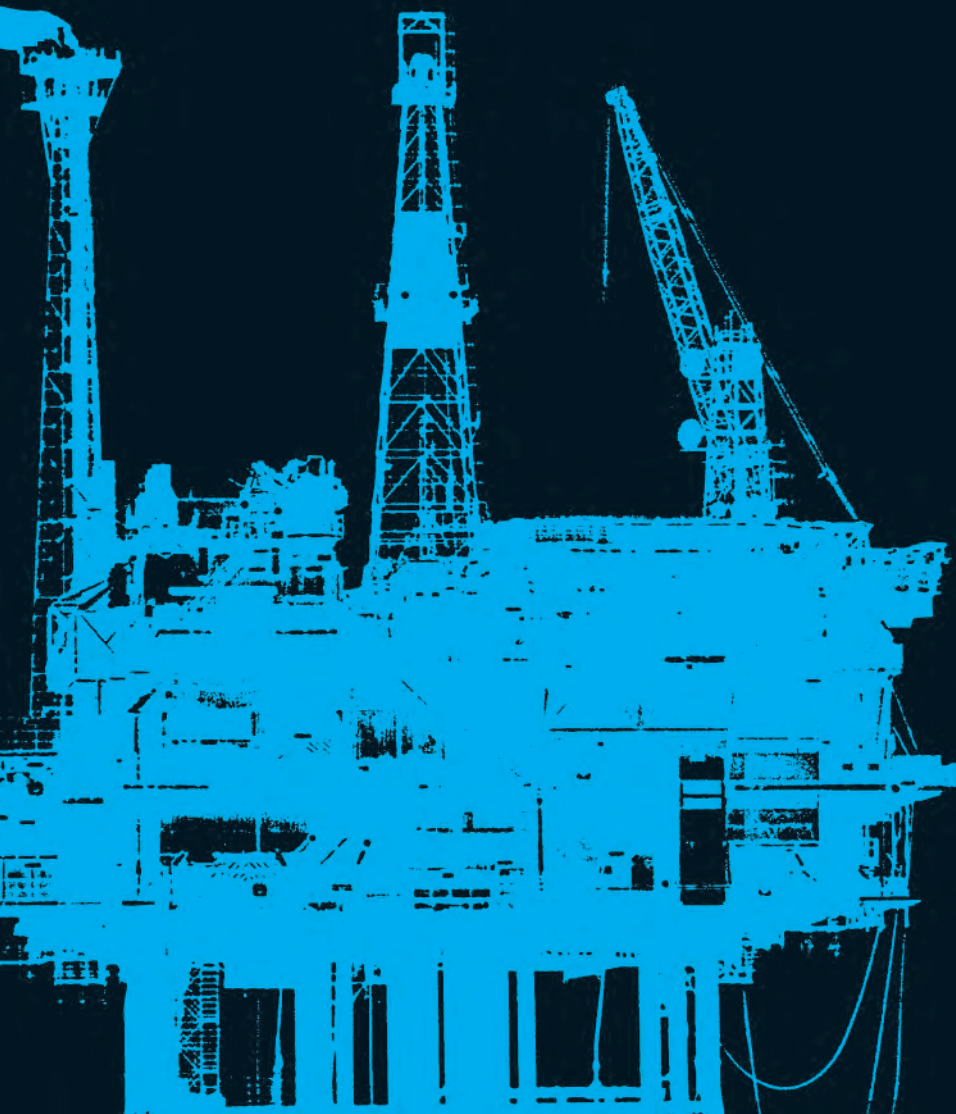


Marine and Energy

Syndicate 1036



About QBE

QBE is one of the world's top insurers and reinsurers with a gross written premium of £6billion (as at 31 December 2008). Organised into four operating divisions, Australia, Asia Pacific, European Operations and the Americas, we have offices in 45 countries around the globe and have a presence in all the key insurance markets.



Why choose QBE

Our size allows us to tailor packages to clients' precise needs. It also means we can settle claims quickly and fairly.

We believe in taking an independent approach. We encourage all our people to think for themselves and look for innovative solutions to business challenges. This has allowed us to develop a healthy appetite for risk, and take on business other insurers might refuse.

QBE European Operations differentiates itself by striving for excellence in five core areas:

- 1 **Strong** and growing market presence
- 2 **Entrepreneurial** solutions to business risks
- 3 **Delivering** reliable and responsive service at every stage of the stakeholder experience
- 4 **Empowering** through a collaborative can do spirit across the business and with all business partners
- 5 **Specialising** in every business line and consistently across all disciplines.



