



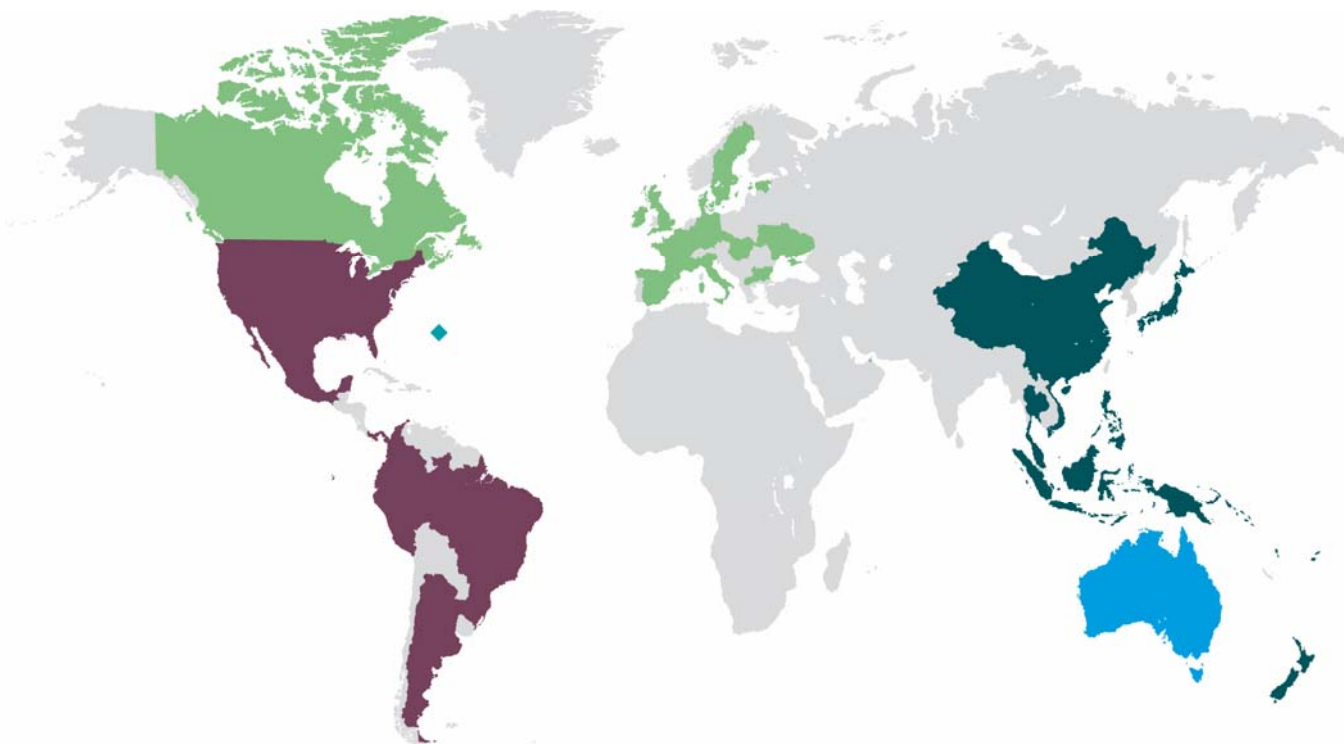
QBE INSURANCE GROUP

Citi Australian Investment Conference

Presented by Neil Drabsch, Group CFO

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Competitive advantage through product and geographic diversification across key insurance markets



KEY

■ Australia
 ■ Asia Pacific
 ■ Europe
 ■ the Americas
 ■ Equator Re

- Group head office in Sydney
- Divisional head offices in London, New York, Singapore and Sydney
- Operations in 49 countries and around 13,400 staff worldwide
- Forecast 2010 FY GWP:

	US\$BN
Americas	5.15
Europe	3.90
Australia	3.70
Asia Pacific	0.65
	13.40

Acquisition of Secura NV

- Acquisition expected to complete on 29 October 2010
- Secura NV is a specialised European reinsurer with a diversified and Europe focused customer portfolio
- Established in 1945
- Located in Brussels, Belgium
- Employs 91 staff
- 2010 gross written premium is expected to be €220M
- Total consideration of approx €320M to be funded from existing resources
- Rated “A” by Standard & Poor’s

Secura NV – inwards reinsurance GWP

By product	2009	
	€M	%
Long-tail accident and health	34.2	15.4
Short-tail proportional	40.2	18.2
Short-tail non proportional	38.0	17.1
Long-tail proportional	21.7	9.8
Long-tail non proportional	78.4	35.4
Other	9.2	4.1
Total	221.7	100.0

