

Perspectives on Consolidation in Insurance “The Inside View”

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Manulife Financial Corporation

11th Symposium on Insurance Strategies
Consolidation in Insurance: What is it about?

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Perspectives on Consolidation in Insurance

“The Inside View”

Greg Taylor
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11th Symposium on Insurance Strategies
of The Geneva Association
(Formerly, The Insurance and Finance Seminar)

 THE
GENEVA
ASSOCIATION



 Manulife

John Hancock

Manulife is a leading global financial services provider

C\$46 billion
market capitalization¹

C\$883 billion
assets under
management and
administration¹

30,000+
employees¹

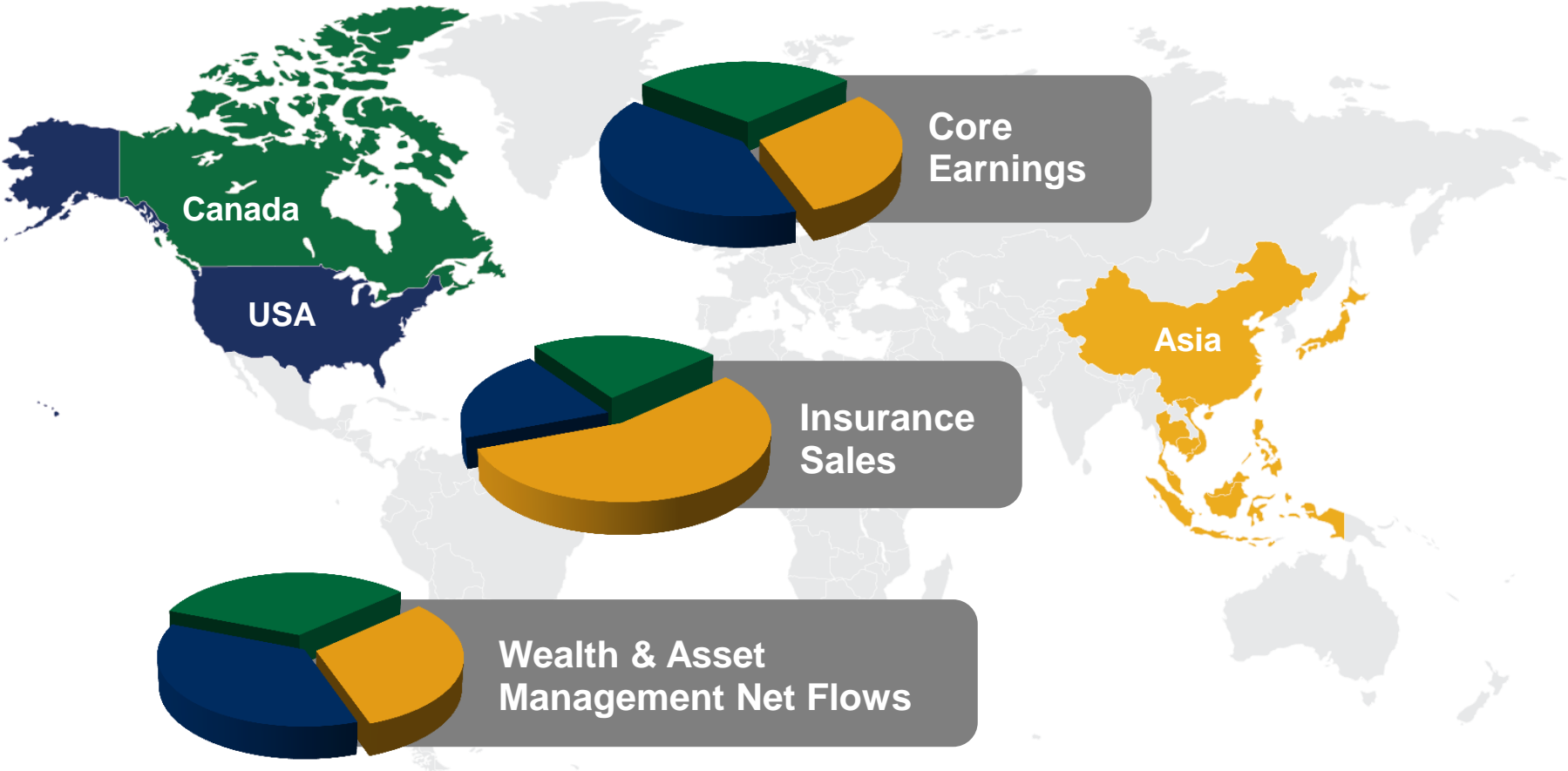
8th largest
life insurer in the
world³

C\$3.5 billion
net income²

3rd largest
life insurer in North
America³



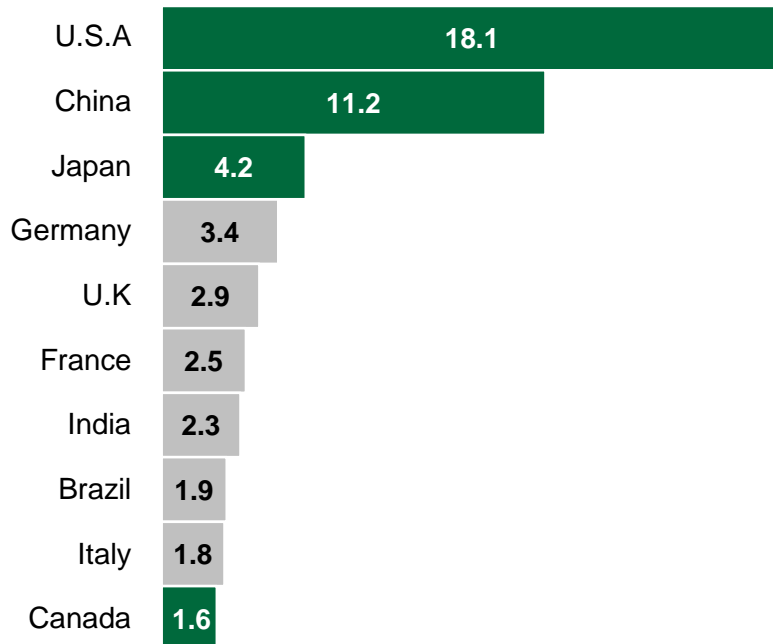
With a well-balanced global business



We have a major presence in...

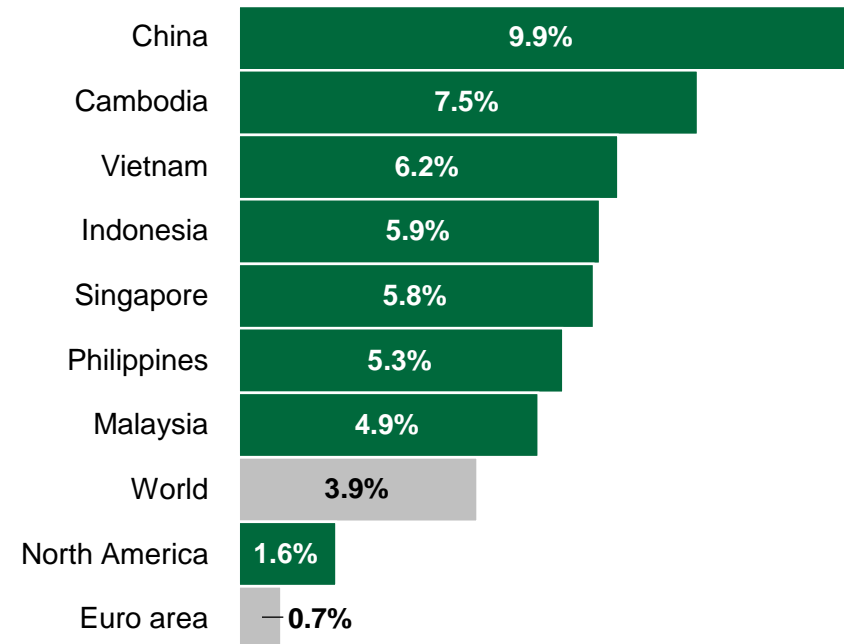
Four of the world's 10 largest economies...

