QBE INSURANCE GROUP

2006 results announcement

Presented by Frank O'Halloran
CEO QBE Group
23 February 2007

All amounts in Australian dollars unless otherwise stated.

Highlights
year ended 31 December 2006

- Record net profit after tax up 36% to $1,483 million (2005: $1,091 million)
- Insurance profit up 39% to $1,788 million (2005: $1,288 million) or 21.9% of net earned premium (2005: 17.4%)
- Return on equity at 26.1% of average shareholders' funds (2005: 23.9%)
- Earnings per share:

	2006	2005
- basic* up 30%	184.8¢	142.5¢
- diluted** up 32%	173.5¢	131.5¢

- Cash flow from operations increased to $2,039 million – after settlement of 2005 catastrophe claims, higher tax payments and funding of pension deficits (2005: $1,987 million)

* *based on shares notified to the Australian Securities Exchange*

** *assumes all hybrid securities are dilutive*

Highlights
year ended 31 December 2006

- Gross written and gross earned premium up 10% to $10,372 million and $10,069 million respectively due mainly to 2005 acquisitions, continued high retention of business and overall average premium rate increase of 6%
- Net written premium up 12% to $8,530 million and net earned premium up 10% to $8,158 million
- Reinsurance costs decreased from 19.0% to 17.8% of gross written premium despite significant rate increases on reinsurance protections. Earned reinsurance expense reduced by only 0.5% to 19.0% due to timing differences (2005: 19.5%)
- Combined operating ratio (COR) improved from 89.1% to an historical low of 85.3%
- All major insurance divisions achieved improved underwriting profits with CORs ranging from 83.2% to 89.7%
- Substantial majority of products and businesses in 44 countries achieved underwriting profits

Highlights
year ended 31 December 2006

- Gross claims ratio reduced from 73.5% to 54.9% reflecting lower catastrophe claims and continued low claims frequency on most portfolios
- Net claims ratio reduced from 59.9% to 55.8%
- Net claims are after increasing risk margins in outstanding claims by 12% to $1,389 million
- Net claims above $2.5 million from large individual risk losses and catastrophes were 10.0% of net earned premium (2005: 11.7%) – well within the allowances in our business plans
- Probability of adequacy of outstanding claims of 94.6% (2005: 94.1%)

Highlights
year ended 31 December 2006

- Risk profile further reduced with the maximum event retention from our largest realistic scenario at 4.0% of net earned premium at year end (2005: 4.3%)
- Commission ratio increased from 16.9% to 17.0% reflecting growth in the Americas and Lloyd's businesses, partly offset by the benefits of acquisition of distribution channels
- Expense ratio increased from 12.3% to 12.5% as a result of distribution channels acquired, lower profit commission from external names on syndicate 386 and higher IT costs
- Income tax expense reduced from 28% of profit before tax to 26% due to higher profits earned in countries with lower tax rates, including Bermuda, the base for our captive reinsurer, Equator Re

Highlights
year ended 31 December 2006

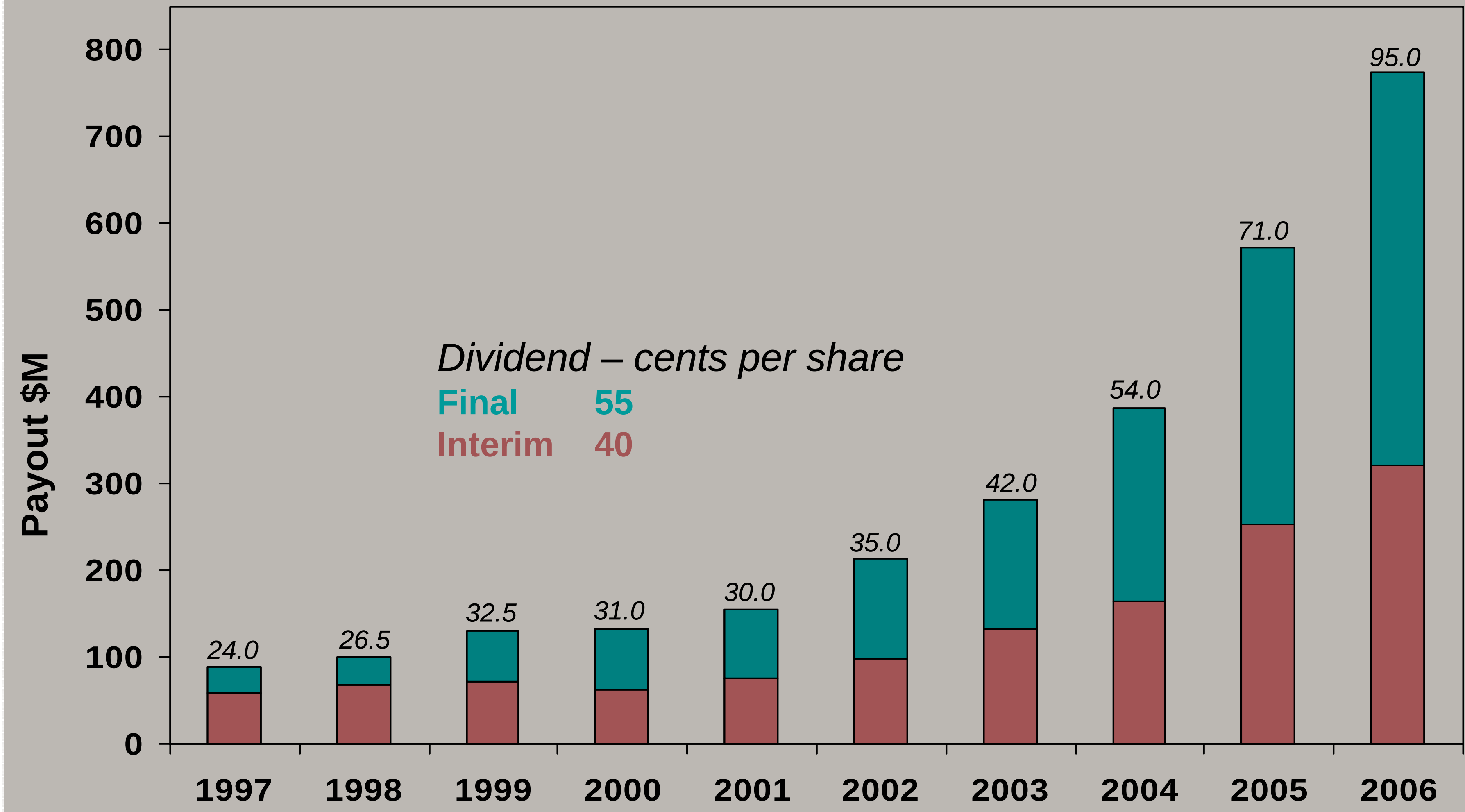
- Gross investment income up 17% to $985 million (2005: $843 million)
- Gross investment yield before borrowing costs and expenses unchanged from last year at 5.2%
- Fixed interest and cash gross yields outperformed external benchmarks and were 4.7%, up from 4.3% last year
- Equity yields were 12.5%, down from 16.6% last year due to derivatives taken out in October 2006 to protect gains
- Investment income includes realised and unrealised gains on equities of $104 million (2005: gains of $130 million)
- Net investment income (after borrowing costs and investment expenses) increased 14% to $822 million (2005: $718 million) with the net yield unchanged at 5.0%

Shareholders returns
year ended 31 December 2006

- Final dividend of 55¢ per share, 60% franked (2005: 38¢, 50% franked)
  - Ex dividend date 7 March 2007
  - Record date 14 March 2007
  - Payment date 2 April 2007
- The unfranked portion of dividends payable to non resident shareholders will now receive a Conduit Foreign Income credit and will not be subject to Australian withholding tax
- Dividend reinvestment and dividend election plans which were suspended in August 2006 have been reinstated
- Full year dividend payout $774 million, up 39% from 2005
- Shares on issue* increased to 819 million (2005: 794 million) due to conversion of hybrid securities, dividend reinvestment and issue of employee shares
- An investment in QBE has outperformed the Australian All Ordinaries Accumulation Index and inflation with a growth rate of 52% in 2006

* *as notified to Australian Securities Exchange*

Dividend performance
year ended 31 December 2006



Compound annual average growth in dividend payout over 10 years was 26.5%

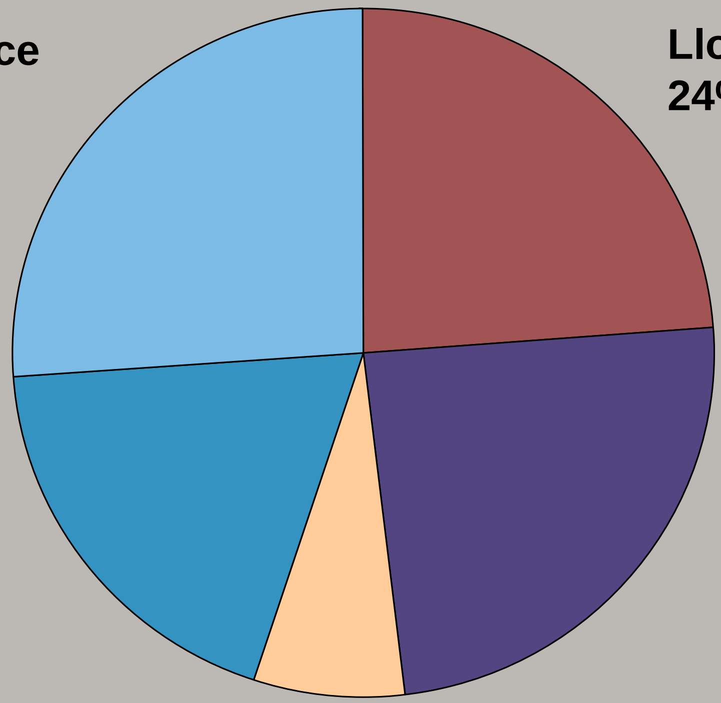
Worldwide operations

		HALF YEAR		FULL YEAR	
		Jun 2006	Dec 2006	Dec 2006	Dec 2005
Gross written premium	**$M**	**5,656**	**4,716**	**10,372**	**9,408**
Gross earned premium	$M	4,932	5,137	10,069	9,171
Net earned premium	$M	3,998	4,160	8,158	7,386
Claims ratio	%	58.3	53.3	55.8	59.9
Commission ratio	%	17.6	16.4	17.0	16.9
Expense ratio	%	12.0	13.0	12.5	12.3
Combined operating ratio	**%**	**87.9**	**82.7**	**85.3**	**89.1**
Underwriting profit	$M	482	718	1,200	808
Investment income - policyholders' funds	$M	266	322	588	480
Insurance profit	$M	748	1,040	1,788	1,288
Insurance profit	**% to NEP**	**18.7**	**25.0**	**21.9**	**17.4**
Investment income - shareholders' funds	$M	65	169	234	238
Amortisation of intangibles/impairment of goodwill and intangibles	$M	(4)	(6)	(10)	(3)
Net profit before tax	**$M**	**809**	**1,203**	**2,012**	**1,523**

Worldwide operations
year ended 31 December 2006

	GWP	Growth	COR		Net profit after tax	
	2006	2006	2006	2005	2006	2005
	$M	%	%	%	$M	$M
Australia	2,491	2	82.9	83.6	387	360
Pacific Asia Central Europe	727	5	84.4	82.3	87	103
QBE Insurance (Europe)	2,502	(2)	88.8	90.0	385	314
Lloyd's division	2,711	21	82.1	94.5	374	213
the Americas	1,941	30	89.7	92.9	109	62
Equator Re	901	155	81.4	89.8	141	39
Elimination – internal reinsurance	(901)	-	-	-	-	-
Group	10,372	10	85.3	89.1	1,483	1,091
Direct and facultative	8,902	13	84.9	86.4	1,382	1,116
Inward reinsurance	1,470	(3)	87.9	102.2	101	(25)
Group	10,372	10	85.3	89.1	1,483	1,091

