



**Informe de Actualización Anual
Al 31 de Diciembre de 2010**

Razón Social del Emisor : QBE del Istmo Cía. de Reaseguros, Inc.

Valores que ha registrado : Acciones Comunes

Número de Teléfono : 301-0610

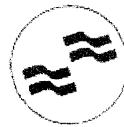
Número de Fax : 301-0621

Dirección del Emisor : Costa del Este, Avenida Paseo

del Mar, Calle Vista del Pacífico, P.H. 51

Página Web : www.istmore.com

Electrónico del Emisor : rbatista@istmore.com



I) Información de la Compañía

A) Historia y Desarrollo

QBE del Istmo Compañía de Reaseguros Inc., Compañía Matriz constituida bajo las leyes de la República de Panamá mediante Escritura Pública Nº 8.839 del 17 de julio de 1979, e inscrita ante el Registro Público el 30 de agosto de 1979 en la ficha 0429629, Rollo 2525, Imagen 0030, está debidamente autorizada por la Superintendencia de Seguros y Reaseguros de La República de Panamá para ejercer el negocio de reaseguro local y extranjero, según Licencia Comercial Tipo A Nº 8-4633 expedida bajo la Resolución Nº 32 del 14 de diciembre de 1979.

Sus subsidiarias: **QBE del Istmo México Compañía de Reaseguros, S.A. de C.V.**, con domicilio en el Edificio 124 de la Avenida Alborada, Colonia Pedregal, México D.F., fue constituida bajo las leyes de la República de los Estados Unidos Mexicanos el 19 de mayo de 1997. **QBE RIO-Perú Corredores y Asesores de Reaseguros, S.A.**, con domicilio en Avenida Jirón Amador Merino Reyna 295 Oficina 702 Edificio Plaza "Las América" San Isidro Lima, Perú, antes Re Security Corredores y Asesores de Reaseguros, S.A., fue constituida bajo las leyes de la República Peruana el 02 de noviembre de 1998. Ambas compañías están debidamente autorizadas para ejercer los negocios de reaseguros y corredores de reaseguros respectivamente, en sus debidos países. El 22 de mayo de 2003 con resolución Superbancaria No.0476, se registró la empresa como una **oficina de representación en Colombia Carrera 7 No.76-35 Oficina 405 Santafé de Bogotá, Colombia**. El 04 de marzo de 2005 con el No. de certificado 398723, se constituyó oficialmente la empresa **Liffey Reinsurance Co. Ltd.**, en Dublín, Irlanda. **Del Istmo Assurance Corp.**, con domicilio en Calle 48, Bella Vista, Urbanización Marbella No.49-141, Panamá, Panamá, constituida bajo las leyes de la República de Panamá, conforme a las disposiciones de la Ley 32 de 1927, mediante escritura pública Nº.5,985 del 27 de mayo de 1994, debidamente inscrita en el Registro Público, Sección de Micropelícula a la Ficha 287958, Folio 42484, Imagen 0063.

Los estados financieros consolidados para el año terminado el 31 de diciembre de 2010, comprenden a QBE del Istmo Compañía de Reaseguros, Inc. y a sus subsidiarias antes referidas. La Compañía tiene la mayoría de las acciones en circulación de dichas subsidiarias.

El 24 de abril de 1999, se aprobó en Asamblea de Accionistas de QBE del Istmo Compañía de Reaseguros, Inc., la Reforma Integra del Pacto Social de la Compañía para adecuarlo a las intenciones de incremento de capital y listar la empresa en la



Bolsa de Valores de Panamá. Así mismo, el nombre de la Compañía cambió de Reaseguradora del Istmo, S.A. a QBE del Istmo Compañía de Reaseguros, Inc.

En noviembre de 1999 QBE Insurance Group adquiere una participación accionaria minoritaria en esta empresa., firmando la alianza estratégica para América Latina, vigente entre QBE del Istmo Cía. de Reaseguros, Inc. y QBE Reinsurance Corporation (N.Y). Esta alianza le ha permitido a la empresa una mayor capacidad de penetración en los mercados latinoamericanos, que se ha traducido en un crecimiento en la suscripción de primas.

En Febrero de 2001, QBE International Holdings, Ltd. adquiere 416,667 acciones preferidas, por US\$ 2,500,000 para sustentar financieramente el crecimiento y los planes de desarrollo de la Empresa. El 29 de diciembre de 2008, dichas acciones son re-poseídas por QBE del Istmo Cía. de Reaseguros, Inc..

Durante el mes de Junio de 2001 QBE Reinsurance Group incrementa su participación en el capital pagado de QBE Del Istmo Compañía de Reaseguros Inc. al 40.4348%, mediante la adquisición de acciones nuevas y de antiguos socios de la Compañía.

El 23 de julio de 1999, la Junta Directiva de Duff & Phelps de Colombia, S.A., Sociedad Calificadora de Valores, otorgó la calificación BBB a la Capacidad de Pago de Siniestros a la Compañía, el 02 de octubre de 2000 modificó dicha calificación a Pa BBB+, el 17 de julio de 2001 la modifica de Pa BBB+ a Pa A sencilla, el 21 de diciembre de 2001 la modifica de Pa A a Pa A+, el 20 de diciembre de 2002 la modificó de Pa A+ a Pa AA- y el 12 de agosto de 2005 se mantiene la calificación de Pa AA-. El 17 de octubre de 2007 la Junta Directiva de Duff & Phelps de Colombia, S.A., decidió modificar la calificación a Pa AA con perspectiva estable la calificación anteriormente asignada de Pa AA- con perspectiva positiva, a la Fortaleza Financiera de la empresa. El 13 de octubre de 2009, el Comité Técnico de Fitch Ratings Colombia, S.A. Calificadora de Valores, decidió asignar la calificación de fortaleza financiera de "AA (col)" con perspectiva estable.

El 31 de enero de 2007, Standard & Poors Rating Services, otorga la calificación "BBB-" a QBE del Istmo Cía de Reaseguros Inc., por su Capacidad de Pago de Siniestros. El 08 de julio de 2008, Standard & Poors Rating Services, mantiene la calificación "BBB-" a QBE del Istmo Cía. de Reaseguros, Inc., por su estabilidad y Capacidad de Pago de Siniestros. El 04 de agosto de 2009, Standard & Poors Ratings Services, confirmó sus calificaciones de crédito de contraparte y de solidez financiera de "BBB-" a QBE del Istmo Cía. de Reaseguros Inc., perspectiva estable. El 10 de septiembre de 2010, Standard & Poors Ratings Services, nos confirma su calificación de BBB- a QBE del Istmo Cía. de Reaseguros Inc., perspectiva estable.



El patrimonio de QBE del Istmo Compañía de Reaseguros, Inc., presenta un crecimiento promedio anual de 90.46% entre 2000 y 2010, y asciende a US\$117,457,967.00. El 22 de agosto de 2005, por asamblea de accionista se autorizó capitalizar Utilidades Retenidas hasta por US\$5, 500,000.00 y el 30 de diciembre de 2007 por US\$10, 500,000.00. El 29 de diciembre de 2008, se aumenta el capital suscrito y pagado con la emisión de 279,948 acciones comunes para un total de 2,404,948 (US\$14, 490,065.00) acciones comunes sin valor nominal. El 21 de septiembre de 2010, se aumenta el capital suscrito y pagado con la emisión de 124,846 acciones comunes y 180,000 acciones preferidas para un total de US\$23,789,417.30. La Compañía tiene como perspectiva capitalizar sus utilidades, con el fin de ampliar su capacidad de aceptación de riesgos y actualmente no hay oferta abierta de intercambio de acciones.

B. Pacto Social y Estatutos

QBE del Istmo Compañía de Reaseguros, Inc., es una sociedad dedicada principalmente a reasegurar todo tipo de riesgos en cualquier parte del mundo, y su pacto social no contiene disposiciones más exigentes que las requeridas por ley para su debida administración y organización.

La Junta Directiva de la Sociedad estará constituida por seis personas, a menos que los tenedores de una mayoría de las Acciones Comunes emitidas y en circulación (votando por separado como una sola clase) consientan en otra cosa. No se estipula un número de acciones para ser director o dignatario.

Se restringe el traspaso de Valores de la Sociedad a menos que, a)en el caso de inversionistas se los traspasen a los socios, miembros o accionistas de la misma o cualquier otra entidad que sea propiedad sustancial o controlada por los socios, miembros o accionistas de la misma; b)a cualquier cesionario permitido.

La Asamblea de Accionistas es el órgano máximo de toma de decisiones de la sociedad y se celebrará una reunión ordinaria todos los años en fecha y lugar que determine la Junta Directiva, salvo que la Junta Directiva disponga otra cosa. Las reuniones extraordinarias serán convocadas por la Junta Directiva, el Presidente de la Sociedad o cuando así lo soliciten por escrito uno o más accionistas que representen por lo menos el diez (10%) de las acciones emitidas y en circulación, cada vez que alguno de éstos lo consideren conveniente.



C. Descripción del Negocio:

QBE del Istmo Compañía de Reaseguros, S.A., es una Compañía dedicada principalmente a reasegurar todo tipo de riesgos en cualquier parte del mundo y su actividad complementaria actualmente, sería la de inversiones, ya que la Ley de Reaseguros obliga la creación de reservas de riesgos en curso, que deben ser respaldadas por inversiones aptas para su representación.

La Compañía se ha dedicado principalmente a servir en los Mercados Latino Americano y el Caribe. Treinta años de experiencia sirviendo a estos mercados, han logrado que la Compañía se posicione en forma amplia, con participaciones coherentes a sus capacidades e identificarse en cada uno de sus mercados como un reasegurador nativo, ganando de esta manera reconocimiento y respeto por los demás reaseguradores que sirven el área.



A continuación cuadro de Relaciones Comerciales 2010-2009, de la Compañía:

Relaciones Comerciales Diciembre 2010 - 2009

Mercados	2010		2009	
	Total Compañías	Relaciones Comerciales	Total Compañías	Relaciones Comerciales
Argentina	176	3	176	3
Belice	8	2	8	2
Bolivia	13	2	13	2
Colombia	35	9	35	9
Costa Rica	1	1	1	1
Chile	25	0	25	0
Ecuador	44	24	44	24
El Salvador	11	9	11	9
Guatemala	20	17	20	17
Honduras	11	7	11	7
México	69	22	69	22
Nicaragua	5	2	5	2
Panamá	28	8	28	8
Perú	12	4	12	4
República Dom.	41	5	41	5
Antillas	n/s	0	n/s	0
Suriname	5	1	5	1
Trinidad y Tob.	n/s	1	n/s	1
Guyana	18	2	18	2
Haití	n/s	0	n/s	1
Venezuela	50	17	50	17
Total	572	136	572	137

La Compañía ha logrado mantener la cantidad de relaciones comerciales de manera importante, sin tener que depender de una minoría de sus clientes. Esto obedece a la viabilidad de trabajar con las empresas de capital extranjero radicadas en nuestros mercados. De igual manera en el sector de nichos específicos logramos el reconocimiento de la ICMIF, que es el corredor de Reaseguros de los sectores cooperativistas y mutualistas. Esto nos permitió de una manera importante agilizar nuestra penetración a las cedentes del sector las cuales son pequeñas pero presentan coyunturas particulares para participar en productos masivos de bajo riesgo individual y alta rentabilidad técnica en volumen.





Por otra parte se han incrementando las relaciones comerciales con Corredores de Reaseguro internacional. Esto ha favorecido el nivel de esfuerzo que había que realizar para atraer los negocios a la Empresa.

La principal fuente de ingresos de la empresa es el Primaje Suscrito distribuido en Negocio Contractual 30% y Negocio Facultativo 70 %.

La otra fuente de ingresos con que cuenta la empresa es el rendimiento sobre las inversiones y los intereses recibidos sobre los depósitos de reservas en poder de la cedente.

Es la Ley Nº 63 del 19 de septiembre de 1996, la cual regula las operaciones de reaseguros y las de las empresas dedicadas a esta actividad, en Panamá. La Compañía no está sujeta a regulaciones públicas importantes sobre sus operaciones y además de sus tributos normales, sólo cumple con el pago anual del impuesto de licencia comercial hasta B/.40,000.00, con base a su patrimonio.

Solvencia Marginada

	2003	2004	2005	2006	2007	2008	2009	2010
Primas Retenidas	41,575,116	40,504,720	60,177,311	65,354,204	73,127,248	95,781,433	107,279,249	111,057,976
Inversión de Accionistas	17,647,192	20,349,223	23,652,309	30,959,171	48,514,407	72,601,549	80,736,633	117,457,967
Margen de Solvencia	2.36 a 1	1.99 a 1	2.54 a 1	2.11 a 1	1.50 a 1	1.32 a 1	1.33 a 1	0.95 a 1

D) Estructura Organizativa

QBE del Istmo Compañía de Reaseguros, Inc., es una Compañía Matriz. Sus subsidiarias son, QBE del Istmo México Compañía de Reaseguros, S.A. de C.V., ubicada en México, D.F.; QBE RIO-Perú Corredores y Asesores de Reaseguros, S.A., en Lima, Perú; Liffey Reinsurance Co., en Dublín, Irlanda; American Assurance Corp., en Panamá, Panamá.





E) Propiedad, Plantas y Equipo

La Compañía refleja en su Balance General Consolidado al 31 de diciembre de 2010 **US\$.** 24, 199,335 en valor neto de propiedades y **US\$.** 1, 019,078 en valor neto de mobiliario y equipo, para un total de **US\$.** 25, 218,413, representando el 7.77% del total de los activos. Las propiedades se encuentran ubicadas en: Calle 48 este #49-141, Urbanización Marbella, Bella Vista, Panamá, Costa del Este No.H-51 y H-52 Panamá, Panamá, Avenida Alborada #124 Piso 6to., Colonia Pedregal, México D.F., Pico Verapaz #473 Piso 6to., Jardines en la Montaña, México D.F. y Carrera 7 No.76-35 Oficinas 405 Bogotá, Colombia. La ubicación principal le corresponde a las oficinas de la Compañía Matriz, con un 64.95% del total de las propiedades, y está libre de hipoteca o gravamen.

F) Investigación y Desarrollo, Patentes, Licencias

No aplica

G) Información sobre Tendencias

El mercado de reaseguros en general ha venido procurando una mejoría en los niveles de tarificación de primas de los negocios en todos los ramos en general. El impacto de los eventos catastróficos de los últimos años han producido perdidas técnicas a los principales reaseguradores del mundo y a Lloyd's de Londres de manera muy importante. La competencia desleal causada por la entrada de las compañías globales a los mercados Latinoamericanos y su ansia de posicionamiento de mercado generó que los precios de los negocios no se incrementaran en las mismas proporciones en que crecían los costos de las protecciones de retrocesión.

El efecto fue claro en el año 2000 y se reflejó en un incremento de hasta 200% en algunos territorios en las coberturas catastróficas a cedentes y de 30% hasta 200% en muchos negocios facultativos. En el año 2001 esta tendencia se ha seguido sintiendo. Para el año 2002 los incrementos son realmente dramáticos después de los sucesos del WTC en New York. Adicionalmente las coberturas se restringirán y los cálculos y deducibles serán revisados en absolutamente todos los ramos de negocios.





II Análisis de Resultados Financieros y Operativos

I. ANÁLISIS DE RESULTADOS FINANCIEROS Y OPERATIVOS

A. Liquidez:

La empresa mantiene una razón corriente promedio de 2.13 en estos últimos cuatro trimestres y sigue manteniendo un capital de trabajo excelente para el manejo de nuestros negocios. El efectivo aumentó con respecto al efectivo al año 2009, debido a capitalización por parte de IFC y el IIC en Acciones Comunes y Preferidas.

B. Recursos de Capital:

La empresa mantiene préstamos hipotecarios en Banco General hasta por US\$ 2,676,099.70 y tiene líneas de crédito con diferentes bancos hasta por US\$ 5,000,000.00.

Durante el año 2010, la empresa obtuvo de inversionistas extranjeros, aportes de capital en acciones preferidas por la suma de US\$. 23,789,417.00, incrementando el patrimonio y el efectivo disponible.

C. Resultado de las Operaciones:

Las primas brutas disminuyeron con respecto al año anterior, por negocios no materializados y cambios de condiciones. Los gastos generales y administrativos aumentaron con respecto al mismo período del año pasado, por nuevas contrataciones de asesorías financieras, legales y operacionales.

D. Análisis de perspectivas:

La empresa sigue manteniendo su cartera con negocios variados y participaciones adecuadas a su patrimonio. Sigue operando en nuevos nichos para su crecimiento y rentabilidad sostenida, sin arriesgar grandes participaciones en sus negocios.





III Directores, Dignatarios, Ejecutivos, Administradores, Asesores y Empleados

A) Identidad

1) Directores, Dignatarios, Ejecutivos y Administradores

Ramón E. Fernández Q. (Presidente); Panameño, nació el 16 de enero de 1950. Apartado Postal 8512 Zona 5, correo electrónico ramon@istmore.com
Teléfono: 223-0666

Gilberto A. Vega N. (Primer Vicepresidente y Vicepresidente Ejecutivo); Panameño, nació el 05 de Enero de 1961. Apartado Postal 8512 Zona 5, correo electrónico gvega@istmore.ocm
Teléfono: 223-0666

Ricardo A. Batista S. (Tesorero y Contralor General); Panameño, nació el 18 de septiembre de 1955. Apartado Postal 8512 Zona 5, correo electrónico rbatista@istmore.com Teléfono: 223-0666

Alberto Villageliu (Secretario); Cubano, residente en Panamá, nació el 22 de mayo de 1949. Teléfono: 223-0666

2) Empleados de Importancia y Asesores

Pauline J. Barrón M. (Director General en Perú); Peruana, nació el 12 de septiembre de 1964. Correo electrónico pbarrron@amauta.rpc.net.pe
Teléfono: (00511) 421-8201.

Robert J. Cole P. (Vicepresidente); Panameño, nació el 19 de noviembre de 1963. Apartado Postal 8512 Zona 5, correo electrónico rcole@istmore.com
Teléfono: 223-0666

Liliana Chang Fong (Vicepresidente Adjunto); Panameña, nació el 3 de septiembre de 1961. Apartado Postal 8512 Zona 5, correo electrónico lilchang@istmore.com Teléfono: 223-0666



Dafne Gutiérrez Cisneros (Gerente de Sistemas); Venezolana, nació el 25 de octubre de 1962. Apartado Postal 8512 Zona 5, correo electrónico dafne@istmore.com Teléfono: 223-0666

Carlos Niño (Gerente General en Colombia); Colombiano, nació el 30 de enero de 1971. Correo electrónico carlos.a.nino@istmore.com Teléfono: 713-6589.

Armando Venegas (Director General de México); Mexicano, nació el 3 de Agosto de 1957. Correo electrónico: armando.venegas@istmore.com.mx

3) Asesores Legales

En Panamá:

Alfaro, Ferrer & Ramírez Edificio Afra Av. Samuel Lewis y Cl. 54

Apartado Postal 951 Panamá 1, Rep. De Panamá

Correo electrónico aafrapma@agra.com

Teléfono: 263-9355

Contacto: Sr. Luis López Alfaro

En México:

Borobio Martínez & Asociados

Montecito No. 38 Piso 77 Despacho 1, 2 y 3

Colonia Nápoles

México, D.F.

Teléfono: 55 5488-0683

Contacto: Rafael Borobio

En Perú:

Estudio Llona & Bustamante

Francisco Masías 370, 7mo. Piso Edificio La Positiva,

San Isidro, Lima Perú

Teléfono: 00511-2212634

Contacto: Alvaro Llona

4) Auditores

En Panamá:

Ernst & Young Calle 50 Edif.Bco.General Plaza 2000 P.12

Correo electrónico generoso.greco@pa.eyi.com

Teléfonos: 214-4306

Contacto: Sr. Generoso Greco



En México:

Mancera Ernst & Young de México
Jaime Balmes NO.8, Torre 5to. Piso
Colonia Los Morales Polanco dentro de Plaza Polanco, D.F.11510
Teléfono: 00525-2831400
Contacto: Gerardo Careaga Castellán

5) Designación por acuerdos o entendimientos

Respecto a las personas indicadas en el numeral 1 están debidamente registrados como dignatarios según consta ante el Ministerio Público sin previos acuerdos o entendimientos con accionistas mayoritarios. Para sus nombramientos, por lo general la Junta General de Accionista los elige entre los principales accionistas.

Así mimo, respecto a las personas indicadas en el numeral 2, no son designadas por acuerdos o entendimientos, sino por sus aptitudes y méritos logrados dentro de la industria del Seguro y Reaseguro.

B) Compensación

Para los directores no aplican las compensaciones por asistencias a reuniones o Comités Directivos. Nuestros Asesores Legales, Alfaro, Ferrer & Ramírez percibió US\$ 53,362.09 en honorarios durante el año 2010, Borobio, Martínez & Asociados US\$ 451,600.00, nuestros auditores Ernst & Young US\$ 64,160.00 y Mancera Ernst & Young US\$1, 377,200.00, Arias, Fábrega y Fábrega US\$. 20,882.05.

