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4 April 2012

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

Dear Sir/Madam,

**2012 Annual General Meeting of Shareholders - addresses**

Pursuant to ASX Listing Rule 3.13.3, please find attached:

1. Chairman's address;
2. Chief Executive Officer's address; and
3. Chief Executive Officer elect's address.

Yours faithfully

D Ramsay

Duncan Ramsay
**Company Secretary**

Encls.

**Chairman's address**

Ladies and Gentlemen:

Thank you for joining me here today at our 2012 Annual General Meeting. For those of you I haven't met yet, my name is Belinda Hutchinson and I am pleased to welcome you as Chairman of QBE.

The initial part of the meeting is being webcast live, and I welcome those joining us via the web.

There being a quorum present, I declare the meeting open. I would like to acknowledge and welcome a number of former directors including David Burns, Charles Curran, Charles Copeman and Colin Millard.

Let me first introduce my fellow directors who are here on the podium with me at my immediate right is Len Bleasel and next to Len is John Green. Irene Lee is next to John followed by one of our UK directors, Isabel Hudson and then Duncan Boyle.

On my immediate left is our CEO Frank O'Halloran and next to Frank is John Neal who is CEO Global Underwriting Operations and from 17 August this year will become Group CEO.

Next to John is Charles Irby who is our other UK director. On my furthest left is our General Counsel and Company Secretary, Duncan Ramsay.

I also take this opportunity to welcome all of our Group Executive and our divisional chief executive officers, who Frank will introduce during his address. After the meeting, there will be an opportunity to speak with them over a cup of tea or coffee.

We have invited the media to be present at this meeting. Representatives of our share registry, Link Market Services Limited are also present. The lead engagement partner of our external auditors, Pricewaterhouse Coopers is also in attendance.

Notice of meeting

If there is no objection, the notice of meeting, which was sent to shareholders on 5 March, will be taken as read.

Copies are available on request.

The minutes of the 2011 Annual General Meeting, being in order, were signed by me and are tabled for the information of shareholders.

I wish to advise the meeting that 5,747valid proxy forms for more than 684 million ordinary shares have been received. Details of how the proxy votes were cast in relation to the proposed resolutions will be advised when we move to the formal business part of the meeting and results of the voting will be set out on screen.

These figures may change if a shareholder who previously submitted a proxy is now attending the meeting today thereby revoking their proxy. We have four items of business to deal with following my, the CEO's and CEO elect's addresses.

Chairman's Address 2012

Ladies and Gentlemen:

My address today is in three parts.

The first part of my address will focus on the financial and operational aspects of QBE. I will provide an overview of the 2011 results, with Frank O'Halloran giving you more detailed comments on 2011 in his address.

I will cover the dividend and dividend policy and then turn to QBE's sound financial position. I will also briefly speak to our strategy going forward and the positive outlook for 2012.

In the second part, I will talk about a number of organisational and governance issues including how we provide oversight to our business globally, our workplace diversity initiatives, executive remuneration and the QBE Foundation.

Finally I will discuss the recent announcement of Frank's decision to retire from the role of Group Chief Executive in August this year, and John Neal's appointment to that role. You will also have the opportunity to hear from John later in this morning's meeting.

As owners of the company, your views are important to us. As with last year, we included the facility in the notice of meeting for shareholders to ask questions in advance of the AGM.

Across our presentations this morning we have sought to address the majority of the questions that you have raised. We received around 150 questions from shareholders mostly relating to last year's performance, the outlook for 2012, the future strategy of the company and remuneration. I am happy to take further questions when we move to the resolutions to be put to shareholders today.

Let me start by reviewing the 2011 result. I would like to note that all figures are reported in US$ except where we have stated otherwise.

QBE and the general insurance industry globally faced significant challenges in 2011 due to an abnormally large number of natural disasters and difficult investment market conditions resulting from the European debt problems. Your board and management were disappointed to report a reduction in net profit after income tax from $1,278 million in 2010 to $704 million. QBE did however outperform the majority of its global competitors for the period, as can be seen on this slide.

The main contributor to the lower 2011 result was the increased frequency and severity of natural disasters around the world, which led to a record level of catastrophe claims for QBE and the industry. The major international reinsurance company, Munich Re has estimated that the global economic cost of these catastrophes in 2011 was around $380 billion. The cost to the insurance industry was around $105 billion. This is the largest amount for a single year's catastrophe claims in the history of the industry.

These catastrophe claims cost QBE $1,733 million in 2011, nearly three times more than our catastrophe claims cost of $580 million in 2010. The majority of these claims came from business we have owned for a long time. The natural disasters last year created enormous suffering and hardship for many individuals, families and communities around the world, to whom we express our deep sympathy. QBE has sought to play its part in the face of these disasters by responding efficiently to the claims from our policyholders.

On behalf of the board, I wish to particularly thank our claims teams in Australia, New Zealand, the US and Thailand for their hard work and dedication following the Queensland and Victorian storms, cyclone Yasi in Australia, the Christchurch earthquakes, the record number of tornadoes in the US and the Thailand floods.

