Annual General Meeting

Company Participants

- Belinda Hutchinson AM, Chairman
- Charles Irby, Independent Non-Executive Director
- Corporate Participant
- Frank O'Halloran, Chief Executive Officer

Other Participants

- Analyst

Presentation

Belinda Hutchinson AM

Good morning, ladies and gentlemen. Welcome to QBE's 2011 AGM.

For those of you I haven't met, I am Belinda Hutchinson. And I am pleased to welcome you in this my first year as Chairman. It is indeed an honour to chair your company, especially in this our 125th year. Yes, it is 125 years since QBE began business in North Queensland.

I confirm that the initial part of this meeting is being webcast live. There being a quorum present, I declare the meeting open.

I would like to start by offering a special welcome to many of our QBE friends, past employees and particularly the former Chairman, Mr. Cloney and Mr. Burns.

I would also like to welcome a number of our previous directors, Chris Abbott, Charles Copeman, Charles Curran, Graham Ireland and Colin Millard.

Let me introduce my fellow Directors who are here on the podium with me. Starting on my right, I have Duncan Boyle, Isabel Hudson, John Green, Len Bleasel, Frank O'Halloran, Irene Lee and Charles Irby. Frank O'Halloran is, of course, our Group Chief Executive Officer. And we have with us today our Group Corporate Counsel and Company Secretary, Duncan Ramsay.

I would also like to take the opportunity to welcome our Group Executive, and we have our divisional CEOs from around the world and our Group Head Office management team and they are down in the front row. After the meeting, I invite you to ask them any questions that you may have.

Before we go on, I would like to share with you our 125th anniversary video.

[Audio Video Presentation].

I think some of you might have recognized some faces in that video; may be a little bit younger than they maybe are today. But I will talk more about our history later in my address.

I would now like to start with the formal part of the meeting, and if there is no objection the notice of meeting which has been sent for shareholders will be taken as read. The minutes of the 2010 Annual General Meeting, being in order, were signed by me and are tabled for the information of shareholders.

I will now move to my address, which will be followed by Frank's address, and then we will move to the resolutions and questions.

This morning my address is in two parts. In the first part, I will talk about the corporate issues, three corporate issues, which we believe are important to shareholders. These are an overview of the 2010 results, QBE's strong financial position and outlook and an overview of QBE's remuneration report and executive remuneration.

In the second part of my address, I will discuss the key initiatives we believe should be undertaken by the insurance industry and the government to address the impact of floods on the Australian community. In conclusion, I will talk about our 125th anniversary and I have a special announcement.

I wanted to note to shareholders that we are starting this year with a number of different ways of doing things and, in fact, particular one I wanted to point out that we sent out as part of the notice of meeting, the opportunity for shareholders to raise questions.

We did this because we think it's important that our shareholders are able to express their views. Your views are important to us. We received questions from around 50 shareholders. Most of the questions related to the 2010 profit and share price performance, remuneration issues and the impact of the floods and catastrophes on our reinsurance and our outlook.

The Chief Executive and I have sought to respond to these questions in our addresses. However, we are of course happy to take further questions and provide further responses, when we put the resolutions to shareholders today.

Let me turn now to the first part of my remarks. The three corporate issues I mentioned earlier, an overview of the 2010 results, QBE's financial position, an outlook and our remuneration report and practices. I'll start by reviewing the 2010 results.

Before doing so, I would like to draw your attention to the fact that we are now reporting in U.S. Dollars, and that's throughout the Chief Executive's address and my address, we will be referring to U.S. dollars unless we specifically advise otherwise.

Let me explain why. We adopted to U.S. currency as our presentation currency to provide a more meaningful picture of the Group's reported earnings. With QBE's operations spanning 49 countries around the world, 75% of gross written premium is derived in currencies other than the Australian dollar and around 55% is derived in U.S. dollars.

Over the past two years, there has been substantial volatility in the foreign exchange markets, especially in the movement of the Australian dollar against the U.S. Dollar, the UK Pound and the Euro. These movements have highlighted the difficulty of assessing QBE's financial results, when they are presented in Australian dollars. This reporting currency change has been well received generally, having removed much of the confusion around the Group's result and outlook due to foreign country translation issues.

It is important to note that QBE's shares continue to be priced in Australian dollars on the Australian Securities Exchange and all dividends are paid in Australian dollars.

2010 was, without doubt, a challenging year for the entire insurance industry globally. We faced soft pricing conditions in most markets; a high frequency of catastrophes, and continued low interest yields on most of our cash and fixed interest investments due to the difficult economic conditions in the USA and in Europe.

In February, QBE reported its 2010 results with an increase in underlying... underwriting profit, up 19% to $1.7 billion... $1.17 billion, up from $981 million the year before.

The Group's diversified global portfolios, strict underwriting discipline and focus on profitability enabled delivery of a strong combined operating ratio of 89.7%, outperforming the vast majority of our global competitors.

QBE's net profit after tax was $1.28 billion, which was down 17% on the previous year. The reduced profit mainly reflects the lower investment yields, an unusually high number of catastrophes in 2010 and the one-off gains in 2009.

And I think the slide 14 shows some of those issues quite clearly in a numerical sense.

One of the key reasons for the decrease in net profit was due to lower investment income.

And I'd like now to talk about our investment income. QBE manages around $26 billion in investment assets. We maintain a conservative strategy of investing in high quality securities, mostly cash and fixed interest, with an average duration of around six months.

One of the questions which was raised by shareholders is why does QBE not hold investments in Australian dollars to take advantage of the comparatively high interest rate yields here.

We would like to. However, with significant operations in the U.S., the UK and Europe, regulators in these jurisdictions require QBE to match its policyholder obligations in each country with assets in those currencies. As a result, 33% of our investments must be held in U.S. dollars, 15% in sterling, and 35% in Australian dollars.

Unlike the AAA cash yield in Australia which was an average of 4.4% in 2010, the cash yield in the U.S. was around 0.3% and in the UK 0.5%. Overall, the 2010 gross yield on QBE's investments was just 2.9%, which was 1.6 percentage points lower than in 2009. This, of course, had a negative impact on QBE's profitability.

As I mentioned, the investment portfolio is held in highly-rated liquid securities, and it is pleasing to note that our conservative strategy has been rewarded with no write-offs in any of our fixed interest securities. And this was during the turbulent period of the global financial crisis, and this record stands to this day.

The lower investment income has in turn reduced the overall return on average shareholders' funds, which was 13.1%, compared with 18% last year, while basic earnings per share reduced from 152 cents per share last year to 123 cents this year, as a result, again, of the lower net profit after tax.

In light of the strong underlying performance of the Group and the directors' confidence in the future, the directors declared a final dividend of A$0.66 per share. The total dividend for the year was unchanged from last year at A$0.128 per share, with a total dividend payout for the year of A$1.34 billion, up 2%.

I note that QBE is one of the few companies in the global financial sector which has maintained or increased its dividend payout ratio and its dividend over the last three years.

QBE's financial position and outlook is the second matter I would like to... I'm sorry, I just moved on just too quickly. Let me move back to the dividend.

The dividend will be franked at the rate of 10%. This lower franking rate is expected to continue for 2011 given the substantial income from our offshore operations. Our dividend reinvestment plan was well supported with an average 43% reinvestment rate for 2010, and that includes the interim and final dividend.

Despite the Group's underwriting... strong growth in revenue and underwriting profit, it has been a disappointing year in terms of QBE's share price performance. In 2010, including reinvestment of dividends, the return on QBE shares fell by 24% and underperformed the Australian equity markets. While disappointing, this is consistent with the lower investment income and increased catastrophes. It is in the context of a halving of average interest rates since 2008 and an appreciation of the Australian dollar against the U.S. dollar of 14% in 2010 and 28% in 2009.

While these external factors did not work in our favour recently, I want to emphasise that QBE is well positioned to benefit when conditions, particularly the interest rate cycle, return to more normal levels.

During this difficult period, we have outperformed most of our global competitors, and we see no reason why our strong relative performance will not continue. Importantly, over the longer term, QBE shares have outperformed the Australian All Ordinaries Accumulation Index with a compound annual average growth rate of 11% over 10 years and 16% over 20 years. And I think the graph above me shows this well.

I would like to assure all shareholders, both large and small, that your directors and management are strongly focused on the issue of share price performance. We want what you want, and we have a talented and committed management team who are keenly focused on delivering strong and consistent results.

QBE's financial position and outlook is the second matter that I propose to address today.

QBE's capital management strategy is carefully designed to maintain optimum levels of capital to meet the requirements of policyholders, business counterparties, regulatory authorities and rating agencies while at the same time ensuring that returns to shareholders are maximised.

At year end, QBE had more than $2.2 billion of capital in excess of the regulatory minimum requirement. QBE's regulatory capital is above the corporate target of at least 1.5 times the minimum amount of capital we are required by our Australian regulator, APRA. QBE's capital is also more than adequate to maintain our ratings at their current levels.

The current dividend is being underwritten, and once this is completed, our capital multiple is expected to exceed 1.6 times the minimum APRA requirement.

Our total borrowings at the end of 2010 were $3.2 billion, up from $2.7 billion at the beginning of the year. The ratio of borrowings to shareholders' equity was 32% compared with 29% last year. The increase in borrowings was due to new debt raised to repay maturing hybrid debt and eurobonds and to fund acquisitions. This refinancing has, pleasingly, also enabled the Group to lock into more favourable terms with a lower weighted average annual cost of borrowings of 5.3% compared with 6.8% previously.

Around 74% of our borrowings are repayable between 1 and 5 years. The mix of borrowings provides us with flexibility for future funding options.

In particular, we estimate we can raise up to $1.2 billion in additional debt to support future growth and acquisitions without impacting our ratings.

In summary, the quality and extent of QBE's financial strength is such that the Group is well placed to pursue opportunities likely to emerge from the current global economic conditions, as investment markets improve.