C) Prácticas de la Directiva

En su Organización Interna, el Contralor General ejerce las funciones de control en forma permanente, mediante sistemas de contabilidad y auditoría interna, que abarcan todas las áreas de trabajo de la oficina.

Referente al área de suscripción y autorizaciones de suscripción, son controlados por el Comité Técnico compuesto por el Presidente Ejecutivo, Vicepresidente Ejecutivo, Contralor General, Vicepresidente Técnico y



Gerente Técnico. Este comité trabaja en forma permanente absorbiendo la totalidad de los negocios propuestos por los suscriptores.

D) Empleados

Las relaciones laborales con los empleados son excelentes y sin sindicatos. A la fecha de este reporte, la empresa cuenta con 62 empleados, distribuidos así:

QBE Del Istmo Compañía de Reaseguros, Inc.	31
QBE Del Istmo México, S.A. de C.V.	16
QBE Rio Perú Corredores de Reaseguros	5
QBE del Istmo Cía. de Reaseguros Oficinas de Representación Colombia	7
Del Istmo Assurance Corp.	23

E) Propiedad Accionaria

Los directores y empleados mantienen el 54.2546% representadas por 1,372,529 acciones comunes.



**IV Accionistas Principales****A) Identidad, número de acciones y cambios en el porcentaje accionario**

Rio Holdings, Inc.	1,048,612	41.4505
RII International Corp.	177,635	7.021
QBE International(Investments)PTY Ltd	970,692	38.3704
Istmo Financial Holding Corp.	146,280	5.7823
International Finance Corp	186,573	7.3750

B) Persona Controladora

La Compañía no es propiedad directa o indirectamente de otra persona natural o jurídica.

C) Cambios en el control accionario

No se esperan cambios en el control accionario.



V Partes Relacionadas, Vínculos y Afiliaciones

- A) En noviembre de 1999 se firmó la alianza estratégica con QBE Reinsurance Corp. con el propósito de ofrecer una mayor capacidad al mercado Latino Americano.
- B) No hay interés de expertos o asesores.

15
A handwritten signature, appearing to begin with the letter 'P', is enclosed in a circle.



VI Tratamiento Fiscal

QBE del Istmo Compañía de Reaseguros, Inc., es sujeta al pago de los siguientes impuestos: Impuesto Sobre La Renta, Impuesto Estimado, Impuesto Complementario, Impuesto de Licencia Comercial, Impuesto de Inmueble. Así mismo, paga una Tasa Única por ser una sociedad anónima y una tasa por revisión a la Superintendencia de Seguros y Reaseguros.

Por ley no se pagan impuestos sobre renta extranjera. Nuestros ingresos por primas locales representan el 1.34% y extranjeros el 98.66%.





VI Estructura de Capitalización

A) Resumen de la Estructura de Capitalización

1. Acciones

Desde 1998 el Capital Social Pagado de la Compañía está compuesto por 2,125,000 acciones comunes emitidas y en circulación. A partir de este año 2008, se le suman 279,948 acciones comunes para un total de 2,404,948 y para el año 2010 se aumentan 124,846 acciones comunes y 180,000 acciones preferidas.

2. Títulos de participación o Deuda

No aplican.

B) Descripción y derechos de los Títulos

No aplican

C) Información de Mercado

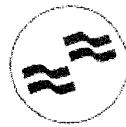
Las acciones de la Compañía están listadas en la Bolsa de Valores de Panamá, S.A. y su valor de mercado es de US\$6.30.



RESUMEN FINANCIERO

AL 31 DE DICIEMBRE DE 2010

ESTADO DE SITUACIÓN FINANCIERA	VI Trimestre	III Trimestre	II Trimestre	I Trimestre
	2010	2010	2010	2010
Primas asumidas	148,560,654.50	102,080,253.65	54,282,222.00	24,281,623.13
Siniestros incurridos	60,154,963.69	41,372,345.41	20,981,593.37	7,717,676.61
Gastos de adquisición	25,979,269.23	18,147,648.14	10,831,354.83	5,556,092.21
Gastos generales y administrativos	10,376,361.32	7,604,103.97	4,918,504.18	2,095,875.22
Depreciación y amortización	0.00	0.00	0.00	0.00
Otros ingresos (egresos), netos	809,935.09	411,278.51	(479,998.64)	(1,153,903.29)
Utilidad neta	13,432,464.51	7,801,024.77	872,648.98	(662,150.13)
Acciones en circulación	2,404,948.00	2,404,948.00	2,404,948.00	2,404,948.00
Utilidad por acción	5.59	3.24	0.36	(0.28)
Utilidades o pérdidas no recurrentes	0.00	0.00	0.00	0.00
BALANCE GENERAL				
	31-Dic-10	30-Sep-10	30-Jun-10	31-Mar-10
Activo Circulante	182,865,478.57	173,644,325.03	170,413,622.97	156,636,781.33
Activos Totales	324,648,058.36	314,395,861.77	306,230,357.54	295,592,686.04
Reservas	131,607,159.52	131,713,379.09	128,963,735.37	133,207,591.42
Pasivo Circulante	70,580,904.90	67,376,416.49	92,531,930.34	79,045,961.72
Deuda a Largo Plazo	0.00	0.00	0.00	0.00
Acciones Preferidas	0	0	0	0
Capital Pagado	64,498,112.86	64,492,781.08	40,700,278.25	40,696,709.78
Utilidades Retenidas	40,322,885.21	34,675,028.95	27,744,330.79	26,216,120.65
Patrimonio Total	119,143,751.22	113,943,785.63	83,128,924.17	81,470,536.33
RAZONES FINANCIERAS				
Dividendo/ Acción	0.00	0.00	0.00	0.00
Deuda Total/ Patrimonio	1.70	1.75	2.66	2.61
Capital de Trabajo	112,284,573.67	106,267,908.55	77,881,692.63	77,590,819.61
Razón Corriente	2.59	2.58	1.84	1.98
Gastos de operación/Primas asumidas	6.98%	7.45%	9.06%	8.63%



III PARTE

Estados Financieros

Los Estados Financieros fueron preparados utilizando aquellas Normas Internacionales de Información Financiera (NIIF).

IV PARTE

Divulgación

Se les enviará una copia de los estados financieros respectivos, a los accionistas e inversionistas registrados, por correo electrónico, fax y correo aéreo.


Ricardo A. Batista S.
Contralor General

RAB/

Este informe ha sido preparado en base a las disposiciones contenidas en el Acuerdo No. 18-00 de 11 de octubre de 2000, emitido por la Comisión Nacional de Valores, el cual fue publicado en la Gaceta Oficial No. 24.169 del 26 de octubre de 2000.

Financial Statements

*Year ended December 31, 2010
with Independent Auditors Report*

(Translation of consolidated financial statements originally issued in
Spanish)
QBE del Istmo Reinsurance Company, Inc. and Subsidiaries
Annual Consolidated Financial Statements

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**(Translation of consolidated financial statements originally issued in
Spanish)
QBE del Istmo Reinsurance Company, Inc. and Subsidiaries
Annual Consolidated Financial Statements**

GENERAL INFORMATION

Directors

Ramón E. Fernández Q.	President
Gilberto A. Vega N.	Executive Vice president
Ricardo A. Batista S.	Treasurer
Ramón Fernandez M.	Director
John Rumpler	Director
Jose Sojo	Director
Frank O Halloran	Director

Secretary

Alberto Villageliú

Registered Office

Vista del Pacifico Street, PH 51, Paseo del Mar Avenue, Costa del Este

Lawyers

Alfaro, Ferrer & Ramírez
Estudio Llona & Bustamante Abogados
Cordero y Cordero
Sucre, Arias & Reyes

Banks

Banco General, S. A.
Merrill Lynch
Banco Pichincha, Panamá, S. A.
Banco General Overseas, Inc.
Global Bank Panama, S. A.
Citibank, NA
Banco Aliado, S. A.
Penson Financial Services (USA)
Helm Bank (Panama), S. A.
Banco de Venezuela, C. A.
Multibank, Inc.
HSBC Bank
Banesco, S. A.
Banco Internacional de Costa Rica, S. A.

Auditors

Ernst & Young

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS AND SHAREHOLDERS' OF QBE DEL ISTMO REINSURANCE COMPANY, INC. AND SUBSIDIARIES

Translation of report originally issued in Spanish
(See explanation in the notes to the consolidated financial statements)

We have audited the accompanying consolidated financial statements of QBE del Istmo Reinsurance Company, Inc. and Subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2010 and the consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of December 31, 2010 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purpose of additional analysis of consolidated financial statements, and is not intendment to present the financial situation, nor the result of operation of individual companies. Such consolidating information has been subject to audit procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidating financial statements taken as a whole.

Ernst & Young

March 30, 2011
Panama, Republic of Panama

(Translation of consolidated financial statements originally issued in Spanish)
QBE del Istmo Reinsurance Company, Inc. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2010 and 2009
(Amounts expressed in US\$ dollars)

<i>Notes</i>		2010	2009
ASSETS			
5, 20	Cash and cash equivalents	US\$ 30,433,070	US\$ 15,996,898
	Time deposits over ninety days	<u>4,105,057</u>	<u>3,451,729</u>
	Cash and cash equivalents and time deposits	<u>34,538,127</u>	<u>19,448,627</u>
8, 26	Investments held-to-maturity	601,432	1,644,383
9, 26	Investments available for sale	13,845,811	11,445,081
10	Investment in an associates	<u>8,562,145</u>	<u>3,072,981</u>
		<u>23,009,388</u>	<u>16,162,445</u>
Accounts receivables ceding companies:			
6, 16	Current accounts receivable	98,425,224	107,810,604
	Premium deposits	26,348,133	16,036,111
	Loss deposits	<u>941,426</u>	<u>300,530</u>
		<u>125,714,783</u>	<u>124,147,245</u>
6	Less allowance for doubtful accounts	<u>2,039,977</u>	<u>1,952,456</u>
		<u>123,674,806</u>	<u>122,194,789</u>
Current accounts receivable retrocessionaries			
		11,778,961	8,676,252
Retrocessionaires share in reinsurance contracts:			
7	Technical reserve for premiums	31,404,320	44,211,709
17	Outstanding claims reserve, net	<u>55,741,824</u>	<u>62,761,659</u>
		<u>87,146,144</u>	<u>106,973,368</u>
16	Accounts receivable related parties	1,222,574	705,469
	Prepays and taxes	982,485	561,560
11	Deferred reinsurance commissions	6,496,153	6,230,662
18	Goodwill	5,382,026	5,382,026
12	Properties, furniture, equipment and improvements, net	25,218,413	24,268,919
13	Investments properties	1,356,187	1,372,082
14, 16	Non - financial assets	<u>3,854,949</u>	<u>5,292,452</u>
TOTAL ASSETS		US\$ 324,660,213	US\$ 317,268,651

Annual Financial Statements

Notes

		2010	2009
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Accounts payable - ceding companies:			
	Current accounts payable	US\$ 28,700,379	US\$ 23,755,128
	Premium deposits	1,117,433	1,115,958
	Loss deposits	46,316	46,316
		29,864,128	24,917,402
Accounts payable retrocessionaries and brokers:			
15, 16	Current accounts payable	17,696,736	42,138,966
15	Premium deposits	2,152,597	1,611,090
	Brokers	19,849,333	43,750,056
		1,793,873	1,552,001
		21,643,206	45,302,057
Reinsurance reserves and technical:			
17	Technical reserve for premiums	54,865,396	66,064,752
19	Outstanding claims reserve, net	78,993,708	83,914,960
		133,859,104	149,979,712
Deferred retrocession commissions			
	Income tax payable	995,678	2,700,783
16	Accounts payable - related companies	95,171	231,861
5, 20	Interest bearing loans and borrowings	2,403,336	1,607,961
	Seniority premium and indemnity accumulated	11,429,480	6,308,871
	Accrued expenses payable and other liabilities	1,717,981	1,406,564
	Deferred income tax	3,773,406	3,014,186
	Total Liabilities	1,420,756	1,420,756
		207,202,246	236,890,153
Shareholders' Equity			
Common shares, non par value, authorized			
22, 21	10,000,000, issued and outstanding: 2,529,794 (2009 - 2,404,948)	31,789,417	26,000,000
22	Preferred shares	18,000,000	-
22	Additional paid in capital	14,624,735	14,624,735
22	Legal reserve	1,565,842	1,047,229
	Retained earnings	38,375,771	26,886,274
22	Other equity components	12,145,449	11,820,260
		116,501,214	80,378,498
		956,753	-
	Total Shareholders' Equity	117,457,967	80,378,498
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			
		US\$ 324,660,213	US\$ 317,268,651

The accompanying notes are an integral part of these consolidated financial statements.

(Translation of consolidated financial statements originally issued in Spanish)
QBE del Istmo Reinsurance Company, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the year ended
December 31, 2010 and 2009
(Amounts expressed in US\$ dollars)

<i>Notes</i>		2010	2009
Income			
16, 26	Written premiums	US\$ 147,954,934	US\$ 164,131,521
15, 16	Retroceded premiums	<u>(36,896,958)</u>	<u>(63,387,229)</u>
	Retained premiums	<u>111,057,976</u>	<u>100,744,292</u>
	Premium reserve - current year	23,461,076	21,853,043
	Premium reserve - prior year	<u>21,853,043</u>	<u>27,839,883</u>
	(Increase) decrease in premium reserve	<u>(1,608,033)</u>	<u>5,986,840</u>
	Earned premiums, net	109,449,943	106,731,132
Acquisition costs			
16	Commission paid	29,357,888	30,870,996
	Adjustment to commissions paid	<u>(1,682,792)</u>	<u>3,560,713</u>
	Commission received	<u>(8,812,952)</u>	<u>(12,456,331)</u>
	Adjustment to commissions received	<u>(377,015)</u>	<u>2,458,611</u>
	Reserve for catastrophic risks and forecast statistics for deviations	72,439	58,308
	Other acquisition costs	<u>6,298,728</u>	<u>4,730,338</u>
	Acquisition costs, net	<u>24,856,296</u>	<u>29,222,635</u>
Losses incurred			
6, 16	Losses paid	85,360,971	113,927,383
15	Less losses recovered	<u>(29,596,393)</u>	<u>(57,223,429)</u>
	Adjustment to unpaid losses, net	<u>3,925,891</u>	<u>5,692,615</u>
	Losses incurred, net	<u>59,690,469</u>	<u>62,396,569</u>
23	General and administrative expenses	<u>11,408,439</u>	<u>8,386,666</u>
		<u>95,955,204</u>	<u>100,005,870</u>
Income from reinsurance and insurance operations			
24	Other income, net	13,494,739	6,725,262
	Participation in loss of associates	<u>23,539</u>	<u>1,604,412</u>
		<u>(213,827)</u>	<u>-</u>
		<u>(190,288)</u>	<u>1,604,412</u>
Income before income tax			
25	Income tax	13,304,451	8,329,674
	Net income	<u>675,107</u>	<u>714,909</u>
		<u>US\$ 12,629,344</u>	<u>US\$ 7,614,765</u>
Other comprehensive income			
	Revaluation of assets superavit	US\$ 164,056	US\$ 3,777,023
	Less - income tax		
	Exchange differences on translation of foreign operating	189,428	277,590
	Non - Controlling interests	<u>(1,071)</u>	<u>-</u>
	Unrealized (loss) profit on available for sale investments	<u>(28,296)</u>	<u>788,116</u>
	Comprehensive result for the year	<u>324,117</u>	<u>4,842,729</u>
	Total comprehensive result for the year	<u>US\$ 12,953,461</u>	<u>US\$ 12,457,494</u>
Attributable to			
	Equity holders of the parent	US\$ 13,045,902	US\$ 12,457,494
	Non - Controlling interests	<u>(92,441)</u>	<u>-</u>
		<u>US\$ 12,953,461</u>	<u>US\$ 12,457,494</u>

The accompanying notes are an integral part of these consolidated financial statements.

(Translation of consolidated financial statements originally Issued in Spanish)

QBE del Istmo Reinsurance Company, Inc. and Subsidiaries

Consolidated Statements of Change in Shareholders' Equity

For the year ended December 31, 2010 and 2009

(Amounts expressed in US\$ dollars)

	<i>Issued Capital</i>	<i>Additional Paid in Capital</i>	<i>Preferred Shares</i>	<i>Legal Reserve</i>	<i>Retained Earnings</i>	<i>Revaluation Surplus</i>	<i>Unrealized Loss</i>	<i>Foreign Currency Translation</i>	<i>Total</i>	<i>Controlling Interests</i>	<i>Total Equity</i>
At January 1, 2009	US\$ 26,000,000	US\$ 14,624,735	US\$ -	US\$ 653,928	US\$ 23,135,070	US\$ 14,827,048	US\$ (5,178,792)	US\$ (1,620,066)	US\$ 72,441,923	US\$ -	US\$ 72,441,923
Net income	-	-	-	-	7,614,765	-	-	-	7,614,765	-	7,614,765
Other comprehensive income	-	-	-	-	-	3,777,023	788,116	277,590	4,842,729	-	4,842,729
Total comprehensive income	-	-	-	-	7,614,765	3,777,023	788,116	277,590	12,457,494	-	12,457,494
Retained earnings capitalized for legal reserve	-	-	-	-	393,301	(393,301)	-	-	-	-	-
Disposal investment properties	-	-	-	-	-	(2,048,792)	-	-	(2,048,792)	-	(2,048,792)
Disposal of unrealized loss	-	-	-	-	-	-	998,134	-	998,134	-	998,134
Dividends paid	-	-	-	-	(3,470,260)	-	-	-	(3,470,260)	-	(3,470,260)
At December 31, 2009	US\$ 26,000,000	US\$ 14,624,735	US\$ -	US\$ 1,047,229	US\$ 26,886,274	US\$ 16,555,279	US\$ (3,392,542)	US\$ (1,342,476)	US\$ 80,378,499	US\$ -	US\$ 80,378,499
Non - Controlling interest	-	-	-	-	-	-	-	-	-	1,049,194	1,049,194
Net income	-	-	-	-	12,720,714	-	-	-	12,720,714	(91,370)	12,629,344
Other comprehensive income	-	-	-	-	-	164,056	(28,296)	189,428	325,188	(1,071)	324,117
Total comprehensive income	-	-	-	-	12,720,714	164,056	(28,296)	189,428	13,045,902	(92,441)	12,953,461
Issued of common shares	5,789,417	-	-	-	-	-	-	-	-	5,789,417	-
Issued of preferred shares	-	-	18,000,000	-	-	-	-	-	-	18,000,000	-
Retained earnings capitalized for legal reserve	-	-	-	-	518,613	(518,613)	-	-	-	-	-
Dividends paid	-	-	-	-	-	(712,604)	-	-	(712,604)	-	(712,604)
At December 31, 2010	US\$ 31,789,417	US\$ 14,624,735	US\$ 18,000,000	US\$ 1,565,842	US\$ 38,375,771	US\$ 16,719,335	\$ (3,420,838)	\$ (1,153,048)	US\$ 116,501,214	US\$ 956,753	US\$ 117,457,967

The accompanying notes are an integral part of these consolidated financial statements.

