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18 January 2021

The Manager  
Market Announcements Office  
ASX Limited  
Level 4  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

**Business Interruption Update**

Please find attached an announcement for release to the market.

This release has been authorised by the QBE Board of Directors.

Yours faithfully,

A handwritten signature in blue ink, appearing to read "Carolyn Scobie".

Carolyn Scobie  
**Company Secretary**

Attachment



# QBE

## MARKET RELEASE

18 January 2021

### BUSINESS INTERRUPTION UPDATE<sup>1</sup>

On Friday morning (London time), the UK Supreme Court handed down its decision with respect to the appeal against the High Court's September 2020 ruling in the UK Financial Conduct Authority (FCA) test case.

The test case was undertaken by the FCA to resolve legal issues concerning the interpretation of common business interruption policy wordings, including some policy wordings of QBE's UK operations, in the context of whether those policy wordings respond to COVID-19 and related government mandated lockdowns.

In a ruling overturning established case law precedent, the Supreme Court upheld the High Court's ruling in favour of insureds with respect to one of QBE's notifiable disease policy wordings and reversed the ruling in favour of QBE with respect to the other two of QBE's three notifiable disease policy wordings examined. All other insurers were unsuccessful on their main grounds of appeal while the FCA was successful on its grounds of appeal.

While the gross cost of UK insurance business interruption claims will increase as a result of the ruling, the net cost remains unchanged at \$70M (and was allowed for in the Group's 1H20 result and revised FY20 result expectations as announced on 18 December 2020).

Although the UK Supreme Court ruling does not directly impact QBE's net profit, the increase in gross UK insurance business interruption claims has the effect of utilising additional aggregate reinsurance limit thereby reducing downside protection with respect to potential Australian business interruption claims. To restore that downside protection and to add significant additional buffer, the FY20 result will now include an additional \$185M risk margin strengthening with respect to potential Australian business interruption claims.

Given an already material gross Australian business interruption claims provision, substantial risk margins and significant reinsurance protection (including a modest amount of remaining aggregate protection), the Group believes it has allowed for potentially severe Australian business interruption scenarios.

Following the risk margin strengthening, the Group's total ultimate COVID-19 allowance is now \$785M including total risk margins of \$300M, with FY20 COVID-19 related costs now expected to be \$655M.

**The Group's FY20 statutory loss and PCA multiple are not expected to differ materially from our announcement of 18 December 2020, with the additional risk margin charge largely offset by higher than anticipated investment income and other favourable movements. The probability of adequacy of net outstanding claims is now expected to be at or close to the top end of the 87.5% - 92.5% target range.**

<sup>1</sup> All figures in US\$ unless otherwise stated

- ENDS -

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**IMPORTANT DISCLAIMER**

This document (the "Market Release") is dated 18 January 2021 and has been prepared and authorised by QBE Insurance Group Limited (ABN 28 008 485 014) (the **Company** or **QBE**). This Market Release should be read in conjunction with all information which QBE has lodged with the Australian Securities Exchange ("ASX"). Copies of those lodgements are available from either the ASX website [www.asx.com.au](http://www.asx.com.au) or QBE's website [www.qbe.com](http://www.qbe.com).

Prior to making a decision in relation to QBE's securities, products or services, investors, potential investors and customers must undertake their own due diligence as to the merits and risks associated with that decision, which includes obtaining independent financial, legal and tax advice on their personal circumstances. No representation or warranty is made as to the accuracy, completeness or reliability of the information.

This Market Release contains certain "forward-looking information" and "forward-looking statements" within the meaning of applicable securities laws. The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan", "outlook" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. You should not place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the outbreak of COVID-19. Any such statements, opinions and estimates in this Market Release speak only as of the date hereof and are based on assumptions and contingencies subject to change without notice, as are statements about market and industry trends, projections, guidance and estimates. Forward-looking statements are provided as a general guide only and QBE assumes no obligation to update such information.

Further, such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of QBE that may cause actual results to differ materially from those either expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

Any forward-looking statements assume large individual risk and catastrophe claims do not exceed the significant allowance in our business plans; no reduction in premium rates in excess of our business plans; no significant fall in equity markets and interest rates; no major movement in budgeted foreign exchange rates; no material change to key inflation and economic growth forecasts; recoveries from our strong reinsurance panel; no unplanned asset sales and no substantial change in regulation. Should one or more of these assumptions prove incorrect, actual results may differ materially from the expectations described in this Market Release.

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