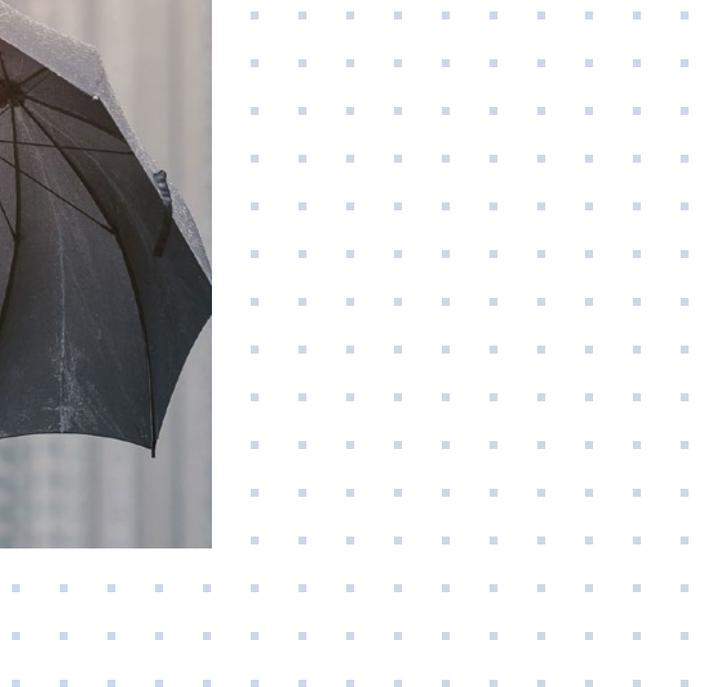


SIGNATURE RESEARCH

INSURANCE M&A:

Resilience, Digital Disruption, & Value Creation



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EXECUTIVE SUMMARY

Our survey of 250 private equity and insurance company executives on insurance M&A trends revealed a race to acquire new digital capabilities.

Resilience in the face of macro volatility

Insurance M&A remained resilient in 2023, with only a 2.3% decline in deal volume from its 2021 peak—despite an 18.4% drop in the broader M&A market over the same period. The U.S. saw fewer but larger deals—nearly doubling in aggregate value to \$44.8 billion—and deal volume in Europe hit a record high, though total value fell sharply. Digital transformation is driving sustained deal activity, with most insurers expecting similarly robust levels of M&A in the next 12 to 24 months.

Value Creation

Enhancing technology/insurtech capabilities is the most important step toward creating value. But dealmakers are aware that integrating IT systems and internal processes is the single greatest hurdle to post-deal value creation (30%).

Digital priorities

When it comes to bolstering technology tools, respondents believe the most important capabilities to prioritize over the next 12 to 24 months are artificial intelligence (25%), cybersecurity (26%),

and data analytics (26%). Plus, 30% of respondents believe data analysis will be the aspect of deal-making most disrupted by the evolution of AI.

Due diligence in transition

Technology & data has had a profound impact on M&A due diligence processes. Where certain parts of the process (e.g., data collection & summarization) have become easier, evaluating nascent AI capabilities has proved challenging.

Tech risks and rewards

Dealmakers point to digital transformation as the principal driver of M&A in the near term, cited by 19% of respondents as the top deal motivator. But creating value through digital transformation requires significant investments in technology and talent which, if not executed well, risks canceling out other synergies. Relatedly, the complexity associated with technology transformation and innovation is projected to be the primary risk factor in the insurance sector over the next 12 to 24 months, according to 15% of respondents. This reflects not just the rapid rate of change in the digital space but also attendant cybersecurity and regulatory risks.

INTRODUCTION

Insurance M&A activity eased somewhat in 2023 but held up well against the wider M&A market. Insurance-related deal volume in 2023 (888 transactions announced) was down only 2.3% from the all-time high achieved during the deal frenzy of 2021 (909), according to Mergermarket data. Global M&A market deal volume, by contrast, dropped 18.4% over the same two-year period (from 46,189 deal announcements to 37,701).

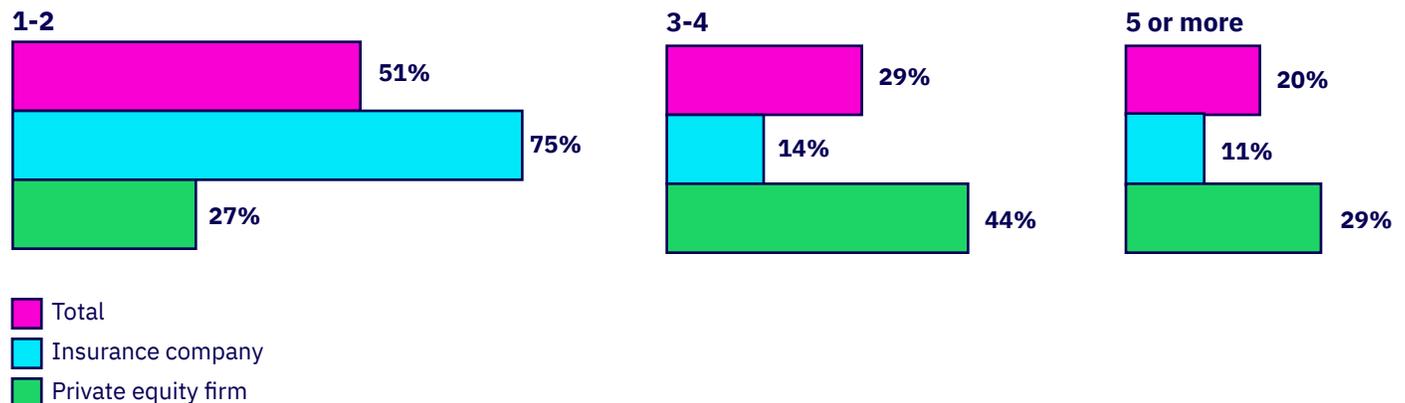
The picture is more complex in national markets. In the United States, the volume of deals involving insurance targets dipped slightly in 2023 (399), down 5.2%. Yet aggregate deal value soared, nearly doubling 2022's output to reach \$44.8 billion in 2023. In Western Europe, the converse was true: Volume climbed to a record high in 2023 (259 deals announced), while total value slid to its lowest level (\$14.4 billion) since 2017. The propensity for larger transactions in the U.S. speaks to greater market clarity there, whereas dealmakers in Europe are still maturing their understanding of the industry—with a preference for more frequent but smaller bets.

The background for deal-making is increasingly volatile, with companies having to wrestle with numerous macroeconomic threats, including mounting inflation, higher borrowing costs, and geopolitical hostilities. The insurance sector is not immune to these headwinds.

The sector is also confronting several pressing challenges, which have propelled relatively high levels of deal-making. Perhaps the most important of these is the need for digital transformation. While insurers have long recognized the opportunities presented by insurtech—using technology to improve and automate insurance-based processes—the industry has taken a somewhat cautious stance when it comes to embracing disruption.

But the evidence suggests that insurers are quickly catching up to their peers in other parts of the financial services industry when it comes to digital transformation.

How many deals have you completed in the past two years?



Optimizing tech tools in an increasingly digital environment is vital for businesses. Personalizing and expediting the customer experience, such as improved web and mobile apps, has become critical for retention and can make marketing content more relevant. Insurance players that go truly digital will see faster growth and command higher multiples.

These trends are helping to sustain deal-making in an otherwise lackluster market: Respondents expect their deal appetite over the next 12 to 24 months to match their output from the last couple of years. Most insurance companies (75%) completed one to two M&A deals over the past two years, while 14% report that they had completed three to four. Looking ahead, the proportions are broadly similar: 70% of insurers expecting to undertake one to two deals in the next 12 to 24 months and 22% expect to do three to four.

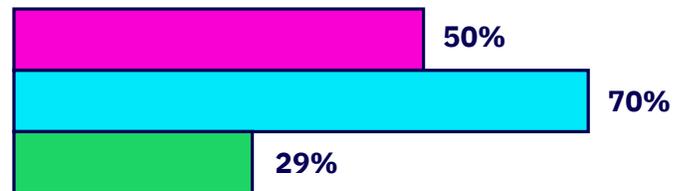
Private equity buyers have been more active. The largest share of firms surveyed (44%) say they had completed three to four deals over the past two years, while 29% had completed at least five. Only 27% of buyout firms—the smallest such share—said they had completed just one to two transactions.

Dealmakers are taking a cautiously optimistic approach to the market. But with inflation stabilizing in key markets and systemically important central banks expected to cut interest rates further over the coming quarters, economic conditions will become more supportive.

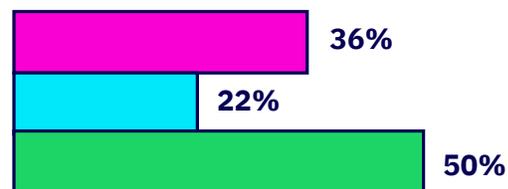
In conjunction with their strategic objectives around digitalization, these factors will see insurance dealmakers turn increasingly to M&A to ensure that they stay ahead of their competition in the race to innovate and accelerate growth.

How many deals do you plan to pursue in the next 12 - 24 months?

