

Thriving on Change

16th General Insurance Seminar



Institute of Actuaries of Australia

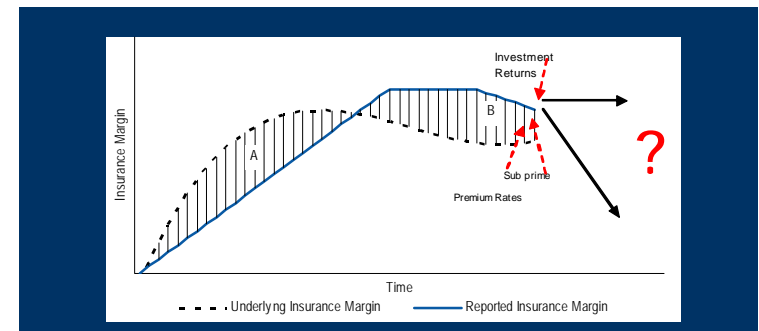


9-12th Nov 2008
Hyatt Regency Coolum

P&C - The world has changed

Siddharth Parameswaran^{AC}

J.P. Morgan Securities Australia Ltd
(61-2) 9220 1596
siddharth.x.parameswaran@jpmorgan.com



www.morganmarkets.com

See slide 37 for analyst certification and important disclosures, including non-US analyst disclosures. J.P. Morgan does and seeks to do business with the companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Customers of J.P. Morgan in the United States can receive independent, third-party research on the company or companies covered in this report, at no cost to them, where such research is available. Customers can access this independent research at www.morganmarkets.com or can call 1-800-477-0406 toll free to request a copy of this research.



Institute of Actuaries of Australia

16th General Insurance Seminar



Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolum

What we will cover...

- Recent share price performance
- The Financial Crisis -
 - How it happened?
 - Where the general insurance industry stands?
 - What the implications are for the immediate future?
- The Insurance Cycle – where we are now?
 - Personal lines vs. Commercial Lines
- Issues affecting listed stocks
- Conclusions – on implications for the industry



Institute of Actuaries of Australia

16th General Insurance Seminar

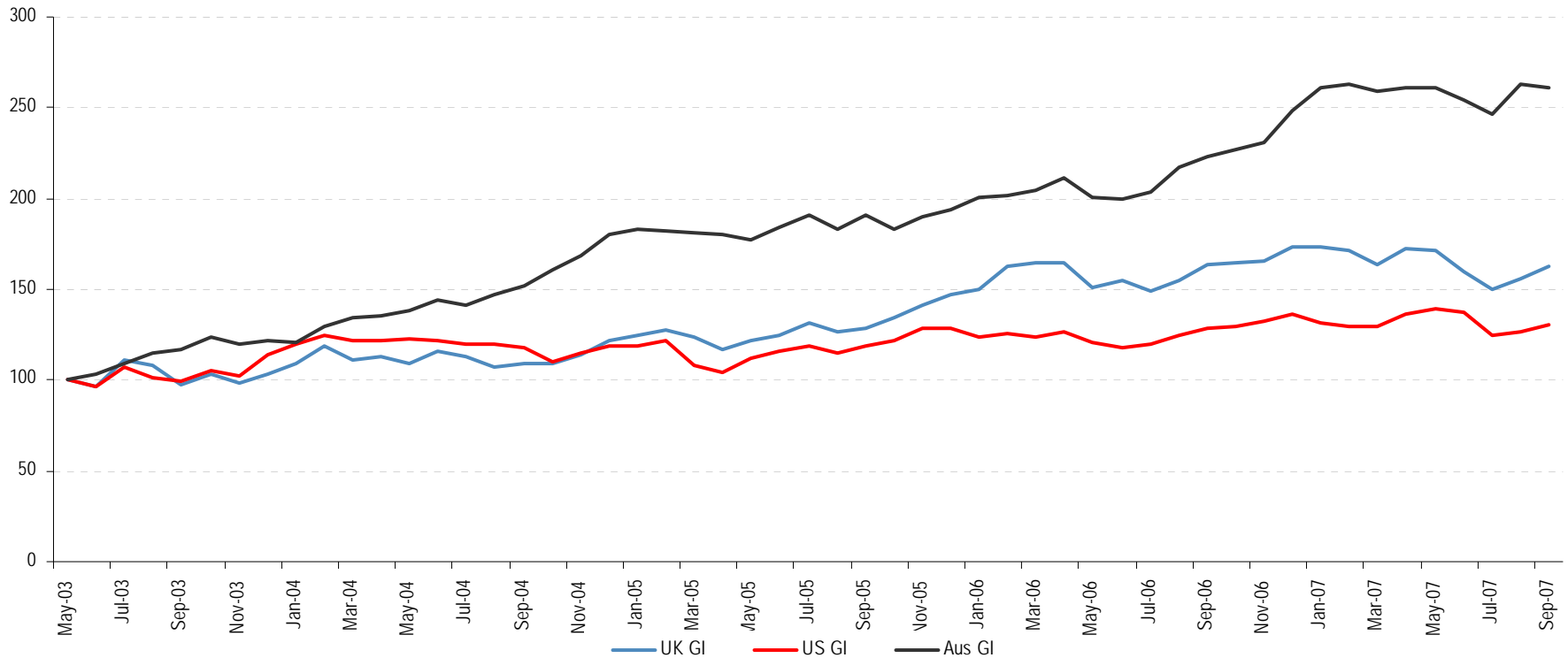


Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolum

Global P&C historical share price performance was great until 2007

General Insurance P&C relative performance until late 2007 - Indices of share price appreciation



Source: IRESS, J.P. Morgan estimates



Institute of Actuaries of Australia

16th General Insurance Seminar

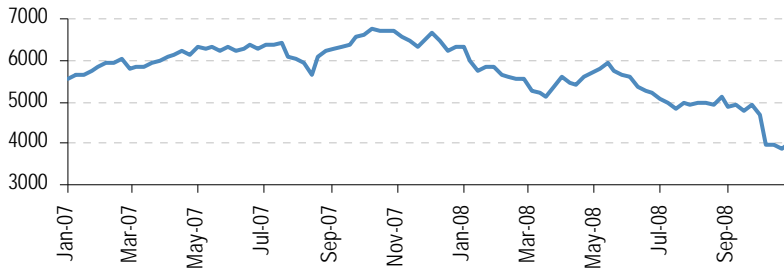


Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolum

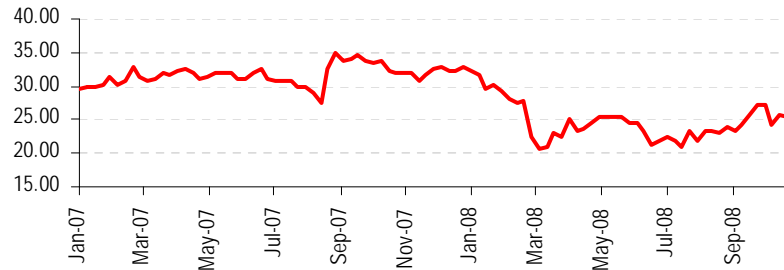
Recent share market experience has been poor...

ASX 200 - peak to trough -43%



Source: IRESS

QBE - peak to trough -41%



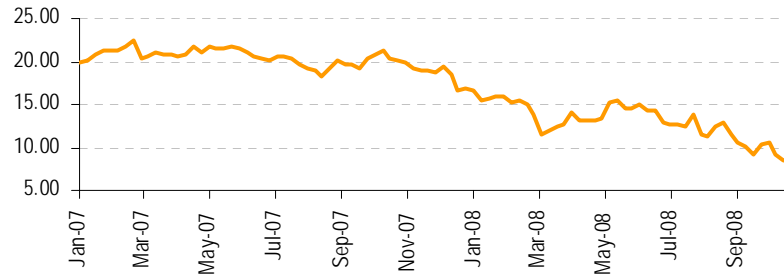
Source: IRESS

IAG - peak to trough -50%



Source: IRESS

SUN - peak to trough -64%



Source: IRESS



Institute of Actuaries of Australia

16th
**General
Insurance
Seminar**



Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolom

Key cause is sub-prime crisis in US



Picture taken from [Big Mortgage Leads.com](http://BigMortgageLeads.com)



Institute of Actuaries of Australia

16th General Insurance Seminar



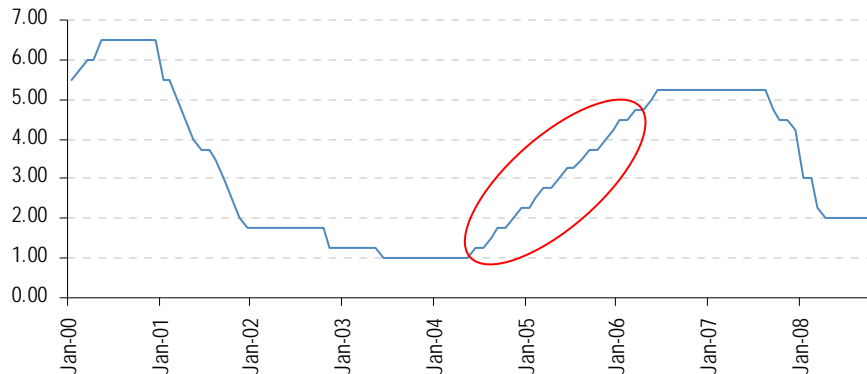
Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolum

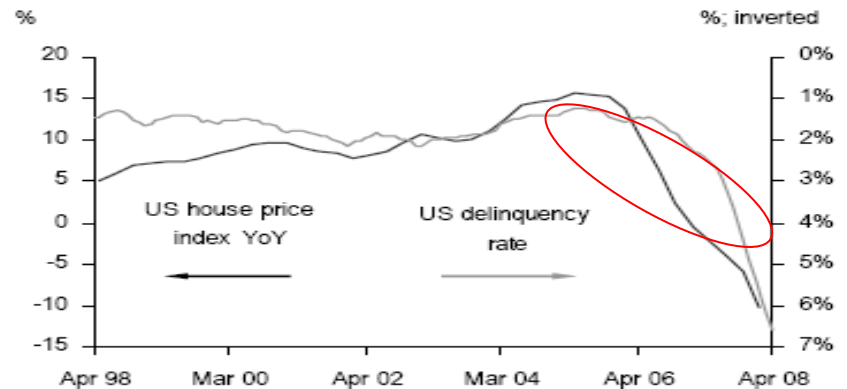
Sub prime crisis built up over a few years...

- Credit standards drop in late 90's.
- Mortgages given to those unable to afford them in the long term.
- Standards worsened into late 2006 – Ninja, ARM etc..
- Subprime loans packaged into CDOs.
- Interest rates increase, house prices drop...problems begin.

US Federal Funds rate (%)



US Case-Shiller house price index (YoY change, qtrly data) vs. US delinquency rate*



Source: Federal Reserve Bank

Source: J.P. Morgan European Rates Strategy Research

* Weighted average of agency, subprime, Jumbo, Alt-A delinquency rates



Institute of Actuaries of Australia

16th General Insurance Seminar

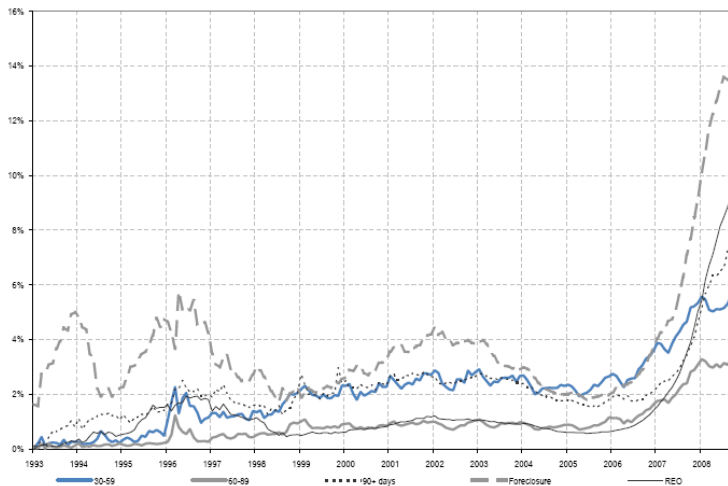


Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolum

Subprime: spread to broader credit markets

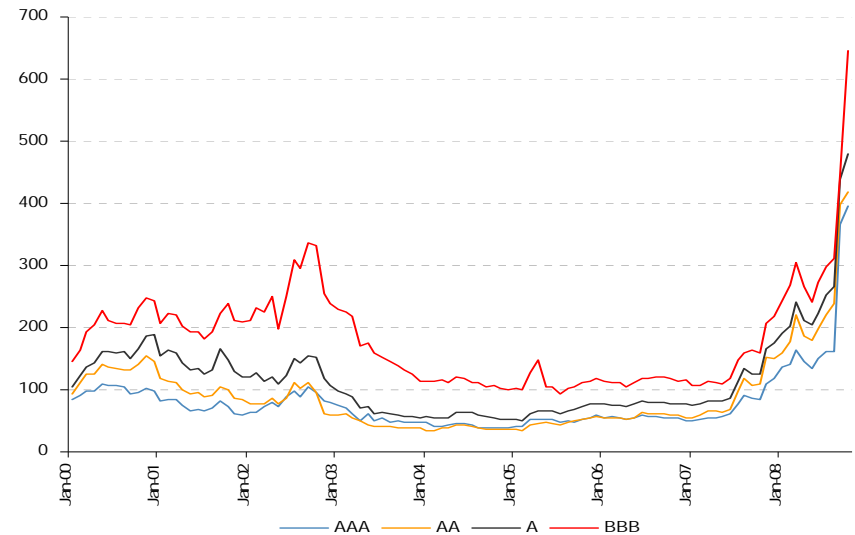
Subprime delinquencies as % of total number of subprime loans* (as at Aug-2008)



Source: J.P. Morgan, Global Structured Finance Research

* Weighted by principal balance of the loans.