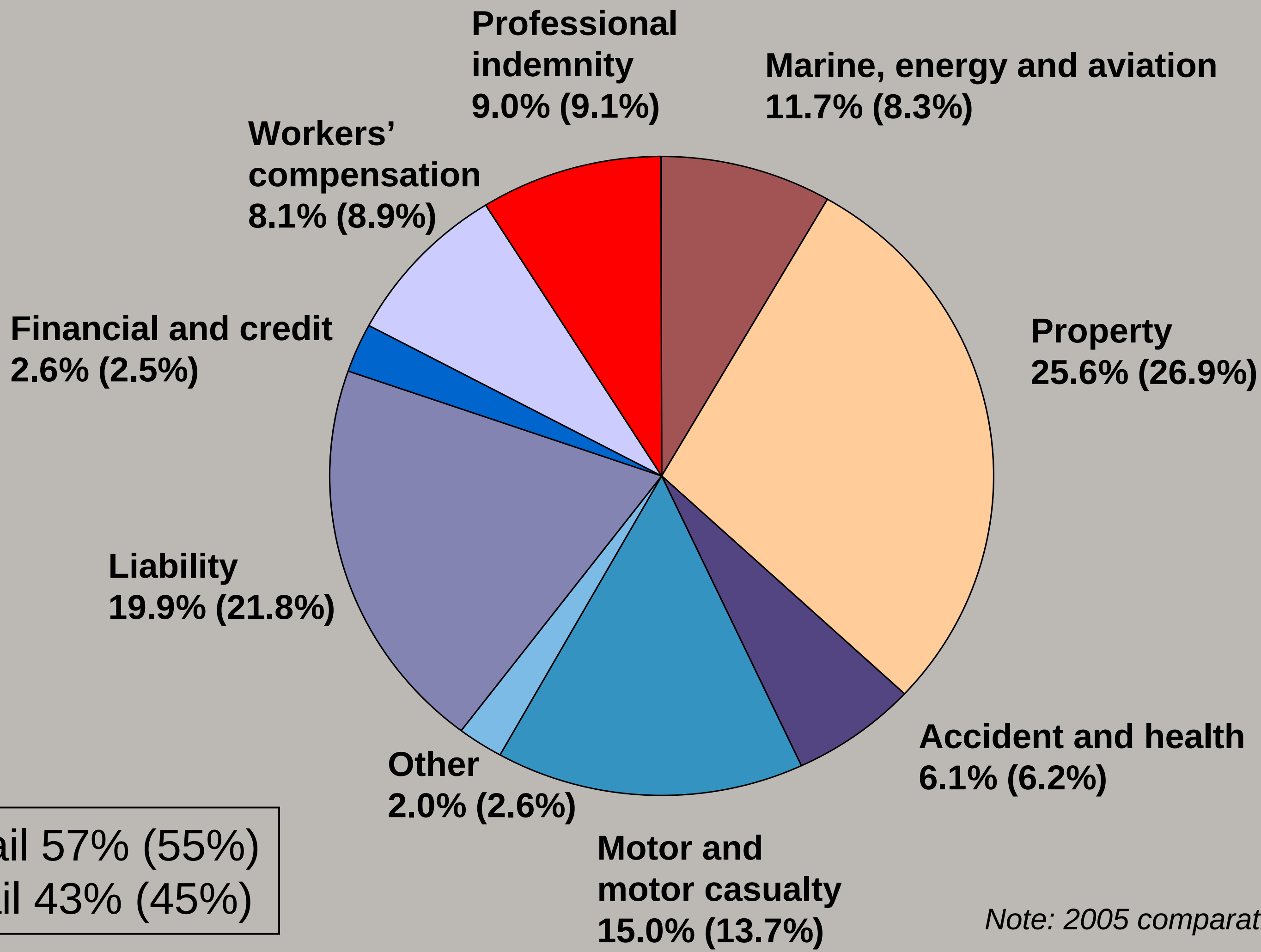
Geographical diversification
gross earned premium - year ended 31 December 2006



Note: 2005 comparatives in parentheses

Worldwide portfolio mix

gross earned premium - year ended 31 December 2006



Short tail 57% (55%)
Long tail 43% (45%)

Note: 2005 comparatives in parentheses

Balance sheet

	31 Dec 2006 $M	31 Dec 2005 $M
ASSETS		
Investments and cash	19,972	17,597
Receivables	3,939	3,689
Recoveries on outstanding claims	3,624	4,213
Deferred insurance costs	1,409	1,446
Intangibles	1,475	1,382
ABC financial assets pledged for funds at Lloyd's	995	1,032
Fixed and other assets	343	306
TOTAL ASSETS	**31,757**	**29,665**
LIABILITIES		
Outstanding claims	15,269	15,083
Unearned premium	4,642	4,287
Interest bearing liabilities	2,364	2,130
ABC securities for funds at Lloyd's	946	1,015
Other creditors and provisions	2,187	1,991
TOTAL LIABILITIES	**25,408**	**24,506**
NET ASSETS	**6,349**	**5,159**
EQUITY		
Equity attributable to shareholders	6,283	5,093
Minority interest	66	66
TOTAL EQUITY	**6,349**	**5,159**

Net invested funds

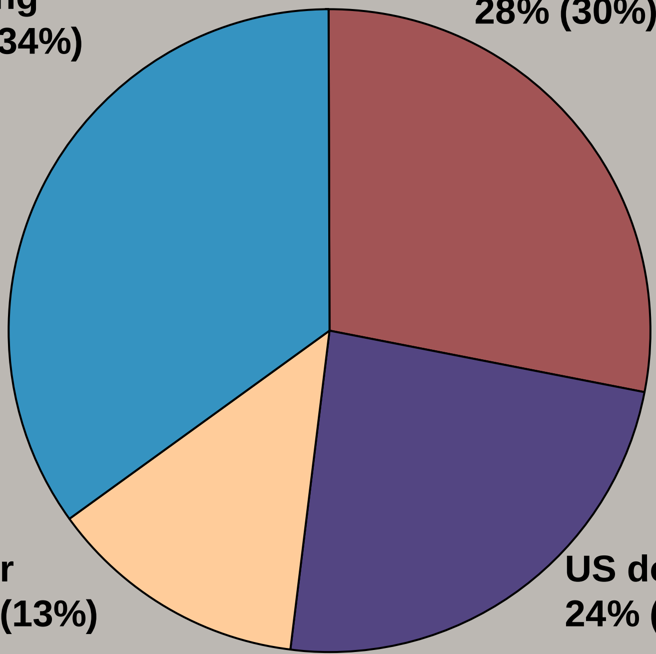
	31 Dec 2006		31 Dec 2005	
	$M	%	$M	%
Cash	1,019	5.1	1,061	6.0
Short term money	10,040	50.3	8,292	47.1
Fixed interest securities and other	7,134	35.7	7,537	42.9
Equities	1,741	8.7	674	3.8
Investment properties	38	0.2	33	0.2
Total investments and cash	**19,972**	**100.0**	**17,597**	**100.0**
Borrowings	(2,364)		(2,130)	
Net invested funds	**17,608**		**15,467**	

