INTERVIEW WITH **QBE GROUP** CEO

JOHN NEAL

QBE has had an international dimension to its operations for over 113 years, and today this extends across 37 countries and employs 14,500 people. FULLCOVER speaks to John Neal about how the business has evolved and grown as a global insurer, the importance of culture and diversity, and what drives an Englishman, now living in Australia, working globally and with a love of Portugal.

QBE's Group Head Office, in Sidney, Australia. Photo by David Clare, First Light Photography.

> "Acclaim and QBE Singapore have a relationship that goes back decades. However, in recent years, we have seen QBE responding to our Acclaim team in proactive ways, serving the needs of our clients in Singapore and the Asian region. They are prepared to break the boundaries to craft creative risk solutions, responding to the challenging needs of our corporate clients.

Anthony Lim
Acclaim

* The names behind QBE: The Q was taken from Queensland Insurance, B from Bankers' and Traders' and E from The Equitable Probate and General Insurance Company, the companies that gave origin to QBE.

"The positive outlook for **Asia Pacific** will clearly continue to drive increased competition. Against this backdrop, QBE for its part is excited about the wide-ranging opportunities presented in Asia Pacific for our broker partners to build and expand market share. The Agency space remains the primary source of intermediated business with local brokers looking to global networks like Brokerslink to help provide cross-border solutions for customers.

Doron Grossman

Head of Distribution, Brokers and Agency – Asia Pacific, QBE Insurance

QBE* has been through a process of simplification and refocusing of its international operations. Can you tell us more about the QBE of today; its ethos, capabilities and aspirations? How have these changed from when the company was founded 130 years ago?

We have always had an international aspect to the business. An office was opened on Fenchurch Street in London in 1904, and some of the offices in Asia date back over 100 years. We grew dramatically throughout the 1980s, 1990s and early 2000s with acquisitions; there were 150 in a 25-year period. So this growth effectively constituted an international insurance company.

Over the last four years we have been trying to crystallise the value of what a global, opposed to an international, insurance company looks like, focusing on where we want to be and where we do not. This goes to the heart of our business culture, the vision and values, how our customers perceive us and how our people think and feel about the business. So in some ways our legacy has been helpful. It is great to have such a footprint, to be able to play in the world of insurance rather than be limited by geography or product.

But, it's almost as difficult to flip this on its head and ask how should we think and act as a global insurer. Anything we do in insurance isn't complicated but it is complex. Markets are different; each will have their own views. We are able to look at global insurers through particular lens. We can certainly view them through the lens of the customer; so what's the value of being global to the customer? We can also look at it from a diversity perspective, a development perspective for our people.

But in reverse, I'm one of the people that doesn't believe in global product management. I think geographies are different. Yes, property & casualty insurance is property & casualty insurance, but the way in which it's translated and distributed can be very distinct in different geographies, and I think you have to respect that.

So, for me, it is about having a global capability behind the organisation but with an exclusive basis of delivering locally; that's got to be the end product. It's been an interesting four years; sort of re-engineering the company to be global.

QBE has a presence in all the major insurance hubs in the world. We can legitimately face off to the broker and their customer and say, if you have got a multinational interest then we have a capability to deal on that basis.

Our emerging market footprint is 22 countries across Asia and Latin America which is different and hard. If you say that one of the values of being global is the ability to translate uniformly then geography adds complexity. If you set up a multinational capability in London then you are doing this through the lens of one country. You do that in our emerging markets and you are doing it multiple times. But, I think we would be naïve to run the business for the short-term, you have to run with the longer term in mind and doing that means those emerging markets will translate into success.

Our three developed markets are roughly the same size for us. We write roughly AUS$5bn in UK and Europe, with a strong focus on the London market, and AUS$5bn in North America and AUS$5b in our home market of Australia and New Zealand.

We have a 30% share of the commercial market in Australia. We are a big ticket and recognised brand and that brings with it quite a lot of social responsibility. You need to be thoughtful about how you position yourself, being very conscious of the service proposition to the customer and what the company stands for. So it brings a different set of challenges.

