



News Release

For Immediate Release

FREEMAN & CO. REPORT DETAILS INSURANCE INDUSTRY TRENDS

NEW YORK – LONDON, January 6, 2012 – Freeman & Co., a leading independent advisor to the financial services industry, released the latest edition of its Insurance Industry Focus, titled *Where Do We Go From Here?* The report focuses on the drivers of merger & acquisition activity in the insurance industry in 2011 while looking forward to potential 2012 trends.

Low Interest Rates & Higher Capital Requirements

- Insurers continue to struggle in the low interest rate environment as they prepare for increased capital requirements
- As rates will likely stay low through 2012, spread writers will continue to search for sources of increased yield

M&A Activity Summary

- The number of insurance M&A transactions was up to 801 in 2011 from 764 in 2010, a 5% increase
- Total deal value of \$76.0 billion was down, however, from \$108.0 billion in 2010 due to several large transactions taking place in 2010
- Ongoing regulatory changes to capital requirements in the US and Europe, as well as volatility in Europe, will likely continue to drive insurance carrier M&A in 2012
- Large and mid-sized insurance brokers, many with significant backing from private equity firms, also show no signs of slowing their rapid pace of acquisitions

Reinsurance and CAT Bonds

- 2011 was the costliest year on record for natural disaster losses as earthquakes in New Zealand and Japan contributed to approximately \$105 billion in total losses
- We expect purchases of run-off blocks of both Life and P&C insurance to increase as low rates and increased capital requirements continue in 2012

Private Equity Activity Slows

- Private equity activity in insurance slowed following a strong year in 2010
- Despite the recent slow-down, prevailing fundamentals remain supportive of private equity investments in the insurance industry due to the increasing burdens of regulatory capital, and the permanent capital source that the insurance industry provides

"It seems to me that several 'one in 200 year' events managed to happen in 2011. Our expectations are that M&A activity will continue to increase in 2012 as insurance carriers and reinsurers divest non-core business lines and seek to replenish capital due to both regulatory requirements and potentially from CAT losses." says Eric Solash, Managing Director at Freeman & Co. LLC.

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, 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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