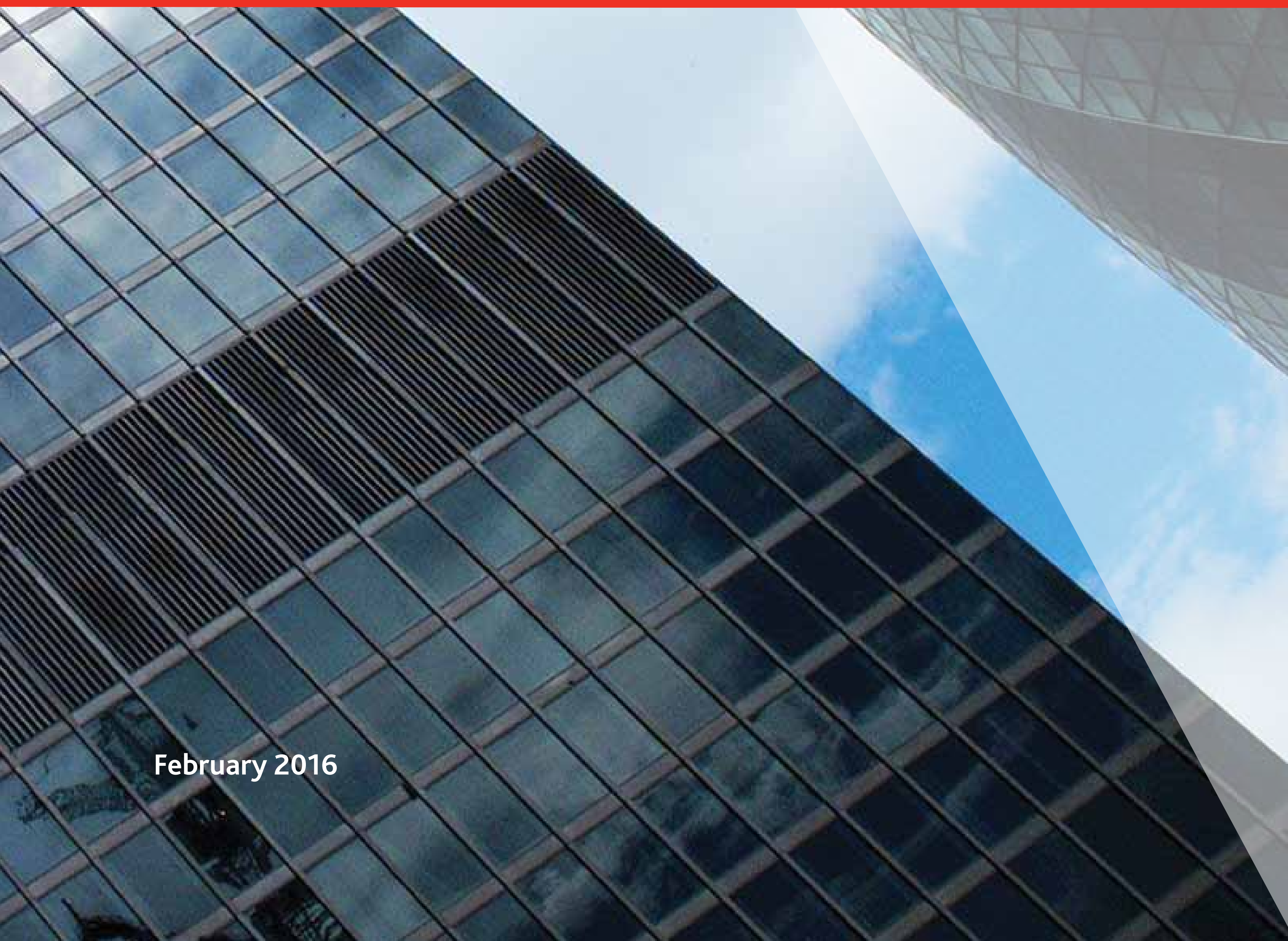
THE GENEVA ASSOCIATION

11th Symposium on Insurance Strategies

Consolidation in Insurance: What is it about?

Conference review

London, 6 November 2015



February 2016

The Geneva Association

The Geneva Association is the leading international insurance think tank for strategically important insurance and risk management issues. The Geneva Association identifies fundamental trends and strategic issues where insurance plays a substantial role or which influence the insurance sector. Through the development of research programmes, regular publications and the organisation of international meetings, The Geneva Association serves as a catalyst for progress in the understanding of risk and insurance matters and acts as an information creator and disseminator. It is the leading voice of the largest insurance groups worldwide in the dialogue with international institutions. In parallel, it advances—in economic and cultural terms—the development and application of risk management and the understanding of uncertainty in the modern economy.

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Established in 1973, The Geneva Association, officially the "International Association for the Study of Insurance Economics", is based in Zurich, Switzerland and is a non-profit organisation funded by its members.

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The 11th Symposium on Insurance Strategies—Consolidation in Insurance: What is it about? Conference Review

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INTRODUCTION

The 2015 Symposium on Insurance Strategies (SIS) provided insights on the drivers behind the significant increase in (re)insurance M&A activity over 2014–2015. The meeting was a chance for participants to listen to case studies from a broad range of stakeholders involved in undertaking or analysing the M&A process from a deal's inception to the complete integration and post-mortem evaluation.

We were proud to open the symposium with a panel of industry leaders, all of whom had been involved in transactions in the last 12 months: Mike McGavick, CEO, XL Catlin; Stephen Hester, CEO, RSA; Walter Kielholz, Chairman, Swiss Re; and our host, Mark Wilson, CEO, Aviva. Our second panel, a range of experts from outside the industry, discussed valuation and the driving forces behind it. They provided interesting insights from the perspectives of investors, ratings agencies, management consultants and academia. And finally, our technical and operational panel offered attendees their learnings and experiences from implementing mergers and acquisitions at leading insurance companies.

It became clear that the right strategy, realistic financial reasoning, sound cost estimates and well-designed integration plans (in advance!) are key to successful transactions. However, the question of value creation remains a very deal- and company-specific one.

I would like to thank all our panellists for their contributions to the meeting and this review, as well as Aviva for hosting the event.

The 2016 Symposium on Insurance Strategies will take place on 7 October 2016 in London.

I hope you enjoy the report.

Anna Maria D'Hulster
Secretary General and Managing Director
The Geneva Association

Secretary General, Anna Maria D'Hulster welcomes participants to the Symposium.

11th Symposium on Insurance Strategies

Consolidation in Insurance: What is it about?

6 November 2015

Hosted by Aviva, St Helen's, 1 Undershaft, London EC3P 3DQ

Symposium Programme

08.15	Registration and welcome coffee
08.30–08.45	**Welcome and opening remarks** Anna Maria D'Hulster, Secretary General, The Geneva Association
08.45–09.15	**Keynote Speech** Mark Wilson, CEO, Aviva
09.15–10.45	**Session 1: CEO & Chairman View—'What are the drivers and trends of consolidation in insurance?'** ***Moderator:*** Geoffrey Bell, President Geoffrey Bell and Company Stephen Hester, Group Chief Executive, RSA Insurance Walter Kielholz, Chairman, SwissRe Mike McGavick, CEO, XL Group plc; Chairman, The Geneva Association Mark Wilson, CEO, Aviva
10.45–11.15	Coffee break
11.15–11.45	**Keynote Speech** Brian Shea, Head of Europe, Willis Capital Markets
11.45–13.15	**Session 2: Views from outside—'What is the logic behind consolidation ? Does it create value?'** ***Moderator:*** Lotfi Elbarhdadi, Senior Director of the Insurance Team, S&P, Paris Paul J. M. Klumpes, Professor of Risk Management, Insurance and Risk Accounting, Nottingham Business School Davide Serra, Founding and Managing Partner, Algebris Investments Brian Shea, Head of Europe, Willis Capital Markets Pia Tischhauser, Global Practice Leader Insurance, BCG
13.15–14.15	Lunch
14.15–14.45	**Keynote Speech** Greg Taylor, Executive Vice President, Strategy and Corporate Development, Manulife
14.45–16.15	**Session 3: Views from key executives—'Perspectives on consolidation including the transaction' (technical/operational views)** ***Moderator:*** Michael Steel, CRO Network Manager, The Geneva Association Andy Briggs, CEO, Aviva Life, U.K. & Ireland Adam Hodes, Head of Corporate Development, Mergers and Acquisitions, Metlife Benji Meuli, CIO, XL Catlin Greg Taylor, Executive Vice President, Strategy and Corporate Development, Manulife
16.15-16.45	**Closing remarks** Anna Maria D'Hulster, Secretary General, The Geneva Association

SESSION 1:

CEO & CHAIRMAN VIEW—'WHAT ARE THE DRIVERS AND TRENDS OF CONSOLIDATION IN INSURANCE?'

From left to right: Geoffrey Bell, President Geoffrey Bell and Company; Stephen Hester, Group Chief Executive, RSA Insurance; Mike McGavick, CEO, XL Group plc; Walter Kielholz, Chairman, SwissRe; Mark Wilson, CEO, Aviva.

FACTS VERSUS SENTIMENT: DEALS IN THE INSURANCE SECTOR

by Mark Wilson , CEO, Aviva

Over my more than a quarter of a century in the insurance sector, I have bought dozens of companies and sold dozens of companies. One lesson I have learned is this: the deals that work are the deals that make strategic and financial sense. Strategy is only a method or way to a financial outcome. Deals must be underpinned by financials or they will and do fail. Take Aviva in 2011—weak on strategy, a weaker balance sheet than our peers and with a predilection for flag planting.

In the last three years we've sold businesses where it was right to do so. That might be because they didn't fit with our strategy or because they were a drain on capital or because they just didn't work under Solvency II. Back then, we were in 30 markets. Now we're in 16. We have focused, simplified and strengthened. We think we've got it about right. The Group now makes a lot more sense, and certainly the acquisition of Friends Life made compelling financial and strategic sense. Financially, for us, it added cash flow, reduced leverage and created significant expense savings and was earnings accretive. Strategically, the acquisition is also the catalyst for the next stage of Aviva's transformation strategy. We are using targeted M&As as a necessary tool to restructure and transform the business. We're not looking at doing anything else big. But we might be interested in them—but only if they add strategic and financial value.

THE DEALS THAT WORK ARE THE DEALS THAT MAKE STRATEGIC AND FINANCIAL SENSE.

WHAT DRIVES THE DEAL?

In my experience, four factors drive deals in the insurance sector—or a combination of the four. These are:

- strategic
- financial
- necessity
- hubris.

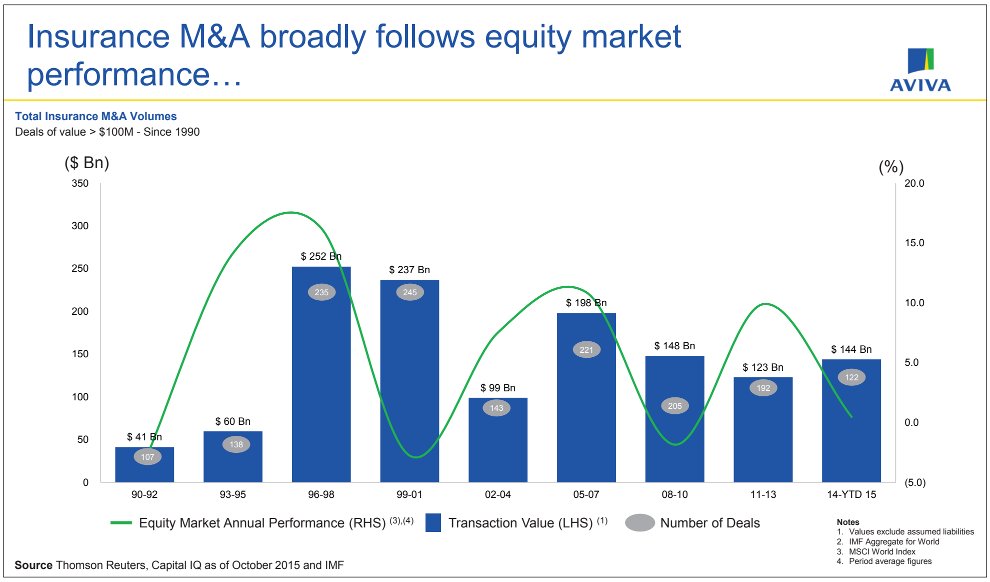
The first two are the right impulses. Unfortunately, the second two are more prevalent. I also believe that deals in insurance follow inevitable trends—and are driven by economic conditions and regulatory change.

MACRO TRENDS: M&A THROUGH ECONOMIC CYCLES

Figure 1 shows that insurance M&A follows equity markets. The volatility of equity market performance shows the impacts of both the dotcom crash in the early 2000s and the more recent financial crisis.

M&A activity in insurance has been active, with over USD 1.2tn in deal-value changing hands—and has broadly followed the performance of equity markets through this period.
And in 2015 we saw USD 85bn in activity—completed and pending—heating up to levels not seen since the late 90's, with the most notable deal ACE/ Chubb for USD 28bn.

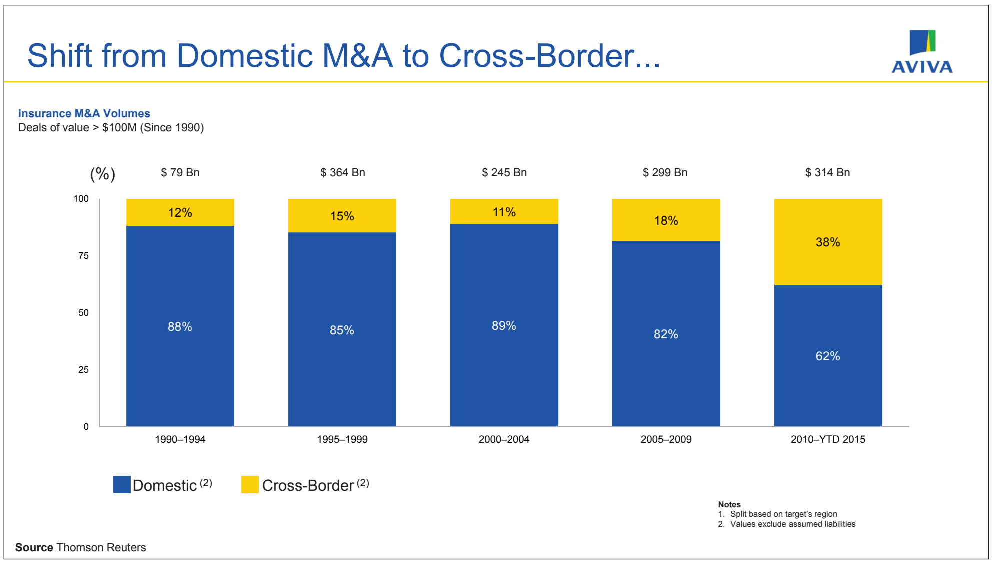
Figure 1



MACRO TRENDS: DOMESTIC VERSUS CROSS BORDER M&A TRENDS

Figure 2 shows a distinctive trend towards cross-border rather than domestic M&A. From 1990 into the early 2000s, over 85 per cent of M&A activity was focused in domestic markets. Insurers searched for scale and synergies in local markets to derive a competitive advantage. In the past 10 years, the trend is towards cross-border acquisitions. Insurers are focusing on new growth markets. In 2015—not shown in Figure 2—79 per cent of activity is cross-border!

