QBE Insurance Group Ltd Annual Shareholders Meeting

Company Participants

- John D. Neal, Group CEO and Executive Director
- John M. Green, Deputy Chairman
- Kathryn M. Lisson, Independent Non
- Michael John Wilkins, Independent Non
- Patrick C. Regan, Group CFO, CEO of Australian & New Zealand Operations and Executive Director
- Unidentified Speaker, Unknown
- William Marston Becker, Chairman of the Board

Other Participants

- Ian Graves, Analyst
- Joyce Yong, Analyst
- Unidentified Participant, Analyst

Presentation

William Marston Becker {BIO 1450037 <GO>}

Good morning. We appreciate your joining me and my fellow directors here today at the 2017 Annual General Meeting of QBE. For those of you I've not met, my name is Marty Becker. And as the Chairman of QBE, I'm pleased to welcome you, our shareholders, together with all our fellow directors, the corporate executive team and all employees who are with us today.

The initial part of the meeting is being webcast live. And I also welcome those joining us via the web. We would ask that you please turn off your mobile or video devices during the meeting. There being a quorum present, I hereby declare the meeting open.

Let me now introduce my fellow directors who are here on the podium with me. To my immediate right is our Group CEO, John Neal; then our Group CFO, Pat Regan; then Rolf Tolle; Sir Brian Pomeroy; and Jann Skinner. And on my immediate left is our Deputy Chairman, John Green; then Mike Wilkins; Kathy Lisson; Stephen Fitzgerald; and our Group General Counsel and Company Secretary, Carolyn Scobie. Representatives of our share registry, Computershare Investor Services, are also present. Partners from our external auditors, PricewaterhouseCoopers, Roy Clark and Scott Hadfield, are also in attendance.

If there is no objection, the Notice of Meeting, which was sent to shareholders on 30 March, will be taken as read. And additional copies are available from the foyer if you should need one.

The minutes of the 2016 Annual General Meeting being in order was signed by me and is tabled for the information of shareholders. Details of how the proxy votes were cast in relation to the proposed resolutions will be advised when we move to the formal business part of the meeting. Following the consideration of each resolution, the results of the voting for it will be set out on the screen in front of you.

Like other companies in recent years, we've decided to go to a poll on each resolution. A poll recognizes the votes of those shareholders present in person today and those who have voted by proxy. The directors believe that a poll gives all shareholders an equal voice in determining the matters before the meeting. Each share in QBE carries one vote. And a poll reflects those voting entitlements better than a show of hands. The poll votes will be conducted using the electronic Lumi device, which you would have received when you registered as a shareholder for today's meeting. Maria Dzopalic of Computershare Investor Services will act as returning officer for the purposes of conducting and determining the results of the poll.

As I mentioned, I'm pleased to be with you this morning for QBE's AGM. In addition to myself, you're going to be hearing from our Group Chief Executive Officer, John Neal, as we discuss QBE's performance and achievements over the past year and our strategy and plans for the future.

In 2016, your company recorded a net profit after tax of $844 million and an adjusted combined operating ratio of 93%. This result was at the better end of our target range and an important milestone in our journey to delivering steady increases in QBE's fundamental value. Most notably, this was QBE's best financial performance since 2010 and a direct reflection of the significant improvement in QBE's underwriting, the quality of our balance sheet, our strength and talent pool and our reset cost base.

In May 2016, we provided an update to investors to illustrate how we believe we can further improve underwriting performance and return on equity. As we continue this journey, I can assure you we are always striving to find ways to improve the performance of our business and to deliver improved results for all our shareholders.

It is important in considering this annual result and our expectations for the future to make reference to the market conditions and trends in the insurance industry. I'll share some thoughts on the market before highlighting the achievements of our operating divisions during the year. And finally, I'm going to provide some insights into the board's priorities for 2017 and our role in guiding QBE's strategy before John Neal provides you a more detailed overview of operational performance and the strategies that underpin our confidence in the outlook for QBE.

The external conditions that insurers have been grappling with for several years were maintained in 2016, with the market continuing to be characterized by surplus capital, which in turn placed downward pressure on pricing across most of the globe, particularly in commercial lines. These trends have been able to persist for an extended period as industry underwriting profits have generally been maintained by relatively low catastrophe claims, declining reinsurance costs, coupled with continued prior accident year claims releases and cost efficiencies.

We expect pricing in 2017 to be a bit more stable, with the near-term pricing outlook broadly flat in most territories other than Australia, where insurance market pricing started to improve in mid-2016 following a period of unsustainable price declines coupled with claims inflation.

This means that as we execute our plans for the current year and beyond, we will be doing so in a market where generating underwriting profits remains challenging but is nonetheless essential to our ability to continue to improve our operating performance. And as a consequence, we will be maintaining our focus on high-quality underwriting, efficiency and cost reduction.

The outlook is a little bit brighter in relation to investment returns. The language of central bankers across the major western economies has changed in recent months, signaling the early stages of a transition from extraordinary monetary stimulus to policy normalization in the form of higher interest rates. We have seen the U.S. Federal Reserve increase interest rates this year, while language coming from the European Central Bank and the Bank of England increasingly recognizes that inflation will place upward pressure on interest rates.

Intertwined with these inflationary pressures is the increased anti-globalization sentiment and concerns over immigration that contributed to the Brexit vote and that is credited with playing a part in the recent presidential elections in the U.S. We continue to monitor all of these dynamics closely for their impact on our business from both an underwriting and an investment perspective.

While the impact of Brexit on the economy of the United Kingdom will take some time to become clear, with Article 50 now having been triggered, the 2-year period for the U.K. to formalize its exit is underway. And we need to prepare our business for this reality. And we are doing so on the assumption the existing access arrangements enjoyed by U.K.-domiciled insurers to the other 27 European Union countries will not be preserved. This impacts our London-based QIEL and QBE Re companies in addition to our Lloyd's business, which will be subject to a separate Brexit response plan being put in place by Lloyd's itself.

I'm pleased to be able to report to you that we are well advanced with our plans and negotiations for the establishment of a new location for our EU business and expect to have a solution in place for 2008 (sic) (2018) renewals and obviously announced later this year.

While in years gone by, it might have been appropriate to limit a discussion of the insurance marketplace to the pricing environment and investment returns, this is no longer the case in our industry. As we highlighted in the annual review and again in the video that played as you were entering the room this morning, our business environment is changing at an accelerating pace. Technological, social, behavioral and demographic changes are all playing a part.

This changing environment is creating both opportunity and challenge for insurers the world over. On the positive side, there's a clear demand for new products. Cyber coverage and new products relating to the Internet of Things are just 2 examples. We are also taking the opportunity to harness digital technology and big data to bring increased science to our underwriting process and a more sophisticated approach to providing holistic risk management services to our clients.

However, we are also mindful that some applications of technology in society may have a far-reaching impact on the insurance our customers require in the years to come. An example is the possibility that autonomous vehicles will be less prone to collision. Meanwhile, there are scores of insurtech start-ups looking to build a business by attacking components of the traditional insurance value chain.

As an incumbent insurer operating in this changing environment, we can do no better than continue to be guided by our vision for QBE to be the insurer that builds the strongest partnerships with our customers. If we have the mindset and capabilities our customers are looking for, they're going to continue to value their partnership with QBE.

Tapping into these new technologies to get closer to our customers is essential to delivering on this objective. And we are working hard to do so right across the business. Our Group Digital Innovation Lab is experimenting with emerging technologies while embedding data and analytics into all our decision-making. And this is one of the 6 strategic themes that forms the strategy for QBE.

Our challenge is to harness the benefits that we have of incumbency. While insurtech start-ups have raised more than $4 billion in early-stage funding over the last couple of years generally with the goal of bringing smart technology to the market, many of these companies lack a holistic product offering or a clear path to market. This is where QBE comes in. Earlier this year, we started a formal and a rigorous process to comb the insurtech landscape for early-stage businesses that would add the greatest value to our business and to our customer relationships with a view to partnering with and investing in the businesses with the greatest potential. QBE is planning to invest up to approximately $50 million in these opportunities in 2017.

And while we are planning for and investing in the future, this needs to be balanced with an unrelenting focus on delivering results today. I'm pleased to report that thanks in no small part to the quality of QBE's underwriting DNA, our performance in 2016 demonstrates that we are striking the right balance. Pleasingly, each of our operating divisions once again produced an underwriting profit.

Analysis of underwriting risk and a preparedness to make tough decisions underpins the turnaround that commenced in our Australian & New Zealand Operations in the second half of this year. After years of pricing declines in our Australian business, coupled with heightened claims inflation in several short-tail classes, exacerbated by the deterioration in the New South Wales compulsory third-party scheme, it was clear at the half year that prompt action to restore pricing to more sustainable levels was required in our operation. While it will take more than a year for the full impact of the comprehensive actions undertaken by Pat Regan and the Australian and New Zealand management team to be seen in our financial results, the board is encouraged by the meaningful improvement in the division's combined ratio that was achieved between midyear and end of year.

Our North American Operations welcomed Russ Johnston as CEO during the year in what was a very seamless transition from Dave Duclos' midyear retirement. And this division continued its trajectory of performance improvement. Portfolio rationalization and a tighter focus on core businesses, together with the ongoing growth of Specialty, have all played important roles in our North American recovery.

Our European Operations, under Richard Pryce's strong leadership, had another good year in a marketplace that is increasingly difficult. And our Emerging Markets business, led by David Fried, continues to make progress, adding meaningfully to our future growth opportunities. One of our top priorities is assuring our Emerging Markets growth also delivers a satisfactory enhancement in the division's profitability.

Looking to the future and your board's primary focus is on providing governance, stewardship and accountability in relation to setting and delivering on QBE's strategy. In the middle of last year, management announced 6 strategic themes that build on our company's differentiated position as one of only a handful of insurers that operate on a truly global basis. In his address, John Neal will provide an update on progress in relation to each of the 6 themes. We are focused on ensuring the board has the right blend of skills and experience to oversee the execution of this strategy.

To this end, we recently accepted with regret Margaret Leung's decision not to stand for reelection as a director. We want to thank Margaret for her service and contributions to QBE.

Fortuitously, we have made 2 outstanding appointments to the board in the last 12 months. Kathy Lisson was appointed as a Non-Executive Director in September, while Mike Wilkins joined the board in November. You will have the opportunity to hear from both of our new directors later in this morning's proceedings before shareholders have the opportunity to vote on their election to the board. You will hear that Kathy and Mike each bring a wealth of knowledge and particular experience relating to QBE's business and strategy.

Kathy Lisson, who is based in Canada, has a rare skill set spanning digital technology, cyber security, IT risk and data analytics that is essential across our 6 strategic themes but with particular application to our focus areas of data and analytics and operational efficiency. Recognizing the growing importance of these areas, Kathy is chairing a new board committee focused exclusively on technology and operational transformation.

