QBE INSURANCE GROUP

Investor update

2 November 2009

All amounts in Australian dollars unless otherwise stated

Today's agenda

Time	Topic	Presenter
1.00pm	Opening remarks	Frank O'Halloran – Chief Executive Officer
1.15pm	Australian operations briefing and Q&A	Terry Ibbotson – CEO, Australian Operations
1.45pm	Asia Pacific operations briefing and Q&A	Mike Goodwin – CEO, Asia Pacific Operations
2.15pm	European operations briefing and Q&A	Steven Burns – CEO, European Operations
3.00pm	Tea/coffee break	
3.15pm	American operations briefing and Q&A	John Rumpler – President & CEO, QBE the Americas
4.00pm	Overview of operational outlook & reinsurance mgmt	Vince McLenaghan – Chief Operating Officer
4.30pm	Financial & capital management	Neil Drabsch – Chief Financial Officer
4.45pm	Closing remarks	Frank O'Halloran – Chief Executive Officer
5.00pm	Close	

Opening remarks

Frank O'Halloran - Group CEO

Today's presenters

Frank O'Halloran

Neil Drabsch

Vince McLenaghan

Terry Ibbotson

Mike Goodwin

Steven Burns

John Rumpler

Experienced management team

- Strong stable management team with long tenure
- Top 13 executives in Group Operations Executive and Group Head Office Management have been with QBE and its acquired companies for an average of 16.5 years and a minimum of 6 years
- Depth for succession – over 13,650 staff worldwide
- Solid track record and well established culture
- Successful in-house staff and management development programme “OPENUPQBE”

Recap on first half 2009

	2009 FY Target		2009 1H Actual
Profit after tax	Greater than 2008	✓	+19% to $1.02bn
Insurance profit margin	16% to 18%	✓	17.5%
Combined operating ratio	Less than 88%	✗	89.3%
GWP and NEP increase	Greater than 20%	✓	22% and 21%
Reinsurance expense ratio (to GEP)	Less than 13%	✗	13.1%
Combined commission & expense ratio	Less than 29.0%	✓	28.5%
Tax rate	Around 24%	✓	19%
Gross investment yield	Around 3%	✓	3.3%
Group capital adequacy multiple	Greater than 1.5x	✓	1.7x

Australian operations

Terry Ibbotson – CEO, Australian operations

Australian operations: historical overview

		Half year ended 30 June	Year ended 31 December				
		2009	**2008**	**2007**	**2006**	**2005**	**2004**
Gross written premium	$m	1,630	2,914	2,596	2,491	2,431	2,102
Net earned premium	$m	1,288	2,363	2,141	2,051	2,015	1,763
Combined operating ratio	%	87.7	90.6	82.9	82.9	83.6	89.7
Insurance profit	$m	289	494	548	506	488	283
Insurance margin	%	22.4	20.9	25.6	24.7	24.2	16.1
Net profit after tax	$m	272	560	445	387	360	254
Return on equity	%	21.9	26.7	27.5	27.5	28.3	28.5

- GWP for 2009 expected to be $3.4bn
- GWP excludes income of $1.1bn from Managed Workers' Compensation Funds and Claims for NSW and VIC statutory authorities
- Growth primarily organic from 2004 to 2007, and more recently by acquisition of UAA and PMI (now QBE LMI)
- Employs 3,950 staff

Australian operations: market position

- Business managed in four main segments; Intermediary Distribution, Corporate Partners & Direct, Trade Credit & Surety and LMI
- Business written
  - 94% through intermediary brokers, agents and financial institutions
  - 6% consisting of personal lines and CTP sourced from direct consumers
- Intermediated sector focus: 'To be first choice for intermediaries'. Winner of the NIBA "General Insurer of the Year" award for 8 consecutive years
- Market share around 33% of the corporate, commercial and SME sectors and less than 2% of the direct sector
- Most comprehensive product range of any insurer in Australia with a mix oriented towards preferred higher margin products
- Geographic spread and underwriting strategy oriented away from high aggregation in weather related catastrophe prone regions
- Major strategic growth is being achieved through acquisitions and via Corporate Partners in securing distribution through underwriting agencies and financial institutions
- QBE footprint in regional Australia substantially increased by addition of 400 Elders locations and 220 specialist insurance sales staff

Australian operations: distribution and product mix

- Broad distribution capability supported by strong product line underwriting and pricing:

