

THE AMERICAS DIVISION  
ANNUAL REPORT 2008



*ROCK :: SOLID :: FOOTING*



A man in a dark suit and tie stands in a room with a light blue background and a wooden floor. He is holding an open document titled "ANNUAL STATEMENT OF THE LIFE INSURANCE CORPORATION" and looking down at it. To his left is a large, vintage-style electric fan with a metal cage and a dark base. Several long, thin ribbons are blowing from the fan towards the man. The overall scene is monochromatic with a light blue tint.

*AMID TURBULENCE :: COMPOSURE*

**Vince McLenaghan**  
President and Chief Executive Officer, the Americas Division



## THE AMERICAS DIVISION :: YEAR IN REVIEW

**Since taking an active role in overseeing the Americas Division in June of 2008, I've been impressed with the strong partnerships between our insurance units and the agent partners who market our products and services. It is our role, both at the QBE Group level and at the Americas' corporate headquarters, to provide the financial foundation and overall strategic vision that allows our operating units to do what they do best. That "best" is creating solid products and coverage packages, maintaining disciplined yet flexible underwriting, and providing responsive policy and claims service — all with an eye to meeting your clients' insurance needs while helping you produce successful business results.**

In 2008, based on Group and our division's results, we strengthened our capital base and remained true to our operating vision, and given the tough economic conditions, that was no small feat. As a whole, QBE Insurance Group delivered a net combined operating ratio of 88.5 percent, reflecting a return on average shareholders' funds of 20.9 percent. Total assets increased by 22 percent to \$40.5 billion, a significant achievement, demonstrating the

strength of the financial foundation we provide our insurance underwriting operations, with whom you partner to insure your clients. We also completed 11 acquisitions across our worldwide operations, including five in the United States plus one portfolio. This further diversification serves to help insulate us, and ultimately you and your customers, from the significant turmoil encountered by a number of market participants.

In the Americas Division, strategic thinking and our focus on underwriting profitability has kept our balance sheet, and our policyholders' security, intact. This strategy has helped us withstand one of the worst years in history for frequency of weather-related catastrophes and a severely contracted investment market. We were able to further invest in the U.S. market by acquiring five managing agencies and several insurance portfolios this year. As a result, I'm pleased to report that we achieved a combined operating ratio of 92.5 percent. (See page 21 for our year-end financial statement.)

Throughout the year, we've brought new resources to our operations, strengthening our teams and

our product and service execution, to deliver the greatest positive benefit to you and your customers. We've built a divisional infrastructure that minimizes duplication between the newly acquired companies and formed integrated teams in all aspects of our product development and customer-facing and support functions.

I am extremely pleased with the results and accomplishments of the Americas Division in 2008, and I thank you for your partnership, which has made our mutual successes possible. For 2009, our overarching business strategies remain unchanged. We will continue to deliver new and proven quality products to our agents and customers at rates that will generate sufficient returns to our shareholders and guarantee our long-term financial health and that of our clients. Lastly, I extend my personal appreciation to all our staff and our business partners for their support throughout 2008. We look forward to sharing a successful 2009 together.

**Vince McLenaghan**

President and Chief Executive Officer, the Americas Division

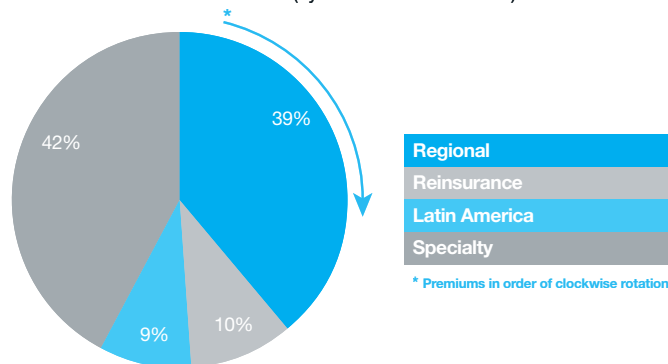
**Americas Division Underwriting Results**

