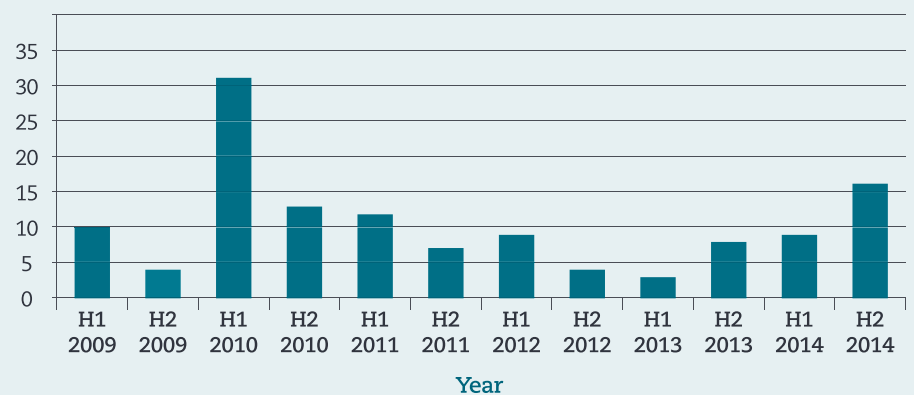


Update

Africa leads the way in M&A

Deal-making in the Middle East and Africa has been on something of a roll in recent months. There were 25 deals in the region in 2014 – up from 11 in 2013 – with a noticeable pick-up in activity in the second six months of the year, with 16 transactions completed. The bulk of the mergers and acquisitions (M&A) during this period took place in Africa, underlining the suggestion that the insurance industry is finally waking up to the continent's tremendous potential. Swiss Re bought a minority stake in Kenyan insurance group Apollo Investments Limited for an undisclosed fee while in the same country the UK's Prudential bought out life insurer Shield Assurance Co Ltd. Meanwhile France's Axa paid almost US\$250 million to acquire Nigeria's Assur Africa Holding Ltd. AXA's presence in Africa now consists of operations in Cameroon, Gabon, Ivory Coast, Morocco, Senegal and Algeria.

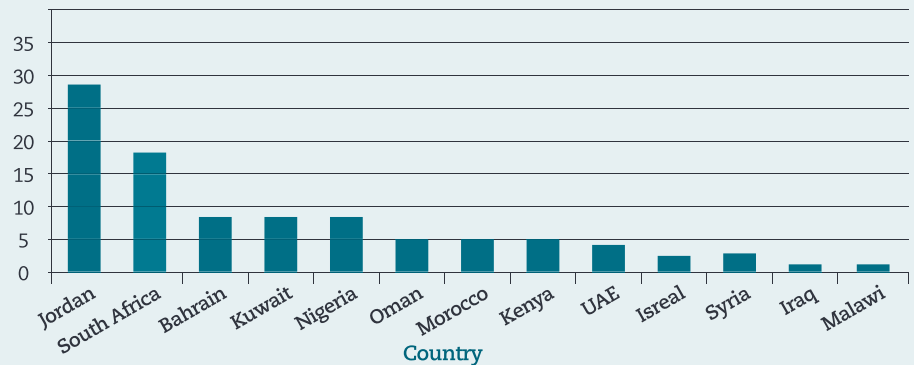
Volume of deals in MEA



Activity in North Africa is also increasing. Morocco has seen a combination of domestic consolidation and outbound transactions into Nigeria. As befits its status as one of the MINT countries, Turkey continues to attract interest from international players. In one example, Dutch company Kibele completed the purchase of Aviva Sigorta A.S. in December as the British insurer shifts its strategy to narrow its focus on businesses where it has a leadership position and

Volume of deals in MEA

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In the Middle East insurance M&A continues to be limited. The only significant transaction in the second half of 2014 involving an entity based in the Gulf Cooperation Council was the acquisition of Dubai's Visionary Underwriting Agency by Bermuda's Ironshore International. This is not indicative of a lack of interest in the region on the part of international players; economic prospects are bright and a number of factors point towards a healthy future for the insurance industry. Rather it is due to the fact that a number of barriers to transactions remain, including structural issues as well as often mismatched price expectations between buyers and sellers.

However, inbound investment is continuing; one increasingly common tactic to navigate around some of these challenges is participation in the reinsurance market. International players have been looking at coming into the Dubai International Financial Centre (DIFC), the federal financial free zone situated in the UAE, where

100% foreign ownership of reinsurance entities is permitted. In December Beazley announced it had opened an office in the DIFC, following similar moves by Catlin and XL earlier in 2014. The trend is continuing; just last month specialist insurer Markel International became the latest to gain a local presence in Dubai.

The DIFC has become the regional hub for reinsurance in this region, precipitated largely by the formal decision of Lloyd's to set up a platform in the emirate. Growth in the insurance sector is expected to continue over the coming year; DIFC currently has 72 insurance sector entities and is planning to increase this to around 100 by the end of 2015. The factor that regulator is reviewing its rule book with a view to clarifying the role of Lloyd's and the regulation of managing general agents will streamline the licensing process and spur further interest in setting up operations in the region.

Further information

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