Life and Health Insurance M&A

A review of transactions by country and region in 2022 and an outlook for 2023 and beyond

Covering North America, Europe, and Asia

AUTHORS

Ian Humphries (London)
Samuel Burgess (London)
Katie Nelson (Chicago)
Tubin Wang (Chicago)
Candace Wang (Chicago)
John Gakuya (London)
Stuart Reynolds (London)

Milliman

Overview

This paper provides an analysis of recent life and health insurance transaction activity across the globe, focusing on North America, Europe, and Asia.

The 'Global Insight' section (pages 3-6) provides an overview of global life and health mergers and acquisitions (M&A), looking at the volume of announced transactions in 2022 in terms of number and value, as well as a high-level analysis of the activity in each region.

The 'North America' (pages 7-16), 'Europe' (pages 17-47), and 'Asia' (pages 48-68) sections provide a detailed insight into the activity in each region. For key markets under each region, we provide:

- An analysis of the level of activity in 2022 versus previous years
- An overview of the key announced transactions in 2022
- An analysis of transaction drivers, including the impacts of high interest rates observed in 2022
- An analysis of M&A themes and trends
- An analysis of private equity and private asset manager involvement in life and health M&A in 2022
- The outlook for life and health insurance M&A in 2023 and beyond

As an extension to the analysis above of life and health M&A transactions in Europe, we also explore transaction value metrics such as the ratio of price to Own Funds, and pricing trends observed in recent years.

The underlying data used for this paper has been sourced from S&P Global Market Intelligence (which has been manually adjusted where necessary) and publicly available data on announced transactions. It should be noted that since the release of our previous paper 'A review of 2021 and an outlook for 2022 and beyond,' there have been instances where the backing data used in this publication has been updated on S&P Global Market Intelligence. This affects a small number of the transactions covered in last year's paper; the backing data used in this year's publication has been updated to reflect the latest data available at the time.

The paper presents statistics and data on announced transactions that include life and health insurance business, including any transactions categorized as 'multi-line' that include a mix of life, health, and general insurance business. For the purposes of this paper, any transactions that are categorized as bulk-purchase annuity, pension risk transfer, reinsurance or brokerage deals are excluded from the data. The data is based on limited public data on reported transaction values.

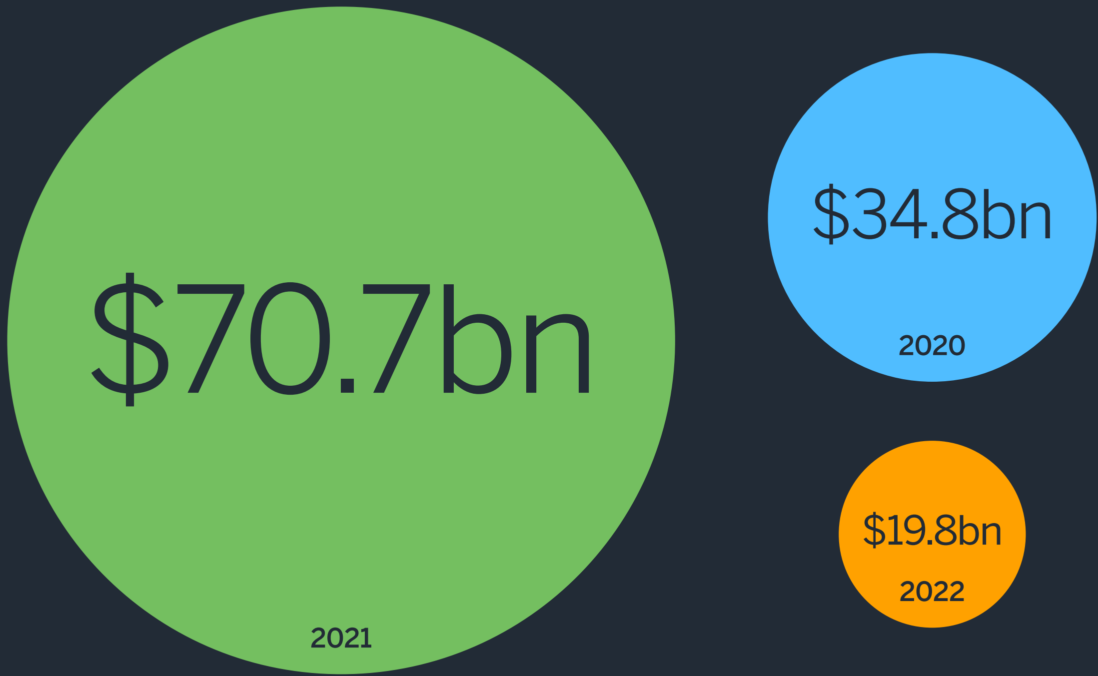
Global insight

Introduction

Following a bumper 2021, global life and health insurance M&A activity fell heavily in 2022. 2022 was a year of both political and economic uncertainty, with the Russian invasion of Ukraine in early 2022 and the associated rapid increases in interest rates seen throughout Europe, North America and some Asian markets, which have been necessary to combat inflationary pressures. We have observed increasing levels of caution from both buyers and sellers of life and health insurance business, although there is still significant demand for the majority of opportunities that come to market. Given the significant activity in 2021, which can in many cases be attributed to the consequences of the COVID-19 pandemic (such as asset losses, strategic reviews and the transaction backlog), a quieter year was perhaps to be expected. Uncertainty and volatility is not typically conducive to an active transaction market, whereas predictability and stability often promotes confidence and increases the likelihood that the pricing of deals is relatively consistent between buyers and sellers. We are aware of some deals falling through due to price mismatches, although this is not a key driver of the lower transaction volumes in 2022.

The number of announced global life and health transactions decreased in 2022 compared with 2021 (122 deals in 2022 versus 171[1] deals in 2021) and the average deal size (for publicly disclosed deal values) decreased from c. $0.9 billion in 2021 to c. $0.4 billion in 2022, being driven by a drop-off in the number of 'mega deals' witnessed in North America in 2021.

Publicly announced life and health deal values totaled c. $19.8 billion in 2022 compared to c. $70.7 billion in 2021 and c. $34.8 billion in 2020.

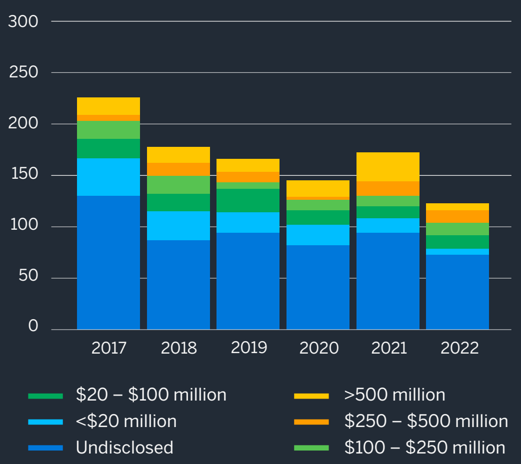


[1] This figure considers Chubb Limited's acquisition of Asia-based business of Cigna Corporation as seven separate deals. However, individual prices for each market covered under the transaction were not available, so for the purposes of calculating any statistics that involved deal values, the deal has not been separated.
Source: S&P Global Market Intelligence and public data

Global Life and Health Insurance M&A

Figure 1: Deal value and volume

Figure 2: No. of transactions split by deal size



29% decrease in number of globally announced transactions in 2022 (122 in total)

↓ 29%

72% decrease in publicly announced deal values in 2022 (c. $19.8 bn in total)

↓ 72%

Decrease in substantial-sized deals during 2022:

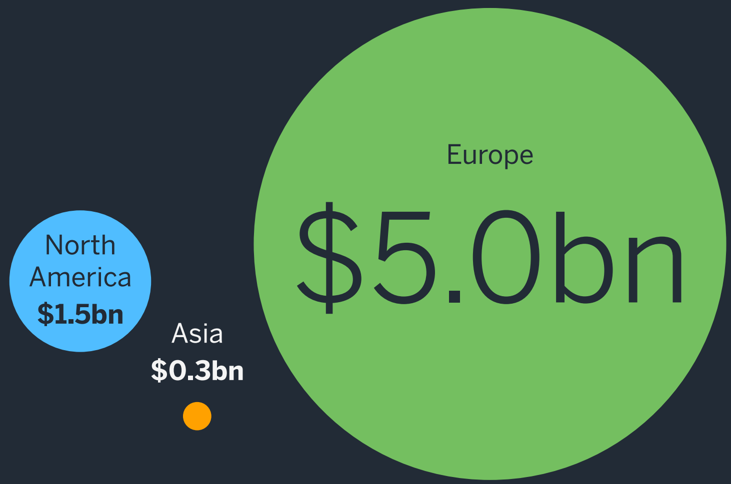
- 7 deals over $500 million in 2022 (28 in 2021).
- 4 deals over $1 billion in 2022 (18 in 2021).

Many of the largest deals in 2022 were in Europe:

- 4 of 7 deals over $500 million, one in each of the Netherlands, France, Germany, and Italy.
- 2 of 4 deals over $1 billion.

2022 largest reported deal sizes in each region:

- North America: Blackstone and Nippon Life's investment in Resolution Life – $1.5 billion.
- Europe: ASR's acquisition of Aegon – c. $5.0 billion. This was 2022's largest reported deal size.
- Asia: Chubb Limited's purchase of a further stake in Huatai Insurance Group – c. $0.3 billion.



Source: S&P Global Market Intelligence and public data

Global Life and Health Insurance M&A

Figure 3: No. of announced life and health transactions

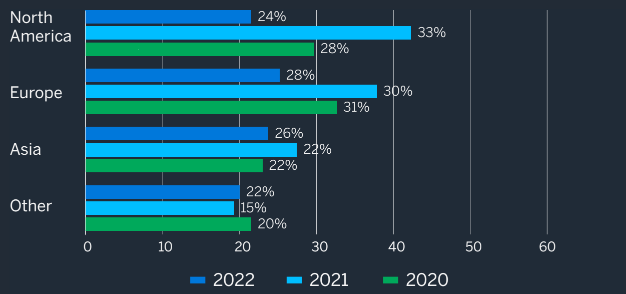


Figure 4: Total value of life and health transactions

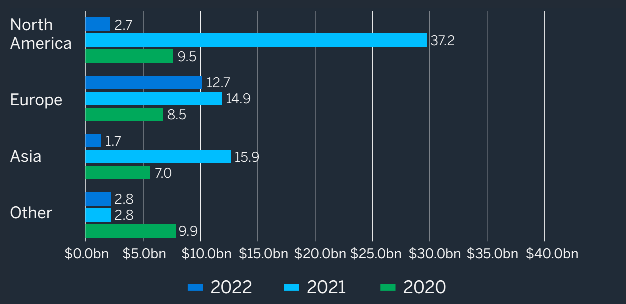
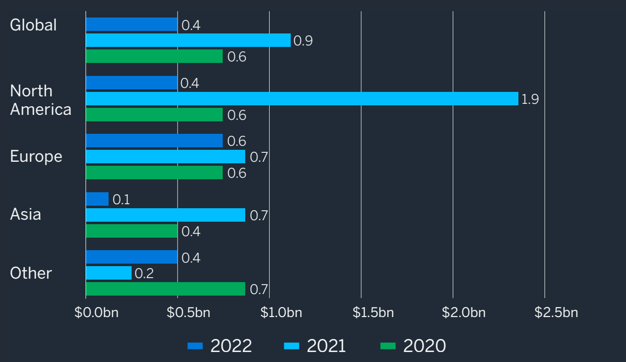
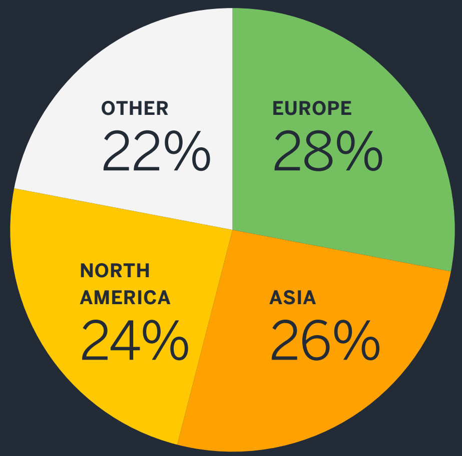


Figure 5: Average life and health deal size



2022 transaction volumes

- Europe leads announced transaction volumes in 2022 – 34 announced transactions (51 in 2021) – accounting for 28% of global transactions.
- The volume of announced Asian transactions decreased to 32 transactions (37 in 2021) – 26% of global transactions.
- The volume of announced North American transactions decreased to 29 transactions (57 in 2021) – 24% of global transactions.



Most active countries in each region in 2022

- North America: U.S. – 25 announced transactions.
- Europe: Spain – 7 announced transactions.
- Asia: China & India – 6 announced transactions each.

Publicly announced deal values – 2022

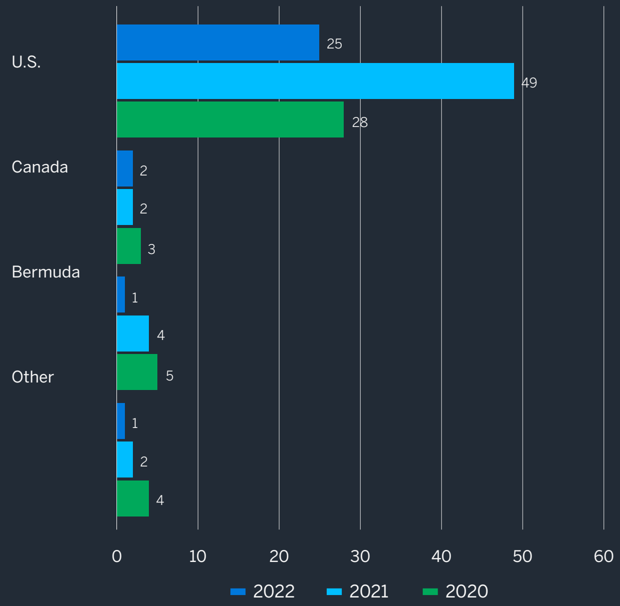
- Announced deal values in Europe have decreased by 15% in 2022 to c. $12.7 billion.
- Despite this, Europe overtook both Asia and North America to become the global continental leader in publicly announced deal values.
- North America saw a substantial fall in publicly announced deal values in 2022 (a decrease of 93% to c. $2.7 billion).
- Asia's publicly announced deal values also fell substantially, by 89% to c. $1.7 billion.
- The Netherlands was the overall leading country in publicly announced deal values (c. $5.2 billion) – driven by the acquisition of Aegon by ASR (c. $5.0 billion).
- Bermuda (c. $1.5 billion) and China (c. $0.8 billion) led the way in publicly announced deal values in North America and Asia, respectively.
- Average publicly announced deal values decreased by 56% to c. $0.4 billion in 2022. Europe's average deal value overtook North America's to become the largest in 2022 – c. $0.6 billion.

