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A note from David Lambert, EY Global Insurance Transactions Advisory Services Leader

Strong discipline pre- and post-deal leads to greater M&A success in insurance

Sector transformation continues to drive M&A activity, as 51% of insurance companies say they expect to pursue deals in the next 12 months, according to the latest *EY Capital Confidence Barometer* findings. With 78% expecting the insurance M&A market to improve, it would appear that healthy dealmaking will continue into 2019.

While sector convergence and legacy consolidation remain key drivers of M&A, investment in, or acquisition of, InsurTech companies is the quickest way to access emerging digital ecosystems.

While 63% of insurance companies expect to close more deals in the next 12 months, they remain highly disciplined; 96% of respondents say they've put the brakes on a planned deal in the past 12 months. One in five cited either competition or regulatory or government intervention as the reasons.

Insurers do a better job at achieving post-deal synergies than their global counterparts

For deals insurers did complete, nearly half (47%) achieved the post-deal synergies they identified, significantly higher than the global average (28%). Those that are more aggressive in setting synergy targets are more likely to achieve or exceed targets, with 61% either meeting identified synergies or achieving higher synergies than expected.

Portfolio optimization helps to streamline the business and remain agile

Portfolio optimization helps insurance companies streamline their businesses and remain agile enough to pivot in response to a changing landscape. Seventy-nine percent of insurance companies say they review their portfolios at least every six months. Seventy-four percent identified underperforming assets or those at risk of disruption to divest during their latest review. By actively managing their portfolios, insurance companies are able to remain competitive and meet investor demands for higher returns.

The insurance sector shows a stronger propensity for dealmaking than global executives as a whole. As companies in the sector continue to seek new markets and access new technologies, we would expect dealmaking to continue apace while other sectors may pause.

Top five investment destinations



Macroeconomic and external environment

Strong corporate earnings and open credit markets point to a continued upswing in equity markets.

91%

see the global economy as improving.

81%

see corporate earnings improving.

78%

expect the insurance M&A market to improve.

Buy and integrate

Executives see the M&A cycle continuing at elevated levels, with identification and realization of synergies at the center of M&A value creation.

51%

expect to actively pursue acquisitions in the next year.

35%

are starting integration planning earlier.

47%

say they managed to achieve the synergies identified in their most recent deal.

Major M&A themes

Private equity is seen to be a major influence in near-term dealmaking, and cross-border dealmaking is on the rise.

42%

expect more competition for assets from private equity buyers.

39%

have identified an asset at risk of disruption to divest as part of a portfolio review.

29%

say their organization's main focus in the next 12 months will be on cross-border dealmaking.

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