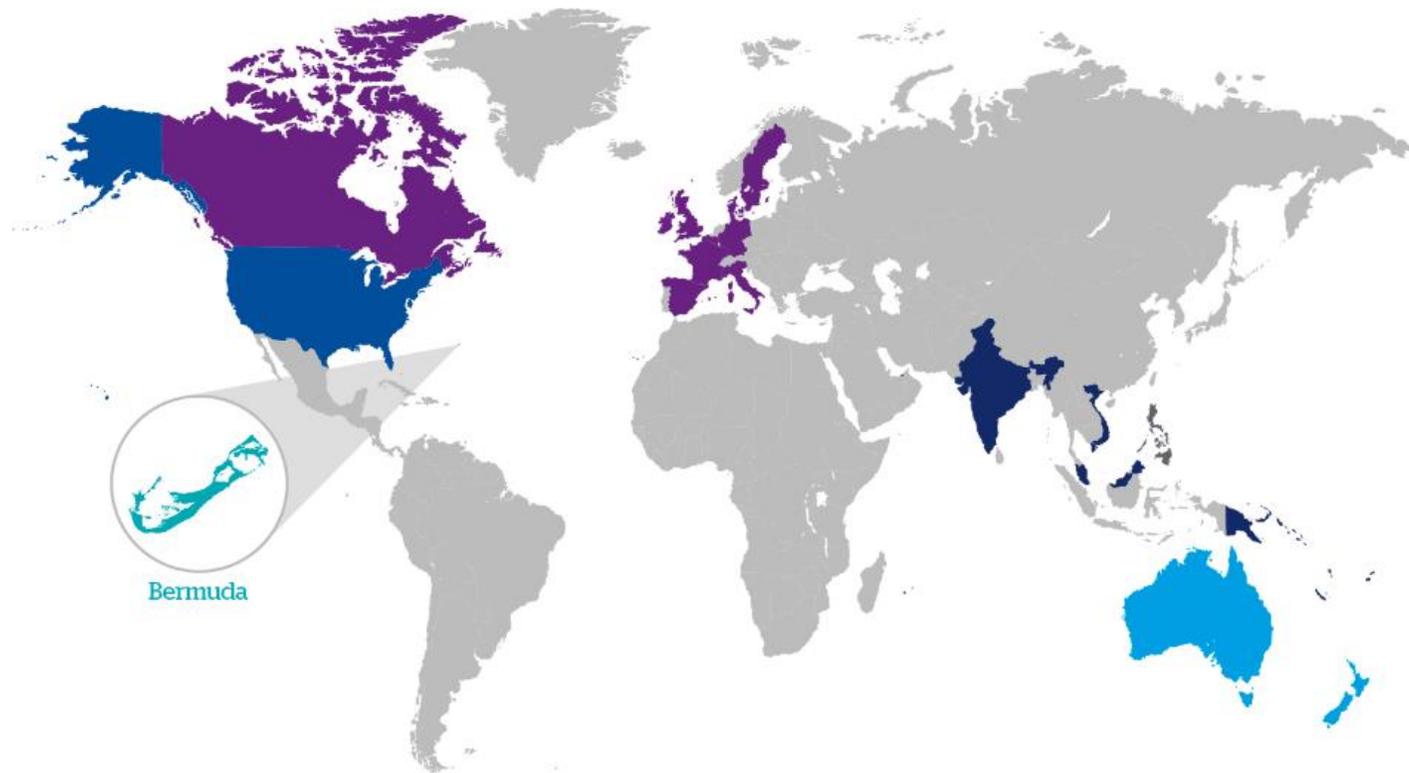
Current State

BO&E Overview



01

Part of the QBE Group



- QBE Group is an international (re)insurer with a local presence in 27 countries, headquartered in Sydney.
- Major regional hubs are International (including Asia), AUSPAC and North America.
- BO&E are the principal reinsurance providers for all QBE divisions globally.

History of BO&E

Pre-2011

- Divisions purchase RI externally.
- Multiple brokers, inconsistent panel, varied appetite, differing approach.
- No centralised Group programme.
- Equator Re partial RI share, retained.