Security

We understand and respect the crucial importance of security in the insurance decision-making process. The strength of our ratings and financial backing give us a real advantage in the market.

QBE is one of the largest managers of underwriting capacity at Lloyd's, with:

- £1.06 billion of underwriting capacity for 2009
- £598 million in total funds at Lloyd's in support of all underwriting activities
- £2.45 billion in total syndicate funds under management

Syndicate 1036

Syndicate 1036 is the Lloyd's direct Marine and Energy syndicate for QBE European Operations. We aim to be a leader in every one of our 3 markets.

We can offer the flexibility of dual-pen capacity, with the option of writing business in the company market or at Lloyd's.

One hundred per cent of the capital supporting Syndicate 1036 is provided by QBE, rated 'A+' strong by Standard & Poor's. The Lloyd's policies we issue also benefit from the security and expertise of the Lloyd's insurance market, rated 'A+' (Strong) by Standard & Poor's and 'A' (Excellent) by A.M. Best. Ratings correct as at 1 July 2009.

Our approach

QBE Marine and Energy Syndicate 1036, specialises in hull, energy, liability, specie, cargo, war and allied risks. The syndicate is led by Active Underwriter Colin O'Farrell. Established in 1987, we have an excellent track record of profitable underwriting, and projected gross written premiums for the 2009 underwriting year of £400 million.



Operational philosophy

Our central aim is to maintain a lead underwriting position across a full range of marine and energy insurance products on a worldwide basis. Key to achieving this goal is the knowledge and experience of our underwriters. They are all expected to have a comprehensive knowledge of clients' businesses and the territories in which they operate. This focus on in-depth understanding of the business we write, combined with extensive international travel, is a key component to the way we do business.

Business strategy

The principal elements of our business strategy are to:

- Establish stable, long-term relationships with brokers and clients
- Use our expertise to create innovative products
- Operate as a lead market
- Offer clients the option of Lloyd's or QBE company market security
- Complement traditional underwriting analysis with sophisticated analytical techniques
- Demonstrate a high level of financial security
- Retain and develop highly motivated and professional staff
- Create value by producing consistent profits and maximising return on capital

Appetite for risk

QBE is known throughout the market for its healthy appetite for risk and willingness to work flexibly in partnership with intermediaries and agents.

From policy inception to claims settlement, the QBE approach is to use our market expertise to understand the needs of the individual client. Then we tailor our solutions to fit those needs.

We don't believe that one size fits all or that we should follow what other insurers do, which means we are always willing to take a view on specialist risks.

Claims

Our well respected claims team works closely with our underwriters to ensure we manage claims to a very high standard.

We have longstanding working partnerships with surveyors, loss adjusters, lawyers and other professional advisers, on whose expertise we can always draw to inform our response to any given claim.

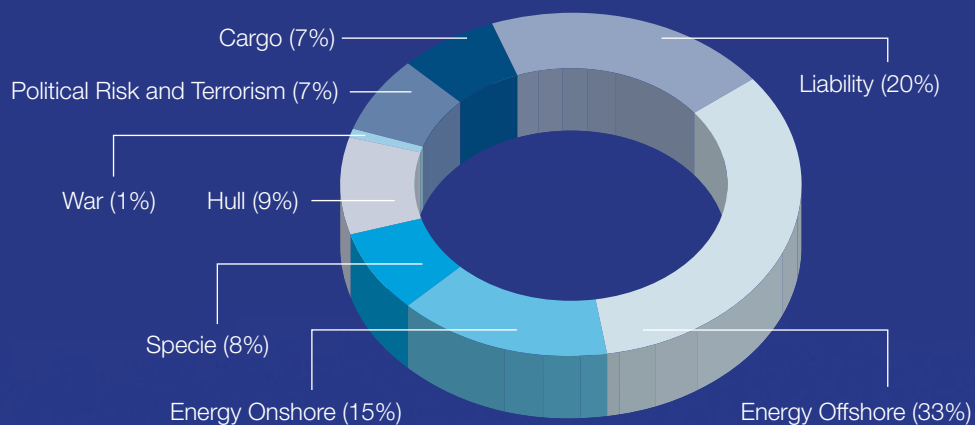
Our focus is on maintaining good working relationships with the broker community and insurance market organisations.



