QBE Insurance Group

QBE INSURANCE GROUP LIMITED
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6 October 2009

The Manager
Company Announcements
ASX Limited
Level 6
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam,

CFO presentation to the JP Morgan New York and Edinburgh Conferences

For the market's information, please refer to the attached presentation from our Chief Financial Officer to the JP Morgan Conference in New York on 5 October 2009.

Yours faithfully,

Peter Smiles

Peter Smiles
Deputy Company Secretary

Attachment

QBE INSURANCE GROUP

JP Morgan New York and Edinburgh conferences

Presented by: Neil Drabsch, CFO, QBE Insurance Group
October 2009

All amounts in Australian dollars unless otherwise stated.

Introduction

Introduction to QBE

- Beginnings in 1886
- Listed on the Australian Securities Exchange (“ASX”) in 1973 with the Group head office function located in Sydney
- Historically, has primarily grown through acquisitions, with over 120 businesses or portfolios acquired throughout the world in the last 25 years, assisting the diversification by spreading the business across both general insurance and reinsurance and by increasing geographic and product spread
- One of the top 25 global insurers and reinsurers as measured by net written premium
- S&P A+ financial strength rating for the main insurance subsidiaries
- Operations in all key insurance markets
- Headquarters for the Group’s four operating divisions located in London, New York, Singapore and Sydney
- The Group has operations in 45 countries and around 13,000 staff worldwide

QBE's relative strengths

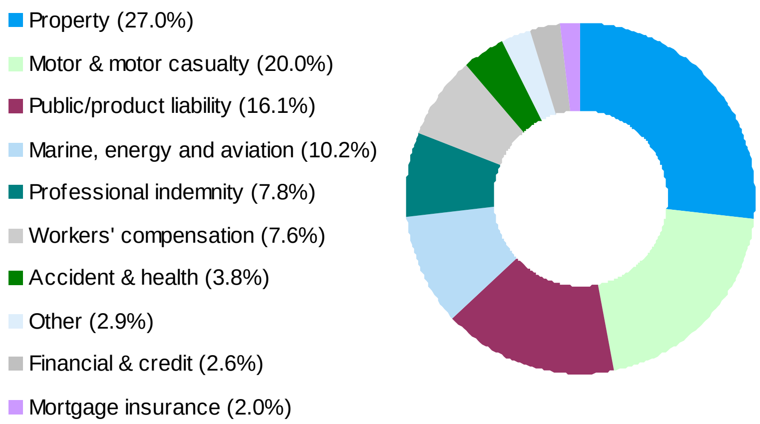
- Strong balance sheet with no significant legacy issues, stable and growing profits and financial flexibility – quality assets/excess capital/liquidity/risk margins
- Prudent approach to managing insurance and investment risk including:
  - Diversity by geography and product
  - quality reinsurance protections and continued low MER despite growth (3.8% of forecast NEP at 30 June)
  - low risk, flexible investment strategy
  - ability to lead on terms and conditions on most business products
  - flexibility to manage risk retention through the captive reinsurer, Equator Re
  - excellent loss statistics for monitoring the attritional loss ratio and performing portfolio analysis/segmentation
- Strong management team with long tenure at QBE and depth for succession
- Acquisition expertise - track record of successful acquisitions over a period of more than 25 years

