



# QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2006  
OF THE CONDITION AND AFFAIRS OF THE

## QBE REINSURANCE CORPORATION

NAIC Group Code 0796 (Current Period) 0796 (Prior Period) NAIC Company Code 10219 Employer's ID Number 23-1641984

Organized under the Laws of Pennsylvania State of Domicile or Port of Entry Pennsylvania

Country of Domicile United States of America

Incorporated/Organized 02/24/1964 Commenced Business 10/01/1964

Statutory Home Office C/O CT Corp., 1515 Market St. Suite 1210 Philadelphia, PA 19102  
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 88 Pine Street, 16th Fl., Wall St. Plaza New York, NY 10005-1801 212-422-1212  
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 88 Pine Street, 16th Fl., Wall St. Plaza New York, NY 10005-1801  
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 88 Pine Street, 16th Fl., Wall St. Plaza New York, NY 10005-1801 212-894-7547  
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.qbe.com

Statutory Statement Contact Scott Andrew Pryor 212-894-7547  
(Name) (Area Code) (Telephone Number) (Extension)  
spryor@qbeusa.com 212-943-0315  
(E-mail Address) (FAX Number)

Policyowner Relations Contact 88 Pine Street, 16th Fl., Wall St. Plaza New York, NY 10005-1801 212-422-1212  
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number) (Extension)

### OFFICERS

Name	Title	Name	Title
<u>Timothy Michael Kenny</u>	<u>President &amp; CEO</u>	<u>Christopher Colin Fish</u>	<u>CFO &amp; Executive VP</u>
<u>Peter Thomas Maloney</u>	<u>Corporate Secretary &amp; Senior VP</u>		

### OTHER OFFICERS

<u>Stephen Michael Calascione</u>	<u>Senior Vice President</u>	<u>Bruce David Carlino</u>	<u>Senior Vice President</u>
<u>Ian George Davey</u>	<u>Senior Vice President</u>	<u>James Justin Fiore</u>	<u>Senior Executive Vice President</u>
<u>Nancy Lynn Kelly</u>	<u>Senior Vice President</u>	<u>John Carmine LaCava</u>	<u>Executive Vice President</u>
<u>James Patrick Lynch</u>	<u>Senior Vice President</u>	<u>Peter Davidson McGuire</u>	<u>Senior Vice President</u>
<u>Robert James Mezzasalma</u>	<u>Senior Vice President</u>	<u>Marc Sanford Willner</u>	<u>Senior Vice President</u>

### DIRECTORS OR TRUSTEES

<u>Ian George Davey</u>	<u>James Justin Fiore</u>	<u>Christopher Colin Fish</u>	<u>Timothy Michael Kenny</u>
<u>John Carmine LaCava</u>	<u>Alan Jeffrey Levin</u>	<u>Francis Michael O'Halloran</u>	<u>Anthony Robert Przybyszewski</u>

State of New York

County of New York

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Timothy Michael Kenny  
President & CEO

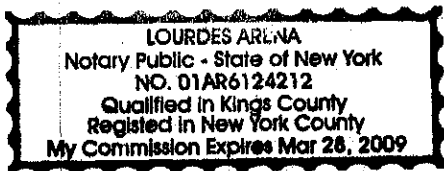
Christopher Colin Fish  
Chief Financial Officer & Executive VP

Peter Thomas Maloney  
Corporate Secretary & Senior VP

Subscribed and sworn to before me this 10th day of November, 2006

Loures Arena

- a. Is this an original filing? Yes [ X ] No [ ]
- b. If no,
1. State the amendment number \_\_\_\_\_
  2. Date filed \_\_\_\_\_
  3. Number of pages attached \_\_\_\_\_



STATEMENT AS OF SEPTEMBER 30, 2006 OF THE QBE REINSURANCE CORPORATION

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	172,408,670		172,408,670	290,254,346
2. Stocks:				
2.1 Preferred stocks	1,724,330		1,724,330	1,425,477
2.2 Common stocks	346,775,447		346,775,447	279,058,665
3. Mortgage loans on real estate:				
3.1 First liens				
3.2 Other than first liens				
4. Real estate:				
4.1 Properties occupied by the company (less \$ ..... encumbrances)	535,597		535,597	551,546
4.2 Properties held for the production of income (less \$ ..... encumbrances)				
4.3 Properties held for sale (less \$ ..... encumbrances)				
5. Cash (\$ .....294,586,868 ), cash equivalents (\$ ..... ) and short-term investments (\$ .....12,451,190 )	307,038,058		307,038,058	250,500,444
6. Contract loans, (including \$ ..... premium notes)				
7. Other invested assets				
8. Receivables for securities	39,626,067		39,626,067	12,500,000
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	868,108,169		868,108,169	834,290,478
11. Title plants less \$ ..... charged off (for Title insurers only)				
12. Investment income due and accrued	6,200,538		6,200,538	5,351,926
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	41,695,307	938,000	40,757,307	34,428,864
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ ..... earned but unbilled premiums)	114,107,748		114,107,748	123,310,070
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	31,056,220		31,056,220	34,456,475
14.2 Funds held by or deposited with reinsured companies	69,268,300		69,268,300	70,658,150
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans				
15.1 Current federal and foreign income tax recoverable and interest thereon	2,061,223		2,061,223	
15.2 Net deferred tax asset	30,580,516	14,887,231	15,693,285	13,283,543
17. Guaranty funds receivable or on deposit				
18. Electronic data processing equipment and software	1,390,778	1,390,778		
19. Furniture and equipment, including health care delivery assets (\$ ..... )	1,496,387	1,496,387		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	6,536,711		6,536,711	7,096,933
22. Health care (\$ ..... ) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	923,857	923,857		
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	1,173,425,754	19,636,253	1,153,789,501	1,122,876,439
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	1,173,425,754	19,636,253	1,153,789,501	1,122,876,439
<b>DETAILS OF WRITE-INS</b>				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)				
2301. Miscellaneous accounts receivable	592,593	592,593		
2302. Prepaid expenses	331,264	331,264		
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	923,857	923,857		

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year \$ .....97,673,679 )	323,650,076	304,581,592
2. Reinsurance payable on paid losses and loss adjustment expenses	39,841,466	35,728,792
3. Loss adjustment expenses	48,675,272	42,004,622
4. Commissions payable, contingent commissions and other similar charges		(914,101)
5. Other expenses (excluding taxes, licenses and fees)	6,171,135	6,639,293
6. Taxes, licenses and fees (excluding federal and foreign Income taxes)		
7.1 Current federal and foreign income taxes (including \$ ..... on realized capital gains (losses))		1,545,515
7.2 Net deferred tax liability		
8. Borrowed money \$ ..... and interest thereon \$ .....		
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$ .....63,256,769 and including warranty reserves of \$ .....)	161,468,932	148,835,414
10. Advance premium		
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	10,944,636	54,305,587
13. Funds held by company under reinsurance treaties	24,989,828	28,301,476
14. Amounts withheld or retained by company for account of others		
15. Remittances and items not allocated		
16. Provision for reinsurance	1,038,000	1,038,000
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	742,220	586,943
19. Payable to parent, subsidiaries and affiliates	265,507	770,163
20. Payable for securities	40,003,852	
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ ..... and interest thereon \$ .....		
23. Aggregate write-ins for liabilities	(39,139,830)	(40,031,463)
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	618,651,094	583,391,833
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	618,651,094	583,391,833
27. Aggregate write-ins for special surplus funds	24,766,383	24,766,383
28. Common capital stock	30,000,000	30,000,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	470,769,424	470,769,424
33. Unassigned funds (surplus)	9,602,600	13,948,799
34. Less treasury stock, at cost:		
34.1 ..... shares common (value included in Line 28 \$ .....		
34.2 ..... shares preferred (value included in Line 29 \$ .....		
35. Surplus as regards policyholders (Lines 27 to 33, less 34)	535,138,407	539,484,606
36. TOTALS	1,153,789,501	1,122,876,439
<b>DETAILS OF WRITE-INS</b>		
2301. Retroactive reinsurance reserves	(39,399,283)	(40,038,554)
2302. Miscellaneous payable	83,916	7,091
2303. Pension Liability	175,537	
2398. Summary of remaining write-ins for Line 23 from overflow page		
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	(39,139,830)	(40,031,463)
2701. Special surplus from retroactive reinsurance account	24,766,383	24,766,383
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above)	24,766,383	24,766,383
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above)		

## STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
<b>UNDERWRITING INCOME</b>			
1. Premiums earned:			
1.1 Direct (written \$ .....(2,427) )	500,634	(1,031,701)	(1,031,701)
1.2 Assumed (written \$ .....540,187,544 )	539,238,622	531,268,330	718,040,816
1.3 Ceded (written \$ .....209,837,196 )	222,024,852	233,559,895	303,888,415
1.4 Net (written \$ .....330,347,921 )	317,714,404	296,676,734	413,120,700
<b>DEDUCTIONS:</b>			
2. Losses incurred (current accident year \$ .....46,709,417 ):			
2.1 Direct	(112,473)	(271,552)	(109,917)
2.2 Assumed	314,318,571	374,144,687	515,255,448
2.3 Ceded	156,645,695	211,509,701	293,766,064
2.4 Net	157,560,409	162,363,434	221,379,467
3. Loss expenses incurred	31,821,761	23,438,479	30,322,260
4. Other underwriting expenses incurred	110,681,491	110,792,989	145,843,507
5. Aggregate write-ins for underwriting deductions			
6. Total underwriting deductions (Lines 2 through 5)	300,063,655	296,594,902	397,545,234
7. Net income of protected cells			
8. Net underwriting gain or (loss) (Line 1.4 minus Line 6 + Line 7)	17,650,749	81,832	15,575,466
<b>INVESTMENT INCOME</b>			
9. Net investment income earned	20,745,135	11,449,400	16,118,799
10. Net realized capital gains (losses) less capital gains tax of \$ .....(796,210)	(1,478,677)	4,385,055	4,398,501
11. Net investment gain (loss) (Lines 9 + 10)	19,266,458	15,834,455	20,517,300
<b>OTHER INCOME</b>			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ ..... amount charged off \$ .....)			(308,076)
13. Finance and service charges not included in premiums	2,147,309	2,945,103	3,690,444
14. Aggregate write-ins for miscellaneous income	215,916	2,631,097	2,803,918
15. Total other income (Lines 12 through 14)	2,363,225	5,576,200	6,186,286
16. Net income before dividends to policyholders after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	39,280,432	21,492,487	42,279,052
17. Dividends to policyholders			
18. Net income, after dividends to policyholders after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	39,280,432	21,492,487	42,279,052
19. Federal and foreign income taxes incurred	13,417,886	9,675,884	15,065,928
20. Net income (Line 18 minus Line 19)(to Line 22)	25,862,546	11,816,603	27,213,124
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
21. Surplus as regards policyholders, December 31 prior year	539,484,606	435,588,093	435,588,093
22. Net income (from Line 20)	25,862,546	11,816,603	27,213,124
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ .....(5,991,648)	(7,627,347)	1,544,447	(4,748,696)
25. Change in net unrealized foreign exchange capital gain (loss)			
26. Change in net deferred income tax	2,790,802	3,841,842	1,815,493
27. Change in nonadmitted assets	(6,080,921)	(1,577,998)	(7,184,519)
28. Change in provision for reinsurance			671,711
29. Change in surplus notes			
30. Surplus (contributed to) withdrawn from protected cells			
31. Cumulative effect of changes in accounting principles			
32. Capital changes:			
32.1 Paid in			
32.2 Transferred from surplus (Stock Dividend)			
32.3 Transferred to surplus			
33. Surplus adjustments:			
33.1 Paid in		75,000,000	157,000,000
33.2 Transferred to capital (Stock Dividend)			
33.3 Transferred from capital			
34. Net remittances from or (to) Home Office			
35. Dividends to stockholders	(17,750,000)		(73,000,000)
36. Change in treasury stock			
37. Aggregate write-ins for gains and losses in surplus	(1,541,279)	523,875	2,129,400
38. Change in surplus as regards policyholders (Lines 22 through 37)	(4,346,199)	91,148,769	103,896,513
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	535,138,407	526,736,862	539,484,606
<b>DETAILS OF WRITE-INS</b>			
0501.			
0502.			
0503.			
0598. Summary of remaining write-ins for Line 5 from overflow page			
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)		2,152,247	2,152,247
1401. Retroactive reinsurance ceded		478,850	651,671
1402. Interest on funds held under reinsurance agreements	215,916		
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above)	215,916	2,631,097	2,803,918
3701. Adjustment of prior year current tax liability		523,875	1,640,174
3702. Change in pension liability	(1,541,279)		489,226
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page			
3799. Totals (Lines 3701 thru 3703 plus 3798) (Line 37 above)	(1,541,279)	523,875	2,129,400

## CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance.....	291,250,700	440,140,460
2. Net investment income .....	20,417,864	20,872,288
3. Miscellaneous income .....	2,363,225	6,186,286
4. Total (Lines 1 to 3) .....	314,031,789	467,199,034
5. Benefits and loss related payments .....	130,978,990	210,009,328
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions .....	135,386,659	175,021,787
8. Dividends paid to policyholders .....		
9. Federal and foreign income taxes paid (recovered) \$ ..... net of tax on capital gains (losses)	16,228,414	20,590,692
10. Total (Lines 5 through 9) .....	282,594,063	405,621,807
11. Net cash from operations (Line 4 minus Line 10) .....	31,437,726	61,577,227
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds .....	572,845,010	358,221,753
12.2 Stocks .....	44,424,907	95,327,703
12.3 Mortgage loans .....		
12.4 Real estate .....		
12.5 Other invested assets .....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....	(257,071)	(95,412)
12.7 Miscellaneous proceeds .....	16,377,785	
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....	633,390,631	453,454,044
13. Cost of investments acquired (long-term only):		
13.1 Bonds .....	456,620,885	254,507,822
13.2 Stocks .....	130,276,995	171,103,371
13.3 Mortgage loans .....		
13.4 Real estate .....		
13.5 Other invested assets .....		
13.6 Miscellaneous applications .....	184,198	12,500,001
13.7 Total investments acquired (Lines 13.1 to 13.6) .....	587,082,078	438,111,194
14. Net increase (or decrease) in contract loans and premium notes .....		
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14) .....	46,308,553	15,342,850
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes .....		
16.2 Capital and paid in surplus, less treasury stock .....		157,000,000
16.3 Borrowed funds .....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....		
16.5 Dividends to stockholders .....	17,750,000	73,000,000
16.6 Other cash provided (applied).....	(3,458,665)	(8,229,988)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6) .....	(21,208,665)	75,770,032
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Lines 15 and 17) .....	56,537,614	152,690,109
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	250,500,444	97,810,335
19.2 End of period (Line 18 plus Line 19.1) .....	307,038,058	250,500,444

## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies

#### Accounting Practices

The accompanying financial statements of QBE Reinsurance Corporation (the Company) have been prepared on the basis of accounting practices prescribed or permitted by the Commonwealth of Pennsylvania Insurance Department ("Pennsylvania SAP"). Effective January 1, 2001, insurance companies domiciled in Pennsylvania are required to comply with the National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures manual ("NAIC SAP"), subject to certain deviations prescribed or permitted by the Department.

On May 17, 2004, the Company received written approval from the Insurance Department of the State of Pennsylvania to account for the adverse development cover entered into with Equator Reinsurances Limited, an affiliate, as a retroactive reinsurance agreement (See Note 23).

#### Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### Accounting Policies

Premiums written are earned and recognized as revenues ratably over the terms of the reinsurance treaties or certificates to which they relate. Unearned premiums are established for the unexpired portion of in-force premiums and are based on statistical data available to the Company or reports received from ceding companies. Premiums written and unearned premiums are presented after deductions for reinsurance ceded to other insurance companies.

Expenses incurred in connection with acquiring new reinsurance business, including acquisition costs such as sales commissions and brokerage, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

Net investment income includes interest and dividends received or accrued on investments. It also includes amortization of any purchase premium or discount using the interest method, adjusted prospectively for any change in estimated yield to maturity. Investment income is recognized when earned. Investment income due and accrued that is deemed uncollectible is charged against net investment income in the period such determination is made, while investment income greater than 90 days past due is nonadmitted and charged directly to surplus. Net investment income is reduced by investment management expenses.

Realized investment gains and losses are reported in income based upon specific identification of securities sold. Beginning January 1, 2001, realized losses include valuation adjustments for other than temporary declines in investments. Unrealized investment gains and losses represent changes in the reported fair value and are recorded directly to surplus.

In addition, the Company uses the following accounting policies:

Short-term investments are stated at amortized cost.

Bonds are valued at amortized cost using the scientific method except where the Securities Valuation Office of the NAIC requires a lower carrying value.

Common stocks including mutual funds and non-redeemable preferred stocks of unaffiliated companies other than stocks of subsidiaries and affiliates are stated at market value.

Redeemable preferred stocks are stated at amortized value.

The company's investment in its wholly owned subsidiaries, QBE Insurance Corporation, QBE Central de Seguros S.A., and National Farmers Union Property and Casualty Company (NFU), are stated at statutory equity value. Goodwill arising from the acquisition of National Farmers Union Property and Casualty Company and QBE Central de Seguros S.A. is amortized over a period of ten years. Unamortized goodwill at the end of the current quarter for National Farmers Union Property and Casualty Company was \$38,982,496 and for QBE Central de Seguros S.A. was (\$6,474).

The Company does not anticipate investment income as a factor in premium deficiency calculations.

The estimated liability for unpaid losses and loss adjustment expenses is based on reports and individual case estimates received from ceding companies. An estimated liability, based on historical experience and modified for current trends, is also recorded for losses and loss adjustment expenses, which have been incurred but not reported. The methods of determining such estimates and establishing the resulting reserves are continually reviewed and modified to reflect current conditions, and any adjustments are reflected in results of operations currently. Unpaid losses and loss adjustment expenses are presented after deductions for reinsurance ceded to other insurance companies and anticipated salvage recoveries.

Unpaid losses and loss adjustment expenses also include a provision for certain types of latent injury, environmental pollution or toxic exposures which cannot be estimated with traditional reserving techniques since such exposures are subject to evolving legal interpretation. The reserves carried for these exposures represent management's best estimate based on currently available information. The company's exposure to these types of perils is immaterial.

Real estate is reported at original cost, plus additions or improvements, less depreciation and encumbrances on the real estate. Depreciation is based on the straight-line method over the estimated useful life.

A deferred tax asset has been recorded on the Company's balance sheet in accordance with the requirements of SSAP No. 10 Income Taxes.

The Company has a written capitalization policy for purchases of items such as electronic data processing equipment, software, furniture, and lease hold improvements. The predefined capitalization thresholds under this policy have not changed from those of the prior year.

### 2. Accounting Changes and Correction of Errors

#### Accounting Changes Other than Codification and Correction of Errors

During 2005, the Company adjusted current income taxes payable in the amount of \$1,640,174 based on the related income tax obligation as reported in the most recent Federal income tax return. The adjustment was recorded in conformity with SSAP No. 3 and was reported as a change in unassigned funds (surplus) at December 31, 2005 as the amount related to the correction of a balance established in a prior period.

#### Accounting Changes as a Result of Codification

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the Insurance Department of the Commonwealth of Pennsylvania. Effective January 1, 2001, insurance companies domiciled in Pennsylvania are required to prepare statutory basis financial statements in accordance with the National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures manual ("NAIC SAP"), subject to certain deviations prescribed or permitted by the Department.

Statutory accounting practices differ from those used prior to January 1, 2001, primarily because under NAIC and Pennsylvania Statutory Accounting Principles ("Pennsylvania SAP") the recognition of net deferred tax assets is now required.

## NOTES TO FINANCIAL STATEMENTS

Accounting changes adopted to conform to the provisions of the new NAIC Accounting Practices and Procedures Manual (codification) are reported as changes in accounting principles. The cumulative effect of changes in accounting principles is reported as an adjustment to unassigned funds (surplus) in the period of the change in accounting principle. The cumulative effect is the difference between the amount of policyholders' surplus at the beginning of the year and the amount of policyholders' surplus that would have been reported at the date if the new accounting principles had been applied retroactively for all prior periods. The effect on the Company's surplus at January 1, 2001 was an increase in statutory surplus of \$6,879,238 relating to the recognition of a deferred tax asset.

3. **Business Combinations and Goodwill**

Statutory Purchase Method

Not applicable

Statutory Mergers

Not applicable

Impairment Loss

Not applicable

4. **Discontinued Operations**

Not applicable

5. **Investments**

Mortgage Loans, including Mezzanine Real Estate Loans

Not applicable

Troubled Debt Restructuring for Creditors

Not applicable

Reverse Mortgages

Not applicable

Loan-Backed Securities

Not applicable

Repurchase Agreements

Not applicable

Real Estate

Not applicable

6. **Joint Ventures, Partnerships and Limited Liability Companies**

Detail for Those Greater than 10% of Admitted Assets

Not applicable

Write-downs for Impairments

Not applicable

7. **Investment Income**

Accrued Investment Income

The Company does not admit investment income due and accrued if amounts are over 90 days past due.

Amounts Nonadmitted

None

8. **Derivative Instruments**

The Company takes positions on certain derivative financial instruments to increase investment returns and to hedge against adverse movements in fair values of investments. Financial instruments used for such purposes include put and call options.

Options are contracts that grant the purchaser, for a premium payment, the right, but not the obligation, either to purchase or to sell a financial instrument at a specified price within a specified period of time. The Company purchases put options on certain common stocks it owns to hedge against adverse movements in fair values of those stocks. The premium paid for purchased options is recorded as a "write-in invested asset" and is marked to market at each statement date. On disposition, gains (losses) are recognized immediately.

The Company also writes (sells) call options on certain common stocks it owns to enhance returns to the extent of the premium received. The premium received for a written option is recorded as a "write-in liability" until the option is exercised, expires or is otherwise terminated.

The liability is marked to market at each statement date. On disposition, gains (losses) are recognized immediately, with gains (losses) on exercises combined with the gains (losses) on the covering asset.

The company did not have any derivative instruments on its balance sheet as at September 30, 2006.

9. **Federal Income Taxes**

No significant change. Refer to 2005 Annual Statement.

## NOTES TO FINANCIAL STATEMENTS

**10. Information Concerning Parent, Subsidiaries and Affiliates**Nature of Relationships

The company is a wholly owned subsidiary of QBE Holdings Inc., an insurance holding company domiciled in the state of Delaware, which is ultimately a wholly owned subsidiary of the QBE Insurance Group Limited, a publicly traded company incorporated under the laws of Australia.