Mike Wilkins is known to many of our Australian shareholders due to his prominent role in the insurance industry in Australia and Asia over the last 2 decades. As Managing Director and Chief Executive Officer of Insurance Australia Group and, before that, Promina Group, Mike made an exceptional contribution to the insurance industry in Australia and internationally during his executive career. He has a well-earned reputation for strengthening the fundamentals of each of the businesses that he has led.

Your board is confident that we have the right strategy in place to enable us to appropriately reward you, our shareholders for the support that you provide to QBE. We have already substantially increased the dividend as QBE returned to more stable and predictable earnings over the last three years. In 2016, our new dividend policy to pay out up to 65% of cash profits became effective. This supported an increase in the dividend from $0.50 per share in 2015 to $0.54 per share in 2016. Our dividend policy is designed to ensure we reward shareholders relative to cash profit while also maintaining an appropriate level of capital for further investment and growth in the business. Pleasingly, QBE's performance in 2016 supported a further improvement in all of our capital metrics.

Recognizing both the quality of our balance sheet and our confidence in the business, the board earlier this year established a 3-year AUD 1 billion on-market share buyback facility, which was announced with our full year results in February. This buyback facility will be a useful additional tool because insurance stocks, by their very nature, periodically trade below their intrinsic value due to market conditions, interest rate fluctuations or other events. We intend to use this facility opportunistically to deliver maximum value to shareholders if and when these opportunities arise.

It is pleasing for QBE to be in a position to reward shareholders both through an increased dividend and the buyback facility while continuing to balance returns to shareholders with the needs of the business.

One further area where QBE continues to innovate is in the way we go about making a real, sustainable difference to our communities. Just last month, we announced a QBE Green Bond that will give other institutional investors the opportunity to finance QBE's investment in securities that are focused in areas such as renewable energy, energy efficiency, green buildings and sustainable forestry. As far as we are aware, QBE is the first global insurance company to issue a green bond. And we are delighted to be at the forefront of initiatives to direct more institutional capital to projects that make a positive, sustainable difference. This is an area of continuing focus for the board. And I look forward to reporting on our progress at future Annual General Meetings.

In closing today, I would like to acknowledge that since the start of 2016, there have been a number of catastrophic events that have caused enormous suffering and hardship for our policyholders and all those affected. The insurance industry has responded quickly to Cyclone Debbie in Queensland, the earthquake in Ecuador, Cyclone Winston in the South Pacific. Insurance has enabled these communities to rebuild following catastrophes. And its core to our purpose as an insurer. And our commitment to assist policyholders in their time of need is something that everyone at QBE takes extremely seriously.

Finally, I would like to thank John Neal, John's leadership team and all of the 14,000 people who work for QBE around the world for the results delivered in 2016. As I said, it was our best year since 2010. And their commitment to delivering on our future plans is unsurpassed. I thank my fellow directors for their dedication and the significant time commitment they make to QBE. And we thank you, our shareholders, for your ongoing support.

What I'd like to do now is to invite our Group Chief Executive Officer to talk about our results in more detail and to describe the strategic themes that together form the blueprint for QBE's ongoing success. John?

John D. Neal {BIO 15681439 <GO>}

Thank you, Marty. Good morning, everyone. I'm very pleased to be speaking to you after a second successive year where QBE performed well against our targets, delivering our best underwriting result in six years.

Those of you who have attended these meetings in previous years will recall that my address typically includes a detailed discussion of the financial result and an update on the progress we have made to remediate and transform your business. Today, I will be taking a slightly different approach. Remediation and transformation won't be a big part of today's presentation as I believe QBE is well through that phase. We've done the hard yards to realign our activities around our core business, global commercial specialty insurance and reinsurance. And to embed the principles of operational excellence into our day-to-day operations.

Our success is reflected in a transformed balance sheet and underwriting account that has the respect of our peers, our business partners and, indeed, our customers. With our restructuring complete, today, I will be talking to you about a QBE which has a clear strategy that builds upon our position of one of only a few truly global properties and casualty insurers.

So there are 3 main topics that I'd like to discuss today: I'll share with you some of the feedback we received following the full year 2016 result announcement; then I will provide an overview of our medium-term targets and the strategies we intend to deploy to achieve these targets. And then I will summarize our 2017 targets and comment briefly on our 2017 First Quarter performance.

So over the last 9 weeks, we've met with a range of key stakeholders in your business. What these people think of QBE is important to all of us in this room. It doesn't matter how good I think QBE's strategy is if key stakeholders, both large and small, aren't confident in what we're doing then it's inevitably going to be much more difficult to deliver attractive returns for you, our shareholders. But not only that, every stakeholder also brings a perspective on our strategy and performance, whether that's through personal experience as a policyholder making a claim or well-respected and well-researched views on strategy and performance of both QBE and our major global competitors.

I'm pleased to report that following three years of solid and consistent progress towards delivering predictable and consistent returns, our 2016 performance and positioning for the future have both been well received. While there will always be some variation in perspectives, I'll try and summarize these messages for you.

After 5 consecutive halves of prior year reserve releases, you can be positive about the quality of QBE's claims reserves. Our commitment to operational efficiency is delivering cost reductions as well as setting the business up for future scalability. Our credibility with all of our strategic partners increases as we continue to deliver on our targets. Many have viewed positively our success in reducing the cost of our reinsurance program by more than $350 million for 2017 without adding significant risk to our portfolio. Likewise, the strength and quality of our balance sheet and capital position and the resultant announced share buyback was positively received.

Our operating divisions have each contributed to this positive feedback. So talking about our operating divisions, we've been able to quickly show improvement in our Australian and New Zealand division. And I have every confidence that assisted by increases in price, 2017 will see further improvement to provide a meaningful contribution to the group's profit margins.

In our North American Operations, legacy issues have now largely been addressed. And our focus turns to our core Property & Casualty business and continued profitable growth in Specialty. Following our first underwriting profit in 2015, we were pleased -- for five years, we were pleased to report a further 2% improvement in the insurance margin for this division in 2016. And indeed, we are forecasting further improvements in 2017 and then again in 2018.

European Operations has shown strong resilience in the most challenging of markets. The quality of this business is evidenced by this division producing the group's best underwriting result for a second year in succession.

Our Emerging Markets business operates in 22 of the world's emerging economies in both Asia and Latin America and continues to contribute positively to the group.

And as a result, you will have seen a marked improvement in the fundamentals of your company. The QBE global insurance and reinsurance franchise is attractive, operating in all of the major insurance hubs around the world. And this, coupled with our strong distribution and customer relationships in our Australia home market, positions us well for future growth. We have demonstrated that we can improve our operating performance in areas such as underwriting and claims, driving greater efficiency in the way in which we do business. Our management and performance and cash flow are allowing us to increase our dividend payment. We have positioned our balance sheet not only to be strong in absolute terms but also to be resilient to downside scenarios, whether these come from insurance or market investment risk.

Now I want to talk to you a bit about our medium-term focus. Whilst it is pleasing that our strategy has resulted in improved performance in 2016, there is undoubtedly more we can do. As the Chairman referenced, in May 2016, we gave the market direction on what we believed we could achieve by 2018. Our goal is to grow premium revenues at a compound annual growth rate of 3% across the pricing cycle. We also see the opportunity to consistently achieve a combined operating ratio of 93% or better. By achieving these, we believe we can generate a return on equity of greater than 10%, positioning us to further reward shareholders with continued increases in dividend payments as well as capital initiatives, such as the share buyback we announced with the annual result.

While these objectives were described as medium-term targets when they were first announced in May 2016, we are now talking about goals for the next 1.5 years. Nonetheless, while the timeframe is getting closer, the targets remain as valid today as when they were first announced.

We have established QBE as a distinctive top 20 global property and casualty insurer with operations in all of the major insurance hubs, a focus on commercial and specialty lines and an integrated business that allows our global capabilities to be delivered locally.

Now we believe we can deliver on our financial targets by focusing on 6 strategic themes that build on this differentiated market position. First, QBE is built on the strength of underwriting performance. And underwriting excellence will always remain our overarching focus. While tremendous progress has been made, we have more work to do. In the near term, we will continue to execute on our improvement plans in Australia and New Zealand, continue our improvement in our North American Property & Casualty lines and be robust in the actions we take to reduce risk in our Emerging Markets business, particularly in Latin America.

While the competitive environment did not support significant growth in 2016, we believe that strong customer and partner relationships are key to success in achieving our premium growth target of 3% and an important focus for future business development.

Thirdly, we see an enormous opportunity to think smartly about how we develop world-class talent. This is an area where, in the past, the insurance industry has lagged the broader financial services sector. But we are thinking differently. It's four years now since we launched our Leadership Academy in partnership with Duke University. And since then, over 2,350 of our leaders have participated in academy programs. And we continually refresh our academy modules to support leadership development. Following pilot programs in 2016, this year will also see the full launch of our Underwriting Academy. Our aim is for every QBE underwriter to be accredited by our academy, resulting in a qualification that is recognized by many of the insurance bodies around the world.

Achieving operational efficiency is essential if we're going to deliver improved profitability in a challenging underwriting environment. We met our target of $150 million of expense savings in 2016 and remain on track to deliver a further $150 million in expense savings by the end of 2018, with some of these savings to be reinvested in technology.

Claims excellence also has a big part to play in reducing costs across QBE. We've set a target of $200 million in claims run rate savings for the end of 2018 and expect half of this goal to be met this year in 2017. Initiatives to combat claims fraud are an ongoing focus as well as targeting improved efficiency in claims management through the sharing of global standards.

Finally, data and analytics were established as a global function in 2016. And in 2017, our focus is directed towards projects that support customer service and risk analysis, improving claims anti-fraud techniques and portfolio optimization.

I'd also like to outline our plans to partner with early-stage insurtech companies. The Chairman has already shared some thoughts on our positioning in this area. But let me say that it's a fascinating journey that we commenced in earnest a few months ago.

We screened over 200 companies with solutions that looked beneficial to our business. Now our bias is towards analytics, digital and the Internet of Things, where we believe value can be added to our underwriting and claims processes, providing efficiency and service benefits for QBE and, of course, for our customers. Detailed discussions with our 7 short-listed companies have been well received. This comes as no surprise. As the Chairman noted, many of these companies are not well placed to disrupt any element of the insurance industry on their own, requiring knowledge, experience and expertise of established players to succeed. So over the coming months and following due diligence, I expect we will form initial partnerships with 3 or 4 insurtech companies. And I look forward to sharing more detail of our progress at the Annual General Meeting next year.