Strategy

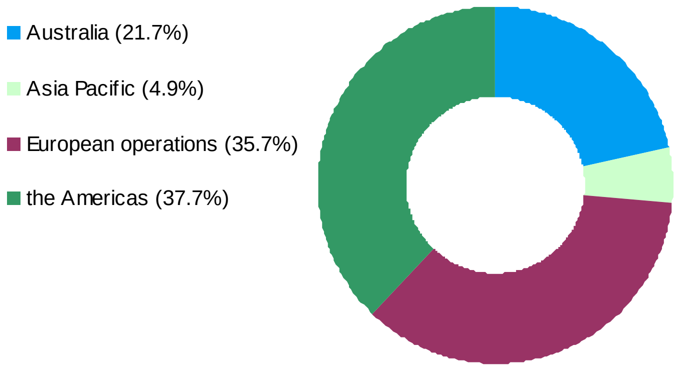
- Modest risk retention per risk or event
- Spread of risk through diversity by product and geographic location
- Continuing focus on key profit drivers
- Organic growth pursued in hard markets / niches
- Growth mainly targets acquisitions
- Acquisition strategy targeted at:
  - bolt on portfolios and underwriters to enhance existing businesses
  - “renewal books” e.g. eliminate historically poor performing risks
  - acquire using proven formula for acquisition e.g. EPS accretive year one
- Introduce QBE culture in acquisitions as soon as possible

QBE business mix: portfolio and segment

Worldwide portfolio mix - gross earned premium



Segmental analysis - gross earned premium



- Operations conducted through the following divisions:
  - Australian operations consisting of general insurance, providing all major lines of cover for commercial and personal risks
  - Asia Pacific operations providing personal, commercial and specialist insurance covers in 16 countries in the region
  - European operations consisting of QBE Insurance (Europe) and our Lloyds' division
  - The Americas writing general insurance and reinsurance business in the Americas, with headquarters in New York and operations in North, Central and South America and Bermuda
  - Equator Re consisting of our captive reinsurance business based in Bermuda

Financial performance

Historical financial information

		Target year ended 31 Dec	Half year ended 30 June	Year ended 31 December			
		2009	**2009**	2008	2007	2006	2005
Gross written premium	$m	**15,100**	**8,057**	13,142	12,406	10,372	9,408
Net earned premium	$m	**12,500**	**6,186**	11,087	10,210	8,158	7,386
Combined operating ratio	%	**<88%**	**89.3**	88.5	85.9	85.3	89.1
Insurance profit	$m	**2,000 to 2,250**	**1,080**	2,183	2,262	1,788	1,288
Insurance margin	%	**16% to 18%**	**17.5**	19.7	22.2	21.9	17.4
Operating profit after income tax and minority interests	$m	**>1,859**	**1,018**	1,859	1,925	1,483	1,091
Cash flow from operations	$M	**>2,000**	**797**	2,251	2,374	2,039	1,987
Shareholders' funds	$m	**~11,000**	**10,232**	11,159	8,479	6,283	5,093
Borrowings to shareholders' funds(1)	%	**<35%**	**29.3**	32.9	40.8	37.6	41.8

(1) Excludes ABC securities for funds at Lloyd's

QBE performance

- Consistently produced underwriting profits and return on equity in top quartile of top 25 global insurance companies
- Outstanding businesses in 45 countries with substantial majority producing underwriting profits
- Continued focus on allocating capital to products that meet our minimum 15% return on equity hurdle
- Maintain focus on bottom line profit, even if this means giving up premium income
- Quality not quantity
- Our proven strategy of growth mainly through acquisitions and focus on profitability to continue
- Compound annual growth in gross written premium exceeded 18% in past 20 years despite strengthening Australian dollar

Overview: half year results, key takeaway messages

- Record first half year profit after tax - up 19% to $1,018m
- Premium rates improved in all major markets - up 4% on average
- Premium growth in original currency on track - GWP up 22%
- Solid investment returns despite market volatility - 3.3% gross yield
- Benefit of agency acquisitions reflected in lower acquisition cost ratios, agencies' contributed profit of $160m
- Increased risk margins in outstanding claims up 3% to $1,234m and improved probability of adequacy at 89%
- Lower releases from prior year claims provisions of $230m compared with $368m for 1H 2008
- $230m release in 1H 2009 plus $80m reinvested into 2009 margins (1H 2008: $258m prior year release reinvested into 2008 margins)
- Capital adequacy stable 1.7 x MCR with substantial flexibility for debt funding

