QBE INSURANCE GROUP LIMITED
RESULTS & OUTLOOK
for the year ended 31 December 2001

13 March 2002

Results

year ended 31 December 2001

- Net loss after tax $25 million

  (2000 : profit $179 million)
- Results include estimated after tax loss of $252 million from World Trade Center (WTC) tragedy
- Insurance loss before tax $119 million

  (2000 profit $186 million)
- Excluding WTC
  - profit after tax up 27% to $227 million
  - insurance profit of $242 million or 5.1% of NEP (2000 : 5.4%)

Results

year ended 31 December 2001

- Strong cash flow, up 62% to $280 million
- Investment income up 12% to $344 million on higher invested funds
- Lower investment yields from lower interest rates and overall declining equity markets
- Income tax benefited from lower US withholding tax and accounting for foreign exchange differences

Dividends

year ended 31 December 2001

- Final dividend 13.5¢ per share on increased share capital
  (2000 : 16.0¢)
- Dividend payout for year $155 million, up 17%
- Final dividend 15% franked
- Dividend reinvestment plans continue at 2.5% discount

World Trade Center loss

11 September 2001

	$M
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**

World Trade Center loss

position at 31 January 2002

	$M
Gross claims paid	67
Gross claims reported (not paid)	894
Total reported	961
Gross incurred but not reported claims	546
Total estimated gross incurred claims	**1,507**

Net estimate unchanged at around $250 million after tax

World Trade Center loss

reinsurance recoveries and ratings

Security - S&P Rating	%	Cumulative %
AAA	30	30
AA	42	72
A (including Lloyd's)	25	97
B and not rated*	3	100
	100	

* 2% A rated by agencies other than S&P

Worldwide operations

year ended 31 December 2001

	2001	ex WTC 2001	2000
Gross written premium $M	6,793	6,715	4,406
Gross earned premium $M	6,298	6,220	4,399
Net earned premium $M	4,634	4,722	3,456
Claims ratio %	76.2	69.4	71.2
Commission ratio %	20.2	19.8	18.3
Expense ratio %	12.8	12.5	13.0
Combined operating ratio %	109.6	101.7	102.5
Insurance profit $M	(119)	242	186
Insurance profit % to NEP	(2.6)	5.1	5.4

Worldwide operations

year ended 31 December 2001

	GEP	Growth	COR	Net profit after tax	
	2001		2001	2001	2000
	$M	%	%	$M	$M
Australia	1,202	9	100.6	57	63
Asia-Pacific	516	44	99.4	27	24
the Americas	655	89	112.4	(19)	26
European companies	1,978	(2)	119.1	(95)	56
Lloyd's division	1,947	239	108.6	5	10
Group	**6,298**	**43**	**109.6**	**(25)**	**179**

Worldwide operations

year ended 31 December 2001
combined operating ratios

	2001	ex WTC 2001	2000
	%	%	%
Australia	100.6	101.1	100.7
Asia-Pacific	99.4	99.4	100.6
the Americas	112.4	106.5	103.1
European companies	119.1	101.9	104.3
Lloyd's division	108.6	101.0	101.1
Group	**109.6**	**101.7**	**102.5**

Contributions

year ended 31 December 2001

	GWP	Growth	COR	Net profit (loss) after tax	
	2001		2001	2001	2000
	$M	%	%	$M	$M
General insurance	4,678	58	102.3	187	179
Inward reinsurance*	2,115	46	129.0	(212)	-
Group	**6,793**	**54**	**109.6**	**(25)**	**179**