Source: S&P Global Market Intelligence and public data

North America

2022 overview and outlook

Figure 6: No. of announced life and health transactions – North America



2022 overview

There was a noticeable slowdown in M&A activity in North America in 2022, compared to the record levels of activity seen in 2021 attributed partially to the increase in demand by the entrance of private equity and asset manager firms in the marketplace. As a result of the sharp rise in interest rates and an uncertain economic environment, along with a number of questions regarding the future of the regulatory environment such as LDTI and AG53, inflation, and potential for recession, the number of deals announced in 2022 significantly decreased from the high number of deals announced in 2021.

The North American life and health M&A market continues to be controlled by U.S. companies and multinational companies with U.S. operations. Buyers are still mostly based in the United States, with a large percentage having operations in Bermuda and some in the Cayman Islands. In 2022, the number of publicly announced transactions decreased by 49% to 29. The number of North American transactions accounts for approximately 24% of all global life and health M&A transactions publicly announced in 2022. Total publicly announced deal values in North America decreased by 93% to c. $2.7 billion in 2022.

Decreased activity could partially be due to the volatility in the market environment and increased interest rates, which led to a decrease in unrealized gains, and increased overall unrealized losses for many asset portfolios backing the insurance liability. While higher rates are generally a benefit to the economics of insurance blocks long-term, the negative mark-to-market on the portfolio can create both a capital drag (due to non-admitted negative interest maintenance reserve [IMR][2] balances) and tax friction (due to inability to utilize capital losses), which may be mitigated under certain reinsurance transaction structures but will limit the ability to reposition portfolios.

[2] U.S. statutory accounting is on the book value basis. When assets are sold at a loss, i.e., market value is lower than the book value, a capital loss is incurred and the loss cannot be amortized in the statutory accounting.
Source: S&P Global Market Intelligence and public data

2022 overview and outlook

The strong demand seen in the marketplace by private equity (PE) firms, asset managers and other buyers appears to remain, but part of the lower activity levels in 2022 can be attributed to a lower supply of the blocks with less complicated liabilities which have historically been of interest to the PE firms/asset managers. More complex liabilities, which account for a significant volume of insurance business in the U.S., such as universal life with secondary guarantees (ULSG), involve more financial and regulatory analysis and typically take more time for transactions to be completed. Uncertainty surrounding policyholder behavior in the increased rate environment is another factor that may be contributing to the decreased number of annuity transactions. Additionally, some of the PE firms or asset managers are shifting their focus from acquisitions and reinsurance deals to growing their existing businesses. Others are exploring new partnerships as an opportunity for growth, such as the Centerbridge partnership with MassMutual or the strategic partnership between Blackstone and Resolution, which were both announced in 2022.

The activity in the variable annuity (VA) sector continues to be steady, with a mix of both reinsurance and legal entity transactions. The increased buyer activity with more complex liabilities may be due to a lower supply of the more vanilla, asset-intensive blocks along with newer entrants in the market that have an interest in this type of business.

Outlook

The lower activity levels of 2022 could continue into 2023 and beyond, with the possibility of an increased level of deals involving more complex and long-duration liabilities generating more movement in the market. This is due to the competitiveness of the market and the growing trend of buyers expanding their business beyond their initial areas of focus. If interest rate levels remain high, the long-duration liabilities could be viewed as more attractive in the marketplace; however, this may also cause companies to explore alternative transaction structures. In the VA market, companies with VA blocks that did not fully hedge equity and interest rates may have found it unappealing to transact in the previously low interest rate environment; however, the recent rise in interest rates could allow for more opportunities for transactions in the coming years.

Top publicly announced deal sizes in 2022 — North America

Announcement date	Target or issuer	Buyer	Seller	Transaction value ($m)	Country
12 October 2022	Resolution Life Group Holdings LP	Blackstone Inc. & Nippon Life Insurance Company	NA	1,500.00	Bermuda
16 March 2022	F&G Annuities & Life, Inc.	NA	Fidelity National Financial, Inc.	443.31	USA
05 December 2022	North Carolina insurance companies of Greg Lindberg	Universal Financial Holdings, LLC	GBIG Capital LLC	307.00	USA
25 August 2022	ivari Holdings ULC	Sagicor Financial Company Ltd.	Canada Pension Plan Investment Board	250.47	Canada
01 August 2022	Reserve National Insurance Company	Medical Mutual of Ohio	Kemper Corporation	88.00	USA
05 January 2022	Settlers Life Insurance Company	Everly Holdings, LLC	National Guardian Life Insurance Company	70.00	USA

Source: S&P Global Market Intelligence and public data

Private equity, asset managers, and other consolidators — Key players in North America

Company	Parent company	Transactions publicly announced in 2020-2022	Assets under management ($bn)
Talcott Resolution Life Insurance Company	Sixth Street Partners	3	135
The Blackstone Group Inc.	The Blackstone Group Inc.	3	98
Venerable Insurance and Annuity Company	Apollo Global Management, Inc.	2	59
Constellation Insurance Holdings, Inc.	Constellation Insurance Holdings, Inc.	1	41
Fortitude Reinsurance Company Ltd.	The Carlyle Group / T&D Insurance Group	2	31
Athene Holding Ltd.	Apollo Global Management, Inc.	1	27
Brookfield Asset Management Reinsurance Partners Ltd.	Brookfield Asset Management Reinsurance Partners Ltd.	1	24
Resolution Life U.S. Holdings Inc.	Resolution Life Group Holdings LP	2	24
Global Atlantic Financial Group Limited	KKR & Co. Inc.	1	8
Wilton Re U.S. Holdings, Inc.	Canada Pension Plan Investment Board (CPPIB)	2	6
Aspida Holdings, Ltd.	Ares Management Corporation	1	2
ivari Holding ULC	Sagicor Financial Company	1	11
CL Life and Annuity Insurance Company	Crestline Investors	2	0
Somerset Reinsurance	Aquarian Holdings	1	5

Source: S&P Global Market Intelligence and public data

Private equity, asset managers, and other consolidators

2022 overview

Private equity firms, asset managers, and consolidators continued to play a big part in M&A activity in the U.S. life and annuity sector in North America. The firms continue to be attracted to these transactions as a source of fee revenue for managing the assets, while providing insurance companies with access to alternative asset classes. Over the last year, private equity firms and asset managers have continued to expand their share in the North American market. For example, Sagicor Financial Company acquired ivari in 2022, allowing for an expansion from current businesses in the Caribbean and the U.S. to Canada. The acquisition has provided Sagicor with access to a well-established and sizeable Canadian market. Furthermore, Crestline Investors announced the acquisition of an established life insurance company, enabling them to enter the direct annuity insurance market.

Highlights of some of the larger transactions announced in 2022 are as follows:

- Talcott Resolution Life Insurance Company announced a reinsurance agreement with The Guardian Insurance & Annuity Company (GIAC), with respect to GIAC's $7.4 billion variable annuity portfolio.
- Sagicor Financial Company announced its acquisition of the Canadian insurance company ivari for c. $325 million.
- Crestline Investors launched CL Life and Annuity Insurance Company after acquiring a licensed life insurance company, entering the market for issuing direct annuity insurance.
- Blackstone and Nippon Life Insurance Company have raised a total of $1.5 billion in new equity for Resolution Life at the end of 2022.
- Martello Re Limited has launched as a Class E reinsurer in Bermuda with initial equity of $1.65 billion. Martello Re is supported by MassMutual Life Insurance, Centerbridge Partners, and Brown Brothers Harriman. Approximately $14 billion of initial liabilities is assumed from MassMutual, and Barings and Centerbridge will manage the assets.

Outlook

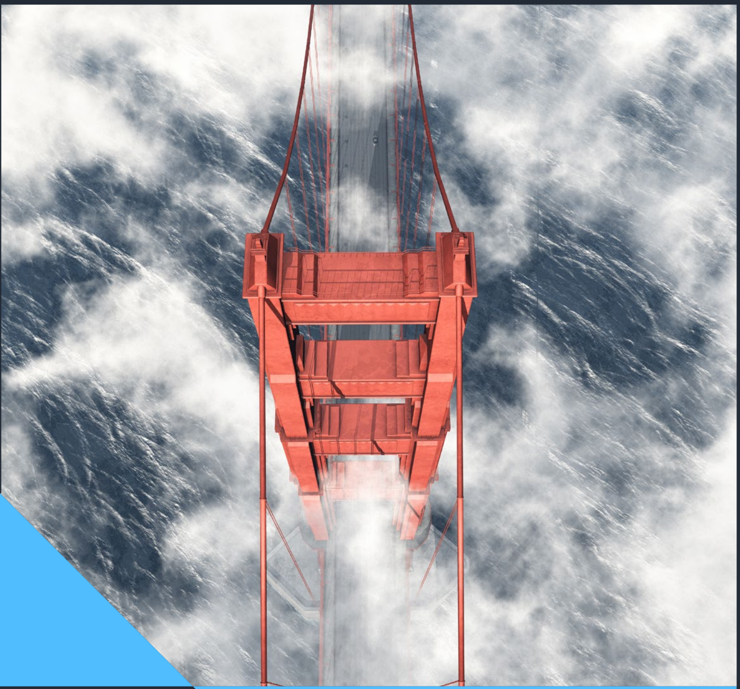
Private equity and asset managers have consistently been successful in securing new life and health deals in 2022, which will likely continue in 2023 and beyond. While the increase in interest rates has had mixed impacts on transactions, the generally favorable market environment will likely entice new players to enter the market, while existing key players continue to expand their market share through new deals and/or the direct insurance market.

U.S. — Key transactions announced in 2022

Announcement date	Buyer	Seller	Line of business	Block deal	Strategic / distribution	Transaction value ($m)	Liability ($B)
31 January 2022	Sutton/Talcott	Principal Financial Group	ULSG and Fixed Annuity	X		Undisclosed	25.00
12 January 2022	Centerbridge	Martello Re / MassMutual	Annuity		X	Undisclosed	14.00
16 August 2022	Global Atlantic	Equitable	VA	X		Undisclosed	10.00
06 October 2022	Talcott Resolution Life Insurance Company	Guardian Insurance & Annuity Company	VA	X		Undisclosed	7.40
03 October 2022	Venerable	Manulife	VA	X		Undisclosed	1.60
12 October 2022	Blackstone Inc. & Nippon Life Insurance Company	Resolution Life Group Holdings LP	Life, ULSG, FA, VA, and International Business		X	1,500.00	Undisclosed
18 October 2022	Standard Insurance Company	Securian Financial Group, Inc.	Retirement	X		Undisclosed	Undisclosed

Source: S&P Global Market Intelligence and public data

U.S. — Key transactions announced in 2022



2022 overview

This year included a number of deals that showcase a shift in the types of liabilities found in transactions. The deals in 2022 involved VA business and other blocks containing complex liabilities such as ULSG, which diverged from the prevalence of fixed annuity deals found in prior years. Similar to recent years, PE firms and asset managers are prominent and buyers consistently have an offshore presence in Bermuda or the Cayman Islands due to the potential for a reduced total asset requirement and increased investment flexibilities.

Blackstone and Nippon Life's investment in Resolution Life was one of the larger transactions of the year and will allow Blackstone to be Resolution Life's investment manager for certain areas. Blackstone will manage up to $25 billion in the first year and this is expected to grow to $60 million over the next six years.

The Global Atlantic-Equitable transaction covered pre-2009 group retirement VA contracts, supported by approximately $4 billion of general account assets and $6 billion of separate account value. The transaction was expected to result in a positive ceding commission of approximately $1.1 billion to Equitable Financial, which the company will use to fund the remaining redundant reserves associated with New York's Regulation 213, securing future cash flows.[3]

As shown in the table on page 13, transaction activity was mostly block deals with a few strategic/distribution deals where new business capabilities were a key component of the transaction.

[3] Equitable Holdings (August 2022). Equitable Holdings Mitigates Remaining Redundant Reserves Associated with New York's Regulation 213 Through Proceeds of Reinsurance Transaction. Available at: https://ir.equitableholdings.com/news-and-events/investor-releases/news-details/2022/Equitable-Holdings-Mitigates-Remaining-Redundant-Reserves-Associated-with-New-Yorks-Regulation-213-Through-Proceeds-of-Reinsurance-Transaction/default.aspx

Offshore

2022 overview and outlook

2022 overview

The life and annuity space continued to mature in Bermuda in 2022, with U.S.-based insurance companies establishing both sidecars and traditional reinsurance companies.

In 2022, nine Class E[4] insurance companies completed registration with the Bermuda Monetary Authority (BMA), including:

- Global Atlantic utilizing the Ivy Re sidecar for AXA China's $4.8 billion whole life reinsurance transaction
- Kuvare establishing a Bermuda reinsurance company, Kindley Re, for life and annuity reinsurance solutions

Similar to the U.S. M&A market, activity in Bermuda was somewhat limited in 2022. A new reinsurer, Martello Re, was set up with an initial equity of $1.65 billion to support the reinsurance transaction between MassMutual and Centerbridge Partners. The reinsurance transaction included $14 billion of general account liability on the in-force block and a flow arrangement for future business. Flow reinsurance transactions also continue to be popular in Bermuda.

Outlook

A consultation paper[5] was issued by the BMA in early 2023 which contains proposed regulatory enhancements for long-term commercial insurers, reinsurers and insurance groups in Bermuda. The consultation paper introduces more prudent treatment for lapse risk and various asset return valuation considerations, and insurers are being encouraged to field test the proposed changes. Although the impact of the potential regulatory changes remains to be seen, these changes will have to be taken into consideration by companies pursuing future M&A deals in this market.

In general, the recognition of Bermuda as a center of excellence for the risk transfer and capital management industry and the existing support network continue to be drivers for the high interest in offshore (Bermuda and Cayman Islands) solutions for insurance companies.

[4] Class E insurers are long-term reinsurers with total assets of more than $500 million.
[5] Bermuda Monetary Authority (February 2023). Proposed Enhancements to the Regulatory Regime and Fees for Commercial Insurers. Consultation paper. Available at: https://www.bma.bm/viewPDF/documents/2023-04-12-14-51-37-Consultation-Paper---Proposed-Enhancements-to-the-Regulatory-Regime-and-Fees-for-Commercial-Insurers.pdf

Europe

2022 overview and outlook

2022 overview

Following a bumper 2021, the life and health M&A market in Europe experienced a significant deceleration in activity in 2022. The number of announced Europe-based transactions decreased by 33% to 34. This downturn is consistent with the general global theme of a reduction in life and health M&A activity in 2022. Over the period from 2017-2022, European life and health M&A activity has shown a trend of reducing numbers of announced transactions in each year, with the exception of 2021, which saw an uptick in announced deals, partially due to the backlog of deals and other associated impacts that arose from the COVID-19 pandemic.

Despite the drop-off in the number of announced transactions, total publicly announced deal values in Europe remained relatively stable (a decrease of 15% to $12.7 billion in 2022), due to a few mega-deals with announced transaction prices (including ASR's acquisition of Aegon, valued at c. $5.0 billion.)

The number of European transactions contributed approximately 28% of all global life and health M&A transactions announced in 2022 (30% in 2021).