Balance sheet

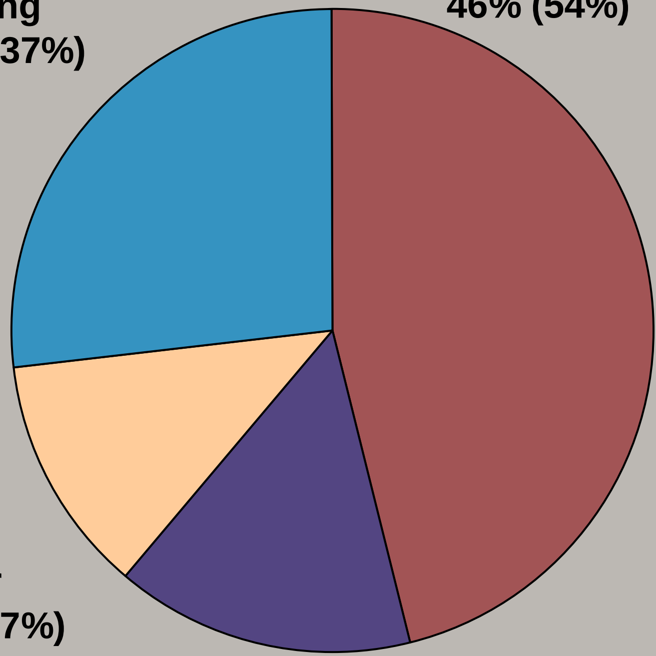
- Investments and cash increased by 14% to $20.0 billion due to strong operational cash flow and acquisitions
- 92% of our fixed interest and cash is rated Moody's Aa3 or better
- Approximately 99% of investments are highly liquid
- We continue to adopt a conservative approach to our fixed interest portfolios. Fixed interest duration was an average of 0.4 years during 2006 and increased to 0.8 years since year end (December 2005: 0.6 years)

Currency mix
at 31 December 2006

Market value of total investments and cash
2006 $19,972 million (2005: $17,597 million)



Market value of equities
2006 $1,741 million (2005: $674 million)



Note: 2005 comparatives in parentheses

Balance sheet

- Receivables over 90 days have decreased with conservative provisions held for doubtful premium debtors. Continued low bad debt experience
- Reinsurance recoveries on outstanding claims reduced to $3.6 billion from $4.2 billion – includes claims incurred but not reported of $1.6 billion (2005: $1.6 billion)
- Receivables and reinsurance recoveries are after provisions for doubtful debts of $296 million (2005: $291 million)
- Intangibles increased $93 million to $1,475 million due mainly to acquisitions

Balance sheet

- Borrowings* to shareholders' funds 37.6% (2005: 41.8%)
- Borrowings* increased by $234 million to $2,364 million principally from the issue of £300 million perpetual preferred securities, partly offset by the repayment of $400 million short term bank facility
- Weighted average cost of borrowings at 31 December was 5.8% (2005: 5.2%)
- Debt is 18% short term, 60% long term subordinated debt and 22% hybrid securities

* *excludes ABC securities for funds at Lloyd's*

Analysis of claims incurred

	2007 [3] (target) %	2007 [4] (target) %	2006 %	2005 %	2004 %
Net claims ratio [1]	**59.0**	**59.7**	**55.8**	**59.9**	**61.3**
Analysis of claims ratio:					
- attritional	45.0	-	44.1	45.7	46.4
- large and catastrophe [2]	13.0	-	10.0	11.7	10.4
- risk margin upgrade	1.0	-	1.7	2.5	4.5
	59.0	**59.7**	**55.8**	**59.9**	**61.3**

(1) Represents net claims incurred as a % of net earned premium

(2) Large risk and catastrophe claims defined as claims with a net cost to QBE in excess of A$2.5 million – in 2006 increased incidence of large individual risk claims

(3) Target excluding 2007 US acquisitions

(4) Includes the estimated impact of US acquisitions. However at this stage, we do not have an analysis of attritional and large claims for the acquisitions

Outstanding claims provision

QBE's record of claims development demonstrates our prudent management of claims

		2006	2005	2004	2003	2002
Prior year release – net undiscounted	**$M**	528	618	140	44	12
Total net outstanding claims (discounted)	**$M**	11,645	10,870	9,462	7,595	7,994
Risk margin over central estimate	**$M**	1,389	1,243	1,058	750	656
Risk margin as percentage of central estimate	**%**	13.5	12.9	12.6	11.0	8.9
Probability of adequacy of net outstanding claims	**%**	94.6	94.1	94.0	91.0	86.0

Claims development

utilisation of prior year release

	$M
Prior year release – net undiscounted [1]	528
2006 accident year	
Undiscounted risk margin increase [2]	610

(1) Includes around $110 million to strengthen old latency and run off claims for 2000 and prior years and $43 million additional provision for claims settlement costs. Overall experience on 2000 and prior years was generally in line with expectations

(2) 2005 and prior year release invested in the establishment of 2006 risk margins

