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M&A activities to spur insurance sector in 2012

Several local insurers look ripe for strategic tie-up

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PETALING JAYA: Merger and acquisition (M&A) activities, which has kept the financial services industry bustling this year, is expected to continue in 2012, particularly in the insurance sub-sector, a PricewaterhouseCoopers official said.

Angie Wong, PricewaterhouseCoopers Malaysia's executive director of financial services said M&A in the local insurance scene would continue to be spurred by low penetration rates in the life insurance market as well as the fragmented general insurance business, thanks to a relatively mature regulatory environment.

The government's decision to liberalise ownership structures in the insurance and other services sub-sectors in 2009, which raised the ceiling for foreign shareholding to 70% from 49%, also helped raised the appeal of the Malaysian insurance markets to foreign players, she added.

"[The foreign shareholding liberalisation], coupled with the industry's well-defined parameters and structure, have definitely made it more appealing for foreign insurance companies to consider setting up shop in Malaysia," Wong said in an email reply to *The Edge Financial Daily*.

The introduction of the Risk-Based Capital Framework too "had perhaps assisted in spurring M&A activities," though that might not be the main driving force behind local insurers seeking strategic partners, she said.

To be sure, the industry took about a year from the shareholding liberalisation to warm up to M&As, but several prominent names in the domestic and international insurance industry had been drawn into the market.

In 2010, Hong Leong Financial Corp disposed its 30% stake in Hong Leong Assurance Bhd to Mitsui Sumitomo Insurance Group for US\$289 million (RM913.2 million). That was followed by the disposal of Jerneh Asia Bhd's 80% stake in Jerneh Insurance Bhd to US insurer ACE INA International Holdings Ltd for RM523.2 million.

Earlier this year, Berjaya Corp Bhd sold its 40% stake in Berjaya Sampo Insurance Bhd to its Japanese shareholder Sampo Japan Insurance Inc for 3.3 times book value, while AmG Insurance Bhd has proposed a takeover offer of Kurnia Insurance Bhd.

Market watchers note that there are several other listed and non-listed insurers that look ripe for some form of strategic tie-up with another rival. These include Manulife Holdings Bhd, Allianz General Insurance Co (M) Bhd, Pacific & Orient Bhd and LPI Capital Bhd. There's also local re-insurer MNRB Holdings Bhd and Takaful player Syarikat Takaful Malaysia Bhd, they point out.

A number of these insurers belong to larger listed groups. For example, Berjaya Capital still owns 30% of Berjaya Sampo Insurance while AmG Insurance Bhd is in AMMB's stable and Multi-Purpose Insurans Bhd comes under Multi-Purpose Holdings Bhd's (MPHB) umbrella.

Meanwhile, Main Market-listed Malaysian United Industries Bhd (MUI) has a 52.21% stake in MUI Continental Insurance Bhd. There are also insurers under banking groups such as AXA Affin Group and CIMB Aviva Bhd, market watchers said.

PwC's Wong said her view of increased M&A activity is backed by findings of a recent survey conducted by her firm.

Malaysian respondents to the survey were strongly positive about the prospect of M&As in the Malaysian market, she noted, outpacing confidence shown by respondents from other markets in Asia. Some 61% of Malaysian respondents say that M&A activities will increase slightly in the next 12 months, compared to only 48% of the wider sample from Asia Pacific, according to findings from PwC's Emerging Opportunities — Financial Services M&A 2011 survey released late-November.

The study also found Malaysia ranked high on the list for the most attractive territories in Asia Pacific for cross border M&As, or a market to see new foreign entrants. Malaysia was ranked sixth most attractive — behind China, Singapore, Thailand, Hong Kong and Indonesia — but ahead of Vietnam, Australia, India, the Philippines, Japan, South Korea and Taiwan.

Meanwhile, Asia's insurance market will reportedly see sustained growth in 2012, according to a recent research conducted by Swiss Re's Economic Research and Consulting.

Life insurance premiums in Asia is projected to grow by 4.4% in real terms, compared with a 0.6% growth in 2011, the report said. On the other hand, non-life insurance premiums in Asia is forecast to grow at a slower rate of 6.0%, compared with 8.1% growth rate in 2011.



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Ingress gets TNB letter of intent

KUALA LUMPUR: Ingress Corp Bhd units have received letters of intent from Tenaga Nasional Bhd for power management unit (PMU) projects worth RM55 million that are set to commence within the first quarter of its fiscal year ending Jan 31, 2013.

In a statement yesterday to Bursa Malaysia,

Ingress said letters given to its two subsidiaries, Multi Discovery Sdn Bhd and Ramusa Engineering Sdn Bhd, are for the establishment of PMU 132kV Kota Setar AIS Rehab and 132kV lines diversion at PMU Kota Setar, as well as a proposed 275kV bulk supply to Bahrui Stainless. No other details were provided.

Bumi Armada acquires vessel for RM68m

KUALA LUMPUR: Bumi Armada announced yesterday that its wholly-owned subsidiary, Bumi Armada Offshore Holdings Sdn Bhd, has exercised an option to purchase a vessel named *Rainbow River* for a cash consideration of RM68 million.

In a filing with Bursa Malaysia, Bumi Armada said the acquisition is in line with its fleet expansion plan and will be completed upon delivery of the vessel, expected in 1Q12.

It said the purchase of the vessel is pursuant to a memorandum of agreement with

Galaxy Naviera Maritime SA, Panama, dated Sept 28, 2011 and will be funded by internally generated funds.

The acquisition is not expected to have any material effects on the share capital, substantial shareholding, earnings or net assets of Bumi Armada for the FY11 ending Dec 31 and does not require any approval from shareholders or regulatory authorities, it said.

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