By geography	2009 %
France	31.0
Benelux	30.0
United Kingdom	9.0
Italy	9.0
Spain	6.0
Portugal	4.0
Germany	4.0
Greece	3.0
Other	4.0
Total	100.0

- Mature portfolios developed from longstanding relationships with European based clients
- Professional stable management team and reinsurance specialists
- Strong strategic fit with QBE's European operations' reinsurance division

Secura NV – strong balance sheet

	2009 €M
Assets	
Investments and cash	966
Retrocessionaire's share of technical provisions	108
Debtors from reinsurance operations	78
Accrued interest and rent	19
Other assets	4
Total assets	1,175
Liabilities	
Technical provision	870
Deposits from reinsurers	58
Creditors arising out of reinsurance operations	10
Other creditors	32
Total liabilities	970
Shareholders' equity at 31 Dec 2009*	205

	2009 €M
Acquisition details	
Shareholders' equity at 31 Dec 2009	205
Est'd 2010 profits and M/V movements	40
Adjusted net assets	245
Expected consideration	320
Estimated goodwill on acquisition	75

*Source: Secura NV Annual Report 2009
(excerpt) based on Belgian GAAP

Market conditions

- Premium rates up 2% - 3% on QBE renewed business
- Strong competition on new business
- Reinsurance rates generally soft, with increases only on event driven criteria e.g. marine and energy risks
- Insurance markets remain competitive but resistant to more fundamental change despite conditions of weak economic recovery and low investment yields
- Medium term pressure on earnings continues to build from low investment yields, diminishing prior year claims provision releases, inflation concerns and increased regulation
- Continuing investment market volatility for fixed interest and equity investments
- Acquisition opportunities emerging

Market conditions: exceptional severity of natural catastrophes in 2010 1H

The first six months:		2010	2000 – 2009 average
Number of events		440	380
Overall economic loss	US\$BN	70	41
Insurance losses	US\$BN	22	11

The five largest natural CATs in first six months of 2010 by insured losses:			Overall losses US\$BN	Insurance losses US\$BN
27 Feb	Chile	Earthquake, tsunami	30.0	8.0
26 – 28 Feb	Europe	Winter storm Xynthia	4.5	3.4
12 – 16 Jan	USA	Severe storm, hail	2.5	1.07
8 – 13 Jan	Europe	Winter damage	1.73	1.0
6 – 7 Mar	Australia	Severe storm	1.38	0.92

Source: Munich Re, Geo Risks Research, NatCatSERVICE

Investor feedback post 2010 1H result

- Sound underlying underwriting results and business model
- Uncertainty around timing of recovery in global interest rates and impact on QBE insurance margin
- Positive response to US dollar reporting – better view of real premium growth and less volatility
- Sustainability of dividend payout ratio
- Succession
- Effect of emerging regulatory standards on capital – APRA and Solvency II

APRA developments

- Uncertainty on changes and timing for Level 1 changes:
 - technical papers issued May, July and September 2010
 - QIS and technical paper comments due by 29 October
 - issue of draft standards and response paper expected December 2010
 - issue of final standards and reporting forms by mid 2011
 - implementation 2012 (?)
- Capital charge on matched and unmatched portfolios for interest rate and inflation risk – QBE's unmatched asset/liability approach appears to stand up well
- Overall capital charge expected to trend up – benchmarks may have to be reviewed
- Level 3 changes may allow capital credit for QBE agency assets of US\$1.4BN

Volatile risk-free interest rates impact COR, insurance margin and PoA

	Sensitivity	2010 1H	Risk-free rate variations			
			16 June 2010	15 Apr 2010 ⁽²⁾	31 Dec 2009	
Weighted average risk-free rates	%	2.55	2.75	3.19	3.40	3.20
Impact on key half year ratios ⁽¹⁾ :						
- COR	%	90.0	89.7	89.2	88.1	88.4
- Insurance profit margin	%	15.4	15.7	16.2	17.3	17.0
- Probability of adequacy	%	84.5	86.0	86.8	88.6	87.5

(1) Impact of restating the 30 June 2010 result and PoA for the effect of interest rates at 15 April, 16 June and 31 December 2009

(2) 15 April 2010 was indicative of market peak

Closing remarks

- Be cautious of discount rate movements at year end
- Market conditions remain soft although underlying insurance business and portfolios are sound
- Action being undertaken to enhance investment yields, subject to our strict risk criteria – realised and unrealised equity losses improved by over US\$150M since 30 June 2010
- Focus on key profit drivers targeting lower reinsurance costs and combined commission and expense ratio
- Generally increased acquisition enquiries and activity
- QBE has a relatively low debt to equity ratio and flexibility for funding growth and acquisitions
- Minimum 15% return on equity target for each product remains, despite lower investment yields

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