For the year ended December 31, 2008 (U.S. \$ in 000s)

<b>Gross Written Premium</b>	<b>\$ 3,725,077</b>
<b>Net Earned Premium</b>	<b>\$ 3,240,840</b>
Claims Incurred	1,914,945
Commissions Incurred	659,059
Expenses	423,791
<b>Net Underwriting Income</b>	<b>\$ 243,045</b>
Claims Ratio	59.1%
Commission Ratio	20.3%
Expense Ratio	13.1%
<b>Combined Operating Ratio</b>	<b>92.5%</b>

These figures are unaudited and based on the Australian equivalent to International Financial Reporting Standards (AIFRS). They include results for the U.S. agencies owned by QBE for the months following the completed acquisitions.

**Americas Division Business Mix (by Gross Written Premium)**





:: TOGETHER IN HARMONY ::



## QBE SPECIALTY EXECUTIVE LEADERSHIP

**Susan Rivera**, President, QBE Specialty Insurance

“After building our leadership team and integrating additional market niches this past year, I’m confident QBE Specialty’s industry practice leaders and their underwriting teams have the most comprehensive market experience around. As one of the largest program writers in the United States, we are able to respond quickly to our partners’ dynamic needs.”

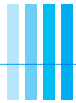


### “QBE is a very strong company.

They’re well-run and solid. We’ve had to move an entire book not once but twice, so finding a carrier that protects their balance sheet and plans to be in business a long time is critically important.”

**George Hill**

Chief Executive Officer  
HDR Insurance Services  
Sacramento, CA



## QBE SPECIALTY INSURANCE

**I'm pleased to report that, thanks to our partners, QBE's Specialty unit posted a solid year of earnings in the face of great economic challenge. And though production in several lines was down due to a variety of market factors and economic conditions, we have remained disciplined in our pricing strategy.**

In 2008 we reorganized our underwriting department to be more efficient and responsive and continued to expand our specialty niche focus. By acquiring insurer North Pointe, we gained underwriting expertise spanning bowling centers, roller skating rinks, mechanized logging, monoline liquor liability and smaller general contractors in Florida. With our substantial capital base, we were able to take on new catastrophe exposure and strengthen our strategic alignment with several of our managing general agencies. As a result, we expanded our footprint in the Southwest, added a large voluntary and lender-placed homeowners segment and incorporated a long-term structured trade and political risk program.

We also leveraged QBE's capabilities across units and divisions to bring to our partners products and business expertise well beyond Specialty. QBE Select, our new internal wholesale distribution channel set to launch soon, will provide additional

business opportunities to partners who opt into the arrangement.

In 2009 we continue to strengthen our reserve position by monitoring our underwriting portfolios closely. We are investing in predictive analytics to assist our partners in segmenting their business to maximize growth and profitability. We will place greater emphasis on cross-selling to increase our percentage of multi-line business and diversify our risk. In addition, we will work to advance our speed-to-market performance to make our state filing process the best in the industry.

We believe we are positioned to produce returns that are consistently higher than the industry. Most importantly, we'll continue placing our focus, energy and allegiance where we always have, with our partners.



## QBE SPECIALTY INSURANCE

### Overview

QBE Specialty serves specialty niche markets through knowledgeable, experienced underwriters who understand and can respond to the managing general agency market. Our multi-line product offerings and 50-state capability translates to comprehensive product offering capabilities for our partners.

### Product Lines

Accident and Health  
Property and Multi-Line  
Personal and Commercial Auto  
Special Lines and Affinity (including North Pointe Insurance Company operations)  
Trade Credit and Surety  
Workers' Compensation

### Our newly added North Pointe affiliate includes the following:

Bowling and Roller Skating Centers  
Contractors  
Liquor Liability  
Mechanized Forestry  
Restaurants

### “QBE has the highest professional standards

as it pertains to underwriting, and therefore they have confidence in their ability to analyze risk as well as the confidence to assume risk within the parameters they set for themselves.”