As part of its risk management strategy QBE has substantial reinsurance to protect against catastrophes. In late 2010, we implemented a new, more comprehensive multi-year reinsurance program. This provided additional benefits of $219 million when compared with the 2010 reinsurance program had it been in place in 2011.

Following the 2011 catastrophes, further action has been taken to reduce QBE's catastrophe-exposed business in certain areas; to increase premium rates and deductibles; and to purchase additional reinsurance cover to the extent available in the market. Based on historical experience, it is unlikely that QBE will be faced with a similar frequency of catastrophes in 2012. The Group has however now reduced its potential exposure to a similar set of occurrences. Frank and John will talk more about the actions taken.

In addition to the increased cost of catastrophe claims, the Group was impacted by unrealised losses resulting from the deterioration in global investment markets in the second half of the year due to the European sovereign and bank debt problems. QBE's result was affected in two ways.

Firstly, the Group's underwriting profit was reduced by $252 million due to the significant reduction in risk-free rates used to discount outstanding claims.

Secondly, low investment yields and increased credit spreads on the Group's high quality bond portfolio also took their toll on our reported result. QBE holds around $19 billion in cash and fixed interest securities to support its obligations to policyholders. A substantial proportion of these are denominated in US dollars, sterling and euros due to our operations in the US and Europe where local regulators require investments to be held in these local currencies. The rising credit spreads on the Group's bond portfolio resulted in $241 million of mark to market losses leading to a lower than anticipated net investment income of $776 million.

On a positive note, QBE's conservative investment strategy has meant that we again recorded no permanent diminution in the value of fixed interest securities, despite ongoing turmoil in the fixed income markets.

So to summarise, the record catastrophes claims, lower risk-free rates used for discounting outstanding claims and lower investment income reduced QBE's insurance profit margin to 7.1% from 15.0% in 2010 and significantly reduced net profit after tax.

## Dividend and Dividend Policy

In response, your directors took the difficult but prudent decision to reduce the final dividend to 25 Australian cents per share from 66 Australian cents per share in 2010. This decision was made to preserve capital and allow for future growth. The final dividend was franked at 25% compared with 10% for the 2010 final dividend.

The directors have considered the dividend policy going forward, agreeing a payout ratio of up to 70% of reported net profit after tax. This ratio will enable the Group to retain capital for growth and maintain its capital adequacy levels to meet the more stringent requirements being imposed by regulators and rating agencies.

Directors will consider the possibility of higher dividends or a lower discount rate on the dividend reinvestment plan if excess capital is not utilised for growth.

## Capital Position

I would like to make some comments on our capital position.

The board and management is vigilant in maintaining the financial strength of all of QBE's operating entities at a level adequate to meet obligations to our policyholders and the requirements of counterparties, regulatory authorities and rating agencies. The financial strength rating of our major insurance entities has recently been confirmed by the major rating agencies at A+ or equivalent with an A credit rating for the parent company.

QBE calculates its minimum capital requirement using APRA's (Australian Prudential Regulation Authority) risk-based capital approach for Australian insurance groups. On this basis, the Group's capital adequacy multiple at 31 December 2011, after allowing for the anticipated reinvestment of the final dividend, was 1.5 times or $2.5 billion in excess of the minimum capital requirement of $5.0 billion.

## Borrowings

With regard to borrowings, QBE has a conservative and carefully structured debt profile totalling $4,757 million at December 2011, with only 11 per cent of debt maturing within 1 year. During 2011, we took advantage of a window of opportunity to lock in the issue of US$1.0 billion and £325 million of subordinated debt securities. These are long term securities which are treated as allowable capital by regulatory authorities and rating agencies.

As a consequence, our ratio of borrowings to shareholders' funds was 45.8% at 31 December 2011, up from 31.5% last year, but within the Group's policy of borrowings not exceeding 50% of shareholders' funds.

Subsequent to year end we have completed an A$450 million institutional placement, and an allotment of A$150 million under the share purchase plan which will be completed shortly. The majority of the A$600 million equity raised will be applied to the redemption of around US$500 million in subordinated debt. Expressed on a pro-forma basis for this capital raising and debt redemption, the gearing level at 31 December reduces to around 39 per cent.

Although many shareholders will not receive the allocation of shares they requested, collectively retail shareholders will be looked after in the share purchase plan. Retail shareholders currently hold approximately 20% of shares on issue, whereas the $150m allocated to retail investors represented 25% of the $600m of equity raised. The allotments will be made bearing in mind the quantum of registered shareholdings as at 27 February, and in accordance with ASIC's class order relating to share purchase plans.

I would now like to turn to QBE's strategy.

QBE has a longstanding and successful growth strategy based on acquiring specialist commercial insurance businesses. At the heart of our approach to acquisitions is a focus on profitable businesses with capable management teams that can achieve positive earnings per share in year one.