(Translation of consolidated financial statements originally issued in Spanish)

QBE del Istmo Reinsurance Company, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

For the year ended

December 31, 2010 and 2009

(Amounts expressed in US\$ dollars)

	2010	2009
Cash flows from operating activities		
Income before income tax	US\$ 13,304,451	US\$ 8,329,674
Adjustment to:		
Depreciation and amortization	457,168	519,368
Underwriting reserve	(11,199,356)	(20,682,711)
Allowance for doubtful accounts	87,521	37,591
Outstanding claims, net	(4,921,252)	(6,795,261)
Participation in loss of associates	213,827	-
Seniority premium and indemnity	312,203	119,956
Unrealized gain in foreign currency translation	188,357	517,099
Operating loss before change in assets and liabilities	(1,557,081)	(17,954,284)
Current accounts receivable ceding companies	(1,567,538)	(17,518,508)
Current accounts receivable retrocessionaires	(3,102,709)	(6,630,501)
Income tax payable	(136,690)	137,687
Accounts receivable related parties	(517,105)	(2,238,055)
Prepays and taxes	(420,925)	174,742
Deferred reinsurance commissions	(265,491)	2,588,626
Other assets non - financial assets	1,437,503	(1,890,568)
Accounts payable ceding companies	5,488,233	787,808
Accounts payable retrocessionaires and brokers	(24,200,358)	9,062,637
Retrocessionaires assets	19,827,224	20,153,426
Deferred retrocession commissions	(1,705,105)	1,589,890
Accounts payable related companies	82,771	-
Seniority premium and indemnity paid	(786)	(121,715)
Accrued expenses payable and other liabilities	44,485	660,394
Net cash flows used in operating activities	(6,593,572)	(11,198,421)
Next... US\$	(6,593,572)	US\$ (11,198,421)

(Translation of consolidated financial statements originally Issued in Spanish)
QBE del Istmo Reinsurance Company, Inc. and Subsidiaries
Consolidated Statements of Cash Flows (continued)
For the year ended
December 31, 2010 and 2009
(Amounts expressed in US\$ dollars)

	2010	2009
Continued... US\$ (6,593,572) US\$ (11,198,421)		
Cash flows from investing activities		
Time deposits over ninety days	(653,326)	6,460,348
Financial investments	(1,386,075)	8,974,163
Investments in an associates	(5,916,818)	(1,211,078)
Acquisition of properties, furniture, equipment an improvements	(1,295,171)	(974,655)
Minority capital interest and other	1,263,021	-
Disposal of furniture and equipment	108,087	250,399
Net cash flows (used in) from investing activities	(7,880,282)	13,499,177
Cash flows financing activities		
Issuance common shares	5,789,417	-
Issuance preferred shares	18,000,000	-
Bank overdraft	-	451,183
Payments of loans	(6,308,871)	4,500,000
Loans acquired	11,429,480	(2,657,914)
Net cash flows from financing activities	28,910,026	2,293,269
Net increase in cash and cash equivalents	14,436,172	4,594,025
Cash and cash equivalents at January 1	15,996,898	11,402,873
Cash and cash equivalents at December 31	US\$ 30,433,070	US\$ 15,996,898
Non monenaries:		
Unrealized loss on investments available for sale	US\$ 28,296	US\$ 788,116
Investments available for sale	US\$ (28,296)	US\$ (1,786,250)
Investments in properties	US\$ -	US\$ (1,988,737)
Properties, furniture, equipment and improvements, net	US\$ (203,685)	US\$ (1,834,630)
Properties revaluation surplus	US\$ -	US\$ (1,728,231)
Accounts payable - related companies	US\$ (712,604)	US\$ (1,862,299)
Accounts payable - related parties	US\$ -	US\$ 1,607,961
Dividends paid	US\$ 712,604	US\$ 3,470,260
Non - Controlling interes	US\$ 956,753	US\$ -
Unrealized loss on foreign currency translation	US\$ 1,071	US\$ -

The accompanying notes are an integral part of these consolidated financial statements.

(Translation of consolidated financial statements originally Issued in Spanish)

QBE del Istmo Reinsurance Company, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2010 and 2009

(Amounts expressed in US\$ dollars)

Explanation Added for Translation into English

The accompanying consolidated financial statements have been translated from Spanish into English for international use. These consolidated financial statements are presented in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. Certain accounting practices applied by QBE del Istmo Reinsurance Company, Inc. and Subsidiaries which are in conformity with International Financial Reporting Standards may differ from accounting principles generally accepted in some countries where the consolidated financial statements may be used.

1. Corporate Information

QBE del Istmo Compañía de Reaseguros, Inc. was incorporated by means of Public Deed No. 8,839 on July 17, 1979 in the Republic of Panama. It holds a general license to conduct the reinsurance business in all insurance and bond areas.

Reinsurance operations in Panama are regulated by the Superintendence of Insurance and Reinsurance, by means of Law on Reinsurance No. 63 of September 19, 1996.

On December 13, 1999, the Panamanian Stock Market (Bolsa de Valores de Panama, S. A.) authorized the Company's registration in the Stock Market.

QBE del Istmo Compañía de Reaseguros, Inc. is controlled by Rio Holding, Inc.

The consolidated financial statements as of December 31, 2010 were authorized for issue by Management on March 30, 2011.

2. Statement of Compliance

The consolidated financial statements of QBE del Istmo Compañía de Reaseguros, Inc. and Subsidiaries were prepared in accordance with International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB).

In conformity with IFRS 4 "Insurance Contracts", the Group follows certain accounting policies accepted by the local practices of the countries where the Companies are located, for its reinsurance contracts. IFRS 4 establishes a temporary exemption that allows insurance and reinsurance companies to use local practices, followed by reinsurance companies for their reinsurance contracts (including related acquisition costs), within the IFRS accounting framework. This measure will continue until the second phase of the IFRS project for insurance and reinsurance companies is completed by the IASB.

(Translation of consolidated financial statements originally Issued in Spanish)

QBE del Istmo Reinsurance Company, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2010 and 2009

(Amounts expressed in US\$ dollars)

2. Statement of Compliance (continued)

The main accounting policies accepted by the local practices of the countries where the subsidiaries are located, and the International Financial Reporting Standards, are detailed below:

- Technical reserves and other reinsurance acquisition costs are determined by bases established by the Superintendence of Insurance and Reinsurance of Panama, and Mexico's National Insurance and Bond Commission, and not when premiums and acquisition costs are earned or incurred.
- Costs from excess losses are recognized when they are paid and not when they are incurred.
- Adjustments for excess losses are recognized when they are paid, not when they are incurred.
- Reinsurance profit sharing is recorded at the end of the reinsurance contract, and not when the result is determined.

3. Basis of Preparation of Consolidated Financial Statements

3.1 Basis of valuation and presentation currency

The consolidated financial statements of QBE del Istmo Compañía de Reaseguros, Inc. and its subsidiaries (the Group) as of December 31, 2010, were prepared on a historical cost basis, except for investment properties, land, buildings and available-for-sale investments that have been measured at fair value.

Financial assets and liabilities are offset and the net amounts are reported in the consolidated statement of financial position only when their compensation is legally allowed, and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expenses are not compensated in the consolidated statement of comprehensive income unless it is required and allowed by an accounting standard or interpretation, as a special disclosure in the Group's accounting policies.

The consolidated financial statements are expressed in dollars (US\$), the currency of the United States of America, which is at par and freely exchangeable with the balboa (B.), currency of the Republic of Panama.

3.2 Basis of consolidation

The consolidated financial statements include the accounts of QBE del Istmo Compañía de Reaseguros, Inc. and its subsidiaries, QBE del Istmo México Compañía de Reaseguros S. A. de C. V., QBE RIO Perú Corredores y Asesores de Reaseguros, S. A., Liffey Reinsurance Company Ltd., American Assurance Corp. and Aseguradora del Istmo, S. A. (ADISA). The subsidiaries' financial statements are prepared for the same presentation year, using consistent accounting policies.

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QBE del Istmo Reinsurance Company, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2010 and 2009

(Amounts expressed in US\$ dollars)

3. Basis of Preparation of Consolidated Financial Statements (continued)

3.2 Basis of consolidation (continued)

All balances, transactions, gains and losses resulting from intra-group transactions that have been recognized as assets have been eliminated in full in the consolidation process.

The subsidiaries have been consolidated since the acquisition date, which is the date when the Group obtained control, and will continue to be consolidated until this control ceases.

3.3 Accounting judgments and estimates

Consolidated financial statement preparation requires management to make estimates and assumptions affecting reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities as of the date of the consolidated financial statements. Given the implicit uncertainty of these estimates and assumptions, significant adjustments affecting the disclosed amounts of assets and liabilities may be required in the future.

The main assumptions related to future events and other sources of estimates subject to variations as of the reporting date, which due to their nature carry a high risk of causing significant adjustments to the asset and liability amounts in next year's financial statements, are presented below:

Outstanding claims reserve

Estimates are based on the expected cost of claims reported and the estimated cost of claims incurred but not reported (IBNR) as of the reporting date. Claims can take a significant amount of time before their definite cost is established with certainty, and, for certain types of policies, claims incurred but not reported represent most of the liabilities presented in the statement of financial position.

The main assumption of this technique is that past experience in losses can be used to project future loss development, and is therefore the best estimation for definite costs.

Adjustments to reserves are recorded each year in the statement of comprehensive income. The reserve is adjusted to recognize the reinsurers' participation in the event.

Insurance contract liabilities

The loss reserve is estimated using a number of technical actuarial projection standards, such as the Development Method and Bornheutter-Ferguson method. The main judgment underlying these techniques is that the experience in the development of the Company's past claims may be used to project the future development of claims, and therefore the ultimate costs. These methods extrapolate the development of losses paid and incurred, median costs for claim, and the number of claims based on the development observed for the year and expected loss indicators.

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3. Basis of Preparation of Consolidated Financial Statements (continued)

3.3 Accounting judgments and estimates (continued)

As of the date of the consolidated statement of financial position, the carrying amount for the outstanding claims reserve, net is US\$23,251,884 (2009-US\$21,153,301).

Technical reserve for premiums

The Group constitutes a new reserve for premiums based on statutory practices determined by the Superintendence of Insurance and Reinsurance of Panama, and by Mexico's National Insurance and Bond Commission. A description of these practices is detailed below:

QBE del Istmo Reinsurance Company, Inc.

The reserve for premiums is based on 35% of net premiums written and retained in the twelve months prior to the date of the statement of financial position in all reinsurance branches, except for maritime charges, collective life charges, and reinsurance programs based on excess losses. Premiums in these reserves are earned in the following year.

In their actuarial report, Towers Watson concludes that reserves for ongoing risk reported are superior to those obtained in their calculations.

Deferred tax liability

The deferred tax liability is recognized in relation to the revaluation surplus, to the extent that it is probable that the tax benefit will be recognized if the sale of the revalued assets is realized. A judgment is required to determine the amount of the deferred tax liability that may be recognized, based on the probability of future taxable benefits.

QBE del Istmo Mexico Compañía de Reaseguros, S. A. de C. V.

As of the date of the report audited by Mexico's National Insurance and Bond Commission (Comisión Nacional de Seguro y Fianzas de México, or CNSF), specific standards regarding technical reserves for reinsurance companies have not been established.

According to the CNSF, technical reserves for insurance institutions have to be certified by an independent actuary. As of the reporting date, the independent actuaries' report does not report any important situation which would need to be disclosed in the consolidated financial statements.

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3. Basis of Preparation of Consolidated Financial Statements (continued)

3.3 Accounting judgments and estimates (continued)

Casualty insurance

The Company determines the technical reserve over the unearned retained premium less acquisition costs, or the lower of the effective paid commission and the acquisition cost established by CNSF. The unearned retained premium was determined on an exact day basis for facultative reinsurance business and for non-proportional reinsurance contracts and automatic contract reinsurance, on the eighth method, based on premiums retained in the last three quarters of the period.

Earthquake and catastrophic risk insurance

The CNSF granted a transitory authorization to the Company to constitute a technical reserve for earthquake and catastrophic risk insurance, based on 35% of retained premiums. As of December 31, 2010 and 2009, the Company determined the technical reserve based on 35% of the unearned retained premium, using the twenty-fourth method.

Liffey Reinsurance Company Limited

Technical reserves are certified by an independent actuary. As of the reporting date, the independent actuaries' report does not report any important situations that should be disclosed in the consolidated financial statements.

4. Summary of Significant Accounting Policies

Transactions in foreign currency

The consolidated financial statements are presented in US dollars, which is the functional and presentation currency. Each company in the Group determines the currency for its operations, and the items included in each entity's financial statements are measured using the functional currency for operations. Foreign currency conversions are recorded in the functional currency on the transaction date. Monetary assets and liabilities expressed in foreign currency are converted again at the functional currency's exchange rate at the time of the transaction. All differences are carried to the statement of comprehensive income. Non-monetary items that are measured at historical cost in foreign currency are converted at the exchange rate on the initial transaction date. Non-monetary items rated at fair value in a foreign currency are converted using the exchange rate on the date in which the fair value was determined.

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QBE del Istmo Reinsurance Company, Inc. and Subsidiaries

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(Amounts expressed in US\$ dollars)

4. Summary of Significant Accounting Policies (continued)

Transactions in foreign currency (continued)

At the presentation date, the subsidiaries' assets and liabilities are converted into the presentation format used by QBE del Istmo Compañía de Reaseguros, Inc. according to the exchange rate in effect on the date of the consolidated statement of financial position. Differences arising due to currency conversion are carried directly to a separate component within equity. In the event of the disposal of a foreign entity, the accumulated deferred amount recognized in capital related to this particular foreign operation is recognized in the consolidated statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include cash in banks, on hand, and current deposits with original maturities of three months or less in the consolidated statement of financial position. These financial assets are measured at fair value through profit or loss as of the date of the consolidated statement of financial position, without deducting the transaction costs which may be incurred in their sale or disposal. As of the respective date of the consolidated financial statements, there are no restrictions on the use of cash or cash equivalents.

Financial assets

The Group classifies its investments into financial assets held-to-maturity, and assets available-for-sale.

The classification depends on the purpose for which the investments were acquired. In general, financial assets are classified at fair value through profit or loss, depending on the Group's strategy for managing financial investments acquired to cover their reinsurance liabilities, on the same bases, which is fair value. The available-for-sale and held-to-maturity categories are used to determine how a particular financial asset is recognized and measured in the consolidated financial statements.

Financial assets held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and defined maturity are classified as held-to-maturity when the Group has the intention and ability to hold them until maturity. Investments whose purpose is to be maintained for an indefinite period are not included in this classification. These investments are initially recognized at cost, which is the fair value of the amount paid for the investments' acquisition. All transactions at cost directly attributable to the acquisition are also included in the investment's cost. After initial recognition, these investments are carried at amortized cost, using the effective interest method. This cost is calculated as the amount initially recognized less principal payments, plus or less accumulated amortization, using the effective interest method, or any difference between the initially recognized amount and the amount at maturity. This calculation includes all fees paid or received between the parties that are an integral part of the effective interest rate, transactional costs, premiums and discounts. Gains and losses are recognized in results when the investment is derecognized, or adjusted for impairment in value, as well as through the amortization process.

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QBE del Istmo Reinsurance Company, Inc. and Subsidiaries

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4. Summary of Significant Accounting Policies (continued)

Financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or not classified as investments held-to-maturity or investments at fair value with changes in profit or loss. These investments are initially recognized at fair value. After initial recognition, these investments are measured at fair value through profit or loss, recognized as a separate equity item, and is not derecognized until the investment has been determined as impaired, at which time earnings recognized or losses previously reported to equity are transferred to the consolidated statement of comprehensive income.

Impairment and uncollectibility of financial assets

The Group assesses whether a financial asset or group of financial assets are impaired at each reporting date.

Financial assets carried at cost

When the Group determines that it has incurred in a loss due to impairment in the value of investments in equity instruments which do not have a market price quoted in an active market, it estimates the loss amount as the difference between the equity instrument's carrying amount and the present value of future cash flows discounted with the current market profitability rate for similar financial assets; it then deducts the loss from the asset's recorded value and recognizes such loss in the results of the year in which it occurs.

Available-for-sale financial assets

When the Group determines that it has incurred in a loss due to impairment in the value of available-for-sale financial assets, it estimates the loss amount as the difference between the financial asset's carrying amount and the current fair value less any impairment loss in the financial asset's value previously recorded in the period's results; it then deducts the loss in the asset's recorded value and recognizes the loss in the results of the year in which it occurs.

Goodwill

Goodwill is not amortized, but it is assessed for impairment at least once a year. Goodwill represents the excess in the purchase price over the fair value of the net assets acquired, resulting from the acquisition of a subsidiary company or of the purchase of interest or participation in a joint venture performed by the Group.

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4. Summary of Significant Accounting Policies (continued)

Goodwill (continued)

All goodwill is assigned to one or more cash-generating units in an entity, and it is assessed for impairment at that level. The impairment assessment requires comparing the fair value of each cash-generating unit to its carrying amount. This assessment is conducted at least once a year. Goodwill is presented at cost less accumulated impairment losses. Impairment losses are reflected in the consolidated statement of comprehensive income.

Reinsurance

Reinsurances receivable are recognized based on reinsurance contract amounts and measured at amortized cost, using the effective interest method. Carrying amounts are reviewed for impairment when there are factors or circumstances indicating that these amounts may not be recovered. The impact of the loss is recognized in the consolidated statement of comprehensive income.

During its ordinary course of operations, the Group has signed reinsurance agreements. Premiums and claims assumed in reinsurance are recognized as income and expenses as if they were considered direct business, taking into account the classification of reinsurance business products. Reinsurance liabilities represent the balance owed to reinsurance companies. Amounts payable are estimated on a consistent basis according to reinsurance contract conditions.

Premiums and losses are presented on a gross basis, for both assumed and ceded premiums.

Reinsurance assets and liabilities are derecognized when contractual rights are extinguished or expire, or when contracts are transferred to a third party.

Ceded contracts that do not transfer significant reinsurance risk are recorded directly in the consolidated statement of financial position. These assets deposited or financial liabilities are recognized based on the amount paid or received less any explicit identified premiums or fees retained by the insured.

The Group also cedes reinsurance risks in the ordinary course of business for all branches. Reinsurance receivable represents the amount receivable from reinsured companies. Amounts expected to be recovered are recognized consistently with the outstanding claims reserve, and in conformity with clauses contained in contracts signed by the parties.

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4. Summary of Significant Accounting Policies (continued)

Reinsurance (continued)

An impairment review is performed each year or when there are impairment factors during the year. Impairment occurs when there is objective evidence that the Group cannot recover amounts under the contracted terms, and when the impact on the amounts that the Group will receive from reinsurers can be reliably measured. The impact of the loss is recognized in the consolidated statement of comprehensive income.

Deferred acquisition costs

Direct or indirect costs incurred during the financial period that originate from insurance contract subscriptions or renewals, are deferred to the extent that they are recoverable, without considering future premiums. All other acquisition costs are recognized as expenses when they are incurred.

Reinsurance commissions

Commissions received for external reinsurance contracts are deferred and amortized on a straight-line basis over the term of the expected premiums payable.

Properties, furniture, equipment and improvements

Properties, furniture, equipment and improvements are recorded at acquisition cost, plus a revaluation adjustment to property performed in 2010, based on an appraisal performed by an Independent appraiser, and credited to the Group's equity. Depreciation and amortization are calculated on a straight line basis, based on the assets' estimated useful lives.

A breakdown of the estimated useful lives is shown below:

Properties and improvements	10 to 30 years
Furniture and equipment	5 to 15 years

The asset values, useful lives and depreciation and amortization methods are reviewed and adjusted if necessary at each year end. Impairment is reviewed when events or changes in circumstances indicate that the recorded value may not be recovered.

Revaluations are performed frequently to ensure that the revaluated asset's fair value does not differ significantly from its recorded amount.

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4. Summary of Significant Accounting Policies (continued)

Properties, furniture, equipment and improvements (continued)

Any revaluation excess is credited to the properties revaluation surplus included in the equity section of the consolidated statement of financial position, unless this amount reverses the revaluation previously recorded for the same asset, which is recognized in the consolidated statement of comprehensive income. In this case, the increase is recorded in the consolidated statement of comprehensive income. A revaluation deficit is recorded in the consolidated statement of comprehensive income, unless it directly offsets a previous surplus on the same asset. If this is the case, it should be recorded within the property revaluation provision.

An asset of properties, furniture, equipment and improvements is eliminated when it is sold, or when no economic benefit is expected from its use. Any gains or losses resulting from this elimination (calculated as the difference between the net disposal and carrying amount) is included in the consolidated statement of comprehensive income in the year in which the asset is disposed.

Investment properties

Investment properties are initially valued at cost, including transaction costs. The fair value includes the replacement cost for parts of the investment property when incurred and recognition criteria are met; it excludes the investment property's maintenance costs. Subsequent to initial recognition, investment properties are recorded at fair value, which reflects market conditions on the date of the consolidated statement of financial position. Gains or losses that may arise from changes in the fair value of the investment properties are recorded in the consolidated statement of comprehensive income in the year in which they are incurred.

Investment properties are derecognized when it has been disposed, or when the investment property has been removed from permanent use and no economic benefit is expected from its use. Any gains or losses in the investment property's disposal or removal are recognized in the consolidated statement of comprehensive income in the year of their impairment or disposal.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at cost, which is the fair value of the product received, less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using effective interest method.

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4. Summary of Significant Accounting Policies (continued)

Interest-bearing loans and borrowings (continued)

Any gains or losses incurred are recorded in the consolidated statement of comprehensive income when the liability is settled, as well as through the amortization process.

Derecognition of financial assets and liabilities

Financial assets

Financial assets are derecognized by the Group when rights to receive cash flows from asset have expired; when the Group transfers the asset, along with its inherent risks and benefits, and contractual rights to receive cash flows from the asset are surrendered; or when the Group retains the contractual rights to receive cash flows and assumes the obligation to pay them to one or more parties.

Financial liabilities

Financial liabilities are derecognized by the Group when the obligation has been paid, cancelled or expires. When a financial liability is replaced by another, the Group derecognizes the original and recognizes a new liability. Differences that may result from these financial liability replacements are recognized in the results of the year in which they occur.

Provisions

A provision is recognized when the Group has a present obligation (legal or implicit) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation amount can be made.

Where the Group expects all or part of a provision to be reimbursed by a third party, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. Expenses relating to provisions are presented in the consolidated statement of comprehensive income net of any reimbursements to be received.

Severance fund

Panamanian labor laws establish that employers must create a severance fund to pay employees a seniority premium upon termination of the work relationship, regardless of the cause, and an indemnity for unjustified dismissals. The Group calculates the fund based on 2.25% of the total salaries paid.

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4. Summary of Significant Accounting Policies (continued)

Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and revenue can be reliably measured. Specific recognition criteria must be established before revenue is recognized.

