CLIFFORD CHANCE

HOW THE INSURANCE MARKET DEVELOPED IN 2020 AND THE OUTLOOK FOR 2021

JANUARY 2021

Over the course of 2020, we were involved in a number of headline making transactions in the insurance sector that you may be interested in. While these matters encapsulate the changing nature of the insurance market they also point to themes which will continue to develop in 2021. We set out below the 5 big themes we expect to see in the insurance market in 2021 so you can consider how to position your business for what comes next. We would be happy to discuss any of the deals below.

The trends that look set to dominate the insurance market in 2021 are:

1 Private equity and other financial investors will continue to invest in and support the insurance market

We saw in 2020 a continuation of the trend of PE, Sovereign Wealth fund and other financial investor engagement in the insurance sector. The sector has become an increasingly attractive one for financial investors as they have grown to understand the sector and seen the financial rewards of investment, particularly at the right time in the cycle. This is evidenced by a number of the transactions we advised on this year: Bain acquisition of LV=, the Cinven/GIC acquisition of Miller, the Blackstone/Fairfax investment in Ki and, finally, the investment of QIA and CDPQ alongside PE houses, JC Flowers and Oak Hill, in Inigo. We would expect this trend to continue in 2021, on the basis that PE and other financial investors will still have available funds flows and that the hard insurance market conditions continue.

2 Support for and innovation in Lloyd's market

The 300-year-old Lloyd's market appears to be successfully positioning itself as a vital element of the global insurance architecture. John Neal, as Lloyd's CEO, is in the process of implementing their Blueprint for the Future and all the signs are that this will ensure the relevance of the market for the foreseeable future. The initiative was launched in September 2019 and has gathered pace in 2020, in part driven by the need for technological solutions during the COVID-19 lockdowns. The choice by Inigo to launch in Lloyd's is a shot in the arm for the Lloyd's market and the launch of both the Ki Syndicate and the Lloyd's ILS platform demonstrate that Lloyd's reputation for innovation continues to burn brightly. We were delighted and very proud to play our part in the rejuvenation of Lloyd's in working on these transactions.

3 A hardening market will see new launches and third-party investment in new ventures

A hardening market is often accompanied by new start-ups and inwards investment to the sector, and the current hard market conditions are no exception. The Inigo and Ki launches demonstrate the opportunistic nature of capital in the right market conditions. The hard market conditions look likely to continue in light of the low/negative interest rate environment, the continued impact of COVID-19 lockdown on the global economy and the threat of insolvencies. In the UK, the recent Supreme Court decision will lead to significant market losses (possible in excess of reserves) and, therefore, reinforce the hard market conditions. This will result in further new venture capital raisings and portfolio targeted third party investment, including ILS, as such investments are free from historic liabilities and returns are non-correlated with other investments. Last year's challenges and ongoing market conditions will also create opportunities for M&A transactions in existing insurers as insurance groups seek to sell businesses to raise funds to focus on new opportunities in the hard market or to conserve capital. Both will present opportunities for PE and strategic buyers.

4 Insurers will focus on core offerings and scale up

We expect the larger insurance groups to continue the trend of simplifying their business, focusing on their core business lines and scaling up in those areas. As referred to above, market conditions may lead to insurance groups looking to sell assets in order to manage capital efficiency and raise funds to deploy their resources more profitably elsewhere in the group. A common mantra is to focus on certain key areas/products/geographies and streamline the organization. Many insurers stress the need to be digital for both customer facing and administration purposes. The Admiral sale of the Confused business can be seen as an example of this trend. We have also advised the AXA group on the integration of AXA XL and the sale of businesses in Poland and the Middle East as that group continues their strategic realignment. Insurance groups that do not have the funds to sustain growth or have the ability to scale up may become takeover targets. The acquisition by Tryg and InTact of RSA can be seen as an example of this trend.

