

# Mergers and acquisitions in life insurance

**Neil Taverner**

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# Why do companies do M&A?

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- economies of scale
- distribution
- IT
- diversification
- "big branding"
- Euro
- defence

# The stages of an acquisition



Pre-Deal  
(assessing, planning,  
forecasting value)

Deal  
(agreeing  
value)

Post-Deal  
(realising  
value)



# Strategy

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- M&A = vision - organic development
- Clarity of desired outcome essential
- Why do we want to do this deal?
- Alternatives to M&A
  - organic growth
  - niche (focused) players
  - start ups
  - partnerships





# Is M&A an essential element of strategy?

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- Doing M&As - **NO** (not necessarily)
- Thinking about them - **YES**
  - an opportunity to seize when appropriate?
  - essential element of chosen strategy?
  - a threat?



# Investigation

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- Due diligence
  - review and validate initial figures
  - accuracy and credibility of data
  - uncover "black holes"
  - assess company, systems and staff
- Valuation
  - traditional appraisal value
  - options, guarantees etc (fair value)
  - synergies, goodwill





# The UK - M&A drivers in last ten years

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- FSA (polarisation, best advice)
- Pensions mis-selling
- GAOs
- Stakeholder
- De-polarisation
  
- Foreign entrants ("top 5" syndrome)



# The UK - effects

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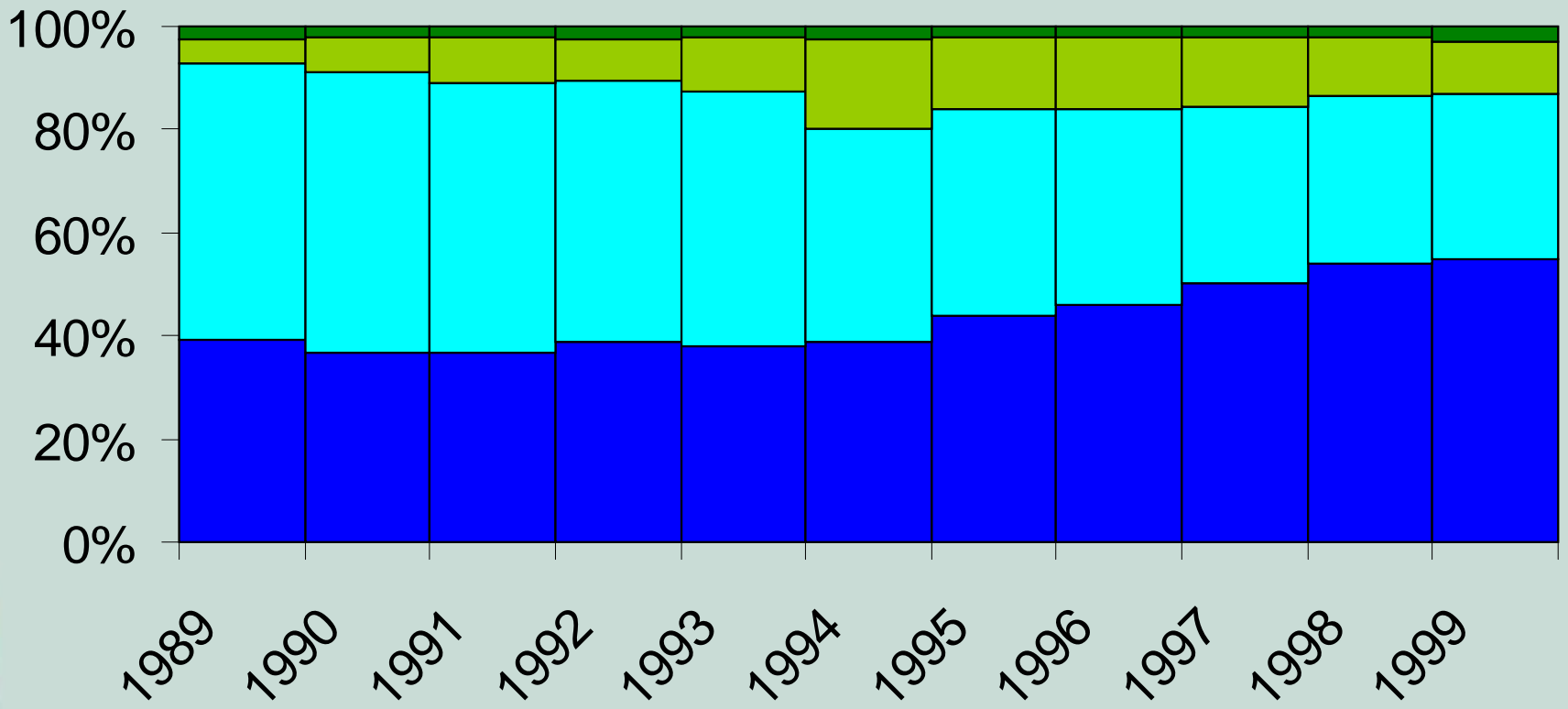


