



## Promina Shares Surge on Speculation Suncorp May Bid (Update1)

By Kevin Foley and Joyce Moullakis

Oct. 11 (Bloomberg) -- Shares of Promina Group, Australia's second-largest auto and home insurer, rose the most in more than three years on speculation Suncorp-Metway Ltd. may make a takeover bid.

Promina shares jumped 8.7 percent, lifting the Sydney-based company's market value to A\$6.82 billion (\$5.07 billion). A deal would be the biggest in Australia's financial services industry since Commonwealth Bank of Australia bought Colonial Ltd. for A\$9.64 billion in 2000.

"The strongest rumor is that Promina is going to go and that Suncorp is the buyer," said Karl Siegling, who helps manage the equivalent of \$30 million at Cadence Capital in Sydney, including insurance stocks.

Suncorp Chief Executive Officer John Mulcahy last month said he'd hired Citigroup Inc. to monitor potential mergers and acquisitions among Australia's non-life insurers as sales slowed. Buying Promina would give him the nation's fastest-growing insurer of homes and cars for individuals, which has been winning market share from Insurance Australia Group Ltd.

Malcolm Barter, a spokesman for Brisbane-based Suncorp, the nation's third-biggest auto and home insurer and sixth-biggest bank, said the company doesn't comment on speculation. Sydney-based Promina spokesman, Alexander Drake, declined to comment.

In an interview last month, Suncorp's Mulcahy said there would be consolidation in the insurance industry. Wesfarmers Ltd. last month agreed to buy insurance broker OAMPS Ltd. for A\$700 million.

'Where There's Smoke'

Promina shares rose 48 cents, or 7.9 percent, to A\$6.58 at 1:07 p.m. in Sydney, and earlier reached a record A\$6.82. Suncorp shares fell 16 cents, or 0.7 percent, to A\$22.19.

Shares of Insurance Australia Group Ltd., the nation's biggest auto and home insurer, climbed 14 cents, or 2.6 percent, to A\$5.60.

"Often where there is smoke, there's fire," said Mark Daniels, who helps manage the equivalent of \$3.6 billion at Aberdeen Asset Management Ltd. in Sydney, including Suncorp shares. "It would give Suncorp a bit more scale."

Promina's first-half net income fell 5.7 percent to A\$216 million as competition cut prices for some policies and a cyclone increased claims. Still, Promina CEO Mike Wilkins won market share from Insurance Australia with sales of insurance to individuals rising 12.4 percent to A\$978 million in the half.

Suncorp's earnings in its second half ended June 30 rose 5 percent to A\$462 million. Banking profit increased as Suncorp lifted lending by 11 percent to A\$38.8 billion in the full year.

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