I am pleased to advise shareholders that the acquisitions made in 2010 and 2011 have overall exceeded our expectations for profitability. We will continue with this strategy of securing bolt-on acquisitions where we can achieve our targeted minimum return on allocated capital of 15% p.a. after including synergies in combining them with our existing businesses. The acquisitions that we have announced in early 2012 are consistent with this strategy.

With regard to the outlook, your directors and management believe QBE is well positioned for significantly improved financial performance.

Our underlying internal targets for 2012 for the combined operating ratio and insurance profit margin have not changed from those previously advised to the market in January. As we said in the Annual Report, due to uncertainty about risk-free rates used to discount outstanding claims and credit spreads, our financial targets are for a combined operating ratio of less than 90% and an insurance profit margin of 13% or better.

Achievement of these targets in particular, is subject to no material adverse movement in budgeted foreign exchange rates; large individual risk and catastrophe claims not exceeding the substantial allowance in our business plans; and stable debt and equity markets.

Frank and John will provide further details on our outlook for 2012.

I will now move to the second part of my address reviewing organisational and governance aspects of the company starting with how we oversee the business globally, workplace diversity initiatives, executive remuneration and the QBE Foundation.

Global Management Structure

The increasing size and complexity of QBE's global business prompted some organisational changes in 2011. We now have 5 divisions covering Europe, the US, Australia, Asia Pacific and Latin America which Frank will update you on.

Last year we established an Australian operations board led by Nick Greiner AC as chairman, together with three independent directors, John Gilbert, Tony McGrath and Ms Jann Skinner, all of whom have significant insurance experience. They will provide oversight of this business. QBE already has regional boards in the US and Europe with independent non-executive directors who provide valuable oversight of, and advice to, the operations in these regions.

As a global business operating in 52 countries, QBE recognises that workplace diversity is essential to building and maintaining a fair and inclusive workplace. Through QBE's vision, values and essential behaviours, the Group seeks to retain and attract the best people to do the job and to enable them to achieve sustainable high performance.

The guiding principles in support of workplace diversity within QBE have been in place for some years. In 2011 we conducted a survey of QBE's top 2,500 managers around the world on how to ensure a greater degree of diversity, we are now planning to introduce a range of initiatives including a new workplace flexibility policy, manager education programs and development of a "keeping in touch program" for those taking parental leave.

Executive Remuneration

Later this morning shareholders will have the opportunity to ask questions - and to vote on - the Remuneration Report included in the Annual Report. The guiding principles adopted by the board are to ensure a transparent, simple and easy to understand performance and reward strategy.

The Board Remuneration Committee is comprised of only non-executive directors. It seeks external independent review of QBE’s remuneration practices and of data providing benchmarking with comparative companies. We put in place performance-based targets linking individual outcomes to the achievement of financial objectives and business strategies.

In particular, executive rewards are aligned with shareholders' interests through the achievement of short-term and long-term financial targets based on risk adjusted return on equity, insurance profit and investment performance.

QBE's net profit and return on equity in 2011 will mean that many of the executive managers and staff will receive much reduced or no incentive awards despite QBE outperforming most of its global peers.

In particular, the Group head office, Asia Pacific and Australian executives will receive no incentive awards reflecting the impact of the natural catastrophes and investment income on their financial results. This clearly shows that the remuneration programs are closely aligned with shareholders' interests.

QBE Foundation

At last year's AGM, I announced the launch of the QBE Foundation as our major 125th anniversary corporate responsibility initiative.

The objective of the QBE Foundation is to extend beyond philanthropy and to create a platform for QBE and its employees to engage with the communities in which we operate. The philosophy of the Foundation is to support vocational opportunities globally.

The Foundation was supported by an initial commitment of US$5 million. Further amounts are being set aside each year, equal to 0.5% of the Group's pre-tax profit. In 2011, we provided support to over 80 organisations globally. Our partnerships with these organisations have been supplemented with matched giving and volunteer days from our employees.

We have produced a report on the Foundation’s activities called "Essential Community Commitment" which is available outside the meeting and upon request.

I will now turn to the third part of my address to discuss the important announcement we made in February regarding Frank O'Halloran's decision to retire from the role of Group Chief Executive in August this year, and John Neal's appointment to the role.

Frank has been the architect of truly transformational expansion at QBE. When he was appointed Group Chief Executive in 1998 QBE was writing around $1.5 billion in premiums, while today we are discussing the performance of one of the top 20 global insurance and reinsurance companies writing more than $18 billion in premium in 52 countries. This transformation of QBE has been achieved while consistently recording underwriting results that place QBE among the very best in our industry.

Frank's retirement - which comes after 14 years as Group Chief Executive and 36 years with the company - marks the end of a highly successful chapter in QBE's 126 years. Frank has shown a passionate commitment to QBE and an extraordinary work ethic throughout this period. His contribution, through his leadership, business acumen and entrepreneurship has been outstanding.