Overview: half year results, key takeaway messages

- Continued GFC related claims - $145m from trade credit and other credit related insurance portfolios
- S&P recent extensive review
  - upgraded holding company credit rating to an A stable outlook
  - main insurance subsidiaries, financial strength rating of A+ stable outlook confirmed
  - QBE LMI AA- rating; outlook upgraded from negative to stable
- Cash flow from operations strong at $797m (2008: $839m) - reduction due to tax payments and operational FX hedging
- Large majority of products and businesses meeting minimum ROE hurdles of 15%
- QBE LMI results exceeding targets with outstanding COR 54.2% and Australian housing market conditions improving
- Responded to market requests for increased disclosure with more to come at year end

Claims incurred: impacted by GFC and increased risk margins

Analysis of net claims ratio	Target 2009 FY %	2009 1H %	Actual 2008 FY %	2007 FY %	2006 FY %
Attritional	49.0	48.3	47.5	47.7	47.4
Large individual risk and catastrophe	10.0	8.3	8.4	6.6	8.9
GFC claims	-	2.3	1.8	-	-
Risk margin adjustment	-	1.9	(0.1)	0.1	1.4
Net claims ratio	**59.0**	**60.8**	**57.6**	**54.4**[(1)]	**57.7**[(1)]

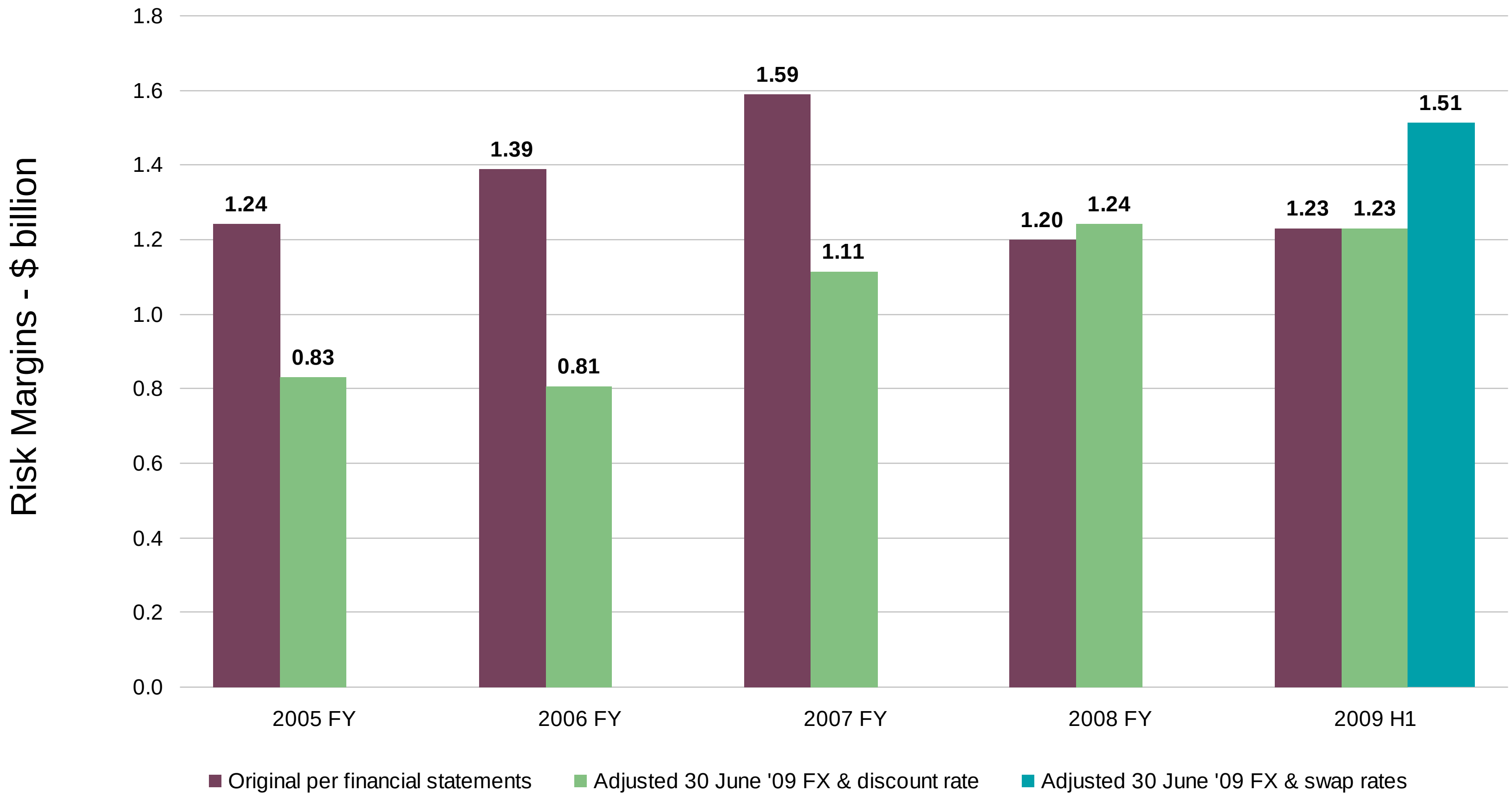
(1) Restated to include PFG and Winterthur as if owned for full year 2007 and 2006

