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Mergers and Acquisitions Development in Asia

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Mergers and Acquisitions At a Glance

Recent Mergers and Acquisitions

2009			
Country	Purchaser	Vendor	Amount (USD)
Hong Kong	China Insurance	The Ming An (Holdings)	233 million
Indonesia	Sun Life Financial	PT Commerce International	22.5 million
Taiwan	China Life	Prudential	0.03

2008			
Country	Purchaser	Vendor	Amount (USD)
Malaysia	IAG	AmG Insurance	41 million
Malaysia	Friends Provident	IAG (AmLife Insurance)	49 million
Malaysia	AmG Insurance	MAA (General)	84 million
Taiwan	Fubon Financial Holding	ING	600 million
Australia	QBE Insurance Group Ltd	PMI Group, Inc.	920 million
Malaysia	Tokio Marine Insurance Malaysia	PanGlobal	4 million

Recent Mergers and Acquisitions

2007			
Country	Purchaser	Vendor	Amount (USD)
Malaysia	Allianz	Commerce Assurance Bhd	141 million
Malaysia	Aviva	Commerce Life Assurance and Commerce Takaful	144 million
Indonesia	Kurnia Asia	Asuransi Aegis Indonesia PT	5 million

2006 and before			
Country	Purchaser	Vendor	Amount (USD)
Malaysia	Mitsui Sumitomo	Aviva	N/A
Vietnam	QBE Insurance Group Ltd	Allianz Vietnam	N/A
Malaysia	Maybank	Takaful Nasional and MNI	N/A
Indonesia	Syarikat Takaful Malaysia	PT Syarikat Takaful Indonesia	N/A

Rationalities of Mergers and Acquisitions in the Insurance Industry

Increase market share

Break into new market

Increase capital

Rationalisation of capital

Expertise of other company

Regulatory issues

Increase Market Share
– Break into New Market

Increase Market Share – Break into New Market

Date	March 2009
Purchaser	Sun Life Financial Indonesia
Vendor	CIMB Group / PT Commerce International
Amount	USD 22.5 million
Country	Indonesia

Leading international financial services company known primarily as life insurance company.

CIMB Group is the second largest financial service provider in M'sia. Products and services include investment and consumer banking, treasury, insurance and asset management.

- An agreement has been made between CIMB Group and Sun Life Financial Indonesia to form a joint venture in Indonesia. Sun Life Financial will acquire a 49% stake in CIMB's PT Commerce International in Indonesia. The new venture will be called CIMB Sun Life.
- Rationale;
 - Break into Indonesia's untapped market by making full use of banca distribution channel & CIMB Niaga customers. CIMB Niaga is a merge of Bank Niaga and Bank Lippo in Indonesia.
 - Share commitment to increase capital of CIMB Sun Life.
 - Leverage of Sun Life's expertise in insurance and infrastructure and CIMB's expertise in treasury capabilities and distribution network.

Source: www.cimb.com

Increase Market Share – Break into New Market

Date	March 2007
Purchaser	Kurnia Asia Berhad
Vendor	Asuransi Aegis Indonesia PT
Amount	USD 4.698 million
Country	Indonesia

Holding company which wholly owns Kurnia Insurans Malaysia Berhad - the largest general insurer in Malaysia.

An insurance company, from Aegis Holdings Ltd, Arthajasa Sekawan PT, Megatama Tatabersama PT and Millenium Utama PT.

- Kurnia Asia acquired an an aggregate of 12 million shares of Rp1,000 each in Asuransi Aegis.
- This transaction represents 80% equity interest in Asuransi Aegis.

Source: www.kurnia.listedcompany.com, www.kurnia.com, www.alacrastore.com

Increase Market Share – Break into New Market

Date	January 2006
Purchaser	QBE Insurance Group Ltd
Vendor	Allianz Vietnam
Amount	Not Available
Country	Vietnam

Australia's largest international general insurance and reinsurance provider.

