



21 December 2005

The Manager
Company Announcements
Australian Stock Exchange Limited
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Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

QBE INSURANCE GROUP LIMITED
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Dear Sir,

re: Option Exercise

We refer to our Appendix 3B lodged on 2 December 2004, which noted options over QBE ordinary shares expiring 30 November 2007 and our letter of 14 January 2005. These options were issued to a third party as incentives to achieve a number of performance hurdles as part of the consideration for the acquisition of insurance distribution businesses in Australia.

The performance hurdles are designed to be earnings per share accretive for QBE shareholders.

As further performance hurdles have been satisfied, 726,000 shares were issued today to the seller.

As the share issue is within the 15% cap in any 12 months under ASX listing rule 7.1, QBE will not seek shareholder approval for the issue.

The shares were issued without disclosure to investors under Part 6D.2 of the Corporations Act 2001 ("Act"). As at the date of this notice, the Company has complied with:

- (i) the provisions of Chapter 2M of the Act as they apply to the Company; and
- (ii) section 674 of the Act.

This notice is given under paragraph 5(e) of section 708A of the Act.

Yours faithfully,

Duncan Ramsay
Company Secretary