Despite the general drop-off in activity, there were some significant and groundbreaking deals in certain markets, including in Germany, the Netherlands and France. Spain was the most active market in terms of the number of announced transactions (7) in 2022, largely as a result of the bancassurance transactions that have been triggered by banking sector consolidation in Spain. The Italian market, the second most active market with 5 announced transactions, was also heavily affected by bancassurance consolidation activity.

Figure 7: Deal value and volume – Europe

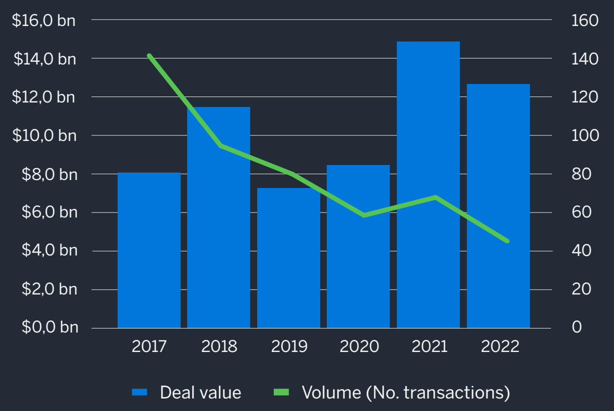
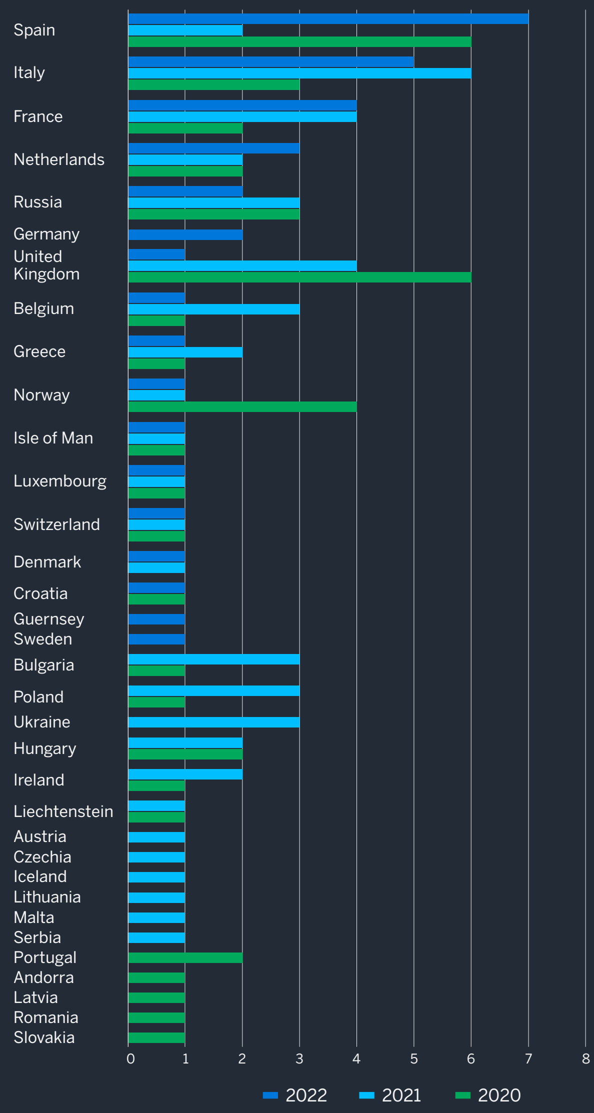


Figure 8: No. of announced life and health transactions – Europe



Source: S&P Global Market Intelligence and public data

2022 overview and outlook

Outlook

The European life and health M&A market is expected to remain reasonably active going forward, although perhaps not at the levels seen in 2021. We expect to see a continuation of the high level of demand for life and health insurance business, despite the uncertain economic conditions.

As for many markets across the globe, Europe has been grappling with high levels of economic volatility; most European markets have experienced high inflation and rapid increases in interest rates. The high-inflation and high interest rate environment will ultimately be a catalyst for future transactions in Europe. Many insurers will feel the need to reconsider their business models and strategic initiatives, particularly if higher interest rates are expected to be the norm going forward. Insurance business that was previously seen as 'non-core' and 'to be disposed' may no longer be categorized as such; in particular, blocks of investment guarantee business that was inefficient from a capital perspective in a low interest rate environment may now appear more attractive (transfers of investment guarantee business has been a key feature in European M&A in recent years). We expect that many insurers will wait for the economic volatility to settle before making a decision on whether to dispose of certain blocks of insurance business.

Top publicly announced deal sizes in 2022 — Europe

Announcement date	Target or issuer	Buyer	Seller	Transaction value ($m)	Country
27 October 2022	Aegon Nederland N.V.	ASR Nederland N.V.	Aegon N.V.	4,973.42	Netherlands
16 March 2022	CNP Assurances SA	La Banque Postale S.A.	NA	3,386.83	France
14 July 2022	Portfolio of deferred annuities and endowments of the former DBV-Winterthur Life	Athora Deutschland GmbH	AXA SA	665.99	Germany
27 July 2022	CNP Vita Assicura S.p.A.	CNP Assurances SA	UniCredit S.p.A.	506.33	Italy
23 May 2022	CCM Vida y Pensiones de Seguros y Reaseguros SA/Liberbank Vida y Pensiones, Segu	Santa Lucía, S.A., Compañía de Seguros y Reaseguros	Unicaja Banco, S.A.	377.68	Spain
07 June 2022	CNP Assurances SA	La Banque Postale S.A.	Undisclosed Sellers	324.36	France
12 April 2022	Bipiemme Vita SpA	Banco BPM S.p.A.	Covéa Mutual Group Insurance Company	315.20	Italy
18 October 2022	GACM España SA	AXA SA	Groupe des Assurances du Crédit Mutuel S.A.	304.16	Spain
04 August 2022	SLF of Canada U.K. Limited	Phoenix Group Holdings plc	Sun Life Financial Inc.	300.49	United Kingdom
27 June 2022	SA NOSTRA Compañía de Seguros de Vida S.A.	VidaCaixa, S.A.U. de Seguros y Reaseguros	Helvetia Holding AG	272.43	Spain

We look at European transaction value metrics in a little more detail in pages 44-47.

Source: S&P Global Market Intelligence and public data

Private equity and private asset managers in Europe

Figure 9: Private equity and private asset managers in Europe

Country	Company
Belgium / Luxembourg	Monument Re (private equity backed)
	Athora Holding Ltd. (private equity backed)
France	AnaCap Financial Partners Limited
	Cinven Group Limited
	Athora Holding Ltd. (private equity backed)
	The Blackstone Group Inc
	CVC Capital Partners
Germany	Athora Holding Ltd. (private equity backed)
	Viridium Holding (private equity backed)
Greece	CVC Capital Partners
	Fairfax Financial Holdings Limited
Ireland	Utmost Group plc (private equity backed)
	Monument Re (private equity backed)
	Athora Holding Ltd. (private equity backed)
Italy	Cinven Group Limited
	Apollo Global Management, Inc.
	Athora Holding Ltd. (private equity backed)
Netherlands	Athora Holding Ltd. (private equity backed)
	Sixth Street Partners
Spain / Portugal	Elliott Investment Management L.P.
	Apollo Global Management, Inc.
	APAX Partners LLP
U.K.	Utmost Group plc (private equity backed)

Source: S&P Global Market Intelligence and public data

2022 overview

The presence of private equity firms in the European life and health insurance M&A market continued to be strong in 2022.

In France, private equity firm and asset manager Swen Capital Partners partnered with multiline insurer Matmut SA to acquire a minority stake in Virage-Viager SAS.

In Germany, two private equity-backed firms, Viridium Holding (who are backed by Cinven and Hannover Re) and Athora Holdings Ltd. (through its German subsidiary Athora Deutschland GmbH), acquired life insurance backbooks from Zurich and AXA, respectively.

A life and pensions backbook of Zurich was acquired by Portuguese insurer GamaLife, who is backed by British private equity firm APAX Partners LLP.

The private equity firm Elliott Management, through its company Mediterráneo Vida, completed two acquisitions in Spain in 2022. In May, it completed the purchase of CNP Partners from CNP Assurances, and in July, it acquired the Spanish life insurance portfolio of Metrópolis.

In addition, Cinven acquired Isle-of-Man-based International Financial Group Limited from Vitruvian Partners, another private equity firm. In addition, CBPE Capital LLP, through its subsidiary Perspective Financial Group, acquired Esk Valley Financial Services.

Outlook

The significant interest and demand for European life and health insurance business from private equity firms is expected to continue going forward, despite the uncertain economic conditions and high interest rates. Private equity firms continue to be attracted by the high achievable returns available on life and health insurance business. In 2022, a number of private equity or private equity backed firms raised funds/debt that is earmarked for investments in life and health business. However, it is worth noting that the increases in interest rates experienced in many global markets may lower the ability of these firms to raise funding in the future.

We expect private equity firms to continue to use sophisticated techniques to increase the returns on acquired insurance business. In particular, we expect many private equity firms to consider deploying asset management agreements and administration agreements in respect of the underlying insurance business, to earn asset management and administration margins. We also expect private equity firms to seek fixed cost reductions, capital optimization and increased investment returns (via investments in illiquid/alternative asset classes) when acquiring new business.

U.K. — Announced transactions in 2022

4
Announcements in 2021

1
Announcement in 2022

Outlook

Announcement date	Target or issuer	Buyer	Seller	Transaction value ($m)
04 August 2022	SLF of Canada U.K. Limited	Phoenix Group Holdings plc	Sun Life Financial Inc.	300.49

Source: S&P Global Market Intelligence and public data

U.K.

2022 overview

The U.K. life and health M&A market was relatively quiet in 2022, with one announced transaction:

- Phoenix Group acquired the closed life company SLF of Canada U.K. (Sun Life U.K.) and its subsidiaries from Sun Life Financial Inc. for $300 million (£248 million). The insurance business includes life, pensions and annuity business. Phoenix funded the acquisition from existing cash resources. In the announcement, Phoenix noted that the acquisition was expected to result in a long-term cash generation of around £470 million and supported a 2.5% dividend increase. M&A is seen by Phoenix Group as a strategic priority and forms a core part of the Group's growth strategy.

Outlook

Although M&A activity in the U.K. life and health insurance market was particularly quiet in 2021, we expect to see a consistent theme going forward, due to the lack of available targets and high levels of consolidation in the market. Approximately 50% of best estimate reserves is held by the top five firms in the market. We expect to see a handful of smaller-sized deals in the near future. The large consolidators in the market, including Phoenix, Royal London, Chesnara and Utmost, are expected to show a keen interest in U.K. life and health insurance opportunities. The demand for acquisitions from these consolidators is ever increasing, as they seek economies of scale. Due the general lack of opportunities in the market, there is the potential for a mega-deal to arise, which could see a merger between consolidators or a market exit by a consolidator.

We expect to see some activity in the mutual and friendly society space, although this activity is expected to be concentrated toward the smaller mutuals and friendly societies, as they look to manage their expenses and run-off of member numbers/policyholders.

The Solvency II review in the U.K. could be a catalyst for future transactions, although the final proposals and implementation date are unknown at the time of writing.

Private equity firms are expected to be involved in the bidding processes for any larger-sized U.K. life and health insurance opportunities. We expect to see a heightened interest in any opportunities that involve the potential acquisition of an entire life insurance company with the necessary U.K. insurance approvals, given that this could enable a new private equity entrant to enter the U.K. consolidation space or the U.K. bulk purchase annuity space. The regulators in the U.K. are generally accepting of private equity companies.

We expect to see a handful of smaller-sized deals in the near future.

Italy — Announced transactions in 2022

6
Announcements in 2021

5
Announcements in 2022

Outlook

Announcement date	Target or issuer	Buyer	Seller	Transaction value ($m)
27 July 2022	CNP Vita Assicura S.p.A.	CNP Assurances SA	UniCredit S.p.A.	506.33
27 July 2022	CNP UniCredit Vita S.p.A.	UniCredit S.p.A.	CNP Assurances SA	70.89
06 July 2022	Società Cattolica di Assicurazione S.p.A.	Assicurazioni Generali S.p.A.	NA	86.62
12 April 2022	Bipiemme Vita SpA	Banco BPM S.p.A.	Covéa Mutual Group Insurance Company	315.20
03 January 2022	Italian Life and Pensions Back Book	GamaLife – Companhia de Seguros de Vida, S.A.	Zurich Insurance Group AG	132.00

Source: S&P Global Market Intelligence and public data

Italy

2022 overview

The Italian life and health insurance market continued to see an active transactions market in 2022. There were a number of large transactions which were triggered by the reorganization of the bancassurance partnerships (CNP and UniCredit) or the terms of bancassurance agreements (Banco BPM):

- In the largest Italian life and health transaction in 2022, the French firm CNP Assurances acquired the remaining 49% stake of its Italian Life subsidiary, CNP Vita Assicura, from UniCredit for €500 million ($506.33 million). This transaction follows CNP's commitment to its second largest international market, having acquired Aviva's life insurance business in late 2021. Having now a wholly owned subsidiary, while maintaining a controlling 51% stake in its joint venture with UniCredit, CNP UniCredit Vita (CUV), allows CNP Assurances to leverage the benefits of multiple insurance distribution models.
- Similarly, UniCredit increased its bancassurance relationship with CNP Assurances where it acquired an additional 6.5% stake in its joint venture, CUV, for €70 million ($70.89 million). This brings UniCredit's holding in the joint venture to 45.3%. UniCredit highlighted that this transaction is in line with its strategic plans of simplification and flexibility of its bancassurance setup.
- Italy's third largest bank, Banco BPM, acquired full ownership of its life insurance joint venture with one of the French major insurers, Covéa, when it acquired the remaining 81% stake in Bipiemme Vita for €309.4 million ($315.20 million) in a move that looks to strengthen Banco BPM's partnership with Credit Agricole, who acquired 9.2% in Banco BPM shortly before this transaction.

Two key non-bancassurance driver transactions were announced:

- The Portuguese insurance company GamaLife entered the Italian market as another back-book player by acquiring part of the life and pensions back book from Zurich. The transaction was completed via an Italian branch of GamaLife, and so it did not require a local company. The underlying portfolio comprised life insurance policies and pension funds totaling c. €7 billion in technical provisions.
- Generali finalized the acquisition of Cattolica by acquiring the remaining stake of the company. It had previously increased its stake in Cattolica from c. 24% to c. 85% in 2021, and as of 1 July 2022 Generali held a 94.71% stake in Cattolica. The move consolidated Generali's position in the Italian insurance market and as one of the largest European insurers.

Italy

Outlook

The life and health insurance M&A market in Italy is expected to show reasonable levels of activity in 2023 and beyond. The market continues to be consolidated; the extent of further M&A consolidation activity will depend on the banking consolidation strategy. Some M&A activity is expected on the back-book market with traditional insurers keen to dispose of some of their back books.

