



## PRESS RELEASE

### AM BEST AFFIRMS 'A' FINANCIAL STRENGTH RATING FOR QBE

**SEPTEMBER 30, 2009**

A.M. Best Co. has affirmed the financial strength rating of A (Excellent) and the issuer credit ratings (ICR) of "a+" of QBE Insurance (Europe) Limited (QBE Europe) (United Kingdom), QBE Insurance (International) Limited (QBE Intl) (Australia) and QBE Reinsurance (Europe) Limited (QBE Re Europe) (Ireland). These companies are key operating subsidiaries of QBE Insurance Group Limited (QBE) (Australia), the non-operating holding company of the QBE group of companies.

A.M. Best also has affirmed the ICR of "bbb+" and all debt ratings of QBE. At the same time, A.M. Best has assigned a debt rating of "bbb+" to the GBP 550 million 6.125% senior unsecured fixed rate notes, due 2015 of QBE. The outlook for all ratings is stable. (See below for a detailed list of the debt ratings.)

A.M. Best believes that QBE's consolidated risk-adjusted capitalisation will remain excellent in 2009, despite strong growth in premium income. Solid operating results are likely to support an increase in retained earnings, and financial flexibility is good. The group has a track record of raising capital through the equity and debt markets to support its acquisition-based growth strategy. In 2008, QBE raised AUD 2 billion through a fully underwritten institutional placement, and in January 2009, it raised an additional AUD 114.5 million. These funds have been used to support various acquisitions in the United States, Australia and Europe.

In February 2009, QBE ceased hedging its exposure to shareholders' funds held in currencies other than the Australian dollar, the group's reporting currency. Although this strategy is expected to increase the volatility of consolidated shareholders' funds in absolute terms, A.M. Best anticipates greater stability in risk-adjusted capitalisation as shareholders' funds now move in line with changes in assets and liabilities held in non-Australian denominated currencies. As at half year 2009, consolidated shareholders' funds



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fell to AUD 10,232 million from AUD 11,159 million (as at year-end 2008), owing to the strengthening of the Australian dollar during the first half of 2009.

An excellent consolidated pre-tax profit in excess of AUD 2 billion is anticipated in 2009 (2008: AUD 2,420 million), subject to normal catastrophe activity during the remainder of the year. A.M. Best expects the combined ratio to increase to approximately 90% (2008: 87.5%), after the impact of the weak global economic environment on the group's loss experience, particularly for credit related business. Although rates are increasing for classes of business affected by the large loss events of 2008, market conditions remain flat for casualty classes. Further ahead, A.M. Best believes the group's robust risk management framework, well diversified underwriting portfolio, prudent reserving strategy and low-risk investment strategy are likely to support consistent good performance.

QBE has a robust business profile, which is supported by excellent product and geographic diversification. The group benefits from a strong presence in Australia and the London market and has significantly increased its market share in the United States through a number of significant acquisitions. QBE continues to enhance its competitive position in its core regions (Australia, Europe, the Americas and Asia-Pacific) through its acquisitions. In 2008 and the first half of 2009, QBE purchased various underwriting agencies, which A.M. Best believes will provide the group with greater control of distribution in certain local markets.

The following debt ratings have been affirmed:

**QBE Insurance Group Limited—**

- "bbb+" on USD 211 million 9.75% senior unsecured fixed rate notes, due 2014
- "bbb+" on GBP 191 million 10.00% senior unsecured fixed rate notes, due 2014
- "bbb" on USD 250 million 5.65% subordinated notes, due 2023
- "bbb-" on USD 550 million 6.797% perpetual preferred securities (issued by QBE Capital Funding II L.P. (Jersey) and guaranteed by QBE)
- "bbb-" on GBP 300 million 6.857% perpetual preferred securities (issued by QBE Capital Funding L.P. (Jersey) and guaranteed by QBE)



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The following debt rating has been assigned:

**QBE Insurance Group Limited—**

-- "bbb+" on GBP 550 million 6.125% senior unsecured fixed rate notes, due 2015

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### Notes to editors

For Best's Credit Ratings, an overview of the rating process and rating methodologies, please visit [Best's Ratings & Analysis](#).

The principal methodologies used in determining these ratings, including any additional methodologies and factors that may have been considered, can be found at [Best's Credit Rating Methodology](#).

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### ABOUT QBE

QBE Insurance Group is Standard & Poor's 'A+' rated and is one of the world's leading international insurers and reinsurers, headquartered in Sydney, Australia. We operate out of 45 countries across the globe, with a presence in all key insurance markets, and are lead underwriters within our chosen markets, setting rates and conditions. For the year ended 31 December 2008, the company underwrote gross written premium totaling £6,025 million and held shareholders' funds of £5,364 million.

### ABOUT AM BEST

Founded in 1899, A.M. Best Company is a global full-service credit rating organization dedicated to serving the financial and health care service industries, including insurance companies, banks, hospitals and health care system providers.

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