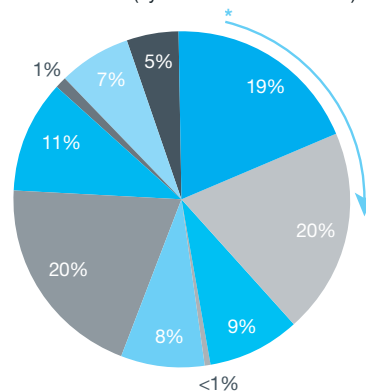
**Jeff Eisen**

President

Florida Intracoastal Underwriters Limited

Sunrise, FL

Business Mix (by Gross Written Premium)



Casualty
Commercial Auto
Health
Other (includes residual market and runoff)
Personal Lines
Property
Special Lines and Affinity
Trade Credit/Surety
Workers' Compensation
North Pointe – Specialty

\* Premiums in order of clockwise rotation





*:: BIGGER BROADER PERSPECTIVE ::*



## QBE REGIONAL EXECUTIVE LEADERSHIP

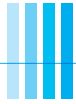
**Peter Christen**, President and Chief Executive Officer, QBE Regional Insurance

“With our combined leadership expertise and unified structure, we maintain a ‘regional’ approach that is defined not by the physical location of our offices but by a guiding philosophy that values the symbiotic relationship we have with our agents.”

**“In a really tough market, Unigard has proven to be very stable and consistent in their underwriting approach. We don’t see big swings between markets with them. They’re a more consistent player, which has allowed us to grow our book quite substantially.”**

**Case DeWit**

Vice President of Property and Casualty Sales  
Western States Insurance  
Missoula, MT



## QBE REGIONAL INSURANCE

**In a year when all insurers were put to the test with historic storm losses and market downturns, QBE Regional fared well. We maintained pricing and underwriting discipline paired with sound expense management to achieve a very strong 88.0 combined ratio. We strive to be a stable and consistent market for our agents throughout varying market cycles. And this philosophy, along with our geographic and product diversity, paid dividends in 2008 for us and for our agents.**

Also in 2008, we organized our leadership team functionally across our brands to better execute our position as an insurance generalist. In particular, we've segmented our underwriting management across our four brands into three product suites: personal lines, commercial lines and agricultural lines. All three areas will work on creating best-of-breed products and platforms that enhance our existing offerings.

This strategy will bring greater focus, efficiency and consistency to our core insurance functions and service operations. It's already resulted in the expansion across brands of an established tele-claims center to handle high-frequency, low-dollar claims, which comprise the majority of our volume, quickly and efficiently. This allows our field offices to concentrate on larger, more

complex claims that require personal attention and expertise. And in 2009 we're following up with a claims resolution program for workers' compensation patterned off an enormously successful program from QBE's Australian Division. In addition, through QBE Select, we'll soon offer our agents new underwriting and product capabilities by leveraging resources from across all of the Americas Division.

In 2009 we'll look for ways to further maximize efficiencies, deliver an extensive array of products, and utilize best practices in policy and claims services. At the same time we will support individual business units in a way that best serves our agents and customers, who have put their trust in our reputation as a stable, forward-thinking insurance provider.



## QBE REGIONAL INSURANCE

### Overview

QBE Regional writes personal, commercial and agricultural insurance through our General Casualty, Unigard, Agri and Farmers Union Insurance brands. QBE Regional offers a diverse portfolio of products with a particular focus on small and medium-sized businesses and an emphasis on handling our customers' total insurance needs.