Detail of Transactions Greater than 1/2% of Admitted Assets

Not applicable

Change in Terms of Intercompany Arrangements

Not applicable

Amounts due to or from Related Parties

At September 30, 2006, the company reported \$60,781 due from QBE Holdings Inc., \$5,063,634 due from QBE Insurance Corporation, \$927,889 due from QBE Insurance Group Ltd, \$345,480 due from QBE Specialty Insurance Company, \$71,847 due from National Farmers Union, \$66,330 due from QBE Management Bermuda, \$262,140 due to QBE Management Services Pty Ltd and \$2,618 due to other affiliates. The terms of the intercompany management and service agreement require that intercompany balances be settled within 45 days.

Guarantees or Contingencies for Related Parties

The Company has a guarantee from QBE Insurance Group Limited on its related party balances receivable.

Management, Service Contracts, Cost Sharing Arrangements

A group affiliate QBE Management Services Pty Ltd. provides certain management services to all members of the QBE Group at fair value.

Nature of Relationships that Could Affect Operations

All outstanding shares of the Company are owned by the Parent.

Amount Deducted for Investment in Upstream Company

Not applicable

Detail of Investments in Affiliates Greater than 10% of Admitted Assets

The company owns 100% of QBE Insurance Corporation. This investment is recorded at its statutory equity value of \$141,617,289. Summarized statutory information at September 30, 2006 for QBE Insurance Corporation follows:

Description	Amount
Admitted Assets	\$487,591,575
Liabilities	\$345,974,286
Policyholders' Surplus	\$141,617,289
Net Income	\$4,522,421

The company owns 100% of National Farmers Union. This investment is recorded at its statutory equity value of \$150,402,523, which includes unamortized goodwill of \$38,982,496. See Note 1 and Note 3A. Summarized statutory information at September 30, 2006 for National Farmers Union follows:

Description	Amount
Admitted Assets	\$275,810,199
Liabilities	\$164,390,172
Policyholders' Surplus	\$111,420,027
Net Income	\$17,336,345

Write down for Impairments of Investments in Affiliates

Not applicable

**11. Debt**

Not applicable

**12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans**Defined Benefits Plan

Refer to 2005 Annual Statement

Defined Contribution Plans

Refer to 2005 Annual Statement

Multiemployer Plans

Not applicable

Consolidated / Holding Company Plans

Not applicable



## NOTES TO FINANCIAL STATEMENTS

Postemployment Benefits and Compensated Absences

The Company has no obligation to current or former employees for benefits after their employment but before their retirement other than for compensation related to earned vacation. The company's policy is all vacation is taken in the year that it is earned.

13. Capital and Surplus, Dividend Restrictions and Quasi-ReorganizationsOutstanding Shares

The Company has 250,000 shares of \$200 par value common stock authorized and 150,000 shares issued and outstanding. The Company has no preferred stock authorized, issued or outstanding.

Dividend Rate of Preferred Stock

Not applicable

Dividend Restrictions

Dividends on common stock are paid as declared by the Board of Directors of the Company. Under the insurance regulations of the Commonwealth of Pennsylvania, the maximum dividend that can be paid by insurance companies, is limited to the greater of net income or ten percent of statutory surplus. On July 31, 2006 the Company paid a dividend to its immediate parent, QBE Holdings Inc. in the amount of \$17,750,000, pursuant to regulatory approval.

Mutual Surplus Advances

Not applicable

Company Stock Held for Special Purposes

Not applicable

Changes in Special Surplus Funds

Not applicable

Changes in Unassigned Funds

The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

Description	Current Year Increase (Decrease) in Surplus
Net income	\$25,862,546
Unrealized gain or loss	(7,627,347)
Net deferred income tax	2,790,802
Non admitted assets	(6,080,921)
Provision for reinsurance	0
Total increase (decrease)	\$14,945,080

On July 31, 2006, the Company received a dividend from the wholly owned subsidiary, QBE Insurance Corporation, in the amount of \$3,500,000. On September 29, 2006, the Company made a capital contribution to QBE Insurance Corporation in the amount of \$32,000,000, pursuant to regulatory approval.

Surplus Notes

Not applicable

Quasi Reorganizations

Not applicable

14. Contingencies

Not applicable

Guaranty Fund and Other Assessments

Not applicable

Gain Contingencies

Not applicable

Other Contingencies and Writedowns for Impairment

Not applicable

15. LeasesLessee Leasing Arrangements

The Parent QBE Holdings has entered into a non-cancelable operating lease agreement effective September 1, 1998 and expiring in 2014. The company is charged for office space and other equipment under non-cancelable operating leases by Holdings. Lease expenses paid by the Company were \$1,038,392 and \$856,538 for the nine months ended September 30, 2006 and 2005, respectively.

The Company has not entered into any sale and leaseback arrangements.

Lessor Leasing Arrangements

Not applicable

## NOTES TO FINANCIAL STATEMENTS

16. Information About Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk

Not applicable

17. Sale, Transfer, and Servicing of Financial Assets and Extinguishments of Liabilities

Not applicable

18. Gain or Loss from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

Not applicable

19. Direct Premium Written / Produced by Managing General Agents / Third Party Administrators

The Company uses Program Managers to write and administer personal auto insurance products in California. The terms of the PM contracts give the PM's authority for underwriting, claims payments and adjustment, reinsurance ceding, binding authority and premium collection. There are no premiums written which individually are greater than 5% of policyholders' surplus. Premiums written by PM's which are less than 5% of policyholders' surplus total (\$2,427).

20. September 11 Events

The net loss incurred from the World Trade Center catastrophe is immaterial in nature as of September 30, 2006 and is fully reflected in the financial statements.

21. Other ItemsExtraordinary Items

Not applicable

Troubled Debt Restructuring for Debtors

Not applicable

Asset Held by Government Authorities or Pledged as Collateral

Not applicable

Uncollectible Premiums Receivable

Refer to 2005 Annual Statement

Noncash Transactions

Not applicable

Business Interruption Insurance Recoveries

Not applicable

22. Events Subsequent

As of the filing date of this statement no events have occurred which have had a material effect on the financial condition of the Company.

23. ReinsuranceUnsecured Reinsurance Recoverables

Refer to 2005 Annual Statement

Reinsurance Recoverable in Dispute

The Company does not have reinsurance recoverables for paid losses and loss adjustment expenses that exceed 5% of policyholders' surplus for an individual reinsurer or 10% of policyholders' surplus in aggregate.

Reinsurance Assumed and Ceded

Refer to 2005 Annual Statement

Uncollectible Reinsurance

The Company wrote off reinsurance balances amounting to \$0 in 2006 and \$0 in 2005.

Commutation of Ceded Reinsurance

Refer to Annual Statement

Retroactive Reinsurance

Refer to Annual Statement

Reinsurance Accounted for as a Deposit

Not applicable

24. Retrospectively Rated Contracts and Contracts Subject to Redetermination

Not applicable

25. Change in Incurred Losses and Loss Adjustment Expense

Refer to 2005 Annual Statement

26. Intercompany Pooling Arrangements

Not applicable

## NOTES TO FINANCIAL STATEMENTS

- 27. Structured Settlements  
Not applicable
- 28. Health Care Receivables  
Not applicable
- 29. Participating Policies  
Not applicable
- 30. Premium Deficiency Reserves  
Not applicable
- 31. High Deductibles  
Not applicable
- 32. Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses  
Not applicable
- 33. Asbestos and Environmental Reserves  
Refer to 2005 Annual Statement
- 34. Subscriber Savings Accounts  
Not applicable
- 35. Multiple Peril Crop Insurance  
Not applicable

## GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted.)

### PART 1 - COMMON INTERROGATORIES GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? ..... Yes  No
- 1.2 If yes, has the report been filed with the domiciliary state? ..... Yes  No
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? ..... Yes  No
- 2.2 If yes, date of change: .....  
If not previously filed, furnish herewith a certified copy of the instrument as amended.
3. Have there been any substantial changes in the organizational chart since the prior quarter end? ..... Yes  No   
If yes, complete the Schedule Y - Part 1 - organizational chart.
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? ..... Yes  No
- 4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? ..... Yes  No  NA   
If yes, attach an explanation.
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. .... 12/31/2002
- 6.2 State as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. .... 12/31/2002
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). .... 07/16/2004
- 6.4 By what department or departments?  
.....
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? ..... Yes  No
- 7.2 If yes, give full information:  
.....
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? ..... Yes  No
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.  
.....
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? ..... Yes  No
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

GENERAL INTERROGATORIES

FINANCIAL

- 9.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes  No
- 9.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: .....\$ .....60,781

INVESTMENT

- 10.1 Has there been any change in the reporting entity's own preferred or common stock? ..... Yes  No
- 10.2 If yes, explain: .....

- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) ..... Yes  No
- 11.2 If yes, give full and complete information relating thereto: .....

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: .....\$ .....
13. Amount of real estate and mortgages held in short-term investments: .....\$ .....

- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? ..... Yes  No
- 14.2 If yes, please complete the following:

	1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Statement Value
14.21 Bonds .....	\$ .....	\$ .....
14.22 Preferred Stock .....	\$ 1,425,477	\$ 1,724,330
14.23 Common Stock .....	\$ 279,058,665	\$ 251,854,935
14.24 Short-Term Investments .....	\$ .....	\$ .....
14.25 Mortgage Loans on Real Estate .....	\$ .....	\$ .....
14.26 All Other .....	\$ .....	\$ .....
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26) .....	\$ 280,484,142	\$ 253,579,265
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above .....	\$ .....	\$ .....

- 15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? ..... Yes  No
- 15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? ..... Yes  No
- If no, attach a description with this statement.

16. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV.H - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? ..... Yes  No

- 16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address
Brown Brothers Harriman & Company .....	140 Broadway, New York, NY 10005-1101 .....

- 16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

- 16.3 Have there been any changes, including name changes in the custodian(s) identified in 16.1 during the current quarter? ..... Yes  No

- 16.4 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

- 16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address
107423 .....	Conning Asset Management .....	One Financial Plaza, Hartford, CT 06103 .....

- 17.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? ..... Yes  No
- 17.2 If no, list exceptions: .....

## GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise noted.)

### PART 2

### PROPERTY & CASUALTY INTERROGATORIES

1. If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change? ..... Yes  No  NA

If yes, attach an explanation.

2. Has the reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured? ..... Yes  No

If yes, attach an explanation.