But the QBE business, I feel, is nicely set. Our spread across markets is exactly what we want so, to my mind, the diversity by geography and product aggregates enables us to be consistent in terms of the expectations of our shareholders and our customers.

The global markets remain challenging on a number of levels and with the 'traditional' risk pricing environment no longer operating in identifiable cycles, how does QBE ensure its pricing and risk selection processes respond to these aspects while remaining profitable?

In my 30 years in insurance, I have never seen price as challenged as it is today, never. It's a tough, tough place to be.

The QBE team is hyper disciplined in how they go about their business, we have been able to think through this approach as we've gone through the process of deciding what we want to be. We are very strong in terms of benchmark pricing and technical pricing, and understanding how we deploy capital and what that means, and the team has done that very well at a tough point in the cycle.

There are some things you have to do in business because you have to run your organisation well. But, ultimately, you are trying to facilitate and create the optionality around growth. At different points in the cycle that is difficult but if you can grow, you're away.

I think if anything in the macro environment changes, for example, the moment you see just the hint of interest rate increase coming, it changes the model, and that can make it just that little bit more manageable. Any change in the pricing would give us the ability to grow quite quickly. It is dependent on where you operate. In the Australian home insurance market we saw inflation come through in the claims line for the first time in probably two decades, driven off the currency falling – it is an import economy so all costs increased and that came through in the claims line. This is what we think we will see in the UK post Brexit; we are already seeing some movement in the motor business line.

In Australia you can change price. We saw a move from negative to positive in just six months, you can play a harder price card to get it right. It is slightly more challenging in the UK. As Steve Hearn at Ed has said nothing has changed the market in the last 30 years other than an event. The market will continue in this malaise, regrettably, until an event. In my view it will take a major world event to turn the market.

Our assumptions are that QBE can grow but relatively nominally at about 3% top line per annum. This will be fuelled by two things - emerging markets where growth is expediential, about 11%, and a real focus around client retention.

Then outside of these areas, we have to be smart in terms of capital and cash management, tight on business operational management and make sure claims are well paid for the right customer and where there are challenges we are tough on that. People get confused sometimes that it's all about cost cutting. We spent AUS$365m setting up our service centres in the Philippines and that was about delivering business efficiency and scalability. That's how we look at it.

The needs of global clients are evolving, so being able to respond effectively to meet their requirements is critical for brokers. How have their needs evolved and how are QBE's servicing capabilities able to support brokers in delivering these requirements?

I think, increasingly, the successful businesses are multinational; whether that's importing or exporting or physically having people on the ground in different countries.

Part of our solution is to be more technologically savvy in the way we can support brokers and their clients. For a multinational it becomes hugely complex when you start issuing policies across multiple geographies, particularly with aspects such as tax and licensing. What we want the broker and the client to see is what's happening. Therefore, we set up our systems to allow broker and client to be able to see these areas and how policies interlock, right through to being able to show what is happening with a claim. These factors create a speed of access that provides a comfort that, despite the complexity of the business, there is clarity ranging from jurisdictional compliance through to a clear line on claims.

From an underwriting proposition we need to be a little more joined up about the approach to a client; it should not all be about underwriting. Who leads our conversations with the broker should depend upon their needs. That might mean be an underwriter or a claims specialist or a risk analyst. We are happy to do it any which way to respond to what is most important to the broker and their client.

That is important for all of us because, if you can provide that right level of service, whether you're broking or underwriting, the longer you retain the client the more valuable the client becomes to you. The trust is greater and it is a fairer understanding, so I think you can actually, whether you're broking or underwriting the risk, make a better margin.

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Working with QBE Brazil strengthens the commitment to offer quality products to our current and future clients.

Hélio Novaes

CEO, MDS Brazil

QBE's Group Head Office, in Sidney, Australia.

