
BREXIT, POLITICAL UNCERTAINTY TO CURB EUROPEAN INSURANCE M&A: RATINGS AGENCY

-

10.04.2017

Reuters (9 April 2017)

Brexit and political uncertainty in Europe are likely to depress merger activity among European insurers this year, after a steep decline in deals in 2016, ratings agency AM Best said on Monday.

Mergers in Europe involving an insurer on at least one side of the deal totaled around \$5 billion last year, down 72 percent from 2015 and 76 percent from 2014, AM Best said.

Negative interest rates in some European countries in 2016 reflected an uncertain economic outlook, which the agency said stifled deals, as prospects for merged firms were unclear.

In addition, a fall in the pound following Britain's vote to leave the EU was not enough to make UK insurers cheaper for overseas buyers, as British stock market values rose.

"What with Brexit and the political uncertainties on the map, it doesn't feel that we are going to hit the peaks of 2014 and 2015 (in 2017)," Anthony Silverman, senior financial analyst at AM Best and author of the report, said.

Europe faces elections in France and Germany this year, while Britain has triggered Article 50 of the EU's Lisbon Treaty, starting the two-year countdown to Brexit.

Last year's biggest European insurance deal was Dutch-based NN Group's (NN.AS) takeover of Delta Lloyd (DDF.AS) in a \$2.5 billion transaction.

The largest deal of the last five years was British insurer Aviva's (AV.L) \$8.8 billion purchase of rival Friends Life in 2014, data from AM Best showed.

Asian stocks struggle, dollar shines as geopolitical risks grow
China offers concessions to avert trade war with U.S.: FT

British firms Standard Life (SL.L) and Aberdeen Asset Management (ADN.L) said last month they are planning to merge in an 11 billion pound (\$13.7 billion) deal.

Mergers between two firms in the same European country are likely to become less common having made up a quarter of the \$64 billion in insurance deals tracked by AM Best from 2012 to 2016.

"The scope for large transactions within a European country is likely to eventually become limited by competition considerations," the agency said.

(Reporting by Carolyn Cohn; Editing by David Holmes)

Kaynak/Source: