

**Deloitte.**



**2020 insurance M&A outlook**

Pursuing growth amid uncertainty

# Contents

<b>Overview and outlook</b>	<b>1</b>
2019 in review	1
2020 outlook	7
<b>2020 insurance M&amp;A drivers and trends</b>	<b>8</b>
Portfolio optimization	8
Improving the customer experience	8
Maturing InsurTech market	9
Integration imperative	10
Accelerating insurance innovation	11
Accounting, regulatory, and tax influences on M&A activity	11
<b>Moving forward on 2020 insurance M&amp;A opportunities</b>	<b>14</b>
<b>Appendix</b>	<b>15</b>
Spotlight: Insurance industry M&A in major global markets	15

# Overview and outlook

Projected economic, interest rate, and financial market uncertainty—along with a presidential election—are among the headwinds that may give pause to insurance companies contemplating M&A in 2020. Despite these potential challenges, companies continue to view alliances, investments, and acquisitions as attractive options when market factors make organic growth more difficult. Organizations that select targets that are accretive, synergistic, and consistent with their overall strategy should be favorably positioned to optimize 2020 M&A opportunities to boost their bottom line, broaden their product portfolio and/or geographic reach, get closer to the customer via digital technologies, and solidify their competitive positioning.

This report reviews 2019 insurance M&A activity and explores key trends and drivers for 2020 that may shape executives' M&A strategies as they pursue growth amid uncertainty. We continue to focus primarily on conditions and activity in the United States and Bermuda; however, we have included, for the second year, an appendix with snapshots of insurance M&A in other global markets.

## 2019 in review

At the beginning of 2019, we expected insurance M&A aggregate deal volume and value would benefit from the significant activity that took place in 2018.

However, that proved not to be the case in the property and casualty (P&C) sector, as evidenced by declines in deal volume, aggregate deal value, and average deal value (figure 1). In the life and health (L&H) sector, the decrease in the aggregate deal volume was not material, and the average deal value actually increased. However, these metrics were heavily influenced by the announced \$6.3 billion New York Life-Cigna transaction.<sup>1</sup> Adjusting for the influence of this transaction, the decrease in the aggregate deal value in the L&H sector would have been 79 percent, and the decrease in the aggregate deal value would have been 52 percent—both in line with the P&C sector. Regarding the number of transactions at the underwriter level, the 60 recorded deals through December 31, 2019, represented a significant (31 percent) year-over-year (YoY) decrease on 2018's 87 deals. The underwriter aggregate deal value took a steeper downward swing—it decreased 67 percent YoY, from approximately \$42.7 billion to approximately \$13.9 billion.<sup>2</sup> The M&A environment may have been influenced by the lack of alignment between buyers and sellers and hardening of P&C market rates in sectors that had struggled with profitability over the recent past, which leads companies to concentrate on organic growth. The broker segment continued its historical trend of a YoY increase in the number of deals. However, there was a significant downshift in the aggregate deal value and average deal value. This YoY comparison was influenced by the 2018 Marsh & McLennan-Jardine transaction, at \$5.6 billion.<sup>3</sup> However, adjusting for this transaction, there was still a decrease in 2019 aggregate deal value and average deal value—35 percent and 14 percent, respectively—implying that this segment's activity continues to be in the small brokerages.

**Figure 1. Insurance sector M&A activity, 2018–2019 (United States and Bermuda)**

	Number of deals			Aggregate deal value			Average deal value		
	2018	2019	YoY change	2018	2019	YoY change	2018	2019	YoY change
<b>Underwriters</b>	87	60	-31%	\$42.7b	\$13.9b	-67%	\$971m	\$695m	-28%
<b>L&amp;H</b>	26 <sup>2</sup>	22 <sup>5</sup>	-15%	\$8.6b <sup>2</sup>	\$8.1b <sup>5</sup>	-6%	\$614m <sup>2</sup>	\$1.2b <sup>5</sup>	+95%
<b>P&amp;C</b>	61 <sup>3</sup>	38 <sup>6</sup>	-38%	\$34.1b <sup>3</sup>	\$5.8b <sup>6</sup>	-83%	\$1.1b <sup>3</sup>	\$448m <sup>6</sup>	-60%
<b>Brokers</b>	594 <sup>4</sup>	611	+3%	\$8.1b <sup>4</sup>	\$1.7b	-79%	\$245m <sup>4</sup>	\$69m	-72%
<b>Total</b>	681	671	-1%	\$50.8b	\$15.6b	-69%			

Source: Deloitte analysis utilizing SNL Financial M&A database.

1. 2018 and 2019 represent full calendar year 2018 and 2019, respectively.

2. Includes Lincoln/Liberty Life Assurance (\$3.3b); Resolution Life (Parent in UK)/AMP Limited Australia (\$2.3b); Western & Southern/Gerber (\$1.5b).

3. Includes transactions: AIG/Validus (\$5.5b), Apollo/Aspen (\$2.6b); Bain/Esure(\$1.2b), and Hartford/Navigators (\$2.2b).

4. Includes Marsh & McLennan/Jardine (\$5.5b); Brown & Brown/Hays (\$740m).

5. Includes New York Life/Cigna (\$6.3b) and Resolution Life/individual life business and other closed blocks from Voya (\$1.1b).

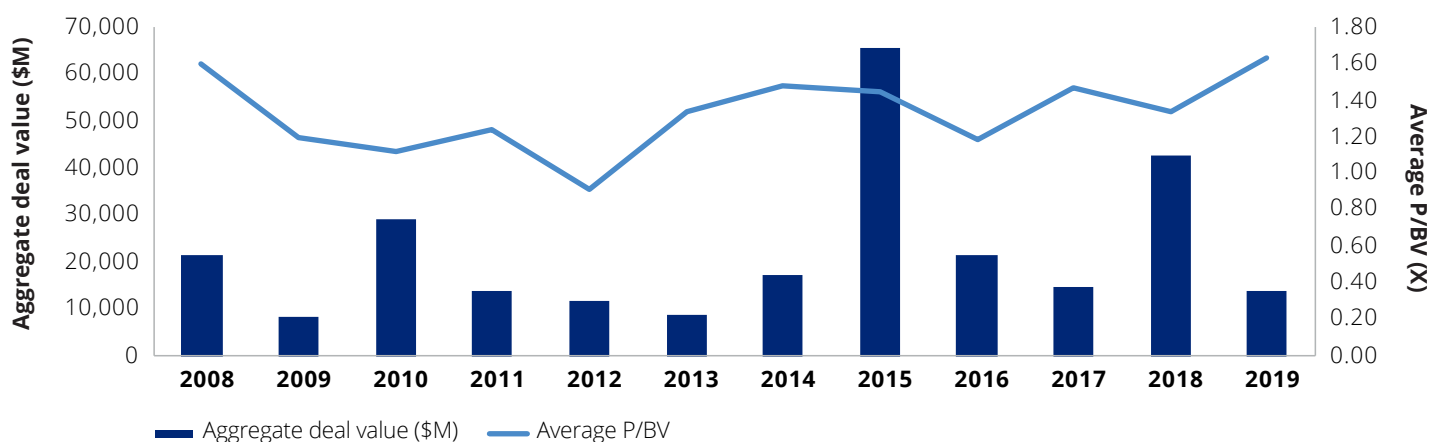
6. Includes Tokio Marine/Privilege Underwriters (\$3.1b) and AmFam/IDS (\$1.05b).

## Insurance underwriters

As summarized, the number of underwriter deals through December 31, 2019, decreased significantly—31 percent—from the same period in 2018. This represents the lowest M&A activity in the past 12 years. In addition, as figure 2 illustrates, 2019 aggregate deal value was also the lowest since 2013, with the average price-book-value (P/BV) multiple showing significant increase; however, only three

of the 60 2019 transactions reported P/BV multiples, so we do not think a conclusion can be drawn from the metric. 2019 also saw a decline in large deals in the underwriting space: Two transactions with value in excess of \$2 billion were announced, compared with six in the same period in 2018 and zero in the same period in 2017.

**Figure 2. M&A trends for insurance underwriters**  
Price-book-value (P/BV) multiples



Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Number of deals</b>	95	83	107	99	98	88	82	79	97	84	87	60
<b>Size of deals (\$M)</b>												
<b>Low</b>	1.3	0.0	0.3	0.5	0.1	0.13	1.3	0.3	0.3	0.0	0.3	5.27
<b>High</b>	6,225.0	1,900.0	15,545.1	3,534.6	3,100.2	1,125.0	5,579.6	28,240.3	6,303.8	1,906.2	15,388.0	6,300.0
<b>Average</b>	288.9	162.0	395.6	222.5	195.5	136.4	277.3	1,317.4	379.8	421.6	971.1	694.7
<b>Observed P/BV deal multiples</b>												
<b>Low</b>	0.48x	0.77x	0.55x	0.54x	0.31x	0.68x	0.14x	0.10x	0.18x	0.64x	0.39x	0.87x
<b>High</b>	2.81x	2.98x	1.70x	5.81x	5.99x	4.11x	2.83x	2.53x	4.97x	2.88x	4.07x	2.87x
<b>Average</b>	1.60x	1.20x	1.12x	1.24x	0.91x	1.34x	1.48x	1.45x	1.19x	1.47x	1.34x	1.63x
<b>Median</b>	1.59x	0.89x	1.06x	1.01x	0.81x	1.55x	1.39x	1.26x	1.14x	1.28x	1.50x	1.15x

Source: SNL Financial.

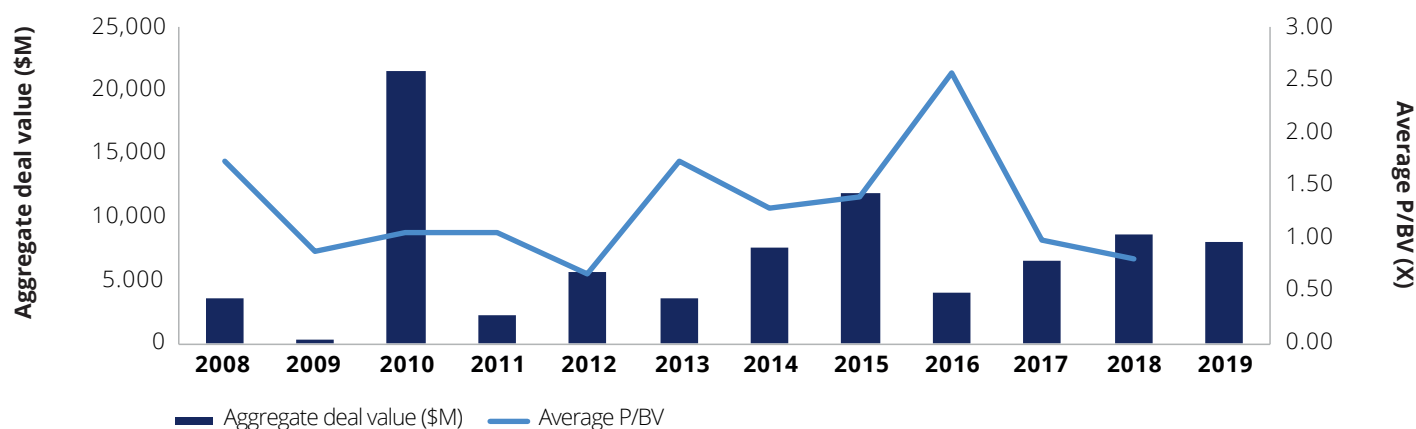
- Transactions represent US and Bermuda companies making acquisitions on a global basis and international buyers making acquisitions in United States and Bermuda. Insurance underwriters include P&C, L&H, multiline, title, mortgage guaranty, and finance guaranty sectors covered by SNL Financial.
- Transactions grouped by the year they were announced.
- Deal multiples represent closed multiples, unless the transaction is still pending close.
- Outliers have been removed from the average deal multiples. Outliers include all deals with a P/BV multiple smaller than 0.5x or greater than 3.0x.
- Analysis as of 12/31/2019.
- SNL has noted that some numbers may not reconcile to prior years, as there may be a lag between deal public announcement and disclosure.

## Life and health

Life and health (L&H) M&A deal volume through December 31, 2019, fell by 15 percent compared with 2018. In 2019, there were two announced deals that were in excess of \$1 billion—the aforementioned New York Life-Cigna transaction and Resolution Life-Voya (\$1.1 billion)<sup>4</sup>—compared with three in 2018. As stated above, the L&H metrics presented herein were overly influenced by the New York Life-Cigna transaction; normalizing for this deal would present a downward trend compared with 2018. Assessing the transactional details for the influence of financial buyers, the data indicate that there were two deals backed by financial buyers compared with three in 2018.

The big news in the L&H subsector was increased interest in group insurance. Dealmaking was primarily seller-driven, with several companies looking to shed noncore assets, “skinny down” their balance sheet, and focus on other lines of business. Group insurance businesses are attractive acquisition targets, in part because they generate much-needed premium income. In addition, they are relatively few in number, so when one comes up for sale, it generates a lot of marketplace interest—good news for sellers in the form of higher valuations and sale prices.

**Figure 3. M&A trends for life and health**  
Price-book-value (P/BV) multiples



Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Number of deals</b>	25	21	28	27	30	25	17	28	27	31	26	22
<b>Size of deals (\$M)</b>												
<b>Low</b>	1.3	0.5	0.3	0.5	0.1	0.1	3.0	1.5	6.8	0.0	0.33	18.5
<b>High</b>	2,400.0	126.5	15,545.1	917.3	1,550.0	1,056.0	5,579.6	5,001.9	2,750.8	1,835.2	3,269.0	6,300.0
<b>Average</b>	188.8	28.7	1,026.2	122.3	299.6	204.6	544.5	698.8	290.7	505.3	614.0	1,153.5
<b>Observed P/BV deal multiples</b>												
<b>Low</b>	1.21x	0.88x	1.06x	0.54x	0.31x	1.73x	1.29x	0.10x	0.18x	0.64x	0.39x	NA
<b>High</b>	2.28x	0.88x	1.06x	5.81x	5.99x	1.73x	1.29x	2.17x	4.97x	1.28x	1.21x	NA
<b>Average</b>	1.73x	0.88x	1.06x	1.05x	0.67x	1.73x	1.29x	1.40x	2.58x	0.99x	0.80x	NA
<b>Median</b>	1.71x	0.88x	1.06x	0.94x	0.67x	1.73x	1.29x	1.13x	2.58x	0.96x	0.80x	NA

Source: SNL Financial.

