



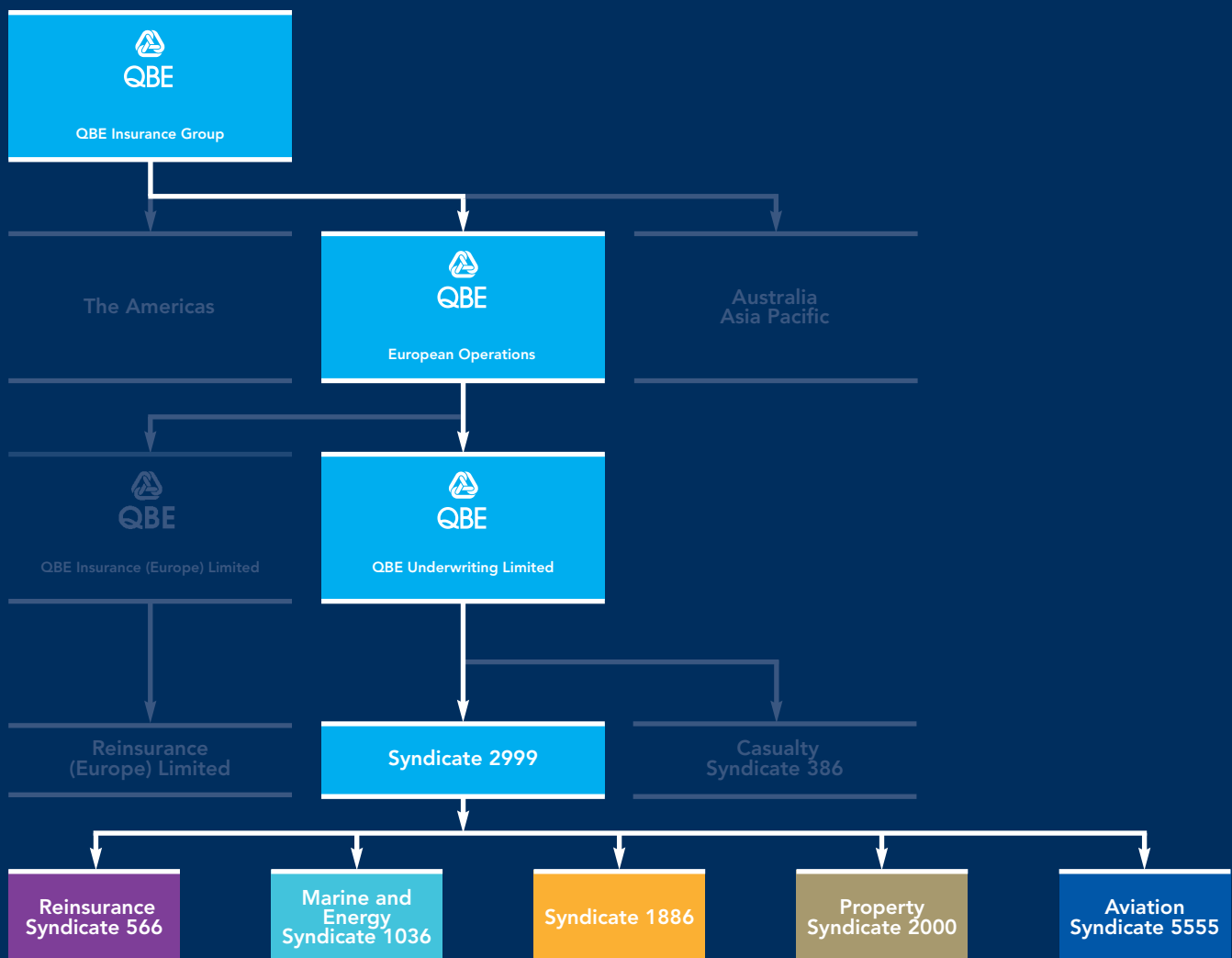
QBE

SYNDICATE 2999
ANNUAL REPORT 2007

SYNDICATE 2999

SYNDICATE 2999
SYNDICATE 2999 OPERATES FIVE
AUTONOMOUSLY MANAGED
SUB-SYNDICATES, WRITING A BROAD
RANGE OF BUSINESS. SYNDICATE 2999
IS MANAGED BY QBE UNDERWRITING
LIMITED, THE LARGEST MANAGING
AGENT AT LLOYD'S.

QBE Underwriting Limited is part of QBE European Operations, a division of QBE Insurance Group, one of the world's leading insurers and reinsurers, with a 2007 gross written premium of A\$12.4 billion. Headquartered in Sydney, Australia, QBE operates out of 45 countries and has a presence in all of the world's key insurance markets.





Frank O'Halloran
Chief Executive Officer, QBE Insurance Group



Steven Burns
Chief Executive Officer, QBE European Operations

QBE VISION

To be internationally recognised as:

- A highly successful general insurance and reinsurance group
- A builder of shareholders' wealth
- A developer of "can do" people
- An organisation that excels in the continuous delivery of new and proven quality products and services

QBE VALUES

- Increasing the long term wealth of shareholders
- Customer satisfaction and retention
- Employee motivation
- Integrity

QBE EUROPEAN OPERATIONS OVERVIEW

WHILST MARKET CONDITIONS IN 2007 WERE LESS BUOYANT THAN THOSE FOR 2006, THE YEAR WAS AGAIN CHARACTERISED BY THE ABSENCE OF MATERIAL CATASTROPHE LOSS.

THIS, COUPLED WITH A STRONG PRIOR YEAR PERFORMANCE HAS HELPED QBE EUROPEAN OPERATIONS [EO] PRODUCE A RECORD RESULT, AND A COMBINED OPERATING RATIO OF 84.8% (86.1% FOR 2006).

The primary challenge therefore for 2008 will be the maintenance of underwriting discipline and strong cycle management in the face of an increasingly competitive environment. As part of this process, EO has moved to a product and distribution model which, together with a rationalisation of brands, will provide a more cohesive and transparent offering to the markets and greater leverage of our capabilities.

QBE's philosophy remains based on underwriting specialism, leadership and continuity, which, combined with the highest quality of products, enables it to provide a secure, professional environment to fully service clients' insurance needs.

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AT QBE, WE'RE CONSTANTLY LOOKING FOR WAYS OF MAKING LIFE EASIER. THAT'S WHY ON 1 JANUARY 2008 WE INTRODUCED A SIMPLE UNIFIED STRUCTURE.

During 2007, the senior underwriters and managers of QBE European Operations sponsored a series of initiatives with one aim in mind – to make it easier for brokers to do business with us.

The results of these were to move from individual business units and syndicates to eight product focused underwriting divisions.

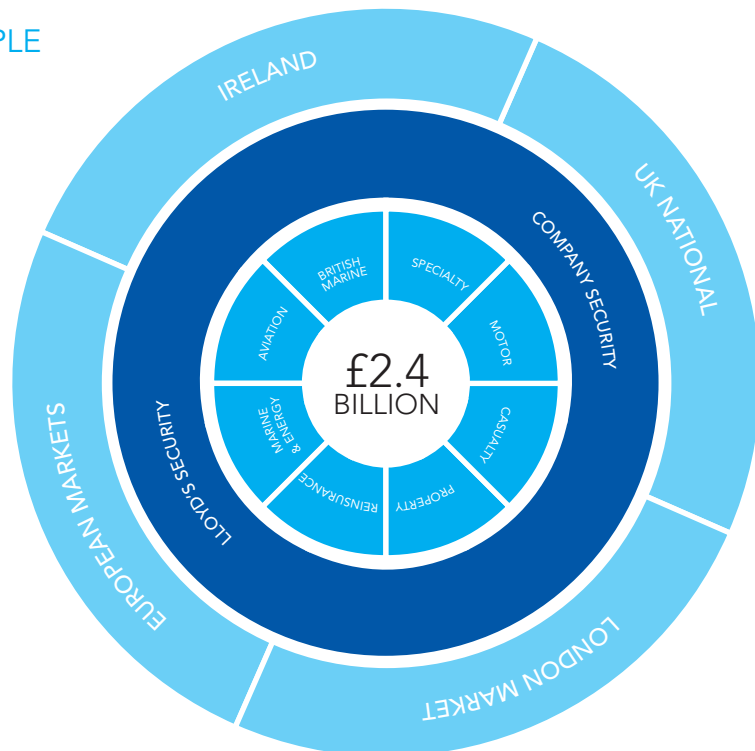
This new approach has allowed us to leverage the breadth and depth of our capabilities for our brokers and clients in a coordinated and focused way. Put simply, this means our brokers and clients now have:

- Access to a wider distribution network
- Access to all our expertise in one place
- Access to the same people they already have a strong relationship with
- Access to a choice of Lloyd's or company paper
- Access to the strength and size of QBE

We already have a highly respected name within the insurance market, with quality products and excellent service. This change provided an even easier, simpler and more convenient method of access giving brokers even stronger reasons to use QBE.

PRODUCT AND DISTRIBUTION MODEL

WITH A PROJECTED GROSS INCOME OF £2.4BN FOR 2008, THE EIGHT PRODUCT DIVISIONS CAN UTILISE LLOYD'S AND/OR QBE COMPANY PAPER VIA MULTIPLE DISTRIBUTION CHANNELS



HIGHLIGHTS

- 2007 combined operating ratio of 85.6% (2006 86.6%)
- 2007 GWP of £799 million (2006 £799 million) excluding third party RITC policies (refer to note 17 on page 35)
- 2008 planned GWP of £803 million (£680 million net of commissions) and unchanged capacity of £780 million
- Continued development of sub-syndicates 1886 (non-marine liability and specialty) and 5555 (aviation)

STRENGTHS OF THE SYNDICATE

- **Flexible sub-syndicate structure** permitting a high degree of autonomy for each of the underlying sub-syndicates
- **Service excellence and provision of innovative solutions:** each syndicate has experienced and dedicated specialist underwriting and support teams
- **Part of QBE Underwriting Limited**, the largest managing agent at Lloyd's:
 - £1.12 billion of underwriting capacity for 2008
 - £677 million of total funds at Lloyd's in support of all underwriting activities
 - £2.4 billion of total funds under management
- **100% QBE capital** – capital to support Syndicate 2999 is provided entirely by QBE Corporate Limited, part of QBE Insurance Group Limited (S&P, "A+" (strong))
- **Lloyd's security** – policies issued by the sub-syndicates benefit from the security, expertise and brand of the Lloyd's insurance market (S&P, "A+" (strong)/A M Best, "A" (Excellent))
- **S&P LSA "3+"** – S&P interactive Lloyd's Syndicate Assessment of "3+" reflects the strength of support provided by QBE and its superior operational management

Syndicate 2999 comprises five sub-syndicates and is the primary entity from a Lloyd's reporting and regulatory perspective.

