



The Actuarial Profession
making financial sense of the future

31st Annual GIRO Convention

12-15 October 2004

Hotel Europe

Killarney, Ireland



The Actuarial Profession
making financial sense of the future

M&A in the insurance market - a revival?

James McPherson & Andrew Pryde



Agenda

- The M&A market place
- Interactive session – winning a competitive auction

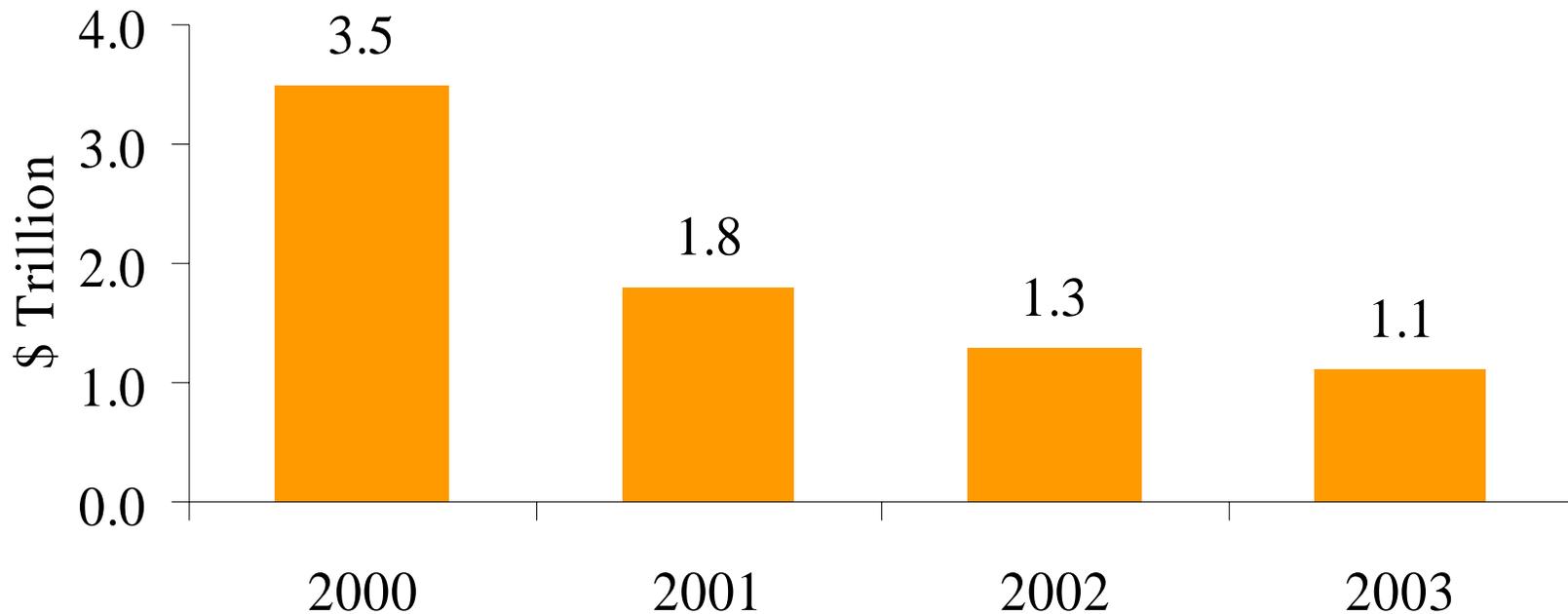
For confidentiality reasons, the following topics will be exclusively presented at the workshop