2011-

- Majority of acquisitions to create the QBE Group complete.
- Move to centralise RI purchase.
- Group Risk and CAT purchased externally – cost and recoveries allocated to divisions.
- Equator Re sell divisional programmes below Group attachment

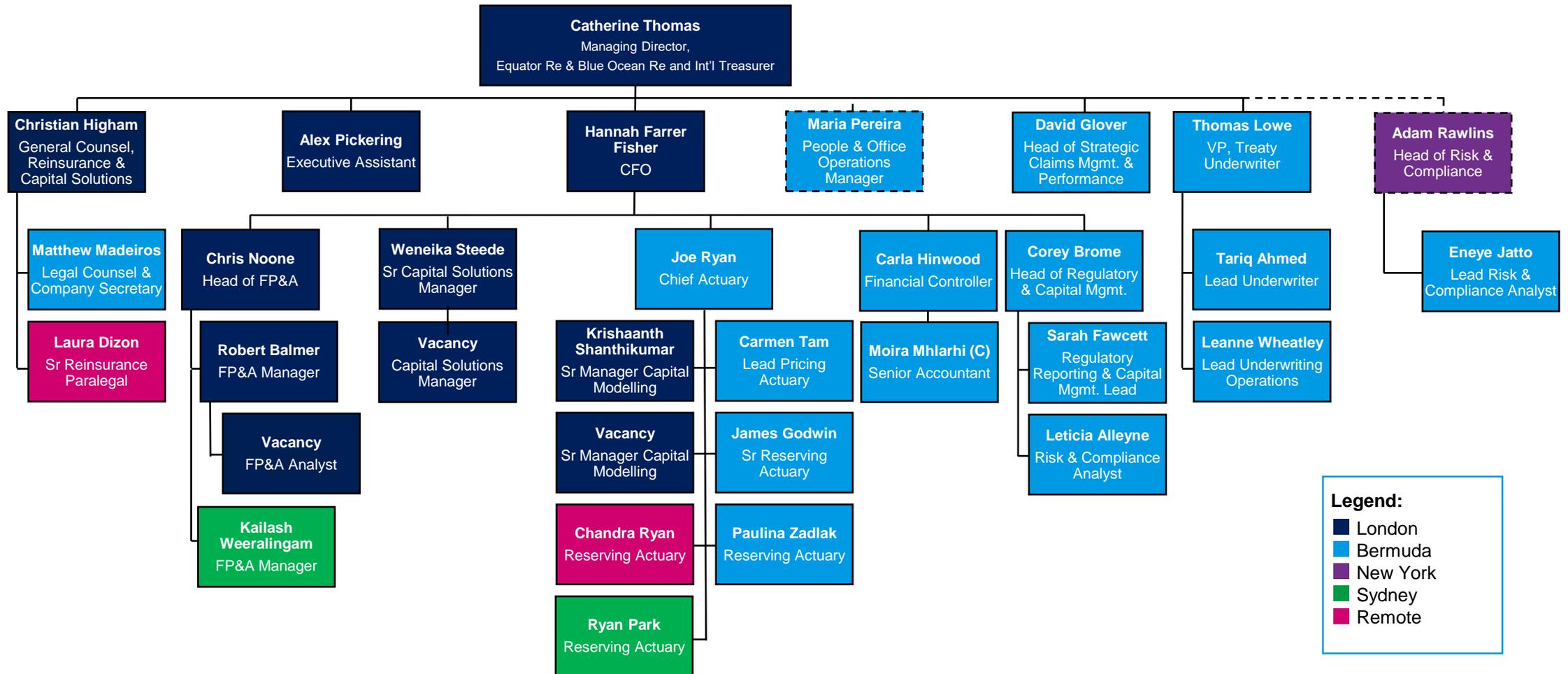
2015-

- Equator Re sell 'whole towers' to divisions rather than just below group attachment.
- Group RI programme costs and recoveries centralised in Equator Re.
- 2018 – Blue Ocean Re established as a US Tax paying entity.
- BO&E establishes 'corporate' book for group capital optimisation

2019+

- Optimisation and alignment
- Pushback of results to divisions (simplification of results, alignment of interests between BO&E and Group)
- Further development of the corporate book – LPTs, restructuring

Organisation Chart



Legend:

- London
- Bermuda
- New York
- Sydney
- Remote

Value to QBE Group

BO&E are a key vehicle for delivering strategic objectives

Bridge to Group covers

- Provides Divisions with suitable retentions to manage local risk appetite and regulatory requirements.

Lower corporate expense

- Reduces frictional costs – internal captive supported by core external reinsurer panel.
- Reduced broker fees – fewer external covers.

Fungibility/ Diversification capital benefit

- Less capital required to support business in BO&E than in divisions, due to global diversification.

Capital solutions

- Provide covers to divisional specifications.
- Non-traditional structures.
- Framework for external transactions e.g. LPTs.

Stabilisation of divisional entity results

- Centralises peak result volatility in BO&E.
- Key to QBE share price

WAQS

- WAQS partnerships provide capitalisation and mid range RI protection for Group.
- Key to placement of Group RI programme.

Claims management benefits

- Pre-funding available, speedy claim payments.
- Fewer disputes / no arbitration.