Under this arrangement, sub-syndicate underwriters retain a high degree of autonomy to determine and fulfil their underwriting strategies, whilst benefiting from the combined size, strength and capital base of the umbrella syndicate.

2999 is a wholly aligned syndicate, whereby 100% of its capital is provided by QBE Insurance Group. Sub-syndicate capacity allocations are not restrictive and may be adjusted within the overall umbrella allocation. This means the team can respond to underwriting opportunities as they arise, whilst minimising the cost of capital provision.

Each of the sub-syndicates (referred to herein as syndicates) have established licences and premium trust funds under their own number for the specific types of business they underwrite. They are all licensed and accredited to underwrite both surplus lines and reinsurance business in the United States and have funded trust funds in accordance with local regulatory requirements.

FOR 2008, SYNDICATE 2999 HAS A PROJECTED GROSS INCOME OF £803 MILLION

AVIATION SYNDICATE 5555

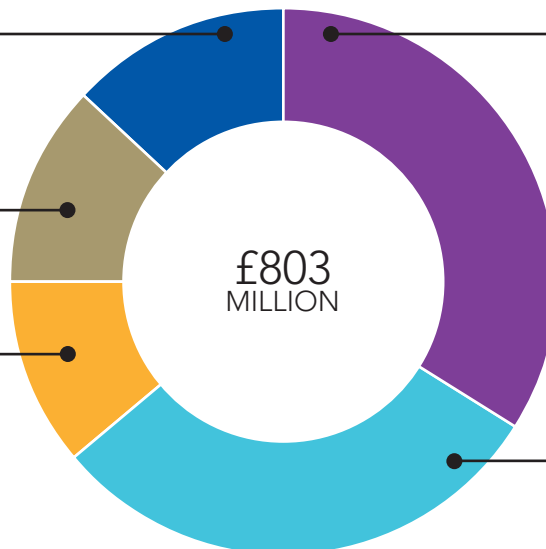
£100 MILLION (13%)
MANAGING DIRECTOR –
EMILIO DI SILVIO

PROPERTY SYNDICATE 2000

£96 MILLION (12%)
MANAGING DIRECTOR –
PETER O'NEILL

SYNDICATE 1886

£91 MILLION (11%)
MANAGING DIRECTOR –
JOHN NEAL



REINSURANCE SYNDICATE 566

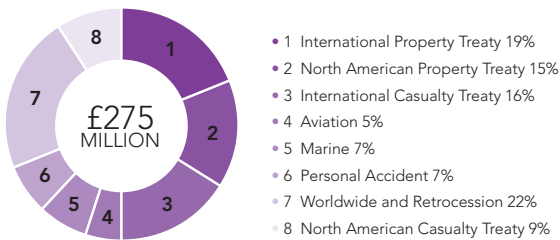
£275 MILLION (34%)
MANAGING DIRECTOR –
JONATHAN PARRY

MARINE AND ENERGY SYNDICATE 1036

£241 MILLION (30%)
MANAGING DIRECTOR –
COLIN O'FARRELL

SYNDICATE 566 IS A LEADING EXCESS OF LOSS REINSURANCE SYNDICATE SPECIALISING IN NON-MARINE PROPERTY, AVIATION, MARINE, NORTH AMERICAN AND INTERNATIONAL CASUALTY TREATY AND PERSONAL ACCIDENT IN THE LLOYD'S MARKET.

2008 Planned portfolio



Underwriting reinsurance treaties from most parts of the world, 566's underwriters have an in depth knowledge of their clients and the territories in which they operate.

The use of sophisticated catastrophe models enables it to estimate the magnitude and frequency of large events and to analyse and understand its clients' portfolios effectively.

As part of the product and distribution reorganisation outlined earlier for 2008, Syndicate 566 has witnessed the transfer in of the North American and International casualty treaty accounts, previously written by Syndicate 2000.

Worldwide and Retrocession

Jonathan Parry

This is the largest and most well established portfolio in Syndicate 566. The account comprises catastrophe retrocession, catastrophe of direct and facultative accounts, as well as tier 1 and tier 2 risk excess business. The syndicate leads over 80% of the account written and has a significant impact in the quoting process of the remainder. Syndicate 566 targets business with a high risk to reward ratio whilst positioning itself away from attritional loss activity. The syndicate values continuity and has been trading with its core clients for many years.

International Casualty Treaty

Richard Fothergill

Syndicate 566 is a recognised market leader in this class. The account is written on both an excess of loss and proportional basis. Geographically, the syndicate focuses on all territories with the exception of the US. Incidental exposures in the US can be accommodated. Syndicate 566 underwrites a diverse book encompassing most liability classes. The syndicate will also look at retrocessional business.

International Property Treaty

Ulrich Loessl

The international property portfolio is heavily biased towards catastrophe excess of loss reinsurance. Less than 5% of the portfolio is risk exposed. The account is exceptionally well spread geographically, with the United Kingdom, Europe, Japan, Australasia and Latin America comprising the major focus.

Much of the portfolio is written in a lead position. Property is the main focus of the portfolio but the account also includes agricultural and engineering portfolios.

Marine

Peter Wilkins

The syndicate's marine portfolio covers all aspects of marine business and also includes third party coverages such as P&I and pollution. The account is written on a risk and catastrophe excess of loss basis and the syndicate has the ability and capacity to act as a lead reinsurer. It focuses on middle to high layers avoiding attritional levels. The portfolio currently consists of business emanating from over 50 countries.

North American Property Treaty

Paul Horgan

Over 90% of the North American portfolio emanates from the US, with the remainder from Canada. Of the combined book, the majority is written on a catastrophe excess of loss basis with risk exposed programmes comprising less than 5%. Historically the account has focused on those regional companies operating in single or limited states, but more recently the account has expanded to afford cover to the large stock companies operating on a nationwide basis. The portfolio also includes a specialised agricultural account.



JONATHAN PARRY
 MANAGING DIRECTOR

North American Casualty Treaty

David Woodruff

This account is biased toward risk and catastrophe excess of loss treaty, but most reinsurance structures will be entertained. The account is split between standard lines and professional lines. Historically, professional lines have comprised errors and omissions, healthcare, fidelity and directors' and officers' covers. From January 2008 the decision has been taken to focus exclusively on healthcare business in this sector. Standard lines comprise general liability, WCA, clash and motor covers. The syndicate tends to target small to medium sized companies.

Personal Accident

Peter Wilkins

The personal accident account written by the syndicate is split almost equally between risk and catastrophe excess of loss business and primary direct and facultative reinsurance including lineslips and binders. In addition to PA business, the account also comprises life and travel business.

Aviation

Richard Sammons

The syndicate's aerospace focus is on non-proportional aviation and space treaty reinsurance. The major part of the portfolio comprises excess of loss treaties, protecting insurers and reinsurers of the world's major airline, airport and aerospace product manufacturers. The account also targets insurers and co-insurers writing general aviation and hull liability for smaller planes.

Syndicate 566 is a member of the SATEC Pool providing cover on satellite launch and in-orbit risks on a proportional basis.

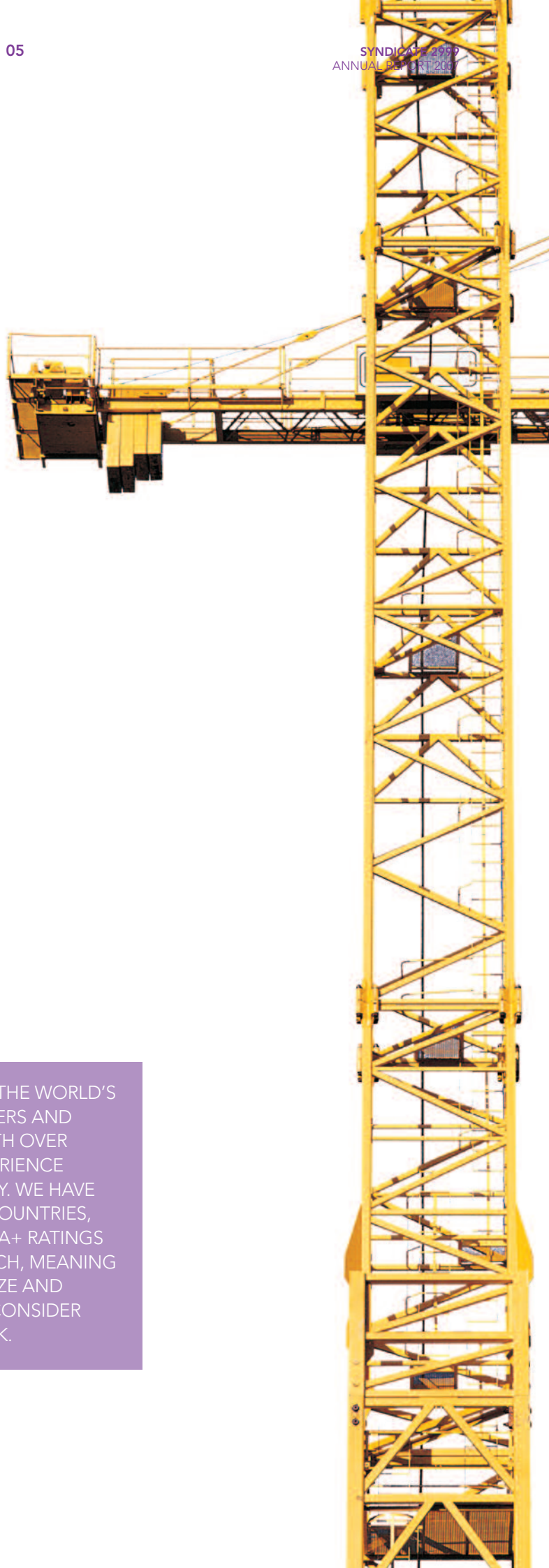
Claims

Richard Frake

Our adjusters are authorised to handle all classes of business. Technical strengths are combined with a pragmatic claims handling philosophy, which recognises the need for proactive and flexible claims management.