- Consolidation, demutualisation
  - only strongest financially can survive
  - expense pressure
- Distribution
  - banks started well with tied networks
  - hit by trend to independent advice

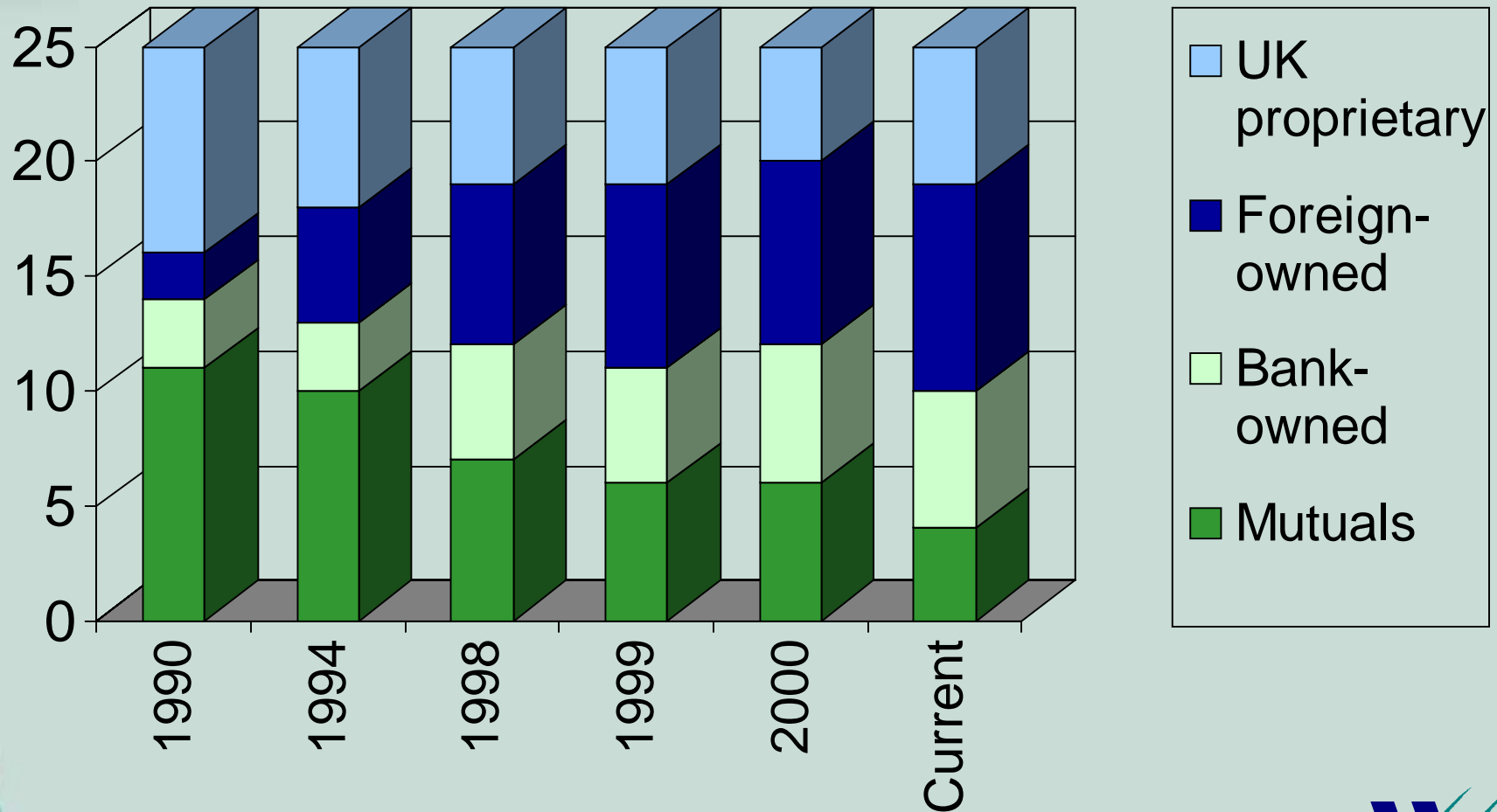




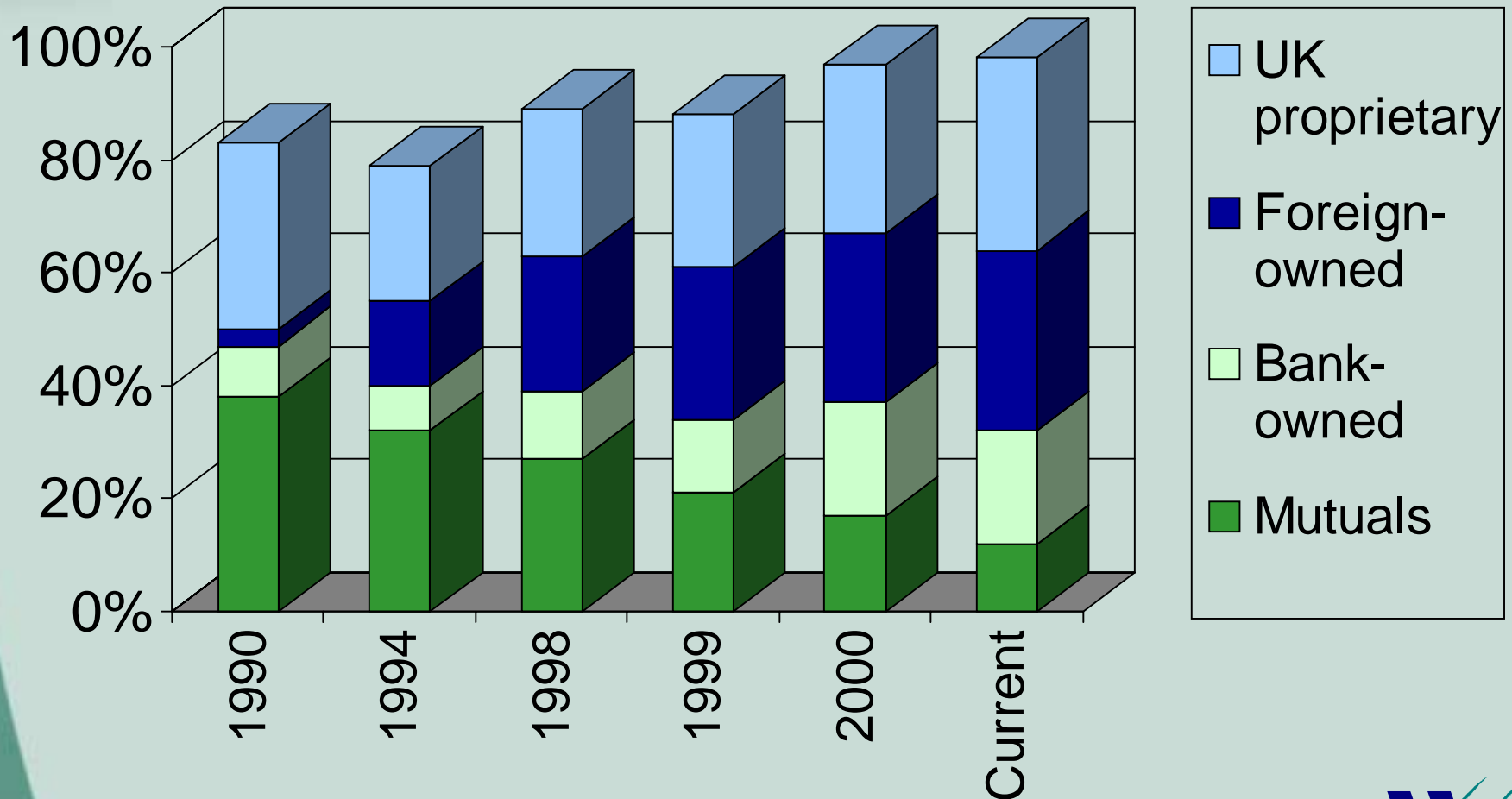
# Distribution



# The changing structure Top 25 groups by type



# The changing structure Market share of top 25 groups by type





## What next in the UK?

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- Smaller players
  - foreigners interested?
  - mergers amongst themselves?
  - vulture funds?
- Few larger independent players (possible targets?)
- Foreigners pulling out?
- More consolidation?
- Demutualisations? (not many left!)