Importantly Frank has focused on developing and embedding a "can do" culture based on QBE’s values and essential behaviours throughout our company's global operations. The value that Frank has added is demonstrated by the fact that when Frank joined QBE in 1976 its shares were trading at the equivalent of 5 Australian cents.

While we are sad to see Frank retiring, this is also a time to look to the future, and the identification and preparation of Frank's successor has been a focus of the Board for quite some time. Indeed, when I took over as Chairman in 2010 one of Frank's and my first conversations was around his intention to retire and succession. The subject has been a regular item on the board's agenda since then.

It was obviously important that Frank time his retirement to enable a smooth transition to an incoming chief executive who was well grounded in all aspects of the operation and management of our global complex business.The Board and I are very grateful to Frank for the flexibility he has shown in working with us to ensure we achieve this.

Over an extended period your Board reviewed both internal and external candidates, identifying John Neal, then chief underwriting officer of our European business, as a key internal candidate. This prompted us to take steps to ensure that John had firsthand experience working in QBE's head office, being mentored by Frank and with significant exposure to the board. He has achieved this over the last 15 months as CEO Global Underwriting Operations.

We have all been very impressed by his strong leadership capabilities, work ethic and performance. John is a very experienced and capable insurance executive with a strong underwriting background.

Since joining QBE in 2003, he has demonstrated his capabilities across a wide range of products and geographies and we are delighted that he has agreed to accept the Group CEO position. Prior to joining QBE John was the CEO of Ensign, a highly profitable Lloyds' specialist commercial motor insurer. He then spent eight successful years in senior executive roles in QBE's European operations, which have produced superb results over this period of time.

As CEO Global Underwriting Operations, John has introduced a series of global forums designed to maximise synergies across our divisional businesses, and driving strong underwriting discipline as well as operational and cost efficiencies.

As I mentioned earlier, you will hear from John shortly.

## Conclusion

I would like to conclude by acknowledging on behalf of the board, the hard work and contribution of all the QBE staff around the world during 2011.

In a year of record catastrophes and volatile investment markets, QBE is fortunate to have its highly professional, experienced and competent team of managers ably led by our CEO, Frank O'Halloran. Achieving a combined operating ratio of 96.8% in this environment is a real credit to the discipline and underwriting skills of this team.

QBE is the successful international insurance company it is today because of its disciplined business model and management's unrelenting focus on our key financial drivers. As Chairman, I am committed to maintaining this focus and further enhancing the best elements of our organisational culture.

Finally, I wish to thank my fellow directors for their valuable direction, advice and support to me and the management team in response to the challenges QBE and the industry faced in 2011.

Before I hand over to Frank O'Halloran to present his report on Group operations, let me note that while this will be the final Annual General Meeting presentation that Frank makes as Group CEO, his knowledge and experience will not be lost to QBE. The Board is delighted that Frank has accepted an invitation to return to QBE as a non-executive director in February 2013. This will allow the company to continue to benefit from his deep understanding of, and experience in, insurance underwriting and investment at QBE and the global insurance industry.

Therefore, shareholders will be seeing him again at the Annual General Meeting next year, at which time the ratification of his appointment to the Board will be put to a shareholder vote.

Thank you, and over to you Frank.

## CEO'S ADDRESS FOR THE 2012 ANNUAL GENERAL MEETING

Ladies and Gentlemen,

As the Chairman has already mentioned, 2011 was a difficult year for the insurance industry and QBE, with profits affected by record catastrophes and volatile investment markets. They negatively impacted QBE's profit before tax by $1.6 billion when compared with 2010.

Despite the level of catastrophes and lower risk free rates for discounting outstanding claims, our technical underwriting results were again strong and 2011 was the 10th year in succession that we produced a combined operating ratio of less than 100%.

We again outperformed the substantial majority of our peers in terms of underwriting profitability and return on equity. Nevertheless, we were disappointed with our 2011 results with insurance profit down by 36% and net profit after tax down by 45%.

Our industry often needs a year like 2011 to remind us all of the need to adequately price for the risks that we underwrite. The industry has responded to the events of 2011 by increasing pricing and changing terms and conditions and deductibles where appropriate. We had already commenced this process in late 2010 and we have substantially increased premium rates for property and package classes of insurance. We have also reduced exposures to catastrophe prone areas, particularly in Australia, New Zealand, Asia and the US.

We are in the business of insurance. It is therefore appropriate that I highlight the underlying quality of our 2011 underwriting results.

- Gross written premium was up 34% to $18.3 billion;
- Net earned premium was up 35% to $15.4 billion;
- The combined operating ratio, that is the ratio of claims, commissions and expenses to net earned premium, was a creditable 96.8% given the additional 6.2% of net earned premium from the record catastrophe claims and 1.4% for lower risk free rates for discounting outstanding claims, compared with 2010;

- Our attritional claims ratio, that is claims less than $2.5 million, was down from 50.0% of net earned premium to 49.2%;

- Our commission and expense ratio was down from 29.8% to 28.6% of net earned premium;

- 45 of the 52 countries in which we operate made underwriting profits with the seven that made underwriting losses representing 1.9% of net earned premium;

- The majority of countries in which we operate exceeded our minimum return on allocated capital requirements of 15%;

- The unique worldwide reinsurance programmes purchased for 2011-2013 benefit pre tax profit by $219 million when compared with using the 2010 programmes on 2011 results; and

- Operating cash flow increased by 57% to $2.14 billion.