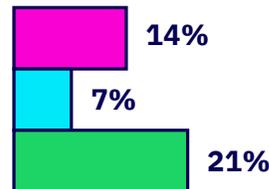
1-2



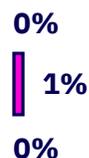
3-4



5 or more



None



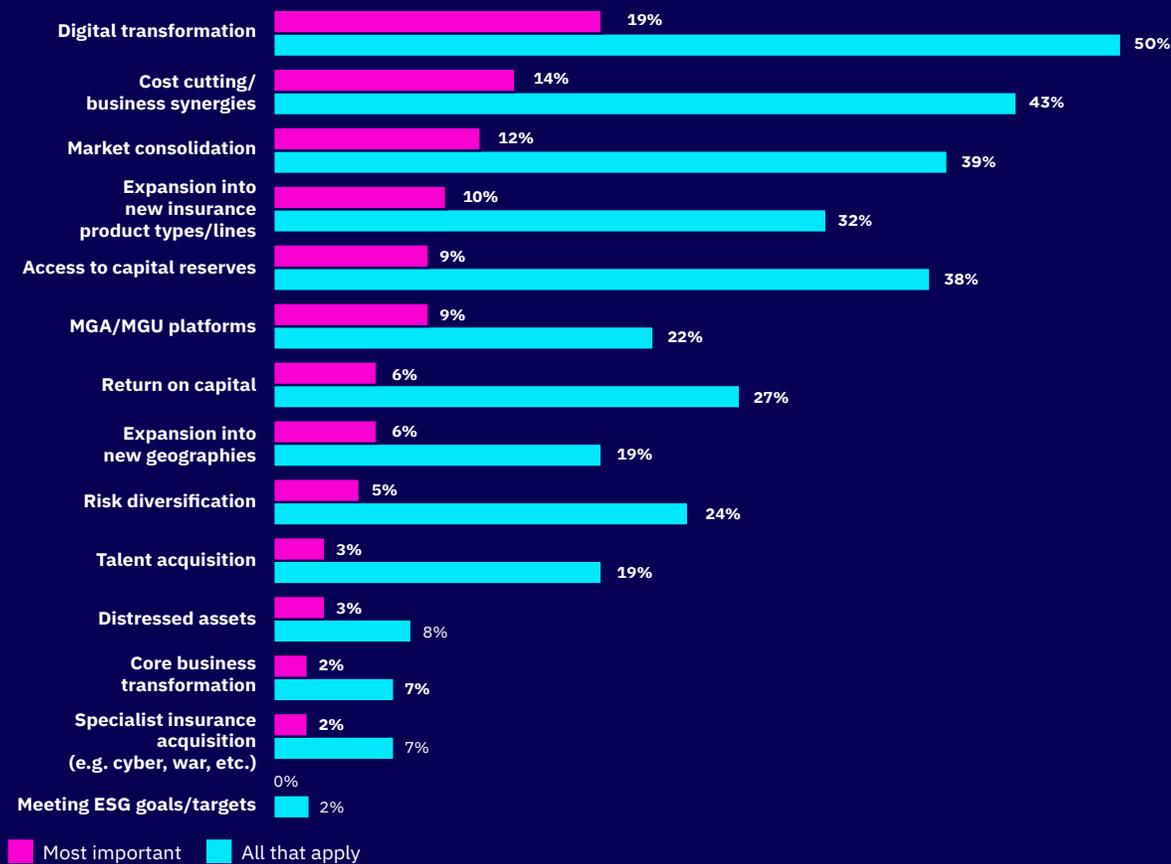
CREATING VALUE THROUGH DIGITAL TRANSFORMATION

Insurance has lagged the rest of the financial services sector in terms of digital transformation—but that may be shifting. Digital transformation is expected to be the top driver of insurance M&A over the coming 12 to 24 months, being cited by nearly a fifth (19%) of respondents.

Digital transformation is seen as a pivotal M&A driver for several reasons, with the scope for growth among the most widely cited factors.

“We have to invest in strong digital assets for accelerated growth,” said the managing director of a U.S. private equity firm. “Focusing on organic

What will be the main drivers for deals in the next 12 - 24 months?



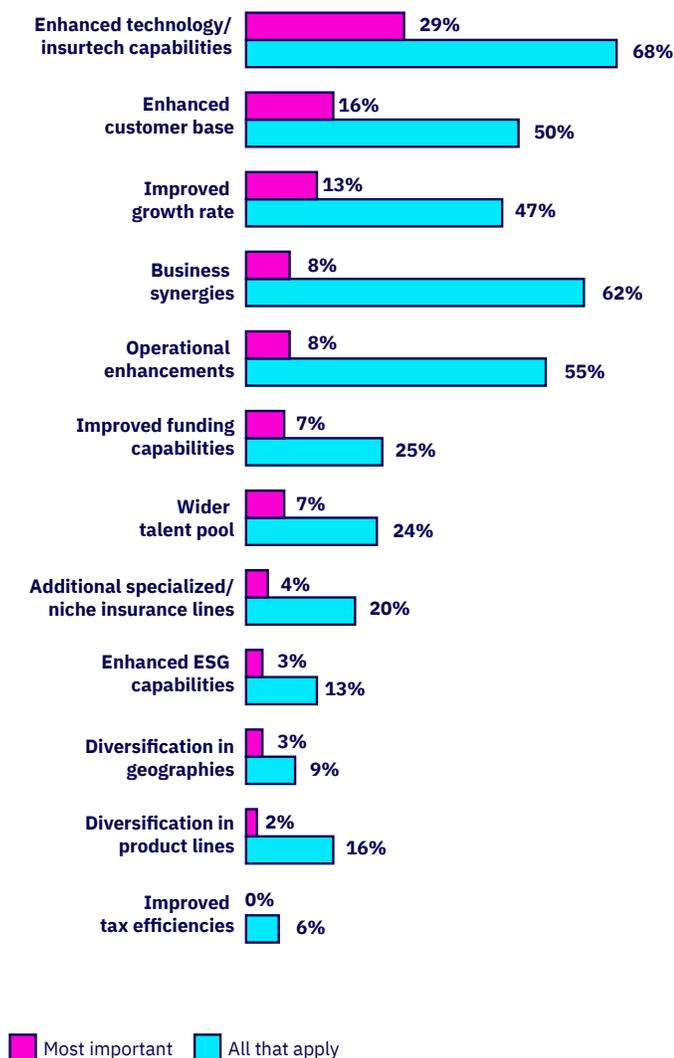
technology growth will not work in the current fast-paced environment.” A managing director of a British buyout firm added that the adoption of digital platforms “promises higher returns within a shorter length of time.”

The need for speed is not simply about doing more, faster. It’s also about getting the most out of the technology before it’s too late. This point is emphasized by the partner of a Finland-based private equity firm, which plans to generate returns

by investing in companies with advanced digital technology: “These have to be short-term returns, because technologies could soon become obsolete. That would increase the pressure on cost and call for additional investments.”

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What are the key opportunities for post-deal value creation?



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CHAPTER 01: CREATING VALUE THROUGH DIGITAL TRANSFORMATION

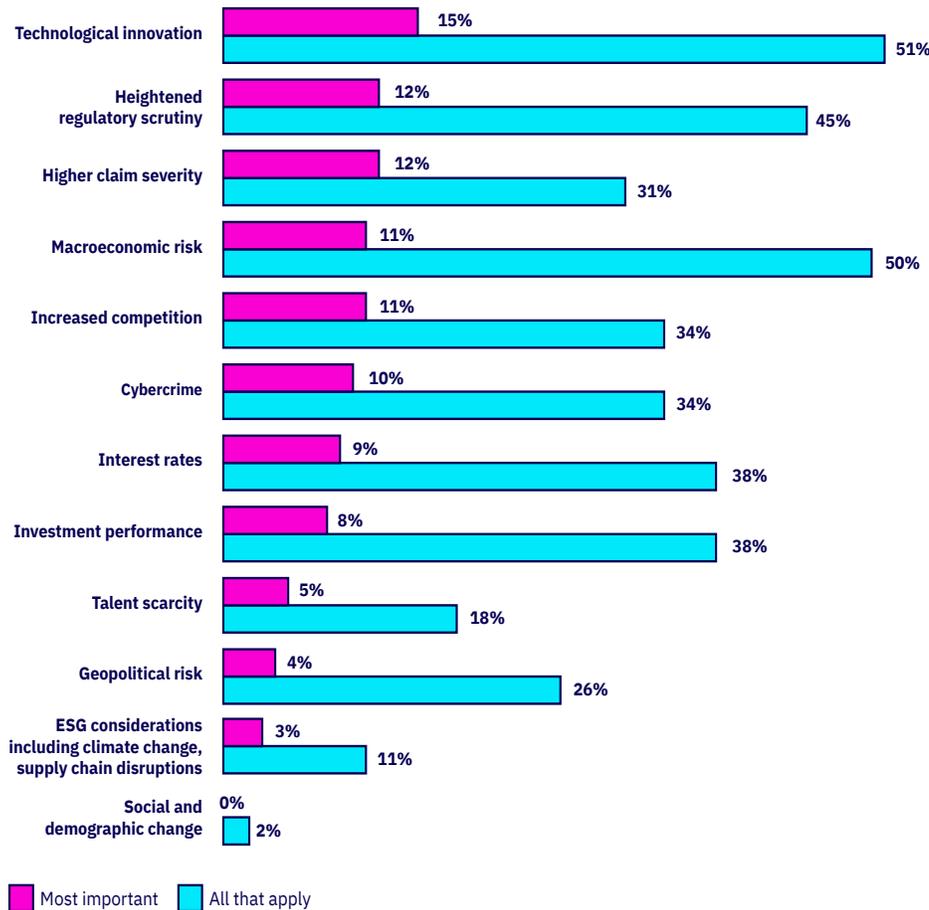
One factor that stands out is the multifaceted nature of digital transformation as a deal driver. For example, a number of respondents who highlighted cost cutting (14%) and return on capital (6%) as major M&A drivers do so with specific reference to digital transformation. Additional attractions of digital transformation mentioned by respondents include a reduction of the back-end administrative burden, the ability to merge assets, and customer retention thanks to better services.

Of course, the sorts of high-quality digital M&A targets that insurance players might look to pursue in transactions are rare and can command high multiples, underscoring digital transformation’s role

as a lynchpin of value creation in today’s business environment. According to Mergermarket data, the median EBITDA exit multiple for European and U.S. companies in the computer software and data processing subsectors that were acquired in the two years to end June 2024 was 16.4x—the equivalent multiple for insurance-related targets over the same period was 11.1x.

But technology can present both opportunities and challenges when it comes to post-deal value creation. Enhanced technology/insurtech capabilities shine as the main opportunity for it—more than two-thirds of respondents (68%) identified it, with 29% (the largest such share) singling it out as the most important factor.

Beyond the scope of M&A, what will be the main risks to the insurance market over the next 12 - 24 months?



A handful of other, more traditional opportunities for post-deal value creation are also cited by respondents, but these trail technology by some distance.

Among these are enhancing the customer base (16% of most important votes) and an improved growth rate (13%), though operational enhancements and business synergies are also frequently identified by survey participants.

Monitoring risk, maximizing value

Beyond the scope of M&A, various risk factors are flashing on respondents' risk radars. Chief among these is technological innovation, which more than half of survey participants cite as a concern and 15% identify as the most important risk to the insurance market over the next 12 to 24 months.

Respondents' concerns about technology fall into five areas: obsolescence, cost, competition, talent, and clarity of purpose—with obsolescence attracting the largest number of respondent comments.

