

# Mergers and Acquisitions Insurance Services

The financial services market in Australia has in the recent past been characterised by a significant degree of regulation and competition. At the same time, certain segments of the industry are being transformed by a wave of Mergers and Acquisitions (M&A).

The superannuation industry has not been immune from merger activity. Since the advent of the RSE licensing requirements introduced by APRA, the number of licensed superannuation funds has reduced from **2,000 to 320**.

The pursuit of economies of scale, greater distribution capacity, new business markets together with the effects of the global financial crisis and regulatory reform is likely to increase M&A activity in Australia.

At IFS Insurance Solutions (IFSIS), our M&A specialist team helps to identify, structure and execute the appropriate insurance strategies for clients considering a merger or acquisition. We add value by helping clients to:

- Understand the implications of a merger on their insurance arrangements.
- Conduct due diligence on the insurance arrangements on behalf of clients and for the relevant parties.
- Audit their existing program including insurance data integrity and quality, claims experience, trends, insurer financial strength and any specific international limitations.
- Conduct Benchmarking, Risk Profiling and Gap Analysis techniques to ensure an understanding of the potential cost of insurance and/or the opportunities for improvement.
- Identify and overcome key insurance challenges associated with the transaction.
- Address specific risk management issues and their impact on the existing and future insurance arrangements.
- Leverage and optimise relationships with key service providers to achieve their objectives.
- Implement the required insurance arrangements in accordance with their business and risk management objectives.

Our knowledge of the intricacies, regulatory framework and requirements of insurance inside the superannuation fund landscape is unsurpassed.

The IFS Insurance Solutions team have market leading knowledge of insurance products specific to the needs of superannuation funds, investment managers, financial institutions and other clients.

This product knowledge coupled with our staff's operational experience and strong relationships with insurers and other



stakeholders ensure the delivery of commercially and risk-management focused outcomes for clients. This includes Group Risk insurance for members of a merged fund, Trustees' Liability Run-off cover for the protection of the directors, executives and staff of the fund, business insurance and other risks dealing with the acquisition of an asset, company or business as an investment.

## M&A Insurance Focus Areas

Insurance generally represents a major expense and cost for a fund or business.

In the case of a superannuation fund, insurance may also represent a major product offering to members which may assist with both the member retention and growth strategies of the fund.

In addition, insurance can not only test the strength of the client's risk management plan and systems, it has an inherent and significant capacity to cause disputes and complaints and tie up customer service and compliance systems.

It is therefore important that clients have in place a strategy as part of a merger or acquisition plan that aligns their insurance offering to their broad business objectives.

## Our Methodology and Process

As the leading provider of insurance due diligence services to industry super funds and associated entities, IFSIS is able to draw on the extensive capability, experience and resources of the group and business partners to deliver qualitative and quantitative advice to assist with the due diligence of insurance arrangements and structuring of solutions.



## The range of solutions that we can deliver may include:

- Premium cost review
- Improved insurance coverage or benefits
- Superior service capacity
- Uninsured risk transfer
- Transfer liabilities off balance sheet
- Uniformity of insurance and alignment with risk management framework, plans or appetite

We also provide tailored risk management and insurance solutions to meet the risks inherent in mergers, acquisition and other transactions, enabling potential liabilities to be identified, treated and where required transferred to insurers to protect the fund, business and their stakeholders.

While the area of M&A provides many opportunities for growth and development, it also may increase legal actions against trustees, funds, businesses, directors, executives, advisers and other stakeholders. This can have an adverse impact on the reputation of the fund or business.

In response to the need for funds and businesses to realise the benefits of economies of scale that the merged entity or acquisition presents and the need to identify and treat risks & liabilities, we have developed specialised M&A insurance solutions covering a range of segments and insurance classes.

These services are designed to further strengthen our client's internal and external due diligence processes and ensure an understanding of the key insurance opportunities and challenges facing the merged entity or the target of their acquisition and that innovative solutions that cater for a range of benefits and exposures are managed before the merger date.

IFSIS use the following process when developing an M&A strategy for our clients:



This structured and analytical approach is designed to align the final insurance outcomes with the needs and business objectives of the new merged entity.

## It also ensures that our clients:

- Understand the key drivers of their historical insurance claims experience and impact on premium.
- Understand and benchmark their program or product offering against the market.
- Secure the best possible insurance arrangements available in the market in terms of premium, terms & conditions.
- Integrate insurance cover with the day-to-day operations of the entities and align these with their risk management strategies.
- Identify and minimise risks, and wherever possible transfer these to an insurer.
- Implement and strengthen internal controls to better manage insurance.

In a climate of ever increasing insurance, compliance and risk management costs, proper insurance due diligence may have a critical impact on a M&A strategy for a fund or business.

Furthermore, the due diligence templates used by some organisations emphasise the legal and financial disciplines without paying due heed to risk management and insurance.

Failure to fully consider offerings from the risk management and insurance disciplines can prove costly. Moreover, a client who engages specialist input from the insurance and risk management sectors, can also benefit from:

- Attaining higher levels of certainty in what, by definition, is an uncertain and sometimes volatile environment.
- Empowering an entity's M&A team with knowledge of the cost of risk and insurance implicit in a transaction.
- Attaining closure on more transparent and/or favourable terms.
- Receiving specific advice during the process that identifies the key insurance issues and opportunities for resolution.

Our M&A specialists can provide the risk management and insurance skills and expertise needed to improve the certainty of merger outcomes across a broad spectrum of insurance programs.

## Talk to the insurance experts.

IFS Insurance Solutions Pty Ltd

**Phone:** 03 9923 7171  
**Email:** info@ifsinsurance.com.au  
**Web:** ifsinsurance.com.au



**Insurance Solutions**

### Our Services

- › General Insurance
- › Affinity Programs
- › Group Risk Insurance
- › Group Income Protection (EBA)
- › Professional Risks
- › Employee Benefits
- › Advisory and Consulting

**Better results.**