Figure 2



P/E MULTIPLES—TRENDS ON CROSS-BORDER M&A

Figure 3

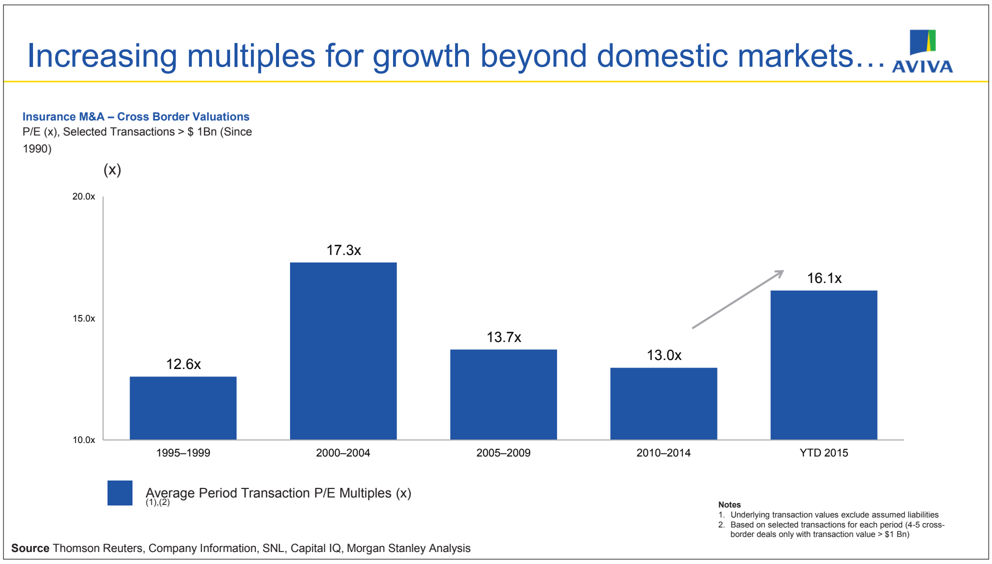


Figure 3 shows the average price-to-earnings multiples paid on a sample of large cross-border deals.

As you might expect, multiples through this period reflect the economic cycle and correlate to equity market performance. Despite a reduction in multiples through the financial crisis, cross-border M&A activity is on the increase. We can see this in increasing multiples as insurers seek new growth markets. The big question is this: Is this level of multiples sustainable? Will these deals realise value at these multiples?

MACRO TRENDS—GEOGRAPHIC TRENDS ON M&A

Figure 4

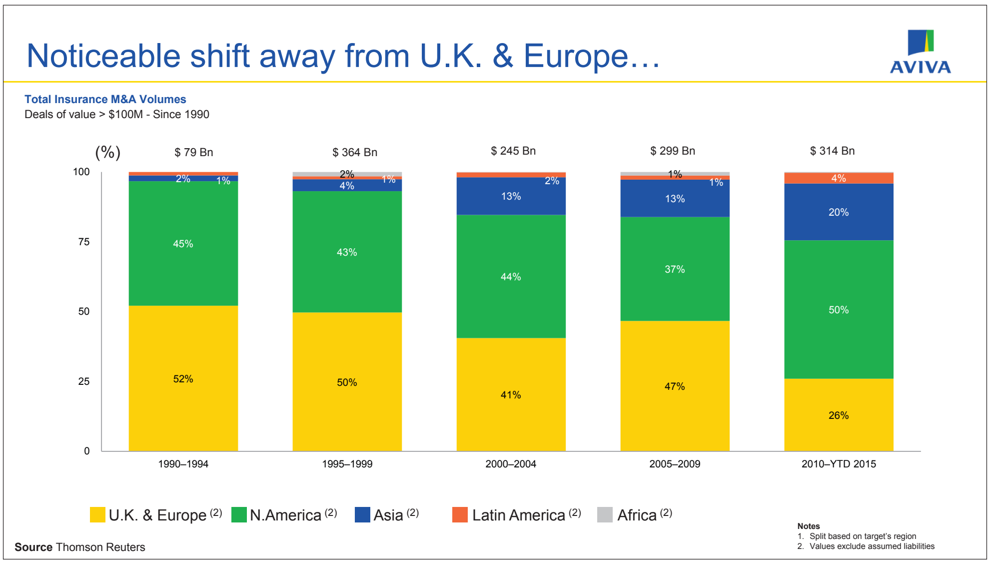


Figure 4 shows the noticeable shift away from the U.K. and Europe towards Asia, North America and Latin America. Through the 1990s, activity was dominated by the U.K. and Europe and North America. Since the 2000s, we can see a noticeable slowdown in activity in U.K. and Europe. In the past 5 years, we have seen a 50 per cent reduction in U.K. and Europe M&A activity since the 1990s—perhaps driven by the economic environment in the EU and uncertainties such as Solvency II.

The trend has been towards Asia, with continued activity in North America. In 2015, 72 per cent of closed or pending activity was focused on North

America—perhaps reflecting the pickup in the U.S. economy. In addition, apart from the Ace/Chubb deal, over USD 15bn in pending deals involve Japanese insurers acquiring interests in the U.S.

VALUE CREATION—FACTS VERSUS SENTIMENT

Figure 5

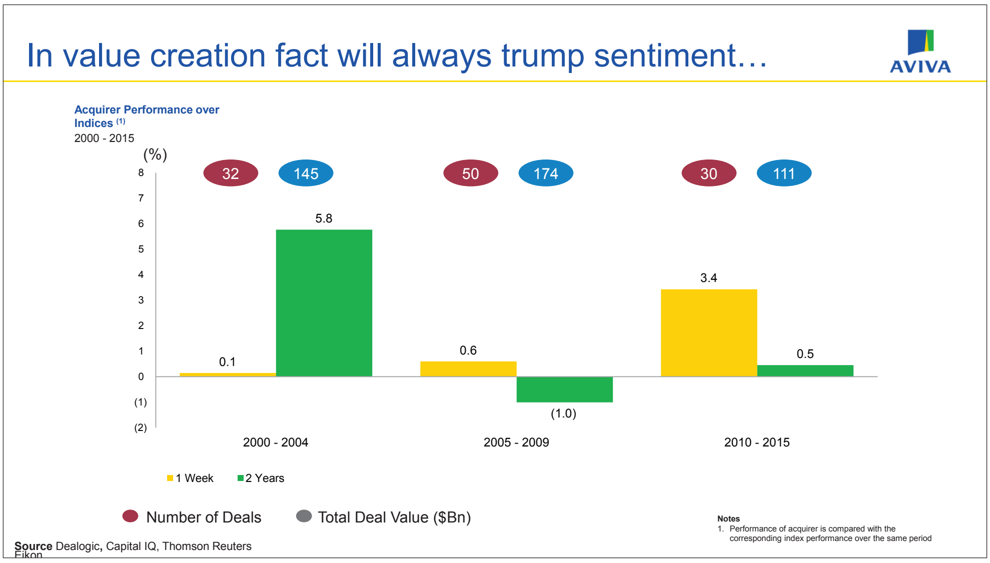


Figure 5 shows how the acquirer's stock price performs in the week it announces the deal, versus two years after announcement and once the deal has been completed.

Interestingly, in the early 2000s there is not much sentiment on perceived value on Week 1, whereas after Year 2, there's significant outperformance against the market. Contrast that with the past 5 years. Incredibly, Week 1 sentiment on the value of deals has driven significant outperformance against the market. Two years on, the facts prevailed, and perceived value did not materialise as expected. So when it comes to M&A, in the end, facts always trump sentiment. The question is: why is this? I suspect it has to do with the multiples paid.

WHAT MAKES FOR SUCCESSFUL M&A?

To summarise these trends:

- M&A activity in the insurance industry broadly follows equity market performance.
- There is a definite shift in cross-border activity away from Europe to new growth markets.
- This seems to be driving an increase in acquisition P/E multiples—especially recently.
- Market sentiment is placing increasing expectation at Day 1 on value creation, but this is often not realised. In the end, facts will always trump sentiment.

But there are also some simple yardsticks for whether a deal works—or doesn't. These are personal rules, but I think they are based on the facts.

Customers. If doing the deal means a business takes its eye off meeting the needs of customers, then that business is in trouble. We've seen that particularly in the telecoms sector.

Shareholders. They've got to agree to the deal. And sometimes it might be a wonderful surprise for them—like the Friends Life acquisition. But a successful shareholder vote is not in fact itself a test of a successful deal. That comes later.

Strategy. A deal must be aligned to strategy. But the acid test of a strategy is whether it creates financial benefits. That must be the bottom line. As I said before, strategy is only a way to a financial outcome—and that is measured in years.

Success is in the execution. To misquote Winston Churchill, only slightly, completing the transaction isn't the end, it's only the end of the beginning. And—to shamelessly mix my metaphors—Day 1 only takes you to the foothills of Mount Everest. The real climb is just about to start. Our industry is littered with broken deals and ill-fated attempts to execute. Hopefully with our recent deal we have learned the lessons—and so far we are executing ahead of schedule.

Never get emotionally involved. Always be prepared to walk away. That's a key lesson I learned from the legendary Claude Bébéar—a man blessed with quite extraordinary, legendary deal savvy. It's how he built Axa. I've taken that to heart and made it the cornerstone of my own deal philosophy. And in the Friends Life deal we were ready to walk away at any time if we didn't get the right terms.

IN THE END, FACTS WILL ALWAYS TRUMP SENTIMENT.

CONCLUSION

One of Aviva's oldest companies is the Amicable, which we bought in the 1850s. Its emblem was the serpent and the dove. Scholars think this is a reference to one of the gospels in the Bible, in which the disciples are told to be 'wise as serpents and innocent as doves'. For 'wise', I read 'shrewd' and for 'innocent', I read 'open', 'transparent' and 'honest'—in other words, doing what you said you would do.

Those are pretty good values for any business—and they are qualities you will need in abundance in any deal.

SESSION 2:

VIEWS FROM OUTSIDE—'WHAT IS THE LOGIC BEHIND CONSOLIDATION ? DOES IT CREATE VALUE?'

From left to right: Brian Shea, Head of Europe, Willis Capital Markets; Lotfi Elbarhdadi, Senior Director of the Insurance Team, S&P, Paris; Paul J. M. Klumpes, Professor of Risk Management, Insurance and Risk Accounting, Nottingham Business School; Pia Tischhauser, Global Practice Leader Insurance, BCG; Davide Serra, Founding and Managing Partner, Algebris Investments.

WHAT IS THE LOGIC BEHIND CONSOLIDATION? AND DOES IT CREATE VALUE? A VIEW FROM THE OUTSIDE

by Brian Shea, Head, Willis Capital Markets & Advisory Europe

Looking at deal volume in the global insurance sector, 2015 was off the charts. In this article we address two issues:

- The drivers of this consolidation—past, present and future.
- Does this activity create value?

DRIVERS—PAST, PRESENT AND FUTURE

Historic drivers

First, we briefly go over the generic reasons why M&A has historically happened in the insurance sector. Much of this is applicable to other sectors also. You have complementary expansion, e.g. in terms of product or geography. Scale has always been important too. There's also what we call value chain adjacency. For example, banks in the 1990s and 2000s bought insurance activities because they saw themselves as distributors, sitting next to the insurance product in the value chain. Outside money—private equity and run-off specialists—has also been active in the sector for years. Finally, apart from all the rational reasons for M&A, no doubt management hubris has been a driver of some deals.

Today's drivers

Moving on to look at what's driving today's M&As and why there is so much activity, some of the historic drivers are particularly relevant. There is greater impetus for scale today.

In Europe, Solvency II raises fixed costs and also gives explicit capital credit for diversification. The tiering of the reinsurance sector also means that reinsurers need to have a wide product and geography footprint and the ability to offer greater line sizes. Low interest rates also drive a greater need for cost efficiency, particularly in the life segment.

We all know that the boundary between traditional insurers and reinsurers on the one hand, and alternative capital providers on the other, is blurring. There has been a lot of activity—largely organic—of insurers setting up insurance-linked securities (ILS) vehicles and of ILS managers setting up rated balance sheets. It's not always organic though. Willis advised Catco, the ILS fund manager, on its sale to Markel. We would not be surprised to see more M&A activity between traditional and alternative capital players.

There are some specific cyclical drivers as well. Cyclically low prices tend to equate to more M&A. At the same time, the sector's profitability is actually quite good at present. So, excess capital is accumulating, and M&A is a way to invest that. Finally, new money is a particularly relevant driver today. The historical interest of private equity (PE) and run-off buyers is being augmented by the likes of EXOR and Asian money. This type of buyer is motivated by its perceived low cost of financing, a desire for diversification and the investment 'float' that insurers provide.

