
Bancassurance: Overpriced Fad or Here to Stay?

13 January 2017

Bancassurance has Been an Active Theme Across Asia

Citi sells insurance distribution rights to AIA

By Alison Tudor-Ackroyd
20 December 2013
Keywords: insurance | fg | acquisitions | asia | citigroup | aia



AIA's CEO Mark Tucker (left) shakes hands

Citi has agreed to sell the right to distribute insurance products through its branch network to Hong Kong-headquartered AIA Group in 11 markets across the Asia-Pacific region, it said Thursday.

AIA paid Citi an upfront fee of over \$1 billion for the distribution rights and the US bank is likely to garner billions of dollars from its share of commissions from the partnership, which is valid for 15 years, according to a person familiar with the matter.

Sun Life, Khazanah to Buy CIMB Aviva for \$600 Million

by Barry Porter and Kevin Crowley

January 18, 2013 - 1:30 AM HKT



Jan. 18 (Bloomberg) — Sun Life Financial Inc. and Khazanah Nasional Bhd. agreed to buy 98 percent of Aviva Plc and CIMB Group Holdings Bhd.'s Malaysian insurance joint venture for 1.8 billion Malaysian ringgit (\$600 million).

Sun Life and Khazanah, Malaysia's state investment fund, will each buy 49 percent of the firm from London-based Aviva and CIMB Group, the companies said in a statement today. CIMB Group will retain a 2 percent share. The price values CIMB-Aviva at 2.4 times its so-called embedded value at the first half of 2012.

NOVEMBER 4, 2012 11:32 AM IST

Global Deal: Prudential to Buy Thai Thanachart Life Assurance

Article Comments



By Oranan Paweeuw and Alison Tudor-Ackroyd

BANGKOK — U.K.-based Prudential PLC has agreed to acquire the life-assurance unit of Thailand's Thanachart Bank for \$565 million, underscoring the keen interest among global insurers and investors in the fast-growing Southeast Asian market.

Manulife, DBS in \$1.2 billion insurance deal for Asia

HONG KONG/SHANGHAI (BY ZHENYI THONG AND SAIED KHAN)



People use Development Bank of Singapore (DBS) bank services at a branch in their headquarters in Singapore. November 12, 2013. (AP/WIDEWORLD)

(Reuters) — Canadian insurer Manulife Financial Corp (MFC.TO) is paying \$1.2 billion to Singapore's DBS Group Holdings Ltd (DBS.SI) for a 15-year partnership that will allow the insurer to sell products through the lender's Asian branch network.

Security Bank, FWD Life Insurance forge exclusive bancassurance deal

Davao City, Philippines

Security Bank Corporation (SBC) and FWD Life Insurance Corporation have entered into an exclusive bancassurance arrangement for life insurance products. FWD Life will offer life insurance products to Security Bank's customer base, subject to regulatory approval.

This strategic partnership is expected to benefit from significant synergies generated from a distribution platform afforded by a leading bank in the Philippines, and the innovation and expertise of a regional insurance player with strong growth ambitions in Asia.



SECURITY BANK CORPORATION AND FWD LIFE INSURANCE CONTRACT SIGNING — From left: (Seated) Mark Lee, GM, DBS Asia Pacific, FWD-Private Banking Business Head, Security Bank; Rajaraj A. Rajaraj, FWD Private Banking Business Head, Security Bank; Robert S. Valencia, President & CEO, Security Bank; John Langan, FWD Group Chief Operating Officer and Chairman, FWD Life; Peter James, Group Chief Marketing, Distribution Officer, FWD Group; Tim O'Brien, Group Chief Commercial Officer, FWD Group. (Standing from left) Daniel E. Ang, FWD-Senior Vice President, Personal Markets Support, Security Bank; Jodie Y. Chan, FWD Group Marketing Senior Vice President, Security Bank; Ma Concepcion P. Cruz, FWD Asset Management Group Head, Security Bank; Juan Carlos T. Sison, General Counsel and Head of Compliance, FWD Life; and Mark A. Arbes, Head of Client Management and Governance, FWD Life.