3.1 Have any of the reporting entity's primary reinsurance contracts been canceled? ..... Yes  No

3.2 If yes, give full and complete information thereto.  
.....

4.1 Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation tabular reserves (see annual statement instructions pertaining to disclosure of discounting for definition of "tabular reserves") discounted at a rate of interest greater than zero? ..... Yes  No

4.2 If yes, complete the following schedule:

1 Line of Business	2 Maximum Interest	3 Discount Rate	TOTAL DISCOUNT				DISCOUNT TAKEN DURING PERIOD			
			4 Unpaid Losses	5 Unpaid LAE	6 IBNR	7 TOTAL	8 Unpaid Losses	9 Unpaid LAE	10 IBNR	11 TOTAL
TOTAL										

### SCHEDULE A - VERIFICATION

Real Estate

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	551,546	572,811
2. Increase (decrease) by adjustment	(15,949)	(21,265)
3. Cost of acquired		
4. Cost of additions to and permanent improvements		
5. Total profit (loss) on sales		
6. Increase (decrease) by foreign exchange adjustment		
7. Amount received on sales		
8. Book/adjusted carrying value at end of current period	535,597	551,546
9. Total valuation allowance		
10. Subtotal (Lines 8 plus 9)	535,597	551,546
11. Total nonadmitted amounts		
12. Statement value, current period (Page 2, real estate lines, Net Admitted Assets column)	535,597	551,546

### SCHEDULE B - VERIFICATION

Mortgage Loans

	1 Year to Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year		
2. Amount loaned during period:		
2.1. Actual cost at time of acquisitions		
2.2. Additional investment made after acquisitions		
3. Accrual of discount and mortgage interest points and commitment fees		
4. Increase (decrease) by adjustment		
5. Total profit (loss) on sale		
6. Amounts paid on account or in full during the period		
7. Amortization of premium		
8. Increase (decrease) by foreign exchange adjustment		
9. Book value/recorded investment excluding accrued interest on mortgages owned at end of current period		
10. Total valuation allowance		
11. Subtotal (Lines 9 plus 10)		
12. Total nonadmitted amounts		
13. Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column)		

**NONE**

### SCHEDULE BA - VERIFICATION

Other Invested Assets

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of long-term invested assets, December 31 of prior year		
2. Cost of acquisitions during period:		
2.1. Actual cost at time of acquisitions		
2.2. Additional investment made after acquisitions		
3. Accrual of discount		
4. Increase (decrease) by adjustment		
5. Total profit (loss) on sale		
6. Amounts paid on account or in full during the period		
7. Amortization of premium		
8. Increase (decrease) by foreign exchange adjustment		
9. Book/adjusted carrying value of long-term invested assets at end of current period		
10. Total valuation allowance		
11. Subtotal (Lines 9 plus 10)		
12. Total nonadmitted amounts		
13. Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3)		

**NONE**

### SCHEDULE D - VERIFICATION

Bonds and Stocks

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	570,738,488	604,580,966
2. Cost of bonds and stocks acquired	586,897,880	425,611,193
3. Accrual of discount	466,016	189,883
4. Increase (decrease) by adjustment	(17,118,994)	(7,305,685)
5. Increase (decrease) by foreign exchange adjustment		
6. Total profit (loss) on disposal	(1,833,618)	6,862,336
7. Consideration for bonds and stocks disposed of	617,269,917	453,549,456
8. Amortization of premium	371,408	5,650,749
9. Book/adjusted carrying value, current period	520,908,447	570,738,488
10. Total valuation allowance		
11. Subtotal (Lines 9 plus 10)	520,908,447	570,738,488
12. Total nonadmitted amounts		
13. Statement value	520,908,447	570,738,488

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE QBE REINSURANCE CORPORATION

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
1. Class 1	263,988,578	383,033,684	462,513,503	351,100	320,383,992	263,988,578	184,859,859	536,473,155
2. Class 2								
3. Class 3								
4. Class 4								
5. Class 5								
6. Class 6								
7. Total Bonds	263,988,578	383,033,684	462,513,503	351,100	320,383,992	263,988,578	184,859,859	536,473,155
8. Class 1								
9. Class 2	1,805,956			(81,626)	1,627,892	1,805,956	1,724,330	1,425,477
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. Total Preferred Stock	1,805,956			(81,626)	1,627,892	1,805,956	1,724,330	1,425,477
15. Total Bonds and Preferred Stock	265,794,534	383,033,684	462,513,503	269,474	322,011,884	265,794,534	186,584,189	537,898,632



## SCHEDULE DA - PART 1

Short-Term Investments Owned End of Current Quarter

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
8298999 Totals	12,451,190	XXX	12,402,190	2,657,323	19,299

## SCHEDULE DA - PART 2- VERIFICATION

Short-Term Investments Owned

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	217,218,809	80,693,912
2. Cost of short-term investments acquired .....	120,246,606	407,762,479
3. Increase (decrease) by adjustment .....	439,650	1,223,938
4. Increase (decrease) by foreign exchange adjustment .....		
5. Total profit (loss) on disposal of short-term investments .....	(257,071)	(95,412)
6. Consideration received on disposal of short-term investments .....	325,196,804	272,366,108
7. Book/adjusted carrying value, current period .....	12,451,190	217,218,809
8. Total valuation allowance .....		
9. Subtotal (Lines 7 plus 8) .....	12,451,190	217,218,809
10. Total nonadmitted amounts .....		
11. Statement value (Lines 9 minus 10) .....	12,451,190	217,218,809
12. Income collected during period .....	3,077,828	2,964,430
13. Income earned during period .....	1,435,482	4,224,728

Schedule DB - Part F - Section 1

**NONE**

Schedule DB - Part F - Section 2

**NONE**



**SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN**

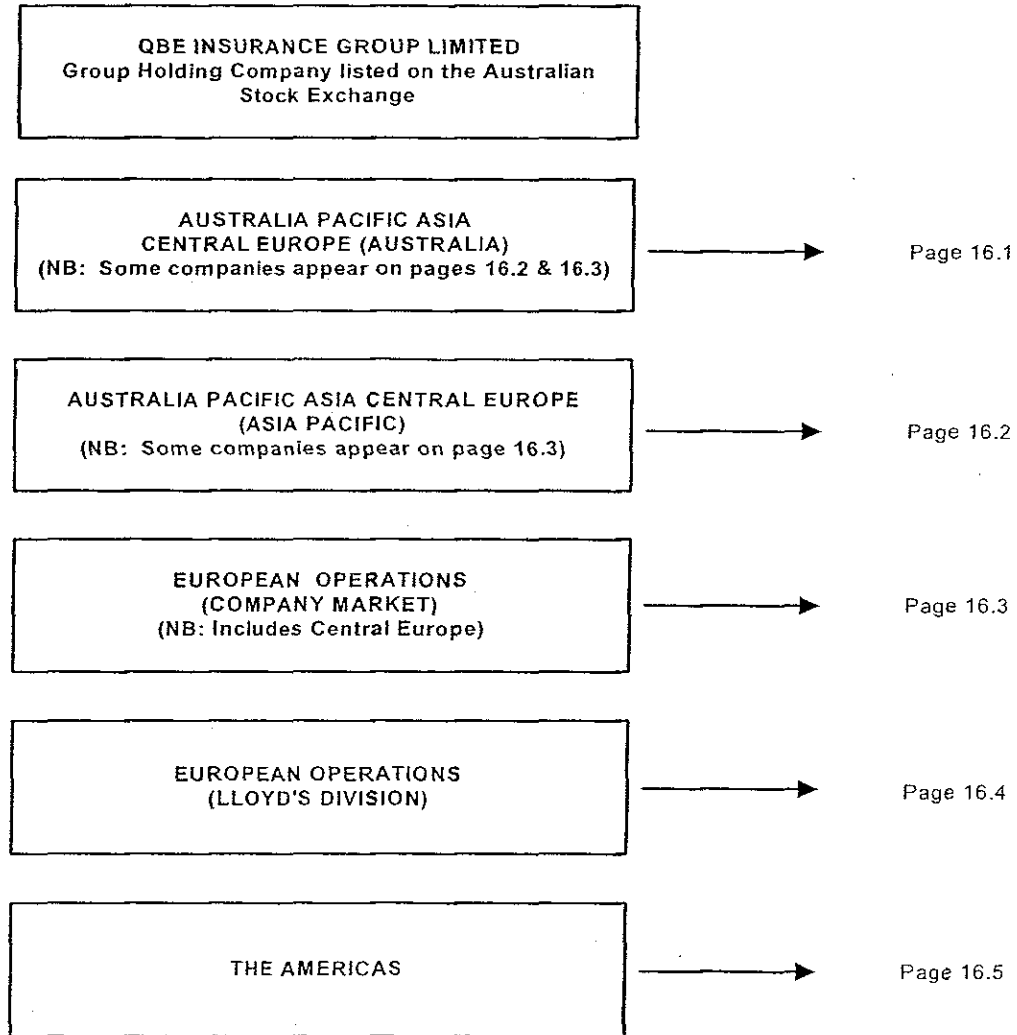
Current Year to Date - Allocated by States and Territories

States, etc.	1 Is Insurer Licensed? (Yes or No)	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		2 Current Year To Date	3 Prior Year To Date	4 Current Year To Date	5 Prior Year To Date	6 Current Year To Date	7 Prior Year To Date
1. Alabama	AL	No					
2. Alaska	AK	No					
3. Arizona	AZ	Yes					
4. Arkansas	AR	Yes					
5. California	CA	Yes	(2,427)	(1,003,585)	259,597	1,011,497	129,204 (637,000)
6. Colorado	CO	No					
7. Connecticut	CT	No					
8. Delaware	DE	Yes					
9. District of Columbia	DC	Yes					
10. Florida	FL	Yes					
11. Georgia	GA	Yes					
12. Hawaii	HI	Yes					
13. Idaho	ID	Yes					
14. Illinois	IL	Yes					
15. Indiana	IN	Yes					
16. Iowa	IA	Yes					
17. Kansas	KS	Yes					
18. Kentucky	KY	No					
19. Louisiana	LA	Yes					
20. Maine	ME	No					
21. Maryland	MD	No					
22. Massachusetts	MA	No					
23. Michigan	MI	Yes					
24. Minnesota	MN	Yes					
25. Mississippi	MS	Yes					
26. Missouri	MO	No					
27. Montana	MT	No					
28. Nebraska	NE	Yes					
29. Nevada	NV	Yes					
30. New Hampshire	NH	Yes					
31. New Jersey	NJ	Yes					
32. New Mexico	NM	No					
33. New York	NY	Yes					
34. North Carolina	NC	No					
35. North Dakota	ND	No					
36. Ohio	OH	Yes					
37. Oklahoma	OK	Yes					
38. Oregon	OR	Yes					
39. Pennsylvania	PA	Yes					
40. Rhode Island	RI	No					
41. South Carolina	SC	No					
42. South Dakota	SD	No					
43. Tennessee	TN	No					
44. Texas	TX	Yes					
45. Utah	UT	Yes					
46. Vermont	VT	No					
47. Virginia	VA	Yes					
48. Washington	WA	Yes					
49. West Virginia	WV	Yes					
50. Wisconsin	WI	Yes					
51. Wyoming	WY	No					
52. American Samoa	AS	No					
53. Guam	GU	No					
54. Puerto Rico	PR	Yes					
55. U.S. Virgin Islands	VI	No					
56. Northern Mariana Islands	MP	No					
57. Canada	CN	No					
58. Aggregate Other Alien	OT	XXX					
59. Totals	(a) 33	(2,427)	(1,003,585)	259,597	1,011,497	129,204	(637,000)
<b>DETAILS OF WRITE-INS</b>							
5801.	XXX						
5802.	XXX						
5803.	XXX						
5898. Summary of remaining write-ins for Line 58 from overflow page.	XXX						
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX						

(a) Insert the number of yes responses except for Canada and Other Alien.