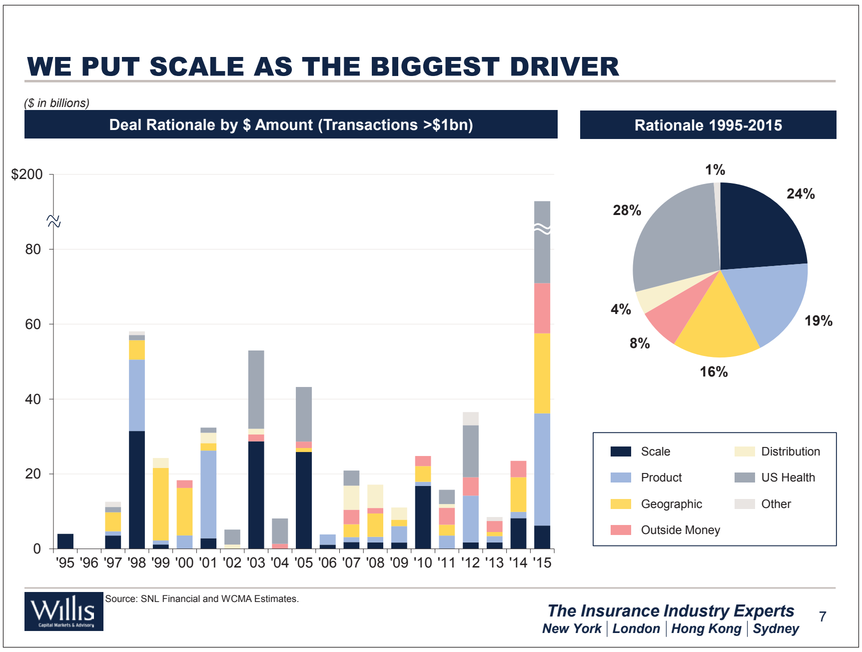
CATEGORISING THE DEALS TO DATE

We have attempted to categorise the insurance sector's M&A into the various drivers. We looked at all the USD 1bn+ deals in the insurance sector since 1995. There are about 150 of these, and they account for about 70 per cent of the sector's total M&A activity. It's a rough science, of course. How do you categorise ACE/Chubb for instance? We call it product. It's a little bit of scale, distribution and geography too. But complementarity of products is pre-eminent in our view.

As Figure 1 below shows, excluding U.S. health, scale has been the most important driver in aggregate over the past 20 years. (And much of the U.S. health consolidation has been scale motivated too.) In our view, 2016 will again be a year of heightened M&A, driven in particular by the desire for scale and by new money.

NEW MONEY IS A PARTICULARLY RELEVANT DRIVER TODAY.

Figure 1



Drivers in future

Figures 2 and 3 below illustrate the insurance sector's value chain—past, present and what the future might look like. There has been some disruption to the value chain already. Aggregators and direct writers have taken share away from traditional distributors. And alternative capital has crowded out traditional reinsurance capital, particularly in the nat cat space. These disruptions have, as we argued above, already generated M&A activity. There have been some direct distribution-motivated transactions, such as Zurich buying 20th Century Insurance Company. And there's the Catco/Markel transaction.

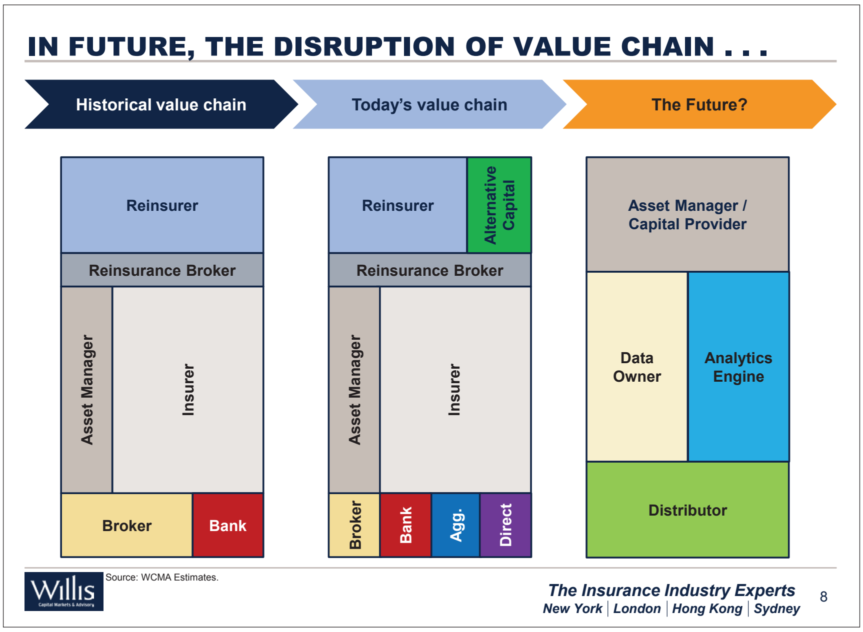
But the disruption of the value chain to date is nothing compared to what disruptive technology could bring. Going forward, you could have an entirely new way of slicing the value chain, and firms outside the traditional insurance sector could occupy much of the prime real estate. Take personal auto, for example. The 'distributor' could be the car manufacturer that has installed the black box telematics device. The data owner could again be a car manufacturer. Or, if it's a smartphone collecting the data, it could be a firm like Apple. And the analytics engine could be provided by Google, or you have specialists like Verisk. Also, much of the value chain going forward, rather than being about loss compensation, could be about risk mitigation. If you can install sensors in the home that detect and mitigate the loss from burst water pipes, that should reduce loss costs, but maybe some of that benefit will be shared and the consumer will be willing to pay for risk mitigation. Who knows, perhaps insurance agents in the future will make some of their money selling Nest thermostats. The point is, maybe today's insurers can occupy this prime real estate, but it will require some morphing.

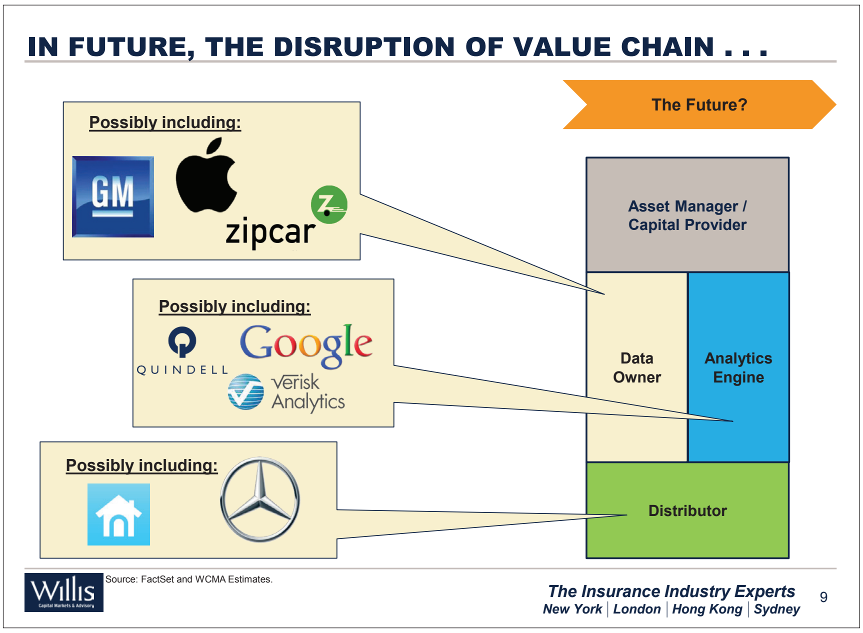
To address this, insurers have already made a few technology-driven acquisitions, for example Generali's acquisition of MyDrive. But the key word here is few. Over the past four years we count just under 40 transactions that had something to do with technology that could be applied in the insurance sector. Insurance buyers numbered less than five. Private equity has been a much more active buyer, as have other value-chain adjacent buyers such as TomTom and Verizon. Surely, we ask, with so much to play for and with the leverage that such an acquisition could provide to a large global insurer, shouldn't insurers be more active buyers?

A final point on value chain disruption and future M&A: if disruptive technology works and claim costs fall, this could drive more traditional M&A. Shrinking premium income could encourage acquisitive growth. And shrinking capital requirements could produce ample funding ability.

THE DISRUPTION OF THE VALUE CHAIN TO DATE IS NOTHING COMPARED TO WHAT DISRUPTIVE TECHNOLOGY COULD BRING.

Figures 2 and 3



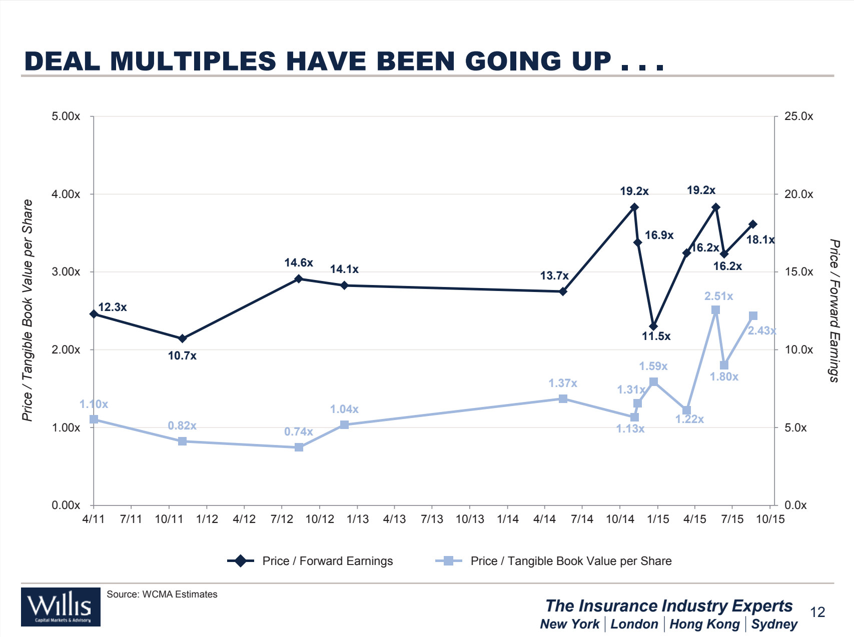


DOES M&A CREATE VALUE?

We'll take a step back in a moment and try to answer this with a long-term perspective. But first, let's look at recent deals. We've analysed 12 deals from the past four years where a public company has bought another public company—i.e. you have a good view of the financials. You've got all the big 2015 deals, for example, from XL/Catlin at the start of the year to MSI/Amlin which was announced in September. You can see from Figure 4 below that deal multiples have been going up, whether you look at price/tangible book value or forward earnings. Over 2011–2012, deals were being transacted at about 1x TBV (tangible book value). Now, with few exceptions we're looking at 2x or higher. MSI/Amlin has caught a lot of attention with its 2.4x multiple.

On its own, Figure 4 doesn't precisely answer the question about value creation. Maybe a lot of value was being created with the 2011–2012 deals, and you're still getting some value creation today. Or maybe better companies are being bought today. But certainly a priori it makes you think that value creation must be a lot harder today. And if you think about what's going on in the current difficult operating environment, it's a bit counter-intuitive to think that returns on equity (ROEs) and earnings quality are better today than in 2011–2012.

Figure 4

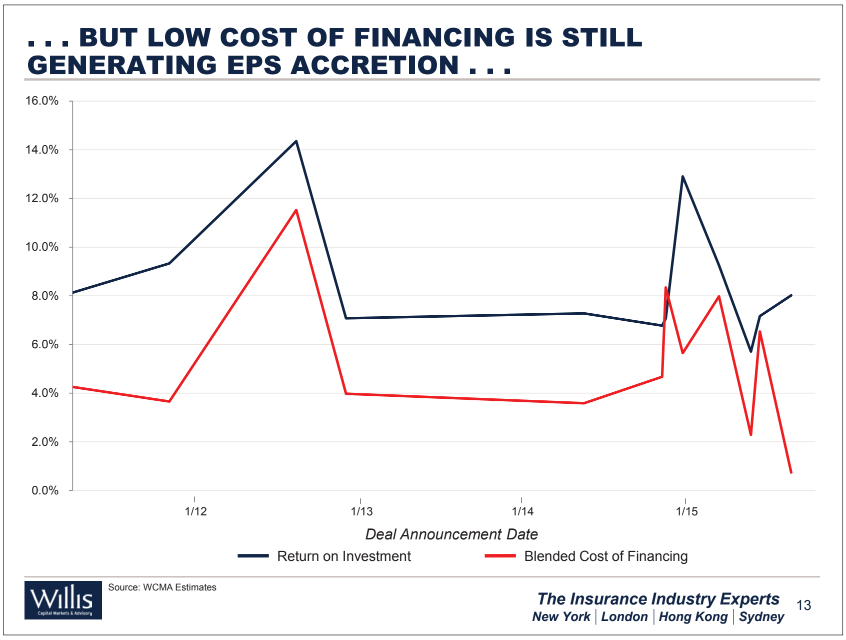


Now, in our opinion, the most important metric you should look at in considering whether an acquisition makes financial sense is the return on investment (or internal rate of return). You then need to independently consider your cost of financing. It's the two together, though, that determine whether a deal is accretive to earnings per share (EPS). And a low return on investment (ROI) deal can still appear accretive to EPS if it's financed inexpensively.

In Figure 5 we see that financing costs have come down: debt costs have come down; if using cash in hand, the yield on that foregone cash has come down; and the 'cost of equity' has come down as price–earnings ratios (PEs) have gone up. This low cost of financing means that most deals have indeed been EPS-accretive.

But our point is that you shouldn't necessarily infer that value is being created. ROIs themselves are running at about 7–8 per cent. We suggest that this is roughly break-even based on hurdle rate costs of capital.