Written premiums

Accepted reinsurance transactions are recorded when the reinsurance account statements are received from the ceding companies.

Gross general premiums are comprised of the total premiums receivable for the full coverage period established in the contracts subscribed during the accounting period, and are recognized on the date on which the policy begins.

The premiums include any adjustment arising from the premiums receivable related to deals “written” during prior periods. The premiums collected by intermediaries, but not yet received, are assessed based on estimates of previous experiences or subscribed, and are included in subscribed premiums.

Unearned premiums are portions of premiums written in the period that are related to risk periods after the date of the consolidated statement of financial position. Unearned premiums are calculated based on 35% of the written premiums.

Ceded premiums

The Company records participation in ceded reinsurance at the end of the realized ceding contracts, when the technical reinsurance operation is determined.

Fees and commissions

Reinsurance and investment contracts are recorded as management policy services, investment management services, and contract fees. These fees and charges are recognized as revenue over the period in which the related services are performed.

Financial instrument returns

Income from financial instrument returns is recognized in proportion to the passing of time, calculated over average monthly invested principal balances, applying the effective interest method.

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4. Summary of Significant Accounting Policies (continued)

Revenue recognition (continued)

Financial instrument returns (continued)

Financial instrument yields also include dividends, when rights to receive payments are established.

Realized gains and losses

Gains and losses in the sale of investments are calculated as the difference between the net proceeds from the sale and the original amount or amortized cost, and are recognized when the transaction occurs.

Rental of investment properties

Revenue from the rental of investment properties is recognized on a straight-line basis over the lease term.

Losses incurred and acquisition expenses

Gross losses incurred consist of claims paid to reinsured parties, as well as changes in the gross valuation of insurance contract liabilities, except for gross fluctuations in unearned premium provisions, which are recorded in revenues from premiums. They also include internal and external claim adjustment expenses, which are directly related to claims processing and payment.

Borrowing costs

Expenses from interest, commission and other financial expenses are recognized in the consolidated statement of comprehensive income as they are accrued, and they are calculated using the effective interest method. Accrued interests are included in the loans' values.

Taxes

Current tax

Current tax assets and liabilities for the current and prior period are measured at amounts expected to be recovered or paid to the tax authorities. Tax rates and laws used to calculate income taxes are those in effect or substantially in effect on the date of the consolidated statement of financial position.

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Notes to the Consolidated Financial Statements

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4. Summary of Significant Accounting Policies (continued)

Taxes (continued)

Deferred tax

Deferred income tax is determined by applying the liability method to all temporary differences existing between the asset, liability, and net equity tax base and the amounts recorded for financial purposes as of the date of the consolidated statement of financial position. Deferred income tax is calculated using the tax rate expected to apply to the period when the asset is expected to be realized or the liability settled.

New International Financial Reporting Standards (IFRS) and Interpretations not yet effective

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definitions of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IAS 32 Financial Instruments: Presentation-Classification of Rights Issues (Amendment)

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquired fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group after initial application.

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4. Summary of Significant Accounting Policies (continued)

New International Financial Reporting Standards (IFRS) and Interpretations not yet effective (continued)

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantity the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation will have no effect on the consolidated financial statements of the Group.

Improvements to IFRSs (issued in May 2010)

The IASB issued improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments listed below, are considered to have a reasonable possible impact on the Group.

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4. Summary of Significant Accounting Policies (continued)

New International Financial Reporting Standards (IFRS) and Interpretations not yet effective (continued)

- IFRS 3 Business Combinations
- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statement
- IAS 27 Consolidated and Separate Financial Statements
- IFRIC 13 Customer Loyalty Programmers

The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

5. Cash and Cash Equivalents

	<u>December 31</u>	
	2010	2009
Cash on hand	US\$ 45,623	US\$ 5,653
Checking accounts	<u>22,504,230</u>	6,249,330
Short-term deposits	<u>7,883,217</u>	9,741,915
	<u>US\$ 30,433,070</u>	<u>US\$ 15,996,898</u>

Short-term deposits are made for different periods ranging from one day to three months, depending on the Group's immediate cash requirements. All deposits are subject to variable interest rates ranging between 1.75% - 3.10% (2009- 3.69% - 4.87%).

6. Accounts Receivables Ceding Companies

	<u>December 31</u>	
	2010	2009
Balance at beginning of year	US\$ 107,810,604	US\$ 98,306,570
Written premiums	147,954,934	164,131,521
Claims paid	(85,360,971)	(113,927,383)
Payments for the year	<u>(71,979,343)</u>	<u>(40,700,104)</u>
Balance at year end	<u>US\$ 98,425,224</u>	<u>US\$ 107,810,604</u>

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6. Accounts Receivables Ceding Companies (continued)

The allowance for doubtful accounts is as follows:

	2010		2009
Balance at beginning of year	US\$ 1,952,456	US\$ 1,914,865	
Amount credited to the estimation	149,196		101,967
Amount debited to the estimation	<u>(61,675)</u>		<u>(64,376)</u>
Balance at year end	US\$ 2,039,977	US\$ 1,952,456	

7. Retrocessionaires Share in Reinsurance Contracts

	<u>December 31</u>	
	2010	2009
Technical reserve for premiums	US\$ 31,404,320	US\$ 44,211,709
Outstanding claims reserve, net	<u>55,741,824</u>	<u>62,761,659</u>
	US\$ 87,146,144	US\$ 106,973,368

8. Investments Held-to-Maturity

	<u>December 31</u>	
	2010	2009
Government bonds	US\$ 226,005	US\$ 1,283,490
Other	<u>375,427</u>	<u>360,893</u>
	US\$ 601,432	US\$ 1,644,383

The activity in investments held-to-maturity as of December 31 is the following:

	<u>December 31</u>	
	2010	2009
Balance at beginning of year	US\$ 1,644,383	US\$ 4,849,530
Additions	-	40,702
Disposals	<u>(1,042,951)</u>	<u>(3,245,849)</u>
Balance at year end	US\$ 601,432	US\$ 1,644,383

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9. Investments Available-for-Sale

			<u>December 31</u>	
	<u>2010</u>		<u>2009</u>	
Corporate bonds	US\$ <u>9,478,058</u>		US\$ <u>7,203,120</u>	
Shares		1,367,753		1,241,961
Investment funds		<u>3,000,000</u>		<u>3,000,000</u>
	<u>US\$ 13,845,811</u>		<u>US\$ 11,445,081</u>	

The following table presents an analysis of investments available-for-sale according to ratings by qualifying agencies, as of December 31, based on Standard & Poor's and its equivalents:

	<u>2010</u>			
	Corporate Bonds	Shares	Investment funds	Total
A- to AAA	US\$ <u>8,290,890</u>	US\$ <u>1,101,780</u>	US\$ -	US\$ <u>9,392,670</u>
B- to BBB+	<u>419,681</u>	-	-	<u>419,681</u>
D	<u>767,487</u>	-	-	<u>767,487</u>
No rating	-	<u>265,973</u>	<u>3,000,000</u>	<u>3,265,973</u>
	<u>US\$ 9,478,058</u>	<u>US\$ 1,367,753</u>	<u>US\$ 3,000,000</u>	<u>US\$ 13,845,811</u>

	<u>2009</u>			
	Corporate Bonds	Shares	Investment funds	Total
A- to AAA	US\$ <u>6,175,165</u>	US\$ -	US\$ -	US\$ <u>6,175,165</u>
B- to BBB+	<u>394,330</u>	-	-	<u>394,330</u>
D	<u>633,625</u>	<u>1,241,961</u>	-	<u>1,875,586</u>
No rating	-	-	<u>3,000,000</u>	<u>3,000,000</u>
	<u>US\$ 7,203,120</u>	<u>US\$ 1,241,961</u>	<u>US\$ 3,000,000</u>	<u>US\$ 11,445,081</u>

The activity in investments available-for-sale is the following:

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Balance at beginning of year	US\$ <u>11,445,081</u>	US\$ <u>15,427,847</u>
Additions	<u>4,215,623</u>	-
Disposals	<u>(1,786,597)</u>	<u>(4,770,882)</u>
Net changes in the valuation of investments available-for-sale	<u>(28,296)</u>	<u>788,116</u>
Balance at year end	<u>US\$ 13,845,811</u>	<u>US\$ 11,445,081</u>

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10. Investment in an Associates

Associate	Activity	% Participation	2010			
			Balance at beginning of year	Additions of Investment in an Associate	Participation in (Loss) Profit	Balance at year end
Grupo 1A, S. A.	Dental Insurance Services	50%	US\$ 3,072,981	US\$ 3,202,991	US\$ (2,143,649)	US\$ 4,132,323
Strategic Investors	Investor	22.5%	-	2,500,000	1,929,822	4,429,822
			<u>US\$ 3,072,981</u>	<u>US\$ 5,702,991</u>	<u>US\$ (213,827)</u>	<u>US\$ 8,562,145</u>

Associate	Activity	% Participation	2009			
			Balance at beginning of year	Additions of Investment in an Associate	Participation in (Loss) Profit	Balance at year end
Grupo 1A, S. A.	Dental Insurance Services	50%	US\$ 3,072,981	US\$ 3,072,981	US\$ -	US\$ 3,072,981

11. Deferred Reinsurance Commissions

The activity in deferred reinsurance commissions is as follows:

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Balance at beginning of year	US\$ 6,230,662	US\$ 9,058,797
Deferred expenses	6,496,153	6,230,662
Amortization	(6,230,662)	(9,058,797)
Balance at year end	<u>US\$ 6,496,153</u>	<u>US\$ 6,230,662</u>

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12. Properties, Furniture, Equipment and Improvements, Net

December 31, 2010

		<i>Buildings, Land, and Improvements</i>		<i>Furniture and Equipment</i>		<i>Vehicles</i>		<i>Computer Equipment</i>		<i>Total</i>
As of January 1, 2010, net of accumulated depreciation and amortization	US\$	23,498,017	US\$	188,592	US\$	113,444	US\$	468,866	US\$	24,268,919
Additions		798,598		121,762		236,683		138,128		1,295,171
Revaluation of buildings and improvements		203,685		-		-		-		203,685
Disposals		(50,899)		(49,295)		27,285		(35,180)		(108,089)
Depreciation and amortization		(250,066)		(42,896)		(84,393)		(63,918)		(441,273)
As of December 31, 2010, net of accumulated depreciation and amortization	US\$	24,199,335	US\$	218,163	US\$	293,019	US\$	507,896	US\$	25,218,413
As of January 1, 2010										
Carrying amount	US\$	24,649,969	US\$	744,353	US\$	546,203	US\$	755,682	US\$	26,696,207
Disposals		-		(41,569)		(8,167)		(4,400)		(54,136)
Accumulated depreciation and amortization		(1,151,952)		(514,192)		(424,592)		(282,416)		(2,373,152)
Net value	US\$	23,498,017	US\$	188,592	US\$	113,444	US\$	468,866	US\$	24,268,919
As of December 31, 2010										
Carrying amount	US\$	25,652,252	US\$	866,115	US\$	782,886	US\$	893,810	US\$	28,195,063
Disposals		(50,899)		(90,864)		19,118		(39,580)		(162,225)
Accumulated depreciation and amortization		(1,402,018)		(557,088)		(508,985)		(346,334)		(2,814,425)
Net value	US\$	24,199,335	US\$	218,163	US\$	293,019	US\$	507,896	US\$	25,218,413

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12. Properties, Furniture, Equipment and Improvements, Net (continued)

December 31, 2009

	<i>Buildings, Land, and Improvements</i>	<i>Furniture and Equipment</i>	<i>Vehicles</i>	<i>Computer Equipment</i>	<i>Total</i>
As of January 1, 2009, net of accumulated depreciation and amortization	US\$ 19,622,540	US\$ 139,673	US\$ 201,106	US\$ 335,444	US\$ 20,298,763
Additions	400,549	65,311	80,260	257,856	803,976
Revaluation of buildings and improvements	3,716,248	-	-	-	3,716,248
Disposals	-	(38,194)	(4,000)	(4,400)	(46,594)
Depreciation and amortization	(276,910)	(29,535)	(126,942)	(70,087)	(503,474)
As of December 31, 2009, net of accumulated depreciation and amortization	<u>US\$ 23,462,427</u>	<u>US\$ 137,255</u>	<u>US\$ 150,424</u>	<u>US\$ 518,813</u>	<u>US\$ 24,268,919</u>
As of January 1, 2009					
Carrying amount	US\$ 21,032,281	US\$ 574,799	US\$ 629,351	US\$ 574,965	US\$ 22,811,396
Accumulated depreciation and amortization	(1,409,741)	(435,126)	(428,245)	(239,521)	(2,512,633)
Net value	<u>US\$ 19,622,540</u>	<u>US\$ 139,673</u>	<u>US\$ 201,106</u>	<u>US\$ 335,444</u>	<u>US\$ 20,298,763</u>
As of December 31, 2009					
Carrying amount	US\$ 25,149,078	US\$ 601,916	US\$ 705,611	US\$ 828,421	US\$ 27,285,026
Accumulated depreciation and amortization	(1,686,651)	(464,661)	(555,187)	(309,608)	(3,016,107)
Net value	<u>US\$ 23,462,427</u>	<u>US\$ 137,255</u>	<u>US\$ 150,424</u>	<u>US\$ 518,813</u>	<u>US\$ 24,268,919</u>

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13. Investment Properties

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Balance at beginning of year	US\$ 1,372,082	US\$ 3,248,556
Additions	-	170,679
Disposals	-	(2,373,791)
Revaluation	-	342,533
Depreciation expense	<u>(15,895)</u>	<u>(15,895)</u>
Balance at year end	<u>US\$ 1,356,187</u>	<u>US\$ 1,372,082</u>

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment property or for repairs maintenance and enhancements.

14. Non-Financial Assets

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Accounts receivable - employees	US\$ 76,271	US\$ 67,843
Accounts receivable - projects	<u>1,564,810</u>	1,581,288
Arts	80,872	80,872
Interest receivable	24,231	598
Security deposits	222,531	1,887,469
Other	<u>1,886,234</u>	1,674,382
	<u>US\$ 3,854,949</u>	<u>US\$ 5,292,452</u>

There are balances recorded within employee accounts which correspond to accounts receivable from executives for US\$59,135 and (US\$20,130) related to the payment of mortgage loans.

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15. Accounts Payable Retrocessionaires and Brokers

	<u>December 31</u>	
	2010	2009
Balance at beginning of year	US\$ 43,750,056	US\$ 35,184,707
Ceded premiums	36,896,958	63,387,229
Recovered losses	(29,596,393)	(57,223,429)
Payments for the year	(31,201,288)	2,401,549
Balance at year end	US\$ 19,849,333	US\$ 43,750,056

16. Related Parties Disclosures

	<u>December 31</u>	
	2010	2009
Consolidated Statement of Financial Position		
Accounts receivable - ceding companies	<u>US\$ -</u>	<u>US\$ 19,340,708</u>
<i>Accounts receivable - related parties</i>		
Istmo Financial Holding Corp.	<u>US\$ 1,085,750</u>	<u>US\$ 705,469</u>
<i>Accounts payable - retrocessionaires</i>		
Current accounts	<u>US\$ -</u>	<u>US\$ 2,174,132</u>
Premium deposits	<u>1,143,153</u>	<u>1,050,855</u>
	<u>US\$ 1,143,153</u>	<u>US\$ 3,224,987</u>
<i>Other assets</i>		
Accounts receivable from executives	<u>US\$ 60,354</u>	<u>US\$ 20,130</u>
Consolidated Statement of Comprehensive Income		
<i>Revenues</i>		
Written premiums	<u>US\$ -</u>	<u>US\$ 1,481,365</u>
Commissions received	<u>398,404</u>	<u>2,010,974</u>
Recovered losses	<u>1,238,224</u>	<u>4,253,535</u>
	<u>US\$ 1,636,628</u>	<u>US\$ 7,745,874</u>
<i>Expenses</i>		
Ceded premiums	<u>US\$ 1,992,321</u>	<u>US\$ 4,548,793</u>
Commissions paid	<u>US\$ -</u>	<u>US\$ 268,299</u>
Claims paid	<u>US\$ 23,744,640</u>	<u>US\$ 1,887,235</u>

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16. Related Parties Disclosures (continued)

The Group's key management personnel compensation as of December 31, 2010 was US\$593,000 (2009 - US\$552,254).

Balances at year end are unsecured, do not generate interest, and settlement occurs in cash. No guarantees have been received for any accounts receivable or payable to related parties. For the year ended December 31, 2010 the Group has not recorded any allowance for doubtful accounts for amounts receivable from related parties. An assessment is performed at the end of each financial year, through financial tests to determine the related party's financial situation and that of the market in which it operates.

17. Technical Reserve for Premiums

The technical reserve for premiums as of December 31 is as follows:

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Reinsurance contracts	US\$ <u>54,865,396</u>	US\$ <u>66,064,752</u>
Retrocessionnaire participation in reinsurance contracts	<u>(31,404,320)</u>	<u>(44,211,709)</u>
	<u>US\$ 23,461,076</u>	<u>US\$ 21,853,043</u>

18. Goodwill

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Goodwill	US\$ <u>5,382,026</u>	US\$ <u>5,382,026</u>

QBE del Istmo Reinsurance Company, Inc., acquired 100% of American Assurance Corporation during the year ended December 31, 2009. As of December 31, 2010, the goodwill comprises the value of expected synergies arising from the acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes.

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19. Outstanding Claims Reserve, Net

The reserve for outstanding claims reserve, net, as of December 31, 2010 was US\$23,251,884 (2009 – US\$21,153,301), and it is sufficient to cover 100% of the final estimated costs of the losses and claims filed by the ceding reinsurance companies as of those dates.

The reserve for these pending obligations is calculated at 100%, based on estimates which vary according to the real payments and compensations that may vary throughout the year.

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Gross claims reserve at 100%	US\$ 56,681,542	US\$ 57,105,341
IBNR reserve	<u>22,312,166</u>	<u>26,809,619</u>
	78,993,708	83,914,960
Retrocessionaire participation in reinsurance contracts	<u>(55,741,824)</u>	<u>(62,761,659)</u>
	US\$ 23,251,884	<u>US\$ 21,153,301</u>

The Group maintains a reserve for losses incurred but not reported as of December 31, 2010 of US\$5,498,167 (2009 - US\$6,443,879) and a catastrophic risk reserve for claims in process, net, of US\$4,356,426 in 2010 (2009 - US\$4,283,986), which is a stronger at the Group's consolidated statement of financial position, and is determined based on the priorities of reinsurance contracts on excess losses signed by the Group.

20. Interest Bearing Loans and Borrowings

	<i>Effective rate</i>	<i>Maturity</i>	<u>December 31</u>	
			<u>2010</u>	<u>2009</u>
Bank overdrafts	7%		US\$ 72,828	US\$ -
Loans:				
Banesco, S. A.	2.75%	2011	1,376,579	1,500,000
Global Bank Panama, S. A.	8%	2011	3,000,000	1,000,000
Multibank, Inc.	10.5%	2011	1,357,688	1,808,871
Banco Internacional de Costa Rica, S	7%	2011	3,000,000	-
Banco General, S. A.	7.25%	2014	2,622,385	2,000,000
			US\$ 11,429,480	<u>US\$ 6,308,871</u>

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20. Interest Bearing Loans and Borrowings (continued)

Loans

In January 2010, QBE del Istmo Reinsurance Company, Inc. obtained a loan from Global Bank Panamá, S. A. for US\$3,000,000, with an annual interest of 8%, and a term of twelve months.

In January 2010, QBE del Istmo Reinsurance Company, Inc. obtained a loan from Multibank, S. A. for US\$1,357,688, with an month interest of 10.5%, and a term of twelve months

QBE del Istmo Reinsurance Company, Inc. obtained loans from Banco International of Costa Rica, S. A. for US\$3,000,000, with an annual interest of 7%, and a term of twelve months.

In April 2010, QBE del Istmo Reinsurance Company, Inc. obtained a loans with Banco General, S. A. for US\$3,000,000, with a 7.25%, month interest rate, and maturity of forty eight months.

In August 2010, QBE del Istmo Reinsurance Company, Inc. obtained a loan from Banesco, S. A. for US\$1,500,000, with 2.75%, month interest rate, and maturity of six months.

A subsidiary has an overdraft line authorized by Multibank, S.A. for US\$1,142,312.

Interests paid as of December 31, 2010, were US\$670,657 (2009 – US\$22,194).

21. Basic Earnings per Share

The basic earnings per share are calculated by dividing the net earnings of the year attributable to the common shareholders by the weighted average of common shares outstanding during the year.

Calculation of net earnings per share

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Net income	<u>US\$ 12,629,344</u>	<u>US\$ 7,614,765</u>
Weighted average of common shares outstanding	<u>2,529,794</u>	<u>2,404,948</u>
Basic earnings per share	<u>US\$ 4.99</u>	<u>US\$ 3.17</u>
Net comprehensive income	<u>US\$ 12,953,461</u>	<u>US\$ 12,457,494</u>
Basic earnings per share	<u>US\$ 5.12</u>	<u>US\$ 5.18</u>

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22. Shares Capital

Common shares

As of December 31, 2010 the subscribed and paid capital was US\$31,789,417 represented by 2,529,794 common shares without a nominal value.