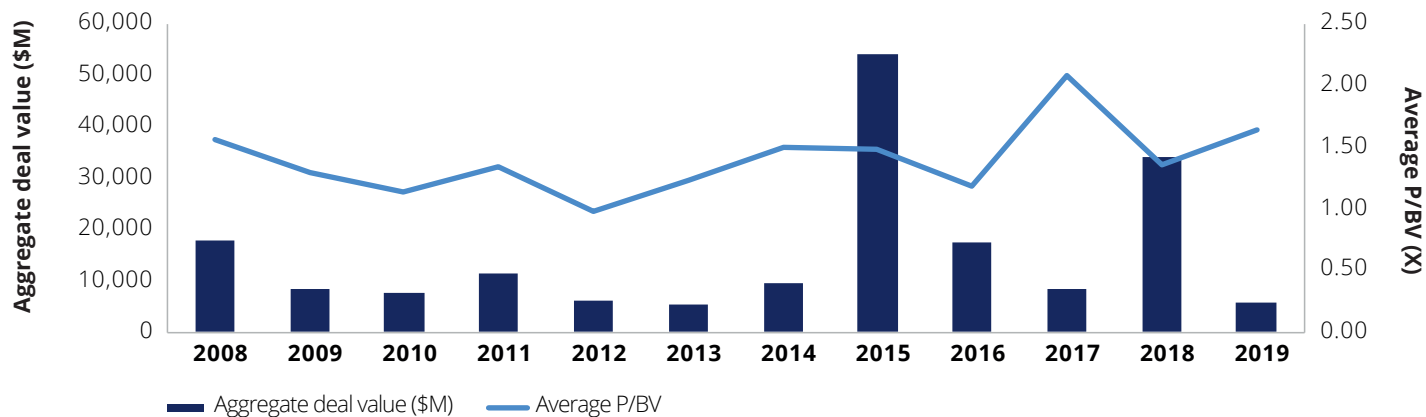
- Transactions represent US and Bermuda companies making acquisitions on a global basis and international buyers making acquisitions in United States and Bermuda.
- Transactions grouped by the year they were announced.
- Deal multiples represent closed multiples, unless the transaction is still pending close.
- For years 2009, 2010, 2013, and 2014 there is only one deal with data, respectively.
- Outliers have been removed from the average deal multiples. Outliers include all deals with a P/BV multiple smaller than 0.5x or greater than 3.0x., except in 2016.
- Analysis as of 12/31/2019.
- SNL has noted that some numbers may not reconcile to prior years as there may be a lag between deal public announcement and disclosure.

## Property and casualty

2019 P&C M&A deal volume decreased considerably from 2018—down 38 percent. Aggregate deal value decreased a dramatic 83 percent, the second-lowest point within the time period assessed (2013 was the lowest) (figure 4). This was driven by, among other factors, rate firming in the P&C sector, which has led companies to concentrate on organic growth, negatively affecting M&A. Additionally, industry leaders have noted that there was a lack of alignment between sellers and buyers in 2019, as the sellers expected to receive deal premiums based on 2018 experience, when the organic growth opportunities were low. There was a sharp decrease in deals above \$1 billion, with only two announced in 2019, compared with eight in the same period of 2018.

Among the year's notable deals, Tokio Marine Holdings agreed to buy US high-net-worth insurer Privilege Underwriters and its specialty insurance subsidiaries, known as Pure Group, for \$3.1 billion. The deal will allow Tokio to further expand and diversify its international business.<sup>5</sup> American Family Insurance acquired Ameriprise Auto & Home for \$1.1 billion. The business unit of Ameriprise Financial offers auto, homeowners, renters, umbrella, and some specialty lines policies.<sup>6</sup>

**Figure 4. M&A trends for property and casualty**  
Price-book-value (P/BV) multiples



Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Number of deals</b>	70	62	79	72	68	63	65	51	70	53	61	38
<b>Size of deals (\$M)</b>												
Low	1.8	0.0	1.2	0.5	0.80	0.4	1.3	0.3	0.3	1.4	1.8	5.3
High	6,225.0	1,900.0	1,318.5	3,534.6	3,100.2	1,125.0	1,671.3	28,240.3	6,303.8	1,906.2	15,388.0	3,100.0
Average	323.5	196.9	145.7	266.8	148.5	110.3	199.4	1,636.1	408.8	372.2	1,137.8	447.6
<b>Observed P/BV deal multiples</b>												
Low	0.48x	0.77x	0.55x	0.73x	0.57x	0.68x	0.14x	0.99x	0.21x	1.50x	0.50x	0.87
High	2.81x	2.98x	1.70x	2.69x	1.52x	4.11x	2.83x	2.53x	1.45x	2.88x	4.07x	2.87
Average	1.56x	1.30x	1.13x	1.34x	0.97x	1.24x	1.50x	1.48x	1.19x	2.08x	1.35x	1.63
Median	1.51x	0.99x	1.06x	1.16x	0.90x	1.38x	1.43x	1.29x	1.14x	1.97x	1.53x	1.15

Source: SNL Financial.

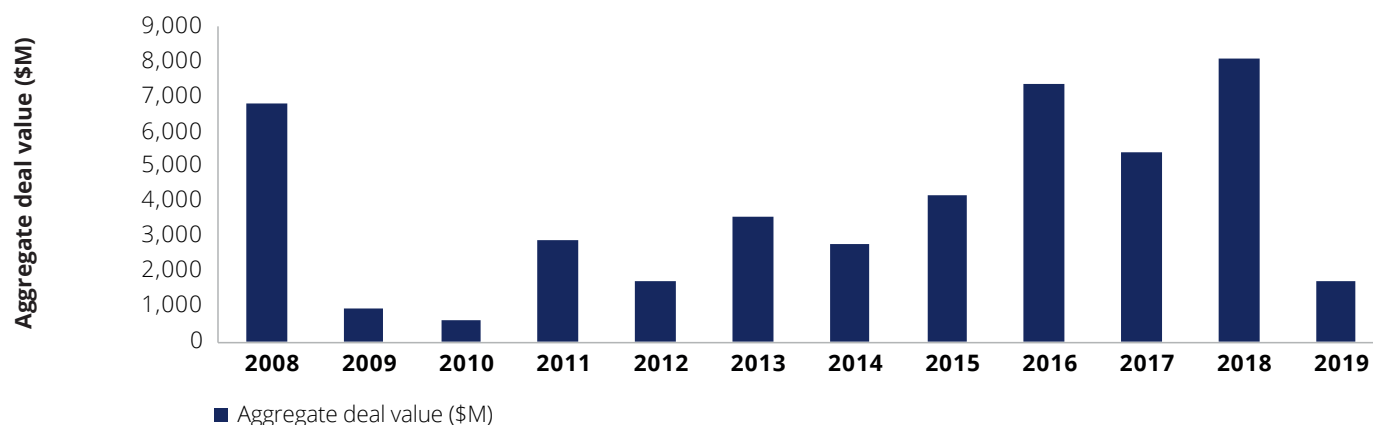
- Transactions represent US and Bermuda companies making acquisitions on a global basis and international buyers making acquisitions in United States and Bermuda. Property and casualty include P&C, multiline, title, mortgage guaranty, and finance guaranty sectors covered by SNL Financial.
- Transactions grouped by the year they were announced.
- Deal multiples represent closed multiples, unless the transaction is still pending close.
- Outliers have been removed from the average deal multiples. Outliers include all deals with a P/BV multiple smaller than 0.5x or greater than 3.0x.
- Analysis as of 12/31/2019.
- SNL has noted that some numbers may not reconcile to prior years, as there may be a lag between deal public announcement and disclosure.

## Insurance brokers

2019 broker deal volume achieved another milestone in 2019: With 611 announced transactions, compared with 594 the year prior (figure 5), 2019 posted the most active insurance broker M&A activity ever in terms of number of deals.<sup>7</sup> Aggregate 2019 deal value decreased by 79 percent from the previous year (figure 5), as 2018 aggregate deal value was significantly affected by the Marsh & McLennan-Jardine transaction.

In one sizable 2019 broker transaction, global investment firm The Carlyle Group acquired a majority interest of The Hilb Group, a portfolio company of Abry Partners, a Boston-based private equity (PE) firm.<sup>8</sup> The broker subsector rarely lacks buyer interest—PE firms are attracted to it because acquisitions are easy to bolt on, scale, and sell in a few years, and the pipeline shows no indication of drying up in 2020. This is evidenced by the number of transactions that included buyers who were backed by financial sponsors—approximately 80 percent.

**Figure 5. M&A trends for insurance brokers**  
Aggregate deal value



Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Number of deals</b>	293	183	240	304	344	239	351	492	457	537	594	611

Source: SNL Financial.

- Transactions represent US and Bermuda companies making acquisitions on a global basis and international buyers making acquisitions in United States and Bermuda.
- Transactions grouped by the year they were announced.
- Analysis as of 12/31/2019.
- SNL has noted that some numbers may not reconcile to prior years as there may be a lag between deal public announcement and disclosure.

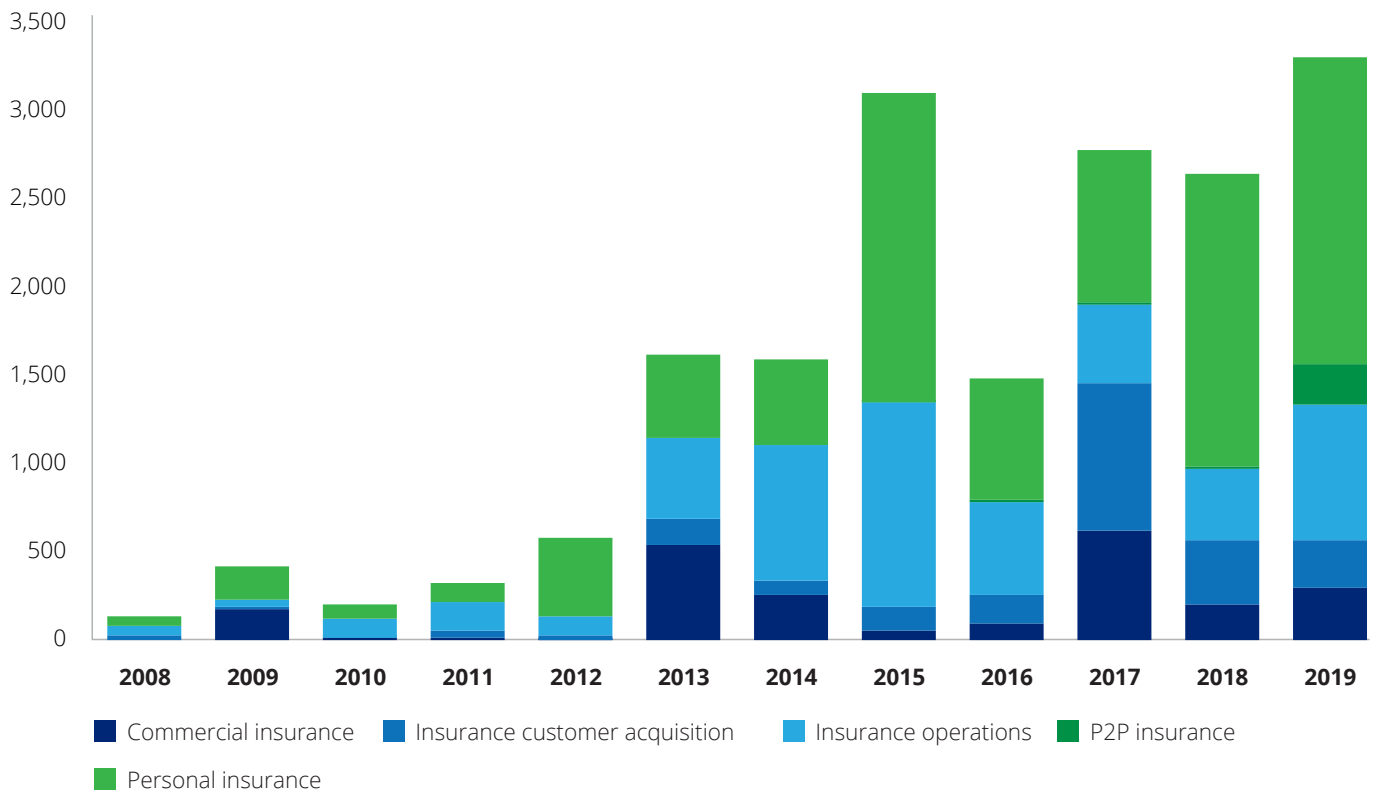
## InsurTech

2019 was a record year for InsurTech investments. Although launches of new entities appear to have reached the saturation point after a decade of experimentation,<sup>9</sup> funding remains robust as investors target later-stage financing to support those that have advanced beyond ideation to execution.<sup>10</sup> Global investment in InsurTechs continued to surge through the first three quarters of 2019, setting a record of \$3.26 billion with a full quarter still to go (figure 6).<sup>11</sup> Insurers themselves only accounted for one out of four dollars invested in InsurTechs this year—the majority of investments continue to come from parties outside the industry, such as venture capital funds.<sup>12</sup>

We predicted last year that carriers would start acquiring InsurTechs to accelerate investments in capabilities, distribution, and diversification. We saw two major deals in the latter part of 2019

that could be the tipping point. One was Prudential Insurance's acquisition of online insurance startup Assurance IQ for \$2.35 billion.<sup>13</sup> Assurance uses data science and machine learning to speed up the application process and sells various policies from more than 20 providers. Its acquisition will add a new earning stream to Prudential that is not sensitive to equity markets, interest rates, and credit. Shares of Prudential rose three percent in morning trade on news of the deal.<sup>14</sup> The second was Aon's announced acquisition of CoverWallet for close to \$300 million, which provides Aon with additional access to what it sees as a fast-growing, \$200+ billion premium global digital insurance market for small and medium-sized businesses.<sup>15,16</sup> We also saw more mature InsurTech startups pivoting to a roll-up strategy, as evidenced by Hippo's acquisition of Sheltr, expanding the personal property carrier's capabilities. We expect these trends to continue in 2020 as the market matures and more InsurTech startups reach a stage where carriers can more readily leverage their capabilities.

**Figure 6. Financing for InsurTechs hit highest level in 2019**  
**Personal lines continues to draw the most significant share of investment dollars**  
 InsurTech funding by category/investment year



Source: Data provided by Venture Scanner, with analysis by Deloitte Center for Financial Services.



## 2020 outlook

How might continuing economic uncertainty affect insurance companies' growth strategies in 2020 and, by extension, industry M&A activity? We see many responses falling into one or a combination of three camps: save to grow, spend to grow, and shrink to grow. Some companies' leaders will look inward and save to grow: How do we tighten our operational belt to be more efficient, given that market volatility may limit our organic growth prospects? Other companies' leaders may look outward and spend to grow: How and where can we obtain new, inorganic sources of revenue? Finally, some companies may divest underperforming assets and/or exit certain markets to clean up their balance sheets and use deal proceeds to acquire assets that better support their future strategic direction.

