
U.S. Insurance M&A Rebounds in 2010

By Editor Test *Wed, Mar 16, 2011*

Conning Research reports that transactions increased 36% and deal value increased 224%, reversing a five-year decline.

Insurance mergers and acquisitions in the U.S. picked up momentum in 2010. Sharp increases were seen for insurance service providers and distribution targets, a potential leading indicator of market shift. A prominent theme underlying insurance company transactions was selectively targeted bolt-on acquisitions of specialized units, according to a new study by Conning Research & Consulting.

"Mergers and acquisitions in the U.S. insurance market increased significantly in 2010, with a 35% increase in transactions and a 224% increase in deal values. This represents a reversal of a five-year decline in merger activity in the market," said Jerry Theodorou, analyst at Conning Research & Consulting. "The increased activity was the result of buyers responding to soft market insurance conditions as well as generally improving conditions for M&A, including a more vibrant economy, more buoyant equity markets, and stronger capital positions at insurers."

The Conning Research study, "Global Insurance Mergers & Acquisitions in 2010: *Moving from Defense to Offense*" tracks and analyzes both U.S. and non-U.S. insurance industry M&A activity across property-casualty, life, health and distribution and services sectors.

"Despite the pickup in M&A in 2010, insurers were generally cautious in their plays. Target properties were largely midsized companies offering accretive bolt-on opportunities, in contrast to the large consolidations seen in earlier periods of strong insurance M&A activity," said Stephan Christiansen, director of research at Conning. "Specialty underwriting units were a strong focus for activity, as were specialty distribution groups. Insurers in 2010 also actively pursued alternatives to outright M&A of risk bearing entities in order to minimize reserve risk and the complexities of integration following a merger. Marquee underwriters or underwriting teams were sought out and hired, and managing general agents were acquisition targets as well."