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 - ORGANIZATIONAL CHART**

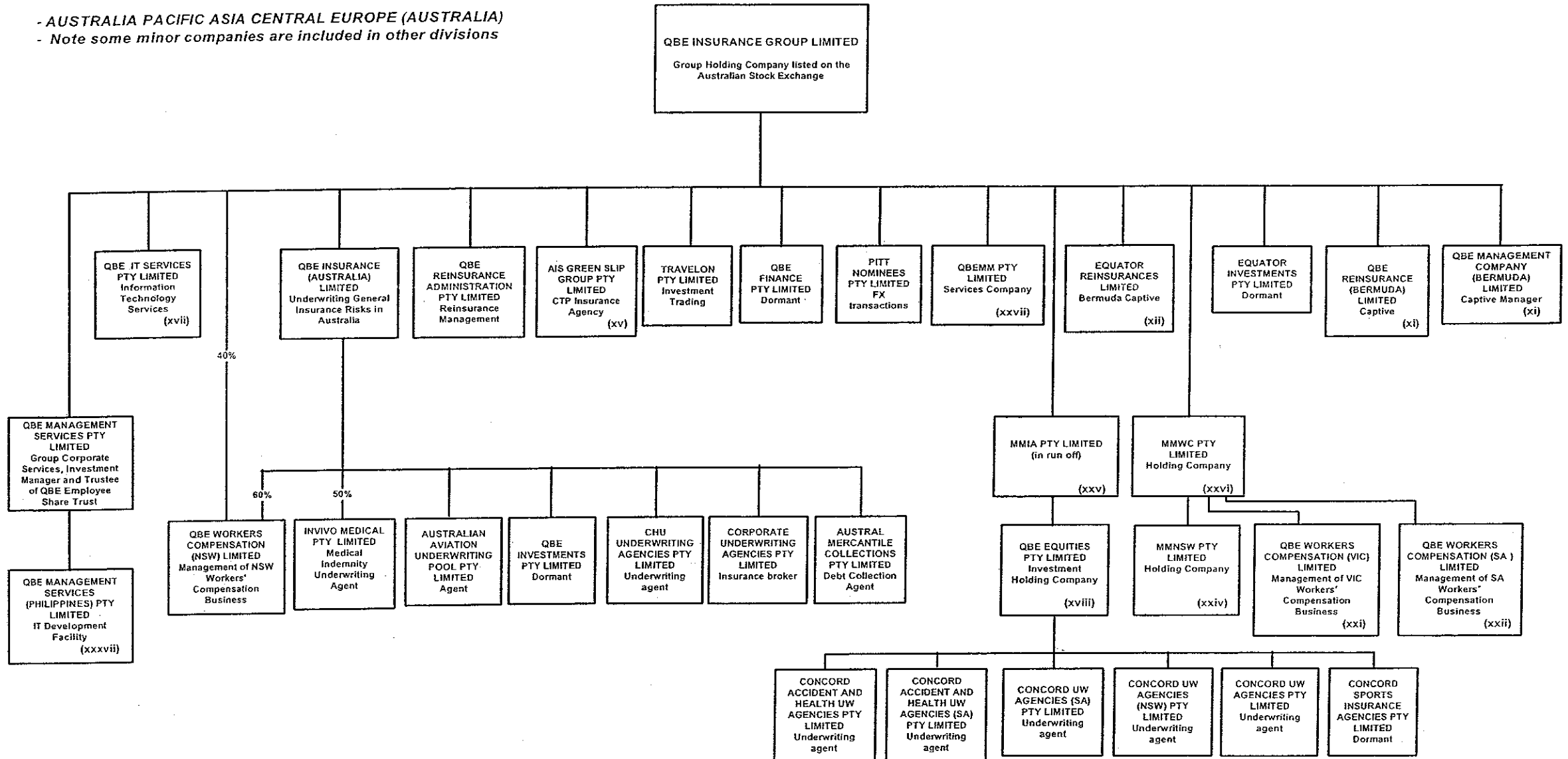
**GROUP AND REGIONAL STRUCTURE -  
QBE INSURANCE GROUP LIMITED & ITS SUBSIDIARIES AND ASSOCIATES**



**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**  
**PART 1 - ORGANIZATIONAL CHART**

GROUP STRUCTURE - QBE INSURANCE GROUP LIMITED  
 & ITS SUBSIDIARIES AND ASSOCIATES

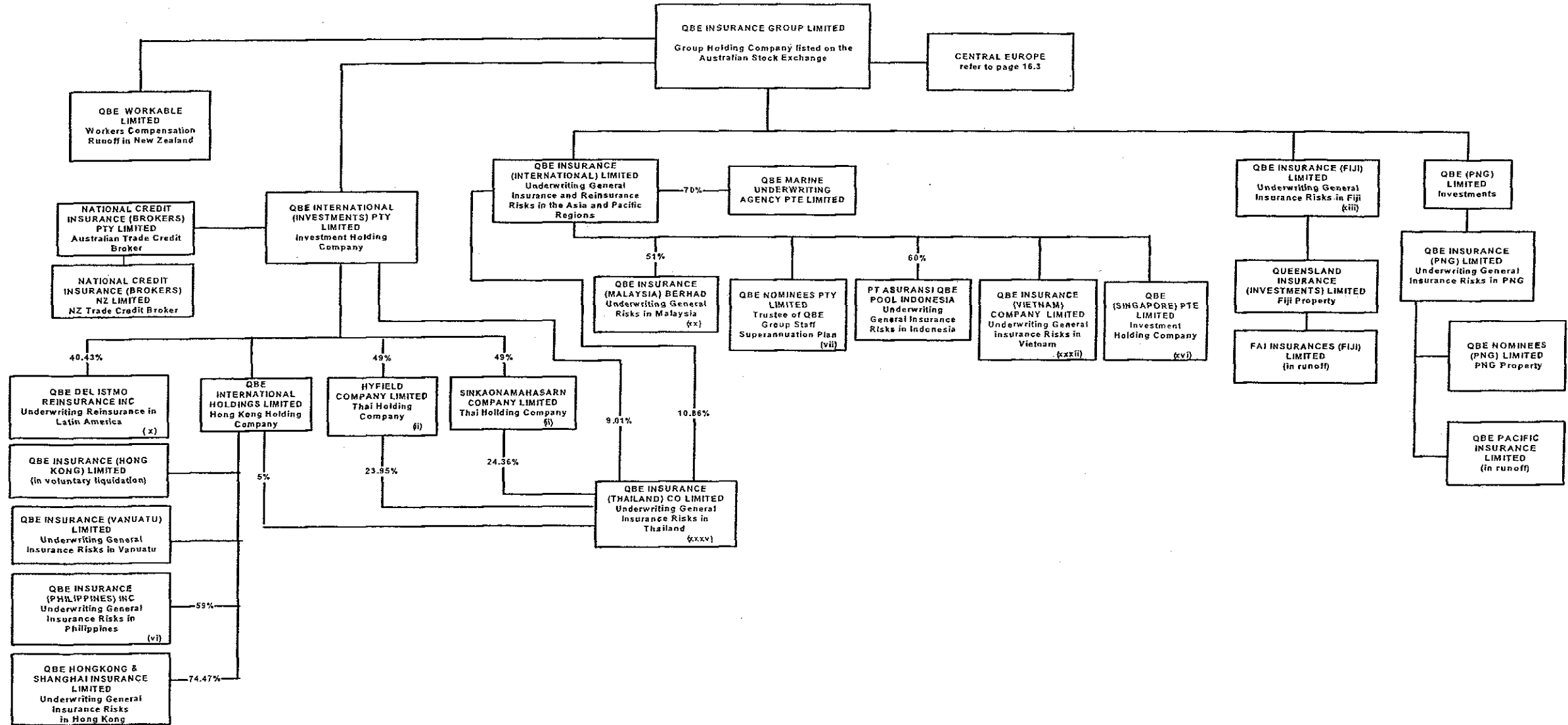
- AUSTRALIA PACIFIC ASIA CENTRAL EUROPE (AUSTRALIA)  
 - Note some minor companies are included in other divisions



# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP PART 1 - ORGANIZATIONAL CHART

GROUP STRUCTURE - QBE INSURANCE GROUP LIMITED  
& ITS SUBSIDIARIES AND ASSOCIATES

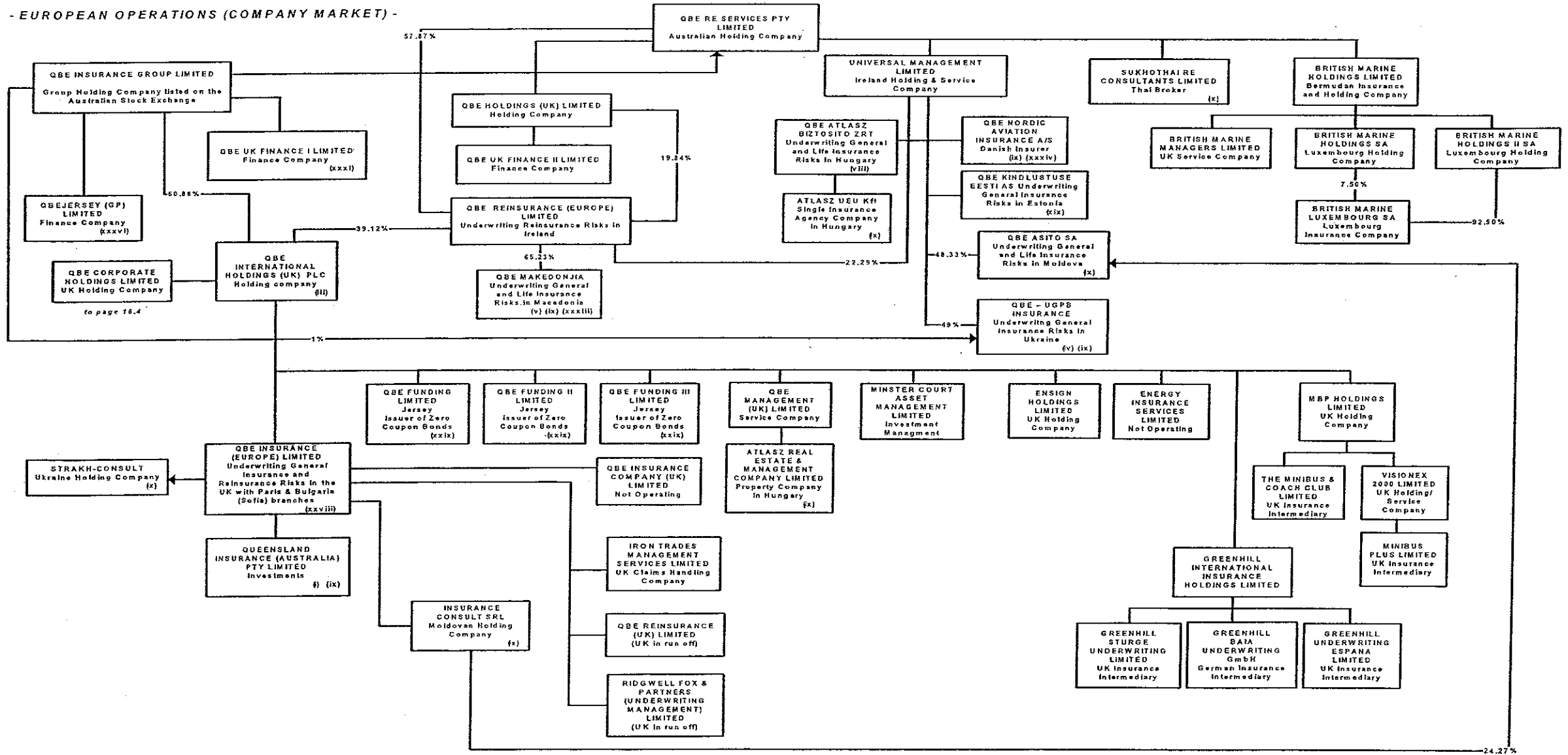
- AUSTRALIA PACIFIC ASIA CENTRAL EUROPE (ASIA PACIFIC)



# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP PART 1 - ORGANIZATIONAL CHART

