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QBE Insurance (Australia) Ltd.

Primary Credit Analyst: Kate Thomson, Melbourne (61) 3-9631-2104; kate_thomson@standardandpoors.com

Major Rating Factors

Rationale

Outlook

Competitive Position

Management And Corporate Strategy

Accounting

Operating Performance

Investments And Liquidity

Capitalization

Financial Flexibility

RATING Local: A+/Stable/-- Foreign: A+/Stable/-- (STRONG)

An insurer rated 'A+' has STRONG financial security characteristics, but is somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings.

RELATED RATINGS

QBE Insurance (Australia) Ltd.

Sub debt
Foreign currency A-

QBE Insurance Group Ltd.

Sr unsecd debt
Foreign currency A-

Sub debt
Foreign currency BBB

Junior Subordinated
Foreign currency BBB-

Equator Reinsurances Ltd.

Financial Strength Rating
Local currency A+/Stable/--

QBE Insurance (Europe) Ltd.

Financial Strength Rating
Local currency A+/Stable/--

QBE Insurance (International) Ltd.

Financial Strength Rating
Local currency A+/Stable/--

QBE Reinsurance Corp.

Financial Strength Rating
Local currency A+/Stable/--

HOLDING COMPANY

QBE Insurance Group Ltd.

GROUP MEMBERS

None

DOMICILE

Australia

LICENSED

Australia

Company Contact

QBE Insurance Group Ltd.
82 Pitt Street Sydney, New South Wales, 2000
Tel.: (61) 2-9375-4000
Chief Risk Officer: George Thwaites

Major Rating Factors

Strengths:

- Strong underwriting and operating performance
- Diverse business and strong competitive position
- Solid underwriting and reserving practices
- Supportive capitalization
- Strong financial flexibility

Weaknesses:

- Reliance on third-party reinsurance
- Participation in some higher-risk lines of business

Rationale

The ratings on the core operating subsidiaries of the QBE Insurance Group Ltd. group (QBE group), namely QBE Insurance (Australia) Ltd. (A+/Stable/--), QBE Insurance (International) Ltd. (A+/Stable/--), QBE Insurance (Europe) Ltd. (A+/Stable/--), QBE Insurance Corp. (A+/Stable/--), QBE Reinsurance Corp. (A+/Stable/--), and Equator Reinsurances Ltd. (A+/Stable/--), reflect the group's strong underwriting and operating performance, diverse business profile, strong competitive position, solid underwriting and reserving practices, and adequate capitalization for the rating level. Moderating features include the group's reliance on third-party reinsurance and involvement in higher-risk lines of business.

QBE group's track record of underwriting and operating profitability is strong and is supported by management's focus on appropriate underwriting, the strong level of business diversification in the group's portfolio, and the judicious use of reinsurance.

QBE group has a globally diverse business platform. The group's competitive position stems from the good mix of commercial insurances and, to a lesser extent, reinsurance sourced from around the globe through a variety of distribution networks. Although the group's market influence and share varies across the many countries in which it operates, the diverse operations combine to form a strong competitive position. QBE group's premium income is more geographically diverse than any other Australia-based insurer. Furthermore, QBE group's book of business also displays a high level of product-line diversity. Splitting the business by geographic region, almost all product lines account for less than 5% of the total portfolio, and no product line accounts for more than 10%, insulating the group somewhat from volatility in any one market segment.

Underwriting and reserving practices are considered robust against peers. Underwriting and reserving authorities and processes for QBE's widely spread global operations are controlled from a central point. Reserving estimates are subject to both internal and external reviews, which enable the group to assess the reserving adequacy. Management holds reserves for claims at a 94% probability of adequacy, which is well in excess of the 75% requirement of the Australian Prudential Regulation Authority (APRA).

Results for the year to Dec. 31, 2005 demonstrated the continuation of solid performance and the benefits of the recent strong industry performance. QBE group's 2005 return on equity increased to 23.7% for the year, reflecting continued good growth in premium income, and a reduction in the group's loss ratio to 59.8% from 61.3% in 2004 despite the occurrence of Hurricane Katrina.

Financial flexibility is strong as demonstrated by the group's access to debt and equity markets globally, and proven access to capital markets in times of stress.

QBE group's risk-based capital position is assessed as strong as measured by Standard & Poor's risk-based capital. QBE group's use of reinsurance results in the balance sheet holding a material exposure to third parties through the long-tail nature of much of QBE group's claims liabilities. The credit quality of these parties is generally sound, with more than 90% rated 'A' or above.