Corporate spreads in the USA (bps)





Institute of Actuaries of Australia

16th General Insurance Seminar

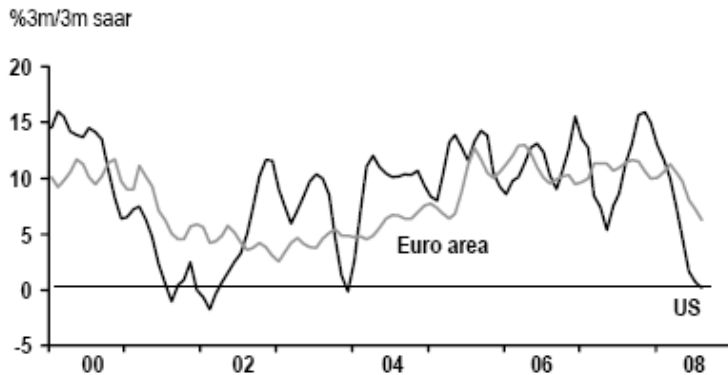


Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolum

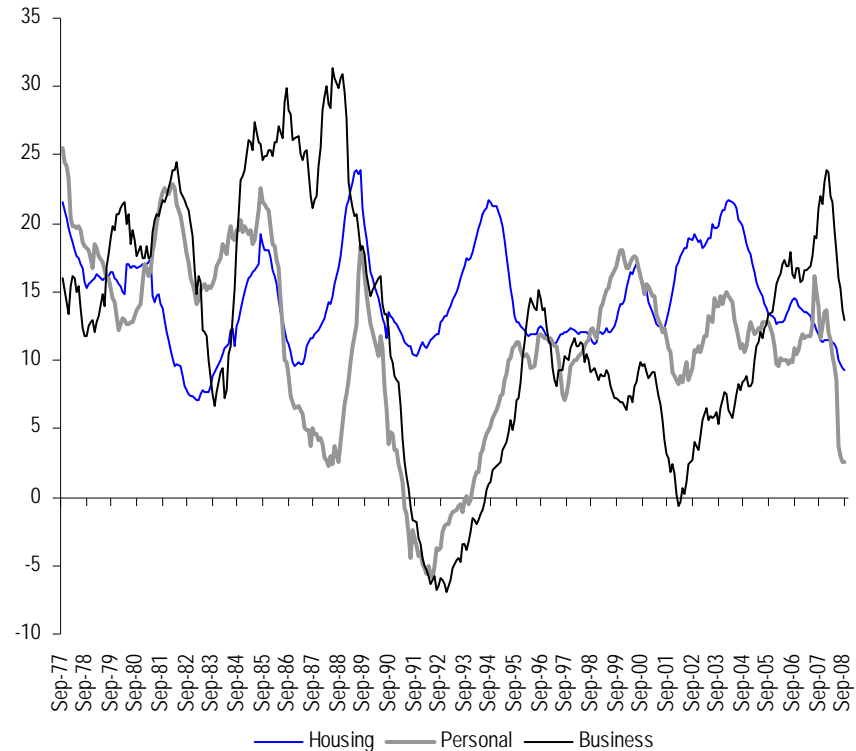
Subprime: Lending slows – places further pressure on asset prices

Bank lending growth in US and Euro area (at Aug-2008)



Source: J.P. Morgan Economics Research

Lending growth in Australia (%)



Source: RBA



Institute of Actuaries of Australia

16th General Insurance Seminar

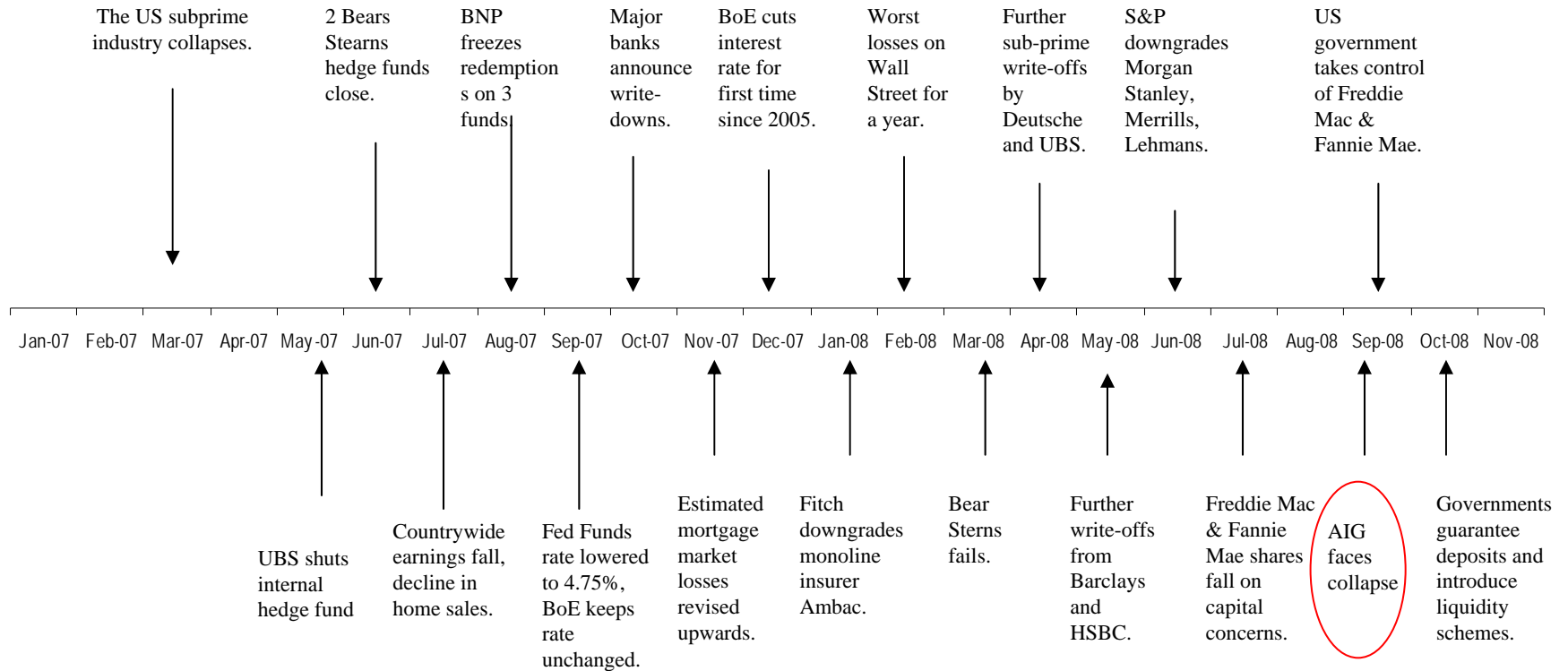


Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolom

Subprime: timeline

Subprime time line





Institute of Actuaries of Australia

16th General Insurance Seminar



Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolom

Subprime: Co-ordinated Remedies

Remedies to address the subprime fallout

Remedy	Designed to...
TARP*	Improve liquidity and attract capital into tight credit markets
Government stakes in banks and other companies	Shore up bank capital to encourage banks to use capital to revive credit markets.
Government guarantees on deposits	Prevent a run on deposits and potential liquidity crunch on banks.
Government guarantees on wholesale funding	Provides certainty on access to term funding.
IMF bank bailouts	
Fiscal Policy	Stimulate spending and borrowing. Support house prices with doubling first home-buyer's grant
Monetary Policy	Support asset prices and encourage borrowing.

Source: J.P. Morgan

* Troubled Asset Relief Program



Institute of Actuaries of Australia

16th
**General
Insurance
Seminar**



Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolum

Subprime: Immediate Insurance Casualties

Only a few notable names with big losses...ex Mono-line Mortgage insurer

- **AIG**
- **XL Capital**
- **Hartford**
- **Swiss Re**

Problems have been due to:

- **Exposures to Credit Default Swaps (CDS)**
- **Some asset related losses on mortgage securities**
- **Credit spreads blowing out**



Institute of Actuaries of Australia

16th General Insurance Seminar

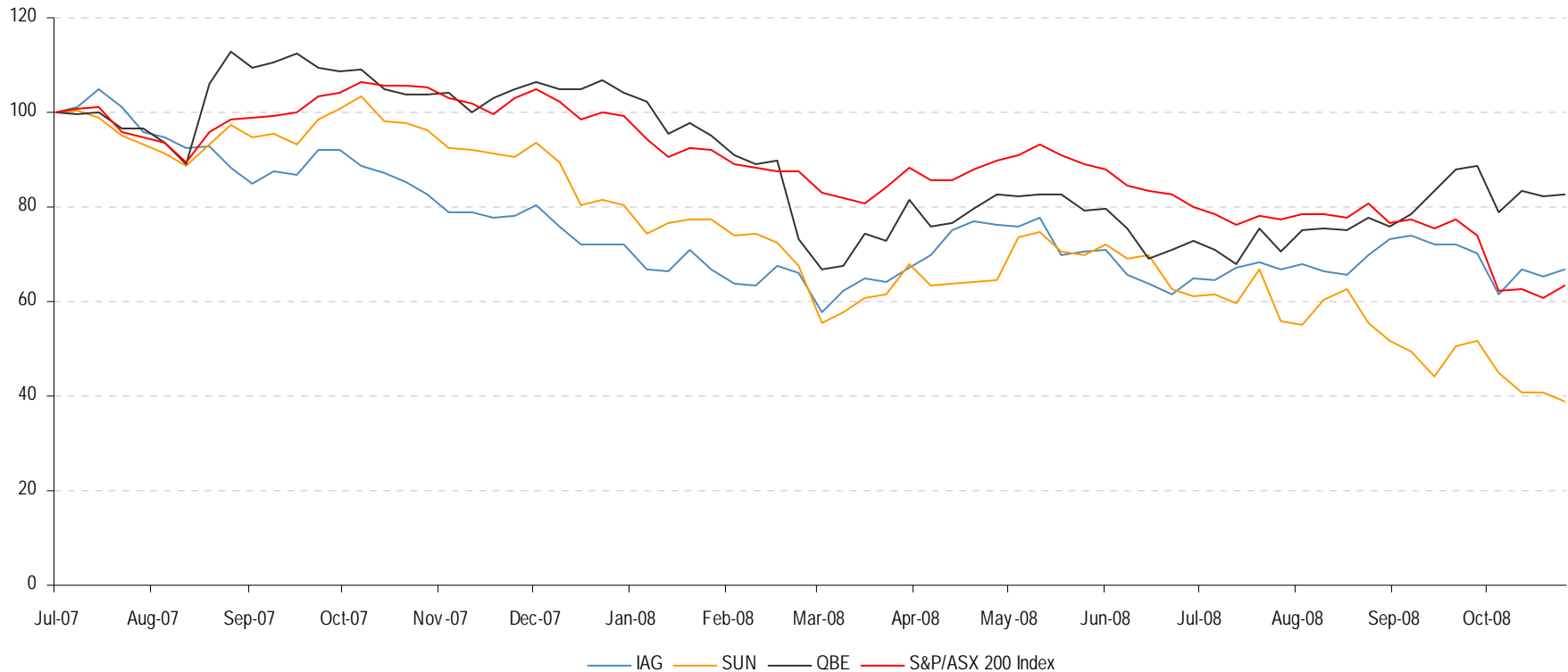


Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolum

Subprime: How did Aus. GI fare?

Relative performance of listed general insurers vs. S&P/ASX 200 Index (Rebased to 100 at July 2007)



Source: IRESS, J.P. Morgan estimates



Institute of Actuaries of Australia

16th General Insurance Seminar

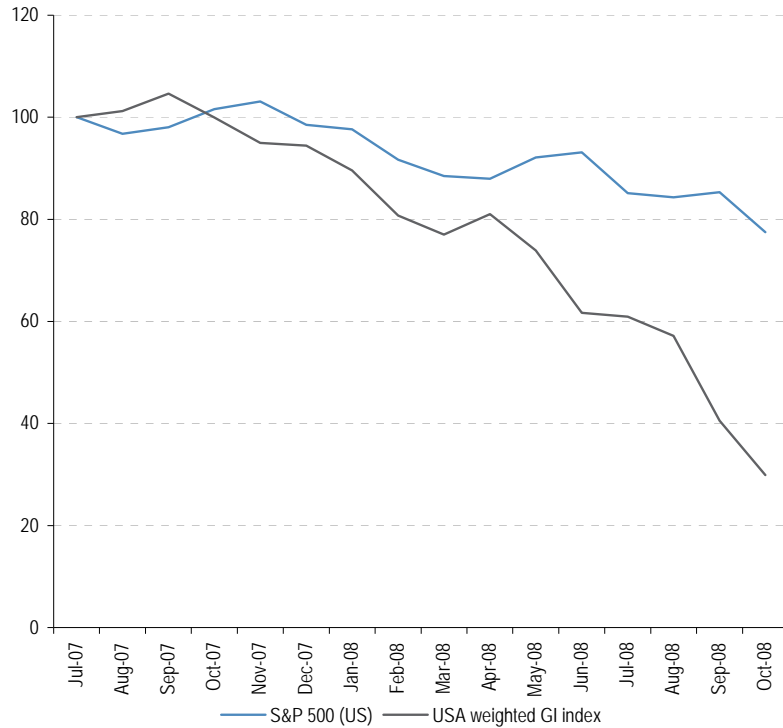


Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolum

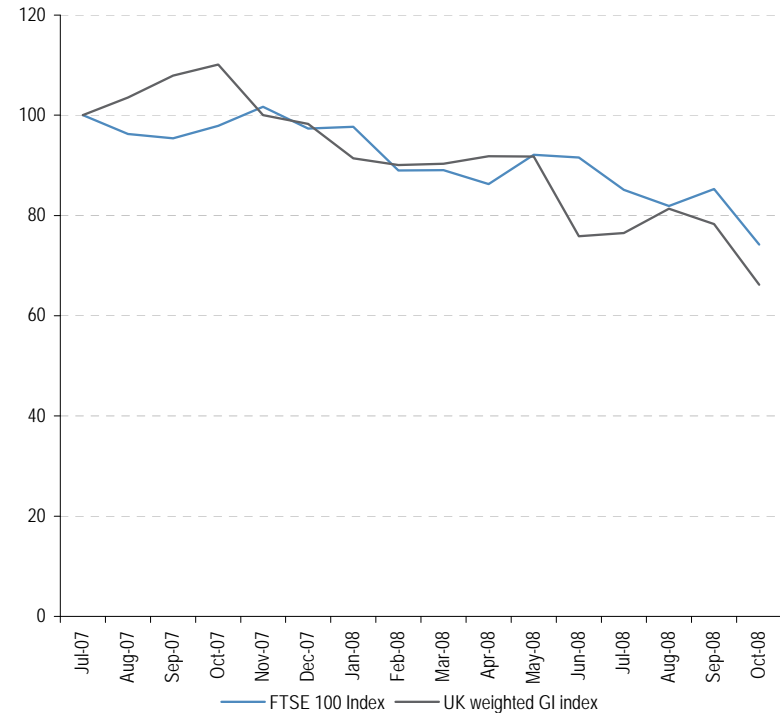
Subprime: US and Euro GI

S&P 500 (US) index vs. Weighted price index of USA GI
(Rebased to 100 at Jul-2007)



Source: Datastream, IRESS, J.P. Morgan estimates

FTSE index vs. Weighted price index of UK GI
(Rebased to 100 at Jul-2007)



Source: Datastream, IRESS, J.P. Morgan estimates



Institute of Actuaries of Australia

16th General Insurance Seminar



Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolom

Subprime: Impacts on General insurers

Should be better off than other financial institutions...

- Unlike Banks:
 - much less credit risk
 - No liquidity risk – as they have incoming stream of premiums to fund payments (cash positive)
- Unlike Life insurers:
 - No capital guaranteed investment product liabilities
 - No direct asset value related revenue streams (unlike wealth managers)

BUT...

