

Global M&A Intelligence Report

Ripples of activity in stormy seas: six M&A trends in the insurance sector from 2022 that will continue into 2023

The war in Ukraine. Inflation. Interest rates. Global M&A in the insurance sector became much more complex in 2022. But deal numbers haven't decreased from 2021 highs as much as expected. And long-term trends in repositioning portfolios have continued into 2023.



“Global M&A in the insurance sector became more nuanced in 2022, but deal activity didn't decrease as much as expected.”

Jonathan Clarke
Partner, UK

Let's take a look at six of those M&A trends:

1. Private equity investors are still looking for opportunities to invest

Investors are interested in life insurance and annuity back book portfolios because they provide access to permanent capital.

Private equity funds are also investing in capital light insurance businesses and broker consolidators, forming a motive force in legacy transactions. This stimulates liquidity as the targets (after becoming portfolio companies) carry out bolt-on acquisitions. We've seen this in M&A activity from both **Apex**-owned **PIB** and **HG**-owned **Howden**. And with **Cinven**-owned **Compre** and **Oaktree**-backed **Marco Capital** in legacy transactions.

Apex-owned **PIB** have been particularly active, especially in Ireland. We expect to see growth in this area in Asia. The more commercial / progressive insurance regulators will become more willing to approve controlling interests from this class of investors. Like the **JC Flowers**-backed consortium's recent investment in a **Lloyd's** coverholder in Hong Kong.

2. Insurers are willing sellers

Insurers are still trying to capitalise on large (often double digit) EBITDA multiples that private equity is willing to pay for targets. Insurers have also been making portfolio transfers of closed books to improve their group's equity ratio.

In June 2022, **Zurich** agreed to sell its legacy traditional life insurance back book in Germany to **Viridium Holding AG** (a **Cinven**-backed portfolio company). It included the transfer of USD20 billion of net reserves, mainly related to annuity and endowment products underwritten more than five years before.

After completing the divestment, **Zurich Insurance** said its Swiss Solvency Test ratio is expected to increase by around 8 percentage points. And CFO George Quinn said “This is, perhaps, the most important step in our efforts to reduce the capital intensity of **Zurich's** legacy life portfolios and to lower our exposure to interest rates.” Reducing exposure to interest rates makes sense in the high interest rate environment.

In Singapore, **Zurich International Life** transferred its closed book portfolio of Singapore long-term businesses to a newly established entity, **Monument International Life Assurance Company Limited**.

3. Rise of MGAs / MGUs

Managing General Agents (MGAs) and Managing General Underwriters (MGUs) are still enablers of talent and innovation. So they're still attractive M&A targets.

Acrisure's purchase of the award-winning MGA Platform **Volante** was a notable transaction in 2022. The highly profitable MGA is supported by a superior panel of underwriting capital and a **Lloyd's Syndicate**.

The creation of the **Fidelis** MGU was a ground-breaking transaction in 2022. It created one of the largest MGUs in the world and was backed by private equity including **Blackstone**.

Fidelis' core group of private equity backers includes **Capital Z Partners**. They also backed Richard Brindle's (Chairman and Group Chief Executive Officer and Chief Underwriting Officer of **Fidelis**) prior venture – the Bermuda class of 2005 reinsurer **Lancashire Re**. This shows private equity is following insurance serial entrepreneurs with a good underwriting track record.

MGAs and MGUs specialising in Warranty & Indemnity insurance (which has now become integral to M&A transactions) have become attractive targets. **Amynta's** USD400 million acquisition of the **Ambridge Group**, the MGU operations of **Brit**, illustrates this point. Asia will be fertile ground for W&I focused MGAs and MGUs like **Mosaic and Fusion**.





“Strategic exits by US and European insurers from non-core markets gave other international insurers the chance for strategic market entries or expansions in Asia.”

Heng Loong Cheong
Partner, Hong Kong

4. Global repositioning

Insurers have tried to reposition themselves globally. Sometimes this is because of external events (e.g. **AIG**, **Allianz** and **Zurich** leaving Russia in the first half of 2022). But this is also part of well-honed strategies (e.g. **Generali's** acquisitions of **La Medicale** in France and the former **MetLife** pension business in Poland).

AXA and **Allianz** also strengthened their positions in the UK and Greece respectively with acquisitions in 2022.

There are many other examples of strategic exits from non-core markets. **Aetna** sold its non-US book of international private medical insurance businesses in Thailand, Hong Kong and Singapore. And **AXA** left the Singapore and Malaysia markets.

These exits gave other international insurers the chance for strategic market entries or expansions in Asia. **Allianz** acquired **Aetna's** IPMI non-US business. **Generali** acquired **AXA's** Malaysia business. And **HSBC** acquired **AXA's** Singapore business.

5. Investment in digital distribution and Insurtech

Insurers are still investing in innovation.

Traditional bancassurance distribution channels are still popular avenues of investment. But insurers are realising how important it is to invest in and partner with digital distributors.

One of the most innovative insurers in 2022 was **SiriusPoint**. They announced several eye-catching distribution partnerships in 2022.

Insurers acquiring tech service providers is also more common. **Munich Re** bought **Apinity**, a startup that supplies application programming interface (API) solutions in the form of Software as a Service (SaaS) for the insurance industry.

In Q4 2022 **Zurich** launched **Zurich eXchange**, a new global API marketplace. It combines the best services from across the **Zurich Group**, making it easier and faster for the company to collaborate with customers and partners. Frank Verkerk, Group Chief Platform Officer of **Zurich**, said “While APIs aren't new, **Zurich eXchange** demonstrates **Zurich** is serious about doing digital business.”

And it's the same for many multinational insurers.

In Asia, **Generali** life insurance bancassurance partnered with **ZA Bank**. It's a particularly innovative deal as **ZA Bank** is a Hong Kong licensed digital-only bank with no physical branches.

Also in 2022, a new Health Insurtech joint venture called **Amplify Health** (75% owned by **AIA** and 25% by **Discovery**) launched in Asia (excluding mainland China, Hong Kong and Macau).

6. ESG is influencing acquisitions

The Net-Zero Insurance Alliance (NZIA), convened by the UN, was established in 2021. This group of over 20 leading insurers (including **Allianz**, **Aviva**, **AXA**, **Lloyd's**, **Swiss Re**, **QBE**, and others) committed to transition their insurance and reinsurance underwriting portfolios to net-zero emissions by 2050.

Arguably, the insurance sector is uniquely placed to support the transition to a sustainable, low-carbon economy. And insurance clients have been some of the most interested in our collaboration with ESG risk management and the data platform **Datamaran** to integrate Environment, Social and Governance (ESG) due diligence into legal due diligence.