Gross Domestic Product¹
(US\$ trillion, 2015 estimated, current prices)



... And some of the world's fastest growing markets

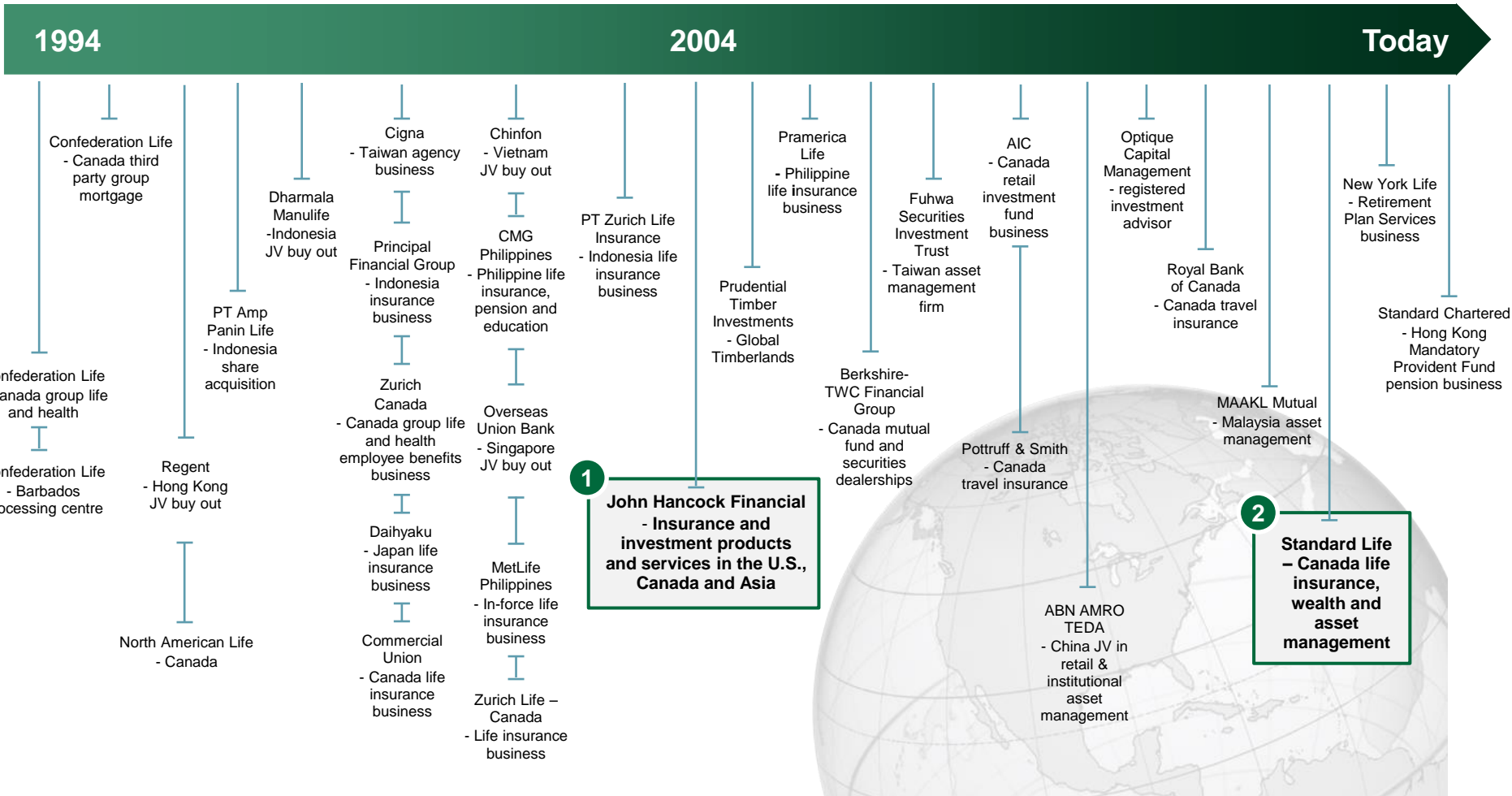
Gross Domestic Product Growth¹
(10-year CAGR, 2004-2014, US\$ constant prices)



