

Pandemic disruption accelerates insurance M&A across Asia



The pandemic and subsequent disruptions have led to increased activity in the insurance M&A space and will have a major impact in the Asian region, said panellists at a virtual M&A insurance roundtable.

By Jimmy John



A virtual M&A insurance roundtable organised by Asia Insurance Review in October carried the theme, ‘The Continuing Pandemic and Geopolitical Tensions - Do M&As Deliver or Do Movers Get Value for Deals?’ delivered some fascinating insights from experienced M&A professionals in the region.

M&A to accelerate in Asia

Opening the conversation, EY-Parthenon Partner, Financial Services, Ernst & Young Transactions Limited Mr Dustin Ball said that M&A volumes are up worldwide in the financial services segment, and he was bullish on the scenario in Asia.

“There are a number of companies who are exiting the segment and focusing on their core areas of strength,” he said.

McKinsey & Company, Singapore partner Alex Kimura said that there has been a lot of activity in the insurance M&A space since the start of the pandemic. “This is just the

beginning of the curve for the sector as there are a number of factors at play in the ecosystem,” he said.

JPWALL, Hong Kong director Jeremy Wall said that many companies are struggling for growth in the current environment and this provides opportunities for M&A. “Companies facing capital distress are looking for investments and so this provides opportunities for companies looking to enter these markets,” he said.

Generali Asia, Hong Kong regional head, M&A and strategy, Asia John Spence said that action in the M&A space was happening across the region. “We are seeing historical lows in the performance of the industry in China and a fundamental shift in the market in India,” he said.

Willis Towers Watson global HR M&A practice leader (interim) and Asia Pacific HR M&A practice leader Massimo Borghello said that talent should be a critical aspect to look into from any M&A activity.

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Virtual M&A in Insurance Roundtable | 27 October 2021
*"The Continuing Pandemic and Geopolitical Tensions -
 Do M&As Deliver or Do Movers Get Value for Deals?"*

Top L-R: Mr Aftab Hasan, Mr Faris Gammoh and Dr Sanjeev Jha
 Bottom L-R: Ms Roshanak Bassiri Gharb, Messrs Hatim Maskawala and Wayne Jones

"COVID has accelerated digital transformation and having the right talent is critical at this juncture for companies trying to expand and grow through M&A," he said.

China and India lead

China and India offer huge opportunities for M&A with their sheer size and growth potential. China will be the world's largest insurance market in a few years and has plenty of growth opportunity.

"There is a lot of low-hanging fruit, with the market expected to become the largest retirement market by 2030," said Mr Kimura.

Though the rules and regulations are challenging and complicated, Mr Spence is bullish on the Chinese market and he believes that this is the best opportunity for companies looking to invest in China. "It is not only the dynamic nature of the distribution companies there, but in the current COVID crisis we should re-evaluate our strategy on China," he said.

Mr Wall believes that while there is a lot of uncertainty in China for a large insurer, it is riskier not being in China than being there.

Recent M&A deals in the region include the merger of Singapore Life with Aviva and the announced

acquisition of AXA Singapore by HSBC. A number of M&A deals took place in India and in other jurisdictions including Thailand and Malaysia.

Drivers of M&A

Mr Spence said that customer-acquisition cost is still significantly higher for digital players and companies are finding it difficult to make returns on their investments thereby looking at the M&A option. "Insurers are looking at collaboration and, in the future, this might lead to investment in some of the digital players they are partnering with," he said.

Mr Wall said that big insurance players in the market, would like to integrate a digital player into their system, thus driving M&A activity.

Mr Ball said that the main drivers of M&A are distribution of scale and acquiring technology to reduce costs. "Every deal is different and they are trying to create value and synergies," he said.

ESG impact on deals

Mr Spence said that Europeans will not invest in businesses that are not ESG compliant, considering that the region is committed to ESG principles.

Mr Kimura said that the pricing dynamics change with ESG and insurers need to be prepared for that.

On the other hand, Mr Ball said that insurers have not done enough to promote ESG. "They need to bring out products that specifically cater to this segment," he said.

Mr Wall said that doing a cross border M&A transaction will be harder in future as they increasingly focus on ESG issues.

SWOT analysis for every M&A

Mr Spence hopes to create a leadership position in chosen markets. "We look at market position and profitability in that market and combine it with our existing business and try and blend the strength of both partners," he said on the critical factors they look at in a M&A deal.

Mr Borghello said that companies need to look at the strategic rationale behind every deal and for this they need to select the right people with which to align their policies. Mr Kimura said that most insurers currently do not have an M&A programme, but this should be a core function for companies looking to grab market share.

Wrapping the discussion up, Mr Wall said that any deal that provides good returns is a good deal. ■