Release of risk margins in claims incurred

	30 June 2009	31 Dec 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005
From the cash flow statement					
Gross paid claims	4,208	7,651	7,053	6,025	4,620
Reinsurance paid recoveries	538	1,396	1,665	1,805	1,309
Net paid claims	**3,670**	**6,255**	**5,388**	**4,220**	**3,311**
From note 9					
Net discounted prior year releases	**230**	**665**	**313**	**306**	**232**
Net releases as a % of net paid claims	**6.3%**	**10.6%**	**5.8%**	**7.3%**	**7.0%**

Note: as a general rule, the majority of releases from prior years are reinvested in the current year risk margins

Risk margins: restated for comparison and sensitivity to FX and discount rates



PoA at 30 June '09 was 89.0%, adopting swap rates improves PoA to 93.4%

Balance sheet

Balance sheet

ASSETS	30 June 2009 $m	31 Dec 2008 $m	31 Dec 2007 $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

Balance sheet – investments and cash

	30 June 2009		31 Dec 2008		31 Dec 2007	
	$m	**%**	**$m**	**%**	**$m**	**%**
Cash	1,667	6.5	2,736	9.6	988	4.0
Short term money	11,802	46.0	16,885	59.2	16,317	66.3
Fixed interest securities and other	10,660	41.6	7,219	25.2	5,552	22.6
Equities	1,421	5.5	1,589	5.6	1,656	6.7
Investment properties	97	0.4	112	0.4	93	0.4
Total investments and cash	**25,647**	**100.0**	**28,541**	**100.0**	**24,606**	**100.0**
Net investment income	**635**		**1,177**		**1,132**	
Net yield	**5.3%**		**5.1%**		**5.8%**	