Let me turn now to the outlook for 2011.

We have completed the first quarter and I am pleased to report that despite the increase in catastrophe claims to date, our targeted full year insurance margin remains in the range of 15 to 18%. Our targeted growth in premium income from acquisitions announced to date should see insurance profit, before tax, grow by at least 30% in 2011.

Our targets are, of course, subject to the usual caveats, for example, large individual at risk and catastrophe claims not exceeding the significant allowance already in our business plans, no material adverse change movement in our exchange rates, no major fall in equity markets or changes in interest rates and no material changes to the key inflation and economic growth forecasts we have.

Based on our outlook, we anticipate at least maintaining our dividend in 2011. We also remain confident about our medium and long-term outlook, particularly from the expected rise in interest rates.

As I mentioned at the start of this address, the third corporate issue I would like to discuss is QBE's remuneration report and executive remuneration. This is important because a number of the resolutions before shareholders today relate to these issues. And, of course, we have received several questions from our shareholders about these matters.

We responded to shareholders' feedback on our previous Remuneration Reports and have restructured the format and content of the 2010 report to explain more simply QBE's philosophy, strategy and structure of remuneration. And we've had some very positive feedback about this restructured report.

The Group operates in a competitive global environment and, it was one of the top 20 general insurers in the world, we need to pay competitively in order to be able to attract, motivate and retain the quality employees we have in each of the locations in which we operate.

We recognise that with the decrease in QBE's share price last year, some shareholders are concerned about QBE's executive remuneration in 2010. The Remuneration Committee is very focused on the alignment of annual incentive awards with the creation of shareholder wealth, both in the short and the long term.

Using the seven-year spread basis of accounting, the return on opening allocated capital, or ROE, for remuneration was down from 20.2% to 15.9%. This substantially reduced the short-term and long-term incentives payable to our Group employees. And let me give you an example.

In 2010, as I mentioned, QBE's shareholders' wealth fell by 24% after reflecting dividends. By contrast, there was a 60% decrease in the short-term cash incentive paid to the Chief Executive and a 21% decrease in his total remuneration. We believe this shows good alignment of executive and shareholder interests and appropriate remuneration policy and practices.

It is important to note our minimum return on equity criteria for remuneration purposes are far more stringent than most of our peers, who commence payment of incentives at much lower targets, with many achieving maximum incentives at our starting point.

To give some context, shareholders may be interested to know that the weighted average return on shareholders' funds over the past five years for the top 50 global insurers and reinsurers which have reported to date was around 8% compared with QBE's average over the five years of 20%.

The success of our strategy, we believe, is best demonstrated by the extremely low turnover of our senior people.

I will now move on to an important matter for all of us.

A number of catastrophic events have occurred in the first few months of 2011. These include the earthquake and tsunami in Japan, the earthquake in Christchurch and the various Australian storms and floods, all resulting in a tragic loss of life and significant damage to property. We acknowledge the enormous suffering and hardship of our policyholders and all those affected by these events. Frank O'Halloran will discuss the impact of these events on QBE.

Acknowledging the hardship suffered by so many, I would also like to raise with shareholders our concerns about issues that flooding presents to the insurance industry, to government and indeed to all of us. There is action required, action we believe is well overdue. The insurance industry has responded quickly to the floods in Queensland, New South Wales and Victoria, as it did with the bushfires in Victoria and the Perth storms and Melbourne storms last year.

Shareholders may be interested to know that the insurance industry as a whole has approved payment of A$2.3 billion to date in relation to these recent weather events in Australia. QBE has received claims of A$350 million and we have accepted over 93% of these claims for payments. Nevertheless, the industry has faced criticisms about claims assessments.

These floods have highlighted a large and longer-standing issue with claims relating to storm and flood damage. Over many years and long before the recent weather events, the insurance industry in Australia had made consistent requests to all levels of government to develop proper flood mapping as is common practice in most developed countries around the world.

Without proper flood mapping, property development has been allowed in flood-prone areas. It means that many people are unable to obtain flood insurance. For some, the cost of their insurance is unnecessarily high because of the uncertainty of their flood exposure. For others, the existence of different definitions relating to storm and flood cover has caused confusion and distress. For insurers and reinsurers, this uncertainty affects their ability and appetite to accept the risk of providing flood coverage in Australia.

QBE and the industry would like to see governments in Australia follow the UK lead, where the British Government has invested heavily in the development of sophisticated flood mapping and flood mitigation. The issues highlighted by the floods will not be resolved unless proper flood mapping is completed, and until governments consider flood mitigation and impose stricter controls around the building and rebuilding of homes and businesses in flood prone areas. As I said before, this is in everyone's interest.

QBE supports the Insurance Council of Australia 10-point plan and the National Disaster Insurance Review in relation to recent Australian floods. A key recommendation relates to standard wording regarding flood insurance policies.

The industry in the past had approached relevant government agencies to allow a standard definition for all industry participants. However, this was determined to be anticompetitive. We are hopeful that governments will now legislate the requirement for a simple and standard definition of flood in all policies.

Having reviewed this important issue facing your company, I will now turn to QBE's 125th anniversary which marks a major milestone in QBE's history.

This is a substantial achievement because insurance is about managing risk, and this longevity demonstrates that QBE has managed its risks well when many of its competitors along the way have not and have not survived.

In October, QBE will celebrate 125 years since its founding in North Queensland by James Burns and Robert Philp, two young Scotsmen who started out insuring trade between Australia and the Pacific Islands. QBE has certainly come a long way as I said before, and now operating in 49 countries around the world.

We are delighted to have with us today David Burns, a previous Chairman and the great, great grandson of James Burns, one of the founders. I would also like to recognise our former Chairman and Chief Executive, John Cloney, who is now a part of this history of QBE having played such an important role in the growth of this company over the past 29 years.

I encourage you to review the 2010 annual report, which sets out some of the key milestones in QBE's rich history.

To mark our 125th anniversary, I am very pleased to announce the launch of the QBE Foundation, a corporate social responsibility, which we believe will formalise QBE's long and strong record of corporate giving into a structured, Group-wide approach.

The Foundation will be the avenue to share QBE's culture and values externally, by supporting not-for profit organisations to achieve their goals.

I am so impressed and heartened by the involvement of many QBE employees around the world in supporting various charities in their communities. Their support is provided not just through personal funding and fund raising, but also in volunteering their own time. The Foundation will enable them to achieve much more in support of such organisations.

From a shareholder perspective, this initiative is important because it enables us to better connect with our employees in the service of communities in which we do business, thereby strengthening our licence to operate.

The initial company contribution to the QBE Foundation will be $5 million, and going forward the contribution will be targeted at around 0.2% of pretax profit annually. We are delighted by the excited response from our staff around the world who see this as a worthy opportunity to make a positive difference to those in need while supporting QBE's future.

Before I conclude, I would like to congratulate the Chief Executive Officer, Frank O'Halloran, and his senior executive team and the QBE team around the world for their dedication and support in producing a most commendable result for 2010 despite depressed economic conditions in our key overseas markets.

In addition, I would like to thank my fellow directors for their continued support and commitment to their supervisory tasks and to their personal support to me in my first year as your Chairman.

Following the formal proceedings, I look forward to sharing with you the birthday cake we have arranged to celebrate our 125th anniversary and also to talk to you about QBE.

I would now like to hand over to Frank O'Halloran to present his report on the Group operations and outlook for 2011.

Frank O'Halloran

Ladies and gentlemen, as the Chairman has already mentioned, 2010 was another strong year for growth in premium income and underwriting profits, but disappointing in terms of lower yields on our investments and our net profit after tax.

The technical underwriting results were again excellent and 2010 was the sixth year in succession that we produced a combined operating ratio of less than 90%. We again outperformed the substantial majority of our peers in terms of underwriting profitability and return on equity.

We are now in the top 20 largest general insurance companies in the world as measured by net earned premium but, most importantly, in the top five in terms of profitability.

The lower investment yields prevailing during 2010, together with the one-off gains in 2009 from cessation of hedging our shareholders' funds and the repurchase of debt, resulted in net investment income being down by 43% and this meant that net profit after tax was also down by 17%.

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

Gross written premium was up 21% to $13.6 billion. Net earned premium was up 20% to $11.4 billion. The combined operating ratio, that is the ratio of claims, commissions and expenses to net earned premium, was an excellent 89.7% given the market conditions, and a $269 million increase in large individual risk and catastrophe claims.

Underwriting profit was up 19% to $1.17 billion. Insurance profit was up 6% to $1.70 billion. The ratio of insurance profit to net earned premium fell from 17.0% to 15.0% from the lower investment yields. And the majority of countries in which we operate and the products that we write, produced underwriting profits that exceeded our minimum return on equity requirements of 15%. Direct property and homeowners insurance were the notable exceptions.

Gross written premium and net earned premium were slightly ahead of our targets. The combined operating ratio was higher than our target due to the increase in large individual risk and catastrophe claims and the insurance profit margin was below our target range due to the lower interest yields.

QBE's gross written premium income has grown by 90% or a compound average 14% per annum in the past five years. At the same time, underwriting profit has grown by 90%. The large majority of our growth in premium income and profit has come from some 48 acquisitions in those five years, including seven in 2010.

Organic growth continues to be low due to inadequate pricing for new business in many of the markets in which we operate, particularly in the U.S. and Europe. Our detailed analysis shows that organic growth in times when new business pricing is less than renewal pricing is a recipe for poor profitability.

In the past three years, we have acquired a number of specialist underwriting agencies in Australia, the U.S. and Europe to secure distribution channels and to improve our diversification. The acquisition of the cost of these underwriting agencies was $1.6 billion and pretax return on investment was 16% in 2010. This return does not include the significant insurance profit that we made on the $2 billion of premium income generated by these wholly-owned agencies.

