

the true
value of
partnership

the true
value of
partnership
is *sharing your strengths*



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Statement of purpose:

To insure clients effectively while meeting the return requirements of Wesfarmers Insurance and providing rewarding careers to staff.

Group Directors



R G Scott
Managing Director
Wesfarmers Insurance Division
Director
Lumley General Insurance



D Matcham
Chief Executive Officer
Lumley General Insurance
Director
Lumley Finance



E Fraunschiel
Chairman
Lumley General Insurance
Director
Lumley General Insurance

Directors



R J B Goyder
Director
Lumley General Insurance



G J Rich
Director
Lumley General Insurance



J P Graham
Director
Lumley General Insurance



D Wills
Director
Lumley General Insurance



R J Lee
Director
Lumley General Insurance



M Webb
Director
Lumley General Insurance

CEO review

Lumley General



David Matcham
Chief Executive Officer

The 2007-08 financial year has been an interesting and dynamic period for the industry and Lumley General.

Gross Written Premiums grew to \$741m with the integration of Australian International Insurance Ltd (AIIIL). Growth in premium across the combined businesses was 6%, tempered by exiting of poorly performing businesses and the transfer of the Your Insurance Group (YIG) business to Wesfarmers Federation Insurance (WFI), completed during the year.

EBITA rose 3.5% to \$59.9m supported by solid investment returns.

Our combined operating ratio increased marginally following downward pressure on premium rates and a succession of severe weather events on the east coast of Australia which affected our margins and kept our claims staff engaged.

The integration of Lumley, AIIIL and AUS Agencies businesses has seen the launch of three new specialist insurance units, Lumley Special Vehicles, Lumley Accident and Health and Lumley Builders Warranty.

Lumley also successfully completed the portfolio transfer of the assets and liabilities of AIIIL and the full integration of the AIIIL business. The combined business is now well positioned to secure the synergy benefits of integration with no loss of material accounts.

Throughout the year staff contributed their time and money to a range of charities and community initiatives. Lumley continued its strong support of the Create Foundation for young people in care, in addition to a variety of other worthy causes.

From a personal note, it is very satisfying to recognise the loyalty and dedication of the staff, especially through a period of change. Service standards and efficiency have not wavered in the face of a soft market, which has presented many challenges. With this strong foundation and Lumley's commitment to ongoing development, there are several reasons to approach the future with great confidence. The outlook for coming year is positive.

Improving capability and capacity

Lumley General



Vivek Bhatia
Chief Operating Officer

We are entering a very exciting phase in the evolution of Lumley General. We plan to consolidate the underwriting licenses of all Wesfarmers Insurance operations in Australia.

The key objective of this initiative is to allow us to build a stronger organisation that will provide a scalable platform for future growth through improved capability and capacity. The project is focused on the regulatory and operational changes required to move to a single licensed entity and to develop the optimal structure to deliver the best products and services to our customers. This is consistent with our broader objective of always striving for profitable growth in a competitive market. The project is subject to approval by APRA and ASIC.

The Lumley General brand, products and services will remain unchanged. While we undertake this transformational journey, we will ensure that our customers remain the focus of our attention.

Vivek Bhatia has been appointed to the newly created role of Chief Operating Officer for Wesfarmers General Insurance Limited, the proposed name for the single licensed entity. He will assume this responsibility in addition to his current Divisional Chief Information Officer role.

Financial results

Lumley General

Summary of financial information

\$000 AUD	2008	2007	2006	2005	2004	2003
Cash	4,652	4,170	2,829	14,159	40,823	51,269
Receivables	477,331	445,254	410,648	385,895	360,024	377,660
Investments	582,162	374,548	312,477	277,434	325,156	236,764
Plant & equipment	10,436	6,306	5,801	4,541	5,626	6,643
Other assets	182,040	131,518	114,405	139,683	165,498	156,703
Assets	1,256,621	961,796	846,160	821,712	897,127	829,039
Creditors	88,970	91,908	69,198	87,918	126,618	134,929
Insurance and other provisions	989,544	777,870	680,295	635,228	619,516	587,098
Liabilities	1,078,514	869,778	749,493	723,146	746,134	722,027
Share capital	122,400	41,000	41,000	41,000	41,000	41,000
Retained profit & reserves	55,707	51,018	55,667	57,566	109,993	66,012
Shareholders funds	178,107	92,018	96,667	98,566	150,993	107,012