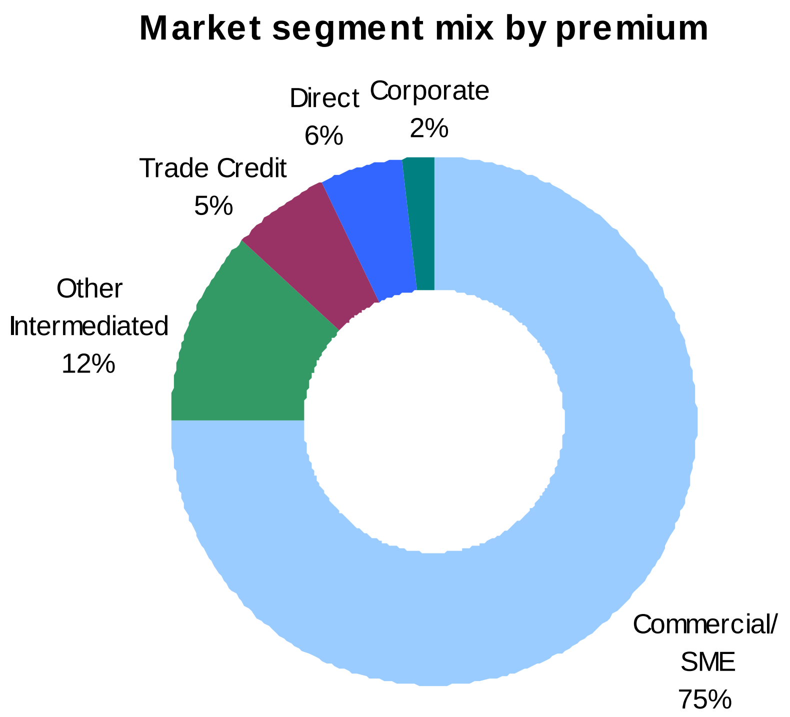
2009 GWP $3.4bn

Intermediary Distribution	Corporate Partners and Direct	LMI	Credit and Surety	Managed Funds Not included in reported GWP
Colin Fagen	Tony MacRae	Ian Graham	Richard Wulff	
$1.95bn	$1.028bn	$246m	$176m	$1.1bn
(58%)	(29%)	(7%)	(6%)	

Property	Casualty and Liability	Trade and Consumer Credit - Surety and Lenders Mortgage	Workers' Compensation Funds
$1.86bn	$1.06bn	$480m	*$1.1bn*
54%	32%	14%	

Australian operations: market conditions

- Year to date rate increase of 7.2% across the book
- Downturn in economic activity, lower asset values and reduced turnover have a negative impact on total premium – rate for risk has however improved
- In the commercial and SME sector, competitors initially slow to increase rates; competition very strong in the first half – major competitors now increasing their own rates
- Trade Credit has average rate increases of around 25% and expenses reduced
- Corporate sector is still very competitive and hit hardest in terms of GFC and the most difficult to gain rate increases
- Our strong customer focus, extensive product range, claims service and industry leading electronic delivery systems have enabled us to achieve organic growth in the face of very stiff competition
- Acquired underwriting agencies are performing well
- LMI continues to exceed expectations with a COR currently less than 50%



Australian operations:
2009 and beyond

- Opportunities
  - Rates are firming in our major market sectors
  - Major competitors still challenged by low insurance margins, particularly in intermediated business and by competition from existing and new entrants in direct lines
  - QBE continues to improve electronic delivery, product range and 'easy to do business with' strategy
  - Acquisition of Elders Insurance also generates further synergies and adds distribution potential
  - Corporate Partners has a strong pipeline of new business opportunities
  - Acquisition of bolt-on insurance businesses and specialist underwriting agencies remains a key strategy
- Challenges
  - Commoditisation of products – moving the advantage from 'high touch' to 'low cost'
  - Retention of key staff
  - Sustained adverse weather patterns

Australian operations: 2009 and beyond

- Forecast for 2009
  - Impacted by GFC and Victorian bush fires
  - Expectation is that insurance profit will improve in the second half subject to any catastrophes exceeding current provisions
- Outlook for 2010
  - Full benefit of rate increases to flow through in 2010
  - Strong growth expected from increased distribution through our corporate partners and following the Elders acquisition and other initiatives
  - Target 2010 GWP of $4.2bn

Asian Pacific operations

Mike Goodwin – CEO,
Asia Pacific operations

Asia Pacific operations: historical overview

		Half year ended 30 June	Year ended 31 December				
		2009	**2008**	**2007**	**2006**	**2005**	**2004**
Gross written premium	$m	363	661	583	727	691	520
Net earned premium	$m	246	451	416	563	536	381
Combined operating ratio	%	89.0	82.9	82.7	84.4	82.3	82.2
Insurance profit	$m	37	112	104	117	119	83
Insurance margin	%	15.0	24.8	25.0	20.8	22.2	21.8
Net profit after tax	$m	40	76	89	87	103	56
Return on equity	%	16.4	14.2	18.5	18.2	22.0	14.3

- 2009 GWP expected to be around $700m
- NEP for 2007 and onwards after Equator Re quota share reinsurance
- First footprints in Asia Pacific - New Caledonia 1887, New Zealand 1890 and Papua New Guinea 1899
- Now in nine Asian countries, six Pacific islands and New Zealand
- Employs 1,300 staff