MetLife to buy stakes in AmLife and AmTakaful for \$249m

20 December 2013



AmLife distributes protection, savings and investment-linked products through agency, bank, and group channels while AmTakaful distributes Shariah-compliant products.

Under the proposed deal, MetLife has also entered into an exclusive 20-year agreement for the distribution of life insurance and family takaful products through AMMB's banking subsidiaries, AmBank (M) Bhd and AmIslamic Bank Bhd, across Malaysia.

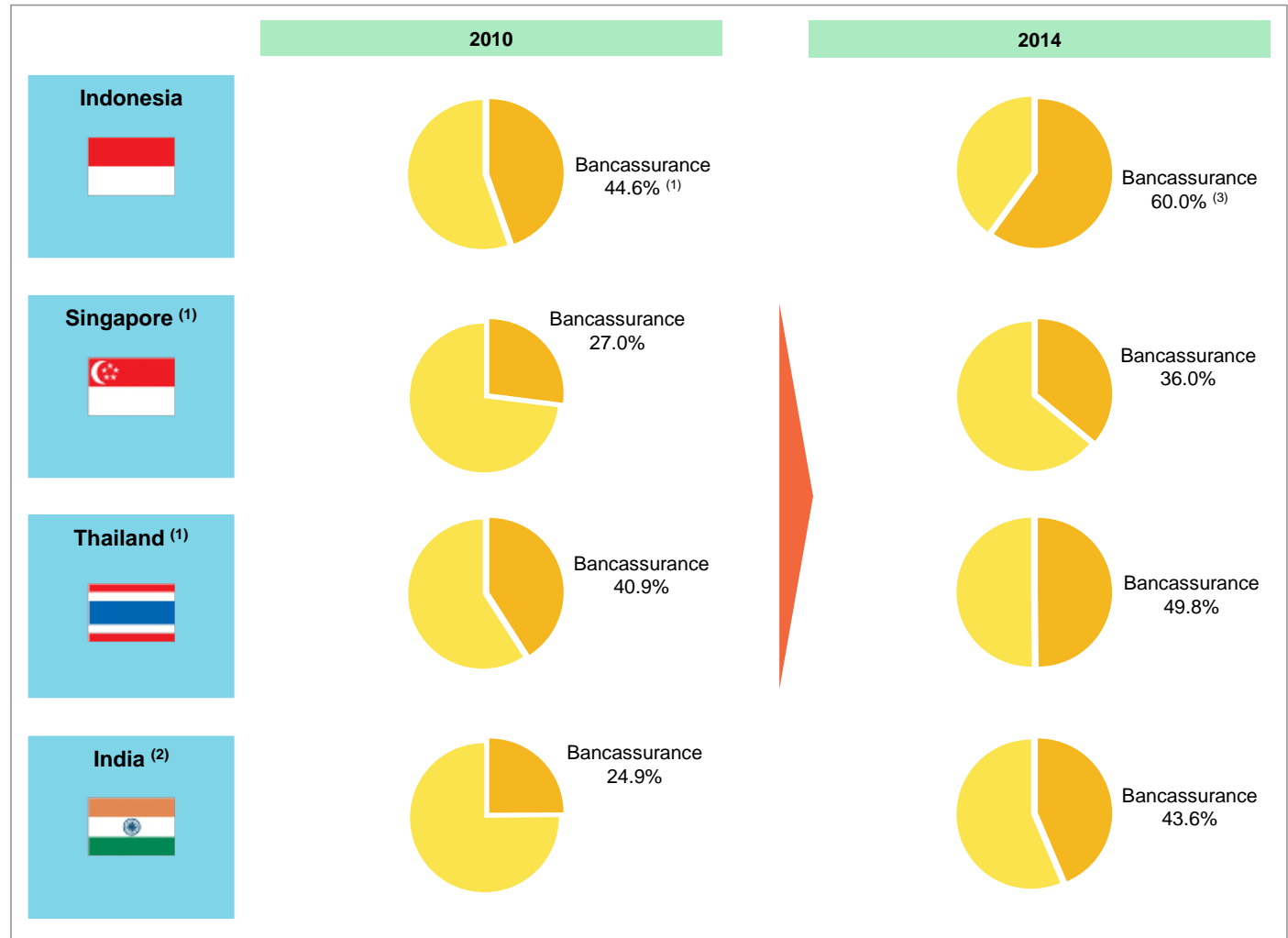
MetLife Asia president, Christopher Townsend, said: "Our proposed transaction advances MetLife's strategy to capitalize on growth opportunities in emerging markets, and further expands our footprint into fast growing and profitable South East Asia insurance markets."