Gross written premium has grown by 182% or a compound 16% per annum over the past seven years. This growth has primarily come from some 41 acquisitions in those seven years. Organic growth has been low for the past seven years due to inadequate pricing for new business in many of the markets in which we operate. Our detailed analysis shows organic growth in times when new business pricing is less than renewal pricing is a recipe for poor profitability.

2011 was another busy year for acquisitions, including the following:

- US operations of Renaissance Re, mainly crop insurance;

- Balboa in the US, lender placed homeowners insurance; and

- CUNA Mutual Australia, an insurer to credit unions

I am pleased to say that the acquisitions made last year and in 2010 have, overall, exceeded our expectations for profitability.

Since year end, we have announced the acquisitions of Optima Insurance Company in Puerto Rico, the Hang Seng Bank's general insurance business in Hong Kong and HSBC's general insurance business in Argentina.

Last night we signed a renewal rights agreement for the Brit regional business in the UK. The four acquisitions are expected to produce annualised gross written premium of around $880 million and be earnings per share accretive in the first full year.
We have had a very positive start for the first quarter of 2012.

In summary:

- overall premium rate increases are exceeding our expectations of a real average increase of 5% on renewed business;

- net large risk and catastrophe claims for the first quarter, including allowances for claims incurred but not reported, are estimated to be around 1% of 2012 targeted full year net earned premium compared with 5.5% of 2011 full year net earned premium at the end of the first quarter last year;

- risk-free rates for discounting claims have increased from an average 2.10% at year end to an average 2.26% at the end of March; and

- Credit spreads have reduced since the year end, which has enabled us to recoup all of the unrealised losses on our significant corporate bond portfolios in 2011.

However, we do have nine months to go before the end of the year and past experience has shown that catastrophes, credit spreads and risk-free rates can materially change, even on the last day of the year.

QBE's balance sheet continues to be well positioned for the future and our regulatory capital adequacy is above our minimum benchmark and we have maintained our ratings despite the difficult market conditions. As the Chairman has mentioned, since year end we have raised A$600 million in equity, which will be used largely to repay US$500M of Tier 2 debt which is callable in June 2012.

Our capital adequacy multiple at 31 March is currently estimated to be around 1.55 times the APRA minimum capital requirement based upon:

- the equity raising and the repayment of the Tier 2 debt;
- our estimated profit after tax for the first quarter;
- the funding of the acquisitions announced to date; and
- additional risk margins in outstanding claims.

It is important for shareholders to note that our balance sheet now comprises two businesses - a general insurance and reinsurance business, and a distribution business built from the acquisitions of a number of agencies and distributor agreements in recent years. The intangible assets attributable to our distribution businesses are approximately $2.0 billion. These businesses produced profit before tax in 2011 of US$318 million. In addition to these substantial profits, over $3.5 billion of profitable gross written premium was generated through the agencies and distribution acquired.

I will now briefly comment on the results of the major divisions and introduce you to the heads of those substantial businesses.

Our North American operations are led by John Rumpler, President and CEO.

The US team completed 2011 with an excellent combined operating ratio of 90.6%, which outperformed the substantial majority of our peers in that country. Gross written premium was up 63% to $7.5 billion and underwriting profit was up 35% to US$378 million. Growth mainly came from the acquisitions made in 2010 and 2011. Our after tax return on allocated capital using management results was 16.5%.

Our strategy for the US is to focus on specialist lines of business. A large proportion of the business in the US is now in preferred business segments with sizeable market shares such as crop insurance, lender placed homeowners' insurance and specialist programs. The actions taken to reduce or cancel some business in certain catastrophe prone areas, the expected lower crop premium income from the fall in commodity prices; and the lower premium income from lender placed insurance from the improving US economy and regulatory intervention, is likely to see gross written premium reduce to around $7.0 billion in 2012.
However, premium income will be assisted by substantial overall premium rate increases currently averaging 5% for the US business and rising.

Our European operations in 20 countries are led by Steven Burns, Chief Executive Officer.

The combined operating ratio was 95.5% and the return on allocated capital based on management results was 16.3%. The substantial increase in catastrophe claims adversely impacted our results and those of our competitors.

Our London based operations continue to outperform. Gross written premium was up 16% to $4.8 billion, reflecting the acquisition in late 2010 of the Belgium based reinsurer, Secura, overall premium rate increases in line with inflation and continued high customer retention.

Our casualty portfolio had another superb year.  Our reinsurance, property and marine and energy portfolios were affected by the catastrophes. The record level of catastrophes has meant that we are now seeing strong increases in premium rates in our catastrophe exposed lines. We are expecting overall premium rate increases to rise further as the year progresses.