Preferred shares

As of December 31, 2010 the subscribed and paid capital was US\$18,000,000 represented by 180,000 preferred shares with a par value of US\$100 par share

Dividends paid during the year:

		2010		
		<u>Common Share</u>	<u>Preferred Share</u>	<u>Total</u>
2009	US\$	-	US\$ 712,604	US\$ 712,604
2009				
2008	US\$	3,470,260	US\$ 3,072,981	US\$ -

Legal reserve

The legal reserve is increased annually by a quarter percent (0.25%) based on the increase in subscribed premiums as compared to the previous year. Increases or decreases in this reserve are recorded in equity.

Other components of equity

Property revaluation surplus

This equity reserve is used to recognize increases related to the revaluation of properties. The Group transfers the realized amount of depreciating assets from the revaluation surplus directly to retained earnings, as they are used by the group, or when they are derecognized due to disposal or sale, for the corresponding amount net of income tax.

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22. Shares Capital (continued)

Foreign currency translation

This equity reserve is used to recognize the effects of the annual conversion of the financial statements of the subsidiaries operating abroad to the presentation currency. This accumulated balance will be recognized in the results of the period at the time of sale of the respective subsidiaries.

Unrealized gains (loss) reserve

This equity reserve is used to recognize gains or losses resulting from changes in the fair value of available-for-sale assets until the date of their disposal.

23. General and Administrative Expenses

	<u>December 31</u>	
	2010	2009
Salaries	US\$ 2,367,986	US\$ 1,724,896
Fees	4,236,831	2,868,720
Rent	66,146	1,784
Uncollectible accounts	149,196	101,967
Electricity	128,491	122,797
Office expenses	84,526	76,857
Communication	210,903	145,125
Maintenance	287,806	279,502
Social events	96,455	23,230
Attentions	197,139	168,290
Association fees	132,301	107,744
Taxes	356,753	213,142
Depreciation and amortization	457,168	519,369
Advertising	77,084	33,445
Travel	724,474	293,004
Borrowing costs	1,007,361	277,271
Insurance	185,996	278,910
Realized loss in the sale of investments	445,424	681,317
Other	196,399	469,296
	<u>US\$ 11,408,439</u>	<u>US\$ 8,386,666</u>

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24. Other Income, Net

	<u>December 31</u>	
	2010	2009
Interest earned	US\$ 173,231	US\$ 1,302,877
Gain in currency exchange rates	-	25,987
Dividends	42,414	41,492
Other	<u>830,108</u>	234,056
	1,045,753	1,604,412
Loss in currency exchange rates	<u>(1,022,214)</u>	-
	US\$ 23,539	US\$ 1,604,412

25. Income Tax

The income tax is comprised as follows:

	<u>December 31</u>	
	2010	2009
Income tax Panama	US\$ 491,481	US\$ 396,310
Income tax Mexico	165,647	314,134
Income tax Peru	6,527	-
Income tax Costa Rica	(149,411)	-
Income tax Ireland	<u>160,863</u>	4,465
	US\$ 675,107	US\$ 714,909

Income tax Panama:

Law No. 6 of February 2, 2005 was reinforced in Article 699 of the Tax Code, requiring legal entities to pay 30% income tax on the higher of: (1) net taxable income, calculated under the traditional method described in Chapter Four, Title I of the Tax Code; or (2) net taxable income obtained from deducting ninety-five point thirty-three percent (95.33%) from the total taxable gross income.

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25. Income Tax (continued)

	<u>December 31</u> 2010
<i>QBE del Istmo Reinsurance Company, Inc. (Traditional method)</i>	
Income before income tax	US\$ 215,502
Add: non-deductible expenses	<u>8,056</u>
Taxable income	<u>223,558</u>
Income tax (30%)	<u>US\$ 67,067</u>

	2009
<i>QBE del Istmo Reinsurance Company, Inc. (CAIR)</i>	
Total taxable income	US\$ 1,847,900
CAIR tax rate (95.33%)	<u>1,761,603</u>
Taxable income	<u>86,297</u>
Income tax (30%)	<u>US\$ 25,889</u>

	<u>December 31</u> 2010	2009
<i>American Insurance Corp. (Traditional method)</i>		
Income before income tax	US\$ 1,497,576	US\$ 1,701,439
Less: non-taxable income	83,207	468,245
Add: non-deductible expenses	343	1,542
Taxable income	1,414,712	1,234,736
Income tax (30%)	US\$ 424,414	US\$ 370,421

Income tax declarations for entities constituted in the Republic of Panama are subject to review by the tax authorities for up to the last three (3) years, including the year ended December 31, 2010, according to current regulations.

Income tax Mexico:

QBE del Istmo México, Compañía de Reaseguros, S. A. de C. V.

As of December 31, 2010 the income tax originated and recorded in the results for the period, to the fiscal rate of 25% and 27%, was US\$165,647 (2009 - US\$314,134).

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25. Income Tax (continued)

Income tax Ireland:

Liffey Reinsurance Company Limited

The income tax originated and recorded in the results for the period, to fiscal rate 13% and 11%, was 2010 - US\$160,863 (2009 - US\$4,465).

Income tax Peru:

QBE Corredores de Reaseguros

The income tax originated and recorded in the results for the period, to fiscal rate 24% was 2010 - US\$6,527.

Aseguradora del Istmo, S. A.

The deferred income tax originated and recorded in the results for the period, to fiscal rate 28% was 2010 - US\$149,411.

26. Fair Value Measurement

International Financial Reporting Standards require the disclosure of information regarding the fair value of financial instruments for which it is possible to estimate a value, regardless of whether they are recognized in the consolidated statement of financial position. Likewise, these standards require the use of a three-level hierarchy to classify each financial instrument in the consolidated statement of financial position. Consequently, the Group used the following hierarchy to determine and disclose the fair value of financial instruments through the valuation technique:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Quoted prices in active markets for similar financial instruments, or use of a valuation technique whereby all variables are obtained from observable market information for assets or liabilities, either directly or indirectly.

Level 3: The unobservable variables used in the fair value measurement have a significant effect on their calculation.

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26. Fair Value Measurement (continued)

The assets recorded at fair value classified by level of valuation technique are presented below:

	2010			
	Fair value	Level 1	Level 2	Level 3
Assets measured at fair value by level				
Investments held-to-maturity	US\$ 601,432	US\$ 601,432	US\$ -	US\$ -
Investments available-for-sale	US\$ 13,845,811	US\$ 13,212,186	US\$ 633,625	US\$ -
2009				
	Fair value	Level 1	Level 2	Level 3
	US\$ 1,644,383	US\$ 1,644,383	US\$ -	US\$ -
Investments held-to-maturity	US\$ 11,445,081	US\$ 10,109,721	US\$ 1,335,360	US\$ -

27. Fair Value

Below is a comparison between the carrying amounts and fair values of the financial instruments presented in the Group's consolidated financial statements:

	Carrying amounts		Fair value	
	2010	2009	2010	2009
Financial assets				
Cash and cash equivalents	US\$ 30,433,070	US\$ 15,996,898	US\$ 30,433,070	US\$ 15,996,898
Fixed-term deposits	US\$ 4,105,057	US\$ 3,451,729	US\$ 4,105,057	US\$ 3,451,729
Accounts receivable	US\$ 125,714,783	US\$ 124,147,245	US\$ 123,792,985	US\$ 122,194,789
Investments available-for-sale	US\$ 13,845,811	US\$ 11,445,081	US\$ 13,845,811	US\$ 11,445,081
Investments held-to-maturity	US\$ 601,432	US\$ 1,644,383	US\$ 601,432	US\$ 1,644,383
Financial liabilities				
Accounts payable	US\$ 51,507,334	US\$ 70,219,459	US\$ 51,755,187	US\$ 70,219,459
Interest-bearing loans and borrowings	US\$ 11,429,480	US\$ 6,308,871	US\$ 11,429,480	US\$ 6,308,871

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27. Fair Value (continued)

Fair value estimates are made on the date of the consolidated financial statements, based on relevant market and financial instrument information. These estimates do not include any discount or premium that may result from maintaining the financial instruments as available-for-sale, given that none are held for this purpose.

The nature of these estimates is subjective, and it involves uncertain aspects and Management's judgment, hence their amounts cannot be determined with absolute accuracy. Consequently, if there are changes in the assumptions on which the estimates are based, these may differ from final results. The judgments used by the Group's Management to establish the fair market value of financial instruments are detailed below:

The amounts of cash and cash equivalents, accounts receivable, accounts payable, other accounts payable, and loans payable short-term approach their fair market value due to their short-term nature.

28. Segment Information

For administrative purposes, the Group organized its base units into geographic segments where its assets are located. This includes all business units involved in the reinsurance and insurance businesses, and related lines.

Management monitors the operating results of its business units separately, for purposes of making market decisions on the allocation of resources and development evaluations. Segment development is assessed based on operating gains and losses, which are measured somewhat differently from gains or losses in the consolidated financial statements. The Group's financing (including borrowing costs and interest income) and income taxes are managed on a Group basis, and are not assigned to operating segments.

Transfer prices between operating segments are presented similarly to transactions with related parties.

The financial information of the Group's geographic segments, based on the assets allocated, is presented below:

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28. Segment Information (continued)

Client revenue by asset allocation

	2010 (Amounts in US\$)						
	Total	Eliminations	Panama	Mexico	Peru	Ireland	Del Istmo Assurance Corp. (Panamá)
Written premiums	147,954,934	4,042,189	115,241,460	25,565,291	-	4,042,189	7,148,183
Retroceded premiums	(36,896,958)	(4,042,189)	(12,551,254)	(22,855,970)	-	-	(5,531,923)
Retained premiums	111,057,976	-	102,690,206	2,709,321	-	4,042,189	1,616,260
Increase in premium reserves	(1,608,033)	-	(2,812,929)	1,295,870	-	29,000	(119,974)
Net retained premiums	109,449,943	-	99,877,277	4,005,191	-	4,071,189	1,496,286

	2009 (Amounts in US\$)						
	Total	Eliminations	Panama	Mexico	Peru	Ireland	American Assurance Corp. (Panama)
Written premiums	164,131,521	5,727,376	128,315,485	29,626,548	-	5,786,003	6,130,861
Retroceded premiums	(63,387,229)	(5,727,376)	(38,090,720)	(25,756,249)	-	(58,627)	(5,209,009)
Retained premiums	100,744,292	-	90,224,765	3,870,299	-	5,727,376	921,852
Decrease in premium reserves	5,986,840	-	4,321,895	1,677,528	-	38,175	(50,758)
Net retained premiums	106,731,132	-	94,546,660	5,547,827	-	5,765,551	871,094

Results by asset allocation

	2010 (Amounts in US\$)						
	Total	Panama	Mexico	Peru	Ireland	Del Istmo Assurance Corp. Panamá	Aseguradora Del Istmo, S. A.
Segment results	13,494,739	9,638,229	1,380,188	8,652	1,587,931	1,445,640	(565,901)
Intersegment transactions	-	4,042,189	-	-	(4,042,189)	-	-
borrowing costs and interest income	13,494,739	13,680,418	1,380,188	8,652	(2,454,258)	1,445,640	(565,901)
Interest income, net	170,762	74,085	(5,066)	-	18,022	83,207	514
Foreign currency translation	(1,022,214)	-	(722,461)	-	(335,021)	-	35,268
Other revenue	874,991	518,328	(93)	11,950	1,682	343,124	-
	13,518,278	14,272,831	652,568	20,602	(2,769,575)	1,871,971	(530,119)
Participation in loss of associate	(213,827)	(213,827)	-	-	-	-	-
Income (losses) before income tax	13,304,451	14,059,004	652,568	20,602	(2,769,575)	1,871,971	(530,119)
Income tax	675,107	67,067	165,647	6,527	160,863	424,414	(149,411)
Net Income (losses)	12,629,344	13,991,937	486,921	14,075	(2,930,438)	1,447,557	(380,708)

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28. Segment Information (continued)

Results by asset allocation (continued)

	2009 (Amounts in US\$)					
	Total	Panama	Mexico	Peru	Ireland	Del Istmo Assurance Corp. (Panamá)
Segment results	6,725,262	4,715,724	779,581	16,605	(239,747)	1,453,099
Intersegment transactions	-	5,727,376	-	-	(5,727,376)	-
Income (losses) before income tax, borrowing costs and interest income	6,725,262	10,443,100	779,581	16,605	(5,967,123)	1,453,099
Interest income, net	1,302,877	564,852	373,951	-	181,567	182,507
Foreign currency translation	25,987	25,987	-	-	-	-
Other revenue	275,548	106,321	1,842	3,304	98,248	65,833
Income (losses) before income tax	8,329,674	11,140,260	1,155,374	19,909	(5,687,308)	1,701,439
Income tax	714,909	25,889	314,134	-	4,465	370,421
Net Income (losses)	7,614,765	11,114,371	841,240	19,909	(5,691,773)	1,331,018

Carrying amount of assets and liabilities segment, by asset allocation

	2010 (Amounts in US\$)						
	Total	Panama	Mexico	Peru	Ireland	Del Istmo Assurance Corp. (Panamá)	Aseguradora Del Istmo, S. A.
Assets segment (before eliminations between segments)	341,155,154	200,779,975	109,631,495	308,730	12,012,845	13,522,603	4,899,506
Intersegment balances	(2,837,830)	(333,762)	-	(99,204)	(2,404,864)	-	-
Assets segment	333,417,818	200,446,213	109,631,495	209,526	9,607,981	13,522,603	4,899,506
Investment in an associates	(8,757,605)	(8,757,605)	-	-	-	-	-
Total assets	324,660,213	191,688,608	109,631,495	209,526	9,607,981	13,522,603	4,899,506
Liabilities segment	209,657,304	97,680,541	103,368,631	203,794	3,162,031	5,242,307	-
Intersegment balances	(2,455,058)	(1,635,287)	(786,009)	(33,762)	-	-	-
Total Liabilities	207,202,246	96,045,254	102,582,622	170,032	3,162,031	5,242,307	-

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28. Segment Information (continued)

Carrying amount of assets and liabilities segment, by asset allocation (continued)

	2009 (Amounts in US\$)					
	Total	Panama	Mexico	Peru	Ireland	Del Istmo Assurance Corp. (Panamá)
Assets segment (before eliminations between segments)	331,786,405	158,162,263	150,710,049	268,151	10,683,313	11,962,629
Intersegment balances	(4,927,180)	(1,888,582)	-	(91,068)	(2,947,530)	-
Assets segment	326,859,225	156,273,681	150,710,049	177,083	7,735,783	11,962,629
Investment in associates	(9,590,574)	(9,590,574)	-	-	-	-
Total assets	317,268,651	146,683,107	150,710,049	177,083	7,735,783	11,962,629
Liabilities segment	241,817,333	88,288,274	145,487,413	173,817	2,777,568	5,090,261
Intersegment balances	(4,927,180)	(3,038,598)	(1,854,820)	(33,762)	-	-
Total liabilities	236,890,153	85,249,676	143,632,593	140,055	2,777,568	5,090,261

Other segment information by assets

	2010 (Amounts in US\$)						
	Total	Panama	Mexico	Peru	Ireland	Del Istmo Assurance Corp. (Panamá)	Aseguradora del Istmo
Additions to property, furniture, equipment and improvements, net	1,295,171	657,015	99,074	59,295	-	94,254	385,533
Depreciation and amortization expense	457,168	340,269	45,173	31,529	-	37,567	2,630
Employee benefits provisions and liabilities							
liabilities	1,188,910	1,188,910	-	-	-	-	-

	2009 (Amounts in US\$)					
	Total	Panama	Mexico	Peru	Ireland	American Assurance Corp.
Additions to property, furniture, equipment and improvements, net	803,976	70,355	90,589	32,579	-	610,453
Depreciation and amortization expense	519,368	376,860	90,254	28,599	-	23,655
Employee benefits provisions and liabilities						
liabilities	921,910	921,910	-	-	-	-

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28. Segment Information (continued)

Client revenue by geographic area (in which the risks are located)

Country	2010 (Amounts in US\$)						
	Total	Collective life	Transport	Fire hazard	Surety bonds	Comprehensive construction	Other
Belize	155,419	-	-	155,419	-	-	-
Costa Rica	29,180	-	-	29,180	-	-	-
Guatemala	5,288,840	1,377,213	-	1,696,323	1,866,902	184,192	164,210
Honduras	1,449,671	-	-	977,078	280,357	73,805	118,431
Nicaragua	111,376	-	-	96,507	4,400	-	10,469
Panama	8,694,775	81	280	47,013	8,595,922	51,479	-
El Salvador	102,924	-	-	67,896	-	31,358	3,670
Central America	<u>15,832,185</u>	<u>1,377,294</u>	<u>280</u>	<u>3,069,416</u>	<u>10,747,581</u>	<u>340,834</u>	<u>296,780</u>
Ireland	24,616,057	21,000	68,265	22,452,953	-	781,122	1,292,717
Mexico	25,900,649	280,454	9	21,976,554	16,375	-	3,627,257
Argentina	46,849	36,481	-	-	10,368	-	-
Chile	2,223	-	-	2,223	-	-	-
Colombia	65,504,001	43,351,726	63,003	1,102,553	6,882,879	2,102,642	12,001,198
Ecuador	5,578,289	1,046,645	329,148	1,172,619	305,854	588,397	2,135,626
Guyana	32,755	-	-	32,755	-	-	-
Peru	46,774	-	-	25,443	8,930	12,401	-
Surinam	52,683	-	-	52,254	-	429	-
Bolivia	20,710	-	-	-	20,710	-	-
Paraguay	145,233	-	-	-	145,233	-	-
Venezuela	<u>9,475,951</u>	<u>864,875</u>	<u>552,621</u>	<u>1,498,407</u>	<u>2,893,183</u>	<u>347,424</u>	<u>3,319,441</u>
South America	<u>80,905,468</u>	<u>45,263,246</u>	<u>944,772</u>	<u>3,886,254</u>	<u>10,267,157</u>	<u>3,051,293</u>	<u>17,456,265</u>
Dominican Republic	<u>700,575</u>	<u>53,521</u>	<u>4,426</u>	<u>175,865</u>	<u>219,690</u>	<u>51,433</u>	<u>195,640</u>
Caribbean	<u>700,575</u>	<u>53,521</u>	<u>4,426</u>	<u>175,865</u>	<u>219,690</u>	<u>51,433</u>	<u>195,640</u>
Total	<u>147,954,934</u>	<u>46,995,515</u>	<u>1,017,752</u>	<u>51,561,042</u>	<u>21,250,803</u>	<u>4,224,682</u>	<u>22,868,659</u>

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28. Segment Information (continued)

Client revenue by geographic area (in which the risks are located) (continued)

Country	Total	Collective life	Transport	Fire hazard	Surety bonds	2009	
						(Amounts in US\$)	Comprehensive construction
Belize	406,050	-	-	263,790	-	124,659	17,601
Costa Rica	50,078	-	(34)	11,813	3,340	34,959	-
Guatemala	5,190,999	1,948,778	-	1,640,669	1,342,463	34,955	224,134
Honduras	1,235,517	-	-	941,837	139,547	-	154,133
Nicaragua	208,715	-	-	184,073	24,642	-	-
Panama	7,621,513	-	-	396	7,609,426	-	11,691
El Salvador	1,004,885	699,743	-	73,564	193,091	21,480	17,007
Central America	15,717,757	2,648,521	(34)	3,116,142	9,312,509	216,053	424,566
Ireland	35,207,444	21,000	80,686	17,405,344	-	1,197,004	16,503,410
Mexico	29,481,260	-	52,434	19,450,872	22,526	1,860,759	8,094,669
Argentina	84,500	-	-	-	84,500	-	-
Chile	69,108	-	-	69,108	-	-	-
Colombia	63,558,076	35,994,073	100,786	614,015	9,881,032	907,829	16,060,341
Ecuador	7,877,859	443,714	520,452	1,516,800	431,398	695,106	4,270,389
Guyana	24,877	-	-	24,877	-	-	-
Peru	1,024,134	-	-	857,880	7,608	93,477	65,169
Surinam	35,399	-	-	-	34,297	1,102	-
Bolivia	467,496	-	-	-	-	467,496	-
Paraguay	118,549	-	-	-	103,960	-	14,589
Venezuela	8,437,000	1,122,400	667,959	2,215,598	2,614,825	404,549	1,411,669
South America	81,696,998	37,560,187	1,289,197	5,298,278	13,157,620	2,569,559	21,822,157
Dominican Republic	546,697	11,783	5,210	242,260	12,885	144,378	130,181
United States	1,481,365	-	-	1,481,365	-	-	-
Caribbean	2,028,062	11,783	5,210	1,723,625	12,885	144,378	130,181
Total	164,131,521	40,241,491	1,427,493	46,994,261	22,505,540	5,987,753	46,974,983

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29. Financial Risk Management Policies and Objectives

The Group's main risk under reinsurance contracts is the inability to fulfill reinsurance contract payments.