GROUP STRUCTURE - QBE INSURANCE GROUP LIMITED  
& ITS SUBSIDIARIES AND ASSOCIATES

- EUROPEAN OPERATIONS (COMPANY MARKET) -



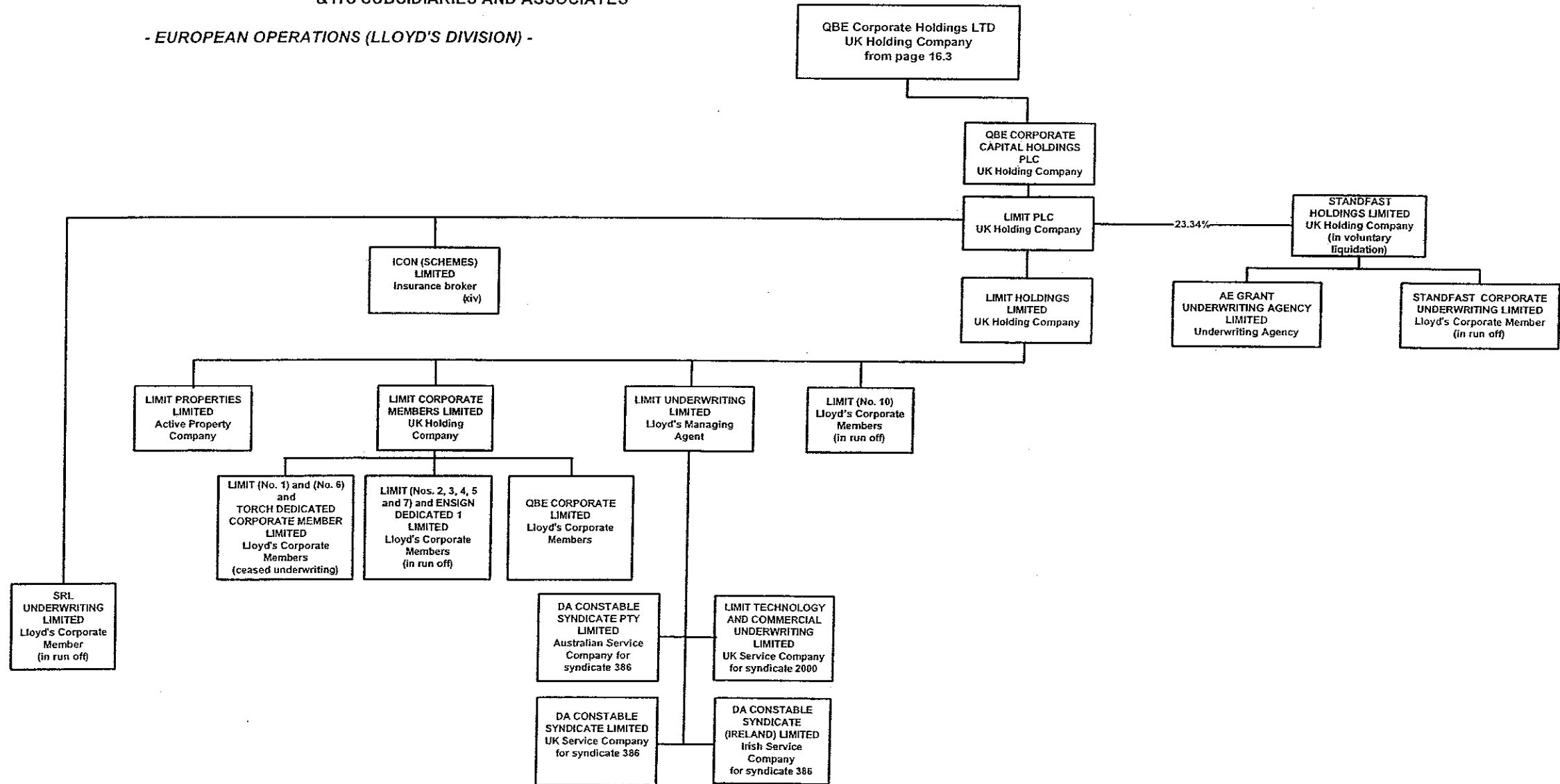
163



**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 - ORGANIZATIONAL CHART**

GROUP STRUCTURE - QBE INSURANCE GROUP LIMITED  
& ITS SUBSIDIARIES AND ASSOCIATES

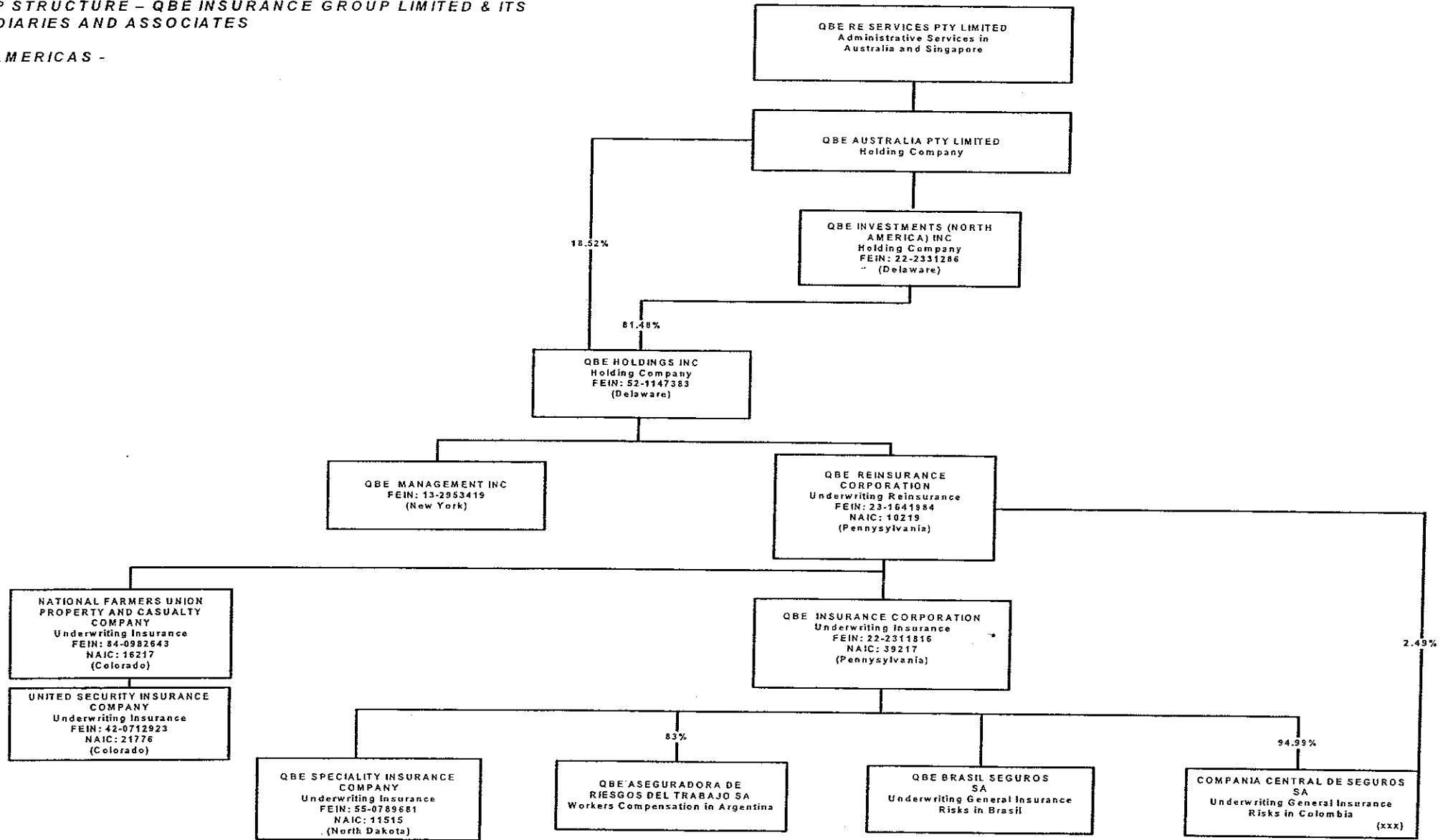
- EUROPEAN OPERATIONS (LLOYD'S DIVISION) -



**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 - ORGANIZATIONAL CHART**

GROUP STRUCTURE - QBE INSURANCE GROUP LIMITED & ITS  
SUBSIDIARIES AND ASSOCIATES

- THE AMERICAS -



16.5

## SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

### PART 1 - ORGANIZATIONAL CHART

Notes to be read in conjunction with the QBE Group and Regional Structures

- (i) - Access shares held by QBE Insurance Group Limited
- (ii) - Unrelated Thai company (Born to Win Company Ltd) and its associates own 51% of shares.
- (iii) - Preference shares held by QBE UK Finance II Limited
- (iv) - Total Group holdings = 50%
- (v) - QBE has 73.5% of the voting rights with its shareholding
- (vi) - 59% held directly; 16% held by a Filipino law firm
- (vii) - Part of Australian operations. Plan closed Feb 06. Custodian trustee of the QBE NZ Staff Superannuation Plan
- (viii) - Part of Australia Pacific Asia Central Europe. Company changed name to QBE Atlasz Biztosito zartkor en m kod reszvenytarsasag (30 September 2005).
- (ix) - Part of Australia Pacific Asia Central Europe.
- (x) - Part of the Americas division - sub-group includes QBE Del Istmo Mexico (95%), QBE Rio Peru (80%), QBE Del Istmo Colombia (100%) and Seguros Carabobo SA Venezuela (15%).
- (xi) - Part of the Americas
- (xii) - Managed in Dublin as a separate division
- (xiii) - Formerly Queensland Insurance (Fiji) Limited (29 April 04)
- (xiv) - Formerly Tolson Messenger Limited (04)
- (xv) - Formerly Australian Aviation Insurance Group (Agency) Pty Ltd (1 July 04)
- (xvi) - Formerly Zurich Insurance (Singapore) Pte Ltd (14 April 05)
- (xvii) - Formerly Insure IT Services Pty Ltd (05 Nov 04)
- (xviii) - Acquired the balance of Concord Agency Companies in July 2006 other than UMS. QBE has management control.
- (xix) - Changed its name to QBE Kindlustuse Eesti AS on 20 April 05 – acquired by UML 7 April 06
- (xx) - Formerly QBE-MBF Insurans Berhad (31 December 04)
- (xxi) - Formerly Mercantile Mutual WorkSure Limited (14 February 05)
- (xxii) - Formerly Mercantile Mutual Insurance (SA Workers Compensation) Limited (14 February 05)
- (xxiii) - Formerly Mercantile Equities Pty Limited (8 March 05)
- (xxiv) - Formerly Mercantile Mutual Insurance (NSW Workers Compensation) Pty Limited (8 March 05)
- (xxv) - Formerly Mercantile Mutual Insurance (Australia) Limited (15 April 05)
- (xxvi) - Formerly Mercantile Mutual Insurance (Workers Compensation) Limited (15 April 05)
- (xxvii) - Formerly QBE Mercantile Mutual Limited (5 May 05)
- (xxviii) - Formerly QBE International Insurance Limited (30 September 05)
- (xxix) - SPVs utilised in LYONs and SCS issues through, respectively, QBE Funding Trust (LYONs I), QBE Funding Trust II (LYONs II), and QBE Funding Trust III (SCS)
- (xxx) - Compania Central de Seguros de Vida SA, former subsidiary, was merged into Compania Central de Seguros SA effective 30 November 2005
- (xxxii) - Formerly Sandsale Limited (30 November 05)
- (xxxiii) - Sale of 50% interest in separate legal entity, BIDV-QBE Insurance Company occurred simultaneously with this acquisition. Previously Allianz General Insurance (Vietnam) Co. Ltd. Completed 1 Jan 06
- (xxxiv) - Formerly owned by QBE Insurance (Europe) Limited
- (xxxv) - Formerly Nordic Aviation Insurance A/S – completion occurred 30 March 06
- (xxxvi) - Born to Win Company Ltd holds 19.25% directly
- (xxxvii) - SPV utilised in Perpetual Preferred Securities issue through QBE Capital Funding LP
- (xxxviii) - QBE Management Services (Philippines) Pty Ltd incorporated in NSW (25 September 06)
- (xxxviiii) - Universal Management Limited changed its name to QBE Management (Ireland) Limited effective 3 October 06