- Those that need to refinance debt or get equity capital– it will be difficult
- Lower Economic Growth - GWP
- Impacts of broader economic fallout on claims
- Impacts of lower interest rates
- Impacts of weaker equity market
- Regulatory Fallout



Institute of Actuaries of Australia

16th
**General
Insurance
Seminar**



Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolum

Subprime – Raising capital will be tough

- If you need capital – not the market for it.
- Could this be event that stops global rates decline?
 - Some in the market –talking about this as rate changing event



Institute of Actuaries of Australia

16th General Insurance Seminar



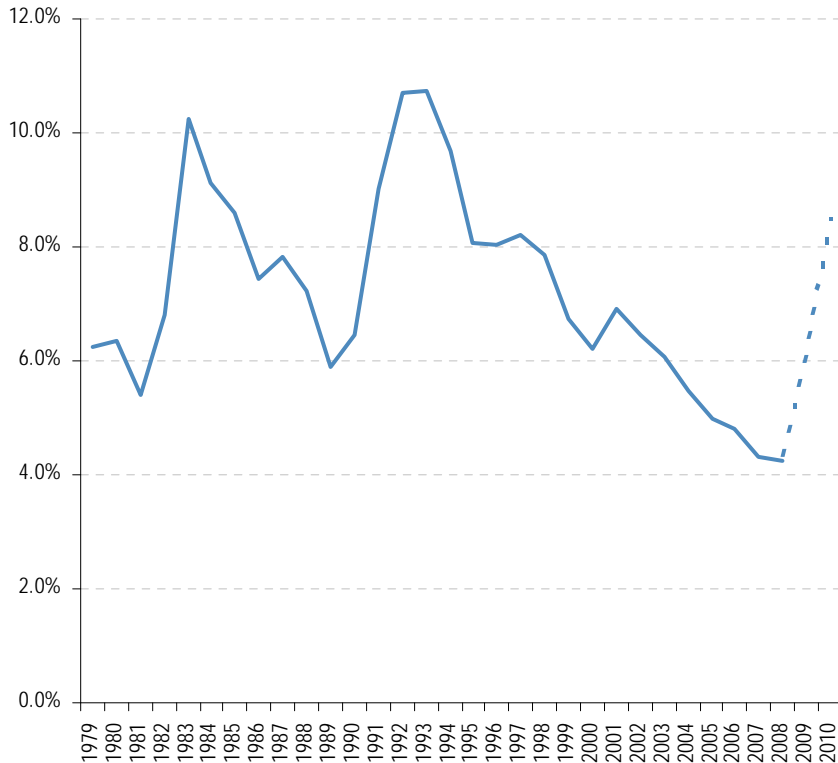
Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolum

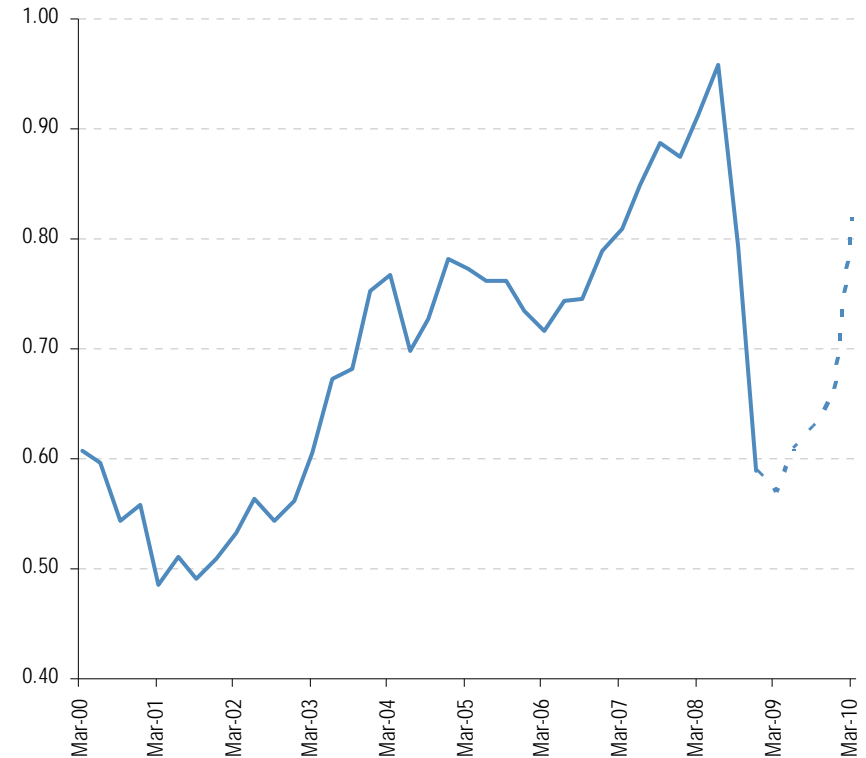
Impacts on Insurers – Economy Impacts

- Broader economic impacts

Unemployment at June each year (J.P. Morgan forecasts)



AUD/USD exchange rate (J.P. Morgan forecasts)





Institute of Actuaries of Australia

16th General Insurance Seminar

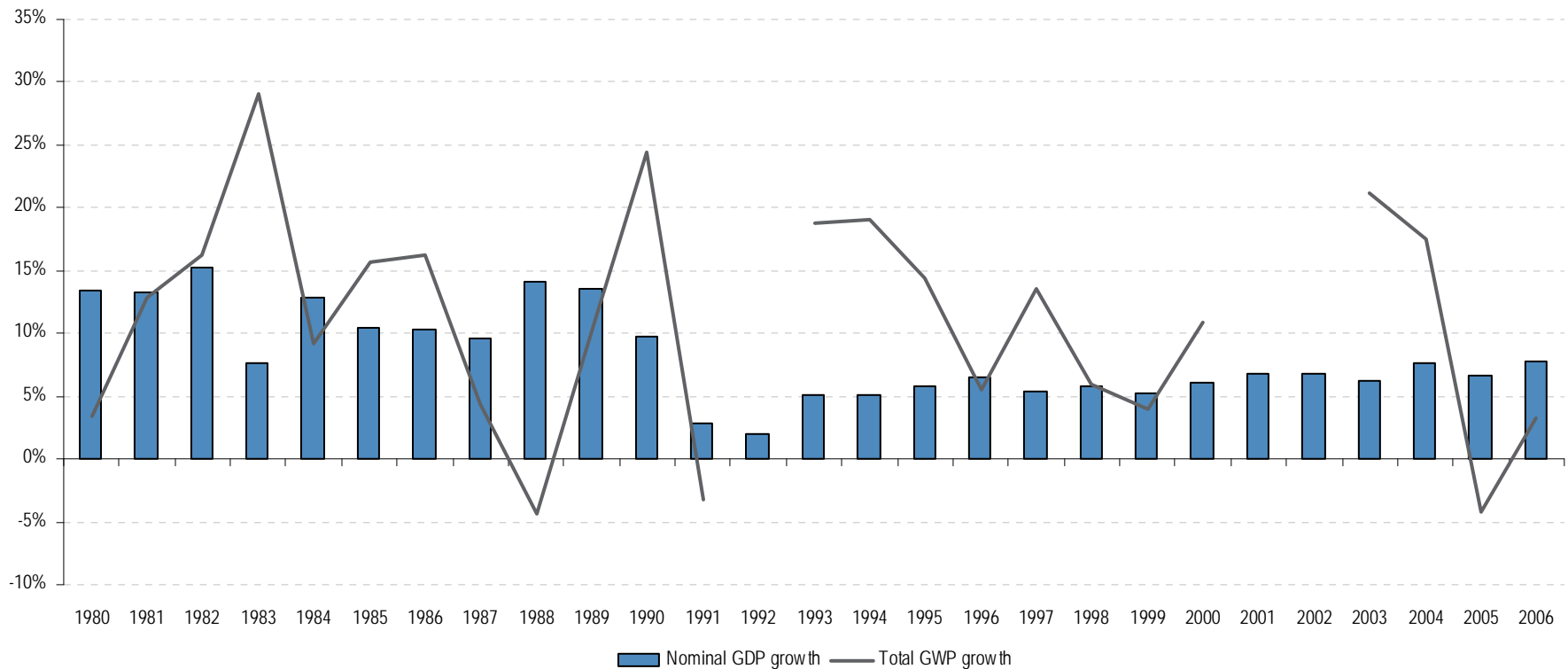


Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolom

Impacts on Insurers – Economy on GWP

Total Australian GWP growth vs. Nominal GDP growth



Source: ABS, APRA, J.P. Morgan estimates



Institute of Actuaries of Australia

16th General Insurance Seminar

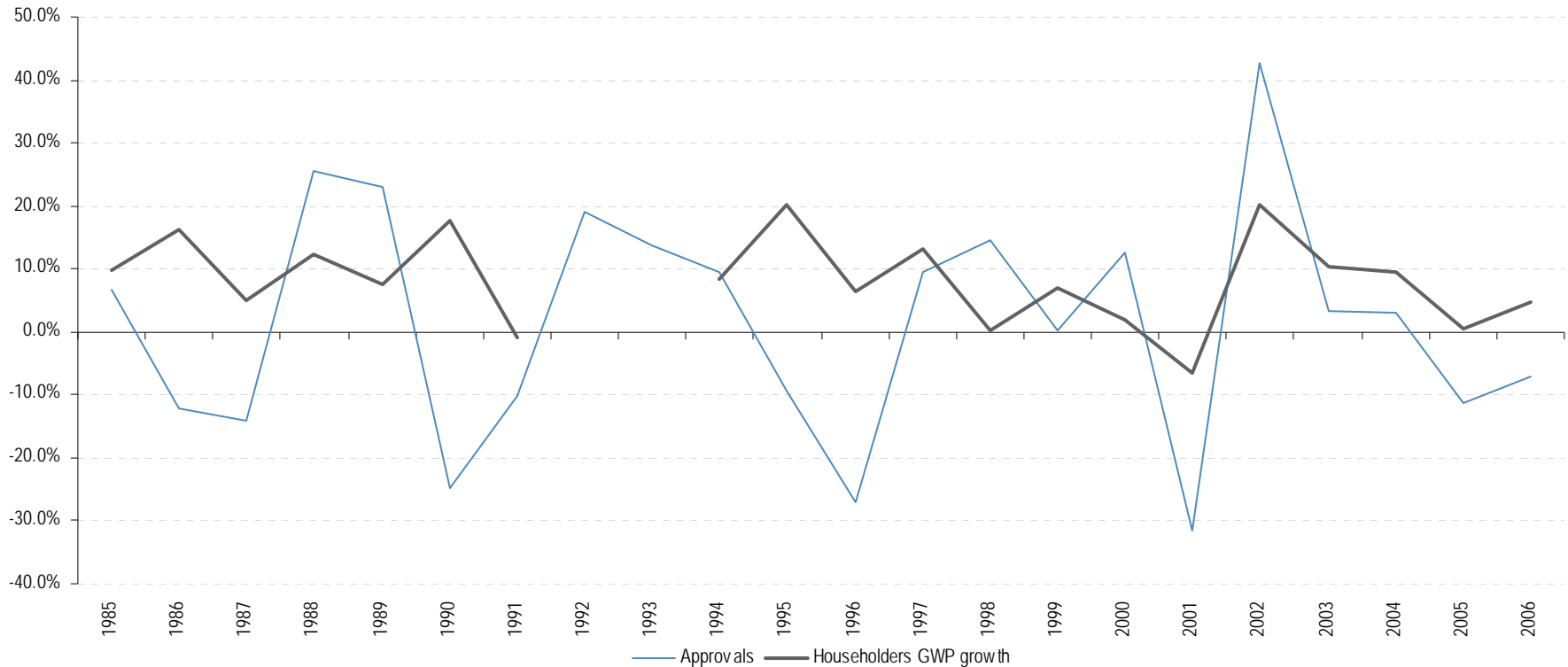


Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolum

Economic impacts – Householders' GWP

Householders GWP growth vs. dwelling approvals growth (YoY, %)

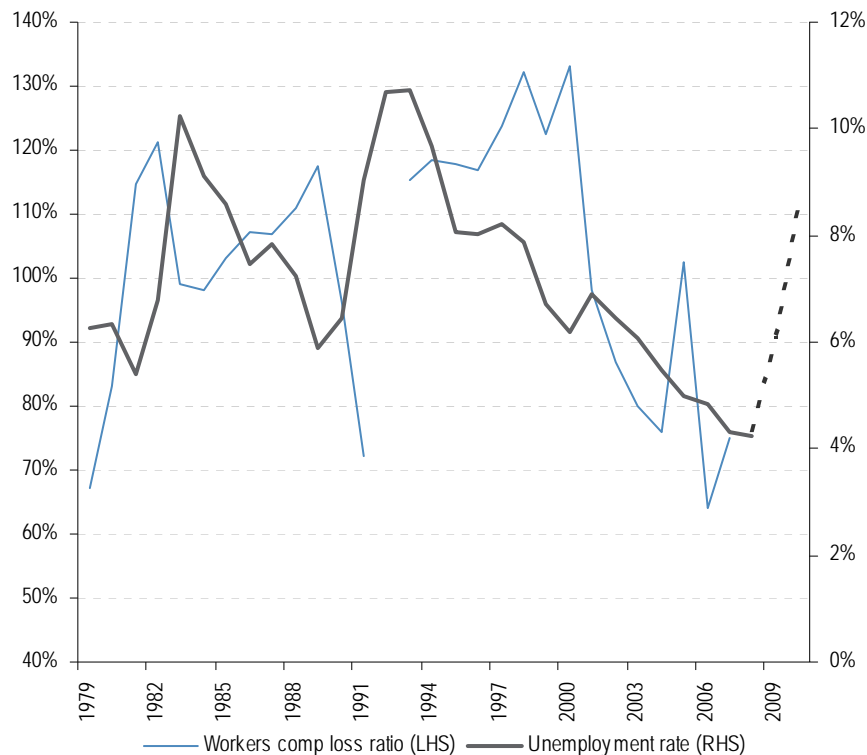


Source: ABS, APRA, J.P. Morgan/Deloitte General Insurance Survey, J.P. Morgan estimates



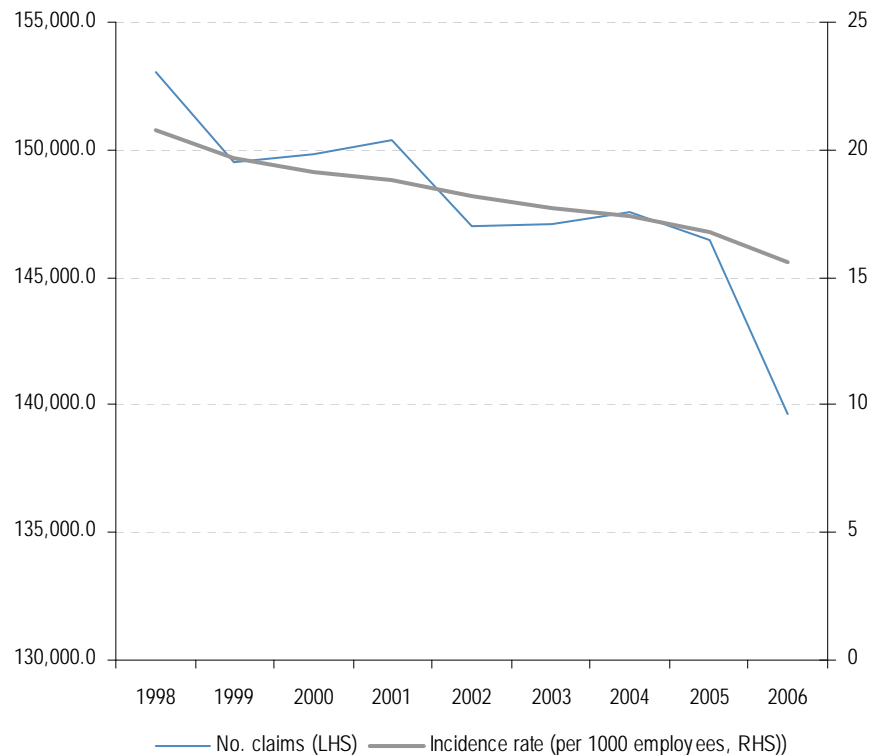
Economic impacts – Claims: Workers' comp.