Liquidity

Balance-sheet liquidity is assessed as adequate, supported by solid operating cash flows, but constrained somewhat by the high level of insurance debts, namely reinsurance recoverables, which are apparent in the company's balance-sheet structure, and which equates to 14.2% of total assets at balance date.

Outlook

The outlook is stable. QBE's diverse business platform provides for a good level of stability in the group's earnings. The expectation of good overall underwriting results in the medium term and the maintenance of a solid balance-sheet structure together support the stable outlook.

An upward rating movement could spring from a strengthening in QBE's competitive position in key offshore markets as well a higher level of risk-based group capitalization. Although perceived as unlikely to occur, a failure to maintain good underwriting profitability, a weakening in the group's competitive position, or a material operating risk issue could lead to a weakening of the rating.

QBE's half-year results to June 30, 2006, are expected to be published on Aug. 16, 2006.

Competitive Position

QBE group has a very diverse business platform. QBE's competitive position consists of a mix of commercial insurances and reinsurance, sourced from around the globe through a variety of distribution networks.

Geographical diversity is a strength for QBE; operating in 41 countries with premiums written coming from Australia/New Zealand, throughout Asia, North and South America, the U.K., and from selected areas in Europe. There is a reliance on third-party distribution in QBE's profile, with the majority of business sourced from brokers and other third-party intermediaries; however, across the global operations, a reasonable range of brokers are utilized.

QBE operates in a number of niche markets around the globe where it holds competitive positions of varying strengths. While the geographic diversity this brings strengthens QBE's profile, QBE does not dominate any particular major geographic market and remains susceptible to competition, particularly in offshore markets, from other leading insurers.

This approach provides a good diversity of income streams and has lowered the group's risk profile. The group has had a very active history of expansion, largely through its acquisition of more than 90 businesses in about 20 years, and has developed expertise in integrating and extracting value from new operations.

Table 1 QBE Insurance Group Ltd. Consolidated/Business Statistics

	--Year ended Dec. 31--				
(%)	2005	2004	2003	2002	2001
Gross premiums written (GPW; mil. A\$)	9,408	8,766	8,350	7,723	6,793
GPW growth per year	7.3	5.0	8.1	13.7	54.2
Business mix - Gross premium earned (%)					
Property	28.7	29.9	30.7	28.2	23.7
Liability	21.9	21.8	17.9	13.4	13.5
Professional indemnity	9.1	9.5	9.2	9.1	7.1
Motor & motor casualty	13.7	12.3	10.4	10.8	15.6
Marine & aviation	6.3	6.6	8.4	10.3	13.5
Accident & health	6.2	6.1	5.6	6.0	8.6
Workers compensation	8.9	9.6	9.2	9.2	5.8
Financial and other credit risks	2.5	2.4	3.1	2.9	3.1
Other	2.7	1.8	5.5	10.1	9.1
Total	100.0	100.0	100.0	100.0	100.0

The group's business base shows good growth, with premiums doubling in the past five years, supported by a strong acquisition culture and, in recent years, the benefit of a rapidly hardening market. Through these acquisitions and despite some premium rate reductions, QBE grew its gross premium base by 7.3% in the year to 2005 (see table 1).

QBE group's business profile is well diversified, limiting the group's exposure to volatility in any one market segment. Splitting the business by geographic region, most product lines account for less than 5.0%, and most segments represent 1%–3% of total net premium earned. Operations are well diversified internationally, with gross earned premiums for the year to December 2005, allocated between Lloyd's, 25%; Europe, 26%; Australia, 26%; Pacific Asia Central Europe, 7.0%; and the Americas, 16%.

QBE continued to generate good premium growth in 2005 and should continue to so in 2006 (despite a softening premium rate environment in many markets during 2005) due to the full-year effect of further acquisitions undertaken in 2005 in the U.K. and the Americas.

Nonlife, or primary, insurance operations continue to be QBE group's main focus. In line with this strategy, QBE group, through its European company operations, continued to step away from selected classes of inwards reinsurance business. Gross premiums written for nonlife insurance now account for 77.5% of total premium income.

In Australia, QBE group exhibits a sound business profile, where it is ranked third by premium volume, and holds strong positions in commercial and selected personal markets, supported by insurance brokers and intermediaries. The Australian division is the group's second-largest after the combined Insurance Europe and Lloyd's division.