### Product Lines

#### Personal Lines

Personal and Family Automobile  
Homeowner and Tenant  
Rental and Vacation Properties  
Personal Umbrella  
Boat and Personal Watercraft  
Scheduled Personal Property

#### Commercial Lines

Commercial Automobile  
Commercial Package  
Business Owners Package  
Commercial Property/Fire  
Commercial Umbrella  
General Liability  
Inland Marine  
Contractors Package\*  
Employment Practices Liability\*  
Workers' Compensation\*

#### Agricultural Lines

Commercial Agri Business\*  
Farm and Ranch\*  
Farm and Ranch Umbrella\*

\*Not offered in all states

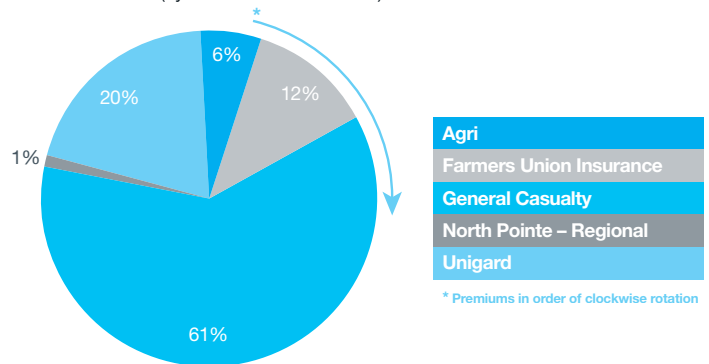
### “The number one reason I deal with General Casualty

is because of their people. I trust them, and if I need their help or judgment or expertise, they've always been there for me. I started this agency from scratch. When I had questions, the management at General Casualty helped me make good decisions.”

#### David Takach

President  
Takach & Associates, Inc.  
Smithtown, NY

Business Mix (by Gross Written Premium)



A woman with curly hair, wearing a pinstriped suit and high heels, is walking across a light-colored floor. She is carrying a black briefcase in her right hand and balancing a tall, narrow stack of papers on her left hand. The background is a solid light blue color. The text "STEADY :: WILLING :: ABLE" is overlaid on the image in a white, serif font.

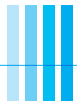
*STEADY :: WILLING :: ABLE*



## QBE REINSURANCE EXECUTIVE LEADERSHIP

**Robert Mezzasalma**, Senior Vice President and Manager, QBE Reinsurance

“The Reinsurance division not only diversifies QBE’s business in the Americas but also provides insight into the market. Because the reinsurance market heavily influences the primary insurance market, we help identify changing market conditions.”



## QBE REINSURANCE

**Due to significant catastrophic activity and depressed financial markets, capital in the insurance industry severely eroded in 2008. However, our policyholders’ surplus remained relatively steady. As a result, QBE’s balance sheet remains intact and our security is better than ever. This is the result of our conservative asset management and proven underwriting practices that will pave the way for profitable growth.**

This year we upgraded our catastrophe modeling software, thereby improving our ability to do precise analysis both at the transaction level for individual clients and against our whole portfolio to establish more accurate pricing. This has given us a better understanding of our data and risks associated

with our business. We’re also now able to allocate expenses more precisely, which translates to a more accurate premium for each of our clients.

We also refined the functional areas needed to support our reinsurance business and stepped

up our involvement in trade associations to gain industry intelligence, increased market presence and valuable relationships.

QBE's largest area of growth in recent years is multi-line treaty structures where clients can purchase their working structure as one package. We are also well-equipped to handle monoline property or casualty reinsurance structures. Either way, we offer our clients personal service with customized products. Each client is treated individually, and our products are priced based on the specific risk characteristics and loss experience. That's our competitive advantage. This year we just moved to a new mainframe

system to improve our data management and are working to further expedite our claims-payment process with improved technology. We're adapting our business plan to keep pace with changing market conditions and expect the continued hardening of the market to help us realize our target projections. While some carriers are restricting their business, we're letting clients know we're available to write more.

Looking ahead, our underwriting team, corporate infrastructure, capital base, financial strength and reputation all give us the greatest confidence that we will continue to deliver solid performance.