Operating environment

- Bermuda is a key global reinsurance hub.
- Knowledgeable regulator
- Flexibility to pay dividends.
- Growth-oriented investments.

Value to QBE Divisions



Partnership

Long time partnerships and deep understanding of the business enables bespoke covers and knowledge sharing.

Costs

Reduced frictional costs though dealing with one central carrier.

Transparency

Shared view of Cat risk used for pricing, collaborative approach to understand differing views on loss picks between actuarial teams.

Stable capacity

Reduced execution risk for renewals due to guaranteed availability of capacity.

Portfolio management

Availability for ad-hoc requests e.g. Business planning guidance and alternative portfolio solutions - IP collateral project, FIU solutions.

Blue Ocean / Equator Re (BO&E)

Underwriting Mission Statement

- Retain reinsurance margin within the QBE Enterprise rather than cede externally.
- Key transformer “bridging the gap” between Group and Divisional underwriting appetite.
- Provide bespoke flexible coverage at competitive market proximate pricing for QBE’s divisional reinsurance programmes.
- Achieve a regular, appropriate margin of profitability for our Quota Share reinsurers – a fundamental pillar of the group reinsurance strategy.

Portfolio optimisation

Strive for both improved and more consistent risk-adjusted returns by actively managing portfolio mix and volatility

Bring the enterprise together

Simplify what we do and achieve greater consistency across the enterprise. Explore new ways to better leverage our global footprint and scale

Our people

Empower a sustainable and diverse pipeline of leaders, while becoming an employer of choice in our markets

Sustainable growth

Achieve consistent growth through innovative risk solutions, leveraging improved digital capability and existing skill-set across the enterprise

Modernise our business

Strategically innovate and invest in differentiating capabilities that make things easier for our customers, partners and people

Our culture

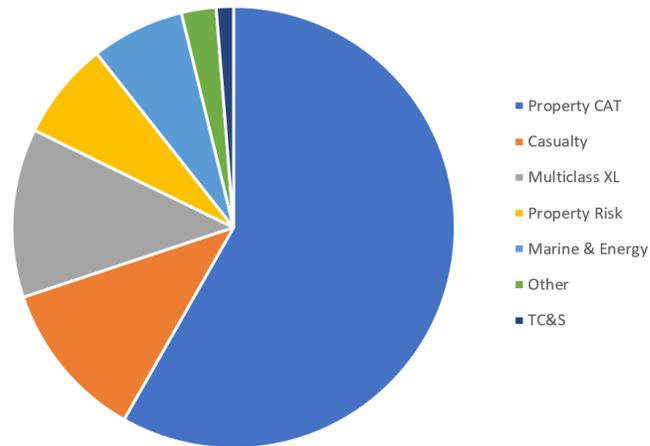
Be a purpose-led organisation, and ensure our purpose is visible every day, in all our interactions. Strengthen the alignment and collaboration across the enterprise

WAQS Proposition.

02

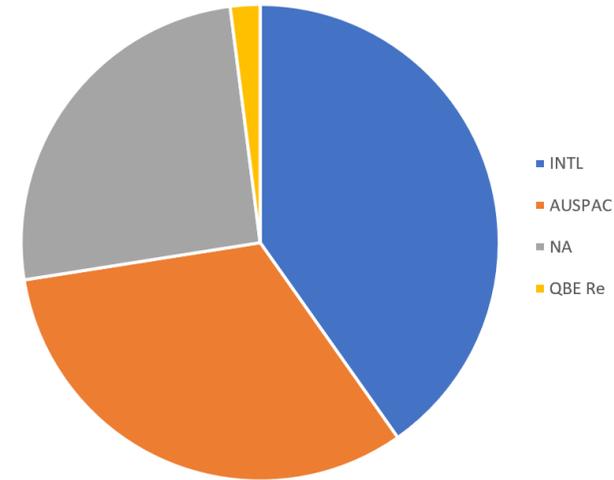
BO&E Management Portfolio

WAQS portfolio split 2024



- Attractive mix of business with broad diversification by line and geography.
- Largely Property exposure (~70% of premium).
- Gross book weighted towards Property Cat, however this is 'capped'.
- Majority Quota share on XOL – xs of Divisional retentions and protected by Group XOL.

