

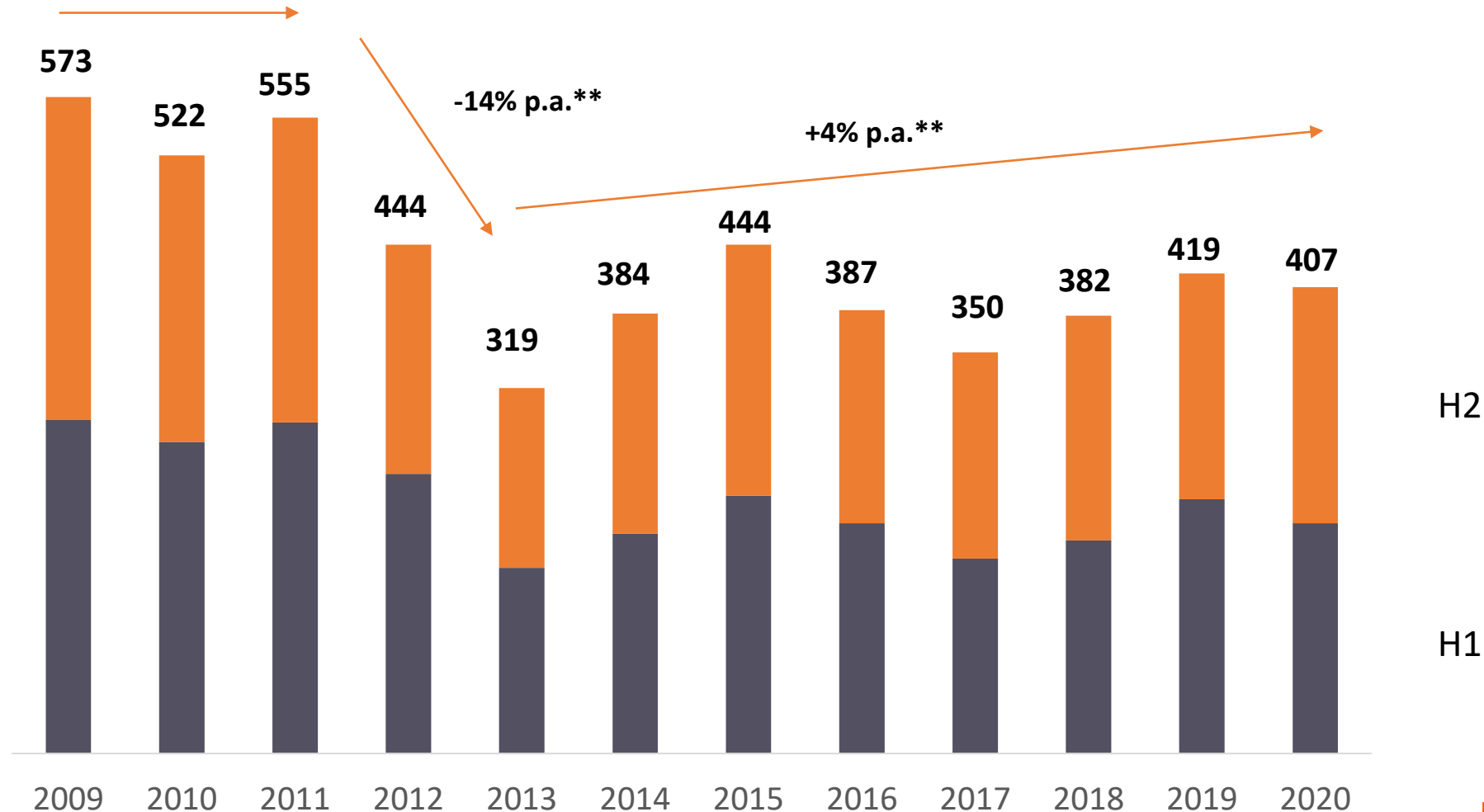
The power of technology in insurance M&A