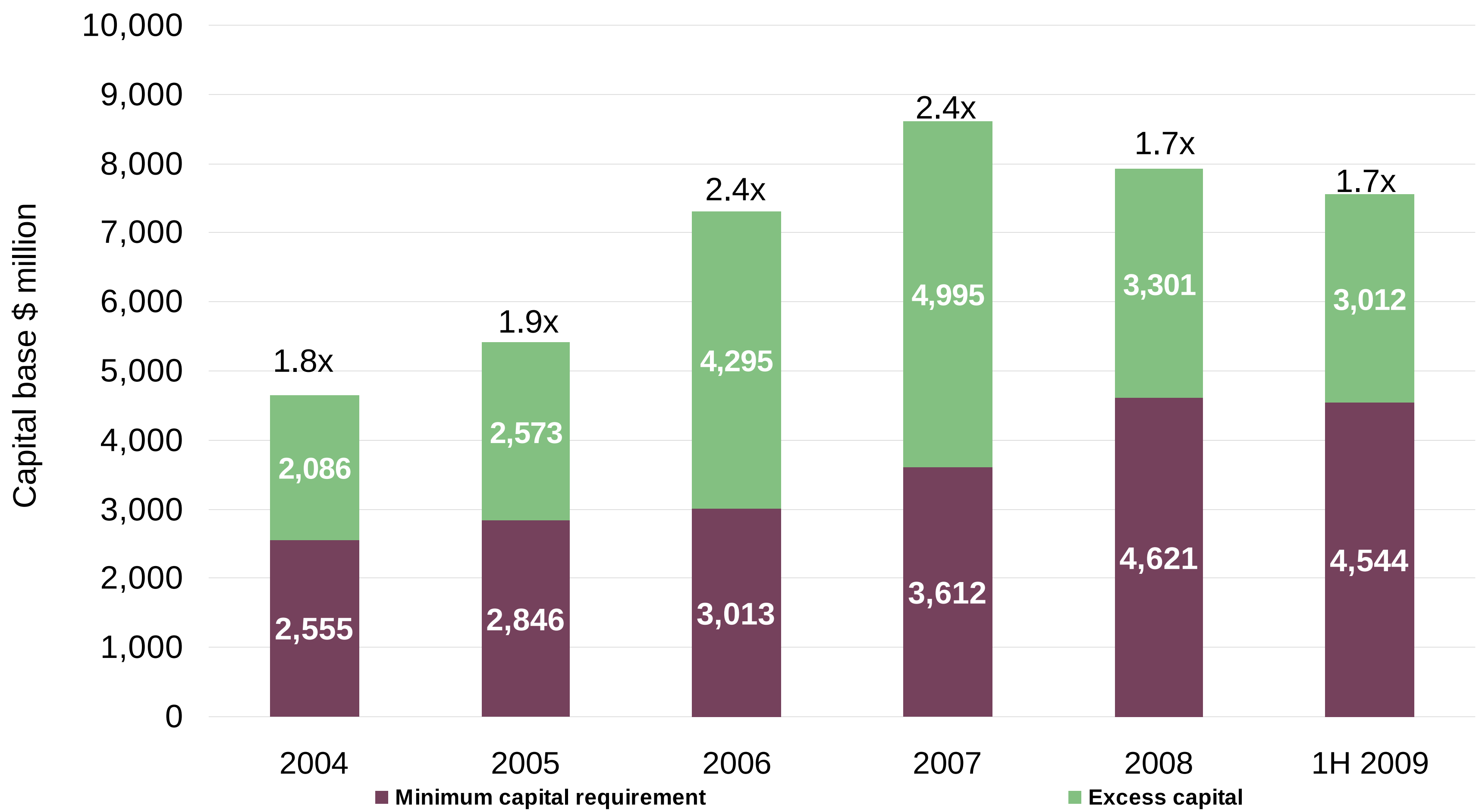
- Continue to adopt a low risk strategy for the management of our investment portfolio
- Equity investments currently comprise around 6% of the portfolio, the increase due to improved market values post 30 June
- Fixed interest investments continue to be short in duration, currently at around six months on average
- Over 84% of cash and fixed interest investments rated by Moody's Aa3 or better (31 December: 94%)

Balance sheet - insurance liabilities

		30 June 2009	31 Dec 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005
QBE's record of claims development demonstrates our prudent management of claims						
Prior year release - net discounted	$m	230	665	313	306	232
Outstanding claims						
Total net outstanding claims (discounted)	$m	15,173	16,161	13,871	11,645	10,870
Probability of adequacy of net outstanding claims	**%**	**89.0**	**86.1**	**94.0**	**94.6**	**94.1**
Unearned premium						
Total net unearned premium	$m	5,373	5,139	4,015	3,233	2,841
Probability of adequacy of unearned premium	**%**	**99.6**	**97.9**	**98.5**	**99.1**	**99.8**
Total insurance liabilities	**$m**	**20,546**	**21,300**	**17,886**	**14,878**	**13,711**
Risk margins in insurance liabilities	**$m**	**2,520**	**2,163**	**2,453**	**2,222**	**2,016**
Probability of adequacy of total insurance liabilities	**%**	**96.8**	**93.2**	**96.9**	**97.7**	**98.0**