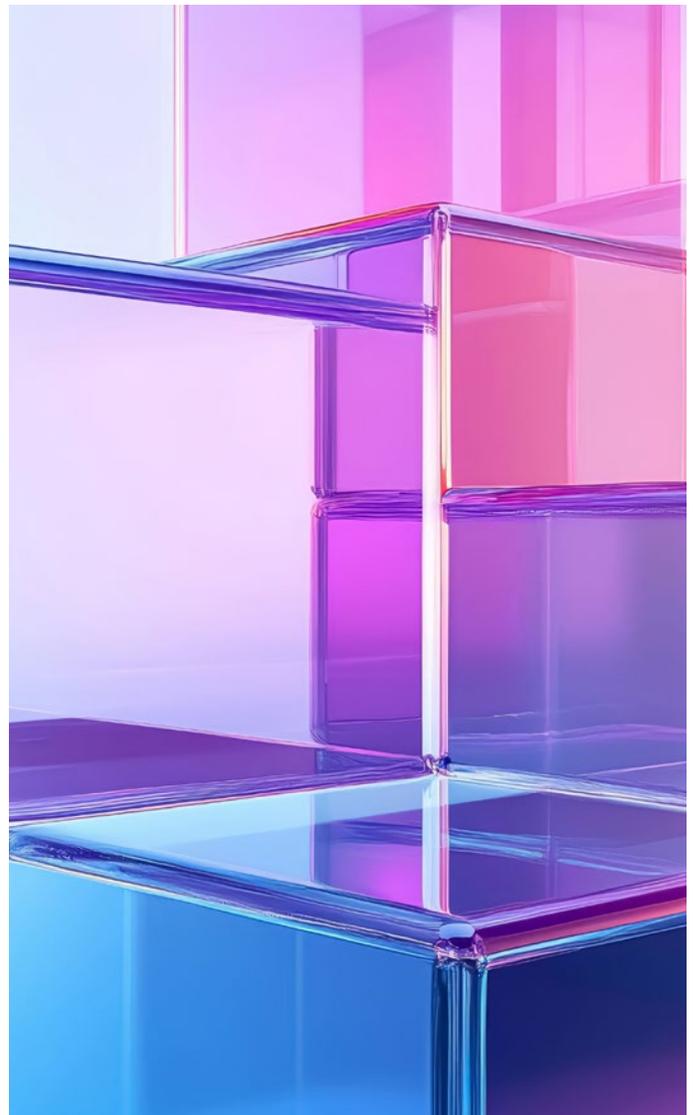
“We cannot plan on investing in particular technologies for the long-term because they are becoming obsolete too soon,” said the head of M&A at a German insurance company. “Yet if we do not invest, we lose the competitive advantage.”

The question of cost also looms large, particularly when coupled with a shortage of skills: Some respondents report struggling to make headway because they're unable to access the digital talent they need—despite making significant investments in technology.

Others are concerned about the impact of tech innovation on their competitive position: Internet of Things technology makes it possible for insurers to get closer to their end customers to enable predict-and-prevent strategies.

They're using digital sensors deployed at scale to achieve this—from vehicle telematics to wearable health monitors. This requires capital and knowhow, putting smaller players at a disadvantage.

“The emphasis on blockchain, automation, and AI has increased—many companies are investing in new digital service models,” said the CFO of a Spain-based insurer. “This will drive smaller service providers out of business unless they can improve the quality of their services.”



There are also questions around purpose and efficacy. The main concern is that some businesses are simply investing in technology for its own sake without a clear idea of how exactly they will extract value from it. Others believe businesses should focus on getting the most out of their existing tech investments.

“Companies need to work on monetizing technologies before investing in upgrades,” said the chief financial officer of a UK-based insurer. “Rather than push on with new tech advancements and lose money when they fail, it’s better to improve the

output from current systems. However, there’s the risk of losing in the technology race.”

Onboarding new technologies, including by pursuing digital transformation via M&A, can be an expensive and time-consuming endeavor. Before a company sets its sights on a new tool or potential acquisition target, they should ensure they’re maximizing value from the technologies they already employ.



CONCLUSION

Different Paths to Value: How Private Equity and Insurance Companies Approach M&A

Private equity investors and corporate buyers often seek different outcomes in M&A transactions. While insurance company executives primarily plan 1 to 2 deals over the next 12 to 24 months (70.4%), private equity executives have more aggressive goals—with 50.4% aiming for 3 to 4 deals. This contrast reflects private equity’s drive for higher returns and diversification, compared to insurance companies’ more cautious approach.

The drivers behind these deals also differ. Insurance executives focus on market consolidation (21%) and digital transformation (11.2%), whereas private equity investors prioritize return on capital and expansion into new product lines (11.2% each). This shows a split in strategic goals—stabilization for insurers, growth and returns for private equity.

Post-deal value creation strategies also diverge: Private equity firms see enhanced technology and insurtech capabilities as key opportunities (81.6%), while insurance companies prioritize business synergies (72%). These differences highlight the varying approaches to creating value, with private equity emphasizing tech-driven innovation and insurers focusing more on operational efficiency.

BALANCING DATA WITH SECURITY

Data and analytics have long been proven tools in the insurance industry, essential for managing risk, improving decision-making, and maintaining a competitive edge. Predictive analytics, in particular, plays a pivotal role, with 82% of insurance currently using predictive modeling in at least one line of business such as auto or property insurance. As the volume and complexity of data grow, the insurers who capitalize on these insights are better positioned to optimize operations and drive meaningful growth in a highly competitive market.

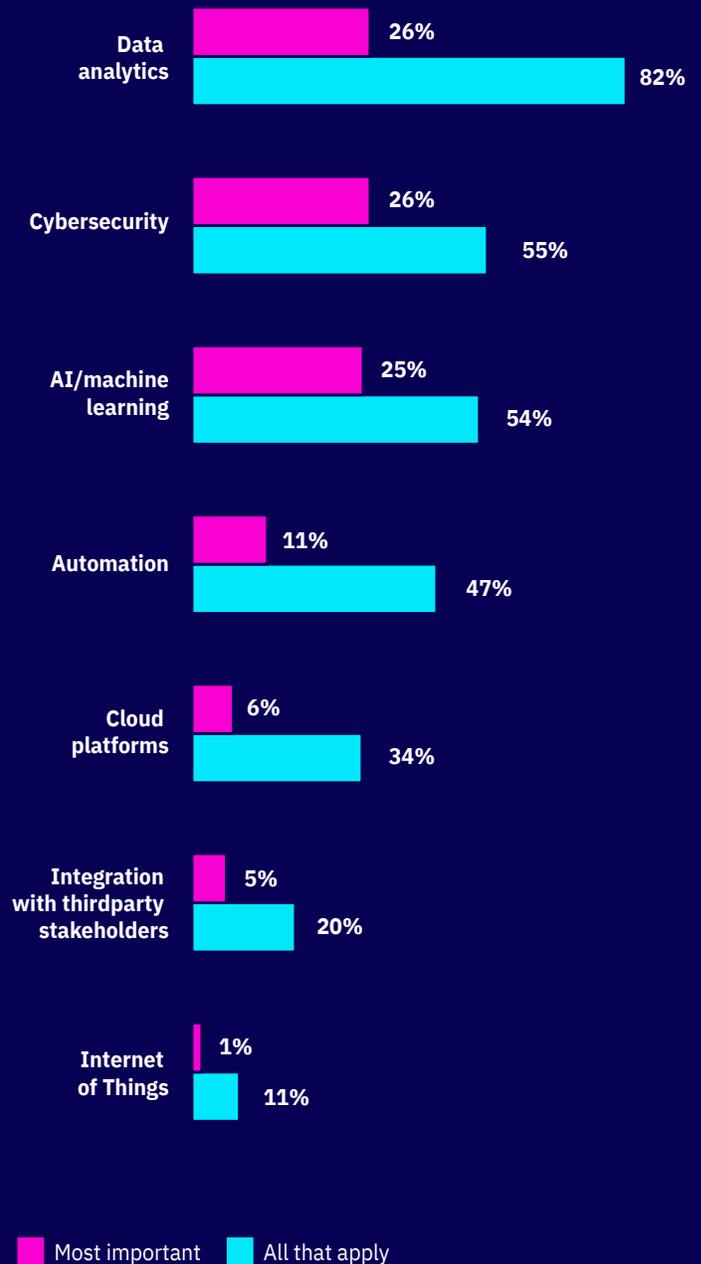
Understandably, data analytics is the technology that the largest share of insurance companies and their investors plan to prioritize over the next 12 to 24 months. More than four-fifths (82%) intend to do this, and just over a quarter (26%) see data analytics as being the most important technology for their organization over that time.

Data and analytics are driving growth most noticeably in risk management (27%) and offering competitive advantages (20%).

Specific data and analytics benefits highlighted by respondents (an equal mix of insurers and private equity firms) include better risk anticipation, overall improvements in decision-making, and operational streamlining.

“Risks are analyzed in a clear light, and we would know what aspects of the business these risks are more likely to affect,” said the director of operations at a U.S. insurance company. “Analyzed information is useful in improving the speed of

Which particular technology are you prioritizing in the next 12 - 24 months?



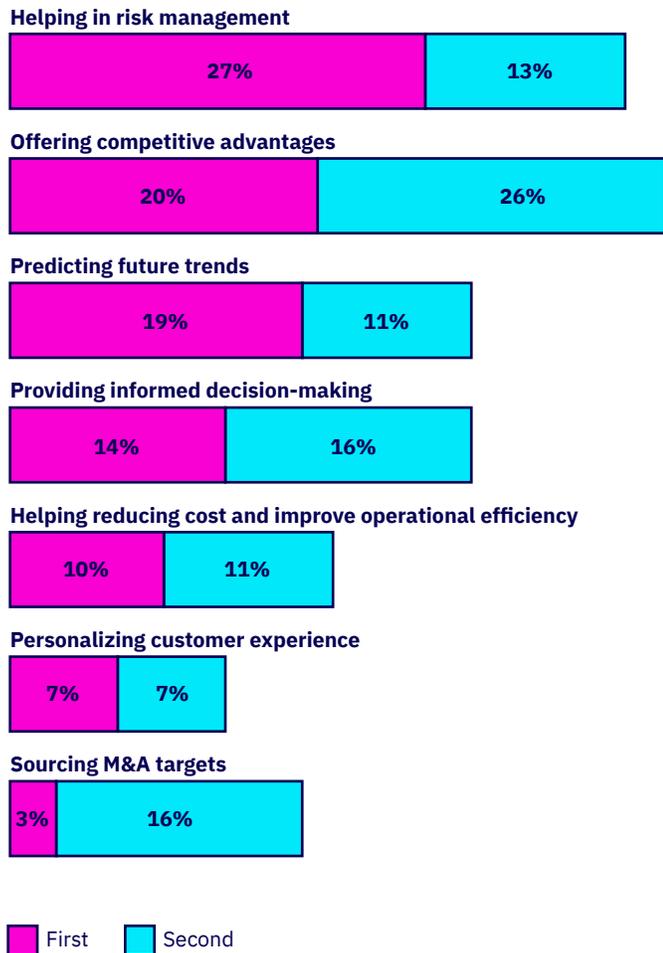
decision-making. Decisions are based on data and not impacted by personal biases.” While comments on data and analytics for risk management tend to focus on resilience rather than growth, the opposite is true when it comes to the subject of competitive advantages—with respondents highlighting tangible growth benefits across the board.