Strategic M&A can support all of these approaches. A save-to-grow or shrink-to-grow management team may consider divesting noncore assets to restructure the company's operating model and/or product portfolio, deploying some of the resulting saved capital into growth opportunities, including alliances and acquisitions. Spend-to-grow executives may make plans and allocate capital for opportunistic acquisitions of new products, services, or InsurTech capabilities. In either scenario, potential buyers are more likely to transact numerous, smaller deals to address specific customer friction points than apply a majority of their resources against one large, cure-all deal.

We expect that 2020 insurance M&A volume and value levels may be similar to those of 2019, especially if the projected economic downturn gets pushed further out or the political landscape stabilizes in the second half of the year. Opportunities exist, even amid uncertainty. We are seeing commercial line firms shift away

from holding both L&H and P&C assets to just P&C, which are more diversified and less capital-intensive. The broker subsector remains fragmented and will likely attract the interest of PE firms seeking to acquire fee-based, capital-light businesses. Buying closed blocks of life and health insurance should remain a focus for global reinsurance firms and other investors. Meanwhile, the Bermuda reinsurance base should continue to consolidate on the backs of soft pricing and reduced US tax benefits. Insurance companies in Europe and Asia are still looking to the United States for opportunities to expand their global footprint. And insurers and PE firms are still investing in InsurTech startups and more mature entities, sometimes with the intention of buying those that can demonstrate a track record of successful growth.

Each year presents unique challenges to transacting insurance M&A, and 2020 is no exception. In addition to keeping a watchful eye on the economic landscape, company executives should consider how to respond to the following trends as they move forward with their strategic growth plans:

- Portfolio optimization
- Improving the customer experience
- Maturing InsurTech market
- Integration imperative
- Accelerating insurance innovation
- Regulatory and tax influences on M&A activity



# 2020 insurance M&A drivers and trends

## Portfolio optimization

In the current prolonged, lower-interest-rate environment across Western economies, it is more difficult for insurance companies to make money out of their investment portfolios; instead, they have to figure out ways to make more out of underwriting. Policy terms and conditions are becoming stricter, and policy costs are going up to maintain profitability. Companies are also assessing their product and service portfolio to determine what's core and what's not, what's performing well and what's not, and whether their investments are working hard and delivering value as expected.

The traditional approach of selling protective products will not be enough for the insurer of the future. Growth will more likely come from new service-based models, innovative products, and a greater focus on prevention. According to Deloitte's survey of insurance executives, 35 percent of insurers generate more than 30 percent of business from service-based offerings versus product-based. In three years, this will rise to 61 percent.<sup>17</sup> Respondents also expect that by 2024, 33 percent of premium volume will come from brand-new propositions.<sup>18</sup> Some insurance companies' existing portfolios may lack the capabilities and assets needed to pivot smoothly from a product to a service focus.

Forward-thinking organizations are using M&A to reset, reorganize, and optimize their portfolios to strengthen their future competitive positioning. They are acquiring assets and forming alliances to diversify their product and customer base, expand their market footprint, and gain scale. Some are making smaller deals to acquire books of business or underwriting teams to bolster their underwriting capabilities. Others are investing in InsurTechs to accelerate a desired product's speed to market or rolling up complementary InsurTech capabilities to solve more holistic challenges along the customer value chain. Chasing growth in high-margin niche markets or specialty insurance is another popular path to growth. Finally, certain companies are shrinking their current portfolio by divesting noncore businesses and using the freed-up capital in more strategic M&A plays.

Competition for the right assets at the right price can be challenging, especially with both corporate and PE buyers in the mix. Being prepared to quickly act on an opportunity is essential. Also important is understanding that perfect assets don't exist. However, a transaction can be engineered to make its assets more appealing; for example, by teaming with others so they take some of the less strategic parts or by buying assets and letting the seller continue to manage them.

## Improving the customer experience

Consumers' expectations are shifting as they apply their experiences with other sectors—particularly online retail—to insurance.<sup>19</sup> According to a recent Deloitte UK and Financial Times Remark survey of 200 senior insurance executives:

- 62 percent believe that consumers regard the noninsurance products as the most important factor when choosing an insurer
- 57 percent believe that access to friendly and knowledgeable staff for assistance is the most effective way to maintain customer loyalty
- 45 percent believe that rapidly evolving customer needs and expectations will be the top challenge in this period<sup>20</sup>

In an age of immediacy, constant change, and overwhelming choice, traditional insurance companies have to figure out how to offer products and services that are relevant to customers at a time when they need them—to create a more desirable customer experience that drives up the frequency and quality of each interaction. The technology exists to help them do this, as evidenced by many noninsurance examples and emerging InsurTech offerings, but insurance lags its financial services counterparts in digital adoption.

A common industry approach to improve the customer experience is investing in digital capabilities that shorten insurance policy sales and service processes by moving them online. This is relatively easy to do with a simple product—automotive or home insurance, for example; however, selling and servicing a more complicated offering, such as a life policy or annuity, generally requires agents with specialized knowledge—supported by sophisticated technology and analytics—to identify what the customer needs, explain product options, and make an optimal match.

Realizing that they cannot rely on internal innovation alone to develop their customer engagement solutions, increasing numbers of insurance companies are turning to M&A. Some large players are beginning to acquire managing general agents or managing general underwriters (MGAs/MGUs) with complementary capabilities to help them get closer to the customer and create an improved, end-to-end experience. Others are forging alliances with customer service startups and InsurTechs to access, for example, new distribution channels using digital platforms.

## Maturing InsurTech market

InsurTechs are quickly becoming part of the insurance industry's overall innovation ecosystem, rather than being outliers.<sup>21</sup> They provide two broad sets of capabilities: enabling solutions that help solve issues and pain points that carriers have (such as distribution, new business acquisition, and customer self-service capabilities) and disruptive solutions that are said to perform traditional insurance functions better than incumbents. Among InsurTechs providing the latter are Hippo Insurance, which offers a homeowners policy quote in 60 seconds via its website, along with a complementary smart home monitoring system, a corresponding premium discount, and a "dedicated claims concierge."<sup>22</sup> Lemonade, another US-based homeowners and renters InsurTech carrier, offers quotes in 90 seconds and processes claims in three minutes while devoting a portion of profits to policyholders' charitable causes.<sup>23</sup>

For those InsurTechs that have advanced beyond ideation to execution, funding is still brisk—Hippo recently reached unicorn status by topping \$1 billion in valuation with its latest funding round<sup>24</sup>—although investments are less in new companies than in later rounds. Yet despite funding infusions and rapid early growth, InsurTechs have not yet gained a meaningful share of the market in terms of direct premiums written (less than 0.2 percent of the addressable spent). However, lessons learned around customer acquisition—as well as the speeds at which InsurTechs are operating—will be crucial in the next decade.

Meanwhile, insurance companies looking to both streamline legacy processes and introduce disruptive innovations that might differentiate them in an increasingly customer-centric economy should consider collaborating with or even acquiring InsurTechs—rather than treating them as just a new type of vendor—so they may feed off the startups' entrepreneurial culture and technical prowess. InsurTechs may benefit as well by taking advantage of established industry players' market expertise, capital, and brand recognition.<sup>25</sup>

One area where insurers might up their InsurTech game is in commercial insurance. There are likely to be opportunities to apply what's been learned in the personal lines space in product development, underwriting, pricing, distribution, and claims to the commercial segment—particularly in the small business market, where commoditization and the potential for self-service are presenting similar challenges for insurers.<sup>26</sup> Another likely growth area is InsurTech to support life insurance and annuity sales and service. While P&C applications have netted nearly all the InsurTech investment dollars thus far, that appears to be shifting, as L&A-focused InsurTechs drew nearly \$188 million of capital in 2018, or 7.2 percent of the total invested.<sup>27</sup>



## Integration imperative

Most insurance companies remain committed to pursuing M&A as a path to growth—72 percent of Deloitte and Financial Times Remark survey respondents agree that 50 percent or more growth in the insurance industry over the next five years will be the result of M&A.<sup>28</sup> However, they are less convinced of the benefits they have achieved from past transactions. Just 26 percent said their organization was very effective at integrating the target in their last deal, and only 33 percent said it had been very effective at generating profitable business growth.<sup>29</sup>

These responses suggest that insurance companies seeking maximum value from M&A should place increased emphasis on post-deal integration. Poorly integrated businesses fail to achieve expected synergies and may be responsible, in part, for many insurers' fruitless attempts to keep up with more nimble competitors. In addition, a narrow focus on integrating already-outdated business models without taking the opportunity to create a future-proof combined organization is likely to be hampering efforts to generate sustainable profitable growth from their acquisitions.<sup>30</sup>

When evaluating targets and their accretive potential, buyers should widen their lens beyond financial diligence to include downstream integration implications. What type of acquisition is it: tuck-in, bolt-on, like-for-like, or an asset to anchor a new enterprise? Will the acquisition be absorbed into the larger organization or left alone to run itself? What organizational and operating model changes may be needed to accommodate new people, processes, and technologies? How can the newly combined company retain top talent and develop and maintain a culture conducive to growth?

Not all acquirers develop their integration strategy blueprint for the combined organization during the pre-deal phase, yet they typically incorporate a synergy case to underpin higher valuations. The synergy case should be backed by a target operating model and an estimate of the time and activities required to deliver the synergies, as well as the cost to achieve them.

Just because an M&A transaction has been consummated doesn't mean its participants have crossed the finish line. Another important one—maximizing synergies and deal value—still lies ahead. Some of the biggest challenges stem from achieving pricing and distribution benefits while retaining clients, migrating technology and data to simplify the technology environment, and de-duplicating support function costs.

Four steps can provide a solid foundation for post-deal integration:

- **Look beyond deal completion** and focus on value-creating outcomes. Choosing and negotiating with the right target, which is where many companies place their efforts, is only the start of what needs to be a comprehensive, end-to-end M&A process.
- **Define the integration strategy**, synergy case, and high-level blueprint before the deal is signed. This enables detailed planning to start immediately thereafter, often with involvement from the counterparty. The goal is to be delivering the integration and its associated benefits from day one.
- **Dedicate the best resources** to post-deal implementation. Empowering leaders to deliver the integration is critical so that the desired outcomes are achieved quickly and efficiently.
- **Leverage the integration opportunity** as a platform for wider operating model transformation. Executing M&A can be a catalyst for the organizational advancement necessary to win in the fast-changing insurance market.<sup>31</sup>

Increasingly, new technologies are facilitating faster approaches to integration and benefits delivery. Innovative acquirers are using transactions as an opportunity to transform their businesses to new operating models that did not exist in either organization prior to completion.



## Accelerating insurance innovation

Lack of innovation is perhaps one reason why US life insurers have generally been struggling to grow. Most focus on enhancing legacy systems and products versus developing disruptive, differentiating innovations. When Deloitte spoke with insurance carriers, InsurTech facilitators, and rating agencies about insurance industry innovation, most estimated that no more than 10 percent of innovation resources are going toward fundamentally changing how insurers do business, versus 90 percent to keep them running as they always have—only hopefully better, faster, and cheaper.<sup>32</sup> To spur sustainable growth, companies should consider a better balance between status quo improvements and bigger-picture investments, with longer-term efforts dedicated to creating new products, services, and customer experiences that can accommodate rising expectations for customization, flexibility, and convenience.<sup>33</sup>

Most transformative innovation is taking place and being financed outside the industry, thanks in large part to the InsurTech boom of the past decade.<sup>34</sup> To help accelerate innovation, insurance companies should start dealing with InsurTech startups more as an ecosystem of codevelopers and partners, rather than competitors or vendors with a point solution. These startups are more likely to exhibit the technological expertise, entrepreneurial spirit, and out-of-the-box thinking many insurers may lack.

Insurer-InsurTech partnering is not a new concept; in fact, it has been happening for quite a while. The problem is that most collaborations to date have focused on innovating around the edges or adjacencies—on making incremental upgrades and value-chain-specific tweaks—rather than working in tandem to reinvent insurance for the long term.<sup>35</sup> To jump-start the kind of differentiating innovation likely to be required to remain relevant, competitive, and profitable in a rapidly changing industry, insurers should create a business architecture that facilitates greater collaboration; manage innovation expectations and incentivize internal and external experimentation with measurable goals, benchmarks, and rewards; learn fast and shift gears quickly (something that startups tend to be better at than large, monolithic insurance companies); and look beyond technology to transform other essential innovation components, especially talent.<sup>36</sup>

## Accounting, regulatory, and tax influences on M&A activity

The pro-business regulatory and tax environment that has supported insurance industry M&A in 2019 should extend into the new year; however, building macro-uncertainty around global economic conditions and the US presidential election may temper some companies' enthusiasm for dealmaking, especially during the second half of the year.

### Accounting developments

The Financial Accounting Standards Board's (FASB) release of Accounting Standards Update (ASU) 2018-12, an update to improve financial reporting for insurers issuing long-duration contracts (such as life insurance, disability income, long-term care, or annuities) will change how insurers measure, recognize, and disclose insurance liabilities and deferred acquisition costs. It is expected also to improve transparency about how long-duration contract assumptions change over time, especially since some may remain in force for several decades.<sup>37</sup> To comply with the standards for large public companies with fiscal years beginning after December 15, 2021, and for entities other than large public companies, effective for fiscal years beginning after December 15, 2023, insurers will need to become much more agile in how they report, manage, and analyze data. The resulting challenge of modernizing data platforms, analytics capabilities, and tools for automation may seem daunting. However, while efforts to comply with this new standard can be complex, costly, and time-consuming, they may also be leveraged as a catalyst to modernize and expand business value across the insurer's information value chain.<sup>38</sup>

### Regulatory developments

Recent regulatory activity holds a number of implications for 2020 insurance industry M&A:

**Privacy regulations.** The California Consumer Privacy Act (CCPA), the first major piece of data privacy legislation in the United States,<sup>39</sup> became effective January 1, 2020. The good news for carriers with a global footprint is that much of the effort going into compliance with the European Union's General Data Protection Regulation (GDPR)—which has been in effect for around 21 months—overlaps with what should be done for CCPA.<sup>40</sup> Insurers also should brace themselves for other state-level regulatory actions. New York is debating its own privacy rule that appears likely to go further than either GDPR or CCPA by establishing insurers and other data collectors as information fiduciaries and allowing private causes of action.<sup>41</sup> Insurers need to be aware of exactly where data about specific consumers is stored, how complete and accurate it is, and how it is used and protected. Maintaining vigilance is particularly critical during post-deal integration, when records for existing and newly acquired customers may be merged in a central repository.