Total insurance liabilities

	2006 $M	2005 $M	2004 $M
Outstanding claims	11,645	10,870	9,462
Unearned premium net of deferred insurance costs	3,233	2,841	2,590
	14,878	**13,711**	**12,052**
Central estimate	12,656	11,695	10,373
Risk margin* - outstanding claims	1,389	1,243	1,058
- unearned premium	833	773	621
	14,878	**13,711**	**12,052**
* Risk margin in excess of 75% probability of adequacy using APRA's risk weighted capital adequacy model for Australian licensed insurers	1,486	1,411	1,020

Capital adequacy

	31 Dec 2006 $M	31 Dec 2005 $M
Tier 1		
Share capital (as notified to ASX)	3,514	3,263
Reserves and retained earnings	2,780	1,856
Perpetual securities (net of borrowing costs)	736	-
Excess risk margin	1,486	1,411
Tax on excess risk margin	(446)	(423)
Proposed dividend	-	(196)
Deductions - intangibles	(1,475)	(1,382)
	6,595	**4,529**
Tier 2		
Subordinated debt	644	668
Hybrid securities	77	222
	721	890
Capital base	**7,316**	**5,419**
Group MCR	**3,013**	**2,846**
Capital adequacy multiple*	**2.4**	**1.9**

* *using APRA's risk weighted capital adequacy model for Australian licensed insurers. The capital requirements for non-operating holding companies have not yet been defined*

Australia Pacific Asia Central Europe (APACE)
year ended 31 December 2006

		Australia		PACE		Total APACE	
		2006	2005	2006	2005	2006	2005
Gross written premium	$M	2,491	2,431	727	691	3,218	3,122
Gross earned premium	$M	2,428	2,405	704	688	3,132	3,093
Net earned premium	$M	2,051	2,015	563	536	2,614	2,551
Claims ratio	%	55.9	56.1	42.0	40.8	52.8	52.9
Commission ratio	%	11.8	12.7	20.4	18.7	13.7	14.0
Expense ratio	%	15.2	14.8	22.0	22.8	16.7	16.4
Combined operating ratio	**%**	**82.9**	**83.6**	**84.4**	**82.3**	**83.2**	**83.3**
Insurance margin	**%**	**24.7**	**24.2**	**20.8**	**22.2**	**23.8**	**23.8**

APACE
year ended 31 December 2006

Australia

- Gross written premium up 2% to $2,491 million despite overall average premium rate reductions of around 3% offset by strong customer retention and new business
- Continued excellent underwriting results with a COR of 82.9% (2005: 83.6%) and an outstanding insurance profit margin of 24.7% (2005: 24.2%)
- COR achieved despite the cost of Cyclone Larry, higher number of large individual risk claims and increase in dollar value of risk margins in outstanding claims
- Net claims ratio reduced from 56.1% to 55.9% due to lower frequency of claims and continued favourable development of prior year claims – majority of prior year development reinvested in 2006 risk margins
- Substantial majority of portfolios produced results ahead of plan and improvements were seen in workers' compensation, liability and trade credit portfolios
- Commission ratio down from 12.7% to 11.8% reflecting the benefit of acquiring distribution channels in 2005
- Expense ratio up from 14.8% to 15.2% mainly due to distribution channels acquired and higher IT costs

APACE
year ended 31 December 2006

Pacific Asia Central Europe

- Gross written premium up 5% to $727 million despite overall average premium rate reductions of around 6%
- Premium growth affected by a slight reduction in overall premium rates and increased competition
- Solid underwriting result with COR of 84.4% (2005: 82.3%)
- Strong underwriting profits in Hong Kong, Hungary, Macau, New Zealand, the Pacific Islands, Singapore, Slovakia and Ukraine
- Insurance profit margin 20.8% (2005: 22.2%)
- Slight reduction in underwriting profit. Claims ratio was 42.0% compared to 40.8% last year due to premium rate reductions and an increase in large property claims
- Central European businesses transferred to European operations division with effect from 1 January 2007 to align with European expansion and to leverage London specialist product expertise
- Continue to investigate acquisitions at prices which meet our criteria

European operations
year ended 31 December 2006

		QBE Insurance (Europe)		Limit		Total European operations	
		2006	2005	2006	2005	2006	2005
Gross written premium	$M	2,502	2,558	2,711	2,236	5,213	4,794
Gross earned premium	$M	2,586	2,370	2,475	2,273	5,061	4,643
Net earned premium	$M	2,209	1,954	1,644	1,743	3,853	3,697
Claims ratio	%	62.2	62.3	49.4	63.6	56.6	62.9
Commission ratio	%	14.5	15.3	20.7	20.3	17.2	17.7
Expense ratio	%	12.1	12.4	12.0	10.6	12.1	11.5
Combined operating ratio	**%**	**88.8**	**90.0**	**82.1**	**94.5**	**85.9**	**92.1**
Insurance margin	**%**	**19.8**	**16.8**	**26.3**	**12.4**	**22.6**	**14.7**

European operations
year ended 31 December 2006

- Gross written premium up 9% to $5,213 million due to 2005 acquisitions and overall average premium rate increases
- Organic growth lower than anticipated due to increased competition particularly motor, employers' liability, professional and general liability
- Premium growth also affected by our decision to reduce exposure to US and Gulf of Mexico hurricanes and appreciation of sterling against the US dollar for our substantial US dollar denominated business
- Not tempted by relatively low 2006 catastrophes to write more premium volume and increase exposure to windstorms and other catastrophes
- All major portfolios produced excellent results. Total acquisition costs virtually unchanged at 29.3% - changes in commission and expense ratios reflect the impact of external reinsurance with our captive Equator Re
- QBE Insurance Europe's COR was 88.8% compared with 90% last year reflecting a continued low frequency of claims for most portfolios
- Limit's COR was an impressive 82.1% compared with 94.5% last year reflecting a lower level of large catastrophes and higher premium rates on US catastrophe exposed property and marine business

