

Bank, Specialty Lender &amp; Asset Manager - Industry News

## SNL 2009 League Tables: A muted '09 for insurance M&A but greater hopes for '10

EXCLUSIVE

Tuesday, January 12, 2010 12:16 PM ET

By Kelly Durkin and Adrian Goffinet

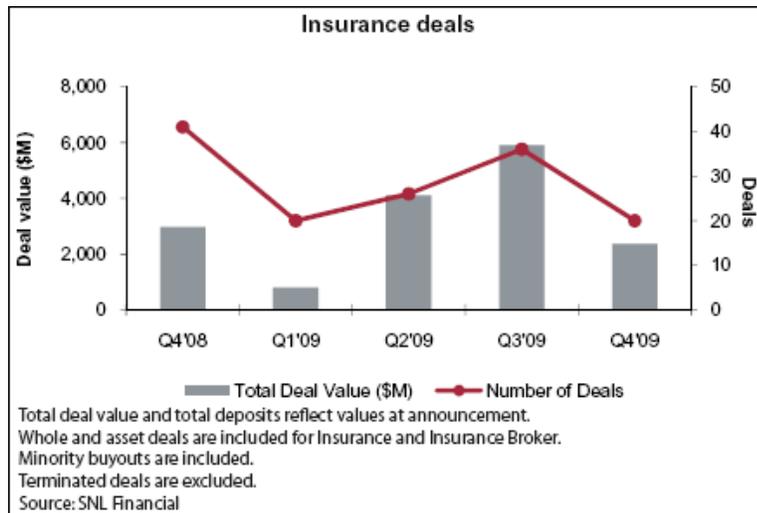
A lackluster year for insurance M&A in 2009 may be building up the pipeline for a strong year for deals in 2010.

The fourth quarter of 2009 had 20 insurance underwriter deals, according to SNL Financial, about half of the 41 deals recorded in the fourth quarter of 2008.

"I think we saw a year where there was a lot of discussions; there were a number of situations where buyers and sellers sat down together ... but couldn't come to terms, and deals simply didn't get done," John Marra, a partner with PricewaterhouseCoopers' transaction services, told SNL. "So, very few announcements, but behind that was a lot more activity, a lot more potential for parties coming together and doing transactions."

Muted interest from private equity firms in 2009 was part of the reason for the decline in deal activity, but the inability to close the valuation gap between buyers and sellers was a bigger reason why deals did not get done last year, Marra said.

"I think it's going to take a better valuation to get things done, and that's what didn't happen in 2009," Marra said. "I think if a buyer wants to get something done, they're going to have to move closer to book this year, particularly on the property-casualty side, and I think on the life side, the valuations have implicitly, if not explicitly, improved because the investment portfolios have so dramatically improved."



For deals in the fourth quarter of 2009, the total aggregate value for insurance underwriter deals dropped to \$2.37 billion from \$2.98 billion a year ago, according to SNL data.

Last year "was basically a nonexistent year for M&A in the life insurance sector," Mike Ryan, a partner in KPMG's transactions and restructuring group, told SNL. "Overall, it was a year of uncertainty which basically forced any kind of healthy companies to approach the acquisition market with a lot of skepticism," he said, adding that capital concerns and valuation issues played a large role in hindering deals from getting done in 2009.

"There is obviously ... more high-profile activity out there, but we just didn't see it result in any significant transaction," he said.

Looking to 2010, Marra said the industry will likely see a continuation of life insurers buying and selling in the asset management space, with franchises taking a closer look at what to carve out or add to outside of pure insurance assets. Another likely M&A theme in 2010 is a continued courtship of reinsurers in Bermuda, he said, as 2009 saw a flurry of activity and interest in that space. But whether deals get done remains to be seen.

As a number of large franchises are still looking to sell off all or part of their insurance businesses, Marra said companies may increasingly look to IPOs as a means of divestment rather than an outright sale.

