

IN AN EVER-CHANGING WORLD...



JOHN OLSEN, LAKE EYRE



QBE INSURANCE GROUP

ANNUAL REPORT DECEMBER 2001

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THE GENERAL INSURANCE AND REINSURANCE MARKET WORLDWIDE
HAS EXPERIENCED A YEAR OF IMMENSE TURMOIL AND CHANGE.
THE TRAGEDY OF 11 SEPTEMBER HAS LEFT AN INDELIBLE MARK ON
THE WORLD AND PRODUCED THE LARGEST EVER INSURANCE LOSS.
QBE HAS SURVIVED THIS MOST TRAGIC CHALLENGE
WITH RENEWED STRENGTH.

Chairman's report



JOHN CLONEY
Chairman

The tragic events of 11 September caused a significant loss of life and property. We express our sympathy to families and friends of those who lost their lives. We especially remember insurance workers, many of whom were known to QBE employees, who died so tragically in the World Trade Center.

The insurance losses from these terrorist attacks are on a scale never before experienced. Like many insurers and reinsurers around the world, QBE incurred a substantial loss from this significant event, with an estimated net cost of \$252 million after tax.

I regret to inform you that our financial result for the year ended 31 December 2001 was a loss after tax of \$25 million compared with a net profit after tax of \$179 million for the year ended 31 December 2000. It is extremely disappointing that QBE's record of 20 years of profit has been interrupted by such an unforeseen loss.

Since 31 December 2000, shareholders' funds have increased by 53% to over \$2.6 billion. The increase in shareholders' funds is attributable to a placement of 25 million shares with institutional investors in April

and a 1 for 5 rights issue and placement to existing shareholders totalling 121 million shares in October and November. These share issues raised \$273 million and \$654 million respectively. Most of our shareholders participated in the rights issue and placement, providing additional funds to help finance growth from expected premium rate increases in 2002. This financial support from our loyal shareholders at a time of such instability and uncertainty was greatly appreciated.

The directors have announced a dividend of 13.5 cents per share on the share capital increased by the rights issue and placements, compared with 16.0 cents per share for the final dividend last year. The payout for the dividend, which will be franked at a rate of 15%, is \$80 million compared with \$69 million last year.

QBE's balance sheet is sound. The directors continue to carefully monitor the Group's capital requirements. As at 31 December 2001, QBE had regulatory capital of around 1.4 times the proposed new minimum requirement set by the Australian Prudential Regulation Authority. QBE's rating by Standard & Poor's was reaffirmed in November 2001 at A+.

The level of borrowings has been reduced with total debt of \$838 million at 31 December 2001, compared with \$915 million last year. The reduction is due to settlement of short-term borrowings relating to acquisitions. The debt to equity ratio has decreased from 53.5% to 32.0%.

The events of 11 September caused QBE's share price to fall to a low of \$3.28 on 20 September. Since then, the share price has recovered with QBE's market capitalisation at 31 December 2001 exceeding \$4.5 billion, or 2 times net tangible assets.

During the past year, there has been continued consolidation in our industry, a number of high profile insurance and other corporate failures in Australia and worldwide and an increased emphasis by regulators on capital adequacy, corporate governance and transparency. These factors, together with the cost of and reaction to the World Trade Center tragedy, have acted as the catalyst for substantial increases in insurance and reinsurance premium rates commensurate with the risks being underwritten. These rate increases and QBE's strong risk management practices will benefit QBE's substantial businesses in the key insurance markets around the world.

I welcome Mr Charles Irby, our London-based director who joined the QBE Board in June 2001.

On behalf of my fellow directors, I thank our many staff around the world for their hard work and commitment. In particular, I thank Frank O'Halloran and his management team for steering the company through the difficult days following the tragic events of 11 September.

JOHN CLONEY

Chairman

Summary of results

Profit and dividend payout

- Net loss after tax of \$25 million was primarily caused by an estimated loss of \$252 million from the terrorist attacks on the USA on 11 September. Excluding the impact of the terrorist attacks, the profit would have been up 27% to \$227 million.
- The final dividend is 13.5 cents per share, 15% franked. The dividend payout is \$80 million, compared with \$69 million last year.
- Shareholders' funds increased 53% since 31 December 2000 to \$2,620 million. Share placements and a rights issue during the year raised \$927 million.

Group operating performance

- Gross earned premium increased 43% to \$6,298 million and net earned premium 34% to \$4,634 million, mainly from a full year of premium from the Limit acquisition.
- Insurance loss was \$119 million. Excluding the impact of the terrorist attacks on the USA, insurance profit as a percentage of net earned premium would have been 5.1%, compared with 5.4% last year.
- The combined operating ratio (COR) increased from 102.5% to 109.6%. Excluding the impact of the terrorist attacks on the USA, the COR would have been 101.7%.
- Investment income increased 12% to \$344 million due to higher invested funds offset by lower interest and equity yields.
- Income tax benefited from lower US withholding tax and accounting for foreign exchange differences.

- Cash flow from operations increased from \$173 million to \$280 million.
- Invested funds increased by \$1.9 billion, including the impact of capital raising and acquisitions.

Divisional operating performance

- Australian general insurance produced an excellent result with a COR of 100.6% (100.7% last year). Gross earned premium increased 9% to \$1,202 million.
- Asia-Pacific general insurance recorded an underwriting profit with the COR decreasing from 100.6% to 99.4%. Gross earned premium increased 44% to \$516 million.
- the Americas recorded a COR of 112.4% compared with 103.1% last year (106.5% excluding the impact of the terrorist attacks on the USA). Gross earned premium grew by 89% to \$655 million.
- European company operations recorded a COR of 119.1% compared with 104.3% last year (101.9% excluding the impact of the terrorist attacks on the USA). Gross earned premium was \$1,978 million, a decrease of 2%.
- Lloyd's division reported a COR of 108.6% compared with 101.1% last year (101.0% excluding the impact of the terrorist attacks on the USA). Gross earned premium grew by 239% to \$1,947 million.

SHAREHOLDERS' HIGHLIGHTS

	YEAR TO 31 DECEMBER 2001	YEAR TO 31 DECEMBER 2000
Net profit (loss) after tax \$M	(25)	179
Basic earnings per share cents	(5.3)	42.6
Diluted earnings per share cents	(4.9)	41.0
Dividend payout \$M	155	132
Dividend per share cents	30.0	31.0
Net tangible assets per share \$	3.67	3.13
Total investments and cash at net market value \$M	9,228	7,356
Total assets \$M	19,585	14,498
Return on average shareholders' funds %	(1.1)	12.6
Shareholders' funds at net market value \$M	2,620	1,709
Borrowings to shareholders' funds %	32.0	53.5
Solvency at market value %	47.4	40.0

Chief executive officer's report



FRANK O'HALLORAN
Chief executive officer

It is disappointing to report that the extraordinary terrorist attacks on the USA on 11 September 2001 had a major impact on QBE Group's profitability for the year. The estimated loss from the terrorist attacks of \$252 million after tax has reduced the Group's profitability from \$179 million profit after tax in 2000 to an after tax loss of \$25 million for 2001. The loss from the terrorist attacks on the World Trade Center (the WTC loss) is discussed later in this report.

Excluding the WTC loss, profit after tax would have increased 27% to \$227 million. The results were affected by the lower interest rate environment and flat or declining equity markets.

During the past 12 months, QBE initiated or completed many profit enhancing activities. In particular, we:

- completed the integration of Limit, our new business at Lloyd's, and sold the property and aviation syndicate 318;
- introduced risk specific business plans and parameters for writing business in all operations;
- cancelled a number of distribution channels with a low expectation of profit;
- achieved a substantial improvement in underwriting results and further synergies from our Australian joint venture with ING;
- completed the merger of our two operations in Hong Kong to achieve economies of scale;
- agreed to the merger of QBE and MBf operations in Malaysia with potential for synergies in 2002 and future years;
- acquired the rights to renew the corporate and travel insurance business of HIH in Australia, the HIH insurance portfolio in New Zealand, the HIH business in Argentina, the ING business in Singapore, the CGNU business in Japan, the Zurich businesses in PNG and New Zealand, the Australian Aviation Insurance Group and the Australian Aviation Underwriting Pool in Australia and the Reliance business in Brazil;
- increased the Group's share of the capacity managed by our Lloyd's division from 72% to 78% for the 2002 underwriting year;
- introduced new profit share and long-term incentive plans linked to individual and team performance; and
- positioned the Group for further growth with a placement of shares in April and a rights issue and placement in October and November.

KEY RATIOS – GROUP

	YEAR TO 31 DECEMBER 2001	YEAR TO 31 DECEMBER 2000
Gross written premium \$M	6,793	4,406
Gross earned premium \$M	6,298	4,399
Net earned premium \$M	4,634	3,456
Claims ratio %	76.6	71.2
Commission ratio %	20.2	18.3
Expense ratio %	12.8	13.0
Combined operating ratio %	109.6	102.5

The insurance industry is in a period where premium rate increases are such that QBE can achieve its growth objectives from existing businesses rather than from acquisitions. We do have some small strategic acquisitions planned as add-ons to our existing businesses. However, no major acquisitions are currently being considered for 2002.

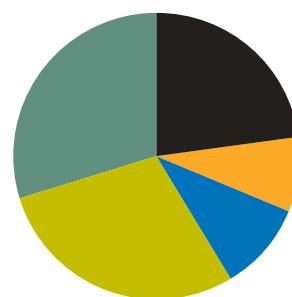
Insurance profitability

The substantial improvement in insurance profitability excluding the WTC loss was mainly due to higher premium rates, increased investment funds from acquisitions and the actions taken on a number of unprofitable portfolios. The underwriting result for the year was adversely affected by substantially lower interest rates for discounting outstanding claims. The Group's combined operating ratio excluding the WTC loss would have been 101.7% compared with 102.5% for 2000. The combined operating ratio including the WTC loss was 109.6%.

Insurance profit, represented by the underwriting result plus investment income on policyholders' funds, would have increased from \$186 million to \$242 million excluding the WTC loss. Insurance profit as a percentage of net earned premium would have been 5.1% excluding the WTC loss, compared with 5.4% last year. Insurance profit benefited from a slightly lower combined operating ratio and the increased period for which we hold our premium. This was more than offset by the lower interest rate environment, which affected investment returns on policyholders' funds.

Gross written premium increased 54% to \$6,793 million. Gross earned premium was up 43% to \$6,298 million and net earned premium increased 34% to \$4,634 million. The strong premium growth was due mainly to acquisitions, particularly that of Limit in August 2000. The weaker Australian dollar has increased net earned premium by \$269 million. QBE's international businesses now contribute 80% of the Group's gross earned premium and the proportion of inward treaty reinsurance business has reduced to 28%.

GEOGRAPHIC SEGMENT
GROSS EARNED PREMIUM



- Australia 18.6% (24.1%)
- Asia-Pacific 8.9% (9.1%)
- the Americas 10.6% (7.9%)
- Europe (European company operations) 30.5% (45.4%)
- Europe (Lloyd's division) 31.4% (13.5%)

Chief executive officer's report

Continued

The Group's reinsurance costs as a percentage of gross written premium increased as a result of the purchase of additional reinsurance protection and the cost of reinstating covers following the WTC loss.

We are particularly pleased to report a strong underwriting result from our Australian and Asia-Pacific general insurance businesses. A summary of the results for the five operating divisions is set out on pages 10 and 11 and commentary on divisional performance starts on page 14.

The WTC loss

The WTC loss resulted in significant claims for insurers and reinsurers on most classes of business. From numerous years of experience, QBE has developed disaster scenarios which are used to manage its exposures. However, these disaster scenarios had not factored in such a devastating attack. As a result, QBE, along with many other insurers and reinsurers, had insufficient reinsurance protections for some classes of business as well as an accumulation of retentions from the many classes affected by the WTC loss.

The nature and size of this disaster was unprecedented. QBE management, underwriters and claims staff quickly and thoroughly reviewed all exposed contracts and reinsurance protections to arrive at our best estimate of the loss to QBE. We believe that, in the early days after the tragedy, many of our peers used the traditional method of applying market share to their estimate of the market loss.

QBE's estimated net loss before tax from this disaster is \$361 million (\$252 million after tax). The current best estimate of gross undiscounted claims from the WTC loss is \$1.5 billion. At 31 January 2002, gross claims of \$67 million had been paid, a further \$894 million had been reported and the balance of \$546 million was held as a provision for claims incurred but not reported. We believe it likely that there will be years of disputes and litigation because of the complexity of the issues

involved in determining both quantum and liability. The final cost of this tragic event will not be known for many years.

Since 11 September, the Group has enhanced its risk management practices, including more robust disaster scenarios, changes in the methodology for calculating aggregate exposures and strengthening underwriting policies to reduce the Group's risk profile. In addition, we have withdrawn terrorism cover for most products. The Group is exposed to further terrorism attacks on inward reinsurance policies issued prior to 31 December 2001 but expiring in 2002, as terrorism reinsurance cover is no longer available for this business. Approximately 60% of the Group's inward reinsurance business renews at 1 January, so the overall exposure was substantially reduced at that date.

Terrorism cover has been obtained for the run off of Australian, Asia-Pacific and Central and Eastern European general insurance policies issued prior to 31 December 2001. QBE has some exposure to terrorist attacks on primary statutory classes of business written in 2002. Where matching reinsurance is still unavailable, terrorism cover is only provided where we are required by law to do so. We continue to work with industry bodies and government authorities to further reduce the Group's and the industry's exposure to terrorism risks. Many governments have already passed legislation or committed to introducing legislation to achieve this end. We are still hopeful that the federal and state governments in Australia will act together to address these concerns.

QBE has always had disciplined risk management practices and a strong culture focused on the creation of wealth for shareholders and supported by the QBE Manager Programme. The lessons learned from the WTC loss have caused us to further strengthen our risk management practices and reduce the Group's risk profile.

CONTRIBUTIONS BY REGION

FOR THE YEAR TO 31 DECEMBER

	GROSS WRITTEN PREMIUM		NET EARNED PREMIUM		NET PROFIT (LOSS) AFTER TAX		COMBINED OPERATING RATIO	
	2001 \$M	2000 \$M	2001 \$M	2000 \$M	2001 \$M	2000 \$M	2001 %	2000 %
Australian general insurance	1,340	1,095	1,006	964	57	63	100.6	100.7
Asia-Pacific general insurance	523	371	405	285	27	24	99.4	100.6
the Americas	731	412	490	281	(19)	26	112.4	103.1
European company operations	2,017	1,981	1,368	1,560	(95)	56	119.1	104.3
Lloyd's division	2,182	547	1,365	366	5	10	108.6	101.1
Group	6,793	4,406	4,634	3,456	(25)	179	109.6	102.5
General insurance	4,678	2,953	3,379	2,413	187	179	102.3	101.6
Inward reinsurance	2,115	1,453	1,255	1,043	(212)	–	129.0	104.8
Group	6,793	4,406	4,634	3,456	(25)	179	109.6	102.5

Counterparty risk in relation to reinsurance security has received considerable attention since 11 September because of the size of the WTC loss to the insurance industry. Evaluating the security of our reinsurance counterparties is an integral part of QBE's ongoing risk management processes and we have had a reinsurance security committee in place for many years. QBE's bad debt experience has been minimal at around 0.1% of gross written premium for the past 10 years. 97% of the Group's estimated reinsurance recoveries on outstanding claims from the WTC loss are with counterparties rated "A" or better by Standard & Poor's. The balance is with reinsurers with whom QBE has had a longstanding relationship. 2% of the balance is rated "A" or better by AM Best or other recognised rating agencies. It is important to note that a number of reinsurers, including the Lloyd's market, have raised additional capital since 11 September. At 31 December 2001, the Group held general and specific provisions for bad and doubtful reinsurance recoveries of \$135 million. These provisions are considered more than adequate.

Cash flow

Cash flow from operations increased 62% to \$280 million. In addition, the Group added \$482 million to the investment portfolio as a result of acquisitions during the year. Cash flow from operations and acquisitions has been considerable for the past five years, with over \$6 billion added to the investment portfolio.

Investment income

Investment income increased from \$308 million to \$344 million, reflecting the larger investment portfolio from cash flow and acquisitions offset by lower interest yields and flat or declining equity markets. The net investment yield (including interest on borrowings, goodwill amortisation and investment expenses) was 4.7% compared with 6.0% last year.

We have changed the way we manage our investments to reduce the risk profile and the fluctuation of investment income from year to year. Overall, the put and call options on our equity portfolios were beneficial

Chief executive officer's report

Continued

in 2001, as was the decision to realise substantial gains on our fixed interest portfolios to be heavily weighted in cash in anticipation of rising interest rates. Commentary on our investment performance starts on page 24.

Going forward

- We will continue our strategy of growing net earned premium and profit by at least 15% per annum. Growth in 2002 will come mainly from premium rate increases rather than acquisitions. The full benefit from the recent premium rate increases will not be evident until 2003 when the premium is substantially earned. We are considering a number of small acquisitions that will assist growth in 2003 and beyond.
- We have substantially reduced the risk profile of our insurance and reinsurance portfolios as a result of the WTC loss and increased the emphasis on product portfolio management and profitability.
- There are substantial vertical and sideways reinsurance protections in place for 2002 with retentions similar to 2001. The protections for our operating divisions include a worldwide excess of loss programme with an aggregate limit exceeding the Group's historical large loss experience (including the WTC loss) and realistic disaster scenarios to the layers in the treaty. The aggregate limit is fully funded from the premiums charged at market rates to our various subsidiaries. Profit commission will accrue to the Group if the aggregate limit is not reached. QBE's policy is not to enter into arrangements which enable the deferral of insurance losses to a subsequent period.
- The increased share of QBE ownership in Lloyd's syndicates managed by Limit, from 55% in 2000 to 78% in 2002, is expected to increase net insurance liabilities and matching assets by more than \$1 billion over the next two years, the majority of which will be recognised at 31 December 2002.

- We expect improved interest yields and higher investment income in 2002.
- Our business plans indicate a further reduction in the expense ratio from a number of initiatives completed in 2001 and proposed for 2002.
- We will continue to promote the QBE Manager Programme, which we consider invaluable to maintaining the QBE culture in our businesses around the world.

Summary

The substantial premium rate increases achieved over the past few months will mean an average rate increase on existing and new business of over 20% for 2002, with the main increases achieved in commercial and industrial lines. Reinsurance costs are likely to represent approximately 23% of gross written premium. The full impact of recent premium rate increases will not flow through the result until 2003.

The premium rate increases and changes made to focus on consistently profitable portfolios give us a high degree of optimism for 2002 and beyond. We are, of course, susceptible to major catastrophes, as evidenced by the tragic events of 11 September. However, as noted above, we have taken considerable action to reduce our exposure to further terrorist attacks and to improve the risk reward ratio for our shareholders by taking a more conservative approach to risk accumulation. In addition, we are expecting increased investment funds and higher interest rates going forward, which will have a positive impact on investment income.

2001 year has been an extremely disappointing year for QBE staff and shareholders. The QBE team of over 5,700 staff has worked professionally over a long period of time in all market conditions to create considerable wealth for QBE shareholders. The WTC loss was a major setback for us. However, it has not changed our determination to create wealth for our shareholders and

GROUP FINANCIAL HIGHLIGHTS

FOR THE YEAR TO 31 DECEMBER

	2001 %	2000 %	1999 %	1998 %	1997 %
Premium growth					
– gross written	54.2	53.1	19.4	17.3	31.6
– net earned	34.1	56.8	15.1	19.0	33.6
Reinsurance ceded to gross written premium	26.8	21.6	16.9	15.6	14.5
Net written premium to gross written premium	73.2	78.4	83.1	84.4	85.5
Insurance profit (loss) to net earned premium	(2.6)	5.4	2.5	7.7	7.2
Insurance profit (loss) to shareholders' funds*	(5.5)	13.1	5.1	14.5	12.5
Solvency ratio at market value	47.4	40.0	47.9	53.5	58.8

* average shareholders' funds at net market value.

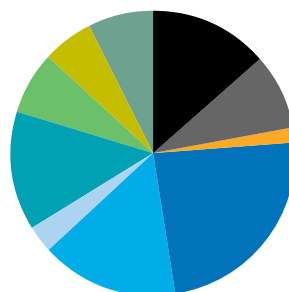
has not changed our basic businesses, which remain very sound. We have put in place initiatives to reward shareholders going forward.

I appreciate the enormous support that I received from our shareholders and directors during the few weeks post 11 September. Our strong shareholder commitment has given encouragement to management and staff for the future.

I thank my fellow employees for their loyal support, particularly following 11 September, when they rallied behind QBE. I extend special thanks to Tim Kenny and the team in New York for their strength and determination in the face of such devastation. QBE has a strong culture and a great team of "can do" people. I look forward to working with them in the future. Together, I know we can build an even stronger QBE for the benefit of our shareholders.

