

QBE INSURANCE GROUP LIMITED

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QBE INSURANCE GROUP LIMITED - SUBMISSION

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON EMPLOYMENT, EDUCATION AND WORKPLACE RELATIONS

EMPLOYEE SHARE OWNERSHIP IN AUSTRALIAN ENTERPRISES

The extent to which employee share ownership schemes have been established In Australian enterprises and the resultant effects on:

- (a) **workplace relations and productivity in enterprises; and**
- (b) **the economy.**

QBE EMPLOYEE SHARE AND OPTION PLAN (ESOP)

At the 9th Annual General Meeting of the Company held on 28 October 1981, the Directors of the Company were authorised by the shareholders "to implement and in their discretion maintain, on terms and conditions to be determined by the Directors from time to time, an Employee Share and Option Plan".

As approved in 1981, under the Plan:

- (i) the Company may issue and allot fully paid ordinary shares or options to subscribe for such shares to or on behalf of qualifying employees of the Company or any of its subsidiaries including Directors holding a full-time salaried employment or office in the Company or any of its subsidiaries.
- (ii) the aggregate number of shares and options to acquire shares issued pursuant to the Plan shall not without prior approval of the Company in General Meeting exceed 5% of the issued ordinary shares in the capital of the Company from time to time.
- (iii) the Company may provide loans or other financial assistance to qualifying employees of the Company or any of its subsidiaries (including Directors engaged in the full-time employment of the Company or any of its subsidiaries) to acquire shares in the Company in accordance with the Plan or to exercise options granted in accordance with the Plan. Such loans or financial assistance may be made to such employees either directly or indirectly on their behalf as the Directors consider appropriate and upon such terms and conditions as are determined by the Directors from time to time.
- (iv) the Company may provide further amounts as may be reasonably incidental to the implementation and operation of the Plan upon such terms and conditions as may be determined by the Directors from time to time.

The first issue of 168,000 options under the Plan was made on 18 December 1981 to 17 senior company managers including the Managing Director.

QBE INSURANCE GROUP LIMITED - SUBMISSION
EMPLOYEE SHARE OWNERSHIP IN AUSTRALIAN ENTERPRISES

-2-

The company continues to issue options to senior management and middle management. Issue of these options is based on performance criteria set down by the Board.

At 30 March 1999, a total of 7,717,533 shares were held by 1,260 Australian employees including the Managing Director, senior management, middle management and general staff

General staff share issues are determined by salary levels and are not performance based. Employees are given the opportunity to purchase the shares with a loan which must be repaid in full when a person is no longer an employee of the company. e.g. resigns from the company, retires, dies, is made redundant, etc.

Salary bands and share entitlements are as follows:

Sal	No of Shares Offere
<\$25,000	200 if 3 years service completed
\$25,000 - \$35,000	500 shares
\$35,000 - \$45,000	750 shares
>\$45,000	1,000 shares

As with other shareholders, employee shareholders may participate fully or partially in the dividend reinvestment or dividend election plans. If employees elect to receive a cash dividend, half of that dividend must be paid to the Company in reduction of the employee's loan. Most employees participate fully in either plan.

The Australian Stock Exchange Listing Rules require any amendments to the ESOP to be approved by shareholders by special resolution.

WORKPLACE RELATIONS AND PRODUCTIVITY

Since its introduction, the Company has produced exceptional results for shareholders - and part of that success must be attributed to the attitude and enthusiasm of our staff which the Plan encourages and supports.

Over the years, it has been clear to us that we have been able to attract top quality people to the Company because of the terms and conditions of employment, including the Share Plan.

Share ownership both in Australia and in our international subsidiaries by our staff is part of the culture which recognises high levels of performance, customer service and profitable operations.

QBE INSURANCE GROUP LIMITED - SUBMISSION
EMPLOYEE SHARE OWNERSHIP IN AUSTRALIAN ENTERPRISES

-3-

The Directors believe the ESOP has worked exceedingly well, and:

1. motivates employees generally to have a greater involvement in the future growth and profitability of the Company in a way which gives them an identity of interest with other shareholders;
2. promotes better employer/employee relations;
3. allows the Company to reward employees who have performed particularly well;
4. provides a significant incentive in recruiting and retaining employees; and
5. is particularly attractive for those employees with little understanding of shares.

End of Submission