2010 was a busy year for acquisitions, including the following.

NAU Country, the third largest multi peril crop insurer in the US. CNA Argentina, a workers' comp insurer to complement our existing profitable business. Secura NV, a Belgian based specialist reinsurer concentrating on small to medium insurers throughout Europe. The U.S. operations of Renaissance Re, a multi peril crop insurer and specialist programme business.

Colonial Seguros, the number one insurer in Ecuador. Seattle Speciality, to complement our successful Sterling National acquisition in late 2008 in the U.S. And RGM Agency, to lock in our significant market share in motor personal accident insurance in Colombia and Ecuador.

I am pleased to say that the 2009 and 2010 acquisitions have all produced insurance profits before tax better than expected.

The 2010 acquisitions, together with the two acquisitions announced in 2011 to date, are expected to add close to $3.4 billion of additional annualised gross written premium. In addition to the acquisitions, we have also announced a unique worldwide reinsurance programme and several transformational projects in the UK and the U.S.

We expect that the recent acquisitions and the new initiatives will add close to $600 million in after tax profit in a full year.

QBE's balance sheet continues to be extremely well positioned for the future as demonstrated by the following.

Our quality investment portfolio was 98% liquid with cash and fixed interest securities at around six months duration. QBE's physical exposure to equities was 1.1% of total investments and cash at year end, and is now around 2%. Our over 90 days receivables continue to be low. Our reinsurance recoveries on outstanding claims have reduced and are primarily with highly rated reinsurers. Our total insurance liabilities are at a probability of adequacy in excess of 95%.

Our overall claims development over the past 10 years has shown a positive release of prior-year claims for each of these years and this is expected to continue. Our ratio of borrowings, as mentioned by the Chairman, is a relatively low 31.5% of shareholders' funds. And our regulatory capital adequacy is strong and this, together with our capacity for new Tier 2 debt and expected retained profits, means that we have an ability to further increase gross written premium in 2011 by at least $1 billion without raising additional equity.

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

Our Americas operations, which includes the business in the U.S. and five countries in Latin America, is led by John Rumpler, President and CEO.

The Americas' team completed 2010 with an excellent combined operating ratio of 89.7%. Gross written premium was up 29% to $5.17 billion and underwriting profit was up 19% to $309 million.

For 2010, our after tax return on allocated capital using management results was 17.7%.

We have come a long way since we set up our office in New York in 1991. After years of learning the U.S. market, we have completed a number of large acquisitions in the past few years. Since year end, we have announced the initial 10-year distribution agreement with the Bank of America and a portfolio transfer of liabilities with matching tangible assets from the affiliated Balboa Insurance Group of Companies. This agreement is subject to regulatory approval which is expected in the second quarter of this year.

We have also announced the completion of the acquisition of the U.S. crop and program insurance business of Renaissance Re.

Our strategy for the Americas is to focus on specialist lines of business. A large proportion of the business in the Americas is now preferred business segments with sizable market shares, such as crop insurance, lender placed homeowners' insurance, specialist programs and selected products in Latin America.

We will continue to reduce or cancel some business in segments which do not meet our minimum return on equity hurdles.

We are targeting to further improve efficiencies to reduce the cost of claims and other operating expenses by 3% of net earned premium by 2014.

The acquisitions made in 2009 and 2010 will assist premium growth in 2011. These, together with the very recent increases in crop premium prices, means we are expecting gross written premium to increase by 51% to around $7.8 billion in 2011, excluding the $900 million portfolio transfer from Balboa Insurance.

Approximately, 10% of the Americas' gross written premium comes from our Latin American operations which continue to produce a return on allocated capital well above 20% per annum.

Our European operations in 22 countries are led by Steven Burns, Chief Executive Officer.

The combined operating ratio was 90.5% and the return on allocated capital based on management results was an excellent 22.4%. Our London based operations continue to outperform the majority of our peers. Gross written premium was up 5% to $4.16 billion, reflecting overall premium rate increases of 2% and higher customer retention.

The competition for new business and aggressive pricing means that organic growth is difficult to achieve. The improvement in the combined operating ratio and underwriting profitability was mainly due to the actions taken on the problem portfolios of property, aviation and trade credit. Our reinsurance, marine, energy and casualty portfolios had another superb year.

The recent catastrophes mean we are likely to see increases in premium rates, particularly in marine, energy and reinsurance. We are now projecting overall premium rate increases of 3% in Europe in 2011.

We are on track with our major transformational project in the UK to consolidate systems and improve efficiencies. We expect to see a 2% improvement in the combined operating ratio in 2012 from the reduction in costs of handling claims and expenses. We continue to make further changes on some of our property portfolios to improve underwriting profitability.

The acquisition of Secura in late 2010 will benefit premium income in 2011. We expect gross written premium to grow by a modest 4% to £2.8 billion and profit margins to remain strong, subject, of course, to large individual risk and catastrophe claims not exceeding the significant allowances in our business plans.

Our Australia Asia Pacific operations is led by Vince McLenaghan, Chief Executive Officer.

Australian operations had another strong performance despite the higher frequency of catastrophes. The division completed 2010 with another superb combined operating ratio of 89.2%, and a return on allocated capital based on management results of 19.3%. No other major insurer in Australia has had a more consistent performance over the past seven years.

Gross written premium in Australian operations was up 36% to $3.71 billion, and up 15% in Australian dollars. The growth was assisted by the Elders acquisition, new distribution channels and overall premium rate increases of around 5%.

Our claims staff have worked long hours to handle the significant increase in claim numbers from the various catastrophes. Our analysis shows that our response to promptly handling valid claims from the many disasters has exceeded that of our peers.

The recent events in Queensland and Victoria have placed further pressure on our staff. It has been made more difficult due to the need to enforce our exclusions in areas where successive governments have allowed properties to be developed in known flood prone areas.

The acquisition of the Australian operations of CUNA Mutual on 1st April 2011 and expected premium rate increases of 5% are likely to result in 9% growth in gross written premium to around A$4.4 billion in 2011.

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

The Asia Pacific operations produced an outstanding combined operating ratio of 86%... 86.7% despite the devastating Christchurch earthquake in September 2010. The return on allocated capital based on management results was 25.2%.

Gross written premium was up 9% to $600 million, with most countries achieving increases over last year in local currency. The substantial majority of our businesses produced excellent underwriting results. Vietnam and Thailand were impacted by large individual risk claims.

Gross written premium is expected to increase by 11% to $700 million in 2011. Growth will mainly come from our successful initiatives to build strong relationships with large international brokers.

Many of our overseas managers from the Asia Pacific are here today. So I encourage you to meet with them afterwards, and they can tell you the story about our success in that part of the world.

Our captive reinsurer, Equator Reinsurances, is led by Des Fogarty, President. Des turns 50 today.

Equator Re provides reinsurance protections for QBE subsidiaries around the world to assist in the management of the Group's capital, balance sheet and net exposure to large individual risk and catastrophe claims. It provides reinsurance protections to the divisions below the retentions deemed appropriate for the Group. Equator Re's aggregate exposures are managed within the Group's tolerance for risk.

Gross written premium was 2.84... $2.48 billion in 2010 and the combined operating ratio increased to 90.1% due to the higher frequency of catastrophe claims. The unique worldwide reinsurance protections announced in early February 2011 and recent acquisitions will mean that the amount of business written by Equator Re will increase in 2011.

Our Investment division is led by Gary Brader, Group Chief Investment officer. Gary and his team are responsible for the management of the Group's investment portfolio which is currently around $26 billion held in over 250 portfolios in 49 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 exposures to foreign exchange and to comply with local regulations. This means that over 60% of our investments are held in comparatively low yielding U.S. dollar, sterling and euro investments.

2010 was an extremely challenging year for the Group investment team. In order to manage our exposure to unrealised losses in the profit and loss account and balance sheet, we maintained a short duration strategy and a focus on quality cash and fixed interest investments. This strategy enabled us to avoid impairment on any one of our securities on a mark-to-market basis during the global financial crisis.

Unlike the position in 2009, we were not able to obtain any material pick up on credit spreads during the year, and this resulted in the gross yield on cash and fixed interest securities reducing from 3.8% to 2.5%.

Net investment income, before the one-off gains achieved in 2009, was 28% lower than last year. We increased our exposure to quality corporate paper from 35% of total investments and cash to close to 60% with extended maturity, however, retaining our short duration strategy. The increased exposure is mainly floating rate notes in AA rated banks. We expect this and other initiatives will improve the gross investment yield in 2011 to between 3.3% and 3.5%.

The substantial increase in capital charges to around 40% for holding equities imposed by rating agencies and proposed by APRA means that it is not realistic to hold significant equity exposures going forward. The equity portfolio is currently 2% of total investments and cash and this is not likely to increase to more than 2.5% in 2011.

I will now briefly summarise our expectations for the current year.

QBE's businesses and balance sheet are in great shape with excess capital and expected retained profits to enable premium income to grow by more than 10% per annum going forward. The majority of products and businesses around the world are exceeding our 15% minimum return on allocated capital.

Action plans, including cancellation of some business, are in place for portfolios that did not meet this requirement in 2010. This includes direct property and homeowners' insurance in some areas where the risk for reward is not viable. After reviewing recent acquisitions and foreign exchange rates, our revised target for 2011 is for a minimum 30% growth in net earned premium. Our target is based on a cumulative average foreign exchange rate of A$1 equals US$0.98 and regulatory approvals for recent acquisitions.

Our projections do not include any allowance for any further acquisitions that may be made in the remainder of this year and any increase in overall premium rates above the 2% included in our annual report, as a result of recent catastrophes particularly for our inwards reinsurance, property, marine and energy products.

Our growth in net earned premium has been assisted by the unique worldwide reinsurance protections that we negotiated late last year. These protections have reduced the overall spend on reinsurance by around $300 million but, most importantly, it has provided greater protection for a frequency of catastrophes and large individual risk claims, as well as comprehensive clash and contagion cover from an event or a large individual risk loss impacting various classes of business.

