

NEWS RELEASE

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WESFARMERS INSURANCE ANNOUNCES 11% INCREASE IN EARNINGS

Business posts good result and continues to invest for growth

Wesfarmers Insurance announced today earnings before tax and amortisation of \$70 million, for the half year to 31 December 2010, compared with \$63 million for the previous year, an increase of 11.1 per cent. The increase in earnings was driven by growth in underwriting and broking operations.

The underwriting result improved from \$38 million to \$42 million on the prior period, an increase of 10.5 per cent. Insurance broking revenue and earnings increased by 12.0 per cent, improving from \$25 million to \$28 million.

"It's encouraging to deliver double digit earnings growth and continuing improvement in performance, notwithstanding the impact of various catastrophe events during the first half," said Rob Scott, Managing Director, Wesfarmers Insurance.

"The strategies and capability build undertaken in recent years are delivering improvements in the underlying underwriting and broking margins. Key to this improvement is an improved engagement with our clients and key business partners."

"We are gaining traction in a number of our key growth initiatives including Coles personal insurance and Lumley's my.place and corporate solutions initiatives. Both WFI and Lumley New Zealand have also added new distribution partners."

"I am very proud of the response of our claims teams to the recent catastrophe events. Many people have been working around the clock under difficult circumstances to help our clients. This is an important time for our industry and we are keen to deliver on our promise," Mr Scott concluded.

Recent severe weather events since 1 January 2011 including floods and storms in Queensland and Victoria and the impact of Cyclone Yasi have resulted in net costs after reinsurance recoveries of \$30 - \$35 million which will affect full year earnings.

Business Highlights

- Earnings before interest, tax and amortisation increased by 11.1 per cent to \$70 million
- Revenue of \$872 million, 0.5 per cent increase on prior year
- A Combined Operating Ratio (COR)¹ of 98.6 per cent

¹ COR is our net claims costs plus all other expenses divided by net earned premium. A result below 100 per cent represents an underwriting profit.

- Broking margin² increase from 25.2 per cent to 27.3 per cent
- The launch of further extensions to Wesfarmers Insurance's personal lines offer through Coles
- Lumley NZ improved its customer service ranking from #7 to #3 in recent broker industry survey
- Improved investment income from higher yields on term deposits
- Major event claims above expectations due to the Christchurch earthquake and storm and flood events in eastern Australia and Carnarvon in Western Australia
- New WFI referral arrangements with distribution partners
- Strong growth in Monument Premium Funding
- Net impact of Christchurch earthquake of \$11 million resulted in lower earnings for Lumley NZ

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² Broking margin is profit divided by total revenues.