In New Zealand, QBE group has a strong business position in broker distributed commercial lines. In the Asia-Pacific region, the group provides personal lines and small-to-midsize commercial business sector insurance in 16 countries, where the group maintains shareholder and management control.

QBE group's profile in the U.S. and its own-name-branded European company operations have gained in their competitive positions in recent years, and in these markets, QBE group lead-underwrites the majority of business. Operations in the Americas consist of nonlife insurance and reinsurance businesses, with a strong emphasis on growing program business with a proven track record. QBE group is a relatively small and selective underwriter in the Americas, with a focus on primary insurance targeting small-to-midsize commercial business through managing agents; treaty reinsurance in property, motor, and medium-tail casualty; and personal and commercial motor and business packages in mid-west U.S. states through the insurer's recent acquisition of National Farmers Union Property and Casualty Company (NFU).

QBE Insurance Europe's operations comprise reinsurance and primary business in the London market, the U.K., Ireland, and continental Europe. About one-quarter of gross written premium (GWP) is for inwards reinsurance in European company operations, a planned reduction from 30.8% in 2003. QBE group's European operations hold particularly good market positions in employers' liability, international liability, and bloodstock lines.

The Lloyd's operation, trading as Limit, is QBE group's third-largest business and QBE group is currently the largest manager of capacity at Lloyd's. Syndicates managed include 386, 566, 1036, and 2000, focusing on non-U.S. liability, international property reinsurance, marine, and casualty reinsurance, respectively. QBE group's market position through Limit is considered strong, and QBE is the market leader in the key business lines written by Limit.

Reinsurance and financial risks business are considered to be an inherently higher-risk activity than general insurance; thus, the underwriting of this business potentially raises QBE group's overall risk profile. QBE group's disciplined approach to underwriting, strict exposure limits, prudent ceiling on total exposure, and greater dispersion of risk (geographically and by product line) ameliorates some of these concerns.

Prospective

QBE group is expected to concentrate on growing existing businesses, with further growth likely to come from the benefit of any acquisitions undertaken in 2006, as well as some organic growth through premium increases in some key markets.

Nevertheless, QBE remains focused on acquisitions to grow the portfolio, and ongoing acquisition activity is expected.

Management And Corporate Strategy

Management's driving strategy has been to consistently provide increasing returns to shareholders. The group has achieved this by expanding its scope and scale through a combination of acquisition and organic growth. QBE targets its acquisition strategy on companies and lines of business where it can add value and generate positive earnings in the short term. QBE group's focus also has been on maintaining a comprehensive risk-management framework, whereby international risks are monitored centrally to ensure compliance, and underwriting and actuarial conventions are conservatively reviewed.

Operational management

QBE group's strategy of growth through acquisition has been successfully implemented within a robust framework of management assessment. The group's acquisition policy is to target companies or underwrite portfolios that can be earnings-per-share positive in the first year of operation, and not a drain on profitability. Due diligence is then undertaken by senior management, including the group CEO, and actuaries, along with legal and tax advisors. In many instances, growth has come from QBE group acquiring teams of underwriters or purchasing the rights to renew business, which has consumed less capital than company acquisitions.

In international markets, the group has adopted a niche strategy, targeting sectors and markets where it believes profitable opportunities exist. In recent years, QBE group has identified central and eastern Europe as having good growth and profit opportunities and has made a number of acquisitions.

Financial management

Management has a strong control framework in place that manages underwriting guidelines, reserving processes, and claims development. QBE group's disparate international operations are operated within this framework, although they remain inherently complex to manage

Financial management of QBE group remains robust. Its comprehensive risk-management framework is characterized by strong reserving standards, which have provisions for outstanding claims assessed by actuaries, and which include prudential margins over central estimates to bring the probability of adequacy to a level comfortably in excess of the Australian regulatory guideline of 75%. In addition, the group maintains substantial reinsurance protection to both smooth out earnings and reduce exposure to catastrophes. The credit quality of reinsurers is good, with more than 90% of QBE group's reinsurance recoveries rated 'A' or higher.

QBE maintains a conservative approach to investment risk, holding a portfolio largely comprised of cash and fixed interest securities, and only a minor exposure to equities.