FRANK O'HALLORAN
Chief executive officer

WORLDWIDE PORTFOLIO MIX GROSS EARNED PREMIUM



■ Marine and aviation	13.5% (9.2%)
■ Accident and health	8.6% (11.7%)
■ Catastrophe	1.7% (2.1%)
■ Property	23.7% (22.5%)
■ Motor and motor casualty	15.6% (22.6%)
■ Financial and credit	3.1% (4.9%)
■ Liability	13.5% (6.8%)
■ Professional indemnity	7.1% (4.5%)
■ Workers' compensation	5.8% (7.4%)
■ Other	7.4% (8.3%)

Worldwide operations

AUSTRALIAN GENERAL INSURANCE

BUSINESS

- general insurance operations throughout Australia
- provides all major lines of insurance cover for personal and commercial risks
- staff numbers 1,473 (1,121 at 31 December 2000), including group head office

PERFORMANCE

- gross written premium \$1,340 million, up 22%
- gross earned premium \$1,202 million, up 9%
- net earned premium \$1,006 million, up 4%
- combined operating ratio 100.6% (100.7% in 2000)

ASIA-PACIFIC GENERAL INSURANCE

- general insurance business in the Asia-Pacific region
- operations in 18 countries with head office in Sydney
- provides personal, commercial and specialist insurance covers, including professional liability, specialist marine and trade credit
- staff numbers 1,228 (1,043 at 31 December 2000)

- gross written premium \$523 million, up 41%
- gross earned premium \$516 million, up 44%
- net earned premium \$405 million, up 42%
- combined operating ratio 99.4% (100.6% in 2000)

the AMERICAS

- reinsurance and general insurance business in the Americas
- based in New York, with offices in Central and South America
- staff numbers 186 (78 at 31 December 2000)

- gross written premium \$731 million, up 77%
- gross earned premium \$655 million, up 89%
- net earned premium \$490 million, up 74%
- combined operating ratio 112.4% (103.1% in 2000)

EUROPEAN COMPANY OPERATIONS

- diversified insurance and reinsurance operations in the UK, Ireland, France and six countries in Central and Eastern Europe
- structured into four business divisions – treaty (reinsurance), major risks (insurance), financial risks and Central and Eastern Europe
- staff numbers 2,418 (2,577 at 31 December 2000)

- gross written premium \$2,017 million, up 2%
- gross earned premium \$1,978 million, down 2%
- net earned premium \$1,368 million, down 12%
- combined operating ratio 119.1% (104.3% in 2000)

LLOYD'S DIVISION

- diversified general insurance and reinsurance business in the Lloyd's market
- managing agent for five active syndicates representing approximately 7% of the Lloyd's market
- staff numbers 376 (341 at 31 December 2000)

- gross written premium \$2,182 million, up 299%
- gross earned premium \$1,947 million, up 239%
- net earned premium \$1,365 million, up 273%
- combined operating ratio 108.6% (101.1% in 2000)

INVESTMENTS

- investment management of the Group's funds
- funds are predominantly managed internally
- staff numbers 38 (29 at 31 December 2000)

- investment income up 12% to \$344 million
- investment income before realised and unrealised gains on investments up 33% to \$331 million
- net realised and unrealised gains on fixed income securities of \$35 million (last year \$42 million)
- net realised and unrealised losses on equities and properties of \$22 million (last year \$18 million of gains)

MAJOR EVENTS

- collapse of HIH Insurance provided opportunities for market rationalisation and premium rate increases
- few natural catastrophes, although corporate collapses in travel and credit adversely affected claims
- new Insurance Act to become effective in July 2002, including new capital requirements
- Financial Sector Reform Act approved by Parliament to become effective in March 2002

- acquired insurance businesses in New Zealand, Singapore and Papua New Guinea
- integrated our two operations in Hong Kong
- launched specialist marine underwriting agency in Singapore
- completed negotiations to merge our business in Malaysia with MBf

- results significantly impacted by the WTC loss
- consolidated OBE's northern hemisphere health insurance operations, moving the Dublin team to New York
- increased licensing of direct insurance company

- results significantly impacted by the WTC loss
- business reorganised to reduce the risk profile
- Petrobras and Toulouse losses, two of the largest ever losses to hit the marine energy market

- results significantly impacted by the WTC loss
- completed integration of previous OBE Lloyd's operations into Limit
- purchased remaining minority interests on three syndicates
- successfully merged and integrated syndicates 79 and 2999
- sold property and aviation syndicate 318 and closed non-marine liability syndicate 456

- US interest rates cut aggressively from 6.50% to 1.75% in 12 months
- strong volatility of equity and fixed income markets
- significant economic slowdown but mild recession
- major corporate earnings contraction

ACHIEVEMENTS

- expanded travel and corporate insurance business through selective renewal of HIH business
- purchased the Australian Aviation Insurance Group and Aviation Underwriting Pool to form OBE Aviation
- achieved planned cost savings and reduced the expense ratio within the OBE Mercantile Mutual joint venture
- improved efficiency through the application of e-business initiatives

- improved underwriting performance and achieved net underwriting profit
- achieved expense ratio reductions
- better allocated surplus capital to improve return on shareholders' funds
- strengthened specialist risks unit in Asia

- maintained both our AM Best (A) and Standard & Poor's (A+) ratings while enhancing the OBE brand in the US and Latin American markets
- expanded in Latin America through acquisitions in Argentina and Brazil
- procured experienced underwriting teams
- implemented a direct insurance management reporting system
- produced profitable premium growth in both general insurance and reinsurance business

- 2001 underwriting results, excluding WTC, reflected substantial turnaround in performance
- new financial systems successfully developed
- further developed divisional management structure and improved underwriting management control
- improved claims management function
- business control and risk management framework enhanced

- increased OBE's share of capacity on Limit's syndicates for the 2002 underwriting year to 78%
- withdrew underwriting capacity from poor performing business, principally US casualty portfolios
- redeployed capital particularly to the highly profitable, non-US liability syndicate 386
- simplified syndicate and operating structure ahead of planned timetable
- synergies and savings delivered to reduce expense ratio from 14.4% to 11.1%

- outperformed investment benchmarks
- pro-actively protected the Group's investment portfolio against adverse market circumstances
- completed repositioning of the Group's investment portfolio
- replaced the investment accounting system
- separated funds management and treasury operations

OUTLOOK AND OBJECTIVES

- maintain product management focus to ensure each business unit achieves a satisfactory return on capital invested
- continue to focus on quality growth through increased premium rates and portfolio or company acquisitions
- maintain strategy of maximising renewal retention whilst achieving satisfactory premium rates
- further reduce expense ratios
- continue to utilise e-business initiatives

- form specialist broker teams in major Asian entities to capitalise on the hardening insurance cycle
- introduce new systems platform to improve underwriting and management information capabilities
- further reduce expense ratio
- maintain focus on returning poor performing portfolios to profitability
- identify opportunities for acquisitions as add-ons to existing businesses

- capitalise on hardening US insurance and reinsurance markets
- continue strategy of selective profitable growth in both our reinsurance and insurance operations
- continue systems and process improvements
- enhance marketing and production in Latin America
- continue to focus on profitable portfolios

- build on substantial premium rate increases and general market hardening within a reduced risk profile
- continue to rationalise the UK corporate and capital structure
- review business processes to gain both long and short term efficiencies and cost reduction
- further enhance underwriting and management information systems to improve risk management of the business

- take advantage of dramatically improved rating environment
- return all areas of underwriting to strong profitability
- further rationalise underwriting and operating structure to improve capital efficiency and expense ratio
- active participation in reform of Lloyd's market

- outperform investment benchmarks
- integrate systems
- tighten control of costs

A decade of growth

TEN YEAR HISTORY

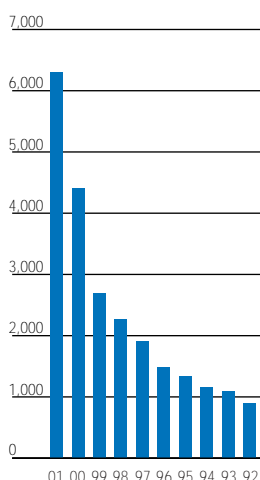
	YEAR ENDED 31 DECEMBER									
	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Gross written premium \$M	6,793	4,406	2,877	2,409	2,054	1,561	1,336	1,180	1,189	873
Gross earned premium \$M	6,298	4,399	2,692	2,266	1,902	1,479	1,329	1,150	1,089	891
Net earned premium \$M	4,634	3,456	2,204	1,914	1,609	1,204	1,105	966	865	752
Claims ratio %	76.6	71.2	70.1	68.1	68.6	67.0	68.1	66.4	68.3	71.8
Commission ratio %	20.2	18.3	19.9	18.3	17.1	17.3	17.8	18.9	19.0	17.2
Expense ratio %	12.8	13.0	13.9	13.9	13.8	15.0	14.5	14.9	16.8	17.3
Combined operating ratio %	109.6	102.5	103.9	100.3	99.5	99.3	100.4	100.2	104.1	106.3
Investment income										
before movement in unrealised gains \$M	368	335	266	185	174	140	127	122	93	99
after movement in unrealised gains \$M	344	308	241	163	162	181	180	17	263	58
Insurance profit (loss) \$M	(119)	186	56	147	116	101	88	72	43	28
Insurance profit (loss)/net earned premium %	(2.6)	5.4	2.5	7.7	7.2	8.4	8.0	7.4	4.9	3.7
Operating profit (loss)										
before tax \$M	(99)	220	156	157	170	189	176	15	227	(1)
after tax and outside equity interest \$M	(25)	179	132	141	131	150	136	31	164	27
Number of shares on issue millions	585	429	395	383	374	288	224	215	172	111
Shareholders' funds \$M	2,620	1,709	1,135	1,057	968	875	750	629	623	467
Total assets \$M*	19,585	14,498	9,103	6,121	5,169	4,186	3,179	2,722	2,755	2,267
Basic earnings per share cents**	(5.3)	42.6	33.8	37.3	35.6	42.2	39.6	9.5	51.5	8.9
Diluted earnings per share cents**	(4.9)	41.0	33.8	37.3	35.6	42.2	39.6	9.5	51.5	8.9
Return on average shareholders' funds %***	(1.1)	12.6	12.0	13.9	14.2	18.4	19.7	5.0	30.1	6.0
Dividend per share cents**	30.0	31.0	32.5	26.5	24.0	20.8	17.9	16.0	10.7	9.3
Dividend payout \$M	155	132	130	101	88	74	62	53	34	29

* adjusted to include deferred tax assets previously offset against deferred tax liabilities

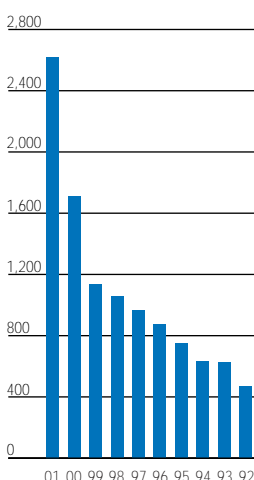
** adjusted for bonus issues

*** includes convertible preference shares since 2000

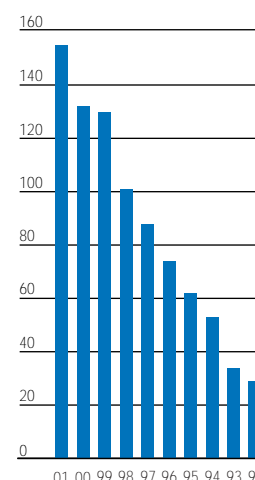
GROSS EARNED PREMIUM \$M



SHAREHOLDERS' FUNDS \$M



DIVIDEND PAYOUT \$M





FRANK O'HALLORAN
Chief executive officer



NEIL DRABSCH
Chief financial officer



GAYLE TOLLIFSON
Group general manager,
corporate



DUNCAN RAMSAY
Group general counsel
and company secretary

The QBE team



PETER SMITH
Group general manager,
personnel

Our people

The Group's present stability and success is attributable to the commitment of our worldwide team. With much of our growth coming from acquisitions, joint ventures and the hiring of key new staff, the number of QBE staff has more than doubled from 2,500 in 1996 to 5,719 at the end of 2001.

STAFF NUMBERS

	31 DECEMBER 2001	31 DECEMBER 2000
Australian general insurance*	1,473	1,121
Asia-Pacific general insurance	1,228	1,043
the Americas	186	78
European company operations	2,418	2,577
Lloyd's division	376	341
Investments	38	29
Group	5,719	5,189

* excludes QBE Mercantile Mutual joint venture team of 1,055

Developing the best

The diversity of QBE's businesses in 41 countries worldwide provides the Group with an important challenge – developing and maintaining a consistent business and leadership culture.

QBE has developed the skills and programmes to maximise the best from our greatest resource – our people. Our ability to integrate people and structures is part of the QBE "can do" way as is the successful leadership of our strong global management teams.

The Group's continued growth and ability to generate wealth for shareholders depends on our ability to employ and retain talented people at all levels. Despite the competition for talent, we continue to attract and retain excellent people. Our turnover rate for managers globally was only 3.7% in 2001. Part of the reason for this is that we seek to ensure that our best people are equipped with the appropriate leadership and business acumen skills to contribute to the business strategies. This is actively encouraged by the ongoing participation of staff in the QBE Manager Programme. Established six years ago, the programme continues to drive the global culture of the Group, identifying leaders of the future and increasing the level of business acumen amongst staff. The programme is also the basis of our Group succession planning for all senior executive positions.

Training and staff initiatives

The diversity of our people across the Group requires human resources policies and practices to be continually reviewed to encourage retention, commitment and motivation amongst our staff to meet QBE's Values and Vision. Significant amongst these policy reviews was the introduction of improved performance management schemes in Europe and Australia. These schemes further enhance management's ability to recognise quality performances by individuals. To recognise the contribution of individuals and teams to the overall success of QBE, a new bonus arrangement, the Profit Share Incentive Plan, commenced in 2001.

We have also put in place a Senior Executive Equity Share Scheme, which provides a long term incentive for our top managers around the world as a reward for maintaining consistent levels of financial achievement over a number of years.

PETER SMITH

Group general manager, personnel

Operating in Australian general insurance for over 100 years, QBE in Australia has stood the test of time. An established market presence and a strong portfolio leave us well positioned for the future.

AUSTRALIAN GENERAL INSURANCE



RAYMOND JONES
Managing director,
Australian general insurance

Our Australian general insurance operations produced an excellent result in a year of difficult and volatile market conditions. The combined operating ratio of 100.6%, compared with 100.7% last year, demonstrates management's successful focus on product distribution, profitable lines of business, client retention and a general lowering of underwriting costs. An overall increase in premium rates was evident, assisting the strong underwriting performance.

Gross written premium increased by 22%, driven by strong retention strategies, higher premium rates for most classes of business and an inflow of new premium, primarily in travel, corporate and professional liability classes following the renewal of HIH business. The increase in premium was achieved despite the cancellation of a number of non-performing portfolios. Net earned premium increased by 4% to \$1,006 million, reflecting a slight increase in reinsurance costs and a delay in the earning of premium from acquisitions during the year.

There were few natural catastrophes in Australia during the year. However, our results, particularly travel and credit insurance, were adversely affected by a number of corporate collapses, including that of Ansett Airlines. Upgrades to prior year claims reserves for professional indemnity and public liability portfolios

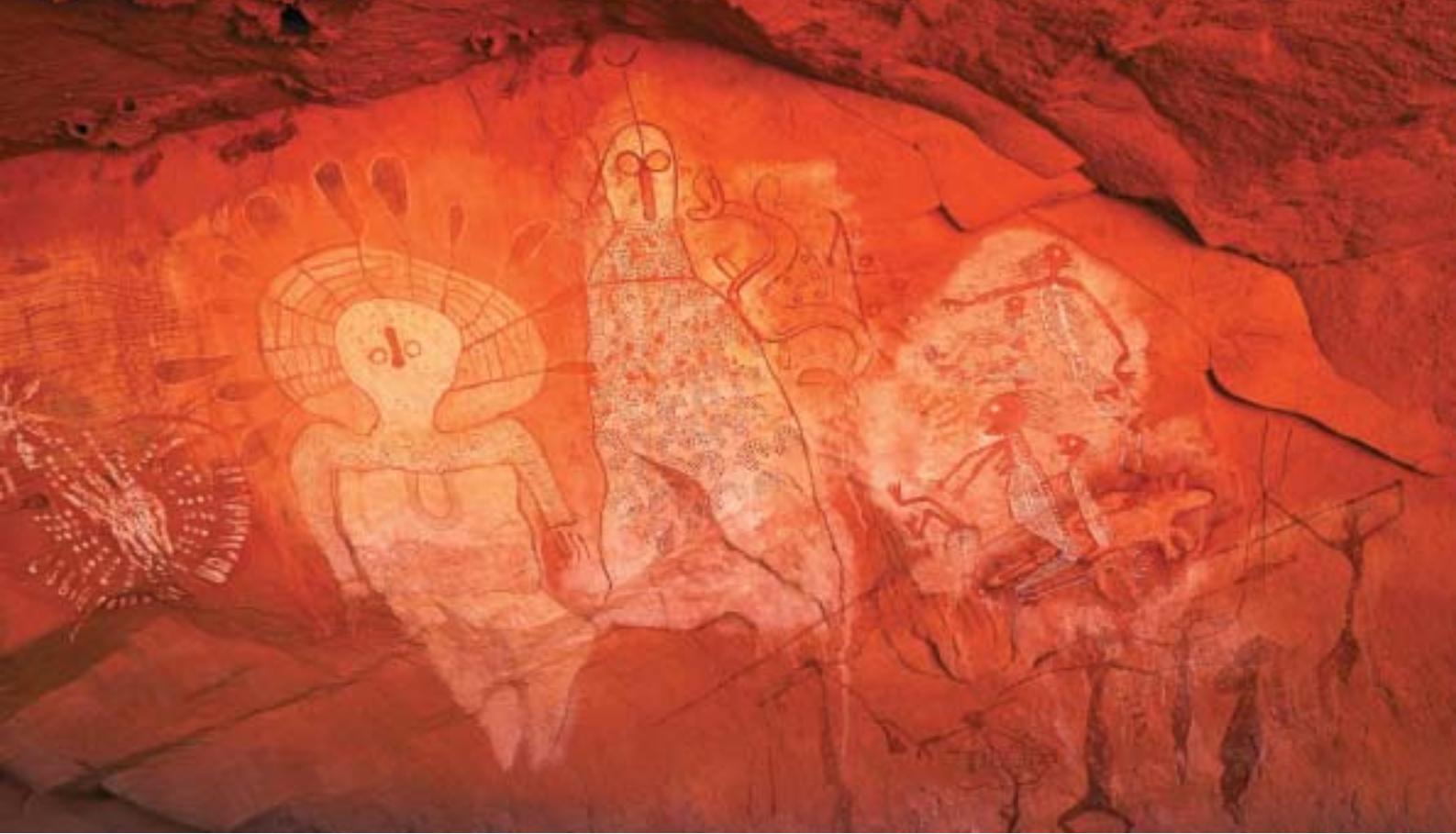
were offset by improved results from compulsory third party (CTP) business. There was minimal exposure to the World Trade Center loss. Our net claims ratio remained stable at 72.6%.

The expense ratio improved to 14.9%, compared with 15.8% last year. This improvement was achieved despite the impact of a number of non-recurring expenses, including further redundancy and integration costs and systems development across all business units.

The team at the QBE Mercantile Mutual joint venture successfully achieved their business objectives including integration of systems and structural changes to further reduce underwriting costs. This is a great result with opportunity for future profitable growth in this difficult sector.

The changes to the CTP schemes in both NSW and Queensland have now stabilised. Our market share in NSW has remained static at approximately 12% whereas our market share in Queensland has reduced to approximately 5%.

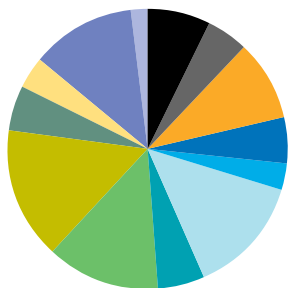
It was a difficult year for our trade credit insurance business, QBE Trade Indemnity, because of a number of high profile corporate collapses. However, the final result was satisfactory and substantial premium rate increases were achieved in the last quarter of the year.



ARTISTS UNKNOWN, ABORIGINAL CAVE ROCK ART

PORTFOLIO MIX

GROSS EARNED PREMIUM



- Professional indemnity 7.1% (5.3%)
- Credit insurance 4.7% (4.9%)
- Commercial packages 9.1% (9.7%)
- Property 7.3% (5.2%)
- Agriculture 3.0% (3.5%)
- Motor vehicle 13.4% (15.0%)
- Travel 5.3% (2.7%)
- Householders 12.8% (14.9%)
- Compulsory third party 14.9% (19.4%)
- General liability 5.1% (3.0%)
- Accident and health 3.6% (4.0%)
- Workers' compensation 11.8% (11.7%)
- Other 1.9% (0.7%)

KEY RATIOS

	YEAR TO 31 DECEMBER 2001	YEAR TO 31 DECEMBER 2000
Gross written premium \$M	1,340	1,095
Gross earned premium \$M	1,202	1,101
Net earned premium \$M	1,006	964
Claims ratio %	72.6	72.1
Commission ratio %	13.1	12.8
Expense ratio %	14.9	15.8
Combined operating ratio %	100.6	100.7

The acquisition of the HIH ReadyPlan travel portfolio created the opportunity for us to merge that with our existing travel business, Transport Industries Insurance, to form a new business unit, QBE Travel. Results were affected by the Ansett collapse.

Western QBE continued its great performance, meeting return on equity targets. However, premium growth has been difficult to achieve for this business.

In the year, we gained control of the Australian Aviation Underwriting Pool and purchased the Australian Aviation Insurance Group. These portfolios are being combined to create QBE Aviation.

We continued to rationalise other portfolios, including a number of market segments within the professional liability division. We will continue to take prompt action on any poor performing portfolios.

Our operations now consist of 13 separate business units, all of which apply specific

product management focus to their portfolios. We remain in a very strong position in the Australian general insurance market with high market shares in a number of key portfolios.

Our objectives for 2002 are to:

- successfully implement changes resulting from the wide-ranging financial sector reforms in Australia;
- finalise the integration and promotion of our two new business units, QBE Travel and QBE Aviation;
- maximise the retention of business whilst pursuing rate increases on marginal portfolios and to cover higher reinsurance costs;
- continue our focus on expense control across all business units and further reduce our expense ratio;
- carefully prioritise system enhancement projects to ensure that the best efficiencies are achieved across the various business units; and
- continue to implement business initiatives to enhance customer and intermediary relationships.

I thank all staff in Australia who continued to perform well during a challenging year.

RAYMOND JONES

Managing director,
Australian general insurance

An excellent result and a stronger than ever general insurance business franchise throughout the Asia-Pacific region bode well for this division.

ASIA-PACIFIC GENERAL INSURANCE



VINCE McLENAGHAN
Managing director,
Asia-Pacific general insurance

QBE enjoys one of the strongest general insurance business franchises in the Asia-Pacific region, with 67 offices in 18 countries, some operating for over 100 years. QBE continues to seek out new relationships and partnerships that add value to our strategy of providing specialist insurance solutions.

Significant premium growth was achieved during the year due to acquisitions in New Zealand, Singapore and Papua New Guinea and the ongoing focus on developing specialist line capabilities in Asia. Gross earned premium increased 44% to \$516 million, while net earned premium increased 42% to \$405 million. These increases have been achieved despite our ongoing action to cancel consistently unprofitable business.

The underwriting result was pleasing given the competitive pressures placed on the businesses. The combined operating ratio improved from 100.6% to 99.4%, reflecting improved expense and commission ratios. The loss ratio was 54.7%, compared with 53.0% last year. Management's continued effort to reduce the impact of non-performing portfolios was offset by some specific upgrades to prior year outstanding claims provisions.