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M&A activity is a constant feature of the insurance industry

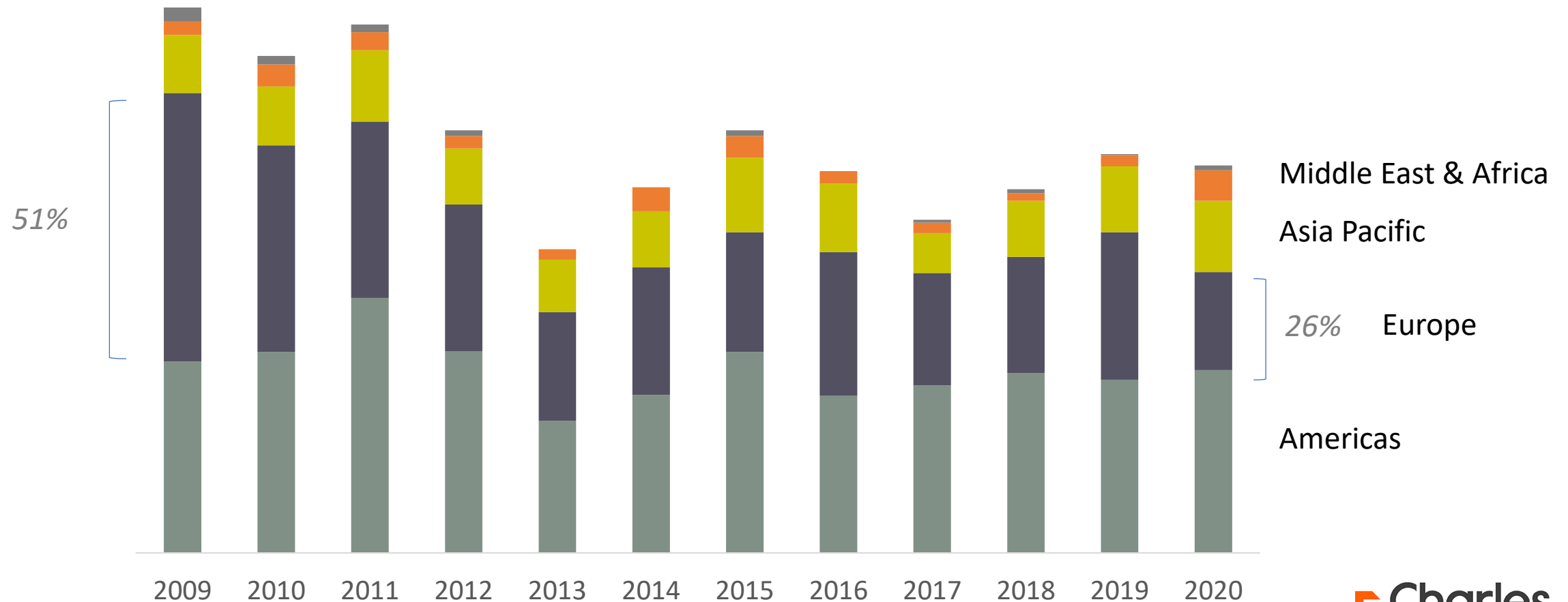
Number of insurance deals globally, 2009-20*