The other question for the insurance market is simply

<b>Insurance financial adviser rankings</b>				
<b>2009 Year-end</b>				
<b>2009Y rank</b>	<b>2008Y rank</b>	<b>Firm</b>	<b>Number of deals</b>	<b>Total deal value (\$M)</b>
<b>Ranked by deal value</b>				
1	6	UBS Investment Bank	4	5,040.5
2	1	Morgan Stanley	4	4,682.4
3	3	Bank of America Merrill Lynch*	6	3,814.9
4	NR	Greenhill & Co. Inc.	2	3,381.7
5	8	J.P. Morgan Securities Inc.*	5	2,625.3
6	NR	Blackstone Advisory Services LP	1	2,150.0
7	9	Credit Suisse (USA) Inc.	2	1,835.8
8	14	Citigroup Global Markets Inc.	1	1,380.0
9	NR	Sandler O'Neill & Partners LP	3	1,195.0
10	12	FBR Capital Markets and Co.	2	326.6
<b>Ranked by number of deals</b>				
1	3	Bank of America Merrill Lynch*	6	3,814.9
1	1	Merger & Acquisition Services Inc.*	6	120.6
3	11	J.P. Morgan Securities Inc.*	5	2,625.3
4	7	Morgan Stanley	4	4,682.4
4	11	UBS Investment Bank	4	5,040.5
6	3	Macquarie Capital (USA) Inc.*	3	45.6
6	11	Philo Smith & Co.*	3	NA
6	11	Prisco Consulting Inc.*	3	24.0
6	NR	Sandler O'Neill & Partners LP	3	1,195.0
10	7	Credit Suisse (USA) Inc.	2	1,835.8
10	6	FBR Capital Markets and Co.	2	326.6
10	NR	Greenhill & Co. Inc.	2	3,381.7
10	3	Keefe Bruyette & Woods Inc.*	2	263.9
10	NR	MMC Securities Corp.*	2	NA

\* Deal value for at least one deal is not available.  
2009 Year-end data is as of Dec. 31, 2009.  
Based on announcement deal values.  
Terminated deals are not included.  
NR = Not Ranked; NA = Not Available  
Rankings are recalculated as of Jan. 5.  
In the event advisers merge or an adviser is purchased by the parent of another adviser, SNL retroactively adjusts historic rankings to the single, highest level adviser. If the buyer is already receiving credit for a particular deal, it will not receive additional credit following the merger.  
Includes whole deals.  
In-house advisers are included.  
Source: SNL Financial

which companies are still on the auction block. "A year ago, if you asked a lot of players in the industry, they would have had a lot of similarity in the top 10, and very little of that got done," he said. "I think today, the list would look a little bit more varied."

Life insurance M&A activity will remain "fairly light" in terms of the number of deals that get done, Ryan said, but the number will be an overall improvement from 2009. Deal values, however, will likely rise as market confidence has grown and some life insurers have been able to raise capital.

"I would expect to see some fairly significant transactions," Ryan said. "There's obviously been a number of high-profile companies that have indicated a willingness to sell, so I think you start to see some of those deals get done ... as pricing expectations are starting to come in line."

For insurance underwriter deals, [UBS Investment Bank](#) topped the list for greatest deal value in 2009, with four total deal credits with a value calculated by SNL of \$5.04 billion. Although UBS did not advise on any deals announced in the fourth quarter, the company earned credit for some of the larger deals of 2009, including serving as an adviser to [PartnerRe Ltd.](#) on its [acquisition of PARIS RE Holdings Ltd.](#) and serving as sole adviser to [Zurich Financial Services Ltd](#) on its [acquisition of American International Group Inc.](#)'s personal lines auto insurance business.

Bank of America Merrill Lynch was credited with six deals in 2009 with a total deal value of about \$3.81 billion. In the fourth quarter, the company advised [GMAC Inc.](#) on the [sale](#) of its P&C insurance business to [American Capital Acquisition Corp.](#) Among other deals for 2009, [Banc of America Securities LLC](#) advised AIG on its auto insurance deal with Zurich.

[Merger & Acquisition Services Inc.](#) also earned six deal credits during the year for a total deal value calculated by SNL of \$120.6 million.

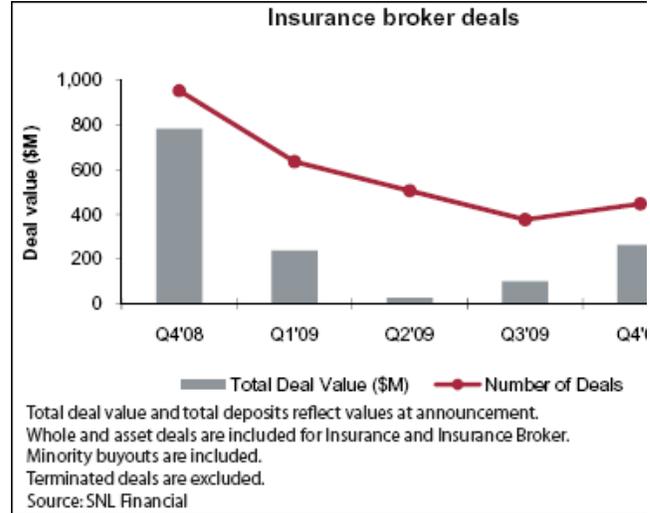
[J.P. Morgan Securities Inc.](#) was credited with five deals for the year with a total deal value of approximately \$2.63 billion. In the fourth quarter, the company advised [The Hartford Financial Services Group Inc.](#) on the [sale](#) of shares in Rio de Janeiro-based Icatu Hartford Seguros SA by one of its other units.