**Annuity Suitability and Best Interest Standard.** The US Securities and Exchange Commission (SEC) finalized its Regulation Best Interest (Reg BI) on June 5, 2019. This includes Form CRS Relationship Summary and other interpretations that require broker-dealers (including insurance-affiliated broker-dealers) and their registered representatives to act in the “best interest” of their clients when providing securities transaction or investment strategy recommendations, including variable life and annuity products. The compliance date for Reg BI is June 30, 2020; it requires broker-dealers to satisfy four important obligations: care, disclosure, conflicts of interest, and compliance.<sup>42</sup> Similarly, the New York Department of Financial Services implementation date for Regulation 1870, Suitability and Best Interests in Life Insurance, sets stringent requirements for insurers and producers who provide recommendations for the purchases of annuity products (effective August 1, 2019) and life insurance products (February 1, 2020). There are likely to be a number of strategic and operational changes necessary to comply with these new federal and state requirements. Companies should assess their current state to identify potential gaps and enhancements needed for compliance,<sup>43</sup> especially in anticipation of an M&A transaction.

**Climate risk.** The escalating frequency and severity of extreme weather-related events—such as the wildfires in the US and Australia, record heat waves in Europe, and floods in Japan—shine a brighter regulatory light on insurance risk and climate change.<sup>45</sup> The *Insurance Regulator State of Climate Risks Survey*, conducted by the *Deloitte Center for Financial Services*, found that a majority of US state insurance regulators expects all types of insurance companies’ climate change risks to increase over the medium-to-long term—including physical risks, liability risks, and transition risks.<sup>46</sup> More than half of the regulators surveyed also indicated that climate change was likely to have a high impact or an extremely high impact on coverage availability and underwriting assumptions.<sup>47</sup> US state regulators and lawmakers are watching the implications of climate-related risks very carefully and are becoming increasingly concerned about the insurance industry’s response to climate change. Yet many regulators either aren’t aware of how prepared carriers are to deal with this threat or aren’t fully confident that carriers are indeed prepared.<sup>48</sup> Insurers have an opportunity to more effectively communicate around climate risk management strategies and performance measurement through more standardized disclosure.<sup>49</sup> Such an approach could have a three-pronged, positive effect: help reassure regulators about insurers’ ability to withstand extreme weather events, defend underwriting and pricing decisions made in response, and possibly head off more onerous mandatory disclosures down the road.<sup>50</sup>

**Bermuda gains reciprocal jurisdiction status.** In December 2019, the US National Association of Insurance Commissioners (NAIC) announced that Bermuda had been granted Reciprocal Jurisdiction status effective January 1, 2020. The NAIC also completed its five-year reevaluation of Bermuda and approved the island as a Qualified Jurisdiction.<sup>51</sup> Bermuda was placed on the NAIC’s first list of Qualified Jurisdictions in 2015 (along with France, Germany, Ireland, Japan, Switzerland, and the United Kingdom). Qualified Jurisdiction status maintains Bermuda-domiciled (re)insurer eligibility for reduced (re)insurance collateral requirements under the NAIC’s Credit for Reinsurance Model Law and Regulations.<sup>52</sup> Reciprocal Jurisdiction is an elevated status, which in the case of non-European Union jurisdictions can only be achieved by first gaining the prerequisite Qualified Jurisdiction status and recognizing the US state regulatory system for group supervision and group capital.<sup>53</sup> The announcement strengthens Bermuda’s position as a major (re)insurance trading partner to the United States and makes potential Bermuda acquisitions even more attractive.

### Tax developments

Two years out from passage of the US 2017 Tax Act, the insurance industry continues to grapple with a significant amount of uncertainty regarding how certain provisions will be implemented through the legislative process. In addition to considering the impacts of the Tax Act regulations as part of M&A calculus, companies may also want to start thinking about whether the 2020 elections could usher in another round of substantial tax changes that could affect the attractiveness or pricing of various M&A scenarios. Although significant guidance was published in late 2019, the Act remains a work in progress. This unsettled state may cast a veil over asset acquisition and/or disposition and affect deal pricing in 2020. Figure 7 summarizes key provisions the insurance industry has focused on and the current state of play.

In 2020, insurers should monitor relevant legislative developments, continue to review changes to their tax profiles, and strategically think through tax opportunities in relationship to potential M&A transactions, both in the United States and other jurisdictions. They also should make investments in the technology and processes needed to model their specific tax profiles year over year.

Figure 7. Key provisions of the US 2017 Tax Act relevant to the insurance industry

Tax issue	Current status	Notable insurance details	M&A considerations	What's next?
<b>Base Erosion and Anti-Abuse Tax (BEAT)</b>	The IRS and Treasury finalized certain regulations (Final Regs) and issued an additional round of proposed regulations (Proposed Regs) on December 2, 2019.	<p>Final Regs: The Final Regs provide that outbound claims payments will generally not be treated as base erosion payments. The Final Regs reinforce that netting will generally not be permitted in calculating base erosion payments in reinsurance transactions.</p> <p>Proposed Regs: The Proposed Regs would allow taxpayers to waive deductions for all US federal income tax purposes, to help reduce the amount of base erosion tax benefits. The Proposed Regs also provide a cutoff rule, by which activity of members of an aggregate group is only included for the part of the year that they are a member of the aggregate group.</p>	<p>Final Regs: The Final Regs increase the likelihood that modified coinsurance and other offshore reinsurance transactions giving rise to netting payments will lead to BEAT liabilities, but provide some relief to outbound transactions.</p> <p>Proposed Regs: The rule allowing the waiver of certain deductions for tax purposes will provide valuable relief and certainty to taxpayers engaging in transactions placing them on the periphery of incurring BEAT liabilities. Taxpayers should consider how the timing of transactions will impact BEAT for the old and new aggregate groups under the proposed cutoff rule.</p>	The Final Regs are generally applicable to tax years ending on or after December 17, 2018. Taxpayers may opt to apply the proposed regulations for years beginning after December 31, 2017. The IRS and Treasury requested comments on the Proposed Regs by February 4, 2020.
<b>Passive Foreign Investment Company (PFIC)</b>	The IRS and Treasury issued proposed PFIC regulations (Proposed Regs) on July 11, 2019.	The Proposed Regs introduced a bright-line "active conduct percentage" test, which will make it significantly more difficult for foreign insurance companies that outsource significant portions of their operations (for example, by retaining highly compensated third-party investment managers) to avoid PFIC treatment under US tax law. The Proposed Regs also include a host of other rule changes, including clarifications as to what companies are eligible for Qualifying Insurance Corporation (QIC) status under the law.	US investors considering acquiring a minority stake in a foreign insurance company should carefully consider whether the company may run afoul of the Proposed Regs as part of its due diligence.	Public comments responding to the Proposed Regs indicate that significant changes may be necessary before final guidance is issued, with the American Bar Association calling for the IRS and Treasury to issue a second round of proposed regulations before finalizing guidance. There is no publicly announced time line for the revision or finalization of the Proposed Regs.
<b>Net Operating Loss (NOL) Regulations Under Section 172</b>	No substantive guidance issued to date.	Under changes to Section 172 under the TCJA, the treatment of nonlife insurance NOLs now deviates from the treatment of all other NOLs (life NOLs and noninsurance NOLs). Nonlife NOLs have a 20-year carryforward, two-year carryback, and no limitation on utilization against total income, while all other NOLs have unlimited carryforward, no carryback, and an 80 percent income limitation. Absent clarifying guidance, it is not clear how nonlife NOLs can be used to offset income of other members or vice versa.	Taxpayers should consider the range of potential values of NOLs based on how future regulations interpret the ability to use different tranches of NOLs in the valuation and analysis of potential transactions.	The IRS's Priority Guidance Plan released in October 2019 identified the issuance of regulations "for computing the net operating loss deduction to reflect changes made by TCJA" as a priority for the 2020 fiscal year.
<b>Life/Nonlife Consolidation Regulations Under Treas. Reg. 1.1502-47 (-47 Regs)</b>	No substantive guidance issued to date.	The -47 Regs provide a complex set of rules and limitations for when and how life insurance company operations may be included in a life or nonlife consolidated tax return filing group. It is expected that these rules will need to be refreshed in the face of numerous tax law changes, most notably the revised NOL rules discussed previously.	Taxpayers should consider the potential impact of revised life and nonlife consolidation rules on current and future tax liabilities when evaluating potential transactions.	The IRS's Priority Guidance Plan, released in October 2019, identified the issuance of regulations "regarding absorption of consolidated net operating losses and consolidated group computations under multiple TCJA provisions" under Treas. Reg. 1.1502-47 as a priority for the 2020 fiscal year. It is widely anticipated that the IRS will issue regulations for non-insurance consolidated groups under Treas. Reg. 1.1502-21 before tackling the more complex life and nonlife regime.

# Moving forward on 2020 insurance M&A opportunities

Disruption tends to create M&A opportunities, and we expect that to be the case in 2020. If a company pursuing a growth strategy amid today's volatile conditions can't get there organically, there are ways to do so inorganically through acquisitions, mergers, alliances, disposals, and investments. Deloitte's survey of insurance industry executives found that more than half expect to complete an M&A transaction in the next [two] years.<sup>54</sup> This is despite (or because of) economic uncertainty, geopolitical unsteadiness, and generally high valuations.

There is plenty of room for consolidation in all subsectors. Lingering low interest rates may challenge life insurance companies that are struggling to gain margin to seek diversification across their portfolios. Multiline companies may decide to exit certain businesses and/or markets. PE firms' interest to buy, improve, and sell remains strong.

As they move forward in 2020, insurance organizations looking to optimize M&A opportunities should:

- Define and "mirror up" the overall corporate growth strategy and the M&A strategy. Determine whether the company can get to its desired future state on its own or if it needs to acquire a capability, technology, or book of business.
- Crisply define the company's appetite and develop or enhance capabilities so it can prepare to react quickly when M&A opportunities arise. Verify access to capital, develop an M&A playbook, and organize a team of internal and external advisers.
- For buyers, be selective about which properties to pursue. Also, be proactive about contacting targets, establishing executive-level relationships, and stating interest in a potential deal.

- For sellers, develop a very specific view of the company's value proposition beyond financials to differentiate in an auction.
- Consider early and often the downstream integration implications when evaluating targets and their accretive potential.
- Be aware of the changing tax and regulatory landscape's potential impact on both domestic and global deals.
- Find imaginative ways to create value beyond the transaction perimeter; for example, include an asset management agreement with the vendor of life closed books.
- Partner with acquirers to each take the part of the business most relevant, enabling the transaction and making it affordable. Be willing to take unwanted parts to get hold of the desired parts, expanding the company's breadth of focus.
- Look beyond direct competitors or suppliers for M&A and into digital and value-chain adjacencies.

M&A is an ongoing process for companies that do it well. This means laying a lot of groundwork today to be ready to act on opportunities tomorrow—especially when pursuing profitable growth in a challenging environment.



# Appendix

## Spotlight: Insurance industry M&A in major global markets

### United Kingdom

#### 2019 review

2019 was an active year for UK insurance industry M&A, with dealmaking across all subsectors. Some of the most notable deals were in the life closed book consolidation market. Quilter agreed to sell its life assurance business to ReAssure on the back of a competitive auction.<sup>55</sup> Also, Generali announced the sale of its UK life run-off book to Reinsurance Group of America (RGA).<sup>56</sup> Most significant was leading consolidator Phoenix Group's announced \$4.3 billion acquisition of life closed book consolidator ReAssure; this happened after ReAssure's attempted IPO was pulled earlier in the year. The deal was the European insurance industry's largest in 2019 and extended Phoenix's recent string of acquisitions of legacy insurers' portfolios.<sup>57</sup>

The bulk annuity market continued to grow in 2019 with a number of record-sized transactions.<sup>58</sup> Further debt and equity capital has been raised by certain of the incumbent players, including Rothesay Life and PIC, with a stated appetite from the likes of L&G, Phoenix, and Aviva. However, we note the court's blocking of Prudential's annuity block portfolio transfer to Rothesay. Several consolidators with UK-based management teams pursued acquisitions in other jurisdictions. For example, Athora acquired Vivat in the Netherlands.<sup>59</sup> We also saw consolidation in the platform space in 2019 with Zurich's announced sale of its retail platform to Embark.<sup>60</sup>

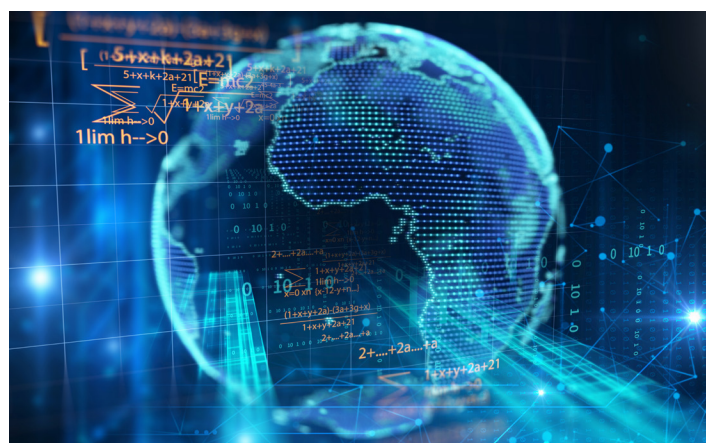
Lloyds remained an attractive space in P&C, with access to global licenses from a single balance sheet, attractive shelf space (including access to excess and surplus [E&S] lines), and the availability of top underwriting talent. We also have seen some M&A in the UK personal lines carrier space, with Allianz becoming one of the largest personal lines insurers in the United Kingdom through its acquisition of L&G General Insurance and the full buyout of LV=GI;<sup>61</sup> and Co-op announcing the sale of its P&C underwriting business to Markerstudy.<sup>62</sup> We see potential for more M&A in the UK personal lines space as incumbents seek diversification and growth.

In the broker subsector, the global risk intermediaries continued to seek acquisitions to drive growth across their regional small-to-medium-sized enterprise (SME) and specialist businesses and should continue to further expand their risk management and employee benefit offerings. Despite significant recent M&A activity driven by trade and private equity interest in the market consolidation vehicles, the UK broking market remains highly fragmented and liquidity options for small and mid-sized brokers are currently plentiful. Also, many European broker markets are perceived as attractive for M&A, and we expect highly competitive processes where platform assets become available in these markets.

InsurTech startups continued to attract the industry's attention. Some incumbents partner with InsurTechs to test their capabilities and how they can work with them. Some invest directly, in many cases to facilitate the partnership and create option value. Disruptive M&A presents an opportunity for trade players to develop capabilities beyond their existing business models, which has the potential to influence the long-term winners in markets undergoing disruption.

#### 2020 outlook

We expect that 2020 insurance M&A activity in the United Kingdom will be similar to 2019, given that many of the fundamentals driving dealmaking persist. Among these are the competition for assets; the need to diversify portfolios, add digital capabilities, and increase scale and market share; the desire to grow in niche markets and specialty insurance; and the decision to divest to focus on core offerings and geographies. In addition, Brexit is likely to be a driver of consolidation, with companies looking for solutions either for UK insurers writing business into continental Europe or vice versa; we see potential asset disposals happening in 2020.



Changing regulations also may drive 2020 M&A. For example, the Financial Conduct Authority (FCA) is reviewing pricing practices (such as dual pricing and propensity pricing) in the UK personal lines space, which could potentially drive those that become unprofitable under potential new regulations to exit certain businesses; there are a few very challenged business models that may result in M&A or competitors picking up their business organically. Also, in the personal lines space, regulations such as the FCA thematic review could see disposals of businesses selling products that are under scrutiny, such as those not providing good customer value.

Within the specific insurance subsectors, we expect there could be additional M&A in the P&C space as incumbents look to enhance technology capabilities, distribution reach, and scale. Similarly, we anticipate a continued high level of broker activity over the next 12–24 months as well-capitalized consolidation vehicles drive activity at the mid- and smaller end of the market and the global risk intermediaries continue to assess opportunities for large and small deals. The Phoenix-ReAssure deal reduced the buyer space for life closed books, and the blocked Prudential-Rothesay Part VII portfolio transfer<sup>63</sup> may also have negative implications for life closed book deals. Though the life pipeline remains strong going into 2020 and beyond, both in the United Kingdom and Europe, we see the market stalling a bit. For example, some owners of very large life closed books may be looking internally for a more efficient run-off or externally for a potential asset disposal. We think that transaction activity could potentially also pick up in the Isle of Man space, where regulations are putting pressure on incumbents, and we may see potential consolidation in the mutual sector in 2020.

M&A activity in the insurance distribution market is expected to remain at a high level as the PE-backed consolidation vehicles change hands to raise new capital, and these, along with the major trade players, compete for assets in the market.

Following several M&A deals in the Lloyds market in recent years, we expect to see ongoing activity into 2020 as the relatively hard rating environment continues in commercial lines. Also, some assets from exits, closures, and aborted processes in 2018 and 2019 could potentially come back to the market in the future.

We expect insurers to continue investing in and partnering with InsurTechs to access capabilities that provide better risk selection and pricing, enhanced distribution, and customer engagement. For example, companies in both the P&C personal lines and commercial lines are looking for complementary capabilities that can move the needle from a group perspective. InsurTechs that can demonstrate the long-term sustainability of their business model and a path to profitability should continue to generate significant interest from both private equity and trade investors. The critical challenge for these businesses will be to put in place the right capital structure for each phase of their growth.

## Argentina

### 2019 review

The Argentine insurance industry, including M&A activity, is greatly tied to the country's economic growth. Argentine GDP decreased 3.3 percent during 2019;<sup>64</sup> M&A activity for the year was down as well, compared with recent years.

P&C insurance—concentrated in the highly competitive, low-margin motor vehicle and worker's compensation subsectors—dominates the Argentine market. Regulatory reforms introduced in 2017 provided some relief in the increasingly litigious worker's compensation environment, improved the subsector's financial performance, and supported 2019 M&A. InsurTechs in the motor vehicle segment were also active in 2019 M&A; their digital capabilities are considered desirable in a market where operating and acquisition expenses comprise about 50 percent of premium revenue. Among 2019's notable deals were Experta ART S.A.'s acquisition of Caminos Protegidos ART S.A. (worker's compensation); Lúnigo Argentina Compañía de Seguros S.A.'s purchase of Asociat RC Seguros S.A. (P&C); and Experta Seguros S.A.'s acquisition of Confiar Compañía de Seguros S.A. (P&C).

### 2020 outlook

A projected 2.3 percent decrease in 2020 GDP growth<sup>65</sup> is likely to limit Argentine insurance industry M&A in the coming months. Still, we expect that potential buyers will pursue opportunities in attractive niche markets like group life and transportation—which are less price-driven than worker's compensation and motor vehicle insurance—as well as InsurTech capabilities to accelerate innovation and improve operating efficiency.

## Australia

### 2019 review

2019 was another active year within Australia's insurance sector, albeit with more subdued volumes compared with previous years. The decrease in announced M&A volumes in 2019 was partly due to the numerous large life insurance transactions announced in previous years, including NAB's disposal of 80 percent in MLC Insurance to Nippon Life, CBA's sale of Comminsure Life Insurance to AIA, Suncorp's divestiture of Suncorp Life Insurance to TAL, AMP's sale of its Australian and New Zealand insurance business to Resolution Life (revised terms announced in 2019, completion pending), and ANZ's sale of OnePath Life Insurance to Zurich.<sup>66</sup> However, volumes were also affected by players waiting for the outcomes and dealing with the recommendations of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services, which provided its final report in February 2019. Subsequent to that report, we saw M&A activity pick up in the second half of the year across all size brackets.

The insurance broker subsector remained active throughout 2019 and posted Australia's top deal volume for the year. The main reason insurance broking did not experience a pause in M&A activity was that the Royal Commission recommended a further

review of its activities in three years, with any regulatory changes to be determined at that time. Broker consolidation continued to be led by the key local listed players—Steadfast, AUB Group, and PSC Insurance. With the exception of Tokio Marine, which acquired Bond and Credit Company, and Accident and Health International Underwriting,<sup>67</sup> interest from insurers in the space has been on the decline. Some of the key deals included PSC Insurance's acquisition of Griffiths Goodall, Steadfast's purchase of IBNA, and Resilium's management buyout from Suncorp.<sup>68</sup> As the number of available, sizable opportunities has been decreasing, deals have been hotly contested, and multiples for good opportunities have increased slightly from the historical 8x EBITDA multiples for underwriting agencies and 6.5x for insurance brokers.

Other areas of interest, particularly for local general insurers such as IAG, QBE, and Suncorp, have been InsurTech and adjacent services. The three have been considering InsurTech opportunities globally, both through venture fund investments and partnerships. However, their approach to adjacencies has been different. Whereas Suncorp disposed of its smash repairs and parts businesses—Capital SMART and ACM Parts—in October 2019,<sup>69</sup> IAG announced the acquisition of NRMA's MotorServe business<sup>70</sup> and an investment in Carbar,<sup>71</sup> an online company allowing drivers and companies to hire cars without fixed contracts.

## 2020 outlook

We expect 2020 M&A announced volumes to recover as deals launched in 2019 get completed and activity continues to pick up. The most significant 2020 insurance M&A opportunities are likely to emerge as banks evaluate strategic options for noncore assets. Regulatory developments over the past few years have prompted banks to dispose of their life insurance subsidiaries. We see the pause in this activity as mainly related to the Royal Commission and expect new transactions to come to market in 2020, with banks' general insurance subsidiaries likely to become divestment candidates as well. In particular, CBA has already announced to the market an ongoing strategic review of its Cominsure General Insurance business.

We also expect to see continued consolidation within the insurance broking space in 2020 led by key local players and consolidators. Transactions are likely to become very competitive, especially for any attractive, mid-to-large-scale assets, with sellers having strong negotiating power at the table. Key players in the market are likely to make bets on the outcomes of the review recommended by the Royal Commission into whether remuneration should move from commission-based to fee-for-service. Most local listed insurance brokers are currently expecting limited change as a result of the planned review. However, others have taken opposing views, with some insurance network disposals (IAG and Suncorp) and some exploring converting into licensed insurers.

On the other side of the spectrum, after many years of strong M&A activity, opportunities on the life insurance side remain limited. The sector is now largely foreign-owned, with the top three insurers controlling more than 50 percent of the sector by net policy revenue

as of June 30, 2019.<sup>72</sup> With the exception of Challenger, which is a local annuities specialist, and Westpac's life insurance operations, most other locally owned businesses, such as Clearview, St Andrew's, NobleOak Life, and Hallmark Life, are significantly smaller.<sup>73</sup> They are likely to be increasingly under pressure from the regulators, given APRA's intervention to ensure sustainability of individual disability income insurance via stronger capital requirements for relevant players.

In addition to the above, general insurers are likely to continue to review their portfolios and capital allocation. Any underperforming or high-regulatory-risk assets are likely to continue to be disposed, with capital reinvested in growth areas including InsurTech and, in some cases, adjacent areas. As mentioned earlier, Australia's large general insurers increasingly have been focused on developing a value proposition that extends beyond pure insurance into the travel (motor insurance base) and home security (home and contents insurance base) customer experience. Large insurance companies likely will also continue to use their venture capital arms to invest in and partner with InsurTechs to improve the customer experience. IAG, Suncorp, and QBE, all of which have dedicated venture arms that look after potential InsurTech investments globally, have been active in the space.

Overall, we expect regulatory factors to continue to drive M&A activity in Australia over the next few years. The Federal Government has committed to announce actions on implementing all Royal Commission recommendations by the end of 2020. In addition, there are a number of ongoing or expected reviews and consultations by the regulators (APRA and ASIC) or the Federal Government (such as insurance broker remuneration) that will affect the operations of the insurance sector. In particular, ASIC has an ongoing consultation with regard to the sale of add-on insurance, which could affect the profitability of direct insurers, as well as some specialist brokers, underwriting agencies, or other insurers. APRA has also just announced a consultation for capital requirements of health insurers, which may put pressure on some of the small-to-mid-sized insurers and result in increased subsector merger activity in the coming years.

## Brazil

### 2019 review

The volume of M&A activity in Brazil's finance and insurance sector grew 71 percent in 2019, with transactions increasing from \$4.2 billion in 2018 to \$7.2 billion in 2019.<sup>74</sup> In one significant 2019 insurance sector deal, Allianz acquired SulAmérica Seguros' auto insurance business for BRL 3 billion, leaving SulAmérica to focus on its core businesses of dentistry and health and wealth.<sup>75</sup> A number of InsurTech startups were targeted for investment and acquisition by big players. For example, HDI Seguros and 2A Investments in April 2019 completed a new round of investment in Zoon Smart Data, a company that operates in big data and machine learning.<sup>76</sup> Finally, we are witnessing a closer link between Brazil's health and health insurance sectors, as the two have many potential operational synergies to capture. This should lead to increased M&A activity. In

addition, the increasing consolidation of Brazil's health insurance sector should create opportunities for vertical integration for specialized insurers.

### 2020 outlook

M&A activity is intrinsically linked with market performance. After a long period of recession in Brazil, indicators suggest economic growth in 2020. This more optimistic scenario, in addition to opportunities arising from digital disruption and changing consumer consumption and purchasing habits—loyalty is no longer a constant, and insurers need to find new ways to strengthen relationships—might attract investments from abroad and drive M&A by local players looking to fill capability gaps and add value to the customer experience.

Following a significant increase in financial technology firms (fintechs) in Brazil during recent years, InsurTechs are expanding their market presence. For example, Silicon Valley's Plug and Play, the world's largest startup accelerator and corporate innovation platform,<sup>77</sup> opened its first office in Brazil and announced initiatives for 2019 and 2020 focused especially on InsurTechs. Foreign InsurTechs also have manifested their intention to enter the Brazilian market: Cambridge Mobile Telematics (CMT) is in contact with local insurers and car renters to offer its solutions to monitor drivers' behavior. InsurTechs are also leveraging technology and innovation to provide a better customer experience. For instance, the Brazilian InsurTech Thinkseg aims to offer a completely digital experience to its clients and applies artificial intelligence to provide custom products. InsurTechs also can use M&A to accelerate expansion of their business operations and client portfolio. Similarly, incumbent insurers that struggle with legacy systems and operational models to keep up with market dynamics can partner with or acquire InsurTechs to accelerate new technology adoption, capabilities development, and an innovation culture.

In parallel, other factors may potentially contribute to grow Brazil's insurance sector and, therefore, drive 2020 M&A activity:

- Brazil currently has the ninth-largest GDP in the world, but only the 50th-largest insurance spend per capita. In addition, only a third of the car fleet in Brazil is insured. These figures indicate considerable opportunities to increase insurance penetration in the population.
- Supported by Brazil's economic recovery, the Brazilian travel and tourism market is expected to have strong growth and reach BRL 496.2 billion by 2023, a five-year CAGR of 6.5 percent.<sup>78</sup> This, in turn, may increase demand for domestic and foreign travel and both personal and business insurance.
- As life expectancy increases and Brazil's financial outlook improves, average consumption also tends to increase, so the need to protect purchased assets becomes a more common concern. As a result, personal property and health insurance purchases are expected to rise.

Insurance business growth in 2020 will likely arise from opportunities driven by technology and innovation. Insurers in Brazil with the foresight and ability to invest in, partner with, and/or acquire startups and technology incubators will likely be in a favorable position to offer the customer-focused products and services the market demands.

## Canada

### 2019 review

The Canadian insurance industry tends to see one medium-sized deal per year—typically in the property and casualty subsector—and such was the case in 2019, when Canada's largest P&C insurer, Intact Financial Corp., agreed to acquire The Guarantee Company of North America and MGA Frank Cowan Company Limited from Princeton Holdings for about \$1 billion.<sup>79</sup> The year also had some smaller deals, primarily broker consolidations, with large national brokerages and strong regionals executing roll-up strategies and with regional broker consolidators of a certain size attracting the attention of the national brokerages and US PE firms. Meanwhile, insurance companies continued to buy InsurTech startups, especially those focused on claims payment and customer acquisition, but the deals tended to be small.

### 2020 outlook

A lack of sizable targets for companies that want to buy or consolidate should make Canada a seller's market in 2020. Still, all companies that are thinking about selling should have a very specific view of their value proposition, so when they get into an auction situation, they can differentiate themselves on factors other than financials.

We expect most of the M&A activity in 2020 to continue to be in distribution (MGAs and brokers) as the market continues to consolidate. Deal values in this part of the market remain high, particularly for specialty platforms and midsized regional entities.

There will likely be some carrier-driven deals, including consolidations and potential partnerships, as insurance companies seek to increase scale, grow market share, and diversify their product portfolios geographically. Specialty commercial properties are particularly attractive given their high margins. 2020 also may see some foreign-owned and global entities rationalize their Canadian holdings and redeploy the capital in key growth areas, primarily Asia. We expect further M&A activity in more specialized P&C lines, as well as life insurance, as carriers make capital allocation choices. While the life insurance industry in Canada is highly consolidated, implications of IFRS 17 and other capital constraints could create some activity in 2020 and beyond.

Inbound M&A could accelerate in 2020, as foreign PE firms remain interested in the roll-up play offered by insurance distribution in Canada, notwithstanding the high valuations.