Asia Pacific operations: distribution and revenue mix

2009 GWP $700m

Asia

2009 $395m (56%)

Hong Kong
Indonesia
Macau
Malaysia
India
Philippines
Singapore
Thailand
Vietnam

Pacific

2009 $115m (16%)

Fiji
Solomon Islands
French Polynesia
Vanuatu
New Caledonia
Papua New Guinea

New Zealand

2009 $190m (28%)

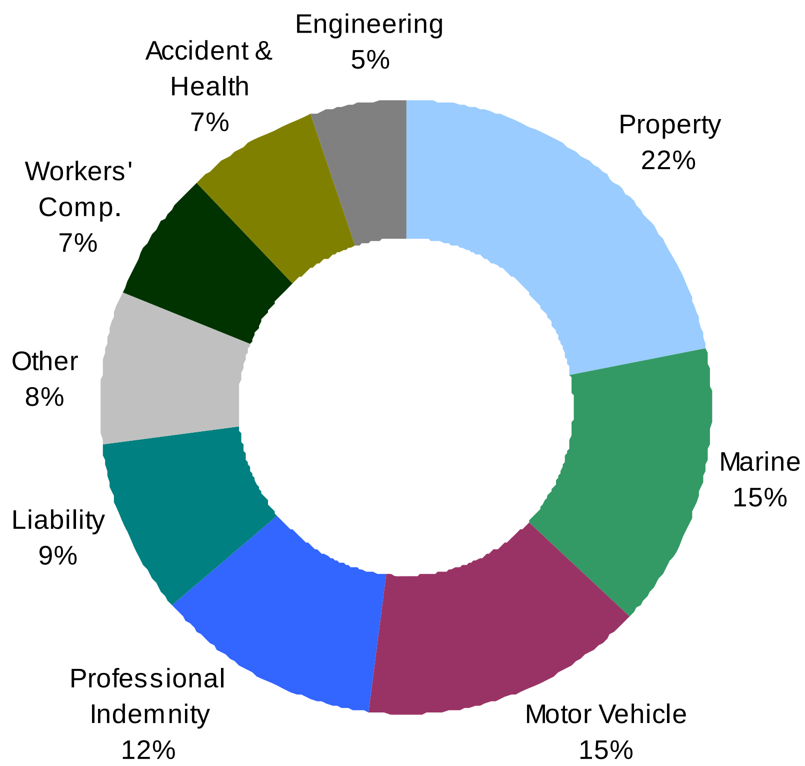
Asia Pacific operations: geographic diversity

- Joint ventures in Hong Kong (75%), Malaysia (51%), Philippines (59%), Indonesia (60%) and India (26%)
- Increase in specialist skills has resulted in greater exposure to international broker business, adding estimated $30m in annual GWP in 2009
- Initiatives for growth have been rewarded whilst maintaining strong margins in competitive markets
- Asian markets generally fragmented with large number of insurance players and keen competition
- Pacific markets are small but profitable, with QBE typically having a large share of the local market
- Insurance market penetration in Asia Pacific is still low - motor is dominant and a problematic class of business

Asia Pacific operations: strategic overview

- QBE differentiates through specialist solutions and increased focus on corporate and affinity segments
- Good product diversity
- Continued operational efficiencies through one system, one process and e-strategic initiatives
- Continue to look for acquisition opportunities at prices that meet our stringent criteria for EPS accretion
- Largest agency distribution in Hong Kong
- Over 6,500 agents throughout Asia

Distribution by lines of business - 1H 2009 GEP



Asia Pacific operations: market conditions

- New Zealand
  - QBE results have been strong, particularly in liability classes, however industry results have been poor, affected by a frequency of large claims
  - Premium rates now showing signs of hardening
- Pacific
  - Generally rates stabilising apart from Papua New Guinea due to new entrant competition
  - Rate increases in Fiji due to devaluation of local currency
- Asia
  - Rates stabilising in many countries
  - Some increases in unprofitable portfolios, such as motor in Singapore
- Expected overall rate increases of 3% on renewed business for the year
- Difficult economic conditions and reduced insured values have led to some pressure on 2009 GWP growth
- Focus on differentiation of product and distribution to support insurance profit targets
- Increased frequency and severity of large losses and catastrophes - Philippines, Vietnam, Fiji, Indonesia, Samoa, Thailand and Singapore

Asia Pacific operations: 2009 and beyond

- Demand for additional cover expected to increase in 2010 as Asian economies recover
- We expect to deliver greater automation, process efficiency and increased accessibility to internet enabled systems for intermediaries and clients
- Acquisition opportunities available, but must deliver value and appropriate returns
- Increasing regulatory changes to align with International Association of Insurance Supervisors
- Reviewing China strategy to time opportunities as appropriate
- India JV to selectively underwrite specialist classes; de-tariffing has reduced top line expectations
- 2009 full year result on track – anticipating GWP around $700m
- 2010 GWP around $800m, subject to currency