European operations
year ended 31 December 2006

- Limit is the largest manager of capacity at Lloyd’s
- Overall 2007 exposure to catastrophes largely unchanged from 2006
- 1 January 2007 renewals – slight decrease in overall average premium rates of 3%, although marked variation by class of business - resulting from continued low frequency of claims and increased competition
- Note that Central European businesses, previously part of APACE operations, transferred to European operations effective 1 January 2007
- New general aviation team (syndicate 5555) and Denmark acquisition targeted to add around $200 million gross written premium income in 2007
- QBE holds a lead position in the London market – looking to leverage off our specialist product expertise to develop opportunities in regional UK and mainland Europe

the Americas
year ended 31 December 2006

		2006	2005
Gross written premium	$M	1,941	1,492
Gross earned premium	$M	1,876	1,435
Net earned premium	$M	1,153	843
Claims ratio	%	55.9	60.0
Commission ratio	%	25.6	25.5
Expense ratio	%	8.2	7.4
Combined operating ratio	**%**	**89.7**	**92.9**
Insurance margin	**%**	**13.9**	**10.3**

the Americas
year ended 31 December 2006

- Gross written premium up 30% to $1,941 million due to acquisitions in 2005 and 2006 and overall higher average premium rates
- General insurance now represents 77% of total GWP compared with 72% last year, reflecting our strategy of focusing on general insurance business and acquisitions
- Record underwriting profit with COR of 89.7% (2005: 92.9%) due to higher overall average premium rates, slightly lower level and frequency of catastrophes and continued very low exposure to long tail casualty business
- Premium rates at 1January renewal are largely unchanged
- 69% of total reinsurance cost of $723 million is proportional reinsurance on specialty programme business
- Continued focus on selected regional and specialist portfolios in US has minimised our exposure to major catastrophes

the Americas
year ended 31 December 2006

- Subject to regulatory approvals, acquisitions of Praetorian Financial Group and Winterthur US will provide further diversification and increased distribution through 76 offices in the US with GWP growth of more than 150% in 2007 and a further 20% in 2008
- Recent acquisition of Seguros Cumbre SA de CV, a profitable commercial lines insurer, provides the ideal base for commencement of general insurance operations in Mexico
- The acquisitions of National Farmers Union and OneBeacon's agricultural business together with the Winterthur US acquisition will make QBE one of the largest agricultural insurers in the US

Equator Re - captive reinsurer
year ended 31 December 2006

		2006	**2005**
Gross written premium	$M	901	353
Gross earned premium	$M	678	347
Net earned premium	$M	538	295
Claims ratio	%	63.6	80.0
Commission ratio	%	13.0	9.8
Expense ratio	%	4.8	-
Combined operating ratio	**%**	81.4	89.8
Insurance margin	**%**	24.9	16.6

Equator Re
year ended 31 December 2006

- Equator Re provides excess of loss and proportional reinsurance protection, below Group retentions to the various operating subsidiaries
- Also participates on a number of the Group's reinsurance protections placed with external reinsurers and purchases excess of loss protections
- Gross written premium up 155% to $901 million and net earned premium increased 82% to $538 million mainly due to new proportional programmes from Limit
- Underwriting profit was $100 million compared with $30 million last year
- Risk margins in outstanding claims increased further

Investment income

year ended 31 December 2006

	2006		2005	
	$M	Yield%	$M	Yield%
Total equity income (1)	151	12.5	171	16.6
Total fixed interest and cash income (2)	822	4.7	654	4.3
Total property income	7	19.6	-	-
Other income	6		7	
Realised (losses)/gains on sale of controlled entities	(1)		11	
Gross investment income	**985**	**5.2**	**843**	**5.2**
Exchange gains	18		3	
Borrowing costs	(128)		(96)	
Other expenses	(32)		(15)	
Net cost of ABCs	(21)		(17)	
Net investment income	**822**	**5.0**	**718**	**5.0**
Policyholders' funds	588	4.8	480	4.3
Shareholders' funds	234	4.1	238	5.1
	822	5.0	718	5.0

(1) includes realised and unrealised gains on equities $104 million (2005: $130 million)

(2) includes realised and unrealised gains on fixed interest securities $103 million (2005: $87 million)

Investment income
year ended 31 December 2006

- Fixed interest returns well ahead of budget and overall external benchmarks
- Short duration fixed interest strategy successful in maximising yields during the recent period of rising interest rates
- Net investment income includes $27 million (2005: $19 million) representing the interest rate differential on forward foreign exchange contracts protecting A$ exposure to the Group's investment in foreign subsidiaries
- Listed equity holdings at 8.6% of total investments and cash (2005: 3.6%)
- Substantial portion of equity gains locked in during October 2006 through use of derivatives which were unwound in early January 2007
- Strong cash flow and acquisitions have resulted in a 14% increase in invested funds to $20.0 billion (2005: $17.6 billion)
- Recent acquisitions in the US together with anticipated cash flow will bring investments and cash to close to $28 billion by the end of 2007
- Other investment expenses higher in 2006 due to external investment management and other costs on acquisitions

Comparison with cash yield
versus actual yields

	Average AAA cash yields	Actual gross yields achieved by QBE*
	%	%
2002	3.4	2.5
2003	3.1	4.6
2004	3.4	4.8
2005	4.2	5.2
2006	**4.9**	**5.2**

Investment mix 31 December 2006	Portfolio mix by currency	Current AAA cash rate
	%	%
Australian dollar	28	6.2
US dollar	24	5.2
Sterling	35	5.0
Other	13	3.7
Weighted average yield		**5.2**

* *includes yields on cash, fixed interest and equities*

US acquisitions

- Recently announced acquisitions of Praetorian Financial Group and Winterthur US expected to be completed 2nd quarter 2007
- Total purchase price US$1,956 million plus refinancing the Winterthur US parent loan US$557 million
- Expected net assets to be acquired US$1.24 billion
- We have a number of options to fund these acquisitions. Funding will be from existing sources and a combination of new debt and equity at amounts previously announced
- Dividend underwriting agreement is in place for the next three dividends
- Our 2007 targets assume the Praetorian acquisition will be consolidated from 1 April 2007 and Winterthur US from 1 June 2007

US acquisitions
full year targets (1)

		Winterthur US	Praetorian	Total
Gross written premium	**A$M**	1,850	1,795	3,645
Net earned premium	**A$M**	1,765	1,665	3,430
Claims ratio	**%**	63.5	61.0	63.0
Commission ratio	**%**	16.0	19.0	17.0
Expense ratio	**%**	13.5	7.0	10.0
Combined operating ratio (COR)	**%**	93.0	87.0	90.0
Insurance profit ratio	**%**	12.2	17.0	14.5
Target profit after borrowings and tax	**A$M**			380