Total assets

YEAR	\$000 AUD
2008	1,256,621
2007	961,796
2006	846,160
2005	821,712
2004	897,127
2003	829,039

Five year underwriting review

\$000 AUD	2008	2007	2006	2005	2004	2003
Gross earned premiums	696,931	579,377	545,692	561,172	553,780	526,087
Underwriting result before expenses	186,697	153,607	164,867	164,343	144,177	119,760
Other underwriting expenses	(154,491)	(122,524)	(99,038)	(89,846)	(76,246)	(63,232)
Underwriting result	32,206	31,083	65,829	74,497	67,931	56,528
Investment income	25,652	19,337	16,224	19,253	17,469	12,297
General & admin expenses	(19,880)	(16,456)	(17,527)	(20,555)	(24,228)	(21,267)
Insurance profit before tax	37,978	33,963	64,526	73,195	61,172	47,558
Subsidiary profit before tax	477	2,499	2,355	1,879	2,130	2,702
	38,455	36,463	66,881	75,074	63,302	50,260

Gross Earned Premiums

YEAR	\$000 AUD
2008	696,931
2007	579,377
2006	545,692
2005	561,172
2004	553,780
2003	526,087

Insurance Profit Before Tax

YEAR	\$000 AUD
2008	37,978
2007	33,963
2006	64,526
2005	73,195
2004	61,172
2003	47,558



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Year in review

Lumley General

Highlights

- Reported our 19th consecutive year of underwriting profit
- Reaffirmed Standard & Poor's A- rating with a stable outlook
- Launch of three new specialist insurance units, Lumley Special Vehicles, Lumley Accident and Health and Lumley Builders Warranty
- Engineering underwriting result \$ 9.5 million, double the previous year result together with the completion of tier underwriting training by all engineering underwriters
- Focus strategy on targeted growth areas with significant potential for profitability
- New underwriting agency, Unitas added to the Lumley stable
- Attendance to Wesfarmers Leadership Development Program completed by key staff
- New appointments:
Wayne Bismire
National Operations Manager
Kerrie Challenor
State Manager QLD
Tony LaRocca
State Manager ACT

Product development

Lumley Marine & Logistics in focus

The logistics industry is now the biggest sector of the Australian economy.

With this in mind, Lumley Marine and Logistics took further steps to establish themselves as a specialist insurer of logistics risks. We launched a new freight forwarders liability cover in partnership with the TT Club, who is the world's leading transport mutual insurer and this is the first time that the club has ever entered into such an arrangement with a commercial insurance company.

A web-based system, 'E-Decs', that is uniquely designed to facilitate the electronic submission of cargo declarations by clients was also developed. E-Decs will be launched as a new product aimed at attracting clients wishing to remit premiums on a 'pay as you go' basis.

Claims management

As part of our strategy to expand into the retail general insurance business we secured a major contract to handle the retail private motor vehicle claims management for Commlnsure. The contract has enabled us to build a scalable operation and to demonstrate our ability to deliver out-sourced claims management.

Lumley Online

Our Commercial Business Pack was launched late in the year through Lumley Online, our electronic data interchange offering to intermediaries. The software allows brokers to receive real-time quotes and process complete policy lifecycle transactions via the eBix Exchange platform.

Market feedback to the pilot launch is being incorporated into our offering to ensure that the product is acknowledged as best in class.

Household products and Landlords Protection offered via Lumley Online showed steady growth for the year and plans continue to expand our Lumley Online suite of products with Lumley Special Vehicles scheduled for the next release.

Lumley in the community

Lumley continues its green innovation policy across the country with the promotion of environmental awareness.

Continued strong support of charitable organisations both financially and in kind through:

- Sponsorship of the Create Foundation and continuance of traineeships for selected young people in care;
- Fundraising initiatives nationwide including:
 - Juvenile Diabetes Research Foundation;
 - Lumley Exchange Research Fellowship at the Royal Australasian College of Surgeons;
- Management encouragement and dollar for dollar subsidy, of the many fundraising activities undertaken by our extremely good willed staff throughout Australia.

Business development

Lumley General



David Pearce
**National Development
& Relationship Manager**

Concurrent with the change in company name Lumley General is undertaking a revitalisation of the Lumley brand to promote brand awareness and reputation. Brokers and clients will see an improved presence and visibility of the Lumley brand in the coming months.