So turning now to our 2017 targets. When you look at this slide, you could be excused for thinking we are paddling hard without making much forward progress. So starting with the top line, while we're expecting to see modest growth in premiums, we also recognize that there are some currency headwinds particularly with respect to weaker sterling, the British pound. As a consequence, we're expecting 2017 gross written premium to be relatively stable in U.S. dollar terms. In this challenging market environment, we will continue to focus on providing excellent service to our current clients and retain the business we have. And we will seek selectively and carefully managed growth from Emerging Markets and targeted pockets of our European Operations and North American Operations.

Whilst our target combined operating ratio of 93.5% to 95%, which excludes the one-time impact of Ogden discount rate changes in the U.K., superficially implies no improvement on the 93.2% figure recorded in 2016, our business is now configured to deliver a higher quality result.

One further area of clear improvement is in our investment return, where our target range of 2.5% to 3% is higher than the 2.4% recorded in 2016. Whilst we don't provide formal quarterly updates, our internal review of the First Quarter performance continues to indicate our ability to execute against these targets for 2017.

So looking at each of our divisions, the good progress made in the latter part of 2016 in Australia and New Zealand has continued into 2017. So we remain confident that by 2018, we will have completed the job of restoring profitability to the level that we would expect in our home market. The major contributor of this turnaround has been achieving rate increases of 6% or more across large parts of the portfolio, with customer retention broadly unchanged.

In North America, we doubled underwriting profit in 2016 and are expecting a third consecutive year of improvement in underwriting performance this year in 2017. And by 2018, we expect this business to be performing in line with our major divisions and contributing meaningfully to ongoing performance improvement at a group level.

For the second year in succession, European Operations produced our best underwriting performance in 2016, demonstrating the quality of our underwriting in one of the most challenging markets in the world. We believe this performance will continue in the near and the medium term.

We believe there is value in being a participant in the high-growth emerging economies of the world and that we have struck the right balance of control whilst also pursuing carefully managed growth.

So in closing, we have executed effectively on our targets and plans since the second half of 2014. We are confident in our ability to meet the performance targets we've set out for 2017 and, importantly, in our ability to continue to improve our business through the medium term. The 2016 result represented our best underwriting performance in six years. And QBE's balance sheet stands in comparison to any of our global peers. We continue to buy reinsurance protections against the downside risks of running an insurance company. And our claims reserves have shown consistent improvement for 5 consecutive reporting periods. Your company has made and continues to make a substantial investment in the building, development and maintaining of the very best talent. Our people will continue to deliver the best outcomes for our customers and for you, our shareholders.

The board's confidence in our forward plans is now being reflected in both a healthy increase in dividend payment in 2016 and the announcement of an on-market share buyback facility. I believe there is a great deal to look forward to as a shareholder in QBE. And I'd like to echo Marty's thanks to all of our stakeholders, our customers, our people, our business partners and, of course, you, our shareholders, for your continued support and trust.

William Marston Becker {BIO 1450037 <GO>}

Thank you very much, John. We're now coming to the formal part of our annual meeting.

When you registered for the meeting, you would have been given a white plastic smart card. If you have not already done so, please insert your card into the slot at the top of the handset with the bar code at the bottom and facing towards you. Please refer to the screen behind me, which shows how to insert the smart card where

(technical difficulty)

Please refer to the screen behind me, which shows how to insert the smart card, or alternatively, just raise your hand and you will get some assistance. When inserted correctly, a welcome message will appear briefly on the screen then you will be returned to the holding screen where your name will now appear at the top of the display. Once voting begins, your voting options will appear on the handset screen. To vote for a resolution, press 1; to vote against, press 2; or if you wish to abstain, press 3. Your selection and the word Received will appear on the screen confirming your vote has been cast. If you wish to change your mind prior to the poll closing, simply select a new option by pressing 1, 2 or 3. Your original vote will be canceled and your new selection will be counted. If you wish to cancel your vote prior to the poll closing and have no selection recorded, press the button marked an X. Once a poll is closed the results will be displayed on the screen showing the combination of votes cast in the room and the proxies received prior to the meeting.

There are a number of procedural matters to which I must also draw your attention. This is a shareholders meeting. And therefore, only shareholders, their attorneys, proxies and authorized company representatives are entitled to speak or vote. I ask that questions be confined to the business of the meeting and shareholder issues. Each item of business will be discussed in turn and shareholders will have the opportunity to ask questions on that item. Please save your questions on individual items until we reach that item. Directors and members of senior management will be available after the meeting to answer more individual questions you may have. Proxy holders should note that all directed votes have been accumulated and recorded. Only proxy holders with open votes are asked to record a vote in favor or against a resolution or an abstention.

As set out in the notice of the meeting, as the Chairman of the meeting, I will be voting all available proxies in favor of each item of business, except resolution 2 on the adoption of the remuneration report per the Corporations Act. If you need to leave this meeting early but would still like to lodge a poll vote, please speak to the Computershare staff at the reception desk who will be able to assist you in recording your vote. This year, we again asked shareholders to submit questions prior to the meeting. While we have not provided individual responses, the key themes within the questions have been answered through mine and John's addresses. We thank the shareholders for taking the time to submit questions as we really do value your views. Shareholders entitled to ask questions and vote have been issued with a Lumi device. In order to assist me, I request that you display the Lumi device to the microphone attendant before speaking on a resolution. Other attendees may have a blue, green or a white card. A blue card means that you are a joint shareholder. That is the second holder on a jointly registered shareholding. You can speak to a resolution. But you are not entitled to vote on a resolution. A white card means you are a visitor. You can neither ask a question nor vote on a resolution. A green card means you are from the media. Again, you can neither ask a question nor vote on a resolution.

During question time, I would ask shareholders to kindly use the microphones that are placed strategically throughout the auditorium so that we can all hear you clearly. Please show either your Lumi device or a blue card and give your name and any organization which you represent to the microphone attendant who will introduce you to the meeting. I will select the microphone from which I will take the next question.

All right, item 1 on the agenda is to receive and consider the financial statements. I would propose that the meeting receives the financial reports and the reports of the directors and auditors for the year ended December 31, 2016. In accordance with the Corporations Act, I will allow a reasonable opportunity for shareholders as a whole to ask questions about or comment on the management of the company. Also, in accordance with the Corporations Act, I will allow a reasonable opportunity for shareholders as a whole to ask the auditors who are present at this meeting question relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting practices adopted in the financial statements and the independence of the auditor. I invite any questions from shareholders on the accounts and reports only. Any questions related to the remuneration report should be raised when we come to that portion of the meeting. In fairness to all shareholders, could I ask that you restrict yourself to no more than 2 questions at any 1 time?

So we will now open it up for questions.

Questions And Answers

A - William Marston Becker {BIO 1450037 <GO>}

Looks like microphone 2 has a question.

Q - Unidentified Participant

Chairman, I would like to introduce Mr. Graves from the ASA.

Q - Ian Graves {BIO 17086377 <GO>}

Mr. Chairman, as you know, I'm from the Australian Shareholders Association. I'm here today representing our members. And I have proxies for -- that represents votes for 1,450,000 shares. My question today about the accounts, Mr. Chairman, is that over the last few years, we have benefited quite substantially from the release of reserves and the claims reserves. Last year it was 43% of the net profit. Do you see these releases and also the outcomes sustainable? And if so, what is the company doing to change the focus so that they are able to achieve these on a regular basis?

A - William Marston Becker {BIO 1450037 <GO>}

Thank you very much. We feel very good that we've been able to release reserves, as John mentioned in his report, for the last 5 reporting periods. As you know, that's not always the case. Sometimes you have adverse development in your reserves and you're adding to reserves. And if you look at the industry right now, you're really starting to see a significant slowdown in reserve releases as pricing over the last few years and claims inflation is starting to catch up with results. And in fact, you've actually had adverse development being reported by some companies in particular lines of business. I think the great thing that QBE has going for it at the moment is not only our underwriting DNA but we have paid rigorous attention to making sure that we are carrying adequate reserves for our liabilities. Last year, we released about 3% of our reserves. That's a higher norm -- a higher number than normal. Interestingly, it compares roughly with what AIG released and what Suncorp released. But I think that's probably a higher level than you would expect on a routine basis because our job is not to carry excess reserves or to understate our reserves. Our job is to carry the right reserves. And that's what we're really trying to do. So we would be hopeful that we'll continue to have some reserve releases. But I think to expect them at the level that we had last year would be overly optimistic.

A - Patrick C. Regan {BIO 15131018 <GO>}

Thank you, Mr. Chairman. So you're assuring the meeting that in fact, the reserves are adequate in your opinion.

A - William Marston Becker {BIO 1450037 <GO>}

We very much believe our reserves are adequate or we wouldn't have published the financial reports we published.

Other questions on the statements? Do you have a question at microphone 1?

Q - Unidentified Participant

I would like to introduce Mr. Kevin (inaudible), shareholder.

A - William Marston Becker {BIO 1450037 <GO>}

Oh, I'm sorry.

Q - Unidentified Participant

Good morning, Mr. Chairman. First, I'd just like to make a comment. In the annual report, there was a 15-page explanation in your financial results which I found extremely useful. Generally, I'm confused by insurance company accounting. And it's not really the company's fault, it's the nature of the business they're in, with the various delays that occur in the processes that they're involved in. Now I would like to ask a question. Also, in the annual report, there was mention of 2 underwriting hubs that you've set up. I'm just wondering if you could give a bit more detail about the activity of these hubs, exactly what they do. And why you located them in Miami and Singapore rather than, say, in London and Sydney?

A - William Marston Becker {BIO 1450037 <GO>}

I'm not sure I fully understood the question. Did you get it, John?

A - John D. Neal {BIO 15681439 <GO>}

Yes, (inaudible) no, it is now. Just to be clear, the hubs I think you're talking about are in support of our emerging markets business. So in Asia, the central part of the business is in Hong Kong, in Latin America we've chosen Miami. The reason we've done that is to ensure that the underwriting standards that you'd want to see deployed universally across a range of geographies can be done so consistently and that we can have the right risk framework and audit frameworks that supervise the activities of that division, which just by reference of the number of geographies we're in is complex. So we made the decision to set up 2 centers of excellence in Miami and Hong Kong for that purpose. In terms of hubs then to your broader question, yes, of course, we're well-represented in London, New York, Bermuda and of course, in the home market here in Australia.

A - William Marston Becker {BIO 1450037 <GO>}

Yes, ma'am?

A - Unidentified Speaker

Microphone 2?

I would like to introduce (inaudible).

Q - Unidentified Participant

Good morning. Thank you. I just have 2 questions.

A - William Marston Becker {BIO 1450037 <GO>}

Be sure and pull the microphone down so we can hear you.

Q - Unidentified Participant

I have 2 questions, really. The first one is just talking something about Brexit and you're going to move your operations to mainland Europe. Is that right? Can you give me more detail on that please?