Divisional split 2024

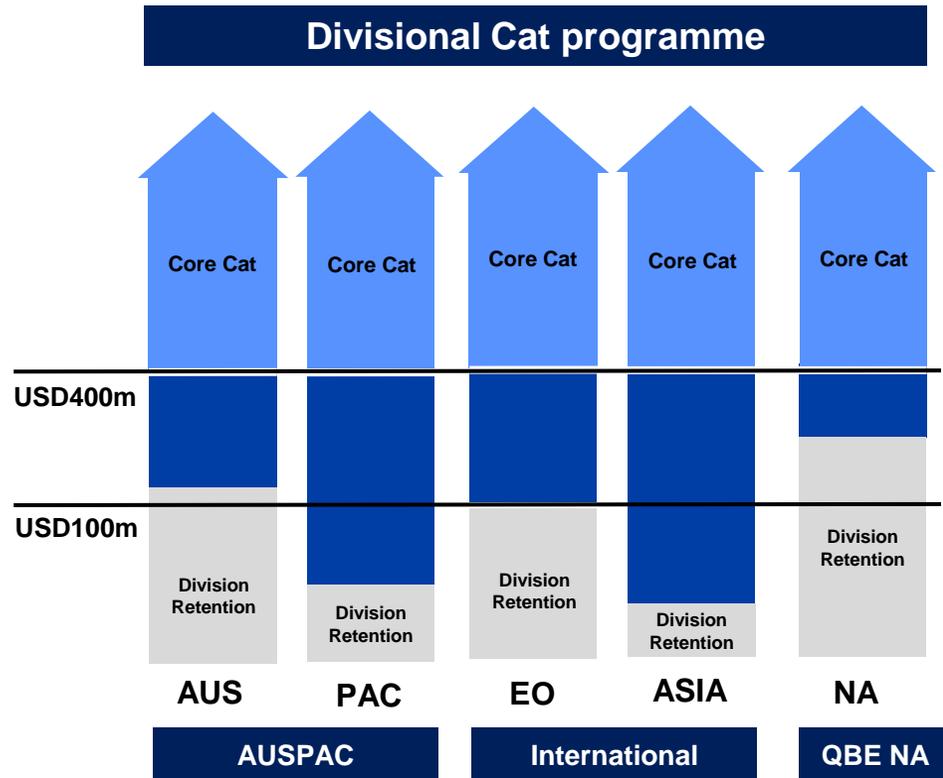


- Large income base c.\$1.25bn in 2024.
- BO&E offer diversification from a single distribution source.
- Only access point to QBE's captive global reinsurance portfolio.
- Premiums quoted in line with current market environment.

WAQS Structure

- Share of all programmes written into the BO&E Management Portfolio
- Inuring reinsurance from the QBE Group external programmes
 - 2024: Risk xs\$50m and CAT xs\$400m
- Gross premium paid to BO&E (nil brokerage) by Divisions for their programmes, less applicable inuring reinsurance costs = WAQS premium
- WAQS premium less claims plus Group recoveries = WAQS Margin

Group and Divisional RI Interaction



- BO&E and WAQS reinsurers have the benefit of inuring 'core' Cat reinsurance above \$400m and Risk reinsurance above \$50m.
- Claims to WAQS must first exceed Divisional retentions.
- Group programme takes ground up loss, and WAQS subject loss is reduced by the Divisional retentions and capped where the inuring XOLs attach.

* Exhibits not to scale and based on planned 2023 Group and Divisional structures.

WAQS Standalone North American Event

Gross Losses

NA = **\$1,000**

BO&E

NA - (\$1,225 xs \$200) = \$800

Total = **\$800**

XOL Recoveries

Subject to Group programme

\$1,000

XL Recovery to BO&E (Core 1.7bn xs 400m)

Recovery = **\$600**

WAQS

Subject loss to WAQS = **\$800** - **\$600** = \$200

Loss to WAQS = \$200 * 50% = \$100

- Not included are impact of reinstatement premiums which will further reduce the WAQS position.
- If the size of the claim increases beyond the NA specific programme purchased from BO&E they could exhaust their reinsurance - however BO&E would continue to recover from the Group treaty – reducing the subject loss to WAQS



WAQS Clashed North American Event

Gross Losses

EO = \$300

NA = \$1,000

Total = **\$1,300**

BO&E Gross

EO - (\$500 xs \$100) = \$200

NA - (\$1,225 xs \$200) = \$800

Total = **\$1,000**

WAQS

Subject loss to WAQS = **\$1,000** - **\$900** = \$100

Loss to WAQS = \$100 * 50% = \$50

- Simplified example is used to illustrate benefit of clash of retentions for North America event.
- Not included are impact of reinstatement premiums which will further reduce the WAQS position.