Approximately 80% of the worldwide protections and the pricing have been locked in for the next three years. Our target for the full year 2011 is a combined operating ratio of 87% to 90%. The upper range includes an allowance of 9% of net earned premium or $1.35 billion for large individual risk and catastrophe claims which are defined as claims of $2.5 million or above.

We also have aggregate reinsurance protections in place for $350 million above this significant allowance. Our target combined operating ratio is subject to large individual risk and catastrophe claims not exceeding these substantial allowances. Large individual risk and catastrophe claims to date are approximately $650 million or 4.3% of targeted full-year net earned premium compared with $390 million or 3.4% of full-year net earned premium for the same period last year.

Our target for 2011 insurance profit margin is 15 to 18% of net earned premium. This target assumes that gross investment yields will be around 3.3 to 3.5% on policyholders' funds and that $1.40 of investments are held for each dollar of net earned premium.

Our target of 3.3% to 3.5% yield compares with an average 2010 yield of 1.9% on our total investment portfolio if invested in AAA cash. We are currently on target to achieve the higher yield which is an important driver of the insurance profit margin.

As the significant growth in net earned premium has already been locked in for this year, we expect insurance profit to increase by more than 30% when compared with 2010. This increase is subject to the usual caveats mentioned by the Chairman.

The recent acquisitions will mean a greater weighting of premium income and profit to the second half of 2011 compared with the first half.

Longer term, shareholders should be aware of the strong positive effect of the inevitable interest rate rises on our profitability and the probability of adequacy of insurance liabilities. To put this into perspective, based on the currency mix of our investment portfolio, the weighted average AAA cash rate at 31 December 2010 was 1.9% compared with 4.8% at the end of 2007.

A 1% increase in interest rates for a full year would increase our insurance profit margin by around 2.8%, our profit after tax by around $280 million and our probability of adequacy of outstanding claims by around 3.6%. This assumes that approximately 40% of the increase in discount rates is booked to profits and 60% to risk margins in outstanding claims, consistent with our past practice.

QBE is now in the top 20 of insurance and reinsurance businesses around the world as measured by net earned premium. However, our prime objective remains to stay in the top five in terms of underwriting profitability and return on equity.

We have a strong culture of leadership, business acumen and integrity supported by our successful in-house development programme, OPENUP QBE, which we introduced in 1995 and which is regularly updated.

We continue to have a low turnover of senior management and technical staff. Our incentive rewards are directly related to return on allocated capital and our incentives, as the Chairman mentioned, commence at a much higher starting point than the majority of our peers. Our minimum return on equity requirement of 15% for our insurance portfolios has not changed, even with the lower interest yields making them more difficult to achieve.

We indicated to the market last year that 2010 was going to be a difficult year, primarily because of the low interest yields and the rising Australian dollar. We have achieved significant growth in underwriting profitability but of course not bottom line profitability, which, we appreciate, means the most to management and to our shareholders.

QBE has built a worldwide business with a strong reputation for focus on outperformance. We would not have achieved where we are today without the professional approach of our over 14,500 staff in 49 countries. I acknowledge and thank them for their loyalty and contribution to the success of QBE.

I appreciate the enormous support I have received from the non-executive directors during the past year. The annual report details the number of meetings they attend each year but it does not disclose the significant amount of time that they make for the QBE team and me in particular to deal with the many requests.

We have a very small but efficient Group head office team. I would like to acknowledge the enormous contribution of this team, namely, John Neal, CEO Global Underwriting Operations; Neil Drabsch, Chief Financial Officer; Duncan Ramsay, General Counsel and Company Secretary; George Thwaites, Group Chief Risk Officer; Blair Nicholls, Group Chief Actuarial Officer; Jenni Smith, Group General Manager and Human Resources -- Group General Manager, Human Resources, sorry Jenni; and Terry Ibbotson, Global Head of Distribution.

It is with great pride that I stand here in front of you today as we approach the 125th year of QBE's history. Our history is remarkable. It has been one of strong leadership, business acumen, utmost integrity and continuous growth in premium income and insurance profits through increased product diversification and geographic spread.

I look forward to working with the current QBE team and the Board to continue this great history going forward.

Thank you.

Belinda Hutchinson AM

Thank you, Frank, for your remarks. I will now move to the resolutions of the meeting and I would like to start by telling you what proxies we have received.

I wish to advise the meeting that 6,390 valid proxy forms for more than 581 million ordinary shares have been received; that's after over a billion shares that we have on issue. Details of how the proxy votes have been cast in relation to the proposed resolutions are set out on the screen above me now.

We now have five items of business to deal with. I need to advise you that the live segment of the webcast will cease shortly. The remainder of the meeting will be recorded and the audio file should be available on QBE's website later today.

Shareholders are entitled to ask questions and vote. And those who have the yellow card that are able to do so. In order to assist me, I request that you clearly display this card when either speaking or voting on a resolution.

Other attendees have a blue, green or red card. A blue card means you are a visitor and unfortunately you cannot ask a question or vote on a resolution. A green card means you are from the media and again you cannot vote on a resolution or ask a question at this point. There will be time afterwards. And we have a red card which means you are a joint shareholder who has already lodged your proxy, that is, you have already voted and you can speak to a resolution, however you cannot vote again.

During the question time, I would ask shareholders to kindly use the microphones that are strategically placed throughout the auditorium. We have one, two, three and four. In terms of your -- when you want to ask a question, please show your yellow or red voting card and give your name and any organization that you represent. And we have a microphone attendant who will then introduce you to the meeting. I'll nominate the microphone from which I will next take a question.

So let's move to the first item on the agenda and that is the resolution to receive and consider the financial statements. I propose that the meeting received the financial reports and the reports of the directors and auditors for the year ended 31 December 2010.

All those in favour, please raise your yellow voting card. Thank you. Any against? Thank you ladies and gentlemen, I declare that resolution carried.

In accordance with the Corporation Act, I will allow reasonable opportunity for shareholders, as a whole, to ask questions about or comment on the management of the company. In accordance with the Corporations Act, I will also allow a reasonable opportunity for shareholders to ask questions of the auditors who are present at the meeting.

We have Kim Smith, our audit partner here with us today. And we can ask him any questions on the conduct of the audit, the preparation and the content of the Auditor's Report, the accounting practices adopted in the financial statements and the independence of the auditor. I invite any questions from shareholders on the accounts and reports only.

In fairness to all shareholders, could I ask that you restrict yourselves to one or two questions at any one time. Today is an opportunity for every shareholder to have their say. I would now like to open the meeting for questions. Mr. Cook, I think...

Questions And Answers

A - Corporate Participant

I would like to introduce Mr. Cook.

A - Belinda Hutchinson AM

Thank you and welcome Mr. Cook.

Q - Analyst

[Question Inaudible].

A - Belinda Hutchinson AM

Is that your question Mr. Cook?

Q - Analyst

Yes asking for your comment, are you prepared to investigate and get the metric on that --.

A - Belinda Hutchinson AM

Mr. Cook, what we're doing there is we're reporting on the key executives as we're required to do under the statutory reporting and as set out by the government. And if you look at those numbers, the 1% increase is what the increase is for those key management personnel.

I've been through the numbers in terms of the Group Executive and all of them have reflected the decrease in the return on equity that was achieved this year. So I think the 1% is actually correct. And we will be prepared to talk to you about the 3%. However, in terms of statutory reporting, we think 1% is correct.

Q - Analyst

[Question Inaudible].

A - Belinda Hutchinson AM

Are you talking about our holding on with equities, Mr. Cook or...

Q - Analyst

[Question Inaudible].

A - Belinda Hutchinson AM

Yes. Yes. I need to explain to shareholders that we have capital charges in terms of our investment portfolio. With regard to our cash and fixed income, we have a capital charge of around 2%. However, APRA has announced that they would be imposing a capital charge of something between 35 and 40% on equities. As a result of that, we think that charge is way too high and we have therefore, reduced our equity holdings. Because we just think that capital charge is beyond what we can sustain.

Q - Analyst

[Question Inaudible].

A - Belinda Hutchinson AM

Mr. Cook, I don't think we're in any corner at all. We have made a number of acquisitions and yet we have goodwill and intangible on our balance sheet. That is the statutory reporting form of accounting.

What we do every year when we review the accounts is that we look at those -- that goodwill and those intangibles for impairment, and we do a lot of careful analysis and we have an external review of that. If you look at the cash generating capacity of the businesses that we've acquired, there is no impairment in those intangibles. And we feel very, very confident that those intangibles are no problem at all to the business and in fact generate very strong cash.

When I think one of the things that Neil Drabsch says to us regularly, if you look at the market capitalization of the company which is $18 billion and you look at our shareholders' funds at $10 billion, I don't think you will think there is any impairment there.

Q - Analyst

I have a few more questions. [Question Inaudible].

A - Belinda Hutchinson AM

Yeah, that would be a good idea and we can take some another questions. Thank you. Mr. Cook.

A - Corporate Participant

Gentlemen, I would like to introduce Mr. David Jackson, shareholder.

Q - Analyst

Good Morning, Mr. Chairman. My question is really on the broad looking at -- a broad look at the results for QBE. Columns of the 10 year history, on page 174, I noted that in -- about page six or seven to page 174 and 101, the shares are -- to the core operating ratio from 2007 or 2006, if you wish, has gone from 85.9 to 89.7.

So that's not a very good trend. And the other ratio which other shareholders would be interested is in the return of shareholders' fund has gone from 26% down to 13.1%. My question is, can we expect this trend to continue because it seems to be reflected over a long period of time? And also I think the share market seems to be predicting not a huge increases in the share prices going back to -- over number of years? Thank you.