## Overview

We began writing reinsurance in the United States in 1991 through QBE's Europe Division. Our seasoned underwriting and support teams work hard to fully understand our clients' individual needs and deliver quality products tailored to meet their specific needs. This commitment to superior service and market dedication has earned us a stellar client retention ratio of 97 percent in 2008.

## Product Lines

- Domestic Treaty (United States and Canada)
- Facultative (United States and Canada)
- International Treaty (Caribbean and Latin America)

## “We turn to QBE for their overall financial strength and security.

They have deep experience in the classes of insurance that our clients write. Plus they bring stability to our account so we really get to know their people and we know we can count on them.”

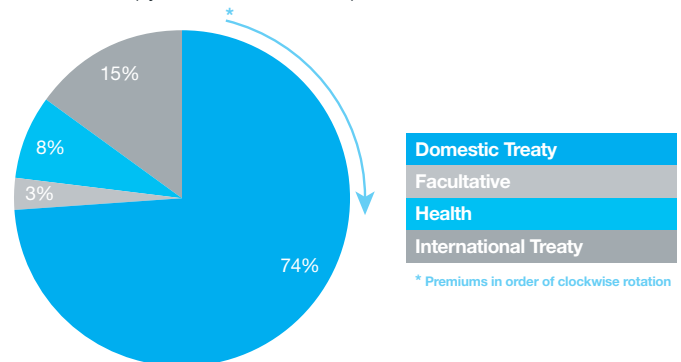
**Frank Harrison**  
 President and CEO  
 Holborn Corporation  
 New York, NY

## “QBE underwriters tend to show a flexibility consistent

with an understanding that circumstances may call for a range of answers, rather than a single correct answer. They listen to what the client wants and work toward a solution based on both quantitative analysis and common sense.”

**John Reinman**  
 Managing Director  
 Guy Carpenter & Company, LLC  
 Norwalk, CT

Business Mix (by Gross Written Premium)





## QBE LATIN AMERICA EXECUTIVE LEADERSHIP

**Jose Sojo**, General Manager, Latin America

“The integration of our late-2007 Mexican acquisition is complete, and we continue to search for business opportunities to expand further. Our cross-border strategy helps Regional agents determine how best to insure a Mexico exposure while providing the exceptionally high level of service U.S. agents expect.”



## QBE LATIN AMERICA

**2008 was a record year for QBE Latin America, in which we posted a combined ratio of 91.2 percent. Not only did we achieve record profitability, every country participated in producing underwriting profits. Moreover, our retention rate was above 90 percent.**

A chief contributor to our overall success was the launch of a cross-border strategy with QBE Regional, which allows QBE to service U.S.-based accounts that do business in Mexico. As experts

in Mexican regulations and practices, we operate as a seamless extension to help Regional agents protect their insureds' interests over the border. We combine an organizational structure that



enables fast, focused service and puts an emphasis on results instead of premium volume, with the right mix of products and a loyal agent force. This gives us a clear advantage over our competitors. And because we write selective products and have strong market share in all core niches of small to medium business, our products aren't subject to as much competition and pricing pressures as other insurance products.

Going forward in 2009, we'll continue to do what we've done best: focus on our niche markets, continue to review our portfolio for rate adequacy, work closely with our agents to grow business, and build upon the strength and stability of the QBE brand. We will also continue to expand our cross-border strategy by engaging more directly with our QBE Regional partners and their agents.

## Overview

QBE Latin America offers a broad array of property, casualty and life products in four key Latin American markets—Argentina, Brazil, Colombia and Mexico. Our Mexican affiliate, which was acquired in 2007, offers multi-line coverage for small to medium businesses with the capability to handle international accounts through our bilingual account team.