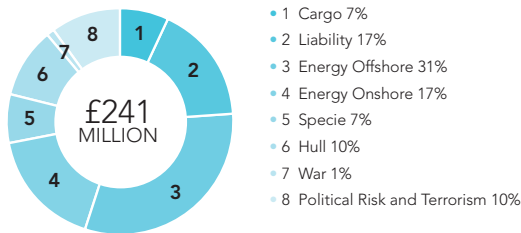
**MAKING YOUR
LIFE EASIER
SIZE AND
STRENGTH**

QBE IS ONE OF THE WORLD'S LEADING INSURERS AND REINSURERS WITH OVER 120 YEARS' EXPERIENCE IN THE INDUSTRY. WE HAVE OFFICES IN 45 COUNTRIES, ALL BACKED BY A+ RATINGS BY S&P AND FITCH, MEANING WE HAVE THE SIZE AND STRENGTH TO CONSIDER ANY SIZE OF RISK.



SYNDICATE 1036 IS A LEADING SYNDICATE. UNDERWRITING IN THE LLOYD'S MARKET IT SPECIALISES IN HULL, ENERGY, LIABILITY, SPECIE, CARGO, WAR AND ALLIED RISKS.

2008 Planned portfolio



Established in 1987, the syndicate underwrites a worldwide account, requiring underwriters to have a comprehensive knowledge of their clients' businesses and the territories in which they operate.

The use of sophisticated software, combined with extensive travel, enables the syndicate to analyse and understand its clients' needs effectively.

As part of the product and distribution reorganisation outlined earlier for 2008, Syndicate 1036 now incorporates the sabotage and terrorism portfolio, previously written by Syndicate 1886 and QBE's company operations.

Cargo

Tim Pembroke

We write a high quality portfolio of cargo business and are recognised as a leader in high-tech, pharmaceutical and manufactured goods as well as excess cargo business. We emphasise the value of long term relationships with our clients and work with them to develop mutually beneficial risk control programmes.

Liability

Daryl Ewer

We are a major leading underwriter in the global liability market, with an account produced from all the major brokers worldwide and from industry specialists. The account comprises pure marine coverages such as P&I, pollution, charterers, stand alone energy liabilities and package policies.

We work closely with our colleagues in hull and energy, particularly offshore, and we specialise in tailoring complex and unusual coverages to clients' needs and requirements. We are the leading underwriter to many International Group P&I associations, providing extended coverages, over and above those offered by club rules, as well as reinsurance capacity solutions.

Energy Offshore

Sam Harrison

We write a portfolio of risks worldwide, from dedicated upstream entities to fully integrated energy companies. We insure offshore risks for oil and gas companies worldwide, specialising in offshore insurance for assets located in the North Sea and the Far East, particularly China. Approximately 60% of the business written is in a lead capacity.

Energy Onshore

Stephen Saunders

We insure a wide range of onshore assets for oil and gas companies worldwide, from well heads to refineries and petro-chemical plants, with particular dominance in the Middle East and Indonesia. Approximately 75% is written in a lead capacity. To complement the above we are now underwriting an onshore construction account focusing on erection all risks and associated lines of third party liability.

Specie

Ryan Joseph

We underwrite a worldwide account specialising in the areas of armoured car, general specie, fine art and jewellers' block. Business is written to all the major brokers, dealing with some of the most prominent institutions in the financial sector and art world. We lead approximately 40% of the business we write.



COLIN O'FARRELL
MANAGING DIRECTOR

Hull Haydn Costin

We write an established high quality hull account. The portfolio, which principally consists of bluewater vessels, includes a significant proportion of builders' risks, short-tail total loss only, increased value and mortgagees' interest risks. Risks of physical damage to ports, worldwide, are also included. Recognised as leaders in all aspects of the account, we are supported by all the major hull brokers. We maintain a significant presence on marketwide initiatives, for example the Joint Hull Committee, which complement our underwriting.

War Haydn Costin

We write a maritime war account, which includes war risks on vessels, cargo, floating energy risks and maritime liabilities. We are an established leader in the class and are instrumental in setting terms and conditions which are followed worldwide.

Political Risk and Terrorism Nicky Ablett

Through a specialist underwriting team, we have developed a political risk and terrorism portfolio of broad based, worldwide business. This account complements existing areas of the book, but particularly onshore energy, cargo and specie.

Claims Gary Crowley

Our well respected claims team works closely with our underwriters to ensure claims are managed to an extremely high standard. The claims team have long standing relationships with surveyors, loss adjusters, lawyers and other professional advisers whose expertise can be brought to bear on our response to a claim. We enjoy a good working relationship with brokers and London insurance market organisations.

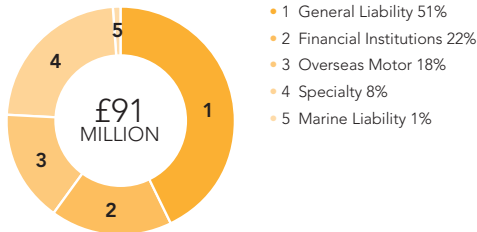
**MAKING YOUR
LIFE EASIER
RESPONSIVE**

WHEN IT COMES TO CLAIMS,
OUR RESPONSIVE ATTITUDE
ENSURES THAT WE PROVIDE
A SERVICE DEDICATED
TO KEEPING CLIENTS HAPPY.



SYNDICATE 1886 WAS ESTABLISHED FOR THE 2006 YEAR AND SPECIALISES IN NON-MARINE CASUALTY AND SPECIALIST PRODUCTS.

2008 Planned portfolio



The business is focused into a number of areas, each with a specialist underwriting team responsible for its account. The underwriters have dual underwriting authorities allowing them access to Lloyd's or company paper.

By operating on this basis, Syndicate 1886 enables QBE company underwriters to participate in previously inaccessible markets and provides existing Lloyd's underwriters with additional capacity. This adds significantly to the company's underwriting capabilities and brings new business to the Lloyd's market.

As part of the product and distribution reorganisation outlined earlier for 2008, Syndicate 1886 now incorporates the financial institutions account previously written within Syndicate 2000. The leisure and sport account has been transferred to Syndicate 2000.

General Liability

Ash Bathia

We offer a broad spectrum of insurance and reinsurance products backed by extensive experience in all classes. We have dedicated professionals specialising in public liability, product liability, medical malpractice, product recall and directors' and officers' liability.

Financial Institutions

Gary Norman

We underwrite a broad spectrum account specialising in leading middle market financial institutions and all commercial crime business. This includes comprehensive crime, professional indemnity, directors' and officers' liability and commercial crime.

Overseas Motor

Steve Stone

Aiming to underwrite personal lines portfolios, the overseas motor team targets well managed and administered coverholders with good local knowledge and high integrity anywhere in the world, outside North America.

Specialty

Graeme Rayner

This division comprises the following portfolios:

Kidnap and Ransom

Offering worldwide cover for kidnap, extortion, hijacking and wrongful detention.

Bloodstock

Offering worldwide insurance products for bloodstock and equine, livestock, aquaculture, all risks of mortality, infertility, theft and associated risks.

Product Protection

We have developed a reputation for delivering successful insurance programmes covering extended warranty, GAP insurance and creditor insurance.

Trade Credit

Provides broad and effective protection against the common problems of buyer insolvency and payment default – whether locally or overseas. Part of the protection offered by trade credit insurance is a continual assessment of buyer risks. This provides an effective early warning system and instils enhanced discipline in the insured company's credit control function. Avoiding poorer quality debtors and focusing on building sales with better-rated companies improves overall performance .



JOHN NEAL
MANAGING DIRECTOR

Marine Liability
Zarena Hussain

We offer intermodal and professional indemnity insurance to companies in the shipping/transport fields. Cover is offered on a worldwide basis, including the US.

Claims
Andrew McBride

The team is focused on delivering outstanding levels of service and expertise to clients across all lines of business. This embedded customer service ethic is supported by innovation and transparency in claims handling and management. The team is also proactive in supporting and embracing new technologies and market initiatives, including the use of electronic claims files.

**MAKING YOUR
LIFE EASIER
EMPOWERMENT**

AT QBE, WE ENCOURAGE
OUR EMPLOYEES TO USE
THEIR EXPERIENCE AND
EXPERTISE, WHICH MEANS
THEY ARE ALWAYS LOOKING
TO FIND A CREATIVE
SOLUTION TO ANY PROBLEM



SYNDICATE 2000 IS A LEADING SYNDICATE OPERATING IN THE LLOYD'S MARKET. IT SPECIALISES IN DIRECT PROPERTY, AND LEISURE AND SPORTS RISKS.

2008 Planned portfolio



- 1 Property Binders 29%
- 2 Property Direct and Facultative 62%
- 3 Leisure and Sport 9%

Dedicated professionals within specialist expert underwriting teams have full authority to trade and clear accountability and responsibility for each account.

As part of the product and distribution reorganisation outlined earlier for 2008, Syndicate 2000 has become the exclusive vehicle for property insurance and all leisure and sports risks within umbrella syndicate 2999.

Property Binders

Martin Rowling

We underwrite a select number of property related and commercial vehicle facilities, enabling agents to bind, on underwriters' behalf, a comprehensive portfolio of business in the agency's office. Business under these contracts, predominantly for US based agents, ranges from small to medium sized commercial and industrial risks, homeowner/condominium and mobile home type coverages and selective catastrophe peril facilities.

Property Direct and Facultative

Andrew Stout

We have a worldwide property account though underwrite predominantly in North America, for business ranging from small surplus lines commercial and light industrial risks to larger Fortune 1000 type accounts. Post Katrina, we are still willing, and have the capacity, to write catastrophe exposed business.

Leisure and Sport

Mike Bridgeman

Syndicate 2000 has developed a broad range of insurance products supported by extensive experience in all classes. The syndicate has dedicated professionals specialising in leisure and sport related liability and property, general personal accident, high risk personal accident, sports personal accident and film and contingency.

