

CASE STUDY - Premiums4Good



QBE Australia is part of the QBE Insurance Group, founded 1886. Headquartered in Sydney, the company has offices across all states and territories in Australia and QBE Insurance Group operates globally. Its purpose is to give people the confidence to achieve their ambitions. As a company that helps people and businesses protect themselves from risk, QBE takes a holistic, long-term view to create value for stakeholders and protect the sustainability of the business.

Premiums4Good is an innovative global initiative that sees QBE create social value and business value (shared value) by connecting insurance customer premiums to growing demand for impact investments.

Social Issue Using investment as a vehicle for driving a better future for people and planet

Business Opportunity Connecting insurance customer premiums to growing demand for impact investments

Social Value Creation

- Customers can partner with QBE to make a difference
- Increased investment in projects and funds including family resilience, children and out-of-home care, youth education, homelessness, recidivism and mental health

Business Value Creation

- Source of competitive advantage for QBE
- Market rate investment return
- Diversify the investments portfolio
- Strengthen ties with customers, brokers and business partners
- Influence innovation and the organisation's strategic objectives

Partnerships Impact Investing Australia
Responsible Investments Industry Association of Australasia (RIAA)
Investor Group on Climate Change (IGCC)



The Opportunity

QBE supports the aims and objectives of the United Nations Sustainable Development Goals (SDGs). It is estimated that achieving the SDGs will require an additional USD2.5 trillion of investment per year. QBE believe that institutional investment capital can play a large role in meeting these goals.

Premiums4Good demonstrates that you can invest to generate market rate returns and address significant social and environmental issues at the same time, thereby using shared value to help meet the SDGs. All investments in the Premiums4Good portfolio must have a 'measurable and reported impact'. Premiums4Good seeks diversity of global impact by making investments into projects and initiatives which address a broad range of social and environmental issues.

Impact is considered at the investment level and assessed across 11 impact areas and they are also mapped to the SDGs. The impact areas are:

- Environmental – Sustainable Energy, Food & Agriculture, Water, Circular Economy
- Social – Housing & Social Real Estate, Health, Social Care & Provision of Community Services, Financial Inclusion, Education and Employment, Urban & Community Development, Social Inclusion, Diversity and Gender

Premiums4Good demonstrates that you can invest to generate market rate returns and address significant social and environmental issues at the same time.



The Strategy

Premiums4Good is an innovative global initiative that sees QBE integrate social and business value by connecting insurance customer premiums to growing demand for impact investments. Impact investments are investments which aim to deliver a market rate financial return and deliver an additional, measurable social and/or environmental benefit. Under the initiative, a portion of all QBE premiums are allocated to impact investments. Additionally, customers can 'opt in' to direct 25% of their insurance premiums into impact investments that deliver these additional benefits.

This is a win-win-win situation - customers partner with QBE to make a difference (at no extra cost or risk to themselves), while QBE generates a market rate investment return, diversifies its investment portfolio, strengthens ties with customers and invests in projects that deliver value for people and planet.

This has benefits along the value chain. As an intermediated insurer, operating with major trading partners, the program strengthens QBE's relationships with distribution brokers and partners by deepening a values-based approach with partners.

Working to support customers through risk transfer services, and bringing insurance premium into the business, the Premiums4Good program is a motivating and innovative example of what QBE as a business stands for in the economies and communities it operates in.

Customer premium is invested while awaiting to pay claims and contributing to overall organisation performance. Under Premiums4Good, the team invests in assets that meet the same risk/return and due diligence thresholds for the asset class as any other "non-impact" investment - with the added layer of having the environmental or social impact.

This is a win-win-win situation- for customers, QBE and the projects invested in.



Results - Value Creation for Business and Society

In early 2019, the focus on social and environmental value led to the announcement of QBE's ambition to grow impact investments to USD1bn by 2021. This included increasing 'impact preferred' investments in the portfolio, and QBE announced 'Operating Sustainably' as a strategic priority for the organisation.

Premiums4Good assets grew to USD663m by the end of 2019. By June 2020, the number of Premiums4Good investments had grown to USD900m and 66 securities. In 2020, QBE's impact investment ambition was extended to USD2 billion by 2025, with the intent that half would be in environmentally impactful sectors, consistent with the organisation's wider climate risk and sustainability strategy.



Social outcomes:

- Increased awareness of impact investing and investing that considers multiple stakeholders,
- New investments in community services, social inclusion, diversity and gender as well as urban and community development (including the LeapFrog Emerging Consumer Fund III).
- Investment in the Housing New Zealand Sustainability Bond and the Auckland Council Green Bond, which finance projects to expand social housing, energy-efficient housing, and low-carbon transportation.
- Invested in 11 Social Impact Bonds (SIB) directly, and in two SIB funds, across homelessness and affordable housing, education and employment, reducing reoffending, and public health and mental health.
- NSW-based Benevolent Society Social Benefit Bond (SBB) reached term in October 2018, making a difference to more than 800 children through the Resilient Families program. An intensive family support program designed to keep children with their families and out of foster care where possible, the program saw children stay with families at a rate 32 per cent higher than the control group. This will ultimately see children with better education, health and employment outcomes in the long term.

Business outcomes:

- Demonstrates that an institutional investor can have positive impact and achieve returns that are not concessionary. It provides a clear shared value example for others in the market to follow.
- Key differentiator for QBE, driving customer, partner and employee acquisition and retention through enabling the alignment of values with insurance choice.
- Signals clear institutional investor demand for these types of products
- Investments in Premiums4Good now comprise over 66 and value ~USD900m (June 2020)
- Investing in "firsts" to demonstrate what is possible, such as the first ever Social Impact Bond (SIB) fund in the US.



Lessons Learned, Challenges and Outlook

QBE is keen to demonstrate scalability in new innovative investment areas and products. For example, Social impact bonds (SIBs) are an important part of the Premiums4Good investment pool. In 2014, QBE made a commitment to invest up to US\$100m in SIBs globally, with a view to bringing commercial, institutional investor rigour to help stimulate, grow and raise institutional investor awareness of this market. QBE has reviewed over 30 and invested in over 10 SIBs globally and 2 SIB funds. If QBE's direct SIB investments achieve their expected impact, they will reach more than 11,000 people, with significant positive longer-term effects. Investments include family resilience, children and out-of-home-care, youth education, homelessness, recidivism and mental health.

Key lessons and challenges have included:

Initial senior sponsorship to support development of the program - Within an institutional investor, the growth of Premiums4Good was supported through senior executive and C-Suite sponsorship, and a small number of passionate investments and underwriting people.

Localised Champions nominated in each Division - This supported a localised connection in each Division and business line – and the connection to customers.

Iterating the program - QBE iterated the program based on investment experience, and feedback from key customers and partners, and as the program matured, established a Global Steering Group to guide a unified offering to customers globally.

For further details please see the Premiums4Good Investment Impact Report.