The rising interest rates are expected to have impact on the lapse behavior of policyholders, which increases the lapse risk to which insurers are exposed. The mass lapse risk capital requirements also increased materially for companies across the market, having a significant impact on solvency coverage levels. This has increased the interest in seeking appropriate reinsurance solutions. This may potentially drive M&A activity in the market, though the increased interest rates have reduced the cost of meeting high guarantees on old books. This may also drive the product innovation in the market, with offers of new guarantees.

Private equity firms continue to show a keen interest in the Italian market. However, the recent developments with EuroVita may change the views of market participants and the Italian regulator IVASS. IVASS requested that Cinven re-capitalize Eurovita, and EuroVita was placed under temporary administration with surrenders suspended by IVASS. Cinven injected c. $106 million into Eurovita in February 2023 as a first contribution. It has since been announced by IVASS that 5 insurers (4 from Italy and 1 from Germany) have agreed a multi-billion euro rescue deal for Eurovita; the companies are expected to set up a new company to take on Eurovita's life insurance policies.

Spain and Portugal — Announced transactions in 2022

2
Announcements in 2021

7
Announcements in 2022

Outlook

Announcement date	Target or issuer	Buyer	Seller	Transaction value ($m)	Country
18 October 2022	GACM España SA	AXA SA	Groupe des Assurances du Crédit Mutuel S.A.	304.16	Spain
12 July 2022	Life insurance portfolio of Metrópolis	Mediterraneo Vida, S.A. de Seguros y Reaseguros	Metropolis S.A.	Undisclosed	Spain
27 June 2022	SA NOSTRA Compañía de Seguros de Vida S.A.	VidaCaixa, S.A.U. de Seguros y Reaseguros	Helvetia Holding AG	272.43	Spain
23 May 2022	CCM Vida y Pensiones de Seguros y Reaseguros SA/Liberbank Vida y Pensiones, Segu	Santa Lucía, S.A., Compañía de Seguros y Reaseguros	Unicaja Banco, S.A.	377.68	Spain
23 May 2022	CCM Vida y Pensiones de Seguros y Reaseguros SA	Unicaja Banco, S.A.	Mapfre, S.A.	138.46	Spain
23 May 2022	Liberbank Vida y Pensiones, Seguros y Reaseguros, S.A.	Unicaja Banco, S.A.	Aegon N.V.	172.83	Spain
05 May 2022	CNP Partners de Seguros y Reaseguros, S.A.	Mediterraneo Vida, S.A. de Seguros y Reaseguros	CNP Assurances SA	134.16	Spain

Source: S&P Global Market Intelligence and public data

Spain and Portugal

2022 overview

The Spanish market experienced a busy year in terms of life and health M&A transactions, with seven announced transactions, mainly triggered by consolidation within Spain's banking sector. This follows a quiet 2021 that was just recovering from the COVID-19-induced economic slowdown.

On the other hand, the Portuguese market was quiet with no transactions announced in 2022. This trend continued from 2021, although Portuguese firm GamaLife (backed by private equity firm APAX Partners) acquired a back book from Zurich in Italy.

The following key transactions were announced in Spain:

- The merger of Unicaja Banco (a Spanish commercial bank, the fifth largest bank in Spain) and Liberbank in 2021 sparked a number of transactions triggered by bancassurance agreements. Liberbank had joint ventures with the Dutch insurer Aegon (LiberBank Vida) and the Spanish insurer Mapfre (CCM Vida). Unicaja Banco acquired the remaining stakes in Liberbank Vida and CCM Vida off Aegon and Mapfre, respectively. These then were subsequently sold to Santa Lucia, a Spanish insurer. The transaction attracted a lot of media attention due to the size of the banks involved and significant public scrutiny. Aegon, following this divestiture, is said to still be keen on growing its Spanish and Portuguese business and is aiming to leverage its partnership with Banco Santander.
- Mediterráneo Vida, a Spanish consolidator (owned by Elliot) specializing in managing long-term life insurance savings and annuity portfolios, completed the acquisition of 100% stake in the Spanish life insurance subsidiary of CNP Assurances, CNP Partners, in a transaction amounting to c. €126 million (c. $134 million). The CEO of CNP Assurances highlighted that the sale was aimed at fulfilling one of its strategic goals of prioritizing its loan protection and personal protection business through its Spanish branch.

In other announced transactions:

- Mediterráneo Vida announced the acquisition of the Spanish life insurance portfolio of Metrópolis, a national insurance and reinsurance company. This completed Metrópolis's corporate restructuring efforts where it ceased its insurance underwriting activity to focus on its brokerage, asset management and real estate business.
- AXA announced in October that it had entered into negotiations with Groupe des Assurances du Crédit Mutuel to potentially acquire its subsidiary Group Assurances du Crédit Mutuel España (GACM España). This allows AXA to strengthen its presence in Spain, particularly in the non-life and health segments, as AXA targets the Spanish insurance market as an area of high potential growth.

Spain and Portugal

Outlook

The Spain/Portugal life and health M&A market is expected to remain active in 2023 and beyond. The increasing interest rates may lead to further M&A activity; in particular, savings portfolios have suffered from the low interest rates in recent years and the higher interest rates may help to close the price gap between buyers and sellers.

The Spanish and Portuguese markets continue to show an increase in consolidation of insurers, with this spiking in the last decade, particularly in the bancassurance market. There has been a clear trend in the Spanish market to concentrate the vast majority of total technical provisions among the 10 largest insurers.

There are also likely to be challenges to insurers in terms of managing business with long-term guarantees that produce low profitability, require a high cost of capital, have higher operational needs, and possess higher IFRS 17 volatility than other types of business. This may present an opportunity for private equity firms, as they are likely to be better able to deal with these challenges.

It should be noted that going into 2023, the market was widely expecting American insurer Liberty Mutual Holding's to offload its operations in Spain and Portugal (as well as Ireland); this deal has since been announced.

There are a few private equity firms that have exposure to the Spanish and Portuguese life and health insurance markets: Elliott Investment Management (Spain), Apollo (Portugal), and APAX Partners (Portugal) are the key private equity players. There has been relatively limited private equity transaction activity in recent years, but the overall the expectation is that the interest from private equity firms can drive M&A activity. As seen above, Elliott Investment Management, through its company Mediterráneo Vida, completed two transactions in 2022, and is actively seeking run-off portfolios. Since private equity firms are not interested in short-term profit and loss but instead focus on the generation of distributable Solvency II Own Funds that can be paid as dividends, they have more flexibility in the management process.

France — Announced transactions in 2022

4
Announcements in 2021

4
Announcements in 2022

Outlook

Announcement date	Target or issuer	Buyer	Seller	Transaction value ($m)
13 December 2022	Virage-Viager, SAS	Investor Group	NA	Undisclosed
30 November 2022	CEGEMA SA	Kereis SAS	AGAMI (France)	Undisclosed
07 June 2022	CNP Assurances SA	La Banque Postale S.A.	Undisclosed Sellers	324.36
16 March 2022	CNP Assurances SA	La Banque Postale S.A.	NA	3,386.83

Source: S&P Global Market Intelligence and public data

France

2022 overview

The French life and health market saw another busy year in 2022, with four announced M&A transactions. The following are the key transactions:

- In one of the largest deals in 2022, the French state-owned bank, La Banque Postale, acquired the remaining share capital of CNP Assurances in two cash transactions worth approximately €3.5 billion ($3.7 billion) in total. This deal was expected following La Banque Postale's acquisitions of stakes in CNP in recent years. The two companies have been merged to create a major bancassurance group, which has been a longstanding project of the French government. La Banque Postale's strategy is to strengthen its bancassurance offerings and leverage its expansive branch network in France, which consists of over 17,000 contact points and 7,700 post offices.
- The French insurer Matmut SA teamed up with an asset manager, Swen Capital Partners, to acquire a minority stake in the French life and health insurance company Virage-Viager. Virage-Viager primarily provides life insurance for senior citizens, and this acquisition is in line with Matmut's strategy to position itself as the go-to solution for an aging population that is seeing longer lifespans and lower purchasing powers. The partnership with an asset manager provides an opportunity for a potential seller to sell their home equity to an investment fund as opposed to a private buyer.

France

Outlook

The relatively high level of consolidation in the French life and health insurance market (with the top five insurers accounting for over 50% of the market provisions) is expected to limit transaction activity, although there remain some small and medium-sized insurers that could be consolidation targets. The consolidation activity in France has generally been limited to sales between local insurers; there is not a currently a traditional consolidator in the French market, although there is the potential for this to arise in the medium term, given the size of the market and opportunity potential.

The French market is dominated by bancassurance, although it is not expected to be subject to the significant bancassurance reorganizations seen (and expected to be seen) in the Italian, Spanish, and Portuguese markets.

As noted in last year's report, the complexity of the French regulations is a potential barrier to transactions; in particular, the reserve de capitalisation, which is designed to neutralize profit and loss (P&L) impacts of realized gains and losses on bonds, and the minimum profit-sharing rules mechanism, which requires that policyholders receive a minimum amount of profit sharing for 'euro fund'[6] investments. Despite these local market features, the demand for French insurance business remains high from existing market players and potential new entrants, including private equity firms. A number of private equity firms that do not have exposure to the French market are looking for a deal that will provide them with an insurance platform in France.

In recent years, the French market has seen large transactions that have resulted from market exits of overseas investors, such as Aviva France; market exits could be a key source of activity going forward. We note that in early 2023, Ageas agreed to sell its life insurance activities to the French mutual insurer Carac.

The French market is dominated by bancassurance, although it is not expected to be subject to the significant bancassurance reorganizations seen (and expected to be seen) in the Italian, Spanish, and Portuguese markets.

[6] The euro fund is a savings vehicle for life insurance in France, which invests in government bonds and pays a guaranteed return. The majority of assets placed in French life insurance are invested in the euro fund.

Central and Eastern Europe — Announced transactions in 2022

10
Announcements in 2021

1
Announcements in 2022

Outlook

Announcement date	Target or issuer	Buyer	Seller	Transaction value ($m)	Country
15 July 2022	Wüstenrot životno osiguranje d.d.	Merkur Osiguranje d.d.	Wüstenrot Wohnungswirtschaft registrierte GmbH	Undisclosed	Croatia

Source: S&P Global Market Intelligence and public data

Central and Eastern Europe

2022 overview

The Central and Eastern Europe (CEE) life and health M&A market had a particularly quiet 2022, with only one announced transaction in the Croatian market:

- Croatian insurer Merkur acquired 100% of the Croatian life subsidiary Wüstenrot životno from the Austrian insurer Wüstenrot Wohnungswirtschaft. This comes as Merkur seeks to strengthen its foothold in the Croatian life insurance market.

Outlook

The transaction activity in the CEE life and health M&A market had been particularly busy until 2021, with several major consolidation transactions, such as the sale of MetLife's business in Greece and Poland to NN Group, the sale of Aviva's Polish business to Allianz, and Aegon's sale of various subsidiaries to Vienna Insurance Group. This activity noticeably slowed down in 2022, and the lower level of activity is expected continue into 2023.

The wave of consolidation seen prior to 2022 is likely to have finished for now, since most multinational insurance groups that remain a major presence in the region are strongly committed to it. However, MetLife still have branches in CEE, and given its recent sale to NN Group, it could be expected to offload these branches in the future.

There is potential for smaller transactions aimed at tidying up operations, but these are unlikely to be significant. Although the recent increases in interest rates are unlikely to have a material direct effect on M&A activity in CEE, it may lead to solvency pressure for some of the smaller companies.

Private equity is unlikely to play any significant role in the life insurance market in CEE going forward, due to the smaller scale of life business in the region and the heavier focus on regular premium business. With private equity firms being keener on businesses with significant assets, the region is generally less appealing to these types of buyers. Instead, the companies expected to be key buyers of life and health insurance business in CEE continue to be large multinational insurance groups such as those involved in consolidation transactions recently, such as VIG, Allianz, Uniqa, NN Group, and PZU.

Belgium and Luxembourg — Announced transactions in 2022

4
Announcements in 2021

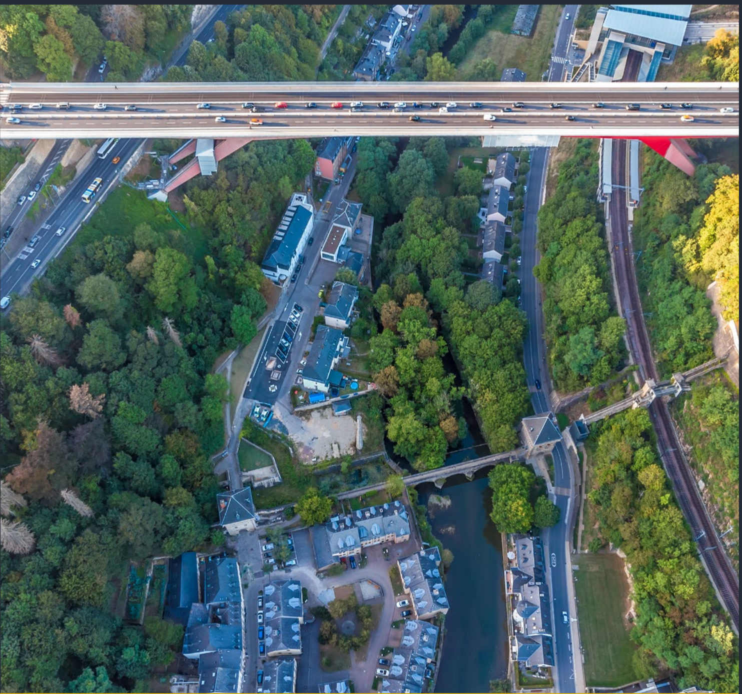
2
Announcements in 2022

Outlook

Announcement date	Target or issuer	Buyer	Seller	Transaction value ($m)	Country
27 June 2022	Insurance Portfolios of Allianz Life Luxembourg S.A.	Foyer S.A.	Allianz Life Luxembourg S.A.	Undisclosed	Luxembourg
15 January 2022	ageas SA/NV	Société Fédérale de Participations et d'Investissement	Ping An Insurance (Group) Company of China, Ltd.	Undisclosed	Belgium

Source: S&P Global Market Intelligence and public data

Belgium and Luxembourg



2022 overview

2022 was a relatively quiet year for life and health M&A in Belgium and Luxembourg, with one announced transaction in each market:

- The Luxembourg insurer, wealth and asset management company Foyer S.A. agreed to acquire certain insurance portfolios of Allianz Life Luxembourg S.A.'s for an undisclosed fee. Foyer's CEO stated that the deal is seen as an opportunity to develop synergies with Allianz to expand its offerings for small, medium, and large companies. Foyer is expected to benefit from strengthening its local presence while Allianz focuses on its strategy on international life insurance business.
- In January, Belgian multi-national insurer Ageas SA announced that Belgium's sovereign wealth fund, the Federal Holding and Investment Company of Belgium (Société Fédérale de Participations et d'Investissement), had acquired a 6.3% stake in its share capital.