- Current trends and issues
- Where we, as actuaries, can help
- Looking forward



Global M&A

Announced Global M&A Deals 2000-2003

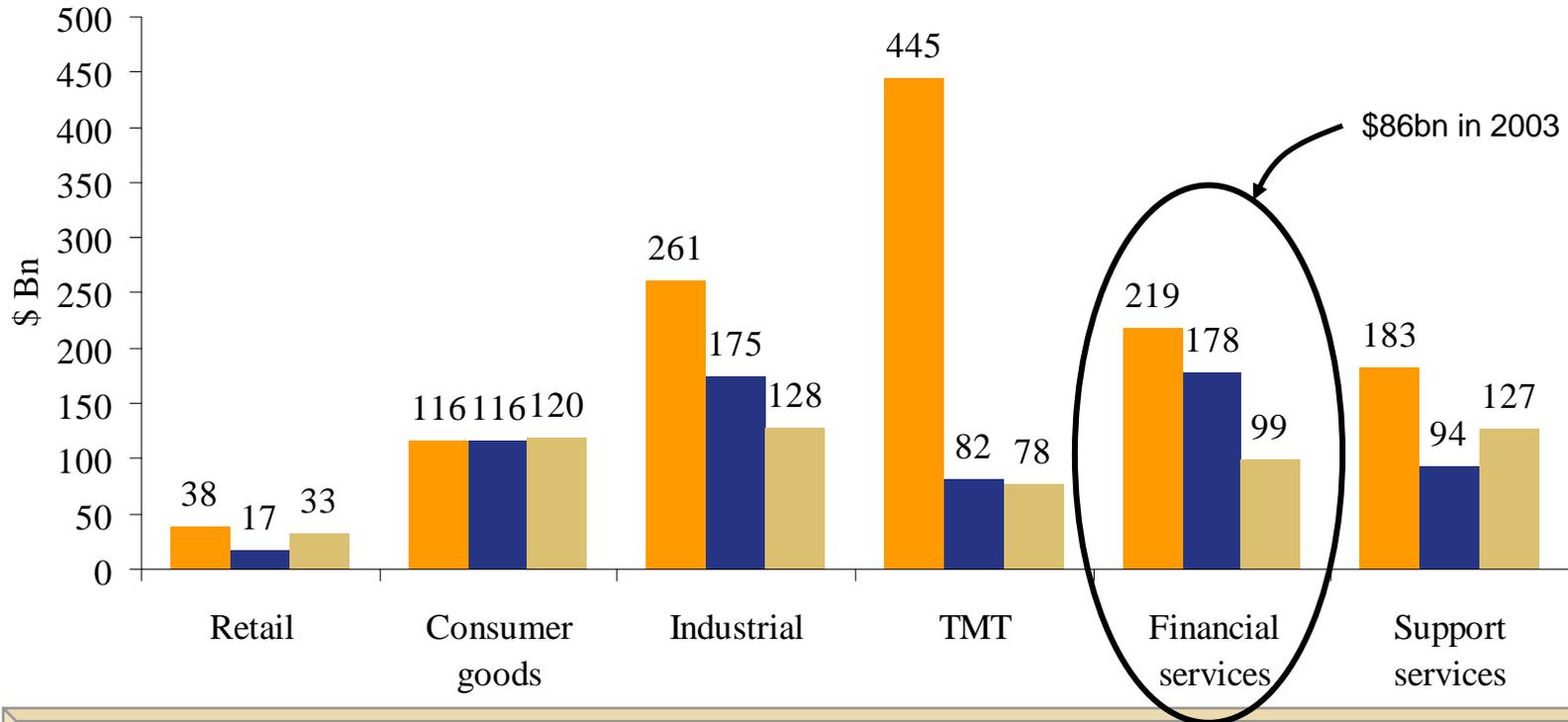


Global M&A activity has been in decline since 2000

European M&A

2000 2001 2002

Announced European M&A Deals



