



HD IAG Forms New Commercial Insurance Team as It Completes Wesfarmers Takeover

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SYDNEY (BestWire) - Insurance Australia Group Ltd. has named a new team to **lead** its commercial insurance business following the completion of Wesfarmers **acquisition**.

The group's commercial insurance unit will be headed by Chief Executive Peter Harmer, and other executives already working within IAG including Ben Bessell, chief commercial officer; Donna Walker, executive general manager, broker business; Phuong Ly, EGM, agencies; Stuart Chapman, EGM, niche & direct business; Andrew Ziolkowski, EGM, underwriting; Jen Mitchell, EGM, claims; Andrew Jordan, EGM, strategy, brand & risk; Malcolm Freeman, EGM, integration; and Fiona Phillips, EGM, transformation.

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Harmer said the newly formed team has been set up as IAG starts incorporating the acquired underwriting business of Wesfarmers Ltd. in Australia, which includes Lumley Insurance and WFI. The businesses will be largely integrated with IAG's CGU Insurance to be managed by the commercial insurance team.

Wesfarmers executives, including Australia CEO David Brown and Lumley CEO John Nagle, will not be absorbed under the new team.

In the financial year ending June 30, Wesfarmers insurance underwriting business generated gross written premium of almost A\$1.8 **billion** (US\$1.67 **billion**). This compares with GWP for the rest of IAG of A\$9.8 **billion**.

"Today, we have reached a key milestone in establishing the new IAG Commercial Insurance operating business. Our new leadership team brings together people with extensive insurance experience, a deep knowledge of customer and partner needs, and the right qualities to take our business forward to the next level," Harmer said in a statement.

In an emailed statement to Best's News Service, Paul Marriage, IAG's spokesman, said the group has not yet decided whether to retain the Lumley and WFI brands or use the group's CGU brand. "We are currently reviewing opportunities for the Lumley and WFI brands, and we'll make firmer decisions in the coming months," he said.

In June 2014, IAG completed the required regulatory approvals for the A\$1.84 **billion acquisition** of the Australian and New Zealand underwriting businesses of Wesfarmers Ltd. IAG agreed to **purchase** Wesfarmers in December 2013, with the deal comprising companies trading under the WFI and Lumley Insurance brands, as well as a 10-year distribution agreement with Coles.

In preparation for the integration, the group announced a new operating model which breaks IAG under three major operating divisions, including personal insurance, commercial insurance and enterprise **operations**. This, IAG said, is to allow the **company** to better leverage its scale and insurance expertise.

For the financial year ending June 30, IAG posted a 58.9% rise in net profit to A\$1.23 **billion**, supported by improved claim costs and increased investment returns (Best's News Service, Aug.19, 2014).

"Profitability has benefited from favorable natural peril, reserve release and investment market outcomes, which have driven an insurance margin well above the guidance held at the outset of the year," said the

Australian nonlife insurer in a statement. IAG's underlying margin increased to 14.2% in the 2014 financial year from 12.5% a year ago.

Benign weather conditions in Australia contributed to a claim expense of A\$553 million against an allowance of A\$640 million. Favorable experience in long-tail classes, in a low inflation environment, led to prior-period reserve release of A\$248 million in the 2014 financial year, compared with A\$212 million in 2013.

Going forward, the group's strategic priorities include maintaining its leading market position in personal and commercial insurance in Australia and New Zealand, growing businesses in Asia and exploring long-term growth opportunities.

(By Ernesto Calucag, Hong Kong news editor: Ernesto.Calucag@ambest.com)

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