“Marketing, advertising, sales, and customer service teams perform much better when they have analyzed data at hand,” said the CFO of an insurance company in the UK. The potential for deeper insights offered by data and analytics delivers further competitive advantages: “We know what investment opportunities are truly

worth,” said the director and senior underwriter at an insurance company in the UK. “Amid stiff competition, we get a good view of the steps required to improve the quality of our business and offerings overall.” Predicting future trends (19%) and more informed decision-making (14%) are a few of the top ways in which data and analytics are driving growth. The predictive capabilities enabled by data and analytics are clearly prized.

“When the optimum amount of data is available, we can predict future trends accurately,” said the managing partner of a Spanish private equity firm. “Analytics methods have evolved, and good talent can use these tools innovatively to present trend reports.”

In which areas is data and analytics driving growth?



The top opportunity for organizations to grow value from data is through accelerating growth, which yielded 26% of first-choice responses and 28% of second-rank responses, both the largest such shares among all answer options. Enhanced underwriting also received a high ranking, attracting 17% of first-choice votes, closely followed by increased value-added services (16%).

“This is an era where digital services can really change customer retention numbers,” said the CEO of a U.S. insurer, who pointed to the value of data for product development, service enhancements, and brand building.

But there’s a general tendency to underestimate the full potential of data in customer-facing applications, which was echoed in responses: Enhanced customer loyalty received one of the lowest rankings among respondents, garnering just 8% of first-choice votes. Similarly, cross-selling solutions—one of the most powerful and effective growth tools available—received just 5% of first-choice votes, the lowest showing for any answer category.

Data dilemmas

When it comes to creating more value from data, the greatest challenge relates to data protection/ cybersecurity (21% of first-choice votes and 20% of second-choice votes). Broader risk management concerns (20% and 12%, respectively,) are also top of mind for respondents.

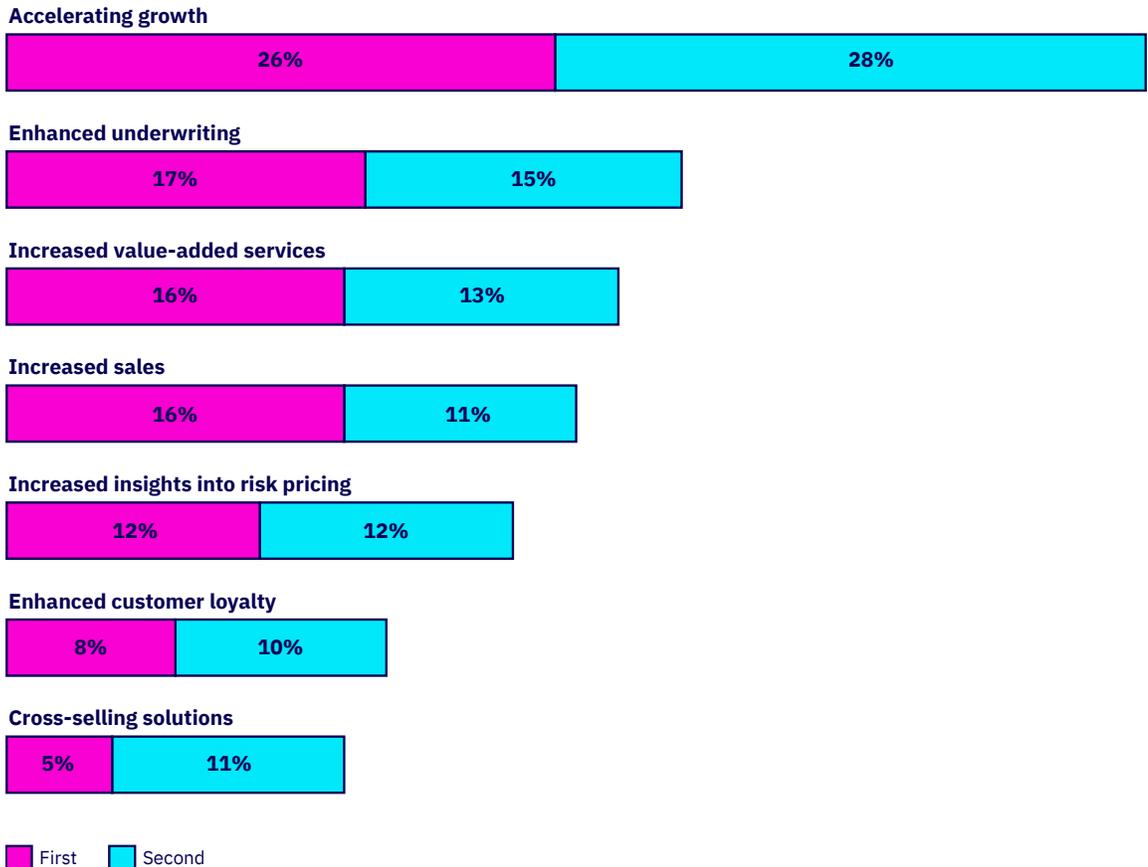
One of the dilemmas with data security is that the solution can sometimes create more problems than it solves. This point is emphasized by the partner of a U.S.-based private equity firm, who said that cybersecurity prevents them from making the most of data: “There is so much emphasis on protecting data from cyber threats that we cannot share data efficiently within the organization.

“We are restricting our ability to utilize information. This could become a huge problem for companies in the future.”

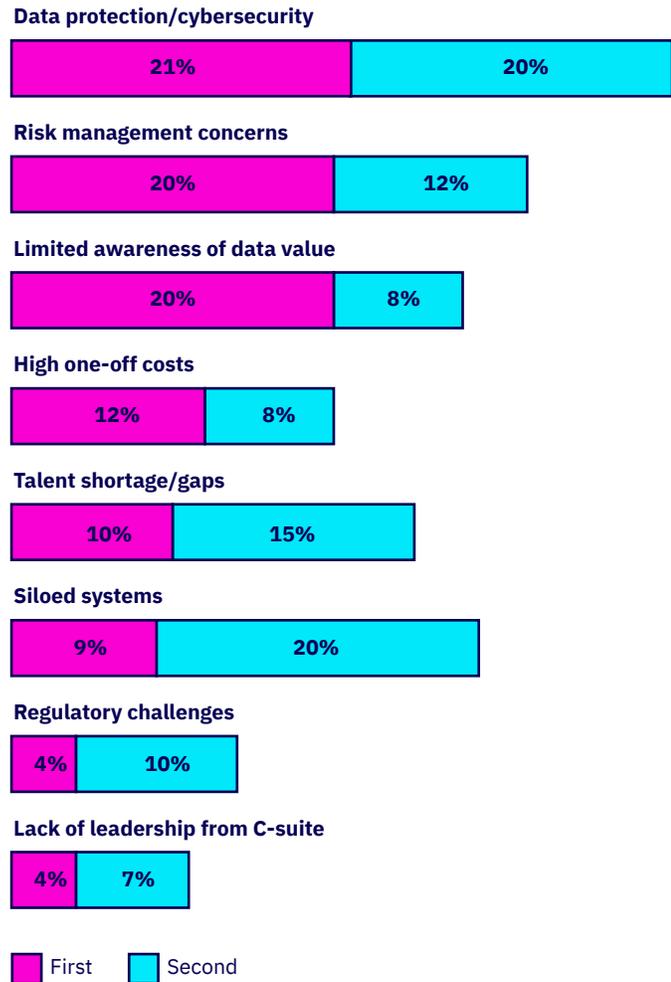
The high cost of cybersecurity is also seen as a blocker. Instead of extracting value from data, firms find themselves having to spend more on simply protecting the data they already have. In some cases, this makes insurers think twice before tapping into new sources of data.

The practical and reputational implications of data breaches are well understood by respondents. There’s also recognition that no amount of cybersecurity will protect their organizations against threats that come from within, including data theft and other disruptive actions by employees.

What are the opportunities to grow value from data?



What are the challenges to growing value from data?

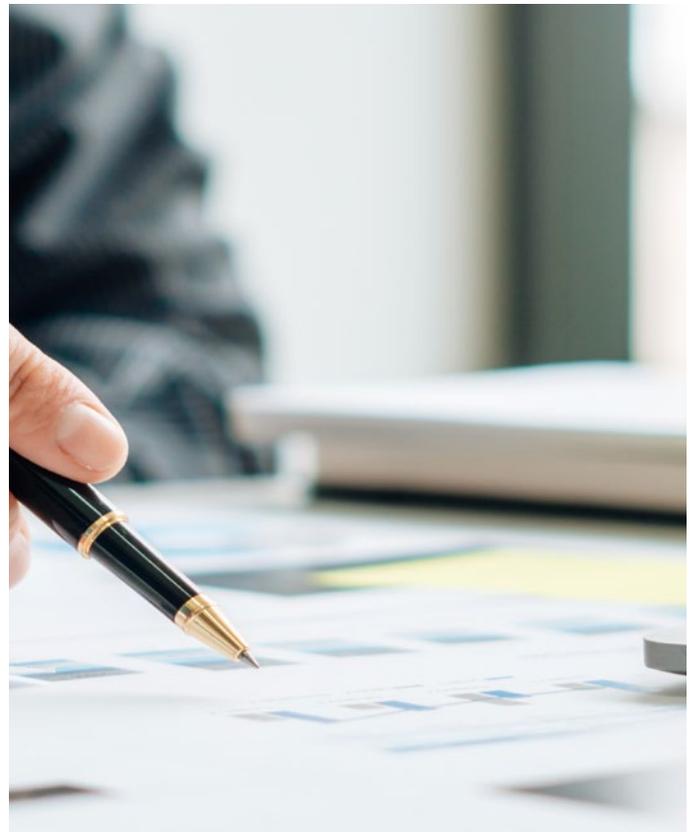


Besides these security and risk-related issues, respondents are also cognizant that insufficient awareness of the value of their data (20% of first-choice answers) could constrain their growth strategies. Comments suggest that firms may be sitting on a gold mine without being able to do anything about it—or even realizing it.