Products

Our portfolio mix

To help foster a true culture of specialisation, we organise our business into dedicated expert teams. Each of these is responsible for a clearly defined product portfolio.





Cargo

We write a high quality cargo portfolio and are particularly recognised as a leader in high-tech, pharmaceutical, oil and manufactured goods risks, and in excess cargo business. We focus on building long term relationships with clients, and work closely with them to develop mutually beneficial risk control programmes.

Liability

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, standalone energy liabilities and package policies. We work closely with our colleagues in hull and energy, particularly offshore, and specialise in tailoring complex and unusual coverages to clients' precise 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 and solutions.

Energy offshore

We write a diverse portfolio of offshore energy risks worldwide – from dedicated upstream and downstream entities to fully integrated energy companies. We insure offshore risks for oil and gas companies, specialising in offshore insurance for assets located in the North Sea and the Far East, China in particular. We write around 60% of the account in a lead capacity.

Energy onshore

We provide a wide range of insurance coverages for oil and gas companies worldwide. From well heads to refineries to petrochemical plants, we have particular dominance in the Middle East and Asia. We lead over 75% of the business we write.

Specie

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

Hull

We write an established high quality hull account. Focusing mainly on bluewater vessels, our portfolio includes a significant proportion of builders' risks, short-tail total loss only, increased value, and mortgagees' interest risks. We also cover physical damage to ports, worldwide. We are supported by all the major hull brokers, and are recognised as leaders in all aspects of this account. We also maintain a significant presence on market-wide initiatives like the Joint Hull Committee.

War

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

Political risk and terrorism

Through a specialist underwriting team, we have developed a broad-based worldwide political risk and terrorism portfolio. This complements other areas of our portfolio – onshore energy, cargo and specie in particular.

QBE strength and growth

Financial strength

QBE Insurance Group performance

		2007	2008
Gross written premium	£m	5,188	6,025
Net earned premium	£m	5,083	5,083
Combined operating ratio	%	85.9	88.5
Shareholders' funds	£m	3,746	5,364

Marine and Energy 1036 performance

		2007	2008
Gross written premium	£000s	293,011	282,222
Net earned premium	£000s	210,752	158,351
Total insurance profit/(loss) for the year	£000s	64,307	34,885
Claims ratio	%	43.5	53.0
Combined operating ratio	%	75.7	84.5

Insurer financial strength ratings

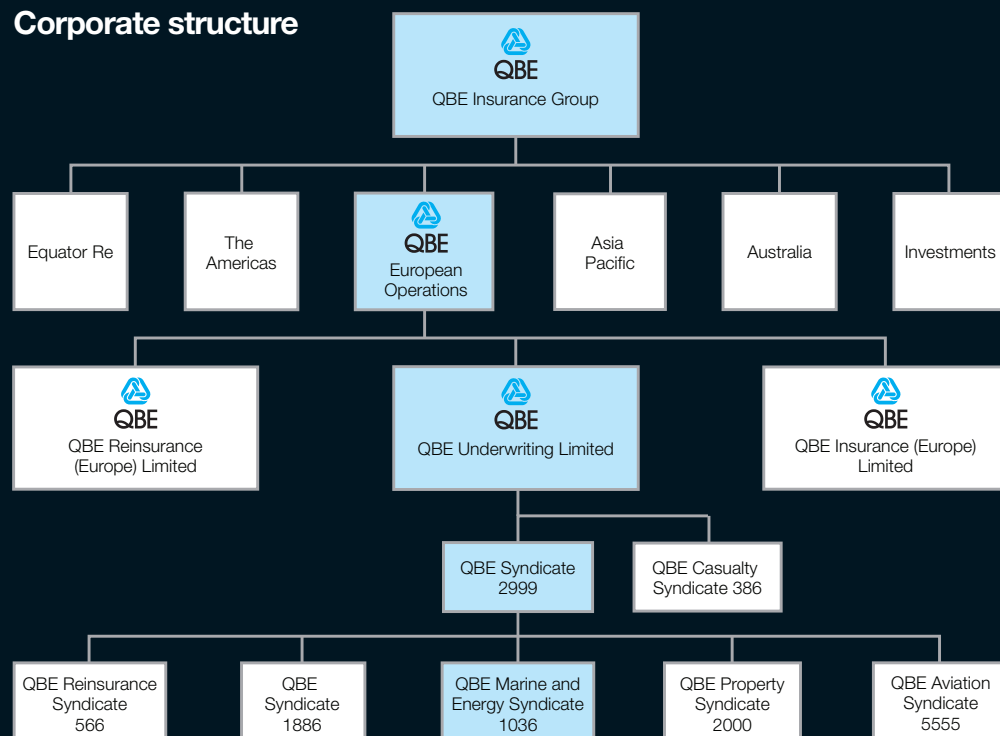
You can judge the size and strength of a company by the ratings it keeps. We are pleased to be rated as follows.