(1) Target results for the first year after the date of completion exclude benefit of estimated synergies of A$50 million after tax in 2008

QBE the Americas strategy

- The acquisition of Winterthur US and Praetorian businesses achieves two major components of QBE's US growth and diversification strategy:
  - Winterthur US provides a well established infrastructure and distribution channel in local agency commercial and personal business targeted in regional US states
  - The Praetorian acquisition adds substantial scale to QBE's consistently profitable specialist insurance programme business
- QBE the Americas will comprise four business pillars:

	Full year targets *	
	GWP US$M	COR %
1. Property and casualty insurance primarily through independent agents	1,700	92
2. Specialist insurance programmes – commercial and personal lines	2,400	86
3. Inwards reinsurance targeting the US regional and provincial insurers	350	92
4. Latin America property and casualty insurance	200	96
	4,650	90

- QBE the Americas growth and diversification strategy for the next two years will be focused on developing our Latin American business

* *based on 2007 projections and full year premium targets for Praetorian and Winterthur US acquisitions and Seguros Cumbre SA de CV*

2007 outlook

Subject to no material movement in current exchange rates; large risk and catastrophe claims not exceeding the allowance in our business plans; no major fall in equity markets or interest rates; and regulatory approvals for acquisitions, we expect to:

- Achieve gross written and net earned premium growth of close to 30% and 40% respectively
- Americas acquisitions expected to add $2.5 billion gross written premium in 2007 and a further $1.3 billion in 2008 i.e. $3.8 billion in total
- Achieve an insurance margin of 17.5% to 18.5%
- Increase profit after tax by at least 20% and diluted EPS by around 15%
- 2007 premium rates expected to reduce by an overall average of 3%
  - organic growth expected to be slightly ahead of lapsed business with continued high customer retention
  - Australian premium rates likely to reduce by 3%

2007 outlook

- Complete and integrate the acquisitions in the Americas and achieve targets and expected synergies
- Increase Equator Re's participation on external reinsurance programmes with exposures within Group net retentions
- Continue to reduce the overall risk profile of our business including the maximum event retention ratio
- For QBE's existing business, maintain attritional claims ratios at less than 47.5% of net earned premium
- Achieve a combined commission and expense ratio of 29.5% or less, targeting synergies from acquisitions and new IT systems in all divisions
- Income tax expense expected to benefit from income in lower tax paying countries – target 26% of pre tax profit
- Probability of adequacy of outstanding claims, after US acquisitions, expected to be maintained towards the upper end of our internal range of 85% to 94%

2007 outlook

- Increase invested funds, net of debt, to $24 billion from acquisitions and expected strong cash flow. Target gross investment yield slightly in excess of 5.5%.
- Continue low risk strategy for investments and absolute return criteria
- Maintain Group capital adequacy above Group revised threshold of 1.75 times the APRA minimum capital requirement – expect around 2.0 times at end 2007
- Key financial ratios to be managed to ensure we meet our rating agency and regulatory benchmarks, typically within AA rating levels
- Continue to:
  - increase customer retention
  - seek opportunities for growth and acquisitions based on our successful criteria
  - invest in IT and other initiatives to improve efficiencies and distribution
  - attract, develop and retain our people

2007 projected premium income

	Gross written $Bn	Net earned $Bn
Australia	2.6	2.2
Asia Pacific	0.6	0.5
QBE Insurance (Europe)	2.9	2.3
Limit	2.7	1.6
the Americas	4.7	3.8
Equator Re	1.3	1.0
Equator Re elimination	(1.3)	
Total Group	13.5*	11.4

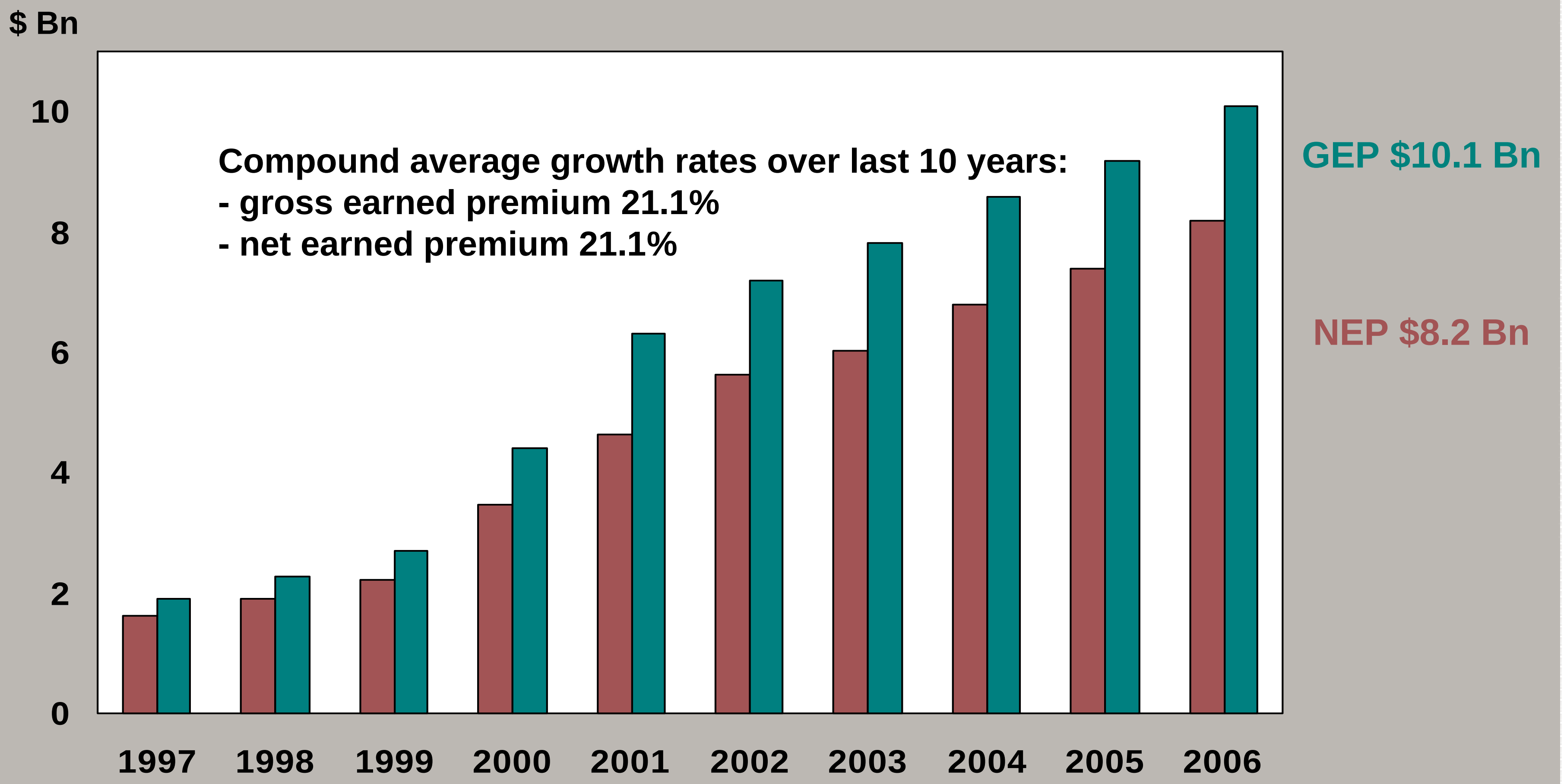
* *assumes A$ to US$0.78 and A$ to £0.40*