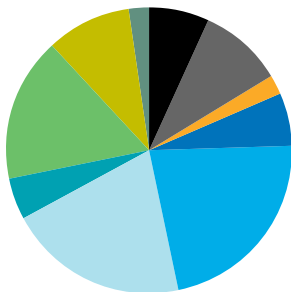
The expense ratio has improved to 22.4% from 24.4% last year, due to synergies achieved from acquisitions over the past two years. Expenses include one off acquisition and integration costs in Singapore, Papua New Guinea and New Zealand, costs of developing businesses in Vietnam and Philippines and an increase in the provision for doubtful debts. The expense ratio is expected to reduce further as the full economies of scale from recent acquisitions become apparent in 2002.

Indonesia, Thailand, Fiji, New Caledonia, Papua New Guinea, Solomon Islands and Vanuatu all produced underwriting profits. Hong Kong, Singapore and Malaysia continue to be affected by personal injury losses, motor theft and workers' compensation claims. In addition, Hong Kong experienced some one off restructuring costs as a result of merging the two operations there.



YOSHINOBU YOKOYAMA, *GOOD OMEN (ZUISHO)*

PORTFOLIO MIX
GROSS EARNED PREMIUM



- Professional indemnity 6.8% (3.3%)
- Marine 9.5% (8.6%)
- Engineering 2.2% (2.0%)
- Workers' compensation 6.0% (7.2%)
- Motor and motor casualty 22.2% (27.7%)
- Fire 20.4% (22.6%)
- Householders 4.7% (2.7%)
- Accident and health 16.3% (17.1%)
- Liability 9.6% (8.3%)
- Other 2.3% (0.5%)

KEY RATIOS

	YEAR TO 31 DECEMBER 2001	YEAR TO 31 DECEMBER 2000
Gross written premium \$M	523	371
Gross earned premium \$M	516	359
Net earned premium \$M	405	285
Claims ratio %	54.7	53.0
Commission ratio %	22.3	23.2
Expense ratio %	22.4	24.4
Combined operating ratio %	99.4	100.6

The following objectives were achieved over the past year:

- acquired a new systems platform that provides the scale and flexibility to allow adoption by most of our operations, potentially reducing the number of systems currently utilised;
- improved allocation of surplus capital;
- further rationalised consistently unprofitable business;
- decreased the expense ratio by 2.0%;
- deployed specialist underwriters and new products, improving the brand image of QBE in Asia;
- successfully integrated our two operations in Hong Kong;
- jointly developed business with our Lloyd's division resulting in profitable new business for both operations; and
- successfully completed five acquisitions.

Our objectives for 2002 are to:

- continue to reduce our expense ratio;
- complete the merger of our Malaysian operations with MBF;
- launch a new computer system in Singapore and finalise the systems implementation plan for Malaysia;
- continue to pursue acquisitions that will enhance existing operations;
- install dedicated, highly skilled broker teams into all major Asian operations to capitalise on the hardening insurance cycle;
- maintain focus on improving the profitability of the motor, personal injury and workers' compensation portfolios in some Asian countries; and
- reorganise management structures to support the changing profile of our business and to assist country operations in the delivery of superior levels of financial and business performance.

My thanks go to all staff, intermediaries and customers who have provided support and loyalty to QBE, enabling us to achieve this excellent result.

VINCE McLENAGHAN

Managing director,
Asia-Pacific general insurance

QBE's team in the Americas has demonstrated its resilience and its determination to carry on after the tragic events of 11 September.

the AMERICAS



TIM KENNY
President,
the Americas

Our American operations are managed from New York and comprise a reinsurance company, QBE Reinsurance Corporation (QBE Reinsurance Corp), a general insurance company, QBE Insurance Corporation (QBE Insurance Corp) and operations in Panama, Mexico, Peru, Brazil and Argentina. During 2001, the division pursued its controlled growth strategy while continuing to cancel consistently unprofitable business and increased premium rates across most portfolios.

Gross written premium rose 77% to \$731 million, while net earned premium increased by 74% to \$490 million. Net earned premium for QBE Insurance Corp grew to \$251 million from \$81 million last year. QBE Reinsurance Corp's net earned premium rose 7% to \$215 million. Management continued its strategy of growth through acquisition, with new primary insurance operations acquired in Latin America and the US. The World Trade Center (WTC) loss also provided a catalyst for the commencement of the first hard market in the US in nearly a decade, creating further opportunities for 2002.

Claims from the WTC loss and further upgrades to prior year claims reserves for casualty facultative and specialty business increased the combined operating ratio to 112.4% from 103.1% last year. The combined operating ratio excluding the

WTC loss would have been 106.5%. The accident and standard treaty excess books were most affected by the WTC loss. However, extensive reinsurance arrangements largely mitigated the loss. The claims ratio increased to 80.2% from 70.9% last year.

The combined commission and expense ratio remained steady at 32.2%. We expect the expense ratio to decrease going forward.

A number of objectives were achieved over the past year. In particular, we:

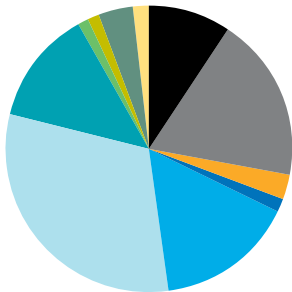
- continued growth through acquisition in Latin America, increasing our share of the profitable Panamanian insurer QBE Del Istmo to 40% from 10%;
- acquired a controlling interest in the HHH Argentine workers' compensation insurer;
- finalised, in December, the acquisition of a small general insurance business in Brazil;
- continued growth of our general insurance business while aggressively monitoring its existing programmes. Rate increases between 10% and 25% were obtained on the existing book of business;
- exited reinsurance areas where we had consistently under-performed, cancelling business in the casualty facultative, accident and international facultative portfolios;



EDWARD POTTHAST, THE GRAND CANYON

PORTFOLIO MIX

GROSS EARNED PREMIUM



- Property xol 9.3% (10.1%)
- Property proportional 18.6% (20.5%)
- Property facultative and direct 2.8% (4.9%)
- Catastrophe 1.5% (2.4%)
- Casualty 15.6% (12.2%)
- Motor and motor casualty 31.1% (17.0%)
- Accident and health 12.9% (21.3%)
- Marine and aviation 1.2% (5.8%)
- Agriculture 1.3% (3.8%)
- Workers' compensation 3.9% (-)
- Other 1.8% (2.0%)

KEY RATIOS

	GENERAL INSURANCE		INWARD REINSURANCE		TOTAL	
	YEAR TO 31 DECEMBER 2001	YEAR TO 31 DECEMBER 2000	YEAR TO 31 DECEMBER 2001	YEAR TO 31 DECEMBER 2000	YEAR TO 31 DECEMBER 2001	YEAR TO 31 DECEMBER 2000
Gross written premium \$M	345	154	386	258	731	412
Gross earned premium \$M	293	91	362	255	655	346
Net earned premium \$M	284	88	206	193	490	281
Claims ratio %	71.8	66.8	91.8	72.8	80.2	70.9
Commission ratio %	26.0	35.3	25.9	21.8	26.0	26.0
Expense ratio %	5.2	3.9	7.6	7.2	6.2	6.2
Combined operating ratio %	103.0	106.0	125.3	101.8	112.4	103.1

- consolidated QBE's northern hemisphere health team into the Americas;
- developed and strengthened the management team; and
- maintained our A rating from AM Best and A+ rating from Standard & Poor's, demonstrating QBE's resilience in light of the WTC loss.

Our objectives for 2002 are to:

- continue to capitalise on the hardening US market for insurance and reinsurance premiums. Our reinsurance company target for premium rate increases ranges from 25% to 100%. Our insurance company will increase rates where opportunities exist;
- continue selective growth in both the reinsurance and insurance markets. We

expect to add a few specialty insurance programmes with profitable track records in 2002; and

- implement non-consumer, product specific business plans in Argentina and Brazil.

The challenges of 2001 have been met. QBE in the Americas is in a position to capitalise on the hardening market, resulting in profitable growth for shareholders. I extend my thanks to the team for their unwavering support and loyalty during the tragic and trying times of the past year.

TIM KENNY

President,
the Americas

After the turbulent conditions of recent years, the division is set to reap the rewards of a disciplined underwriting approach in a hardening market.

EUROPEAN COMPANY OPERATIONS



PAUL GLEN
General manager,
European company operations

QBE's European company operations comprise diversified general insurance and reinsurance operations in the UK, Ireland, France and six countries in Central and Eastern Europe. The divisional management structure comprises a central team in London who manage the four major business divisions, being treaty (reinsurance), major risks (insurance), financial risks and Central and Eastern Europe.

Management in 2001 was focused primarily on delivering the challenging business plans. In addition, resources were targeted on the delivery of two key finance systems to improve the quality of management information and to deliver operational efficiencies. Given the background of a hardening market, efforts were made throughout the year to reduce the risk profile of the business and, at the same time, maximise the benefit from significant premium rate increases.

As a result of this management attention to improve the quality of the book of business and refocus on bottom line profitability, gross written premium in local currency was down 8% compared with last year. However, on translation, gross written premium was up marginally to \$2,017 million, due to the weaker Australian dollar. Gross earned premium decreased by 2.0% to \$1,978 million and net earned premium decreased 12.3% to \$1,368 million.

The World Trade Center (WTC) tragedy, which gave rise to significant losses across a wide range of classes of business, principally in the London and Paris operations, accelerated management action to improve the control of aggregate exposures and risk management procedures, culminating in further substantial changes to the business. The division ceased writing US property treaty reinsurance business, which is now written from QBE's New York office. In addition, we ceased writing international and US property business from the Paris office, which now concentrates on the French domestic market.

Management and business restructuring has resulted in an improvement to the division's underlying financial result for 2001 compared with previous years. This improvement in financial performance has, however, been overshadowed by the magnitude of the WTC loss. The combined operating ratio was 119.1%, compared with 104.3% last year. Excluding the WTC loss, the combined operating ratio would have been 101.9%.

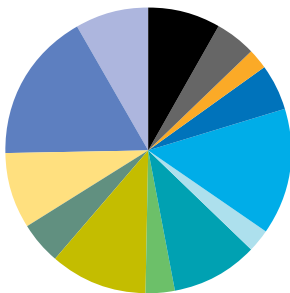
The results from our Central and Eastern European operations were in line with plan. A number of initiatives have been implemented to improve the expense ratio including restructure of operations, staff reductions and new systems. Gross earned premium increased to \$207 million and the combined operating ratio was 99.6%.



VINCENT VAN GOGH, *FIELD UNDER THUNDERCLOUDS*

PORTFOLIO MIX

GROSS EARNED PREMIUM



- Professional indemnity 8.2% (5.2%)
- Financial risk 4.6% (4.5%)
- Engineering 2.3% (1.6%)
- Marine and aviation 5.2% (6.4%)
- Accident and health 14.3% (15.8%)
- Bloodstock 2.6% (1.5%)
- Property xol 9.8% (6.4%)
- Property proportional 3.3% (3.2%)
- Property facultative and direct 11.0% (10.3%)
- Catastrophe 4.8% (4.0%)
- Workers' compensation 8.6% (8.7%)
- Motor and motor casualty 17.0% (21.3%)
- Other 8.3% (11.1%)

KEY RATIOS

	GENERAL INSURANCE		INWARD REINSURANCE		TOTAL	
	YEAR TO 31 DECEMBER 2001	YEAR TO 31 DECEMBER 2000	YEAR TO 31 DECEMBER 2001	YEAR TO 31 DECEMBER 2000	YEAR TO 31 DECEMBER 2001	YEAR TO 31 DECEMBER 2000
Gross written premium \$M	1,036	1,058	981	923	2,017	1,981
Gross earned premium \$M	996	1,126	982	892	1,978	2,018
Net earned premium \$M	760	914	608	646	1,368	1,560
Claims ratio %	74.0	78.2	106.5	75.0	88.4	76.9
Commission ratio %	10.2	11.6	28.5	25.1	18.3	17.2
Expense ratio %	14.7	12.0	9.4	7.8	12.4	10.2
Combined operating ratio %	98.9	101.8	144.4	107.9	119.1	104.3

The expense ratio increased by 2.2% to 12.4% due to management restructuring costs, the significant one off investment in new financial and management information systems and the decrease in net earned premium.

The WTC loss has accelerated a significant hardening of premium rates and improved product terms across all classes of business. The market environment, coupled with the actions taken in respect of Paris and US property and the resultant reduction in the risk profile of the business, should mean a significant improvement in profitability in 2002.

Our objectives for 2002 are to:

- maximise the opportunity to build on substantial premium rate increases across most classes;

- complete the rationalisation of the division's UK corporate and capital structure;
- review business processes to gain both long and short term efficiencies and cost reduction;
- further develop and implement underwriting and management information systems to improve risk management of the business and to reduce expenses; and
- focus on core portfolio strengths.

I thank the team in Europe for their commitment and perseverance in a very difficult year.

PAUL GLEN

General manager,
European company operations

Management has steered a steady course through the past year of turmoil and change, continuing to build on the excellent base we have in the Lloyd's market.

LLOYD'S DIVISION



STEVEN BURNS
Managing director,
Lloyd's division

The Lloyd's division comprises QBE's share of the Lloyd's syndicates managed by Limit. The 2001 results are the first to contain a full year of activity from the acquisition of Limit in August 2000. Gross written premium for the Lloyd's division was \$2,182 million, compared with \$547 million last year. Net earned premium was up 273% to \$1,365 million.

Significant progress was made during 2001 towards achieving the objectives set out in last year's annual report. The rationalisation of the structure of the Lloyd's division continued with the merger of syndicates 79 and 2999, the closure of the under-performing syndicate 456 and the disposal of the property and aviation syndicate 318. This resulted in a significant reallocation of QBE's capital towards its best performing Lloyd's syndicates. Our exposure to poor performing US liability business was significantly reduced.

QBE is now the sole capital provider to each of Limit's syndicates, other than syndicate 386 where our share has increased to over 40%. For the 2002 underwriting year, QBE provides 78% of Limit's aggregate capacity compared with 72% in 2001.

The tragic events of 11 September overshadowed the year and the World Trade Center (WTC) loss had a significant impact on performance. In addition, upgrades were made to prior year outstanding claims provisions, principally to reflect adverse development on US liability business seen across the market. These upgrades have been substantially mitigated by reinsurance protections and provisions established on acquisition to allow for deterioration. Consequently, the result for the year largely reflects the performance of the 2001 underwriting year. The claims ratio was 72.9%, compared with 59.4% for last year. The combined operating ratio was 108.6%, compared with 101.1% last year. Excluding the WTC loss, the combined operating ratio would have been 101.0%.

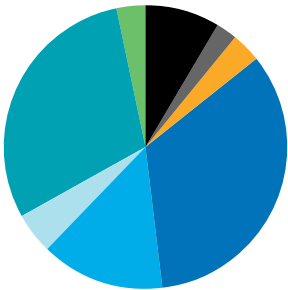
The movement in the commission ratio from 27.3% to 24.6% reflects the change in the mix of business during 2001. The decrease in the expense ratio from 14.4% to 11.1% reflects the synergies and savings delivered by the integration of QBE's former Lloyd's operations with Limit, partly offset by residual post acquisition integration costs during the year.



JOSEPH MALLORD WILLIAM TURNER, *THE FIGHTING TEMERAIRE*

PORTFOLIO MIX

GROSS EARNED PREMIUM



- Professional indemnity 8.5% (4.2%)
- Credit 2.4% (1.8%)
- Satellite 3.4% (2.1%)
- Marine and aviation 33.8% (32.9%)
- Property treaty 14.1% (11.4%)
- Property facultative and direct 4.7% (10.5%)
- Casualty 29.8% (27.7%)
- Other 3.3% (9.4%)

KEY RATIOS

	GENERAL INSURANCE		INWARD REINSURANCE		TOTAL	
	YEAR TO 31 DECEMBER 2001	YEAR TO 31 DECEMBER 2000	YEAR TO 31 DECEMBER 2001	YEAR TO 31 DECEMBER 2000	YEAR TO 31 DECEMBER 2001	YEAR TO 31 DECEMBER 2000
Gross written premium \$M	1,486	325	696	222	2,182	547
Gross earned premium \$M	1,266	325	681	250	1,947	575
Net earned premium \$M	955	209	410	157	1,365	366
Claims ratio %	68.7	55.1	82.6	65.2	72.9	59.4
Commission ratio %	23.5	27.4	27.3	27.1	24.6	27.3
Expense ratio %	12.4	15.3	8.0	13.1	11.1	14.4
Combined operating ratio %	104.6	97.8	117.9	105.4	108.6	101.1

2001 was a transitional year in the market cycle with the rate increases anticipated at the start of the year not materialising until at least the middle of the year and, in some cases, not until after the impact of 11 September. We are now seeing substantial increases in premium rates across all classes of business underwritten within the Lloyd's division. These rate increases, together with a high level of business retention, new business opportunities and the reallocation of QBE's capital, should ensure profitability for the 2002 underwriting year.

Our objectives for 2002 are to:

- take advantage of the dramatically improved rating environment and return all areas of underwriting to strong profitability;
- seek further rationalisation of the underwriting and operating structure

in order to improve capital efficiency and our expense ratio;

- acquire further capacity on syndicate 386 as it becomes available; and
- be actively involved in the reforms proposed for the Lloyd's market.

Our business at Lloyd's remains highly dependent upon the quality and commitment of our underwriters and their business franchise. I thank them for their efforts and achievements, which have ensured that QBE's Lloyd's division is now ideally positioned to take advantage of the hard market conditions now prevailing at Lloyd's.

STEVEN BURNS

Managing director,
Lloyd's division

QBE's measured approach to managing its investment portfolio over the long term has protected investment yields in a year of volatility.

INVESTMENTS



MARK TEN HOVE
Group general manager,
investments

The Group's investment portfolio grew by 25% during the year from \$7.0 billion to \$8.7 billion, reflecting increased capital, further acquisitions, increasing ownership of syndicate funds in Limit, cash flow from operations and the positive impact of currency translation from a weaker Australian dollar.

Investment income increased by 12% to \$344 million. Net realised and unrealised gains on investments were \$13 million, compared with \$60 million last year. Fixed income investments produced \$35 million of realised and unrealised gains compared with \$42 million last year, and equity portfolios generated realised and unrealised losses of \$22 million compared with \$18 million of gains for last year.

The rebalancing of the portfolio was completed during 2001 with the geographical split of investments now much more aligned with the geographical split of the Group's insurance activities. At 31 December 2001, Australian dollar denominated assets made up 19% of the total investment portfolio, down from 25%. Sterling and US dollar assets dominated the portfolio, with 37% and 34% respectively. The Group's exposure to equities (before equity collars) was reduced earlier in the year and at 31 December equities comprised 11% of the Group's investments.

The US fixed income market rallied for most of the year, then bottomed in early

November and has since stabilised. In both the UK and Australia, fixed income markets rallied sharply in the four months from July until early November. We used the strength in fixed income markets to reduce both the size of our fixed income portfolio and its modified duration. As yield curves steepened dramatically in December, we purchased shorter dated fixed income securities.

Equity markets produced negative returns for the year with the exception of the Australian market, which was up approximately 10%. The nil-cost equity collars that were in place during the year limited our losses on international equities but also limited the upside on the Australian equity book.

The market value investment yield was down to 4.7% compared with 6.0% in 2000. The significant drop in the portfolio yield reflects the worldwide decrease in interest rates.

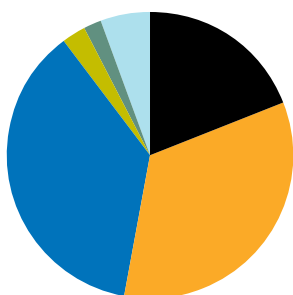
Whilst interest rates are expected to rise toward the end of 2002, fixed income markets are likely to anticipate such developments and yields should improve in the second half of 2002. However, corporate earnings growth has clearly been well above long-term sustainable averages for most of the 1990s and, although 2002 numbers are likely to show an improvement in comparison with the difficult previous year, we expect any earnings recovery to be moderate.



JOHN CONSTABLE, *STONEHENGE*

CURRENCY MIX

MARKET VALUE OF INVESTMENTS



- Australian dollar 19.0% (24.6%)
- US dollar 33.9% (19.8%)
- Sterling 36.8% (46.8%)
- Euro 2.7% (2.8%)
- New Zealand dollar 2.0% (0.6%)
- Other 5.6% (5.4%)

INVESTMENT INCOME

	YEAR TO 31 DECEMBER 2001 \$M	YEAR TO 31 DECEMBER 2000 \$M
Dividends	36	46
Interest	381	271
Other income	9	15
Exchange losses	(10)	(8)
Interest expense	(65)	(49)
Other expenses	(20)	(27)
	331	248
Realised gains (losses) on fixed interest securities	42	(2)
Realised gains (losses) on equities and properties	(5)	89
Unrealised gains (losses) on fixed interest securities	(7)	44
Unrealised gains (losses) on equities and properties	(17)	(71)
Investment income	344	308

Our objectives for 2002 are to:

- outperform our investment benchmarks and achieve an improvement in yields over last year;
- integrate our systems and further automate our transactions and accounting practices; and
- contain costs as a percentage of funds under management to internationally competitive levels.

The changes to the Group's investment strategy required major effort across our worldwide investment portfolios during the year. Given that the changes were required at a time of major economic uncertainty and market volatility, the entire team has done an excellent job and I thank them for their efforts.

MARK TEN HOVE

Group general manager,
investments

INVESTMENTS

	31 DECEMBER 2001		31 DECEMBER 2000	
	\$M	%	\$M	%
Equities*	977	11.2	971	13.9
Short-term deposits	3,295	37.8	2,677	38.3
Other interest-bearing securities	4,346	49.8	3,228	46.2
Property	106	1.2	110	1.6
Investments	8,724	100.0	6,986	100.0
Cash	504		370	
Overdrafts	(45)		(22)	
Borrowings	(838)		(915)	
Net invested funds	8,345		6,419	

*unrealised gains represent 0.8% (31 December 2000 4.2%) of equities

SHAREHOLDERS' INFORMATION

Annual General Meeting

11.00 am Thursday, 18 April 2002
The Westin Sydney,
1 Martin Place, Sydney NSW 2000

Change of year end

As previously advised, QBE's balance date changed from 30 June to 31 December in 2000. To assist shareholders and other readers of QBE's accounts, comparative information has been amended to report the Group's 10-year history on a calendar year reporting basis.