European operations

Steven Burns - CEO,
QBE European operations

European operations: historical overview

		Half year ended 30 June	Year ended 31 December				
		2009	2008	2007	2006	2005	2004
Gross written premium	£m	1,490	2,297	2,148	2,135	2,008	1,921
Net earned premium	£m	796	1,491	1,528	1,578	1,549	1,468
Combined operating ratio	%	89.9	85.5	84.8	85.9	92.1	93.8
Insurance profit	£m	143	377	398	357	228	169
Insurance margin	%	17.9	25.3	26.0	22.6	14.7	11.5
Net profit after tax	£m	126	263	337	311	221	173
Return on equity	%	18.6	19.9	24.4	24.7	23.1	21.2

- 2009 GWP expected to be £2.6bn, including approximately 30% in US dollars
- Comprises Lloyd's and London company market business in UK and Ireland, together with operations in 15 countries in mainland Europe
- NEP is after proportional reinsurances to Equator Re commencing in 2006
- Includes Lloyd's and London businesses which are fully integrated and managed by product line
- Employs 2,900 staff

European operations: market position

- Commercial specialist with focus on market leading positions (over 60% of business led) and ability to influence price and terms
- The largest managing agency in Lloyd’s, the world’s leading market for global reinsurance and specialty lines
- Strong diversification by product and geography
- Differentiate ourselves from the market by the quality of our underwriting franchises and our disciplined, bottom line focus
- Three bolt-on acquisitions integrated this year (Burnett, Carlife and Endurance) delivering GWP approaching £100m annualised
- Key growth initiatives over next three years driven from increasing penetration and market share in regional UK and mainland Europe
- Renewal retention in low 90% range on business we wish to renew

European operations: distribution and product mix

- An integrated product-driven structure linked to broad distribution capability:

2009 GWP £2.6bn

Casualty	Property	Motor	Reinsurance	Marine & Energy	Aviation	Specialty	British Marine
Ash Bathia	Bernard Mageean	Matthew Crane	Jonathan Parry	Colin O'Farrell	Emilio Di Silvio	Graeme Rayner	Robert Johnston
£955m	£294m	£260m	£376m	£336m	£125m	£133m	£121m
(37%)	(11%)	(10%)	(14%)	(13%)	(5%)	(5%)	(5%)

London Market	UK National	European Markets
£2.1bn (82%)	£273m (10%)	£224m (8%)
Brokers/All* (London)	Terry Whittaker (UK Regional and Ireland)	Doron Grossman (London)

*includes Canada and Dubai

European operations: market conditions

- European operations rate increases at +4.9% for year to date and projected to 4% for the full year
- Strongest rate increases on US catastrophe-exposed classes, principally energy +30% and reinsurance +10%
- Lagging classes are predominantly ex US global casualty classes with average 1% decrease for year to date
- Downturn in economic activity and fall in asset values has impacted 2009 GWP and driven some minor additional claims inflation
- Reinsurance rates forecast to be stable for 2010 in absence of major catastrophe losses
- Casualty and property rates predicted to be rising by second half of 2010
- Mainland Europe rates still declining in most classes

European operations: 2009 and beyond

- 2009 full year COR expected to slightly improve, provided no major catastrophe activity in final quarter
- Major IT outsourcing contracts entered into with Accenture and IBM as part of operational transformation programme
- Underwriting conditions to remain challenging in most classes until at least the second half of 2010
- Targeting further bolt-on acquisition opportunities and patiently awaiting transformational opportunity in mainland Europe
- Launched Canadian and Middle East offices leveraging Lloyd's licences and existing relationships
- Continue to build expertise and infrastructure in core products outside London market
- UK regional and mainland European growth targeted to be £500m each by end 2012
- 2010 GWP target of £2.8bn at projected exchange rate of £1 = US$1.55

Tea/coffee break

Briefing resumes at 3:15pm (AEDT)

Americas operations

John Rumpler - President & CEO,
QBE the Americas

Americas operations: historical overview

		Half year ended 30 June	Year ended 31 December				
		2009	2008	2007	2006	2005	2004
Gross written premium	US$m	2,065	3,740	3,062	1,467	1,137	1,022
Net earned premium	US$m	1,231	2,605	2,156	871	643	567
Combined operating ratio	%	86.6	93.6	93.6	89.7	92.9	93.5
Insurance profit	US$m	225	300	276	121	66	40
Insurance margin	%	18.3	11.5	12.8	13.9	10.3	7.0
Net profit after tax	US$m	184	236	207	82	47	33
Return on equity	%	13.9	10.4	17.6	23.8	17.3	15.4