> "For **Latin America** as a whole, the economic and the political environments show signs of improvement in a couple of key markets, with the average GDP growth expecting to rebound to around 2% next year. Our strategy is on the lines of business where we see the highest potential for profitable growth, where there is the closest connection to QBE's core capabilities and where the best opportunities for building the strongest partnerships with intermediaries including brokers and with policy holders in general.
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> **Juan Suparo**
> Head of Major Trading Partner Engagement, Latin America, QBE Insurance

QBE has focused on stabilising its North American operations. What opportunities do you see for speciality lines growth in this market?
North America has been interesting for us in that we had a really focused business in the region. Then around about 2008, we became quite expansive in our acquisitions. We went from 300 staff in one office to 3000 staff in almost 100 locations at just the time when the market became challenging. We got ahead of ourselves in what we might have wanted to do, so North America for us has been a fundamental rethink of the business.

We have narrowed the market down to commercial, corporate and specialty, where we think we have a brand and recognition, and we have restructured to be positioned in those market sectors. Our capabilities, customers and brokers match.

We have mirrored the way brokers deal with the US by taking a regional perspective. We have set up in the major hubs with a very clear understanding of the environment and market segments that we want to participate in.

While the North American market has regulatory complexity with quite archaic processes, it is an innovative market and quick to latch on to new products. Once you understand the market, you are in the rhythm of it, in many ways it is more stable and predictable.

We are currently writing about US$5bn and we can probably write between US$5bn and US$8bn. By focusing on the biggest brokers, the wholesalers and the super regionals we can have relevant interaction with them and, despite the overall scale of the market, still play an important role.

I think we now have a good North American business – and we now have another couple of years to improve the margin.

QBE has seen some strong growth in Latin America in the first half of 2016. Do you see this as a continuing key emerging market going forward? And what about the role of Asia?

If you look at the QBE business today, 15% of what we do is in emerging markets; this is roughly split equally between Asia (predominately South East Asia) and Latin America.

Latin America is important to us with about AU$1bn of premium income there. In my view it is a much harder market for us than Asia. You have to grapple with economic challenges that we are not used to dealing with. For example, if you run a business in Argentina your wage bill will double every three years because wage inflation runs at 30%. You have a challenge both in managing the cost line of running the business and on the claims line because that same inflationary factor is impacting your claims cost. You have very different dynamics in running the business there. The specialty type insurance products are really yet to materialise so you are looking more at the retail and commercial insurance. So the economies in themselves are challenging but in our view it is worth the invested time.

We have been lucky to have been in Asia for a long time. We have not had to buy into that market or not had problems with joint venture partners that some have. It makes the rhythm of the business easier, and the returns are great. Growth is challenging; the markets in Hong Kong and Singapore are as competitive as anywhere in the world. People think Asia is an easy ride, it is not. It's a strong market for us and we are committed to it.

As an international insurer, diversity and inclusion are no doubt important areas of focus. How do you ensure these are reflected and embraced at all levels across the business, and at the interface with your customers?

One of the exciting things about running a global business is when you talk about diversity – at QBE we get that almost by virtue of who we are – it is really what the business is trying to achieve. You need different cultures and different thought processes and these also bring innovation into the business. If everyone looks like me, then we're in trouble! That doesn't reflect the world we operate in, and that's across every generation.

It was interesting for me moving to Australia as there is a very strong gender agenda. Not that gender should be about targets, that's not always that helpful, but gender targets have been in place for seven or eight years there. In the banks the split will be 40% female – in our head office in Sydney the split is 35%.

Because it has been an area of focus, you think about the value you get from it. Our board meets around the world – much like Brokerslink's – and I get asked if it is

> "QBE is one of the companies best suited to develop new market segments, thanks to its capacity for innovation.
>
> **Enrique Schoch**
> Filhet-Allard MDS

Roger Potts (Bridge) with John Neal (QBE) and Paula Rios (MDS Group).

diverse? While it may not reflect gender diversity as much as we want (currently 25% of the board are women), we have Americans, Australians, British, Hong Kong Chinese, German and a Brazilian so if you doubt for one moment that we are not getting a diversity of thinking coming across the board table, then don't.