Credit rating

Standard & Poor's A+

Shares on issue

At 31 December 2001, QBE had 28,634 shareholders and a market capitalisation of over \$4.5 billion. The issued capital was 585,318,807 ordinary shares of which 9,078,983 were shares issued to employees under the QBE Employee Share and Option Plan.

Stock exchange listing

The ordinary shares of QBE Insurance Group Limited (QBE) are listed on the Australian Stock Exchange.

Uncertificated share register

QBE's share register is wholly uncertificated. Shareholding statements are issued to you within five business days after the end of any month in which transactions alter the balance of your shareholding.

QBE communications

QBE does not produce a concise financial report.

The next annual report will be for the year ending 31 December 2002. If you do not wish to receive this report in future, please advise the share registrar in writing.

The half-yearly results summary will be mailed with the interim dividend in early October.

QBE's internet site at www.qbe.com provides investors with information about QBE, including annual reports, half-yearly reports and announcements to the Australian Stock Exchange.

Dividends

The final dividend of 13.5 cents per share, 15% franked, will be paid on 12 April 2002. Cash dividends can be paid directly into a bank, building society or credit union account in Australia. Advise the share registrar promptly if you change your bank and/or bank account.

The Dividend Reinvestment Plan (DRP) enables you to apply to subscribe for additional shares at a discounted price. The Dividend Election Plan (DEP) is a bonus share plan whereby the dividend entitlement is forgone for bonus shares in lieu of the dividend.

Shares issued under the DRP and DEP are issued at a 2.5% discount to a weighted five-day average market price.

Participants may change their election to participate in the DRP or DEP at any time. Application forms are available from the share registrar.

Place of incorporation

QBE is incorporated in Australia.

Registered office and principal office

QBE Insurance Group Limited
2nd floor, 82 Pitt Street
Sydney NSW 2000
Australia
Telephone: +61 2 9375 4444
Facsimile: +61 2 9235 3166
Internet: www.qbe.com

Share registrar

ASX Perpetual Registrars Limited
Level 8, 580 George Street
Sydney NSW 2000
Australia
Telephone: +61 2 8280 7111
Facsimile: +61 2 9261 8489
Internet: www.registrars.aprl.com.au
Email: registrars@aprl.com.au

Postal address of share registrar

ASX Perpetual Registrars Limited
Locked Bag A14
Sydney South NSW 1232
Australia

Change of address

If you are broker-sponsored, queries relating to incorrect registrations and changes to name and/or address can only be processed by your broker or brokers. The share registry cannot assist you with these changes. Please quote your Holder Identification Number (HIN).

If you are issuer-sponsored, queries relating to incorrect registrations and changes to name and/or address can be processed by the share registry. Please quote your Securityholder Reference Number (SRN) and provide details of your old address for security checks.

SHAREHOLDERS' INFORMATION

RECENT QBE DIVIDENDS

DATE PAID	TYPE	RECORD DATE	ORIGINAL	CENTS PER SHARE ADJUSTED	FRANKING %
30.10.96	final	02.10.96	17.0	13.6	50
04.04.97	interim	07.03.97	9.0	7.2	50
30.09.97	final	16.09.97	20.0	16.0	50
01.04.98	interim	11.03.98	8.0	8.0	50
02.10.98	final	15.09.98	18.0	18.0	50
26.03.99	interim	05.03.99	8.5	8.5	50
01.10.99	final	10.09.99	18.5	18.5	50
31.03.00	interim	10.03.00	14.0	14.0	10
29.09.00	final	11.09.00	15.0	15.0	35
12.04.01	final	26.03.01	16.0	16.0	30
28.09.01	interim	07.09.01	16.5	16.5	25

TOP TWENTY SHAREHOLDERS AS AT 31 JANUARY 2002

NAME OF SHAREHOLDER	NUMBER OF SHARES	% OF TOTAL
Chase Manhattan Nominees Limited	156,956,261	26.81
Westpac Custodian Nominees Limited	77,703,442	13.28
National Nominees Limited	64,131,167	10.95
RBC Global Services Australia Nominees Pty Limited	32,554,799	5.56
MLC Limited	25,612,350	4.38
ANZ Nominees Limited	15,390,815	2.63
Commonwealth Custodial Services Limited	11,228,710	1.92
Citicorp Nominees Pty Limited	10,583,067	1.81
HSBC Custody Nominees (Australia) Limited	7,561,636	1.29
AMP Life Limited	6,722,532	1.15
Queensland Investment Corporation	6,394,533	1.09
Westpac Financial Services Limited	5,304,408	0.91
Permanent Trustee Australia Limited	4,614,906	0.79
ANZ Managed Investments Limited	3,457,563	0.59
Cogent Nominees Pty Limited	2,805,626	0.48
Victorian WorkCover Authority	2,157,517	0.37
Australian Foundation Investment Company Limited	1,959,487	0.33
QBE Management Services Pty Limited	1,874,046	0.32
Choiseul Investments Limited	1,806,235	0.31
Transport Accident Commission	1,334,325	0.23
TOTAL	440,153,425	75.20

QBE SUBSTANTIAL SHAREHOLDERS AS AT 31 JANUARY 2002

NAME	NUMBER OF SHARES	% OF TOTAL	DATE OF NOTICE
National Australia Bank Limited	25,007,858	5.93	30 June 2000
Deutsche Australia Limited	40,019,165	8.72	30 July 2001
Merrill Lynch Investment Managers	28,473,172	5.07	16 October 2001
J P Morgan Chase & Co	29,403,577	6.34	18 October 2001
The Capital Group Companies Inc	76,282,030	13.57	16 November 2001

DISTRIBUTION OF SHAREHOLDERS AND SHAREHOLDINGS AS AT 31 JANUARY 2002

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1-1,000	10,330	37.75	5,274,664	0.90
1,001-5,000	12,983	47.45	30,137,002	5.15
5,001-10,000	2,226	8.13	15,690,174	2.68
10,001-100,000	1,618	5.91	38,608,386	6.60
100,001 or more	207	0.76	495,608,581	84.67
TOTAL	27,364	100.00	585,318,807	100.00

DIRECTORS' REPORT

for the year ended 31 December 2001

Your directors present their report on the consolidated entity consisting of QBE Insurance Group Limited and the entities it controlled at the end of or during the year ended 31 December 2001.

Directors

The following directors held office during the whole of the financial year and up to the date of this report:

EJ Cloney (Chairman)
 CP Curran AO
 The Hon NF Greiner AC
 BJ Hutchinson
 FM O'Halloran
 MJ Phillips AM (Deputy Chairman)

LF Bleasel AM was appointed as a director on 17 January 2001.
 CLA Irby was appointed as a director on 27 June 2001.

Results

	YEAR ENDED 31 DECEMBER 2001 \$M	SIX MONTHS ENDED 31 DECEMBER 2000 \$M	UNAUDITED YEAR ENDED 31 DECEMBER 2000 \$M
Revenue	9,492	3,464	5,946
Expenses	(9,502)	(3,294)	(5,650)
Movement in unrealised gains on investments	(24)	(5)	(27)
Borrowing costs expense	(65)	(36)	(49)
Profit (loss) from ordinary activities before income tax	(99)	129	220
Income tax attributable to profit (loss) from ordinary activities			
Before movement in unrealised gains on investments	(68)	27	48
Movement in unrealised gains on investments	(14)	(2)	(12)
Income tax attributable to profit (loss) from ordinary activities	(82)	25	36
Profit (loss) from ordinary activities after income tax			
Before movement in unrealised gains on investments	(7)	107	199
Movement in unrealised gains on investments	(10)	(3)	(15)
Profit (loss) from ordinary activities after income tax	(17)	104	184
Net profit attributable to outside equity interests	8	3	5
Net profit (loss) attributable to members of the company			
Before movement in unrealised gains on investments	(15)	104	194
Movement in unrealised gains on investments	(10)	(3)	(15)
Net profit (loss) attributable to members of the company	(25)	101	179
Net increase (decrease) in foreign currency translation reserve	8	1	6
Total changes in equity other than those resulting from transactions with owners as owners	(17)	102	185

Dividends

The directors are pleased to announce a 15% franked final dividend of 13.5 cents per share for the year ended 31 December 2001 on the share capital increased by the rights issue and placements. The total dividend for the year is 30.0 cents per share. The dividend in respect of the six months ended 31 December 2000 was 16.0 cents per share, which was declared and paid subsequent to the end of that period. The final dividend payout, including shares issued under the Dividend Election and Reinvestment Plans, will be \$80 million compared with \$69 million last year.

The Dividend Election and Reinvestment Plans continue at a discount rate of 2.5%.

The consolidated franking account balance, after taking into account the final dividend, franked at 15%, will be a deficit of \$10 million. It is expected that the apparent deficit will be eliminated by the receipt of franked dividends and payment of income tax in the ordinary course of business.

Activities

The principal activities of the company and its controlled entities during the year were underwriting general insurance and reinsurance risks, management of Lloyd's syndicates and investment management.

Review of operations

References to comparative figures relate to the unaudited results for the year ended 31 December 2000.

The loss after tax for the year to 31 December 2001 was \$25 million, a \$204 million decrease on last year. Excluding the impact of the terrorist attacks on the USA on 11 September 2001, the profit for the year would have been \$227 million, a 27% increase on last year.

Gross earned premium was \$6,298 million, an increase of 43% on last year. Significant premium growth was achieved from our acquisitions in Australia and the Asia-Pacific region, the expansion of our general insurance business and acquisitions in the Americas, premium rate increases in most markets, the effect of a full year's premium from the Limit acquisition in August 2000 and the weaker Australian dollar. Net earned premium increased 34% to \$4,634 million.

The consolidated ratio of claims, commissions and expenses to net earned premium (combined operating ratio) was 109.6% compared with 102.5% last year. Excluding the impact of the terrorist attacks on the USA, the combined operating ratio would have been 101.7%. The claims ratio of 76.6% was a significant deterioration on 71.2% last year. However, excluding the terrorist attacks, the claims ratio would have been 69.4%. The commission ratio increased from 18.3% last year to 20.2%, due to a greater proportion of Lloyd's business at higher commission rates and the effect of higher reinstatement premiums. The expense ratio decreased from 13.0% to 12.8%.

DIRECTORS' REPORT

Australian general insurance produced another excellent result with a combined operating ratio of 100.6%, compared with 100.7% last year. The result reflects the continued vigilant management of all portfolios, focusing on the retention of consistently profitable business. Net earned premium of \$1,006 million was up 4% from last year, assisted by renewal of business acquired from HIH in the travel, corporate and professional liability classes. The claims ratio increased slightly from 72.1% to 72.6%, being adversely affected by a number of corporate collapses in the market during the year. The expense ratio was 14.9% compared with 15.8% last year, reflecting the successful completion of the final stages of the QBE Mercantile Mutual joint venture integration.

Asia-Pacific general insurance experienced significant premium growth during the year, aided by the acquisition of insurance businesses in New Zealand, Singapore and Papua New Guinea. Net earned premium increased 42% to \$405 million. The division produced a combined operating ratio of 99.4%, compared with 100.6% last year. The Pacific region recorded strong underwriting profits for the year, offset by losses in Asia due to difficult market conditions. The net loss ratio increased from 53.0% to 54.7%, due to some upgrades of prior year outstanding claims provisions. The expense ratio decreased to 22.4% from 24.4% last year, an excellent achievement considering the impact of integration costs from the New Zealand, Singapore and Papua New Guinea acquisitions.

the Americas produced a combined operating ratio of 112.4% compared with 103.1% last year. The results were significantly impacted by the terrorist attacks on the USA. The combined operating ratio excluding the attacks would have been 106.5%. Net earned premium increased 74% to \$490 million due to the continued growth of the direct insurance business, acquisitions in Latin America and the weaker Australian dollar. The commission and expense ratios remained steady at 26.0% and 6.2% respectively.

European company operations was in a year of consolidation. Gross earned premium was 8% lower in local currency, and in Australian dollars decreased by 2% to \$1,978 million, primarily due to continued rationalisation of the Iron Trades portfolio and changes in the risk profile of the business. The division produced a combined operating ratio of 119.1% compared with 104.3% last year, reflecting its exposure to the terrorist attacks on the USA. The combined operating ratio excluding the impact of the terrorist attacks would have been 101.9%. The commission ratio increased to 18.3% from 17.2% last year, primarily due to the rationalisation of the Iron Trades portfolio, which has a lower commission structure. Expenses increased, producing an expense ratio of 12.4% compared with 10.2% last year, mainly from the investment in new financial systems.

Lloyd's division benefited from the inclusion of a full year's premium from Limit, acquired in August 2000. Net earned premium grew 273% to \$1,365 million. QBE is now the managing agent for five active syndicates representing approximately 7% of the Lloyd's market for 2002. The division produced a combined operating ratio of 108.6% compared with 101.1% last year. Excluding the effect of the terrorist attacks on the

USA, the combined operating ratio would have been 101.0%. This result included an upgrade of the prior year outstanding claims provisions to reflect adverse developments on US liability business. These upgrades were offset by stop loss reinsurance protections and provisions established on acquisition to protect deterioration above the level of the stop loss contracts. The commission ratio decreased from 27.3% to 24.6% due to the change in the mix of business during 2001. The decrease in the expense ratio from 14.4% to 11.1% reflects synergies and savings delivered by the integration of QBE's former Lloyd's operations with Limit, offset by residual post acquisition integration costs during the year.

Outstanding claims – The liability for outstanding claims is determined for the majority of entities after consultation with actuaries. The outstanding claims assessment takes into account the statistical analysis of past claims, allowance for claims incurred but not reported, recoveries and future interest and inflation factors. As in previous years, the directors consider that substantial prudential margins are required in addition to actuarial central estimates to cover uncertainties such as latency claims, changes in interest rates and superimposed inflation. The Australian Prudential Regulation Authority (APRA) has issued new prudential standards that become effective on 1 July 2002. The new standards provide that outstanding claims must be set at a level that provides a probability of at least 75% that the provision for outstanding claims will be adequate to settle claims as they become payable in the future. The directors have satisfied themselves that the Group's outstanding claims provisions exceed this requirement.

Investment income increased by 12% to \$344 million on net investment funds which grew to \$8,345 million at 31 December 2001. This was a satisfactory result in a very difficult climate. The result includes net realised and unrealised gains on investments of \$13 million (\$60 million last year) and foreign exchange losses of \$10 million (\$8 million last year). The geographic rebalancing of the investment portfolio was completed during the year to more closely align it with the geographic split of the Group's insurance activities.

Income tax for the year included a number of one off benefits, principally as a result of a decrease in the US withholding tax rate for Australian companies, tax accounting for foreign exchange differences, the release of a prior year tax provision in respect of Lloyd's division and rebates on dividend income.

Indemnification and insurance

During the year, a controlled entity paid a premium in respect of a contract insuring directors and officers of the company and its controlled entities against liability, where the period of cover includes the current financial year. The officers of the company covered by the insurance contract include the directors listed on page 28, the secretary, DAM Ramsay, and assistant secretaries, NG Drabsch and PE Barnes. Other officers covered by the insurance contract are directors and secretaries of controlled entities who are not also directors and secretaries of the company, and executive officers of the company and controlled entities ("excluded officers").

DIRECTORS' REPORT

The functions of the excluded officers are management of insurance related operations and finance, investment and corporate services. In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

No insurance cover has been provided for the benefit of the auditors of any entity in the consolidated entity.

Significant changes

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Events subsequent to balance date

There is, at the date of this report, no matter or circumstance that has arisen since 31 December 2001 that has significantly affected, or may significantly affect:

- (i) the consolidated entity's operations in future financial years;
- (ii) the results of those operations in future financial years; or
- (iii) the consolidated entity's state of affairs in future financial years.

Likely developments

Information on likely developments in the consolidated entity's operations in future financial years and the expected results of those operations has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or state legislation.

Rounding of amounts

The company is of a kind referred to in the Australian Securities and Investments Commission class order 98/0100, relating to the "rounding off" of amounts in the financial report and directors' report. Amounts have been rounded off in the financial report and the directors' report to the nearest million dollars or the nearest thousand dollars, in accordance with that class order.

Directors' and executives' emoluments

As noted in the Corporate Governance statement, the remuneration committee of the board makes recommendations to the board on remuneration policy and practices for the Group. It provides specific recommendations on the remuneration packages and other terms of employment for executive directors, senior executives and non-executive directors. In making its recommendations, it receives independent advice to ensure that the policies and practices assist in the attraction and retention of high quality people.

The remuneration of non-executive directors for directors' fees and related committee costs amounted to \$796,000 (six months ended 31 December 2000 \$362,000). The amount approved at the 1999 annual general meeting was \$1,000,000 per annum.

Executive directors and senior executives may receive bonuses based on the achievement of specific goals relating to the performance of the consolidated entity and entities comprising the consolidated entity. The remuneration committee reviews the performance-related remuneration criteria annually. Executives, including executive directors, are eligible to participate in the Employee Share and Option Plan. Non-executive directors do not receive any performance-related remuneration.

Remuneration packages contain the following key elements:

- (a) base salary;
- (b) incentives;
- (c) other benefits – including superannuation, motor vehicle, the deemed value of interest on loans provided to acquire shares in the company, the deemed value of options exercised in the year (calculated as the difference between the market value of the shares issued at the date of exercise and the exercise price) and other benefits; and
- (d) retirement benefits.

Options are valued at nil on the date they are granted on the basis that the exercise price is equal to the market value of the underlying shares on that date. Accordingly, no amount has been included in total emoluments above in respect of options granted in the year. Details of directors' options are set out under "Shares and options held by directors" on page 32.

Details of the nature and amount of each element of the remuneration of each director of the company and each of the five officers of the consolidated entity receiving the highest remuneration in respect of the year ended 31 December 2001 are:

DIRECTORS' REPORT

	BASE SALARY \$000	INCENTIVES \$000	OTHER BENEFITS \$000	RETIREMENT BENEFITS \$000	TOTAL \$000	NUMBER OF OPTIONS GRANTED IN THE YEAR
Directors of the company						
LF Bleasel AM (appointed 17 January 2001)	82	–	–	6	88	–
EJ Cloney	187	–	–	15	202	–
AC Copeman AM (retired 8 March 2001)*	21	–	–	213	234	–
CP Curran AO	87	–	–	7	94	–
The Hon NF Greiner AC	89	–	–	7	96	–
BJ Hutchinson**	103	–	–	8	111	–
CLA Irby (appointed 27 June 2001)	44	–	–	–	44	–
FM O'Halloran	769	–	245	125	1,139	200,000
MJ Phillips AM	139	–	–	–	139	–
Officers of the consolidated entity						
MD ten Hove	468	1,126	164	–	1,758	30,000
SP Burns***	718	420	41	72	1,251	115,000
AT Lothian***	644	–	322	110	1,076	–
PE Grove***	637	212	70	156	1,075	95,000
TM Kenny***	776	–	182	35	993	130,000

* Includes \$213,000 of prescribed benefit paid to AC Copeman in connection with his retirement from the company.

** Includes fees for acting as Chairman of QBE Nominees Pty Limited during the year.

*** Messrs Burns and Grove are located in London and Mr Kenny is located in New York. Mr Lothian was located in London until his departure from QBE in October 2001. Their remuneration has been converted to Australian dollars using the average rates of exchange for the year.

Share options

Details of the Employee Share and Option Plan ("the Plan") are included in note 20(d) to the consolidated financial statements. The names of all persons who currently hold options granted under the Plan are entered in the register kept by the company pursuant to section 173 of the Corporations Act 2001 and the register may be inspected free of charge.

There have been no options granted or exercised between the balance date and the date of this report.

DIRECTORS' REPORT

Shares and options held by directors

	DIRECTORS		DIRECTOR
	SHARES	OPTIONS	RELATED ENTITIES SHARES
LF Bleasel AM	24,000	–	16,930
EJ Cloney	767,007	–	–
AC Copeman AM	5,136	–	–
CP Curran AO	51,206	–	1,416,663
The Hon NF Greiner AC	38,544	–	10,000*
BJ Hutchinson	7,320	–	13,126
FM O'Halloran	794,800	450,000	–
CLA Irby	15,000	–	–
MJ Phillips AM	57,425	–	–

* warrants to purchase shares.

Meetings of directors

NUMBER OF MEETINGS HELD	FULL MEETINGS OF DIRECTORS	MEETINGS OF COMMITTEES		
		AUDIT	REMUNERATION	INVESTMENT
	15 NUMBER ATTENDED	4 NUMBER ATTENDED	5 NUMBER ATTENDED	4 NUMBER ATTENDED
LF Bleasel AM (appointed 17 January 2001)	15	4	–	–
EJ Cloney	15	–	5	4
AC Copeman AM (retired 8 March 2001)	1	–	–	–
CP Curran AO	15	–	5	4
The Hon NF Greiner AC	11	4	5	–
BJ Hutchinson	15	–	–	4
FM O'Halloran	15	3	–	4
CLA Irby (appointed 27 June 2001)	7	–	–	–
MJ Phillips AM	13	4	–	4

Directors

CP Curran AO retires by rotation and offers himself for re-election.

Auditors

PricewaterhouseCoopers, Chartered Accountants, continue in office in accordance with Section 327 of the Corporations Act 2001.

Signed in SYDNEY this 13th day of March 2002 in accordance with a resolution of the directors.



EJ Cloney*
Director



FM O'Halloran
Director

* by his authorised agent, CP Curran AO, Director

QBE DIRECTORS



John Cloney ANZIF, FAIM, FAICD
Chairman

Age 61

Mr Cloney joined QBE as Managing Director in 1981. He retired in January 1998, at which time he was appointed a non-executive director. He was appointed Deputy Chairman in April 1998 and Chairman in October 1998. He is a member of the Investment and Remuneration Committees. Mr Cloney is a director of Boral Limited, Maple Brown Abbott Limited and the Australian Institute of Management NSW & ACT Limited.