Exposure to the Sept. 11, 2001 World Trade Center disaster has heightened QBE group's attention to risk management, and appropriate adjustments have been effected, including renewed focus on profitable classes of business, reduction in risks such as U.S. property and liability written out of Europe, and a focus on managing and reducing aggregate exposures worldwide. The group also has taken a conservative stance on investment assets. Management actively implements investment asset-protection mechanisms to minimize exposure to global falls in equity markets, which proved conservative and insightful. The importance of risk management to the group is emphasized by the Chief Risk Officer reporting to the CEO and working closely with the executive team.

Accounting

QBE's Dec. 31, 2005 Annual Report is its first to be prepared under Australian equivalents of the International Financial Reporting Standards (A-IFRS). Transition to A-IFRS resulted in an A\$388 million reduction in opening Shareholders Equity. The largest part of this change related the recognition of defined benefit superannuation obligations. Other items include the derecognition of shares issued under QBE's employee share scheme and subject to non-recourse loans from the company, and the requirement to discount all claims at a risk free rate. The 2004 comparative numbers in the 2005 Annual Report have been restated under A-IFRS standards.

Operating Performance

QBE group has demonstrated a track record of consistently sound operating profitability, even through the very soft market conditions prevailing in the Australian general insurance market in 1999 and 2000. Business diversity, QBE group's commitment to appropriate underwriting and reserving practices, the judicious use of reinsurance in soft markets, and a generally conservative investment philosophy has provided some stability to earnings.

Results for the year to Dec. 31, 2005, demonstrated the continuation of this strong performance and the benefits of recent strong industry performance. QBE group's 2005 return on equity increased to 23.7% for the year, reflecting continued good growth in premium income, and a reduction in the group's loss ratio to 59.8% from 61.3% in 2004 despite the occurrence of Hurricane Katrina. These results demonstrate the benefits of QBE's high level of geographic and business line diversity. QBE's five-year return on equity is a strong 14.7%, with the past four years averaging 18.7%.

QBE group has consistently achieved a strong operating performance over the past decade, with the claims ratio and expense ratio remaining unusually flat during a period of market cycle undulations, especially in world reinsurance markets. This resulted from its focus on underwriting practices and cost control; major acquisitions were assimilated with little blowout in expenses. In addition, the group utilized whole-of-account excess of loss reinsurance arrangements, which helped to smooth out earnings, particularly during the difficult market conditions in Australia in the late 1990s. The group's combined ratio has averaged 96.3% for the past five years, which is very strong relative to its peers, especially Australian direct insurers and international reinsurers.

Table 2 QBE Insurance Group Ltd. Consolidated/Operating Statistics

	--Year ended Dec. 31--				
(Mil. A\$)	2005	2004	2003	2002	2001
Net premium income	7,623.0	6,985.0	6,541.0	6,096.0	4,975.0
Underwriting profit	808.0	597.0	372.0	130.0	(443.0)
Investment income	685.0	557.0*	316.0	318.0	346.0
Net profit before tax	1,523.0	1,115.0*	765.0	311.0	(99.0)
Net profit after tax	1098.0	864.0*	577.0	278.0	(17.0)
Return on assets (%)	4.0	3.8*	2.8	1.4	(0.1)
Return on equity (%)	23.7	23.2*	18.1	9.8	(0.8)
Loss ratio (%)	59.8	61.3*	63.3	67.6	76.6
Expense ratio (%)	29.3	29.9	30.5	30.1	33.0
Combined ratio (%)	89.1	91.2	93.8	97.7	109.6

*Restated to reflect A-IFRS.

Operating performance (net profit) was very strong in the year ended Dec. 31, 2005, at A\$1,523 million before tax compared with QBE group's full-year result for 2004 of A\$1,115 million. This represents an increase in profit of about 390% from its 2002 results, and demonstrates both QBE's growth during this period, and the magnitude of the improvement in global insurance markets over the past three years. QBE group's loss ratio of 59.8% is very strong.

Results will likely moderate from this current very strong level, but are expected to remain strong. All regions reported underwriting profits in 2005, and most posted an improved underwriting result. The combined ratio for the Australian operations improved to 83.6% in 2005 from a year-earlier 89.7%, while the combined ratio for the Pacific Asia Central Europe operations fell to 82.3% from 86.4% over the same period. The Americas delivered an improved underwriting profit in 2005, reporting a combined ratio of 92.9%, from 93.5% in the corresponding full year, as did the European company operations, whose combined ratio reduced to 90.0% from 95.6% despite the effect of upgrades to prior year claims and increased catastrophe activity. Limit's combined ratio increased to 94.5% from 91.6%, reflecting QBE's exposure to what was the most expensive year to date for catastrophe claims.