* Includes facultative reinsurance of $326 million

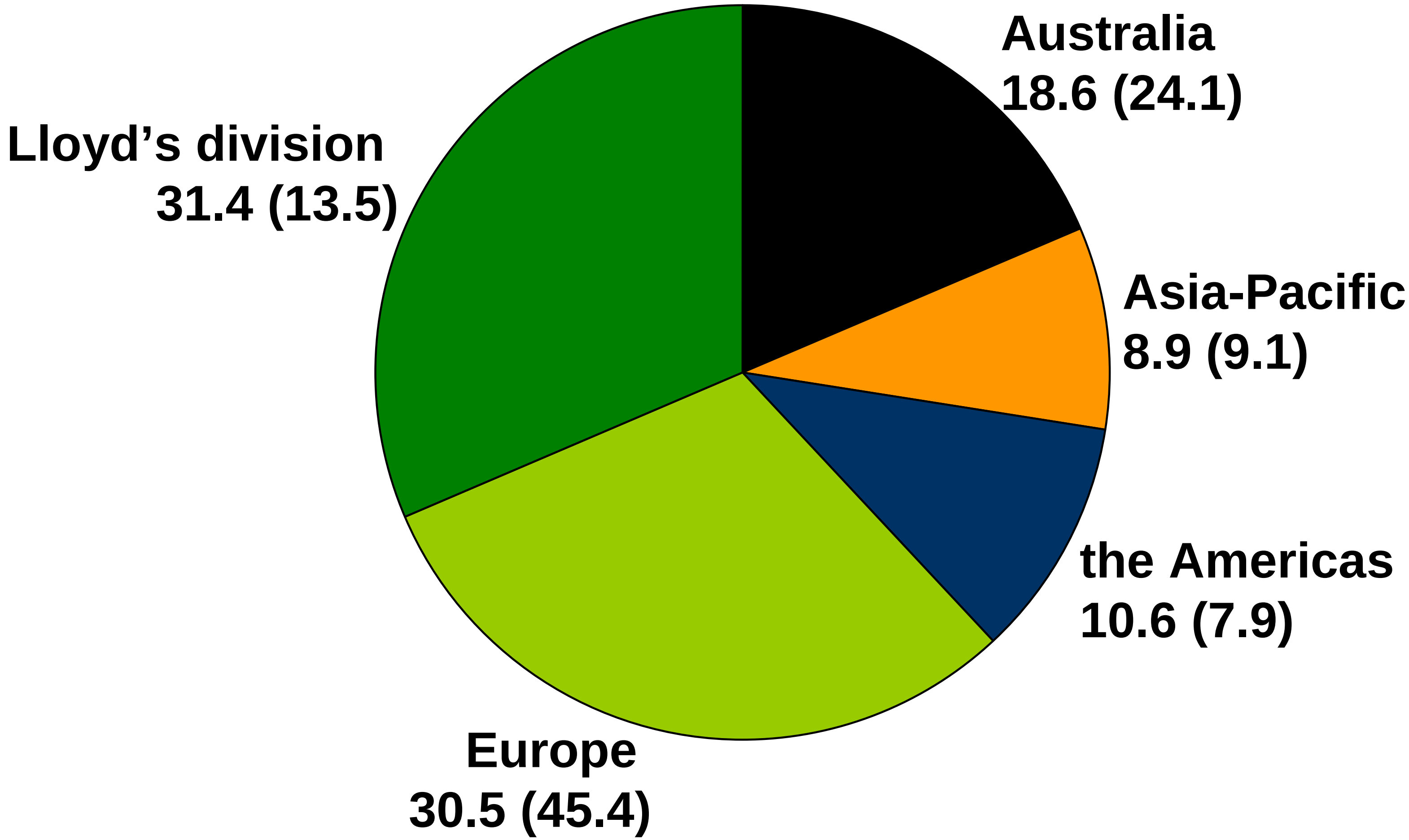
Group financial highlights

year ended 31 December 2001

	2001 %	2000 %
Premium growth		
GWP	54.2	53.1
NEP	34.1	56.8
Reinsurance ceded to GWP	26.8	21.6
Insurance profit to NEP	(2.6)	5.4
Insurance profit to NEP excluding WTC	5.1	5.4
Insurance profit to shareholders' funds	(5.5)	13.1
Solvency (market value)	47.4	40.0
ROE	(1.2)	12.6

Geographical diversification

year ended 31 December 2001
gross earned premium %



Business initiatives

- Acquisitions - Singapore, PNG, Australian aviation, New Zealand and Latin America
- HIH
  - Australia renewal rights and travel liabilities
  - New Zealand portfolio and renewal rights
  - Argentina workers' compensation company
- Increased ownership in Lloyd's syndicates to 78% for 2002 underwriting year

  (2000 underwriting year : 55%)
- Growth in historically profitable primary agency business in US - now 13 in total

