



25 October 2011

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

Dear Sir/Madam,

Citi conference presentation – 25 October 2011

Please find attached a copy of the presentation to be delivered this afternoon.

Yours faithfully

A handwritten signature in dark ink, appearing to read 'D Ramsay', written over a light yellow rectangular background.

Duncan Ramsay
Company Secretary

Encl.

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QBE INSURANCE GROUP

Citi conference - 25 October 2011

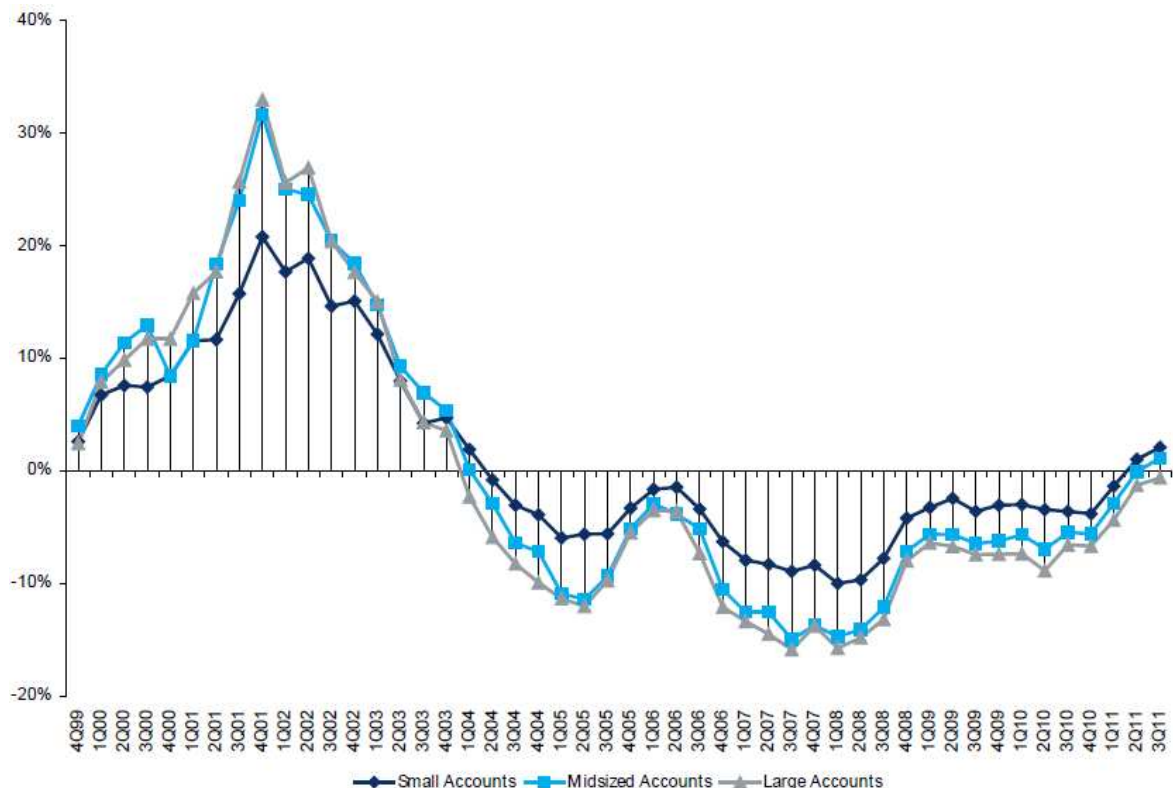
Presented by: Neil Drabsch, Group CFO

Frequently asked questions

- Insurance/reinsurance pricing and market conditions
- Acquisitions and growth - QBE business model
- QBE's global reinsurance arrangements - cost of reinsurance
- Quality of QBE's investment portfolio – Eurozone fears
- QBE FY 2011 outlook
- Dividend sustainability

Overall premium rate increases on renewed business expected to exceed 4% for FY11