Workers' compensation loss ratio vs. unemployment rate



Source: APRA, ABS, J.P. Morgan/Deloitte General Insurance Survey, J.P. Morgan Economics forecasts

Workers' compensation no of claims vs. unemployment rate



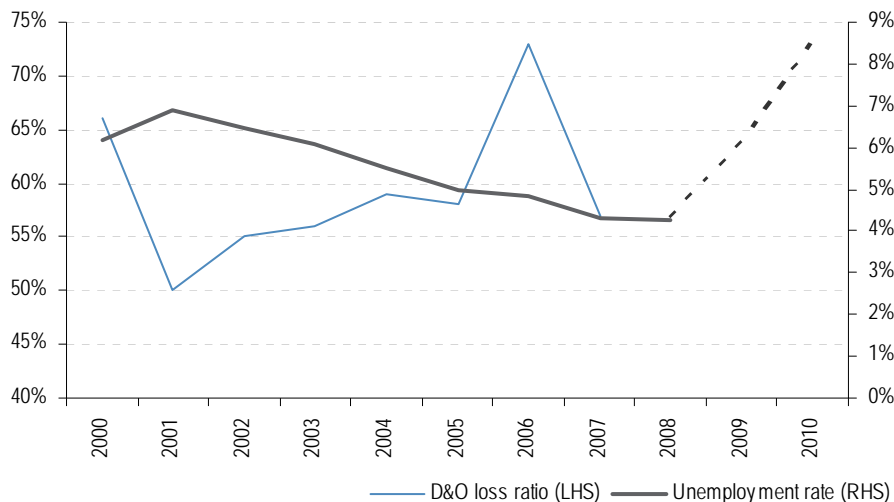
Source: ASCC



Economic impacts – claims: D&O, PI

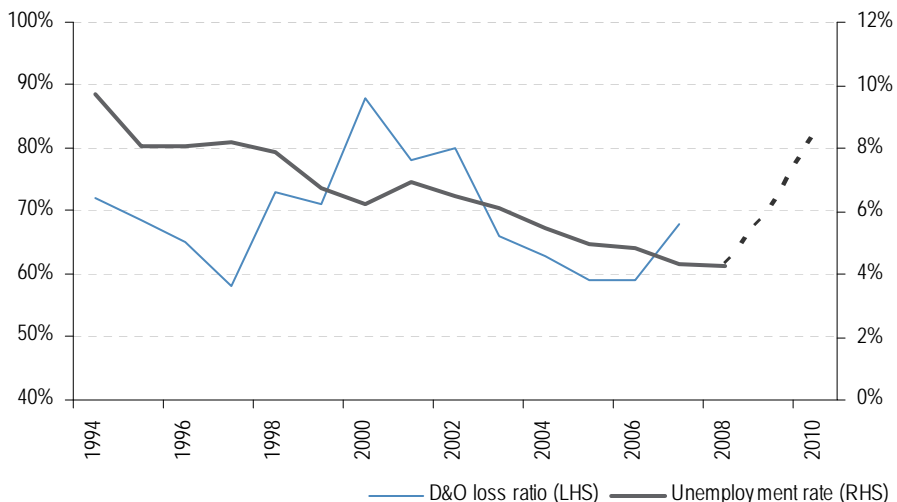
- D&O claims could potentially increase
- A number of companies have run into trouble:
 - ABC learning, Opes Prime, Primebroker Securities, Tricom, Allco, Centro, MFS

D&O loss ratio vs. unemployment rate



Source: ABS, J.P. Morgan/Deloitte General Insurance Survey, J.P. Morgan Economics estimates

PI loss ratio vs. unemployment rate



Source: ABS, J.P. Morgan/Deloitte General Insurance Survey, J.P. Morgan Economics estimates



Institute of Actuaries of Australia

16th General Insurance Seminar

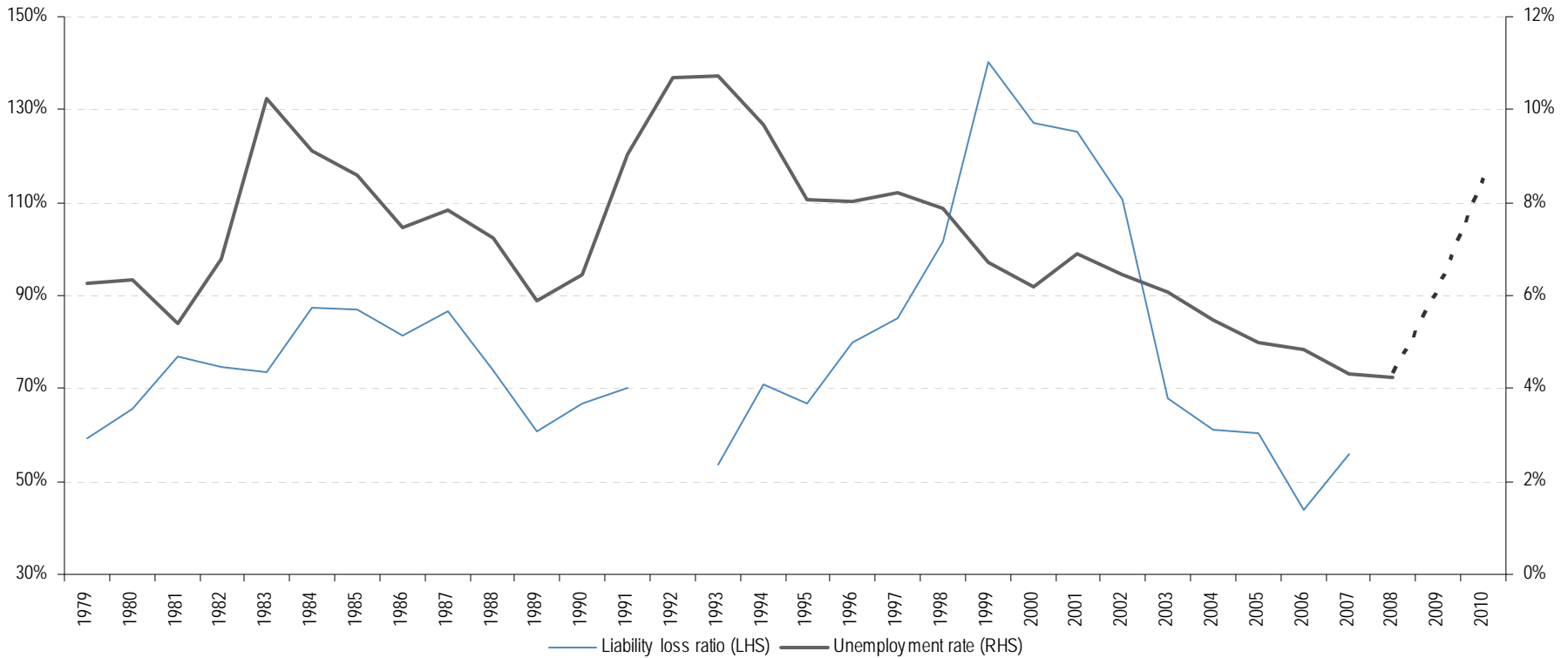


Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolum

Economic impact – Claims: Liability

Liability loss ratio vs. unemployment rate

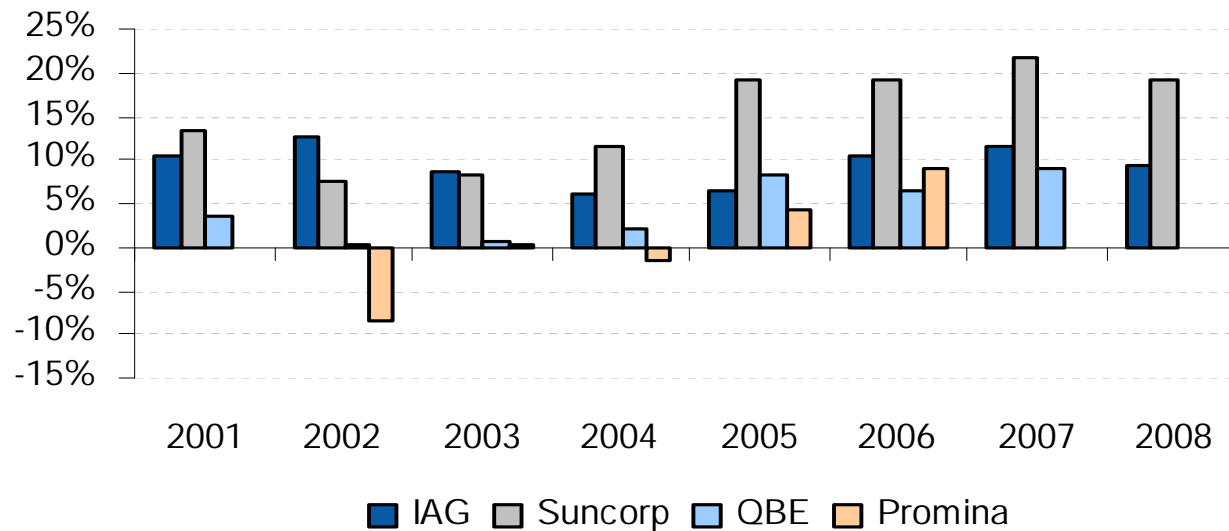


Source: ABS, APRA, J.P. Morgan/Deloitte General Insurance Survey, J.P. Morgan Economics estimates



Economic impact – Claims: Reserve releases could stop or turn negative

Liability loss ratio vs. unemployment rate





Institute of Actuaries of Australia

16th General Insurance Seminar



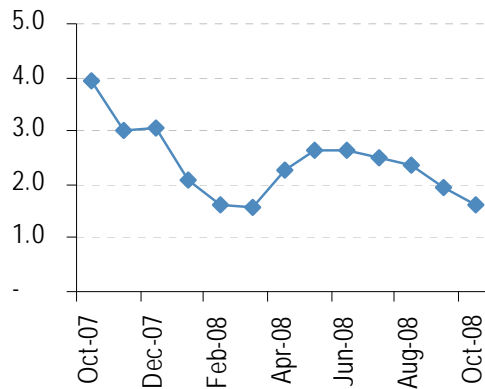
Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolum

Impacts on Insurers – investment returns

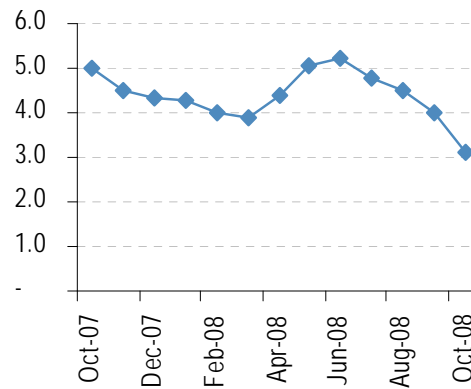
- Falling interest rates
- Like taking a large rate reduction...

US 2-year bond rate



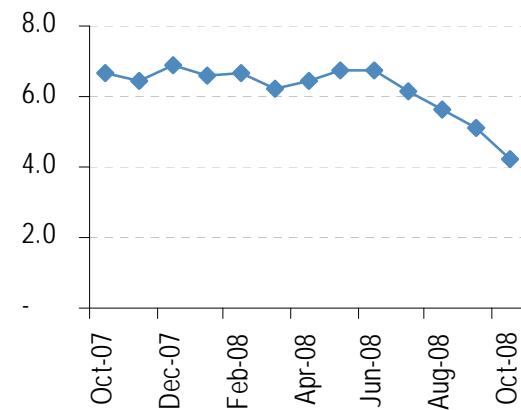
Source: IRESS

UK 2-year bond rate



Source: Bloomberg

Aus 3-year bond rate



Source: IRESS



Institute of Actuaries of Australia

16th General Insurance Seminar



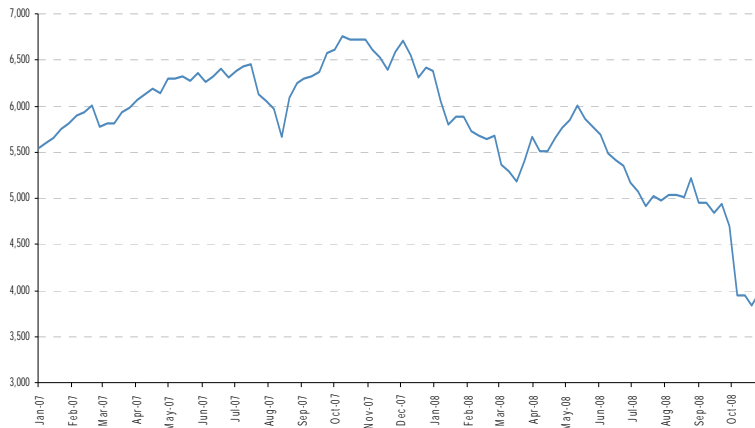
Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolom

Impacts on Insurers – Equity Markets

- Impacts of weaker equity markets

ASX 200



Source: IRESS

Possible losses

	Equity \$m		Loss
QBE	1770	-20%	-354
IAG	565	-20%	-113

Source: J.P. Morgan estimates



Institute of Actuaries of Australia

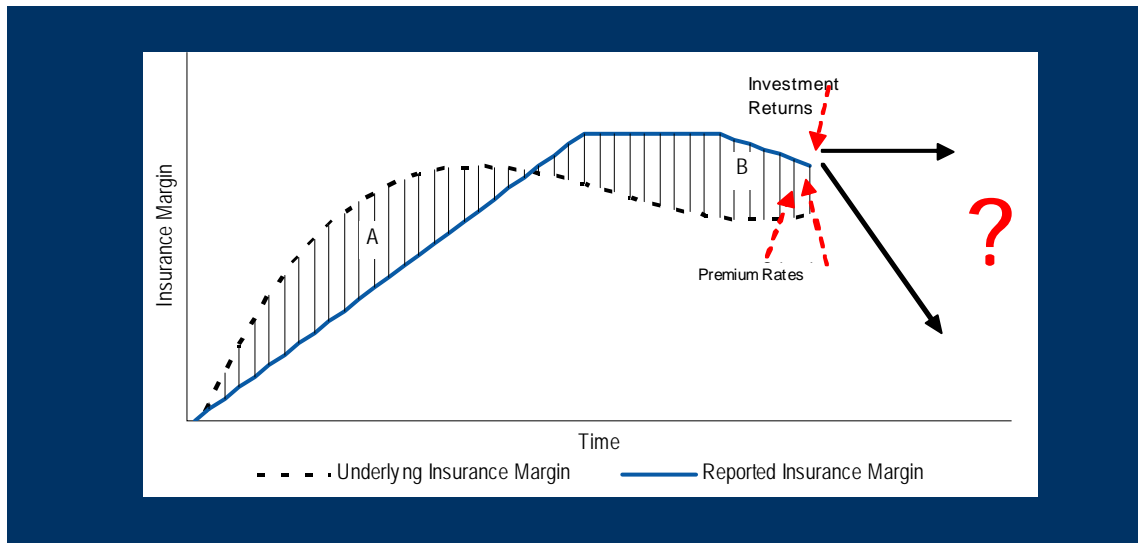
16th General Insurance Seminar



Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolom

Insurance Cycle – where are we?



