

Insurance consolidation: M&Action

Two significant mergers have been confirmed this month and a third is on the cards. Speculation is rife about a spate of consolidation in the insurance industry.

March 07, 2010

Deal month

Monday March 1 saw the announcement the Prudential plc was to buy AIA, AIG's Asian life insurance business. AIA is in fact the origin of AIG, which was founded in Shanghai in 1929. The US company is Hank Greenberg's construction where AIA was bought out by a US company, American International Group (AIG). In some respects this deal represents the end of AIG as it no longer owns its founding core.

Resting with AIG a while, its other non-US life businesses ALICO now looks set to be sold to Met Life after a tax issue was cleared up by the IRS.

Meanwhile in Bermuda, Max Capital and Harbour Point agreed to merge to create Alterra Capital Holdings, which is expected to have a capital base of \$3bn or more, even post a hefty dividend. Speculation on consolidation in Bermuda has been rife. BRAVE Partners has even predicted the possibility of a four way merger in [Mirror Mirror](#).

March 2010 – Insurance M&A month

-  Prudential plc buys AIA
-  Met Life buys ALICO?
-  Max Capital Mergers with Harbour Point

The M&A environment

Mergers tend to create mergers. Bloomberg is already reporting analysis from Accenture that predicts that Axa and Allianz might seek acquisitions after the Prudential deal. There are certainly assets for sale. The same Bloomberg summary also reports that ING plans to sell all of its insurance units together in an IPO.

Solvency II

Solvency II will certainly have a hand in the M&A market. There will clearly be an advantage to being larger and more diversified. However Allianz is pretty large and pretty diversified. Axa is large, but potentially a little more concentrated.

M&Action

BRAVE Partners sees the real M&A drive being among the mid tier firms that need to consolidate and diversify. The Max Capital and Harbour Point deal is the representative transaction here. The Prudential

and Met Life deals are one-offs, created by the unique set of circumstances around AIG. The ING insurance business is also up for sale. This could generate another big deal, but the announcement of an IPO would suggest that this is unlikely.

BRAVE Partners services

BRAVE Partners can advise mid-tier insurers on their business strategy given the current M&A environment. The firm regards a robust Solvency II program critical for mid-tier insurers in Europe to emerge as winners in the M&A game.

BRAVE M&Action

The BRAVE partners have not been inactive either. The firm expects to see one of its clients emerge as a new business very soon.

Interaction

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- March 2010 has seen a lot of M&Action in the insurance sector.
- Big deals have created big excitement, but BRAVE Partners sees the ongoing action in the mid-tier sector.
- BRAVE Partners can advise insurers and reinsurers on their business strategy.

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