Trends in European FS deals broadly follow global M&A market

2003: M&A deals by sub sector

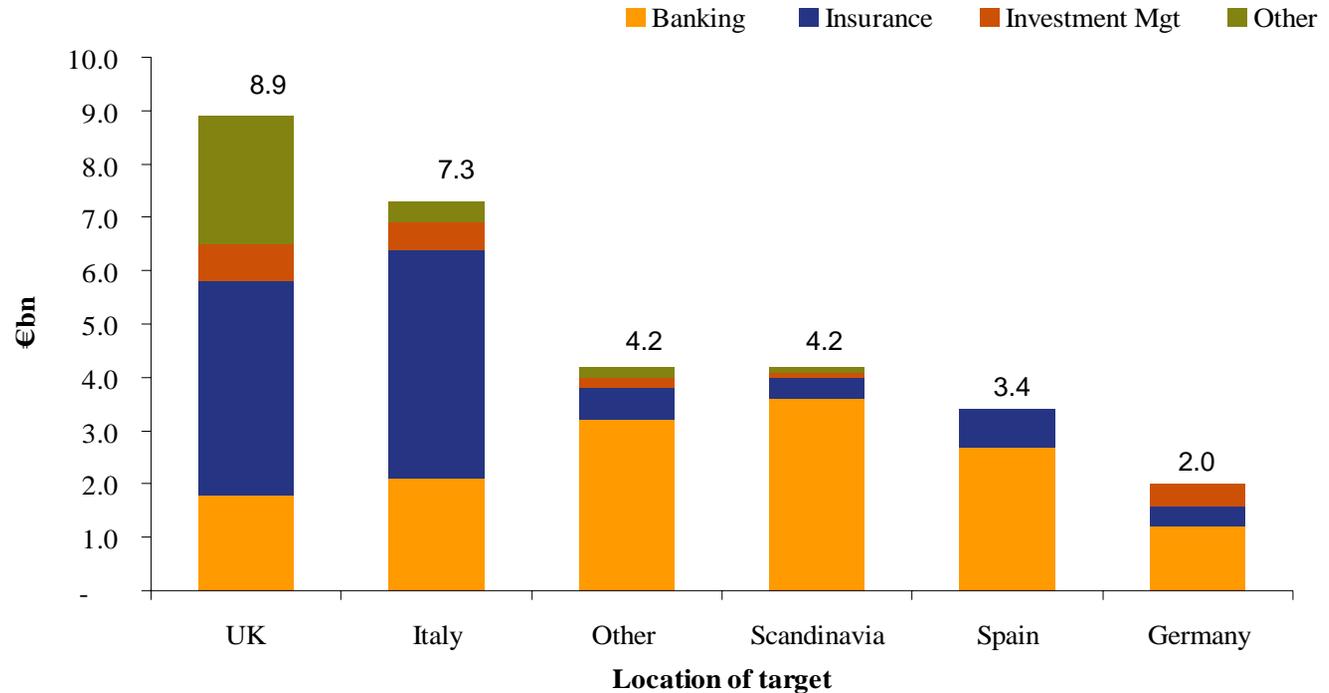
Key insurance transactions

UK

Winterthur sells Churchill to RBS for €1.7bn
AMP demerged UK operation

Italy

Fiat sells Toro to De Agostini for €2.3bn and Winterthur sells operations to Unipol for €1.5bn



