

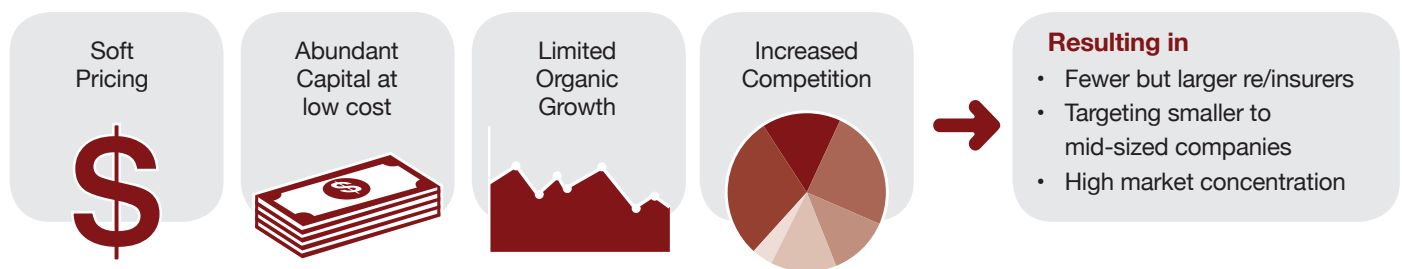
This issue is the first in a series, demonstrating Trust Re’s research and development capabilities which add value to in-house decision making and planning, as well as being of potential interest to the wider reinsurance domain. Combining data with human expertise is key to forward thinking and innovation.

Merger & Acquisition Deals are on the Rise

2018 witnessed 2 mega M&A deals, registering high-ticket value at 6 times higher in price compared to that of 2017. The first quarter opened with two mega deals by giant players. A \$6 billion deal between AIG and an ILS-expert Validus, followed by AXA-XL Group deal at \$15 billion. In comparison, in 2017, there were only three big deals valued at \$3.22 billion in total. The market is expected to

undergo several M&A deals, and will be characterized by “fewer but larger re/insurers” with the targets for M&A being the smaller to mid-sized companies that have quality underwriting teams and books. Although the recent deals were executed by big companies, we expect to see more M&A activity in the future by smaller companies to achieve their strategic objectives.

Motives and Driving Forces



Common Themes for Merger & Acquisition

Alternative Capital Market/ ILS

- Increased interest in pooled ILS M&A deals by small entities such as Captives.
- ILS nowadays is not only about NAT CAT Bonds. It expanded on risk type to cover operational, mortgage, casualty and cyber risks.

Insurtech and Blockchain

- Insurtech driven M&A deals are expected mostly to happen in North America, while in Asia and other regions, partnerships and alliances to utilize innovation and design thinking are expected.
- Insurtech ecosystem provides natural source of outsourced R&D at lower risk.
- Brokers are still absent from blockchain involvement (except for Aon and Marsh who participate in B3i).

Quick Takeaways

- **Conglomeration ripples:** Reinsurers are expected to grow inorganically besides focusing on innovation and digitization, in light of the trend of conglomeration in the market.
- **Potential alliances:** Early adoption of blockchain and smart contracts is the main ‘rescue’ in the new disruptive environment, creating potential for alliances between market players, i.e. insurers, reinsurers and brokers.

Market Watch

- Product innovation key to MENA insurance penetration
<https://www.reinsurancene.ws/product-innovation-key-to-mena-insurance-penetration-partnerres-orlando/>
- Persistent Soft Market Begins to Hit Reinsurer Stock Prices: A.M. Best
<https://www.insurancejournal.com/news/international/2016/06/15/416999.htm>