A - William Marston Becker {BIO 1450037 <GO>}

Rates in mainland Europe? Oh, Brexit.

A - John D. Neal {BIO 15681439 <GO>}

No, no, operations.

A - William Marston Becker {BIO 1450037 <GO>}

Well Brexit is probably going to end our ability out of London to have passporting across the whole continent in terms of our ability to conduct business and issue policies, et cetera. So we'll be setting up a Continental Europe operation in addition to the operation we have in London so we can continue to serve our whole customer base.

Q - Unidentified Participant

Thank you. The second question is now I have noticed that you do have a travel insurance business. And I'm just wondering do you have any strategies about that in Asia? Like we know that a lot of people are traveling from China in particular. And do you expand your travel insurance business, in particular, to the Chinese population?

A - William Marston Becker {BIO 1450037 <GO>}

It's probably a better question for you or Pat.

A - Patrick C. Regan {BIO 15131018 <GO>}

So we write some travel and personal accident insurance in Australia. We write none in Asia. So the focus in Asia is all on commercial and specialty lines of insurance. I might just pick up on your first question because I think it's been topical for 1 or 2 with discussions around Brexit and what that means for our workforce plans in Europe. We write about EUR 700 million of business in Continental Europe, which is in France, Germany, Italy, Spain, Ireland and Scandinavia. We employ about 600 people in Continental Europe. So the U.K.'s decision to exit the European Union just adds a little bit of complexity from a regulatory point of view and from a supervision perspective. It doesn't involve the meaningful movement of staff. So the fact that we have established operations in Europe means that we see certainly no reduction as a result of Brexit of our workforce in the U.K.. And no meaningful need to increase the workforce in Europe. So certainly from a policyholder's perspective, they won't see any change in the way in which we do business with them.

Q - Unidentified Participant

I get it. So you're just going to have to open an office in mainland Europe, is that what you're saying?

A - John D. Neal {BIO 15681439 <GO>}

Yes.

Q - Unidentified Participant

Okay. Thank you.

A - William Marston Becker {BIO 1450037 <GO>}

Thank you. Number 1?

A - Unidentified Speaker

Chairman, I would like to introduce shareholder, Mr. (Young Doug).

Q - Unidentified Participant

Good morning. The French company, AXA, confirmed in last week's AGM that they would no longer underwrite companies most exposed to coal-related operations. Last week, Westpac confirmed a complete halt to the lending for new coal basins and for coal listed in a specific quality criteria. Given the stated move towards sustainable capital, new technologies and within a framework of a rapidly declining global coal market, will QBE commit to divesting from the existing coal operations and commit to precise restrictions on underwriting future coal mining operations?

A - William Marston Becker {BIO 1450037 <GO>}

Appreciate very much your question. And QBE as you heard in the Chairman's address is doing quite a bit in the sustainability area. But as respects specifically our underwriting appetite, why don't I let John address that?

A - John D. Neal {BIO 15681439 <GO>}

Yes. We don't actually give specific detail by industry of where our business is derived from. So if I look at the broader energy sector, which includes coal, includes natural resources, about 2% of our income is derived from that particular sector of the market, which is broadly unchanged actually from where it was 12 months ago. Not included in that figure are the renewable energy companies that we insure. Of course many of those companies are the same, dare I say it. There are companies where they are doing both. So the approach that we take is we're cognizant of a broader societal responsibility that I think you're going to. And we would take a significant screen around risk control mechanisms, risk management, to satisfy ourselves that it is a company that we should partner with it. But the short answer to your question from where we were 12 months ago is there's little difference in terms of the income we derive from energy-related players.

Q - Unidentified Participant

I guess it's not just about income. So let's get specific. There's a huge opportunity for QBE in a corporate social responsibility framework. Rather than risk that brand damage of conflict environmentalism and targeted activist embarrassment recently seen by Westpac, does QBE have any relationship with the Adani Group of Companies or the Abbot Point Coal terminal or plan to underwrite the Adani Carmichael coal mine or any of its associated infrastructure?

A - John D. Neal {BIO 15681439 <GO>}

It's a complex question at the front end and I'll answer it directly. So as you know, the Adani Group of Companies has a significant interest in India and we insure some of their vessels. So they run a number of boats that we happen to insure, actually out of India through an Indian broker. So not related at all to the specific question you are asking. On the Adani Carmichael coal mine, the answer to your question is we haven't been approached or asked to provide insurance for the mine. I don't know whether we will or we won't. If we were, we'd have to consider the decision at that point.

Q - Unidentified Participant

The question was yes, will there be a commitment?

A - John D. Neal {BIO 15681439 <GO>}

I think we'll have to assess the risk on merits when it's presented to us. I don't know, I've not seen the risks. So if it is presented, we'll look at it on its merits on the day.

Q - Unidentified Participant

Thank you very much.

A - William Marston Becker {BIO 1450037 <GO>}

Thank you very much. Number 2?

A - Unidentified Speaker

Chairman, I would like to introduce Natasha Lee, shareholder.

Q - Unidentified Participant

Thank you, Mr. Chairman and board. I congratulate you for your performance over the last year and I expect it to continue into the future. I've just got a question about the audit fees. This isn't the criticism of PwC, I'm sure they did a good job. But I note that the audit fees for the parent company have increased by 15% to 1.435 million this year and the controlling entities too went up by 19% by 2.5 -- to 2.5 million. I think it's just a little bit difficult to justify such large increases given that inflation running something at like 2% and wage growth is kind of 0% to 1%. Can you explain or justify the increase in the fees?

A - William Marston Becker {BIO 1450037 <GO>}

Sure, there's a variety of components to the audit fees and the services that the auditors provide. I can assure you the auditors would give you feedback that they're not paid enough. You can take whatever point you want on that. But our chief negotiator there is Pat Regan. So Pat?

A - Patrick C. Regan {BIO 15131018 <GO>}

Thank you, Marty. Good morning, Mrs. Lee. The actual overall fee for our audit services went down slightly from 2015 to 2016. The core audit component would have been relatively flat if not slightly down with the exception of a small amount of inflation added to it.

Q - Unidentified Participant

Well Page 176 -- yes, there were various components such as taxation, advice of service, et cetera...

A - Patrick C. Regan {BIO 15131018 <GO>}

Yes.

A - John D. Neal {BIO 15681439 <GO>}

So I see that overall it went down. But I was focusing on the actual audit components, where there are fairly significant increases in my opinion. So...

A - Patrick C. Regan {BIO 15131018 <GO>}

Yes. The -- I think you are highlighting the amount from the Australian firm versus the overseas firm. We will get slight -- generally, we look at the group audit fee and in the round we'll get slight ebbs and flows between what's done by the Australian PwC firm and what's done by the overseas firm. As I say, in the round we saw a small reduction in the overall audit fee.

Yes. As I said, I appreciate that there's been a small reduction overall. But an audit is an audit. The complexity of the company hasn't changed significantly from year-to-year. So I would expect that those fees to be somewhat stable or increase slightly. Obviously, with other services that would be on a case-by-case or a project-by-project basis. In some years there may be higher demand for advisory services, for instance and therefore, the fees you would expect to be higher there.

Yes. And it is an area both I personally and the audit committee look at each year to make sure that we're actually paying enough for the audit services so that they can do a thorough enough job but also, very much as you've highlighted, the audit fee is stable, not increasing beyond the level of inflation. The group audit fee taken in the round would have been that. It would have been relatively stable in 2016 versus 2015. The other services that PwC provide are actually relatively minimal as standards require them to be.

Q - Unidentified Participant

Okay, we'll maintain (inaudible) on that matter.

A - Patrick C. Regan {BIO 15131018 <GO>}

Thank you.

A - William Marston Becker {BIO 1450037 <GO>}

Thank you very much. Number 2?

A - Unidentified Speaker

Chairman, I would like to introduce Mr. Gareth Bryant, shareholder.

Q - Unidentified Participant

My name is Dr. Gareth Bryant, I'm a lecturer at the University of Sydney researching climate-related financial risk. My question is related to the severe storm that hit Sydney's northern beaches in June last year resulting in a dozen homes and the beach club, Collaroy, being damaged or destroyed by the storm surge. Firstly, QBE announced at the time that $95,000 was paid to the club in good faith for urgent make safe repairs, even though the majority of these costs wouldn't have otherwise been claimable. Can the board explain why the costs of the damage caused weren't claimable? And how would QBE have responded if hundreds of insured properties were damaged rather than just a handful, given the inevitable public pressure that would have been associated with this?

A - William Marston Becker {BIO 1450037 <GO>}

Thank you. Would John or Pat like to...

A - John D. Neal {BIO 15681439 <GO>}

Yes. It's difficult to discuss individual claims and I'm not sure it's entirely appropriate to. Our process is that we'll look at each claim that's made against us with the individual circumstances of that loss and the merits of the claim in question. That does not mean that we will literally interpret the policy wording in every instance. I think with the specific claim you're talking about for Collaroy Beach Club, that involves an awful lot of discussion between us and the insured and other parties. And as far as we're concerned today, that matter has been settled and closed.

Q - Unidentified Participant

This was -- became a more public matter when you had QBE work paid up on the beach club. So I've got a more general question then that follows on from that. So following the storm in Collaroy, local MP and New South Wales Minister for Health, Brad Hazzard said "Insurers must step up and go beyond the interpretations of the their policies." So what measures are QBE taking to manage the reputational risk that could be caused as more and more customers in low-lying coastal areas face uninsured damages as a result of the climate change induced sea level that we will be facing and is QBE conducting any public education in this area?

A - Patrick C. Regan {BIO 15131018 <GO>}

Hello, Mr. Bryant. I think I'd broadly agree with the observation. I think it's important for -- the Collaroy Beach Club -- and I took a personal interest in that claim -- is an important part of that community and that was the point that was being made at the time was that rebuilding the club was an important part of the community and I think we would agree with that. I back up John's comments that we shouldn't comment too much on this specific claim but I can assure you we did go over and above the specific policy wording to respect their place in the community and to aid their rebuilding.

Q - Unidentified Participant

As a general sort of issue, do you see it as being in the interest of shareholders that QBE does play a bit more of a leading role in the public debates around climate change in terms of pushing towards climate action?