John Phillips AM BEC, FAIB, FCPA
Deputy Chairman

Age 71

Appointed a director of QBE in 1992 and Deputy Chairman in October 1998, Mr Phillips is also Chairman of the Investment Committee and a member of the Audit Committee. He is Chairman of the Foreign Investment Review Board, The Australian Gas Light Company and IBJ Australia Bank Limited and a director of WMC Limited. He was the Deputy Governor and Deputy Chairman of the Reserve Bank of Australia from 1987 to 1992.



Frank O'Halloran FCA
Chief Executive Officer

Age 55

Mr O'Halloran was appointed Chief Executive Officer in 1998 and is a member of the Investment Committee. He joined QBE in 1976 as Group Financial Controller. He was Director of Finance from 1987 to 1994 and Director of Operations from 1994 to 1997. He has had extensive experience in professional accountancy for 13 years and insurance management for over 25 years.



Len Bleasel AM FAIM, FAICD

Age 59

Appointed a director of QBE in January 2001, Mr Bleasel is also a member of the Audit Committee. He is a director of St George Bank Limited. Mr Bleasel is also Chairman of the Zoological Parks Board of NSW and a member of the advisory boards of the Salvation Army and The Mary MacKillop Foundation. Mr Bleasel joined the Australian Gas Light Company in 1958 and was Managing Director and Chief Executive Officer from May 1990 until March 2001.



Charles Curran AO LLB, FCPA

Age 63

Appointed a director of QBE in 1991, Mr Curran is Chairman of the Remuneration Committee and a member of the Investment Committee. He is Chairman of Perpetual Trustees Australia Limited and Capital Investment Group Pty Limited and an International Advisor to Goldman Sachs Inc.



Charles Irby FCA (England & Wales)

Age 56

Based in London, Mr Irby was appointed a director of QBE in June 2001. He is Chairman of Aberdeen Asset Management plc, a director of EC Harris and is a council member of King Edward VII's Hospital Sister Agnes. Mr Irby spent 27 years with ING Barings Limited, specialising in corporate finance, and was senior UK advisor for that company between 1999 and 2001.



The Hon Nick Greiner AC BEC, MBA

Age 54

Mr Greiner was appointed a director of QBE in 1992. He is Chairman of the Audit Committee and a member of the Remuneration Committee. He is Chairman of BMC Media Limited, Baulderstone Hornibrook and The Nuance Group Australasia, Deputy Chairman of Stockland Trust Group and a director of Brian McGuigan Wines Limited. He was Premier and Treasurer of NSW from 1988 to 1992.



Belinda Hutchinson BEC, FCA

Age 48

Ms Hutchinson was appointed a director of QBE in 1997 and is also a member of the Investment Committee. She is a director of Energy Australia, TAB Limited, Crane Group Limited, St Vincent's & Mater Health Sydney Limited, Telstra Corporation Limited and State Library of NSW. Ms Hutchinson was an executive director of Macquarie Bank Limited from 1992 to 1997 and remains a consultant to the bank. She was vice president of Citibank Limited between 1981 and 1992.

CORPORATE GOVERNANCE

Board of directors

The Board of directors comprises eight directors, seven of whom are non-executive directors, with the Chief Executive Officer being the only executive director. All non-executive directors are considered to be independent of management. The Chairman, who is a non-executive director, oversees the nomination and review of Board membership and performance in conjunction with all Board members. Directors are selected to achieve a broad range of skills and experience on the Board. Details of individual directors are included on page 33.

The Constitution requires that one-third of the directors, excluding the Chief Executive Officer, retire from office each year, providing no director retains office for more than three years. Retiring directors may offer themselves for re-election. There is no maximum fixed term (assuming re-election) or retirement age for non-executive directors. However, under the Corporations Act 2001, the office of a director becomes vacant at the conclusion of the Annual General Meeting (AGM) after the director turns 72, unless the shareholders vote otherwise by special resolution at that AGM, in which case the director holds office until the conclusion of the next AGM.

The Board provides direction to management, approves the strategies and policies of the company, monitors the achievement of these aims, reviews the resources of people in the company and makes sure the Board has the information it requires to be effective including, where necessary, the support of independent professional advice. A non-executive director may seek such advice at the company's cost with the consent of the Chairman. Strategic issues and management's detailed business plans are reviewed annually by the Board and visits by non-executive directors to the company's offices in key locations are encouraged.

The Board is supported by several committees, comprising either non-executive directors or a majority of non-executive directors, who meet regularly to consider the audit process, investment strategies, remuneration and other matters. The main committees of the Board are the Audit Committee, the Investment Committee and the Remuneration Committee. Procedures for each committee, setting out the responsibilities, duties and reporting requirements, are established and controlled by the Board. Committee membership is reviewed at least annually. Details of directors' attendance at Board and committee meetings are outlined in the table of meeting attendance set out in the directors' report on page 32. In addition, the Board has established a Chairman's Committee, comprising the Chairman, the Deputy Chairman and the Chief Executive Officer. The Committee meets as required, including to deal with such matters as are referred by the Board from time to time.

Audit Committee

The Audit Committee membership comprises three non-executive directors. The Chairman is appointed by the Board. The current members of the Audit Committee are Mr LF Bleasel AM, The Hon NF Greiner AC (Chairman) and Mr MJ Phillips AM.

The responsibilities of the Audit Committee include:

- reviewing the quality of financial reporting to shareholders and the Australian Stock Exchange;
- reviewing the company's accounting policies, internal controls, practices and disclosures to assist the Board in making informed decisions;
- reviewing the scope and outcome of internal and external audits; and
- nominating external auditors and reviewing the adequacy (including independence, scope and quality) of existing external audit arrangements.

Meetings of the Audit Committee also include, by invitation, the Chief Executive Officer, the Chief Financial Officer, the Group Internal Audit Manager, the Group Actuary and the external auditor. The Audit Committee has the right of access to the external and internal auditors (in the absence of management if required) and management. The Audit Committee also has the right to consult independent experts at the company's cost. The Group Internal Audit Manager, the Group Actuary and the external auditor have direct access to the Chairman of the Audit Committee and the Chairman of the Board.

Investment Committee

The membership of the Investment Committee comprises up to four non-executive directors and one executive director. The Chairman is a non-executive director. The current members of the Investment Committee are Mr EJ Cloney, Mr CP Curran AO, Ms BJ Hutchinson, Mr FM O'Halloran and Mr MJ Phillips AM (Chairman). The meetings also include, by invitation, the Group General Manager, Investments and the Chief Financial Officer.

The role of the Investment Committee is to recommend policy and to establish and monitor broad guidelines in respect of:

- investment strategies and risk management;
- solvency standards;
- borrowings;
- currency exposure; and
- credit exposures with financial counterparties.

CORPORATE GOVERNANCE

Remuneration Committee

The current members of the Remuneration Committee are Mr EJ Cloney, Mr CP Curran AO (Chairman) and The Hon NF Greiner AC. Meetings of the Remuneration Committee also include, by invitation, the Chief Executive Officer.

The Remuneration Committee makes recommendations to the Board on remuneration policies and practices for the company and provides specific recommendations on the remuneration packages and other terms of employment for executive and non-executive directors and senior management. The committee considers independent advice in determining policies and practices that will attract and retain high quality people. Non-executive directors are remunerated for their services within an amount approved by shareholders at the Annual General Meeting. The amount paid to individual directors is based on a recommendation of the Remuneration Committee and may vary according to specific responsibilities and involvement on the committees of the Board. Further details of directors' remuneration are set out on pages 31 and 59 of the annual report. Under the Constitution, non-executive directors are entitled to be paid all reasonable travelling, hotel and other expenses for company business.

The Corporations Act 2001 provides that a non-executive director may not be paid a retirement benefit which exceeds his or her remuneration in the last three years ending when the person retired, unless the shareholders vote otherwise by ordinary resolution. The Board's practice has been to pay a retirement benefit under this limit.

Business risk

The consolidated entity has established internal controls to manage risk in the key areas of exposure relevant to its business. The company has a risk management strategy to identify significant areas of business risk and to effectively and expeditiously manage those risks. Systems are designed to provide reasonable assurance that the assets of the company are safeguarded, insurance risk exposure is within desired limits, reinsurance protections are adequate and counterparties are subject to security assessment. It is the practice of the directors to ensure that the majority of the Group's insurance liabilities are assessed by actuaries. A global internal audit function is critical to the risk management process and assists management and the directors in their assessment and monitoring of the Group's worldwide operations. The Board and Audit Committee oversee risk management.

Other Group policies

The company has guidelines for the purchase and sale of securities of the company or other corporations by directors and senior executives. These are in addition to the insider trading provisions of the Corporations Act 2001. In particular, the guidelines state that directors and senior executives should never actively trade the company's securities, generally not buy or sell such securities in the two months preceding the announcement of the company's half yearly and final results and first notify any intended transaction to nominated people. The guidelines also state that a director or senior executive is least likely to have non-public price sensitive information of the company's securities three to thirty days after release of the company's half yearly results, three days after the release of the company's annual report to thirty days after the AGM and three days after the issue of any prospectus until the closing date.

The Group has adopted a Code of Ethics and Code of Conduct, which form the basis for the manner in which QBE people perform their work. The Code of Ethics requires that business be carried on in an open and honest manner with our customers, shareholders, employees, regulatory bodies and the community at large.

There are other Group policies in respect of anti-discrimination, employment, harassment, essential behaviours, health and safety and many of our other business practices. These policies are underpinned by a Vision Statement together with a Values Statement and a Mission Statement. The Vision and Values Statements form part of the induction information given to all new employees.

One of the values of the Group is integrity. This value is discussed in detail in the QBE Manager Programme, which gives our managers and staff an understanding of essential management conduct in carrying out their work. The Group has strict controls over expenditure for travel and entertainment.

QBE has adopted the General Insurance Code of Practice, a self-regulated code developed by the Insurance Council of Australia relating to the provision of products and services to customers of the general insurance industry of Australia.

QBE is a corporation involved in an industry that seeks to play an important role, in conjunction with governments, individuals and organisations, in managing and reducing environmental risk. In an initiative to collaborate with the United Nations Environment Programme, QBE, together with a number of other major international insurers, is a signatory to a Statement of Environmental Commitment by the insurance industry.

STATEMENTS OF FINANCIAL PERFORMANCE
for the year ended 31 December 2001

	NOTE	THE COMPANY		CONSOLIDATED	
		YEAR ENDED 31 DECEMBER 2001 \$M	SIX MONTHS ENDED 31 DECEMBER 2000 \$M	YEAR ENDED 31 DECEMBER 2001 \$M	SIX MONTHS ENDED 31 DECEMBER 2000 \$M
Revenue	2	33	110	9,492	3,464
Expenses		–	–	(9,502)	(3,294)
Movement in unrealised gains on investments		–	–	(24)	(5)
Borrowing costs expense		–	–	(65)	(36)
Profit (loss) from ordinary activities before income tax	3	33	110	(99)	129
Income tax attributable to profit (loss) from ordinary activities					
Before movement in unrealised gains on investments		1	–	(68)	27
Movement in unrealised gains on investments		–	–	(14)	(2)
Income tax attributable to profit (loss) from ordinary activities	4	1	–	(82)	25
Profit (loss) from ordinary activities after income tax					
Before movement in unrealised gains on investments		32	110	(7)	107
Movement in unrealised gains on investments		–	–	(10)	(3)
Profit (loss) from ordinary activities after income tax		32	110	(17)	104
Net profit attributable to outside equity interests		–	–	8	3
Net profit (loss) attributable to members of the company					
Before movement in unrealised gains on investments		32	110	(15)	104
Movement in unrealised gains on investments		–	–	(10)	(3)
Net profit (loss) attributable to members of the company		32	110	(25)	101
Net increase (decrease) in foreign currency translation reserve	21	–	–	8	1
Total changes in equity other than those resulting from transactions with owners as owners	21(c)	32	110	(17)	102

The above statements of financial performance should be read in conjunction with the accompanying notes.

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2001

	NOTE	THE COMPANY		CONSOLIDATED	
		31 DECEMBER 2001 \$M	31 DECEMBER 2000 \$M	31 DECEMBER 2001 \$M	31 DECEMBER 2000 \$M
CURRENT ASSETS					
Cash	6	–	–	504	370
Receivables	7	221	289	3,450	2,912
Reinsurance and other recoveries on outstanding claims	16	–	–	1,608	864
Deferred insurance costs	8	–	–	1,099	910
Investments	10	–	–	3,952	3,202
Other		–	–	2	10
TOTAL CURRENT ASSETS		221	289	10,615	8,268
NON-CURRENT ASSETS					
Reinsurance and other recoveries on outstanding claims	16	–	–	3,369	1,725
Investments	10,12	2,087	1,283	4,772	3,784
Plant and equipment	13	–	–	124	91
Intangibles	14	–	–	472	369
Other	9	–	–	233	261
TOTAL NON-CURRENT ASSETS		2,087	1,283	8,970	6,230
TOTAL ASSETS		2,308	1,572	19,585	14,498
CURRENT LIABILITIES					
Trade and other creditors	15	558	739	1,435	1,099
Outstanding claims	16	–	–	3,837	2,847
Unearned premium		–	–	2,789	2,241
Borrowings	17	–	–	297	398
Provisions	18	–	68	11	133
TOTAL CURRENT LIABILITIES		558	807	8,369	6,718
NON-CURRENT LIABILITIES					
Outstanding claims	16	–	–	7,929	5,268
Borrowings	17	–	–	541	517
Provisions	19	2	2	78	244
TOTAL NON-CURRENT LIABILITIES		2	2	8,548	6,029
TOTAL LIABILITIES		560	809	16,917	12,747
NET ASSETS		1,748	763	2,668	1,751
EQUITY					
Share capital	20(a)	1,732	714	1,732	714
Convertible preference shares	20(c)	–	–	274	275
Reserves	21	–	–	25	37
Retained profits	21(a)	16	49	589	683
EQUITY attributable to members of the company		1,748	763	2,620	1,709
OUTSIDE EQUITY INTERESTS IN CONTROLLED ENTITIES	12(b)	–	–	48	42
TOTAL EQUITY	21(c)	1,748	763	2,668	1,751

The above statements of financial position should be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2001

	NOTE	THE COMPANY		CONSOLIDATED	
		YEAR ENDED 31 DECEMBER 2001 \$M	SIX MONTHS ENDED 31 DECEMBER 2000 \$M	YEAR ENDED 31 DECEMBER 2001 \$M	SIX MONTHS ENDED 31 DECEMBER 2000 \$M
OPERATING ACTIVITIES					
Premium received		–	–	5,806	2,523
Reinsurance and other recoveries received		–	–	819	324
Outwards reinsurance paid		–	–	(1,076)	(379)
Claims paid		–	–	(3,985)	(1,761)
Insurance costs paid		–	–	(1,342)	(521)
Other underwriting costs		–	–	(135)	(21)
Interest received		–	–	407	154
Dividends received		64	112	37	23
Other operating income		–	–	4	3
Other operating payments		–	(103)	(58)	(52)
Interest paid		–	–	(73)	(23)
Income taxes paid		–	–	(124)	(134)
CASH FLOWS from operating activities	33	64	9	280	136
INVESTING ACTIVITIES					
Proceeds on sale of equity investments		–	–	619	1,581
Proceeds on sale of properties		–	–	17	62
Proceeds on sale of plant and equipment		–	–	10	3
Payments for purchase of equity investments		–	–	(621)	(324)
(Payments for) proceeds from (purchase) sale of other investments		–	–	(384)	339
(Payments for) proceeds from purchase of controlled entities and business acquired (consolidated is net of cash acquired)		(804)	(90)	71	(833)
Payments for purchase of properties		–	–	(3)	–
Payments for purchase of plant and equipment		–	–	(61)	(16)
CASH FLOWS from investing activities		(804)	(90)	(352)	812
FINANCING ACTIVITIES					
(Payments to) proceeds from controlled entities		(144)	90	–	–
Proceeds from issue of shares*		942	17	929	275
Proceeds from borrowings		–	–	69	727
Repayment of borrowings		–	–	(191)	(117)
Dividends paid		(58)	(26)	(82)	(26)
CASH FLOWS from financing activities		740	81	725	859
INCREASE (DECREASE) IN CASH HELD					
Cash at the beginning of the financial year		–	–	3,550	1,676
Effect of exchange rate changes on opening cash		–	–	208	67
CASH AT THE END OF THE FINANCIAL YEAR	6	–	–	4,411	3,550

*Prior period proceeds are from issue of mandatory convertible preference shares.
The above statements of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2001

1 Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and the Corporations Act 2001. It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

The directors have elected to apply Accounting Standard AASB 1044: Provisions, Contingent Liabilities and Contingent Assets before its mandatory application date, in accordance with subsection 334(5) of the Corporations Act 2001. As a result, no provision has been made for the final Group dividend. This represents a change in accounting policy.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by QBE Insurance Group Limited ("the company") as at 31 December 2001 and the results of all controlled entities for the financial year then ended. The company and its controlled entities together are referred to in this financial report as the "consolidated entity". The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which the control commences. Where control of an entity ceases during a financial year, its results are included for that part of the period during which the control existed.

(b) Premium revenue

Direct and inward reinsurance premium comprises amounts charged to policyholders excluding taxes collected on behalf of third parties. The earned portion of premium received and receivable, including unclosed business, is recognised as revenue. Premium on unclosed business is brought to account based upon the pattern of booking of renewals and new business.

(c) Unearned premium

Unearned premium is calculated based on the term of the risk which closely approximates the pattern of risks underwritten using either the daily pro rata method or the 24ths method.

(d) Claims

Outstanding claims and reinsurance and other recoveries are assessed by reviewing individual claims and making allowance for claims incurred but not reported, foreseeable events, past experience and trends. The majority of outstanding claims are reviewed by independent actuaries.

Outstanding claims and reinsurance and other recoveries include allowances for inflation, superimposed inflation and expenses of run-off and are discounted for investment income using market risk related returns. Prudential margins are included for uncertainties and latency claims.

(e) Acquisition costs

A portion of acquisition costs relating to unearned premium is deferred in recognition that it represents a future benefit. Deferred acquisition costs are measured at the lower of cost and recoverable amount. Deferred acquisition costs are amortised over the financial years expected to benefit from the expenditure.

(f) Investment income

Investment income is taken into account on an accruals basis with the exception of dividends, which are taken into account when due. Investment income includes the movement in unrealised gains on investments.

(g) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statements of financial performance is matched with the accounting profit after allowing for permanent differences. The future income tax benefit relating to tax losses is carried forward as an asset only if the benefit is virtually certain of realisation. Provision is made for the deferred tax liability that may eventually be payable on the unrealised gains on investments.

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NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies continued**(h) Investments****(i) Basis of valuation**

Investments are valued at net market value. Net market values are determined as follows:

Quoted investments	– by reference to market quotations
Unquoted investments	– directors' valuation based on current economic conditions and the latest available information
Properties	– lower of independent valuation and directors' valuation
Controlled entities	– cost or directors' valuation

Where material, estimated costs of realisation are deducted.

(ii) Policyholders' and shareholders' funds

Policyholders' funds are those investments which are held to fund the insurance liabilities of the consolidated entity. The remaining investments, primarily comprising equities and properties, represent shareholders' funds. Insurance profit is derived by adding investment income on policyholders' funds, which excludes movements in unrealised gains on investments, to the underwriting result.

(iii) Recoverable amount

For controlled entities of the company, the expected net cash flows included in determining recoverable amounts are not discounted to present value.

(iv) Derivatives

Gains and losses on foreign currency derivatives, being forward foreign exchange contracts and foreign currency options, are brought to account as they arise and are measured at net market value at balance date by reference to movements in forward exchange rates. Gains and losses on equity and fixed interest derivatives, being put and call options, are brought to account as they arise and are measured at net market value by reference to movements in the underlying securities.

(i) Intangibles

Intangible assets are valued at cost unless there has been a permanent diminution in value, in which case they are valued at residual value. The excess of book value over residual value of intangibles including goodwill is amortised using the straight line method over 20 years.

(j) Depreciation

Fixed assets, comprising motor vehicles, office equipment and fixtures, are depreciated using the straight line method over the estimated useful life to the consolidated entity of each class of asset.

(k) Borrowings

Bank loans are carried at their principal amounts. Eurobonds are carried at their converted principal amounts in the currency of repayment. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(l) Foreign currencies

Foreign currency transactions are translated into Australian currency at the rate of exchange at the date of the transaction. At balance date, amounts payable and receivable in foreign currencies are translated at the rates of exchange prevailing at that date. The assets and liabilities of overseas controlled entities are translated into Australian currency at the financial year end rates of exchange and their revenues and expenses are translated at the average rates of exchange ruling during the year.

Exchange gains and losses on translation of transactions and self-sustaining operations for currencies which are not readily tradeable are taken directly to the foreign currency translation reserve. Exchange gains and losses on translation of transactions and self-sustaining operations for currencies which are readily tradeable and managed by the consolidated entity are included in profit from ordinary activities.

(m) Cash

For the purpose of the statements of cash flows, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

(n) Equity

Ordinary share capital and mandatory convertible preference shares are recognised at the issue price, net of costs of issue.