XOL Recoveries

Subject to Group programme

\$1,300

XL Recovery to BO&E (Core 1.7bn xs 400m)

Recovery = **\$900**

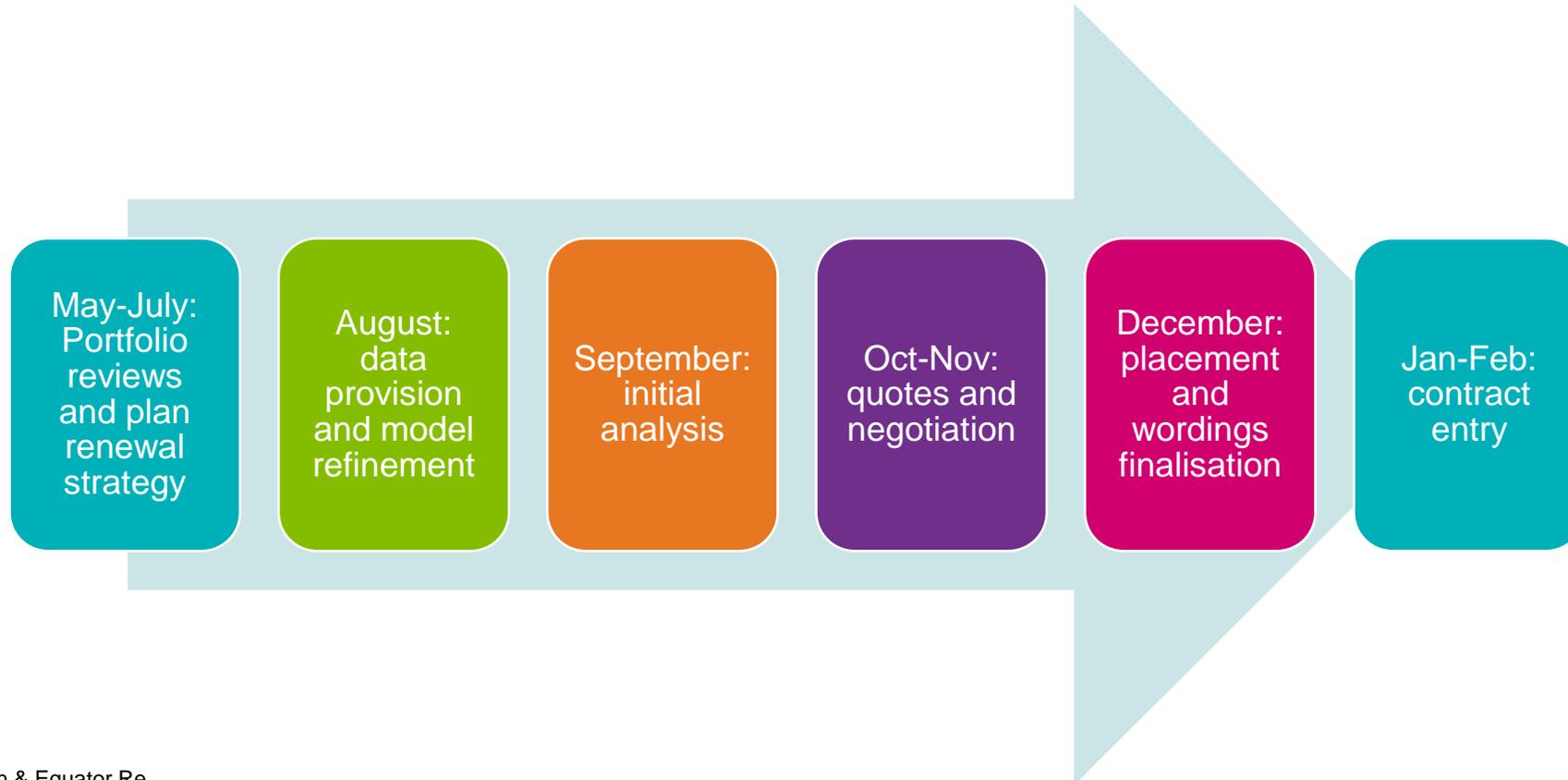


Underwriting Approach

03

BO&E Renewal Timeline

BO&E renewal timeline aligned with Group placements
Key dates: Q1 Cat data, Q2 Risk data, Oct Divisional Budgets,



Renewal key steps



QBE View of Risk



Event Frequency Adjustment



Blended model approach



Exposure/Experience



Specific LOB Calibration



ALAE

- Robust approach for model adjustment
 - Reviewed and signed off by GAMC
 - Validation against claims data
 - Broker evaluation
- Brilliant basics
- Consistency between BO&E and Divisional up-front pricing

Dynamic Financial Analysis Platforms

Tyche

QBE Group and Equator & Blue Ocean Re Accumulation Platform

Flexible model, enables the user to code complex reinsurance contracts and outputs

Considers exposure from multiple Vendor Models

Model is calibrated at the start of the year then run Quarterly

Necessary to calculate Equator Re Gross/Net position

- Outputs used for Internal and Regulatory reporting



MetaRisk

Equator & Blue Ocean Re Pricing and Project Tool

Flexible model, enables the user to code complex reinsurance contracts and outputs.