“A lot of the information sits without being explored,” said the COO of a U.S. insurance company. “There’s no awareness on how valuable this data can be, especially in terms of generating revenue for different divisions.”

This ties in with concerns about silo-bound systems (identified by 20% as a key second-order challenge), which can inhibit information sharing, transparency, and collaboration between teams. This has implications for firms looking to take advantage of data analytics: Some report being unable to combine information from different silo-bound sources. Instead, they’re forced to make do with much smaller datasets—limiting the scope of their endeavors.

Company-wide coordination is essential if organizations want to leverage their data, said the managing partner of a private equity firm in Poland: “Lack of oversight can cause problems when it comes to bringing more value from data. Risk management concerns start to grow when proper personnel are not present to manage information. Data silos will also not allow companies to use data effectively. Spend will increase without good results.”

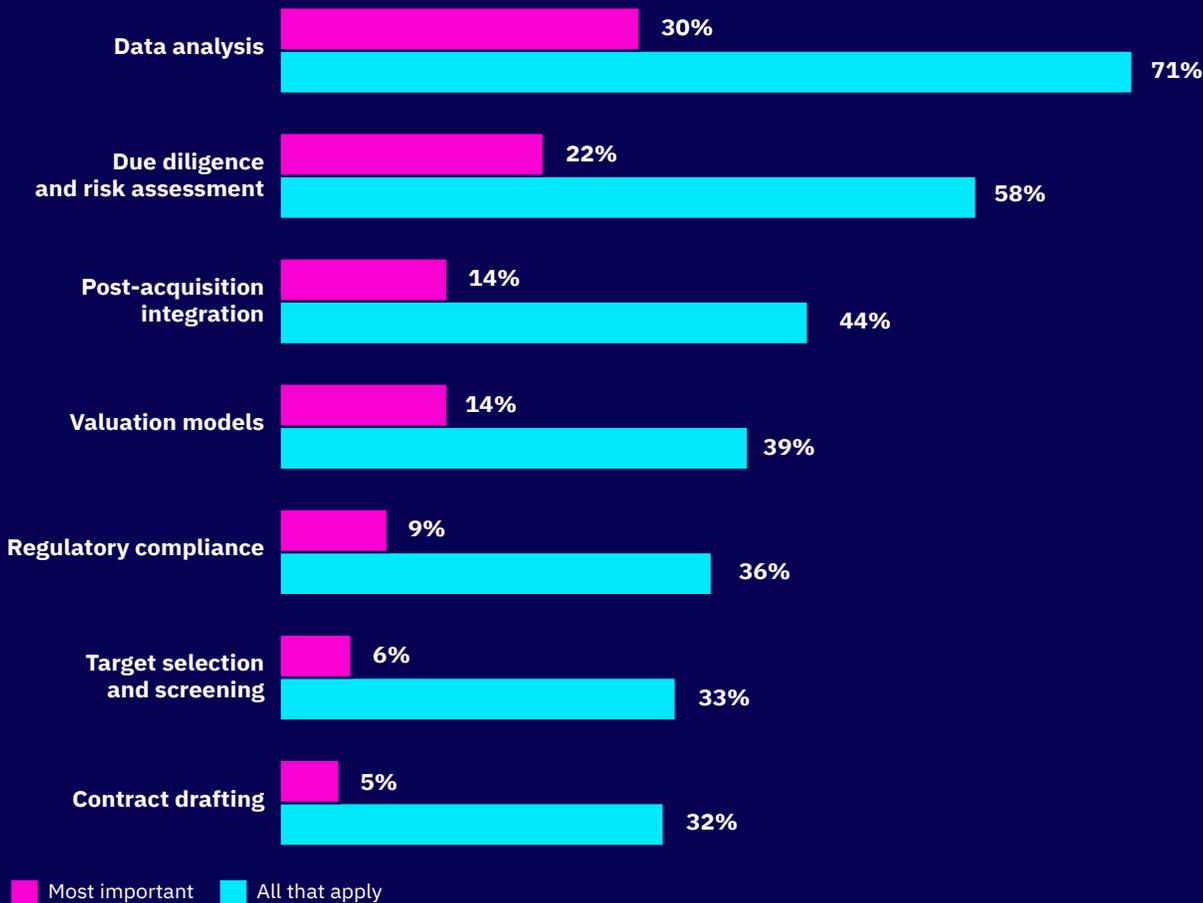


MAKING THE MOST OF AI IN M&A

AI has exploded over the last 24 months, with interest in the technology booming since Q4 2022 when OpenAI launched the first iteration of its ChatGPT tool. Venture capital funding has flowed readily toward AI companies: According to figures from CB Insights, AI start-ups raised \$18.3 billion globally in Q2 2024, or a record 28% of VC funding.

As AI tools have improved and adoption has accelerated, the technology has come to permeate various stages of the M&A lifecycle— offering the potential to accelerate change and redefine traditional workflows. By streamlining processes, AI enables dealmakers to focus on the most strategic aspects of transactions.

Which aspects of the deal-making process are most likely to be disrupted by the evolution of AI?



In ideal circumstances, this should facilitate faster deal cycles and more efficient resource allocation.

More than half of respondents said they will be prioritizing AI/machine learning technology over the next 12 to 24 months, and 25% consider it to be the single most important technology for their organization over that time—just one percentage point behind those respondents who cited data analytics and cybersecurity.

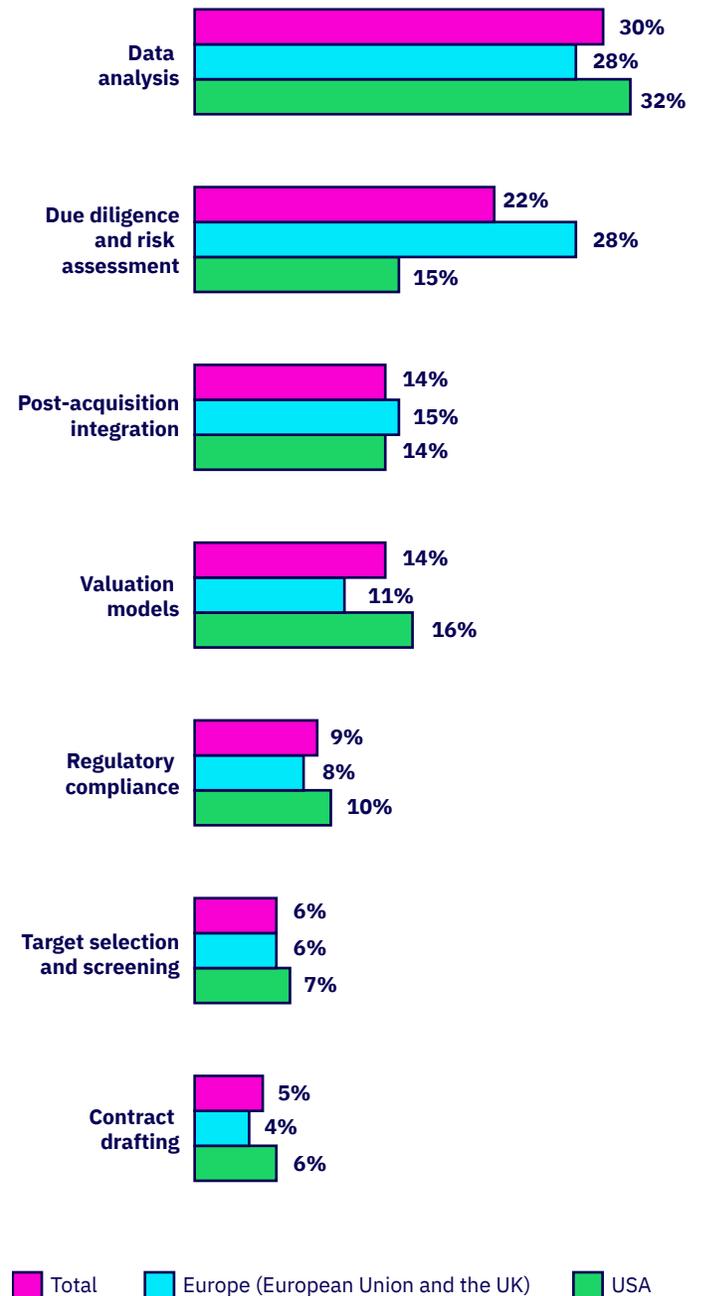
Data analysis stands out as the aspect of deal-making that respondents believe is most likely to be disrupted by AI—71% of respondents overall, and by 30% as the most notable point of disruption. “AI in analytics helps us to read information more effectively, pointing out areas in the business where cost-effectiveness could be improved,” said the head of M&A at an insurance company in Italy.

Due diligence and risk assessment are also aspects of the deal-making process where AI-related disruption is anticipated (58%). Expectations about the impact of AI in these areas are weighted more toward respondents based in Europe (28% say it will be the most important part of the process to be disrupted) than those in the US (15%). U.S. respondents are about as likely to cite potential AI disruption to valuation models (16%) and post-acquisition integration (14%).

While AI opens potentially significant opportunities on the deal-making front, deal participants will need to proceed with care as they seek to navigate the increasingly complex legal and regulatory landscape. Some jurisdictions are looking to introduce AI-specific legislation (the EU has already done so), while others (such as the UK) are looking at guidance rather than new laws. In the U.S., meanwhile, AI is subject to numerous federal and state regulations. As businesses strive to capitalize on the value of their data, AI will transform the

decision-making process and facilitate smoother, more confident deal execution. But realizing this potential will demand significant changes in terms of technological integration and organizational culture.

Which aspects of the process are most likely to be disrupted by the evolution of AI?