NOTES TO THE FINANCIAL STATEMENTS

	THE COMPANY		CONSOLIDATED	
	YEAR ENDED	SIX MONTHS ENDED	YEAR ENDED	SIX MONTHS ENDED
	31 DECEMBER 2001	31 DECEMBER 2000	31 DECEMBER 2001	31 DECEMBER 2000
	\$M	\$M	\$M	\$M
2 Revenue				
Revenue from ordinary activities				
Premium revenue				
Direct	–	–	4,223	1,680
Inward reinsurance	–	–	2,075	839
	–	–	6,298	2,519
Outward reinsurance revenue				
Reinsurance and other recoveries	–	–	2,731	699
Investment revenue				
Investment income	34	110	426	191
Realised gains on investments	(1)	–	37	55
	33	110	463	246
Total revenue	33	110	9,492	3,464

	NOTE	YEAR ENDED	SIX MONTHS ENDED
		31 DECEMBER 2001	31 DECEMBER 2000
		\$M	\$M
		\$M	\$M
3 Profit from ordinary activities before income tax			
(a) Profit from ordinary activities before income tax (consolidated)			
Gross written premium		6,793	2,196
Unearned premium movement		(495)	323
Gross earned premium		6,298	2,519
Outward reinsurance premium		1,818	466
Deferred reinsurance premium movement		(154)	129
Outward reinsurance premium expense		1,664	595
Net earned premium		4,634	1,924
Gross claims incurred		6,139	1,991
Claims settlement expenses		142	72
Reinsurance and other recoveries		(2,731)	(699)
Net claims incurred	5	3,550	1,364
Net commission		936	362
Other acquisition costs		343	171
Underwriting and other expenses		248	83
		5,077	1,980
UNDERWRITING RESULT		(443)	(56)
Investment income on policyholders' funds		324	154
INSURANCE PROFIT		(119)	98
Investment income on shareholders' funds		20	31
PROFIT (LOSS) FROM ORDINARY ACTIVITIES before income tax		(99)	129

NOTES TO THE FINANCIAL STATEMENTS

	THE COMPANY		CONSOLIDATED	
	YEAR ENDED 31 DECEMBER 2001 \$M	SIX MONTHS ENDED 31 DECEMBER 2000 \$M	YEAR ENDED 31 DECEMBER 2001 \$M	SIX MONTHS ENDED 31 DECEMBER 2000 \$M
3 Profit from ordinary activities before income tax continued				
(b) Investment and other income				
Dividends				
Controlled entities	34	110	–	–
Non-related entities	–	–	36	20
Interest received or receivable from non-related entities	–	–	381	166
Other income	–	–	9	5
	34	110	426	191
Exchange gains (losses)	–	–	(10)	(1)
Realised gains (losses) on investments				
Equities and properties	–	–	(5)	54
Fixed interest and other	(1)	–	42	1
	33	110	453	245
Interest paid or payable to non-related entities	–	–	(65)	(36)
Other investment expenses*	–	–	(20)	(19)
INVESTMENT AND OTHER INCOME				
before movement in unrealised gains on investments	33	110	368	190
Movement in unrealised gains on investments				
Equities and properties	–	–	(17)	(43)
Fixed interest and other	–	–	(7)	38
	33	110	344	185
* Includes amortisation of goodwill and write-off of intangibles of \$5 million (2000 \$2 million).				
(c) Individually significant items				
Losses				
Profit from ordinary activities after income tax includes the following World Trade Center losses:				
Gross claims incurred (undiscounted)	–	–	1,531	–
Net claims incurred	–	–	279	–
Net reinstatement premium	–	–	82	–
Net loss before income tax	–	–	361	–
Income tax at 30%	–	–	109	–
Net loss after tax	–	–	252	–
(d) Specific items				
Payments on operating leases	–	–	30	13
Depreciation of assets	–	–	31	13
Bad debts written off	–	–	2	4
Increase in provision for employee entitlements	–	–	3	1
Increase in provision for doubtful debts	–	–	13	6
Amortisation of goodwill and write-off of intangibles	–	–	5	2
Decrease in restructuring provision	–	–	(12)	(5)
Loss on sale of fixed assets	–	–	3	–

NOTES TO THE FINANCIAL STATEMENTS

	THE COMPANY		CONSOLIDATED	
	YEAR ENDED	SIX MONTHS ENDED	YEAR ENDED	SIX MONTHS ENDED
	31 DECEMBER 2001	31 DECEMBER 2000	31 DECEMBER 2001	31 DECEMBER 2000
	\$M	\$M	\$M	\$M

4 Income tax

(a) Reconciliation of prima facie tax to income tax expense

Profit from ordinary activities before income tax	33	110	(99)	129
Prima facie tax payable (credit) at 30% (2000 34%)	10	37	(30)	44
Tax effect of permanent differences:				
Rebateable dividends	(10)	(37)	(9)	(2)
Effect of change in Australian tax rates	–	–	–	4
Other differences in tax rates	–	–	(3)	(11)
Foreign exchange adjustments	–	–	(37)	(6)
Other, including non-allowable expenses and non-taxable income	1	–	3	(6)
Prima facie tax adjusted for permanent differences	1	–	(76)	23
Future income tax benefit not recognised	–	–	4	1
Under (over) provision in prior years	–	–	(10)	1
Income tax attributable to profit (loss) from ordinary activities	1	–	(82)	25

(b) Future income tax benefit relating to tax losses

The consolidated entity has a cumulative income tax benefit not brought to account of \$3 million (2000 \$3 million), which includes the benefit arising from tax losses in overseas countries. This benefit will only be brought to account when the directors are virtually certain that it will be realised. This benefit for tax losses will only be obtained if:

- (i) the consolidated entity derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

Included in the future income tax benefit in note 9 is \$54 million (2000 \$13 million) relating to tax losses which the directors are virtually certain will be realised.

	YEAR ENDED	SIX MONTHS ENDED
	31 DECEMBER 2001	31 DECEMBER 2000
	\$M	\$M

5 Claims incurred (consolidated)

(a) Claims analysis

Gross claims incurred and related expenses		
Direct	3,449	1,278
Inward reinsurance	2,832	785
	6,281	2,063
Reinsurance and other recoveries		
Direct	1,068	380
Inward reinsurance	1,663	319
	2,731	699
Net claims incurred	3,550	1,364

NOTES TO THE FINANCIAL STATEMENTS

5 Claims incurred (consolidated) continued**(b) Claims development**

Current year claims relate to risks borne in the current reporting period. Prior year claims relate to a reassessment of the risks borne in all previous reporting periods.

	YEAR ENDED 31 DECEMBER 2001			SIX MONTHS ENDED 31 DECEMBER 2000		
	CURRENT YEAR \$M	PRIOR YEARS \$M	TOTAL \$M	CURRENT YEAR \$M	PRIOR YEARS \$M	TOTAL \$M
Gross claims incurred and related expenses						
Undiscounted	6,521	111	6,632	2,234	42	2,276
Discount	(595)	244	(351)	(243)	30	(213)
	5,926	355	6,281	1,991	72	2,063
Reinsurance and other recoveries						
Undiscounted	2,677	273	2,950	745	52	797
Discount	(255)	36	(219)	(98)	–	(98)
	2,422	309	2,731	647	52	699
Net claims incurred	3,504	46	3,550	1,344	20	1,364

The increase in prior year gross undiscounted claims includes a number of large claims with substantial reinsurance recoveries partly offset by reductions in gross claims with minimal reinsurance recoveries. Claims incurred for prior years include releases of prudential margins consistent with the reduction in claims liabilities associated with those years. Conversely, prudential margins are taken up in claims incurred for the current year.

The discount expense in prior years includes the impact of a substantial reduction in discount rates as set out in note 16(a).

	THE COMPANY		CONSOLIDATED	
	31 DECEMBER 2001 \$M	31 DECEMBER 2000 \$M	31 DECEMBER 2001 \$M	31 DECEMBER 2000 \$M
6 Cash				
Cash at bank and on hand	–	–	504	370
Cash at the end of the financial year per the statements of cash flows is reconciled as follows:				
Cash	–	–	504	370
Investments – current	–	–	3,952	3,202
Bank overdraft	–	–	(45)	(22)
	–	–	4,411	3,550
7 Receivables – current				
Trade debtors				
Premium	–	–	777	840
Reinsurance and other recoveries	–	–	661	521
Unclosed premium	–	–	1,568	1,295
	–	–	3,006	2,656
Doubtful debts provision				
Premium	–	–	(29)	(15)
Reinsurance and other recoveries	–	–	(68)	(54)
	–	–	2,909	2,587
Other debtors	–	–	485	324
Amounts due from controlled entities	221	258	–	–
Income tax	–	–	55	–
Dividends				
Controlled entities	–	31	–	–
Non-related entities	–	–	1	1
	221	289	3,450	2,912

NOTES TO THE FINANCIAL STATEMENTS

	31 DECEMBER 2001 \$M	31 DECEMBER 2000 \$M
8 Deferred insurance costs (consolidated)		
Deferred reinsurance premium	502	404
Deferred net commission	420	348
Deferred acquisition costs	177	158
	1,099	910
9 Other non-current assets (consolidated)		
Future income tax benefit	185	215
Loans secured by shares	48	46
	233	261
10 Investments – market value (consolidated)		
Interest-bearing securities		
Term deposits	3,694	2,986
Bills receivable	386	298
Government securities and other	3,565	2,624
	7,645	5,908
Equities		
Quoted	860	883
Unquoted	122	93
	982	976
Properties		
	109	113
	8,736	6,997
Selling expenses	(12)	(11)
	8,724	6,986
Current	3,952	3,202
Non-current	4,772	3,784
	8,724	6,986

(a) Properties

The principal properties are valued by the directors based on the independent valuation of various qualified employees of Knight Frank (Australia) Pty Limited. Minor properties are included at the independent valuation of other licensed valuers.

All properties were valued on the basis of capitalisation of net market rentals allowing for costs of reletting and having regard to comparable on-market sales.

(b) Investments maturing within twelve months

Non-current investments include amounts maturing within twelve months of \$378 million (2000 \$495 million) which, in the normal course of business, will be reinvested and not used for working capital.

(c) Charge over investments and other assets

A controlled entity has given a fixed and floating charge over certain of its investments and other assets in order to secure the obligations of its controlled entities to Lloyd's as described in note 25.

NOTES TO THE FINANCIAL STATEMENTS

11 Financial instruments (consolidated)**(a) Interest rate risk**

The consolidated entity's exposure to interest rate risk is managed primarily through appropriate adjustments to existing investment portfolios. There were no interest rate derivatives outstanding as at 31 December 2001 or 31 December 2000.

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each significant class of interest-bearing financial asset and liability is set out below:

(i) Net interest-bearing financial assets

	FLOATING INTEREST RATE		FIXED INTEREST RATE MATURING IN						TOTAL MARKET VALUE	
			1 YEAR OR LESS		1 TO 5 YEARS		MORE THAN 5 YEARS			
	31 DEC 2001 \$M	31 DEC 2000 \$M	31 DEC 2001 \$M	31 DEC 2000 \$M	31 DEC 2001 \$M	31 DEC 2000 \$M	31 DEC 2001 \$M	31 DEC 2000 \$M	31 DEC 2001 \$M	31 DEC 2000 \$M
Interest-bearing securities	2,373	1,883	1,821	1,919	3,362	1,978	89	127	7,645	5,908
Selling expenses	(1)	(1)	(1)	(1)	(2)	(1)	–	–	(4)	(3)
	2,372	1,882	1,820	1,918	3,360	1,977	89	127	7,641	5,905
Weighted average interest rate	3.8%	5.3%	4.1%	5.9%	5.4%	6.5%	5.3%	5.9%	4.6%	5.9%
Borrowings	–	–	(297)	(398)	(154)	(154)	(387)	(363)	(838)	(915)
Weighted average interest rate	–	–	5.5%	6.8%	6.0%	6.8%	8.5%	8.5%	7.0%	7.4%
Net interest-bearing financial assets	2,372	1,882	1,523	1,520	3,206	1,823	(298)	(236)	6,803	4,989

(ii) Reconciliation of net financial assets to net assets

	31 DECEMBER 2001 \$M	31 DECEMBER 2000 \$M
Net financial assets		
Interest bearing	6,803	4,989
Non-interest-bearing and other	1,945	1,379
Net insurance liabilities	(6,419)	(5,008)
Net non-financial assets	339	391
Net assets	2,668	1,751

NOTES TO THE FINANCIAL STATEMENTS

11 Financial instruments (consolidated) continued

(b) Foreign exchange and market risk

The consolidated entity's primary business is that of providing insurance by way of contracts that expose the consolidated entity to identified risks of loss from events or circumstances occurring or discovered within a specified period. Derivatives are one of the means used to manage risks which arise as a consequence of the management of policyholders' funds and shareholders' funds, particularly in relation to the overseas operations of the consolidated entity. In view of the requirements included in AASB 1033: Presentation and Disclosure of Financial Instruments, the directors provide the following information. This information is specific to derivatives only.

- (i) The consolidated entity is exposed to foreign exchange risk on its net position in foreign currencies. Derivatives are used to help manage this exposure by entering into forward foreign exchange contracts and currency options, some of which involve the exchange of two foreign currencies according to the needs of foreign controlled entities. Contractual amounts for foreign exchange derivatives outstanding at balance date include forward foreign exchange contracts to purchase \$1,822 million (2000 \$1,089 million). \$747 million (2000 \$570 million) of these derivatives mature in 2010, the remainder have a period of maturity within one year of the balance date.
- (ii) The consolidated entity is exposed to market risk on its investment in equities and fixed interest securities. Derivatives are used to help manage this exposure through forward contracts and options. All derivative positions entered into by the Group are for hedging purposes. No speculative positions are entered into. Contractual amounts for options outstanding at balance date include net short positions on purchased options of \$215 million (2000 Nil) and written options of \$178 million (2000 Nil).
- (iii) The derivative risk management process is subject to regular internal audit and close senior management scrutiny, including regular board and other management reporting. All derivatives entered into are subject to authority levels provided to management and the levels of exposure are reviewed on an ongoing basis by the investment committee of the board. This committee is responsible, inter alia, for overseeing the process of derivative risk management and ensuring that all derivative transactions and related internal control procedures are conducted within board approved policy and compliance is monitored closely.

(c) Credit risk

The credit risk on financial assets of the consolidated entity is generally the carrying amount, which is net of any provisions. The consolidated entity only uses derivatives in highly liquid markets. Credit risk exposures are calculated regularly and compared to authorised credit limits before further transactions are undertaken with each counter-party. The consolidated entity does not expect any counter-parties to fail to meet their obligations given their high credit ratings and therefore does not require collateral or other security to support derivatives.

NOTES TO THE FINANCIAL STATEMENTS

	COUNTRY OF INCORPORATION	EQUITY HOLDING	
		31 DECEMBER 2001 %	31 DECEMBER 2000 %
12 Shares in controlled entities (parent company)			
QBE Insurance Group Limited	Australia		
AC Marcom Computer Services Pte Ltd	Singapore	75.00	75.00
AEW Underwriting Agency (UK) Limited	UK	100.00	100.00
Ambassador Motor Policies (Management) Limited (liquidated)	UK	–	100.00
Atlasz Utasbiztosítási Egyes Ügynöki Kft	Hungary	100.00	–
Australian Aviation Insurance Group (Agency) Pty Limited	Australia	100.00	–
Australian Aviation Underwriting Pool Pty Limited	Australia	96.25	13.19
Bankers' and Traders' Insurance Co Pty Limited (liquidated)	Australia	–	100.00
Bankside Insurance Holdings Limited	UK	100.00	100.00
Bankside Services (America's) Inc (liquidated)	USA	–	100.00
Bankside Services Limited	UK	100.00	100.00
Bankside Syndicates Limited (liquidated)	UK	–	100.00
Bankside Underwriting Agencies Limited	UK	100.00	100.00
Bates Cunningham Underwriting Limited	UK	100.00	100.00
Belgravia Facilities Limited	UK	100.00	100.00
BIDV – QBE Insurance Company Limited	Vietnam	50.00	50.00
BR Smith (Insurance Services) Limited	UK	100.00	100.00
Compania Internationale de Asigurari QBE ASITO SA	Moldova	69.12	69.12
CUL Holdings Limited (liquidated)	UK	–	100.00
Equator Holdings (Australia) Pty Limited (liquidated)	Australia	–	100.00
Equator Reinsurances Limited	Bermuda	100.00	100.00
Equitable Group Pty Limited (liquidated)	Australia	–	100.00
Equitable Life and General Insurance Company Pty Limited (liquidated)	Australia	–	100.00
Evergreen Underwriting Services Limited (sold)	UK	–	100.00
Excess Markets Corporation Inc	Canada	100.00	100.00
FAI Insurances (Fiji) Limited	Fiji	100.00	100.00
Garwyn Ireland Limited	Ireland	100.00	100.00
Garwyn Limited	UK	100.00	100.00
Hyfield Company Limited*	Thailand	49.00	49.00
Inform Advice Line Limited (liquidated)	UK	–	100.00
Insurance Consult SRL	Moldova	100.00	100.00
Insure IT Services Pty Limited	Australia	100.00	100.00
Iron Trades Claims Services Limited (liquidated)	UK	–	100.00
Iron Trades Insurance Company Limited	UK	100.00	100.00
Iron Trades Management Services Limited	UK	100.00	100.00
Iron Trades Promotions Limited (liquidated)	UK	–	100.00
IT Insurance Company Limited	UK	100.00	100.00
IT Investments (1990) Limited	UK	100.00	100.00
Janeen Services Limited (liquidated)	UK	–	100.00
Janson Green Holdings (Canada) Inc	Canada	100.00	100.00
Janson Green Holdings Limited	UK	100.00	100.00
Janson Green Holdings Special Trust Limited	UK	100.00	100.00
Limit (Australia) Pty Limited	Australia	100.00	100.00
Limit (Insurance and Reinsurance) Services Limited	UK	100.00	100.00
Limit No 1 Limited	UK	100.00	100.00
Limit No 2 Limited	UK	100.00	100.00
Limit No 3 Limited	UK	100.00	100.00
Limit No 4 Limited	UK	100.00	100.00
Limit No 5 Limited	UK	100.00	100.00
Limit No 6 Limited	UK	100.00	100.00
Limit No 7 Limited	UK	100.00	100.00

NOTES TO THE FINANCIAL STATEMENTS

	COUNTRY OF INCORPORATION	EQUITY HOLDING	
		31 DECEMBER 2001 %	31 DECEMBER 2000 %
12 Shares in controlled entities (parent company) continued			
Limit No 10 Limited	UK	100.00	100.00
Limit No 12 Limited	UK	100.00	100.00
Limit No 14 Limited	UK	100.00	100.00
Limit No 15 Limited (liquidated)	UK	–	100.00
Limit No 16 Limited (liquidated)	UK	–	100.00
Limit No 17 Limited	UK	100.00	100.00
Limit No 18 Limited (liquidated)	UK	–	100.00
Limit Corporate Members Limited	UK	100.00	100.00
Limit Group Employee Benefits Trustee Ltd	UK	100.00	100.00
Limit Holdings Limited	UK	100.00	100.00
Limit plc	UK	100.00	100.00
Limit Properties Limited	UK	100.00	100.00
Limit Underwriting Advisers Limited (liquidated)	UK	–	100.00
Limit Underwriting Limited	UK	100.00	100.00
Malabar Company Limited (liquidated)	Hong Kong	–	100.00
Malekula Company Limited (liquidated)	Hong Kong	–	100.00
Pitt Nominees Pty Limited	Australia	100.00	100.00
PT Asuransi QBE Pool Indonesia	Indonesia	60.00	60.00
QBE Agency Services Ltd	UK	100.00	100.00
QBE ART SA	Argentina	65.00	–
QBE Asset Management Pty Limited (liquidated)	Australia	–	100.00
QBE Atlasz Biztosito Rt	Hungary	100.00	100.00
QBE Australia Pty Limited	Australia	100.00	100.00
QBE Brasil Seguros SA	Brazil	100.00	–
QBE Capital Limited	Jersey	100.00	100.00
QBE Corporate Capital Holdings plc	UK	100.00	100.00
QBE Corporate Holdings Ltd	UK	100.00	100.00
QBE Corporate Limited	UK	100.00	100.00
QBE Finance Pty Limited	Australia	100.00	100.00
QBE Group (Investments) Limited	Australia	100.00	100.00
QBE Holdings (Australia) Pty Limited	Australia	100.00	100.00
QBE Holdings Inc	USA	100.00	100.00
QBE Holdings (UK) Limited	UK	100.00	100.00
QBE Hongkong & Shanghai Insurance Limited	Hong Kong	74.47	50.09
QBE Insurance (Australia) Limited	Australia	100.00	100.00
QBE Insurance Corporation	USA	100.00	100.00
QBE Insurance (Hong Kong) Limited	Hong Kong	100.00	100.00
QBE Insurance (International) Ltd	Australia	100.00	100.00
QBE Insurance (Malaysia) Berhad	Malaysia	100.00	100.00
QBE Insurance (Philippines) Inc	Philippines	59.00	59.00
QBE Insurance (PNG) Limited	PNG	100.00	100.00
QBE Insurance (Thailand) Co Ltd*	Thailand		
Thai resident entities		25.08	25.08
Non-Thai resident entities		24.87	24.87
QBE Insurance (Vanuatu) Limited	Vanuatu	100.00	100.00
QBE International Holdings Limited	Hong Kong	100.00	100.00
QBE International Holdings (UK) plc	UK	100.00	100.00
QBE International Insurance Limited	UK	100.00	100.00
QBE International (Investments) Pty Limited	Australia	100.00	100.00
QBE Investments (North America) Inc	USA	100.00	100.00
QBE Investments Pty Limited	Australia	100.00	100.00

NOTES TO THE FINANCIAL STATEMENTS

	COUNTRY OF INCORPORATION	EQUITY HOLDING	
		31 DECEMBER 2001 %	31 DECEMBER 2000 %
12 Shares in controlled entities (parent company) continued			
QBE Makedonija**	Macedonia	65.03	65.03
QBE Management Inc	USA	100.00	100.00
QBE Management Services Pty Ltd	Australia	100.00	100.00
QBE Management (UK) Limited	UK	100.00	100.00
QBE Marine Underwriting Agency Pte Limited	Singapore	70.00	–
QBE Nominees (PNG) Pty Limited	PNG	100.00	100.00
QBE Nominees Pty Limited	Australia	100.00	100.00
QBE Pacific Insurance Limited	PNG	100.00	–
QBE (PNG) Pty Limited	PNG	100.00	100.00
QBE Poistovna AS	Slovakia	100.00	100.00
QBE Re Services Pty Limited	Australia	100.00	100.00
QBE Reinsurance Administration Pty Ltd	Australia	100.00	100.00
QBE Reinsurance Corporation	USA	100.00	100.00
QBE Reinsurance (Europe) Limited	Ireland	100.00	100.00
QBE Reinsurance (UK) Limited	UK	100.00	100.00
QBE Securities Pty Limited	Australia	100.00	100.00
QBE Trade Indemnity Pty Limited	Australia	100.00	100.00
QBE-UGPB Insurance*	Ukraine	50.00	50.00
QBE Underwriting Agency Ltd	UK	100.00	100.00
QBE WorkAble Limited	NZ	100.00	–
QBE Workers Compensation (NSW) Limited	Australia	100.00	100.00
Queensland Insurance (Australia) Pty Limited	Australia	100.00	100.00
Queensland Insurance (Fiji) Limited	Fiji	100.00	100.00
Queensland Insurance (Investments) Limited	Fiji	100.00	100.00
Reinsurers Investments Pty Limited	Australia	100.00	100.00
Reinsurers Pty Limited (liquidated)	Australia	–	100.00
Ridgwell Fox & Partners (Underwriting Management) Limited	UK	100.00	100.00
RJ Wallace Syndicates (Ireland) Limited	Ireland	100.00	100.00
RJ Wallace Syndicates Limited	UK	100.00	100.00
RJ Wallace Syndicates (Southern) Ltd (liquidated)	UK	–	100.00
Sandsale Limited	UK	100.00	100.00
Screensure Limited (liquidated)	UK	–	100.00
Sinkaonamahasarn Company Limited*	Thailand	49.00	49.00
SRC Management Services Pte Ltd	Singapore	100.00	100.00
Strakh-Consult	Ukraine	100.00	100.00
Sydney Reinsurance Group Pty Limited	Australia	100.00	100.00
The City Mutual General Insurance Pty Limited (liquidated)	Australia	–	100.00
The Farmers and Settlers Insurance Co of Australia Ltd (liquidated)	Australia	–	99.96
TII Insurance Brokers Pty Limited	Australia	100.00	100.00
Torch Dedicated Corporate Member Limited	UK	100.00	100.00
Torch Holdings	UK	100.00	100.00
Torch Insurance Services Limited (sold)	UK	–	100.00
Torch Motor Policies (Management) Limited (liquidated)	UK	–	100.00
Trade Indemnity New Zealand Limited	NZ	100.00	100.00
Transport Industries Insurance Company Limited	Australia	100.00	100.00
Travelon Insurance (Agencies) Pty Limited	Australia	100.00	100.00
Universal Management Limited	Ireland	100.00	100.00
Western QBE Insurance Limited	Australia	100.00	100.00
Westking Limited (liquidated)	UK	–	100.00

* The following special conditions exist with respect to the consolidated entity's equity holdings:

The consolidated entity has effective control of QBE Insurance (Thailand) Co Ltd and QBE-UGPB Insurance through shareholders' agreements which nominate management of the insurance businesses to the consolidated entity. The issued share capital of Hyfield Company Limited and Sinkaonamahasarn Company Limited owned by the consolidated entity is held by various controlled entities. Other controlled entities have the right to acquire the remaining share capital.