## Product Lines

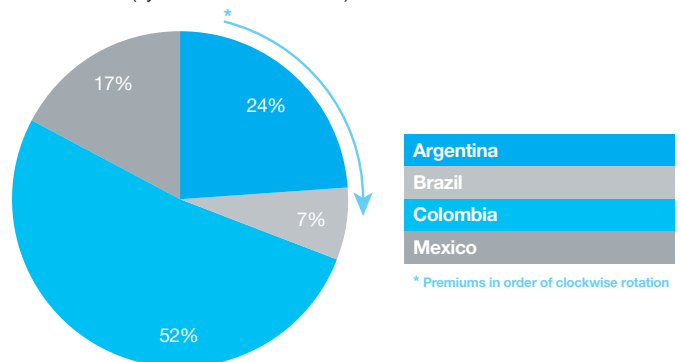
- Credit Life/Group Life
- Direct Marketing/Affinity
- Engineering Lines
- Financial Institutions
- Fire and Allied Perils
- General Liability
- Health
- Homeowners
- Inland Transit/Ocean Cargo
- Liability
- Personal Accident
- Public Auctions
- Travel Insurance
- Workers' Compensation (Argentina only)

## “When my customer was considering opening a plant

in Mexico and turned to me, I turned to General Casualty. As part of QBE, they had the regulatory expertise and underwriters in place to make the whole process very painless.”

**Hugh Hughes**  
 President  
 Hughes Insurance Agency, Inc.  
 Oshkosh, WI

Business Mix (by Gross Written Premium)



# OFFICE LOCATIONS



## QBE the Americas

### Headquarters

Wall Street Plaza  
88 Pine Street  
New York, NY 10005  
Phone: 212.422.1212

## QBE Specialty

Phone: 212.422.1212

**New York Office**  
**Columbia (SC) Office**  
**Itasca (IL) Office**  
**Jacksonville (FL) Office**  
**Kansas City (KS) Office**  
**Maitland (FL) Office**  
**Mansfield (OH) Office**  
**Nashville (TN) Office**  
**Omaha (NE) Office**  
**Southfield (MI) Office**

## QBE Regional

### General Casualty

Phone: 800.362.5448

### Wisconsin Region

**Sun Prairie (WI) Regional Office**  
**Milwaukee (WI) Branch Office**  
**Appleton (WI) Claims Office**

### Central Region

**Indianapolis (IN) Regional Office**  
**Freeport (IL) Branch Office**  
**Springfield (IL) Branch Office**

### Eastern Region

**Simsbury (CT) Regional Office**  
**Syracuse (NY) Branch Office**

### Midwest Region

**Minneapolis (MN) Regional Office**  
**Des Moines (IA) Branch Office**  
**Kansas City (KS) Branch Office**  
**Lincoln (NE) Branch Office**

