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EDITORIAL

M&A's bigger purpose

by Robert D. Shapiro

Mergers and acquisitions (M&A) are major forces driving change in the life insurance industry. Virtually every company board and management committee agenda lists M&A as a key topic. The financial press is filled with details of life company sales, mergers, alliances, and restructurings.

Even as M&A drives life industry consolidation, it is both reflecting and influencing fundamental changes in the broader financial services industry. The relentless development of technology, enlightenment of consumers, and pressure from competitors both old and new are forcing every insurer, bank, stockbroker, and fund manager to rethink their business. As each institution clarifies its vision, it must refocus what it does, how it operates, and what it needs to succeed. This often leads to (1) divestitures of obsolete businesses, (2) acquisitions of new products, distributors, and/or capabilities, and (3) alliances and/or restructurings to enable progress.

Hence, M&A is much more than a force acting on our industry. It is a reflection and a tool of fundamental, persistent change that all life insurers, and the organizations associated with them, must understand and address. To illustrate M&A's role in the life industry's reincarnation, consider these recent groundbreaking transactions that reach beyond the many basic consolidation deals:

- The past and intended future restructurings of top mutuals, including The Equitable, MONY, Prudential, John Hancock and Metropolitan Life
- The recent sale of leading stock-based U.S. insurers to even larger global entities, such as First Colony (to GE), SunAmerica (to AIG), and Equitable of Iowa (to ING)
- Cross industry transactions such as Citicorp/Travelers and NML/Russell
- Lincoln National's divestiture of its health and property-casualty businesses and its acquisitions of Cigna's and Aetna's life businesses
- The reshaping of all major industry segments including health care (e.g., the acquisition of Healthsource by Cigna Healthcare), reinsurance (e.g., the acquisition of General Re by Berkshire Hathaway), service (e.g., the acquisition of NDP by Fiserv), and distribution (e.g., the acquisition of TUG by Bysis)

This issue of *The Actuary* examines this M&A phenomenon in greater depth, featuring articles by Charles Carroll ("Health insurance: a balanced market with twists and turns") and Peter Mattingly ("Seven habits: Highly successful buyers and sellers follow these rules ") and, in the cover story ("'Biggest by a mile'") interviews with Larry Mayewski of A.M. Best and Terry Lennon and Salim Manzar of MetLife. The message that emerges is clear: M&A is having a profound impact on customers, agents, managers, regulators, and other stakeholders, creating permanent change in long-term industry dynamics.

What does all of this mean to actuaries? Many of us work as (or aspire to be) managers or advisors to insurance companies, health care organizations, or related industries. As such, we often have critical roles in defining and implementing M&A transactions.

As we provide guidance in merger situations, we have a window into possible changing roles and opportunities for actuaries. Many of *The Actuary's* readers have experiences in providing such guidance, and the insights gained can be helpful to others. We hope you will share these experiences with us in future issues of *The Actuary*.

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