The above risk exposure is mitigated by conservative underwrite and reserve practices, development of good operations, and strict controls on catastrophic accumulation, geographic diversification across Latin America, and strong levels of capitalization.

The majority of retroceded insurance businesses are located in a surplus based on limited retentions varying by product line and territory. Reinsurance contracts do not release the Group from direct responsibility of the obligations to its insured. The Group's main risk with regards to reinsurance contracts is credit risk, to the extent that the reinsurer is unable to fulfill the obligation assumed in the reinsurance contracts.

The Group controls catastrophic accumulation in critical areas by negotiating better costs for coverage of excess losses, with the right level of protection required, allowing through good credit that the reinsured are the main factor taken into consideration to attain good profitability.

The Group mainly issues the following types of reinsurance contracts: collective life (including health), cargo marine, fire hazard, bonds, and comprehensive construction. Health contracts provide coverage of medical expenses for the insured. Risks under those types of coverage are not greater than 12 months.

The main risk that may arise is natural disasters. For collective life and health contracts the main risk is medical science and technology improvement costs.

These risks do not vary significantly with regards to the location of the risk insured by the Group, type of risk, or by industry.

In addition, strict review policies are used to assess new and pending claims, the detailed review of claims, and frequent investigation of possible fraudulent claims are policies and procedures, and are performed to reduce the Group's exposure.

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29. Financial Risk Management Policies and Objectives (continued)

2010					
	US\$		Retrocessionnaire participation		
	Total liability	US\$	25,632	US\$	Net liability
Transport	US\$ 179,918	US\$ 25,632	US\$ 154,286		
Fire	15,169,159	5,196,045	9,973,114		
Bonds	5,990,782	684,570	5,306,212		
Comprehensive construction	1,756,581	740,210	1,016,371		
Other	31,768,956	24,757,863	7,011,093		
	US\$ 54,865,396	US\$ 31,404,320	US\$ 23,461,076		

2009					
	US\$		Retrocessionnaire participation		
	Total liability	US\$	31,629	US\$	Net liability
Transport	US\$ 193,011	US\$ 31,629	US\$ 161,382		
Fire	14,443,216	5,165,646	9,277,570		
Bonds	6,398,096	775,088	5,623,008		
Comprehensive construction	3,393,281	2,273,132	1,120,149		
Other	41,637,148	35,966,214	5,670,934		
	US\$ 66,064,752	US\$ 44,211,709	US\$ 21,853,043		

Credit risk

Credit risk is the risk that a party to the financial instrument would cause a financial loss to another party due to the non-payment of an obligation.

The Group negotiates credit only with recognized third-parties with renowned credit. Additionally, balances receivable are permanently monitored, resulting in a non-significant exposure to bad debt. The Group's maximum exposure is disclosed in Note 6 Accounts receivable – Ceding companies.

Reinsurance is placed with counterparties who have good credit, and risk concentration is prevented through policies related to reinsurance limits established by Management each year, which are subject to regular reviews. At each reporting date Management performs tests on the solvency of retrocessionaires and updates the reinsurance strategy, assessing the allocation of any impairment.

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29. Financial Risk Management Policies and Objectives (continued)

Credit risk (continued)

Regarding credit risk in other Group assets, which include cash and cash equivalents, and available-for-sale financial assets, the Group's exposure to credit risk is defined as a potential loss in market value resulting from negative changes in the entities' ability to pay their debts. The Group reduces the risk by obtaining competitive returns through a diversified investment portfolio.

Liquidity risk

Liquidity risk is the risk that an entity will have difficulties fulfilling obligations related to financial instruments.

The Group's goal is to meet minimum cash needs, mainly for claims originating from general reinsurance contracts. Therefore, the risk of cash not being available to settle liabilities when required may arise. The Group manages this risk by placing minimum limits on the portion of maturing assets, so as to ensure that they are available to pay these liabilities.

Market risk

Market risk is the risk that the fair value or future cash flow of financial instruments varies due to changes in market prices. Market risk is comprised of three types of risk: exchange rate risk, interest rate risk, and market price risk.

Exchange rate risk

Exchange rate risk is the risk that the fair value or future cash flows of financial instruments fluctuate due to changes in the exchange rate.

As a result of the Group's significant reinsurance operations, the consolidated statement of financial position could be significantly affected by changes in the US dollar exchange rate.

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29. Financial Risk Management Policies and Objectives (continued)

Exchange rate risk (continued)

The Group is also exposed to other foreign currencies. This exposure results from transactions performed by units which operate in currencies other than the functional currency. Approximately 40% of the Group's reinsurance is expressed in currencies other than the functional currency of the unit that performed the reinsurance operations, whereas almost 60% of the costs are expressed in the Group's functional currency.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments fluctuate due to changes in market interest rates (such as those arising from interest risk or exchange rate risk), if those changes are caused by specific factors on individual financial instruments or their issuers, or factors affecting similar financial instruments quoted in the market.

Operations are subject to the risk of interest rate fluctuations, given that the assets earning interest and interest-bearing liabilities mature or the rates are renewed for different periods, hence amounts vary. The Group maintains controls that allow for adequate management of interest rate risk.

Price risk

Price risk is the risk that the fair value or future cash flows of financial instruments fluctuate due to changes in market prices (such as those caused by interest rate risk or foreign currency risk), if those changes are caused by specific factors on individual financial instruments or their issuers, or factors affecting financial instruments similar to those negotiable in the market.

The Group's exposure to price risk is related to financial assets and liabilities whose values fluctuate as a result of the changes in market price, mainly security investments.

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29. Financial Risk Management Policies and Objectives (continued)

Price risk (continued)

The Group's risk policies require it to manage such risks by assigning and monitoring objectives and restrictions on investments, diversification of plans, limiting investments by country, sector, and market.

The Group does not have a negative concentration of price risk.

Capital management

The capital required by the Group is assigned and regulated by the Superintendence of Insurance and Reinsurance of Panama. This requirement is assigned to ensure a sufficient margin of solvency. Additionally, the objectives established by the Group include maintaining a strong credit rating and solid capital indicators to fulfill its business objectives and maximize the value of equity.

The Group manages its capital requirements by evaluating shortages between the reported level and the required level of capital on a regular basis. Adjustments to the current level of capital are performed according to changes in economic conditions and risks characteristic of the Group's activities. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid and return ordinary capital to shareholders.

The Group has fully complied with the required capital during the financial period, and there have been no changes to the capital basis, objectives, policies, and procedures of the prior period.

The following table summarizes the capital required by the Group:

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Retained premiums	US\$ <u>111,057,976</u>	US\$ <u>100,744,292</u>
Shareholder investments	<u>116,501,214</u>	<u>80,378,499</u>
	<u>US\$ <u>0.95</u></u>	<u>US\$ <u>1.25</u></u>

All reinsurance companies must maintain a ratio greater than one and less than five percent of the net retained earnings to tangible net capital at the end of the corresponding fiscal year.

Other Financial Information

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December 31, 2010
(Amounts expressed in US dollars)

	Total Consolidated	Débito	Eliminations	Credito	Total	QBE del Istmo Compañía de Seguros S.A. de C.V.	QBE del Istmo Mexican Compañía de Reaseguros, S.A. de C.V.	QBS U.S. Perú Corredores y Asociados de Reaseguros, Ltd.	Lobby Compañía de Reaseguros, Ltd.	QBE del Istmo Assurance Corp.	Asociadores del Istmo, S.A.
ASSETS											
Cash and cash equivalents	US\$ 39,433,970	US\$ -	US\$ -	US\$ 39,433,970	US\$ 15,715,348	US\$ 4,558,469	US\$ 6,191	US\$ 8,324,391	US\$ 1,786,374	US\$ 92,071	
Time deposits over thirty days	4,105,057	-	-	4,105,057	2,059,009	-	-	-	2,105,057	-	
Cash and cash equivalents and time deposits	94,538,127	-	-	-	94,538,127	17,715,348	4,558,469	6,191	8,324,391	3,891,331	92,071
Investments held-to-maturity	691,432	-	-	691,432	-	-	226,005	-	-	375,427	-
Investments available for sale	13,845,811	-	-	13,845,811	9,649,738	-	-	-	-	4,196,979	-
Investments in associates	8,562,145	3,259,822	21,051,731	27,884,004	27,884,004	-	-	-	-	-	-
	23,509,768	3,259,822	21,051,731	42,611,977	37,685,792	-	246,005	-	-	375,427	4,196,979
Accounts receivable - reinsurance companies:											
Current accounts receivable	98,425,224	-	1,816,596	100,241,820	72,582,416	23,609,434	99,294	1,718,058	2,238,518	-	
Premiums deposited	26,248,114	-	687,472	27,035,405	26,118,458	-	-	817,147	-	-	-
Loss deposits	5,561,429	-	-	5,561,429	5,561,429	-	-	449,000	-	-	-
Less allowance for doubtful income	125,714,783	-	-	2,594,968	128,218,851	99,391,604	23,609,424	99,294	3,176,391	2,238,518	-
	2,539,977	-	-	2,539,977	1,514,446	305,800	-	-	-	109,741	-
	123,674,806	-	2,594,968	126,220,874	97,557,538	23,297,824	99,294	3,176,391	2,238,518	-	-
Current accounts receivable reinsurance companies	11,778,961	-	-	11,778,961	11,778,961	-	-	-	-	-	-
Reinsurance shares in reinsurance contracts:											
Reduced reserve for premiums	51,404,520	-	-	51,404,520	3,844,147	16,837,711	-	-	1,877,359	-	-
Outstanding claims reserve net	55,741,824	-	-	55,741,824	3,268,283	52,441,541	-	32,009	-	-	-
	87,146,144	-	-	87,146,144	6,110,690	79,139,354	-	32,009	1,877,359	-	-
Accounts receivable related parties	1,232,574	82,772	33,762	1,179,564	1,119,915	-	-	90	-	35,500	462
Prepaid and taxes	982,405	-	-	982,405	444,303	269,732	22,711	2,417	-	99,587	149,745
Defers - insurance commision	6,496,153	-	-	6,496,153	6,179,798	-	-	312,355	-	-	-
Geselheit	5,382,726	5,892,026	-	-	-	-	-	-	-	-	-
Properties, furniture, equipment and improvements, net	25,139,117	-	-	25,139,117	23,18,813	21,772,395	1,667,739	189,624	-	2,410,152	182,969
Investments properties	1,356,187	-	-	1,356,187	479,324	-	-	-	-	876,263	-
Net - financial assets	3,854,949	-	-	3,854,949	578,754	1,134,072	-	155,671	1,910,206	-	78,246
TOTAL ASSETS	US\$ 324,649,213	US\$ 7,394,620	US\$ 23,889,541	US\$ 341,155,154	US\$ 266,779,875	US\$ 109,631,495	US\$ 385,730	US\$ 22,812,845	US\$ 13,522,465	US\$ 4,899,566	
LIABILITIES AND SHAREHOLDERS' EQUITY											
Liabilities											
Accounts payable - reinsurance companies:											
Current accounts payable	US\$ 38,700,379	US\$ -	US\$ -	US\$ 38,700,379	US\$ 38,700,379	US\$ -	US\$ -	US\$ -	US\$ -	US\$ -	US\$ -
Premiums deposited	1,117,413	-	-	1,117,413	1,117,413	-	-	-	-	-	-
Loss deposits	46,916	-	-	46,916	46,916	-	-	-	-	-	-
	29,864,128	-	-	29,864,128	29,864,128	-	-	-	-	-	-
Accounts payable reinsurance and brokers											
Current accounts payable	17,696,716	1,435,287	-	19,332,023	2,027,362	16,539,321	209,794	-	-	561,546	-
Premium Deposits	2,152,597	687,472	-	2,840,069	2,840,069	-	-	-	-	-	-
	19,849,333	2,321,759	-	21,212,092	4,867,431	16,539,321	209,794	-	-	561,546	-
Reserves	1,793,873	98,537	-	1,892,410	1,892,410	-	-	-	-	-	-
	21,643,256	3,021,296	-	24,664,502	6,759,811	16,539,321	209,794	-	-	561,546	-
Reinsurance reserves and technical:											
Technical reserve for premiums	54,865,396	-	-	54,865,396	21,18,865	29,660,484	-	985,609	2,501,547	-	-
Outstanding claims reserve, net	79,953,708	-	-	79,953,708	29,885,756	56,355,531	-	1,876,000	3,566,426	-	-
	133,859,104	-	-	133,859,104	41,051,531	86,216,016	-	2,851,995	2,851,979	-	-
Deferred reinsurance commissions	995,628	-	-	995,628	995,628	-	-	-	-	-	-
Income tax payable	95,171	-	-	95,171	41,178	-	-	-	-	51,993	-
Accounts payable - related companies	2,053,336	-	-	2,493,336	2,493,336	-	-	-	-	-	-
Interest bearing loans and borrowings	11,429,486	-	-	11,429,486	11,429,486	-	-	-	-	-	-
Statutory surplus and deficit accumulated	1,171,991	-	-	1,171,991	1,171,991	-	-	-	-	71,538	-
Accrued expenses payable and other liabilities	3,779,406	33,762	-	3,807,168	1,461,956	584,157	-	301,031	1,469,939	-	235,337
Deferred income tax	1,429,756	-	-	1,429,756	1,195,419	-	-	-	-	-	-
Total Liabilities	207,392,246	2,455,058	-	209,657,904	97,689,541	103,368,631	209,794	3,152,031	5,242,307		
Shareholders' Equity											
Common stock	41,799,417	13,246,066	-	51,051,489	91,389,417	2,447,100	355,000	3,908,509	2,325,000	4,210,466	
Preferred shares	18,000,000	-	-	18,000,000	18,000,000	-	-	-	-	-	-
Additional paid-in capital	14,624,795	1,974,210	-	15,998,945	14,699,665	134,670	-	-	-	1,974,210	-
Legal reserve	1,565,852	256,634	-	1,822,466	154,649	277,396	-	-	-	1,194,481	-
Retained earnings	88,371,771	8,499,932	4,211,365	88,371,771	8,499,932	3,999,315	(106,070)	5,602,041	2,599,511	(18,708)	-
Other equity components	12,145,449	165,750	1,071	12,107,128	19,666,125	8,325	(68,034)	(659,227)	2,660,993	(3,463)	-
	116,501,214	19,209,473	4,212,896	131,497,850	109,099,494	6,261,864	194,916	8,859,814	8,859,814	8,859,814	-
Non - Controlling interest	956,253	92,441	1,049,194	-	-	-	-	-	-	-	-
Total Shareholders' Equity	117,457,967	19,301,912	5,262,930	131,497,850	103,099,494	6,262,864	194,916	8,859,814	8,859,814	8,859,814	8,859,814
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	US\$ 324,649,213	US\$ 21,756,971	US\$ 5,262,858	US\$ 341,155,154	US\$ 266,779,875	US\$ 109,631,495	US\$ 388,740	US\$ 12,612,345	US\$ 13,522,465	US\$ 4,859,566	

QBE del Istmo Reinsurance Company, Inc. and Subsidiaries
Consolidating Statement of Comprehensive Income
For the year ended December 31, 2010
(Amounts expressed in US\$ dollars)

	Total Consolidated	Debit	Credit	Total	QBE del Istmo Reinsurance Company, Inc.	QBE del Istmo Mexico Compañia de Reaseguro, S.A. de C.V.	QBE-RIO Peru Corredores y Asociados de Reaseguros, S.A.	Línea Compañia de Reaseguros Ltd.	Del Istmo Aeronave Corp.	Del Istmo Aeronave Corp.	Aseguradora del Istmo, S.A.
Income											
Writing premium	US\$ 147,954,934	US\$ 4,042,189	-	US\$ 151,997,123	US\$ 115,241,460	US\$ 25,565,291	-	US\$ 4,042,189	US\$ 7,148,183	US\$ -	US\$ -
Retained premium	(46,826,298)	-	4,042,189	(40,783,911)	(12,551,254)	(22,853,270)	-	-	(5,531,233)	1,616,260	-
Revised premium	111,937,976	4,042,189	-	111,937,976	102,699,206	2,769,321	-	4,042,189	-	-	-
Premium reserve - current year	23,461,076	-	-	23,461,076	18,876,018	2,971,761	-	-	985,000	628,297	-
Premium reserve - prior year	21,853,043	-	-	21,853,043	16,063,089	4,267,851	-	1,014,000	598,323	-	-
Increase in premium reserve	(1,608,033)	-	-	(1,608,033)	(2,812,229)	1,295,870	-	-	32,000	(119,274)	-
Entered premium, net	109,449,243	4,042,189	4,042,189	109,449,243	99,877,217	4,095,191	-	-	4,011,189	1,496,286	-
Acquisition costs											
Commission paid	22,357,888	-	974,653	20,383,541	20,858,819	1,464,860	-	-	1,322,863	685,099	-
Adjustment to commission paid	(1,688,792)	-	-	(1,688,792)	(1,705,103)	(1,705,103)	-	-	22,313	-	-
Commission received	(6,812,293)	974,653	-	(6,812,293)	(6,787,005)	(3,676,413)	(3,731,264)	(350,560)	-	(2,029,362)	-
Adjustment to commission received	(377,015)	-	-	(377,015)	(377,015)	-	-	-	-	-	-
Reserve for other acquisition costs and forecast statistic for derivatives	73,749	-	-	73,749	-	-	-	-	-	72,439	-
Other acquisition costs	6,298,728	-	-	6,298,728	5,294,871	1,093,857	-	-	-	-	-
Acquisition costs, net	24,856,298	974,653	974,653	24,856,298	26,395,157	(1,262,547)	(350,560)	1,345,176	(1,270,924)	-	-
Losses incurred											
Losses paid	85,360,971	-	878,034	86,239,005	56,797,213	28,436,318	-	-	748,359	257,115	-
Losses recovered	(27,596,393)	878,034	-	(27,596,393)	(39,742,427)	(4,334,173)	(26,140,254)	-	-	-	-
Adjustment to unpaid losses, net	3,225,891	-	-	3,225,891	3,869,216	(94,325)	-	-	151,009	-	-
Losses incurred, net	59,690,469	878,034	878,034	59,690,469	56,332,256	2,201,759	-	899,559	257,115	-	-
General and administrative expenses	11,458,839	-	-	11,458,839	7,511,635	1,685,811	341,214	-	238,723	1,064,455	565,291
11,458,839	1,852,687	1,852,687	-	95,255,204	20,239,048	2,625,093	(8,652)	2,489,258	-	50,646	565,291
Income from insurance and insurance operations	13,494,739	2,189,502	2,189,502	13,494,739	9,638,229	1,380,188	8,652	1,587,931	1,445,040	(565,291)	
Other income, net	23,539	-	-	23,539	593,686	(727,620)	11,250	(316,599)	426,331	95,782	
Participation in income (loss) of associates	(213,827)	2,143,649	1,929,822	-	-	-	-	-	-	-	-
(179,288)	2,143,649	1,929,822	-	23,539	593,686	(727,620)	11,250	(316,599)	426,331	95,782	
Income before income tax	13,354,451	4,353,151	4,119,324	13,518,278	10,231,915	652,568	29,662	1,271,341	1,871,971	(599,119)	
Income tax	675,107	-	-	675,107	67,067	165,647	6,527	165,663	424,414	(104,841)	
Net income	US\$ 12,629,344	US\$ 4,353,151	US\$ 4,119,324	US\$ 12,845,171	US\$ 10,164,848	US\$ 486,921	US\$ 14,075	US\$ 1,110,478	US\$ 1,447,557	US\$ (389,788)	
Other comprehensive income											
Revaluation of asset impairment											
Loss - income tax	US\$ 164,056	US\$ -	US\$ -	US\$ 164,056	US\$ 121,287	US\$ 82,398	US\$ -	US\$ -	US\$ -	US\$ (9,629)	US\$ -
Exchange difference on translation of foreign operating	189,428	1,071	-	189,428	188,357	(109,206)	470,908	(3,473)	(165,410)	-	14,462
Non - Controlling interest	(1,071)	-	-	(1,071)	-	-	-	-	-	-	-
Unrealized gain/loss on available for sale investments	(326,260)	-	-	(326,260)	(28,290)	-	-	-	-	-	-
Comprehensive result for the year	324,117	1,071	1,071	324,117	(16,215)	553,306	(5,473)	(165,410)	(39,620)	-	14,462
Total comprehensive result for the year	US\$ 12,955,461	US\$ 4,354,222	US\$ 4,120,395	US\$ 13,167,280	US\$ 10,148,633	US\$ 486,921	US\$ 14,075	US\$ 1,110,478	US\$ 1,447,557	US\$ (389,788)	

Consolidating Retained Earnings (Accumulated Deficit)
For the year ended December 31, 2010

At January 1, 2010	US\$ 26,886,274	US\$ 135,600	US\$ -	US\$ 27,021,874	US\$ 18,046,933	US\$ 3,606,815	US\$ (20,105)	US\$ 4,491,563	US\$ 1,676,688	US\$ 424,311	-
Retained earnings transferred to legal reserve	518,014	-	-	518,014	-	26,503,269	18,046,933	2,912,512	(20,105)	4,491,563	1,232,357
Non - Controlling interests	91,370	-	-	91,370	-	-	-	-	-	-	-
Dividend paid - preferred shares	(1,071)	-	-	(1,071)	-	-	-	-	-	-	-
Net increase	12,629,341	4,354,222	4,120,395	12,845,171	10,164,848	486,921	14,075	1,110,478	1,447,557	(389,788)	
At December 31, 2010	US\$ 38,375,771	US\$ 4,469,822	US\$ 4,211,765	US\$ 38,633,928	US\$ 27,499,178	US\$ 3,399,433	US\$ (186,850)	US\$ 5,602,041	US\$ 2,699,914	US\$ (389,788)	

GOBIERNO CORPORATIVO

Sección 1 - El Gobierno Corporativo

QBE DEL ISTMO está comprometido en contar con un equipo adecuadamente calificado y especializado denominado **GOBIERNO CORPORATIVO** que garantice sanas prácticas de operación en su entorno empresarial y establezca el marco de funcionamiento de la organización a través de las siguientes funciones:

Definir la estrategia de grupo incluyendo la Visión y Valores

El logro de objetivos financieros

La identificación y control de áreas de riesgo del negocio

El empleo de personas de calidad

La vigilancia y desarrollo de personal

La contraloría normativa

QBE DEL ISTMO define el Gobierno Corporativo como el medio por el que controla sus actividades para proteger los intereses de los accionistas y clientes.