Prospective

The outlook for QBE group's earnings is solid despite the softening premium rate environment that became entrenched in many insurance markets during 2005. QBE group's focus on appropriate underwriting and aggregate management, the achievement of technical rates, and disciplines around claims reserving is expected to result in a solid operating profit performance in the absence of any material insurance events.

Investments And Liquidity

QBE group takes a conservative approach to investment management compared with its peers, opting to minimize investment risk and avoid adding significant investment risk to the level of insurance risk the organization already assumes. This approach should minimize the potential effect of investment market volatility on profitability and capital.

In addition to adopting a low-risk investment strategy to minimize volatility, QBE group's main impetus is to match the currency of investment assets to the currency of liabilities. Shareholders' funds held in foreign currencies are hedged to Australian dollars.

Maximum limits for investment in growth assets are set by reference to the potential effect on solvency of a material equity market movement, with up to a maximum of 15% of the investment portfolio allowed to be invested in equities. Under QBE group's investment policy, individual exposures are limited to about 5% of the asset base. Credit quality of the portfolio is good, with about 90% of fixed interest securities rated 'AA' or above.

Currently the portfolio is highly liquid, with substantial holdings of short-term cash and short-term fixed-interest securities (see table 3). Exposure to equities reduced to a low 3.5% of total invested assets in late 2005 in order to lock in equity gains made.

Balance-sheet liquidity is assessed as adequate. Although QBE group enjoys solid operating and cash flow, liquidity is constrained somewhat by the level of insurance debts (reinsurance recoverables) apparent in the company's balance-sheet structure.

The ratio of insurance debts to shareholders' funds was 81.7% at Dec. 31, 2005, up slightly from 76.8% in 2004, reflecting reinsurance recoveries relating to the high level of catastrophes in 2005. This remains below the high of 169.0% of 2001 following the World Trade Center losses, and demonstrates QBE's reduced aggregate exposures following this. Furthermore, the ratio of net technical reserves to adjusted liquid assets improved further in 2005 to 81.2%. Although the trend is positive, these ratios highlight QBE group's usage of reinsurance to support growth and protect capital. The longer-tail nature of liabilities should enable QBE group to manage required outgoing claims payments, but QBE group relies somewhat on its reinsurance recoverable to ultimately settle all claims.

Table 3 QBE Insurance Group Ltd. Consolidated/Investment Statistics

	--Year ended Dec. 31--				
	2005	2004*	2003	2002	2001
Total investment assets (mil. A\$)	18,629.0	15,973.0	12,630.0	11,577.0	9,231.0
Risk assets/equity (%)	13.7	34.6	41.3	37.8	40.9
Investment split (%)					
Equities	3.6	8.7	10.1	8.9	10.6
Mortgages	0.3	0.1	0.1	0.2	0.4
Cash	50.2	41.3	33.4	37.1	40.7
Fixed interest	40.2	43.5	49.2	52.3	46.7
Property	0.2	0.2	0.9	1.0	1.1
Other	0.0	0.0	0.6	0.6	0.5
Other: ABCs	5.5	6.2	5.8	0.0	0.0

*Restated in 2005 to reflect A-IFRS.

Prospective

The group is expected to maintain its low-risk investment policy, with low exposure to equities and long-dated, fixed-interest securities.

Capitalization

Capitalization is adequate for the rating, and is supported by a relatively conservative approach to investment assets and reserving practices. A material level of reinsurance usage supports the insurance risk assumed by QBE group, and the credit quality of treaty participants is adequate.

Although QBE group has significant exposure to long-tail risks and inwards reinsurance, the group maintains a high level of prudential margins, bringing the probability of adequacy of liabilities to 94%, and has proven access to reinsurance protection. QBE group's capital position is comfortably in excess of the minimum APRA regulatory requirements. Absolute capital resources increased in 2005, with the conversion of further convertible debt to common equity during the year and through shares issued under the company's dividend reinvestment plan.

