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3 October 2017

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

Dear Sir/Madam

QBE INCREASES ITS LARGE INDIVIDUAL RISK AND CATASTROPHE CLAIMS ALLOWANCE FOLLOWING HURRICANES HARVEY, IRMA, MARIA AND THE MEXICAN EARTHQUAKES

Please find attached an announcement for release to the market.

Yours faithfully

A handwritten signature in blue ink, appearing to read "Carolyn Scobie", is written over a faint, larger version of the same signature.

Carolyn Scobie
Company Secretary

Attachment

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QBE

MARKET RELEASE

3 October 2017

QBE INCREASES ITS LARGE INDIVIDUAL RISK AND CATASTROPHE CLAIMS ALLOWANCE FOLLOWING HURRICANES HARVEY, IRMA, MARIA AND THE MEXICAN EARTHQUAKES¹

Following a period of extreme global catastrophe experience, QBE has increased its 2017 large individual risk and catastrophe claims allowance.

QBE's Chief Executive Officer, Mr John Neal, said: "The catastrophic events over the past month have caused a tragic loss of life and substantial and widespread property and infrastructure damage. Our thoughts are with those affected by these devastating events including our customers, business partners and employees."

Given catastrophe losses to date, 2017 will likely prove to be the costliest year in the history of the global insurance industry. Cyclone Debbie in Australia earlier this year, Hurricanes Harvey, Irma and Maria which impacted the Gulf of Mexico, the Caribbean and Florida as well as the earthquakes in Mexico have all impacted QBE's businesses.

While there remains a high degree of uncertainty for the estimated cost of Harvey, Irma, Maria and the Mexican earthquakes, the Group has increased its 2017 allowance for large individual risk and catastrophe claims to \$1.75Bn including allowances for large individual risk and catastrophe claims in the fourth quarter of 2017. There is therefore a pre-tax impact to earnings of approximately \$600M.

Reflecting the above, the Group's 2017 combined operating ratio target range now moves to 100.0%-102.0%.^{2,3}

QBE's Chief Executive Officer, Mr John Neal, said: "While it is too early to speculate how much reinsurance and primary insurance pricing will rise as a result of recent catastrophe experience, QBE is well placed to benefit from price rises with much of our reinsurance programs already purchased for 2018."

(1) All figures in US\$ unless otherwise stated.

(2) Excludes the impact of changes in risk-free rates used to discount net outstanding claims.

(3) Excludes a \$156M one-off adverse impact on the Group's underwriting result due to the Ogden decision in the UK (refer page 11 of HY17 report for details).

- ENDS -

For further information, please contact:

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QBE Insurance Group Limited is listed on the Australian Securities Exchange, is one of the top 20 global insurance and reinsurance companies as measured by net earned premium and has operations in 37 countries.

IMPORTANT DISCLAIMER

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

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