SNL Insurance M&A™

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Shop around

AIG seeks buyer for 3 shell companies

American International Group Inc. is shopping three shell insurance companies associated with the former American General Corp. as part of its broader program of asset sales.

Merger & Acquisition Services Inc. said Oct. 27 that it has been retained by AIG to assist in what it describes as a "time sensitive" process. The deadline for bids is 5 p.m. ET on Nov. 13, and AIG is seeking a "qualified buyer" that could move quickly through the due diligence and regulatory approval phases of a transaction. Given the short time frame, AIG is said to have

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Lucky duck

'Bird in the hand' puts deals on hold for Aflac

Aflac Inc. was forced to launch an advertising campaign in Japan to dispel rumors of affiliation with troubled insurance giant American International Group Inc., even though reports had surfaced of Aflac's interest in acquiring one of AIG's units.

Aflac Chairman and CEO Daniel Amos said during an Oct. 24 earnings conference call that the company received more than 1,200 phone calls demanding to know if the companies were related, and began a media blitz designed to promote Aflac's financial strength.

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Top deal

ProAssurance to acquire niche med-mal carrier through sponsored demutualization

Birmingham, Ala.-based ProAssurance Corp. said Oct. 28 that it would acquire PICA Group, a collection of companies specializing in underwriting professional liability risks for podiatrists, by way of a sponsored demutualization valued by SNL at $135 million.

PICA Group includes Brentwood, Tenn.-based and Illinois-domiciled Podiatry Insurance Co. of America and PACO Assurance Co., which primarily writes professional liability risk for chiropractors and errors-and-omissions professional liability

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Security blanket?

TARP could invigorate life M&A market

With the rumored extension of the Troubled Asset Relief Program to insurers, observers have begun to speculate on the potential M&A transactions that could be spurred by the move.

Even though the U.S. Treasury Department has made no formal announcement, buzz is building for the measure, particularly as it relates to the life and health sector. Sterne Agee analyst John Nadel told SNL that executives have had "more than preliminary discussions" with government officials about extending the program to life insurers.

As with banks, some industry observers believe such funds, if made available to insurers, could then be put toward acquisitions. Rivals picking up parts of American International Group Inc. has been a popular topic of conversation, forming the subject of an Oct. 24 note from Credit Suisse analyst Thomas Gallagher.

He pointed to MetLife Inc. as one such potential buyer, highlighting that the insurer might already be eligible for the capital, as its holding company is registered as a bank holding company. And even prior to the TARP speculation, analysts had begun to ponder whether MetLife might put the proceeds from its announced 75 million share offering toward M&A opportunities, such as the purchase of AIG units.

Nadel believes the TARP funds might even be extended to insurers on the condition that they buy AIG assets on the block. But if deals are to occur, extending the TARP is critical, he said, as no insurance company will buy assets, including those of AIG, without a significant incentive.

"Frankly, I don't think we'd see anybody buy without [TARP]," he said.

Nadel said that approximately a month ago, many life insurers had expressed interest in M&A, but that was before their stock prices declined by about 30% to 40%. The sagging

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priced the companies "very attractively," and it or an affiliate will provide a 100% indemnification on all business and liabilities. AIG paid more than $23 billion to acquire American General in 2001.

The companies being offered for sale are as follows:

* Schaumburg, Ill.-based American General Indemnity Co., previously a writer of credit insurance and related coverages as marketed through banks, automobile dealers and other creditor institutions. In 2006, the company stopped writing guaranteed asset protection, collateral protection and involuntary unemployment insurance policies, and it effectively exited the credit insurance business through a 100% indemnity coinsurance agreement with AEGON NV unit Stonebridge Casualty Insurance Co., according to its annual statement for 2007 as filed with the NAIC. On a statutory basis, the company reported net admitted assets of $50.3 million and policyholders' surplus of $41 million as of June 30. It is licensed to write business in 44 states, the District of Columbia, and Puerto Rico, according to SNL data.

* Nashville, Tenn.-based American General Property Insurance Co., formerly a writer of fire and allied lines coverage through the agents of American General Life & Accident (AGLA). According to its annual statement for 2007, the company discontinued sales of new business and nonrenewed certain unprofitable residential fire coverage in June 2000. It began nonrenewal of most of the rest of its existing business in most states beginning in January 2007, and it had 193 policies remaining in force at year's end, most of which were expected to nonrenew in 2008. The company had net admitted assets of $55 million and policyholders' surplus of $41.3 million as of June 30. It is licensed to conduct business in 43 states as well as the District of Columbia.

* Nashville, Tenn.-based American General Property Insurance Co. of Florida, formerly a writer of basic-needs fire insurance products for Florida-based agents of AGLA. According to its annual statement for 2007, the company was placed in run-off in late 1993. It operates only in the state of Florida and ceased writing any new business in June 2000. As of year-end 2007, it had about 550 policies remaining in force, the vast majority of which were expected to nonrenew over the course of 2008. The company reported net admitted assets of $12.6 million and policyholders' surplus of $12.2 million as of June 30. In addition to Florida, the company is licensed to conduct business in six states.

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trading values not only reduce their cutting their currency for acquisitions, but make it more difficult for executives to prove to investors that any proposed acquisition will be accretive immediately.

"There are companies that would like to take advantage of the current environment to do smart, very financially attractive transactions, but that is very hard to do when you are trading sub book," he said.

Therefore, most executives are focusing on restoring confidence in their liquidity and capital rather than taking an offensive approach and seeking acquisitions, according to Nadel.

Meanwhile, details on the potential TARP extension are fleeting. Goldman Sachs analyst Thomas Cholnoky upgraded Prudential Financial Inc. to "neutral" from "conviction sell," in part because of the ambiguity surrounding exactly how the program will be applied to insurers. In an Oct. 27 report, he cited Federal Reserve actions and management's opportunity to be "constructive" on its third-quarter earnings call as other potential benefits providing near-term relief. He cautioned, however, that a failure of the Treasury Department to provide "meaningful" access to the plan could prompt Prudential to embark on a capital raise.

Exactly which types of institutions might be interested, or eligible, is also up in the air. The American Insurance Association said Oct. 27 that the majority of its property and casualty members did not support inclusion of P&C companies in the capital purchase program, and a report from the same day in London's The Times indicated British insurers would not be privy to the bailout plan.

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