## Central Europe

### 2019 review

The insurance industry in central and eastern Europe (CEE) in 2018 had what could be considered one of its most active years in terms of M&A volume, with 17 completed or announced transactions.<sup>80</sup> With 13 deals completed by third quarter 2019 and signals that certain international players might be engaged in divesting or acquiring CEE insurance companies, 2019 transaction volume was on track to equal or even exceed the previous year's total.

The CEE region's insurance industry (comprising Poland, Czech Republic, Hungary, Romania, Bulgaria, Slovakia, Croatia, Slovenia, Lithuania, Serbia, Estonia, and Latvia) is increasingly dominated by the nonlife sector, specifically the motor segment. Life insurance plays a less significant role and suffers from a general lack of awareness and shrinking of the unit-linked segment. In 2019, the total gross written premium (GWP) of the CEE region recorded its highest value since 2010, totaling €36 billion. The region showed a 2.0 percent increase of total GWP from 2017 to 2018, which was driven by the expansion of the nonlife insurance segment, at 6.4 percent. Meanwhile, the life segment recorded a 5.5 percent decline in 2018 from the previous year as unit link volumes fell and were only partially offset by an increase in traditional life protection products. The majority of companies traded in 2019 were composite insurers active in both life and nonlife segments.

Although there are sizable, well-known national players on the local insurance markets, such as the Polish PZU (present in Poland, Ukraine and the Baltic States) or the Slovenian Triglav, the largest insurers are typically owned by well-known international groups such as Allianz, Vienna Insurance Group (VIG), Generali, or UNIQA, which have presence in multiple countries in the region. Most markets can be considered moderately or highly concentrated in both life and nonlife segments; however, in many countries there is a significant number of smaller insurance companies with less than 5 percent market share, which signals a need for further consolidation in the region, especially for players that struggle to reach economies of scale in their given markets.

Among CEE's notable 2019 M&A transactions, VIG continued its expansion strategy in Central Europe when it acquired a majority stake in the Polish insurance company TUW after completing the acquisition of Gothaer in Poland and Kooperativa pojišťovna in the Czech Republic in 2018. The listed, Italy-based insurer Generali completed three major transactions in 2019: It acquired the ERGO entities in Hungary and Slovakia, Adriatic Slovenica, and Unition Mutual Fund in Poland.<sup>81</sup>

Also in 2019, the Dutch insurer AEGON completed the sale of its insurance companies in the Czech Republic and Slovakia, which were acquired by NN Group. The continued exit of large international groups from noncore CEE markets and the acquisitive growth of major regional market players are key factors boosting momentum for transactions and market consolidation.<sup>82</sup>

### 2020 outlook

We expect 2020 CEE insurance industry transaction volume to be similar to 2018 and 2019, those being the highest levels since the financial crisis. In addition to market dynamics, new regulatory requirements such as Solvency II and the introduction of IFRS 17 are likely to make the insurance business more capital-intensive, thus requiring robust profitability—something that may be difficult to achieve for companies lacking scale. In addition, IFRS 17 is expected to bring substantially enhanced transparency through standardization of financial statements, consequently reducing M&A costs.<sup>83</sup>

The CEE region's growth potential, increasing capital intensity driven by IFRS17 and SII, continued consolidation of smaller players, and strategic moves by large insurance groups provide motivating factors to consider trading on both the sell and buy side in 2020. There are a high number of potential players who are ready to move up a gear and engage in executing deals.

## China and Hong Kong

### 2019 review

Insurance-related M&A activity in China increased slightly in 2019, with 10 announced deals, compared with nine the previous year. However, deal value dropped significantly, from approximately \$6.7 billion to \$5 billion. Deal volume across each subsector remained relatively similar. P&C and brokerage posted three deals each; L&H posted four deals and dominated in terms of deal value—this was boosted by Allianz's acquisition of 4 percent in Taikang Life for \$1 billion, which was 2019's only insurance deal by a foreign insurer.<sup>84</sup>

In addition to Allianz's acquisition, another notable deal was FWD Group's proposed acquisition of MetLife's two life insurance businesses in Hong Kong, which was the city's only insurance deal during 2019.<sup>85</sup> The transaction marks another international player selling its Hong Kong insurance operation. In the P&C market, deals were mostly characterized by capital injections of players facing solvency issues.

### 2020 outlook

We expect a low-single-digit number of inbound deals in China in 2020; however, deal size may easily be north of \$1 billion. Domestic transactions will probably be more active and deal size may range from \$50 million to \$500 million, depending on available stake size.

During the first nine months of 2019, year-over-year (YoY) growth of life and P&C premiums in China stood at 14.1 percent and 8.2 percent, respectively, both faster than most developed countries. As a result, we expect most, if not all, existing foreign insurers will continue to find ways to increase their market share in China. Moreover, recent regulatory changes have eased restrictions on foreign investments in China, allowing foreign players to gain controlling stakes of their Chinese business ventures (although the government maintains restrictions on capital outflow). We expect foreign insurers to recalibrate their China strategy, which could lead companies to either 1) increase their stake to a controlling position

dispose of their stake in a current joint venture (JV) and set up life and P&C operations under a new, single, full-ownership structure (Allianz received regulatory approval to commence operation of China's first fully foreign-owned insurance holding company).<sup>86</sup> Regulatory easing should have significant influence on insurance M&A activities in China for years to come.

Domestically, given the general observation of a weakening economy in China, many private shareholders of domestic insurance companies may look to sell their stakes to cover the working capital needs of their core business. However, these transactions are expected to mainly involve the sale of minority stakes of less than 20 percent. In addition, as China faces a rapidly aging population and falling birth rate, personal commercial pension business offers explosive growth potential. We anticipate a trend for domestic insurers to seek strategic partnerships with foreign players in the pension insurance sector (for example, the first pension insurance JV was granted in March 2019 between Heng An and Standard Life).<sup>87</sup>

InsurTech has been gaining significant traction in China in recent years, with online ecosystems being quickly adopted and widely used. We have observed that some tech giants (Tencent, Alibaba, Baidu, and JD.com) have already partnered with or are becoming strategic shareholders of insurance companies and are leveraging their robust digital capabilities to enhance the customer experience by offering more convenience and flexibility. Such collaboration is disrupting the traditional insurance distribution model through lower cost and more efficient operations.

As China continues to rapidly integrate its online ecosystems across financial services, insurance, health care, education, and other sectors, we expect to see more collaborations between insurers and tech players, as well as more M&A activity; in particular, between naturally synergistic health-tech and insurance businesses. One example is Ping An Good Doctor, a one-stop health care ecosystem platform.<sup>88</sup>

### Hong Kong

A Swiss Re report states that Hong Kong has a health protection gap of \$23 billion, representing 11.9 percent of average household income. Hence, there is still significant demand for insurance protection in Hong Kong. Overall, we do not anticipate there will be many insurance transactions in Hong Kong in 2020. Although Aviva has reviewed its Asia strategy and recently announced that it will exit Hong Kong, we do not expect many other foreign players will follow suit.

## France

### 2019 review

After a busy 2018 with 45<sup>89</sup> insurance sector transactions driven by a consolidating broking landscape and PE interest, 2019 saw a moderate slowdown in dealmaking—with 22 deals announced as of October 2019—on valuation concerns, a late-stage business cycle, and a steep drop in eurozone government bond yields between August and October.

Following its acquisition of insurance firm April Group in June 2019,<sup>90</sup> PE investor CVC Capital Partners sold several noncore assets, notably Judicial and Solucia, April Group's legal protection carrier and broker, to management and mutual firm Tutélaire;<sup>91</sup> Axeria IARD, a property and casualty French insurer, to Bermuda-domiciled insurance and reinsurance company Watford Holdings Ltd;<sup>92</sup> and April International Voyage, international travel assistance and insurance business, to management.<sup>93</sup>

On June 25, 2019, the French regulator Autorité des Marchés Financiers (AMF) approved the takeover of CNP Assurances, France's largest life insurer by gross written premium (€32 billion in 2018), by the state-owned La Banque Postale, by 2020.<sup>94</sup> The regulator authorized state-owned investment firm Caisse des Dépôts et Consignations, or CDC, and the French government to transfer their 42 percent stake in CNP Assurances to La Banque Postale, which already owned about 18 percent of CNP Assurances.<sup>95</sup> This merger creates a publicly owned bancassururer better equipped to compete with France's other large integrated banking groups and with the aim of ensuring access to banking and insurance services in rural areas.

### 2020 outlook

We expect continued interest in commercial broking by local and international PE firms in 2020, as well as trade buyer appetite for commercial insurance businesses, which command a scarcity premium. Corporate actions from large life insurance carriers in



the context of persistently low eurozone government bond yields are also expected. Life insurers' core product offering around with-profits funds is currently challenged, with many companies seeking to reduce capital requirements, as well as maintain dividends to international parents. Several players issued tier 1 subordinated debt securities in fourth quarter 2019, including CNP Assurances, AG2R La Mondiale, and Groupama.

In this context, life insurance back-book sales are being explored as a potential strategic option and are attracting specialist consolidator interest. With significant transactions successfully completed in Germany, Belgium, and the Netherlands, PE-backed acquirers are keen to enter the French market. Potential sellers are looking to fund new workplace pension initiatives, raise solvency coverage ratios, and support dividend policies amid low rates. Indeed, recent regulatory changes have driven some life insurers to set up Fonds de retraite professionnelle supplémentaire (FRPS) vehicles, new regulated entities with lighter capital requirements, following government efforts to boost group pensions participation via its new Plan d'action pour la Croissance et la Transformation des Entreprises (PACTE) law. While most market participants supplied new product offerings for the PACTE launch date of October 1, 2019, employer and employee take-up remains to be seen. Should reformed group pensions be successful, further product launches and FRPS setups are expected.

Finally, InsurTech and online distribution remains of interest to both PE investors and industry participants via dedicated internal venture capital funds. Magnolia.fr, a digital personal lines insurance broker, saw Qualium Investissements purchase a minority stake in September 2019 for an undisclosed sum.<sup>96</sup>

## Germany

### 2019 review

With more than 25 deals, 2019 insurance-related M&A in Germany was on par with 2018 levels.<sup>97</sup> The large multinational insurers headquartered in Germany actively expanded their nondomestic market positions by making targeted nonlife acquisitions abroad. For example, after 2018's acquisition of a 49 percent stake in LV General Insurance Group, in 2019 Allianz further strengthened its market position in the United Kingdom by acquiring the remaining share in LV GIG and the GI insurance operations from Legal & General for a total consideration of approximately €950 million.<sup>98</sup>

Domestic nonlife M&A in 2019 was subdued, and there were no completed life transactions. The latter was not totally unexpected following an active 2018, which saw three announced life transactions, including two smaller pension funds and Generali selling off 90 percent of its ca. €40 billion German life back-book operations for €0.9 billion to run-off platform Viridium.<sup>99</sup>

The German InsurTech market was fairly active in 2019, with eight publicly announced deals. In the insurance broker, MGA, and underwriter segment, meanwhile, we continued to observe strong deal flow, largely with small and midcap targets.

### 2020 outlook

We expect that 2020 insurance-related M&A volume in Germany will be similar to that of 2019. We might see increased M&A activity in the pension fund segment; it is exposed to the low-interest-rate environment, which prompted the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), the financial regulatory authority for Germany, to closely monitor more than 30 pension funds.<sup>100</sup> Several of them are closed for new business; moreover, BaFin recently decided to ultimately close down one of them. As we think that corporations are likely to be reluctant to contribute further equity, we expect higher deal flow in the corporate pension fund subsegment.

Increasing attention from foreign financial investors and insurers might trigger transactions in the nonlife, broker, and specialty insurance segment; however, local market participants continue to be reluctant to divest. German multinationals will likely continue to target nonlife opportunities globally and vertically to diversify their portfolio (or example, by looking to acquire service providers along the insurance value chain). Despite the ongoing low-interest-rate environment, we anticipate no transactions in the life closed book subsegment. Although we observe positive market sentiment, as well as a general willingness and a preparedness to divest, the overall deal flow is not likely to reach previous historic levels before the end of 2020 or beginning of 2021 at the earliest. The majority of German life insurers are still of the opinion that managing their closed books internally is more profitable than selling them to financial investors.

The European InsurTech market has strong momentum and reached an investment volume of over €560 million as of the end of Q3 2019.<sup>101</sup> The two major markets are the United Kingdom and Germany. Of the top 10 2019 InsurTech investment deals in Europe, the two largest were into German startups, FRI:DAY and wefox, which raised a total funding of €326.4 million in 2019 alone (including wefox's December funding round of €99 million).<sup>102</sup> The dominant segments within InsurTech are distributor-based business models and process enablers that tie closely to existing incumbents' business models.

Several factors may influence 2020 insurance-related M&A in Germany:

- **Portfolio optimization.** With many German insurance companies shifting their strategic focus to core markets, the existing trend of divesting foreign, noncore operations is expected to continue. Some insurers are acquiring distribution channels, MGAs, and underwriter insurers to gain market share and redirect distribution volume from other market players to their own books. In general, disposal of capital-intensive business remains at a low level. For nonlife, run-off platforms in particular, it has not been possible to acquire a significant stake of portfolios from German market players, since they prefer to manage them internally. Despite the low-interest-rate environment, some players tend to sell traditional life products while others move toward nonguarantee policies.

- Accelerating insurance innovation.** The German market is divided into innovative insurance companies that increasingly focus on InsurTech collaborations and strategic acquisitions and incumbents that focus more on using InsurTechs to enhance legacy systems or as an investment. Currently, the landscape is dominated by the distributor- and process-enabler segments, with the peer-to-peer segment also slightly growing. Some deal-making is observable in the direct insurer space by either existing players or foreign market entrants. Incumbent insurers are looking for ways to closely control their InsurTechs, as evidenced by a stronger level of activity around majority investments and full-fledged acquisitions versus more cooperation-based models. This continues to drive the upward price points observable in the market.
- Regulatory developments.** In recent years, the German government has implemented several initiatives to strengthen German life insurers' solvency position. These measures have decreased the need for life insurers to pursue alternatives for their back-books. In response, BaFin extended and narrowed its monitoring of the sector to address ongoing challenges from the low-interest-rate environment.

## Italy

### 2019 review

The Italian insurance market—comprising life and nonlife insurance groups and insurance brokers—posted declines in deal volume and deal value in 2019 compared with the preceding three years. Overall, 2019's eight M&A transactions had a total value of €177 million,<sup>103</sup> compared with seven deals and ca. €1,000 billion in 2018; 14 deals and ca. €3,000 billion in 2017; and 10 deals and ca. €680 million in 2016.

Insurance groups in 2019 completed four transactions with a total deal value of €52 million, which is significantly lower than in 2018 (five transactions for €1,000 billion) and dramatically less than in 2017 and 2016 (11 transactions for €3,017 billion and six transactions for €671 million, respectively). The largest 2019 deals by size were the acquisition of BCC Vita by Cattolica Assicurazioni and of Apulia Previdenza by Nobis.

