



16 December 2013

AGREEMENT TO SELL INSURANCE UNDERWRITING OPERATIONS

Wesfarmers today announced it has agreed to sell the Australian and New Zealand underwriting operations of its Insurance division to Insurance Australia Group for \$1,845 million.

The underwriting operations of Wesfarmers' Insurance division include predominantly commercial lines of business, including the Lumley and WFI brands, and a growing personal lines business sold through the Coles Insurance affinity partnership.

Insurance Group Australia is a leading insurer with a portfolio of brands in Australia and New Zealand including CGU, NRMA Insurance, SGIO, NZI, State and AMI.

The sale is subject to a number of conditions precedent including approvals from the Australian Prudential Regulation Authority, Australian Competition and Consumer Commission, Reserve Bank of New Zealand, New Zealand Commerce Commission, and New Zealand Overseas Investment Office. Achieving satisfaction of the conditions precedent is expected to take several months.

On successful completion of the transaction, Wesfarmers expects to record a pre-tax profit of approximately \$700 million to \$750 million which is expected to be included in the financial results for the second half of the 2014 financial year.

The sale agreement includes the underwriting operations for Coles Insurance which will continue with Coles Supermarkets under an agreement with a remaining 10 year term.

The sale does not include the Insurance division's broking operations in Australia, New Zealand and the UK, and its Australian and New Zealand premium funding businesses which will remain part of the Wesfarmers portfolio.

Wesfarmers Managing Director Richard Goyder said Wesfarmers had received a number of expressions of interest for the Insurance division's underwriting operations and a decision had been taken to pursue confidential discussions with several parties.

"We believe this sale agreement is in the best interests of our shareholders, while offering the customers of our underwriting businesses the opportunity to become part of an established leading insurance organisation," Mr Goyder said.

Mr Goyder said despite a long involvement in insurance underwriting, the sale of the business was consistent with Wesfarmers' focus on disciplined portfolio management having regard to the long-term interests of its shareholders.



"I thank the team at Wesfarmers Insurance division for their outstanding efforts to deliver a record earnings performance in the 2013 financial year after several years of volatility in insurance markets following a period of extreme catastrophic events," Mr Goyder said.

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