El Consejo de administración.

La administración de la institución estará encomendada a un Consejo de administración y a un director general, en sus respectivas esferas de competencia. El Consejo de Administración de QBE DEL ISTMO está integrado por:

Ramón Enrique Fernández Quijano -Presidente

Alberto Villageliu -Secretario

Gilberto Antonio Vega Nuñez -Vicepresidente

Ricardo Alonso Batista Saavedra - Contralor General

El Presidente vigilará la nominación y revisión del número de miembros del Consejo de administración así como su actuación.

La integración y funciones del Consejo de administración, además de regirse por las demás disposiciones jurídicas aplicables, se sujetarán a lo siguiente:

a).- **El número de los consejeros propietarios no podrá ser inferior de cinco ni superior de quince, de los cuales cuando menos el veinticinco por ciento deberán ser independientes. Por cada consejero propietario se designará su respectivo suplente, en el entendido de que los consejeros suplentes de los consejeros independientes, deberán tener este mismo carácter;**

b).- **El Consejo de administración deberá reunirse por lo menos cada tres meses y, en forma extraordinaria, cuando sea convocado por el Presidente del Consejo ; al menos el veinticinco por ciento de los consejeros; o cualquiera de los comisarios de la institución;**

c).- **Para la celebración de las sesiones ordinarias y extraordinarias del Consejo de administración se deberá contar con la asistencia de cuando menos el cincuenta y uno por ciento de los consejeros, de los cuales por lo menos uno deberá ser consejero independiente;**

d).- **Cada accionista, o grupo de accionistas que represente por lo menos un 10% del capital pagado de la institución de seguros, tendrá derecho a designar un consejero. Sólo podrá revocarse el nombramiento de estos consejeros, cuando se revoque el de todos los demás.**

e).- **El presidente del Consejo de administración tendrá voto de calidad en caso de empate, y**

f).- **Los consejeros estarán obligados a abstenerse expresamente de participar en la deliberación y votación de cualquier asunto que implique para ellos un conflicto de interés. Asimismo, deberán mantener absoluta confidencialidad respecto de**

todos aquellos actos, hechos o acontecimientos relativos a la empresa, así como de toda deliberación que se lleve a cabo en el Consejo , sin perjuicio de la obligación que tendrá la institución de proporcionar toda la información que le sea solicitada al amparo de la Ley.

Los nombramientos de consejeros y contralor normativo de sujetarán a lo siguiente:

1).- Deberán recaer en personas con calidad técnica, honorabilidad, historial crediticio satisfactorio, así como con amplios conocimientos y experiencia en materia financiera, legal o administrativa;

2).- **El contralor normativo, así como la mayoría de los consejeros deberán residir en el territorio nacional;**

3).- **En ningún caso podrán ser consejeros:**

a).- **Los funcionarios y empleados de la sociedad, con excepción** del director general o su equivalente y funcionarios de la sociedad que ocupen cargos con las dos jerarquías administrativas inmediatas inferiores a la de aquél, sin que éstos constituyan más de la tercera parte del Consejo de administración;

b).- **Los cónyuges de los mismos o las personas que tengan parentesco por consanguinidad o afinidad hasta el segundo grado, o civil, con más de dos consejeros;**

c).- Las personas que tengan litigio pendiente con la institución;

d).- Las personas sentenciadas por delitos patrimoniales intencionales, las inhabilitadas para ejercer el comercio o para desempeñar un empleo, cargo o comisión en el servicio público, o en el sistema financiero mexicano;

e).- Los concursados que no hayan sido rehabilitados;

f).- **Los servidores públicos de las autoridades encargadas de la inspección y vigilancia de las instituciones de seguros;**

h).- Los servidores públicos del Banco de México, del Instituto para la Protección al Ahorro Bancario, la Comisión Nacional del Sistema de Ahorro para el Retiro, la Comisión Nacional Bancaria y de Valores y la Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros,

i).- Quienes participen en el Consejo de administración de otra institución de seguros o de una sociedad controladora de una institución de seguros que practiquen la misma operación o ramo.

4.- Los consejeros independientes, así como los contralores normativos, deberán además acreditar haber prestado por lo menos cinco años sus servicios en puestos de alto nivel decisorio, cuyo desempeño requiera conocimientos y experiencia en materia financiera, legal, administrativa o relacionada con la actividad aseguradora, y que en ningún caso sean:

a).- Empleados o funcionarios de la institución en el momento de su designación, incluyendo aquellas personas que hubieren ocupado dichos cargos durante el año inmediato anterior. Los consejeros independientes no podrán ser designados con el carácter de empleado o funcionario de la institución;

b).- Accionistas que sin ser empleados o funcionarios de la institución, tengan poder de mando sobre los funcionarios de la misma. Los accionistas no podrán ser contralor normativo de la institución;

c).- Socios o empleados de sociedades o asociaciones que presten servicios de asesoría o consultoría a la institución o a las empresas que pertenezcan al mismo grupo económico del cual forme parte ésta, si las percepciones que aquéllas reciban de éstas representen el 10% o más de sus ingresos;

d).- Clientes, proveedores, deudores, acreedores, socios, consejeros o empleados de una sociedad que sea cliente, proveedor, deudor o acreedor importante de la institución. Se considera que un cliente o proveedor es importante cuando los servicios que le preste a la institución o las ventas que le haga a ésta, representen más del diez por ciento de los servicios o ventas totales del cliente o del proveedor, respectivamente. Asimismo, se considera

que un deudor o acreedor es importante cuando el importe del crédito es mayor al 15% de los activos de la institución o de su contraparte.

e).- Empleados de una fundación, asociación o sociedad civiles que reciban donativos importantes de la institución. Se consideran donativos importantes a aquéllos que representen más del quince por ciento del total de donativos recibidos por la fundación, asociación o sociedad civiles de que se trate;

f).- Consejeros, directores generales o funcionarios de alto nivel de una sociedad en cuyo Consejo de administración participe el director general o un funcionario de alto nivel de la institución;

g).- Quienes hayan ocupado un cargo de dirección o administrativo en la institución durante el año anterior al momento en que se pretende hacer su designación, y

h).- Agentes, apoderados de agentes persona moral o ajustadores.

El nombramiento de director general de la institución, deberá recaer en persona que cuente con elegibilidad crediticia y honorabilidad, y que además reúna los requisitos siguientes:

a).- Ser residente en territorio mexicano en términos de lo dispuesto por el Código Fiscal de la Federación.

b).- Haber prestado por lo menos cinco años sus servicios en puestos de alto nivel decisoria, cuyo desempeño requiera conocimiento y experiencia en materia financiera, legal o administrativa;

c).- No tener alguno de los impedimentos que se señalan para ser consejero,

d).- No estar realizando funciones de regulación de las instituciones de seguros.

El director general deberá elaborar y presentar al Consejo de administración, para su aprobación, las políticas para el adecuado empleo y aprovechamiento de los recursos humanos y materiales de la institución, los cuales deberán considerar el uso racional de los mismos, restricciones para el empleo de ciertos bienes, mecanismos de supervisión y

control, en general, la aplicación de los recursos a las actividades propias de la institución y a la consecución de sus fines.

El director general deberá en todos los casos proporcionar datos e informes precisos para auxiliar al Consejo de administración en la adecuada toma de decisiones.

Los funcionarios que ocupen cargos con las dos jerarquías inferiores a la del director general o su equivalente, deberán contar con experiencia y conocimientos de al menos cinco años en las materias que se relacionen con las funciones que le sean asignadas.

El Consejo de administración tendrá las siguientes obligaciones indelegables:

I. La definición y aprobación de:

- 1) Las políticas y normas en materia de suscripción de riesgos, inversiones, administración integral de riesgos, reaseguro, reaseguro financiero, comercialización, desarrollo de la institución y financiamiento de sus operaciones, así como los objetivos estratégicos en estas materias y los mecanismos para monitorear y evaluar su cumplimiento.
- 2) Las normas para evitar conflictos de intereses entre las diferentes áreas de la institución en el ejercicio de las funciones que tienen asignadas;
- 3) La constitución de comités de carácter consultivo que reporten, directamente o por conducto del director general, al propio Consejo de administración y que tengan por objeto auxiliar a dicho Consejo en la determinación de la política y estrategia en materia de inversiones, administración integral de riesgos, y reaseguro.
- 4) La realización de operaciones de reaseguro financiero y la emisión de obligaciones subordinadas o de otros títulos de crédito, y
- 5) El nombramiento del contralor normativo de la institución;

QBE DEL ISTMO debe contar con un contralor normativo, quien deberá ser nombrado por el Consejo de administración. El contralor normativo realizará las siguientes funciones:

- I. Proponer al Consejo de administración de la institución la adopción de medidas para prevenir conflictos de interés y evitar el uso indebido de la información;
- II. Recibir los dictámenes de los auditores externos contable y actuarial, y, en su caso los informes del comisario, para su conocimiento y análisis;
- III. Revisar y dar seguimiento a los planes de regularización de la institución en términos de lo previsto en la Ley;
- IV. Opinar y dar seguimiento respecto de los programas de autocorrección de la institución necesarios para subsanar las irregularidades o incumplimientos de la normatividad externa e interna aplicable;
- V. Presentar anualmente informe del cumplimiento de las obligaciones a su cargo,
- VI. Informar al Consejo de administración, a la Comisión Nacional de Seguros y Fianzas y, en su caso, al director general, de cualquier irregularidad grave que detecte en el ejercicio de sus funciones, aunque no sea materia de la aplicación de programas de autocorrección.

El contralor normativo deberá ser convocado a las sesiones del Consejo de administración y de los comités establecidos participando con voz pero sin voto.

Los Comités

El Consejo de administración se apoya por varios comités que incluyen: el Comité de la Auditoría, el Comité de Inversiones, el Comité de administración integral de Riesgos , el Comité de Remuneración del personal, y el Comité de Reaseguro. El número de miembros del comité se revisa por lo menos una vez cada año.

Comité de Auditoría.

El Comité de la Auditoría normalmente se reúne dos veces por año. El Presidente es el director general. Los miembros actuales del Comité de Auditoría son Armando Venegas (Presidente del comité), Liliana Chang Fong, Luis Celhay López, Ricardo Alonso Batista Saavedra, Fernando Zarco Campos .

El Comité de la Auditoría opera bajo las condiciones determinadas por el propio Consejo. El papel del Comité es vigilar y reforzar la credibilidad del proceso de información financiera de QBE DEL ISTMO.

Los objetivos del Comité de Auditoría incluyen:

La calidad y veracidad de la información financiera que se presenta a los accionistas y a la Comisión **Nacional de Seguros y Fianzas**; las políticas de contabilidad de la Compañía, prácticas y normas para ayudar al Consejo a tomar decisiones con base en la información; y el alcance y resultado de auditorías internas y externas.

El Presidente de Consejo normalmente asiste, a las reuniones de Comité de Auditoría que se llevan a cabo el 30 junio y 30 de noviembre. Las reuniones del Comité de Auditoría también incluyen, por invitación, al auditor interno y el auditor externo. El apéndice 4 describe con más detalle el alcance de la auditoría.

La independencia del Auditor Externo.

Los auditores externos, que dictaminen los estados financieros de la empresa, deberán contar con cédula profesional y certificación vigente emitida por el colegio profesional de la especialidad y registrarse ante la Comisión **Nacional de Seguros y Fianzas**, previa satisfacción de los requisitos que ésta fije al efecto y suministrarle los informes y demás elementos de juicio, en los que sustenten sus dictámenes y conclusiones.

Los auditores externos independientes estarán obligados a comunicar a la Comisión Nacional de Seguros y Fianzas las irregularidades que puedan afectar la estabilidad o solvencia de la institución, que detecten durante la práctica o como resultado de su auditoría.

El Comité de Inversiones.

El número de miembros del Comité de Inversiones comprende a Armando Venegas (Presidente del comité), Ramón Enrique Fernández Quijano, Liliana Chang Fong, Ricardo Alonso Batista Saavedra, Fernando Zarco Campos. Normalmente se reúne una vez al mes. Las reuniones del Comité de Inversión también incluyen, por invitación, al funcionario encargado de la tesorería de QBE DEL ISTMO.

El Comité de Inversiones opera bajo las condiciones determinadas por Consejo. El papel del Comité es aprobar:

Los objetivos y estrategias de inversión ;

Los límites de exposición de riesgo financiero así como el interés mínimo producto de la inversión;

los límites de exposición de crédito con las contrapartes financieras.

Le corresponde al Consejo de Administración hacer la designación y remoción de los integrantes del Comité de Inversiones. El Comité deberá informar, a través de su Presidente, al Director General y al Consejo de Administración de las decisiones tomadas. El Consejo podrá modificar o revocar las resoluciones del Comité.

Todas las sesiones y acuerdos deberán hacerse constar en actas debidamente circunstanciadas y suscritas por todos y cada uno de sus integrantes, a efecto de dar cumplimiento a lo establecido por la autoridad reguladora.

Las actas y acuerdos del Comité deberán estar disponibles en caso de que la C.N.S.F. las solicite, para el desempeño de sus funciones de inspección y vigilancia.

El comité de administración de riesgos

El Consejo de Administración debe constituir un comité cuyo objeto será la administración de los riesgos a que se encuentra expuesta, sean éstos cuantificables o no, así como vigilar que la realización de las operaciones se ajusten a los límites, políticas y procedimientos para la administración de riesgos aprobados por el citado consejo.

El Comité de Riesgos lo preside el director general Armando Venegas, y se integra por el responsable del área para la administración integral de riesgos, Liliana Chang Fong, y los de las distintas áreas involucradas en la toma de riesgos que al efecto señale el propio Consejo, Blanca Martínez, esta última, participando con voz pero sin voto. Dicho Comité contará con la presencia del responsable de auditoría o contraloría de la institución (Ricardo Alonso Batista Saavedra), quien asistirá en calidad de invitado sin derecho a voz ni voto.

El Comité de Riesgos se deberá reunir cuando menos una vez al mes. Todas las sesiones y acuerdos del Comité de Riesgos deberán hacerse constar en actas debidamente suscritas por todos y cada uno de sus integrantes.

El Comité de Riesgos para el desarrollo de su objeto desempeñará las siguientes funciones:

I. Proponer para aprobación del consejo de administración:

- El Manual que contenga los objetivos, políticas y procedimientos para la administración integral de riesgos.
- Los límites de exposición al riesgo de manera global y por tipo de riesgo.
- La estrategia de asignación de recursos para la realización de operaciones.

Aprobar:

La metodología para identificar, medir, monitorear, limitar, controlar, informar y revelar los distintos tipos de riesgos a que se encuentra expuesta la institución.

Los modelos, parámetros y escenarios que habrán de utilizarse para llevar a cabo la medición y el control de los riesgos.

La realización de nuevas operaciones y servicios que por su propia naturaleza conlleven un riesgo.

III. Designar al responsable del área para la administración integral de riesgos.

IV. Informar al Consejo de Administración cuando menos trimestralmente, sobre la exposición al riesgo asumida por la institución y los efectos negativos que se podrían producir en la marcha de la misma, así como sobre la inobservancia de los límites de exposición al riesgo establecidos.

V. Informar al Consejo de Administración sobre las medidas correctivas implementadas, tomando en cuenta el resultado de las auditorías y evaluaciones relativas a los procedimientos de administración de riesgos que el área de auditoría interna o un auditor externo, lleve a cabo cuando menos una vez al año.

VI. Crear los subcomités que se consideren convenientes para el ejercicio de sus funciones.

El Comité de Riesgos podrá, ajustar o, en su caso, autorizar se excedan los límites de exposición a los distintos tipos de riesgo, cuando las condiciones y el entorno de la institución así lo requiera, informando al consejo de administración oportunamente sobre el ejercicio de las facultades a que se hace mención.

El comité de remuneraciones.

Los miembros del comité de remuneraciones incluyen a: Ramón Enrique Fernández Quijano (Presidente del comité), Gilberto Antonio Vega Nuñez, Armando Venegas, Ricardo Alonso Batista Saavedra, Liliana Chang Fong. Las reuniones del comité también incluyen, por invitación, al funcionario responsable de la función de recursos humanos de QBE DEL ISTMO.

La remuneración de los miembros del consejo y del director general.

La remuneración de los miembros del consejo y del director general, es una cantidad aprobada por los accionistas en la reunión general anual. La cantidad pagada a los directores puede variar según las responsabilidades específicas e involucramiento en los diversos comités.

Bajo los lineamientos de QBE DEL ISTMO, a los consejeros y al director general también le pueden ser pagados los gastos razonables por viaje, hotel y otros gastos relacionados con el negocio de la Compañía.

La remuneración de los empleados.

QBE DEL ISTMO remunera a todos los empleados de base. Esto puede incluir un sueldo fijo, bonos, prestaciones de acuerdo con la ley laboral, y otros beneficios como el

automóvil. Cada año los empleados recibirán una porción de las ganancias de la empresa sujeto al logro y desempeño de su actuación durante el año financiero precedente. Como un incentivo de largo plazo, los funcionarios de mayor jerarquía pueden tener acceso a la adquisición de acciones de QBE DEL ISTMO dentro de un plazo de permanencia que fijará el consejo de administración.

El comité de Reaseguro.

El número de miembros del Comité de Reaseguro comprende a Armando Venegas (Presidente del comité), Gilberto Antonio Vega Nuñez, Ramón Enrique Fernández Quijano, y Ricardo Alonso Batista Saavedra. Normalmente se reúne dos veces al año.

Las reuniones del Comité también incluyen, por invitación, al contralor normativo de QBE DEL ISTMO.

El Comité de Reaseguro opera bajo las condiciones definidas por el Consejo. Su objetivo es:

- Determinar los Límites de retención de acuerdo con los recursos de capital de la institución y por las reglas establecidas por la autoridad reguladora
- Establecer los reaseguradores a quienes se transferirán los distintos riesgos asumidos y que dichos reaseguradores se encuentren debidamente inscritos en el registro general de reaseguradoras extranjeras.
- El desarrollo de políticas adecuadas para la aceptación de reaseguro y colocación de retrocesión de contratos y facultativo
- Supervisar el cumplimiento de requisitos establecidos por la autoridad en el Programa anual de reaseguro y retrocesión y su debida presentación dentro de los 5 días hábiles posteriores al inicio de vigencia del contrato

El plan estratégico de reaseguro se muestra en el apéndice 8.

La Revisión Actuarial

La valuación de las reservas y las notas técnicas, deberán ser elaboradas y firmadas por un actuaria independiente, con cédula profesional que además cuente con la certificación vigente emitida para este propósito por el colegio profesional de la especialidad o acredite ante la Comisión Nacional de Seguros y Fianzas que tiene los conocimientos requeridos para este efecto.

Código de Conducta de QBE DEL ISTMO

QBE DEL ISTMO ha adoptado un Código de Conducta que es la base de actuación para que las personas realicen bien su trabajo. El Código de Conducta establece que nuestro negocio se lleve de una manera **honrada y transparente** con nuestros clientes, accionistas, empleados, autoridades y la comunidad en general.

El código de conducta se refuerza con los principios establecidos en las declaraciones de Visión, Misión y Valores de QBE DEL ISTMO.

Todo lo anterior forma parte de la información de inducción que debe darse a todos los nuevos empleados.

La Responsabilidad Social de QBE DEL ISTMO

QBE DEL ISTMO es una institución fundamental de la vida económica y social del país, en la que se integran los que aportan su espíritu emprendedor, los que aportan capacidad directiva, los que aportan capital y los que aportan trabajo cooperativo.

