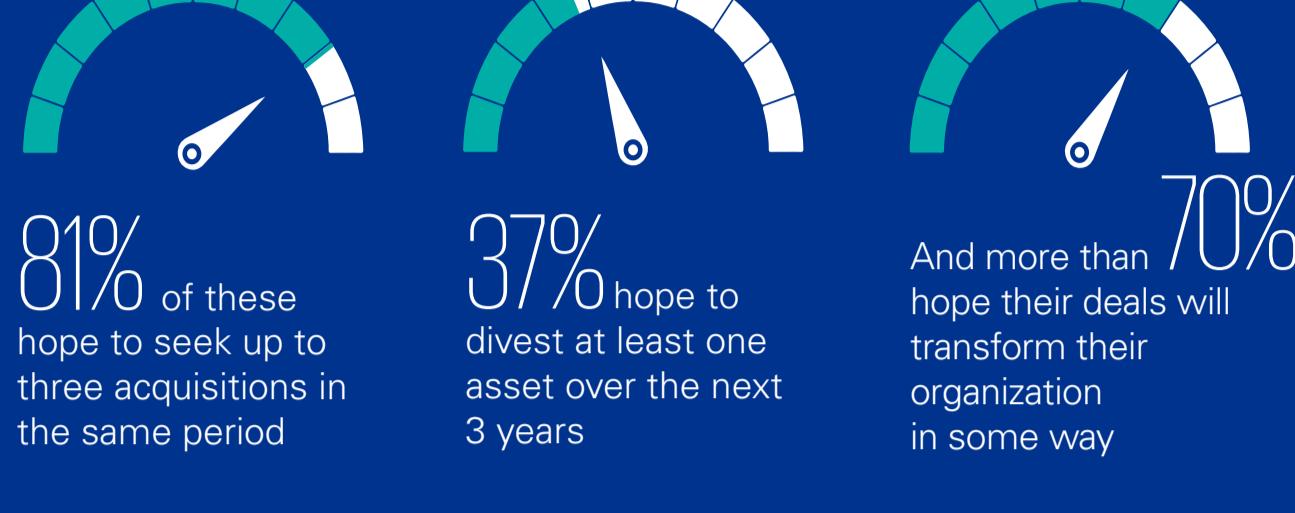


Accelerated evolution: M&A, transformation and innovation in the insurance industry

Executive summary

Insurers are looking to M&A to catalyze their transformation objectives

With capital and surplus levels at record highs across the industry, nearly **three-quarters** of insurers expect to **seek acquisition opportunities** and **two-thirds** expect to **seek partnership opportunities** over the next **3 years**

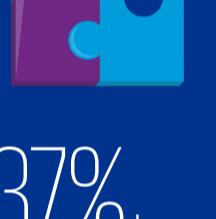


Insurers are seeking opportunities to strategically release and deploy capital globally



- Business segments and regions that may have been core in the past, may no longer be in the future
- North America is where most M&A activity is expected
- Asia is where most partnership activity is expected
- Western Europe is where most divestiture activity is expected

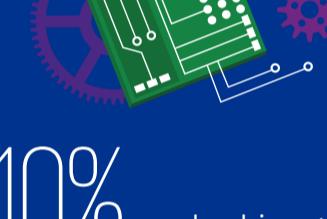
Insurers are motivated by their desire to transform and innovate for the future



37% hope to transform their business models through their acquisitions



24% want to transform their operating models through their acquisitions



10% are looking to acquire new innovation capabilities and emerging technologies

Disruption is seen more as an opportunity for growth than a threat

33 staffed and funded dedicated insurance corporate venture capital (CVC) teams operating around the world

44% are seeking partnerships and investments to transform their business model

28% seek to co-invest in emerging technologies and innovation with future potential



- Number of CVCs around the world is set to double in the next few years
- Tech-driven M&A activity has outpaced that of all global M&As over the past 5 years

Achieving deal success quickly may be challenging

Finding "**the right deal**" to achieve strategic objectives is not expected to be easy



Only 10% say they are extremely likely to find a target that is a strategic fit for their business model

Only 7% say they are extremely likely to find a target that is a strategic fit for their operating model

Internal capabilities for deal sourcing, evaluation, and execution are lagging

54% don't think their M&A teams are highly aligned to corporate strategy and innovation initiatives



72% don't think their deal sourcing objectives are highly aligned with corporate strategy



44% take a largely reactive approach to M&A market opportunities



72% rate their internal capabilities as 'moderate to low', for evaluating the strategic fit of the target's business model

Time to redefine deal success



- To realize value from their deals, insurers need to rethink their approach and their capabilities
- Develop a comprehensive framework to assess strategic fit, establish longer-term synergies and design integration plans
- Create a clear path to transformation through holistic design thinking
- Accelerate innovation by standing up an inorganic innovation engine
- Resist short-term thinking, transformation is not a '**one-and-done**' event