A - John D. Neal {BIO 15681439 <GO>}

Yes. There're 2 components I'd probably add some comment on which I think is at the heart of your question. I think we've got a responsibility to make insurance policies simpler to understand and read. I get insurance policies the same as you do. And sometimes I have to read them 2 times to be clear on exactly what is being covered and what isn't. So we are actually working with the conduct regulator in Australia specifically to pilot simplification of policy wording. So I think we have a responsibility generally, not only in this type of example. But other examples, to improve and simplify policy wording. So that would be 1 thing I would say. Two, on climate, it's in front of our minds all of the time. The evidence to support climate risk and the change in the environment in which we're providing insurance is without dispute. The frequency of catastrophe claims is 5x what it was 30 years ago. And actually, very, very prominent here in Australia because whereas we can assume events that are going to occur in certain parts of the world, they really do occur here and occur with regularity. So I think yes, we do have a responsibility to engage with a number of parties including government. And we do and are we increasing that, yes, we are. And where government does help, we would encourage them to do more so. And my personal view is that compared to other geographies and I would use the U.S.A. or the U.K. as an example, we lag behind in terms of, I think, government recognition of just how important the climate risk is and what help they can do to help us, a, mitigate the risk at the front end and support communities if and when a loss occurs.

A - William Marston Becker {BIO 1450037 <GO>}

Thank you very much. Number 2?

A - Unidentified Speaker

Chairman, I would like to introduce (Cable) Anderson, shareholder.

Q - Unidentified Participant

Mr. Chair, last year, I raised an issue and so did Ian Graves. It was the cost of operation. Last we were told was that the cost of operation would go down and it's actually gone up 1.4% %, this was your commission and expense ratio. And last year, I raised the fact that perhaps there was a problem with a centralizing in any country a processing unit. (inaudible) a hired hotel on occasions and talked to some lady in Minneapolis for 4 hours and it upsets me. Doesn't matter where you put a person in the world, if they're not of your culture it becomes a problem. People I've spoken to in the U.K. and the U.S. have the same view in that once you talk to someone on the phone from another culture, it's a bit difficult. Then there's a reluctance to keep dealing with those people. What I'm asking is will the expense ratio be brought down this year because it's now 35.8%, which is hugely expensive. And would the Board look at perhaps spreading more work back to the U.K., U.S. and here with a view to reducing the cultural impact. So allowing for training for staff because it's not in processing work where staff learns the business. There's no point learning the business in Antarctica or whatever you want to put your unit because they're never going to underwrite, they're only going to do processing. Thank you.

A - William Marston Becker {BIO 1450037 <GO>}

Thank you.

A - John D. Neal {BIO 15681439 <GO>}

Do you want me to...

A - William Marston Becker {BIO 1450037 <GO>}

Well in relation to expenses, as you heard from John earlier, it's 1 of our strategic priorities and 1 that we've made significant progress on. We continue to feel that taking expense out of the business is essential if QBE is going to continue to compete in today's world. And part of our efforts in technology and data are going to help enable us to increase our operating efficiency and continue to make us a more efficient organization. The -- inevitable result is that if we don't become more efficient, we're going to have a challenge competing because premiums are going to continue to be pressed.

Q - Unidentified Participant

This year, we've actually gone down in turnover, or relative to a couple of years ago. The expense ratio keeps going up. The industry average in Australia was only 20.5%. Some of this might be attributable to the fact that a lot of the work now is delegated out to brokers. So instead of paying a commission of 10%, because they're doing the claims as well, suddenly you're 30% or 40%. But I just can't see the companies doing (inaudible) so you're saying you're efficient but in reality, you're not.

A - John D. Neal {BIO 15681439 <GO>}

Can I -- can I give you -- there are 3 parts to the answer. And the first part is a little bit technical. And I apologize for this. We undertook a number of fairly complex reinsurance transactions last year to sell some of the liabilities on our balance sheet for P&L gain to shareholders where we thought they were long tail and there was value in taking them off the balance sheet. They show as a reinsurance transaction, which means the ratios you are quoting look higher than they really are. So in real terms, our expenses did actually come down by $158 million last year. So we did reduce our operating expenses and we will do so again this year. On the other 2 parts, the total acquisition costs include the fees we pay to brokers. And you're right, they're going up. And that is a constant battle for us to get that balance right and ensure that brokers are not overpaid for the work that they do. And that's part of the day job for us. On the broader theme you're saying about how we manage costs through the business. We try and do that through 2 lenses. One is getting an optimal balance of cost and investments. So it's not just about cutting costs for today, it's ensuring that we've set the business up for success in the future. So when we set up service centers and we do those both onshore and offshore, we spend a lot of money in establishing them and on the training modules that we put in place. The second point I'd say is we're very preoccupied on service standards. So we do an awful lot of surveying of both customers and in the broker partners to understand where we're doing things well and where we could do things better. So it's not all about costs, it is about getting the service standard right. But notwithstanding all of that, I can assure you that the operating costs of running this business are coming down year-on-year.

Q - Unidentified Participant

Nothing on the centralized processing unit, no? Too difficult?

A - John D. Neal {BIO 15681439 <GO>}

Yes. We tended to take a view that there are only a few sets of activities that can be run truly globally. So most of the services that we provide are very relevant to the geographies in which we operate. But some of that's offshore, some of that's onshore. But it is always linked. It's 1 process that would operate whether it's onshore or offshore.

A - William Marston Becker {BIO 1450037 <GO>}

Thank you. Number 1?

A - Unidentified Speaker

Chairman, I would like to introduce Mr. Daniel Goshen.

Q - Unidentified Participant

Good morning.

A - William Marston Becker {BIO 1450037 <GO>}

Good morning.

Q - Unidentified Participant

How are you?

A - John D. Neal {BIO 15681439 <GO>}

Good.

Q - Unidentified Participant

Several North Queensland politicians recently called for a government owned insurer to offer cheaper coverage to residents in cyclone and flood-prone regions. Given that premiums have been steadily rising in Northern Queensland, pricing many residents out of the market, what are QBE and the industry generally doing to ensure that the government doesn't distort the market by establishing a publicly owned insurer?

A - John D. Neal {BIO 15681439 <GO>}

Pat will probably kick me for part of this answer in running the Australia business. I think all options should be explored, to be honest with you. If the government thinks that the part of the solution is some form of a mutual insurer, then that should be looked at in real detail. The issue that everyone would need to bear in mind is that needs to be a long-term, not a short-term decision. So if the government is contemplating some form of mutualization of insurance, that could equal subsidy. And if it equals subsidy, then the government needs to have a long-term commitment to that. So I would say investigate it properly but I think at the same time, let's investigate the other options. We need to satisfy the government that we are providing an appropriate price for the risks that we're being asked to take and they should talk to us about how we can respectively mitigate that risk. So I think there's a lot that state and federal government could do to mitigate what I think is becoming an increasingly apparent risk, particularly in Queensland and I would rather see that both strings of work are pursued and pursued properly to reach a conclusion that everybody can understand. So don't rule anything out, rule everything in and have the debate completely. And we would support that and sponsor that.

Q - Unidentified Participant

So you'd be open to a public private partnership?

A - John D. Neal {BIO 15681439 <GO>}

I think if I was the chosen route, having looked at other options, then look at it properly. I'm not -- if you look at models that have operated in that form previously, they've not been successful where there is such a high exposure. They've be much more successful where the exposure is much more remote but extreme. So if you look at pools that have supported terrorism risk, for example, they work very well. I think it's a little bit more complex here. But the real point here is I think everyone needs to come to the table properly and look at all of the options, determine the best solution and be really clear about what that is and why that decision is being reached.

A - Patrick C. Regan {BIO 15131018 <GO>}

Thanks. One more question. And it might be best answered by Pat. The Insurance Council of Australia introduced its first ever climate change policy last year but it focuses almost exclusively on impacts of climate change and mitigation. It completely ignores carbon pollution despite -- sorry, it has a single reference where it says the insurance industry naturally supports policy adjustments that may assist to reduce emissions. But given the impact that the insurance industry is already feeling from extreme weather. And John's comments earlier about the government not getting the risk, should the insurance council be doing more in support for policies to cut greenhouse gas emissions and actively be cooperating to restrict underwriting to those elements of the fossil fuel industry like coal that are clearly at odds with the Paris agreement? Sorry, I know that's very long.

That's all right, that sounds like a harder question than John got.

Q - Unidentified Participant

That's why I picked you.

A - Patrick C. Regan {BIO 15131018 <GO>}

Quite possibly, yes. I mean, the ICA -- I mean, I've worked in a few different countries and I do think as an industry body they are very good at cooperating with government whether that be at the state level or a federal level so I should -- on a range of topics actually. And they're all quite complex and insurance tends to get quite technical and complex. As you know, the ICA has been working with the government on climate change. The impact of climate change, how we as the industry can respond to that. Can we do that more broadly? Probably yes. I would think if the ICA were here themselves, they would say that the engagement is the start of the process, not the end of the process and I'm sure we can do that much more broadly.

Q - Unidentified Participant

Do you think that public conversation needs to happen though? If the government's not getting it, how does the insurance council push that argument?

A - Patrick C. Regan {BIO 15131018 <GO>}

I think the Insurance Council has a very effective way of getting the insurance industry to talk with a common voice and that tends to be the best way of partnering with governments. So yes.

Q - Unidentified Participant

Okay. Thanks.

A - William Marston Becker {BIO 1450037 <GO>}

Thank you very much. Microphone number 2?

A - Unidentified Speaker

Mr. Chairman, I would like to introduce Mr. Wilkins, shareholder.

Q - Unidentified Participant

Thank you. Good morning, Chairman. One of the previous speakers partly addressed a point that I was going to make about the significant rise in the combination of commissions and expenses over about the last seven years, which as he rightly said, has gone up from about 28% to nearly 36%. Is it -- and I realize you're doing a lot of work on that and also on the claims side. But is it conceivable that in the longer term, as opposed to the target for, say, the next 2 or three years, that you could actually get the CR back down below 90% as it was, say, in the golden years up to about 2011?

A - William Marston Becker {BIO 1450037 <GO>}

Talking about getting combined ratio down below 90%?

A - John D. Neal {BIO 15681439 <GO>}

Yes.

A - William Marston Becker {BIO 1450037 <GO>}

Certainly, we'll be doing our part on claims and expense control. But we're going to have to have some pricing help if the combined ratio is ever going to get down below 90% again. And if you look at our peers across the globe, our combined ratio at present level is actually pretty attractive in the marketplaces in which we deal. So we are on your side. We'd love to be below 90%. But we're going to need some pricing help to be able to do that.

A - John D. Neal {BIO 15681439 <GO>}

Thank you. My second question, which probably has similar (inaudible), the medium term guidance for return on shareholders' funds is approximately 10%. Is that as good as it can get in U.S. dollar terms in the absence of a very significant rise in returns on the investment portfolio?

A - William Marston Becker {BIO 1450037 <GO>}

Certainly, 10% is not as good as it can get. But in the present environment, again, if you look at high-performing peers around the world, they're all about at that level. So we would have to be doing something extraordinary to be an outlier from that level. If investment trends continue to get better, that's certainly going to help the overall result and be able to take us higher. It wasn't too long ago that returns were in the low teens, mid-teens for insurers. But that was heavily driven by investment results. Underwriting results were relatively close to where underwriting results are today. So we're going to need some relief on that end if you're going to get materially above 10%.

