



News Release

For Immediate Release

FREEMAN & CO. REPORT DETAILS INSURANCE INDUSTRY TRENDS

NEW YORK, July 14, 2010 – Freeman & Co., a leading independent advisor to the financial services industry, released the latest edition of its insurance industry overview. The report focuses on the lasting impact of the credit crisis on insurers and highlights certain key trends likely to shape the sector in 2010 and 2011.

Trends: Regulatory Capital Requirements to Drive M&A

- As the current soft market continues, insurers and reinsurers will continue to focus on improving their collective balance sheets
- While larger and more diversified institutions will have access to the public debt and equity markets, smaller and middle-market players will need to divest non-core assets or sell closed blocks of business in order to become adequately capitalized
- Private equity sponsors are expected to continue their support for their offshore reinsurance portfolio companies, which will have a significant supply of block transactions to target for the next 12-18 months

Trends: Implications of Solvency II on Insurance Carriers

- Solvency II will undoubtedly have far reaching implications for several types of insurance companies including European insurers, US insurers with European operations and US insurers that are part of European groups
- Solvency II will likely cause a new wave of consolidation across the industry as larger insurers will move to acquire small to middle market niche players that lack the product diversification needed to shoulder the new capital requirements

Trends: Increased Government Intervention in the ILS Market

- The GAO recently identified four proposals, all the subject of pending legislation, that would increase the federal government's role in, and exposure to, the catastrophe insurance market
- It remains to be seen whether this expanded federal role in the ILS market crowds out private reinsurance market participants, who may not be able to operate profitably in an environment where the high costs of insuring high risks are heavily subsidized

M&A and Private Equity Activity in the Insurance Sector

- Insurance M&A continued its slow pace in the 1H 2010 as a select few strategic buyers came to take advantage of the dislocation by purchasing divested assets from distressed parents
- The number of insurance M&A transactions was down to 104 in 1H 2010 from 122 in 1H 2009, a 15% decrease¹
- The total deal value increased by over 300% from 1H 2009 to 1H 2010, largely due to Met Life's 1H 2010 purchase of ALICO from AIG for over \$15 billion
- The decrease in private equity investment in the insurance sector may turn around in 2011, as financial buyers begin to take advantage the opportunities presented by cash-hungry insurers seeking to divest non-balance sheet intensive operations

"We expect continued efforts by insurers to raise capital throughout the remainder of 2010 and 2011. New regulatory capital requirements will also drive trends toward increased M&A, divestitures of non-core assets and cost-cutting initiatives via outsourcing relationships." says Eric Solash, Managing Director and head of insurance M&A at Freeman & Co. LLC.

¹ Includes only transactions in Europe, North America and the Caribbean region

About Freeman & Co. LLC

Founded in 1991, Freeman & Co. LLC is an M&A advisory and strategic consulting firm focused exclusively on the financial services industry with offices in New York and London. The company's advisory services include mergers and acquisitions advice, capital raising, underwriting, fairness opinions, restructuring advice and private company valuations. Strategic consulting assignments are customized to client needs and have covered a wide array of projects. Additionally, Freeman & Co. developed a proprietary algorithm and methodology for benchmarking the competitive position of capital markets businesses, which has become the industry standard used by major investment banks. For more information, visit www.freeman-co.com.

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