But I think it is an interesting position around diversity and the development of businesses. If you talk to our Latin American business about diversity, they wonder what on earth you are going on about, why you are even talking about this? It's just the way business is there.

I think it's the younger businesses, who are more diverse and inclusive by design. It's the way they're set up. It is the older, more established businesses that are more challenging.

In some ways, whilst we are preoccupied with trying to think how we will deal with millennials at one end, we should equally be thinking about how we maintain the knowledge bank the older generations represent. QBE has created a reverse mentoring programme, this is where we pair a younger, junior employee, to act as a mentor to share expertise with an older, senior colleague. Of course, the two ends of the spectrum are connected. There is certainly an opportunity for our industry here.

Another important factor to drive diversity is to think about talent development in a holistic basis; if you think smartly around talent then you will create diversity. Unfortunately, if you just think of diversity in number terms it becomes a bit awkward and the business just doesn't feel comfortable.

We went down that road a little bit but recognised that we needed to be careful. We now have a broad-based discussion around talent. By doing so it falls into place, naturally. To reflect this our group executive used to be our diversity and inclusion counsel but they are not anymore, they are our talent counsel.

What key attributes and capabilities will future insurance leaders need to have to succeed?
The first thing I want to see in future leaders is authenticity. I want to see a real person and sense that it is really them, the person you are going to see consistently each day. Next, they need to be smart; that doesn't mean they have to a have a PHD or similar but, that there's just an interest, something that shows there are likely to tackle a problem differently.

They need a lot of energy and should be inclusive; whenever they have an idea or a thought their immediate next step is to share; if you put an idea on the table and develop it, it does come through.

The ability to care is so important. When we look at our staff engagement surveys two things matter; does the company's vision resonate and do people actually believe in it? And do you care? If you get those things right in any organisation, then your workforce is in great shape and you interface with your customer will be better.

QBE expects our leaders to adapt; to have the capability to adapt. For example, I certainly feel that where we have been able to persuade and support leaders to work in different geographies and cultures they become more thoughtful and considerate, and a lot more open-minded as a result. There are clever ways to achieve this and I admit we used to be unsophisticated in the way we did it. Before we might have said "This opportunity has come up in Singapore you've got to go there." What you might come back to if you go, we don't know, go and see what you come back to. Now we can do assignments of six weeks, three months, one year or even two years. It's a great opportunity and the experience coming out of that is valuable.

How do you see the dramatic changes we have experienced in the political, social and technology landscapes impact on global insurers and brokers over the next few years?
I think you have got an interesting voice coming through in the world. Whether it is Brexit, or President Trump in the US, or what we have seen in Italy and are about to see in Germany and probably in France as well, politicians have got to listen and try to understand those concerns. I think there is a chance for us (the insurance industry) to be part of that voice.

A little known fact, I think, is that the total money that life and non-life insurance companies control in the world is the same size as the world's pensions funds. So we control a third of the world's investment capability. I think there is a macro responsibly on us as well to be socially and not just economically aware, and just thinking a bit more broadly on some of the bigger themes in the world and what we can do to help.

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The **Continental European** market in general is seeing a strong drive towards product and client segmentation, which means clarity on risk appetite, a clear value proposition and an efficient service offering are critical to success. QBE is well positioned to take advantage of the significant development opportunity that Continental Europe presents and is looking to develop a strong focus in various niches areas in Construction, Life Sciences, Cyber and Real Estate.

Chris Wallace

Director of Continental Europe for QBE Insurance Group

That works both ways. It's for us to engage with government perhaps more effectively that we have done in the past and vice versa for governments to engage with us. To me what helps in that respect is the more unified we are – thinking of Brokerslink – the more complete you can present yourself then the more likely you are to be listened to.

QBE sees the world as more global in terms of how customers behave. We might have a debate about what is going on in the world around globalisation and immigration but that's a whole different debate. At the customer level the ability to be able to say "yes, we can service your needs" is really quite important.