A - Belinda Hutchinson AM

Mr. Jackson first of all, just in terms of our 10 year history, it is in the back of the Annual Report because the 2010 Annual Report is about the 2010 results. The 10 year history is just some comparative numbers, which we provide for our shareholders. But in terms of our results, I think Frank and I spent some considerable time explaining our performance.

And yes, our combined operating ratio has gone from 85 to 89.7% over that period of time. But I think that reflects, as Frank and I discussed, the increase in large risks and catastrophes, we experienced both last year and this year.

And in terms of the return on average shareholders funds, I did spent quite some considerable time talking about the investment income on our $26 billion of share and bond investments. And I think if you look during the global financial crisis, what's happened to interest rates, you will understand very clearly why we have had that significant drop in investment income. We've decided to maintain a very conservative investment strategy, we think that's appropriate for this company.

In terms of the outlook, again I think we did address that in terms of both Frank and I pointing to the fact that as a result of the acquisitions, we're looking for strong growth in our underwriting profit this year. Also year-to-date -- and we have seen improvement in our investment returns. So, we are relatively confident subject to the usual caveats that this year's performance will be better.

Q - Analyst

So we can expect the returns to improve from 2011 is what you're saying?

A - Belinda Hutchinson AM

We would certainly hope so.

Q - Analyst

The question is on the global segments. It's the European segment and I'll refer to page 39, which is the historic level given in sterling. Here again, the results are very slow, they show decline of insurance profit margin from 26% down to 14.5% and a very small increase in net premium earned and the insurance profit declined from £398 million to £243 million. Can we expect an improvement in this in the future, a substantial improvement?

A - Belinda Hutchinson AM

We actually think our European business has actually done very well considering the environment in which it's been operating. I think again, we need to look at the increased catastrophes we faced last year and the year before and the interest rate environment in which the European operations are being run.

And I think if you look at our comparative results, David, as you and I discussed, you raised a waiver with us. And we view these results over a five-year period were half of what QBE's results were.

And I think if I look at our results in terms of our insurance margin, yes, it was down. But still it is well ahead of most of our competitors in the London and Lloyd's markets. So we are actually quite comfortable with our European business. Yes, we are looking into various portfolios to see where we can improve and Frank did mentioned some of those. However, overall, we're very, very comfortable with the European business.

Q - Analyst

On the question on the waiver, I think if you look at the trend, at least the trend is going up whereas the QBE trend is consistently going down in the figures of --, and that's what the big markets -- can we see an uptick?

A - Belinda Hutchinson AM

I think that we need to point out that the returns that we got five years ago in Europe were absolutely exceptional. We had some very substantial releases from some of our businesses from prior year reserves. And those were absolutely stellar results, which eclipsed everybody in the market. So, I just think it's now we're now to a more normal level.

Q - Analyst

Thanks.

A - Belinda Hutchinson AM

Thank you.

A - Corporate Participant

Dear Chairman, I have Richard Wilkins.

A - Belinda Hutchinson AM

Good morning.

Q - Analyst

Good morning. I've got a number of questions, perhaps I could raise two to start with. First of all, I'd like to thank you and compliment you for inviting questions from shareholders. That's a very welcome initiative and I hope you'll continue to do that in future years despite perhaps getting only 50 this time, one would hope them to be more in future.

And also as Mr. Cook said, thank you for writing an extremely informative first section of the annual report. If we had to rely only on the statutory figures, it would probably be incomprehensible as most insurance companies are, so I think you've done very well.

My two initial questions please. The inward reinsurance premium that -- I emphasize and talk about inward reinsurance, and not the captive activities of Equator, grew by 30% during the year. Are you happy to continue to expand the inward business given the extensive catastrophes and volatility in that market. I know premium rates are going up, but given the risk it still business that you not only want to be in, but I think it's worth going in?

A - Belinda Hutchinson AM

Thank you, Richard for that question and also for your comment on the annual report. We do spend a lot of time on trying to make it readable and comprehensible to our shareholders. We understand we have a very complex business.

So we appreciate that and I also should have thanked Mr. Cook for your comments on our RIM report. As I mentioned to you at our meeting, we have spent an inordinate amount of time trying to make that a readable and comprehensible document.

Just in terms of inward reinsurance, we have actually reduced our inward reinsurance over a number of years. However, the inward reinsurance business that we do ride is extremely profitable for us, but I just might now pass the mic to ask Frank to comment on that 30% increase. Is there anything there we need to note, Frank?

A - Frank O'Halloran

No, no Chair. The inward reinsurance business as you say, has been extraordinary profitable over a long period of time and I think you've seen in the annual report that a combined ratio in the high 70s.

And if you look at the comparison with the major reinsurers around the world, some 25 to 30 points higher than what our inward reinsurance have, so it's a very specialist book of business.

We're very happy. It will have cycles, it will have wheels with catastrophes push the combined operating ratio above 100%. But we need to look at the longer term and over the longer term, it produces good result for us. And it's also a good balance against the cost of buying reinsurance.

A - Belinda Hutchinson AM

Thanks, Frank.

Q - Analyst

Thank you. If I could ask my second question please.

A - Belinda Hutchinson AM

Yeah, certainly.

Q - Analyst

It's clear given the fact that a large proportion of the business is overseas and will continue like that, but it's going to be very hard to maintain more than a tiny proportion of franking on these dividends. I wonder that since we have perhaps rather tax inefficient group because of that fact, have you given any sort thought possibly to raising maybe hybrid equity overseas and possibly buying back some of the Australian shares to try and introduce perhaps a little bit more tax efficiency? Overall, I realize it's a very complex question, but I wonder if there is any potential there and whether you have explored that?

A - Belinda Hutchinson AM

We have and we do. I think in terms of my address and Frank's address, we talked about the complexity of our capital and managing that to meet the regulatory requirements, the rating agency requirements, our policyholder requirements et cetera, so is finally balanced. And we do have some amount of excess capital, but that is really what we need for acquisitions and for further growth going forward.

We have raised hybrid debt and we will continue to do so. We try to be as efficient as we possibly can, but unfortunately given the amount of our business offshore at the moment, a 10% franking rate is probably what we're going to be looking at for the next year or so.

Q - Analyst

Thank you very much. I just had a couple of other questions, but I'm happy to wait for another turn.

A - Belinda Hutchinson AM

Thank you.

Q - Analyst

Thank you.

[Question Inaudible].

A - Belinda Hutchinson AM

I think I addressed that Mr. Cook, in my address when I talked about the issues that we've been facing this year and last year in terms of the increased catastrophe claims that we've come through and also in terms of the investment income. I just -- I think this year hopefully, if we are able to meet our targets, we should see an increase in earnings per share. However, it will obviously depend on the usual caveats.

Q - Analyst

[Question Inaudible].

A - Belinda Hutchinson AM

I don't want to talk about our internal rates of return. I think that's inappropriate, but I'd like to assure you that in terms of analysis of acquisitions, we do substantial due diligence on the books of businesses that we look to acquire and we obviously look at the cash flow generating capacity of both businesses and what it is going to do to our business. So we're very, very focused on that in the short, medium and long term.

Q - Analyst

[Question Inaudible]

A - Belinda Hutchinson AM

Yes, we do.

Q - Analyst

Sorry, yes?

A - Belinda Hutchinson AM

Yes.

Q - Analyst

[Question Inaudible].

A - Belinda Hutchinson AM

Frank spoke about organic growth and I think it's important that shareholders recognize that we are, and have been in soft pricing markets for the last few years. And to grow organically, when we have soft pricing is not a profitable form of business for us.

If we are looking to buy new customers, we are looking at incurring a combined operating ratio well in excess of 100 in terms of the first two or three years whereas if we buy a new book of business, we are able to buy a book of existing customers, where we know what the history is and are able to achieve a combined operating ratio. As you can see in terms of the acquisitions we've undertaken are just under 90. So I think that really is the answer to the question, Mr. Cook.

Q - Analyst

[Question Inaudible].

A - Belinda Hutchinson AM

I can assure you, Mr. Cook, our business is not driven by an accounting technique. Our business is driven the underlying profitability of the business that we want. And I can absolutely assure all shareholders that in terms of the acquisitions we've undertaken, they are much more profitable for us than would have been organic growth during the current period.

We have had organic growth in some areas, for example, in our UK regional business, where we've been able to achieve the sort of premium rates that we want to and when we think we need, but in terms of other areas, it's been a very, very competitive market.

Q - Analyst

Thank you.

A - Corporate Participant

Dear Chairman, I introduce Glenn Lu, shareholder.

Q - Analyst

I just got a quick question regarding the Chief Executive's future. There has been some rumors circulating that will he, won't step down from his role given his longevity. I would like to hear from Mr. O'Halloran personally as to whether retirement is eminent or whether he is happy to continue his current role given the support of the Board. Thank you.

A - Belinda Hutchinson AM

I don't think Mr. O'Halloran needs to answer that question because I answered that question to shareholders last September. And I said that Mr. O'Halloran was in this position for the foreseeable future. He looks hale and hearty to me. Doesn't look if he is going anywhere.

And I'll tell you one of the cheeky comments, one of our senior executives told me to say today. He suggested I tell you that Frank's really only in his mid 50s. And therefore, stop this question going forward. But that's not quite true, so I really can't say that.

Look, in all seriousness I should actually address succession planning. I do want to assure shareholders that we spend, as a Board and as a management team, considerable time on succession planning. For all of our senior executive positions, we have an immediate replacement strategy, a medium-term replacement strategy and a long-term replacement strategy.

We spent a lot of time discussing this. We've spent a lot of time on our senior executives in terms of their personnel development plan, in terms of training and in terms of making sure that we see them as a Board, so we know these individuals. Frank has already been through the senior executive team. He has introduced them to you and I think we've got enormous bench strength and a very, very good management team.

A - Corporate Participant

Chairman, I'd like to introduce Mark Moland.