We will complete the material part of our major transformational project in the UK to consolidate systems and improve efficiencies in the first half of 2012. We expect to exceed the targeted benefits from this significant project.

We have made a number of changes to our property portfolios which are benefitting the underlying performance. The renewal rights agreement that we signed last night and the current average premium rate increases of 3.5% will assist premium income in 2012.

We expect gross written premium to increase by 6% to £3.2 billion and profit margins to remain strong, subject to the usual caveats.

Our Australian operations are led by Colin Fagen, Chief Executive Officer.

Australian operations were impacted by the record frequency of catastrophes and the lower risk free rates for discounting outstanding claims. The combined operating ratio was 99.3% and the return on allocated capital based on management results was 10.2%, the lowest for many years. Our Australian business continued to outperform the majority of its peers.

Gross written premium was up 21% to $4.5 billion and up 6% in Australian dollars. Growth was assisted by the CUNA Mutual acquisition and overall premium rate increases of around 5%.

Our claims staff have worked long hours to handle over 30,000 claims from the various catastrophes. Our analysis and feedback from intermediaries shows that our response to promptly handle valid claims from the many disasters has been superb. We have reduced our exposures in some parts of Australia and increased prices where appropriate and changed terms and conditions and deductibles.

We now expect overall average premium rate increases in 2012 to be in excess of 7%. The actions we have taken have resulted in lower than expected claims from recent events. We are targeting gross written premium growth of 7% to around A$4.6 billion in 2012 and a significantly improved combined operating ratio and insurance profit margin.

Our Asia Pacific operations has businesses in 17 countries under the leadership of Mike Goodwin, Chief Executive Officer.

The Asia Pacific operations produced an outstanding combined operating ratio of 92.1% despite the devastating Christchurch earthquakes in February and June and the Thailand floods. The return on allocated capital based on management results was 3.1% with the catastrophes materially impacting the results in 2011. Gross written premium was up 13% to $680 million, with most countries achieving increases over last year in local currencies.

The substantial majority of our businesses produced excellent underwriting results. New Zealand and Thailand were the only two countries that produced an underwriting loss due to the catastrophes that occurred during the year.

Gross written premium will benefit from premium rate increases and the acquisition of Hang Seng Bank's general insurance business in Hong Kong. We expect gross written premium to increase by 16% to $800 million.

Our Latin American business in seven countries is led by Jose Sojo, Chief Executive Officer. Jose joined QBE as part of our first acquisition in Latin America in 2001.

Our Latin America operations had another excellent performance with a superb combined operating ratio of 89.7% and a return on allocated capital based on management results of 32.5%. Gross written premium was up 37% to $768 million. The growth was assisted by the acquisition of the CNA workers' compensation business in Argentina and the largest general insurer in Ecuador.

We have built our Latin American business over the past 10 years through a number of strategic acquisitions where we were confident they would fit with QBE's culture and meet QBE's minimum return of 15% on allocated capital. All the acquisitions that we have made have exceeded our expectations. All countries in which we operate again produced underwriting profits.

The 2012 acquisitions in Puerto Rico and Argentina together with premium rate increases and a continued high customer retention ratio means that we are targeting gross written premium growth of 54% to $1.2 billion in 2012.

Our captive reinsurer, Equator Reinsurances Limited, is led by Des Fogarty, President.

Equator Re provides excess of loss reinsurance protections for QBE's subsidiaries around the world below the Group's appetite for risk. This means that Equator Re provides catastrophe protection below the $200 million retention under the worldwide primary catastrophe programmes. For large individual risk claims, it means that Equator Re provides protections below the $50 million retention under the worldwide risk reinsurance protections.

Equator Re also provides quota share reinsurance to various QBE subsidiaries to assist in the management of the Group's capital and balance sheet. All business written is benchmarked against market pricing and no third party business is written into Equator Re.

Similar to other reinsurers around the world, Equator Re experienced a deterioration in its combined operating ratio from 90.1% to 104.5%. The increase is entirely due to the higher frequency of catastrophe claims and the lower risk-free rates for discounting claims. The average combined operating ratio for the past seven years has been 91.9%.

In line with the market, Equator Re has increased premium rates for 2012 catastrophe protections to subsidiaries and also increased the deductibles. We expect gross written premium to slightly increase to $4.0 billion in 2012, with around 25% representing excess of loss protection to the divisions and the balance being quota shares of a number of portfolios

In summary for the Group, our expectations are for low single digit premium growth for 2012 of 3% to US$18.7 billion.

Our investment division is led by Gary Brader, Group Chief Investment Officer.
Gary and his team are responsible for the Group's investment portfolio which is currently around $29 billion held in over 130 portfolios in 52 countries and in numerous currencies.