BRIDGING TALENT GAPS IN DATA, TECH, AND CHANGE

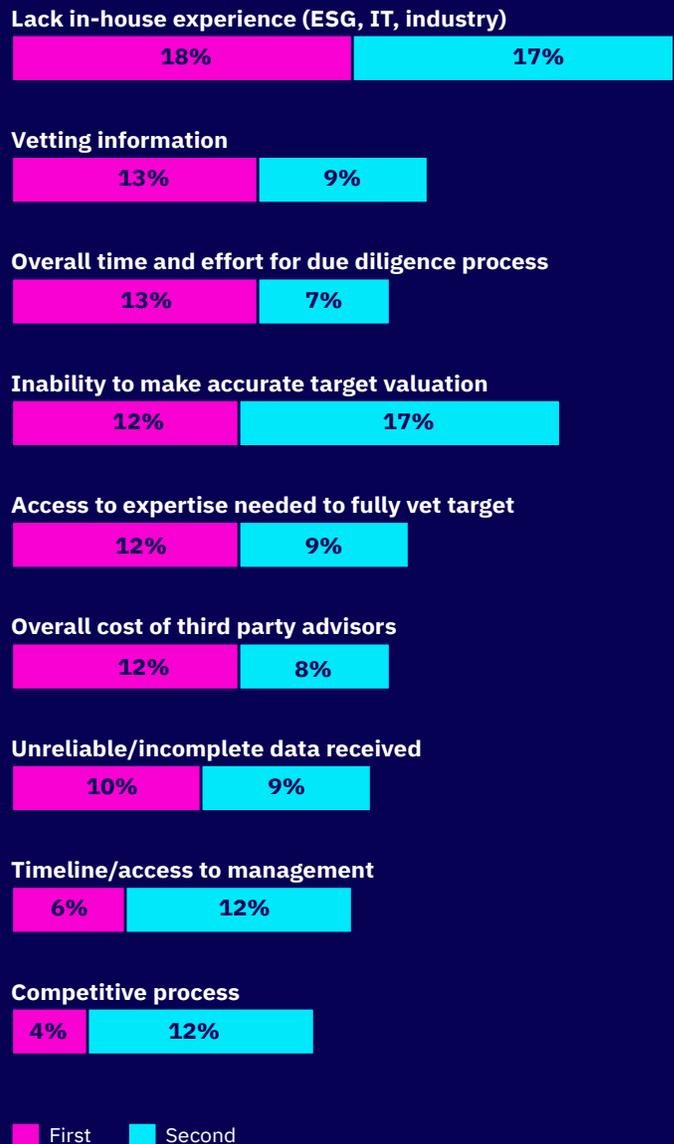
Recruiting and retaining talent is a perennial struggle for insurance companies. Poor levels of data literacy and shortages of in-house tech expertise are of particular concern and can be a real obstacle for firms pursuing tech-rich targets. The biggest challenge that respondents faced during due diligence in their most recent M&A deal was a lack of in-house expertise (18%).

“The talent gap is one of the major challenges, mainly when it comes to finding Big Data professionals,” said the head of corporate development at an insurance company in the U.S. “There is the choice of enlisting external assistance, but this would increase security and financial challenges. Unless we find talent that can utilize data effectively, it will be difficult to use data for building a competitive advantage.”

Resistance to change among the workforce following a major M&A deal is a recurring theme. Respondents report impacts in areas that include integrating internal processes, technology, and achieving cost synergies post-transaction—though the same hurdles may arise whenever an organization tries to onboard a new technology outside of the context of M&A.

While cost savings can be realized if teams are willing and able to incorporate new tools, there’s often resistance to change. Similar criticisms could be levied against some boards and senior stakeholders, who must frequently contend with

In your most recent M&A transaction, what were the biggest challenges faced during the due diligence process?



competing priorities that require them to rein in costs while also ensuring their M&A and technology strategies enable their company to maintain the competitive high ground.

“ ”

As soon as news about the merger or acquisition is released, employees start looking for prospects elsewhere. They tend to expect restructuring to affect their job in the company. Our teams want to retain talent, but there are good employees who get work elsewhere because of their expertise.

Managing Director

Poland-based private equity firm

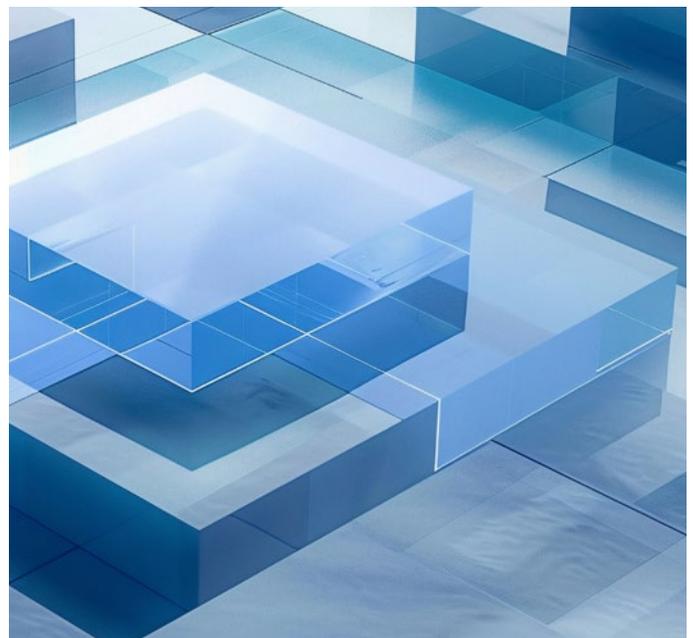
It’s a difficult balance to strike, but cultivating a business culture that is receptive to change and technological innovation is essential. As digital tools and paradigm-shifting technologies such as AI become increasingly integrated into operations, resistance to change among employees and in the C-suite could see a business rapidly lose ground to its competitors.

Conversely, cultivating a culture of change is more likely to support smooth transitions during M&A and bolster data-driven decision-making. This way of thinking is especially important in an environment where demands on due diligence are rising, with these challenges being compounded by the current shortage of in-house expertise. For some respondents, the solution to the skills crisis is more M&A—specifically “acqui-hire” deals in which companies are bought to secure a talented

workforce. For nearly one in five respondents (19%), talent acquisition is among their main motives for pursuing M&A deals in the first place. Access to a wider talent pool is also cited by respondents as a key opportunity for post-deal value creation.

But this can be a risky strategy, and talent flight is a real danger: “As soon as news about the merger or acquisition is released, employees start looking for prospects elsewhere,” said the managing partner of a private equity firm in Poland. “They tend to expect restructuring to affect their job in the company. Our teams want to retain talent, but there are good employees who get work elsewhere because of their expertise.”

Besides the risk of talent flight, “acqui-hire” deals can be costly. For many businesses, outsourcing may be a more viable option to pursue, especially in situations where a company requires specific expertise on a temporary basis. By “renting” talent in this way, businesses can bridge their talent gap without the long-term commitments of hiring new full-time staff or acquiring a specialist outright.



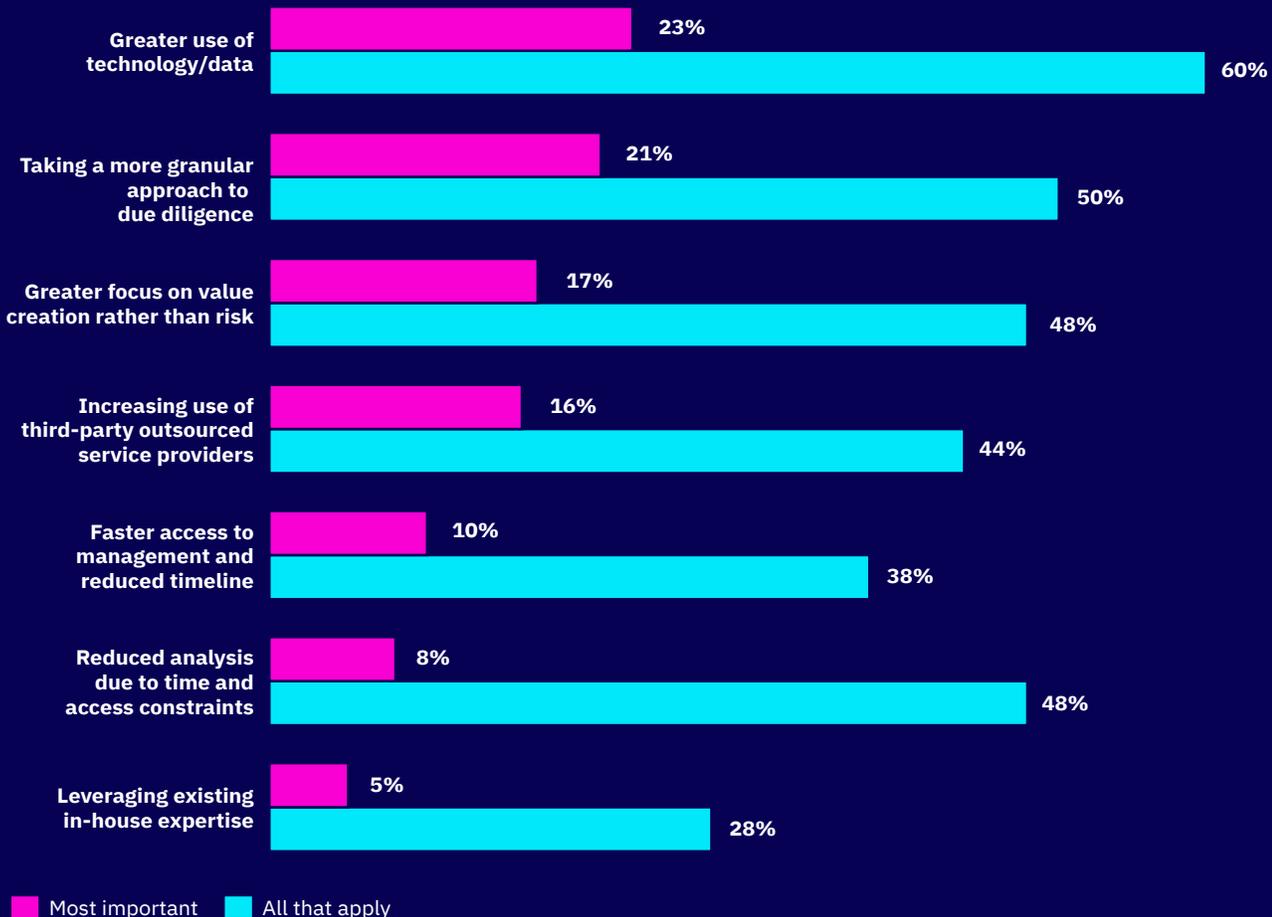
DUE DILIGENCE FOR DIGITAL READINESS

The most important way in which due diligence has changed is the rising use of technology/data (23%). The taking of a more granular approach to due diligence is also widely cited (21%), which reflects both the rise of technology-related concerns (such as separating AI and cybersecurity due diligence from broader technology due diligence) and the impact of technology/data on other facets of due

diligence, including ESG reviews and predictive financial modeling.