Claims

Andrew McBride

We provide a professional, effective and efficient claims service to our clients and their agents. Our claims handling expertise is used by our underwriters to ensure our future underwriting success.



PETER O'NEILL
MANAGING DIRECTOR

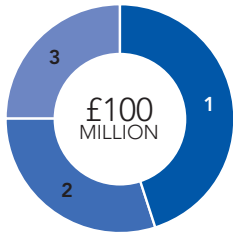


**MAKING YOUR
LIFE EASIER
FLEXIBILITY**

WE HAVE DEVELOPED
A HEALTHY APPETITE FOR
RISK WHICH MEANS WE
ARE ALWAYS LOOKING TO
STRETCH THE BOUNDARIES,
ENABLING US TO FIND
SOLUTIONS WHERE OTHER
INSURERS CAN'T OR WON'T.

SYNDICATE 5555 WAS LAUNCHED IN SEPTEMBER 2006 AND BEGAN WRITING BUSINESS INCEPTING 1 OCTOBER 2006.

2008 Planned portfolio



- 1 General Aviation 45%
- 2 Airlines 30%
- 3 Products and Airports 25%

The objective has always been to develop a balanced portfolio across all classes of business namely general aviation, airlines, products and airports. After our first full year under our belts we are well on our way to achieving this.

The syndicate's strategy is to provide to clients and brokers not only an enthusiastic, proactive approach but in a leading role support them in the understanding and application of the products we sell.

Undoubtedly price is a major driver in the client's purchasing criteria, but our approach has been to supplant price as the primary requisite by promoting competitive terms in relation to the service, coverage and security we are able to offer.

General Aviation

Anthony Prokopiou

The general aviation account provides cover for private and corporate clients, as well as commercial operators with fixed wing and rotor wing aircraft. It is intended that the majority of business written in this sector will be from a leader position. We believe that clients' needs must be managed effectively from the very beginning, whether it is a general enquiry or a claim. Taking the lead position will enable Syndicate 5555 to demonstrate delivery of the expertise and experience which underpins our philosophy. This impacts on everything we do, from the efficient and professional delivery of the products to our expert servicing.

Airlines

Dan Boulwood

Our airline business is written on a co-insurance basis within the international subscription market. Line capacity will be offered to all types of airlines from international flag carriers and national and regional operators, to charter and cargo airlines and we will write a broad geographic spread. Our strategy is to provide supporting capacity to brokers and clients in placement of the risks as a co-insurer. However, as and when opportunities arise for us to take the lead underwriter role, we will be happy to consider it. Over time it is our intention to become a recognised leader in the airline sector, enabling us to demonstrate our breadth of knowledge, skills and expertise in the sector.

Products and Airports

Graham Daldry

Our objective is to be a strong market leader, thereby enabling us to deliver our services in underwriting and claims direct to the brokers and our mutual clients. The book of business includes airframe, engine and component part manufacturers, refuelling operations, airport and airport related servicing risks.

Claims

Jerry Flaxman

Our claims handling philosophy focuses on being prepared and proactive in providing an effective and professional claims handling service to our clients.

We adopt a sympathetic approach to determining any claims issues and are able to deal with the most complex and potentially costly claims fairly and in a timely fashion.



EMILIO DI SILVIO
MANAGING DIRECTOR

MAKING YOUR LIFE EASIER DIVERSITY

WITH QBE, YOU WILL FIND EVERYTHING YOU WANT IS ALL TOGETHER IN ONE PLACE, GIVING YOU DIRECT ACCESS TO THE WEALTH OF PRODUCTS THAT QBE HAS TO OFFER, WHICH MEANS WE HAVE THE FLEXIBILITY TO PROVIDE WHATEVER INSURANCE CLIENTS REQUIRE.



The directors of QBE Underwriting Limited (QUL, previously Limit Underwriting Limited), the managing agent for Syndicate 2999, present the syndicate's annual report and audited financial statements for the year ended 31 December 2007.

This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No 3219 of 2004 the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 ("the 2004 Regulations").

Principal activity

Syndicate 2999 is an umbrella syndicate with Peter Grove as Active Underwriter. For 2007, it comprised the following five actively trading sub-syndicates:

Sub-syndicate	Managing Director	Specialist classes
566	Jonathan Parry	Reinsurance: property; aviation; personal accident; and marine
1036	Colin O'Farrell	Marine insurance: hull; energy; liability; specie; cargo; war; and political
1886	John Neal	Non-marine: general liability; bloodstock; speciality; product protection; and overseas motor
2000	David Woodruff	Non-marine: casualty treaty; property; financial institutions; and UK specialist lines
5555	Emilio Di Silvio	Aviation: general aviation, airlines, products and airports

Business review and future developments

For the 2007 financial year Syndicate 2999 produced a combined operating ratio of 85.6% and an insurance profit for the financial year of £161.8 million, analysed by sub-syndicate as shown in the following table:

	566 ¹ £000	1036 £000	1886 £000	2000 £000	5555 £000	2007 Total ² £000	2006 Total £000
Gross premium written (£000s)	222,218	293,011	53,398	324,023	85,241	977,891	798,777
Net earned premiums	160,787	210,352	30,568	291,426	49,361	742,494	481,626
Net claims	(47,156)	(91,406)	(23,381)	(240,607)	(43,902)	(446,452)	(205,515)
Acquisition costs	(34,723)	(47,827)	(8,751)	(47,757)	(11,396)	(150,454)	(136,300)
Net underwriting profit	78,908	71,119	(1,564)	3,062	(5,937)	145,588	139,811
Profit/(loss) on exchange	1,958	1,964	1,973	4,238	(122)	10,011	(26,230)
Other net operating expenses	(9,896)	(21,918)	(1,192)	(14,334)	(1,440)	(48,780)	(48,834)
Investment return	6,353	13,144	810	34,209	438	54,954	35,881
Total insurance profit/(loss) for the year	77,323	64,309	27	27,175	(7,061)	161,773	100,628
Claims ratio	29.3%	43.5%	76.5%	82.6%	88.9%	60.1%	42.7%
Combined operating ratio	55.9%	75.7%	102.6%	102.4%	115.2%	85.6%	86.6%

1 Excludes 2000 and prior open year of account liabilities, which remain in a separate syndicate.

2 Gross written premiums include the reinsurance to close of syndicates 456, 980 and 1036 as required by UK GAAP (see note 17).

The 2007 financial year result was a significant improvement on the previous year, reflecting continued favourable market conditions and absence of material catastrophe losses coupled with an improvement in prior year claims reserves. Reinsurance Syndicate 566 and Marine and Energy Syndicate 1036 witnessed particularly strong results for the year.

The product and distribution model introduced across QBE EO for 2008 has resulted in the reorganisation of certain product lines within umbrella Syndicate 2999. Syndicate 2999 will continue to provide a flexible and efficient operating structure to enable its sub-syndicates to adapt to prevailing market conditions. The anticipated softening in market conditions will require a continued focus on risk selection, whilst leveraging the cross selling opportunities available within the QBE Group.

Managing Director comments for each sub-syndicate are as follows:

Reinsurance Syndicate 566 – Jonathan Parry

"I am pleased to report an insurance profit of £77.3 million for the 2007 financial year, which represents a combined operating ratio of 55.9%. 2007 was again a benign year for US hurricanes, however there was considerable activity in international territories. Windstorm Kyrill caused €5 billion of insured damage in Northern Europe, particularly affecting Germany, while the summer UK floods along with the Hunter Valley flooding in Australia were all significant events. The 2007 profit was assisted by an excellent earn out of the 2006 underwriting year together with a release from the 2005 and prior years of accounts.

Following what has now been two very quiet years for US catastrophes, there was considerable pressure on pricing at the January 2008 renewal season. I am pleased to advise we were able to agree terms with the majority of our clients but we did withdraw support for business where rating had reduced to uneconomic levels. We will continue to use sound underwriting judgement to manage our portfolio through the current market downturn.

During 2008, we will fully integrate the long-tail reinsurance classes previously written within sub-syndicate 2000 (with the exception of the US D&O and E&O portfolios). The diversity this offers will assist in managing the overall book through the ups and downs of market cycles."

Marine and Energy Syndicate 1036 – Colin O’Farrell

“I am delighted to be able to report a truly exceptional insurance profit for the 2007 financial year of £64.3 million and a combined operating ratio of 75.7% (relative to 2006, which was 81.2%). This result is once again partly due to the low incidence of catastrophe claims experienced during the year and also a marked absence of significant risk claims. The overall premium rate increases which the syndicate experienced in many areas of the account in the aftermath of 2005 and 2006 continued in some areas of the account, although most accounts for the year were stable in rating, terms and conditions. Furthermore, the stability of the prior years has again permitted a significant contributory release of reserves, especially from the longer tail account areas. Once again this is thanks to the robust nature of our reserving and claims processes and people.

Last year I wrote that “our 2006 year was dominated by the property catastrophe portfolio as markets hardened considerably. As a consequence the mix of the syndicate’s portfolio altered during 2006 as we sought to explore the opportunities this brought”. This theme continued through 2007, where almost 50% of the income written was again through the combined energy onshore and offshore accounts, each of which produced very strong results. Indeed, it should be noted that each of the underwritten accounts produced profits (including the expanding political risk and political violence accounts). This is a testament to the hard work and dedication of all of the syndicate staff and I would like to take this opportunity to thank all of them (and our capital provider and senior management) for their efforts and support.

We now have the capability to underwrite on a dual pen basis – utilising either our Lloyd’s or QBE paper and licences. Although at an early stage, this flexibility is already beginning to show dividends in some areas of the account, such as hull, and particularly our terrorism account, which expanded significantly during 2007 following the incorporation of the former QBE company underwriting (and team) into the syndicate.

Last year I stated: “The scarcity of available reinsurance capacity in 2006 marginally abated in 2007. It was possible to buy a robust reinsurance programme but again this came at a cost, however, due to the exceptional relationships we have with our reinsurance partners, I was very satisfied with the programme we purchased”.