Broker models are also changing. One example is Brokerslink's transformation from a network of independent brokers into a truly global broking business. Can this model successfully challenge the traditional international broker structures?
Ultimately, I think, as the two largest brokers have got more powerful it has created more opportunity for all the other brokers. They have fire power and capabilities to invest in technology and analytics and do what they do very well but that provides space for the others, who can personalise the way they do business with the client and get to know them that much better. We can get to know a selective number of markets better and create the connection more strongly and with greater confidence. I think that's the opportunity that's there.

To me, Brokerslink becoming a global broking company is the opportunity. There is a massive bank of clients that want to be looked at and treated individually, that want to have a real connection with the broking firm they select to partner and feel as if they can have a greater degree of intimacy with the market, more personal, and that their business is being considered individual. Brokerslink can join up a capability globally so can do everything anybody asks for with a greater personal connection, you've got an advantage. And actually that to us as underwriters makes a difference. If we feel that a broker has a genuine understanding of the client they're representing then we will price the risk accordingly.

The 'piece of paper' doesn't tell you about the client, the numbers don't tell you about the client – that is lagging data, it's not leading data. So what Brokerslink can provide, with their more intimate knowledge of the client, is leading data. If underwriting is all about maths then we will lose money because the market generally prices at a lower level and everybody cuts the price. I can tell you what the technical pricing for a risk is and you never quite get there. It really is about understanding the client and the best we can do that, and the way we have chosen to do that, is through the broker. I think Brokerslink's ability to do that more intimately than a larger broker because they have to do things a certain way, is important to us. If you then join that with the global capabilities it puts you in a very different space.

Disruption takes many forms and its potential impact on the insurance industry is well-documented. How do you see disruption – a threat or an opportunity?
I think it is important for us to embrace the disruptors and work with them. Ultimately, we have the clout and the capability in the market place, and they bring a different way of thinking and probably new technologies, so if we partner with disruptors rather than feel intimidated by them, there is an opportunity, and that's certainly what we are doing at QBE. In fact, we are about to have our first 'hack-a-thon' to work out how and where we will invest our money in terms of supporting disruptors. For me, it's about where they are channelling distribution and how they might distribute products differently.

There is some smart work taking place in the retail space, around being able to provide insurance almost without asking a question. QBE is working with a US partner to consider if we can actually provide business insurance on this basis, and we think we can. If you take a photograph of the premises you want to insure, let's say it's a shop. The photograph instantly has a GPS (Global Positioning System) code so you know exactly where the property is located. You can access civic data; see the property's construction, its size and space. You can then go into their website to see the types of products they sell, you can access their filed financial accounts, go into any Dun & Bradstreet data.

When you look at all this data it is probably 50% to 60% more information than we could gather by asking questions. So there is definitely a different way to go about insurance.

I have always had a bit of a 'bee in my bonnet' around an annual insurance contract. I think the one thing that should never happen is issuing annual insurance contracts, even for a business. Businesses might want to deal with their insurances in line with revenue cycles, so why not? They may want to make the contract continuous. There are plenty of places in the world, where we do some of the most complex construction contracts taking place today, and they'll run for 15 years without batting an eyelid. We insure Crossrail in the UK (one of Europe's largest railway and infrastructure construction projects) and have done so since 2005. The project completes in 2017 with the link under London. We've insured the third runway at Hong Kong, 4th extension at Chengi airport in Singapore. But we won't insure someone's home for more than a year; what's that all about?

If you are a bank customer, then you either want to pay for your insurance in line with your pay cycle so it may be monthly or fortnightly. Or if you want to borrow money to buy a car and the loan is for four years then you insure the car for four years. So you have to stand back and think, why not any insurance?

So in some ways the disruptors are like a variation on diversity in the workforce, they are just forcing you to think differently which, ultimately, is a good thing.

Employee volunteers from QBE North America participate in home builds to provide low income and impoverished families with the opportunity to become homeowners.