MetLife designated markets and health Asia head, Nirmita Menon, said: "Malaysia is a fast developing and important center of Islamic finance and this partnership will advance our Takaful product capabilities, providing us with an opportunity to expand these across our other Muslim markets."

"AMMB's customers will benefit from access to MetLife's global expertise, financial strength and innovative products and services, while MetLife will benefit from AMMB's distribution network, and brand strength in the market place."

Bancassurance a Key Driver of Growth Across Markets

- Across key markets in Southeast Asia and more broadly in Asia, insurers have increasingly relied on bancassurance partnerships to grow their businesses
 - Speedy, effective means of acquiring significant scale
 - Increased confidence in ability to execute and create value
 - Increasing challenges in growing agency force amidst a scarcity of talent
 - Willing to pay significant premium for access to a high quality retail customer base via large nationwide networks



Source LIAS, TLAA, IRDA, Broker Research, News Run

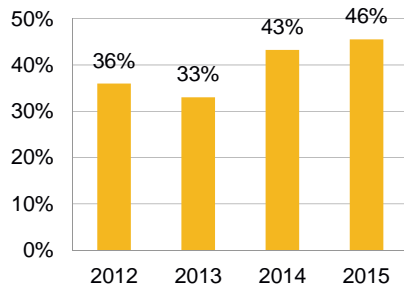
Notes

1. Breakdown by APE
2. Breakdown by individual new business, March year end; private life insurers only (excludes LIC)
3. Breakdown by contribution

- Precedent M&A transactions involving a bancassurance component (especially a long-term, exclusive relationship) command a valuation premium
 - Premium has become even more evident in the spate of Southeast Asia transactions over the past few years

Growing Proportion of Bancassurance Transactions

% of Total Insurance-related Deal Value ⁽¹⁾



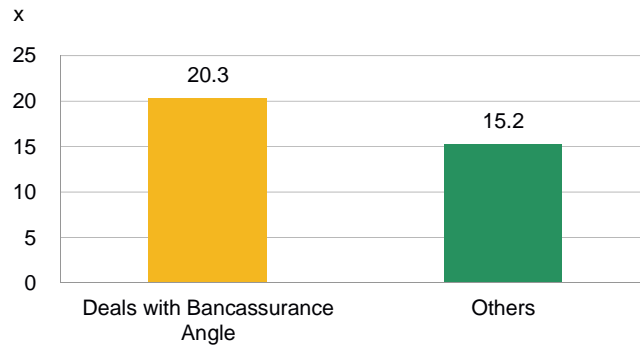
Source Company Announcements

Increasing Value Ascribed to Bancassurance (cont'd)