Business initiatives

- Integrated our two operations in Hong Kong
- Completed negotiations to merge Malaysia business with MBf
- Synergies from integration of acquisitions in all divisions
- Cancelled a number of distribution channels with low profit expectations

Australian general insurance

year ended 31 December 2001

- 11 focused product lines
- Plus joint venture and workers' compensation managed states
- Market leader in:
  - travel
  - aviation
  - trade credit
  - general liability
  - professional liability

Australian general insurance

year ended 31 December 2001

- GWP $1,340 million - up 22%, GEP up 9%
- Growth mainly from acquisitions and rate increases
- QBE-MM joint venture achieved objectives
- Results impacted by corporate collapses
- COR 100.6%

  (2000 : 100.7%)
- Achieved planned cost savings - expense ratio 14.9%

  (2000 : 15.8%)

Asia-Pacific general insurance

year ended 31 December 2001

- Asia - 8 countries
  - Hong Kong, Malaysia and Singapore are largest markets
  - mainly agency business
  - expanding specialist liability business
- Pacific - 9 countries
  - significant market leader in Pacific Islands
  - NZ leader in professional liability, general liability and trade credit

Asia-Pacific general insurance

year ended 31 December 2001

- GWP $523 million - up 41%, GEP up 44%
- Growth mainly from acquisitions and specialist lines of business
- Motor and workers’ compensation still a concern in Asia
- Expense ratio reduced to 22.4% from 24.4%
- Achieved underwriting profit, COR 99.4%
  (2000 : 100.6%)

the Americas

year ended 31 December 2001

- Managed from New York
- Reinsurance businesses in US, Panama, Mexico and Peru
- General insurance
  - 13 managing general agents in US
  - new business from acquisitions in Argentina and Brazil

the Americas

year ended 31 December 2001

- GWP $731 million - up 77%, GEP up 89%
- Growth of general insurance business
  (GEP $294 million, up from $91 million)
- Results significantly impacted by WTC loss and prior year upgrades
- COR 112.4%, excluding WTC 106.5%
  (2000 : 103.1%)
- Developed and strengthened underwriting and management teams

European company operations

year ended 31 December 2001

- Managed from London
- Four business divisions
- Reinsurance written out of UK and Ireland
- General insurance written out of UK and Paris
  - includes Iron Trades employers liability business
- Financial risks
  - small operation specialising in residual value and credit enhancement insurance
- Central and Eastern Europe in six countries

European company operations

year ended 31 December 2001

- GWP $2,017 million - up 2%, GEP down 2% (8% in original currencies)
- Results significantly impacted by WTC
- COR 119.1%, excluding WTC 101.9%
  (2000 : 104.3)
- Focus to reduce risk profile and improve portfolio management
- Central and Eastern Europe produced small underwriting profit on GEP of $207 million

Lloyd's division

year ended 31 December 2001

- Five managed lead syndicates*

Syndicate	QBE share %	Type of business
386	40	Non-marine liability (ex US)
566	100	Non-marine & aviation reinsurance
1036	100	Direct marine & energy
2000/2999	100	Non-marine property & liability
2724/2999	100	Direct marine & energy

* syndicate 318 sold
syndicate 456 closed

Lloyd's division

year ended 31 December 2001

- GWP $2,182 million, GEP $1,947 million (2000 : $575 million) includes full year of Limit
- COR 108.6%, excluding WTC 101.0% (2000 : 101.1%)
- Results significantly impacted by WTC
- Result largely reflects performance of 2001 underwriting year
- Prior year deterioration offset by reinsurance and acquisition provisions

Lloyd's division

year ended 31 December 2001

- Reduced expense ratio to 11.1%

  (2000 : 14.4%)
- Lloyd's levy increased from 1.1% to 2.0% for 2002
- Reinsurance to close in 2002 and 2003 expected to exceed $1 billion, mainly recognised in 2002

Investments

year ended 31 December 2001

- Interest rates cut in 2001
  - USA 6.50% to 1.75%; UK 6.00% to 4.00%; Aust 6.25% to 4.25%
- All major equity markets down except Australia, up 10%
- Market value net investment yield 4.7% (2000 : 6.0%)
- Investment income before realised and unrealised gains up 33% to $331 million, mainly due to Limit acquisition