Outlook

The activity in the Belgium and Luxembourg life and health M&A market in 2022 was somewhat below expectations, as investment guarantee portfolios, particularly those with guarantees of greater than 3% per annum, were expected to be put up for sale, although the appetite for the disposition of these books has been reduced to a degree by the recent increases in interest rates. Despite no announced transactions from Monument Assurance and Athora in 2022, we expect these two firms to be the key players in the market going forward.

Both Athora and Monument Assurance have established a good relationship with the Belgian supervisor, the National Bank of Belgium (NBB). We note that in 2023, Monument Assurance reached an agreement with Integrale Luxembourg to acquire its closed book portfolio of long-term life insurance business.

AG Insurance, the market leader in Belgium, is keen to grow its group life insurance business and is expected to compete for life and health M&A opportunities in Belgium/Luxembourg in the future.

The Belgium and Luxembourg life and health insurance market is extremely consolidated, with the top 15 insurers accounting for over 95% of insurance provisions. The level of consolidation will likely limit the volume of transactions going forward, although there are some smaller and medium-sized firms that could be consolidation targets.

Germany — Announced transactions in 2022

0
Announcements in 2021

2
Announcements in 2022

Outlook

Announcement date	Target or issuer	Buyer	Seller	Transaction value ($m)
14 July 2022	Portfolio of deferred annuities and endowments of the former DBV-Winterthur Life	Athora Deutschland GmbH	AXA SA	665.99
24 June 2022	Life insurance back book	Viridium Holding AG	Zurich Insurance Group AG	Undisclosed

Source: S&P Global Market Intelligence and public data

Germany

2022 overview

The 2022 Germany life and health insurance M&A market was relatively busy, with two significant announced transactions; there were no announced transactions in 2020 or 2021. The two transactions were mainly driven by volatile capital considerations:

- Zurich Insurance Group sold its entire legacy traditional life insurance back book in Germany to another German insurer, Viridium Holding (owned by private equity firm Cinven), who specialize in the management of life insurance portfolios in Germany. The transaction included the transfer of approximately €18 billion ($20 billion) of net reserves, mainly comprising annuity and endowment products underwritten more than five years ago. This follows Zurich's commitment to reduce its sensitivity to interest rates and consequently a reduction in the capital required to protect against volatility. It was reported that the expected Swiss Solvency Test ratio for Zurich will increase by 8% on completion of this transaction.
- Athora Deutschland, the European savings and retirement services subsidiary of Athora Holding Ltd., agreed to acquire a closed book portfolio of deferred annuities and endowments of the former DBV-Winterthur Life (DWL) from AXA Germany, for c. €660 million (c. $666 million). The traditional savings portfolio has been closed to new business since 2013 and, based on local statutory reserves, it is estimated to have an average guaranteed rate of 3.2% as of full-year 2021. The reduction of guarantees on AXA's balance sheet will continue to reduce its exposure to financial market risk. The deal is considered as a significant discount to Own Funds and is in line with Athora's ambitions to achieve economies of scale on traditional guaranteed savings and pension products in Europe.

Germany

Outlook

The 2019 sale by Generali of an 89.9% stake in Generali Lebensversicherung to the specialist consolidator Viridium was seen as game-changing at the time, and many expected this transaction to be a catalyst for a wave of transactions in the German life and health market; however, the expected impacts were not observed, partially due to COVID-19 (there were no transactions in 2020 or 2021). The two transactions observed in 2022 are an indication that the wheels are now in motion for the German life and health insurance M&A market. In contrast to several other European markets, the German life and health market remains relatively unconsolidated and therefore presents an attractive opportunity for consolidators, particularly given the size of the market.

Following on from the two transactions observed in 2022, it is expected that at least two more will follow in 2023, and more beyond that. Private equity players such as Viridium and Athora (private equity-backed) who have previously been active in the German market are expected to continue their interest in acquiring life insurance portfolios. Life insurer Frankfurter Leben (backed by private equity), which specializes in consolidation and efficiency management of life insurance portfolios in run-off, are also expected to be a key player in future life insurance M&A transactions in Germany, with one agreement already being reached with Generali in 2023 to take on its pensions book, Generali Deutschland Pensionskasse. We expect many deals to include the use of sophisticated asset and expense strategies to enhance returns.

The rising interest rates that have been observed recently have significantly reduced pressure on solvency ratios across the market, which has led to lower pressure on firms to sell high-demand life insurance portfolios (the German market has a significant amount of business with investment guarantees). Furthermore, 2022 has seen high unrealized losses in assets held by insurers, predominantly driven by high interest rates, but also widening credit spreads and volatile equity market performance. Most insurers within the German market benefit from effective asset and liability matching, strong solvency ratios and adequate liquidity facilities, and hence the economic uncertainty is being managed through these risk-management tools, rather than through M&A activity. This prevents insurers from selling the portfolios and the backing assets, and simultaneously crystallizing these losses in asset values

The two transactions observed in 2022 are an indication that the wheels are now in motion for the German life and health insurance M&A market.

Netherlands — Announced transactions in 2022

2
Announcements in 2021

3
Announcements in 2022

Outlook

Announcement date	Target or issuer	Buyer	Seller	Transaction value ($m)
27 October 2022	Aegon Nederland N.V.	ASR Nederland N.V.	Aegon N.V.	4,973.42
22 July 2022	Conservatrix (Insurance portfolio)	Waard Leven N.V.	Curator	Undisclosed
15 February 2022	ABN AMRO Levensverzekering NV	Nationale-Nederlanden Levensverzekering Maatschappij N.V.	ABN AMRO Bank N.V.	253.30

Source: S&P Global Market Intelligence and public data

Netherlands

2022 overview

2022 was a relatively busy year for the life and health M&A transaction market in the Netherlands. There were three announced transactions:

- NN Life & Pensions, the life insurance arm of the largest Dutch life insurance group NN Group, solidified its dominant life insurance market share by purchasing 100% of the life insurance subsidiary of ABN AMRO Verzekeringen (AAV) (which is a joint venture between NN Group and ABN AMRO Bank), for €253 million ($253.3 million). This is part of ABN AMRO Bank's growth strategy to focus on non-life insurance and insurance brokerage activities, as well as NN Group's strategy to achieve further efficiencies by leveraging its existing closed book capabilities.
- In a bid for market dominance, ASR Nederland N.V. replaced Aegon N.V. as the second largest Dutch insurer when it bought Aegon's Dutch insurance operations covering all insurance activities, including the mortgage-origination and servicing operations, the distribution and services entities and the banking business for approximately €4.9 billion ($5.0 billion). This comprised approximately €2.5 billion in cash and €2.4 billion in common equity of ASR, totaling a 29.99% stake in ASR's shares. Aegon will enter into a long-term asset management agreement with ASR to manage certain investments/funds. In the announcement of the deal, it was noted that the combination of the two companies is expected to lead to substantial cost synergies and diversification benefits.
- U.K.-based insurer Chesnara plc expanded its Dutch operations by acquiring the insurance portfolio of Conservatrix through its Dutch closed book operation, Waard Leven N.V. This is following Conservatrix's bankruptcy in 2020 after the deterioration of its Solvency II capital position and its limited short-term feasibility of recovering. The deal involved a capital contribution of £21 million from Chesnara and £14 million from Waard Leven. Chesnara stands to benefit from a strong future cash generation forecast that supports the group's progressive dividend strategy and the potential to increase the group's economic value by about £18 million, as well as forecasted accumulation in economic value from future real-world investment returns and the run-off of the risk margin.

Netherlands

Outlook

Life and health M&A activity in the Netherlands is likely to be slow in 2023 and beyond. The level of consolidation in the market is high, with only a small number of insurers covering around 90% of the total market share. Therefore, only smaller insurers are likely to be the target of M&A activity by the larger insurers such as ASR, NN Group, Athora or Achmea, especially given the large ASR-Aegon transaction in 2022.

However, higher interest rates could potentially spark the interest of private equity firms, as the value of liabilities will have fallen, making space for capital that can be freely managed to achieve high returns. Additionally, since most portfolios in the Dutch life and health insurance market are in run-off, private equity firms may be interested in acquiring these portfolios, given the potential to create expense synergies and their ability to manage the portfolios more efficiently. Consolidators have the potential of enhancing returns via sophisticated investment strategies and possibly by constructing intercompany reinsurance arrangements in a more lenient governance structure, if this is permitted by the regulator, De Nederlandsche Bank (DNB). However, it is expected that any such internal reinsurance structure would be critically opposed by DNB.

Although we do not specifically cover buy-out related transactions in this paper, it should be noted that the Netherlands will see a reform to its pension system (the Future of Pensions Act, or in Dutch, Wet toekomst pensioenen [WTP]); this is due to come into effect on 1 July 2023. The most notable change as a result of the WTP is the obligation to provide occupational pension schemes on a defined contribution (DC) basis only, instead of a defined benefit (DB) basis. Pension funds that opt not to make the transition towards a DC basis are therefore increasingly likely to consider the option of a buyout for accruals. Combined with the increase in funding ratios that have been observed in the past couple of years due to rising interest rates, the demand for such buyouts is expected to be strong going forward.

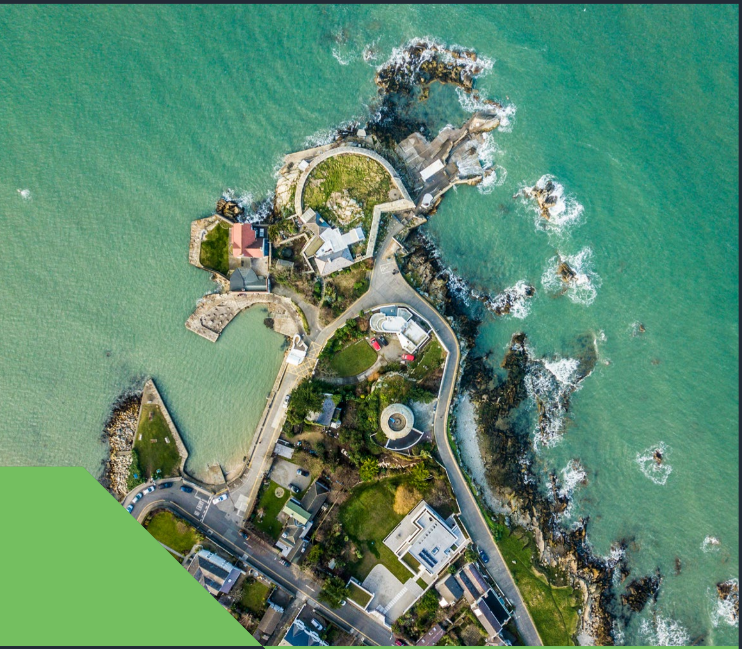
The firms expected to be involved in the buyout market are NN Group and Lifetri, who entered the buyout market in 2020 by guaranteeing the pension benefits of the former Allianz pension fund, as well as ASR. With these firms potentially looking to build a buyout platform model this may divert their focus from 'traditional' life and health M&A ventures.

Ireland

2
Announcements in 2021

0
Announcements in 2022

Outlook



2022 overview

There were no announced life and health transactions in the Irish market during 2022, falling from two announced transactions in 2021. This was somewhat expected given the overall lack of obvious target firms and the level of consolidation in the Irish market.

Outlook

The Irish life and health insurance market is already considerably consolidated, with relatively little scope for further consolidation. Despite this, small transactions are always possible, and some closed blocks could change hands. There is also rising interest from consolidators wondering if domestic insurers are open to offloading legacy blocks.

In terms of cross-border activity, Intesa Sanpaolo Life, which is the largest Irish cross-border life company, announced that it will become a branch of its Italian parent, Intesa Sanpaolo Vita, and there is potential for more similar transactions to follow. There is scope for cross-border consolidation, too; however, the opportunities are more limited now than may have been the case a few years ago.

Should activity take place in 2023 and beyond, private equity-backed consolidators such as Athora, Monument and Utmost are likely to continue to be active in the market.

Given the dominance of unit-linked business in the Irish market, increases in interest rates are unlikely to have a huge impact on Irish insurers, and hence their outlook on life and health M&A.

Transaction value metrics

For the transactions considered in this report involving target companies in the European Union, it is possible to compare the target's Solvency II Own Funds with the price paid by the buyer for the target company, or block of business, purchased to see if there are any patterns or trends.

Figure 10 on the right of this page shows the 'Price to Solvency II Own Funds' (P/OF) ratios of a selection of 42 European deals announced between 2020 and 2022 grouped into 10% ranges. That is, any deal with a P/OF ratio of between, for example, 70% and 80%, is shown in the middle of the 70%-80% 'range.' The metric was calculated using the following simplifications:

- The Solvency II Own Funds in the metric has been taken to be the value disclosed in the Solvency and Financial Condition Report (SFCR) of the target firm(s) on the date closest to the transaction's completion date.
- Where the currency of the transaction value and the currency of the disclosed Own Funds of the target company are not the same, the Own Funds of the target firm has been converted to the currency of the transaction value using the exchange rates as at the completion date of the transaction.

These are both noted as limitations of the analysis, but in the absence of exact information, these simplifications are appropriate.

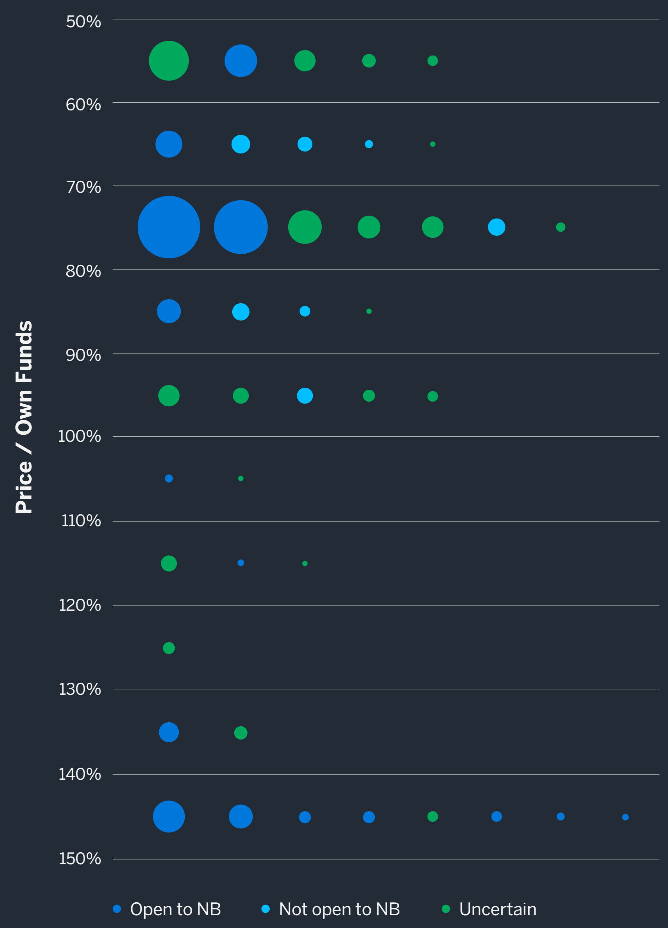
In Figure 10:

- The color of the dot indicates whether the target in the transaction was open to new business (dark blue), closed to new business (light blue) or whether this information was not disclosed publicly (green).
- The size of the dot indicates the size of the transaction as measured by the size of the Solvency II Own Funds of the target.
- The 50%-60% and 140%-150% ranges are actually '<60%' and '>140%', respectively.