[Morgan Stanley](#) received credit for four deals in 2009 with a total deal value of approximately \$4.68 billion. It advised AIG on its [sale](#) of Taiwan-based [Nan Shan Life Insurance Co. Ltd.](#) to an investor consortium. That deal had an announced value of approximately \$2.15 billion.

### Insurance broker financial adviser rankings 2009 Year-end

2009Y rank	2008Y rank	Firm	Number of deals	Total deal value (\$M)
<b>Ranked by deal value</b>				
1	9	Macquarie Capital (USA) Inc.*	11	199.4
2	NR	Hines Associates Ltd.	1	42.5
2	NR	Lexicon Partners Ltd.*	2	42.5
4	8	Marsh Berry & Co. Inc.*	19	25.4
5	NR	StoneRidge Advisors LLC*	2	5.0
6	5	Hales & Co. Inc.*	14	3.3
7	4	Mystic Capital Advisors Group LLC*	10	2.9
<b>Ranked by number of deals</b>				
1	1	Marsh Berry & Co. Inc.*	19	25.4
2	2	Hales & Co. Inc.*	14	3.3
3	5	Macquarie Capital (USA) Inc.*	11	199.4
4	4	Mystic Capital Advisors Group LLC*	10	2.9
5	3	Reagan Consulting Inc.*	7	NA
6	NR	RSM McGladrey Inc.*	3	NA
6	18	Sica Consultants Inc.*	3	NA
8	6	Bank of America Merrill Lynch*	2	NA
8	NR	Lexicon Partners Ltd.*	2	42.5
8	18	StoneRidge Advisors LLC*	2	5.0

\* Deal value for at least one deal is not available.  
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Includes whole deals.  
In-house advisers are included.  
Source: SNL Financial



The number of insurance broker deals dropped sharply year over year, with an aggregate of 38 deals with a total value of \$262.1 million for the fourth quarter of 2009, compared to 81 deals with a total value of \$783.8 million in the fourth quarter of 2008, according to SNL data.

David Bradford, an executive vice president with Advisen Ltd., told SNL that the economic conditions of 2009 have significantly slowed the pace of insurance broker M&A, but the most significant developments came at the end of the year, when [Marsh &](#)

[McLennan Cos. Inc.](#) and [Aon Corp.](#) both made acquisitions. Marsh in particular, looking to grow Marsh & McLennan Agency LLC and develop that unit's presence, [began](#) the process of acquiring smaller brokerages and agencies in the middle-market area.

"Even though there's just a couple of deals done, I think it's the beginning of something that is going to play out in a very interesting way in 2010," he said.

Smaller brokers have been under increased stress because of the soft pricing cycle and the recession, which reduced the amount of insurance being purchased, Bradford said. As a result, companies are under increasing revenue pressure, which could present a favorable situation for brokers looking to make acquisitions.

"We're predicting that the pace of acquisitions is going to pick up pretty substantially in 2010, and the fact that Marsh is out in the market now looking for the same sort of companies that the second tier of brokers have traditionally targeted, I think it's going to raise the pressure on the middle tier to be aggressive in their acquisition strategies as well," he said.

For insurance broker M&A deals, [Macquarie Capital \(USA\) Inc.](#) earned credit for 11 deals with a total deal value of \$199.4 million. In the fourth quarter, Macquarie advised [Allied North America](#) on its [sale](#) to Aon.

[Marsh Berry & Co. Inc.](#) earned credit for 19 deals in 2009, the most for insurance broker advisers during the year. Marsh Berry's deals had a total value of \$25.4 million for 2009.

[Hales & Co. Inc.](#) earned credit for 14 broker deals in 2009 with a total deal value of \$3.3 million. Hales advised [NIA Group LLC](#) on its [sale](#) to Marsh & McLennan Agency LLC as the latter began a [much anticipated](#) expansion through acquisitions.

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