Q - Analyst

Hello, Chairman. Thank you very much. Mark Moland from Team Invest. I represent a fairly large group, several 100 happy QBE shareholders and just on the behalf of the members, I'd like to congratulate the Board and the management for looking after shareholders' interest so well through what has been clearly, well, to say it's been to tumultuous period would be an understatement.

So we think QBE's results for FY10 are outstanding considering the environment you operated in. And we have a very much long-term positive view to investing in QBE and in fact most of -- or many of our members have been accumulating shares of what is we believe a very, very cheap price at the moment.

So having said that, my question is something that comes up quite regularly with our members is the Asian question as far as QBE only has less than 5% of its business in Asia, which is clearly one of the strongest growth areas in the world. Can you -- can someone talk to the issues around there, like what is the opportunity and what are the challenges? We just like to get a better handle on how you see the future over the next five years in that area. Thank you.

A - Belinda Hutchinson AM

Thank you, Mark and thank you for those comments. We do work hard and it has been an extremely challenging few years with the global financial crisis and the investment market conditions that we faced plus the catastrophes. We really had a run-in particularly in the last quarter as we mentioned.

With regard to Asia, obviously we're very focused on Asia and Asian growth and we have been looking for opportunities over the past five to 10 years.

The unfortunate thing is that most of the acquisition opportunities we've looked at have been at prices that we're just not prepared to pay. We will continue to look, we have got a number of acquisitions that we are reviewing at the moment, though we have made some small acquisitions, but really it's become such a hot market as they say, that it is quite hard for most of the acquisitions to meet our criteria for returns.

But that's not to say we are not investing. We have opened an office in India. We're doing work in China. We have very substantial operations in Hong Kong and throughout the Asia Pacific area. And they are producing very, very good results for us. So we're very happy with their performance. Frank, I don't know whether you'd like to add anything there.

A - Frank O'Halloran

Yeah, so it's a very good question because we do get that from other investors -- that question from other investors around the world. The Asian market is very dominated by motor insurance and our experience with motor insurance throughout Asia, it is not profitable. So we have taken the decision to keep motor insurance at a very low percentage of our total portfolio mix.

We are finding that there are opportunity to grow particularly through the major into -- division and we've had some significant growth in recent times. But as you know, it's all about a balance between growth and profitability and our primary focus is on profitability. And we -- even though we're getting growth in most countries throughout Asia, we're restricting the growth to ensure that we maintain the profitability rather than doing what many other insurers are doing growing for growth sake.

A - Corporate Participant

Chairman, I would like to introduce Mr. Jonathan Ojaya.

Q - Analyst

My name is Jonathan. My question is related to the previous question, I noticed that the company has been taking a cautious approach in entering the China market. I am just curious to know what is the reason behind this? Is it because of the characteristics of the market or is it because of we haven't got a right partner?

And is the company planning to grow organically there just like what we are doing in India or is the plan to buy an existing company? Thank you.

A - Belinda Hutchinson AM

Thank you for that question. That is the question we receive often from our shareholders. We have been looking at the China market for some period of time and we already do ride business in China through our Lloyd's operations and also out of our Hong Kong business and we have had an office in Guangdong Province for sometime.

We are constantly looking at acquisitions, we are constantly looking at organic growth opportunities in China and we are doing some work in fact, Mike Goodwin, who Frank introduced before, is doing a lot of work with our Hong Kong team on that at the moment.

The point I think that needs to be made in terms of China is that the profitability of foreign insurers operating that market is very, very low. Companies like AIG and others have been operating there for over a 100 years. But when you look at the total profitability of foreign insurers in that market, it's around US$100 million a year. And when you look at our overall profitability, that's very, very minor. That's all foreign insurers operating in that market. Those are the figures that we saw most recently at the Board.

So although it's seen as a big pot of gold, at the moment domestic insurers are the ones, who are making the money and we need to find a way for us to make money in that market and we're very, very keen to do so and we are looking at it at the moment.

A - Corporate Participant

Dear Chairman, Nicholas Tan, shareholder.

Q - Analyst

Good morning. I have a question regarding the -- there has been talks about the housing bubble in Australia. And I'm also aware that QBE is one of the two largest insurers for home lender mortgage insurance in Australia. So the question I have is what is the exposure of QBE in case of a housing downturn in Australia?

A - Belinda Hutchinson AM

Thank you, Nick, that's a very good question. We bought the lenders mortgage insurance business, PMIs business in Australia about two, three years ago. That business has been extremely successful and very profitable for us and we have a very good management team running that business.

We do a lot of scenario testing on that business and Ian Graham, who is the Chief Executive of that business, recently made some comments that even if there was a downturn in the market, QBE would still be in a very strong position.

We have very strong capital base with regard to that business and we don't feel that there is any substantial risk with a medium and also a downturn in property prices. So we're not concerned at the moment. I don't know whether you'd like to add anything, Frank?

A - Frank O'Halloran

I think Ian Graham, I think Ina is in the room here somewhere, but Ian is always more than welcome to spend a bit of time with you after the meeting. But the reality is that what we need to -- what we have to see in the event of a major impact in our probability is our housing pricing, a high unemployment and high interest rights. And we cannot see that at this point in time, but I really suggest that you actually spend some time with Ian, who has been in the business for 40 years and knows the business back to front.

Q - Analyst

Thank you.

A - Corporate Participant

Chairman, I would like to introduce Mr. P.S. Paberi.

Q - Analyst

Thank you. I would just like to ask a question about the exposure of the U.S dollar. There is a stronger opinion in school-of-thought that owing to the excessive large amounts of borrowing by the U.S. Government that this would be inflationary and it could lead to a devaluation in the U.S. currency far more than we've seen.

You would explain if your hands aren't tied because you have to keep a lot of the reserves in the currencies where you're operating. My -- it's a very fairly broad question as to whether you -- what can you do to protect yourselves against this, no doubt your investment people are already aware that it could come, but how can you protect yourself against that?

A - Belinda Hutchinson AM

It's a complex question because as I mentioned earlier, we've got a range of currency exposures, but we are now reporting in U.S. dollars. So in terms of U.S. dollar reporting, it would not have that much of an impact. Obviously in terms of our shares being reported in A dollars, if the Australian dollar is to go up, it's obviously a different impact.

But in terms of an inflation risk, actually that would be in many ways good for us because interests rates would rise and particularly in terms of the U.S. dollar or U.S. dollar holding an interest rate rise would have a very positive impact on the company.

So it's a very complex issue. I do agree with you there is concerns about the U.S. fiscal deficit, but that same issue applies to the Japanese economy and it applies to the European economies.

So where this all goes, I don't know. We run significant sensitivity analysis. The management team runs those regularly and we get reports to the Board, but we are comfortable with our exposures that currently stand in terms of business in the U.S. Frank, I don't know whether you want add anything there?

A - Frank O'Halloran

No, I don't think so Chairman. We are very conscious to the question that you've raised and that's one of the reasons why we are now focusing on special lines of business, where the competition is significantly lower. By concentrating on the special lines of business, we've got a greater opportunity to produce better returns for our shareholders.

In terms of capital adequacy, the valuation of the Australian dollar will not impact the capital adequacy because the assets and liabilities will move in the same direction as shareholders funds. So, from capital adequacy point of view, it's not an issue but your point relative to U.S. dollar versus A dollars is well taken. If you look at the -- all the banks and where they're forecasting the A dollar together, all forecasting to go down. So I wish I knew the answer on A dollar.

A - Belinda Hutchinson AM

It is -- the Australian dollar is at a record high, but where it's going to go, we don't have the crystal ball.

Q - Analyst

Well, we all we wish we did. If this does happen and you're reporting everything in U.S. Dollars, of course that could rather unfairly distort your reports after it happens because weaker dollar would reduce the profits in -- where you're operating in other countries. And so we watch local figures and say, oh, we've had an increase in that. But of course, as I say, they could distort your figures in a year or two years time when you're -- if you continue to report in U.S. dollar. So anyway, all the things are sort.

A - Belinda Hutchinson AM

No, I think I agree. You make a good point but the fact is we've had a very weak U.S. dollar and our results are as they are. Whether the U.S. dollar is going to go weaker, I just don't think we're in a position to judge and I think Europe quite frankly is just as weak, Japan is just as weak. So I think we're quite with our exposure.

Q - Analyst

Alright, thanks. And congratulations on an excellent set of results.

A - Belinda Hutchinson AM

Thank you very much. If there is no further questions, I might move on to Item 2 in the agenda, which is adopting the remuneration report. The remuneration report is set out on pages 64 to 88 of the 2010 annual report.

I propose the meeting consider and pass the ordinary resolution set out in the notice of meeting. Does any shareholder wish to speak for or against the motion?

Q - Analyst

My name is Roy Cook and I'm representing the Australian Shareholders Association. We know that in spite of a very real improvements to the remuneration plans, the total of the 2010 incentives in U.S. dollars increased from 15,919 to 16,266. This is in fact contrast to the reduction in profit after tax for 2010 and the reduction in share price since 2007.

Is the company prepared to increase the portion of incentives paid on earnings per share results and to reduce the cash incentives to help ensure that overtime, there is greater alignment between executive interests and shareholders interests?

A - Belinda Hutchinson AM

I think I addressed the alignment of the interest between shareholders and executives earlier when I spoke about the group executives, short-term and long-term cash incentives being significantly reduced in 2010 inline with the decrease in return on equity that they achieved.

The one point I think I need to make is that we have a group of underwriting executives around the world and those groups of executives are producing stellar underwriting results as compared to our competitors. We need to pay competitively and we need to pay them on the return on equities that they achieve on their underwriting portfolios.

We have done that and that is the reason why in terms of the divisional executives, there has been an increase, a small increase in the overall remuneration. As I mentioned earlier, the group executives' results and their remuneration was very much in alignment.