Q - Unidentified Participant

So just a follow-up. Do you think that really requires a lot of the capital, the surplus capital in the world insurance system to depart for pricing to tighten enough?

A - William Marston Becker {BIO 1450037 <GO>}

I think your question was there's going to have a decline in capital for pricing to tighten, is that right?

A - Patrick C. Regan {BIO 15131018 <GO>}

Yes. It seems so much (inaudible)

A - William Marston Becker {BIO 1450037 <GO>}

That typically has been a driver of tightening in cycles. At the moment, capital is so abundant and new capital is so readily available to the industry that I think any material change in pricing near term is unlikely.

Q - Unidentified Participant

Thank you very much.

A - William Marston Becker {BIO 1450037 <GO>}

Number 2?

A - Unidentified Speaker

Chairman, I would like introduce Mrs. Yong, shareholder.

Q - Joyce Yong

Thank you very much. Thank you, Mr. Chairman.

A - William Marston Becker {BIO 1450037 <GO>}

Thank you.

Q - Joyce Yong

My question -- I have 2 questions, 1 relates to the change of venue of this AGM. I've attended QBE meetings over many years. And it is very nice as a shareholder to have it held in this much more salubrious surroundings. And also to be greeted with a very nice repast as we came in this morning. As a shareholder, I certainly hope. And I would like you to assure us that this does not mean that QBE is entering into a new era of extravagance.

A - William Marston Becker {BIO 1450037 <GO>}

I have to be honest with you. I have no idea what the cost of this facility was versus the cost of last year's facility. But the people who plan it are operating under a pretty tight budget. So I think they're going to be very careful as to how they spend the monies.

Q - Joyce Yong

Good. Thank you, Mr. Chair. My second question relates to the QBE Code of Conduct. We were informed recently that the CEO was penalized because he breached the QBE Code of Conduct. At about the same time, QBE also parted company with a key executive, Colin Fagen. We were told that he has resigned. Did he also breach the QBE Code of Conduct?

A - William Marston Becker {BIO 1450037 <GO>}

Well we issued some public statements back in February when we put out the RIM report regarding the actions of the CEO. And it really related to wanting to be sure that we sent the right organizational message that everybody's held to the same standard of conduct within QBE. As respects Colin, that is not a matter that I think we should be discussing publicly, because there are issues yet to be resolved between Colin Fagen and the company. And we need to just let that stand as is for the moment.

Q - Joyce Yong

Are you referring to the fact that, or the allegation that we have heard, that he has since sought legal advice?

A - William Marston Becker {BIO 1450037 <GO>}

I'm not sure what you're referring to. But I really just don't want to get into detail on that matter until it's fully resolved.

Q - Joyce Yong

Thank you, Mr. Chair. At that stage would we be fully informed?

A - William Marston Becker {BIO 1450037 <GO>}

Well you will be informed to the extent appropriate.

Q - Joyce Yong

Thank you.

A - William Marston Becker {BIO 1450037 <GO>}

Yes, ma'am?

Thank you.

Yes, ma'am?

A - Unidentified Speaker

Chairman, I would like to introduce Mr. (Pete Sparberry), shareholder.

Q - Unidentified Participant

Thanks. Hello. One moment. Good morning, Chairman, board. Just referring back to the policies and some comment in north -- the northern beaches the university lecturer mentioned. I think one needs to be wary of -- apologies, (disclaiming), stating that an insurance company has obligations beyond an assessed risk. As a cautionary tale, many of you will recall the Lloyd's of London, probably the most prominent insurance market in the world, was brought to its knees about 20 years ago through various reasons. But one of the contributing factors was that in the U.S.A., they were forced to pay out on substantial asbestos claims, which were not insured for. So they had not made a risk assessment. And the premiums were not paid accordingly. This had an enormous impact on all those members. It had nothing to do with me, I wasn't a member, thank goodness. Following the floods in Queensland in 2011, I've noticed now that this is an example of too much regulation, that flood insurance is now compulsory. Well I have a house. It's on a hill. It's approximately 200 or 300 feet above the surrounding land. So I don't have a risk of flooding. And I'll tell you what, if it did flood, you'd have much bigger problems than my place because there's a whole town there of 13,000 people. And that rather annoys me because I'm paying a premium for a risk which doesn't exist. But anyway, it was really just about (inaudible) getting their (ore) in and trying to pass the buck on to private enterprise. Thank you. So it's a comment rather than a question. Thanks.

A - William Marston Becker {BIO 1450037 <GO>}

We appreciate it.

So any more questions on item number one? Microphone 2.

A - Unidentified Speaker

Chairman, I would like to introduce (Mr. Anderson), shareholder.

Q - Unidentified Participant

Good morning. (Carl Anderson), small shareholder and ex-customer. I would like to congratulate you on your pledge here at the top of Page two of last year's annual report in QBE blue where you promised to deliver on your promises. And the follow-up in this year's review, where you apparently innovate the use of drones in the Americas and the U.K. to reduce the time it takes to handle and pay claims. Question is you didn't, by any chance, bring any drones with you from the U.S. that you could release in Australia?

A - William Marston Becker {BIO 1450037 <GO>}

What was that last part?

Q - Unidentified Participant

You didn't, by any chance, bring any drones with you from the U.S. that you could release in Australia?

A - William Marston Becker {BIO 1450037 <GO>}

No.

Q - Unidentified Participant

No, not at least at QBE's head office in Sydney?

A - William Marston Becker {BIO 1450037 <GO>}

No. We don't have any drones, I'm sorry.

Q - Unidentified Participant

I really think you should get some.

A - William Marston Becker {BIO 1450037 <GO>}

Okay.

Q - Unidentified Participant

Because I've had some bad experiences. It took me a decade to retrieve money I paid to QBE in phase absolutely, totally (inaudible). And I've got not a problem with a 15-odd deal on claim that I would like to possibly discuss with you later on with a brief note written down if you care to study it and maybe give me a minute.

A - John D. Neal {BIO 15681439 <GO>}

Just add 2 things. One, let's have a conversation afterward to your final point. I think on your macro point, we do actually use drones quite extensively in settling losses today. A good example I can give you was there was a devastating earthquake you might recall in Ecuador last year. We're a substantial insurer in Ecuador. That loss cost us almost $100 million. We think we were able to settle at the time the claims 5x more quickly as a result of using drone technology rather than conventional risk assessment. So the use of technology is actually driven as much as improving customer service as it is anything else. But on your personal point then, (patter), I would be happy to talk to you afterward.

Q - Unidentified Participant

Thank you very much.

A - William Marston Becker {BIO 1450037 <GO>}

Thank you. All right. Why don't we move on to item 2 on the agenda, which is adopting the remuneration report? I propose the meeting consider and pass the ordinary resolution set out in the notice of meeting. The remuneration report is set out on Pages 68 to 102 of the 2016 Annual Report. The Corporations Act requires listed companies to put an annual resolution to shareholders to adopt the company's remuneration report. This vote is advisory only and does not bind the directors or the company. However, the board will take the discussion at the meeting into consideration in determining the company's ongoing remuneration strategy. Does any shareholder wish to speak for or against the motion? Anyone? Number 2, I think, is wanting to speak, microphone number 2.

A - Unidentified Speaker

Chairman, I would like to reintroduce Mr. Graves from the Australian Shareholders' Association.

Q - Ian Graves {BIO 17086377 <GO>}

Mr. Chairman -- thank you for that. The -- what I was going to ask a question about is the executive incentive plan that has been introduced in 2017. This combines the short-term incentive and the long-term incentive into a single incentive. But it's only based on 12 months' performance and with the payments being deferred up to five years. Could you please explain at the meeting why they will not be measured against QBE's 3-year strategic plans? And also, how are they aligned with shareholders' interests? We're, in fact -- even with this coming year, we've been told that the outcome is going to be relatively the same as last -- as 2016. And yet the CEO will be able to receive a bonus of $5,005 -- $5,500,000, $4.5 million of that in equity. And we want to know if this is based on solely what happens in 2017? And how does this align with shareholders' interests?

A - William Marston Becker {BIO 1450037 <GO>}

Sure. We appreciate very much the question. Remuneration's always a sensitive topic. And this year, it's even more highlighted because we did do a substantial revision in the remuneration plan. Your Deputy Chairman, John Green, has probably had 50 different meetings with shareholders, either before we amended the plan or after we amended the plan. So John, why don't I ask you to share that information?