At a very high level, the most immediate observations from this graph are that:

- The majority of transactions have a ratio of below 100% (c.60% of the deals).
- In particular, of the 7 transactions in which the target was closed to new business, all had a ratio of below 100%, which is in line with expectation.
- Moreover, of the 16 transactions with a ratio of over 100%, 10 of these are open to new business and none were closed to new business, with the other 6 uncertain.

Figure 10: Count of transactions by price / Own Funds



Source: S&P Global Market Intelligence and public data

Transaction value metrics

However, the P/OF metric has its limitations. Quoting this metric in press releases has become more common in recent years, with some also including certain adjustments so that the comparison of the Solvency II Own Funds and the price paid is more appropriate. Examples of such adjustments include:

- Removing company debt.
- Allowing for a dynamic recalculation of Solvency II approvals (such as the matching adjustment, volatility adjustment, transitionals and Internal models).

We have therefore considered an alternative metric to create a more meaningful ratio than that in Figure 11. This metric compares the price paid to 'Adjusted Own Funds' defined as the sum of Unrestricted Tier 1 capital and the net deferred tax asset. Compared to the unadjusted Solvency II Own Funds, this:

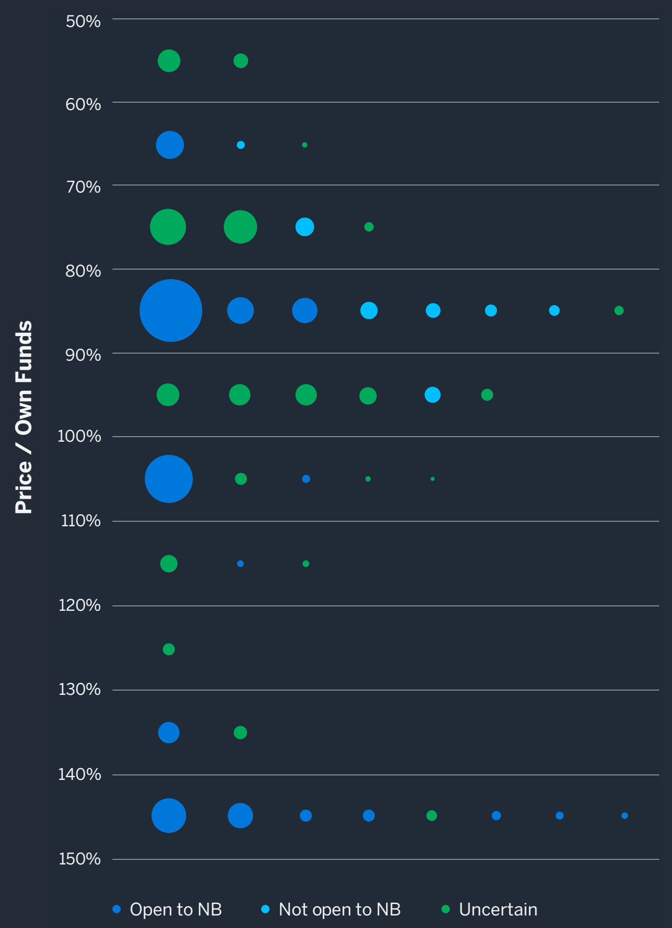
- Removes subordinated debt – Despite subordinated debt ranking below policyholder liabilities, and hence being permissible as eligible Own Funds under Solvency II, for the purposes of valuing a target firm, this debt remains payable and therefore should be removed from the Own Funds to make a more meaningful comparison.
- Removes preference shares and share premium – These also rank below policyholder liabilities, and are hence permissible as eligible Own Funds under Solvency II. However, the price paid for the target firm is a measure of the value of the target to ordinary shareholders, so removing the value of preference shares from the Own Funds is an appropriate adjustment.

Figure 11 on the right uses this alternative metric.

The immediate observations from this adjusted graph are:

- The data points 'shifted' down between Figures 10 and 11, as would be expected, since the adjusted Own Funds are lower than the unadjusted Own Funds pushing the ratio up.
- In particular, the weighted average ratio moves from 92% on an unadjusted Own Funds basis, to 104% on an adjusted Own Funds basis.
- Excluding the range on the far right, which includes all deals with a ratio of over 140%, the most common 10% range is the 80%-90% range, with the 90%-100% range the second most common.

Figure 11: Count of transactions by price / Adjusted Own Funds



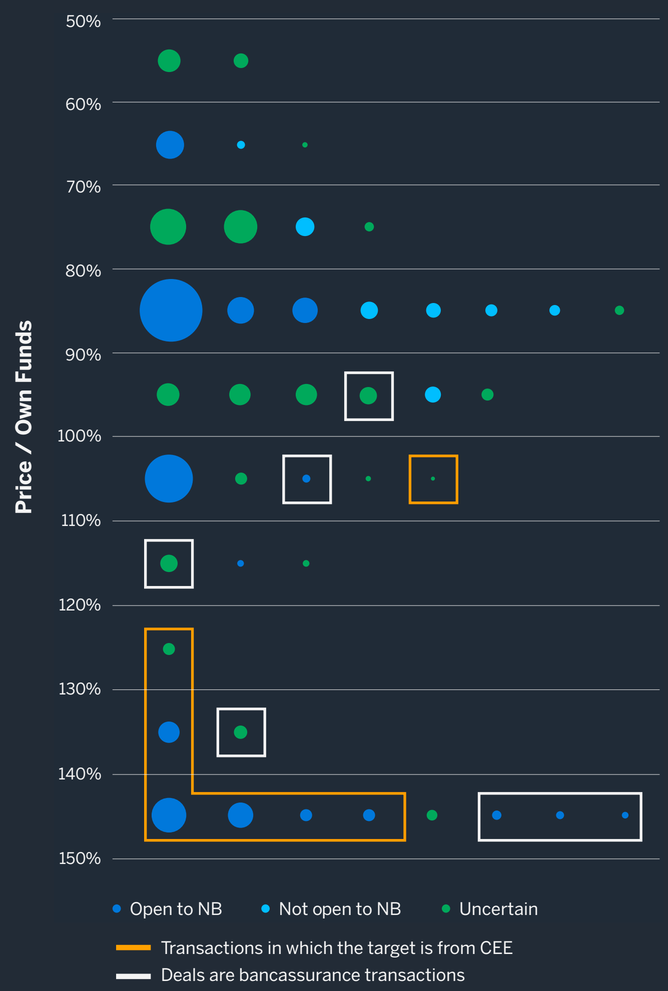
Source: S&P Global Market Intelligence and public data

Transaction value metrics

There doesn't appear to be a clear pattern or trend for the pricing ratios shown in Figure 11; the ratios are generally well spread. However, there have been certain themes to recent deals that are likely to have influenced the wide spread of pricing ratios. These are highlighted in Figure 12 and are as follows:

- A number of transactions in which the target company is located in Central and Eastern Europe. The targets involved in these deals have generally been open to new business, and in some cases distribution networks have been purchased as part of the transaction. These deals are highlighted in orange in Figure 12.
- A number of bancassurance/joint-venture consolidation transactions that have taken place in Spain and Italy recently. The scope of many of these transactions was both in-force and new business, thus placing a 'goodwill' value on future new business, and, in some cases, the price included penalties for breaches of joint venture agreements. These are the deals highlighted in white in Figure 12.

Figure 12: Count of transactions by price / Adjusted Own Funds (with transaction themes)



Source: S&P Global Market Intelligence and public data

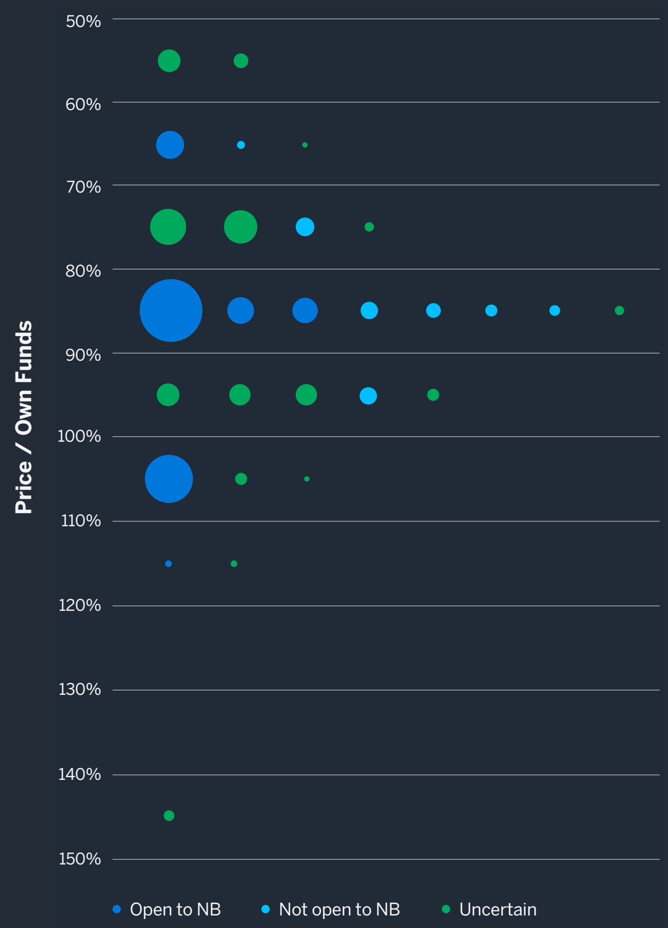
Transaction value metrics

Some of these ratios, therefore, ought to be approached with caution, given that the numerator in the ratio sometimes includes additional factors such as new business, distribution network and joint-venture adjustment. However, these factors are not factored into the denominator, i.e., the Adjusted Own Funds, hence leading to high fluctuations in the ratios.

If these deals with additional factors incorporated into the numerator were to be removed from the above graph, it would result in the following:

Figure 13 indicates that there is a relatively prominent spike in the 80%-90% region, showing that a 10%-20% discount to Adjusted Own Funds appears to be the most common among the transactions in our analysis, with the weighted average ratio of the remaining 28 transactions in Figure 13 being 86%.

Figure 13: Count of transactions by price / Adjusted Own Funds (with transaction themes removed)



Source: S&P Global Market Intelligence and public data

Asia

2022 overview and outlook

2022 overview

Asia saw a slight fall in announced life and health transactions in 2022, following high activity in 2021.

In 2022, the number of announced Asia-based transactions decreased by 14%, to 32.

The number of Asia transactions contributed approximately 26% of all global life and health M&A transactions announced in 2022.

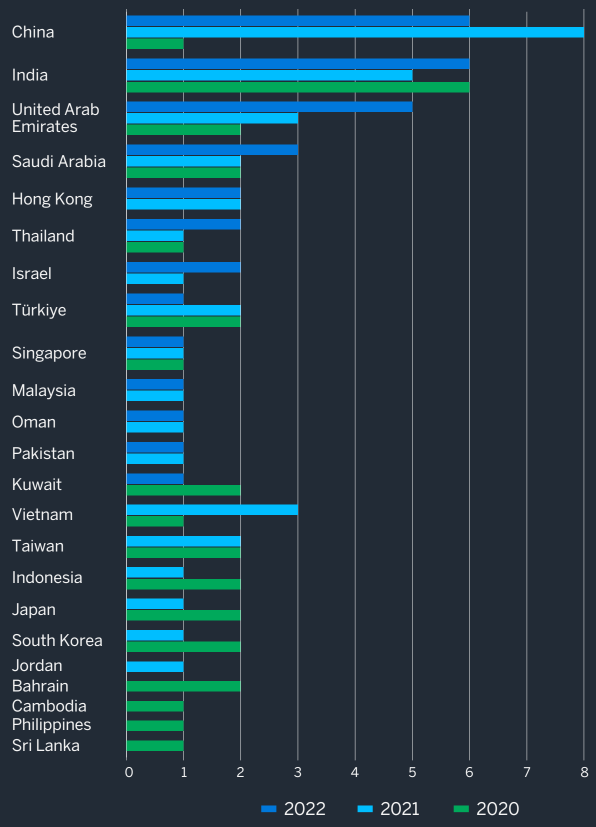
Total publicly announced deal values in Asia decreased by 89% to $1.7 billion in 2022.

India (6) and China (6) were the most active markets in terms of the number of announced transactions in 2022. The regulators in India and China have increased foreign investment allowances in recent years. The Indian market saw a series of stake acquisitions that increased foreign shareholdings up to the maximum foreign investment limit (74% since 2021).

Life and health M&A in Asia in 2022 continued to predominantly involve the acquisition of stakes in insurers and acquisitions of entire insurers, with around 80% of announced transactions in 2022 being structured in this way. Transfers of individual insurance portfolios are less common.

The high inflation and rising interest rates seen in Europe and North America are not features in some Asian markets; in fact, in some markets' interest rates are decreasing, such as China. Interest rates remain stable in Japan (and Japan remains in a low interest environment), whereas rates have been trending up in South Korea, Singapore, India and Hong Kong. The impacts from inflation/interest rate changes on the Asian life and health M&A market have generally been limited.

Figure 14: No. of announced life and health transactions – Asia



Source: S&P Global Market Intelligence and public data

2022 overview and outlook

Outlook

M&A activity in the Asian life and health market is expected to remain at similar levels to that seen in previous years.

As noted above, Asian markets are experiencing a mixture of economic changes. Such economic changes could drive M&A activity going forward, although the impacts largely depend on the magnitude of any changes and the extent of increases/decreases to interest rates.

The recent/upcoming implementation of risk-based capital regimes in many Asian markets could lead to higher balance sheet volatility and may drive the need to sell blocks of life insurance business going forward. The risk-based capital regimes implemented to date have had a limited impact on the level of life and health insurance M&A activity in the respective markets, but the increased burden on insurers in relation to capital requirements and higher balance sheet volatility that can arise from the removal of flat discount rates could drive activity going forward.

The increases in foreign investment limits in some Asian markets are likely to continue to drive transaction activity in the future; there appears to be a trend towards higher limits in some markets, and there is the potential for further increases to these limits.