* Clyde & Co insurance growth report; ** CAGR

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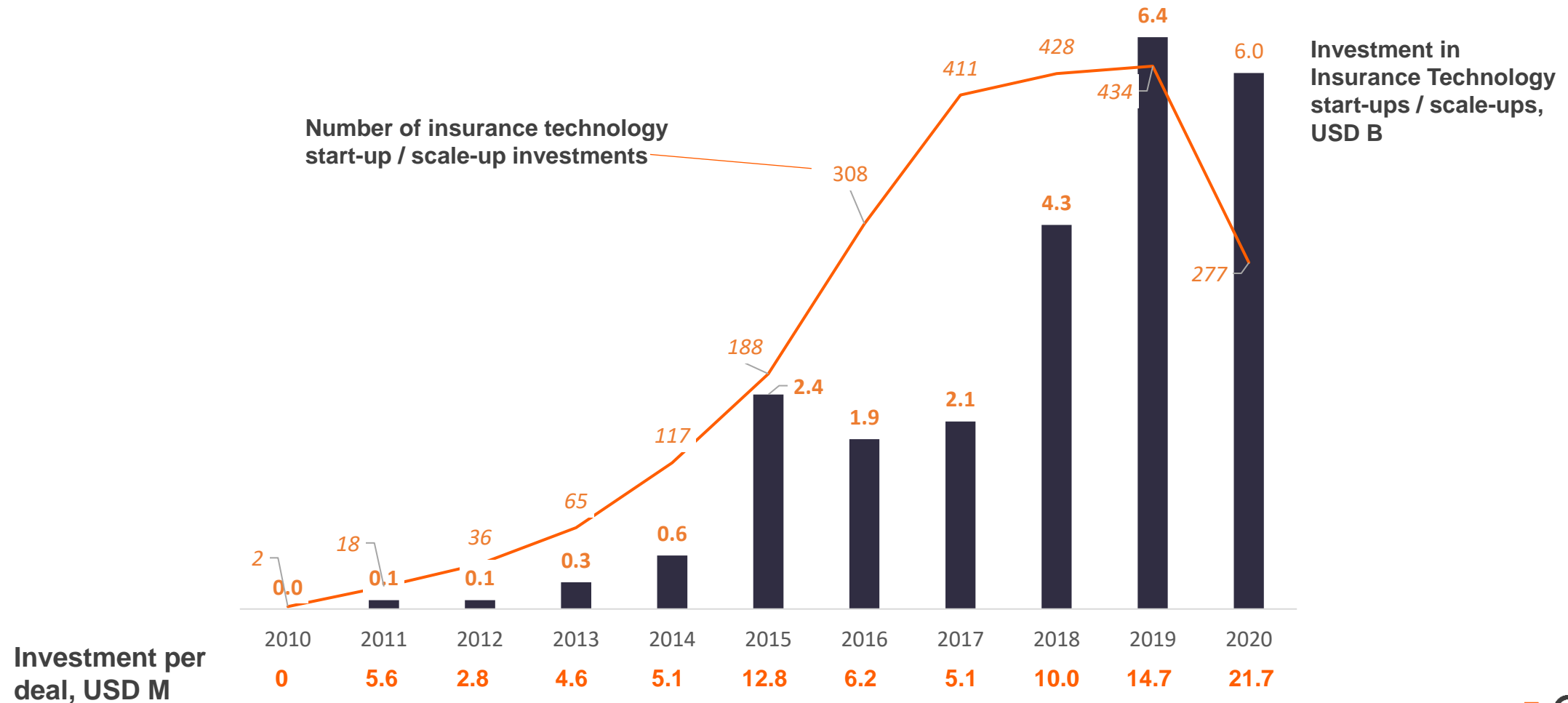


* Clyde & Co insurance growth report; 'other / N/A shown in grey

Ongoing insurance M&A is driven by macro & micro factors

- Low investment returns, abundant capital (equity and debt)
- Pressure on insurer combined ratios and cost efficiency driving search for scale
- Strategic focus on core business and operating model / technology transformation
- Challenges in achieving sustainable organic growth
- **Risks:** overpaying versus the earnings potential, cultural issues, unexpected costs (people, legal, technology)