Pricing outlook: US small accounts lead upturn in premium rates



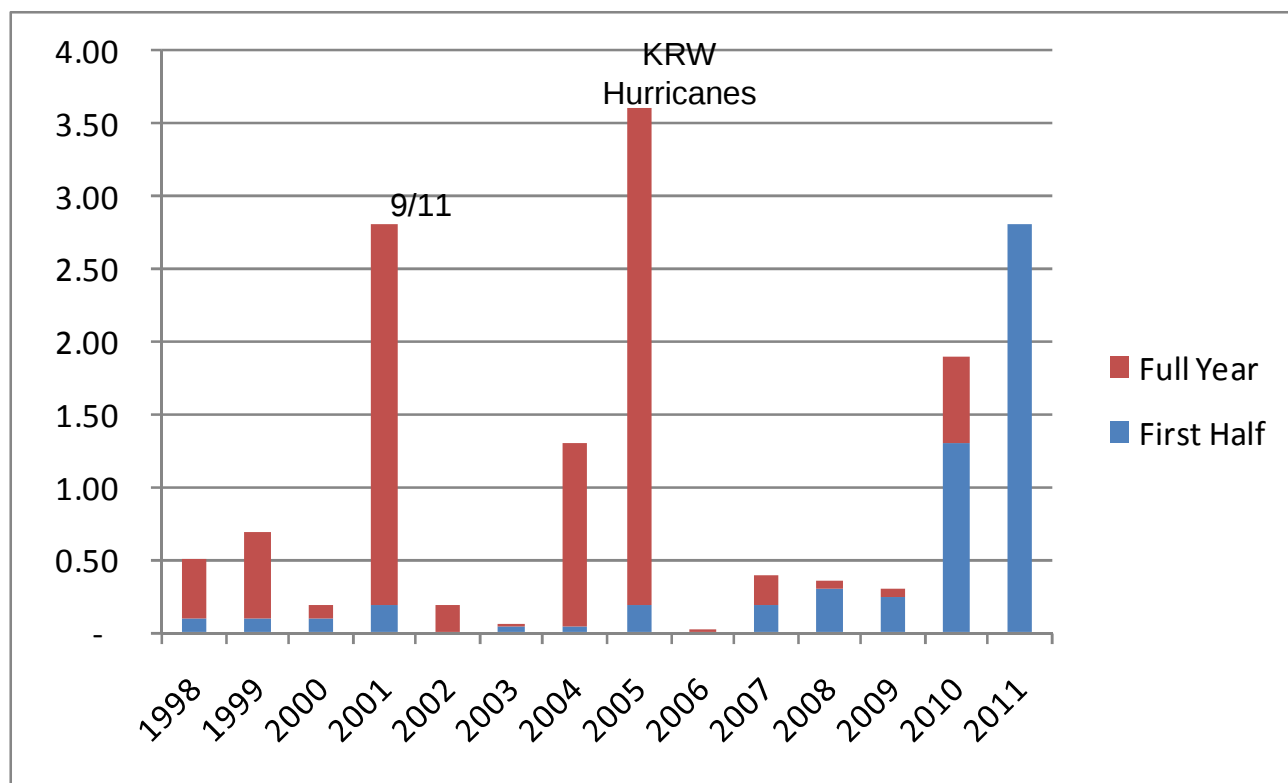
Source: Council of Insurance Agents & Brokers

3rd quarter update:

- QBE the Americas overall average rate increase of around 3%, with an upward trend
- European operations up 2% overall with encouraging rate increases across motor and catastrophe-exposed property portfolios
- Australian operations showing rate increases across most portfolios, average 5%
- Reinsurance rates for catastrophe-exposed business up in all markets

Lloyd's major losses – Net ultimate claims (1998 – 2011). 2011 is costliest first half on record

Major claims for 1H 2011 double the level of the prior year and more than 10 times long-term average



Source: Lloyd's, Aon Benfield Market Analysis

- For the period 2004 – 2010, QBE's large risk and catastrophe claims average was 8.1% of NEP
- QBE's FY2011 lower range insurance profit margin guidance of 11% assumes a 13% allowance for large individual risk and catastrophe claims or US\$1.95Bn net of reinsurance

QBE's underwriting performance compared with selected London based insurers' results