Top publicly announced deal sizes in 2022 – Asia

Announcement date	Target or issuer	Buyer	Seller	Transaction value ($m)	Country
23 February 2022	Huatai Insurance Group Company Limited	Chubb INA Holdings Inc.	Investor group	316.13	China
04 March 2022	Blue Cross (Asia-Pacific) Insurance Limited	AIA Group Limited	The Bank of East Asia, Limited	289.06	Hong Kong
24 March 2022	SinoKorea Life	Zhejiang Orient Financial Holdings Group Co., Ltd. Zhengjiang Changxing Financial Holding Wenzhou State-owned Financial Co. Wenzhou Electric Power Investment Limited Company Wenzhou Communications Develop Group Co., Ltd. Guotai Junan Zhengyu Investment	NA	222.18	China
22 January 2022	Future Generali India Insurance Company Ltd.	Generali Participations Netherlands NV	Future Enterprises Limited	164.36	India
14 December 2022	Huagui Life Insurance	China Guizhou Maotai Wine Factory Co.,Ltd. Guizhou QuanSheng State Capital Management Co., Ltd. Shenzhen Jiaxin Brilliant Investment Co., Ltd.	NA	143.70	China
28 November 2022	Max Life Insurance Company Limited	Max Financial Services Limited	Mitsui Sumitomo Insurance Co., Ltd.	102.33	India
11 February 2022	IndiaFirst Life Insurance Company Limited	Bank of Baroda	Union Bank of India	94.13	India
06 May 2022	Health insurance business portfolio of Aetna International Inc.	Allianz World Union	Aetna International Inc.	89.02	Hong Kong
20 May 2022	Ageas Federal Life Insurance Company Ltd.	Ageas Insurance International NV	IDBI Bank Limited	72.53	India
26 September 2022	Aviva Life Insurance Company India Limited	Aviva International Holdings Limited	Dabur India Limited	71.25	India

Source: S&P Global Market Intelligence and public data

Private equity and private asset managers in Asia

2022 overview

Similarly to 2021, private equity involvement in the Asian life and health M&A market was fairly limited.

In South Korea, the planned acquisition by private equity firm JC Partners Co. of a majority stake in KDB Life from Korea Development Bank (KDB) fell through as a result of regulatory concerns.

Outlook

Private equity firms are showing increasing levels of interest in Asian life and health insurance business, albeit more so in certain markets than others (for example, there is limited interest in Japan due to the mutual dominated market, whereas in Hong Kong there has been a keen interest due to the scale of the market). The demand from private equity firms is reduced by the regulatory apprehensiveness in certain markets.

The increases in foreign investment markets in certain Asian markets is likely to increase the appetite of private equity players and lead to further investment.

Figure 15: Key private equity players

Country	Private equity company
India	Warburg Pincus LLC
	Temasek Holdings*
	GIC Private Limited**
Singapore	TPG Inc
	The Blackstone Group Inc.
	Temasek Holdings*
	GIC Private Limited**
	KKR & Co. Inc
South Korea	JC Partners Co., Ltd
	JKL Partners Inc

* Temasek is a Singaporean state-owned investment company.
** GIC is a Singaporean sovereign wealth fund that is responsible for managing the Singaporean government's reserves.
Source: S&P Global Market Intelligence and public data

China — Announced transactions 2022

8
Announcements in 2021

6
Announcements in 2022

Outlook

Announcement date	Target or issuer	Buyer	Seller	Transaction value ($m)
16 December 2022	ERGO China Life	ERGO Group	Shandong State-owned Asset Investment Holdings Co., Ltd.	57.40
14 December 2022	Huagui Life Insurance	China Guizhou Maotai Wine Factory Co., Ltd. Guizhou QuanSheng State Capital Management Co., Ltd. Shenzhen Jiaxin Brilliant Investment Co., Ltd.	NA	143.70
18 November 2022	Huatai Insurance Group Company Limited	Chubb Limited	Investor Group	Undisclosed
24 June 2022	Guolian Life Insurance Co., Ltd*	Shenzhen Capital Operation Group Co.,Ltd.	Shenzhen Hongzhi Software Co., Ltd.	32.10
24 March 2022	SinoKorea Life	Zhejiang Orient Financial Holdings Group Co., Ltd. Zhengjiang Changxing Financial Holding Wenzhou State-owned Financial Co. Wenzhou Electric Power Investment Limited Company Wenzhou Communications Develop Group Co., Ltd. Guotai Junan Zhengyu Investment	NA	222.18
23 February 2022	Huatai Insurance Group Company Limited	Chubb INA Holdings Inc.	Investor group	316.13

Source: S&P Global Market Intelligence and public data

China

2022 overview

As expected, the life and health insurance M&A market in China saw a typical year in 2022 that maintained a healthy number of transactions. Continuing the trend from 2021, these were dominated by minority and majority stake acquisitions as seen in a summary of the key transactions below:

- Chubb Limited increased its ownership in Huatai Insurance Group Company Limited, the holding company for Huatai Property & Casualty Insurance Company, Huatai Life Insurance Company and Huatai Asset Management Company, from 47.3% to 83.2%. This announcement comes a few months after its announcement earlier in the year to increase its stake by 4.10% for approximately $316.13 million, cementing China as Chubb's second-largest insurance market after the United States. This follows Chubb's focus to tap into China's growing demands for insurance and asset management products and services due to its aging and more affluent society. It is expected that at the close of this transaction, Chubb will be the first foreign financial institution to have a majority stake in a Chinese financial services holding company, with separate P&C, life, asset management and mutual fund subsidiaries.

In other transactions:

- Huagui Life Insurance announced that it plans to increase its authorized share capital to 1 billion shares. This represents an additional CNY 1 billion ($143.70 million) of registered capital. Its existing shareholder, Maotai Group, and new investors Qiansheng State-Owned Capital Management and Shenzhen Jiaxin Brilliant Investment showed an intent to subscribe for approximately 466 million, 383 million and 150 million shares, respectively.
- Shandong State-owned Assets Investment ended its partnership with ERGO Group in the joint venture, ERGO China Life, when it transferred its 15% stake to ERGO Group. This made ERGO Group a majority shareholder and transformed the status of ERGO China Life to a foreign insurer. This is amid plans by ERGO China Life to increase its capital by CNY 400 million ($57.40 million), of which CNY 240 million ($34.44 million) is included in the registered capital, and the remaining CNY 160 million ($22.96 million) is included in the capital reserve.
- Domestic ownership in South Korea's Sino-Korea Life Insurance increased to 75% after six Chinese state-backed firms in Zhejiang Province participated in a capital increase that increased the capital of Sino-Korea Life by CNY 1.5 billion ($222.18 million). This capital increase was made via the Zhejiang Property and Stock Exchange. Prior to the capital increase, Sino-Korea Life was a joint venture between Chinese company Zhejiang Orient Financial Holdings Group and Korean company Hanwha Life Insurance. Hanwha Life did not participate in the capital increase, and as a result, its shareholding fell from 50% to 24.99%. Zhejiang Orient's shareholding fell from 50% to 33.33%; however, it became the single largest shareholder. As a result of the capital increase, Sino-Korea ceased to be a joint venture, instead becoming a Chinese-funded insurance company.

China

Outlook

The Chinese life and health M&A is expected to follow 2022's trend of share capital raising initiatives as insurance companies seek to strengthen their balance sheets following the implementation of the revised version of the regulatory capital regime, China Risk Oriented Solvency System (C-ROSS) phase 2, which was aimed at tightening capital requirements and improving risk measurement.

There have also been plans by some Chinese companies to sell their shareholdings in Chinese life insurers, potentially as a result of the market currently being under transformation; however, this may make potential buyers more prudent. Private equity also continues to have relatively little presence in the Chinese life and health M&A market.

Furthermore, China's expected demographic developments, particularly its rising life expectancy and aging population, as well as further growth in its middle-income population, is expected to create more demand for protection, health insurance and personal accident products. The realization of these events provides a strong case for top-line revenue growth for life and health insurance companies, which could encourage investors to further increase their presence in the Chinese market.

Hong Kong — Announced transactions 2022

2
Announcements in 2021

2
Announcements in 2022

Outlook

Announcement date	Target or issuer	Buyer	Seller	Transaction value ($m)
06 May 2022	Health insurance business portfolio of Aetna International Inc.	Allianz World Union	Aetna International Inc.	89.02
04 March 2022	Blue Cross (Asia-Pacific) Insurance Limited	AIA Group Limited	The Bank of East Asia, Limited	289.06

Source: S&P Global Market Intelligence and public data

Hong Kong

2022 overview

The life and health insurance M&A market in Hong Kong experienced another relatively quiet year in 2022, which could be attributed in part to the strict COVID-19 restrictions that induced a prolonged economic slowdown in Hong Kong. There were two announced transactions in 2022:

- AIA Group Ltd., the largest independent publicly listed pan-Asian life insurance group, acquired a 100% stake in Blue Cross (Asia-Pacific) Insurance Limited (Blue Cross), as well as 80% of the shares in Blue Care JV Holdings Limited, from The Bank of East Asia Ltd. (BEA) for about $289 million.[7] AIA and BEA also agreed to extend the scope of their existing exclusive bancassurance partnership. Through the acquisition of Blue Cross, the partnership includes a 15-year agreement covering personal lines general insurance products. This will provide a comprehensive suite of AIA's insurance solutions, including health insurance, to BEA's personal banking customers in Hong Kong.
- Allianz World Union, a subsidiary of the French insurer, Allianz Partners SAS, entered into a partnership deal with the American insurer, Aetna International Inc., to acquire the majority of Aetna's health insurance business portfolio for a cash deal worth $89.02 million. This aligns with Allianz Partners' strategic goals of further strengthening its Asia Pacific market share, with Hong Kong being one of the key growth areas.

[7] The Bank of East Asia, Limited (August 2022). Disposal of Blue Cross (Asia-Pacific) Insurance Limited and Interests in Blue Care JV (BVI) Holdings Limited and Entry into of Distribution Arrangements. Available at: https://www.hkbea.com/pdf/en/about-bea/investor-communication/other-corporate-announce/2022/E_Announcement_Shield%20Closing_20220826.pdf

Hong Kong

Outlook

The Hong Kong life and health market is poised to benefit from increased economic activity following the relaxation of COVID-19 restrictions. In a move that could boost international deal making, the removal of these restrictions, combined with the re-opening of the border with Mainland China, is expected to spur economic growth in Hong Kong, increasing the attractiveness of the market to potential investors.

The new risk-based capital (RBC) regime due to be implemented in Hong Kong in 2024, and already implemented by some early adopters, could potentially lead to some life insurers looking to optimize their capital positions. This could potentially result in some companies considering the disposal and/or reinsurance of capital-intensive blocks of business.

In addition to the upcoming 2024 RBC regime, there were further regulatory developments that could have a direct impact on Hong Kong's solvency and capital adequacy regime. The Financial Services and the Treasury Bureau issued a consultation paper in late 2022 seeking comments on the proposed policy holders protection scheme (PPS) that is aimed at enhancing protection for policyholders and minimizing additional burden on insurers. The proposal recommends the setting up of two separate funds, i.e., a long-term fund to cover policies that pay benefits related to the life status of the policyholder and a general fund to cover non-life policies. Given that the expected impact of RBC is to make capital requirements more sensitive to an insurer's risk profile, the PPS is expected to further strengthen the financial soundness of insurers and seeks to reduce the frequency of insolvency.

There is also expected to be increased activity relating to insurance-linked securities (ILS). These are risk-management tools allowing insurers and reinsurers to seek alternative capital by offloading insured risks to the capital markets through securitization. In 2021, the Hong Kong insurance regulator, the Insurance Authority (IA), initiated a pilot grant scheme on ILS to encourage the development of the ILS market in Hong Kong, incentivize the issuance of ILS and set up a guideline around the governance of such transactions. Since the pilot grant scheme, there have been two issuances of ILS, sponsored by reinsurers covering general insurance perils. However, there is scope for companies to begin looking into ILS opportunities in the life insurance market.

India — Announced transactions 2022

5
Announcements in 2021

6
Announcements in 2022

Outlook

Announcement date	Target or issuer	Buyer	Seller	Transaction value ($m)
28 November 2022	Max Life Insurance Company Limited	Max Financial Services Limited	Mitsui Sumitomo Insurance Co., Ltd.	102.33
26 September 2022	Aviva Life Insurance Company India Limited	Aviva International Holdings Limited	Dabur India Limited	71.25
25 August 2022	Go Digit Life Insurance Limited	HDFC Bank Limited	NA	8.76
20 May 2022	Ageas Federal Life Insurance Company Ltd.	Ageas Insurance International NV	IDBI Bank Limited	72.53
11 February 2022	IndiaFirst Life Insurance Company Limited	Bank of Baroda	Union Bank of India	94.13
22 January 2022	Future Generali India Insurance Company Ltd.	Generali Participations Netherlands NV	Future Enterprises Limited	164.36

Source: S&P Global Market Intelligence and public data

India

2022 overview

The life and health insurance M&A market in India experienced another active year, with 6 announced transactions in 2022, increasing slightly from the 5 announced in 2021. Some of the key transactions have been highlighted below:

- Following on from Generali's announcement at the end of 2021 that its Dutch subsidiary Generali Participations Netherlands NV had acquired an additional 16% in Future Generali India Life Insurance Company Limited (FGIL) from Industrial Investment Trust Limited, Generali announced at the start of 2022 that it was to acquire the 25% stake of its general insurance joint venture with Future Enterprises Ltd., Future Generali India Insurance Company Limited (FGII) for INR 1,252.96 crore ($164.36 million). This raised Generali's stake in FGII from 49% to 74%. This follows recent changes to India's foreign direct investment (FDI) regulations, where the Insurance Act was updated to raise the FDI limit in insurers to 74% in 2021. The deal was motivated by Future Group's asset monetization plans to help reduce its debts, but is also in line with Generali's 'Lifetime Partner 24: Driving Growth' strategy to strengthen its presence in fast growing markets.
- IDBI Bank, which is a development finance institution owned by the government of India and the Life Insurance Corporation of India, sold its entire 25% stake in Ageas Federal Life Insurance Company Limited to Ageas Insurance International. This comes only two years after Ageas Insurance International NV increased its stake to 49% from 26%. This follows recent trends where some foreign companies have been seeking to maximize the FDI limit of 74%.
- Aviva International Holdings Ltd. sought to strengthen its presence in India when it acquired an additional 25% stake in its Indian joint venture, Aviva Life Insurance Company India Limited, from Dabur Invest Corp. This raised the Aviva International Holdings Ltd. stake to a majority shareholding of 74%, again following on from the recent FDI regulation changes.
- India's largest private-sector bank by assets, HDFC Bank Limited, announced that it intends to acquire a minority stake of up to 9.944% in Go Digit Life Insurance Limited for a consideration of between INR 500 million ($6.2 million) and INR 700 million ($8.76 million) via subscribing to equity shares of Go Digit Life Insurance. This is subject to the outcome of Go Digit Life's application for a life insurance certificate of registration to the Insurance Regulatory and Development Authority of India (IRDAI). This is Go Digit's latest attempt at entering the life insurance market following the IRDAI's decision to order Go Digit General Insurance to discontinue what it deemed to be a product offering life insurance benefit.
- Max Financial Services Ltd., a company domiciled in India that provides life and health insurance via its subsidiaries, acquired an additional 5.17% stake in Max Life Insurance Co. Ltd. from Mitsui Sumitomo Insurance Co. Ltd. This increased its majority shareholding to 87%. The chairman of the holding company, Max Group, highlighted that the consolidation was mainly driven by a need to simplify the organizational structure in order to attract more investors.