Note: all shareholdings are 100% unless specified

**PART 1 - LOSS EXPERIENCE**

Lines of Business	Current Year to Date			4 Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
1. Fire				
2. Allied Lines				
3. Farmowners multiple peril				
4. Homeowners multiple peril				
5. Commercial multiple peril				
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine				
10. Financial guaranty				
11.1 Medical malpractice - occurrence				
11.2 Medical malpractice - claims-made				
12. Earthquake				
13. Group accident and health				
14. Credit accident and health				
15. Other accident and health				
16. Workers' compensation				
17.1 Other liability - occurrence				
17.2 Other liability - claims-made				
18.1 Products liability - occurrence				
18.2 Products liability - claims-made				
19.1,19.2 Private passenger auto liability	306,051	(78,758)	(25.7)	46.8
19.3,19.4 Commercial auto liability				
21. Auto physical damage	194,583	(33,715)	(17.3)	1.2
22. Aircraft (all perils)				
23. Fidelity				
24. Surety				
26. Burglary and theft				
27. Boiler and machinery				
28. Credit				
29. International				
30. Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX	XXX
31. Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX	XXX
32. Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX	XXX
33. Aggregate write-ins for other lines of business				
34. Totals	500,634	(112,473)	(22.5)	26.3
<b>DETAILS OF WRITE-INS</b>				
3301.				
3302.				
3303.				
3398. Summary of remaining write-ins for Line 33 from overflow page				
3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above)				

**PART 2 - DIRECT PREMIUMS WRITTEN**

Lines of Business	1	2	3
	Current Quarter	Current Year to Date	Prior Year Year to Date
1. Fire			
2. Allied Lines			
3. Farmowners multiple peril			
4. Homeowners multiple peril			
5. Commercial multiple peril			
6. Mortgage guaranty			
8. Ocean marine			
9. Inland marine			
10. Financial guaranty			
11.1 Medical malpractice - occurrence			
11.2 Medical malpractice - claims-made			
12. Earthquake			
13. Group accident and health			
14. Credit accident and health			
15. Other accident and health			
16. Workers' compensation			
17.1 Other liability - occurrence			
17.2 Other liability - claims-made			
18.1 Products liability - occurrence			
18.2 Products liability - claims-made			
19.1,19.2 Private passenger auto liability		(48)	(1,564)
19.3,19.4 Commercial auto liability			(550,317)
21. Auto physical damage		(19)	(11)
22. Aircraft (all perils)		(863)	(453,257)
23. Fidelity			
24. Surety			
26. Burglary and theft			
27. Boiler and machinery			
28. Credit			
29. International			
30. Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX
31. Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX
32. Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX
33. Aggregate write-ins for other lines of business			
34. Totals		(67)	(2,427)
			(1,003,585)
<b>DETAILS OF WRITE-INS</b>			
3301.			
3302.			
3303.			
3398. Summary of remaining write-ins for Line 33 from overflow page			
3399. Totals (Lines 3301 thru 3303 plus 3398) (Line 33 above)			

## PART 3 (000 omitted)

## LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

	1	2	3	4	5	6	7	8	9	10	11	12	13
Years in Which Losses Occurred	Prior Year-End Known Case Loss and LAE Reserves	Prior Year-End IBNR Loss and LAE Reserves	Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	2006 Loss and LAE Payments on Claims Reported as of Prior Year-End	2006 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2006 Loss and LAE Payments (Cols. 4 + 5)	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and open as of Prior Year-End	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or reopened Subsequent to Prior Year-End	Q.S. Date IBNR Loss and LAE Reserves	Total Q.S. Loss and LAE Reserves (Cols. 7 + 8 + 9)	Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 4 + 7 minus Col. 1)	Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 5 + 8 + 9 minus Col. 2)	Prior Year-End Total Loss and LAE Reserve Developed (Savings)/ Deficiency (Cols. 11 + 12)
1. 2003 + Prior	49,381	62,015	111,396	51,002		51,002	32,346		36,901	69,247	33,967	(25,114)	8,853
2. 2004	25,358	53,112	78,470	14,614		14,614	21,805		46,309	68,114	11,061	(6,803)	4,258
3. Subtotals 2004 + Prior	74,739	115,127	189,866	65,616		65,616	54,151		83,210	137,361	45,028	(31,917)	13,111
4. 2005	45,158	111,562	156,720	42,341		42,341	41,975		80,630	122,605	39,158	(30,932)	8,226
5. Subtotals 2005 + Prior	119,897	226,689	346,586	107,957		107,957	96,126		163,840	259,966	84,186	(62,849)	21,337
6. 2006	XXX	XXX	XXX	XXX	55,686	55,686	XXX	38,047	74,312	112,359	XXX	XXX	XXX
7. Totals	119,897	226,689	346,586	107,957	55,686	163,643	96,126	38,047	238,152	372,325	84,186	(62,849)	21,337
8. Prior Year-End's Surplus As Regards Policyholders	539,485										Col. 11, Line 7 As % of Col. 1 Line 7	Col. 12, Line 7 As % of Col. 2 Line 7	Col. 13, Line 7 As % of Col. 3 Line 7
											1. 70.2	2. (27.7)	3. 6.2
													Col. 13, Line 7 As a % of Col. 1 Line 8
													4. 4.0

# SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing on "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory question.

RESPONSE

1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?

.....NO.....

2. Will Supplement A to Schedule T (Medical Malpractice Supplement) be filed with this statement?

.....NO.....

**Explanation:**

- 1.
- 2.

**Bar Code:**



**OVERFLOW PAGE FOR WRITE-INS**

---

Schedule A - Part 2

**NONE**

Schedule A - Part 3

**NONE**

Schedule B - Part 1

**NONE**

Schedule B - Part 2

**NONE**

Schedule BA - Part 1

**NONE**

Schedule BA - Part 2

**NONE**



STATEMENT AS OF SEPTEMBER 30, 2006 OF THE QBE REINSURANCE CORPORATION

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10
CUSIP Identification	Description	Foreign	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends	NAIC Designation or Market Indicator (a)
912828-D6-2	US TREASURY N/B 01/15/2010 3.625		08/03/2006	BARCLAYS AMERICAN		38,385,938	40,000,000	94,565	1
912828-EL-0	US TREASURY N/B 11/15/2008 4.375		08/02/2006	VARIOUS		33,569,219	34,000,000	321,467	1
912828-FP-0	US TREASURY N/B 08/15/2009 4.875		08/09/2006	BANK AMERICA		52,008,125	52,000,000		1
0399999 - Total	Bonds - U.S. Government					123,963,281	126,000,000	416,033	XXX
22541L-BR-3	CREDIT SUISSE FB USA 1 12/09/2008 5.520		07/11/2006	BANK AMERICA		5,007,600	5,000,000	26,311	1FF
4599999 - Total	Bonds - Industrial, Misc.					5,007,600	5,000,000	26,311	XXX
6099997 - Total	Bonds - Part 3					128,970,881	131,000,000	442,343	XXX
6099999 - Total	Bonds					128,970,881	131,000,000	442,343	XXX
6599999 - Total	Preferred Stocks								XXX
534187-10-9	LINCOLN NATIONAL CORP.		09/26/2006	VARIOUS	5,289,000	316,185	XXX		XXX
6799999 - Total	Common Stocks - Banks, Trusts, Insurance					316,185	XXX		XXX
00724F-10-1	ADOBE SYSTEMS INC.		09/26/2006	VARIOUS	19,700,000	648,650			XXX
007903-10-7	ADVANCED MICRO DEVICES		08/31/2006	RAYMOND JAMES	15,110,000	364,631			XXX
03076C-10-6	AMERIPRISE FINANCIAL INC.		08/17/2006	PERSHING DIV OF DLJ	2,380,000	108,186			XXX
037833-10-0	APPLE COMPUTER INC.		09/26/2006	VARIOUS	8,074,000	562,202			XXX
00206R-10-2	AT&T INC.		09/26/2006	VARIOUS	6,490,000	207,930			XXX
17275R-10-2	CISCO SYSTEMS INC.		08/29/2006	VARIOUS	18,070,000	377,904			XXX
177376-10-0	CITRIX SYSTEMS INC.		09/12/2006	VARIOUS	15,750,000	490,916			XXX
194162-10-3	COLGATE-PALMOLIVE CO.		09/26/2006	RAYMOND JAMES	1,610,000	100,672			XXX
20030N-10-1	COMCAST CORP-CL A		09/26/2006	RAYMOND JAMES	2,730,000	99,211			XXX
25388B-10-4	DIGITAL RIVER INC.		08/31/2006	VARIOUS	8,090,000	379,474			XXX
31410H-10-1	FEDERATED DEPARTMENT STORES		08/17/2006	UNITED BANK OF SWITZERLAND	3,550,000	135,200			XXX
368710-40-6	GENENTECH INC.		08/31/2006	VARIOUS	13,080,000	1,080,327			XXX
458140-10-0	INTEL CORP.		08/31/2006	VARIOUS	33,380,000	649,556			XXX
524901-10-5	LEGG MASON INC.		08/31/2006	VARIOUS	3,670,000	328,344			XXX
524908-10-0	LEHMAN BROTHERS HOLDINGS INC.		08/16/2006	VARIOUS	8,180,000	396,902			XXX
565849-10-6	MARATHON OIL CORP.		07/06/2006	PRUDENTIAL EQ GRP.	1,250,000	106,712			XXX
585055-10-6	MEDTRONIC INC.		08/02/2006	PRUDENTIAL EQ GRP.	6,290,000	324,926			XXX
595112-10-3	MICRON TECHNOLOGY INC.		08/31/2006	RAYMOND JAMES	18,620,000	322,942			XXX
631103-10-8	NASDAQ 100		09/01/2006	PRUDENTIAL EQ GRP.	17,370,000	511,454			XXX
674599-10-5	OCCIDENTAL PETROLEUM CORP.		07/06/2006	PRUDENTIAL EQ GRP.	1,010,000	105,027			XXX
717081-10-3	PFIZER INC.		09/26/2006	VARIOUS	9,684,000	261,148			XXX
742718-10-9	PROCTER & GAMBLE CO.		07/13/2006	ISI GROUP INC.	3,705,000	209,984			XXX
855244-10-9	STARBUCKS CORP.		09/26/2006	RAYMOND JAMES	2,910,000	100,082			XXX
882508-10-4	TEXAS INSTRUMENTS INC.		08/17/2006	VARIOUS	8,700,000	280,959			XXX
983024-10-0	WYETH		09/26/2006	VARIOUS	17,580,000	855,845			XXX
98956P-10-2	ZIMMER HOLDINGS INC.		08/02/2006	PRUDENTIAL EQ GRP.	3,300,000	217,662			XXX
6899999 - Total	Common Stocks - Industrial, Misc.					9,224,849	XXX		XXX
6999999 - Total	Common Stocks - Parent, Subsidiaries, Affiliates						XXX		XXX
7299997 - Total	Common Stocks - Part 3					9,541,033	XXX		XXX
7299999 - Total	Common Stocks					9,541,033	XXX		XXX
7399999 - Total	Preferred and Common Stocks						XXX		XXX
7499999 - Totals						138,511,914	XXX	442,343	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues

E04

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE QBE REINSURANCE CORPORATION

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/(Decrease)	Current Year's (Amortization)/Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B/A, C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B/A, C.V.	Book/Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)
3133XA-76-6	FEDERAL HOME LOAN BANK		07/03/2006	ROYAL BANK OF CANADA	3,625	4,866,140	5,000,000	4,908,650			19,612		19,612		4,928,262		(62,122)	(62,122)	86,094	01/15/2008	1
3133XC-ME-0	FEDERAL HOME LOAN BANK		07/03/2006	ROYAL BANK OF CANADA	4,000	19,964,000	20,000,000	19,990,200	19,990,200	8,745			8,745		19,998,945		(34,945)	(34,945)	757,778	08/18/2006	1
912828-DG-2	US TREASURY N/B		08/29/2006	CITIGROUP GLOBAL	3,625	38,492,188	40,000,000	38,385,938			27,927		27,927		38,413,865		78,323	78,323	189,130	01/15/2010	1
912828-EL-0	US TREASURY N/B		08/29/2006	CITIGROUP GLOBAL	4,375	33,632,109	34,000,000	33,569,219			13,140		13,140		33,582,359		49,751	49,751	440,591	11/15/2008	1
912828-FP-0	US TREASURY N/B		08/29/2006	MERRILL LYNCH	4,875	52,044,688	52,000,000	52,008,125			(117)		(117)		52,008,009		36,679	36,679	117,106	08/15/2009	1
0399999	Bonds - U.S. Governments					148,989,124	151,000,000	148,862,131	19,990,200		69,308		69,308		148,931,439		67,685	67,685	1,590,699		XXX
745268-TX-0	PR ELEC REF-SER Y		07/01/2006	MATURITY	6,500	500,000	500,000	566,125	507,188		(7,188)		(7,188)		500,000				32,500	07/01/2006	1FE
3199999	Bonds - Special Revenues					500,000	500,000	566,125	507,188		(7,188)		(7,188)		500,000				32,500		XXX
0258M0-BC-2	AMERICAN EXPRESS CREDIT		09/19/2006	MATURITY	5,465	10,000,000	10,000,000	10,000,000	10,000,000						10,000,000				384,035	09/19/2006	1FE
060505-AJ-3	BANK OF AMERICA CORP		07/11/2006	UBS SECURITIES	4,750	1,995,200	2,000,000	2,062,620	2,022,132		(14,997)		(14,997)		2,007,134		(11,934)	(11,934)	70,986	10/15/2006	1FE
22541L-BR-3	CREDIT SUISSE FB USA INC		08/03/2006	ROYAL BANK OF CANADA	5,520	5,010,050	5,000,000	5,007,600			(190)		(190)		5,007,410		2,640	2,640	45,104	12/09/2008	1FE
59018Y-US-4	MERRILL LYNCH & CO		08/03/2006	CITIGROUP GLOBAL	5,650	15,070,350	15,000,000	15,007,350	15,005,794		(844)		(844)		15,004,950		65,400	65,400	512,213	09/09/2009	1FE
92976F-BC-6	WACHOVIA BANK NA		08/03/2006	INSINGER	5,428	20,003,000	20,000,000	20,010,500			(1,140)		(1,140)		20,009,360		(6,360)	(6,360)	394,801	03/23/2009	1FE
4599999	Bonds - Industrial and Miscellaneous					52,078,600	52,000,000	52,088,070	27,027,926		(17,171)		(17,171)		52,028,855		49,745	49,745	1,407,139		XXX
6099997	Bonds - Part 4					201,577,724	203,500,000	201,516,326	47,525,314		44,949		44,949		201,460,294		117,431	117,431	3,030,338		XXX
6099999	Total - Bonds					201,577,724	203,500,000	201,516,326	47,525,314		44,949		44,949		201,460,294		117,431	117,431	3,030,338		XXX
6599999	Total - Preferred Stocks						XXX														XXX
060505-10-4	BANK OF AMERICA CORP		09/22/2006	VARIOUS		9,456,000	489,603	449,618						449,618		39,785	39,785	7,690		1	
867914-10-3	SUNTRUST BANKS INC		09/15/2006	VARIOUS		4,600,000	350,940	347,969						347,969		2,970	2,970	1,305		1	
939322-10-3	WASHINGTON MUTUAL INC		08/31/2006	VARIOUS		7,625,000	323,118	342,473						342,473		(19,355)	(19,355)	3,965		1	
949746-10-1	WELLS FARGO & COMPANY		09/01/2006	VARIOUS		6,172,000	214,542	201,514						201,514		13,028	13,028	3,333		1	
6799999	Common Stocks - Banks, Trust and Insurance Companies					1,378,203	XXX	1,341,775						1,341,775		36,428	36,428	16,294		XXX	
88579Y-10-1	3M CO		09/12/2006	VARIOUS		10,265,000	728,456	845,150						845,150		(116,694)	(116,694)	5,327		1	
032654-10-5	ANALOG DEVICES		08/17/2006	RAYMOND JAMES		8,160,000	228,938	285,262						285,262		(56,324)	(56,324)	363		1	
124971-10-1	INC-A		08/17/2006	VARIOUS		26,305,000	550,938	685,904						685,904		(134,966)	(134,966)			1	
302316-10-2	EXXON MOBIL CORP		09/11/2006	VARIOUS		4,690,000	319,677	287,627						287,627		32,049	32,049	3,002		1	
406216-10-1	HALLIBURTON CO		09/12/2006	ISI GROUP INC		1,840,000	54,357	70,321						70,321		(15,964)	(15,964)			1	
428236-10-3	HEWLETT-PACKARD CO		08/01/2006	MERRILL LYNCH		4,175,000	131,492	138,453						138,453		(6,961)	(6,961)	334		1	
478160-10-4	JOHNSON & JOHNSON		09/12/2006	VARIOUS		5,884,000	376,486	357,384						357,384		19,102	19,102	630		1	
565849-10-6	MARATHON OIL CORP		09/12/2006	VARIOUS		1,900,000	159,378	158,399						158,399		979	979	292		1	
585055-10-6	MEDTRONIC INC		08/31/2006	VARIOUS		6,290,000	288,344	324,926						324,926		(36,582)	(36,582)			1	
674599-10-5	CORP		09/12/2006	VARIOUS		5,390,000	269,834	267,892						267,892		1,942	1,942	970		1	
713448-10-8	PEPSICO INC		08/17/2006	RAYMOND JAMES		1,710,000	107,692	101,707						101,707		5,985	5,985	513		1	
73462F-10-3	SPDR TRUST SERIES 1		09/26/2006	VARIOUS		26,853,000	3,461,020	3,416,214						3,416,214		44,806	44,806	17,456		1	
867229-10-6	SUNCOR ENERGY INC		09/12/2006	VARIOUS		2,150,000	161,827	177,120						177,120		(15,294)	(15,294)	202		1	
384802-10-4	WY GRANGER INC		08/01/2006	CREDIT SUISSE FIRST BOSTON		9,385,000	579,297	688,418						688,418		(109,121)	(109,121)	1,465		1	
98956P-10-2	ZIMMER HOLDINGS INC		09/12/2006	ISI GROUP INC		3,300,000	221,845	217,662						217,662		4,183	4,183			1	
806857-10-8	SCHLUMBERGER LTD		08/29/2006	VARIOUS		6,880,000	430,980	451,667						451,667		(20,687)	(20,687)	860		1	
6899999	Common Stocks - Industrial and Miscellaneous					8,070,559	XXX	8,474,106						8,474,106		(403,547)	(403,547)	31,551		XXX	
6999999	Common Stocks - Parent, Subsidiaries and Affiliates						XXX														XXX
7299997	Common Stocks - Part 4					9,448,762	XXX	9,815,881						9,815,881				47,845		XXX	
7299999	Total - Common Stocks					9,448,762	XXX	9,815,881						9,815,881				47,845		XXX	
7399999	Total - Preferred and Common Stocks					9,448,762	XXX	9,815,881						9,815,881				47,845		XXX	
7499999	Totals					211,026,486	XXX	211,332,207	47,525,314		44,949		44,949		211,276,175		(249,689)	(249,689)	3,078,182		XXX

(a) For all common stock bearing the NAIC market indicator "U" provide the number of such issues

F05

Schedule DB - Part A - Section 1

**NONE**

Schedule DB - Part B - Section 1

**NONE**

Schedule DB - Part C - Section 1

**NONE**

Schedule DB - Part D - Section 1

**NONE**

SCHEDULE E - PART 1 - CASH

1 Depository	2 Month End Depository Balances			4 Amount of Interest Received During Current Quarter	5 Amount of Interest Accrued at Current Statement Date	6 Book Balance at End of Each Month During Current Quarter			9 *
	3 Code	3 Rate of Interest	3 Interest			6 First Month	7 Second Month	8 Third Month	
00076FNU3 ABN AMRO BK CHIC		5.130	265,050		10,000,316	10,000,275	10,000,235	XXX	
06416LN38 BANK NOVA SCOTIA		5.210					40,003,852	XXX	
0594L67K5 BSNV		4.720	321,167		15,000,612	15,000,490	15,000,371	XXX	
PP9E03692 BCSNY		4.740	1,003,300		30,001,360	30,001,113	30,000,875	XXX	
0556M12W3 BNP PARIBAS NY BRANCH		5.105	795,528		30,000,947	30,000,824	30,000,705	XXX	
34950MR17 FORTIS BANK NY		5.315	60,237		8,000,288		34,000,510	XXX	
86596LHM2 NORDEUTSCHE LANDESBANK		5.350			10,000,219			XXX	
65556EV08 NORDEA BK F IN NY		5.060			20,000,000			XXX	
78000HN96 ROYAL BANK OF CANADA		4.700	537,483		15,000,000	15,000,000	15,000,000	XXX	
995028938 ROYAL BANK OF CANADA		4.760	76,969					XXX	
78010FRM4 ROYAL BANK OF CANADA		5.330						XXX	
PP9E03HL9 SEBNI 5.075 03/23/07		5.075	324,800		12,000,371	12,000,322	12,000,274	XXX	
86959EXX0 SEBNI 5.105 03/27/07		5.105	799,763		30,000,943	30,000,820	30,000,701	XXX	
881142EEO TDNY 5.075 03/23/07		5.075	289,257		10,000,309	10,000,268	10,000,229	XXX	
BROWN BROTHERS HARRIMAN & CO.		4.200	83,617		11,453,174	5,110,442	28,578,116	XXX	
0199998 Deposits in not exceed the allowable limit in any one depository	XX	XX						XX	
(See Instructions) - Open Depositories	XX	XX						XX	
0199999 Totals - Open Depositories			83,617	4,653,565	201,458,539	157,114,554	294,585,868	XXX	
0399999 Total Cash on Deposits	XX	XX	83,617	4,653,565	201,458,539	157,114,554	294,585,868	XXX	
0499999 Cash in Company's Office	XX	XX			1,000	1,000	1,000	XXX	
0599999 Total Cash	XX	XX	83,617	4,653,565	201,459,539	157,115,554	294,586,868	XXX	

**SCHEDULE E - PART 2 CASH EQUIVALENTS**

Showing Investments Owned End of Current Quarter

1 CUSIP Identification	2 Description	3 Code	4 Date Acquired	5 Rate of Interest	6 Maturity Date	7 Book/adjusted Carrying Value	8 Amount of Interest Due and Accrued	9 Gross Investment Income
<b>NONE</b>								
0199999 Total Cash Equivalents								