Q - Analyst

It's very much upto the company how they modify the plans and they have made progress, but they still overall inspite the ups and downs, no real alignment or incentives there and because of that lack of alignment and in the case of the poll, we will be voting our proxies against this resolution. Thank you.

A - Belinda Hutchinson AM

I think Mr. Cook, you and I just have to disagree on this. I think there is very strong alignment between our shareholders' interests and executives' remuneration. And then that's particularly over the longer term.

A - Corporate Participant

Chairman, I would like to introduce Mr. Steven Matthews.

Q - Analyst

Thank you. Thank you, Chairman. Could I add my congratulations to the improved remuneration report. It's more understandable and comprehendable, I think with the words that have been used, I agree with that.

I have a couple of quick questions. Can you tell me please why the key performance indicators, which are determined on a seven years spread basis don't match up with the vesting period or performance period for equity grants under the long-term incentive plan, which is five years?

Seems to me that if anything this could be disadvantageous for the employees or for the executives depending on when they come in and when they go out of the scheme. Why doesn't the vesting period match up with the spread smoothing period?

A - Belinda Hutchinson AM

I think that's a really interesting question and one, I'd like to answer, the seven years spread basis of accounting is to allow for our investment income to be spread over seven years. We don't feel it's fair on our underwriting executives that they have to bear the volatility in investment markets. It's not what they do, what they do is underwrite risk and manage risk for us.

So what we want to reward them on is their underwriting profitability and we smooth the investment income over seven years. And we chose that period as what we thought was the reasonable period of time for spreading that income.

The LTI is actually quite separate and if you look at most companies' LTIs, long-term incentive programs, they are really only over three years. However, again on the recommendation of management, we have taken a five-year period, which I think actually is the right thing to do because I think it does reflect the longer-term interest of the shareholders. But as I said, many companies actually only go for three years.

Q - Analyst

Thank you, that clears it up very well. I didn't pick that up from reading the RIM report. One thing that I found missing from the RIM report, in which most major companies these days do report on, is the inputs to the calculation of fair value for the grants. Now I may have said in this forum before, I am very, very reluctant to ask that extra information be included in annual report or indeed especially a remuneration report. They are all -- there is all too many words in all of them already, but unless I'm mistaken, you didn't include the inputs to the calculation of fair value and as most companies do, and is of interest to shareholders, I wonder if you might give some thought to doing that in future please.

A - Belinda Hutchinson AM

We'll certainly look at that. As you mentioned, it's already a very lengthy report. So we do try and keep that to a reasonable length. But we're very happy to talk to you -- get you to talk to one of our executives, particularly Jenni Smith, after the meeting if you would like to talk to her about how we do go about that calculation.

Q - Analyst

Yeah, I'd be very happy to do that. Now may I have one other quick question related to this. I noted correctly in my view usually what to determine the number of equity share rights that are rewarded -- that are granted I should say. And that the fair value that I referred to a moment ago is amortized and the life of the units is required by the accounting standards, but if those grants vest in five years time, the hurdles have been met and they go to the executives, of course they invested market price, don't they? So I'm just wondering how do you account for the difference between fair value and the market price at granting in your accounts for compensation purposes?

A - Belinda Hutchinson AM

I actually don't know, I now have now to pass it on to my Chief Executive Officer.

A - Frank O'Halloran

I again have to pass it on to Kim Smith or to --

Q - Analyst

Or perhaps we can talk about --

A - Belinda Hutchinson AM

Perhaps we can, would you mind if we prompt you to speak to Neil Drabsch, our Chief Financial Officer after the meeting.

Q - Analyst

Who is that, sorry?

A - Belinda Hutchinson AM

Neil Drabsch.

Q - Analyst

Neil, yes, of course.

A - Belinda Hutchinson AM

Thank you very much. Please step down there.

A - Frank O'Halloran

Here I can add that I must admit I go through the same process that you do and I find it very difficult to understand how they value future options and future rights.

A - Belinda Hutchinson AM

We use a binomial model, but to be honest, what goes on in inside a binomial model, I don't think you have to be -- to understand.

Q - Analyst

One of them being named Monte Carlo, which I can give Monte Carlo's simulation, which --. Thank you.

A - Belinda Hutchinson AM

Okay.

Q - Analyst

Thank you, Chairman. Two quick questions please. Page 75 shows the STI cash award and it's rather puzzling that in the case of most of the people mentioned there that the minimum percentage is above zero and I wonder what the rationale for that is? I would have thought that if people are being paid very handsome salaries in that Group to come to work and do their jobs, so which their expectations are high already.

And I don't understand, why it would appear to be almost automatic that with the exception of two people, their minimum cash bonus is going to be at least 15%.

A - Belinda Hutchinson AM

The answer to that question is very simple. We do have STI hurdles for our executives and they do have to achieve in terms of the group executive, a return on equity in excess of 14% and for our divisional executives, it cuts in at 15%. So the reason they are getting those short-term incentive rewards is because they have more than achieved those minimum thresholds.

Q - Analyst

I see. So that if the ROE have been say 2%, they would have got nothing.

A - Belinda Hutchinson AM

they would have got nothing.

Q - Analyst

I understand.

A - Belinda Hutchinson AM

That's right.

Q - Analyst

Thank you. And the other question is, just I wonder if you could just elaborate on the fact that Mr. Ten Hove received a termination benefit of 2 million and looking at the couple of references in the annual report including the circumstances and when those sort of termination benefits is spread over a period of year, I realize that one is obviously talking about an individual person here, but given that the job is clearly still extent, is being replaced, I am not quite clear what were the circumstances under which he left the company and I wondered if it indicated any dissatisfaction with the management to the investment portfolio.

A - Belinda Hutchinson AM

No, it didn't and Mark did leave for personal reasons and we had a contract in place for Mark, which provided that he would receive a one year termination payment.

Q - Analyst

Thank you.

A - Corporate Participant

Chairman, I would like to reintroduce Mr. David Jackson.

Q - Analyst

Thank you, Ms. Chairman. My question is about long-term incentive and for Mr. O'Halloran and the relativity to his total package. It seems to me that his package is heavily weighted to short-term incentive including base pay and not long-term, whereas I would have thought that particularly, this company and given the comments previously about smoothing over seven years, there should be a much heavier emphasis on long-term incentive. At the moment, I think long-term incentive is something less than 15%. Would you like to comment on that?

A - Belinda Hutchinson AM

The LTI was only introduced a short time ago and so we actually felt that the previous QBE incentive schemes worked very, very well over many years. However, it was in response to shareholders request that we introduced a long-term incentive program.

You'll note with the short-term incentives that actually the conditional rights that the executives are due to receive only vest over three to five years. So they still have to stay with us and they still have to achieve good results because we do have a call back at the option of the Board if the results deteriorate. So in fact, although we quoted an STI, I think it's actually more like a long-term STI, when it relates to the conditional rights that we give.

But there I would make the point that, having reviewed the top CEO salaries of the top 25 companies on the Australian Stock Exchange, the medium and average remuneration was over $8 million and our CEO has a remuneration of 6 million. Yes, that's still a lot of money, but it's well below what the top 25 and we are well within the top 20 listed on the Australian Stock Exchange.

Q - Analyst

I think my response to that was that's probably one of the reasons why we have the GFC that we all know.

My second question is in relation to base pay and I did ask this before but I didn't get an answer when we spoke previously. For Mr. O'Halloran, looking at the A dollar line, but also it reflects in the U.S. dollar but obviously Mr. O'Halloran is paid in A dollars. Why has the base pay gone up so substantially by about 13.8% in the year? Given that you were talking -- been talking earlier about 1 or 1.5% increase.

A - Belinda Hutchinson AM

In terms of Frank's base pay, in 2010, he had a 0% increase and this year, he has had a 4% increase. That additional amount relates to defined benefit contributions that were being paid because we closed other fine benefit contribution funds. So I don't think that's a fair comparison, that's a one-off payment.

Q - Analyst

But I think that's referred to -- I mean I'm looking at page 79, the superannuation column does reflect that, doesn't it? I mean it's got 296,000 for 2009, which I think is when was paid and then, this year it's only 21. So I can't equate that to your explanation.

A - Belinda Hutchinson AM

Well, if you add $268,000 to $1,878,000, you get the same number. So I think you'll find that figures that what I've mentioned is correct.

Q - Analyst

Well, are you saying and that's been added every year, it's added every year, the $268,000?

A - Belinda Hutchinson AM

No, no, if you look at the previous year, it was only 21,000.

Q - Analyst

I'm sorry, the numbers doesn't compute.

A - Belinda Hutchinson AM

Perhaps David, we can have a chat about that. You can have a chat with Jenni Smith, who is our Group HR Head afterwards.

Q - Analyst

Thank you, Chairman.

A - Belinda Hutchinson AM

Mr. Bleasel was just pointing out, there is some movement in the Australian dollar, but I think this is the Australian dollar figures we're talking about, but let's talk about this afterwards.

Q - Analyst

Earlier you talked about the return on equity targets of 14% for Group headquarters and 15% for units. But I noticed in the annual report in the long-term incentive plan, you've changed that and it's now the average of the top ten. Why do you have the two different criteria?

A - Belinda Hutchinson AM

Because we think that the top ten is a very, very top hurdle and it's a long-term incentive plan and that was the basis on which we decided to do some comparative analysis because we have had criticism that we were only using absolute returns in terms of the short-term STI. So we moved to a comparative relativity in terms of the LTI.

Q - Analyst

Why don't you move the same way in the short-term and that would --

A - Belinda Hutchinson AM

Because -- I'll tell you, because I don't believe in relative returns. If I am a shareholder, I am interested in absolute returns.

Q - Analyst

Thank you.

A - Belinda Hutchinson AM

I'd now like to ask all shareholders who are in favor to raise the yellow card. And all those against? Thank you ladies and gentlemen, I declare that resolution carried.