Investments

year ended 31 December 2001

- Net realised and unrealised gains $13 million
  (2000 : $60 million)
- Equity collars limited losses on international equities and gains on Australian equities
- Investment portfolio of $8.7 billion by currency
  - Australian $ 19%
  - UK £ 37%
  - US $ 34%

QBE

Increase in net invested funds

year ended 31 December 2001

	$M
Cash flow from operations	280
New funds from acquisitions	128
Lloyd's reinsurance to close	354
Sub total	762
Capital raising	929
Weaker A$	359
Dividends	(82)
Other	(42)
Total increase	**1,926**

Net invested funds

	31 December 2001		31 December 2000	
	$M	%	$M	%
Equities	977	11.9	971	13.9
Short-term deposits	3,295	31.4	2,677	38.3
Other interest bearing securities	4,346	55.3	3,228	46.2
Property	106	1.4	110	1.6
Investment portfolio	8,724	100.0	6,986	100.0
Cash (net of overdrafts)	459		348	
Borrowings	(838)		(915)	
Net invested funds	**8,345**		**6,419**	

Capital

- Shareholders' funds $2,620 million, up 53% since 31 December 2000
- $273 million share placement April 2001
- $654 million rights issue and share placement October/ November
- Standard & Poor's A+ rating reaffirmed

Capital

- Solvency
  - at market value 47%
  - including subordinated debt 56%
- Solvency excludes intangibles
- New Australian regulatory requirements effective 1 July 2002
- Group capital around 1.4 times new minimum capital requirement

Insurance industry

post World Trade Center

- Substantial premium rate increases, particularly commercial lines
- Terrorism exclusions from 1 January 2002
- Tightening of policy wordings and reinsurance contracts
- Reduced reinsurance cover and capacity
- Further consolidation

QBE

QBE
post World Trade Center

- More robust disaster scenarios and aggregate methodology
- Reduced risk profile including retrocession exposure
- Pre 2002 reinsurance contracts exposed to terrorism until expiry
- Terrorism cover provided only where legislated or reinsurance cover available
- Overall rate increases in excess of 20%

Reinsurance protections

- Cover under extended whole account contract fully utilised; 2002 and 2003 premiums expensed in 2001
- Increased reinsurance costs for 2002 more than offset by premium rate increases
- Substantial vertical and sideways reinsurance protections in place for 2002
- Exposure to terrorism run-off remains for pre 2002 reinsurance business

Worldwide excess of loss programme

- Licensed subsidiaries (excluding Lloyd's) protected by new worldwide excess of loss programme established through long standing wholly owned reinsurer in Bermuda
- Aggregate limit exceeds historical and potential loss scenarios (including WTC) for the layers included in the programme
- Aggregate limit fully funded by premiums charged at commercial rates

Risk management

- Integrated risk management culture in place
- Detailed business plans and monitoring
- Pro-active use of portfolio development statistics
- Extensive actuarial involvement in pricing, claims reserving and trend analysis
- Supervisory board, risk management and internal audit at Group and divisional levels

Risk management

- Extensive reinsurance protections
- Policy of no reinsurance which defers losses to subsequent periods
- Strict policy on reinsurance security and strong credit control
- Prudential margins retained to cover uncertainties - internal benchmark unchanged

Risk management

- Conservative investment policy
  - value equities and downside protection
  - quality fixed interest securities
  - 98% of investments are liquid
  - limits on any one investment
  - matching currency liabilities with currency assets
  - matching shareholders' funds into A$ (tradeable currencies only)

Outlook

subject to the usual caveats

- Projected NEP growth around 15% in 2002, mainly from strong premium rate increases
- Average premium rate increases of over 20% for 2002 - main benefit to profit will be in 2003
- Increased reinsurance costs - likely to represent 23% of GWP
  (2001 : 26%)
- Substantially reduced risk profile

Outlook

subject to the usual caveats

- Expense ratio unchanged
- Tax rate expected to be around 25%
- Improved interest yields and higher investment income expected in 2002
- Increased investment portfolio due to Limit RITC and positive cashflow