** This shareholding equates to 73.28% (2000 73.28%) of the voting rights.

NOTES TO THE FINANCIAL STATEMENTS

12 Shares in controlled entities (parent company) continued

(a) Change of name

CONTROLLED ENTITY	FORMER NAME
QBE Atlasz Biztosito Rt	Atlasz Biztosito Rt
QBE Holdings (Australia) Pty Limited	QBE Insurance Limited
QBE Hongkong & Shanghai Insurance Limited	Hongkong & Shanghai Insurance Company Ltd
QBE Makedonija	ADOR Makedonija
QBE Re Services Pty Ltd	Sydney Reinsurance Company Limited
QBE Reinsurance (Europe) Limited	QBE Insurance & Reinsurance (Europe) Limited
QBE Trade Indemnity Pty Limited	QBE Trade Indemnity Limited

(b) Outside equity interests in controlled entities (consolidated)

	31 DECEMBER 2001 \$M	31 DECEMBER 2000 \$M
Ordinary share capital	36	26
Reserves	8	1
Retained profits	4	15
	48	42

(c) Undistributed profits of overseas controlled entities

Undistributed profits of overseas controlled entities amount to \$354 million (2000 \$984 million). Some of these profits may be subject to assessment for Australian tax (less overseas taxes paid) if distributed as dividends.

(d) Equity

All equity in controlled entities is held in the form of shares.

(e) Acquisitions

On 19 March 2001, a wholly owned entity acquired the rights to renew the corporate and travel business of HIH Casualty and General Insurance Limited in Australia for cash.

On 30 April 2001, a wholly owned controlled entity acquired a substantial part of the insurance assets and insurance liabilities of HIH Casualty and General Insurance (NZ) Limited in New Zealand, including 100% of the issued capital of QBE WorkAble Limited (formerly HIH WorkAble Limited), for cash.

On 11 May 2001, a wholly owned controlled entity acquired 65% of QBE ART SA (formerly HIH ART SA), for cash.

On 17 August 2000, QBE had acquired 90.10% of the share capital of Limit plc, giving it the right to compulsorily acquire the remainder of the shares. At 3 November 2000, 100% of Limit plc had been purchased and Limit plc was delisted.

NOTES TO THE FINANCIAL STATEMENTS

12 Shares in controlled entities (parent company) continued**(e) Acquisitions continued**

	31 DECEMBER 2001 \$M	31 DECEMBER 2000 \$M
Details of acquisitions are as follows:		
Fair value of identifiable net tangible assets of controlled entities and business acquired:		
Cash and current investments	88	218
Receivables	11	825
Deferred insurance costs	18	268
Non-current investments	58	1,672
Plant and equipment	4	24
Trade and other creditors	(22)	(141)
Net outstanding claims	(130)	(1,452)
Unearned premium	(48)	(496)
Provision for income tax	–	(168)
Net deferred income tax	26	81
Other provisions	(1)	–
	4	831
Less: Outside equity interests	2	–
	2	–
Intangibles on acquisition*	42	208
Cost of acquisitions	44	1,039

* Prior period includes Lloyd's syndicate capacity (written down value \$74 million)

The net cash flow relating to acquisitions was as follows:

Cash consideration	50	1,039
Cash and current investments acquired	(88)	(218)
Net cash (acquired) paid	(38)	821

(f) Disposals

No material disposals of controlled entities were made during the year ended 31 December 2001 or the six months ended 31 December 2000.

13 Plant and equipment (consolidated)

Cost	270	285
Accumulated depreciation	(146)	(194)
	124	91

14 Intangibles (consolidated)

Goodwill at cost, less amounts written off	98	98
Accumulated amortisation	(13)	(8)
	85	90
Identifiable intangibles, including Lloyd's syndicate capacity	387	279
	472	369

	THE COMPANY		CONSOLIDATED	
	31 DECEMBER 2001 \$M	31 DECEMBER 2000 \$M	31 DECEMBER 2001 \$M	31 DECEMBER 2000 \$M
15 Trade and other creditors				
Trade creditors	–	–	1,049	767
Bank overdraft	–	–	45	22
Amounts due to controlled entities	557	739	–	–
Other creditors and accrued expenses	1	–	341	310
	558	739	1,435	1,099

NOTES TO THE FINANCIAL STATEMENTS

	31 DECEMBER 2001 \$M	31 DECEMBER 2000 \$M
16 Outstanding claims (consolidated)		
Gross outstanding claims including prudential margins	13,526	9,369
Discount to present value	(1,760)	(1,254)
	11,766	8,115
Current	3,837	2,847
Non-current	7,929	5,268
	11,766	8,115
Reinsurance and other recoveries on outstanding claims	5,687	2,938
Discount to present value	(710)	(349)
	4,977	2,589
Current	1,608	864
Non-current	3,369	1,725
	4,977	2,589
NET OUTSTANDING CLAIMS	6,789	5,526
Net outstanding claims by geographic segment		
Australian general insurance	1,372	1,029
Asia-Pacific general insurance	283	162
the Americas	391	292
European company operations	2,536	2,478
Lloyd's division	2,207	1,565
	6,789	5,526

Prudential margins have been taken up to partially offset the effect of the discount on outstanding claims.

(a) Inflation and discount rates

The following range of inflation rates (normal and superimposed) and discount rates were used in the measurement of outstanding claims and reinsurance and other recoveries on outstanding claims:

	31 DECEMBER 2001 %		31 DECEMBER 2000 %	
	SUCCEEDING YEAR	SUBSEQUENT YEARS	SUCCEEDING YEAR	SUBSEQUENT YEARS
Australian general insurance				
Inflation rate	3.50–10.50	3.50–10.50	4.00–10.13	4.00–10.19
Discount rate	4.35	4.60–8.50	6.35	5.70–8.50
Asia-Pacific general insurance				
Discount rate	1.35–15.00	1.35–15.00	6.00	6.00
the Americas				
Discount rate	5.00	5.00	6.00	6.00
European company operations				
Discount rate	2.00–5.25	2.50–8.50	3.00–6.40	4.00–8.50
Lloyd's division				
Discount rate	5.00	5.00	6.25	6.25

The inflation rate used for all business other than Australian long-tail portfolios is the rate implicit in past statistics.

NOTES TO THE FINANCIAL STATEMENTS

16 Outstanding claims (consolidated) continued**(b) Weighted average term to settlement**

The weighted average term to settlement of outstanding claims from the balance date is estimated to be:

	31 DECEMBER 2001 YEARS	31 DECEMBER 2000 YEARS
Australian general insurance	3.4	3.3
Asia-Pacific general insurance the Americas	2.4	1.5
European company operations	1.8	2.4
Lloyd's division	2.5	2.5
Consolidated entity	2.9	2.2
	2.7	2.5

	31 DECEMBER 2001 \$M	31 DECEMBER 2000 \$M
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17 Borrowings (consolidated)

Borrowings are repayable as follows:

DATE	AMOUNT		
Bank loans			
07 June 2001	US\$12 million	–	22
28 June 2001	EUR7 million	–	12
21 December 2001	EUR8 million	–	13
31 December 2001	MKD145 million	–	4
02 January 2002*	GBP40 million	114	252
09 July 2002	US\$20 million	39	36
30 September 2002	GBP18 million	51	–
15 November 2002	GBP22 million	63	59
31 December 2002	US\$15 million	30	27
19 June 2003	US\$20 million	39	36
14 October 2003	US\$6 million	12	11
21 November 2003	US\$30 million	59	53
21 December 2004	US\$8 million	15	–
15 October 2004	EUR16 million	28	27
23 May 2005	MKD52 million	1	–
		451	552
Eurobonds**			
02 August 2010	A\$150 million / GBP58 million	166	156
02 August 2010	A\$20 million / GBP8 million	22	21
02 August 2010	EUR115 million / GBP70 million	199	186
		387	363
TOTAL BORROWINGS		838	915

* GBP54 million repaid during the year.

** Eurobonds are fixed at GBP amounts until 2010 at which point they will revert to the original A\$ and EUR amounts shown. The facility can be extended for a further 10 years to 2020.

Total borrowings

Current	297	398
Non-current	541	517
	838	915

NOTES TO THE FINANCIAL STATEMENTS

17 Borrowings (consolidated) continued

(a) Security and facility arrangements

The bank loans are made to controlled entities and secured by guarantees or letters of comfort given by the company. The consolidated entity does not have any loan facility arrangements.

The Eurobonds are issued by a controlled entity and secured by guarantees given by other controlled entities. The claims of bondholders pursuant to those guarantees will be subordinated in right of payment to the claims of all senior creditors including policyholders, of those controlled entities.

	THE COMPANY		CONSOLIDATED	
	31 DECEMBER 2001 \$M	31 DECEMBER 2000 \$M	31 DECEMBER 2001 \$M	31 DECEMBER 2000 \$M
18 Provisions – current				
Income tax	–	–	11	64
Dividends	–	68	–	69
	–	68	11	133
19 Provisions – non-current				
Deferred income tax*				
Unrealised gains on investments	–	–	(7)	19
Other	2	2	67	201
	2	2	60	220
Long service leave	–	–	5	4
Other provisions	–	–	5	9
Amounts payable under acquisition agreements	–	–	8	11
	2	2	78	244

*The reduction in the deferred income tax provision results from remeasurement of timing differences.

NOTES TO THE FINANCIAL STATEMENTS

20 Share capital (company and consolidated)

	31 DECEMBER 2001 \$M	31 DECEMBER 2000 \$M
(a) Issued ordinary shares, fully paid	1,732	714
	NUMBER OF SHARES 000	\$M
(b) Movements in issued ordinary share capital		
Issued and fully paid at 1 July 2000	421,824	665
Bonus shares issued	53	–
Shares issued under Employee Share and Option Plan	1,446	13
Employee options exercised	799	5
Shares issued under Dividend Reinvestment Plan	3,751	31
Shares issued under Dividend Election Plan	768	–
Issued and fully paid at 31 December 2000	428,641	714
Shares issued under Employee Share and Option Plan	903	9
Employee options exercised	598	4
Share placement*	25,181	275
Shares issued under prospectus*	121,377	655
Shares issued under Dividend Reinvestment Plan	7,506	75
Shares issued under Dividend Election Plan	1,113	–
Issued and fully paid at 31 December 2001	585,319	1,732

* Costs of \$15 million associated with the issue of the shares have been applied against the proceeds of the equity raisings.

(c) Convertible preference shares

On 18 August 2000, a controlled entity issued 3,150,000 mandatory convertible preference shares of US\$50 each, fully paid. These shares will convert to approximately 35.6 million ordinary shares in the company on 18 August 2003. The number of shares issued on conversion can vary to a small extent according to the value of the company's ordinary shares at conversion date. The convertible preference shares are entitled to a non-cumulative dividend of 8% per annum, payable on 18 February and 18 August. No dividends can be declared on the company's ordinary share capital if dividends are not paid on the convertible preference shares. The company has guaranteed dividend payments on the convertible preference shares to the extent that funds are legally available for distribution in the issuing entity. The convertible preference shares are non-voting provided dividends are declared and paid. Costs of \$10 million associated with the issue of the shares have been applied against the proceeds of the equity raising.

(d) Employee Share and Option Plan

The company, at its 1981 Annual General Meeting, approved the issue of shares under an Employee Share and Option Plan ("the Plan") up to 5% of the issued ordinary shares in the capital of the company from time to time. Shares under the Plan are issued at the quoted price at the date employees are invited to subscribe for shares and, in the case of options, at the quoted market price at the date the options are granted. Any full-time employee of the consolidated entity who is offered shares or options pursuant to the offer document of the Plan is eligible to participate in the Plan.

In accordance with the terms of the Plan, interest free loans are granted to employees for shares issued under the Plan. In 1991 the terms of the loans were amended by the directors from full recourse to either full recourse or recourse to the value of shares held under the Plan at the time of sale or ceasing to be an employee. In making this change, the directors imposed certain security requirements to be met from time to time.

During the year, the company granted to 103 (2000 54) qualifying employees options to subscribe for 3,601,070 (2000 318,650) ordinary shares with a total market value of \$28 million (2000 \$3 million), being the quoted price at the date the options were granted. A total of 13,153,199 (2000 9,552,129) options to subscribe for shares have been granted since the commencement of the Plan.

At 31 December 2001, 6,526,165 (2000 4,370,400) options are outstanding with an exercise price of \$50 million (2000 \$28 million). The market value of the options outstanding at balance date is \$50 million (2000 \$43 million), calculated by reference to the quoted market value of the underlying shares at that date. During the financial year, 578,255 (2000 801,175) options were exercised, resulting in the issue of 596,440 (2000 854,333) shares.

NOTES TO THE FINANCIAL STATEMENTS

20 Share capital (company and consolidated) continued

(d) Employee Share and Option Plan continued

The options outstanding at the balance date can be exercised on the following dates:

EXERCISE DATE OF OPTION	NUMBER OF OPTIONS 000
30 January 2002*	205
01 July 2002	460
30 September 2002	365
14 December 2002	1,185
31 December 2002	290
14 December 2003	390
01 April 2004	320
18 April 2004	200
30 September 2004	125
24 May 2006	388
31 May 2006	175
31 March 2007	1,120

* Options lapsed since balance date as performance hurdles not met.

The remaining options are exercisable at 20% per annum on each anniversary date of the grant of the options. Unexercised options to which an employee is entitled can be exercised on the following anniversary date. These options expire if not exercised within five years from the date of issue.

(e) Dividend Reinvestment and Dividend Election Plans

Dividend Reinvestment and Dividend Election Plans were approved by shareholders during the year ended 30 June 1989. Shareholders can elect to take their dividend entitlement by way of shares at a 2.5% discount on the average market price calculated over the five trading days beginning on the first day of ex-dividend trading.

	YEAR ENDED 31 DECEMBER 2001 \$M	SIX MONTHS ENDED 31 DECEMBER 2000 \$M
(f) Dividends		
Interim dividend paid on ordinary shares		
Franked at 30% – 4.1 cents	19	–
Unfranked 12.4 cents	57	–
	76	–
Dividend reinvested under the Dividend Election Plan	(11)	(7)
	65	(7)
Final dividend proposed on ordinary shares		
Franked (2000 franked at 34% – 4.8 cents)	–	21
Unfranked (2000 11.2 cents)	–	48
	–	69
Total dividend provided for or paid on ordinary shares	65	62
Preference dividend paid	24	–
Total dividend provided for or paid	89	62

The directors have proposed a 15% franked final dividend of \$80 million. In accordance with Accounting Standard AASB 1044: Provisions, Contingent Liabilities and Contingent Assets, no provision has been made for this dividend.

The consolidated franking balance as at the balance date was a surplus of \$2 million (2000 \$8 million deficit) after taking into account the expected Australian tax payments of \$7 million.

NOTES TO THE FINANCIAL STATEMENTS

	THE COMPANY		CONSOLIDATED	
	YEAR ENDED 31 DECEMBER 2001	SIX MONTHS ENDED 31 DECEMBER 2000	YEAR ENDED 31 DECEMBER 2001	SIX MONTHS ENDED 31 DECEMBER 2000
	\$M	\$M	\$M	\$M
21 Reserves				
General				
Balance brought forward	–	–	13	13
Transfer to retained profits	–	–	(8)	–
Balance at the end of the year	–	–	5	13
Realised capital profits				
Balance brought forward	–	–	42	42
Transfer to retained profits	–	–	(12)	–
Balance at the end of the year	–	–	30	42
Foreign currency translation				
Balance brought forward	–	–	(18)	(18)
Surplus for the year	–	–	8	–
Balance at the end of the year	–	–	(10)	(18)
Total reserves at the end of the year	–	–	25	37
(a) Retained profits				
Retained profits at the beginning of the year	49	1	683	644
Transfer from reserves	–	–	20	–
Net profit (loss) after tax attributable to members of the company	32	110	(25)	101
Total available for appropriation	81	111	678	745
Dividends provided for or paid	65	62	89	62
Retained profits at the end of the year	16	49	589	683
(b) Nature and purpose of reserves				
(i) General reserve – established prior to 1989 for general purposes.				
(ii) Realised capital profits reserve – realised capital profits arising prior to the introduction of capital gains tax.				
(iii) Foreign currency translation reserve – exchange gains and losses on translation of transactions and self-sustaining operations for currencies which are not readily tradeable are taken directly to the foreign currency translation reserve.				
(c) Equity				
General				
Equity at the beginning of the year	763	666	1,751	1,376
Changes in equity recognised in the statements of financial performance	32	110	(17)	102
Transactions with owners as owners				
Dividends provided for or paid	20(f) (65)	(62)	(89)	(62)
New ordinary shares issued	20(b) 1,018	49	1,018	49
Convertible preference shares issued (net of costs)	20(c) –	–	(1)	275
Changes in outside equity interests	12	–	6	11
Equity at the end of the year	1,748	763	2,668	1,751

NOTES TO THE FINANCIAL STATEMENTS

	THE COMPANY		CONSOLIDATED	
	YEAR	SIX MONTHS	YEAR	SIX MONTHS
	ENDED	ENDED	ENDED	ENDED
	31 DECEMBER	31 DECEMBER	31 DECEMBER	31 DECEMBER
	2001	2000	2001	2000
	\$000	\$000	\$000	\$000

22 Remuneration of directors and executives

(a) Income paid or payable, or otherwise made available, to directors of the company and entities comprising the consolidated entity	1,934	1,068	3,089	1,678
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	YEAR	SIX MONTHS
	ENDED	ENDED
	31 DECEMBER	31 DECEMBER
	2001	2000
	\$000	\$000
(b) The number of directors of the company whose remuneration was within the following bands is:		
\$000		
20–30	1	1
40–50	1	4
60–70	–	1
80–90	1	–
90–100	2	1
110–120	1	–
130–140	1	–
200–210	1	–
700–710	–	1
1,130–1,140	1	–

Prior period figures exclude \$213,000 prescribed benefit paid to AC Copeman in connection with his retirement as director of the company.

The definition of remuneration and the remuneration bands are not consistent with the emoluments disclosed in the directors' report. The basis of calculation differs due to the differing requirements of the Corporations Act 2001 and Accounting Standards.

Remuneration is defined to include salary, personal expense reimbursement, the deemed value of interest rate concessions on share and other loans, the deemed value of the provision of motor vehicles, the fringe benefits tax cost to the consolidated entity on all the foregoing and the value of the non-contributory superannuation benefits provided to employees.

Executive directors and executive officers of the consolidated entity may be invited to subscribe for shares in the company under the Employee Share and Option Plan ("the Plan") described in note 20(d). Shares issued and loans provided to executive directors of the company under the Plan are subject to approval by the shareholders by way of a special resolution. There is no apparent cost to the consolidated entity for loans under the Plan, as there is no equivalent cash sacrifice when issuing the loans. Therefore the cost of the benefit cannot be reliably determined. However, a potential benefit has been calculated using a deemed market interest rate.

Details of shares and options held by directors are included in the directors' report and details of loans issued under the Plan are included in (c) below.

(c) A total of \$12,620,000 (2000 \$11,352,000) is owed to controlled entities by 81 (2000 56) executives who are directors of entities in the consolidated entity by way of loans relating to shares taken up under the Plan ranging from \$1,000 to \$2,046,000. The terms and conditions of these loans are the same as those provided to other employees.

The following executives who were directors of the company or controlled entities at 31 December 2001 received and repaid loans for employee shares during the year: B Bailey, I Beckerson, A Broome, A Burniston, S Burns, T Butcher, D Carroll, T Clarke, D Constable, N Copping, B Cotterill, K Crimes, G Crombie, G Cutting, J Daly, I Davey, N Drabsch, G Evans, P Evernden, J Fiore, C Fish, S Fitzgerald, D Fogarty, S Ford, G Galvin, S Gargrave, P Glen, P Grove, M Harrington, P Hosking, F Hynes, R Jones, S Jones, C Judd, T Kenny, F Kent, J La Cava, P Laming, D Lang, J Lorberg, J Lui, E Miller, V McLenaghan, A Money, P Moss, S Muggeridge, F O'Halloran, G O'Neill, F O'Regan, H Poninghaus, S Price, A Przybyszewski, D Ramsay, A Roberts, J Rudkin, J Rumpler, M Sheppard, M Sherwood, P Smith, R Sparks, C Swinbank, Tai Lee Heng, Tay Bin Howi, M ten Hove, A Thiele, G Tollifson, I Turner, P Turner, R Wallace, G Watson, D Winkett, Yong Cho Choon. There were no loans advanced during the year for housing purposes and \$2,868,000 (2000 \$3,207,000) for employee shares. Interest paid during the year totalled \$2,900 (2000 \$4,000). Loans repaid during the period totalled \$52,000 (2000 \$239,000) for housing purposes and \$1,222,000 (2000 \$490,000) for employee shares.