A subsidiary of Allianz Group in Vietnam. Allianz Group is one of the leading global services providers in insurance, asset management and banking.

- QBE Insurance Group Ltd acquired an 85% interest in Allianz Vietnam.
- After the acquisition, the company's name will be QBE Vietnam.
- Rationale:
 - Allow QBE to extend product and activities in Vietnam.
 - To provide technical and reinsurance support

Source: www.qbelmi.com.au, www.alcastore.com, www.allianz.com

Increase Market Share – Break into New Market

Date	June 2001
Purchaser	Syarikat Takaful Malaysia
Vendor	PT Syarikat Takaful Indonesia
Amount	Not Available
Country	Indonesia

The first and largest Takaful operator in Malaysia

A takaful company in Indonesia which involves in family and general businesses.

- STMB acquired 56% stake in STI. STI is the holding company for PT Asuransi Takaful Umum (provides general Takaful) and PT Asuransi Takaful Keluarga (provides life Takaful)
- Rationale:
 - Enable the Takaful Malaysia to lend expertise to develop Takaful market in Indonesia.

Source: www.takaful-malaysia.com, www.takaful.com

Increase Market Share
– Increase Capital

Increase Market Share – Increase Capital

Date	May 2009
Purchaser	China Insurance International Holding (CIIH)
Vendor	Ming An (Holdings) Co. Ltd
Amount	USD 233 million
Country	Hong Kong

Mainly engaged in investment and other businesses (insurance, asset management, & reinsurance brokerage) operated by its subsidiaries

Insurance company based in HK. Provides general insurance and reinsurance in HK and China.

- CIIH increased its stake in Ming An to 51.34% from 3.54% previously. The 47.8% is acquired from China Insurance HK (Holdings) Co. Ltd (CIIH's parent company)
- Rationale;
 - Increase Ming An's liquidity and CIIH's solvency
 - Enhanced scale and focus through the combination of businesses
 - Significant cost savings and potential to drive additional revenue across platforms
 - Benefit from increased capital management efficiency and greater capital markets presence

Source: www.ciih.com, www.tradingmarkets.com

Increase Market Share – Increase Capital

Date	February 2009
Purchaser	China Life
Vendor	Prudential
Amount	NT\$1 / USD0.03
Country	Taiwan

A life insurance company in Taiwan. Currently ranked fourth and is one of the fastest growing insurers in Taiwan. Not related to mainland China.

Prudential has operations in the US, Europe, Asia and Latin America. Ranked fourth on Fortune World's Most Admired Companies List

- Prudential transferred 94% of its inforce agency business in Taiwan (inclusive of its legacy interest rate guaranteed products). The bancassurance and telemarketing business are kept in Prudential.
- Prudential invests £45million for a 9.95% stake in China Life through a share replacement.
- Vendor's rationale:
 - Allows Prudential to strengthen its capital position, improve its embedded value.
 - Allows Prudential to focus on growing its bank distribution channel and asset management business.

Source: www.prudential.co.uk

Increase Market Share – Increase Capital

Date	October 2008
Purchaser	Fubon Financial Holding
Vendor	ING
Amount	USD 600 mil
Country	Taiwan

The third largest financial services company in Taiwan with strong positions in banking, life and general insurance, asset management and securities business.

A global financial services company providing banking, investments, life insurance and retirement services.

- ING sold its Taiwanese life insurance business to Fubon Financial Holding and will be paid in shares and subordinated debt securities of Fubon Financial Holding.
- Upon closing of the transaction ING will be a 5% shareholder of Fubon Financial Holding,
- Rationale:
 - Allow ING to actively manage its portfolio of businesses by allocating capital to those businesses that generate the highest return.

Source: www.ing.com

Increase Market Share – Increase Capital

Date	August 2008
Purchaser	QBE Insurance Group Ltd.
Vendor	PMI Group, Inc.
Amount	USD 920 million
Country	Australia

Australia's largest international general insurance and reinsurance provider.