The evolution of Cooper Gay into Ed has attracted a lot of attention. Alongside the new brand, Steve Hearn, Ed's CEO, has said the firm is redefining broking and building the broker of the future. A bold claim but is this a realistic proposition?

I think what Steve Hearn has done, quite smartly, is create noise around Ed which is ultimately what the objective was. You have to create the noise if you want to "shake the tree".

In a way it has surprised me that the wholesale broking model has survived for as long as it has unchanged. I was predicting the end of it in the 1980's but it is still going strong now. But I do think wholesale needs to be reinvented. It is self-evident to me that there is value in a "brokers' broker" with access to a range of markets and a broader understanding of opportunity, this is clearly adding value. This is essentially what they have done in the past but it now has got to be done more efficiently. That is what Steve and Ed are doing.

The Lloyd's market is a wholesale, subscription, sharing market. When we talk about Uber and AirBnB as the sharing economy, Lloyd's should be on that list, and it has been around doing it for over 300 years. It's kind of not a new idea. Lloyd's, like any business, has to continue to reinvent itself, to create greater efficiency in the operating model. That's the challenge for us. Some of these challenges have been forced on us. Regulation, for example, has added a degree of complexity and cost to the business. Some is necessary, but some is completely spurious.

We have got to find a way to take some of the frictional cost out of how we do business. That's ultimately our disruption risk. Someone will come in and say "I spend a dollar, and you guys take 35 cents out of it between the two of you, and I'm not happy with that". That's the issue we have to solve. Which is what, I think Steve, is sat in the middle of.

QBE's vision is to be the insurer that builds the strongest partnerships with customers. How does that manifest itself in the day to day activities of the business?

The most important point for me is the customer point of view, and that starts with the broker, we have to listen. It is not for us to define our products and just put them on the table. We have to be prepared to adapt our products to meet the changing dynamics of the market.

I've talked earlier about how we lead the client/broker conversation reflecting what is most important to them. Another example would be in London where we underwrite roughly 50% on Lloyd's paper and 50% on QBE's. We are completely agnostic about these markets. Our view, and the way we run the business, is our underwriters are dual accredited to write on both and we allocate the same capital and same cost irrespective of what paper is used. What we might use on a risk will be completely led by the customer.

QBE employees participate in a local school refurbishment programme in Manila, Philippines.

> The only two things I think that differentiate insurers and brokers are what our customers think and say about us and what our people do.

In one of your tweets you say every organization needs to understand and communicate its purpose and why it exists – how would you define QBE's purpose?
The only two things I think that differentiate insurers and brokers are what our customers think and say about us and what our people do; that ultimately is what will differentiate us from the pack.

When you think about renewal you want to begin that process almost the day after you've renewed the policy – reviewing what went well, what didn't go well? If you want to connect with the customer you work across the area that didn't go quite so well, then that next renewal will be fine. To me it's really just getting the intimacy with the customer.

On the people front, it is just making sure they are equipped to have that kind of conversation. On the one hand they have to have the technical capability to do the job you are asking them to do. On the other they've got to have customer intimacy capability. If we don't put the customer at the centre of our vision, then we are in a bit of trouble.

The QBE business lights up when you talk about the customer. People say that's what we are here to do.

Community support and sports sponsorship are part of QBE's DNA. Why are initiatives such as Premiums4Good (where 25% of insurance premiums go towards social investments) so important to the business?
Premiums4Good (P4G) came out of one of our leadership forums. We had a Dragons' Den type assessment of ideas and three came through of which P4G was one. At the time it was called "Policy with a Heart".

Essentially, what we say to someone who buys insurance with us is that we will invest 25% of the premium into socially responsible investment strategies. We invest directly into projects which deliver benefit to communities and the environment, rather than into general ethical or environmental funds. That could be social impact bonds, green bonds or bonds behind renewal energy and infrastructure.

