‘Strategic importance of M&A to insurers set to increase’

PwC Bermuda named Deals Advisor of the Year (Financial Services)

Hamilton, Bermuda – As insurers adapt their business models to a challenging new environment, the strategic importance of M&A is set to increase. This is particularly the case as there is finally some easing of the conditions that have led to reluctance towards consolidation.

In its paper, Insurance 2020: The future of insurance M&A, PwC says it does not expect transaction volumes to recover along the same lines as during the last decade. Instead, PwC predicts the next few years will see a “quiet revolution” in global insurance M&A.

Arthur Wightman, PwC Bermuda Insurance Leader, said: “The global insurance industry’s outlook is improving. The mature economies of Europe and North America are moving towards recovery, while the emerging markets of Asia and Latin America continue to grow. A pickup in global premiums is forecast, but the industry should not expect a return to the old ways.”

PwC’s 17th Annual Global CEO Survey, released earlier in 2014, highlighted that 92% of insurance CEO’s think their revenues will increase over the next three years and 47% of CEOs see building existing market share as the main opportunity for growth. On the other hand, 50% of CEO’s are concerned about the threat from new entrants, 72% are concerned about slow or negative growth in developed markets, 86% are concerned about over-regulation and 72% are concerned about government response to fiscal debt burden.

Mr Wightman continued: “These data points highlight the complexity of decision making surrounding succeeding in the current environment and have probably also influenced CEO appetites for bold M&A strategies. We are likely at a tipping point, however, where low profitability, interest rates and valuations as well as an abundance of capital and vast cash reserves on balance sheets will drive the market to greater consolidation.”

The bigger deals will seek scale, diversification and quality but we will also see smaller deals as CEO’s seek to compensate for an absence of organic growth opportunities and open up new and complementary product lines or distribution channels.

The paper finds that technology will continue to grow in influence in insurance deals; and political risks, the economic climate and regulatory reform will all continue to shape the market; and Asian and Latin American targets top the wish lists for insurers with capital to spend.

Industry accolade for PwC

PwC Bermuda is pleased to announce that it has been named Deals Advisor of the Year (Financial Services) Bermuda.
Winners of Acquisition International’s prestigious 2014 M&A Awards are voted for by a global network of expert M&A professionals, advisers, clients, peers and industry insiders. The awards celebrate excellence in all areas of M&A, recognising not only individual deal success but also the firms and individuals behind the scenes who’ve contributed to the dramatic increase in global M&A activity in the past year.

Commenting on the award, Mr Wightman said, “This significant accolade reinforces our position as a leading provider of Advisory services in Bermuda and is a clear recognition for our team of professionals across our Deals practice who are all working to create value for our clients by helping them to exploit transactional opportunities and address their most complex challenges.”

Learn more about PwC Bermuda by following us online at Facebook, Twitter and YouTube.

About PwC
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