During 2007, high quality sustainable reinsurance continued (and continues) to only be available at a high cost, notwithstanding the continuing low frequency of claims. Indeed as I write the resolve of reinsurers remains strong. Consequently, pressure is mounting in all areas to reduce pricing. This is again particularly acute in the energy sector, although it should be noted that we do not (yet) consider ourselves in a soft market but rather in a softening hard market.

Although we envisage potentially difficult times ahead, I am confident that our underwriting, support, claims and reserving teams and processes are sufficiently robust to allow us to continue to provide superior underwriting results.”

Syndicate 1886 – John Neal

“The ability for QBE company underwriters to access new products and new territories saw significant growth in the income committed to Syndicate 1886 to £53.4 million in 2007 (up from £29.2 million 2006).

Much of the account and products are still being developed and therefore our approach to reserving remains cautious. In 2007 our casualty underwriting team significantly expanded its use of Lloyd’s paper, particularly in Canada and South Africa, the bloodstock underwriting team have had greater success in accessing business from the US and new products were launched in the marine liability and trade credit areas.

The reorganisation of our underwriting business in 2007 will see further expansion of the use of Syndicate 2999 as an umbrella syndicate wherein the casualty underwriting team will now have access to both Syndicate 386 and Syndicate 1886 under a defined and agreed set of protocols. Furthermore, the property division will more definitively use Syndicate 2000 as their Lloyd’s vehicle and Syndicate 1886 will continue to be the home for the motor underwriters and specialist underwriting teams.

Syndicate 1886 remains the core component of our underwriting and distribution strategy and, in its association with Syndicate 2999, a valuable element of the complete offering QBE is able to provide its brokers and clients from its European division.”

Property Syndicate 2000 – David Woodruff

“2007 has been a year of mixed results for Syndicate 2000, with an overall insurance profit of £27.2 million. This includes a significant investment return, which exceeds operating expenses by £19.9 million. The investment return is not included in the combined operating ratio which stands at 102.4%.

The result from the pure Syndicate 2000 account is disappointing. The financial institutions account were adversely affected by sub-prime exposures which affect both the 2006 and 2007 years of account. Whilst we believe the net position is well protected by reinsurance, the financial institutions account has contributed an overall underwriting deficit in 2007, as has the North American casualty treaty account following the strengthening of reserves on the 2000-2002 years of account.

Counter balancing these deficits, the property portfolio experienced a second successive highly profitable year in the absence of any material catastrophes. Similarly the international casualty treaty account contributed a satisfactory underwriting return. Overall, the various run off syndicates, previously reinsured into Syndicate 2000, also contributed a material underwriting surplus due to better than expected claims experience.

2007 was also a year of transition for Syndicate 2000. Following the decision to restructure QBE European Operations along product lines with effect from 1 January 2008, Syndicate 2000 became the exclusive vehicle for the property insurance and leisure and sports risks within the Syndicate 2999 umbrella under the leadership of Peter O'Neill as Managing Director. The casualty treaty portfolios have been transferred to Syndicate 566 and the financial institutions account to Syndicate 1886."

Aviation Syndicate 5555 – Emilio Di Silvio

"In our first full financial year result we are disappointed to produce an overall underwriting loss. To break this down per line of business, the products and airports book has delivered a profit and the general aviation book has broken even. Whilst adverse conditions that have existed in the market with rates continuing to fall, coupled with a sequence of early losses at the infancy of the account has resulted in the airline account producing a loss.

The most noticeable incidents suffered in 2007 were the TAM, Kenya Airways and Iberia losses.

Rates and premiums have been falling for the past six years post 9/11, mainly driven by the lack of significant airline losses. However, during 2007 the market has suffered a number of significant losses which we feel has instigated a mood change and a realisation that rates need to increase in the underperforming areas of the business.

Since last year, we have further bolstered our skill base by the addition of two experienced individuals on the airline underwriting and business development side of our operation.

The support we enjoyed from clients and brokers when we started the Syndicate in 2006, has continued throughout 2007, and the relationships the individual underwriters have developed over the years have enabled us to participate on proven business known to us for several years past.

In our drive to create a strong offering, we have laid some sound foundations so far, but we will not compromise on profitability for the benefit of growth."

Investment policy

QBE European Operations operates an investment committee which is responsible for recommending to the QBE Underwriting Limited agency board appropriate investment policy and strategy, and which also monitors the performance of investment managers and their compliance with internal guidelines and external regulation. The investment policy is designed to ensure that appropriate levels of liquidity, credit and investment risk are maintained.

Syndicate investments are currently limited to fixed income bonds and money market instruments. The majority of portfolios have an average credit rating equivalent to or better than Standard and Poor's "AA". The minimum permitted credit quality is "A-". The performance of the investment manager is monitored against an absolute return mandate with other reference benchmarks or peer group performance used as key performance indicators.

Management of the investment portfolios for the syndicate is delegated under an arm's length agreement to Minster Court Asset Management (UK) Ltd, a wholly owned subsidiary of the QBE Group. The activities of the manager are regulated by the FSA.

Investment performance

The total investment returns achieved for calendar year 2007 are set out below. These include income earned on funds which are not managed by the investment manager, such as short term liquid deposits and certain regulatory overseas deposits. The combined total currency return for the year was 5.2%.

Portfolio currency	2007 Average funds 000	2007 Actual return %	2007 Benchmark return %	2006 Average funds 000	2006 Actual return %	2006 Benchmark return %
Canadian dollar	139,114	4.3	4.0	78,286	3.8	3.8
Euro	51,593	3.3	3.4	30,249	2.6	1.8
Sterling	242,845	5.6	4.8	156,727	4.3	3.0
US dollar	1,512,068	5.3	4.9	1,188,733	4.6	4.0

The benchmark for fixed income funds during 2006 was the Merrill Lynch 1–3 Year Government Bond Index in the relevant currency. With effect from the 1 January 2007 the benchmark target for fixed income portfolios changed to an absolute return yield to be agreed for each currency on an annual basis by the QBE European Operations executive board. Targets for each currency agreed for calendar year 2007 are shown above.

Investment returns achieved in the majority of portfolios outperformed the respective currency targets during the year. Outperformance was generated as a result of active management using a low risk investment strategy with capital preservation a high priority.

Early in 2007, fund manager Minster Court Asset Management (UK) Ltd adopted a cautious stance by maintaining relatively short duration in all portfolios. This strategy continued for the majority of the year as the growing impact of the sub-prime credit squeeze caused turmoil in financial markets. Overall investment return achieved as a result of this approach exceeded the weighted currency budgeted target by a reasonable margin.

After taking account of investment return, profit payments and exchange rate movement, overall syndicate funds closed the year approximately in line with budgeted target.

Corporate governance

Managing agency board

The board is committed to high standards of corporate governance and has established a practical governance framework which includes the delegation of considerable authority to divisional product management committees and a number of other authorised committees. All of the committees comprise appropriately skilled and experienced members, and operate under formal terms of reference. The board comprises 18 executive directors and three non-executive directors and meets seven times a year.

Syndicate boards

During the year, each syndicate had its own board, responsible for the reporting and review of all aspects of the syndicate's day to day management. Each board was chaired by the respective syndicate's Active Underwriter and comprised senior underwriting and management representatives of the syndicate, together with representatives of the managing agency board.

Divisional product management committees

From January 2008, these committees are responsible for the reporting and review of all aspects of the division's day to day management of underwriting and meet monthly. Each board is chaired by the divisional Managing Director and comprises senior underwriting and management representatives of the division, together with representatives of the managing agency board.

Other committees

- **Strategic underwriting committee:** the committee is responsible for developing the business strategy and agrees and oversees the implementation of appropriate policies and controls for underwriting activities. The committee is chaired by the Chief Operating Officer.
- **General business committee:** the committee reviews and approves routine matters where the board has delegated authority to the committee; makes recommendations as where board approval is required; and reviews and approves routine matters and regulatory returns which do not require board approval. The committee is chaired by the Compliance and Risk Management Director.
- **Group security committee:** the committee is responsible for establishing and monitoring procedures and systems for the evaluation of all reinsurance security and outwards reinsurance intermediaries to be utilised by regulated entities within the Group. The committee is chaired by the Chief Underwriting Officer.
- **Information technology committee:** the committee is responsible for reviewing and recommending the IT strategy to the board, recommending the annual IT plan, implementing strategy and providing oversight of material IT projects. The committee is chaired by the Chief Operating Officer.
- **Investment committee:** the committee is responsible for making recommendations to the board as to the appropriate investment policy and guidelines for each of the syndicates' funds and to take responsibility for the day to day implementation and monitoring of the agreed strategy. The committee is chaired by the Chief Financial Officer.
- **Audit committee:** the committee is responsible for assisting the boards in discharging their oversight responsibilities, by overseeing the financial reporting process and reviewing the effectiveness of the internal financial control and risk management system, the effectiveness of the internal audit function, the independent audit process including recommending the appointment and assessing the performance of the external auditor, and the process for monitoring compliance with laws and regulations. The committee is chaired by a non-executive director.
- **Reserving committee:** the committee is primarily responsible for undertaking a review of the reserve information (including reinsurance to close and open year reserve information produced by each managed syndicate) in support of the accounts and solvency returns, and to be satisfied that the level of total closed and open year reserves has been calculated, where appropriate having regard to Lloyd's Code for Management for Reserving Risks, Regulations and Byelaws, and is consistent with the standards required to attain satisfactory audit and actuarial opinions. The committee is chaired by the Chief Actuarial Officer.
- **Capital committee:** the committee is responsible for providing guidance and review on capital assessment issues in relation to the FSA and Lloyd's regimes. The committee is chaired by the Chief Actuarial Officer.
- **Risk management committee:** the committee is responsible for ensuring that all risks to QUL's objectives are identified, assessed and monitored in accordance with the overall risk policy. The committee is chaired by a non-executive director.
- **Internal audit committee:** the committee provides assurance that an appropriate control framework is in place to mitigate business risk and that these controls are both functioning in practice and consistent with QBE Group and QUL procedures together with legislative and regulatory requirements. The committee also provides assurance that compliance and monitoring procedures are operating effectively. The committee is chaired by a non-executive director.

Risk management

QBE's activities expose the business to a number of key risks which have the potential to affect its ability to achieve its business objectives. The board is responsible for ensuring that an appropriate structure for managing these risks is maintained. The board acknowledges that it is not realistic or possible to eliminate risk entirely, and therefore seeks to ensure that the appropriate controls are in place to manage risks effectively in line with the agreed tolerance.