A - John M. Green {BIO 5208912 <GO>}

Thanks, Chairman. And thanks, Mr. Graves, for your question. Shareholders will recall that we said in our remuneration report last year that we were going to review our plan having regard to making sure that it remained fit for purpose with QBE's strategy and aligned with shareholder interests. That was in the context of an operating environment, which, over the past three years, globally, has been extremely volatile, economically, politically, a lot of regulatory change and a lot of change within QBE itself. And so we wanted to take stock and say does the plan still fit where QBE is today but also where we want it to be tomorrow. So respecting both community views on executive remuneration and shareholder concerns, we took a lot of independent advice. We consulted with our regulators. And as Marty said, we've had a lot of very helpful meetings and discussions with key stakeholders, including shareholders and shareholder representative groups a couple of times during our process. In particular, I'd say that our final plan benefited very significantly from the engagement and feedback that we had from shareholders, some of which clearly had concern around does the plan that we're seeking to introduce cover the issues that Mr. Graves has asked, which are the question of long-term alignment given, if you like, 1-year measures. Our review found that on the whole, the elements -- one of the elements within our plans -- so just to refresh shareholders, our executive plan previously had 3 elements: fixed pay; short-term incentive, what I'll call STI; and long-term incentive, which I'll call LTI. We found on the whole that STI was working pretty well. So what I mean by that is it showed in QBE a very strong alignment between the shareholder experience and the employee experience, unlike, I might say, in many other companies in Australia where STI has tended to be paid regardless of shareholder experience. In QBE, that has not been the case. And we've had years where STI has paid 0. And we've had years where it's paid more than that. We found, though, that our STI measures could be improved with broader and more clearly defined performance measures. And we went through a process to work out what we thought they might be. Our LTI, long-term incentive, on the other hand, we felt, had not worked so well. And there were really 2 key reasons for that. One was setting 3-year performance hurdles in a very volatile macroeconomic climate has been extremely challenging. I wonder if anyone here could tell me today what you think interest rates will be in three years' time. But that was the kind of thing that we had to do when we were setting our 3-year targets for our LTI. As well as that, one of the measures in our LTI was a comparative measure of our performance against a peer group. And the problem with that is there are not many companies in the world who are peers of QBE, true peers of QBE. That is global property and casualty insurance. There are plenty of them who are restricted to one or a small number of jurisdictions. But very few that have the scale and stretch and complexity of a QBE. So the smaller the peer group you have, the less integrity that comparative measure clearly has. So we found that the LTI scheme wasn't working for those reasons. It wasn't well understood by the executives or the market. And it wasn't really valued. And we therefore felt it wasn't driving our strategy very successfully. One element of any LTI scheme is making employees think like shareholders so that when shareholders are doing well, the employees do well. When shareholders are not doing well, the employees likewise feel the pain. So there's no better way to do that, we decided, than to improve the opportunity for our employees to actually be shareholders and to increase the level of shareholding that our employees have. So what we did was we did blend our STI and our LTI into a single, simpler incentive scheme with, I would suggest, a smarter mix of measures that are very much aligned to our longer-term strategy. And we believe that this will drive a better correlation to performance and shareholder experience and will also be seen as more tangible for our executives. So in moving to this new plan, what we've sought to do is to design a model that does a few things. First, it's simpler, more understandable, more transparent to shareholders, to employees. And also more tangible to the employees. And just by the way, on simplicity, I should add that one of our tasks for this current year is to review our remuneration report so that next year, it will be even more readable than it is this year. It was obviously more complex because we had to explain a new plan and compare it to the old plan. That won't have to be the case next year. Secondly, we've designed in features to better correlate our remuneration outcomes to longer-term performance, even though they will be decided on each year. And I believe that that -- we will do that better than we did before, making it more aligned than the scheme that we had previously. And I'll give you some details about those measures shortly. Third, we wanted a scheme that was much more resilient and adaptable to the evolution of our strategy so that we could be more fleet of foot in changing as we needed to, more adaptable to business cycle changes and also shifts in the external operating environment. We've seen that we've had very significant shifts from time to time, there run predicted good by anybody. Fourth, we had a very important principle that the new scheme shouldn't cost QBE any more money. And in fact, we believe it will cost us less money because it's less skewed than before. For example, the CEO's incentive, John Neal's incentive, at both target level and maximum opportunity, is lower in the new scheme than under our old one. Fifth, the scheme, as I mentioned, encourages a greater proportion of our employees to hold a shareholding stake in the company and a growing, hopefully, shareholding stake in the company. So then we come to the question about the alignment of the measures in the scheme. If you look at the description of the scheme in the remuneration report, you'll see that 15% of the incentive relates to strategic measures, 20% relates to a balanced scorecard and 65% relates to a combination split between return on equity and combined ratio. So on the strategic measures, they will change over time. We've got 2 at the moment. One is on costs. And one is on claims improvements. They will change over time. But for this year and likely next year, they are on those subjects. And they are not just numbers that we think are relevant for this year. They are milestone targets that relate to our 3-year plan. So what we are saying with these measures is we expect the management team to deliver these because by delivering these and in doing the same thing next year and the year after, we will have a much better chance of achieving our 3-year longer-term objectives. Just to give you some advanced notice, next year, we may well add a third measure there that relates to human capital. And by that, I mean important subjects like customer engagement, customer experience and also employee engagement, staff engagement. Now there's been a lot of debate in Australia about measures like that. Some people call them soft measures. Other people call them very important measures that really do drive longer-term shareholder outcomes and good performance. So we are conducting a review this year around if we do introduce a measure like that next year, how do we make sure that it's real, it's measurable and it will drive performance. So we will be quite possibly talking to you about that next year. And we'll be engaging again with shareholders and shareholder groups during the year along what our thinking is. On the balanced scorecard, the 20%, much of that is, again, related to milestones of achievement in our longer-term strategic plan. And you can see in the remuneration report what some of those things were from the CEO's point of view last year. And we will be having a smaller number of those things going forward to keep a greater focus on what's important. As well as the measures ourselves. And I mentioned return on equity and combined ratio, what we're seeking to do there is our plan you heard earlier on, we have a medium-term target of trying to get our ROE up and our COR down. These are -- since -- we've had quite regard to what we think we can achieve in the current year that will move us towards those targets. Our greater focus, though, is on, as I said, owning shares. So in our CEO's case, 80% of the incentive will be paid in shares that will vest over four years, not cash, only 20% will be paid as cash. And that means that actually, he will end up receiving 30% less going forward. But we think in a better aligned way. This will provide for all of the employees covered by the scheme, a much greater potential for increasing shareholder -- increasing shares and a focus on what we think is important in terms of longer-term value creation. In addition, we have taken a step, a very strong step, that we have doubled the minimum shareholding requirement for the CEO. Previously, he was required to own 1.5x his fixed pay in shares. He will now be required to own 3x his fixed pay in shares. And for his direct reports and other senior executives, they will move from having a 1x fixed pay minimum shareholding requirement to 1.5x. And finally, we've built in 2 other things. If all of that doesn't work exactly how we think it should work, the board has a discretion. And a discretion, as you've seen, we've exercised in the past where if the outcomes aren't what we think they should be, we can change them. And secondly, we have retained what's called a malice clause, malice as opposed to the opposite of bonus. And we've exercised them in the past, where if -- when we made an award in one year, we subsequently discover that circumstances become known that weren't known at the time, that had we known them, we wouldn't have made the award or we would've made a different award, then we are able to make some adjustments there. So all in all, we think that the design of this scheme is an intelligent way to allow us to step into long-term performance through annual measures. I hope that answers your question.

Q - Ian Graves {BIO 17086377 <GO>}

It does, Mr. Green. From what I can remember from the start, we still didn't get around to the reason how the -- with doing away with the long-term incentive that will actually improve performance, neither have we learned anything about how increasing soft measures will improve performance. It will increase the payer. And on top of that, you're giving us advanced warning, which I thank you for, that you're even going to make it worse next year?

A - John M. Green {BIO 5208912 <GO>}

I think I have answered the first question on the long term. On the soft measures, I think most people would recognize that if your customers are unhappy and are having a poor experience with you, in insurance terms, we will have low retention and we won't have a customer base that will help us drive profitability. So if we can find a measure that, as I said when I spoke about it, has integrity and is measurable and is sensible, that will allow us to have an employee focus on improving our customer experience, then I think as shareholders, we'd all be very, very happy in the longer term. one year by one year, we won't see any material benefit. But longer term, we will. And the same with staff engagement. If you have unhappy employees, you keep losing them. It's very expensive to rehire them. They're not being productive. So I don't see these measures. I see that some people describe them as soft, I don't see them as soft. But we are going to work very hard that if we do introduce a measure like that, it will be as hard as we can make it.

Q - Ian Graves {BIO 17086377 <GO>}

Thank you, Mr. Green. But I still need to be convinced. And I just hope that we're not hearing the same discussion next year.

A - John M. Green {BIO 5208912 <GO>}

I'll need to be convinced, too.

A - William Marston Becker {BIO 1450037 <GO>}

Yes. We appreciate that. And I think if you look at the QBE rem committee's work over the past 2 or three years, our discretion in the soft measures has been pretty good. And you have not seen an easy scorecard for those. Virtually no one has achieved full benefit out of their soft measures. Any more questions on the rem report? Yes, ma'am, number 2.

A - Unidentified Speaker

Chairman, I would like to reintroduce (Mr. Will Combs), shareholder.

Q - Unidentified Participant

Thank you, Chairman. And congratulations to Mr. Green for a very eloquent and clear explanation of the new plans. Like Mr. Graves, I'm not entirely convinced. But he certainly couldn't have done a better job of advocating for it. I just have one question. And I'm sorry if I missed it in your detail. But the qualification for the minimum number of shares, in fact, if that's gone up dramatically, is obviously very good from a shareholder point of view. Does that exclude unvested right -- sorry, I can't remember what you actually call these things.

A - William Marston Becker {BIO 1450037 <GO>}

Conditional rights.

Q - Unidentified Participant

The incentive shares are not included in the amount to satisfy the 1.5x or 2x base salary until they vest?

A - William Marston Becker {BIO 1450037 <GO>}

Go ahead.

A - John M. Green {BIO 5208912 <GO>}

They're included. And what's important about this is that they roll over time. So if you can imagine that an executive might get an award this year and then will get a quarter, a quarter, a quarter, a quarter going forward, they will build up a -- hopefully, a considerable level of shares going forward so that in year 1, when they get their first allocation of 25%, they will know, subject to malice and subject to not being asked to leave with cause, they will know that their net worth over time will have that value of those 4 tranches. The following year, if they're lucky enough to -- because they've worked hard enough to get another reward, they'll get the second tranche of the first year and the first tranche of the second year. And those tranches going forward. So that will build up the minimum shareholding requirement. So that assuming we are able to meet target, you would expect to see some of the employees build up perhaps 3, 4 or more times their minimum shareholding or their fixed pay.

Q - Unidentified Participant

I'm sorry, just want to clarify the point. At what stage -- let's say, somebody gets 1 million share rights, which will vest over a period of four years, is the entire 1 million counted from the beginning or only at the end?

A - John M. Green {BIO 5208912 <GO>}

At the beginning.

Q - Unidentified Participant

Say, roll through.

A - John M. Green {BIO 5208912 <GO>}

At the beginning.

Q - Unidentified Participant

Thank you.

A - John M. Green {BIO 5208912 <GO>}

Thank you.

A - William Marston Becker {BIO 1450037 <GO>}

I should also point out your directors also have minimum shareholding requirements. And you can see that in the annual report.

Any other questions on the rem report? If not, what I'd like to do is disclose the proxies we've received in respect to this resolution. They should appear on the screen. And as Chairman, I would now direct that the vote on the resolution be taken by way of a poll. Please enter your vote by pressing 1 to vote for the rem report; 2, to vote against the rem report; 3, if you wish to abstain from the rem report.

(Voting)

It appears from looking at the monitor in front of me that the majority of you have already cast a vote. Let's leave the poll open for a couple more seconds.

I would now declare the poll closed. And the results will now appear on the screen behind me. You can see what they are. And on that basis, I would declare that the resolution passed.

Let's move on to item 3 on the agenda: to improve the increase to the maximum aggregate fees payable to non-executive directors. I would propose that the meeting consider and pass the ordinary resolution set out in the notice of meeting. Details of the proposed benefit are contained in the explanatory notes to the notice of meeting. Does any shareholder wish to speak for or against the motion? And I should note that this is not changing any individual director's fees. This is merely approving the pool from which director fees are paid from.

Seeing no questions, let me now disclose the proxies received in respect to this resolution, which will appear on the screen. And I would now direct that a vote on the resolution be taken by way of poll. Please enter your vote by pressing 1 to vote for, 2 to vote against, 3 to abstain.

(Voting)

It appears from my monitor that the majority of votes have already been cast. If you've not cast it, just a few more seconds.