Capital and funding

Group capital adequacy: remaining strong



Borrowings: lower debt/equity ratio

	30 June 2009	31 Dec 2008
Repayment profile (1)		
	$m	$m
Less than 1 year (2)	1,383	1,120
1 – 5 years	1,269	1,333
More than 5 years	343	1,213
Total	**2,995**	**3,666**
Debt/equity ratio	29.3%	32.9%

- Weighted average cost of borrowings 6.6% (31 Dec 2008: 6.5%)
- Movement for the period:
  - repayment of $301m of short term loans
  - repurchase of $175m of QBE debt securities
  - FX restatement $226m
- Low debt/equity ratios provide capacity and flexibility to add further borrowings
- $138m SCS hybrid securities were converted post balance date
- Recent £550m senior debt raising mainly to repay £175m maturing senior notes and to replace short term borrowings

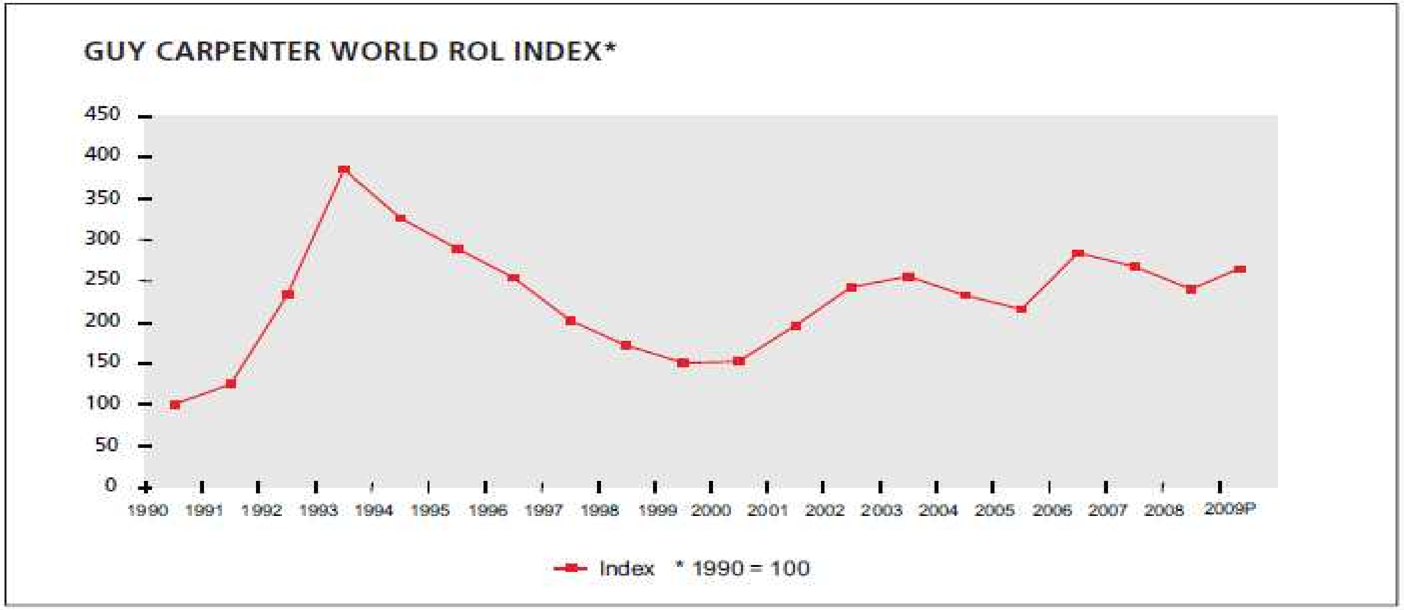
(1) assuming settled at first call date

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

Market Conditions

Market conditions

World rate on line index - reinsurance catastrophe premiums



- The world rate on line index (ROL) increased by 8% on average through the 2009 renewal season compared with declines of 6% in 2008 and 10% in 2007
- Reinsurers' balance sheets affected by the GFC and loss activity in 2008 – net equity down 18%
- Swiss Re estimates 2008 claims for the P&C industry from natural catastrophes amount to US$53 billion (2007: US$28 billion)
- Reinsurance rates for 2009 renewals to date (for the US market) are up in the range 10% to 15% - 2010 renewal rates expected to be flat

Source: Guy Carpenter & Company LLC and Swiss Re; Sigma

Market conditions

- Premium rate increases on average up on renewed business
- Reinsurance rates hardening although demand flat
- Fixed interest investment market more stable – credit spreads narrowing and liquidity improving