Growth and insurance margin

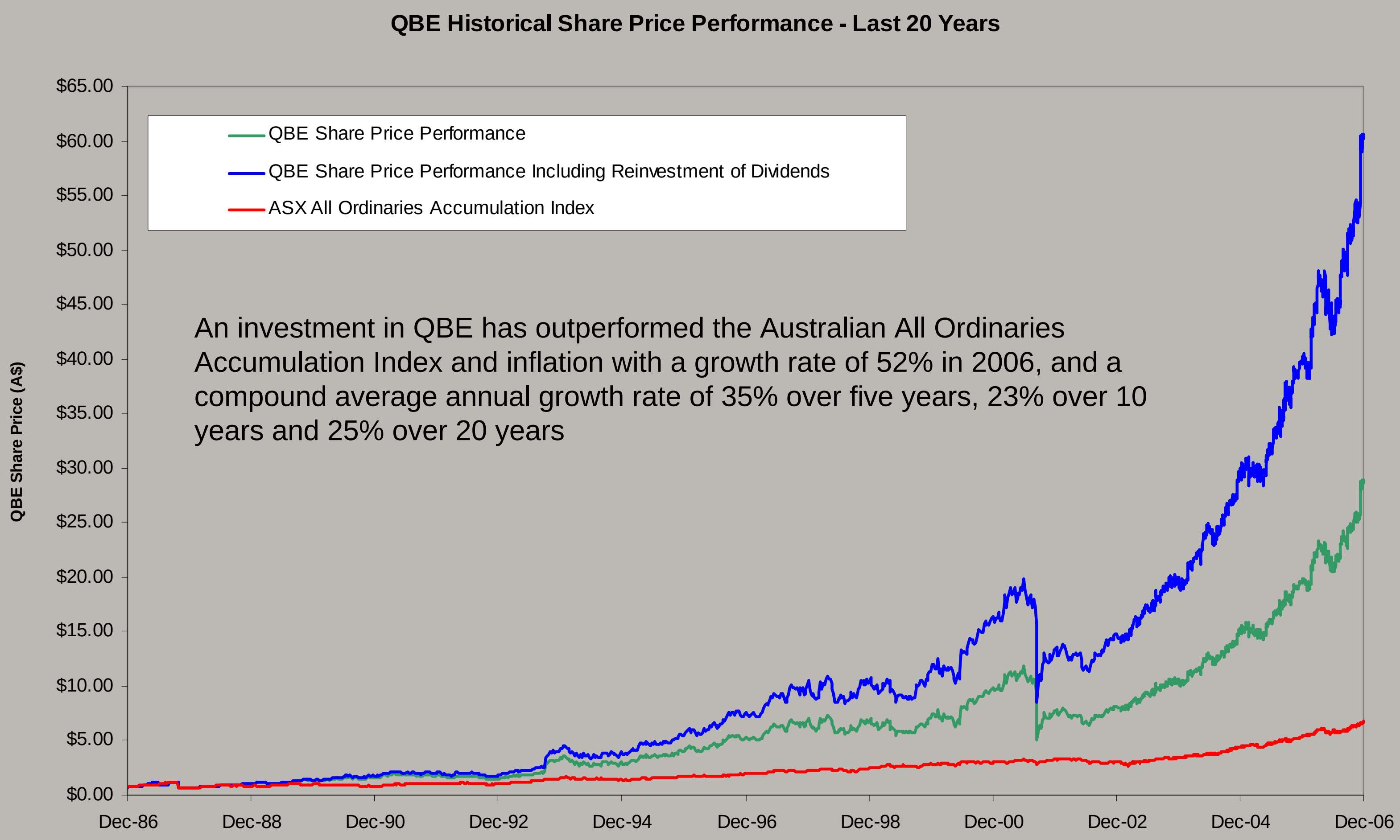
	GWP $M	COR %	Insurance profit %	Insurance profit $M
1997	2,054	99.5	7.2	116
1998	2,409	100.3	7.7	147
1999	2,877	103.9	2.5	56
2000	4,406	102.5	5.4	186
2001	6,793	109.6	(2.6)	(119)
2002	7,723	97.7	7.2	406
2003	8,350	93.8	10.4	627
2004	8,766	91.2	13.7	928
2005	9,408	89.1	17.4	1,288
2006	10,372	85.3	21.9	1,788
2007 target	***13,500****		***17.5 to 18.5***	

** $10.3 billion overseas*

History of premium income - a growth story



Historical share price performance



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