These two developments jointly encapsulate the need for companies both to move swiftly and deeply on all facets of due diligence, from technology and business processes to commercial synergies and human resources. Doing so will

In what ways have your M&A due diligence processes developed over the last 12-24 months?



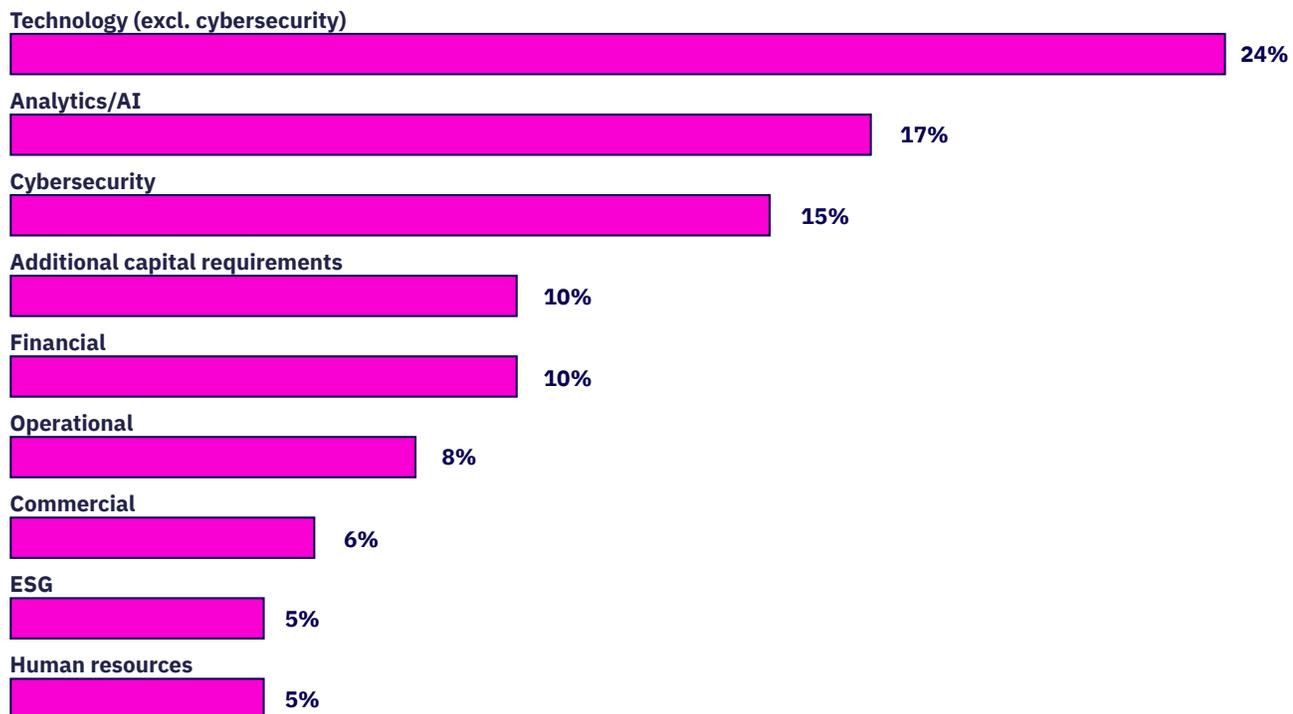
allow would-be acquirers to quickly pinpoint and quantify areas of opportunity—essential in today’s tremendously competitive M&A market—as well as identify potential hurdles that could stall post-deal integration processes.

Mirroring the significance of digital transformation and echoing their concerns about the challenges posed by technological innovation, nearly a quarter of respondents (24%) said that technology has been the most complex aspect of due diligence in their most recent deals. Analytics/AI (17%) and cybersecurity (15%) are also top of mind for many respondents, particularly given the race to regulate. The EU’s recently introduced AI Act—the world’s first comprehensive AI legislation—underlines the direction of travel, with new obligations on providers and deployers of AI technology.

Nearly all respondents expect due diligence relating to technology to come under more scrutiny over the next 12 to 24 months. Such high degrees of complexity and scrutiny across various interrelated yet highly specialized segments of due diligence require potential acquirers to have deep knowledge close at hand. Of course, the skills shortage and lack of in-house expertise means that many dealmakers are turning to third-party partners to fill knowledge gaps.

24% say that technology has been the most complex aspect of due diligence in their most recent deals.

Which aspects of the process are most likely to be disrupted by the evolution of AI?

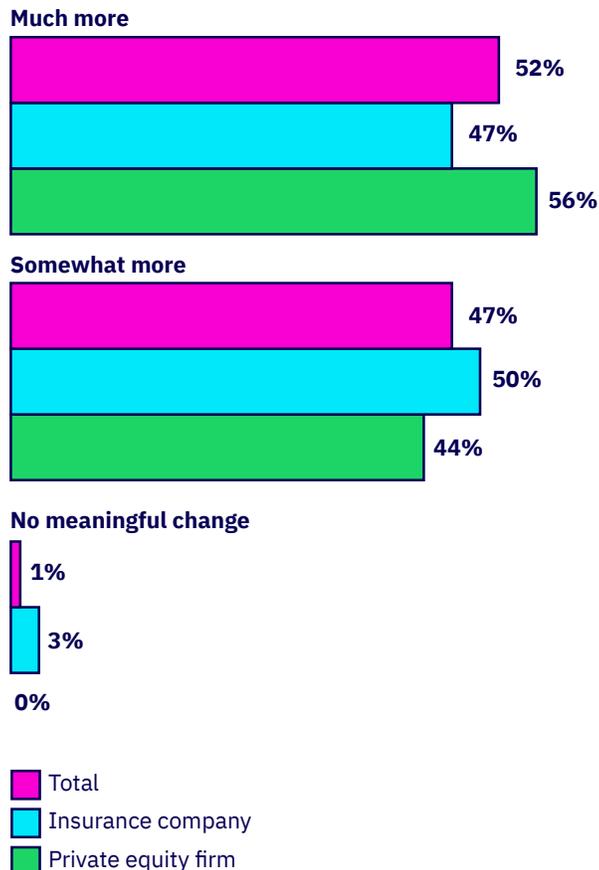


16% said the single most important way in which their M&A due diligence processes have changed over the last 12 to 24 months has been the increasing use of third-party outsourced service providers. But increased reliance on outsourcing can bring its own challenges, from finding a partner whose approach matches up well with the business to selling management on the value of that partnership.

Pain points exist

Respondents have specific technology concerns about obsolescence, cost, competition, talent, and clarity of purpose. While these factors were raised with reference to risks beyond M&A, they can be scrutinized in buy-side due diligence.

How much more scrutiny do you expect due diligence relating to technology (cybersecurity, AI, etc) to have over the next 12-24 months?

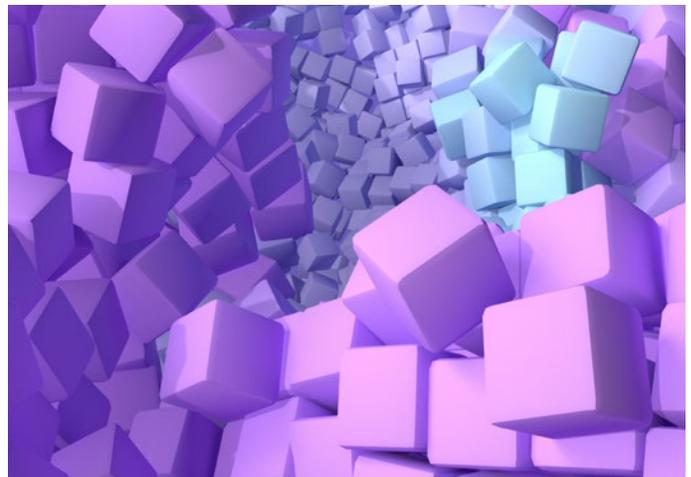


Evaluation of such parameters is relatively straightforward. Far less direct is properly assessing risks around technology integration—which emerges as a major due diligence stumbling block. Comments made by respondents highlight the fact that due diligence often fails to flag up potential integration problems. All too often, these issues pop up post-acquisition.

62% of respondents cited integrating IT and internal processes as one of the main challenges to post-deal value creation, while 30% said it’s the most important factor. Challenges include pushback from teams and conflict among management personnel.

The technology used by the target and the acquirer may also differ substantially—meaning decision-makers face the challenge of deciding which technology should be retained.

“Not all companies are at the same pace when it comes to technology innovation,” said the managing director of a UK-based private equity firm. “Each company has their own policies, budget, and focus area when it comes to technology. Incompatibilities between IT systems may not be identified during due diligence unless companies match all documents comprehensively.”



