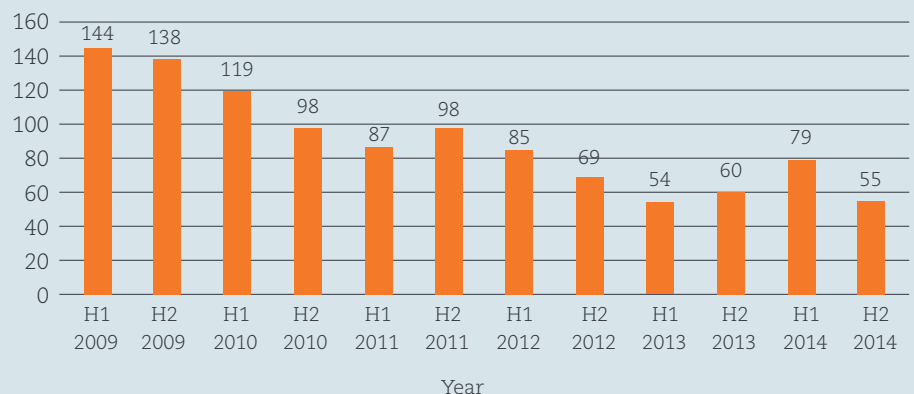


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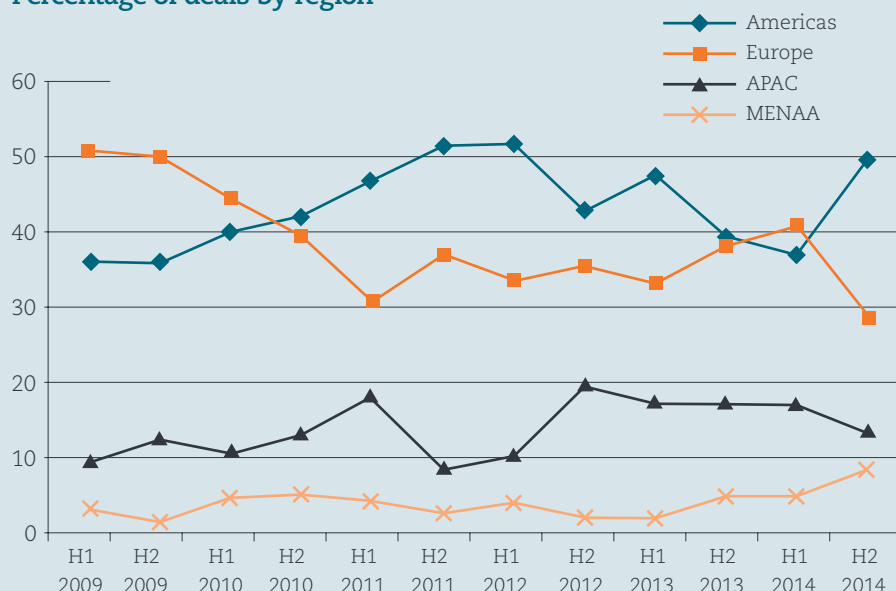
Insurance M&A in Europe at a crossroads

After a four-year slide, insurance deal-making in Europe saw an uptick in 2014 with 134 transactions completed, up from 114 in 2013, an 18% increase. Furthermore, 2015 has started with a bang in the M&A market. In addition to a couple of mega-deals involving US and Bermudan entities, more significantly from a European perspective, US insurer XL announced that it had sealed a deal to acquire UK-listed rival Catlin for GBP 2.79 billion, the largest-ever takeover of a Lloyd's underwriter to create the world's eighth largest group in the reinsurance industry. This may be a sign of more to come.

Volume of deals in Europe

However, the insurance M&A market in Europe would appear to have arrived at a crossroads. There have been signs for some time that it has been coming back to life. The second half of 2013 saw a marginal pickup in activity, despite the market still being beset with a number of different uncertainties around issues such as regulation (e.g. the timing and form of Solvency II) and whether there was a likely improvement in the overall economic picture. In the first six months of 2014 some of this uncertainty evaporated as a number of key economies started to show signs of sustained recovery and the market gained considerable confidence and momentum.

Percentage of deals by region



Indeed, in the first half of 2014 Europe overtook the Americas for the first time as the world's leading region for deal-making. However, Europe's tenure at top spot proved to be short lived. In the second half of 2014 the volume of completed transactions dropped back, virtually back to 2013's historic low.

The largest deal in Europe was in Switzerland with the Helvetia acquiring compatriot Nationale Suisse for around USD 1.5 billion to create a new insurance group with a leading position in the domestic market. In announcing the deal the chairmen of both companies alluded to the increased opportunities that the additional scale of the new combined entity would offer. This is further evidence of an on-going trend we have witnessed where deals are being driven by the desire to reach optimal scale and relevance.

Size appears to be becoming increasingly important – and balance sheet strength seen as being critical to clients. Indeed, the second and third largest deals of the period – the acquisition in Portugal of Espirito Santo Saude for USD 809 million by Fidelidade-Companhia de Seguros SA and the purchase of CityLife SpA by Assicurazioni Generali SpA for USD 639 in Italy – would seem to be further examples.

In another on-going trend, European insurers continue to look beyond the region for growth opportunities. In particular, there has been an uptick in acquisitions involving African targets, suggesting that the international insurance industry may finally be waking up to the continent's latent promise. In the second half of 2014 Swiss Re and the UK's Prudential both made acquisitions in Kenya while French company AXA paid around USD 250 million for Assur Africa Holding Ltd in Nigeria.

While we expect the coming 12 months to see continued consolidation in the insurance industry on a worldwide basis, how much of that will take place in Europe remains to be seen. Although there is increased appetite for deal-making, a lack of attractive targets combined with the on-going sluggishness in the Eurozone may force potential acquirors to look further afield.

Further information

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