- 2009 GWP US$4.13bn
- NEP and profit after tax is after substantial proportional reinsurance with our captive Equator Re
- 4,800 employees represented in 34 US states and four Latin American countries
- Growth since 2007 mainly driven by acquisitions

Americas operations: market position

- Business is managed in four segments - Reinsurance, Specialty (including agencies), Regional and Latin America
- Outperforming majority of peers in each market segment
- Diversified portfolio (product and geography) with a focus on small to mid-sized commercial customers
- One of the industry's leading writers of specialty programme business in the US
- Stable network of loyal independent agents and captive agents throughout the region
- Agency acquisitions in 2008/9 expected to generate new GWP in excess of US$375m in 2009 and in excess of US$600m in 2010
- Operations in key Latin American markets (Mexico, Brazil, Argentina and Colombia) focusing on selected segments

Americas operations: distribution and product mix

- An integrated product-driven structure linked to broad distribution capability:

2009 GWP US$4.1bn

Reinsurance

Robert Mezzasalma

US$480m
(11%)

Treaty	92%
Health	6%
Facultative	2%
	100

Latin America

Jose Sojo

US$345m
(8%)

Oblig Pers Auto	37%
P&C	28%
Workers' Comp	21%
Dir Mkt Affinity	10%
Life	4%
	100

Regional

Peter Christen

US$1.33bn
(33%)

Commercial	53%
Personal	33%
AGRI	14%
	100

Specialty

Stephen Fitzpatrick

US$1.95bn
(48%)

Property/Multi	49%
Comm Auto	23%
Spec & Affinity	15%
Health	8%
Workers' Comp	4%
Trade Credit	1%
	100

Americas operations: market conditions

- Overall premium rates slightly positive across the Americas portfolio and ahead of plan; US market still soft, particularly in commercial lines
- Renewal retention ratios in the mid 80% range, in line with expectations
- SME market generally stable although GWP affected by lower insured values
- Increase in M&A opportunities emerging across North and Latin American markets
- Investment yields improving; equity markets slowly rebounding; Treasury yield curve expected to rise over the next 12 to 18 months
- Agencies slightly below target due to economic conditions
- Target expense savings on track
- Latin American businesses all producing underwriting profits

Americas operations: 2009 and beyond

- Opportunities
  - Channel optimisation and cross-sell opportunities among the Americas businesses as well as with other divisions
  - Distribution channels enable greater penetration in commercial lines, middle market and with financial institutions
  - Opportunities for cost reduction, claims efficiencies and increased speed to market from improved automation
  - Potential to increase current market share and penetrate segments further due to state of competition
- Challenges
  - Continued depressed economic environment
  - Increased regulatory environment
  - US inflation and impact on both operating expenses and claims costs

Americas operations: 2009 and beyond

- Soft pricing conditions likely to remain for short term with no expected improvements until late 2010
- Acquired US agencies expected to contribute to underwriting profit of around US$190m for 2009 full year
- Aim to reduce average NCOR (excluding agencies contribution) below 90% by the end of 2012
- Targeting lower expense ratio through initiatives to streamline processes, IT enablement, improve claims handling, product/distribution design and shared services
- 2010 GWP estimated to be around US$4.5bn

Group operational outlook and reinsurance management

Vince McLenaghan - Group COO

Group operational outlook

- Overall premium rate to exposure for 2009 expected to increase by around 4%
- Majority of products and countries exceeding the 15% minimum ROE requirement (excluding agencies) despite lower investment yields
- Customer retention rates remain high but can be improved
- Expect to remain in the top quartile of the top 50 global insurers in terms of COR and ROE in all markets at divisional and Group level
- 97% of 2010 product plans (over 400 portfolios) and 41 out of 45 countries have high expectations of ROEs greater than 15%
- A number of initiatives being developed throughout the Group to improve efficiencies in claims handling and expenses

Agencies

- Agencies acquisition strategy
  - Protect existing distribution
  - Reduce acquisition costs
  - Access to new premium income
- Agencies contribution to underwriting profit
  - 2008 $73m with COR impact - 0.7%
  - 2009 around $290m with COR impact - 2.4%
- Estimated return on pre-tax agency income (excluding insurance risk) for 2009 of 18.6%
- Cost to date - $1.6bn, mainly representing intangibles

Agencies: product and segment mix

Australia	
Name	**Product/Segment**
CHU/CUA	Strata home units
UAA	Mobile plant
Invivo	Medical malpractice
NCIB	Trade credit
Austral	Credit recovery
Elders	Provincial/rural

US	
Name	**Product/Segment**
ZC Sterling	Lender placed home insurance
Deep South	Commercial motor
CAU	Condominium
SIU	Californian earthquake
Burnett	Marine & Energy
SLG	Medical stop-loss