### Southern Region

**Greensboro (NC) Regional Office**  
**Atlanta (GA) Service Office**  
**Knoxville (TN) Service Office**

## Unigard

Phone: 800.456.1626

## Northwest Region

**Bellevue (WA) Regional Office**  
**Spokane (WA) Branch Office**

## Intermountain Region

**Portland (OR) Regional Office**  
**Salt Lake City (UT) Branch Office**

## Southwest Region

**Sacramento (CA) Regional Office**  
**Fresno (CA) Branch Office**  
**Irvine (CA) Branch Office**

## National Farmers Union

**Denver (CO) Headquarters**  
Phone: 303.337.5500

## QBE Agri Insurance

**Lenexa (KS) Headquarters**  
Phone: 913.310.1800

## QBE Reinsurance

Phone: 212.422.1212

## New York Office

**Simsbury (CT) Office**

## QBE Latin America

### QBE Argentina

Phone: 54.11.5281.5900

### QBE Brazil

Phone: 55.11.3545.8900

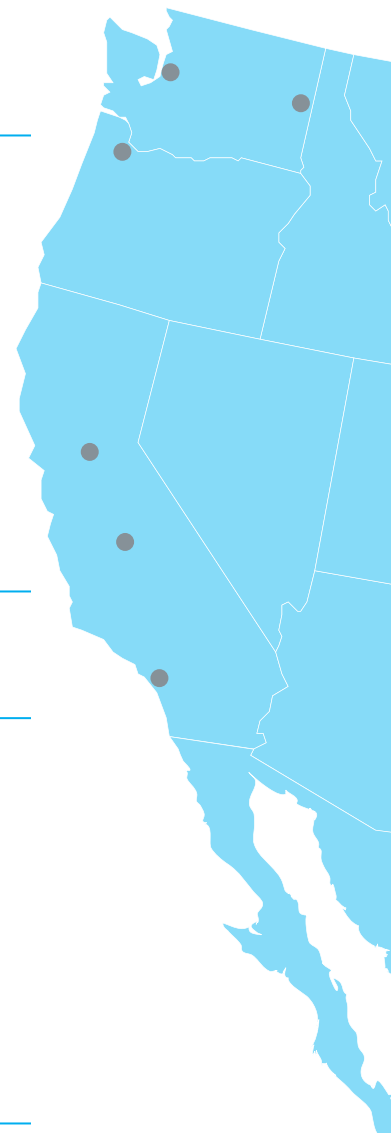
### QBE Colombia

Phone: 57.1.319.0730

### QBE Mexico

Phone: 52.55.5339.4000

**Mexico City Main Office**  
**Guadalajara Regional Office**  
**Monterrey Regional Office**





**As of year-end 2008, QBE the Americas' four operating units included 40 offices and more than 3,200 employees spread throughout 22 states and four Latin American countries.**

# SENIOR MANAGEMENT TEAM



**Vince McLenaghan**

President and Chief Executive Officer



**Peter Christen**

President and Chief Executive Officer, QBE Regional



**Jim Fiore**

Chief Underwriting Officer



**Chris Fish**

Chief Financial Officer



**Shaun Flynn**

Chief Risk Officer



**Dean Harring**

Chief Claims Officer



**Nancy Kelly**

Chief Human Resources Officer



**Peter Maloney**

Chief Corporate Counsel



**Robert Mezzasalma**

Senior Vice President and Manager, QBE Reinsurance



**John Murphy**

Group General Manager, Operations Support



**Susan Rivera**

President, Actuarial and QBE Specialty



**Jose Sojo**

General Manager, Latin America Chief Executive Officer, QBE Argentina

Statement of Financial Position at December 31, 2008 (U.S. \$ in 000s)

## Assets

Cash and Cash Equivalents	\$ 294,273
Receivables	1,287,403
Reinsurance Recoveries	1,925,762
Deferred Insurance Costs	634,116
Investments	4,300,295
Net Deferred Tax Asset	179,778
Property Plant and Equipment	201,361
Other Assets	517,769

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**Total Assets** **\$ 9,340,757**

## Liabilities and Shareholders' Equity

Trade Payables	\$ 734,680
Gross Outstanding Claims	4,382,208
Unearned Premium	1,498,227
Provisions	455,976
Net Deferred Tax Liability	39,814

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**Total Liabilities** **\$ 7,110,905**

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**Shareholders' Equity** **\$ 2,229,852**

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**Total Liabilities and Shareholders' Equity** **\$ 9,340,757**

These figures are unaudited and based on the Australian equivalent to International Financial Reporting Standards (AIFRS).

**QBE Insurance Group Limited** is one of the top 25 insurers and reinsurers worldwide with operations in all key global insurance markets. QBE is an Australian-listed company based in Sydney, with offices in 45 countries and approximately 13,000 staff worldwide.

The Americas Division, headquartered in New York, conducts business through property and casualty insurance subsidiaries in the United States and Latin America. QBE is a top property and casualty insurer in the United States, with 2008 gross written premiums of \$3.7 billion.

QBE is rated “A” (Excellent) by A.M. Best and “A+” by Standard & Poor’s.\*

**For more information, visit [qbe.com](http://qbe.com).**

\*For ratings guidelines and the latest information, access [ambest.com](http://ambest.com) and [standardandpoors.com](http://standardandpoors.com).



## QBE the Americas

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