Source: J.P. Morgan - stylistic view

Source: J.P. Morgan/Deloitte General Insurance Survey



Institute of Actuaries of Australia

16th General Insurance Seminar

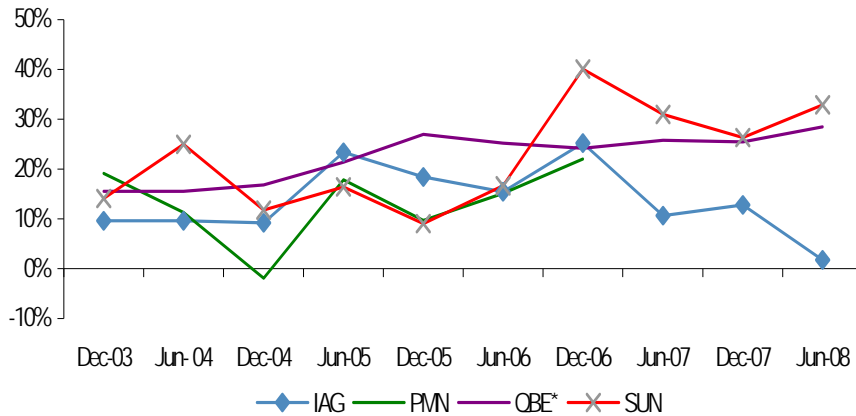


Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolom

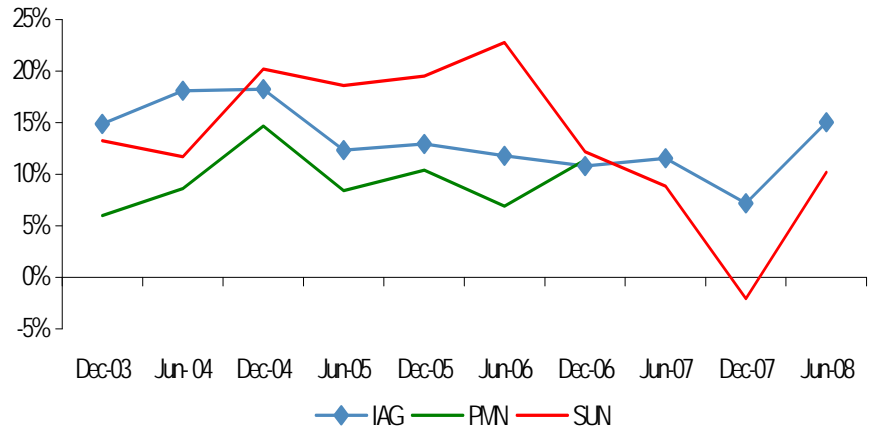
Industry margin trends

Commercial lines insurance margins



Source: J.P. Morgan/ Insurance Companies. We have assumed QBE is all commercial

Personal lines insurance margins



Source: J.P. Morgan/ Insurance Companies.



Institute of Actuaries of Australia

16th General Insurance Seminar

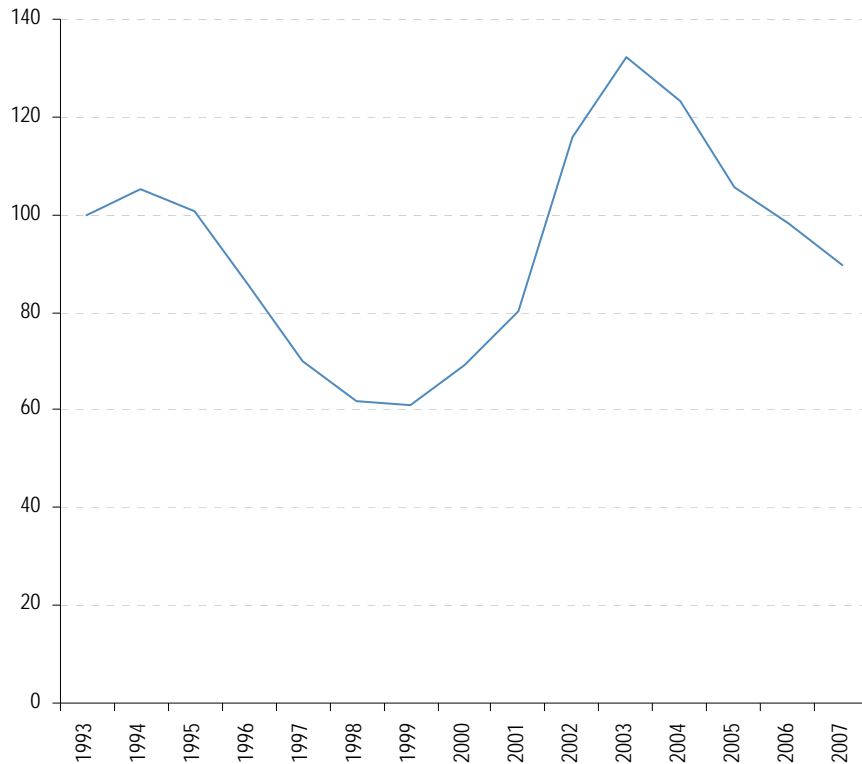


Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolum

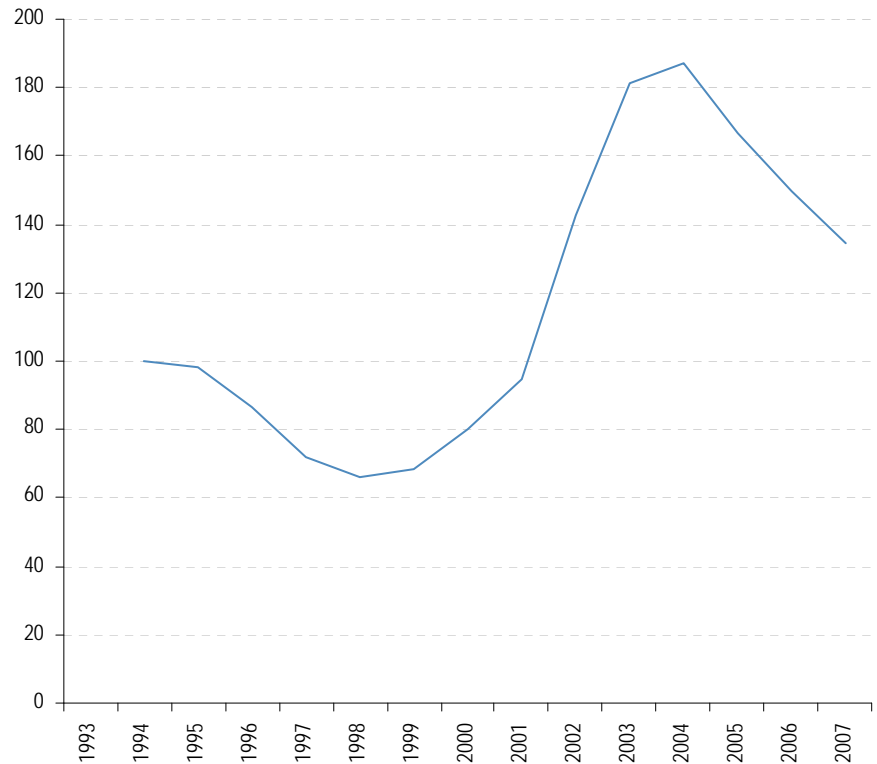
Historical Industry rate trends - Commercial

Commercial property price index



Source: J.P. Morgan/Deloitte General Insurance Survey

Liability price index



Source: J.P. Morgan/Deloitte General Insurance Survey



Institute of Actuaries of Australia

16th General Insurance Seminar

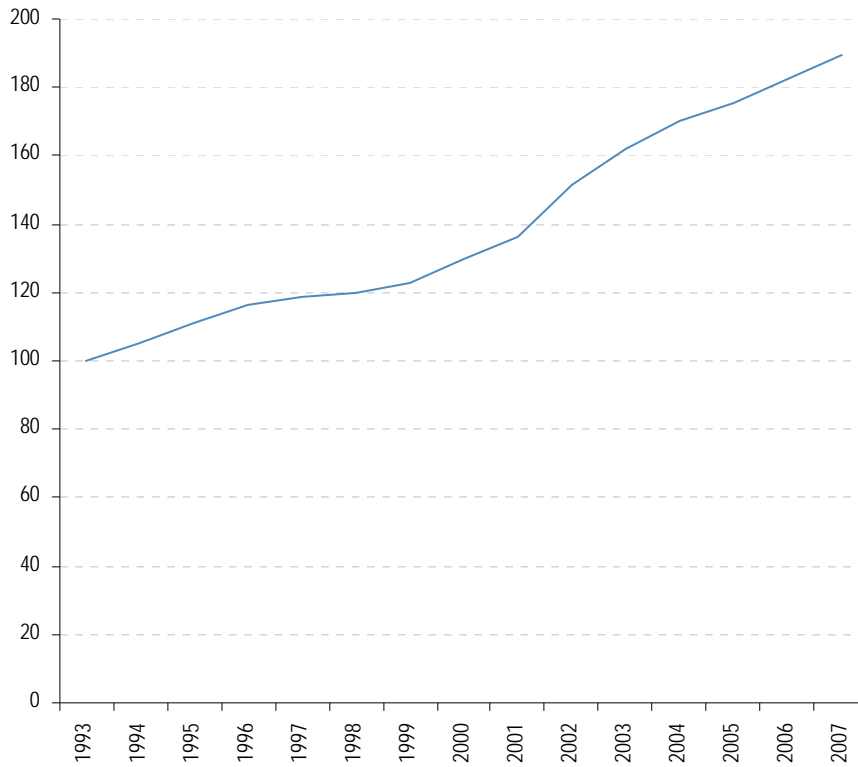


Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolom

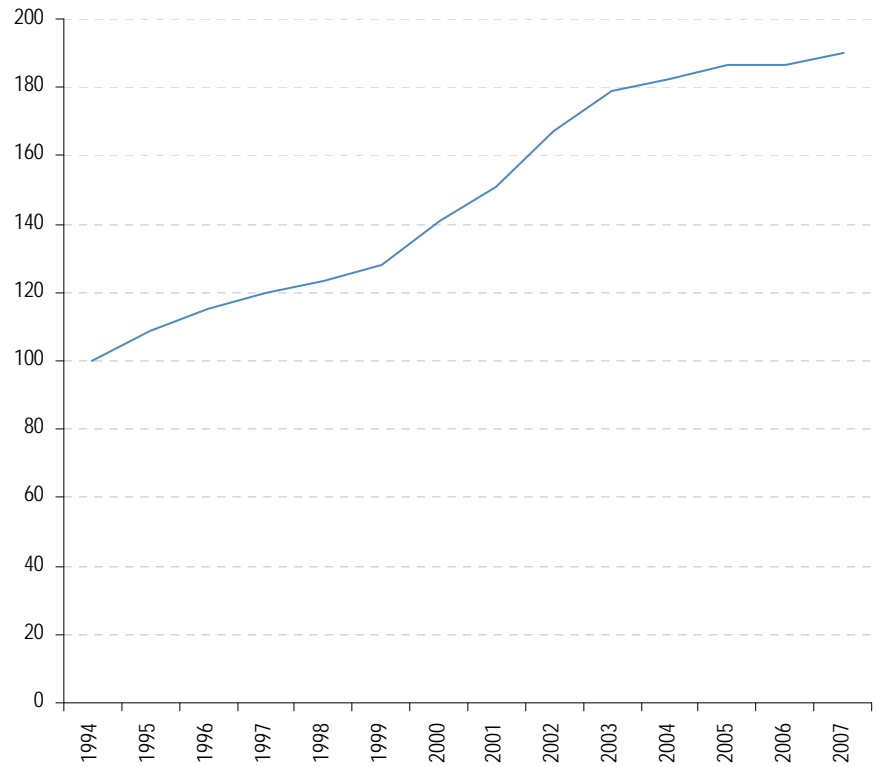
Historical Industry rate trends - Personal

Householder price index



Source: J.P. Morgan/Deloitte General Insurance Survey

Domestic motor price index



Source: J.P. Morgan/Deloitte General Insurance Survey



Institute of Actuaries of Australia

16th General Insurance Seminar

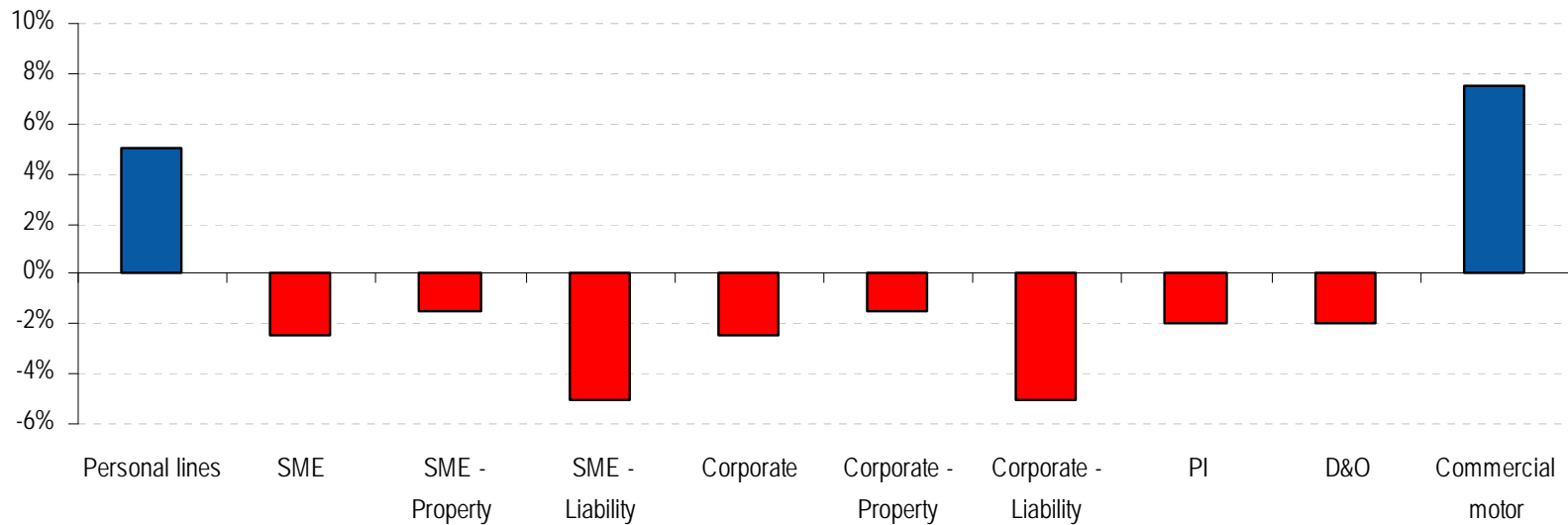


Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolom

Industry rate trends – year to 2008

June 2008 renewal seasons rate movements (broker feedback)



