
M&A speculation drove life/annuity stocks in 2Q2014

By Editorial Staff *Wed, Aug 27, 2014*

A.M. Best attributed much of the quarterly gains for L/A stocks to the merger fever that followed Dai-ichi Life Insurance Co.'s \$5.7 billion bid for Protective Life.

Life/annuity (L/A) stocks rose 4.3% in the second quarter of 2014 versus a 4.7% rise in the S&P 500 stock index, according to a new [report](#) from A.M. Best. The gain followed a 2.5% decline in the first quarter of the year.

Seventeen of the 24 stocks tracked for the A.M. Best analysis rose in the quarter, eight of which increased by 5% or more. The best performers were Protective Life Corp., Symetra Financial Corp. and Principal Financial Group, Inc., rising 31.8%, 14.7% and 9.8%, respectively. Kansas City Life Insurance Co. and StanCorp Financial Group, Inc. were the weakest stocks, falling 5.6% and 4.2%, respectively, according to the report.

A.M. Best attributed much of the quarterly gains for L/A stocks to the enthusiasm that merger and acquisition (M&A) activity injected in the sector following the \$5.7 billion proposed acquisition of Protective Life by Dai-ichi Life Insurance Co., Ltd.

L/A stocks, which were roughly flat before the announcement on June 3, 2014, rose 4.1% in less than a month after the proposal was made public. In fact, 23 of the 24 companies A.M. Best is tracking saw their share prices rise through quarter-end after the announcement.

An acquisition of this size and magnitude is significant for the global L/A industry, as it confirms Japanese insurers are looking at international opportunities to grow in the face of a shrinking domestic population. Large-scale M&A deals of this type typically pique investors' interest in a sector.

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