QBE continues to develop its risk management capability to ensure that an effective framework exists to support the management of all types of risk. Elements of this framework include the regular identification and assessment of the key risks and controls and clearly defined ownership of both the risks and controls.

Risk groups

The key risks can be grouped under the following headings:

- **Insurance risk:** the syndicate's business is to accept insurance risk which is appropriate to enable it to meet its objectives. In line with the QBE Group risk strategy, the syndicate seeks to balance insurance risk with reward. All underwriting divisions are set specific and measurable performance targets which they are expected to achieve by operating within the parameters of the approved business plan.
- **Credit risk:** in addition to the insurance terms of trade offered as standard, a certain amount of credit risk is unavoidable, as it can arise as a result of the inability to pay or slow payment of any of the syndicate's counterparties. The syndicate therefore seeks to limit exposure as far as is practical, and therefore has established detailed guidelines, procedures, limits and monitoring requirements to mitigate credit risk.
- **Capital and liquidity risk:** capital and liquidity risk is the potential that the syndicate is unable to meet its obligations as they fall due or its capital falls below that required by regulators. The objective of QBE's capital and liquidity risk management is to ensure that capital is optimally managed, that QBE remains solvent by a significant margin and that all withdrawals and funding requirements can be met out of readily available sources of funding. QBE undertakes capital exercises to ensure that capital is adequate to meet risks and seeks to maintain a strong liquidity position by holding its assets in liquid funds.
- **Market risk:** the syndicate's exposure to financial market risk arises out of the investment decisions made in relation to the investment of Premium Trust Fund assets. Exposure to market risk is managed through the investment strategy, which reflects the appetite of the board. The strategy is deliberately conservative in order to eliminate potential volatility to market fluctuations as much as possible.
- **Operational risk:** the syndicate seeks to mitigate exposure to operational risks through ensuring that an effective infrastructure, robust systems and controls and appropriately experienced and qualified individuals are in place throughout the organisation.
- **Cash flow risk:** the syndicate's exposure to cash flow risk is addressed under the heading of capital and liquidity risk.

Internal audit

An independent internal audit function provides assurance to the internal audit committee chaired by a non-executive director as to the effectiveness of internal systems and controls, makes recommendations for improvement and monitors progress towards completion via management action plans. Internal audit also provides independent feedback on the risk management process.

Other governance issues

QBE has adopted a code of conduct which outlines a set of general business ethics that apply to all employees when conducting any activity on behalf of the company. The code of conduct requires employees to carry on business in an open and honest manner with customers, shareholders, employees, regulatory bodies, outside suppliers, intermediaries and the community at large. The code also deals with a number of other requirements including whistle blowing, confidentiality, disclosure of information and conflicts of interest. Other policies are in place to cover areas such as health and safety, harassment, equal opportunities and financial crime.

Directors

Details of the directors of the managing agent that served during the year are shown on page 20.

Creditor payment policy

The managing agent's policy on the payment of creditors is to abide by London insurance market practices, including those of Lloyd's and the International Underwriting Association. The managing agent agrees terms with its other suppliers when it enters into binding purchase contracts. The managing agent seeks to abide by the payment terms agreed with these suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

Statement of managing agent's responsibilities

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 require the managing agent to prepare syndicate annual accounts at 31 December each year which give a true and fair view of the state of affairs of the syndicate as at that date and of its profit or loss for that year.

In preparing the syndicate annual accounts, the managing agent is required to:

- Select suitable accounting policies which are applied consistently, subject to changes arising on the adoption of new accounting standards in the year
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the basis that the syndicate will continue to write future business unless it is inappropriate to presume that the syndicate will do so

The directors confirm that they have complied with the above requirements in preparing the annual accounts for Syndicate 2999.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate annual accounts comply with the 2004 Regulations. It is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

Each of the persons who is a director of the managing agent at the date of this report confirms that:

- So far as each of the directors is aware, there is no information relevant to the audit of the syndicate's financial statements for the year ended 31 December 2007 of which the auditors are unaware
- The director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the syndicate's auditors are aware of that information

Auditors

The directors of the managing agent intend to reappoint PricewaterhouseCoopers LLP as the syndicate's auditors.

By order of the board:



S M Boland
Company Secretary
QBE Underwriting Limited
Plantation Place
30 Fenchurch Street
London EC3M 3BD

19 March 2008

Directors

The directors of QBE Underwriting Limited, the managing agent, who served during the year ended 31 December 2007 and subsequently are:

A M Bathia	Appointed 1 January 2008
I D Beckerson	
S P Burns	
D A Constable	
M F Crane	Appointed 1 January 2008
P A Dodridge	
D Grossman	Appointed 1 January 2008
P E Grove	
M S Kang	Resigned 31 December 2007
D M Lang	Resigned 30 September 2007
V McLenaghan	
J D Neal	
C R O'Farrell	
F M O'Halloran	
P J O'Neill	Appointed 1 January 2008
P V Olsen *	
J W Parry	
B W Pomeroy *	
H M Posner *	
G S Rayner	Appointed 1 January 2008
C Rolleston	Resigned 30 October 2007
E Di Silvio	
T J Whittaker	Appointed 1 January 2008
D J Winkett	
D Woodruff	Resigned 21 November 2007

* non-executive director

Directors' interests

None of the directors were members of the syndicate for the years of account open during the period of these accounts.

Company secretary

A C H Williams	Resigned 15 May 2007
S M Boland	Appointed 15 May 2007

Registered office

Plantation Place
30 Fenchurch Street
London
EC3M 3BD

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Hay's Galleria
1 Hay's Lane
London
SE1 2RD

We have audited the syndicate annual accounts of Syndicate 2999 for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. These accounts have been prepared under the accounting policies set out in therein.

Respective responsibilities of managing agent and auditors

The managing agent's responsibilities for preparing the syndicate annual accounts in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of managing agent's responsibilities.

Our responsibility is to audit the syndicate annual accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the syndicate's members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the syndicate annual accounts give a true and fair view and are properly prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004. We also report to you whether, in our opinion, information given in the managing agent's report is consistent with the syndicate annual accounts. We also report to you if, in our opinion, the managing agent has not kept proper accounting records in respect of the syndicate, if the syndicate annual accounts are not in agreement with the accounting records, if we have not received all the information and explanations we require for our audit or if information specified by law regarding remuneration of the directors of the managing agent and the active underwriter and other transactions is not disclosed.

We read other information attached to the syndicate annual accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the syndicate annual accounts. This other information comprises only the report of the directors of the managing agent and the information on pages 1 to 13 and pages 20 and 36. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the syndicate annual accounts. It also includes an assessment of the significant estimates and judgements made by the managing agent in the preparation of the syndicate annual accounts, and of whether the accounting policies are appropriate to the syndicate's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the syndicate annual accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the syndicate annual accounts.

Opinion

In our opinion:

- the syndicate annual accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the syndicate's affairs as at 31 December 2007 and of its profit and cash flows for the year then ended;
- the syndicate annual accounts have been properly prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004; and
- the information given in the managing agent's report is consistent with the syndicate annual accounts.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

19 March 2008

Note:

The maintenance and integrity of the QBE website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**PROFIT AND LOSS ACCOUNT:
TECHNICAL ACCOUNT –
GENERAL BUSINESS**

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SYNDICATE 2999
ANNUAL REPORT 2007

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007		2006	
		£000	£000	£000	£000
Earned premiums, net of reinsurance					
Gross premiums written – continuing operations	2	836,516		798,777	
– discontinued operations		141,375		–	
Gross premiums written	2	977,891		798,777	
Outward reinsurance premiums		(226,993)		(230,143)	
Net premiums written			750,898		568,634
Change in the gross provision for unearned premiums		(9,216)		(98,646)	
Change in the provision for unearned premiums, reinsurers' share		812		11,638	
			(8,404)		(87,008)
Earned premiums, net of reinsurance					
Allocated investment return transferred from the non-technical account			742,494		481,626
			54,954		35,881
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(442,453)		(568,260)	
Reinsurers' share		198,704		379,130	
		(243,749)		(189,130)	
Change in the provision for claims					
Gross amount		(189,071)		234,132	
Reinsurers' share		(13,632)		(250,517)	
		(202,703)		(16,385)	
Claims incurred, net of reinsurance					
	3		(446,452)		(205,515)
Net operating expenses					
	4		(189,223)		(211,364)
Balance on technical account – general business					
			161,773		100,628
Attributable to:					
Continuing operations			140,362		100,628
Discontinued operations			21,411		–
			161,773		100,628

The notes on pages 27 to 35 form an integral part of these financial statements.

PROFIT AND LOSS ACCOUNT: NON-TECHNICAL ACCOUNT

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SYNDICATE 2999
ANNUAL REPORT 2007

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £000	2006 £000
Balance on technical account – general business		161,773	100,628
Investment income	7	55,480	34,206
Unrealised gains on investments		609	2,606
Investment expenses and charges	7	(1,135)	(931)
Investment return		54,954	35,881
Allocated investment return – transferred to general business account		(54,954)	(35,881)
Profit for the financial year		161,773	100,628

There are no recognised gains or losses for the current and preceding year other than those included in the profit and loss account above and therefore no statement of recognised gains and losses has been presented.