The impact of insurance technology has grown dramatically

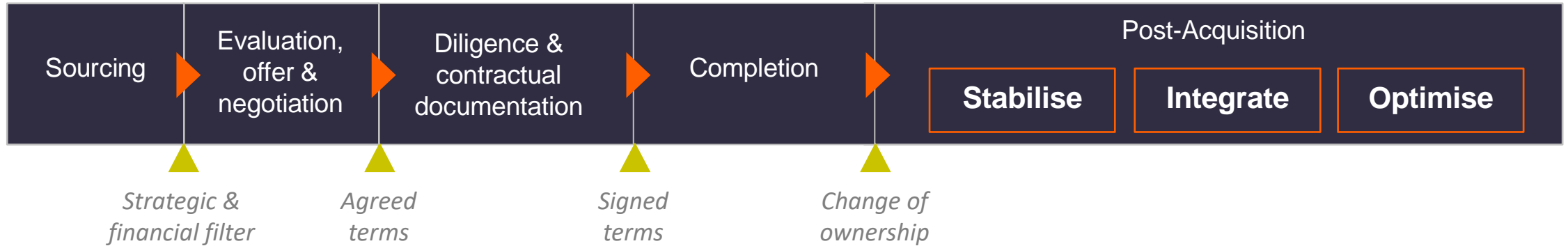


* NTT data insurtech global outlook 2021

Technology brings great benefits and some risks to insurers

- Client experience
- Speed, cost and control of processes
- Data-driven decision-making
- Productivity of people through focus on higher value-add activity
- **Risks:** information security, cost of failed technology investments

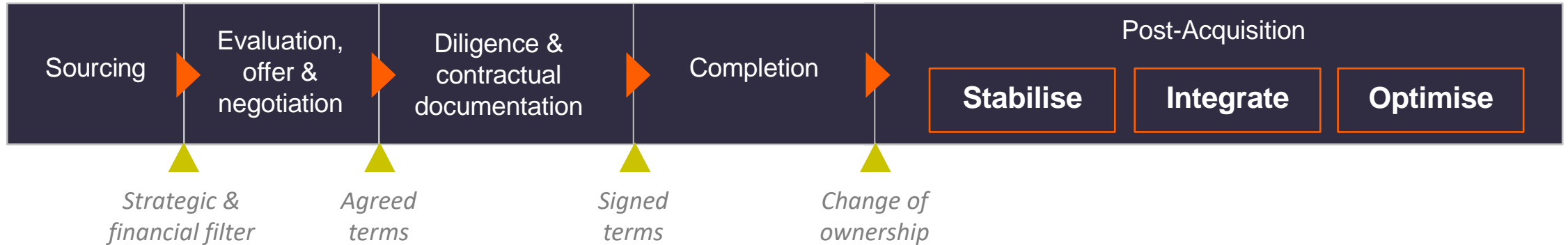
Technology is a critical component of every M&A deal



Workstreams



Technology considerations evolve during the M&A process



- Assess technology-related risks / benefits / costs; reflect in financial evaluation and terms

- Refine view of tech benefits / costs
- Assess information security risks
- Review technology stack, licensing, hardware, IP etc.
- Develop technology post-acq plan

- Close gaps in information security
- Address priority licensing, IP issues
- Secure tech team(s)

- Progress infrastructure migration
- Align team(s)
- Assess new apps; agree integration approach

- Migrate to selected apps
- Drive process & behavioural change in parallel

Buyers & sellers can prepare for a focus on technology in M&A

Buyers

- Access technology M&A and information security expertise (externally or internally)
- Define the approach to technology integration (stabilisation, integration, optimisation priorities)
- Invest in IT infrastructure / support / data capabilities / tools to enable rationalisation of acquired tech estates
- Know the target application stack for each business line – but be prepared to flex

Sellers

- Ensure (& be able to demonstrate) robust information security
- Avoid decisions or changes that an acquirer might undo
- Prepare documentation on technology architecture, hardware, applications, IP, contracts etc.
- Develop detailed view of technology capex (and ensure it's not opex in disguise)

Summary

1

M&A has been a constant feature of the insurance industry over time

2

Technological innovation is a newer, but increasingly important, business driver

3

Technology should now be a core area of focus throughout M&A processes

4

The impact of getting this right (and the risks of getting this wrong) are material

5

Buyers and sellers should prepare



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