Considers exposure from multiple Vendor models

Run Ad-hoc basis, run time is minutes as only considers single Cat/Risk deals

Simple to use, enables the user to assess risk using Exposure and Experience

Links to models and Excel



Pricing

Technical Pricing

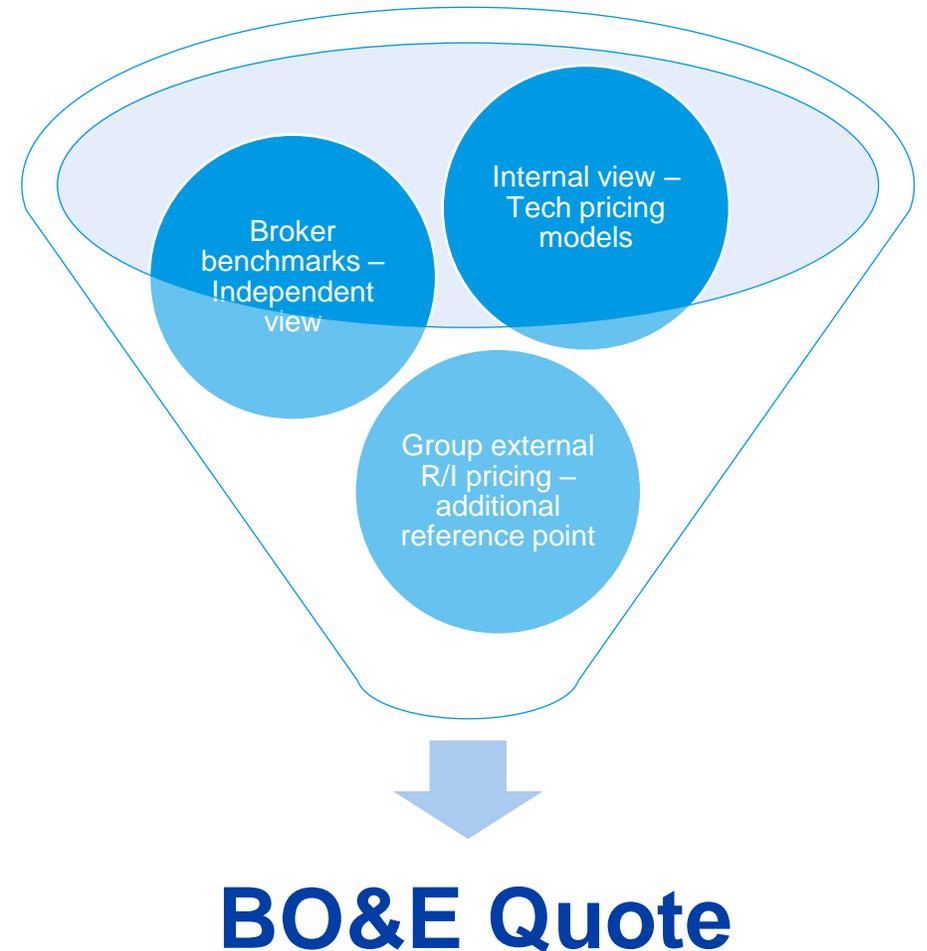
- Independent ground up technical pricing
- Experience and Exposure methodologies considered
- Expected Loss (compared with divisions where available) and Technical Price
- Margin includes QBE Group required ROAC
- Claims data; adjusted for IBNER, IBNR, inflation (past, present, future), Frequency/Severity trends, Exposure changes, Rate changes