	Combined Operating Ratio				
	FY 2007	FY 2008	FY 2009	FY 2010	1H 2011
Amlin	68.3	86.3	75.4	93.6	124.4
Beazley	86.6	81.6	93.6	83.7	106.5
Brit	94.0	90.7	91.1	98.4	104.8
Catlin	85.3	96.5	93.0	93.3	118.4
Hiscox	84.9	79.1	87.0	89.3	118.8
All Lloyd's Syndicates	84.0	91.3	86.1	93.3	113.3
Aviva	101.1	104.6	102.4	98.0	98.9
RSA	100.5	97.1	98.8	96.7	98.5
QBE Europe	84.8	85.6	91.3	90.5	95.4
QBE Group	85.9	88.5	89.6	89.7	95.7

Source: Published accounts and company websites for insurance & reinsurance business. The CORs are expressed as a % of NEP.

QBE's diverse and specialised businesses assist in outperforming global peers in difficult market conditions

Top 30 of the top 50 major global insurers that have reported to date:

	COR%			COR%	
	1H2011	FY2010		1H2011	FY2010
Progressive	91.8	92.4	Hartford	103.7	95.1
Eureko	91.9	97.4	IAG	104.3	100.2
PICC	92.5	98.1	Berkshire Hathaway	107.8	92.2
Sampo	92.5	93.6	Hartford	103.7	95.1
PingAn	92.8	93.1	Hannover Re	108.8	97.1
QBE	95.7	89.7	Suncorp	109.4	98.6
Chubb	96.4	91.7	Liberty Mutual	109.5	102.7
Mapfre	96.5	95.9	Chartis	111.3	116.8
Ace	97.0	90.0	AIG	111.3	116.8
AXA	97.3	99.2	SCOR	113.5	101.0
RSA	98.5	96.7	CNA Financial	117.5	119.8
Aviva	98.9	98.0	Allstate	117.6	99.9
Allianz	99.0	98.2	Swiss Re	118.1	94.2
Generali	99.2	102.2	Munich Re	125.1	100.8
Zurich	100.9	98.9	Everest Re	125.5	102.7

- Information sourced from published accounts and company websites for insurance and reinsurance business
- The CORs include all identifiable expenses related to insurance activities and the COR is expressed as a % of NEP

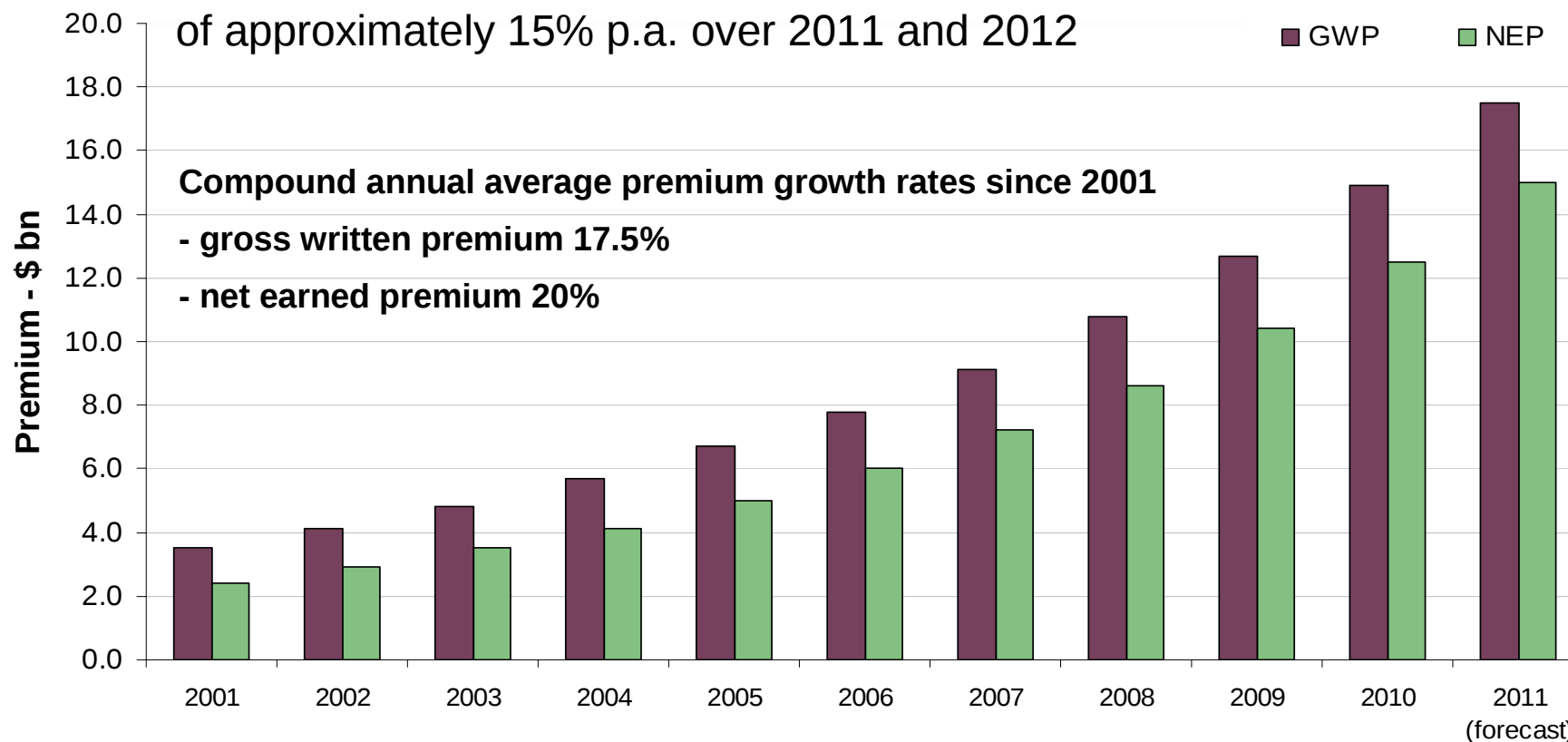
QBE business model: growth by acquisition