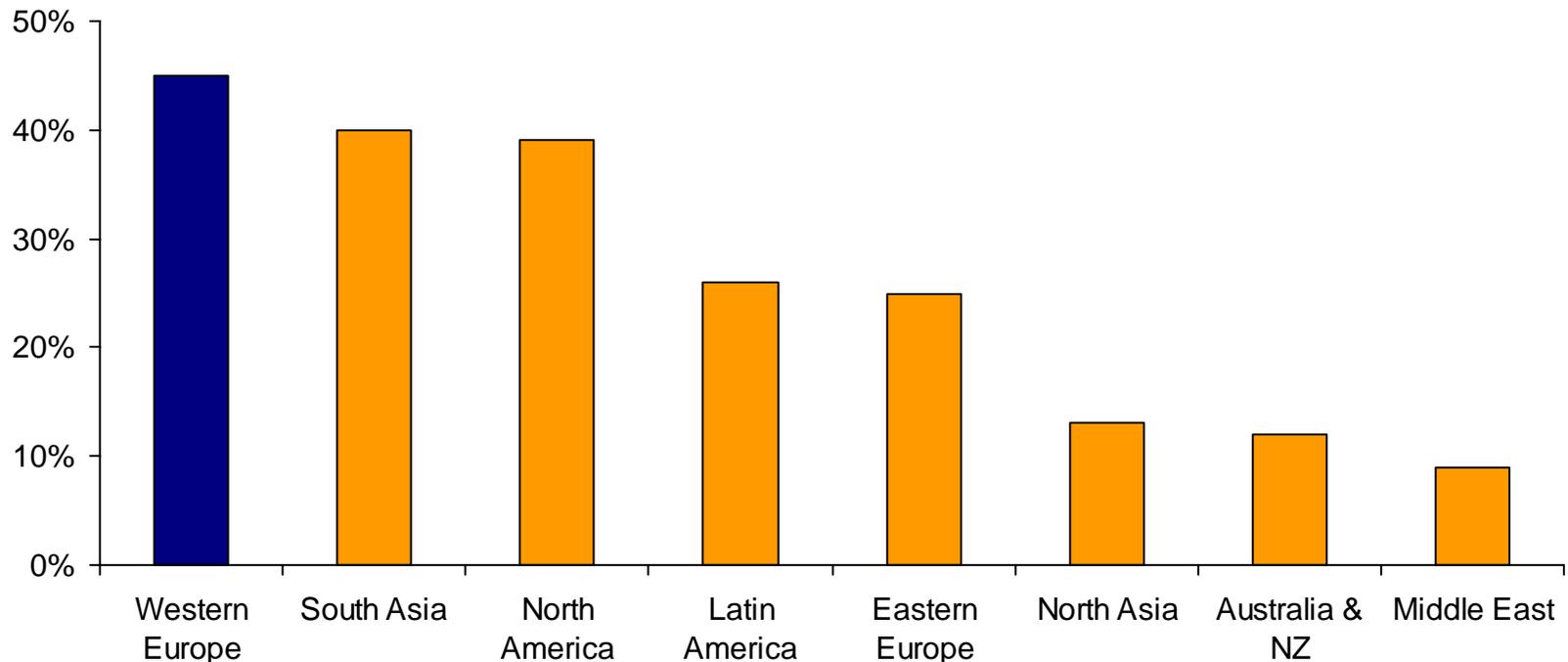
Insurance and banking are key M&A market sectors across Europe

2003: UK M&A activity

Announced UK FS deals over £100m in 2003

	<u>Target</u>	<u>Bidder</u>	<u>Val.</u>
	Company	Company	£m
1	Churchill Insurance	RBS	1,200
2	First National	General Electric Co (US)	848
3	London Clearing House	Clearnet (Fr)	830
4	Threadneedle AM	American Express (US)	340
5	Zurich Life	Swiss Re (Sw)	285
6	Tullett Plc	Collins Stewart Holdings	235
7	Gerrard	Barclays Plc	210
8	PRI Group plc	Brit Insurance Holdings	167
9	Edward Lumley Holdings	Westfarmers (Aus)	150
10	RSA (med ins)	Oxfordway Ltd	147
11	Insinger equity trust	Candover Investments Plc	131
12	Post Office JV	Bank of Ireland JV (Ire)	125
13	Goldfish Bank	LloydsTSB	113
	Total		<u>4,780</u>

“In terms of geographic distribution of your organisation's restructuring activity over the next five years, please identify in which of the following areas you expect to expand your activities through acquisition?”



Recent Trends

- M&A market has been depressed
 - September 11
 - Conflict in Iraq
 - Falling stock markets and general economic slowdown
 - Heightened risk aversion
 - Corporate scandals
- Cross-boarder deals rare
 - Lack of suitable targets
 - Domestic purchasers able to outbid foreign buyers due to greater synergies
- Less mega deals
 - Only UK and Italy experienced deals in excess of €1bn
- Introduction of Schemes as a way extinguish the liability of business in run off

Interactive session

Winning a competitive auction

- Your chance to think like a billionaire and bid for an insurance company ...
 - Discover the issues
 - Live through the 'M&A experience' without losing any sleep!
 - Win a prize

**The rest of the slides (ie the answers)
will be presented on the day!**