QBE group's reliance on reinsurance was 14.2% (the ratio of reinsurance recoverables to total assets) in 2005, down from the high of 24% in 2001. QBE's balance sheet is exposed to a degree of dependence on reinsurance—reinsurance recoverables which account for 111.5% of total adjusted capital, up from 102.9% in 2004 due to recoverables related to the high level of U.S. storm activity in 2005. There are also some concentrations in QBE's reinsurance recoverables with reasonably significant exposures to key reinsurance groups, although the significant size of this is somewhat temporary in nature given the recent event cost of Hurricane Katrina in particular.

The level of debt issued remains consistent with tolerances for the rating category. QBE group targets a level of debt to support capitalization and, historically, has targeted a level of between 20% and 30% of equity to enhance shareholder returns and to control currency movements. Interest coverage remains solid. Group subsidiaries are capitalized on both a needs and market requirement basis through a mix of debt and equity. QBE's internal capital target has strengthened to 50% (ratio of net premium written to shareholder funds) in recent years from a previous policy that targeted 40%.

Prospective

Risk-based capitalization is expected to remain consistent with the rating as the business grows, supported by solid internal capital generation and a conservative approach to investment management. Capitalization is expected to be maintained at more than 1.5x regulatory minimums, with the coverage at Dec. 31, 2005, being about 1.9x.

Table 4 QBE Insurance Group Ltd. Consolidated/Selected Capitalization Statistics

	--Year ended Dec. 31--				
(%)	2005	2004	2003	2002	2001
Equity (mil. A\$) (excluding minority interests)	5,093.0	4,032.0**	3,313	2,954	2,620.0
Solvency*	67.7	58.6**	51.5	49.6	53.6
Equity*/net outstanding claims	47.5	43.2**	44.3	37.8	39.3
Equity*/assets	17.4	16.3**	16.4	14.6	14.2

*Equity includes minority interest. **Restated in 2005 to reflect A-IFRS.

Reserves

QBE group's reserving position is strong, with prudential margins held at a conservative level, with a probability that reserves will be adequate to settle claims currently at 94%, comfortably in excess of the Australian regulatory standard of 75%. Supporting the degree of conservatism in QBE group's reserving process is the positive release from claims reserves in the past five years, suggesting sound initial reserving practices, as well as market benefits. Total outstanding claims provisions have increased significantly over the past few years due to business growth. Claims reserves are assessed for adequacy at a number of levels, involving both internal and independent external actuaries.

Reinsurance

Reinsurance protection is strong and well spread, with more than 90% of reinsurance recoveries from 'A' or higher-rated organizations.

QBE group buys reinsurance with a group perspective, incorporating both Australian and international subsidiaries. Where maximum net retentions supportable by a subsidiary's capital base are lower than the group's external retention, QBE group provides intra-group reinsurance through its subsidiary in Bermuda, Equator Reinsurance Ltd. This intra-group reinsurance covers the Asia-Pacific region, and has now been extended to cover all European and U.S. operations, including some Lloyd's syndicates. Although the use of this group subsidiary has increased the level of risk retained within the QBE group, the additional exposure appears to be moderate, given total group exposures. Treaties comprise both proportional and nonproportional arrangements.

In recent years, aggregate management has been a key focus for QBE and the group's reduced exposure is demonstrated by the maximum event retention, which represented 4.0% of 2005 earned premium. In assessing exposures, and determining appropriate reinsurance purchases, QBE assesses possible exposures across all risk portfolios around the group from various catastrophe scenarios. Catastrophe cover is purchased to conservatively exceed these estimated possible losses.

QBE group's relatively good performance in financial years to the end of 2001 had been supported by whole-account reinsurance protections (which have since expired).

Retention levels are prudent relative to the capital base—with the largest per-risk retentions accounting for about 1% of total group capital—and treaties are well spread across international reinsurers (mainly European and American). Possible maximum loss factors appear conservative, with reinsurance cover provided to cover QBE group's probable maximum loss (PML) scenarios in key geographic areas around the globe.

Financial Flexibility

QBE group is assessed as having solid financial flexibility, demonstrated by ongoing access to international debt markets, successful capital raisings during times of stress, and continued strong access to reinsurance markets.

QBE group has a strong earnings track record, and proven internal capital generation. Shareholders' funds have increased consistently in the past 10 years, assisted by regular increases in share capital, solid earnings, and a well-supported dividend reinvestment program. In addition, the group maintains an active funding program. Recent issuance includes A\$730 million worth of GBP-denominated hybrid securities. Shareholders have demonstrated their support for the group, both with capital raisings required for acquisitions and during times of stress for the group.

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