As mentioned by the Chairman, we need to match our currency liabilities with investments in the same currency to avoid significant exposure to foreign exchange and to comply with local regulations. This means that around 60% of our investments are held in comparatively low yielding US dollar, sterling and Euro investments.

2011 was an extremely challenging year for the Group investment team with volatile equity and fixed interest markets, primarily from the European debt crisis.

Our focus has continued to be on short duration and quality cash and fixed interest securities and a lower exposure to equities. This strategy enabled us to avoid permanent impairment on any one of our securities on a mark to market basis. However, due to the European debt crisis, credit spreads on our quality corporate paper widened. This means that in the second half of 2011, we incurred unrealised losses from the mark to market of our investment portfolio at balance date. As mentioned earlier, all of the unrealised losses in 2011 have been reversed in the first quarter.

In 2007, the year before the global financial crisis, we achieved a gross yield of slightly over 6.3% on our investment portfolio compared with 2.4% in 2011. During the same period, average cash yields on our mix of investments have fallen from 5.5% per annum to 2.2% per annum. This alone is equivalent to a $960 million reduction in investment income on our current portfolio.

We have got off to a positive start for 2012 due to the reduction in credit spreads and the increased yields from the purchase of floating rate notes and covered bonds. We are currently above our gross investment yield target of 3.0% for 2012.

The remaining Group Executives that are here today are Neil Drabsch, Chief Financial Officer, Blair Nicholls, Chief Actuarial Officer and Head of Reinsurance, Jenni Smith, Group General Manager, Human Resources, George Thwaites, Group Chief Risk Officer, Tony Jackson, Group Head of Investor Relations, and Duncan Ramsay, Group General Counsel and Company Secretary.

## Conclusion

This will be the last AGM that I will present to you as your Group Chief Executive Officer before my retirement on 17 August 2012.

I joined QBE in mid 1976 as Group Financial Controller when net earned premium income was A$81 million. The market capitalisation was A$11 million and1975 produced a combined operating ratio of 117.6% and an operating loss of A$5.4 million.

I have been fortunate to be part of the QBE senior executive team for close to 36 years during which time QBE has gone from being predominantly an Australian company to a highly respected global general insurance group with over 16,000 staff and operations in 52 countries and a consistent outperformer against our peers in the substantial majority of those countries.

The past four years have been difficult for QBE and the global insurance industry with the global financial crisis driving down yields on our substantial investment portfolio by over 60% and the record catastrophes in 2011. We have not changed our focus during these difficult four years.

We produced combined operating ratios of 88.5%, 89.6% and 89.7% in 2008, 2009 and 2010 and a creditable 96.8% in 2011 even though catastrophes were 7.2% of net earned premium above the average of the previous seven years. We would not have been able to build the global insurance company we have today without the support from our long term shareholders over many years.

I am extremely grateful to each and every one of our shareholders for the backing they have given to QBE and me over the past 14 years as your Group CEO. We would not have been able to achieve what we have in the highly competitive insurance industry without the enormous support from our customers and intermediaries around the world. I would personally like to thank them for their significant support to QBE over the years.

We would not have been able to deliver the outperformance and the respect we have achieved in the global insurance industry if we did not have quality and dedicated staff who understand and practice QBE's unique culture. I would like to thank all the QBE team around the world for the huge amount of support and loyalty I have received over the last 36 years. You are all very special to me.

Finally, I would like to thank my wife, Rosie, and my family for their patience and love they have given to me during my working career. I could not have put my heart and soul into QBE without their support.

I would now like to hand over to John Neal who will talk you through the outlook we have for the rest of 2012 and the broad strategy going forward.

I first met John when we were carrying out the due diligence for the purchase of Limit, the largest provider of capacity at Lloyd's, in August 2000. I was extremely impressed with his leadership and business acumen qualities.

Fortunately, we kept in contact and in early 2003, we purchased John's highly successful commercial motor business and his quality team. During his nine years, at QBE he has gained the respect of the QBE Executives and staff for his strong leadership qualities and his ability to focus on the key profit drivers which deliver outperformance.

I was proud and delighted when the Board decided to appoint John to become your next Chief Executive Officer.

John, over to you to talk about the future.

## JOHN NEAL ADDRESS FOR THE 2012 ANNUAL GENERAL MEETING

Ladies and Gentlemen

Before I begin, I would like to thank Frank for his kind words.

Frank and I have worked together since late 2003, and even more closely since I moved to Sydney at the beginning of 2011. In that time, Frank has acted as my mentor whilst I sought to understand QBE's businesses around the world. Frank's business acumen has shaped QBE and I've seen first hand on many occasions over the last year how that works, and the insights he brings to our business.

I feel honoured to accept the position of CEO from 17th August this year, and grateful to Frank for the assistance he has given me over the last year. I am delighted he has agreed to re-join the Board next year, and I look forward to working with him again,

Thank you, Frank.