Assets	Notes	2007 £000	2006 £000
Investments			
Financial investments	8	1,078,880	821,298
Reinsurers' share of technical provisions			
Provision for unearned premiums		33,347	32,535
Claims outstanding		530,572	551,036
		563,919	583,571
Debtors			
Debtors arising out of direct insurance operations	9	291,499	270,314
Debtors arising out of reinsurance operations		169,620	227,026
Other debtors		928	2,924
		462,047	500,264
Other assets			
Cash at bank and in hand		12,658	7,575
Overseas deposits	10	65,750	53,975
		78,408	61,550
Prepayments and accrued income			
Accrued interest		26,094	15,109
Deferred acquisition costs		63,109	61,413
		89,203	76,522
Total assets		2,272,457	2,043,205

Liabilities	Notes	2007 £000	2006 £000
Capital and reserves			
Member's balance	11	105,426	49,949
Technical provisions			
Provision for unearned premiums		307,588	298,372
Claims outstanding		1,642,221	1,462,675
		1,949,809	1,761,047
Creditors			
Creditors arising out of direct insurance operations	12	88,547	94,426
Creditors arising out of reinsurance operations		95,692	109,805
Other creditors including taxation and social security		32,789	27,947
		217,028	232,178
Accruals and deferred income			
		194	31
Total liabilities		2,272,457	2,043,205

These financial statements on pages 22 to 35 were approved by the board of QBE Underwriting Limited on 19 March 2008 and signed on its behalf by:



D J Winkett
Director

19 March 2008

AS AT 31 DECEMBER 2007

	Notes	2007 £000	2006 £000
Net cash inflow from operating activities		376,772	141,421
Transfer to members in respect of underwriting participations			
Distribution of profits		(46,476)	(42,999)
Open year profit release		(59,197)	(7,928)
Other		(520)	–
Financing			
Cash calls received		44	63
Net cash inflow		270,623	90,557
Cash flows were invested as follows:			
Increase/(decrease) in cash holdings	13	5,081	(4,840)
Increase in overseas deposits	13	11,091	1,909
Net portfolio investment	13, 14	254,451	93,488
Net investment of cashflows		270,623	90,557

	Notes	2007 £000	2006 £000
Reconciliation of operating profit/(loss) to net cash flow from operating activities			
Profit/(loss) for the financial year		161,773	100,628
Unrealised investment (gains)/losses	13	(3,817)	78,616
Increase in net technical provisions		208,414	16,057
Decrease in debtors		25,536	4,965
Decrease in creditors		(14,987)	(58,845)
Other		(147)	–
Net cash inflow from operating activities		376,772	141,421

1 ACCOUNTING POLICIES

a) Basis of preparation

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 and applicable Accounting Standards and comply with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 2006, except that foreign exchange gains and losses are taken to the profit and loss technical account.

The directors of the managing agent have prepared the financial statements on the basis that the syndicate will continue to write future business. The ability of the syndicate to meet its obligations as they fall due is underpinned by the support provided by Lloyd's solvency process and its chain of security for any members who are unable to meet their underwriting liabilities. Members' funds at Lloyd's are further explained in note 16.

b) Insurance

The result is determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned portion of premiums, net of reinsurance, as described below.

i) Premiums written

Premiums written comprise premiums on contracts inception during the financial year, together with adjustments made in the year to premiums written in prior years. Premiums are shown gross of commissions payable to intermediaries and exclude taxes and duties levied on them. Estimates are included for premiums due but not yet received or notified, less an allowance for cancellations.

ii) Unearned premiums

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns.

iii) Reinsurance premium ceded

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

iv) Claims provisions and related recoveries

Claims incurred comprise claims and related expenses paid in the year and changes in provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

Provision is made at the year end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the syndicate. The estimated cost of claims includes expenses to be incurred in settling claims and allows for the expected value of salvage and other recoveries.

Outstanding claims and reinsurance recoveries are estimated by reviewing individual claims and making allowance for claims incurred but not reported using past experience and trends adjusted for foreseeable events.

Case estimates are set by experienced claims technicians, applying their skill and specialist knowledge to the circumstances of individual claims. The ultimate cost of outstanding claims, including claims incurred but not reported, is estimated by the syndicate actuaries who apply recognised actuarial techniques considered appropriate for each portfolio, such as the Chain Ladder and Bornhuetter-Ferguson methods. These methods take into account, amongst other things, statistical analysis of the development of the value and frequency of past claims and the results of analyses undertaken at the point of underwriting. Techniques considered appropriate for specific portfolios include contract by contract analysis, segmentation by subclass, and stochastic analysis. Classes of business are analysed at a level of detail appropriate to their materiality. Allowance is made for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or decrease when compared with the cost of previously settled claims, for example, one-off occurrences and changes in mix of business, policy conditions or the legal environment.

The syndicate actuaries produce an estimate of reserves, which is reviewed by an independent actuarial firm, and is then assessed by QBE management with input from the syndicate underwriting and claims experts.

As provisions for claims outstanding are based on information which is currently available, the eventual outcome may vary from the original assessment depending on the nature of information received or developments in future periods. For certain classes of business including liability and other long-tail classes written by the syndicate, claims may not be apparent for many years after the event giving rise to the claim has happened. These classes will typically display greater variation between initial estimates and final outcomes. Differences between the estimated cost and subsequent re-estimation or settlement of claims are reflected in the technical account for the year in which these claims are re-estimated or settled.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

v) Unexpired risks provision

Provision is made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated having regard to events that have occurred prior to the balance sheet date.

Unexpired risks surpluses and deficits are offset where business classes are managed together.

1 ACCOUNTING POLICIES CONTINUED

vi) Acquisition costs

Acquisition costs, which represent commission and other costs related to the acquisition of new insurance contracts, are deferred subject to recoverability and amortised over the period to which the related premiums are earned.

vii) Reinsurance to close

Following the end of the third year, the underwriting account of each Lloyd's syndicate is normally closed by reinsurance into the following year of account. The amount of the reinsurance to close (RITC) premium is determined by the managing agent, generally by estimating the cost of claims notified but not settled together with the estimated cost of claims incurred but not reported at that date and claims handling costs.

To the extent that the syndicate has increased or decreased its participation from one year of account to the next, the RITC paid is treated as a portfolio transfer from the closing year to the receiving year. The share of the RITC receivable is recognised as income in the period that the RITC contract is concluded, together with related claims incurred under the contract.

The payment of an RITC premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring syndicate was unable to meet its obligations, and other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle the outstanding claims. The directors of the managing agent consider that the likelihood of such a failure of the RITC is extremely remote, and consequently the RITC has been deemed to settle liabilities outstanding at the closure of an underwriting account.

c) Foreign currency transactions

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange prevailing at the time of the transaction.

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the balance sheet date with the exception of non-monetary assets and liabilities which are maintained at historic rates.

Exchange differences are included in the technical account, except for differences arising on the member's balance, which are included in members' balances.

d) Investments

Investments are stated at current value at the balance sheet date. For this purpose listed investments are stated at market value and deposits with credit institutions and overseas deposits are stated at cost.

e) Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Realised gains and losses on investments carried at market value are calculated as the difference between net sale proceeds and purchase price.

Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price, or if they have previously been valued, their valuation at the previous balance sheet date, together with a reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current year.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments related to the technical account.

f) Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to the member is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the syndicate during the year are included in the balance sheet under the heading "member's balance".

No provision has been made for any overseas tax payable by the member on underwriting results.

g) Administrative expenses

Administrative expenses are taken into account on an accruals basis. These recharged expenses include the costs of staff, who are employed by QBE Management Services (UK) Limited. QBE Management Services (UK) Limited operates both defined benefit and defined contribution pension schemes, the expense of which is included in the recharges.

h) Profit commission

Profit commission is charged by the managing agent at a rate of 20% of profit subject to the operation of a deficit clause. Profit commission is recognised on the basis of the annual accounting result for each year of account. It is charged to the syndicate as incurred.

2 SEGMENTAL INFORMATION

	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
2007						
Direct insurance						
Accident and health	10,238	8,864	(1,224)	(2,372)	(919)	4,349
Motor (third party liability)	9,733	9,859	(9,462)	(2,432)	(143)	(2,178)
Marine, aviation and transport	104,979	98,213	(50,488)	(25,503)	(15,086)	7,136
Fire and other damage to property	75,282	77,479	(31,527)	(21,296)	(20,220)	4,436
Third party liability	145,117	119,254	(95,413)	(33,783)	(1,191)	(11,133)
Credit and suretyship	12,425	12,376	(3,503)	(2,935)	(5,883)	55
Miscellaneous	(53)	(38)	171	(46)	(140)	(53)
	357,721	326,007	(191,446)	(88,367)	(43,582)	2,612
Reinsurance acceptances	620,170	642,668	(440,078)	(100,857)	2,473	104,206
Total	977,891	968,675	(631,524)	(189,224)	(41,109)	106,818

	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
2006						
Direct insurance						
Accident and health	894	596	(921)	(219)	291	(253)
Motor (third party liability)	5,576	2,746	(884)	(1,136)	(14)	712
Motor (other classes)	6,709	4,129	(3,049)	(1,513)	(94)	(527)
Marine, aviation and transport	93,455	78,401	(19,771)	(27,081)	(19,753)	11,796
Fire and other damage to property	93,731	83,231	(35,756)	(26,159)	(9,411)	11,905
Third party liability	128,152	97,110	(52,510)	(39,844)	(13,362)	(8,606)
Credit and suretyship	7,503	5,166	27	(1,833)	927	4,287
Miscellaneous	429	247	(249)	(164)	(9)	(175)
	336,449	271,626	(113,113)	(97,949)	(41,425)	19,139
Reinsurance acceptances	462,328	428,505	(221,015)	(115,922)	(45,960)	45,608
Total	798,777	700,131	(334,128)	(213,871)	(87,385)	64,747

Changes have been made in the presentation of segmental information for 2007 calendar year to more appropriately reflect the nature of the underlying business of the syndicate. No re-statement of 2006 calendar year figures has been made, as the effect is not material.

The above includes the effects of RITC accepted as per note 17, which is wholly included in the "reinsurance acceptances" segment.

All premiums were concluded in the UK.

The geographical analysis of premiums by destination is as follows:

	2007 £000	2006 £000
UK	267,071	84,671
Other EU countries	68,748	60,445
US	214,984	187,514
Other countries	427,088	466,147
	977,891	798,777

FORMING PART OF THE FINANCIAL STATEMENTS

3 CLAIMS OUTSTANDING

As at 31 December 2007 gross claims outstanding in respect of the 2005 hurricane losses (Katrina, Rita and Wilma) are £160.0 million (2006: £284.0 million). These estimates, as with all claims, are subject to uncertainties, the outcome of which could have a positive or negative impact on the future results of the syndicate.

During the year there was a positive net run-off development of £42,938,000, of which the main contributor was reinsurance accepted, with a positive development of £39,767,000.