In contrast, insurance broker M&A activity increased in 2019. The year's four deals had a total value of €125 million, considerably higher than in 2018 and 2017 (two transactions with undisclosed deal value and three transactions for €25 million, respectively). The largest 2019 deals by size were the acquisition of Cambiaso Risso Group by Siaci Saint Honore and the acquisition of a minority stake in Assiteca by Tikehau Capital Partners.

### 2020 outlook

We expect Italy to see a slight increase in the number and value of insurance M&A deals in 2020, potentially attributable to continued bancassurance<sup>104</sup> deals and intragroup reorganizations (which outpaced "traditional" M&A from 2016–2018); a focus on improving business operations; and targeted acquisitions in niche markets,

InsurTech, and specific geographies. Acquisitive players with excess capital exist both in insurance groups and in the brokerage segment.

Portfolio optimization may be an important M&A driver in 2020. Generali, for example, is planning to continue its practice of divesting less attractive properties and geographies. Other companies are contemplating intragroup and business reorganizations. Some organizations are viewing M&A (including cross-border acquisitions) as a cost-effective way to gain scale, market share, and/or entry to certain business lines. Moreover, the possibility of increasing their presence in the InsurTech subsector may help insurance players accelerate insurance innovation to improve the customer experience. The main players in this market (Axieme, Mioassicuratore, Neosurance, Prima Assicurazioni, and Yolo) could be potential targets for insurance companies.

Industry challenges could also drive M&A in 2020. A significant threat—continuous margin pressure in the auto insurance policies market—could lead to further concentration in the segment to seek cost efficiencies or, on the other hand, to larger (possibly inorganic) investments in automation and digital technologies. Finally, the European Union's low-interest-rate environment could continue to represent a challenge for traditional life insurers and lead to further divestments or run-offs.

## Japan

### 2019 review

Japan's insurance industry saw a limited amount of M&A activity in 2019. We expect that the year's deal volume and value will decline or, at best, be flat compared with last year, although among insurance subsectors, L&H was a little more active. In general, 2019 transactions typified recent M&A trends in the Japanese insurance industry:

- Acquisition of asset management companies:** Nippon Life Insurance increased its stakes of Reliance Nippon Life Asset Management Ltd. (India) to 75 percent in May,<sup>105</sup> and Sumitomo Life Insurance invested in Singapore Life Pte Ltd. (Singapore) in July.<sup>106</sup>
- Acquisition of insurance companies in the developed market:** In October, Tokio Marine HD announced its purchase of Pure Group in the United States for approximately \$3.1 billion.<sup>107</sup>
- Strategic investments in Myanmar:** A Nippon Life Insurance-Grand Guardian Life Insurance joint venture invested in June;<sup>108</sup> SOMPO Holding established a JV with AYA Myanmar Insurance in May;<sup>109</sup> Mitsui Sumitomo Insurance invested in IKBZ Insurance in August;<sup>110</sup> and Taiyo Life invested in a JV with a local player.<sup>111</sup>
- Acquisitions of distribution channels:** MetLife Insurance acquired Fortissimo KK, an insurance brokerage firm in Japan,<sup>112</sup> and Sumitomo Life Insurance acquired AIARU Syougakutankihoken Corp., a small-amount and short-term specialized insurance company in Japan.<sup>113</sup>
- Investment in closed-book pension reinsurance companies:** In November, T&D Holdings and the Carlyle Group announced



that they partnered to acquire a 76.6 percent majority interest in Fortitude Group Holdings—whose group companies operate as Fortitude Re—from AIG for approximately \$1.8 billion.<sup>114, 115</sup>

Another notable 2019 deal was Japan Post Holding's sale of a minority stake of Japan Post Insurance,<sup>116</sup> part of the privatization of Japan's postal service. A portion of the funds from the sale is being used to acquire a stake in US insurance company Aflac Inc.<sup>117</sup> Additionally, investments in technology companies continued to increase, spanning health-tech (both P&C and life), self-driving cars (P&C), medical tech (life), software or application development (P&C and life), and settlements (P&C and life). Sought-after technologies included machine learning, big data, natural language processing (NLP), blockchain and cryptocurrency, and web and/or application technology.

### 2020 outlook

With Japan's insurance industry operating within an environment marked by an aging and shrinking population and continued low interest rates, we expect modest growth in M&A activity in 2020 unless some of the nation's leading insurers make large investment in the United States. Both P&C and life insurance companies in Japan continue to seek expansions of their overseas businesses to counter the shrinking domestic market, optimize their group portfolio, and diversify their mid-to-long-term risk exposure from both geographic and product portfolio perspectives.

The trend of investing in technology ventures is likely to continue in 2020. Insurance companies in Japan want to acquire complementary capabilities (such as digital technologies) to help them get closer to their customers and create an improved, end-to-end customer experience. Most of these deals tend to be small, so their impact in terms of deal value is limited.

## Spain

### 2019 review

2019 insurance M&A volumes in Spain were consistent with recent years' levels. The country's most active subsector was bancassurance: After a period of banking sector consolidation, the last financial groups that were planning to reorganize or consolidate their bancassurance alliances finally underwent the process. However, in the future, other bancassurance transactions may be triggered by financial institutions that currently are managing the business in-house or by further consolidation in the banking sector. 2019 also had a number of traditional insurance and insurance brokerage M&A transactions, most of them minor.

Among the year's main transactions, Santander and Mapfre established an alliance in the nonlife business segment (motor, self-employed, and small and medium enterprises);<sup>118</sup> Mapfre closed its acquisition of 51 percent of BMN's life insurance business for €110 million;<sup>119</sup> Abanca partnered with Crédit Agricole in P&C through a newly established insurance company alliance aimed at the Spanish

and Portuguese market;<sup>120</sup> and GES Seguros acquired a majority stake in Almuneda.<sup>121</sup>

### 2020 outlook

Spain's 2020 insurance M&A activity is expected to be higher than in 2019, especially in terms of deal value, due to two large transactions initiated in 2019, which (if successful) are expected to be closed in 2020. Acquirers' appetite for assets (mainly in the nonlife segment) should remain strong, with a number of national and international players seeking to gain scale or enter the Spanish market in a context of a limited number of opportunities of a relevant size. Also, after several attempts by insurers to sell life savings back-books, it is expected that the first transactions of this kind will take place in 2020, subject to regulatory approval.

Among market trends that may influence Spanish M&A activity during 2020:

- Portfolio optimization.** The low-interest-rate environment, together with strengthening capital consumption regulations and accounting rule changes (IFRS17), will favor the disposal of life-savings closed books. In addition, financial institutions' need for capital may result in additional bancassurance alliances or other capital-strengthening operations, such as value-in-force (VIF) monetization of life-risk portfolios. There is a strong appetite for inorganic growth—mainly in nonlife—for most insurance groups to gain market share and scale in a context of scarce M&A opportunities of a relevant size. However, minor transactions, such as those involving mutual companies or family-owned insurers, may occur in the Spanish market, as it is highly concentrated—the top five insurance groups account for more than half of the technical provisions and almost 50 percent of nonlife premiums—but also fragmented, with more than 100 insurance groups operating in the market.<sup>122</sup> These transactions do not usually attract the interest of major players, as they are not transformational to them.
- Improving the customer experience.** A large number of insurers are investing in new tools and capabilities for the digital marketplace, primarily to improve their pricing processes (such as price optimization and personalized offers or packages) and to enhance the end-to-end client experience through new channels (such as mobile) for underwriting and claims management processes.
- Regulatory and tax influences on M&A activity.** The Spanish regulatory landscape is evolving toward a more client-protective model, which may require additional compliance efforts from financial institutions or insurers (such as the Insurance Distribution Directive and the new Mortgage Act to restrict cross-selling). The banking channel continues to dominate in the life insurance business and is gradually capturing market share in nonlife. This trend is expected to continue as bancassurance alliances in nonlife consolidate. It is also expected that regulators will closely monitor the evolution of capital optimization transactions (such as life savings back-book sales and reinsurance).

# Contacts

## Insurance M&A leadership team

### Mark Purowitz

US Insurance M&A Leader  
Principal  
Deloitte Consulting LLP  
Deloitte United States  
+1 215 606 1983  
[mpurowitz@deloitte.com](mailto:mpurowitz@deloitte.com)

### Douglas Sweeney

Managing Director  
Deloitte Transactions and Business Analytics LLP  
Deloitte United States  
+1 617 585 4848  
[dosweeney@deloitte.com](mailto:dosweeney@deloitte.com)

### Ian Sparshott

Global Financial Advisory Insurance Sector Leader  
UK Transaction Services Partner  
Deloitte North South Europe  
+44 (0)20 7007 8680  
[isparshott@deloitte.co.uk](mailto:isparshott@deloitte.co.uk)

Thank you to the following individuals for their insights and contributions to this report:

**Prashanth Ajjampur**, Principal, Deloitte Consulting LLP  
**Sergio Biagini**, Partner, Deloitte Brazil  
**Kevin Chamberlain**, Partner, Deloitte Australia  
**Catherine Code**, Partner, Deloitte Canada  
**Elisa Fabris**, Partner, Deloitte Italy  
**Matt Hutton**, Partner, Deloitte & Touche LLP  
**Olaf Johannsen**, Partner, Deloitte Germany  
**John Johnston**, Partner, CEO Bermuda and Caribbean, Deloitte Limited  
**Ramon Juanola**, Senior Manager, Deloitte Spain  
**Kyle Karrenbauer**, Managing Director, Deloitte Tax LLP  
**Taro Kuryuzawa**, Managing Director, Deloitte Japan  
**Eric Lu**, Partner, Deloitte China  
**Alan Merten**, Partner, Deloitte Australia  
**Balazs Merth**, Partner, Deloitte CE, Hungary  
**Daniel Molnar**, Director, Deloitte CE, Hungary  
**Lionel Moure**, Partner, Deloitte Argentina  
**Bill Mullaney**, Managing Director, Deloitte Consulting LLP  
**Clodagh Mullins**, Assistant Director, Deloitte United Kingdom  
**Frank Nagel**, Partner, Deloitte Germany  
**Daniel Ohana**, Director, Deloitte United Kingdom  
**Jose Antonio Olavarrieta**, Partner, Deloitte Spain  
**Gerasimos Papadatos**, Partner, Deloitte Germany  
**Bill Pauls**, Managing Director, Deloitte Tax LLP  
**Olia Petkova**, Director, Deloitte Australia  
**Vincent Rapiou**, Partner, Deloitte France  
**David Sherwood**, Managing Director, Deloitte & Touche LLP  
**Zsolt Vajda**, Director, Deloitte CE, Hungary  
**Kin Au Yeung**, Senior Associate, Deloitte China  
**Kenneth Yue**, Director, Deloitte China

# Endnotes

1. Lananh Nguyen and Katherine Chiglinksy, "New York Life Swoops in with Rare \$6.3 Billion Cigna Unit Deal," Bloomberg, December 18, 2019, <https://www.bloomberg.com/news/articles/2019-12-18/new-york-life-agrees-to-purchase-cigna-unit-for-6-3-billion>.
2. Deloitte analysis utilizing SNL Financial M&A database.
3. "Marsh & McLennan Completes \$5.6 Billion Acquisition of Jardine Lloyd Thompson," *Insurance Journal*, April 1, 2019, <https://www.insurancejournal.com/news/international/2019/04/01/522406.htm>.
4. "Voya Financial (VOYA) to Divest Businesses to Resolution Life," Zacks Equity Research, December 19, 2019, <https://www.zacks.com/stock/news/678298/voya-financial-voya-to-divest-businesses-to-resolution-life>.
5. Andrew G. Simpson, "Tokio Marine to Buy High Net Worth Insurer Pure for \$3.1 Billion," *Insurance Journal*, October 3, 2019, <https://www.insurancejournal.com/news/national/2019/10/03/544328.htm>.
6. Paul Gores, "American Family completes acquisition of Ameriprise Auto & Home," *Milwaukee Journal Sentinel*, October 1, 2019, <https://www.jsonline.com/story/money/2019/10/01/american-family-completes-acquisition-ameriprise-auto-home-jessie-stauffacher-promoted/3830756002>.
7. Deloitte analysis utilizing SNL Financial M&A database.
8. "The Hilb Group Announces Definitive Agreement to Be Acquired by the Carlyle Group," news release by The Carlyle Group, October 30, 2019, <https://www.carlyle.com/media-room/news-release-archive/hilb-group-announces-definitive-agreement-be-acquired-carlyle-group>.
9. Deloitte Center for Financial Services analysis using data from Venture Scanner.
10. Deloitte Center for Financial Services, "Accelerating insurance innovation in the age of InsurTech: Insurers of the future will need to evolve and transform," 2019, <https://www2.deloitte.com/us/en/pages/financial-services/articles/fintech-insurtech-investment-trends.html>.
11. Deloitte Center for Financial Services, *2020 insurance outlook: Insurers adapt to grow in a volatile economy*, 2019, [https://www2.deloitte.com/us/en/insights/industry/financial-services/financial-services-industry-outlooks/insurance-industry-outlook.html?icid=dcom\\_promo\\_featured|us;en](https://www2.deloitte.com/us/en/insights/industry/financial-services/financial-services-industry-outlooks/insurance-industry-outlook.html?icid=dcom_promo_featured|us;en).
12. Deloitte Center for Financial Services analysis using data from Venture Scanner.
13. Bharath Manjesh, "Prudential buys Assurance IQ for \$2.35 billion in new tech bet," Reuters, September 5, 2019, <https://www.reuters.com/article/us-assuranceiq-m-a-prudential-fin-idUSKCN1VQ19J>.
14. Ibid.
15. "Aon to Acquire CoverWallet, Small-Medium Business Digital Insurance Agency," *Insurance Journal*, November 20, 2019, <https://www.insurancejournal.com/news/national/2019/11/20/549046.htm>.
16. "Aon completes acquisition of CoverWallet, the leading digital insurance platform for small and medium-sized businesses," PR Newswire, January 7, 2020, <https://www.prnewswire.com/news-releases/aon-completes-acquisition-of-coverwallet-the-leading-digital-insurance-platform-for-small-and-medium-sized-businesses-300982331.html>.
17. Deloitte, "A demanding future: The four trends that define insurance in 2020," 2019, <https://www2.deloitte.com/content/campaigns/uk/insurancetrends/insurancetrends/insurancetrends.html#negotiatingtable>.
18. Ibid.
19. Ibid.
20. Ibid.
21. Deloitte Center for Financial Services, *2020 insurance outlook*.
22. Deloitte Center for Financial Services, "Accelerating insurance innovation in the age of InsurTech," 2019.