- Equity markets improving
- Acquisition opportunities emerging
- Caution due to economic conditions

Market conditions: Americas perspective

- Overall premium rates slightly positive across the Americas portfolio and ahead of plan; market however still soft, particularly in commercial lines
- Renewal retention ratios in the mid 80% range, in line with expectations
- General economic conditions for SME market stable although affected by overall recession and no organic growth in premiums
- Increase in M&A opportunities emerging across North and South American markets
- Investment yields improving; equity markets slowly rebounding; Treasury yield curve expected to rise over the next year
- Agencies performing well and target expense savings on track

Market conditions: European perspective

- European Operations rate increases at +4.5% for year to date
- Strongest rate increases on US catastrophe exposed classes, energy +30%, reinsurance +10%
- Lagging classes are predominantly various global casualty classes at -1%
- Reinsurance rates forecast to be stable for 2010 in absence of major catastrophe losses
- Casualty and other rates predicted to be +5% by second half of 2010
- Has enough pain been felt in the market as yet to drive this momentum?

Summary

Summary

- Excellent 2008 and half year 2009 underwriting results
- Effective management of global economic conditions and volatility - cautious approach to continue
- Strong balance sheet - recent holding company and rating upgrades
- Financial flexibility
- History of successful acquisitions and pipeline
- Quality geographic and product diversification
- 2009 premium growth 15% - watch rising A$?
- Strong cash flow
- Proven access to capital markets
- Commitment to maintain credit ratings