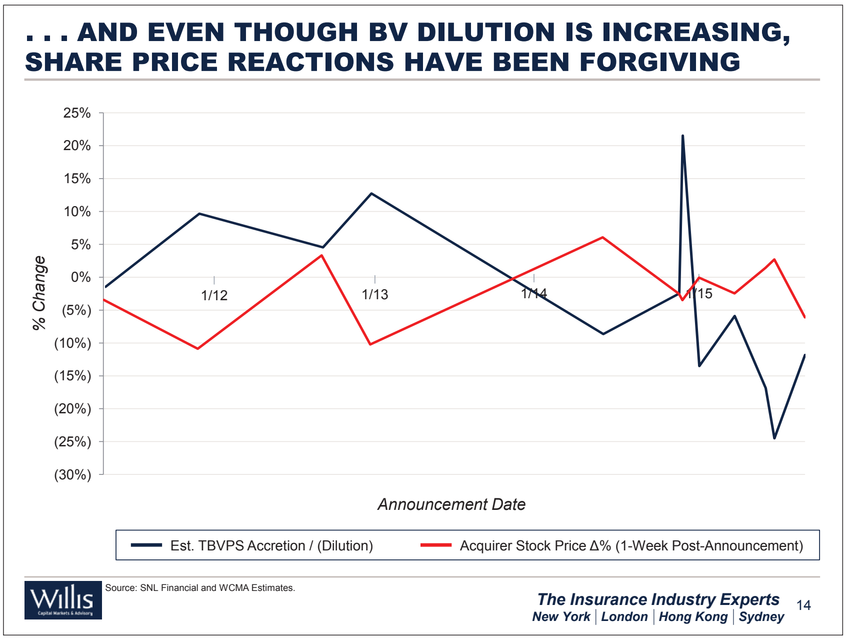
Figure 5



Immediate stock market reactions are not really a good indicator of whether M&A actually creates value in the long term. The typical stock market reaction with respect to the acquirer is often to shoot first and ask questions later. And immediate stock price moves may also reflect technical factors. If the deal is equity financed that means an increase in the supply of stock.

The problem is: how do you measure long-term success? To address this, we've looked at the longer-term share price performance of acquirers—going out three years from the announcement date of the acquisition. It's not particularly scientific—but is hopefully thought-provoking nonetheless. We looked at 25 deals done over the past 20 years in the global insurance sector where the deal size was at least USD 1bn and it represented at least 20 per cent of the acquirer's market cap. We then looked at how the acquiring company's shares performed relative to its local index—for example ACE relative to the S&P 500. We looked at this over the 30 days, 90 days and so on up to 3 years (or 1080 days) after a deal's announcement.

Figure 6



The results shown in Figure 6 indicate that, on average, insurers have performed in-line following large acquisitions. They don't support the consensus view that about two thirds of all M&A destroys value.[1] The bottom

[1] There are a lot of caveats to this work—chiefly that other factors may be driving the share price other than the acquisition. The deal could be as small as 20 per cent of the company. Or maybe it's the case that good companies are acquisitive—so they outperform for other reasons too.

INVESTMENT BANKERS NEED TO BE INDUSTRY EXPERTS. NOW, MORE THAN EVER, THE ABILITY TO BE A TRUSTED ADVISOR IS ESSENTIAL.

line is that maybe, over the long run, a higher proportion of deals actually do create value. It's all down to execution, of course.

CONCLUSIONS

We draw the following conclusions. Regarding the what and why questions:

- The current hump of M&A activity has not yet run its course. We will see more scale and new money deals, in particular.
- Disruption of the value chain will be a driver of future M&A—and as to whether or not M&A creates value.
- Deal multiples have been increasing, which raises the bar for value creation.
- The EPS impact of current M&A is being softened by cheap financing, but higher multiples are driving up book value dilution.
- Still, the short-term perception of value creation (i.e. immediate share price reactions) has become more forgiving.
- And the traditional view that M&A destroys value is not supported by longer-term share performance.

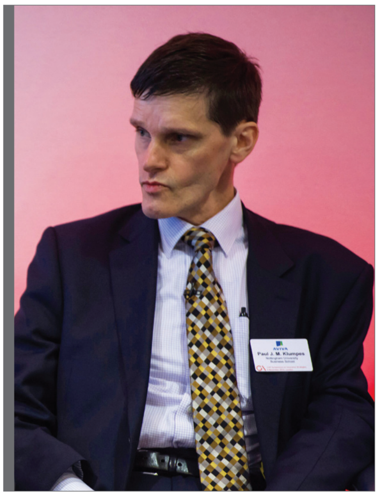
Finally:

- Investment bankers need to be industry experts. Now, more than ever, the ability to be a trusted advisor is essential.

DOES M&A ADD VALUE IN THE LONG RUN?—EVIDENCE FROM THE INTERNATIONAL INSURANCE INDUSTRY

by Paul J. M. Klumpes, Professor of Finance and Risk Accounting, Nottingham Business School

MOTIVATION AND PROBLEM STATEMENT



A controversial issue in the M&A literature concerns the long-term benefits of M&A activity—does it create value? The financial press and professional literature is equivocal concerning the merits of M&A to the acquirer. For example, Deloitte argued that the synergies do not offset the costs of the announced deals (Deloitte, 2016). This paper takes a longer-term perspective—does it add value in the long run (i.e. two to three years post-acquisition?).

This question is important for a number of reasons. First, overall there has been a significant increase in M&A activity in recent years, with 2015 recording an all-time high number of deals since 2007, much of which is cross-border. However, prior literature has provided conflicting evidence on this issue of value creation. Second, there are special characteristics of the industry that warrant further investigation. These range from the uniqueness of insurance contracts as risk-sharing and risk-pooling devices, the extent of industry regulatory oversight and the sheer magnitude of financial investment and financing activity that dominate the sector vis-à-vis standard R&D. Further, there are a number of information asymmetries that further complicate the analysis of long-term benefits from insurance M&As. These include the importance of enterprise risk management, the role of 'embedded value' and regulatory arbitrage from IFRS vs Solvency II implementation. There is also the influence of emerging risks such as the environmental, social and economic trends. Finally, there are also important organisation strategic risks associated with reputation.

There are three alternative perspectives on rationales for M&A activity (although in theory, with perfectly efficient markets, it should not make any difference!) (Ahern and Weston, 2007). The good view is that M&A value increases over time as the merged firm extracts cost and profit efficiencies from consolidation. A bad view is that any value from M&A is dissipated by managerial consumption incentives, loss of business strategy focus. An ugly view is that M&A is undertaken for 'instrumental reasons' such as regulatory interference, pure frictional costs (such as tax-related incentives as recently occurred with the pharmaceutical industry) and/or pure managerial hubris. Each of these perspectives are potentially relevant to explain the recent uptake in M&A in the global insurance industry.

This paper briefly overviews each of these alternative rationales for M&A and then draws some conclusions for fruitful areas of further research in this area. We specifically focus on research findings that seek to examine the post-acquisition efficiency gains or losses for acquiring firms up to three years after the takeover. We further restrict our analysis of prior research that focuses on the relation between abnormal stock returns and post-takeover cost and profit efficiency in the U.S. and European insurance industry, where a combination of deregulation and consolidation was particularly evident in the last two decades.

PRIOR LITERATURE—THE GOOD STORY?

Cummins *et al.* (2015) discriminate among these perspectives to examine whether global insurance mergers and acquisitions (M&As) create value for shareholders, by conducting an event study of M&A transactions for the period 1990–2006 (Cummins *et al.,* 2015). In the overall sample, insurance acquirers realised small positive cumulative average abnormal returns (CAARs). Market value gains for acquirers are centred in the U.S. and Europe. They find that acquirers from the insurance industry realise small market value gains from within-industry transactions, but cross-industry M&As are value-neutral. The results suggest that insurers should concentrate on focusing rather than diversifying transactions.

An important issue arising from the above results is whether specialised acquirers that have lower costs and higher profits than others where M&A activity involves diversifications across subsectors, is consistent with the strategic focus hypothesis in Cummins *et al.* (2015). However, the evidence on this issue is mixed. For example, in the European domestic context, Bikker and Gorter (2011) examine trends in consolidation of the Dutch life insurance industry during the post-deregulation period 1995–2001; they find that more specialised insurers have lower costs (Bikker and Gorter, 2011). Further, at least in the European setting, there is no evidence that achieving scale economies (e.g. through M&A) necessarily results in more cost efficiency.

By contrast, the results are more equivocal in the U.S. market. Cummins and Xie (2008) examine the productivity and efficiency effects of mergers and acquisitions (M&As) in the U.S. property-liability insurance industry during the period 1994–2003 using data envelopment analysis (DEA) and Malmquist productivity indices (Cummins and Xie, 2008). Their results provide evidence that M&As in property-liability insurance were value-enhancing. Acquiring firms achieved more revenue efficiency gains than non-acquiring firms, However, they also find evidence that M&As are motivated to achieve diversification.

Moreover, there are reasons for doubting that the presumed positive relationship that underlies this 'good story' that M&As in the insurance

RESULTS SUPPORT THE 'BAD NEWS' STORY THAT THE LONGER-RUN PERFORMANCE BENEFITS OF M&A ACTIVITY, ... IS MORE LIKELY TO BE ASSOCIATED WITH A COMBINATION OF 'BAD STORIES' RELATED TO POOR GOVERNANCE AND 'UGLY STORIES' RELATED TO THE LEVEL OF REGULATORY CORRUPTION AND/OR FRICTIONAL COSTS.

industry are primarily motivated by the desire to achieve higher 'X-efficiency'. Fenn *et al.* (2008) find that most European insurers were operating (at least during this period) under conditions of decreasing costs (increasing returns to scale) and that company size and domestic market share are significant factors determining X-inefficiency (Fenn *et al.*, 2008). In particular, they find that larger firms and those with high market shares tend to have higher levels of cost inefficiency. Further, in the international context, Gaganis *et al*. (2013) examine the relation between cost and profit efficiency and stock returns for a sample of 400 listed insurance firms in 52 countries during 2002–2008 (Gaganis *et al.*, 2013). While they find that there is a positive and statistically significant relationship between market-adjusted returns and current and past profit efficiency changes, but not for cost efficiency changes.

POOR CORPORATE GOVERNANCE AND INVESTOR PROTECTION—THE BAD STORY?

A major problem with all of these studies is that they evaluate the merits of M&A by only analysing the short-term market reaction to announcements of M&A in the insurance industry. Boubakri *et al.* (2008), in contrast, examine the long-run stock performance and consider the impact of firm-level and country-level corporate governance mechanisms on the performance of U.S. property liabilities insurers involved in intra-industry acquisitions. They find that positive returns are significantly higher for frequent acquirers and in countries where investor protection is weaker. They also find that internal corporate governance mechanisms (such as board independence and CEO share ownership), are also significant determinants of the long-run positive performance of bidders.

These results support the 'bad news' story that the longer-run performance benefits of M&A activity, at least in the insurance sector, is more likely to be associated with a combination of 'bad stories' related to poor governance and 'ugly stories' related to the level of regulatory corruption and/or frictional costs. Moreover, Boubakri *et al.*'s (2008) finding of a long-run over-performance for M&A in the insurance industry is inconsistent with those of other studies that excluded financial institutions and insurance companies.

INFORMATION ASYMMETRIES AND REGULATORY CORRUPTION—AN UGLY STORY?

A consistent finding of the above research is that, in general, M&As are value-creating for the insurance sector. However, the high level of cross-border activities raises deeper issues, not explored in prior research, about the impact of information complexity and regulatory corruption as potential ugly stories that could explain the long-term benefits of M&A documented in these studies. Further, there are issues about whether the alleged cost and profit efficiency enhancements garnered from M&A are 'real' or just 'illusory'. Finally, insurance firms are particularly susceptible to emerging economic, environmental and social trends that may impact the incidence and value created garnered by M&As.

Information asymmetries pervade insurance contracts, but also can create opaqueness in the transparency of insurance companies. This is particularly pertinent in the European context with the forthcoming Solvency II implementation. But whereas banks have provided Pillar 3 disclosures of their compliance with the equivalent Basel requirements, insurance firms face the double whammy that the Pillar 3 requirements are yet to be finalised, while the accounting rules to which they must be reconciled (IFRS 4 Phase II) have been delayed. Further, there are more subtle issues concerning the quality of accounting rules themselves and the quality of their application by individual firms. Concerning the former, an important issue is the continuing ambiguity as to the definition and scope of the risk margin and residual margin component of IFRS 4 versus Pillar 3 balance sheets and the risk adjustment measurement basis for discounting liabilities (Ernst & Young, 2014). Further, there is considerable scope for insurance firms to manipulate key parameters underlying the reported figures. The resulting opacity and inherent complexity is often credited as a reason why fewer equity analysts follow the industry and may even be a source of a structural valuation discount for the sector (Serrafin, 2011).

A CONSISTENT FINDING OF THE RESEARCH IS THAT, IN GENERAL, M&As ARE VALUE-CREATING FOR THE INSURANCE SECTOR.

A further set of factors influencing the quality of reporting concerns the influence of environmental, economic and social risks on the volatility of reported figures used by analysts to value insurance firms. This is primarily evidenced by the reliance on market based or fair value measurement principles that underlie the majority of assets and liabilities reported on insurers' balance sheets. These influences are quite subtle. For example, Chodorow–Reich (2014) finds that the introduction of near-zero interest rates and quantitative easing in 2008–2009 had a clear and beneficial impact on the U.S. life insurance sector (Chodorow-Reich, 2014). He cites the MetLife 2010 report which acknowledged that the announcement of this policy resulted in 'a significant improvement in net investment income and favourable changes in net investment and net derivative gains', the latter of which was attributable to a 'decrease in impairment and a decrease in the provision for credit losses on mortgage loans'.

... A SIGNIFICANT RECENT NEW SOURCE OF BUSINESS RISK FOR INSURERS IS THE IMPACT OF TECHNOLOGICAL INNOVATIONS IN SERVICE DELIVERY BY NEW IT PROVIDERS.

AN ALTERNATIVE EXPLANATION—DEFENSIVE TAKEOVERS?

The above good, bad and ugly explanations for value creation by M&As for insurers assume that their business model remains unaffected by such activities. However a significant recent new source of business risk for insurers is the impact of technological innovations in service delivery by new IT providers (Swiss Re, 2015). The increasing presence of 'FinTech' firms in the banking industry has recently attracted increased attention in the financial press.[1] Moreover, the increasing incidence and gravity of cyberattacks on the integrity and security of insurance firms' networks and information systems has only recently been documented.[2]

These issues are important because of the real and illusory value-creation incentives facing insurers to manage both the recursive and adaptation elements of their business (Babbel and Merrill, 2005). They also raise an alternative defensive rationale for M&A for insurers. However the potential importance of risk culture and the need for greater transparency about the future viability has only recently been recognised as an important element of management narrative reporting in the U.K.[3] Insurers are likely to be particularly sensitive to these issues given the role of chief risk officers and their maturity in adoption of enterprise-wide risk management systems by ratings agencies.

