



NEWS

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INSURANCE DIVISION UPDATE

Following claims from recent catastrophe events and increases to New Zealand earthquake reserves, the Insurance division earnings before interest, tax and amortisation for the six months ending 31 December 2011 are expected to be approximately \$23 million. After allowing for the amortisation of identifiable intangible assets, the reported earnings are expected to be approximately \$17 million.

The bushfires in Western Australia, Christchurch earthquake on 23 December 2011, Melbourne hailstorm and other severe weather events have resulted in estimated net claims expense of \$28 million in excess of allowances for the period.

Additionally, as a result of further information available on the extent of damage and changes in the scope of repairs required in different land zones, Lumley General New Zealand has increased reserves in relation to the 22 February 2011 Christchurch earthquake. This increase in reserves will result in an expense for the period ending 31 December 2011 of \$26 million.

Managing Director of Wesfarmers Insurance, Rob Scott, said that as advised at the full year results announcement, higher reinsurance costs from 1 July 2011 were affecting underwriting margins in 2012. Pleasingly, underwriting operations in New Zealand and Australia were achieving solid premium rate increases in property and farm related classes. As these premiums are fully earned, the increases are expected to offset the higher costs of reinsurance.

“We continue to make good progress with reducing our exposure to higher hazard geographical areas and industries in line with our ongoing focus on disciplined underwriting,” he said.

In line with the capital management plans of Wesfarmers Insurance, the Underwriting operations are capitalised to meet regulatory capital requirements and to maintain a credit rating of A- with Standard & Poor's.

The financial estimates provided above are subject to completion of the 31 December 2011 half year accounts, including actuarial review and audit.

Wesfarmers' half year results announcement is expected to be made on 16 February 2012.

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