- 2009 GWP generated for QBE $1.6bn
- Target for 2010 GWP $2.4bn

Group reinsurance management

- External reinsurance targeted to manage Group maximum event retention to be less than 4% of net earned premium
- Highly rated and quality reinsurers to minimise counterparty risk
- Equator Re utilised to manage retentions, aggregate exposure and capital management in subsidiaries
- Initiatives in place to further reduce reinsurance expense and strengthen quality of counterparty exposure
- As QBE also writes inwards reinsurance businesses, this offsets the increased cost of reinsurance protection and reinstatement premiums in the event of large claims and catastrophes
- Reinsurance expense ratio down from 20.9% in 2004 to 13.1% for 2009 to date

Equator Re (QBE's captive reinsurer): historical overview

		Half year ended 30 June	Year ended 31 December				
		2009	2008	2007	2006	2005	2004
Gross written premium	$m	1,718	2,231	1,990	901	353	278
Net earned premium	$m	1,233	1,913	1,426	538	295	231
Combined operating ratio	%	93.8	83.8	80.5	81.4	89.8	68.8
Insurance profit	$m	135	397	329	134	49	88
Insurance margin	%	10.9	20.8	23.1	24.9	16.6	38.1
Net profit after tax	$m	180	368	338	141	39	75
Return on equity	%	31.8	39.9	58.7	51.4	24.1	71.4

- Premium growth due to increased quota share participations
- Increased level of large individual risk and catastrophe claims and higher risk margins
- Shareholders' funds in excess of $1.2bn and S&P A+ financial rating confirmed

Equator Re: only reinsures QBE captive business

GWP		Half year ended 30 June	Year ended 31 December				
		2009	**2008**	**2007**	**2006**	**2005**	**2004**
Australia	$m	64	123	162	95	74	88
Asia Pacific	$m	108	108	163	65	57	54
Americas	$m	801	1,090	909	113	92	54
Europe	$m	745	910	756	628	130	82
Total	$m	**1,718**	**2,231**	**1,990**	**901**	**353**	**278**

Premium outlook 2009: on track in local currency

	Original plan GWP – local currency	Revised GWP – local currency	Original plan GWP	Revised GWP	Forecast NEP
	bn	bn	$bn	$bn [1]	$bn [1]
Australia	$3.3	$3.4	3.3	**3.4**	**2.8**
Asia Pacific	$0.8	$0.7	0.8	**0.7**	**0.4**
Europe	£2.65	£2.6	5.9	**5.1**	**3.2**
The Americas	US$4.2	US$4.1	6.2	**5.2**	**3.1**
Equator Re	–	–	–	**–**	**2.3**
			16.2	**14.4**	**11.8**

(1) assumes cumulative average rate at year end A$ = US$0.79 cents and £0.51 pence