# France

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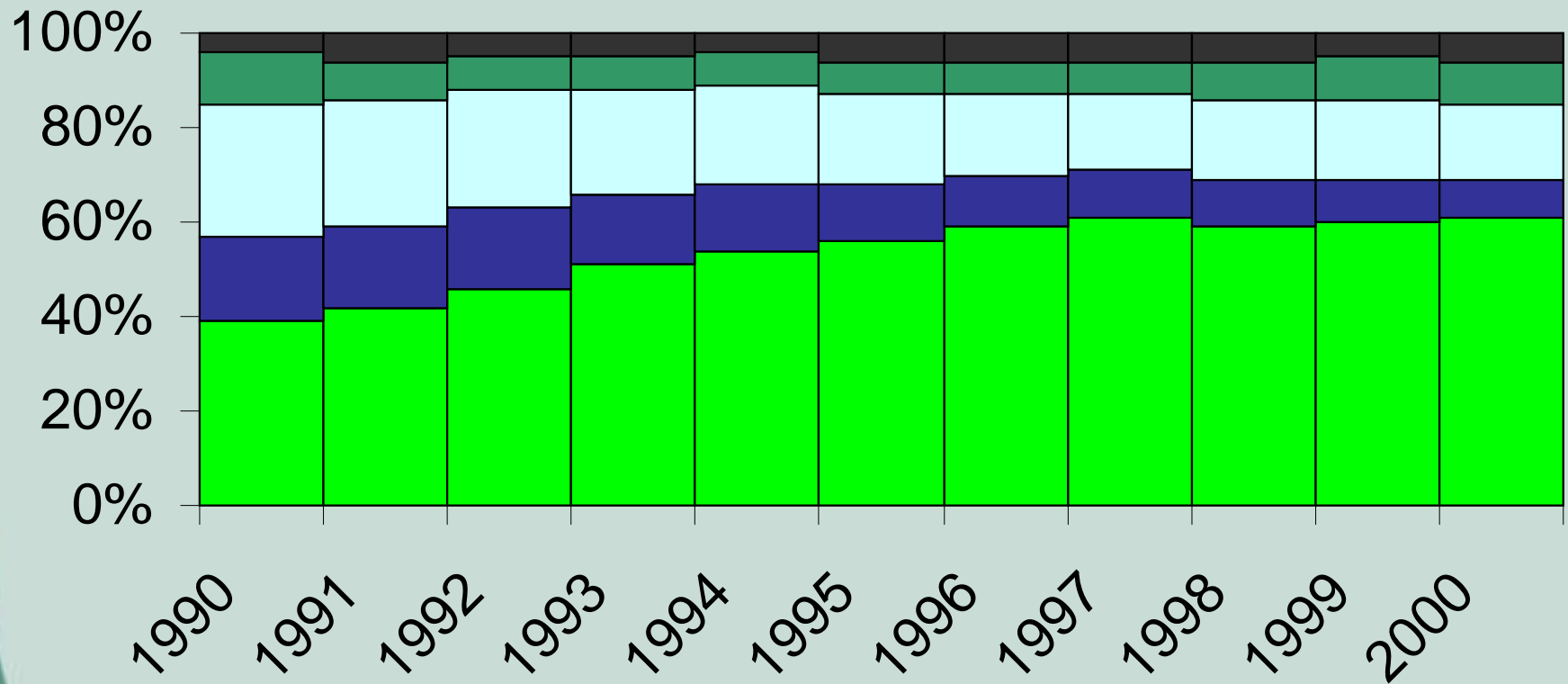
- Dominated by bancassurers
- Mostly single premium savings business
- Pension provision mostly by PAYG semi-state bodies
- Non-bank insurers often composite
- No demutualisations