Moving on, I now want to talk to you about our business going forward, firstly in terms of the outlook for 2012, and then to consider our longer term ambitions. Both the Chairman and the CEO have described the problems faced by the insurance and reinsurance industry last year, and the impact on our results. Whilst I do not want to dwell on last year, I do think it important to understand what actions we have taken in the light of the events to strengthen confidence in our 2012 targets.

* We have carried out a number of portfolio reviews and remediation activities, and have consequently reduced exposure in certain catastrophe-prone areas.

* Large risk and catastrophe claims for the first quarter are estimated to be around $700M lower than this time last year.

* We have been proactive in increasing premium rates and deductibles and real overall average rate increases this year are exceeding our expectations.

* We have converted four quality bolt-on acquisitions in Puerto Rico, Argentina, Hong Kong and the UK, which should deliver annualised gross written premium of around $880 million and ensure that we meet our premium growth expectations in 2012.

The UK acquisition gives scale to our current UK regional business, and means that we should underwrite in excess of an estimated $800 million in 2013 and gives us a 5% market share in the UK region. We are continuing to evaluate a number of bolt-on acquisition opportunities in various parts of the world.

* The cost of reinsurance protections in the market has risen sharply after the problems of last year; however due to our multi-year worldwide reinsurance programmes and our track record with reinsurers, our reinsurance expense on renewal is only up 7.5%.

Importantly, this increase has largely been covered by premium rate increases on our inward reinsurance business; and

* We have identified $50 million of run-rate savings to our expenses in 2012 and we expect this number to increase to $200 million in 2014. Whilst we are only three months into the year, it is pleasing that the actions we have taken are having a positive influence on our performance.

I thought I would briefly explain how we have set our targets for large individual risk and catastrophe claims for 2012.

In 2011 large individual risk and catastrophe claims cost us 15.3% of net earned premium. In our business planning we have assumed as much as 85% of the catastrophe cost could repeat and that our remediation activities will then improve this ratio by up to 3%. This gives us a large risk and catastrophe allowance for 2012 of 10 - 11%.

The large risk and catastrophe ratio, together with a stable attritional claims ratio, and added to our commission and expense ratio of 29.5%, supports our forecast combined operating ratio of less than 90%, and an insurance profit margin of 13% or better. We will focus on meeting these performance targets during 2012.

Now I would like to move onto our longer term aspirations.

Our vision and values were first introduced by Frank back in 1994 and have served us well. In that period, the shape and competitive dynamics of our markets have changed. Competition has increased and rate pressures are forcing all organisations to renew their efforts on costs and efficiencies.

Aligned to these market changes, our size, stature and brand have developed, as have the scale, diversity and complexity of our business model. It is understandable therefore that the expectations of our key stakeholders have also changed.

Our shareholders expect returns which are market leading, consistently achievable over the long term, and a strategy which is well communicated and articulated.

Our customers sit on a spectrum from retail and small local companies to large global businesses, and we need to serve all of them. Technology offers clients choice, ease of access and cost reductions. Insurance buyers are increasingly educated, while intermediaries expect us to serve our mutual clients with their ever more complex product requirements.

The career expectations of our people have changed, as have views on work/life balance and workforce diversity. And lastly, the community increasingly demands that organisations operate a strong corporate governance framework with integrity and fairness, and in harmony with the environment.

It is essential that we continually evolve our business to keep up with the accelerating pace of change.

Over the last few weeks, since I was announced as Frank's successor, I have been asked on a number of occasions how I see QBE developing and what it will be like in say three years time. I would like to share with you just a few of the areas where we will focus our development efforts over the coming months and years.

1) To begin with, we will continue to put the expectations of our shareholders first in all our decision-making, and will renew our focus on excellent and timely market communication.

2) The ever changing markets and increasing competition make it even more important that we remain ruthless in our decision-making on businesses and investments which do not meet our high hurdle rate and strict return on capital criteria.

3) QBE will remain a strongly divisional organisation, offering clients the benefits of local understanding and speed to market. Recognising the globalisation of markets, of our brokers and increasingly of our clients, we will supplement this local focus with a global overlay. This will allow us to present a "One QBE" face where appropriate, and to capitalise on synergies and economies of scale.

4) QBE has a world-beating reputation for active management of the combined operating ratio, and indeed we remain in the Top 5 when measured against our peers. We will continue with this focus, but with extra effort on the expense side of the combined operating ratio as well as premium income from bolt on acquisitions and organic growth at all appropriate times in the insurance cycle.

5) And last but by no means least, we will strengthen our focus on our people, setting clear expectations using Key Performance Indicators aligned to our Vision, and calibrated reward mechanisms. We will strongly encourage and likewise reward world class leadership in all facets of our business.

In closing, just to reiterate the two parallel but obviously linked efforts over the coming weeks and months and years.

We have performance objectives to meet or exceed our 2012 business plan and published financial and operational performance targets; and

We have a change agenda which will see us continue to evolve our business towards our refreshed Vision

"To be the most successful global insurer and reinsurer in the eyes of our customers, our people, our shareholders and the community"

I look forward to serving you in the years ahead.

Thank you.