23. Ibid.
24. Ibid.
25. Ibid.
26. Deloitte Center for Financial Services, *2020 insurance outlook*.
27. Ibid.
28. Deloitte, "A demanding future: The four trends that define insurance in 2020," 2019.
29. Ibid.
30. Ibid.
31. Ibid.
32. Deloitte Center for Financial Services, "Accelerating insurance innovation in the age of InsurTech."
33. Ibid.
34. Ibid.
35. Mark Purowitz, Malika Gandhi, and Sam Friedman, "InsurTech entering its second wave: Investment focus shifting from new startups to more established innovators," Deloitte, October 1, 2018.
36. Deloitte Center for Financial Services, "Accelerating insurance innovation in the age of InsurTech."
37. Deloitte Center for Financial Services, *2020 insurance outlook*.
38. Ibid.
39. Lucas Ropek, "NY's data privacy bill failed; Is there hope next session?" Government Technology, July 15, 2019, <https://www.govtech.com/policy/NYs-Data-Privacy-Bill-Failed-Is-There-Hope-Next-Session.html>.
40. Deloitte Center for Financial Services, *2020 insurance outlook*.
41. Ibid.
42. Ibid.
43. Ibid.
44. Deloitte, "The road ahead on targeted improvements to the accounting for long-duration contracts," 2019, <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/financial-services/fasb-lessons-learned-mobilization-efforts.pdf>.
45. Deloitte Center for Financial Services, "Climate risk: Regulators sharpen their focus. Helping insurers navigate the climate risk landscape," 2019, <https://www2.deloitte.com/us/en/pages/financial-services/articles/insurance-companies-climate-change-risk.html>.
46. Ibid.
47. Ibid.
48. Ibid.
49. Ibid.
50. Ibid.
51. "NAIC Grants Bermuda Reciprocal Jurisdiction," Bernews, December 10, 2019, <http://bernews.com/2019/12/naic-grants-bermuda-reciprocal-jurisdiction>.
52. Ibid.
53. Ibid.
54. Deloitte, "A demanding future."
55. Oliver Haill, "Quilter quits life assurance with £425mIn sale to ReAssure," Proactive Investors, August 5, 2019, <https://www.proactiveinvestors.co.uk/companies/news/900110/quilter-quits-life-assurance-with-425mIn-sale-to-reassure-900110.html>.
56. Matt Sheehan, "Generali to sell UK branch's life run-off portfolio to Reinsurance Group of America," Reinsurance News, May 24, 2019, <https://www.reinsurancene.ws/generali-to-sell-uk-life-run-off-portfolio-to-reinsurance-group-of-america>.
57. Jan-Henrik Foerster, Dinesh Nair, and Aaron Kirchfeld, "Phoenix to Buy ReAssure from Swiss Re in \$4.3 Billion Deal," Bloomberg, December 6, 2019, <https://www.bloomberg.com/news/articles/2019-12-06/phoenix-group-to-buy-reassure-from-swiss-re-in-4-3-billion-deal>.

58. Chris Seekings, "Bulk annuity market to quadruple by 2030," *Actuary*, December 11, 2019, <https://www.theactuary.com/news/2019/12/bulk-annuity-market-to-quadruple-by-2030>.
59. Luke Gallin, "Athora to acquire VIVAT from Anbang Group, NN Group to take non-life unit," *Reinsurance News*, June 7, 2019, <https://www.reinsurancene.ws/athora-to-acquire-vivat-from-anbang-group-nn-group-to-take-non-life-unit>.
60. Katie Pigden, "Embark to Acquire Zurich's Retail Platform," *Money Marketing*, November 20, 2019, <https://www.moneymarketing.co.uk/news/embark-to-acquire-zurichs-retail-platform>.
61. "Allianz to acquire general insurance operations of L&G and LV=," *Verdict*, June 3, 2019, <https://www.verdict.co.uk/life-insurance-international/news/allianz-general-insurance>.
62. Barney Cotton, "Markerstudy acquires co-op insurance underwriting business for £185m," *Business Leader*, January 22, 2019, <https://www.businessleader.co.uk/markerstudy-acquires-co-op-insurance-underwriting-business-for-185m/58800>.
63. Charlie Wood, "Prudential's £12bn annuities transfer to Rothesay blocked by High Court," *Reinsurance News*, August 16, 2019, <https://www.reinsurancene.ws/prudentials-12bn-annuities-transfer-to-rothesay-blocked-by-high-court>.
64. Source for deal activity: Mergermarket.
65. Ibid.
66. Ibid.
67. Ibid.
68. <https://www.pingan.com>.
69. Nippon Life Insurance Company, "Acquisition of an Additional State in Reliance Nippon Life Asset Management," May 23, 2019, <https://www.nissay.co.jp/english/news/pdf/20190523.pdf>.
70. Sumitomo Life Insurance Company, "Sumitomo Life Insurance Company Invests USD 90 Million in Singapore Life," July 1, 2019, <http://www.sumitomolife.co.jp/english/newsrelease/pdf/nr20190701.pdf>.
71. Tokio Marine Holdings Inc., "Acquisition of an [sic] U.S. Insurance Group, Privilege Underwriters, Inc.," October 3, 2019, [https://www.tokiomarinehd.com/en/release\\_topics/release/h10q7e000000qydn-att/20191003\\_e\\_release\\_final.pdf](https://www.tokiomarinehd.com/en/release_topics/release/h10q7e000000qydn-att/20191003_e_release_final.pdf).
72. Nippon Life Insurance Company, "Acquisition of a Stake in Grand Guardian Life Insurance Company Limited," June 21, 2019, <https://www.nissay.co.jp/english/news/pdf/20190621.pdf>; "Completion of Acquisition of Stake in Grand Guardian Life Insurance and Approval for Life Insurance Joint Venture in Myanmar," November 28, 2019, <https://www.nissay.co.jp/english/news/pdf/20191128.pdf>.
73. Sampo Holdings news release, "Joint Venture Application in Myanmar shortlisted by MoPF," May 20, 2019, [https://www.sampo-hd.com/~media/hd/en/files/news/2019/e\\_20190520\\_1.pdf](https://www.sampo-hd.com/~media/hd/en/files/news/2019/e_20190520_1.pdf).
74. MSIG news release, "Mitsui Sumitomo Insurance invests in IKBZ Insurance, a major private non-life insurance company in Myanmar," August 1, 2019, <https://www.msig-asia.com/newsroom/mitsui-sumitomo-insurance-invests-ikbz-insurance-major-private-non-life-insurance-company>.
75. Taiyo Life news release, August 22, 2019, [https://www.taiyo-seimei.co.jp/company/notice/download/press\\_article/2019/20190822.pdf](https://www.taiyo-seimei.co.jp/company/notice/download/press_article/2019/20190822.pdf); Shunsuke Ushigome, "Japan's Taiyo Life buys 35% stake in Myanmar insurer," *Nikkei Asian Review*, August 22, 2019, <https://asia.nikkei.com/Business/Business-deals/Japan-s-Taiyo-Life-buys-35-stake-in-Myanmar-insurer>.
76. MetLife news release, "Announcement Concerning the Acquisition of Fortissimo Shares," June 3, 2019, <https://www.metlife.co.jp/content/dam/metlifecom/jp/corp/pdf/about/press/2019/190603.pdf>.
77. Sumitomo Life Insurance Company news release, "Acquisition of AIARU Small Amount & Short Term Insurance Co., LTD.," August 21, 2019, <http://www.sumitomolife.co.jp/english/newsrelease/pdf/nr20190821.pdf>.
78. Dates are announcement date basis, unless otherwise noted.
79. "The Carlyle Group and T&D Holdings to Acquire Majority Interest in Fortitude Re from AIG for Approximately \$1.8 Billion," *Markets Insider*, November 25, 2019, <https://markets.businessinsider.com/news/stocks/the-carlyle-group-and-t-d-holdings-to-acquire-majority-interest-in-fortitude-re-from-aig-for-approximately-1-8-billion-1028716340>.
80. "Japan Post Holdings to Sell 30 Percent of Shares in Insurance Unit," *Sovereign Wealth Fund Institute*, April 6, 2019, <https://www.swfinstitute.org/news/70991/japan-post-holdings-to-sell-30-percent-of-shares-in-insurance-unit>.
81. Ibid.

82. Greg Meckbach, "Intact agrees to buy The Guarantee and MGA Frank Cowan," *Canadian Underwriter*, August 15, 2019, <https://www.canadianunderwriter.ca/insurance/intact-agrees-to-buy-the-guarantee-company-of-north-america-1004167113>.
83. Deloitte France, "M&A Financial Services Newsletter, 6e edition," June 2019, <https://www2.deloitte.com/fr/fr/pages/fusions-acquisitions/articles/ma-financial-services-newsletter.html>.
84. The April Group news release, "April: Evolem's Stake Transferred to CVC Fund VII," June 13, 2019, <http://www.april.com/journalists/press-releases/april-evolems-stake-transferred-to-cvc-fund-vii>.
85. The April Group news release, "April: Entry Into Exclusive Negotiations for the Sale of the Legal Protection and Services Activities," September 18, 2019, <https://www.april.com/journalists/press-releases/april-entry-into-exclusive-negotiations-for-the-sale-of-the-legal-protection-and-services-activities>.
86. The April Group news release, "April: Purchase Agreement Signed for the Sale of Axeria IARD," December 6, 2019, <https://www.april.com/journalists/press-releases/april-purchase-agreement-signed-for-the-sale-of-axeria-iard>
87. The April Group news release, "The April Group Announces the Sale of April International Voyage," December 3, 2019, <https://www.april.com/journalists/press-releases/the-april-group-announces-the-sale-of-april-international-voyage>.
88. Inti Landauro and Gwenaëlle Barzic, "French regulator approves La Poste's takeover of CNP Assurances," Reuters, June 25, 2019, <https://www.reuters.com/article/us-cnp-assurances-m-a-poste-idUSKCN1TQ2GH>.
89. Ibid.
90. Qualium news release, "Qualium Investissement accompagne la croissance de Magnolia Web Assurances, l'un des courtiers leaders en assurance de crédit immobilier," September 13, 2019, <https://madeincourtage.fr/2019/09/13/communique-de-presse-qualium-investissement-accompagne-la-croissance-de-magnolia-web-assurances-lun-des-courtiers-leaders-en-assurance-de-credit-immobilier>.
91. Transaction screening, S&P Capital IQ.
92. Allianz news release, "Allianz completed purchase of LV General Insurance Group and the General Insurance division of Legal & General," January 2, 2020, [https://www.allianz.com/en/press/news/financials/stakes\\_investments/200102\\_Allianz-completes-purchase-of-LV-General-Insurance-Group.html](https://www.allianz.com/en/press/news/financials/stakes_investments/200102_Allianz-completes-purchase-of-LV-General-Insurance-Group.html).
93. Generali Leben financial statements.
94. BaFin Federal Financial Supervisory Authority, "Insurance undertakings & pension funds," January 1, 2016, [https://www.bafin.de/EN/Aufsicht/VersichererPensionsfonds/versichererpensionsfonds\\_node\\_en.html;jsessionid=1C68E3E7A66BC21C1A4C9176432E2C0F.2\\_cid390](https://www.bafin.de/EN/Aufsicht/VersichererPensionsfonds/versichererpensionsfonds_node_en.html;jsessionid=1C68E3E7A66BC21C1A4C9176432E2C0F.2_cid390)
95. Fintech Global, "Chart: Top 10 InsurTech Deals in Europe, Q1-Q3 2019," <https://member.fintech.global/wp-content/uploads/sites/3/2019/10/Top-10-chart>.
96. <https://www.wefoxgroup.com>.
97. Mapfre news release, "Santander Spain and MAPFRE create alliance to distribute automobile, self-employed and company insurance," January 21, 2019, <https://noticias.mapfre.com/en/alliance-mapfre-santander>.
98. *Mapfre 2019 Financial Report, January-September*, [https://www.mapfre.com/corporate/images/financial-report-3q-2019-eng\\_tcm885-576361.pdf](https://www.mapfre.com/corporate/images/financial-report-3q-2019-eng_tcm885-576361.pdf).
99. Groupe Crédit Agricole news release, "ABANCA and Crédit Agricole Assurances announce they have signed a partnership for the creation of a property and casualty insurance company aimed at the Spanish and Portuguese market," August 7, 2019, <https://pressroom.credit-agricole.com/news/abanca-and-credit-agricole-assurances-announce-they-have-signed-a-partnership-for-the-creation-of-a-property-and-casualty-insurance-company-aimed-at-the-spanish-and-portuguese-market-6286-94727.html>.
100. Seguros Ges news release, "Almudena Seguros y Ges Seguros deciden unir sus fuerzas," June 24, 2019, <https://bienvenido.ges.es/noticias/almudena-seguros-y-ges-seguros-deciden-unir-sus-fuerzas~18>.

101. ICEA.
102. Not all transactions disclosed their deal value. Total deal values calculated in this paper take into account only transactions that disclosed their deal value.
103. The bancassurance model offers insurance products using banks as distribution channels.
104. Deloitte, *CEE insurance M&A outlook: Momentum is picking up*, October 2019.
105. Ibid.
106. Ibid.
107. Ibid.
108. Mergermarket.
109. Ibid.
110. Ibid.
111. Ibid.
112. "IAG to create a one-stop motor shop with purchase of NRMA MotorServe," November 20, 2019.
113. "IAG acquires majority stake in digital car subscription platform Carbar," July 16, 2019.
114. APRA Life insurance institution-level statistics and annual friendly society bulletin, December 17, 2019.
115. Ibid.
116. The Economist Intelligence Unit, *Argentina Country Report*, November 1, 2019, <http://country.eiu.com/article.aspx?articleid=1908622374&Country=Argentina&topic=Economy&subtopic=Forecast&subsubtopic=Forecast+summary>.
117. Ibid.
118. Transactional Track Record.
119. André Romani, "Lianz compra parte da operação da SulAmérica por R\$ 3 bilhões," *Veja*, August 23, 2019, <https://veja.abril.com.br/economia/allianz-compra-parte-da-operacao-da-sulamerica-por-r-3-bilhoes>.
120. Support and sponsorship by HDI, <https://www.hdiseguros.com.br/en/hdi-group/sponsorships>.
121. [www.plugandplaytechcenter.com](http://www.plugandplaytechcenter.com).
122. IMF.

# Deloitte.

## **About Deloitte**

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the “Deloitte” name in the United States, and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more about our global network of member firms.

This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional adviser.

Deloitte, its affiliates, and related entities shall not be responsible for any loss sustained by any person who relies on this publication.

Copyright © 2020 Deloitte Development LLC. All rights reserved.