Let me now declare the poll closed. And the results will, again, appear on the screen behind me. And on that basis, I would declare that item number 3 has passed.

We now move to the election of directors. Since one of the directors to be elected is myself, I will now hand over the podium to John Green, our Deputy Chairman.

A - John M. Green {BIO 5208912 <GO>}

Thanks, Marty. This is the way we execute a coup. So on the agenda, we have the reelection of our Chairman, Marty Becker. I propose that the meeting consider and pass the order of resolution set out in the notice of meeting. Marty was appointed an independent non-executive director of QBE in August 2013. And he became Chairman in April the following year, 2014. There are details of his background set out in the explanatory notes of the notice of meeting. But I'll now ask Marty to speak to his reelection.

A - William Marston Becker {BIO 1450037 <GO>}

Thank you very much, John. And I suspect you all have heard as much as you'd like to hear from me. But I'll add a couple of notes. First of all, I am a resident of the United States. Being a U.S. resident is helpful in terms of the geographic diversity of our board because we try and match up, to a great extent, where our premium base is, also being represented through our NADs as well as their individual experience contributions. My career has been in insurance. So I enjoy thoroughly being on the QBE board, having over 35 years of insurance experience, mostly as CEOs of property and casualty organizations. I feel privileged to have had the opportunity to work on your behalf these past 3-plus years. And I would hope to have the opportunity to continue. Thank you very much.

A - John M. Green {BIO 5208912 <GO>}

Thanks, Marty. Does any shareholder wish to speak for or against the motion? No? Thank you.

I'd now like to disclose the proxies received in respect of this resolution and in accordance with the resolution and the Constitution, which will appear on the screen behind me.

As Chairman, I now direct that the vote on the resolution be taken by a way of a poll. So please, as before, enter your vote by pressing 1 to vote for, 2 to vote against or 3 if you wish to abstain.

(Voting)

I can see on the monitor in front of me that the majority of you have already cast a vote. But I'll leave the poll open for a few more seconds.

As the auctioneer says, are we done? I'll now declare the poll closed. And the results will now appear on the screen behind me. On that basis, I declare the resolution passed. And I now hand the meeting back to Marty. Congratulations, Marty.

A - William Marston Becker {BIO 1450037 <GO>}

Thank you, John. Thank you very much.

Let's move on to item 4B, which involves the election of the Non-Executive Director Kathy Lisson. I propose the meeting consider and pass the ordinary resolution set out in the notice of meeting. Kathy was appointed as a non-executive director in September 2016. Further details of her background are set out in the explanatory notes to the notice of meeting. Let us now ask Kathy to please speak to her election.

A - Kathryn M. Lisson {BIO 7413997 <GO>}

Thank you, Marty. Good morning, everyone. I am pleased to submit myself for election to the board of QBE. I joined your board in September of last year, as Marty noted. And I am based in Canada. I currently serve as chair of the operations and technology committee and as a member of the audit committee. I recently retired as a partner of Ernst & Young, where I led the firm's Canadian insurance advisory practice for five years. In this role, I was responsible for EY's FinTech implementation in the insurance sector in Canada and advised clients on their implementation of customer data analytics, digital solutions, fraud detection solutions and monitoring technology across policy claims and underwriting. Our practice also included large system implementations, operational performance improvement, cybersecurity enhancement and technology risk governance. Now prior to EY, I was Chief Operating Officer for QBE European Operations in London with responsibility for claims, technology and operations support function. I was also a member -- chair of the QMS U.K. Board, which is a services board. And a member of the executive management committee, investment committee and reserving and risk committees.

Earlier in my career, I held senior partner roles at Price Waterhouse and senior executive roles at Bank of MontrÃ©al in Canada and as well as senior executive roles in Barclays Bank and Brit Insurance Holdings in London. I have also held 2 non-executive director positions in the U.K., one for a check clearing corporation in the U.K. and one for insurance exchange. And I've held various non-executive director roles in Canada.

I am delighted to have been nominated to serve on your board. QBE is a truly global company that brings unique underwriting experience and expertise to the markets in which it operates. I am looking forward to working with the Chairman, the rest of your board, our CEO, John Neal. And the group executive, to assist QBE in its transformation journey, particularly with regard to technology and operations transformation. I would be grateful for your support in my election to your board. Thank you.

A - William Marston Becker {BIO 1450037 <GO>}

Thank you very much, Kathy. And do we have any shareholders who wish to speak for or against the motion? I see somebody walking up. Yes, microphone 2.

A - Unidentified Speaker

Chairman, I would like to reintroduce (Natasha Lee).

Q - Unidentified Participant

Thank you, Mr. Chairman. I'm just getting up to say, yes, I support the election of Kathy to the board. But I'll just make a comment that I note that QBE has a target of 30% of women on the board. Given that over 50% of your employees are female and recent comments by the human rights commission, I was wondering, would the board consider increasing that target from 30% to 40% in the future?

A - William Marston Becker {BIO 1450037 <GO>}

Well I think we need to achieve 30% first and...

Q - Unidentified Participant

We're almost there.

A - William Marston Becker {BIO 1450037 <GO>}

Well we're almost there. But we're not there yet. We're very committed to diversity, both in our senior management ranks and on the board. We've set the goal of 30% by 2020. I'm sure we'll meet that target on or before 2020. Whether we choose to raise it from there is a matter for further discussion.

Q - Unidentified Participant

Thank you.

A - William Marston Becker {BIO 1450037 <GO>}

Other comments? All right. Let's now disclose the proxies that were received in respect to this resolution. And they will appear on the screen as the other ones have.

So let's now direct that the vote on the resolution be taken by way of poll. As we've done before, press 1 to vote for, 2 to vote against and 3 if you wish to abstain.

(Voting)

Looks like we're almost there, a couple more seconds.

All right. I will now declare the poll closed on item number 4. The results will appear on the screens behind me. And on that basis, I declare the resolution passed. Welcome Kathy to the board.

Item 4c on the agenda involves the election of someone many of you know, Non-Executive Director Mike Wilkins. I propose the meeting consider and pass the ordinary resolution set out in the notice of meeting. Mike was appointed as an independent non-executive director of QBE in November 2016. Further details of his background are set out in the explanatory notes to the notice of meeting. Let me now ask Mike to please speak to his election.

A - Michael John Wilkins {BIO 1503760 <GO>}

Well thanks, Marty. And I think it's now good afternoon, ladies and gentlemen. I'm very pleased to have the opportunity to address you today regarding my election to the board of QBE. I was honored to be appointed to the board of our company in November of last year. I'm based in Sydney. And I currently serve as a member of the audit, operations and technology and remuneration committees of QBE. I've been involved in the wider financial services sector for over 30 years, including over 20 years in listed company Chief Executive roles. My experience has predominantly been in Australia and Asia, including in China and India, as well as in Europe. I've got a significant passion for and significant experience with the general insurance industry, having most recently served as Managing Director and Chief Executive Officer of Insurance Australia Group. Prior to that, I held a similar position with Promina Group until its acquisition by Suncorp in this country in 2007. In the wider financial services space, I also served as Managing Director of Tyndall Australia Limited for a period of six years. I hold a Bachelor of Commerce degree from the University of New South Wales and an MBA from the University of Sydney. I'm also a fellow of the Australian Institute of Company Directors, Head of Chartered Accountants, Australia and New Zealand. I currently serve as a non-executive director of AMP Limited and have previously held non-executive director positions with Maple-Brown Abbott Limited and Alinta Limited.

I believe that QBE is a great Australian company that's been successful on the international stage. Over the years, it's built a significant international business in a sector that, in my view, is fundamental to the economic growth, development and well-being of the countries and the communities in which it operates. I have the time, I have the experience and I have the passion for our company and for our industry. And I look forward to contributing to its ongoing success. I would greatly appreciate your support for my election to the Board of Directors of our company. And I thank you for that support.

A - William Marston Becker {BIO 1450037 <GO>}

Thank you very much, Mike. And again, do we have any shareholder who wishes to speak for or against the resolution? Yes, sir, microphone number 1.

A - Unidentified Speaker

Chairman, I would like to reintroduce (Mr. Jan Da).

Q - Unidentified Participant

That's (Daniel Goshap). Good day, Mr. Wilkins. How are you? You wrote an article in the GENEVA PAPERS in 2010 when you were the CEO of IAG. I'll remind you of some of the things you said. You said the insurance industry can ensure that governments are fully informed of the risks exposed by climate change when they exercise their powers. And that you support the introductions of an emissions trading scheme and a target to reduce Australia's greenhouse gas emissions in an economically efficient way. Given that you probably understand the Australian political climate better than anyone on this board, can you -- could you talk to why the Australian government doesn't get climate risk?

A - Michael John Wilkins {BIO 1503760 <GO>}

Thank you for reminding me. I do remember that paper that I wrote and well researched, I've got to say. My views haven't changed on that. I continue to support that as a personal view. As to the government's attitude, I can't speak to that because I think that what companies such as QBE and individuals such as I can do is to point out the issues, point out what we think are some of the possible solutions, which includes, in my view, an emissions trading scheme. But also I think that on a wider front, as we confront some of the catastrophes that we've seen in this country over the last number of years, I think that there's a great need for increased mitigation spends that should be put in place to relieve the risk in the first instance. For whatever reason, governments have chosen not to make that expenditure. And we seem to keep seeing increased catastrophe events occurring. The insurance industry, I think, plays a very valuable role in being there to both raise the issue in terms of premiums because the premium is purely a signal of the risk that's being a taken. And I think the industry plays a very valuable part in doing that. But more importantly, it plays a part in being there to help individuals, companies and communities to actually recover from the unexpected losses that do occur. So I'll continue to advocate for that type of thing. But back to your question, I can't speak for where the government's mind is at on that.

Q - Unidentified Participant

Thanks. Welcome to the board.

A - Michael John Wilkins {BIO 1503760 <GO>}

Thank you.

A - William Marston Becker {BIO 1450037 <GO>}

Thank you very much. Any other questions? Let me now once again disclose the proxies received in respect to the resolution. They will also be on the screen. And we will now direct that the vote on the resolution be taken by way of a poll. So once again, it's 1 to vote for, 2 to vote against, 3 if you wish to abstain.

(Voting)

It must be lunchtime because the votes are coming in quickly. A couple more seconds.

We'll declare the poll closed. And Mike, welcome to the board of QBE.

That's our final item of formal business. So we will officially close the meeting. But what I'd like to do is to specifically thank each of you for taking the time to come this morning and attending the meeting. I'll remind you that there are going to be some light refreshments out in the foyer. The board and management will be out there if you have individual questions or concerns that we might be able to help you with. And I've been asked to remind you to please hand in the Lumi device, or they're going to track you to your homes. So please hand them in as you leave. And thank you all very much.