# Distribution



■ Banks (\*) ■ Agents ■ Salesforces ■ Brokers ■ Direct





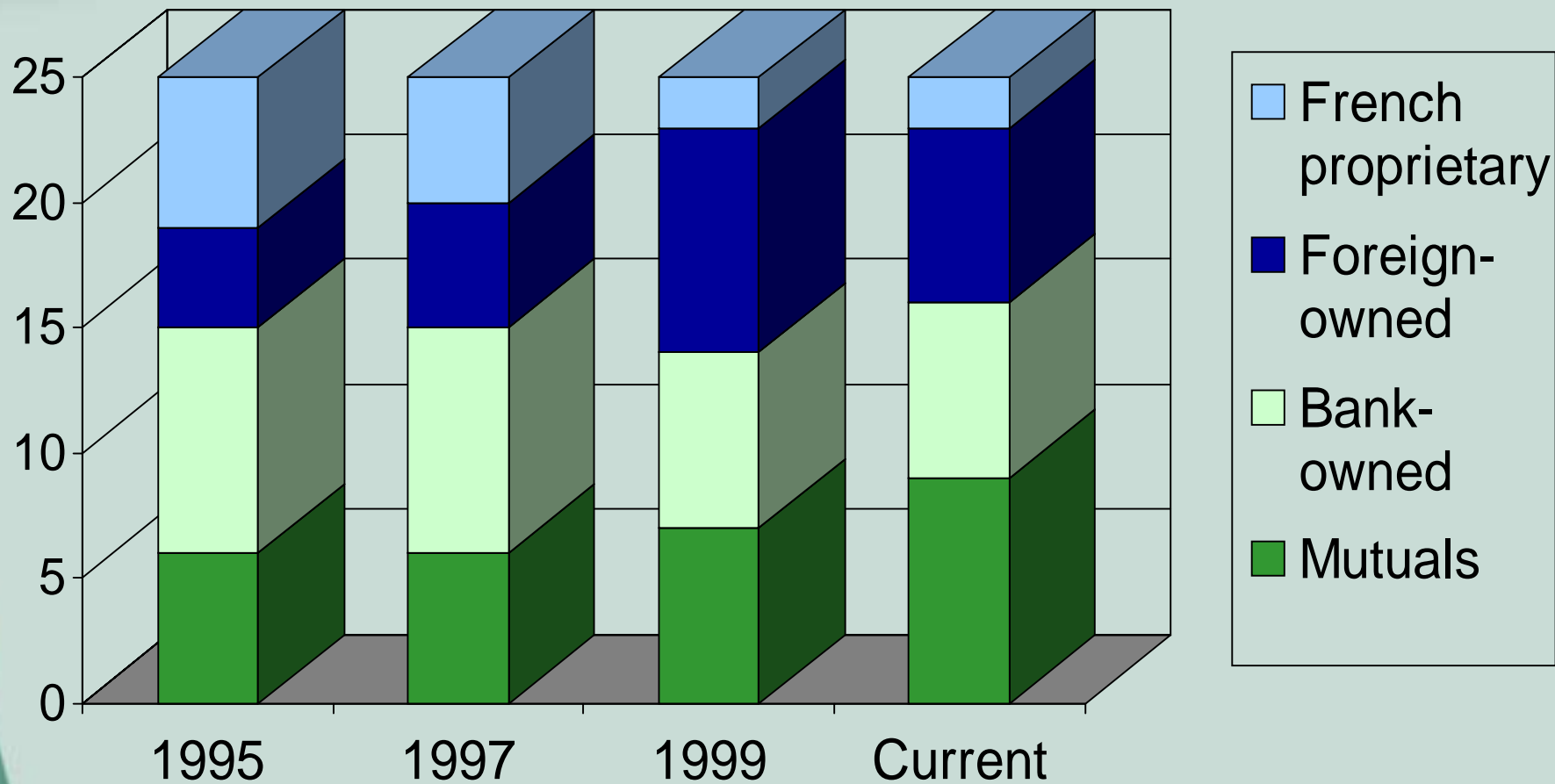
# Recent M&A activity

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- A few "mega-mergers" of domestics
- One bank consolidation
- Foreign entrants and consolidators
- Foreign leavers