CONCLUSION

This paper has highlighted important trends in value creation emanating from M&A activity for insurance acquirers. Moreover, it appears that the rationale for and justification of such activities is subject to a range of alternative possible explanations. Further research is needed to explore these issues using incremental innovations in both the measurement of efficiency, methodologies for valuing long-run stock returns and better controls for various corporate, environmental and technological influences on post-merger value creation.

1 For example see Kaminska (2015).

2 Insurers are likely to be subject to the provisions of the new Network and Security Directive of the European Union, approved for implementation in December 2015 but yet to be implemented in most EU states.

3 For instance the newly revised U.K. Corporate Governance Code, effective for reporting periods ending on or after 30 September 2015, now includes specific requirements for reporting managerial performance incentives, risk management policies and a viability statement.

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INFLUENCING OUTCOMES IN A CONSOLIDATING INSURANCE INDUSTRY: THREE KEYS TO VALUE CREATION

by Pia Tischhauser, Senior Partner and Managing Director, Global Leader—Insurance Practice, Boston Consulting Group

It's easy to see why the colourful term 'merger mania' has been applied to the global insurance industry. Axis–PartnerRe, Willis–Towers Watson-Gras Savoye, ACE-Chubb and Anthem–Cigna are just a few of the high-profile acquisitions announced around the world in 2015.

But behind the triumphant headlines, a stark reality lies. Within the global insurance sector, only 51 per cent of acquisitions created value; 49 per cent actually destroyed it.[1] How can insurance executives influence the probability of success in mega-mergers that are, statistically speaking, simply a coin toss? This article presents a strategic framework of best practices to address the full life cycle of insurance acquisitions—proactive target search, disciplined deal execution and effective post-merger integration (PMI)—to accelerate transactions and help maximise value creation.

First, a little background.

A CONFLUENCE OF FORCES DRIVES CONSOLIDATION

A multitude of macro-level forces impact the insurance industry and will continue to propel consolidation over the next five years. These forces include:

- *Regulatory requirements:* Capital requirements, such as those contained in the Solvency II Directive in the EU, continue to intensify, putting pressure on both independent insurers and conglomerates. Other requirements, such as IMD2, PRIIP and MiFID2[2] will likely decrease some consumers' willingness to pay current levels for financial advice.
- *Low interest rate environment:* Interest rates are likely to stay for some time—at least in mature markets—making profits in traditional life insurance difficult if not impossible.
- *New competitors:* Players as varied as supermarket chains (e.g. Tesco) and technology companies (telcos) are in a position to disrupt the insurance value chain using collected customer data and owning the 'last mile' to the customer.
- *New operating models:* Incumbents find it more difficult to play across the entire value chain, creating vulnerability to specialists disrupting existing

WITHIN THE GLOBAL INSURANCE SECTOR, ONLY 51 PER CENT OF ACQUISITIONS CREATED VALUE; 49 PER CENT ACTUALLY DESTROYED IT.

1 One-year relative total shareholder return (RTSR) of completed acquisitions (%). The Boston Consulting Group's analysis of insurance sector is based on 778 transactions involving insurance companies between 1990 and 2014 (Standard Industrial Classification Codes 6311, 6321, 6331, 6351, 6361, 6399, 6411). Analysis includes only transactions with deal value >USD 25m and share transfer >75%.

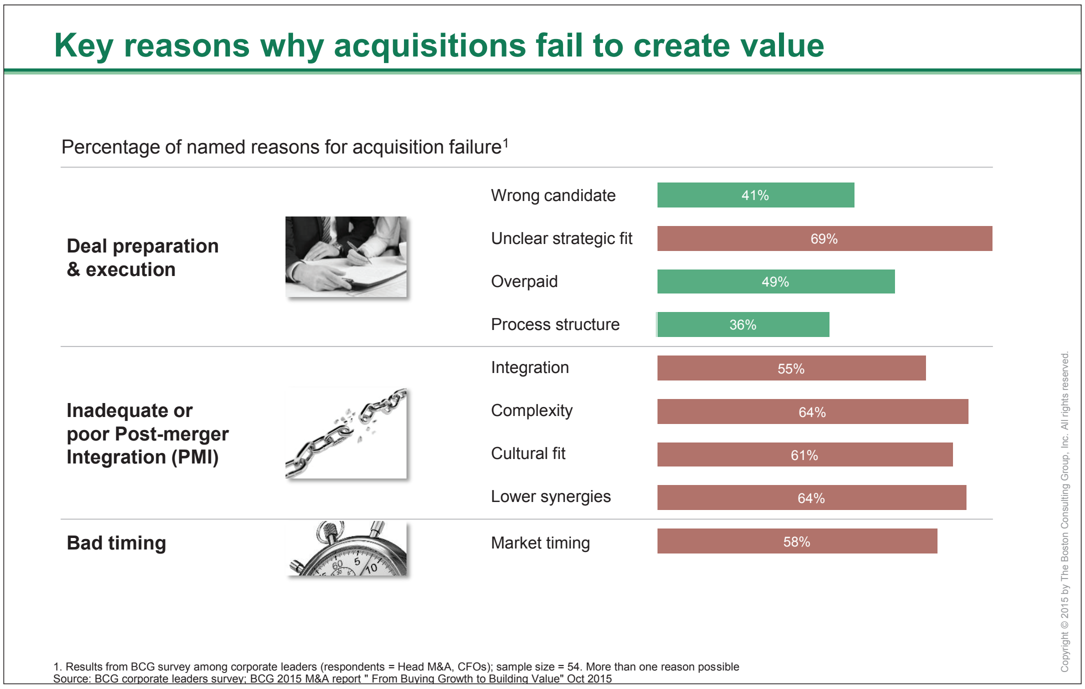
2 IMD2 = Insurance Mediation Directive (new IDD—Insurance Distribution Directive), PRIIP = Packaged Retail Investment and Insurance-based Products; MIFID2 = Markets in Financial Instruments Directive.

models such as price-transparent aggregators. Midsized insurers that still handle all aspects of their business internally will face rapidly declining efficiencies.

- *Big data and predictive analytics:* Insurance companies are prime candidates to exploit analytic insights into customer behaviour and needs, but building the technology, culture and teams to do so is easily cost-prohibitive.
- *Limited organic growth opportunities:* Mature markets are consolidating and while risks increase, the insurance industry has not been successful to convince customers to buy insurance to cover risks beyond the most basic. Emerging markets present market share growth options, but profitability lies only in the future. Scale can be achieved most realistically through acquisition.

MORE THAN A MATHEMATICAL TRANSACTION

Figure 1: Key reasons why acquisitions fail to create value



Source: Boston Consulting Group (2015).

Against this backdrop, failed recent merger attempts illustrate the fact that successful insurance mergers require more than mathematical transactions calculated in a vacuum. Furthermore, the 49 per cent of insurance mergers that are completed and still fail to deliver value fall prey to a wide range of culprits:[3]

THREE KEYS TO CREATING M&A VALUE

Insurance executives can significantly enhance their ability to drive value-creating mergers by adhering to the three-pronged strategy outlined below.

Key #1: Proactive target search

Many insurance acquisitions are made opportunistically, in a time-pressurised window, with an investment bank providing the target. Here, candidates are analysed largely on their financials, which are ultimately only one component of a successful acquisition.

Instead, acquirers should actively seek proprietary deals, employing a proven, systematic approach and analytic framework. All aspects of the merger must be thought through prior to the transaction—including potential bids by competitors and interlopers and not aim at completing the transaction, at any or all costs.

Key #2: Disciplined deal execution

Deal teams are driven to complete deals. However, due diligence can reveal that acquisitions that initially looked attractive truly aren't. Acquirers should focus on assessing key value drivers during the due diligence period and walk away from a deal if meaningful future value cannot be extracted. 'We have already invested so much time,' is not a sufficient reason to complete a poorly conceived transaction.

Key #3: Effective, thorough post-merger integration (PMI)

Inexperienced deal teams often do outside-in estimates of synergies and integration costs, failing to include business operations people in the discussion. Effective PMI requires bearing integration—of businesses, people, processes and technology—in mind from the start of the due diligence period. Realistic synergy expectations can be formed only when there is operational experience on the deal team. Adding deep insurance industry knowledge

SUCCESSFUL INSURANCE MERGERS REQUIRE MORE THAN MATHEMATICAL TRANSACTIONS CALCULATED IN A VACUUM.

3 Results from the Boston Consulting Group survey among corporate leaders (respondents were heads of M&A and CFOs). See Boston Consulting Group (2015).

to the process and planning and successfully executing PMI accelerates downstream value creation.

PMI COMPLEXITY IS DRIVEN BY HARD AND SOFT FACTORS

Fully 49 per cent of the time, acquisitions that appear to be financially attractive transactions do not deliver value because of poor post-merger integration. A best practice approach to assessing integration examines five key factors:

- *Geographic footprint and number of countries:* Sometimes mergers do not deliver economies of scale due to profound differences across the countries insurance companies operate in. The success of the merged company depends on managing the integration process to derive synergy.
- *Legal entity structure and regulatory context:* Ideally, the merged entity should operate as one legal entity structure. There can be numerous legal and regulatory hurdles. For example, in the U.K., Part VII of the Financial Services and Markets Act 2000 enables a book of insurance policies to be moved from one legal entity to another. For some purposes reinsurance will suffice, but if the acquirer wants to separate the policies permanently from the transferor, reinsurance is insufficient.[4] This is just one example of a PMI issue that is best assessed prior to the acquirer making an offer to the target.
- *Brand, product and channel landscape:* Pure financial analysis rarely examines the target's brand, products and distribution channels, with an eye on operating a converged entity. Insurance companies have some of the most recognisable branding in the world, presenting significant equity, and these decisions cannot be made lightly. For example, when Axa bought Winterthur, there was almost an identity crisis, albeit short-lived on whether the Swiss town of Winterthur should now rebrand itself into Axa. After a four-year journey, the transition to Axa has been made in most countries. Trygg–Hansa logo incorporates a life preserver, and life preservers emblazoned with the company's name are ubiquitous in Scandinavia. The situation captures a classic quandary as to whether acquired brands should be kept or rebranded, based on customer equity and overall strategy.

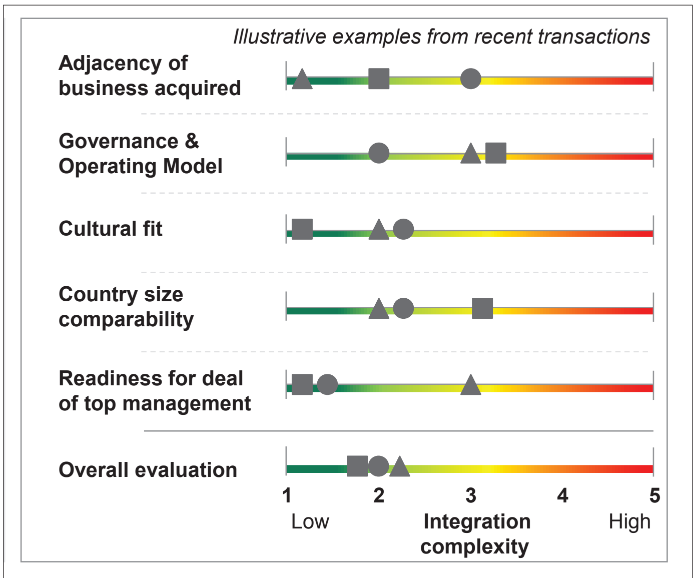
[4] 'Part VII Transfers,' *The Actuary*, *http://www.theactuary.com/archive/old-articles/part-5/part-vii-transfers/*

Distribution channels present a similar issue—some companies have brokers, others their own agents and still others sell direct to consumers. These important tactical issues must be thought through to drive value in the merged entity; they can also be deal-breakers.

- *IT/operational landscape:* Most insurers' IT shops are heavily weighted towards legacy systems. On paper, these costs may appear low and thus attractive, but acquirers will inevitably need to invest significantly to upgrade core business systems. This impacts ultimate value and can substantially alter deal terms.
- *Organisational/cultural fit:* A high number of adjacencies—in M&A, similarities between two organisations—allow the acquirer to most effectively evaluate a target. For example, an insurer that sells auto insurance (short-tail products, high turnover, automated sales process) will have difficulty in assessing the potential value of a low-adjacency target that sells B2B (business-to-business) commercial insurance, using qualified underwriters and a high-touch sales process.

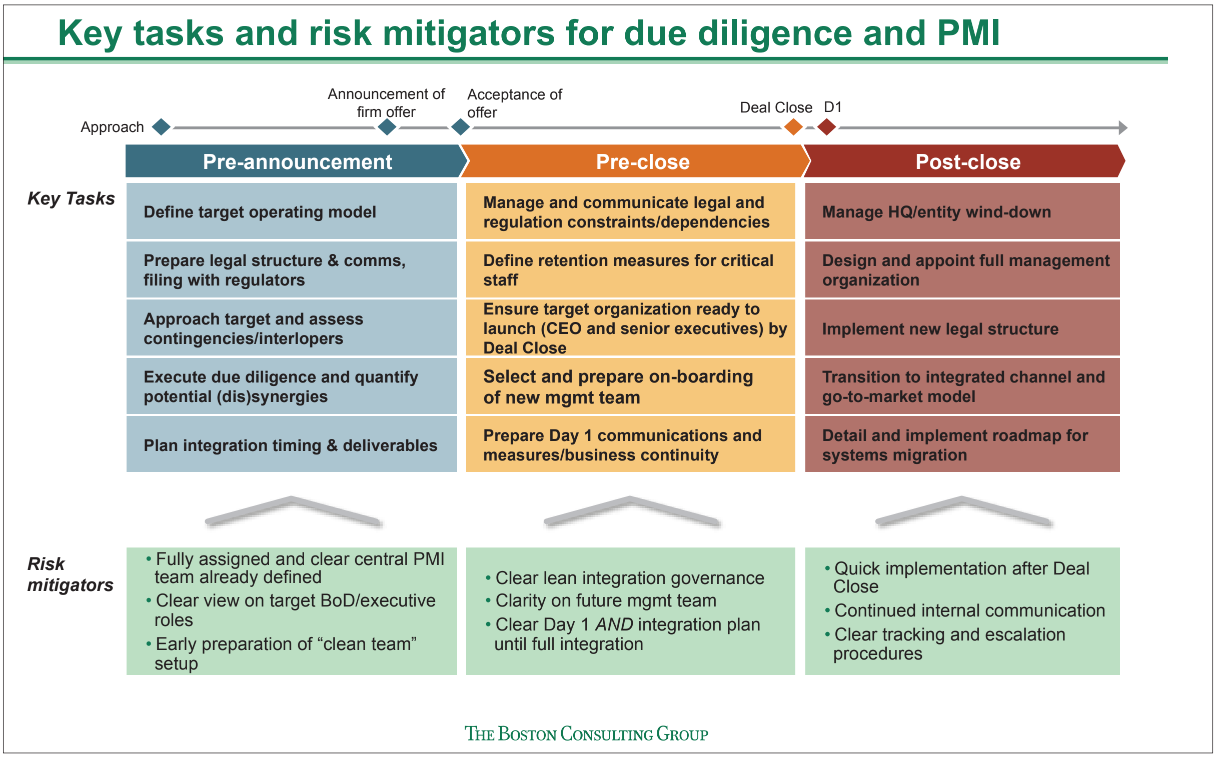
The impact of organisational and cultural fit cannot be underestimated. Figure 2 illustrates where three recent major insurance mergers fell on a complexity continuum. All three announced mergers were mathematically attractive, yet one failed.