Acquisitions in 2010 and 2011 all met our strict criteria including EPS accretion in year one

	Cost US\$M	Additional annualised GWP US\$M
2010 acquisitions		
NAU Country – US multi peril crop insurer	573	900
CNA Argentina – workers' compensation insurer	66	135
Secura NV – Belgian based specialist reinsurer	443	250
Renaissance Re – US multi peril crop insurer	270	560
Colonial Companie de Seguros (Ecuador), Seattle Specialty (US) & RGM Agency (Colombia & Ecuador)	77	140
2011 acquisitions (to date)		
Balboa – US lender-placed / voluntary insurance	708	1,650
CUNA – Australian mutual insurer	22	90
Total	2,159	3,725
Total acquisitions 2007 - 2011	6,800	7,500

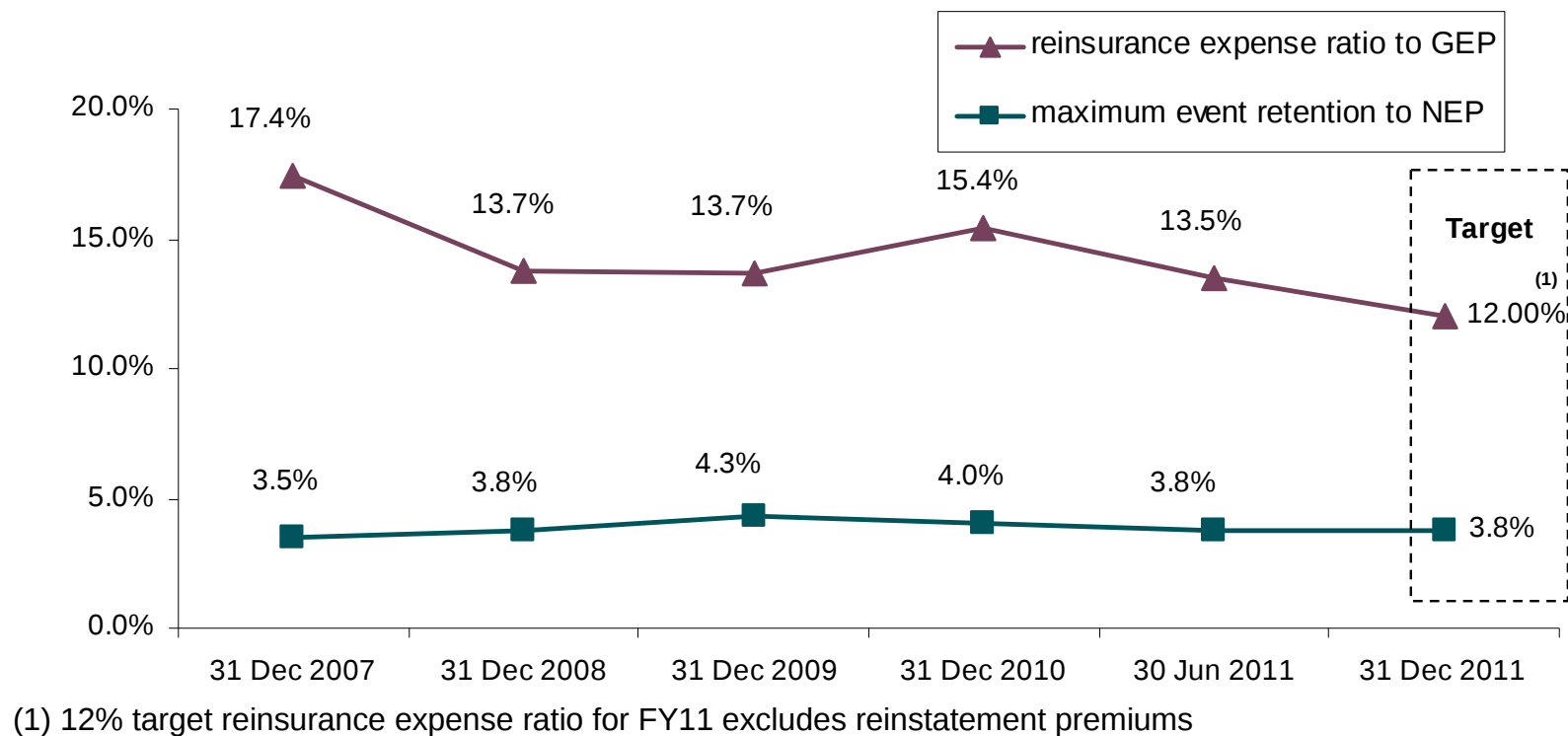
QBE business model: growth by acquisition

Acquisitions to date have locked in premium growth of approximately 15% p.a. over 2011 and 2012



2011 global reinsurance program: lower reinsurance cost and reduced maximum event retention

Over the past five years QBE has increased GWP by 123% and significantly increased the diversity of its businesses, both by product and geography, enabling the Group to reduce its overall risk profile and leverage reinsurance economies through greater scale



QBE's global reinsurance program – 70% of cost locked in to growth for 2012/2013

QBE									
	2011 US\$M	2010 US\$M	2009 US\$M	2008 US\$M	2007 US\$M	2006 US\$M	2005 US\$M	2004 US\$M	Cumulative US\$M