Outlook

subject to the usual caveats

	2002 estimate	
	GWP	NEP
	$b	$b
Australian general insurance	1.5	1.2
Asia-Pacific general insurance	0.6	0.5
the Americas	1.1	0.7
European company operations	2.0	1.4
Lloyd's division	2.2	1.7
Total QBE Group	**7.4**	**5.5**

at 31 December 2001 rate of exchange

Outlook

subject to the usual caveats

- Existing capital including capital raising in 2001 and expected profits anticipated to be sufficient to finance growth from increased premium rates
- Will take opportunities to reduce costs of borrowing due to current interest rate environment
- Continue acquisition strategy

History of growth

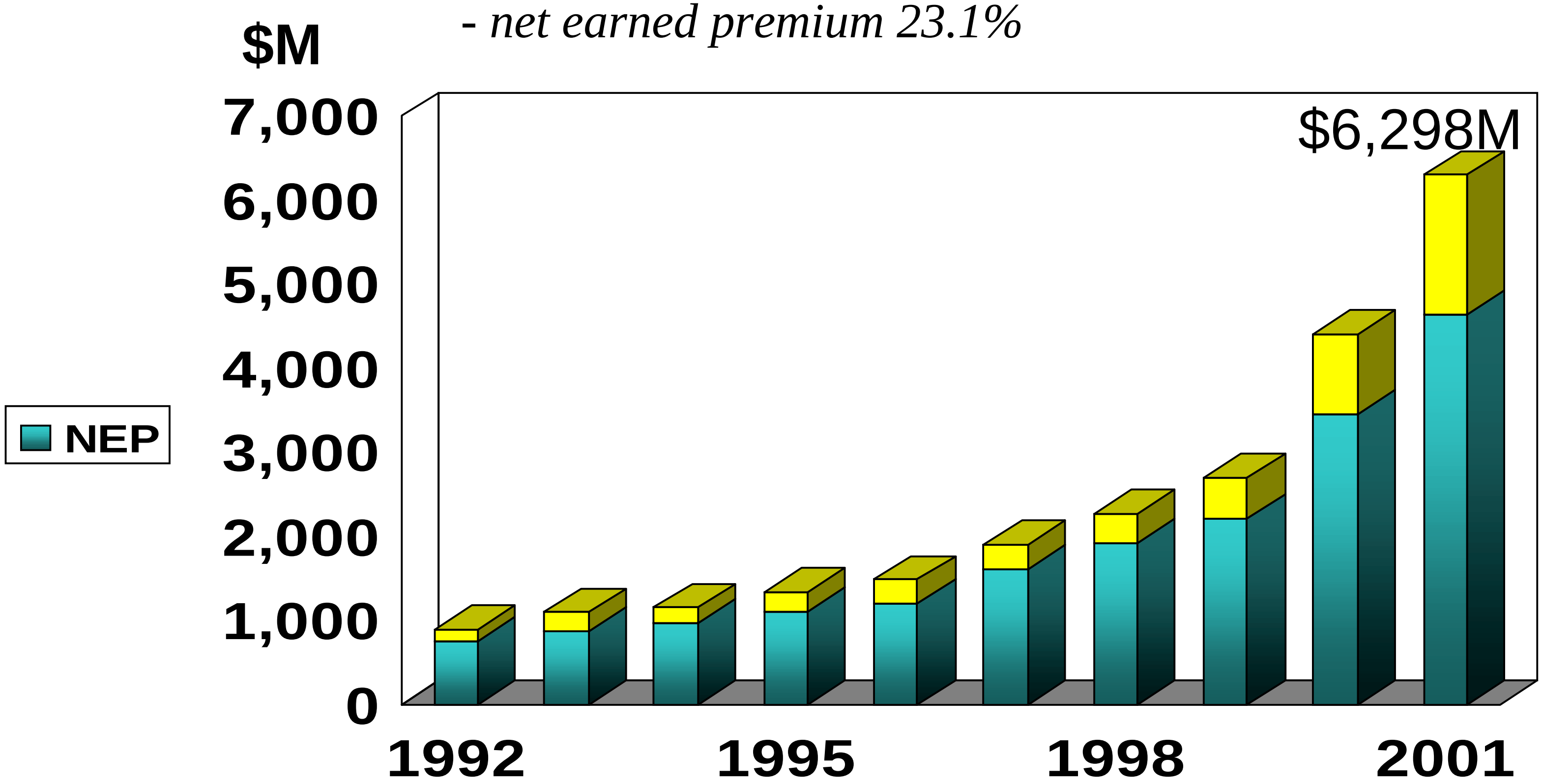
year ended 31 December 2001

gross earned premium

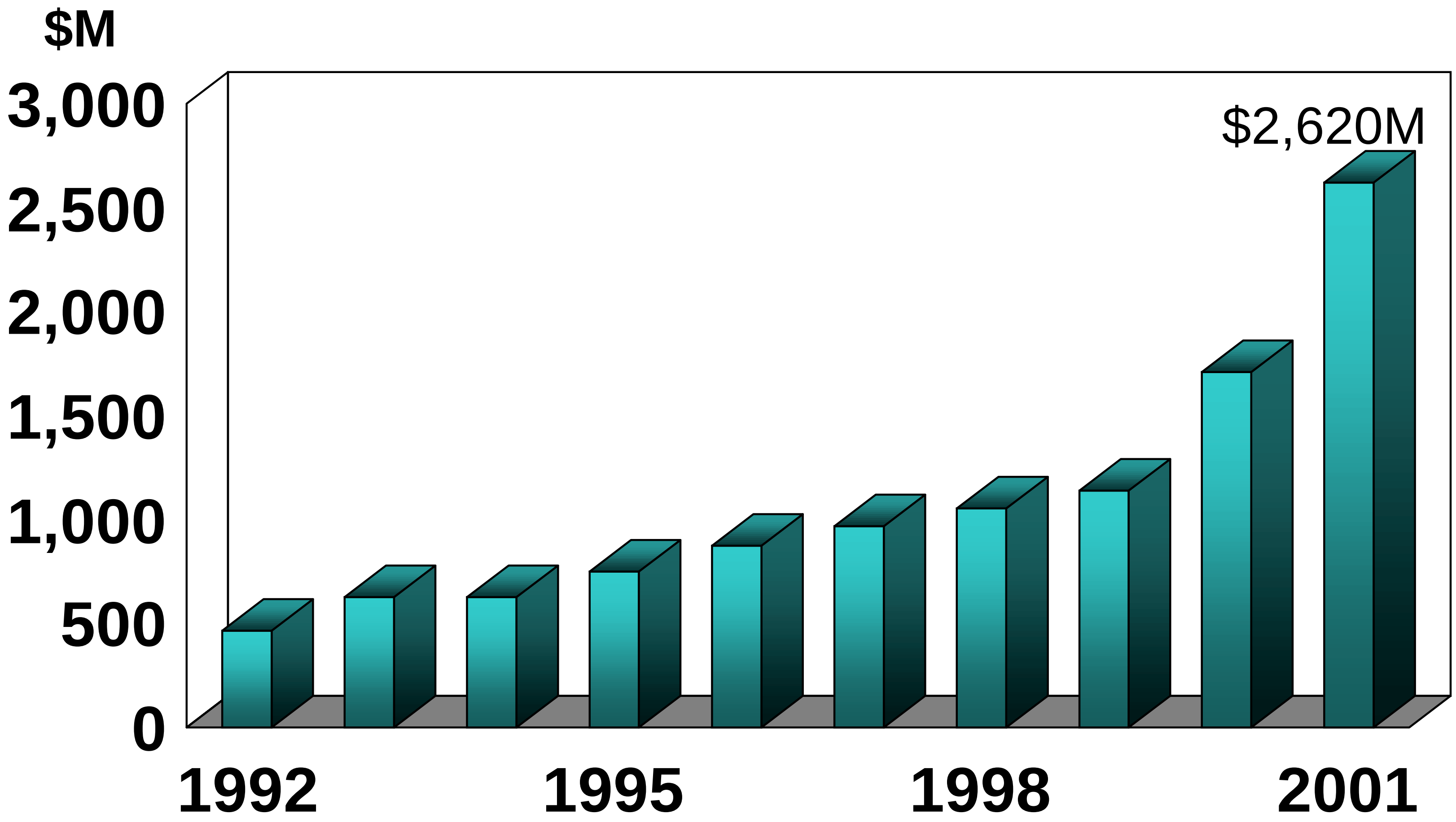
Compound average growth rates over last 10 years:

- gross earned premium 24.6%

- net earned premium 23.1%



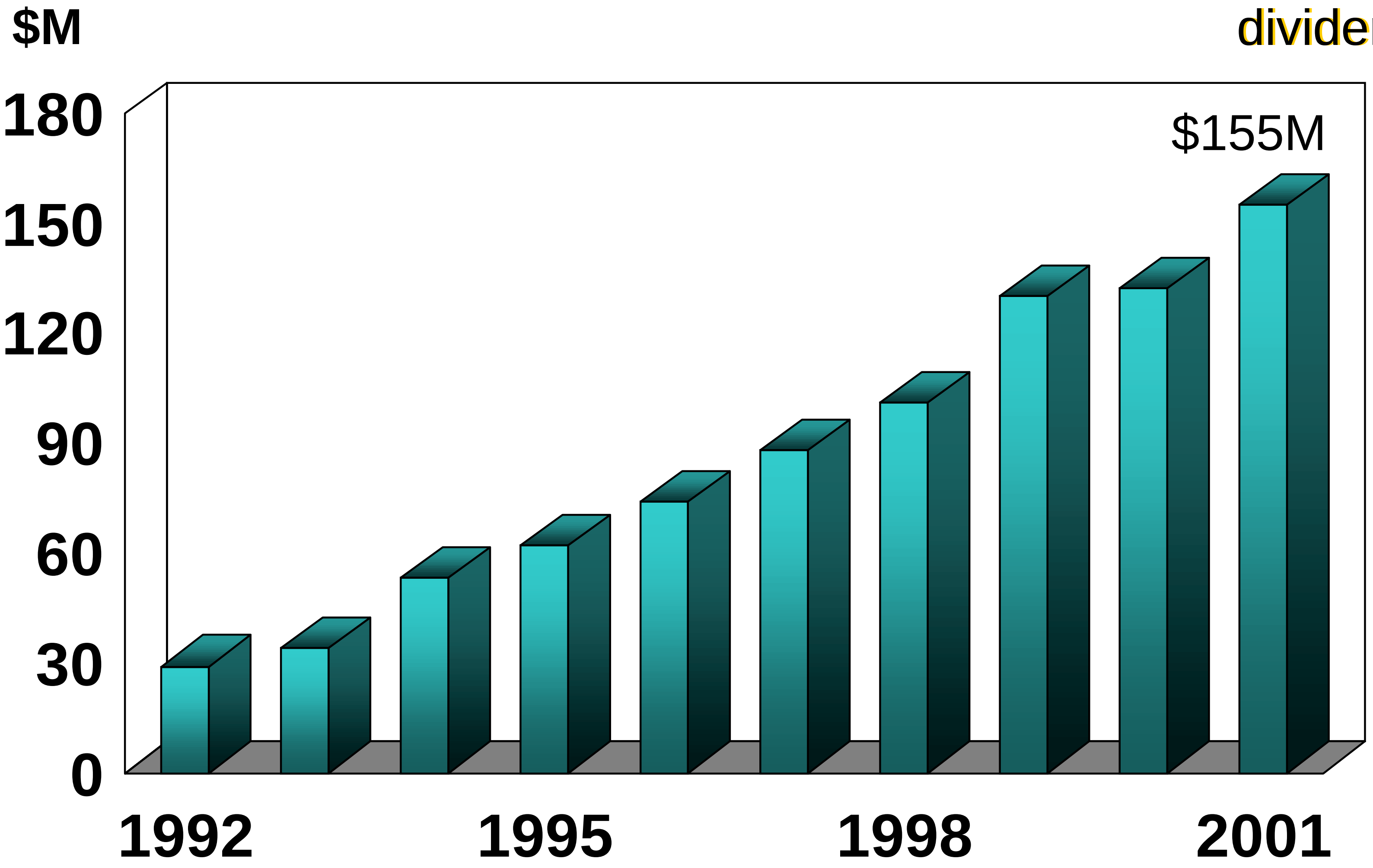
History of growth
shareholders' funds



History of growth

year ended 31 December 2001

dividends



Internet

www.qbe.com

QBE INSURANCE GROUP LIMITED
RESULTS & OUTLOOK
for the year ended 31 December 2001

QBE

13 March 2002