Group financial and capital management

Neil Drabsch - Group CFO

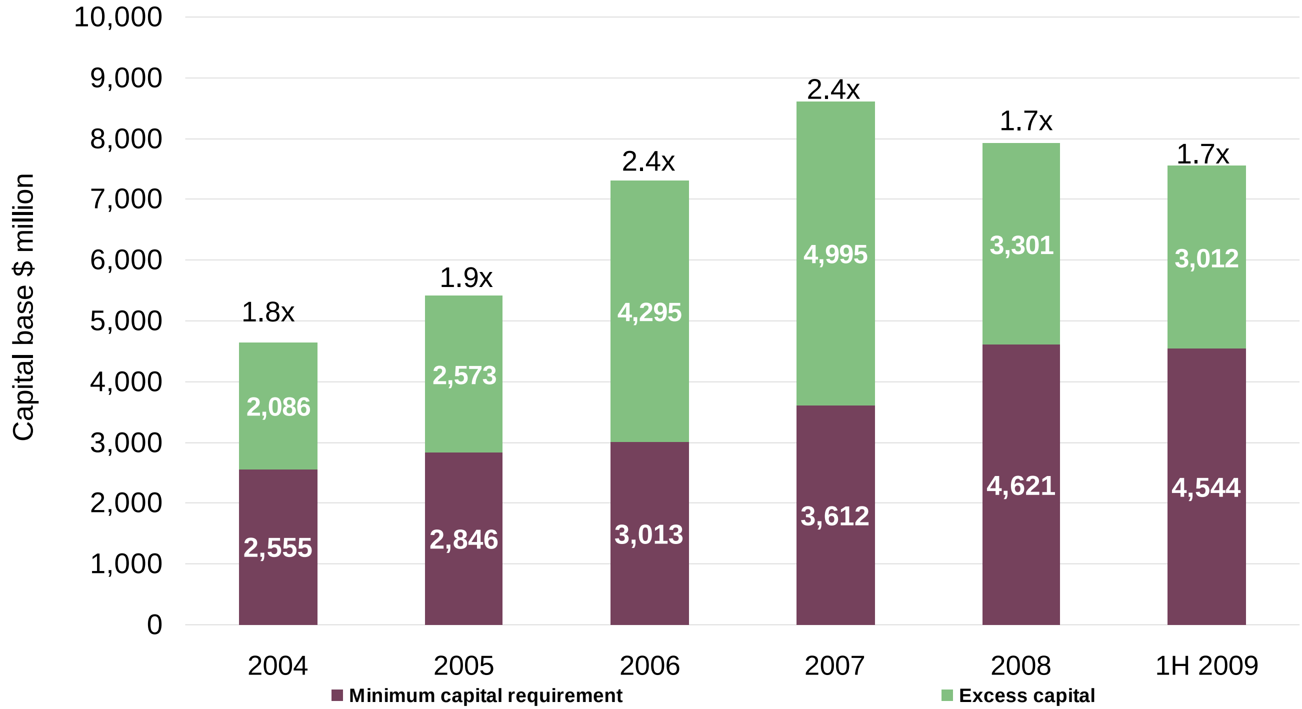
Group financial and capital management

- Balance sheet remains strong and flexible
- Recent holding company credit rating upgrade
- At year end a continuing strong Australian dollar will increase FCTR debit
- Regulatory capital adequacy not materially affected by currency movements, MCR forecast around 1.7 times
- Debt/equity ratio relatively low, circa 30%
- Capacity for $1bn additional debt to fund acquisitions
- Cash flow strong
- Proven access to capital/debt markets

Balance sheet

	30 June 2009	31 Dec 2008	31 Dec 2007
ASSETS	$m	$m	$m
Investments and cash	25,647	28,541	24,606
Receivables	5,605	5,041	4,616
Recoveries on outstanding claims	4,612	5,043	4,360
Deferred insurance costs	2,221	1,987	1,683
Intangibles	5,129	5,586	2,493
ABC financial assets pledged for funds at Lloyd's	246	250	900
Fixed and other assets	1,242	1,935	955
TOTAL ASSETS	**44,702**	**48,383**	**39,613**
LIABILITIES			
Outstanding claims	19,785	21,204	18,231
Unearned premium	7,594	7,126	5,698
Borrowings	2,995	3,666	3,458
ABC securities for funds at Lloyd's	248	312	867
Other creditors and provisions	3,769	4,830	2,816
TOTAL LIABILITIES	**34,391**	**37,138**	**31,070**
NET ASSETS	**10,311**	**11,245**	**8,543**
EQUITY			
Equity attributable to shareholders	10,232	11,159	8,479
Minority interest	79	86	64
TOTAL EQUITY	**10,311**	**11,245**	**8,543**
Key ratios			
Borrowings to shareholders' equity	29.3%	32.9%	40.8%
Minimum capital requirement - $m	4,544	4,621	3,612
Capital adequacy multiple (APRA criteria)	1.7 times	1.7 times	2.4 times

Group capital adequacy: remaining strong



- Reduction in capital adequacy since 2007 due to utilisation of $2bn excess capital from:
  - lower Australia dollar on hedged shareholders' funds $1bn
  - 14 acquisitions increasing intangibles by $2bn (net)
  - $1.1bn buy back of Tier 1 and Tier 2 debt offset by $2.1bn capital raising

Borrowings: lower debt/equity ratio

Repayment profile [1]	Projected 31 Dec 2009	30 June 2009	31 Dec 2008
	$m	$m	$m
Less than 1 year [2]	576	1,383	1,120
1 – 5 years	1,155	1,269	1,333
More than 5 years	1,259	343	1,213
Total	**2,990**	**2,995**	**3,666**
Debt/equity ratio	<30%	29.3%	32.9%

(1) assuming settled at first call date

(2) includes $587m of securities convertible to ordinary shares at company's option in May 2010

- Weighted average cost of borrowings currently 7.1% (31 Dec 2008: 6.5%)
- Low debt/equity ratios provide capacity and flexibility to add a further $1bn in borrowings
- Recent £550m senior debt raising mainly to repay £175m maturing senior notes and to replace short term borrowings

Currency

- Currency volatility expected to continue into 2010
- Top line affected by weaker US dollar and Sterling
- Profit and loss translated at cumulative average rates;
  - 2009 estimated A$ = US $0.79 cents; £0.51 pence
  - 2010 estimated A$ = US $0.90 cents; £0.58 pence
- Movement in year on year cumulative FX rates 2009/2010 likely to reduce 2010 premium growth by 9%
- With over 50% premium income in US dollars, we are considering US dollar presentation currency