Item three on the agenda is approval of the grant of conditional rights under the 2010 QBE incentive scheme and long-term incentive plan to the Chief Executive Officer. I propose the meeting consider and pass the ordinary resolution set out in the notice of meeting. Details of the resolution are set out in the explanatory notes to the notice of meeting.

Please note that the weighted average price used for calculating Mr. O'Halloran's entitlement to conditional rights was $17.93. This mean Mr. O'Halloran's entitlement subject to shareholder approval is 45,532 conditional rights under the QBE incentive scheme and 60,163 under the long-term incentive plan or 105,609 in total. Does any shareholder wish to speak to this motion? Yes, we have a shareholder up, Richard.

Q - Analyst

Sorry Chair, just a quick thing, you've answered one of things that I was going to ask, but the middle of page six of the notice refers to 47.3% and 50% for the QIS and the LTI. I just wanted very quickly, there doesn't seem to be any explanation of how those percentages were derived, was that just as a result of the Board process that you felt that was the right place to be, it didn't -- I just couldn't see anything to several other reason you get this figures because of such and such.

A - Belinda Hutchinson AM

No, that relates to the ROE calculation that I mentioned earlier. So it's very much aligned to those.

Q - Analyst

Yeah, I just wondered why, when the range at the bottom of the page says minimum of 14 and a maximum of 21 and 15.9 was achieved and 47.3 doesn't come out of that obviously, it's a matter of arithmetic.

A - Belinda Hutchinson AM

It's just a matter of arithmetic, yes.

Q - Analyst

Well, I am a mathematician and I couldn't get that results but anyway perhaps I can discuss that with you later.

A - Belinda Hutchinson AM

Or perhaps we can take that offline too. Thank you.

Q - Analyst

Okay. Thanks.

I know I am plaguing you with these questions, but you're handling them well.

A - Belinda Hutchinson AM

How are you hanging on Mr. Cook?

Q - Analyst

Thank you. The ASI acknowledges that Mr. O'Halloran's incentive cost have become closer inline with shareholders' interest last year. Indeed if it wasn't the 1.5 million decrease any short-term benefits, total incentives would have increased by about 1.8 million.

The introduction of the long-term incentive and the inclusion of an earnings per share are positively moved, which clearly expects to help achieve a greater alignment with shareholders' interest. The ASI recommends that the percentage of the TSI allocated to the LTI should increase and the cash portion should be reduced. This is particularly relevant to the CEO because of his long-term incentive, is QBE prepared to consider such a move?

A - Belinda Hutchinson AM

Well, I think if you look at our QBE incentive scheme, which is what you recall the short-term incentives, half of that is conditional rights already and then we have the long-term incentive scheme, which is conditional rights. So I actually think we got a pretty good balance already.

Q - Analyst

I know you can comment accepting the criteria for award different and the vesting is also different.

A - Belinda Hutchinson AM

I explained that previously, yes.

Q - Analyst

In the case of a poll, the ASI will be voting its open proxies against this resolution as a remuneration of Mr. O'Halloran has not sufficiently, emphasized sufficiently in line with the reduction in share price since 2007? Thank you.

A - Belinda Hutchinson AM

I understand your point, Mr. Cook, but you've seen the proxies perform, we have very, very strong votes in favor of this resolution.

A - Corporate Participant

Chairman, re-introducing Mr David Jackson.

Q - Analyst

Just for the sake of clarity Madam Chairman, could we have the proxy figures put up again? I mean they were put up at the very beginning, the proxy votes and I'm sure most of us have forgotten what they were by this time and it's quite normal for them to be actually put up either before each resolution or following each resolution. Putting it up at the very beginning does make it life very difficult for people to try to remember what the figures were.

A - Belinda Hutchinson AM

I have to see whether we can do that, but that was in excess of 97% voted for this resolution if I recall correctly. Is that right, Thomson?

Q - Analyst

I think for the other one, the rem, I think remuneration, I think it was a lot less.

A - Belinda Hutchinson AM

I think it was 98, I don't know. Tom, can you? I've actually got that for you. 97. So I haven't got the percentages here, but Tom, can we have the percentages, I think it was 97 and 98%.

A - Corporate Participant

[Inaudible] say 97% or so, so with over 98%.

A - Belinda Hutchinson AM

Thank you. Are there any further questions? Alright, all those in favor, please raise your yellow card. And all those against? Thank you, ladies and gentlemen, I declare the resolution carried.

Item four on the agenda is the approval of providing QBE shares under the QBE incentive scheme and long-term incentive plan until 30 June, 2014. The resolution means that on termination, such benefits do not count for relevant employees towards their annual remuneration cap. A similar resolution has been passed by a number of other Australian listed companies. Does any shareholder wish to speak for or against this motion.

A - Corporate Participant

Chairman, I would like to reintroduce Mr. Steven Matthews

Q - Analyst

Thank you, Chairman. When I first read this, I wondered whether it was an attempt to sort of convent the regulations introduced to limit termination payments to one year, but then I remembered it was QBE. So I was sure that, that wouldn't be the case.

I noticed you used the word termination in your explanation, that is the ability to vest equities on termination. Could I just, since all the Board is here, over the years, I've attended quite a few AGMs and I found that in difficult circumstances, Chairs and then Chairman of Remuneration Committees have used the words termination, resignation, retirement and redundancy interchangeably and have characterized all at various times as separation end of quote.

Now they're not similes, the Oxford dictionary has very distinct definitions of each of those words and I think it's worth mentioning that while we're not involved in either a legal or an argument on semantics. I'll just remind the Board, if I may that shareholders do become concerned when filed executives receive excessive payouts and occasionally, those payouts addressed up as things that they are not including the words that I've mentioned earlier. Thank you.

A - Belinda Hutchinson AM

Steven, you made a very good point and I would like to assure shareholders that is not the purpose here. We're using termination in the legal sense of the word. But if you read what is actually a complex notice of meeting around this particular resolution, you will see that it is up to the Board to use this question as to when this actually is used.

So the only time in which the Board will use its discretion is when there is genuine retirement or genuine redundancy and I think we need to be very, very clear on that.

If it's poor performance, this revolution will not be used. So the reason we're doing this is because we will have people who leave and they'll have conditional rights outstanding because they actually leave the company and that would leave terminate in a legal sense. They will have to then pay tax on those conditional rights. We think that as those conditional rights still don't exist for three or five years or whatever, they may well be unable to pay the tax on those conditional rights at that time.

So we are going to allow executives to sell 50% of those conditional rights or shares and then be able to pay their tax. The continuing vesting periods will apply for the remainder of those shares. So I agree with your point.

If I don't have any further questions, all those in favor, please raise your yellow card. And again, thank you, ladies and gentlemen, I declare the resolution carried.

I'd now like to move to item five on the agenda, which involves the re-election of the Non-Executive Director, Charles Irby.

I propose to consider and pass an ordinary resolution for his re-election as a Director. Charles was appointed as an Independent Non-Executive Director in 2001 and he is the member of our investment committee and the European operations; audit committee. Details on his background are set out in the explanatory note to the meeting.

I might just make a few comments on Charles. Charles is one of our two London-based Directors. In addition to his Directorship of QBE, he is a Non-Executive Director of Great Portland Estates PLC, North Atlantic Smaller Companies Investment Trust PLC and Deputy Chairman of the Council of King Edward VII Hospital Sister Agnes and a member of the Advisory Board of Nardello & Company.

Charles has a long and distinguished career, firstly as a Chartered Accountant before moving into investment banking and investment management. He was previously Chairman of Aberdeen Asset Management PLC, one of the major international institutional investors.

As you can see Charles is well qualified to serve as a Non-Executive Director of QBE. I confirm his re-election is being sought following the annual board assessment review last December. I will now pass over to Charles to address the meeting with a few words. Charles?

A - Charles Irby {BIO 1418333 <GO>}

Good afternoon, ladies and gentlemen. I think Belinda has explained who I am, but I had already prepared a few words to explain it. So I'll give you those words nevertheless. I am a Chartered Accountant by profession and have spent most of my first qualification career as Investment Banker with Baring Brothers, advising boards on strategy, mergers and acquisitions. I advise companies of all sizes and for all industries, but with a specialization in the financial services sector.

After retiring from Baring, I became a Non-Executive Director of a number of companies including QBE.

On these Boards, I've been an Independent Director serving on various committees including audit, remuneration and investment. I believe that I have always acted with total independence and in the best interest of shareholders. I am based in London and as such it is demanding -- there is a demand in travel obligation being a Director of QBE. Serving on the Board of QBE requires numerous visits to Australia as well as attendance at Board meetings in overseas locations, where we have important investments.

However, I have traveled extensively throughout my life both for business and for pleasure and has been chaired visiting overseas including in Jordan and in Hong Kong. So travel is not a problem for me, in fact it's a pleasure.

I also have an interest in sport, although I am not any longer or particularly active participant. I've always supported Chelsea at the football and county cricket and I follow the fortunes of the England cricket team and what a poor performance we managed in the recent World Cup series in India and before that, the one day internationals here in Australia.

What a pasting you guys must have given us in the pre-described matches. Despite that, I do hope you will support the resolution for my re-election. Thank you.

A - Belinda Hutchinson AM

Thank you, Charles. And on a more serious note, I'd like all shareholders to know that Charles is particularly focused on earnings per share and really gives management a seriously hard time if we're not meeting our expectations.

Does any shareholder wish to speak for or against the motion? If not, all those in favor, please raise your yellow card. Any voting against? Thank you ladies and gentlemen, I declare that resolution carried and congratulations to Charles.

I think we're now getting very close to the end and I am happy to declare the meeting is now closed. I would like to thank you all for coming today. It's been an absolute pleasure to speak to you and to hear from you. We will continue to ask shareholders to submit questions and we would now like you to join us for a cup of tea and some birthday cake downstairs. We look forward to talking to you. Thank you.