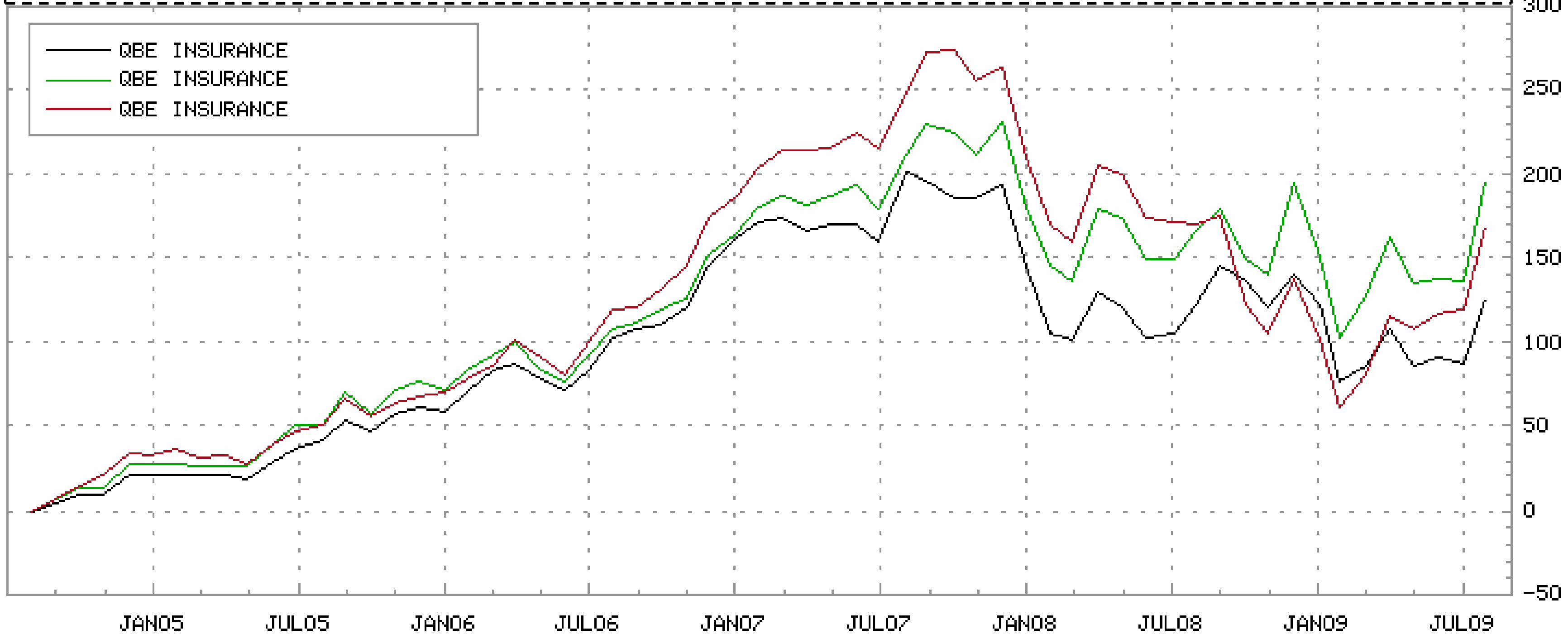
Financial results on track

	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 15%	✓	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

Appendices

Share price performance

Securities	Currency	Prc Appr	Total Ret	Annual Equity
QBE AU Equity	AUD	312.09%	548.01%	20.53%
QBE AU Equity	GBP	436.47%	743.65%	23.75%
QBE AU Equity	USD	442.76%	751.90%	23.87%



* Source: Bloomberg

Top 10 P & C insurers

Competitor performance 2004 - 2008

Average combined operating ratio

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**

Average return on equity

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

Financial Model

Financial model	Sensitivity[2]	2009 June Actual	2008 Actual	2007 Actual	2006 Actual	2005 Actual
NCOR	88.0%	89.3%	88.5%	85.9%	85.3%	89.1%
Period premium held	1.5	1.49	1.55	1.37	1.51	1.48
Yield on insurance funds	5.5%	4.5%	5.3%	5.9%	4.8%	4.4%
Insurance profit/NEP	20.3%	17.5%	19.7%	22.2%	21.9%	17.4%
NEP ratio to average shareholders' funds	85.0%	86.4%	88.6%	72.3%	69.7%	61.8%
Insurance profit/Average shareholders' funds	23.8%	20.2%	22.2%	30.6%	31.4%	28.2%
Investment yield on average shareholders' funds[1]	4.4%	3.4%	2.4%	3.9%	3.9%	5.2%
Pre tax profit/Average shareholders' funds	28.2%	23.6%	24.6%	34.5%	35.4%	33.4%
Tax	23.0%	18.9%	22.9%	24.1%	25.8%	27.9%
Minority interest	-0.1%	-0.1%	-0.1%	-0.1%	-0.2%	-0.2%
ROE	21.6%	19.0%	18.9%	26.1%	26.1%	23.9%

[1] Investment yield on average shareholders' funds is net of goodwill amortisation

[2] Sensitivity assumes 0.5% lower COR than 2008 and 1.0% improvement in investment yields and normalised tax expense rate

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