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working world

Insurance

Global Capital Confidence Barometer



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A note from David Lambert, EY Global Insurance Transactions Leader

This edition of the *Capital Confidence Barometer* reveals a healthy M&A outlook as the insurance sector transforms.

2017 was not a stellar year for insurance M&A in terms of the overall number or value of deals – with both being broadly comparable to 2016. However, our data points to a solid first quarter of dealmaking in 2018, and the deal outlook remains healthy with almost half (48%) of insurance executives surveyed expecting to pursue acquisitions actively in the next 12 months – which is above the average since April 2013.

Strong dealmaking intentions

The stronger-than-expected turnaround in economic activity in the Eurozone has boosted executives' expectations for global economic growth. With China and the US remaining positive, all the major engines of growth in the global economy are now synchronized in an upward trajectory. In this context, all (100%) insurance executives surveyed see the global M&A market as either stable or improving in the next 12 months.

Hunt for high-quality assets

Insurance executives expect increasing competition for assets – with 80% pointing toward private equity (PE) and other funds. We are seeing PE activity across many areas of insurance, including participating in the extensive consolidation and reshaping of distribution businesses. PE investment will also be a key part of the development and monetization of new technologies supporting the sector. Read EY's [Global M&A themes 2018](#) for more insight on the M&A trends that we expect to see accelerate as more insurers seek to transform, using business acquisitions or disposals as elements of that transformation.

Shifting from optimizing to transforming

Transformational deal activity will continue through 2018 and beyond and insurers will invest in InsurTech businesses as a way of accessing and operating in emerging “digital ecosystems.” New digital ecosystems are both a massive opportunity and an existential threat, as such ecosystems will also be a route for sector convergence. We are seeing the creation of ever more sophisticated insurance M&A markets in response to ongoing sector transformation: bigger pipelines, better targeting and divesting assets at risk of disruption will be critical components of successful business portfolio transformation. Read EY's [Financial services: Global Corporate Divestment Study 2018](#) to find out why strategic divestments play a key role in achieving this goal.

Market outlook

Looking ahead, while half (51%) of respondents are wary of changes in trade policy and protectionism, cross-border M&A will be a major theme in the next 12 months. We continue to see a clear outlook for insurance sector transformation and record level of dry powder could also fuel increased activity in the broader insurance sector by PE acquirers.

Top five investment destinations



Macroeconomic environment and M&A outlook

Broad-based synchronized growth underpins buoyant economic outlook.

75%

see the global economy as **improving**.

79%

see the M&A market as **improving**.

48%

intend to pursue **acquisitions**.

Growth and portfolio strategy

Executives are looking to transform their portfolios.

65%

say that portfolio transformation is top of the **boardroom agenda**.

35%

identified an asset at risk of disruption to **divest** during their most recent portfolio review.

31%

expect increased **cross-border dealmaking** as companies look across borders for growth.

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