India

In other transactions:

- Abrdn plc continued its divestment in the Indian insurer, HDFC Life Insurance Company, where it sold another 2% of the paid-up, issued equity share capital of HDFC Life via a block trade to Societe General, Integrated Core Strategies and Norges Bank. This is part of Abrdn's capital strengthening initiatives that are aimed at returning capital in excess of business needs. This is also following a significant decrease in Abrdn's assets under management and administration, according to its 2022 half-year results amid a volatile global stock market.
- Aditya Birla Sun Life Mutual Fund, Avendus, ICICI Prudential MF, Singapore's GIC and Goldman Sachs acquired 0.56% of SBI Life Insurance Company Limited from Canada Pension Plan Investment Board (CPPIB) for INR 597 crore ($78.49 million), comprising the sale of 5.58 million shares at INR 1,068.35 each. SBI Life is a life insurance company formed as part of a joint venture between State Bank of India and French financial institution BNP Paribas Cardif. CPPIB's CEO recently made comments that CPPIB is focusing on liquidity amid recent market volatility as well as positioning themselves with more of an ESG focus.

Outlook

The Indian life and health M&A market is expected to continue to show high levels of transaction activity going forward. The increase in the foreign direct investment limit to 74% in 2021 is expected to encourage further transaction activities as foreign companies seek to increase their market share. This may also drive holding companies with multiple subsidiaries to simplify their organizational structures in a bid to attract more investors. Recent regulatory changes appear to somewhat favour larger players in the market, and hence this may drive consolidation in the market.

To further boost the life and health insurance market, the directive by the IRDAI in June 2022 to eliminate the need for pre-approval before launching a product is expected to boost India's profile as being one of the fastest-growing insurance markets in the world.

Additionally, under the current regulations, insurers hold either a life, non-life or standalone health insurance license. The IRDAI has recently announced potential plans to launch a composite license, although this is still in the early stages. However, should this go ahead, M&A activity between the different insurance segments in the market that have historically been distinct may grow.

In addition to regulation, innovation may drive more revenue and prove to be more cost-effective. This is another potential driver of M&A activity. Efforts to reduce the operational costs and complexities through an increased focus on digitization and automation through cloud computing may provide scalability and streamlining benefits. Efforts to find better ways to engage directly with the masses may also increase insurance penetration. We have observed this with some insurance companies launching YouTube series aimed at improving the perception of insurance products and simplifying the concept of insurance.

Private equity has had a relatively small role in life and health M&A in India in the past. In 2018, Warburg Pincus acquired a stake in IndiaFirst, and since then there has been private equity interest in a number of successful and failed transactions. The recent regulatory changes regarding the increase FDI cap may ease the process of private equity acquisitions, and hence private equity is expected to participate in transactions going forward. However, if consolidation of the market is more dominant, this may not leave space for private equity firms to invest.

South Korea

1
Announcements in 2021

0
Announcements in 2022

Outlook

2022 overview

The life and health insurance M&A market in South Korea experienced a quiet year, with no M&A transactions in 2022. This may be due to tougher capital regulations that were implemented at the start of 2023 (K-ICS), as well as an unfavorable debt market that hampered the ability to raise debt capital. The latter was observed when some insurers withdrew their debt offering plans due to weak institutional demand, following rising yields and a debt default by a public developer that may have spooked the market.

In 2021, Korea Development Bank (KDB) agreed to sell a 92.7% stake in its life insurance subsidiary KDB Life Insurance Co. to private equity firm JC Partners for a reported ₩200 billion. This was the fourth such attempt by KDB to sell KDB Life between 2014 and 2021. However, in April 2022 this deal was called off because state-owned KDB felt that the private equity firm would not be able to qualify the assessment process by the Korean regulator, the Financial Services Commission (FSC).

In June 2021, the FSC did not grant JC Partners clearance because it failed to secure the necessary capital for the acquisition of KDB Life. Moreover, MG Non-Life Insurance, another Korean insurer, who are backed by JC Partners, were declared insolvent by the FSC. The chances of JC Partners being granted permission to take over KDB Life are therefore very slim.

KDB are still keen to find a buyer of KDB Life and MG Non-Life, but are so far failing to do so.

South Korea

Outlook

Despite a quiet 2022, the Korean life and health M&A market is expected to remain active in 2023 and beyond, with a few life insurers rumored to be up for sale in 2023. In particular, the implementation of the Korean Insurance Capital Standard (K-ICS) in 2023, is expected to push life and health insurance companies to find ways of improving their capital positions to avoid strains on capital buffers.

The key regulatory changes introduced by the implementation of K-ICS are:

- The measurement of assets and liabilities at fair value
- The increase in the value at risk confidence level from 99% to 99.5%
- The division of the insurance risk required capital module into life/long-term and general P&C insurance risk
- Integrating interest rate risk into market risk and adding asset concentration risk into market risk
- The use of more precise shock scenarios instead of risk coefficients

There has been pressure on insurers in South Korea to increase their capital in the run-up to the implementation of K-ICS, and concerns over the solvency pressures on smaller insurers as a result of the changes have been raised given the profitability of insurers in South Korea has been generally weak, with boosting capital from retained earning and convincing shareholders to contribute to rights issues proving a challenging task. Instead, smaller insurers have had options for raising capital limited to subordinated debt and issuing hybrid capital securities.

These issues of raising capital as well as the financial strain caused by the implementation of K-ICS could be a potential driver of life and health insurance M&A activity in South Korea going forward. However, the implementation of K-ICS allows for a smooth transition into the new regime over the course of 10 years, which may mean that M&A activity in the early years of K-ICS remains low, but as firms begin to fully transition into the new regime, the financial burden will begin to rise, which could lead to higher M&A activity in the next few years.

Private equity is expected to play a significant role in the insurance market in South Korea, since these firms are likely to be enticed by the opportunities to purchase financially distressed companies at potentially discounted prices. Having said this, the difficulties around private equity-backed MG Non-Life Insurance and the recent failed attempt by KDB to offload its subsidiary KDB Life to private equity firm JC Partners could reduce the FSC’s willingness to approve such transactions in the future.

Rising interest rates have also impacted South Korea over 2022. These are likely to weaken the financial position of life insurers under K-ICS since the market value of assets will drop by a greater amount than the market value liabilities. Some of the more financially distressed insurers may then look to outside investors and hence be up for sale.

Japan

1
Announcements in 2021

0
Announcements in 2022

Outlook

2022 overview

The Japanese life and health insurance M&A market had a quiet 2022, with no announced acquisitions over the year. In spite of the absence of headline news, we are seeing an increase in the number of discussions of potential block transactions, with a large number of reinsurers and private equity firms vying to differentiate themselves in an increasingly crowded market. These firms look to offer yield-enhancing investment vehicles, while helping direct writers improve capital efficiency.

Two particularly notable reinsurance transactions were announced in 2022:

- Dai-Ichi Life ceded a legacy block of whole of life portfolio to Resolution Re, the Bermudan reinsurance platform of global life insurance group Resolution Life. The reinsurance agreement transfers a closed book of whole of life policies of approximately ¥150 billion ($1.5 billion) in total liabilities, and relates to the coverage for market and insurance risks.
- Taiyo Life, a wholly-owned subsidiary of T&D Holdings, Inc., ceded a portion of its legacy annuity business with high guaranteed rates to Fortitude Re, Bermuda's largest multiline reinsurer. The transaction was worth an approximate $4 billion, and represents Fortitude Re's first reinsurance transaction covering Asian business.

Outlook

We expect to see ongoing activity in the block reinsurance space, and believe there may be potential for acquisitions involving niche insurers or subsidiaries of foreign entities.

The following developments could lead to new product initiatives, capital management initiatives, rethinking of broader Japan strategies or corporate restructuring. This in turn could lead to an increase in block transactions or other M&A activities:

- 10-year Japanese government bond yields doubled to around 0.5% towards the end of 2022, which is the new Japan Bank control level. Further increases will change valuations and market dynamics. In particular, we could see a renewed interest in yen-denominated accumulation products.

Japan

- In the previously observed low-interest-rate environment, many Japanese insurers accumulated foreign denominated assets, U.S. dollar-denominated in particular, in order to back foreign currency denominated products or achieve excess return. With USD interest rates rising over 2022, this decreased the value of these USD assets. However, the Japanese Yen (JPY) weakened against the USD over 2022, meaning that the loss in value of USD assets was offset to a certain degree. Despite this offsetting, the increase in foreign exchange movements has led to higher costs of currency hedging, making foreign investments somewhat less attractive to Japanese insurers.
- Inflation rates have also risen in Japan over 2022, although to less of an extent than that seen in some other countries. However, inflation assumptions used in recent embedded value (EV) and ICS valuations have been low. If inflation assumptions are increased in line with market inflation rates, this could have a relatively major impact on EV due to the prevalence of long-duration products in the market, such as whole of life business.

Interest rates in Japan have not seen the same levels of increase that have been observed in other markets worldwide, but if the level of inflation in Japan follows a similar pattern to that seen in Europe and North America, and this has a knock-on effect on interest rates, this could lead to short-term reductions in asset values, as these are valued at market value, while Japan GAAP statutory reserves are currently calculated on a net level premium basis with locked-in discount rates, meaning that their values will be unchanged. The additional financial strain could be a driver of M&A going forward.

However, in 2025, Japan's Financial Services Agency (FSA) plans to implement a new solvency regime, taking its lead from the international ICS being developed by the International Association of Insurance Supervisors (IAIS). In the long run, this will help to revitalize risk management in Japan's life insurance industry. The implementation should help regulators to better understand the solvency of insurers and how to better reflect their economic value, particularly that of liabilities. Therefore, once brought in, the short-term reductions in asset values are more likely to be matched by reductions in liability values, reducing the financial strain from movements in interest rates.

Despite this, there is worry that the short-run administrative burden on some insurers will be increased. This could open the door to M&A as a potential solution to relieving some of this administrative burden. There is also expectation that ceding of reinsurance blocks will continue in the future. While recent transactions have been motivated by yield enhancement (and to a lesser degree by capital efficiency considerations), we may see future transactions tied to operational and risk management considerations.

The prevalence of legacy business with high guarantees may continue to attract private equity firms' investment, as this could be a suitable target for yield enhancement. However, the appetite of Japan's large mutuals for these transactions is yet to be fully tested.

Singapore — Announced transactions 2022

1
Announcements in 2021

1
Announcements in 2022

Outlook

Announcement date	Target or issuer	Buyer	Seller	Transaction value ($m)
31 May 2022	Long term life insurance business	Monument International Life Assurance Company Limited	Zurich International Life Limited	Undisclosed

Source: S&P Global Market Intelligence and public data

Singapore

2022 overview

The life and health M&A market in Singapore saw another quiet year in 2022, with only the following key transaction:

- The wholly owned Isle of Man subsidiary of Monument Re, Monument International Life Assurance Company Limited, acquired the long-term life insurance closed book business portfolio of Zurich International Life Limited's Singapore operations for an undisclosed fee. This comes days after Monument International Life Assurance received a Singapore insurance license on the back of Monument's strategy to grow its Asian market share.

Singapore

Outlook

The Singapore market is relatively small and has few available targets, so the opportunities for M&A have been few and far between in recent years. Aegon had reported that it planned to sell its Transamerica business, which offers a range of insurance and savings products to high-net-worth (HNW) clients in Singapore (and Hong Kong), looking to raise $700 million; however, in September 2022 it was reported that Aegon had scrapped this plan amid valuation concerns and bids not matching Aegon's expectations.

Moreover, in April 2023, press reports suggest that Tokio Marine Holdings is considering the sale of its Southeast Asia Life business units in Singapore, Malaysia, Thailand and Indonesia.

Despite the small market, Singapore remains of interest to new entrants due to the expanding HNW market, both locally and offshore. The large concentrated affluent population in Singapore has driven the growth in single premium policies in recent years, which form a large proportion of whole-life premiums. In particular, single-premium policies comprised 49.7% of the total gross written premiums of the country in 2022, compared with 32.3% in 2019. More widely, Singapore's life insurance industry is expected to grow at a compound annual growth rate of 9.8%[8] between 2022 and 2027.[9]

The RBC 2 framework that was effected in 2020 removed the long-term discount rate used to value liabilities, which has led to balance sheets being very volatile to interest rate movements. This has sparked the interest of private equity firms, who may be able to better manage balance sheet volatility through reinsurance solutions.

Participating business, which makes up a large proportion of the assets under management of firms in the Singapore life insurance market, stands to benefit from the increasing interest rates, especially given the setup of the RBC 2 regime. However, over the past few years, there has been a shift towards investment-linked business due to the combination of the previously observed low interest rate environment, strong equity market performance and the Life Insurance Association's proposal to reduce the benefit illustration rate for participating business from 4.75% to 4.25%. With interest rates subsequently rising and volatile equity markets, insurance sales are expected to be adversely affected as insurance savings products including participating and investment-linked products are viewed as less competitive to consumers than, for example, bank deposits and government bonds (which are easy to purchase in Singapore through online banking apps). It is unclear how this could impact life insurance M&A activity going forward, although reports around Tokio Marine possibly looking to sell its Singapore business may lead to further consolidation of mid-tier players in the market, following the merger of HSBC/AXA in 2021 and Aviva/Singlife in 2020.

[8] In terms of gross written premiums.
[9] GlobalData (April 2023). Singapore life insurance industry to reach $77 billion by 2027, forecasts GlobalData. Available at: https://www.globaldata.com/media/insurance/singapore-life-insurance-industry-reach-77-billion-2027-forecasts-globaldata/

About Milliman

M&A services

Milliman is a leading provider of M&A transaction services around the globe. We provide buy-side and sell-side advice to a diverse set of companies, including insurers, reinsurers, consolidators, asset managers, and private equity firms.

With offices around the globe, Milliman can assemble a cross-disciplinary team to evaluate virtually any M&A scenario. Our sophisticated financial models are relied upon to deliver accurate projections and valuations of company assets and liabilities.

Milliman routinely develops actuarial appraisals of companies both large and small. The breadth of our experience in completed transactions gives us a unique knowledge base of current market pricing and market views of potential transactions. Along with appraisal valuation, our models are frequently used for GAAP projections, tax valuation, and to analyze risk management alternatives for an acquisition.

We are a trusted source of independent analysis on a proposed deal's valuation, merits, and weaknesses.

Contacts

Chicago, U.S.

Katie Nelson
katie.nelson@milliman.com

London, U.K.

Ian Humphries
ian.humphries@milliman.com

Samuel Burgess
samuel.burgess@milliman.com

John Gakuya
john.gakuya@milliman.com

Stuart Reynolds
stuart.reynolds@milliman.com

Acknowledgements

The authors thank the following Milliman colleagues for their input and assistance with the production of this paper: Tatiana Egoshina, Menghua Yin, Jacob Chen, Borja Sanchez, Sung-Hoon Kim, Sven Wagner, Ana Orza Rodriguez, Michael Daly, Taka Hoshino, Sharon Huang, Kurt Lambrechts, Ed Morgan, Richard Holloway, Philip Jackson, Michael Culligan, Steve Conwill, Henny Verheugen, Raduan Zahhaf, and Wen Yee Lee.