Source: J.P. Morgan estimates, Broker feedback



Institute of Actuaries of Australia

16th General Insurance Seminar

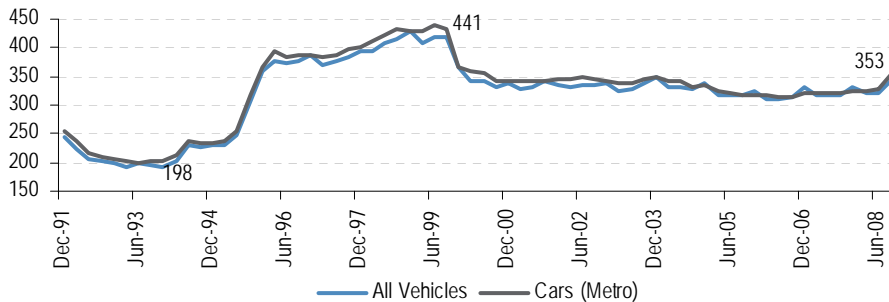


Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolum

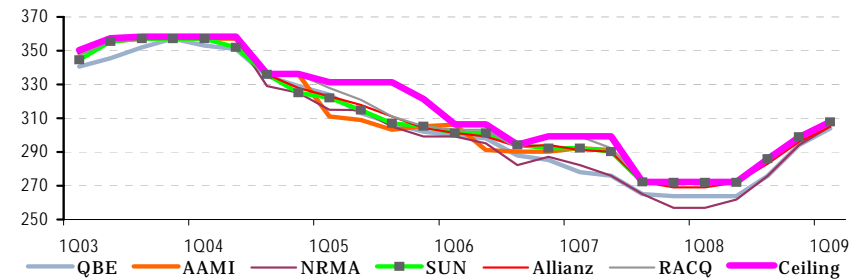
CTP

NSW CTP price changes



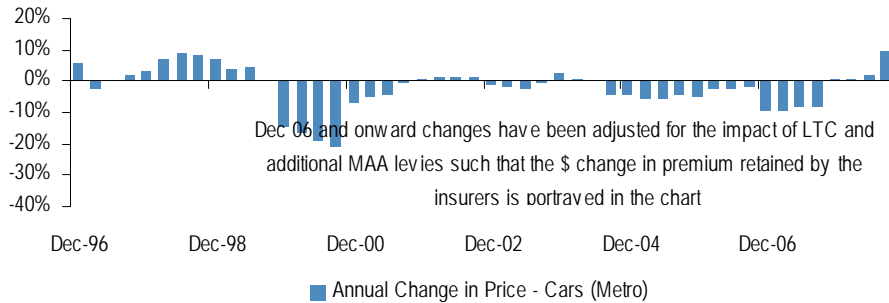
Source: MAA, J.P. Morgan

QLD CTP



Source: MAIC, J.P. Morgan

Premium rate percentage change on previous quarter



Source: MAA, J.P. Morgan

- Rates rising – and will continue
- But it is in response to Superimposed inf.
- First class to show this post tort reforms
- More to come?



Institute of Actuaries of Australia

16th General Insurance Seminar

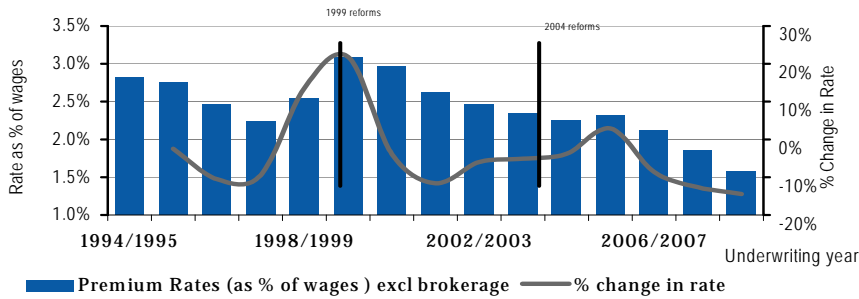


Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolom

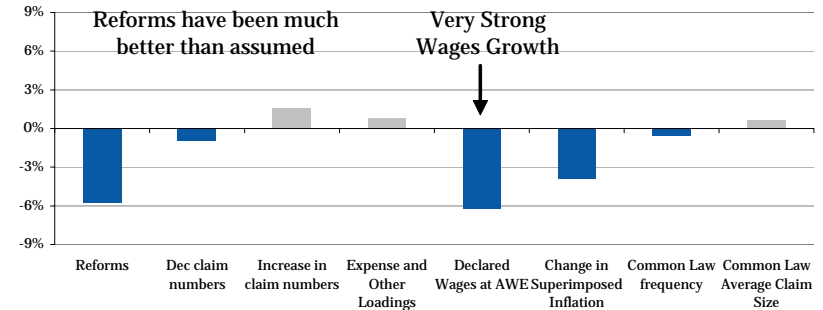
Workers' Comp - WA

WA Wcomp - Average Rate Change



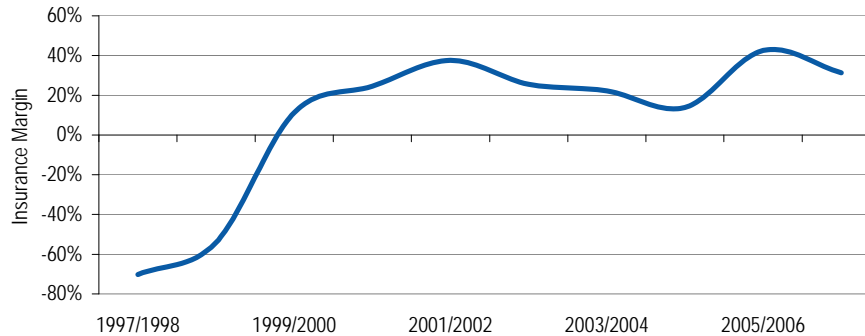
Source: PWC Report for WA Workcover, J.P. Morgan

Wages was the driver of the change



Source: PWC Report for WA Workcover, J.P. Morgan

Reported accounting insurance margins have been very high



Source: PWC Report for WA Workcover, J.P. Morgan estimates



Institute of Actuaries of Australia

16th General Insurance Seminar

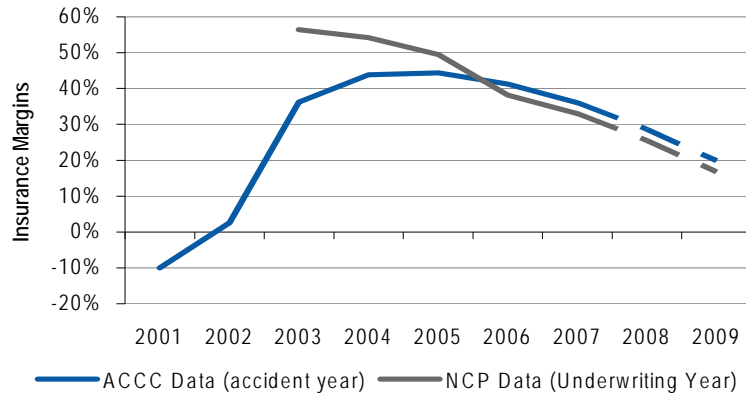


Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolum

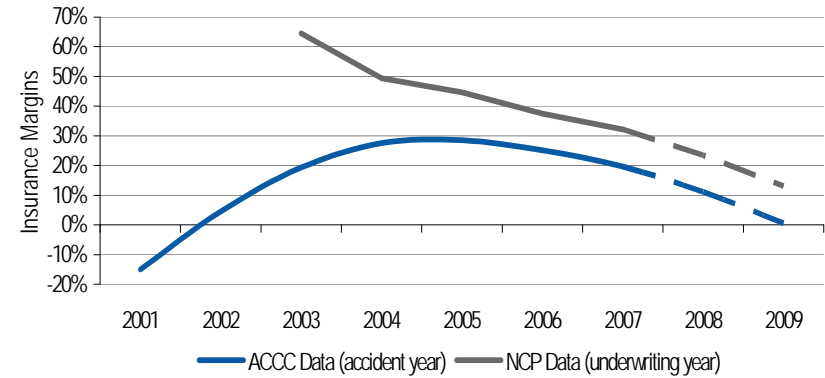
Liability & PI

Liability Accident Year Margins J.P. Morgan Projections



Source: NCPD Database from APRA, ACCC Report on Liability Markets

Professional Indemnity Accident Year Margins J.P. Morgan Projections



Source: NCPD Database from APRA, ACCC Report on Liability Markets



Institute of Actuaries of Australia

16th General Insurance Seminar

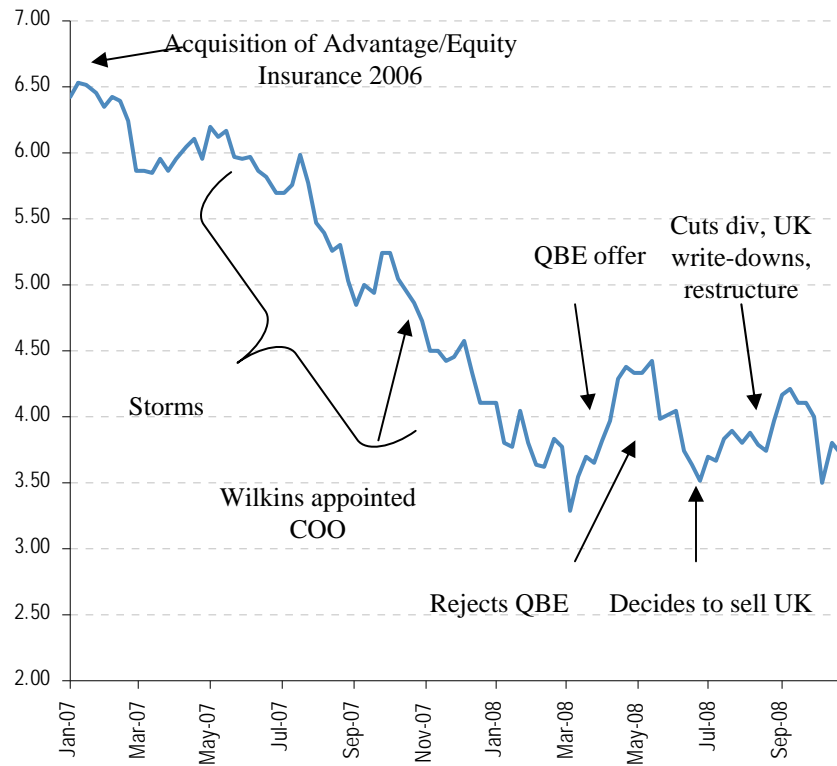


Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolum

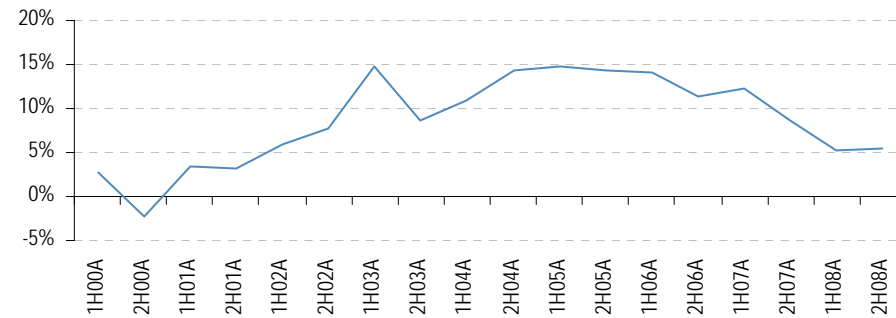
IAG: The historical issues

IAG share price (A\$)



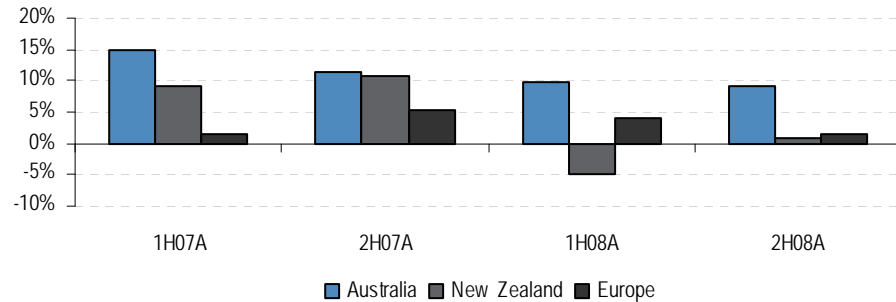
Source: IRESS

Group insurance margins



Source: Company, J.P. Morgan estimates

Divisional insurance margins



Source: Company, J.P. Morgan estimates



Institute of Actuaries of Australia

16th General Insurance Seminar



Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolum

IAG: Issues to watch

- Market expects quick rebound in margins
- Aiming for A\$130m cost savings.
 - Reducing staff could result in loss of knowledge.
 - Takes time to change culture.
- Reserve releases slowing.
- UK Sale will be tough
- BUT – rates rising in personal lines

IAG - Weighted rate move at June 2008

	IAG GWP %	Rate move
Motor	39%	5.0%
Home	22%	7.0%
Short-tail commercial	18%	-1.5%
Workers comp	2%	-5.0%
CTP	11%	5.0%
Liability	5%	-5.0%
Other short tail	3%	-2.5%
Weighted average	100%	3.3%
Commercial lines		-2.5%
Personal lines		5.6%

Source: Company, J.P. Morgan estimates

IAG vs. SUN - Underlying insurance margin (FY08)