Closing remarks

Frank O’Halloran - Group CEO

Group underwriting results

		Half year ended 30 June	Year ended 31 December				
		2009	2008	2007	2006	2005	2004
Gross written premium	$m	8,057	13,142	12,406	10,372	9,408	8,766
Gross earned premium	$m	7,118	12,853	12,361	10,069	9,171	8,571
Net earned premium	$m	6,186	11,087	10,210	8,158	7,386	6,781
Claims ratio	%	60.8	57.6	54.3	55.8	59.9	61.3
Commission ratio	%	17.0	17.2	18.5	17.0	16.9	17.5
Expense ratio	%	11.5	13.7	13.1	12.5	12.3	12.4
Total acquisition cost ratio	%	28.5	30.9	31.6	29.5	29.2	29.9
Combined operating ratio	%	89.3	88.5	85.9	85.3	89.1	91.2
Reinsurance expense ratio	%	13.1	13.7	17.4	19.0	19.5	20.9

- Compound annual growth in GWP since 2004 of 11% despite rising Australian dollar
- Acquisition costs reduced due to benefits of acquired agencies
- Reinsurance expense lower due to the benefits of Equator Re retentions and change in mix of business

Top 10 P&C insurers: competitive analysis

Rank	Company	Combined Operating Ratio 2004 %	2005 %	2006 %	2007 %	2008 %	Weighted Average %
1	FM Global	78.0	77.0	74.9	75.4	98.8	81.2
2	Tryg Vesta	87.9	86.4	83.8	82.6	89.0	85.9
3	**QBE**	**91.2**	**89.1**	**85.3**	**85.9**	**88.5**	**87.8**
4	Progressive	85.0	88.0	86.7	92.6	94.6	89.4
5	Chubb	94.7	94.4	85.5	84.4	90.9	90.0
6	Berkshire Hathaway	94.0	99.7	82.2	88.5	87.8	90.1
7	Sampo	90.1	90.9	90.1	90.9	91.9	90.8
8	W R Berkley	91.0	90.2	89.7	90.3	94.6	91.1
9	USAA	89.4	93.4	83.7	93.0	99.3	91.8
10	ACE	96.3	98.9	88.1	87.9	89.6	92.1
	Top 50 Average	**98.3**	**101.2**	**93.9**	**96.0**	**99.4**	**97.7**

Rank	Company	Return on Equity 2004 %	2005 %	2006 %	2007 %	2008 %	Weighted Average %
1	**QBE**	**24.5**	**23.9**	**26.1**	**26.1**	**20.9**	**24.0**
2	Tryg Vesta	23.0	28.0	35.0	23.0	9.0	23.4
3	Progressive	30.0	25.0	25.3	19.5	(1.5)	20.5
4	W R Berkley	22.0	21.0	25.0	23.0	7.8	19.0
5	Royal Bank of Scotland	18.9	18.2	19.0	19.9	17.1	18.5
6	Sampo	13.9	20.6	18.7	16.0	19.9	17.8
7	Royal Sun Alliance	17.7	21.6	20.7	21.3	18.5	17.4
8	Chubb	16.6	16.2	19.2	19.8	12.9	17.0
8	Zurich	13.6	15.5	20.4	21.3	12.1	17.0
10	Mapfre	12.5	12.4	16.1	17.5	19.5	16.3
	Top 50 Average	**11.3**	**7.1**	**12.6**	**11.3**	**3.1**	**8.4**

Notes:
1. Tables reflect the top 10 performers of the world's top 50 P & C insurers
2. Information sourced from published accounts and company websites for insurance and reinsurance business
3. The CORs include all identifiable expenses related to insurance activities and the COR is expressed as a % of NEP
4. The ROEs are as reported or where not reported are based on average shareholders' equity of general insurance and reinsurance assets
5. The weighted average CORs are the sum of the five years' net earned premiums divided by total claims, commissions and expenses for the five years
6. The weighted average ROEs are the sum of the five years' NPAT divided by the sum of the net assets for the five years
7. The top 50 insurers as measured by NEP in US$m

Strategy

- Maintain our prudent approach to managing insurance and investment risk
- Growth mainly targets acquisition opportunities, although organic growth to be pursued in the right conditions
- Acquisition strategy focused on bolt-on EPS accretive targets
- History of successful acquisitions and pipeline – over 125 acquisitions in past 25 years
- Acquisition of specialist distribution agencies now a significant part of Group strategy with ZC Sterling and Elders acquisitions also assisting local premium growth in 2010
- Continue to develop our unique QBE culture
- Continue to manage the Group with teams of experienced insurance professionals

Updated outlook 2009

- Overall financial results on track, although stronger Australian dollar is impacting top line and NPAT
- Higher than expected claims frequency from large individual risk claims offset by lower cost of catastrophes
- Lower releases of claims provisions from prior years
- Subject to the usual caveats, COR in the 87% to 89% range
- Insurance margin in the 17% to 18% range
- Net investment yields up on the half year due to strong equity markets and equity gains now partly protected by derivative hedges
- Considering using a US dollar presentation currency for 2010

QBE INSURANCE GROUP

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