

NEWS RELEASE

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WESFARMERS INSURANCE ANNOUNCES 27% INCREASE IN EARNINGS

Wesfarmers Insurance announced today earnings of \$131 million, compared with \$103 million for the previous year, an increase of 27.8 per cent.

The significant improvement in earnings was driven by the turnaround in Wesfarmers Insurance's underwriting operations and solid performance across other businesses. In addition, the underwriting result improved by \$47 million on the prior year and the business achieved an improvement in insurance margin from 1.8 per cent to 5.3 per cent.

"It's very encouraging for our team, especially in Lumley, to see the turnaround in performance. In recent years we have implemented many organisational changes to improve underwriting and claims disciplines and to engage more effectively with our distribution partners and clients," said Rob Scott, Managing Director, Wesfarmers Insurance.

The improved underwriting performance of Wesfarmers Insurance helped mitigate the impact of lower interest rates and severe weather events, including the Melbourne and Perth hailstorms and crop claims.

In addition to the improved financial result, Wesfarmers Insurance implemented new growth projects including: the launch of a retail personal insurance offer with Coles and Kmart Tyre & Auto, development of a new corporate underwriting team and the rollout of Lumley's "my.place" broker interface system. Five bolt-on acquisitions were made in the past year.

"Over the next year, we will continue to invest in IT across our businesses to improve performance and support growth initiatives. We continue to consider bolt-on acquisitions of insurance brokers and have a number of prospects under evaluation."

"The turnaround in our performance is pleasing but we still have a way to go. I'm confident we will continue to improve through our focus on the fundamentals and this will enable us to become a more significant participant in the insurance sector."

Business Highlights

- Earnings before interest, tax and amortisation increased by 27.8 per cent to \$131 million
- Revenue of \$1.7 billion, 1.2 per cent decrease on prior year

- Improvement in Combined Operating Ratio (COR)¹ from 102.4 per cent to 97.9 per cent
- Broking margin² decrease from 29.0 per cent to 27.8 per cent
- The launch of a new personal lines offer with Coles and Kmart Tyre & Auto Service underwritten by Wesfarmers Insurance
- Positive turnaround in Lumley Australia and New Zealand
- WFI affected by severe weather related events
- Broking commission & fee revenue in line with prior year
- Lower investment earnings due to lower interest rates
- Successful launch of Monument Premium Funding
- Five bolt-on acquisitions across broking and underwriting

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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.

² Broking margin is profit divided by total revenues.