




*American Council  
of Life Insurers*

# Creating Connections

## Seizing Opportunities

ACLI Annual Conference 2018



# Insurance M&A: Accelerating Growth, Jump-Starting Innovation and the Importance of Non-Traditional Players

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# What Have We Seen in the Last Year?

- 2017: lowest number of deals since 2010
  - But increase in total value of deals over 2016
- 2018: few blockbusters but steady activity
  - More of the same—fewer deals but increased value
- Industry Trends Continue to Drive Activity
  - Macroeconomic Environment
  - Regulatory Environment
  - Tax Reform
  - Foreign Investment
  - Technology
  - Public offerings
  - Carve-outs

# Deal Drivers: What are the catalysts?

- US Tax Reform

- Reduction of the Corporate Rate
- Encouragement of Repatriation of Cash from Overseas Operations
- Other Changes Benefiting both US and Foreign-Parented Groups

- Insurance Tax Provisions

- Changes to NOL Carryback and Carryforward Rules
- Retention of the Life/Non-Life Subgroup Rules
- Changes in Interest Deduction Rules at the Consolidated Level
- Calculations of Life Reserves
- Deferred Policy Acquisition Costs
- Reduction in Dividends Received Deduction

# Deal Drivers: What are the Catalysts?

- Regulatory Policy Changes

- New Criteria for Systemically Important
  - Activity Based
- Fiduciary Rule Developments
  - What happened?
  - What's next?
- Lessening Federal Focus?
- State Law Changes
  - Increased Scrutiny
  - Split Block Statutes

- Valuations

- What's the Current State of the Market?
- Interest Rate Movements
- Effects on Sellers
- Effects on Buyers
- Public versus Private



# Deal Drivers: What are the Catalysts?

- Divesting of Non-Core Assets/Businesses
- Continued Need for Consolidation
- More Run-Off Deals to Come?
- What About Foreign Buyers?
  - Asia?
  - Europe?
  - Other?

# Types of Buyers Have Expanded

- Private Equity Buyers Persist
- Sovereign Wealth Funds
- Pension Funds
- Closed-Block Specialists
- Special Purpose Acquisition Companies
- How do these new players disrupt the market
  - What challenges do they present?
  - What opportunities do they provide?

# InsurTech Is Here to Stay!

- What Does the InsurTech landscape look like?
- Impacts upon:
  - Product Development
  - Underwriting
  - Administration
  - Distribution
- Should you:
  - Buy?
  - Build?
  - Invest?
  - Collaborate?



# What's Next?

- Panelists Predicting the Future



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