Standard & Poor's insurer financial strength and counterparty credit rating for QBE Group's main insurance subsidiaries is A+ (Stable). Fitch Ratings insurer financial strength rating for QBE's main underwriting subsidiaries is A+, and the agency has also affirmed a long-term credit rating at A. Their outlook for all ratings is Stable.

A.M. Best assigned the financial strength rating of the QBE Group of companies A (Excellent). Rating details are correct as at 1 July 2009.



Corporate structure



Syndicate history

- 1987 Syndicate 1036 formed with a capacity of £6million with Neil Copping as Active Underwriter. Managed by Bankside Underwriting Agency Limited (BUAL).
-
- 1996/7 Limit plc acquired majority interest in both BUAL and Janson Green Limited (JGL).
-
- 1998 Limit plc acquired remaining interest in BUAL and JGL.
-
- 1999 BUAL and JGL merged to form a single managing agent, Limit Underwriting Limited (Limit).
-
- 2000 Limit plc acquired by QBE Group.
-
- 2001 QBE purchased Syndicate 1036's unaligned capacity. As a consequence, 100% of the syndicate's capital was provided by QBE for the 2002 year onwards.
-
- 2002 Colin O'Farrell appointed Active Underwriter in July following Neil Copping's retirement.
-
- 2004 QBE announces a restructure of its European interests, resulting in the merge of QBE's other Marine and Energy Syndicate 2724 into Syndicate 1036 for the 2005 underwriting year. Colin O'Farrell continues to be the active underwriter of the enlarged syndicate.
-
- 2008 The syndicate is rebranded to QBE Marine and Energy Syndicate 1036.
- April: Opening of a QBE Marine and Energy office in Singapore (QMES) offering a broad spectrum of on-shore and off-shore products to the Asia-Pacific market.
- November: Acquisition of US-Based underwriting agency Burnett & Company Inc. Based in the US, New Orleans and Houston, Burnett is a specialist in underwriting marine and energy business.
-

Lloyd's chain of security

1 Syndicate level assets

Sub-syndicate assets - Premium trust funds

Syndicate level assets comprise syndicate premium trust funds and overseas regulatory deposits which are held in trust for the benefit of policyholders. In respect of Syndicate 2999, premium trust funds are maintained at sub-syndicate level for the benefit of the respective sub-syndicate policyholders and are not therefore inter-available between sub-syndicates.

2 Members' funds at Lloyd's (FAL)

QBE's Corporate Member of Lloyd's

In case the resources in the premium trust funds prove insufficient to meet obligations to policyholders, every member is required to lodge additional capital at Lloyd's which is held in trust for the protection of policyholders. Capital is provided by members in support of all their underwriting activities at Lloyd's. Hence in respect of Syndicate 2999, QBE's FAL is available equally to all syndicates and/or sub-syndicates supported by QBE Corporate Limited, which is QBE's corporate member of Lloyd's. Other assets owned by members of Lloyd's are also available to meet claims on policies underwritten, in the event that the funds in the first two links are insufficient. QBE's corporate members are liable to the extent of their resources beyond its funds at Lloyd's, which can be called upon to meet its underwriting liabilities.

3 Lloyd's central assets

The third link is the central resources of the Society of Lloyd's, comprised of the Central Fund and other assets.

The Central Fund is made up of members' annual contributions and subordinated debt issued by the Corporation in 2004 and 2007. At the discretion of the Council of Lloyd's, the Central Fund is available to meet any portion of any member's insurance liabilities that the member is unable to meet in full. In addition to the Central Fund and assets of the Corporation, central assets may be supplemented by a 'callable layer' of up to 3% of members' overall premium limits.

The aggregate value of central resources of the Society (excluding the subordinated debt liability and callable layer), totalled £2,072million as at 31 December 2008.





QBE European Operations

Plantation Place
30 Fenchurch Street
London
EC3M 3BD

tel +44 (0)20 7105 4000
fax +44 (0)20 7105 4019

differently@uk.qbe.com
www.QBEurope.com