R/I premium expense	1,056	2,070	1,497	1,479	1,802	1,444	1,360	1,324	12,032
R/I recoveries	1,177	1,069	644	1,135	920	740	1,773	865	8,323
R/I claims ratio	111.5%	51.6%	43.0%	76.7%	51.1%	51.2%	130.4%	65.3%	69.2%
IAG									
	2011 A\$M	2010 A\$M	2009 A\$M	2008 A\$M	2007 A\$M	2006 A\$M	2005 A\$M	2004 A\$M	Cumulative A\$M
R/I premium expense	620	556	485	470	464	405	417	402	3,819
R/I recoveries	3,404	826	696	438	871	566	660	550	8,011
R/I claims ratio	549.0%	148.6%	143.5%	93.2%	187.7%	139.8%	158.3%	136.8%	209.8%
Suncorp									
	2011 A\$M	2010 A\$M	2009 A\$M	2008 A\$M	2007 A\$M	2006 A\$M	2005 A\$M	2004 A\$M	Cumulative A\$M
R/I premium expense	806	579	561	441	410	117	109	157	3,180
R/I recoveries	4,581	1,329	1,037	1,009	1,096	315	316	250	9,933
R/I claims ratio	568.4%	229.5%	184.8%	228.8%	267.3%	269.2%	289.9%	159.2%	312.4%
RSA									
	2011 €M	2010 €M	2009 €M	2008 €M	2007 €M	2006 €M	2005 €M	2004 €M	Cumulative €M
R/I premium expense	532	993	1,007	811	759	780	1,038	1,573	7,493
R/I recoveries	191	1,816	612	63	387	305	856	1,555	5,785
R/I claims ratio	35.9%	182.9%	60.8%	7.8%	51.0%	39.1%	82.5%	98.9%	77.2%
Amlin									
	2011 €M	2010 €M	2009 €M	2008 €M	2007 €M	2006 €M	2005 €M	2004 €M	Cumulative €M
R/I premium expense	137	254	224	114	116	113	165	161	1,284
R/I recoveries	177	110	1	127	26	59	436	163	1,099
R/I claims ratio	129.2%	43.3%	0.4%	111.4%	22.4%	52.2%	264.2%	101.2%	85.6%