Benchmarking

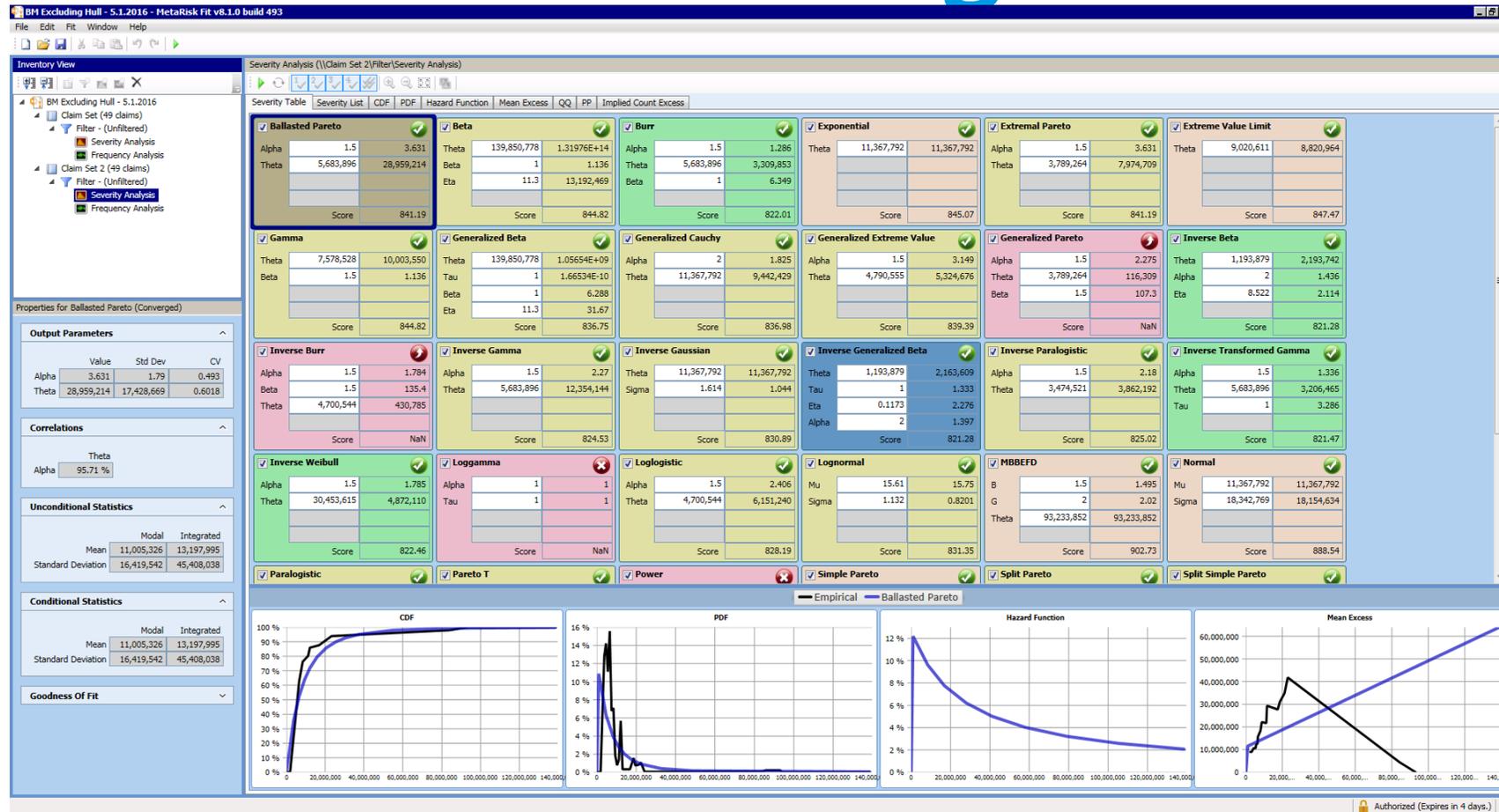
- Formal market view to remain 'market proximate'
- Benchmarks received for each programme – includes expected loss, technical price, and market clearing price
- Aon for CAT and Guy Carpenter for RISK
- Gallagher/Lockton Re secondary views (leverage all broker relationships)

Group RI Placement

- Secondary market view
- Equivalent covers purchased by Group (e.g. Whole account)