The process is very transparent and we provide the customer with annual update on the investments so they gain an understanding around the projects being

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supported and can use the data in their own corporate social responsibility performance reporting. P4G resonates really well with some business sectors, for example, consulting and professional firms. It is also great for our own people, providing a real sense of respecting the communities in which we operate.

In 2011, we established our own global foundation. As well as in the Group, it operates in each of the divisions; Europe, North America, Australia and emerging markets. We put between 0.5 and 0.6% of our profits each year in the foundation, so about AUS$5m to AUS$6m.

The total fund is divided between the divisions. Each division has employee-run counsel to decide how to allocate the funds. Although they were working autonomously, interestingly, each division has ended up with the same approach. They have each chosen a main charity they want to support for the year with the remainder getting distributed across a plethora of organisations. In total, across the year, we support about 300 charities.

You have to be careful as the CEO that you don’t over engineer these kinds of opportunities. They have to be led by the people in the business. It is about allowing your people to do what matters to them. I think this approach is a lot more valuable for our employees and the communities they operate in as opposed to supporting just one charity.

What have been the professional and personal highlights during your 13 years at QBE?

If I have to choose, firstly, what we have been able to achieve with the UK and European business. We have pulled together a disparate set of businesses across these territories, unified them under one brand and really present a strong value proposition.

The second has been going through the thoughtful process of re-establishing QBE as truly on a global map. That has been exciting to do.

Third is around talent. Setting up our own leadership academy, developing our own underwriting academy has been great. I really feel as if, in this respect, we are investing in the industry and not just in QBE.

How do you unwind and relax after a day at the office?

It is the simple things in life that make a difference to me; good food, good wine, good conversation. I think having a broad base of friends makes all the difference. They enable you to get outside of your own world.

So a decent set of friends sat around the table with a good meal and glass of Douro, and the world’s a different place. That to me, is the best way to relax.

My great friends have nothing to do with insurance. You are who you are with your friends; you are not a name tag, and that is important. Life brings its own challenges, you have to be careful as everyone has something going on in their lives at some time. It’s being content, being you with your friends that makes the difference.

FULLCOVER understands you have a close personal affinity with Portugal. Can you tell us more about your relationship with and interest in the country, its people, culture and its food and wine?

I do. My favourite place is in the Algarve.

It all started when we went with some neighbours of ours in UK who used to visit there a lot. We just thought, this place is perfect. I think the Algarve has more days of sunshine than anywhere else in the world. You have the sea, you can play golf, and it’s very easy.

I have had a place in Quinta do Lago for 10 years and try to visit there three times a year.

The Algarve is where I feel most relaxed. It is just somewhere I’ve liked for a long while. It ticks all the boxes for me - a wonderful climate and incredible people. I think the Portuguese are just outstanding. They are welcoming and easy to deal with. The food and wine are just brilliant. Wherever I am, I will always look out for Portuguese wine, a red, a decent Douro, on any wine list.

I enjoy the opportunity that my role creates to experience different places and cultures that you wouldn’t otherwise see. [John spends at least half his time each year travelling across the globe]. However, I think a legacy of travelling has meant the thought of going on a plane to explore some deep jungle or such like in my own time, just doesn’t appeal. I get accused of being very boring but I would rather rock up in Portugal where I know what to expect and can relax.

If there is any regret it is my Portuguese. It is frankly rubbish which I know is a cardinal sin. •

QBE WORLDWIDE

QBE Insurance Group was founded in 1886 by two young Scotsmen, James Burns and Robert Philp. The growth of QBE, nationally and internationally, is the story of an institution that for more than 127 years has played a significant part in Australian commercial history.

Nowadays, QBE is one of the world's top 20 general insurance and reinsurance companies, with operations in all the key insurance markets, growing its gross written premium from $1 billion in 1994 to more than $14 billion in 2016.

They are present in 37 countries and headquartered in Sydney.