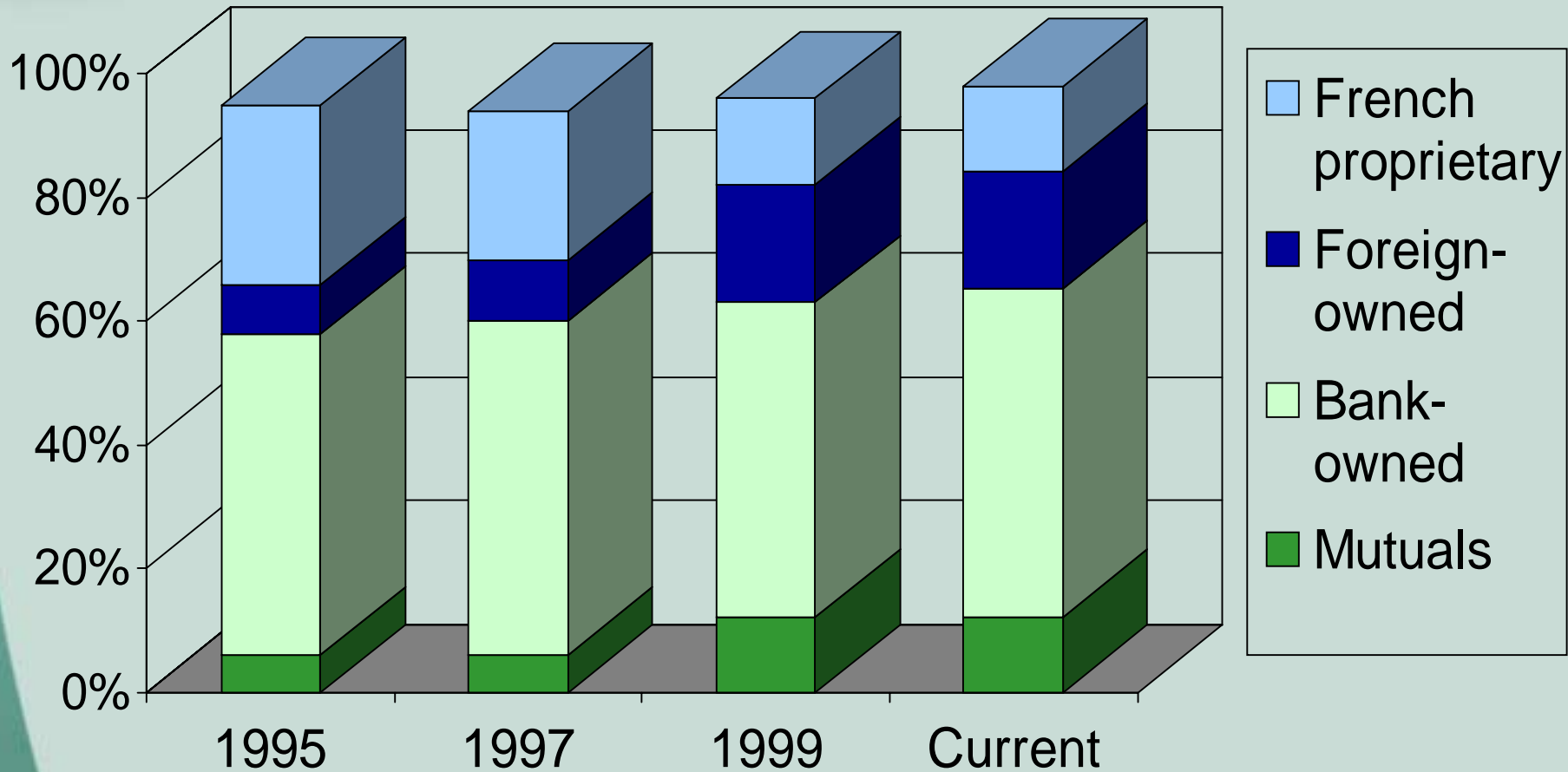


# The changing structure Top 25 groups by type





# The changing structure Market share of top 25 by type





## What next?

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- Waiting for pensions shift from PAYG
- Can banks hold on to their market share?
- Lots of small foreign-owned companies - what will they do?
- Only 2 French proprietary groups in top 25 - no targets for entry left



# Conclusions

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- Importance of strategy
- Importance of local conditions
- Every market and every M&A is different
- Diversification across markets
- Actuarial involvement at all stages of M&As

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