Provides innovative credit, capital, and risk transfer solutions. Has operations in Asia, Australia and New Zealand, Europe, and the United States.

- 80% of the transaction amount was paid in cash while the other 20% was in promissory notes.
- PMI and QBE have also reached an agreement in principle for the sale of PMI Asia, based in Hong Kong.
- Rationale:
 - This transaction will enhance PMI's overall liquidity and support opportunities for its U.S. mortgage insurance operations.

Source: www.qbelmi.com.au

Increase Market Share – Increase Capital

Date	August 2008
Purchaser	Tokio Marine Insurance Malaysia
Vendor	PanGlobal Insurance Berhad
Amount	USD 4.3 mil
Country	Malaysia

One of the major insurance players in Malaysian general insurance market

An investment holding company with diversified businesses in natural resources, energy, property and hotel suites.

- PanGlobal entered into a business portfolio transfer agreement with Tokio Marine to dispose of and transfer its general insurance business comprising the transfer of Sale Assets and Sale Liabilities
- This transaction was effective on 1st February 2009
- Rationale:
 - PanGlobal Berhad (PGB) Group is no longer involved in general insurance.
 - The sell allows PGB to focus on the coal-mining and timber concession activities and properties
 - The proceeds enable PGB to strengthen the company's financial position

Source: www.panglobal.com, www.tokiomarine.com.my

Rationalisation of Capital

- Expertise of Other Company

Rationalisation of Capital – Expertise of Other Company

Date	November 2008
Purchaser	Friends Provident
Vendor	IAG (AmLife Insurance)
Amount	USD 48.9 mil
Country	Malaysia

A UK listed company specializes in savings, investment and pension products. Markets include Hong Kong, UAE and Germany.

Insurance Australia Group (IAG) is an international general insurance provider with presence in Australia, the UK, New Zealand and Asia.

- IAG disposed off its 30% holding in AmLife to Friends Provident.
- AmAssurance is the life and general insurance joint venture of AMMB Holdings and IAG. AmLife comprises of life assurance operations of AmAssurance. The general insurance will be transferred to a separate entity, in which IAG also hold a stake.
- Rationale:
 - Share Friends Provident's expertise in product development, technology and potentially pensions.

Source: www.iag.com.au, www.friends Provident.com

Rationalisation of Capital – Expertise of Other Company

Date	August 2007
Purchaser	Allianz Malaysia Berhad
Vendor	Commerce Assurance
Amount	USD 140.9 mil
Country	Malaysia

An investment holding company for both general and life insurance entities in Malaysia

Formerly known as Ami Insurans Berhad. It provides personal and business insurance products in Malaysia

- Acquisition by Allianz representing 100% of the equity interest in Commerce Assurance
- Rationale:
 - Allianz is CIMB Bank's (Commerce Assurance sister's company) preferred provider of general insurance products as they are familiar with the local market and have the global expertise and know-how to provide the right salutation to their customers.
 - To create a formidable partnership and enhance potential cross-selling opportunities.

Source: www.allianz.com, www.biz.thestar.com, www.investing.businessweek.com

Rationalisation of Capital – Expertise of Other Company

Date	June 2007
Purchaser	Aviva
Vendor	Commerce Life and Takaful
Amount	USD 143.8 mil
Country	Malaysia

The world's fifth largest insurance group and the biggest in United Kingdom.

A subsidiary of the CIMB Group – Malaysia's second largest financial services provider, and fifth largest in Southeast Asia by total assets.

- Aviva acquired 49% stake in Commerce Life Assurance Bhd. (now known as CIMB Aviva Assurance Bhd.) and Commerce Takaful Berhad (now known as CIMB Aviva Takaful Bhd.)
- Rationale:
 - In line with seller's decision to strengthen insurance product range, services, as well as to focus on the company's major strength.
 - Accelerate seller's growth as a leading life insurance and takaful provider in Malaysia.