We believe that partnership is about understanding and anticipating changing needs and the industry challenges.

Our commitment to strengthening these relationships has led to the further development of IT systems to support current and future growth initiatives, operational efficiencies and improvements in client services. We are currently investing in the Pega rules and workflow system which is being fully aligned with our core processing systems to provide an integrated underwriting and support environment and a new telephone solution for our e-business and contact centre.

We are also pleased to be launching the Lumley Pronto web portal in the December quarter. Brokers and clients are increasingly relying on the internet to obtain and share information quickly. The aim of Lumley Pronto is to capitalise on the change in traditional lines of communication and deliver a range of information and services via the internet. This ensures we can cater to the changing needs of the market and meet the demand for fast, efficient service.

To ensure we continue to deliver outstanding service, all our Business Development Managers have recently undertaken the Solution Selling Program. The principal philosophy behind the program is to help our business development professionals better identify product and risk solutions for brokers and their clients.

Year in review

Lumley Finance



Neville Ford
General Manager

A consistent approach and focus on profitable business has resulted in Lumley Finance providing improved results in the last financial year.

The insurance premium funding industry underwent some rationalisation during the year. Lumley Finance was able to capitalise on this industry change, appointing several senior sales consultants with immediate results for our portfolio.

Profitable growth will again be the focus for the business going forward. This is despite some industry indicators of downward profit trends. Continued emphasis on service to intermediaries and business partners is paramount and Lumley Finance will strive to maintain its high service standards.

Upgrading software facilities will be a major project for the business in the forthcoming twelve months. This will provide more efficient processing facilitation together with improved reporting access for intermediaries.

The business looks forward to supporting and growing its loyal provider base in the year ahead.



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Product Portfolio

Accident and Health

- Accident Make-up Pay Cover
- Associations and/or Schemes
- Enterprise Bargaining Accident and Sickness Cover
- Group Accident and Sickness
- Individual Accident and Sickness
- Journey Cover
- Sports Accident Cover
- Voluntary Workers Cover

Builders Home Warranty

- Electricians
- Home Builders and Renovators
- Kitchen Builders and Cabinet Makers
- Landscapers
- Owner Builders
- Painters and Decorators
- Plumbers
- Pool Builders

Commercial Motor

- Claims Management Services
- Heavy Transport
- Motor Fleet
- Risk Management

Engineering

- Advanced Loss of Profits
- Construction
- Contractors Machinery
- Electronic Equipment
- Liability
- Machinery Breakdown
- Mobile Plant and Equipment

Lumley Finance

- Premium Finance
- Professional Fee Funding – Proffee

Lumley Special Vehicles

- Classic, Prestige and Specialist Car Insurance

Marine & Logistics

- Cargo Consequential Loss & Delayed Start Up
- Charterers Legal Liability
- Domestic Cargo
- Freight Forwarders Liability
- International Cargo
- Pleasurecraft & Boating Industry risks – Nautilus Marine Insurance
- Road & Rail Transport Operators: Carriers Legal Liability & Compensation
- Ship Builders & Repairers Liability covers
- Supply Chain Insurance & Risk Management Services

Motor Dealerships – Automotive Global Insurance

- Business Credit Insurance
- Consumer Credit Insurance
- Guaranteed Auto Protection
- Private Motor Vehicle

Property & Liability

- Business Package
- Crop, Forestry, Livestock and Greenhouses – Agricola Underwriting
- Employment Practices Liability – SUA
- Film and TV production – Film Insurance Underwriting Agencies
- ISR
- Professional Indemnity and D & O – DUAL Australia
- Public and Products Liability
- Rural Security Package
- Statutory Liability – Specialist Underwriting Agencies (SUA)

Retail Insurance Home

- Home – Accidental Damage and Defined Events
- Landlords – Accidental Damage and Defined Events
- Manorhouse

Retail Motor Partners

- Affinity Risk Partners – Private Motor
- Campervans and Motorhomes – Ken Tame and Associates
- Motor Cycle – NEIB Live Free Ride Free

Retail Warranty

- Extended Manufacturers Warranty for Brown and White Goods

Surety

- Lease Bond
- Residential Deposit Bond

Lumley General Insurance Limited

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