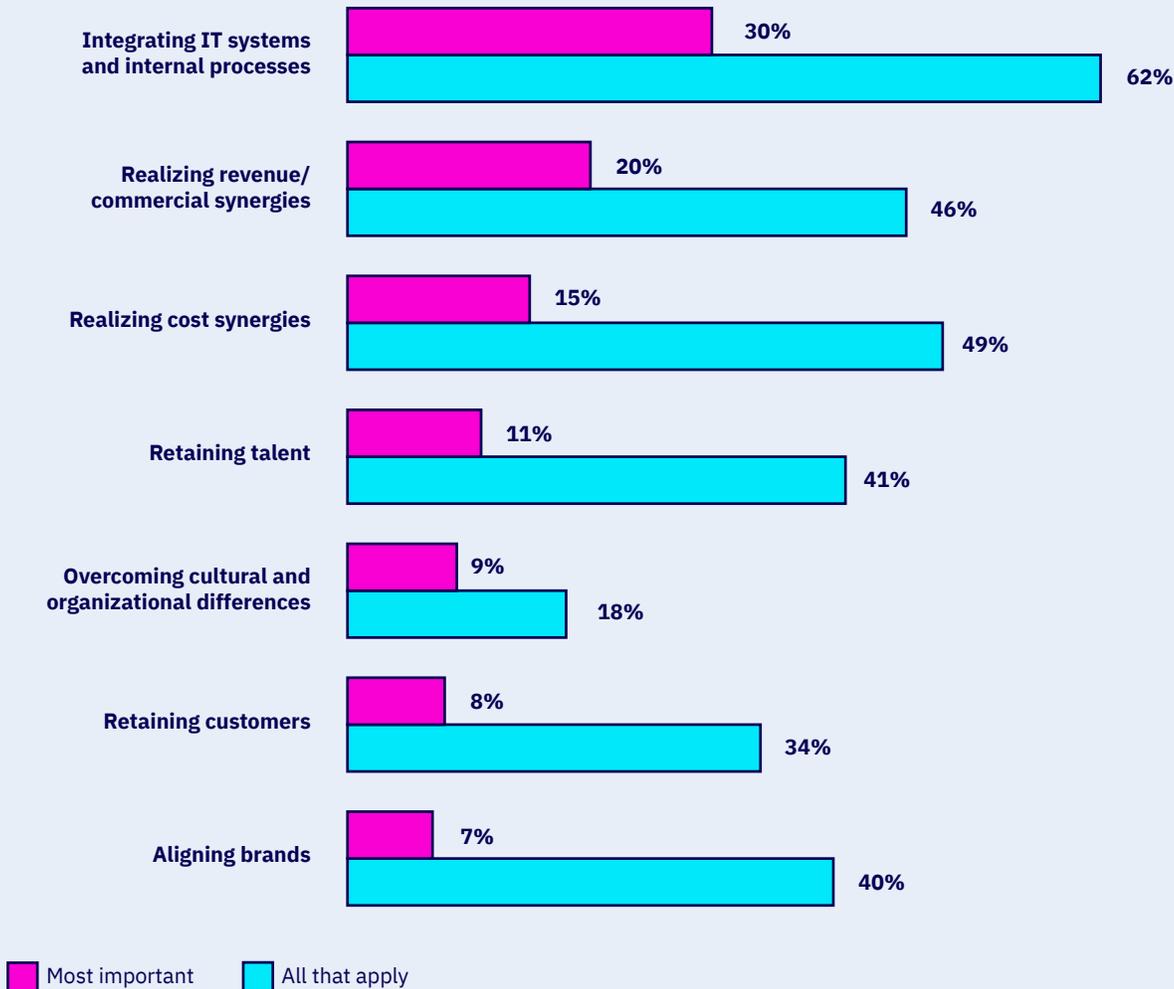
CHAPTER 05: DUE DILIGENCE FOR DIGITAL READINESS

A significant problem is that there is no one-size-fits-all model for IT integration, a point taken up by the partner of a private equity firm in Austria: “We cannot use a standard strategy to integrate IT systems. Each has its own intricacies. Sometimes the documentation for leading these IT system integrations is not present with the company.”

“Commercial synergies can be estimated to some extent,” said the partner of a U.S. private equity firm. “But we cannot get the complete picture until after the deal is completed. There may be many challenges affecting the realization of synergetic potential. Revenues will drop and so will our returns over a period of time.”

Synergies can prove elusive. The challenges of realizing revenue/commercial synergies, and realizing cost synergies, are rated the top concern by 20% and 15% of respondents, respectively.

What are the main challenges to post-deal value creation?



CONCLUSION

Digital transformation is the primary deal driver for insurance M&A—and it's set to grow in significance in the near term as dealmakers race to tap into new sources of value, differentiate their businesses, and seize the competitive high ground.

Respondents are clear about where the benefits of technology-focused acquisitions lie, pointing to accelerated growth and improved return on capital. What's equally clear is that tech is bleeding through into many other areas of value creation, among them realizing business synergies, cost cutting, and the scope to expand into new geographies.

Also notable is the high degree of maturity among dealmakers when it comes to taking advantage of data and analytics. "Using data and analytics optimally is crucial to enhance the process of underwriting, and it plays a key role in managing risks," said the COO of an insurance company in the U.S. "On top of this, companies can increase their competitive advantage. They will get more accurate predictions and faster analytics reports."

But the obstacles to successfully executing a digital transformation plan are vast. While technology and data are supercharging value creation across multiple fronts, they also introduce a slew of new risks—some of which are better appreciated than others. Respondents pointed to concerns about obsolescence, cost, competition, lack of talent, and clarity of purpose as major risks when it comes to taking advantage of technological innovation. The challenges are not restricted to innovation alone. Making the most of existing technology is as much, if not more, of a problem. Post-deal IT integration is a prime example.

"IT Integration requires the involvement of many experts," said the COO of a U.S.-based insurer. "There may be contrasting opinions about how to go about the integration process. This will affect the post-deal integration timelines. There may be more investments required to optimize system capabilities."

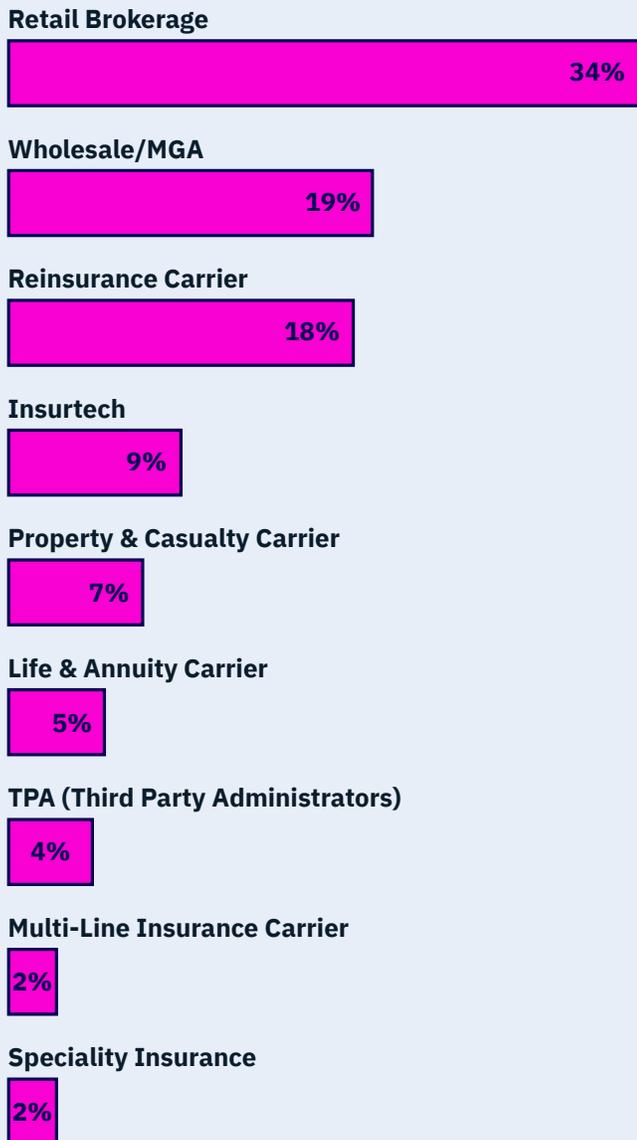
Problems of this sort seldom appear out of the blue. In many cases, post-deal integration challenges can be traced directly back to shortcomings in due diligence. This is compounded by talent shortages: In many cases, acquirers simply do not have the right in-house skills to make an appropriate evaluation of potential IT integration pain points.

A dearth of talent could also account for the apparent lack of focus in areas such as building customer loyalty and cross-selling solutions. These are low-hanging fruit, yet few respondents see these as an opportunity to extract value from existing data. "Growing value from data can be hindered by talent gaps," said the COO of a U.S.-based insurer. Challenges aside, dealmakers are tapping into technology with readiness and looking to the future with confidence as they embrace digital transformation. And with inflation in retreat and signs of monetary easing, the prognosis for insurance M&A is looking increasingly positive.



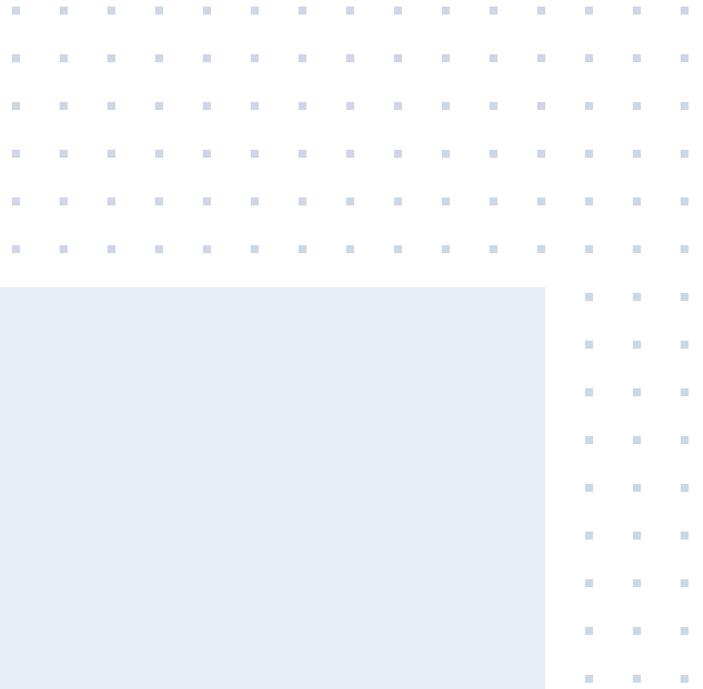
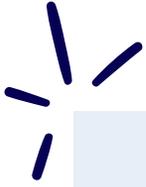
METHODOLOGY & RESPONDANT PROFILE

In relation to which category/line of insurance does your organization primarily operate?



In Q2 2024, Mergermarket surveyed 250 senior level executives about current trends in insurance M&A.

Of those, 130 were based in the United States and the remaining 120 in Europe, including the UK. All respondents had assets under management of between \$300 million and \$5 billion. The respondent pool was divided equally between private equity dealmakers and representatives of insurance companies. The latter operated across a broad range of categories of insurance.



ABOUT US

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