 Manulife market presence

We have expanded globally through disciplined M&A

More than 35 acquisitions in 20 years¹



¹ Not all are shown.

1 Case Study: Acquisition of John Hancock Financial Services Inc.

Details

US\$11 billion in 2004

Gained key product and distribution capabilities

- Mutual Funds and Retirement
- Insurance and Long Term Care
- Fixed and Variable Annuities
- John Hancock Financial Network

Created a market-leading global life insurer

2nd

Largest life insurer in
North America

3rd

Largest life insurer in
Hong Kong

5th

Largest life insurer in
the world

Rationale

Accelerated growth strategy for high priority global businesses, especially in North America

Diversified products, distribution, and geographic reach by strengthening existing capabilities and adding new ones

Acquired powerful brand with broad advisor network and customer base

2 Case Study: Acquisition of Standard Life Canada

Details

C\$4 billion in 2014

Created broader, deeper Canadian business

- Pension and Retirement
- Mutual Funds and Asset Management
- Insurance and Annuities

Added ~1.5 million new customers in Canada

<p>87%</p> <p>Increase in Group Retirement AUA</p>	<p>20%</p> <p>Increase in Mutual Funds AUA</p>	<p>10%</p> <p>Increase in Group Benefits premiums and deposits</p>
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Rationale

Home market deal featuring scale benefits and significant customer additions, with limited execution risk

Accelerated growth strategy for Canadian businesses, particularly wealth and asset management

Built on already established and successful wealth and asset management **partnership with Standard Life Investments**

Common challenges faced during large-scale acquisitions

People & Culture



- Communicating with employees to maintain motivation, focus
 - Retaining customers, advisors, and key employees
-

Technology



- Managing complexities with systems and ripple effects of changing plans on timing
 - Identifying and realizing efficiency opportunities
-

Premises



- Determining locations needed in future based on lease requirements, regulations, staffing and retention plans
 - Identifying opportunities to consolidate resources
-

Size & Scope



- Acquiring multiple business lines requires deep understanding of companies' respective expertise, efficiency opportunities, etc.
- Acquiring operations across multiple countries requires deep understanding of local markets, regulations, cultural nuances

Keys to ensuring integration success, according to those with “*the inside view*”

Pre-Deal Planning

- Senior champion - all in; Board support
- Street intelligence - internal & external
- Strong deal team - respected
- Focus on the relevant ‘big stuff’
- Never be overconfident
- Socialize process, expectations, roles
- Understand limitations on price, risks
- Align with strategy
- Good framework for financial models
- Retention plan for customers, advisors, and key employees

Post-Deal Execution

- Governance structure / accountabilities
- Dedicated team with experience
- Measure / measure / measure
- Dog world / dog days mentality
- Clear ownership of the deal
- Be careful on creating senior opportunities - cultural risk high
- Integrate quickly
- Reinforce priority alignment
- Assign a senior executive to deliver
- Modest use of consultants - you own it

Regardless of size or complexity, successful integration of acquisitions includes these common elements in approach

1. Abundance of forethought and advance planning to deliver the benefits
2. Decisions made in alignment with strategy and culture
3. Execution excellence by people who are dedicated, experienced, and supportively aligned
4. Clear, consistent and frequent communication