	IAG FY08	SUN FY08
NEP (a)	7295	5866
Reported FY08E margin	6.1%	10.3%
Reported Insurance Result	448	607
Actual storm losses (b)	502	415
Normal storm losses (c)	-320	-200
Credit losses on bond portfolio (d)	122	140
New basis adjustment (e)	-73	
Insurance result adj for storms including central releases	679	962
"Unsustainable" reserve release (centrals + claims handling expense) (g)	-284	-251
Risk margin release (h)	-122	-270
Release from new business strain (i)		123
Exp Savings Sought (j)	113.5	72
Insurance result excluding central releases but allowing for expense sa	508	636
Reported Insurance margin (FY08E) - old basis	6.1%	10.3%
Storm loss adjustment (FY08E) [(b+c)/a]	2.5%	3.7%
Credit loss adjustment (FY08E) [d/a]	1.7%	2.4%
New basis adjustment (adjustment for corporate costs) [e/a]	-1.0%	
Adj insurance margin including central estimate releases (FY08E)- net	9.3%	16.4%
JPMorgan estimate of central estimate release [g/a]	-3.9%	-4.3%
Risk margin release [h/a]		-4.6%
Release from new business strain [i/a]		2.1%
Underlying Margin in FY09		
"Normalised" Margin - FY08	5.4%	9.6%
"Normalised" Margin - FY08 assuming only half of sustained releases	5.4%	8.6%
Exp Savings sought [j/a]	1.6%	1.2%
Underlying Margin if you allow for forecast expense savings	7.0%	10.8%
Implied upside from rates, business change, claims trends, investment yield	3.0% +	-.8% to 1.2%
Company guidance margin pre-central estimate releases	10%+	
Company guidance margin post-central estimate releases		10% to 12%

Source: Companies, J.P. Morgan estimates



Institute of Actuaries of Australia

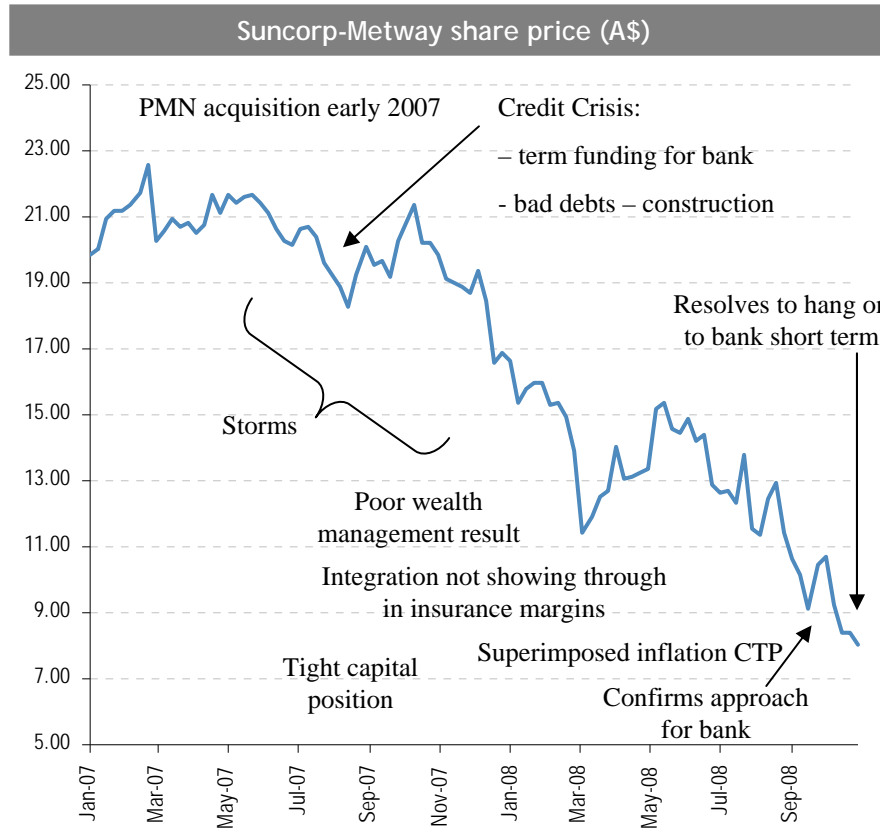
16th General Insurance Seminar



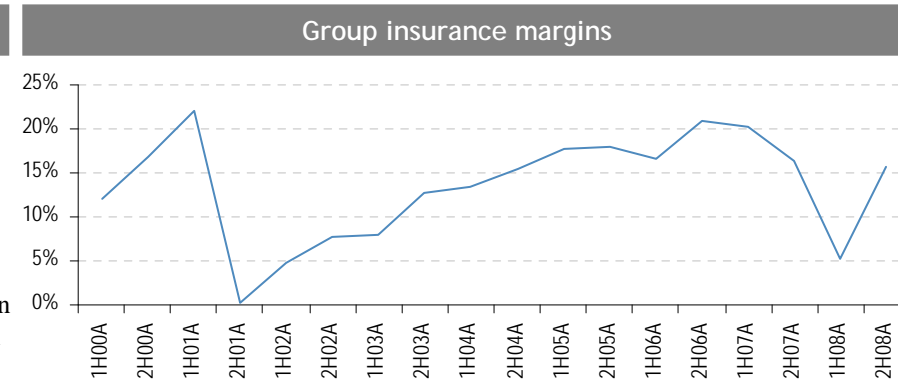
Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolum

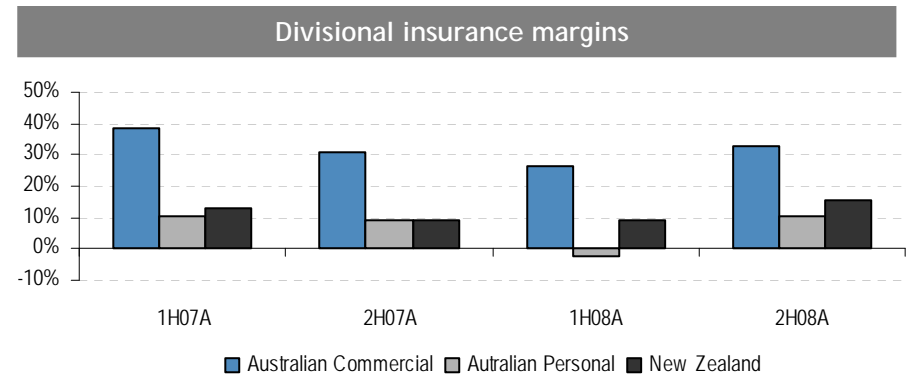
Suncorp-Metway: The historical issues



Source: IRESS



Source: Company, J.P. Morgan estimates



Source: Company, J.P. Morgan estimates



Institute of Actuaries of Australia

16th General Insurance Seminar



Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolum

Suncorp-Metway: Issues to watch

- Bank under pressure – but won't be sold for less than NTA.
- Government guarantees gives them breathing space.
- Less of a stretch to reach guidance.
- Personal lines rates
- Reserve releases slowing.

SUN - Weighted rate move at June 2008

	SUN GWP	Rate move
Motor	34%	5.0%
Home	22%	7.0%
Commercial	25%	-2.5%
CTP	10%	5.0%
Other	5%	-2.0%
Workers comp	4%	-5.0%
Weighted average	100%	2.8%
Commercial lines		-2.7%
Personal lines		5.7%

Source: Company, J.P. Morgan estimates

IAG vs. SUN - Underlying insurance margin (FY08)

	IAG FY08	SUN FY08
NEP (a)	7295	5866
Reported FY08E margin	6.1%	10.3%
Reported Insurance Result	448	607
Actual storm losses (b)	502	415
Normal storm losses (c)	-320	-200
Credit losses on bond portfolio (d)	122	140
New basis adjustment (e)	-73	
Insurance result adj for storms including central releases	679	962
"Unsustainable" reserve release (centrals + claims handling expense) (g)	-284	-251
Risk margin release (h)	-122	-270
Release from new business strain (i)		123
Exp Savings Sought (j)	113.5	72
Insurance result excluding central releases but allowing for expense sa	508	636
Reported Insurance margin (FY08E) - old basis	6.1%	10.3%
Storm loss adjustment (FY08E) [(b+c)/a]	2.5%	3.7%
Credit loss adjustment (FY08E) [d/a]	1.7%	2.4%
New basis adjustment (adjustment for corporate costs) [e/a]	-1.0%	
Adj insurance margin including central estimate releases (FY08E)- nev	9.3%	16.4%
JPMorgan estimate of central estimate release [g/a]	-3.9%	-4.3%
Risk margin release [h/a]		-4.6%
Release from new business strain [i/a]		2.1%
Underlying Margin in FY09		
"Normalised" Margin - FY08	5.4%	9.6%
"Normalised" Margin - FY08 assuming only half of sustained releases	5.4%	8.6%
Exp Savings sought [j/a]	1.6%	1.2%
Underlying Margin if you allow for forecast expense savings	7.0%	10.8%
Implied upside from rates, business change, claims trends, investment yield	3.0% +	-.8% to 1.2%
Company guidance margin pre-central estimate releases	10%+	
Company guidance margin post-central estimate releases		10% to 12%

Source: Companies, J.P. Morgan estimates



Institute of Actuaries of Australia

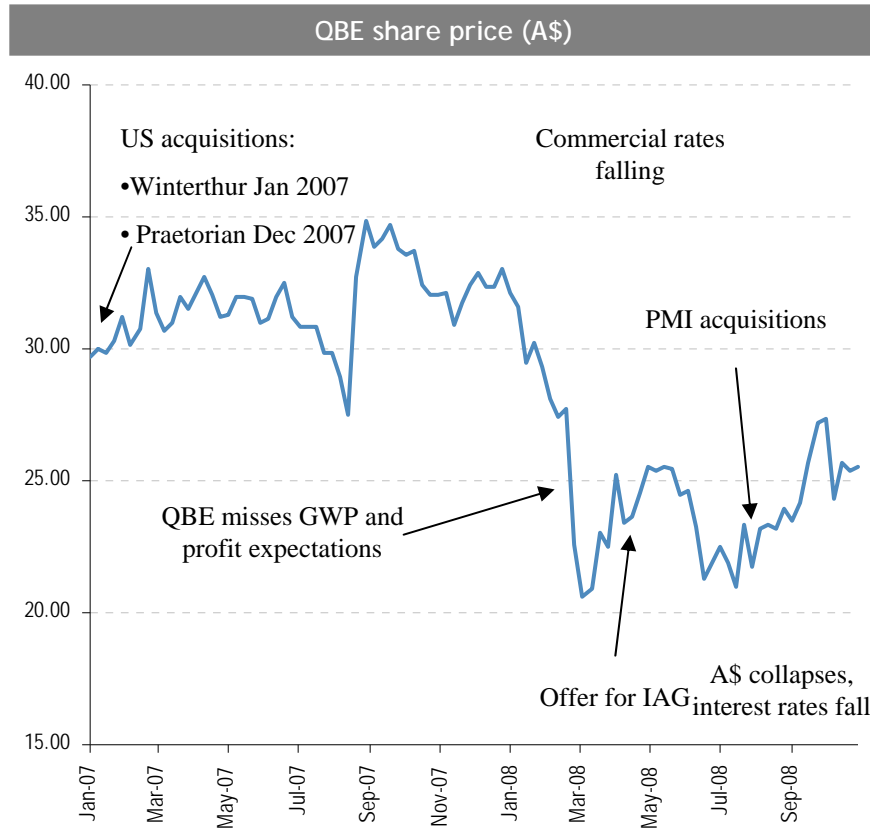
16th General Insurance Seminar



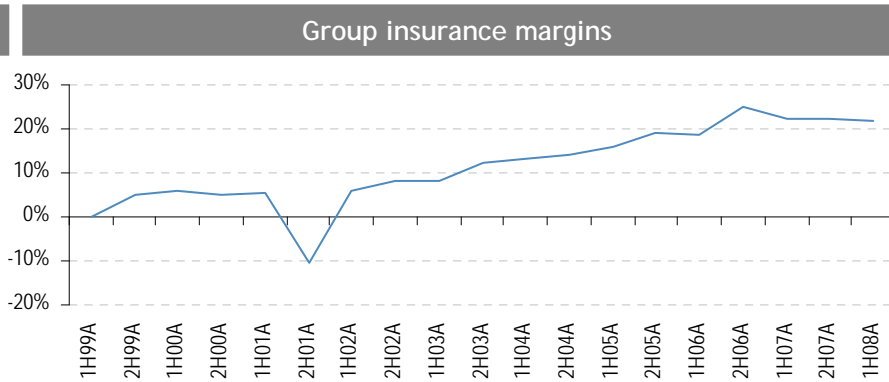
Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolum

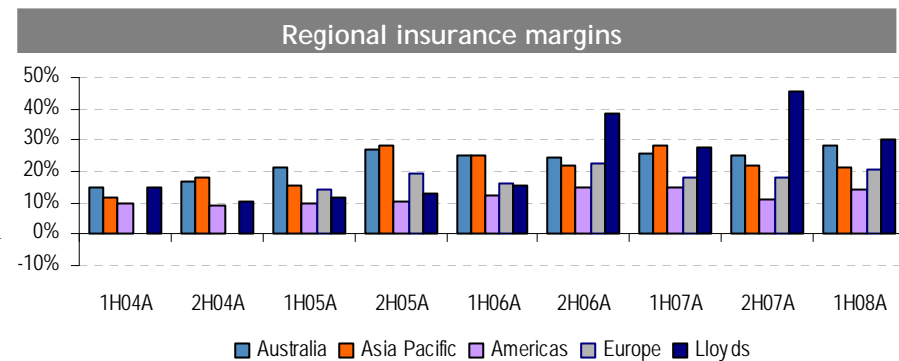
QBE: The historical issues



Source: IRESS



Source: Company, J.P. Morgan estimates



Source: Company, J.P. Morgan estimates



Institute of Actuaries of Australia

16th General Insurance Seminar



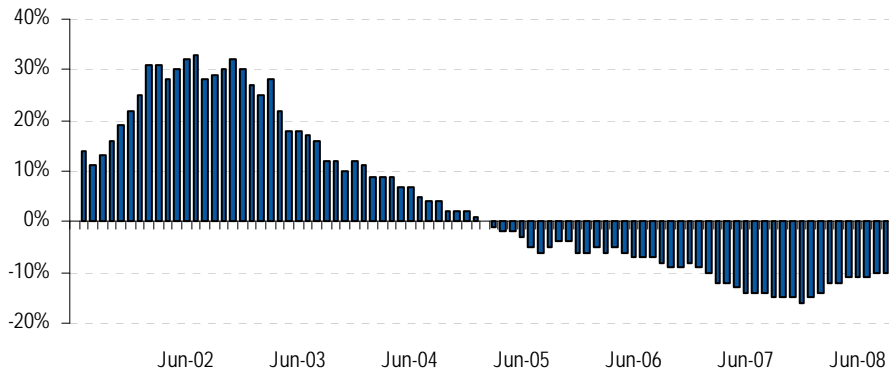
Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolum

QBE: Issues to watch

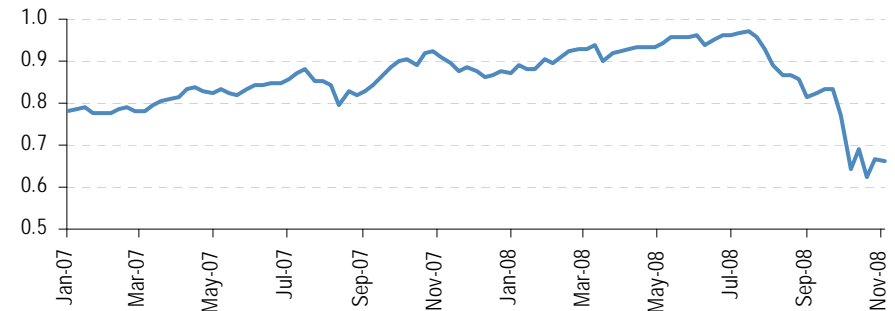
- RoE 26% FY07, 20% 1H08. RoNTA was 31% in FY07; RoE guidance 20%+
- AUD/USD exchange rate has moved in QBE's favour
- Lower interest rates – mismatch asset/liability; like rate cut on long tail margins
- Future acquisitions could be a positive
 - QBE needs to maintain its PE premium to peers
- Commercial rates outside of Australia are still falling

US commercial lines - Total rate movements



Source: MarketScout

AUD/USD exchange rate



Source: IRESS



Institute of Actuaries of Australia

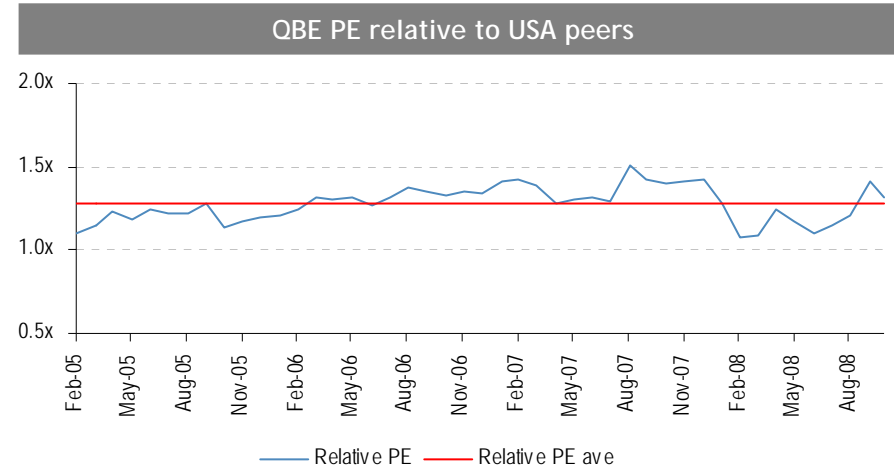
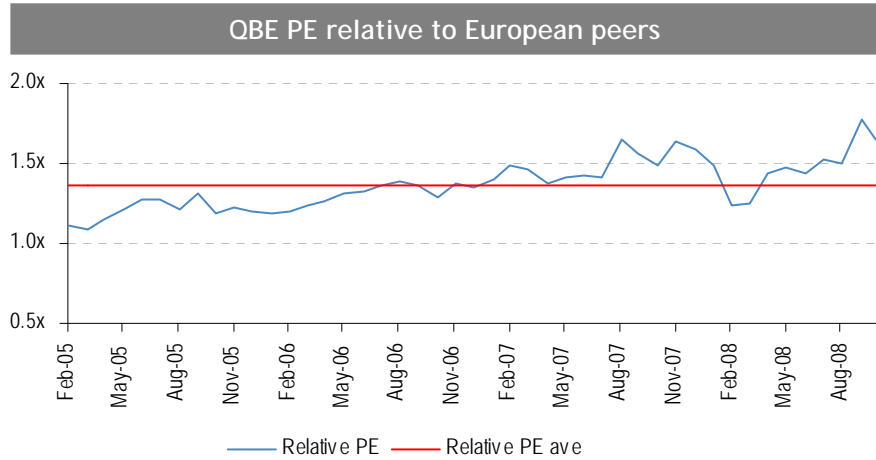
16th General Insurance Seminar



Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolum

QBE: Relative PE and reserves



Source: IBES, J.P. Morgan estimates

Source: IBES, J.P. Morgan estimates

QBE Risk margin releases					
A\$m	Case 1	Case 2	Case 3	Case 4	Case 5
Target Probability of Adequacy	75%	80%	85%	90%	95%
Current Risk Margin	1,389	1,389	1,389	1,389	1,389
Risk Margin Required at Target	541	688	862	1,086	1,425
Potential Risk Margin Release	848	701	527	303	-36
NEP Revenue 2007-2009F	36,904	36,904	36,904	36,904	36,904
Release % 3 Year NEP Revenue	2.30%	1.90%	1.40%	0.80%	-0.10%

Source: IBES, J.P. Morgan estimates

- Reserve releases in Australia slowing.
- Lloyd's should still have plenty left – but economic environment could increase costs
- Risk margins likely to come back in 2H08 due to discount rate impact on liabs.



Institute of Actuaries of Australia

16th General Insurance Seminar

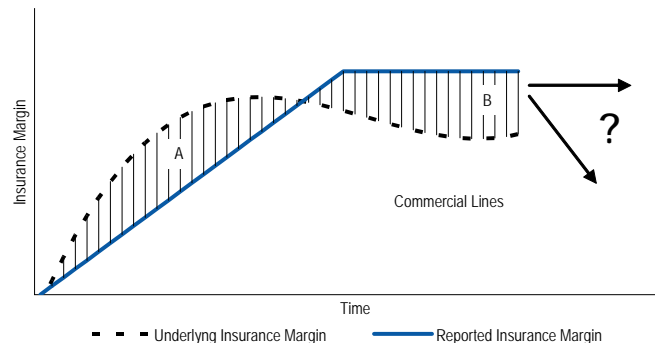


Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolum

Conclusions

- Coming from largely very profitable times for insurers
- Recent downturn- market in Aus sees as temporary; safe haven
- Rates have been trending down – and at a critical pt.
- Credit crisis – means we are facing tougher economic times
 - Slower growth -
 - Economic environment should pressure claims
 - Interest rates falling impact investment returns
 - May provide an added incentive for rates environment to turn
 - BUT: - They need to – to meet Australian share market expectations.





Institute of Actuaries of Australia

16th General Insurance Seminar



Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolum

Disclosures

This document reflects solely information available in recently published research. For additional information on each stock's investment thesis, including valuation methodology and risks, please contact your salesperson, the covering analyst's team, or www.morganmarkets.com.

Analyst Certification:

The research analyst(s) denoted by an "AC" on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analyst denoted by an "AC" on the cover or within the document individually certifies, with respect to each security or issuer that the research analyst covers in this research) that: (1) all of the views expressed in this report accurately reflect his or her personal views about any and all of the subject securities or issuers; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report.



Institute of Actuaries of Australia

16th General Insurance Seminar



Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolum

Disclosures

Explanation of Equity Research Ratings and Analyst(s) Coverage Universe:

J.P. Morgan uses the following rating system: **Overweight** [Over the next six to twelve months, we expect this stock will outperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] **Neutral** [Over the next six to twelve months, we expect this stock will perform in line with the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] **Underweight** [Over the next six to twelve months, we expect this stock will underperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] The analyst or analyst's team's coverage universe is the sector and/or country shown on the cover of each publication. See below for the specific stocks in the certifying analyst(s) coverage universe.

J.P. Morgan Equity Research Ratings Distribution, as of September 30, 2008

	Overweight (buy)	Neutral (hold)	Underweight (sell)
JPM Global Equity Research Coverage	42%	44%	15%
IB clients*	53%	51%	43%
JPMSI Equity Research Coverage	40%	48%	12%
IB clients*	76%	70%	59%

*Percentage of investment banking clients in each rating category.

For purposes only of NASD/NYSE ratings distribution rules, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category.

Valuation and Risks: Please see the most recent company-specific research report for an analysis of valuation methodology and risks on any securities recommended herein. Research is available at <http://www.morganmarkets.com>, or you can contact the analyst named on the front of this note or your J.P. Morgan representative.

Analysts' Compensation: The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Institutional Equities and Investment Banking.

Registration of non-US Analysts: Unless otherwise noted, the non-US analysts listed on the front of this report are employees of non-US affiliates of JPMSI, are not registered/qualified as research analysts under NASD/NYSE rules, may not be associated persons of JPMSI, and may not be subject to NASD Rule 2711 and NYSE Rule 472 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

Other Disclosures

J.P. Morgan is the global brand name for J.P. Morgan Securities Inc. (JPMSI) and its non-US affiliates worldwide.

Options related research: If the information contained herein regards options related research, such information is available only to persons who have received the proper option risk disclosure documents. For a copy of the Option Clearing Corporation's Characteristics and Risks of Standardized Options, please contact your J.P. Morgan Representative or visit the OCC's website at <http://www.optionsclearing.com/publications/risks/riskstoc.pdf>.



Institute of Actuaries of Australia

16th General Insurance Seminar



Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolom

Disclosures

Legal Entities Disclosures

U.S.: JPMSI is a member of NYSE, FINRA and SIPC. J.P. Morgan Futures Inc. is a member of the NFA. JPMorgan Chase Bank, N.A. is a member of FDIC and is authorized and regulated in the UK by the Financial Services Authority. U.K.: J.P. Morgan Securities Ltd. (JPMSL) is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority. Registered in England & Wales No. 2711006. Registered Office 125 London Wall, London EC2Y 5AJ. **South Africa:** J.P. Morgan Equities Limited is a member of the Johannesburg Securities Exchange and is regulated by the FSB. **Hong Kong:** J.P. Morgan Securities (Asia Pacific) Limited (CE number AAJ321) is regulated by the Hong Kong Monetary Authority and Futures Commission in Hong Kong. **Korea:** J.P. Morgan Securities (Far East) Ltd, Seoul branch, is regulated by the Korea Financial Supervisory Service. **Australia:** J.P. Morgan Australia Limited (ABN 52 002 888 011/AFS Licence No: 238188) is regulated by ASIC and J.P. Morgan Securities Australia Limited (ABN 61 003 245 234/AFS Licence No: 238066) is a Market Participant with the ASX and regulated by ASIC. **Taiwan:** J.P.Morgan Securities (Taiwan) Limited is a participant of the Taiwan Stock Exchange (company-type) and regulated by the Taiwan Securities and Futures Bureau. **India:** J.P. Morgan India Private Limited is a member of the National Stock Exchange of India Limited and The Stock Exchange, Mumbai and is regulated by the Securities and Exchange Board of India. **Thailand:** JPMorgan Securities (Thailand) Limited is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission. **Indonesia:** PT J.P. Morgan Securities Indonesia is a member of the Indonesia Stock Exchange and is regulated by the BAPEPAM. **Philippines:** J.P. Morgan Securities Philippines Inc. is a member of the Philippine Stock Exchange and is regulated by the Securities and Exchange Commission. **Brazil:** Banco J.P. Morgan S.A. is regulated by the Comissao de Valores Mobiliarios (CVM) and by the Central Bank of Brazil. **Mexico:** J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero is a member of the Mexican Stock Exchange and authorized to act as a broker dealer by the National Banking and Securities Exchange Commission. **Singapore:** This material is issued and distributed in Singapore by J.P. Morgan Securities Singapore Private Limited (JPMS) [mica (p) 207/01/2008 and Co. Reg. No.: 199405335R] which is a member of the Singapore Exchange Securities Trading Limited and is regulated by the Monetary Authority of Singapore (MAS) and/or JPMorgan Chase Bank, N.A., Singapore branch (JPMCB Singapore) which is regulated by the MAS. **Malaysia:** This material is issued and distributed in Malaysia by JPMorgan Securities (Malaysia) Sdn Bhd (18146-x) which is a Participating Organization of Bursa Malaysia Securities Bhd and is licensed as a dealer by the Securities Commission in Malaysia. **Pakistan:** J. P. Morgan Pakistan Broking (Pvt.) Ltd is a member of the Karachi Stock Exchange and regulated by the Securities and Exchange Commission of Pakistan .



Institute of Actuaries of Australia

16th General Insurance Seminar



Thriving on Change

9-12th Nov 2008
Hyatt Regency Coolum

Disclosures

Country and Region Specific Disclosures

U.K. and European Economic Area (EEA): Issued and approved for distribution in the U.K. and the EEA by JPMSL. Investment research issued by JPMSL has been prepared in accordance with JPMSL's Policies for Managing Conflicts of Interest in Connection with Investment Research which outline the effective organisational and administrative arrangements set up within JPMSL for the prevention and avoidance of conflicts of interest with respect to research recommendations, including information barriers, and can be found at <http://www.jpmorgan.com/pdfdoc/research/ConflictManagementPolicy.pdf>. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction.

Germany: This material is distributed in Germany by J.P. Morgan Securities Ltd. Frankfurt Branch and JPMorgan Chase Bank, N.A., Frankfurt Branch who are regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht.

Australia: This material is issued and distributed by JPMSAL in Australia to "wholesale clients" only. JPMSAL does not issue or distribute this material to "retail clients." The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of JPMSAL. For the purposes of this paragraph the terms "wholesale client" and "retail client" have the meanings given to them in section 761G of the Corporations Act 2001.

Hong Kong: The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for persons licensed by or registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months' prior.) J.P. Morgan Broking (Hong Kong) Limited is the liquidity provider for derivative warrants issued by J.P. Morgan International Derivatives Ltd and listed on The Stock Exchange of Hong Kong Limited. An updated list can be found on HKEx website: <http://www.hkex.com.hk/prod/dw/Lp.htm>.

Japan: There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, JPMorgan Securities Japan Co., Ltd., will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between JPMorgan Securities Japan Co., Ltd., and the customer in advance. Financial Instruments Firms: JPMorgan Securities Japan Co., Ltd., Kanto Local Finance Bureau (kinsho) No. [82] Participating Association / Japan Securities Dealers Association, The Financial Futures Association of Japan.

Korea: This report may have been edited or contributed to from time to time by affiliates of J.P. Morgan Securities (Far East) Ltd, Seoul branch.

Singapore: JPMSI and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above.

India: For private circulation only, not for sale.

Pakistan: For private circulation only, not for sale.

New Zealand: This material is issued and distributed by JPMSAL in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. JPMSAL does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of JPMSAL.

General: Additional information is available upon request. Information has been obtained from sources believed to be reliable but JPMorgan Chase & Co. or its affiliates and/or subsidiaries (collectively J.P. Morgan) do not warrant its completeness or accuracy except with respect to any disclosures relative to JPMSI and/or its affiliates and the analyst's involvement with the issuer that is the subject of the research. All pricing is as of the close of market for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. JPMSI distributes in the U.S. research published by non-U.S. affiliates and accepts responsibility for its contents. Periodic updates may be provided on companies/industries based on company specific developments or announcements, market conditions or any other publicly available information. Clients should contact analysts and execute transactions through a J.P. Morgan subsidiary or affiliate in their home jurisdiction unless governing law permits otherwise.

"Other Disclosures" last revised September 29, 2008.

Copyright 2008 JPMorgan Chase & Co. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of J.P. Morgan.