

Actuarial Considerations in Insurance Mergers and Acquisitions: an International Perspective

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1. Introduction

The 1990s witnessed an explosion of cross-border mergers and acquisitions as companies in mature markets sought to increase their potential for growth through expansion into developing markets. This paper presents a broad overview of the actuarial considerations of insurance company transactions in developing countries, identifying both theoretical and practical issues that need to be addressed when trying to assess the potential value of a multi-national insurance transaction.

There is very little published literature on the practical considerations of international insurance mergers and acquisitions (M&A). One very fine example of local standards, to which this paper owes a great debt, is Actuarial Standards Board Actuarial Standard of Practice No. 19, "Actuarial Appraisals." This document, while neither 100 percent necessary, nor always sufficient when performing transactions outside of the United States, serves as an excellent guide to the practicing actuary.

There are innumerable non-actuarial issues that a high-level member of a transaction team will become involved in that do not fall within the scope of this paper. This is not to diminish the importance of the "softer" issues, which are often more important for executing a successful transaction than the cold, hard numbers of the actuarial valuation. Be forewarned that the myriad of issues inherent in domestic transactions are further complicated in the international arena by language, culture and even dealing with time zone differences.

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It is important to note that the opinions expressed in this paper are my own and do not necessarily reflect the views of my employer. Any errors, omissions or controversial statements are mine and mine alone.