Last year there was a positive development of £17,256,000 of which major contributors were third party liability of £17,112,000 and marine, aviation and transport of £16,017,000 offset by an adverse development in reinsurance acceptances of £17,535,000.

4 NET OPERATING EXPENSES

	2007 £000	2006 £000
Acquisition costs – direct commission	116,763	120,960
Acquisition costs – other	35,768	30,360
Change in deferred acquisition costs	(1,696)	(12,512)
Administrative expenses	48,780	48,834
Reinsurance commission revenue	(381)	(2,508)
(Profit)/loss on exchange	(10,011)	26,230
	189,223	211,364
Auditors' remuneration:		
Fees payable to the syndicate's auditor for the audit of the syndicate's annual accounts	362	329
Other services pursuant to legislation	294	201

Members' standard personal expenses are included within net operating expenses.

5 STAFF NUMBERS AND COSTS

All staff are employed by QBE Management Services (UK) Limited, a wholly owned subsidiary of QBE Insurance Group Limited. The following amounts were charged to the syndicate in respect of salary costs:

	2007 £000	2006 £000
Wages and salaries	23,018	19,062
Social security costs	2,564	2,262
Other pension costs	2,811	2,546
	28,393	23,870

The average number of staff represented by the above recharge to the syndicate for the year was:

	2007 Number	2006 Number
Underwriting	105	119
Claims	80	29
Administration	156	110
	341	258

6 DIRECTORS' EMOLUMENTS

The directors of QBE Underwriting Limited and the Active Underwriter received the following aggregate remuneration charged to the syndicate and included within net operating expenses.

	2007 £000	2006 £000
Directors of the managing agent	2,123	1,675
Active Underwriter	138	246

Further information in respect of the emoluments of the directors of QBE Underwriting Limited is provided in that company's financial statements for the period.

7 INVESTMENT INCOME, EXPENSES AND CHARGES

Investment income	2007 £000	2006 £000
Income from investments	51,963	35,489
Gains on the realisation of investments	3,517	–
Losses on the realisation of investments	–	(1,283)
	55,480	34,206

Investment expenses and charges	2007 £000	2006 £000
Investment management expenses	1,135	931

8 FINANCIAL INVESTMENTS

	Cost		Market value	
	2007 £000	2006 £000	2007 £000	2006 £000
Shares and other variable yield securities and units in unit trusts	95,923	54,781	95,923	54,782
Debt securities and other fixed income securities	907,035	724,782	908,553	725,653
Participation in investment pools	63,279	21,532	63,279	21,532
Other loans	–	8,497	–	8,497
Deposits with credit institutions	11,125	10,834	11,125	10,834
	1,077,362	820,426	1,078,880	821,298

Shares and other variable yield securities, units in unit trusts, and debt securities and other fixed income securities are all listed on recognised Stock Exchanges.

Other loans comprise loans to Lloyd's New Central Fund.

FORMING PART OF THE FINANCIAL STATEMENTS

9 DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2007 £000	2006 £000
Due within one year		
Due from policyholders	705	7,410
Due from intermediaries	289,541	262,713
Due after one year		
Due from intermediaries	1,253	191
	291,499	270,314

10 OVERSEAS DEPOSITS

These assets comprise overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

11 RECONCILIATION OF MEMBER'S BALANCE

	2007 £000	2006 £000
At 1 January	49,949	185
Profit for the financial year	161,773	100,628
Payment out of profit to member's personal reserve funds	(106,296)	(50,864)
At 31 December	105,426	49,949

Members participate on syndicates by reference to years of account and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

12 CREDITORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2007 £000	2006 £000
Due within one year		
Due to policyholders	1,521	9,210
Due to intermediaries	86,867	85,216
Due after one year		
Due to intermediaries	159	–
	88,547	94,426

13 MOVEMENT IN OPENING AND CLOSING PORTFOLIO INVESTMENTS NET OF FINANCING

	2007 £000	2006 £000
Increase/(decrease) in cash holdings	5,081	(4,840)
Increase in overseas deposits	11,091	1,909
Cash outflow from portfolio investments	254,451	93,488
Movement arising from cash flows	270,623	90,557
Changes in market value and exchange rates	3,817	(78,616)
Total movement in portfolio investments, net of financing	274,440	11,941
At 1 January, net of financing	882,848	870,907
At 31 December, net of financing	1,157,288	882,848

	At 1 January 2007 £000	Cash flow £000	Changes to market value and currencies £000	At 31 December 2007 £000
Movement in cash, portfolio investments and financing				
Cash at bank and in hand	7,575	5,081	2	12,658
Overseas deposits	53,975	11,091	684	65,750
Portfolio investments:				
Shares and other variable yield securities and units in unit trusts	54,782	41,247	(106)	95,923
Debt securities and other fixed income securities	725,653	182,663	237	908,553
Investment pools	21,532	38,553	3,194	63,279
Other loans	8,497	(8,384)	(113)	–
Deposits with credit institutions	10,834	372	(81)	11,125
Total portfolio investments	821,298	254,451	3,131	1,078,880
Total cash, portfolio investments and financing	882,848	270,623	3,817	1,157,288

14 CASH FLOWS INVESTED IN PORTFOLIO INVESTMENTS

	2007 £000	2006 £000
Purchase of shares and other variable yield securities	(300,046)	(130,273)
Purchase of debt securities and other fixed income securities	(2,390,484)	(2,083,241)
Purchase of participation in investment pools	(52,391)	(24,263)
Decrease in deposits with credit institutions	(372)	(4,436)
Sale of participation in investment pools	13,838	18,238
Sale of shares and other variable yield securities	258,799	187,135
Sale of debt securities and other fixed income securities	2,207,821	1,939,867
Increase in loans with credit institutions	8,384	3,485
Net cash outflow on portfolio investments	(254,451)	(93,488)

15 RELATED PARTIES

The managing agent of the syndicate, QBE Underwriting Limited, and certain corporate members that provide capital to the syndicate, are wholly owned subsidiaries of QBE Insurance Group Limited.

All transactions between the syndicate and companies within the QBE Insurance Group are conducted on normal market terms on an arm's length basis.

Directors' interests

All of the executive directors listed on page 20 hold, or held in the year, executive directorships of other companies within the QBE European Operations Division. In addition, P V Olsen, B W Pomeroy and H M Posner are non-executive directors of related companies within the QBE European Operations Division.

Inter-syndicate transactions

In certain instances the syndicate has underwritten reinsurances of other managed syndicates. The premiums paid are not material either in the context of those syndicates' overall reinsurance costs nor are they a material part of this syndicate's income. All contracts are written on normal market terms at arm's length.

Inwards reinsurance contracts with related QBE companies

The syndicate has written inwards reinsurance business with companies within the QBE Insurance Group during the year. Inwards premiums totalling £3,142,285 (2006 £4,103,000) (QBE Insurance (Malaysia) Berhad: £153,551 (2006 £1,095,000); QBE Hong Kong and Shanghai Insurance Limited: £432,747 (2006 £1,247,000); QBE Insurance (International) Limited: £1,566,806 (2006 £1,292,000); others: £989,181 (2006 £469,000)), were written for the 2007 (2006) account. All such contracts are written on normal market terms on an arm's length basis. At year end premium balances relating to contracts with these insurers amounted to £nil (2006 £nil).

Claims incurred on contracts with these reinsurers totalled £538,000 (2006 £1,752,000) (QBE Insurance (Malaysia) Berhad: £nil (2006 £468,000); QBE Hong Kong and Shanghai Insurance Limited: £nil (2006 £532,000); QBE Insurance (International) Limited: £nil (2006 £552,000); QBE Insurance (Europe) Limited: £538,000 (2006 £nil); others: £nil (2006 £200,000). At the year end claims balances relating to these reinsurers amounted to £2,240,000 (2006 £5,909,000).

Outward reinsurance contracts with related QBE companies

The syndicate has purchased reinsurance with companies within the QBE Insurance Group during the year. Outward premiums totalling £22,800,000 (2006 £26,628,000) with Equator Reinsurances Limited, £1,525,000 (2006 £682,000) with QBE Insurance (Europe) Limited and £nil (2006 £191,000) with QBE Insurance (Australia) Limited were written for the 2007 (2006) account. All such contracts are written on normal market terms on an arm's length basis. At year end premium balances relating to contracts with these reinsurers amounted to £nil (2005 £nil).

Material claims incurred on contracts with these reinsurers totalled £16,313,000 (2006 £38,823,000). At year end claims balances relating to these reinsurers amounted to £1,248,000 (2006 £185,000).

Profit commission

Profit commission is payable to the managing agent as per note 1(h). During the year £25,646,000 was charged (2006 £27,117,000). At the year end £25,646,000 (2006 £26,974,000) was outstanding. This is shown as part of other creditors.

Managing agent's fees

Total fees payable to QBE Underwriting Limited in respect of services provided to the syndicate in the year amounted to £5,070,000 (2006: £4,290,000). No balance is outstanding at the year end.

There are no other transactions or arrangements to be disclosed.

16 FUNDS AT LLOYD'S

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on FSA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the managing agent, no amount has been shown in these financial statements by way of such capital resources. However, the managing agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses.

17 REINSURANCE TO CLOSE ACCEPTED

The syndicate has accepted the reinsurance to close of three other syndicates, Syndicate 456, Syndicate 980 and Syndicate 1036.

Syndicate 456 ceased writing in 2001 and had three years of account open, 1999, 2000 and 2001. It wrote mainly following lines on US and UK liability classes. The reinsurance to close of all these years totalled £48.9 million which included a risk premium of £3.5 million.

Syndicate 980 ceased writing at the end of 2004 when its business was transferred from the Lloyd's market. It wrote mainly motor business. The reinsurance to close of £91.9 million did not include a risk premium.

Syndicate 1036 ceased writing as a separate syndicate at the end of 2004 when it became a sub-syndicate of Syndicate 2999. It was a direct marine and energy syndicate. The reinsurance to close of £38.4 million did not include a risk premium.

Those amounts totalling £179.2 million have been treated as gross written premium in the technical account.

The business of Syndicate 456 and Syndicate 980 has been treated as discontinued, because their lines of business are no longer written within the 2999 umbrella.

Syndicate 1036 has been treated as continuing business on the basis that this business continues to be written within the 2999 umbrella.

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