Mega-deals missing from first-half life/annuity M&A: A.M. Best

By Editorial Staff *Thu, Sep 24, 2015*

Over 40% of all deals were cross-border M&As, as companies go international in search of growth. A.M. Best believes private capital, whether buying or selling, will continue to play an active role in the L/A segment.

Global merger and acquisition activity for the life/annuity segment for the first six months of 2015 "remained elevated but lacked the large mega-deals of the property/casualty and healthcare segments," according to a new **Best Special Report**.

The report, "Life/Annuity First Half 2015 Global Merger and Acquisition Trends and Analysis," describes 37 deals, up 37% from the 27 deals in same period in 2014. The total value of those deals was $6.9 billion, down 47% from $12.6 billion in 2014.

The average deal size fell to $538 million from $787 million. The lack of publicly available deal values makes historical comparisons difficult. A.M. Best believes the following key trends drove the recent M&A activity for the first half of 2015 in the L/A segment:

- Selling off of non-core segments and run-off businesses to companies specializing in them;
- Regulatory uncertainty regarding Solvency II and SIFI guidelines makes big deals from the largest life insurers unlikely;
- International cross-border activity is up as companies seek growth in new markets;
- Lack of large deals as companies appear to be more capital cautious and seek to consolidate and specialize in a low interest rate environment rather than vertically and horizontally integrate as A.M. Best sees in the property/casualty and health segments; and
- Private equity/investment firms' activity picks up.

Several deals involved the disposal of non-core businesses. North America had 35% of the market for deals by target investments, followed by Asia, with 26%. Europe made up 24% of deals, down from about 33% in earlier periods. The smaller than average deal count in Europe is partially due to uncertainty regarding Solvency II, A.M. Best believes. Latin America and the Caribbean made up 11% of deals, while Middle East/Africa made up 3%.

Over 40% of all deals were cross-border M&As, as companies go international in search of growth. A.M. Best believes private capital, whether buying or selling, will continue to play an active role in the L/A segment. A.M. Best expects private capital to pursue blocks of business rather than full-on acquisitions.

While A.M. Best believes foreign insurers lack experience in some of the product lines and markets of their newly acquired U.S. insurance carriers, it notes that the U.S. executive management teams in most cases have been incentivized to remain with their companies.