QBE's reinsurers have earned overall underwriting profits since 2000

QBE's reinsurers benefit from greater diversity and lower risk profile

Supports QBE's ability to secure more comprehensive cover at lower cost

Notes:

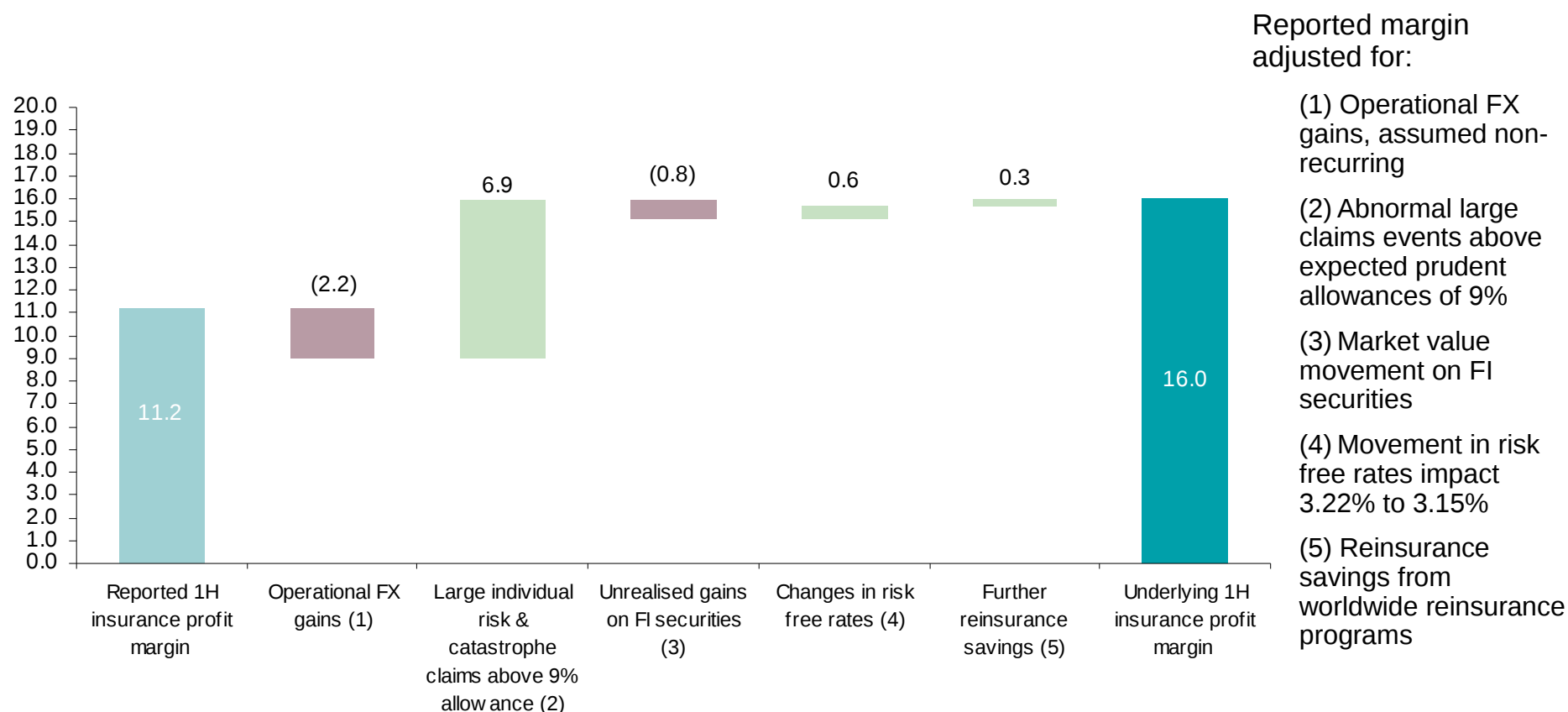
1. IAG & Suncorp results are for the full year ended 30 June
2. QBE, RSA and Amlin include half year results for 2011
3. All premium and recovery amounts are in original currency
4. All information sourced from company websites and published accounts