Figure 2: Five key drivers of organisational integration complexity



Source: Boston Consulting Group (2015).

Figure 3: BCG methodology to help acquirers to significantly accelerate value creation before, during and after target acquisition



THE ROAD TO VALUE

While the 'three keys to value'—proactive target search, disciplined deal execution and effective post-merger integration (PMI) are essential in their own right, their application within a coordinated timeline unlocks the true potential for M&A value. Figure 3 provides an orchestration framework for effective insurance mergers. The role of the clean team: trusted intermediary

In M&A scenarios, the clean team is responsible for collecting relevant data, safeguarding and analysing it, and presenting all manner of recommendations to the acquirer. It ensures that sensitive competitive information and data on the target company's business (prohibited from disclosure before deal close) are fully captured. After clearance, the clean team facilitates fast information exchange between both parties.

A clean team is therefore particularly relevant in insurance M&A, where antitrust concerns may delay an acquisition.

BEYOND THE DEAL

In sum, it's clear that creating value in today's consolidating global insurance environment goes far beyond financial compatibility between two companies. By applying the 'three keys to value creation,' merger partners can mitigate the industry's 49 per cent risk of value destruction and dramatically boost the odds of long-term success of the merged entity.

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SESSION 3:
VIEWS FROM KEY EXECUTIVES—'PERSPECTIVES ON CONSOLIDATION INCLUDING THE TRANSACTION' (TECHNICAL/OPERATIONAL VIEWS)

From left to right: Michael Steel, CRO Network Manager, The Geneva Association; Adam Hodes, Head of Corporate Development, Mergers and Acquisitions, Metlife; Greg Taylor, Executive Vice President, Strategy and Corporate Development, Manulife ; Benji Meuli, CIO, XL Catlin; Andy Briggs, CEO, Aviva Life, U.K. & Ireland.

PERSPECTIVES ON CONSOLIDATION IN INSURANCE: 'THE INSIDE VIEW'

by Greg Taylor, Executive Vice President, Corporate Development & Strategy, Manulife Financial Corporation, with Hugh Underwood, Director in Manulife's Corporate Strategy Group.

The insurance industry has recently been undergoing unprecedented consolidation. Capital availability, the pressures of mounting competition and the desire to attain greater scale, among other factors, resulted in more merger and acquisition activity in the global insurance industry in 2015 than in any previous year. Much has already been written and talked about the macro drivers of these trends and so, instead, this paper will offer perspectives with a different focus—we'd like to share a 'practitioner's account' of acquisition integration from a vantage point inside one of the world's largest life insurers.

Manulife and our wholly-owned subsidiary John Hancock together form the eighth largest life insurance group in the world. Today, our business is split almost evenly between Canada, the U.S. and 12 territories in Asia. We have built a presence in many of the world's largest economies, and we are rapidly expanding in most of the world's fastest growing markets, especially in Asia. While Manulife is often thought of as a life insurer, it is important to note that more than 40 per cent of our global business is in institutional asset management and the group and individual wealth management businesses of pensions, retirement savings and investment funds. In order to successfully achieve our global scale, we have deployed a strategy that includes focused, disciplined acquisitions. As a result, in the last 20 years we have made more than 40 successful acquisitions around the world.

To provide the 'inside view' on integration from Manulife's perspective, we will share the stories of two of our most transformative deals in the last decade, the acquisitions of John Hancock Financial in 2004 and of the Canadian operations of Standard Life plc in 2015. We'll also describe some of the key challenges we faced during the integration of these particular acquisitions as well as some of the general lessons that we have learned from executing many integrations over the years.

CASE STUDY 1: ACQUISITION OF JOHN HANCOCK FINANCIAL SERVICES INC.

In 2004, Manulife acquired Boston-based John Hancock for almost USD 11bn. The deal was truly transformational for Manulife, adding millions of new customers, new products and distribution breadth, increased operating scale and a greatly improved competitive footing. In the U.S. market, the combined Manulife–John Hancock immediately became a top-five competitor in almost all of its lines of business. In Canada, the acquisition of John Hancock's Canadian operations, Maritime Life, made Manulife the number one or two player in almost all lines of our Canadian business.

Not surprisingly, the transaction also resulted in a very large-scale integration effort across the six newly expanded businesses in Canada and the U.S. We were faced with integrating millions of individual and group customers, a large corporate office in Boston, more than 7,000 new employees in facilities across North America (joining our almost 13,000 employees at that time) and 65,000 independent agents and advisors. Making matters more challenging, there was immediate and significant operational overlap, since John Hancock had operations in Canada and Manulife had existing businesses in the U.S. Significant benefits were expected from the deal, including projected pre-tax run-rate cost savings of CAD 350m targeted by the second year post-acquisition. A decade ago, this represented a very meaningful amount for Manulife, around 10 per cent of combined operating expenses at the time. The sources of these savings and efficiency benefits primarily resulted from eliminating duplication in operating management roles, IT platforms, distribution organisations and corporate management functions.

The John Hancock acquisition was an important moment in Manulife's history. It accelerated our growth strategy for high-priority global businesses, especially in North America; it diversified our business by strengthening existing capabilities and adding new ones; and it enabled us to acquire one of the most powerful brands in financial services in the U.S.

CASE STUDY 2: ACQUISITION OF STANDARD LIFE IN CANADA

In January 2015, Manulife acquired Standard Life plc's Canadian business for CAD 4bn. Though much smaller than the John Hancock transaction, this too was an important acquisition for Manulife. The acquisition enabled us to improve operating leverage through greater scale for several of our key Canadian businesses, particularly in pensions, wealth and asset management. We have also been able to build upon an already established and successful wealth and asset management partnership with Standard Life Investments. The acquisition provided us with nearly 1.5 million new customers for the very broad product shelf that Manulife Canada offers.

Similar to our experience with John Hancock in 2004 and 2005, Standard Life Canada's acquired lines of business had significant overlap with Manulife's, resulting in a complex integration, but one which enables us to target significant cost savings and efficiencies. We are currently into the 11th month of the integration and we are pleased with our progress.

THE TOP CHALLENGES THAT WE FACED DURING THESE INTEGRATIONS RELATED TO PEOPLE AND CULTURE.

COMMON CHALLENGES AND KEYS TO SUCCESSFUL ACQUISITION INTEGRATION

To get the real 'inside view', we sat down with those at Manulife who have been most instrumental in leading the John Hancock and Standard Life Canada integrations. Together, we discussed the key challenges and lessons learned from these integrations and others that we have executed in years past.

Not surprisingly, everyone agreed that the top challenges that we faced during these integrations related to people and culture. John Hancock and Manulife had many cultural similarities prior to 2003 when acquisition discussions began. Both companies had long histories (Manulife was founded in 1887, John Hancock in 1862), had recently demutualised, then gone public in high-profile IPOs (Manulife in 1999, John Hancock in 2000 in the eighth largest IPO in U.S. history at the time) and had people and operations in similar geographies. Both companies even had CEOs named D'Alessandro at the time. In many ways, the transaction looked like more of a merger of equals than an acquisition by Manulife.

The cultural similarities undoubtedly made the integration process much smoother than it could otherwise have been, but they also left us with a challenging situation: a large portion of expected operating expense savings, an important aspect of the deal, was targeted to come from the elimination of duplication of roles in the corporate and operational management ranks. This is always a sensitive matter, but its importance to the success of the acquisition cannot be overemphasised. We had to be thoughtful about our approach and expedient in our execution. Predictably, where the overlap in roles was the largest, at the senior-most corporate officer level, the rationalisation was greatest and swiftest.

We spoke with our integration leaders to better understand the nuances of this, and they described it in the following way, offering some very to-the-point directives: 'Identify those new leaders, managers and employees who are critical to the success of the integration and the go-forward combined organisation, then welcome them and engage them.' 'However, don't fall in love with your public story and with the pictures of the CEOs shaking hands. Remember the primary objectives of the job you need to do to deliver the benefits.' 'Solve the social issues for the top 10 officers of the acquired company first. Who stays? Who goes? And, when?' While it was agreed that this was one of the most challenging aspects of the integration effort, it was an absolutely critical step in order for us to begin to achieve the benefits we needed out of the deal.

From a people and culture perspective, it's also important to consider the impact that undergoing a major integration has on your employees and operations. Many key employees will almost certainly end up taking on significantly more than their typical responsibilities as the organisation realigns in order to meet the acquisition objectives. Certain employees may become overburdened, which can have significant impact on their morale and productivity. Major integrations will always generate additional work, but the integration team leaders must plan and manage the inevitable time constraints and talent and resource strains appropriately. The success of the integration cannot be won at the expense of compromising the quality of current operations, employee engagement and commitment, and the customer experience.

Other significant challenges that we faced during these acquisition integrations typically fell into three areas. The first, information technology, is always a top challenge and source of risk, especially with acquisitions as large as John Hancock and Standard Life Canada. There was significant overlap between Manulife's systems and those of John Hancock and Standard Life Canada. They have been very costly and complex challenges and have required diligent engineering and management to resolve. Volumes have been written on this and so we will not dwell on the obvious. The second, premises and facilities, is slightly more straightforward. It is important to understand and plan for the integration's impacts on locations and non-IT infrastructure of the financial services organisation, including demands imposed by regulatory requirements, as well as by staffing needs and talent retention plans.

The last challenge area we will comment upon, size and scope, is somewhat broader than the others. We certainly encountered the relative size challenge in both the John Hancock and Standard Life Canada transactions, which caused the impact of the integration efforts to be pervasive throughout the organisation, as opposed to the localised impact of a smaller 'bolt-on' acquisition. One key dimension of scope is the breadth of product lines and businesses acquired. We had to integrate multiple business lines with significant operational overlap and duplication throughout. This required swift and decisive assessments of differing skill sets and talent bases, customer segments, breadth and productivity of distribution channels, differential usage of offshoring and outsourcing, and countless other operational considerations.

FOUR COMMON ELEMENTS ... ARE MOST CRITICAL TO SUCCESS: ADVANCE PLANNING; ALIGNMENT WITH STRATEGY AND CULTURE; EXCELLENCE IN EXECUTION BY PEOPLE WHO ARE DEDICATED AND EXPERIENCED; CLEAR, CONSISTENT AND FREQUENT COMMUNICATION.

A second dimension of scope refers to managing geographic challenges, something that (luckily!) did not impact us as much for the John Hancock and Standard Life Canada integrations. We were dealing principally with Canada and the U.S. (plus some modest Asia business considerations) compared to, say, MetLife's 2010 acquisition of Alico, which had operations in more than 50 countries at the time of acquisition.

The following is always a good question to pose when you have a learned group held hostage: we asked the Manulife integration team leaders what they thought they could have done better with the benefit of hindsight. Interestingly, they all had a similarly themed answer: during the John Hancock acquisition and integration, we were perhaps too internally focused and, for future integrations, it was felt that we needed to do a better job of maintaining more of an external focus, in particular by paying closer attention to the factors influencing the retention of both advisors and customers. In other words, 'The Voice of the Customer' must be an even more important component of our early stage integration planning and its subsequent execution. The consensus among the group was that we have done a more thoughtful job with this aspect in the integration of the Standard Life Canada acquisition. The proof is before our eyes in terms of the customer retention numbers and the readily observable uptake by former Standard Life customers of our Manulife Canada products and solutions.

There is no single silver bullet to ensure integration success, but we did ask our integration leaders for their points of view on what has enabled us to integrate successfully at Manulife. Together, we were able to narrow it down to four common elements, regardless of the integration's size or complexity, that are most critical to success.

Advance planning. It is impossible to have too much forethought when planning for an acquisition and its integration. Before the acquisition is even made, the impacts of the integration should be thoroughly understood. The integration team should be formed early to ensure that the integration has as minimal an impact as possible on the organisation's current operations, employees, advisors and customers.

Alignment with strategy and culture. All decisions made by the integration team should align to the organisation's strategy. It is this dedication to following a clear strategy that will force action on the tough decisions that inevitably arise during all integrations. As discussed above, these tough decisions often relate to people and culture.

Excellence in execution by people who are dedicated and experienced. Successfully completing a major integration is no easy task. It requires dedication and hard work by individuals who understand from experience how best to act and not to act. For this reason, it is important that the integration team be selected from the company's best and brightest leaders and employees.

Clear, consistent and frequent communication. In these situations it is impossible to over-communicate, and the importance of good communication cannot be overly emphasised. All stakeholders, whether internal (e.g., employees of all levels and functions, agents and advisors) or external (e.g., shareholders and bondholders, governments and regulators, local communities, analysts and media), must be accounted for in a thorough, well thought-out communication strategy with clear and consistent (and necessarily repeated) messaging.

Ensuring that these four elements are part of the integration approach will not guarantee success, but based upon our experience at Manulife, we believe that they will significantly improve your odds.

PERSPECTIVES ON CONSOLIDATION IN INSURANCE: 'MORE ON THE INSIDE VIEW'

by Adam Hodes, Executive Vice President and Global Head of Mergers & Acquisitions, MetLife, Inc.