Operational Highlights

37
Countries

269
Offices Globally

14,226
Overall Workforce
53% Female — 47% Male

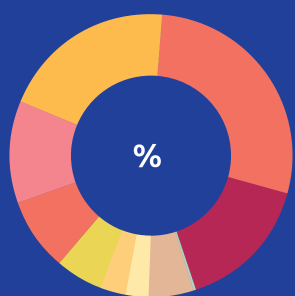
28%
Women in Management
1% more than 2015

Gross written premium and net earned premium (US$M)

Gross written premium ↓ 5%
Net earned premium ↓ 10%

Source: QBE Annual Report 2016 & Annual Review 2016

Gross earned premium by class of business



	2016	2015
Commercial & domestic property	31.4	31.0
Motor & Motor casualty	18.3	17.7
Agriculture	10.8	10.8
Public/product liability	10.1	10.7
Workers compensation	7.4	8.3
Professional indemnity	6.3	5.6
Marine energy & Aviation	6.3	6.6
Accident & Health	4.6	4.0
Financial & Credit	4.0	4.1
Other	0.8	1.3

Markets at a glance

North America

North American Operations is a specialist insurer and reinsurer with a full scope of commercial, personal and specialty lines capabilities and a focus on delivering a comprehensive suite of products through a targeted distribution model.

Gross written premium		Net earned premium [1]	
US$ million 4,647	↑ 2% from 2015 [2]	US$ million 3,318	↑ 1% from 2015 [2]
Combined operating ratio		**Insurance profit margin**	
97.8%[1]	99.2% in 2015	4.7%[1]	2.5% in 2015

Europe

European Operations' business units are aligned by geography and/or distribution characteristics. Retail distributes commercial and specialty products in the UK and continental Europe. International Markets is a global specialty business using the Lloyd's platform (and includes Canada) and QBE Re is a global reinsurance business.

Gross written premium		Net earned premium [3]	
US$ million 4,076	↓ 7% from 2015 [4]	US$ million 3,115	↓ 10% from 2015 [5]
Combined operating ratio		**Insurance profit margin**	
93.6%[3]	89.1% in 2015	10.1%[3]	13.4% in 2015

Emerging Markets

This division has a meaningful footprint with leading positions across many of the world's most attractive emerging markets. With its customer base, distribution partners and product range, it is uniquely positioned to continue to deliver profitable growth over the long-term.

Gross written premium		Net earned premium [1]	
US$ million 1,632	↓ 6% from 2015 [7]	US$ million 1,328	↓ 8% from 2015 [8]
Combined operating ratio		**Insurance profit margin**	
99.5%	99.2% in 2015	5.5%	4.9% in 2015

Equator Re

Equator Re, as part of the broader Global Reinsurance Operations team, is instrumental in managing the Group's exposure and reinsurance risk appetites. In doing so, Equator Re works closely with divisions to bridge the gap between their risk appetites and that of the Group.

Gross written premium[6]		Net earned premium [6]	
US$ million 1,349	↑ 34% from 2015	US$ million 468	↑ 28% from 2015
Combined operating ratio		**Insurance profit margin**	
70.7%[6]	89.0% in 2015	35.0%[6]	28.1% in 2015

Australia & New Zealand

A diversified general insurer providing cover for commercial and personal risks. The strong customer focus, disciplined underwriting and strong capital base assists consumers and business to mitigate and manage risk while delivering strong and stable returns.

Gross written premium		Net earned premium	
US$ million 3,933	↑ 4% from 2015 [9]	US$ million 3,410	↑ 4% from 2015 [9]
Combined operating ratio		**Insurance profit margin**	
92.7%	91.3% in 2015	12.3%	14.2% in 2015

1 Adjusted for transactions to reinsure run-off liabilities.
2 Prior period comparable figures exclude premium associated with the sale of M&LS in 2015.
3 Adjusted for transactions to reinsure UK long-tail liabilities.
4 Down 3% on a constant currency basis.
5 Down 6% on a constant currency basis.
6 Adjusted for North American Operations loss portfolio transfer transaction.
7 Up 10% on a constant currency basis.
8 Up 8% on a constant currency basis.
9 Up 5% on a constant currency basis.