Bancassurance-Linked M&A Transactions Command a Premium Valuation ⁽¹⁾

Price / Earnings

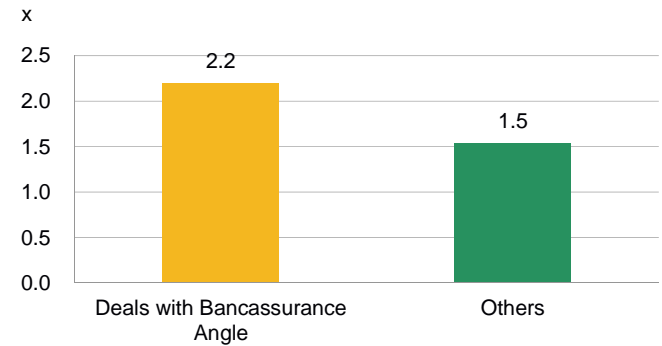
2007 – 2015



Source Company Announcements, Financials, Regulatory Filings, News Runs

Price / Embedded Value

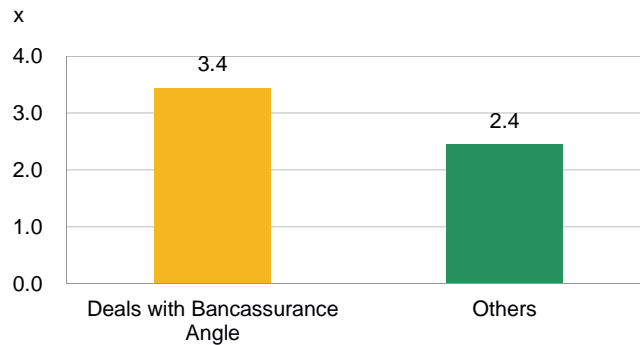
2007 – 2015



Source Company Announcements, Financials, Regulatory Filings, News Runs

Price / Book Value

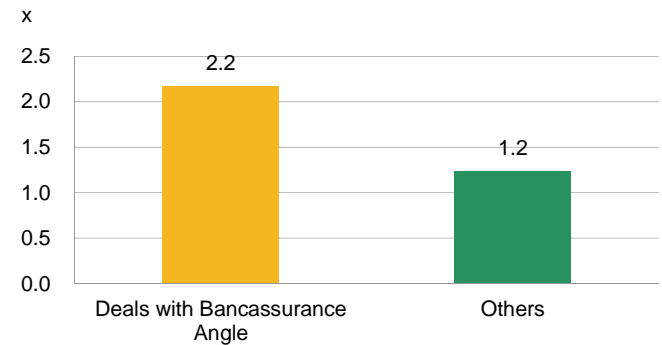
2007 – 2015



Source Company Announcements, Financials, Regulatory Filings, News Runs

Price / GPW

2007 – 2015



Source Company Announcements, Financials, Regulatory Filings, News Runs

Note

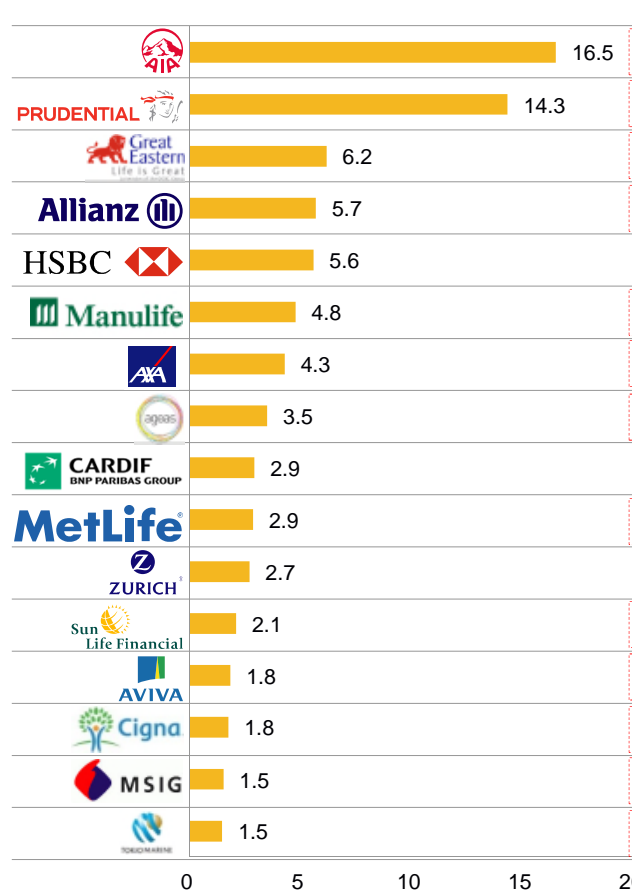
1. Insurance M&A and pure bancassurance transactions with an Asian target. Exchange rate as of the transaction date of announcement

Top Life Insurers in Asia Have a Strong Focus on Bancassurance

- All the top life insurers have formed exclusive bancassurance partnerships in the various markets they operate in, which has supported their strong growth in the region
- In addition to single-market agreements, the top 4 insurers have also formed regional partnerships
 - AIA with Citi
 - Allianz with HSBC
 - Great Eastern with OCBC
 - Prudential U.K. with UOB and Standard Chartered
 - Bancassurance accounts for ~30 - 60% of volumes for the top insurers

