



11 July 2011

INSURANCE DIVISION UPDATE

The Wesfarmers Insurance Division has successfully renewed its Australian and New Zealand reinsurance program for the year ending 30 June 2012. The event limit under the Insurance division's property catastrophe excess of loss program has increased from \$400 million to \$750 million, with net retention limits increasing from \$10 million to \$30 million in Australia and NZ\$20 million for New Zealand. The net retention limit in Australia reduces to \$20 million should there be second and third losses.

The Managing Director of Wesfarmers Insurance, Mr Rob Scott, said following the significant natural disasters in Australia and New Zealand over the past year, reinsurers have required an increase in pricing and higher retention levels for catastrophe reinsurance in Australia and New Zealand. We are pleased to start the new financial year with a strong reinsurance program in place with continued support from many longstanding reinsurance partners.

Earthquake aftershocks in Christchurch, including the aftershock on 13 June, have resulted in further claims above allowances. The retained losses from these aftershocks and the impact of higher premium liabilities on unearned premium, resulting from the increased cost and change in reinsurance structure from 1 July 2011, will result in lower earnings for the Insurance Division for the full year ending 30 June 2011. Current expectations for the 2011 financial year are for earnings before interest, tax and amortisation to be in the range of \$25 million to \$30 million.

"The key driver of lower earnings in the year ending 30 June 2011 has been higher claims from catastrophe events in Australia and New Zealand and higher reinsurance costs," Mr Scott said.

"While the financial effect of these events has been significant, we have been pleased by the response of our claims teams to our clients in their time of need. The underlying performance of our underwriting businesses continues to improve and our broking operations are performing in line with internal expectations and ahead of the prior year."

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