MetaRisk Fit - curve fitting



Benchmarking Support

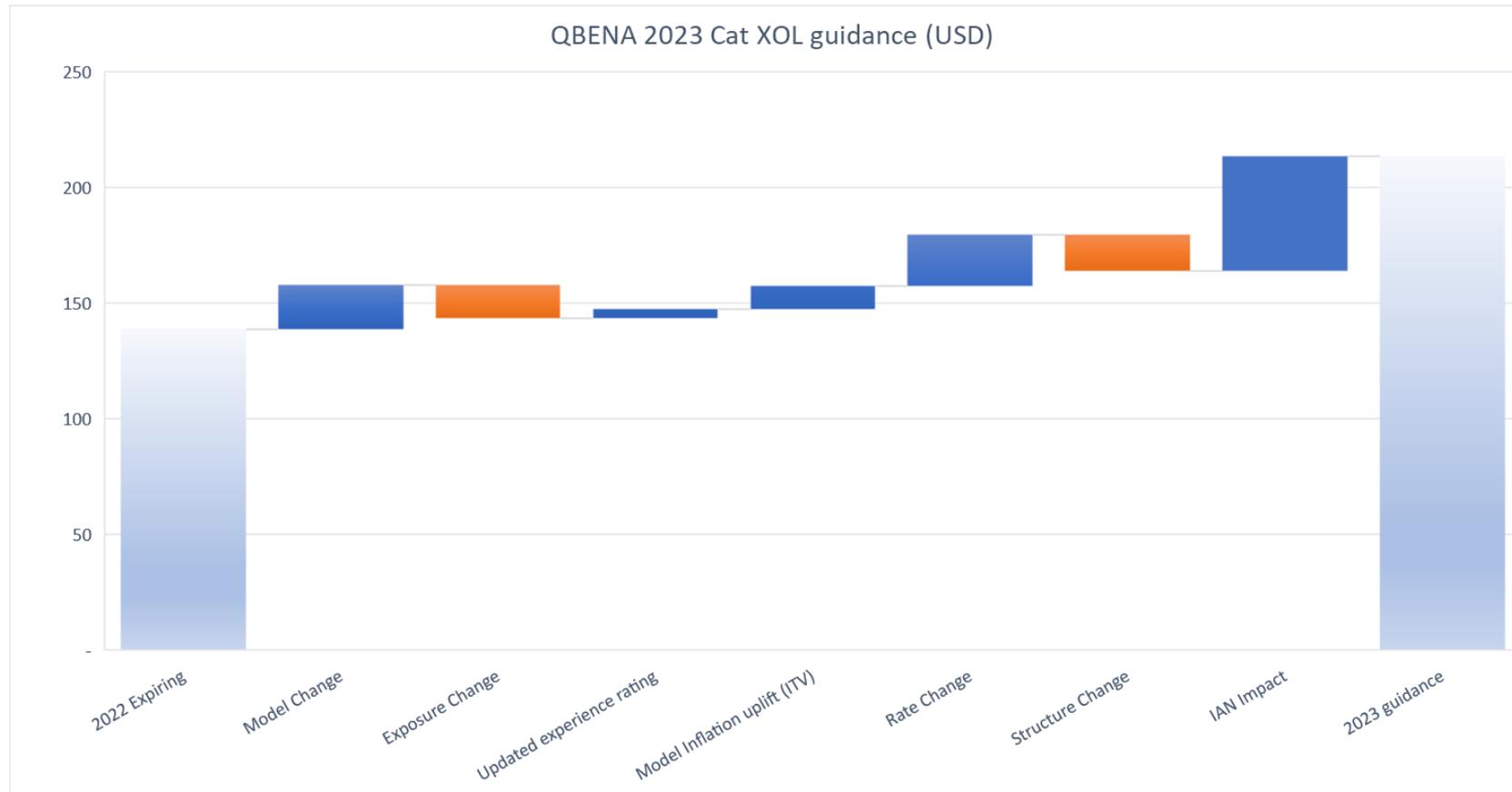
Structuring

- Regulatory requirements
- Common market practice
- Reinsurance structuring
- Adequate security
- Line size
- Relationship management
- Terms and conditions
- Wordings

Pricing support

- Rate movements
- Regulatory requirements
- Common market practice
- Reinsurance structuring
 - ROL and rate
 - Terms and conditions
 - Exclusions
 - Expected losses
 - Technical price used

Example of CAT pricing considerations



- QBE internal view of risk implemented for pricing.
- Equator Re takes a market proximate approach for pricing reinsurance.

Quoting and Negotiation Process

1. Formal request for each programme from each division.
2. Pricing work – technical, benchmark, external costs.
3. Underwriting – to agree the **'right' price**.
4. Roundtable and **Peer Review** – Underwriting decision reviewed and challenged.
5. Quote shared with Division – normal market subjectivities (SNKORL, T&Cs TBA etc).
6. Discussion or narrative shared with key drivers of renewal pricing offered.
7. Feedback / request to requote different options.
8. Renegotiation based on **technical** arguments only.
9. Order bind request.
10. Firm order noted when appropriate.

June 2024 update

04



Current Projects



Defined UW Appetite Statement

To be shared with divisions to ensure that appetite for different lines of business, wordings is understood



Large Loss Protocol Development

Established between UW/ Actuarial/ Claims to better share latest claims information and guide action



Pricing Document for Divisions

Following requests of benchmarking information for various stakeholders, to maintain pricing integrity we will instead share a new general pricing document



Ongoing Structure Evaluation

QBENA CAT – managing reductions in property exposure.

AUSPAC CAT – review with Cyclone pool.

QBE Re/Crop/FIU – external placement structure changing and understand how we can support.

INT Cat Attach – structure review with growth in some areas.



Enhanced 2025 Business Planning Guidance

Simplify BO&E rate guidance and increase communication throughout the planning process



RMS v23

Understanding implications of RMS v23 in Cat pricing.

Whole Account Quota Share

Key Takeaways

- Underwriting benefits from a unique insight into QBE's global operations.
- Wealth of experience across the group and from major broker partners and advisors.
- Top tier modelling tools, and leverage of group resources.
- A bona fide reinsurer with a mandate to achieve appropriate market pricing and manage a sizeable, diversified profitable portfolio.
- Opportunity to access this business not available on the open market.