Investment strategy: maintain a cautious approach and invest in high quality liquid securities

Market value of investment portfolio	30 June 2011 US\$29.0Bn	31 Dec 2010 US\$25.3Bn
Currency mix	%	%
Australian dollar	34	35
US dollar	33	33
Sterling	16	15
Euro	9	9
Other	8	8
	100	100

- No investments in banks that failed the European stress test and no holdings of sovereign debt issued by the European peripheral countries
- Low interest yield environment and spread volatility is expected to continue
- Our investment strategy will continue to focus on locking in higher spreads and yields on quality credits
- Equities will be held up to around 2.5% of the total portfolio (currently net 0.4%) and actively managed to maximise return

2011 HY insurance margin analysis: strong underlying margin of 16%



Outlook for remainder of 2011

- Outlook for 2011 FY remains unchanged, noting key variables such as:
 - large risk losses and catastrophes
 - risk free rates used to discount outstanding claims
 - investment yields, particularly credit spreads on corporate bonds
- The minimum projected insurance profit margin of 11% for 2011 includes:
 - allowance of 13% of NEP for FY11 net large individual risk and catastrophe claims being US\$1,950M
 - allowance assumes net large individual risk and catastrophe claims allowance of US\$870M for 2H or US\$1,020M pre the additional aggregate protection (compared with US\$590M in 2H10)
 - risk free rates for discounting claims of around 2.6% (30 June 2011 3.15%)
 - gross investment yield of 2.7% for FY11 assumes a 25bps increase in credit spreads compared with 31 December 2010
 - a 25bps credit spread movement equates to approximately US\$88M on our corporate bond portfolio

Outlook for remainder of 2011

- The underlying insurance margin of 16% is sustainable assuming normal levels of catastrophes losses, stable risk free rates and credit spreads
- Dividend sustainability supported by:
 - confidence in underlying insurance margin and profitability
 - substantial excess regulatory capital
 - recently affirmed financial strength ratings for our main insurance businesses

Important disclaimer

The information in this presentation provides an update on market conditions affecting QBE.

This presentation should be read in conjunction with all information which QBE has lodged with the Australian Securities Exchange (“ASX”). Copies of those lodgements are available from either the ASX website www.asx.com.au or QBE's website www.qbe.com.

Prior to making a decision in relation to QBE's securities, products or services, investors, potential investors and customers must undertake their own due diligence as to the merits and risks associated with that decision, which includes obtaining independent financial, legal and tax advice on their personal circumstances.

This presentation may contain statements which constitute forward-looking statements for the purposes of the U.S. Private Securities Litigation Reform Act of 1995. We caution investors or potential investors that such forward-looking statements involve significant uncertainties, both general and specific, and risks exist that the forward looking statements will not be achieved as they involve future events, many of which are beyond QBE's control. QBE's actual performance may differ.

Any forward-looking statements assume large individual risk and catastrophe claims do not exceed the substantial allowance in our business plans; no overall reduction in premium rates; no significant fall in equity markets and interest rates; no major movement in budgeted foreign exchange rates; no material change to key inflation and economic growth forecasts; full recoveries from our strong reinsurance panel; and no substantial change in regulation, rating agency criteria or court decisions.



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