Global acquisitions have been a critical component for growth of multinational insurance companies. The structure of transactions can take many forms, but a key objective is to ultimately leverage capabilities and expertise to maximise the value of the acquired entity. The success of most transactions depends on some level of consolidation of operations. As a result, success depends on having a good view on the cost and timing of operational integration.

From an M&A execution perspective, a solid estimate is critical for both a preliminary bid and a final bid. By the nature of the M&A process, the limitations on information and the circle of people involved create challenges to developing a good integration cost estimate. It is critical for the Corporate Development team to have the best information available, as the integration cost estimate could be the difference between advancing in the process or being excluded. While no two acquisition processes are alike, there are some things to be aware of. The mere recognition of information gaps can itself improve the valuation process.

DEVELOPING INTEGRATION COST ESTIMATES

From the perspective of transaction execution, it is critical to estimate the amount of integration expenses as well as the timing. Having a good estimate at 'Day 1' following the closing is not helpful, as the overall transaction valuation needs to be determined and agreed upon much earlier. The initial bid sets the stage for the flow of future negotiations. There are several unique issues which affect the ability to develop a solid estimate. In a perfect world with unlimited access to information and people and time, developing a fully scoped-out and costed integration plan would be straightforward. However, in a competitive sale process, none of these ideal conditions exist.

First, information during the diligence stage, while broad, does not generally include the level of detail sufficient to fully develop an integration plan. Second, given the desire for confidentiality by both buyer and seller, the number of people involved is limited and so the individual that will be responsible for integration may not be fully involved. Finally, a project management leader, who is often not a subject matter expert, may be reluctant to commit without the input of his or her larger team. However, certain best practices can be developed to limit the gap and improve the quality of even early stage estimates.

The first element is the imperative need to understand the integration strategy and objectives. By understanding the integration strategy, it is easier to evaluate the scope of the initial integration plan—i.e. full operational integration or only selected functions. It is then important to work with the functional partners to develop the discrete buckets and an estimated cost.

The second key element to ensure more effective integration is ownership and accountability. It is important to have the right people involved—not just the titular leaders of an affected area. This leads to much better engagement with business partners. It is then important to work with the owners so they understand the need for increasing specificity over time, but that initial high-level estimates are necessary.

The third element is to draw upon prior experiences. The estimated cost can be rooted in specific information provided, prior integration experiences or industry benchmarks. Having a template of a range of costs based on prior deals is often a useful tool to ensure all areas are addressed. By having a template of integration items and an associated cost, a more productive conversation can result. If a representative from a certain functional area is not involved, a preliminary cost can still be incorporated versus omitting the item or deferring it to a later stage.

SUCCESS DEPENDS ON HAVING A GOOD VIEW ON THE COST AND TIMING OF OPERATIONAL INTEGRATION.

MULTI-JURISDICTIONAL TRANSACTIONS

A conventional wisdom for M&A transactions is that scale is better. However, in certain situations mere scale may not create synergies in the same proportion. This is often the case for regulated entities.

The requirements for distinct regulatory approvals and limitations on intercompany services need to be considered. Relating to the approval process, there is a high likelihood that not all regulators will approve their parts of the deal on the same timetable. Structuring for this potential can be quite complicated, as the buyer and seller's objectives are in obvious conflict. Further, it is not always assured that the new company can operate to fully leverage enterprise capabilities.

It is important to work with both local business teams as well as advisors to develop a full view of the viability of a fully integrated model and the time frame to achieve.

THINKING ABOUT UNANTICIPATED CHANGES

Insurance or other transactions that require regulatory approvals, not just for the initial change of control, but also for intercompany agreements, new products or employee changes, tend to take longer to get to the desired integration state.

Often the focus is how the current state of the target can be integrated with the current state of the acquirer. The issue is that such states change over time. For example, if the acquirer is considering a future change in a basic technology such as email, then factoring in the cost for the target to get to the current state would be insufficient. Further, with the passage of time, external parties may require changes that affect the entire enterprise.

Therefore, it is important to have a good view of the overall approval and integration process under consideration if an additional buffer for currently unknown changes should be added.

TRANSITIONAL SERVICES AGREEMENTS

A cousin of the integration plan is transitional services arrangements (TSAs). The timing for integration will determine if certain services need to be provided by the seller. This tends to be an area of complicated discussions, as the scope of services, cost and timing all need to be negotiated, generally on a service-by-service basis. By having a clearer picture of the ability to internalise or transition to the acquirer's functions, the TSA negotiations can be more or less critical.

TSAs by their nature have embedded optionality whereby the buyer is seeking access for lower cost and for more time, and the seller is seeking to avoid being a low-cost outsourcer. As with the integration plan generally, TSA discussions can benefit from an historical review of experiences. If the acquirer's integration plans tend to be well estimated, the time frame for a TSA can be narrowed. If not, then the time frame will need to be more open-ended.

POST-MORTEM REVIEW

Given that integration costs and plans initially are formulated with limited information, it is not uncommon that the initial estimates for both time and costs may be proving incorrect. Active acquirers can improve the process of consolidation and integration by incorporating a systematic post-transaction review process. Actual costs should be tracked and compared to the initial estimates. Misestimates can result from several factors: incomplete information, deficiencies in the diligence process, unanticipated events.

It can be difficult to get to the root of the problem and the sponsoring business may be reticent about being evaluated. However, it can be very beneficial to identify the source so the process or approach can be corrected or an additional element can be evaluated the next time around. In many cases, the

INTEGRATION EXPENSES ARE OFTEN UNDER-ANALYSED IN THE CONTEXT OF A SIGNIFICANT ACQUISITION BUT CAN BE THE DIFFERENCE BETWEEN MEETING AND NOT MEETING A TARGETED RETURN.

mere identification of an issue will result in a different level of focus by the team during the next diligence process. It is easier to conduct a post-mortem assessment if it is clear to the business partners that such a process is done in all cases and a particular deal is not being singled out.

SUMMARY

Integration expenses are often under-analysed in the context of a significant acquisition but can be the difference between meeting and not meeting a targeted return. Successful companies address these issues early on in an acquisition process and focus on identifying key areas of risk and timing. To be successful, all deal team members need to understand the importance of getting integration costs right with limited information. Finally, the M&A leaders and deal sponsors will often need to incorporate a buffer to ensure there are no major surprises as more information is made available.

ANNEXES

OUR HOST

AVIVA

Aviva provides life insurance, general insurance, health insurance and asset management to 34 million customers, across 16 markets worldwide

In the U.K. we are the leading insurer serving one in every four households and have strong businesses in selected markets in Europe, Asia and Canada. Our shares are listed on the London Stock Exchange and we are a member of the FTSE100 index.

Aviva's asset management business, Aviva Investors, provides asset management services to both Aviva and external clients, and currently manages over £260 billion in assets.

Aviva helps people save for the future and manage the risks of everyday life; we paid out £24.6 billion in benefits and claims in 2014.

By serving our customers well, we are building a business which is strong and sustainable, which our people are proud to work for, and which makes a positive contribution to society.

SPEAKER BIOGRAPHIES

Session 1: CEO & Chairman View—'What are the drivers and trends of consolidation in insurance?'

Moderator: Geoffrey L. Bell

President, Geoffrey Bell & Company Inc

Geoffrey Bell is President of Geoffrey Bell and Company which advises a wide range of central banks and governments on their international reserve asset and liability management programmes. He was financial advisor to the Central Bank of Venezuela for over 25 years and has acted as financial advisor to the Government of Barbados for more than 20 years and the Government of Jamaica for almost a decade. The company acts as a consultant to major corporations and banks in the United States, the United Kingdom, Europe and South America providing advice on capital market transactions as well as undertaking economic, financial and country risk analysis. The company also specialises in bank regulation and has worked closely on issues relating to the Basel Banking Committee. Geoffrey Bell was Chairman of Guinness Mahon Holdings, one of London's oldest merchant banks, from October 1987 to April 1993 and negotiated its sale to the Bank of Yokohama in 1989.

Born in Grimsby in 1939 and educated at the London School of Economics, he joined H.M. Treasury after graduation. In 1963, he was a Visiting Scholar with the Federal Reserve System mainly based at the Federal Reserve Bank of St. Louis. From 1964 to 1965, he taught monetary economics at the London School of Economics. Between 1966 and 1969, he was Economic Advisor to the British Embassy in Washington. In 1969, he joined one of London's leading merchant banks, Schroders, as Assistant to the then Chairman, Gordon Richardson, who later became Governor of the Bank of England. He became a director of the company as well as an Executive Vice President of J. Henry Schroder Bank in New York, working on the international expansion of the group. Geoffrey Bell formed his own company in 1982. He was the Founder and is a member of the Board of Directors of the Consultative Group of International Economic and Monetary Affairs known as the Group of 30. His book, *The Euro-Dollar Market and the International Financial System* has been translated into French and Japanese. He writes frequently for the *International Herald Tribune* and other financial journals. Geoffrey Bell was appointed a Governor of the London School of Economics in 1994. Since 2008, he has served as Chairman of the Board of ProLogis European Properties.

Stephen Hester

Group Chief Executive, RSA Insurance

Stephen was appointed Chief Executive Officer of RSA on 4 February 2014.

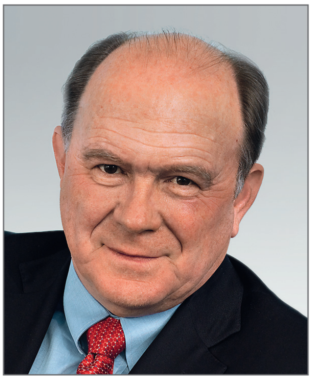
Prior to RSA, Stephen was Chief Executive Officer of The Royal Bank of Scotland Group plc from October 2008 to September 2013.

Previous posts include: Chief Executive at British Land plc, CFO & Chief Operating Officer at Abbey National plc and senior roles at Credit Suisse First Boston in London and New York.

Stephen is a Trustee of The Royal Botanic Gardens, Kew Foundation.

Walter B. Kielholz

Chairman of the Board of Directors, Swiss Re



Walter B. Kielholz, a Swiss citizen born in 1951, was elected to Swiss Re's Board of Directors in June 1998.

He began his career at the General Reinsurance Corporation, Zurich in 1976. After working in the U.S., U.K. and Italy, he assumed responsibility for the company's European marketing. In 1983 he opened an art gallery and picture framing business with his wife, Daphne Kielholz-Pestalozzi. A second gallery was opened in 1986. He joined Credit Suisse in 1986, where he was responsible for client relations with large insurance groups in the multinational services department.

In 1989, Walter B. Kielholz joined Swiss Re, Zurich. He became a member of the Executive Board in January 1993 and was Swiss Re's Chief Executive Officer from 1997 to 2002. He was Executive Vice Chairman of the Board of Directors from 2003 to 2006 and Vice Chairman from 2007 to April 2009. He was nominated Chairman with effect from 1 May 2009.

Walter B. Kielholz was a member of the Board of Directors of Credit Suisse Group AG from 1999 to May 2014 and served as Chairman from 2003 to 2009.

He is Chairman of the European Financial Services Round Table (EFR), which contributes to the European public policy debate on issues relating to financial services and Vice Chairman of the Board of the Institute of International Finance (IIF), the world's only global association of financial institutions.

He is also a member (President in 2006/2007) of the International Monetary Conference (IMC), an association of the largest banks worldwide. In addition, he is a member and former Chairman of the Board of Trustees of Avenir Suisse, a think tank for economic and social issues. From 1998 to 2005, and again since 2009, he has served as a member of the International Business Leader Advisory Council (IBLAC), an advisory group to the Mayor of Shanghai composed mainly of the chairs of the board and CEOs of major global corporations. In 2009 he became a member of the International Advisory Panel (IAP) of the Monetary Authority of Singapore (MAS), which advises the MAS on the country's financial sector reforms and strategies.

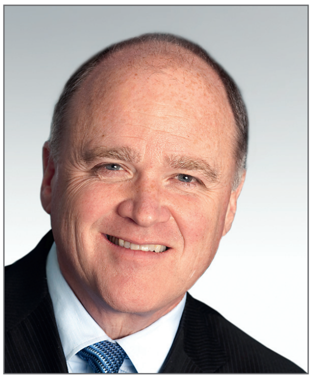
In 2005 Walter B. Kielholz was elected by the members of the International Insurance Society to the Insurance Hall of Fame, which honours individuals who have exercised substantial influence on the industry for the benefit of society.

Walter B. Kielholz enjoys sailing, skiing, tennis, golf, reading, opera, concerts and art. He is Chairman of the Zurich Art Society, which runs Zurich's Kunsthaus museum.

Walter B. Kielholz studied business administration at the University of St. Gallen and graduated in 1976 with a degree in business finance and accounting.

Mike McGavick

Chief Executive Officer, XL Group plc; Chairman, The Geneva Association



Mike McGavick has been Chief Executive Officer of XL Group plc since 2008. With Mike as CEO, XL has built its premier position as the company its clients and partners look to for solutions to complex risks.

In 2014, Mike was named the Insurance Leader of the Year by St. John's University School of Risk Management. Previously he has been recognised as one of the top 100 Game Changers in the last 100 years of the insurance industry by Leaders Edge, the Bermuda Insurance Institute's (Re)insurance Person of the Year, the *Review Magazine*'s Industry Personality of the Year and *Reactions Magazine*'s Insurance CEO of the Year.

Mike is currently the Chairman of The Geneva Association and is a Director and Immediate Past Chairman of the Association of Bermuda Insurers & Reinsurers. He is on the board of the Global Reinsurance Forum, the

American Insurance Association, the Insurance Information Institute and the International Insurance Society.

From 2001 to 2005, Mike was Chairman, President and CEO of Safeco Corporation. Prior to joining Safeco, Mike spent six years with CNA Financial Corporation, where he held various senior positions, including President and CEO of the company's largest commercial insurance unit.

Mike has been involved in a number of industry, political, public affairs and community service activities. He was a Vice Chairperson of the American Insurance Association and served as Director of its Superfund Improvement Project. He is a former Chief of Staff in the United States Senate and ran for the U.S. Senate in the State of Washington. Mike was the founding chairperson of the Business Partnership for Early Learning and is also on the Board of Landesa, a non-profit organisation that helps the rural poor around the globe obtain land rights. He was named the *Puget Sound Business Journal*'s Executive of the Year in 2003 and was the 2005 winner of the prestigious Charles E. Odegaard award for his efforts in promoting diversity at the University of Washington.