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED	
	YEAR ENDED 31 DECEMBER 2001 \$000	SIX MONTHS ENDED 31 DECEMBER 2000 \$000

22 Remuneration of directors and executives continued

(d) Aggregate of remuneration received, or due and receivable, by Australian based executive officers of the consolidated entity, including directors, whose remuneration* was at least \$100,000	10,195	3,963
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	YEAR ENDED 31 DECEMBER 2001	SIX MONTHS ENDED 31 DECEMBER 2000
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(e) The number of Australian based executive officers of the consolidated entity, including directors, whose remuneration* was at least \$100,000 is:		
\$000		
110–120	–	1
120–130	–	3
140–150	–	1
150–160	–	1
190–200	–	1
200–210	1	1
210–220	–	1
220–230	–	2
250–260	2	–
260–270	1	–
280–290	1	–
290–300	2	–
300–310	2	–
310–320	1	1
320–330	1	1
350–360	–	1
380–390	2	–
400–410	1	–
410–420	2	–
430–440	–	1
580–590	1	–
690–700	1	–
700–710	–	1
900–910	1	–
1,130–1,140	1	–
1,750–1,760	1	–
	21	16

* Remuneration is as defined in note 22(b)

(f) The company acts as a holding company for the consolidated entity and does not provide remuneration in its own right. All remuneration is paid by other entities within the consolidated entity.

23 Superannuation commitments (consolidated)

Entities in the consolidated entity participate in a number of retirement and superannuation benefit plans which have been established and are sponsored by those entities. A number of these plans provide defined benefits to employees on retirement, disability or death. The benefits are based on years of service and an average salary calculation.

Contributions are made to the plans by employees and entities as a percentage of salary and within the rules of the plans. Entity contributions are enforceable in accordance with the rules of the plans.

Actuarial assessments of all significant plans have been completed during the last three years with the main plans being assessed by various qualified employees of Towers Perrin Forster and Crosby Inc. at 31 December 2000, Entegria Limited at 1 April 2000 and Watson Wyatt Partners as at 31 December 1999. According to these actuarial reports, there were sufficient funds available to meet any benefits that would have been vested under the plans in the event of termination of the plans or the voluntary or compulsory termination of employment of each employee.

NOTES TO THE FINANCIAL STATEMENTS

23 Superannuation commitments (consolidated) continued

	31 DECEMBER 2001 \$M	31 DECEMBER 2000 \$M
Present value of employees' accrued benefits	536	491
Net market value of assets held by the Plan to meet future benefit payments	566	599
Excess of assets held to meet future benefits over the present value of employees' accrued benefits	30	108
Vested benefits*	506	452

* Vested benefits are not conditional upon continued membership of the Plan (or any other factor except resignation from the Plan) and include benefits which members were entitled to receive had they terminated their Plan membership at the balance date.

	YEAR ENDED 31 DECEMBER 2001 \$000	SIX MONTHS ENDED 31 DECEMBER 2000 \$000

24 Auditors' remuneration

PricewaterhouseCoopers – Australian firm

Audit or review of financial reports of the parent entity	347	140
Audit of financial reports of controlled entities	962	671
Other services		
Audit of statutory returns	74	54
Other audit assurance services	85	261
Taxation services	239	87
Systems consulting	85	25
Other consulting and advisory services	124	115
	1,916	1,353

Related practices of PricewaterhouseCoopers – Australian firm (including overseas PricewaterhouseCoopers firms)

Audit of financial reports of controlled entities	2,706	1,720
Other services		
Audit of statutory returns	744	623
Other audit assurance services	589	1,148
Taxation services	172	168
Systems consulting	12,655	2,807
Other consulting and advisory services	81	152
Actuarial services	318	334
Legal services	953	650
	18,218	7,602

Other auditors

Audit of financial reports of controlled entities	690	416
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QBE engages PricewaterhouseCoopers on assignments in addition to their statutory audit duties and taxation advice. These assignments are principally awarded on a competitive basis. Competitive tenders are sought for all major consulting projects.

	THE COMPANY		CONSOLIDATED	
	31 DECEMBER 2001 \$M	31 DECEMBER 2000 \$M	31 DECEMBER 2001 \$M	31 DECEMBER 2000 \$M

25 Contingent liabilities

The company and the consolidated entity had the following unsecured contingent liabilities:

Guarantees of loans to controlled entities	1,576	1,438	–	–
Guarantees of forward foreign exchange contracts entered into by controlled entities	79	10	–	–
Letters of credit issued in support of the consolidated entity's participation in Lloyd's of London	701	806	701	806
Letters of credit issued in support of insurance liabilities of controlled entities	140	190	–	–

A controlled entity has entered into a number of deeds of covenant in respect of its controlled entities to meet part of their obligations to Lloyd's. The total guarantee given under these deeds of covenant amounts to \$722 million (2000 \$637 million). The obligations under the deeds of covenant are secured by a fixed and floating charge over certain investments and other assets in favour of Lloyd's (note 10).

NOTES TO THE FINANCIAL STATEMENTS

	THE COMPANY		CONSOLIDATED	
	31 DECEMBER 2001 \$M	31 DECEMBER 2000 \$M	31 DECEMBER 2001 \$M	31 DECEMBER 2000 \$M

26 Capital commitments

Estimated capital commitments (not later than one year)	–	–	2	1
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27 Commitments for expenditure

Operating leases

Aggregate amounts contracted but not provided for in the financial report

Not later than one year	–	–	18	16
Later than one but less than five years	–	–	45	39
Later than five years	–	–	27	26
	–	–	90	81

28 New South Wales workers' compensation managed funds (consolidated)

A controlled entity is a licensed insurer under the *New South Wales Workers Compensation Act 1987* ("the Act"). In accordance with the requirements of the Act, the controlled entity has established and maintains statutory funds in respect of the issue and renewal of policies of insurance.

The application of the statutory funds is restricted to the payment of claims, related expenses and other payments authorised under the Act. WorkCover New South Wales advises that the licensed insurer has no liability under the Act in the event of a deficiency in statutory funds and the Australian Taxation Office confirmed that the statutory funds are exempt from income tax as WorkCover New South Wales holds a vested interest in the income of the statutory funds. For these reasons, the statutory funds are of a separate and distinct nature and therefore it is not appropriate to include the assets and liabilities of these funds with the other assets and liabilities of the consolidated entity. Accordingly, the income and expenses of the statutory funds have been excluded from the consolidated statement of financial performance and the assets and liabilities of the funds have been excluded from the consolidated statement of financial position.

Under the Act, the controlled entity is required to have an actuarial valuation of the financial position of the statutory funds, including a valuation of liabilities, at least once in each three year period or such other period as may be prescribed by Regulation. Accordingly, a fund method of accounting is adopted whereby the balance of the statutory funds is carried forward until the financial positions of the statutory funds are determined after actuarial investigation. Following this determination, WorkCover New South Wales may direct the transfer of any surplus in accordance with the Act, including transfers to other statutory funds of the controlled entity or to the statutory funds of another licensed insurer.

The Australian Securities and Investments Commission has by class order 00/321 exempted the controlled entity and the consolidated entity from compliance with the Corporations Act 2001 to the extent it is necessary to adopt the above method of fund accounting.

	31 DECEMBER 2001 \$M	31 DECEMBER 2000 \$M
Statutory fund statement of financial position		
Non-current assets		
Investments, at market value	902	398
Current assets		
Cash and short-term deposits	144	186
Debtors	107	60
TOTAL ASSETS	1,153	644
Current liabilities		
Creditors	29	20
Unearned premium	151	87
Statutory funds to meet outstanding claims and statutory transfers	973	537
TOTAL LIABILITIES AND STATUTORY FUNDS	1,153	644

NOTES TO THE FINANCIAL STATEMENTS

29 Lloyd's division

(a) Non-aligned syndicates

A controlled entity acquired Limit plc and its controlled entities ("Limit") in August 2000. From 1994 to 2000, Limit participated in the results of a number of syndicates managed by other managing agents at Lloyd's (non-aligned syndicates). In 2000, Limit sold its right to participate in the results of these syndicates after 31 December 2000. Lloyd's operates on a three year accounting basis and at the end of the third year the underwriting account is normally closed by reinsurance into the following year of account. Therefore the run-off of these syndicates is expected to complete by 31 March 2003. In 2001 Limit sold the rights to manage Syndicate 318 previously managed by its controlled managing agency to another managing agent at Lloyd's. This result of Limit's participation on this syndicate has been included as non-aligned and its run-off is expected to be complete by 31 March 2005. The consolidated entity is expected to have to fund its share of the net outstanding liabilities of these operations, as shown below, and therefore the assets and liabilities are included on a net basis in outstanding claims in the statement of financial position. The net liability has decreased during the year due to the close out of prior underwriting years. The re-estimation of outstanding claims liabilities of non-aligned syndicates at acquisition date of Limit has been adjusted against identifiable intangibles in note 14.

	31 DECEMBER 2001 \$M	31 DECEMBER 2000 \$M
Assets		
Investments, at net market value	676	855
Other assets	235	269
TOTAL ASSETS	911	1,124
Liabilities		
Outstanding claims, net of reinsurance recoveries	900	964
Other liabilities	180	373
TOTAL LIABILITIES	1,080	1,337
NET LIABILITIES	169	213

(b) Reinsurance to close

Since acquiring Limit in August 2000, QBE has purchased additional capacity in the syndicates managed by Limit, taking its ownership share from 55% in 2000 to 78% for the 2002 underwriting year. These purchases of additional capacity create an obligation for QBE to accept the additional share of insurance liabilities in exchange for an equal amount of investments and other assets. The amounts will be determined when the reinsurance to close is calculated on 31 December 2002 and 31 December 2003. It is currently estimated that the amount of the net insurance liabilities and matching assets will exceed \$1 billion, the majority of which will be recognised at 31 December 2002.

NOTES TO THE FINANCIAL STATEMENTS

30 Related parties

All material information required to be disclosed by AASB 1017: Related Party Disclosures, has been included in the financial report as follows:

Reference

Directors' particulars	Directors' report
Remuneration of directors	Directors' report and note 22
Shares and options held by directors	Directors' report

In the ordinary course of business, various QBE controlled entities receive dividends and purchase and sell investments in shares in public entities in which directors of the company are directors and shareholders.

Mr Curran is Chairman of Perpetual Trustees Australia Ltd, an entity whose controlled entity was used during the year, on an arm's length basis, for share registration services. A controlled entity paid \$805,000 (2000 \$228,000) for these services.

Controlled entities provide directors and director related entities insurance on the same basis as for all employees and/or other policyholders. Directors received and were entitled to receive dividends from the company on shares held during the year. Certain directors also purchased shares in the company during the year. All transactions were on the same basis as with other shareholders or in accordance with the rules of the Employee Share and Option Plan (note 20(d) refers).

	YEAR ENDED 31 DECEMBER 2001	SIX MONTHS ENDED 31 DECEMBER 2000
31 Earnings per share (consolidated)		
Basic earnings per share	(5.3) cents	23.9 cents
Diluted earnings per share	(4.9) cents	22.2 cents
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	472 million	424 million
Potential ordinary shares represent convertible preference shares issued by a wholly owned controlled entity and employee options		

NOTES TO THE FINANCIAL STATEMENTS

	AUSTRALIAN GENERAL INSURANCE		ASIA-PACIFIC GENERAL INSURANCE		THE AMERICAS		EUROPEAN COMPANY OPERATIONS		LLOYD'S DIVISION		TOTAL	
	YEAR	SIX MONTHS	YEAR	SIX MONTHS	YEAR	SIX MONTHS	YEAR	SIX MONTHS	YEAR	SIX MONTHS	YEAR	SIX MONTHS
	ENDED	ENDED	ENDED	ENDED	ENDED	ENDED	ENDED	ENDED	ENDED	ENDED	ENDED	ENDED
	31 DEC 2001	31 DEC 2000	31 DEC 2001	31 DEC 2000	31 DEC 2001	31 DEC 2000	31 DEC 2001	31 DEC 2000	31 DEC 2001	31 DEC 2000	31 DEC 2001	31 DEC 2000
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M

32 Segment information

(a) Geographic segments

Total assets	2,682	2,268	1,126	685	1,649	1,107	6,710	5,860	7,418	4,578	19,585	14,498
Total revenue	1,493	650	640	224	911	272	3,054	1,592	3,394	726	9,492	3,464
Gross written premium	1,340	546	523	199	731	248	2,017	872	2,182	331	6,793	2,196
Gross earned premium	1,202	560	516	189	655	203	1,978	1,133	1,947	434	6,298	2,519
Outward reinsurance premium expense	196	75	111	40	165	43	610	259	582	178	1,664	595
Net earned premium	1,006	485	405	149	490	160	1,368	874	1,365	256	4,634	1,924
Net claims incurred	731	354	221	80	393	109	1,210	677	995	144	3,550	1,364
Net commission	132	64	90	35	127	43	251	146	336	74	936	362
Underwriting and other expenses	149	73	91	37	31	10	169	95	151	39	591	254
Underwriting result	(6)	(6)	3	(3)	(61)	(2)	(262)	(44)	(117)	(1)	(443)	(56)
Investment income on policyholders' funds	61	28	34	10	32	11	101	76	96	29	324	154
Insurance profit (loss)	55	22	37	7	(29)	9	(161)	32	(21)	28	(119)	98
Investment income (loss) on shareholders' funds	12	10	(5)	10	(7)	8	19	16	1	(13)	20	31
PROFIT (LOSS) FROM ORDINARY ACTIVITIES before income tax	67	32	32	17	(36)	17	(142)	48	(20)	15	(99)	129
Income tax	10	10	2	3	(18)	3	(49)	7	(27)	2	(82)	25
PROFIT (LOSS) FROM ORDINARY ACTIVITIES after income tax	57	22	30	14	(18)	14	(93)	41	7	13	(17)	104
Outside equity interests	–	–	3	1	1	–	2	2	2	–	8	3
NET PROFIT (LOSS) attributable to members of the company	57	22	27	13	(19)	14	(95)	39	5	13	(25)	101

	GENERAL INSURANCE		INWARD REINSURANCE		TOTAL	
	YEAR	SIX MONTHS	YEAR	SIX MONTHS	YEAR	SIX MONTHS
	ENDED	ENDED	ENDED	ENDED	ENDED	ENDED
	31 DEC 2001	31 DEC 2000	31 DEC 2001	31 DEC 2000	31 DEC 2001	31 DEC 2000
	\$M	\$M	\$M	\$M	\$M	\$M

(b) Industry segments

Total assets	12,858	9,544	6,727	4,954	19,585	14,498
Total revenue	5,709	2,278	3,783	1,186	9,492	3,464
NET PROFIT (LOSS) attributable to members of the company	187	93	(212)	8	(25)	101

NOTES TO THE FINANCIAL STATEMENTS

	THE COMPANY		CONSOLIDATED	
	YEAR	SIX MONTHS	YEAR	SIX MONTHS
	ENDED	ENDED	ENDED	ENDED
	31 DECEMBER	31 DECEMBER	31 DECEMBER	31 DECEMBER
	2001	2000	2001	2000
	\$M	\$M	\$M	\$M
33 Reconciliation of cash flows from operating activities to net profit (loss) attributable to members of the company				
Cash flows from operating activities	64	9	280	136
Depreciation and amortisation of assets	–	–	(31)	(13)
Amortisation of intangibles	–	–	(5)	(2)
Amortisation of premium/discount on fixed interest securities	–	–	(6)	(11)
Loss on sale of plant and equipment	–	–	(3)	–
Net exchange losses	–	–	(10)	(1)
Other gains on investments	–	–	11	49
Net movement in insurance provisions				
(Increase) decrease				
Outstanding claims	–	–	(456)	40
Unearned premium	–	–	(349)	209
Increase (decrease)				
Deferred insurance costs	–	–	68	(61)
Net movements in loans from/to controlled entities	–	103	–	–
Net movements in operating assets and liabilities				
Increase (decrease)				
Trade debtors	–	–	711	(296)
Other operating assets	(31)	(2)	(72)	103
Decrease (increase)				
Trade creditors	(1)	–	(453)	(55)
Provision for deferred tax	–	–	209	109
Other provisions	–	–	89	(104)
Outside equity interests	–	–	(8)	(2)
NET PROFIT (LOSS) attributable to members of the company	32	110	(25)	101
34 Non-cash financing and investing activities				
Dividends satisfied by the issue of shares under the Dividend Reinvestment Plan	76	31	76	31
Shares issued under the Employee Share and Option Plan	–	–	13	17

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 36 to 66:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the company's and consolidated entity's financial position as at 31 December 2001 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date.

In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in SYDNEY this 13th day of March 2002 in accordance with a resolution of the directors.



EJ Cloney*
Director



FM O'Halloran
Director

* by his authorised agent, CP Curran AO, Director

INDEPENDENT AUDIT REPORT to the members of QBE Insurance Group Limited

Scope

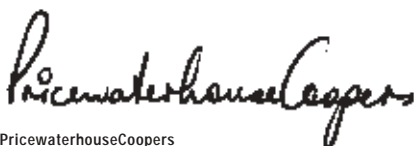
We have audited the financial report of QBE Insurance Group Limited (the company) for the year ended 31 December 2001 as set out on pages 36 to 67. The company's directors are responsible for the financial report which includes the financial statements of the company and the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of, or during, the year. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Corporations Act 2001 in Australia, so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows. The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the financial report of the company is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2001 and of their performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.



PricewaterhouseCoopers
Chartered Accountants



JE Skinner
Partner

SYDNEY, 13 March 2002

FINANCIAL CALENDAR

2002

13 March	Profit and dividend announcement for the year ended 31 December 2001 Annual report available on web site
19 March	Shares begin trading ex-dividend Annual report posted to shareholders with notice of meeting and proxy form
25 March	Record date for determining shareholders' entitlements to dividend payment
12 April	Dividend paid
18 April	Annual General Meeting
30 June	Half year end
28 August*	Profit and dividend announcement for the six months to 30 June 2002
9 September*	Shares begin trading ex-dividend
13 September*	Record date for determining shareholders' entitlement to dividend payment
3 October*	Dividend paid
31 December	Year end

* dates to be confirmed

QBE ANNOUNCEMENTS TO THE AUSTRALIAN STOCK EXCHANGE

2001

Having previously advised that QBE had adopted 31 December as its financial year end, QBE advises that for the changeover period its results to be announced on 14 March 2001 will be for the six months to 31 December 2000	8 January
Appointment of Mr Len Bleasel AM as non-executive director	17 January
Intention to form joint venture with HIH for major corporate insurances in Australia and New Zealand	6 March
Retirement of Mr Charles Copeman as director, effective 8 March 2001	13 March
Results for the six months to 31 December 2000, including a dividend of 16 cents per share to be paid on 12 April 2001	14 March
Agreement in principle with Reliance Insurance Company of the United States and the provisional liquidators of HIH Insurance to acquire their respective Latin American operations	17 April
A\$273 million (net) capital raising through the placement of 25 million shares overnight	18 April
Chairman's and managing director's AGM addresses	19 April
Finalisation of transactions with HIH in Australia and assumption of responsibility for the existing travel insurance liabilities of HIH	24 May
Intention to rearrange QBE's interest and capacity in Lloyd's syndicates	26 June
Appointment of Mr Charles Irby as non-executive director	27 June
Memorandum of understanding with MBF Capital Berhad of Malaysia to form a joint venture, QBE-MBF Insurans Berhad	29 June
Acquisition of specialist aviation insurance agency Australian Aviation Insurance Group (Agency) Pty Limited	6 July
Results for the six months to 30 June 2001, including a dividend of 16.5 cents per share to be paid on 28 September 2001	30 August
Exposures to terrorist attacks in USA through a number of portfolios	12 September
Expectation that a substantial part of QBE's expected profit for 2001 could be utilised by potential claims from the terrorist attacks on the USA	17 September
Standard & Poor's rating downgrade from "A+" to "A" and placed on CreditWatch	20 September
Trading halt until Monday 24 September (trading actually resumed on Friday 21 September)	20 September
Best estimate of the net loss after tax from the terrorist attacks of A\$250 million	20 September
Best estimate of the net loss after tax from the terrorist attacks remains in the region of A\$250 million	28 September
Trading halt due to increasing market speculation relating to proposed capital raising pending an announcement from QBE	16 October
Capital raising from existing shareholders comprising an institutional component and a retail component	16 October
Trading halt lifted and completion of the institutional component associated with the proposed capital raising announced on 16 October. Approximately A\$542 million raised	18 October
A\$550 million injection of funds from the total capital raising of A\$643 million into the Lloyd's, European company and American divisions and outline of changes for these divisions in 2002	24 October
A total of 98,392,486 shares issued to institutions following capital raising	24 October
Standard & Poor's upgrades QBE credit rating to "A+" from "A" and removes it from CreditWatch	2 November
A total of 22,983,998 shares issued to retail shareholders following capital raising	22 November
Lloyd's of London announces its revised estimate of the World Trade Center net loss is GBP1.9 billion. QBE advises that this increase does not change QBE's previous statements on the impact of the loss to QBE	28 November
	2002
QBE clarifies long-standing whole account reinsurance arrangements	20 February

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⁽³⁾ branch or representative office of QBE Reinsurance Corporation

⁽⁴⁾ branch or representative office of QBE Insurance Corporation

⁽⁵⁾ branch office of QBE Del Istmo Reinsurance Company, Inc

⁽⁶⁾ branch or representative office of QBE International Insurance Limited

⁽⁷⁾ representative office of QBE Management (UK) Limited

⁽⁸⁾ branch or representative office of QBE Re Services Pty Ltd

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