

# Insurance

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## Current market

Upward

### We are seeing

- Strategic M&A deals
- Significant consolidation as soft market and higher capital requirements are driving potential for consolidation in general/reinsurance sectors
- Intra-group reorganisations

### Key drivers

- Appetite to replicate UK back-book consolidation around Europe
- Asset availability as EU banks offload non-core assets
- Market participants searching for growth outside primary markets
- Financial sponsor interest in insurance assets
- Heightened US/China inbound interest in insurance assets
- Global Systemically Important Insurers reducing Solvency II/regulatory capital requirements by shedding capital-intensive business lines

## Trends to watch

- Solvency II and Senior Insurance Managers Regime require a full list of those in key functions to be set out in a governance map showing clear lines of reporting and organisational responsibility. This is driving intra-group reorganisations aimed at optimising regulatory capital efficiencies, in lieu of the new risk-based Solvency II requirements, and improving corporate governance structures
- Searching for growth and higher profit margins outside primary markets
- Ongoing consolidation in the life sector
- Investment in fintech



**Favourable environment for insurance M&A including ongoing consolidation in the life insurance sector**

## Our M&A forecast



Sustained levels of M&A across Europe driven by continued pressure on the Global Systemically Important Insurers to exit legacy and non-core portfolios and focus on capital redeployment to escape additional operational and regulatory burden of the 'SIFI' designation.

## Publicly reported examples

<b>Strategic M&amp;A deals</b>	<ul style="list-style-type: none"><li>□ Vienna Insurance Group's acquisition of AXA's life and savings insurance operations in Romania (April 2017)</li><li>□ Rand Merchant Investment Holdings' acquisition of 29.9 per cent of Hastings Insurance (December 2016)</li><li>□ Marsh &amp; McLennan's acquisition of Bluefin Insurance Group (November 2016)</li><li>□ Assured Guaranty's acquisition of MBIA UK Insurance (January 2017)</li></ul>
<b>Significant consolidation in general/reinsurance sectors</b>	<ul style="list-style-type: none"><li>□ Towergate's merger with Autonet, Chase Templeton Holdings, Ryan Direct Group and Price Forbes (May 2017)</li><li>□ Aviva's acquisition of the remaining 5 per cent stake in VietinBank Aviva Life Insurance from (April 2017)</li><li>□ Global Bankers Insurance Group's acquisition of NN Life Luxembourg (April 2017)</li><li>□ Allianz's acquisition of the remaining 33.5 per cent stake in Allianz-Irish Life Holdings (February 2017)</li><li>□ Phoenix Group's acquisition of Abbey Life's UK insurance business (December 2016)</li><li>□ Chesnara's acquisition of Legal &amp; General's Dutch life operations (November 2016)</li><li>□ Mirae Asset Life's acquisition of PCA Life Insurance (November 2016)</li></ul>
<b>Asset availability</b>	<ul style="list-style-type: none"><li>□ National Bank of Greece's proposed sale of Ethniki Hellenic General Insurance (June 2017)</li><li>□ Liverpool Victoria Friendly Society's proposed sale of its general insurance division (May 2017)</li><li>□ Generali's proposed sale of its divisions in Belgium, Portugal and the Netherlands (March 2017)</li></ul>
<b>Market participants searching for growth outside primary markets</b>	<ul style="list-style-type: none"><li>□ Zurich Insurance Group's acquisition of Australia's Cover-More Group (April 2017)</li><li>□ Lloyd's of London set up an Indian reinsurance branch (April 2017)</li><li>□ Cobalt Insurance received approval from Lloyd's of London to launch the first fully Shari'ah-compliant syndicate (October 2016)</li></ul>
<b>Financial sponsor interest in insurance assets</b>	<ul style="list-style-type: none"><li>□ JC Flowers' acquisition of UK General Insurance (May 2017)</li><li>□ Cinven's acquisition of Eurovita (April 2017)</li><li>□ Apollo-backed Athene is seeking insurance/reinsurance acquisition opportunities in Germany and the UK (March 2017)</li></ul>
<b>Systemically important institutions shedding capital-intensive business lines</b>	<ul style="list-style-type: none"><li>□ Aviva's sale of its interests in Unicorp Vida and Aviva Vida y Pensiones (May 2017)</li><li>□ Old Mutual's disposal of its 26 per cent interest in Kotak Mahindra Old Mutual Life Insurance to joint venture partner Kotak Mahindra Bank (April 2017)</li><li>□ Barclays' sale of its Spanish non-strategic insurance business (March 2017)</li><li>□ AIG's sale of its Latin American and CEE businesses (October 2016)</li></ul>