La responsabilidad inicial de la empresa es la generación de riqueza y el óptimo aprovechamiento de los recursos.

Con esta premisa, no consideramos a **QBE DEL ISTMO** como un simple negocio, sino como un proyecto de largo plazo, de mayor alcance y trascendencia, solidario con la sociedad en la que se relaciona y actúa.

Tenemos como responsabilidad social acrecentar los recursos materiales y el esfuerzo que la sociedad nos aporta, sobrevivir dentro de las leyes de mercado, las disposiciones

fiscales y otras de carácter general y de llevar a cabo una actividad permanente de mejoramiento y modernización.

El resultado de este fuerzo se traducirá en compartir la riqueza generada con la sociedad en general, a través de los distintos mecanismos existentes: generación de empleo, pago de impuestos, adquisición de activos, inversiones en el sistema financiero, educación, donativos a instituciones de asistencia social, mejora del medio ambiente.



**REPUBLICA DE PANAMA
PROVINCIA DE PANAMA**

NOTARIA PRIMERA DEL CIRCUITO DE PANAMA

Licdo. Luis Fraiz Docabo

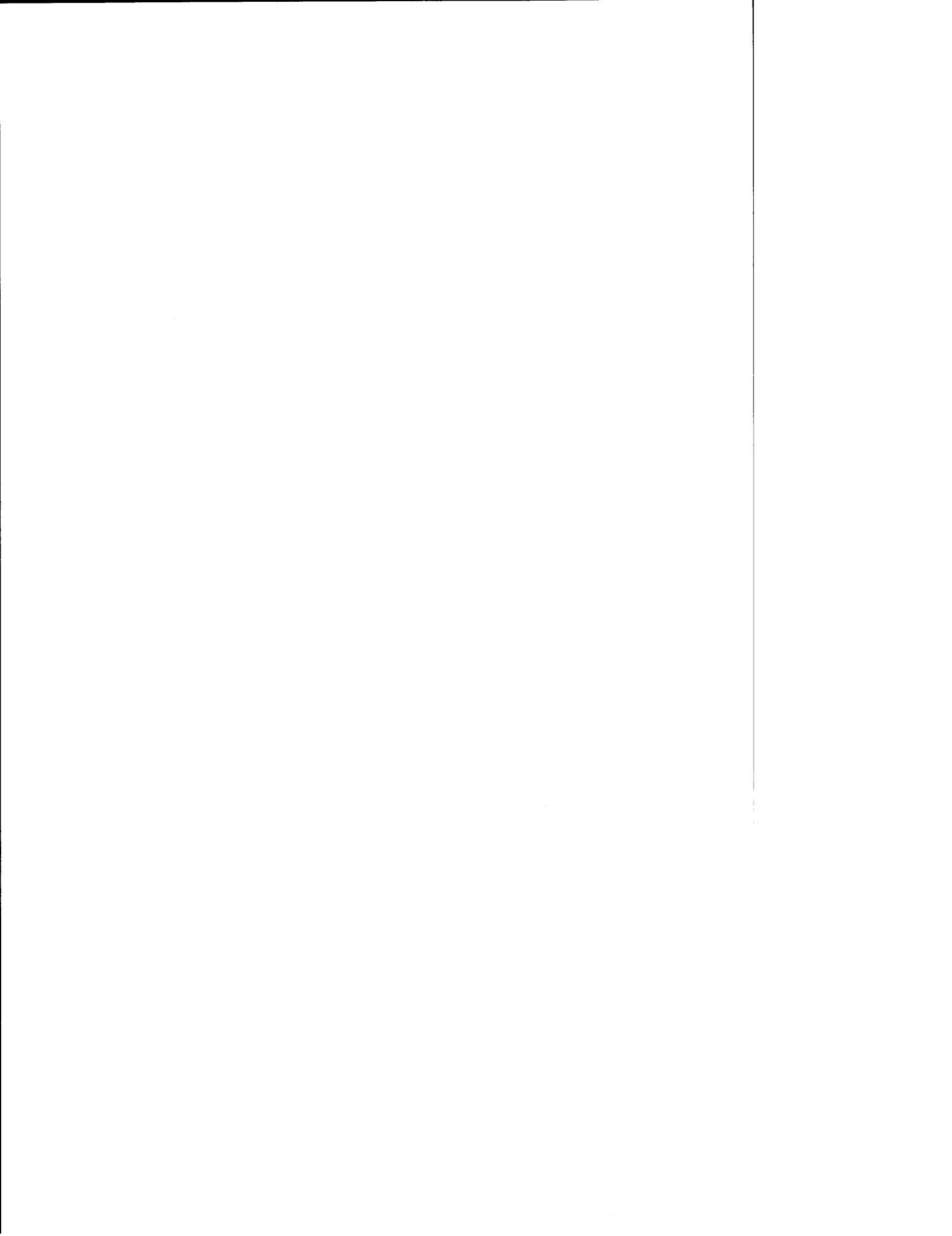
Teléfonos: 264-3585
264-8927
Fax: 264-8047

OBARRIO
AVE. SAMUEL LEWIS
EDIF. OLIVELLA
PLANTA ALTA

Apartado: 0819-12727
El Dorado, Panamá, Rep, de Panamá

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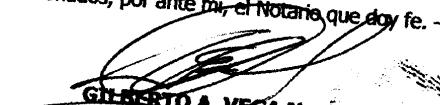
POR LA CUAL



REPUBLICA DE PANAMA**PAPEL NOTARIAL****NOTARIA PRIMERA DEL CIRCUITO DE PANAMA****DECLARACION NOTARIAL JURADA**

En la Ciudad de Panamá, Capital de la República y Cabecera del Circuito Notarial del mismo nombre, a los veintiocho (28) días del mes de marzo dos mil once (2011), ante mí **Licenciado LUIS FRAIZ DOCABO, NOTARIO PUBLICO PRIMERO**, con cédula de identidad personal número ocho- trescientos once – setecientos treinta y cuatro (8-311-734), comparecieron personalmente: Gilberto Antonio Vega Núñez, varón, panameño, mayor de edad, soltero, vecino de esta ciudad, con cédula de identidad personal número ocho- doscientos veintiséis- mil novecientos ochenta (8- 226- 1980), en su condición de Vicepresidente de QBE del Istmo Cía. de Reaseguros, Inc., sociedad anónima inscrita a la Ficha cero cuatro dos seis dos nueve (042629), Rollo dos cinco dos cinco (2525), Imagen cero cero tres cero (0030), de la Sección de Micropelículas (mercantil) del Registro Público de Panamá, domiciliado en Costa del Este, Avenida Paseo del Mar, Calle Vista del Pacífico, Edificio PH 51, Corregimiento de Parque Lefevre, Distrito y Provincia de Panamá, República de Panamá, personas a quienes conozco y a fin de dar cumplimiento a las disposiciones contenidas en el Acuerdo siete-cero dos (7-02) de catorce (14) de Octubre de dos mil dos (2002) de la Comisión Nacional de Valores de la República de Panamá, por este medio dejan constancia bajo la gravedad del juramento, lo siguiente: -- a.- Que el firmante ha revisado el Estado Financiero Anual correspondiente al año terminado al treinta y uno (31) de diciembre de dos mil diez (2010);- b. Que a juicio del declarante, los Estados Financieros no contienen informaciones o declaraciones falsas sobre hechos de importancia, ni omiten información sobre hechos de importancia que deban ser divulgados en virtud del Decreto Ley uno(1) de mil novecientos noventa y nueve (1999) y sus reglamentos, o que deban ser divulgados para que las declaraciones hechas en dicho informe no sean tendenciosas o engañosas a la luz de las circunstancias en las que fueron hechas; - c. Que a juicio del declarante, los Estados Financieros Anuales y cualquier otra información financiera incluida en los mismos, representan razonablemente en todos sus aspectos la condición financiera y los resultados de las operaciones de QBE del Istmo Cía. de Reaseguros, Inc., para el período correspondiente del uno (1) de enero de dos mil diez (2010) al treinta y uno (31) de diciembre de dos mil diez (2010); d. Que el firmante: --- d.1 Es responsable del establecimiento y mantenimiento de controles internos en la empresa. -- d.2 Ha diseñado los mecanismos de control interno que garanticen que toda la información de importancia sobre QBE del Istmo Cía. de Reaseguros, Inc.y sus subsidiarias, sean hechas de su conocimiento, particularmente durante el período en el que los

reportes han sido preparados. -- d.3 Ha evaluado la efectividad de los controles internos de QBE del Istmo Cía. de Reaseguros, Inc. dentro de los noventa (90) días previos a la emisión de los Estados Financieros. -- d.4 Ha presentado en los Estados Financieros sus conclusiones sobre la efectividad de los controles internos con base en las evaluaciones efectuadas a esa fecha. -- e. Que el firmante ha revelado a los auditores de QBE del Istmo Cía. de Reaseguros, Inc., lo siguiente:-- e.1 Toda la deficiencias significativas que surjan en el marco del diseño y operación de los controles internos, que puedan afectar negativamente la capacidad de QBE del Istmo Cía. de Reaseguros, Inc., para registrar, procesar y reportar información financiera, e indicado a los auditores cualquier debilidad existente en los controles internos. -- e.2 Cualquier fraude, de importancia o no, que involucre a la administración u otros empleados que ejerzan un rol significativo en la ejecución de los controles internos de QBE del Istmo Cía. de Reaseguros, Inc. -- f. Que el firmante ha revelado a los auditores externos la existencia o no de cambios significativos en los controles internos de QBE del Istmo Cía. de Reaseguros, Inc., o cualesquiera otros factores que puedan afectar en forma importante tales controles con posterioridad a la fecha de su evaluación, incluyendo la formulación de acciones correctivas con respecto a deficiencias o debilidades de importancia dentro de la empresa. - Esta declaración la hacemos para ser presentada ante la Comisión Nacional de Valores. -- Leída como les fue esta declaración a los comparecientes en presencia de los Testigos Instrumentales **JOSE MACIAS**, con cédula de identidad personal número ocho- cuatrocientos - quinientos cincuenta (8-400-550) y **CARLOS ETIENNE**, portador de la cédula de identidad personal número ocho-quinientos uno-ciento cuarenta y dos (8-501-142); ambos mayores de edad, panameños y vecinos de esta ciudad, a quienes conozco, y son hábiles para ejercer el cargo, lo encontraron conforme, le impartieron su aprobación y para constancia la firman todos juntos con los testigos antes mencionados, por ante mí, el Notario que doy fe.



GILBERTO A. VEGA N.
VICEPRESIDENTE

CARLOS ETIENNE

JOSE MACIAS

REPUBLICA DE PANAMA

PAPEL NOTARIAL



NOTARIA PRIMERA DEL CIRCUITO DE PANAMA

DECLARACION NOTARIAL JURADA

En la Ciudad de Panamá, Capital de la República y Cabecera del Circuito Notarial del mismo nombre, a los veintiocho (28) días del mes de marzo dos mil once (2011), ante mí **Licenciado LUIS FRAIZ DOCABO**, **NOTARIO PUBLICO PRIMERO**, con cédula de identidad personal número ocho- trescientos once – setecientos treinta y cuatro (8-311-734), comparecieron personalmente: Ramón Enrique Fernández Quijano, varón, panameño, mayor de edad, casado, vecino de esta ciudad, con cédula de identidad personal número ochocientos treinta y ocho- trescientos setenta y ocho- trescientos ochenta y ocho (8- 378- 388); en su condición de Presidente de QBE del Istmo Cía. de Reaseguros, Inc., sociedad anónima inscrita a la Ficha cero cuatro dos seis dos nueve (042629), Rollo dos cinco dos cinco (2525), Imagen cero cero tres cero (0030), de la Sección de Micropelículas (mercantil) del Registro Público de Panamá, domiciliado en Costa del Este, Avenida Paseo del Mar, Calle Vista del Pacífico, Edificio PH 51, Corregimiento de Parque Lefevre, Distrito y Provincia de Panamá, República de Panamá, personas a quienes conozco y a fin de dar cumplimiento a las disposiciones contenidas en el Acuerdo siete-cero dos (7-02) de catorce (14) de Octubre de dos mil dos (2002) de la Comisión Nacional de Valores de la República de Panamá, por este medio dejan constancia bajo la gravedad del juramento, lo siguiente: - a.- Que el firmante ha revisado el Estado Financiero Anual correspondiente al año terminado al treinta y uno (31) de diciembre de dos mil diez (2010);- b. Que a juicio del declarante, los Estados Financieros no contienen informaciones o declaraciones falsas sobre hechos de importancia, ni omiten información sobre hechos de importancia que deban ser divulgados en virtud del Decreto Ley uno(1) de mil novecientos noventa y nueve (1999) y sus reglamentos, o que deban ser divulgados para que las declaraciones hechas en dicho informe no sean tendenciosas o engañosas a la luz de las circunstancias en las que fueron hechas; - c. Que a juicio del declarante, los Estados Financieros Anuales y cualquier otra información financiera incluida en los mismos, representan razonablemente en todos sus aspectos la condición financiera y los resultados de las operaciones de QBE del Istmo Cía. de Reaseguros, Inc., para el período correspondiente del uno (1) de enero de dos mil diez (2010) al treinta y uno (31) de diciembre de dos mil diez (2010); d. Que el firmante: --- d.1 Es responsable del establecimiento y mantenimiento de controles internos en la empresa. -- d.2 Ha diseñado los mecanismos de control interno que garanticen que toda la información de importancia sobre QBE del Istmo Cía. de Reaseguros, Inc.y sus subsidiarias, sean hechas de su conocimiento, particularmente durante el período en el que los reportes han sido preparados. -- d.3 Ha evaluado la efectividad de los controles

internos de QBE del Istmo Cía. de Reaseguros, Inc. dentro de los noventa (90) días previos a la emisión de los Estados Financieros.--d.4 Ha presentado en los Estados Financieros sus conclusiones sobre la efectividad de los controles internos con base en las evaluaciones efectuadas a esa fecha. --

e. Que el firmante ha revelado a los auditores de QBE del Istmo Cía. de Reaseguros, Inc., lo siguiente:-- e.1 Toda la deficiencias significativas que surjan en el marco del diseño y operación de los controles internos, que puedan afectar negativamente la capacidad de QBE del Istmo Cía. de Reaseguros, Inc., para registrar, procesar y reportar información financiera, e indicado a los auditores cualquier debilidad existente en los controles internos. -- e.2 Cualquier fraude, de importancia o no, que involucre a la administración u otros empleados que ejerzan un rol significativo en la ejecución de los controles internos de QBE del Istmo Cía. de Reaseguros, Inc. -- f. Que el firmante ha revelado a los auditores externos la existencia o no de cambios significativos en los controles internos de QBE del Istmo Cía. de Reaseguros, Inc., o cualesquiera otros factores que puedan afectar en forma importante tales controles con posterioridad a la fecha de su evaluación, incluyendo la formulación de acciones correctivas con respecto a deficiencias o debilidades de importancia dentro de la empresa. - Esta declaración la hacemos para ser presentada ante la Comisión Nacional de Valores. -- Leída como les fue esta declaración a los comparecientes en presencia de los Testigos Instrumentales **JOSE MACIAS**, con cédula de identidad personal número ocho- cuatrocientos – quinientos cincuenta (8-400-550) y **CARLOS ETIENNE**, portador de la cédula de identidad personal número ocho-quinientos uno-ciento cuarenta y dos (8-501-142); ambos mayores de edad, panameños y vecinos de esta ciudad, a quienes conozco, y son hábiles para ejercer el cargo, lo encontraron conforme, le impartieron su aprobación y para constancia la firman todos juntos con los testigos antes mencionados, por ante mí, el Notario que doy fe. -----


RAMÓN E. FERNÁNDEZ Q.
PRESIDENTE

CARLOS ETIENNE

JOSE MACIAS

REPUBLICA DE PANAMA**PAPEL NOTARIAL****NOTARIA PRIMERA DEL CIRCUITO DE PANAMA****DECLARACION NOTARIAL JURADA**

En la Ciudad de Panamá, Capital de la República y Cabecera del Circuito Notarial del mismo nombre, a los veintiocho (28) días del mes de marzo dos mil once (2011), ante mí **Licenciado LUIS FRAIZ DOCABO,** **NOTARIO PUBLICO PRIMERO**, con cédula de identidad personal número ocho- trescientos once – setecientos treinta y cuatro (8-311-734), comparecieron personalmente: Ricardo Alonso Batista Saavedra, varón, panameño, mayor de edad, casado, vecino de esta ciudad, con cédula de identidad personal seis- cuarenta y uno- dos mil seiscientos veintisiete (6- 41- 2627) en su condición de Tesorero de QBE del Istmo Cía. de Reaseguros, Inc., sociedad anónima inscrita a la Ficha cero cuatro dos seis dos nueve (042629), Rollo dos cinco dos cinco (2525), Imagen cero cero tres cero (0030), de la Sección de Micropelículas (mercantil) del Registro Público de Panamá, domiciliado en Costa del Este, Avenida Paseo del Mar, Calle Vista del Pacífico, Edificio PH 51, Corregimiento de Parque Lefevre, Distrito y Provincia de Panamá, República de Panamá, personas a quienes conozco y a fin de dar cumplimiento a las disposiciones contenidas en el Acuerdo siete-cero dos (7-02) de catorce (14) de Octubre de dos mil dos (2002) de la Comisión Nacional de Valores de la República de Panamá, por este medio dejan constancia bajo la gravedad del juramento, lo siguiente: -- a.- Que el firmante ha revisado el Estado Financiero Anual correspondiente al año terminado al treinta y uno (31) de diciembre de dos mil diez (2010);- b. Que a juicio del declarante, los Estados Financieros no contienen informaciones o declaraciones falsas sobre hechos de importancia, ni omiten información sobre hechos de importancia que deban ser divulgados en virtud del Decreto Ley uno(1) de mil novecientos noventa y nueve (1999) y sus reglamentos, o que deban ser divulgados para que las declaraciones hechas en dicho informe no sean tendenciosas o engañosas a la luz de las circunstancias en las que fueron hechas; - c. Que a juicio del declarante, los Estados Financieros Anuales y cualquier otra información financiera incluida en los mismos, representan razonablemente en todos sus aspectos la condición financiera y los resultados de las operaciones de QBE del Istmo Cía. de Reaseguros, Inc., para el período correspondiente del uno (1) de enero de dos mil diez (2010) al treinta y uno (31) de diciembre de dos mil diez (2010); d. Que el firmante: --- d.1 Es responsable del establecimiento y mantenimiento de controles internos en la empresa. -- d.2 Ha diseñado los mecanismos de control interno que garanticen que toda la información de importancia sobre QBE del Istmo Cía. de Reaseguros, Inc.y sus subsidiarias, sean hechas de su conocimiento, particularmente durante el período en el que los reportes han sido preparados. -- d.3 Ha evaluado la efectividad de los controles

internos de QBE del Istmo Cía. de Reaseguros, Inc. dentro de los noventa (90) días previos a la emisión de los Estados Financieros.--d.4 Ha presentado en los Estados Financieros sus conclusiones sobre la efectividad de los controles internos con base en las evaluaciones efectuadas a esa fecha. -- e. Que el firmante ha revelado a los auditores de QBE del Istmo Cía. de Reaseguros, Inc., lo siguiente:-- e.1 Toda la deficiencias significativas que surjan en el marco del diseño y operación de los controles internos, que puedan afectar negativamente la capacidad de QBE del Istmo Cía. de Reaseguros, Inc., para registrar, procesar y reportar información financiera, e indicado a los auditores cualquier debilidad existente en los controles internos. -- e.2 Cualquier fraude, de importancia o no, que involucre a la administración u otros empleados que ejerzan un rol significativo en la ejecución de los controles internos de QBE del Istmo Cía. de Reaseguros, Inc. -- f. Que el firmante ha revelado a los auditores externos la existencia o no de cambios significativos en los controles internos de QBE del Istmo Cía. de Reaseguros, Inc., o cualesquiera otros factores que puedan afectar en forma importante tales controles con posterioridad a la fecha de su evaluación, incluyendo la formulación de acciones correctivas con respecto a deficiencias o debilidades de importancia dentro de la empresa. - Esta declaración la hacemos para ser presentada ante la Comisión Nacional de Valores. -- Leída como les fue esta declaración a los comparecientes en presencia de los Testigos Instrumentales **JOSE MACIAS**, con cédula de identidad personal número ocho- cuatrocientos - quinientos cincuenta (8-400-550) y **CARLOS ETIENNE**, portador de la cédula de identidad personal número ocho-quinientos uno-dieciendo cuarenta y dos (8-501-142); ambos mayores de edad, panameños y vecinos de esta ciudad, a quienes conozco, y son hábiles para ejercer el cargo, lo encontraron conforme, le impartieron su aprobación y para constancia la firman todos juntos con los testigos antes mencionados, por ante mí, el Notario que doy fe.

Ricardo A. Batista S.
RICARDO A. BATISTA S.
TESORERO



CARLOS ETIENNE

JOSE MACIAS