Major Asia Ex-Japan Life Insurers

Total Premiums ^{(1) (2)}
US\$ Bn ⁽³⁾



Life Insurance Bancassurance Partners

Across Asia



Exclusive Partners

Source: News Run, Company Information, Company Financials

Notes

1. Includes are China, Hong Kong, India, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan and Thailand
2. As of 2013, except for Indonesia (2012) and Malaysia (2011)
3. Converted to US\$ using mid-year exchange rates
4. Bank of Ayudhya partners exclusively with Ayudhya Allianz and Thai Life in Bangkok and upcountry branches respectively

Why are Banks Divesting their Insurance Subsidiaries?

- Over the past several years, a number of banks across the region have been divesting their insurance subsidiaries and moving to distribution-only partnerships
 - Recognition that insurers can create more value from the same platform (and hence share a larger amount)
 - Significant realization of value upfront
 - Substantial, growing stream of capital-light fee income
 - Insurers better placed to manage this business more effectively
- Increasingly punitive Basel III capital deductions for insurance subsidiaries

Recent Divestitures

Date	Acquirer	Seller	Size	Seller Rationale
Jan 2010	PRUDENTIAL	UOB 大華銀行	US\$355MM	<ul style="list-style-type: none"> Capital optimization Strategic partnership
Sep 2012	AIA	AVIVA NDB INSURANCE	US\$50MM	<ul style="list-style-type: none"> Strategic refocus
Oct 2012	AIA	ING	US\$1,730MM	<ul style="list-style-type: none"> Strategic refocus
Nov 2012	PRUDENTIAL	SUNSHINE LIFE ASSURANCE	US\$568MM	<ul style="list-style-type: none"> Capital optimization Strategic partnership
Jan 2013	Sun Life	CIMB AVIVA	US\$594MM	<ul style="list-style-type: none"> Capital optimization Strategic refocus
Dec 2013	MetLife	QI AMBANK GROUP	US\$248MM	<ul style="list-style-type: none"> Capital optimization Strategic Partnership
Oct 2015	NISSAY	nab MLC	US\$1.7Bn (80% stake)	<ul style="list-style-type: none"> Capital optimization Strategic partnership

Source News Run, Company Financials

Notes

- Operating metrics as of March 2015 in US\$Bn unless otherwise specified
- Exchange rate of 1.42 SGD/USD as of 30 September 2015
- Exchange rate of 1.30 AUD/USD as of 30 June 2015
- Exchange rate of 1.37 AUD/USD as of 30 September 2015

Potential Upcoming Divestitures ⁽¹⁾

Thailand	
SCB	Bank Market Cap: 15.3 Bank Book Value: 9.1 ⁽²⁾
SCB LIFE	FY14 Insurer GPW: 1.5 ⁽²⁾ Insurer Book Value: 0.6 ⁽²⁾
	<ul style="list-style-type: none"> Investment a drag on capital especially when insurer's BV exceeds 10% of the bank's Tier 1 Capital
Singapore	
OCBC Bank	Bank Market Cap: 30.3 Bank Book Value: 23.6 ⁽³⁾
Great Eastern	FY14 Insurer GPW: 6.2 ⁽³⁾ Insurer Book Value: 4.5 ⁽³⁾
	<ul style="list-style-type: none"> Investment in Great Eastern increasingly punitive: phasing into full deduction against CET1
Australia	
CommInsure	Bank Market Cap: 103.3 Bank Book Value: 41.3 ⁽⁴⁾
Westpac	Bank Market Cap: 77.9 Bank Book Value: 37.7 ⁽⁵⁾
	<ul style="list-style-type: none"> Australia's Basel III rules even more punitive than global standard Recently released study concludes that banks could need to increase capital ratios by 200 bps to match top quartile international peers APRA's new conglomerate standards limit ability of banks to utilize non-recourse debt at the subsidiary level to reduce the size of the investment in the subsidiary

Source Company Financials, Capital IQ