Mike is also a founding member of the Washington D.C.-based old boys' rugby club, the Wild Geese RFC.

Mark Wilson

Group Chief Executive Officer, Aviva

Mark Wilson has served as Group Chief Executive Officer of Aviva, the U.K.'s only composite insurer of scale and one of only a few internationally, since the start of 2013. He has over 25 years' experience in the insurance industry, notably in South East Asia, where he was Group Chief Executive Officer of AIA, the leading Asian insurer. Following the acquisition of Friends Life Group, Aviva has 34 million customers across the world, with 16 million in the U.K. alone—the equivalent to one in four U.K. households.

At Aviva Mark has anchored the business in strong values and a clear strategy and has added to his reputation as a dynamic, focused and high profile business leader, campaigning on issues of importance to customers and contributing to public debate about the role of business in society—especially on the importance of the financial services making decisions for the long term—what he calls being a good ancestor.

Session 2: Views from outside—'What is the logic behind consolidation ? Does it create value?'

Moderator: Lotfi Elbarhdadi

Senior Director, Standard & Poor's Rating Services

Lotfi Elbarhdadi is Senior Director, Standard & Poor's Rating Services. Lotfi is currently the EMEA Insurance Sector Expert. Previously, Lotfi has been leading the analytical team covering insurance and reinsurance ratings in France, Belgium, Italy, Spain and Portugal. Prior to that, Lotfi was the analyst for insurers based across EMEA, with particular focus on Global Multiline Insurers, as well as insurers based in France, the Middle East, and North Africa. Lotfi is based in Paris.

Before joining Standard & Poor's in June 2006, Lotfi spent 10 years in the French insurance sector, most of them at the international audit and consultancy firm Ernst & Young and the French group Azur-GMF, now part of Covéa.

Lotfi is a qualified member of the French Institute of Actuaries.

Paul J.M. Klumpes

Professor of Finance and Risk Accounting, Nottingham Business School, Nottingham Trent University

Paul Klumpes is Professor of Finance and Risk Accounting at Nottingham Business School, Nottingham Trent University. Previously he was Professor of Accounting at EDHEC Business School, Roubaix, France; Professor of Accounting at Imperial College London, and Professor of Risk Accounting at Nottingham University Business School. He holds an LLB (hons) from Open University, a BCom (hons), MCom (hons) and PhD in Accounting from the University of New South Wales.

Paul has prior professional experience as an accountant and consults to investor and government organisations and is associate editor of *The Geneva Papers on Risk and Insurance* and the *International Journal of Banking Finance and Auditing*. He is also a Fellow of the Australian CPA Society and Honorary Fellow of the Institute of Actuaries, and affiliate of the Institute of Risk Management. His research interests cover the inter-relationship of public policy and voluntary reporting, regulation, financial management and control of financial services, particularly related to pensions and life insurance. His recent publications include *Journal of European Law and Economics*, *Journal of Business*, *Journal of Banking and Finance* and *Journal of Business Finance and Accounting*.

Current research funded by RCUK studies efforts by the Bank of England to coordinate the resilience of the U.K. insurance sector to cyber attack, and other accounting policy choices related to risk management by multinationals, and Institute and Faculty of Actuaries research on risk reporting in compliance with the recently updated FRC's Governance Code related to risk management disclosures by U.K. firms.

Davide Serra

Founder and CEO, Algebris Investments

Davide was a leading Managing Director at Morgan Stanley where he headed the European Banks Research Team and was the Global Banks Team Coordinator. Davide was rated individually among the top European banks analysts for the period 1999-2006. Prior to Morgan Stanley, Davide worked in the top rate UBS Banks Research Team as a senior analyst (1995-2000) where he lead several IPOs and M&A projects and won major surveys including Institutional Investor and Extel from 1998 till 2000.

Davide has been awarded the Young Global Leader designation by the World Economic Forum and is recognised as one of the world's leading experts on financial services. He is often consulted by the world's central bankers and regulators on policy matters and he regularly contributes to the discourse on financial reform.

He is Chairman and Trustee of the Hakuna Matata Foundation, a registered U.K. charity which he founded with his wife in April 2010. The primary focus of the association is assisting orphaned children in Central Tanzania.

Davide is a graduate *cum laude* of Bocconi University in Italy and holds a Master CEMS. He speaks Italian and is fluent in English and French. Davide played volleyball professionally in Italy from 1985 to 1990 and reached Series A1. He enjoys climbing and off-piste skiing in the Alps and mountains around the world.

Brian Shea

Head, Willis Capital Markets and Advisory Europe

Brian joined Willis in August 2015 as Head of Willis Capital Markets and Advisory Europe.

Previously Brian was the Chief Corporate Strategy Officer at the global reinsurer SCOR. Prior to SCOR, Brian was Managing Director and Head of the European Insurance Equity Research Team for Bank of America Merrill Lynch. During this time he consistently led his team to a number one ranking in the annual Institutional Investor Survey.

He holds an MBA from London Business School and a BA in Economics and Mathematics from Bates College, Maine, U.S.

Pia E. Tischhauser

Senior Partner and Managing Director, Global Leader–Insurance Practice, Boston Consulting Group (BCG)

Pia is a Senior Partner and Managing Director and leads BCG's Global Insurance Practice. Before she was appointed to lead BCG's Sector in Commercial Insurance and Reinsurance globally, one of BCG's fastest accelerators.

During the last 18 years with the firm, Pia has been working internationally for large commercial, specialty, captive and reinsurers, specialty associations as well as for top-3 brokers.

Pia has worked and built up the commercial insurance business for BCG in the U.S. (Chicago), London (Lloyd's, company market), Europe (out of Switzerland) as well as dedicated efforts supporting international commercial insurers in Asia and LatAm, ME.

Specific relevant project examples include

- London market group study on behalf of Lloyd's of London and the IUA, LMA and LIIBA
- IUMI marine business forecasting and large loss developments
- Global marine strategy for a top three global commercial specialty player
- Specialty lines Lloyd's business review and internationalization strategy for a top-5 commercial player
- Large corporate digital strategy for a top-10 commercial insurer and reinsurer

- Smart analytics and underwriting big data strategy for a large specialty insurer
- Growth mid market strategy for a global specialty lines player
- Underwriting improvement programme for a U.S. casualty insurer
- International growth strategy for a leading insurer for high growth markets, specifically Mexico, India, LatAm, China and Malaysia for an international reinsurance and specialty player
- Operating model redesign for Europe & London CoEs for a leading broker
- Strategy review and emerging market strategy for a large commercial insurance player

Pia holds an MA in Economics and Linguistics from University of Berne and was an MBA Scholar at Kellogg Graduate School of Management, Northwestern University, Chicago, U.S.

Session 3: Views from key executives—'Perspectives on consolidation including the transaction' (technical/operational views)

Moderator: Michael Steel

CRO Network Manager, The Geneva Association

Michael Steel is the Chairman and Founder of SteelRisk Advisors which provides consulting services on reinsurance and risk management to the insurance industry.

Michael has over 25 years experience in risk and capital management and prior to founding SteelRisk Advisors in 2015 was the Chief Risk Officer at AXIS Capital. Michael joined AXIS Capital in 2008 following 12 years at Benfield. He had been a Director with Benfield Ltd and Benfield Advisory, where he was the Global Head of the Capital Markets Group, Chairman of the ReMetrics Team and the Head of Structured Products. Prior to his tenure at Benfield, Michael had been a leading member of Instrat, Sedgwick Group's Analytics and Structured Products Team.

Michael was an appointed Director of the Casualty Actuarial Society from 2011–2014 and holds a BSc (Hons) is Statistics and Mathematics from Brunel University.

Andy Briggs

Chief Executive Officer, Aviva UK & Ireland Life

Andy joined the Group Executive and Aviva plc Board in April 2015 as Chief Executive Officer of Aviva U.K. & Ireland Life, to lead Aviva's enlarged U.K. Life business following the acquisition of Friends Life Group Limited where he was Group Chief Executive. He has over 25 years of operational and executive experience in the insurance industry across life assurance and general insurance, both in the U.K. and overseas.

At Friends Life he led the transformation of the three acquired businesses and brings his strategic and business skills, experience of organisational change and knowledge of the Friends Life business to the board. He has extensive knowledge of the U.K. regulated environment combined with experience in capital and risk management. Andy was formerly CEO of Scottish Widows plc (financial services), CEO of the General Insurance businesses of Lloyds Banking Group plc (financial services) and CEO of the Prudential Group's Retirement Income business (insurance).

Professional qualifications and memberships:
Andy is a Fellow of the Institute of Actuaries, a member of the Board of the Association of British Insurers and chairs their Audit Committee, and is a member of the Financial Conduct Authority Practitioner Panel. He is also a member of the NSPCC's fundraising committee and chairs one of their larger fundraising sub-committees.

Adam M. Hodes

Executive Vice President and Global Head of Mergers & Acquisitions, MetLife, Inc.

Adam M. Hodes is Executive Vice President and Global Head of Mergers & Acquisitions at MetLife, Inc. and oversees a team of professionals that are focused on identifying and executing strategic transactions including acquisitions, divestitures, joint ventures and strategic investments. He has overseen the recent acquisitions of AFP Provida in Chile from BBVA, the life and pension operations in Romania, Czech Republic and Hungary from Aviva, and a controlling interest in AmLife Insurance in Malaysia from AmBank. Mr. Hodes joined MetLife in September 2011.

Prior to joining MetLife, Mr Hodes was Managing Director in the Investment Banking Department of Credit Suisse Securities, LLC, where he focused on Mergers and Acquisitions for financial institutions. He joined Credit Suisse in 2006 and was also a member of the company's Fairness and Opinion Committee.

Mr Hodes has previously held leadership roles in Strategic Planning and M&A at WellChoice, Inc. and CNA Financial Corporation. Earlier in his career, he worked in the Financial Institutions Groups at Donaldson, Lufkin & Jenrette Securities Corporation and Salomon Brothers Inc.

Mr Hodes received a J.D. degree from Columbia University Law School and a B.S. degree in Economics from The Wharton School of the University of Pennsylvania.

Benji Meuli

Chief Investment Officer, XL Catlin

Mr Meuli spent the first 20 years of his career with JP Morgan, where he served as a Managing Director, in charge of European Debt Capital Markets and the European Financial Institutions Group. He also served as Chief Executive of JP Morgan Life Assurance Ltd.

From 1998 to 2004 he served as a Managing Director of Morgan Stanley with primary responsibility for relationships with large multinational insurance groups.

Mr Meuli served as Chief Investment Officer and a member of the Executive Board of Swiss Re from 2004 to 2008 prior to his appointment as an Executive Director of Catlin Group Limited in June 2009.

In September 2009 Mr Meuli took up the role of Chief Financial Officer and in February 2015 he was appointed to the role of Chief Investment Officer of XL Catlin.

Greg Taylor

Executive Vice President, Corporate Development & Strategy, Manulife Financial Corporation

Greg Taylor is Executive Vice President, Corporate Development & Strategy, Manulife Financial Corporation. He is a member of the Company's Management Committee, based at the Company's headquarters in Toronto, Canada. Mr Taylor is responsible for Manulife's enterprise-wide strategic planning process and leading the corporate development function by ensuring a proactive approach to the Company's acquisition strategy. Since joining Manulife in 2010 as EVP, Strategic Initiatives, Mr Taylor has also served as EVP & CFO for Manulife Canada from 2011 to 2014 prior to assuming his current role in early 2014.

Mr Taylor has more than 30 years' experience in the financial services and investment industry. Immediately prior to joining Manulife, Mr Taylor was the Chief Financial Officer of Fairfax Financial Holdings Limited, a global financial services and investment management company, where he also served as a member of its Executive Committee. During his tenure with the Fairfax group of companies, Mr Taylor also served as the Chief Financial Officer of its Canadian subsidiary Northbridge Financial Corporation and with its investment management subsidiary Hamblin Watsa Investment Counsel Ltd. Prior to joining Fairfax, Mr Taylor held senior positions in equity capital markets and investment banking with Merrill Lynch, and prior to that was with Brookfield Asset Management Inc. and Ernst & Young LLP.

Mr Taylor is a graduate of the University of Toronto with a Bachelor of Commerce and holds an MBA from York University. He holds the professional designations of Chartered Professional Accountant and Chartered Financial Analyst.

FORTHCOMING CONFERENCES OF THE GENEVA ASSOCIATION

2016

February

26	Zurich	32nd **Regulation and Supervision (PROGRES) Seminar**, 'Insurance and Financial Stability: a growing agenda...'

March

16-17	The Hague	18th **Meeting of the Annual Circle of Chief Economists (ACCE)**, hosted by NN Group N.V.

April

13-15	Copenhagen	13th **ART of CROs**, 'Risk Management beyond Solvency II', hosted by Nordea

June

8-11	Rome	43rd **General Assembly of The Geneva Association**, hosted by Generali Group and Vittoria Assicurazioni (Members only)

September

6-7	New York	10th **Meeting of The Geneva Association's Chief Investment Officers**, hosted by XL Catlin Group
19-21	Nicosia	43rd **Seminar of the European Group of Risk and Insurance Economists (EGRIE)**

October

7	London	12th **Symposium on Insurance Strategies**, hosted by Lloyds

November

3-4	Hanover	13th **Health and Ageing Conference**, 'Underserved consumers—Insurance solutions to close the health and longevity protection gap', hosted by Hannover Re
17-18	Munich	12th **Annual Liability Conference of The Geneva Association**, hosted by Munich Re
28-29	Munich	12th **Chief Risk Officer Assembly**, hosted by Munich Re

The Symposium on Insurance Strategies is an annual forum arranged by The Geneva Association for the discussion of strategic insurance and risk management issues. Formerly the 'Insurance and Finance Seminars', it brings together senior industry practitioners with key insurance stakeholders such as investors, academics and industry analysts to provide insights and perspectives on insurance-centered topics.

The Geneva Association—'International Association for the Study of Insurance Economics'
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