

Financial Review

MDA National members vote against Medical Insurance Group merger

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KEY POINTS

- Marriage of insurers would have created group with more than 40,000 medical practitioner members.
- MDA chairman John Trowbridge and board member Julian Rait resign.

A proposed merger between two of Australia's most prominent medical insurers, MDA National and Medical Insurance Group Australia, has collapsed after MDA members voted against the deal on Saturday.

MDA members gave the red light to the proposed marriage, which would have created a combined medical professional indemnity insurance group with more than 40,000 medical practitioner members.

About 75 per cent of more than 2900 MDA votes were tabled against the deal.

MDA boss Peter Forbes confirmed that John Trowbridge, the chairman of the company and former chair of the Australian government's Natural Disaster Insurance Review Panel, has stood down from the company board following the outcome.

Fellow board director Julian Rait has also resigned.

"They have graciously stood aside as they've both been the leaders moving [the two companies] towards the merger," he said.

Mr Forbes is due to retire at the end of the month, but has delayed his retirement following the upheaval.

The MDA boss, who addressed staff on Monday afternoon, will push back his retirement plans by three months as the company appoints an external recruitment firm to find his successor.

"I will make sure it's a seamless transition," he told *The Australian Financial Review*.

He also noted that it was too early to revisit the prospects of reviving talks of a merger in the near future.

"We need to do a retrospective analysis of the issue," Mr Forbes admitted about members' strong protest vote against the merger.

Board director Rod Moore has been appointed acting chairman for MDA, while Steve Scudamore, who was a partner at KPMG, has replaced Mr Trowbridge.

Mandy Anderson, chief executive of MIGA, said the overwhelming majority of members who voted were in favour of the merger. Sources told the Financial Review that just over 200 MIGA members had voted on the deal.

“We are incredibly disappointed,” she said about the “no” vote from MDA members.

“It’s too early to comment on the future,” she added, declining to expand on whether there could be opportunities for both companies to revisit merger discussions.

Both companies have taken the effort to go through the necessary regulatory hoops, including securing approval from the Australian Competition and Consumer Commission in August, to pursue the merger.

A combined MDA-MIGA would have controlled about 35 per cent of the medical professional indemnity insurance market.

The proposed merger had drawn criticism from some industry participants, including from the Australian Medical Association (AMA).

“We are disappointed with the campaign that was run by the AMA Western Australia against the merger, which we believe did not take into account the best interests of all of MDA National’s members across Australia.

“This has unfortunately influenced the outcome,” MIGA said in a statement.

The two boards first unveiled their merger plans in March this year to create a new entity called Medical Defence Australia.

“We see great potential for significant benefits through the merger,” MDA national chairman at the time, associate professor Mr Rait, said in March.

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