Source: www.aviva.com, www.biz.thestar.com, www.cimb.com

Rationalisation of Capital – Expertise of Other Company

Date	July 2006
Purchaser	Mitsui Sumitomo
Vendor	Aviva
Amount	Not Available
Country	Malaysia

A general insurance subsidiary of Mitsui Sumitomo Insurance in Japan with operations in 40 countries.

The world's fifth largest insurance group and the biggest in United Kingdom.

- Mitsui Sumitomo Insurance (Malaysia) Bhd merged with Aviva Insurance Berhad.
- The merged entity adopted MSIG as the new brand name.
- Rationale:
 - A stronger company, leveraging on the strengths of both companies, backed by over 100 years of general insurance experience in Malaysia.
 - To serve a more diverse category of customers.

Source: www.msg.com.my, www.aviva.com

Rationalisation of Capital – Expertise of Other Company

Date	December 2005
Purchaser	Maybank Group
Vendor	MNI and TN
Amount	Not Available
Country	Malaysia

The largest financial services group in Malaysia. Its services include commercial banking, Islamic banking and insurance.

MNI was the largest Malaysian composite insurer offering both general and life insurance. They hold an 80% share of Takaful Nasional - principally involved in takaful insurance, under the syariah principles.

- Malaysia National Insurance (MNI) and Takaful Nasional Sdn bhd. (TN) became part of the Maybank Group. 74.24% stake in MNI Holdings Berhad was purchased by Mayban Fortis.
- The companies have been rebranded and are now known as Etiqa Insurance Berhad (selling conventional insurance) and Etiqa Takaful Berhad (selling Shariah-compliant insurance product).

Source: www.maybank2u.com.my/corporate/press_release, www.siva-my.jobstreet.com/_profile/previewProfile.asp?advertiser_id=4714

Rationalisation of Capital – Regulatory Issues

Rationalisation of Capital – Regulatory Issues

Date	November 2008
Purchaser	IAG
Vendor	AmG
Amount	USD 40.6 mil
Country	Malaysia

Insurance Australia Group (IAG) is an international general insurance provider with presence in Australia, the UK, New Zealand and Asia.

AmG is the general insurance arm of AmBank Group in Malaysia.

- IAG disposed off its 30% holding in AmLife to Friends provident (as per slide 17) and increased its share in AmGeneral from 30% to 49%.
- Rationale:
 - Due to the RBC implementation in Malaysia, IAG did not want to be involved in the life business of AmAssurance.

Source: www.actuaries.com.my

Rationalisation of Capital – Regulatory Issues

Date	November 2008
Purchaser	AmG
Vendor	MAA (General)
Amount	USD 83.7 mil
Country	Malaysia

AmG is the general insurance arm of AmBank Group in Malaysia. Joint venture with IAG of Australia.

The general insurance arm of MAA Holdings Bhd.

- AmGeneral acquired the general insurance unit of MAA Holdings Bhd. and a 4.9% stake in MAA Takaful (takaful unit of MAAH)
- Rationale:
 - AmGeneral acquired for the general insurance arm of MAA for size purposes.
 - Allows Am to tap into the takaful market as Am does not own a Takaful license
 - Pressure from the regulator for MAA to increase its capital to comply with RBC.

Source: www.maa.com.my

Conclusion

- Growing an insurance business from “scratch” can be a painful experience with years of expense overruns which will not be recoverable. The key to success is the right product and the right distribution.
- Regulatory changes can change your business from being one which is profitable to one which is not.
- A merger may look good on paper but management and distribution clash and any delay in execution can easily unwind a “marriage”
- Multinationals can quickly change priorities. It has analysts and shareholders to please - continuously.
- Insurance is about managing balance sheets, as the recent financial crisis has shown even “giants” can be brought to its knees due to investment volatility. Targets for acquisition may now look cheap, but capital is scarce.

Thank You

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