31st Annual GIRO Convention

12-15 October 2004

Hotel Europe

Killarney, Ireland
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 activity has been in decline since 2000

Source: PwC Transaction services
European M&A

Announced European M&A Deals

- Retail: 38 17 33
- Consumer goods: 116 16 120
- Industrial: 261 175 128
- TMT: 445 82 78
- Financial services: 219 178 99
- Support services: 183 94 127

$86bn in 2003

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

Source: PwC Transaction services
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

Source: mergermarket (excludes deals that involve acquisition of non-European target by European company)
2003: UK M&A activity

Announced UK FS deals over £100m in 2003

<table>
<thead>
<tr>
<th>Target Company</th>
<th>Bidder Company</th>
<th>Val. £m</th>
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<tbody>
<tr>
<td>Churchill Insurance</td>
<td>RBS</td>
<td>1,200</td>
</tr>
<tr>
<td>First National</td>
<td>General Electric Co (US)</td>
<td>848</td>
</tr>
<tr>
<td>London Clearing House</td>
<td>Clearnet (Fr)</td>
<td>830</td>
</tr>
<tr>
<td>Threadneedle AM</td>
<td>American Express (US)</td>
<td>340</td>
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<tr>
<td>Zurich Life</td>
<td>Swiss Re (Sw)</td>
<td>285</td>
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<tr>
<td>Tullett Plc</td>
<td>Collins Stewart Holdings</td>
<td>235</td>
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<tr>
<td>Gerrard</td>
<td>Barclays Plc</td>
<td>210</td>
</tr>
<tr>
<td>PRI Group plc</td>
<td>Brit Insurance Holdings</td>
<td>167</td>
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<tr>
<td>Edward Lumley Holdings</td>
<td>Westfarmers (Aus)</td>
<td>150</td>
</tr>
<tr>
<td>RSA (med ins)</td>
<td>Oxfordway Ltd</td>
<td>147</td>
</tr>
<tr>
<td>Insinger equity trust</td>
<td>Candover Investments Plc</td>
<td>131</td>
</tr>
<tr>
<td>Post Office JV</td>
<td>Bank of Ireland JV (Ire)</td>
<td>125</td>
</tr>
<tr>
<td>Goldfish Bank</td>
<td>LloydsTSB</td>
<td>113</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>4,780</strong></td>
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Source: mergermarket (excludes deals where deal value not publicly disclosed)
“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?”

Source: PwC & EIU report “Focus on restructuring”
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!”