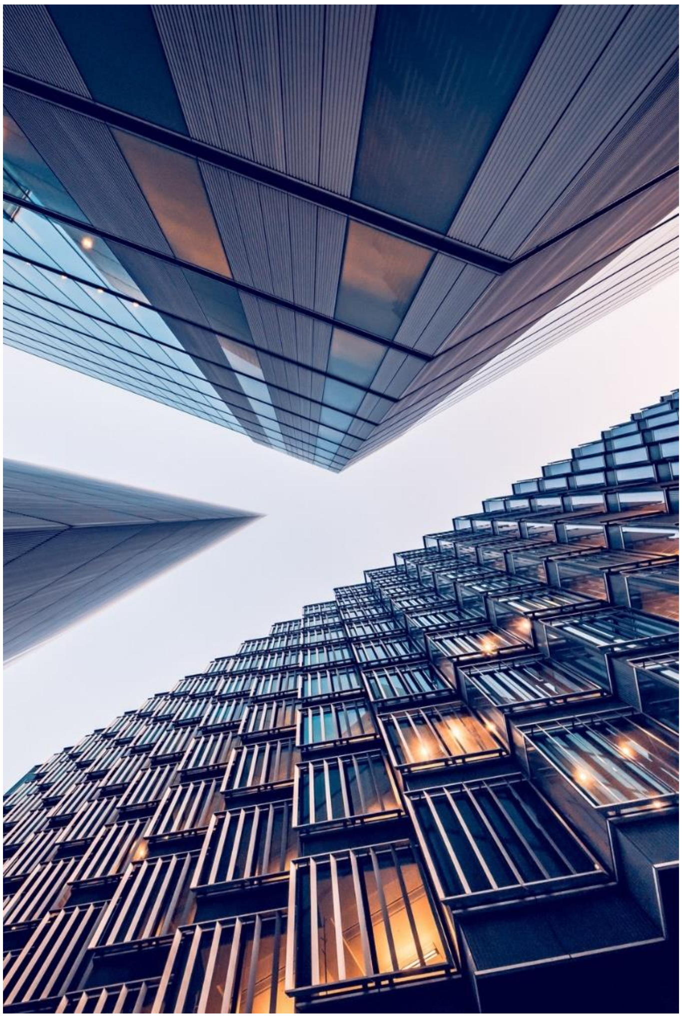
5 Insurtech partnerships will continue, but we may see first UK standalone Insurtech insurer

It may be that we look back on 2020 as the year when insurtech partnerships and ventures achieved scale in the UK. Just one example was the Ki syndicate, which was developed with support from University College London and Google. We hope and expect to see UK regulators seeking to build an environment where insurtech businesses can thrive, not just in partnership with existing insurers, but with the potential to become standalone insurance carriers. The PRA and FCA have both set up units focussing on insurtech and a separate initiative to support applications for new insurers. We now need to see a simplified application process and a proportionate approach to initial capital requirements in order to encourage insurtech insurers. It would be great to see an end to the continued perception that insurance is lagging behind other FI's in embracing technology and innovating.

DEALS

ADMIRAL GROUP SELLS CONFUSED.COM AND OTHER PRICE COMPARISON PLATFORMS

- Clifford Chance is advising Admiral Group on the sale of its price comparison site Confused.com, alongside other European insurance-focused comparison platforms.
- The £508 million sale, will see the Zoopla Group purchase Admiral Group's Penguin Portals Group comprising online comparison portals Confused.com, Rastreator.com and LeLynx.frand the Group's technology operation Admiral Technologies) and its 50% share of Preminen Price Comparison Holdings Limited. The Spanish insurer MAPFRE will also sell its 25% holding in Rastreator and 50% holding in Preminen as part of the transaction.
- Admiral announced that it intends to focus on "what it has done consistently well, namely designing and underwriting good value mass market Financial Service products".



LV= TO BE ACQUIRED BY BAIN CAPITAL FOR £530M

- Clifford Chance is advising Liverpool Victoria Financial Services Limited ("LV="), the savings, retirement and protection group, on its £530m demutualisation and sale to Bain Capital Credit LP ("Bain Capital"), a leading global private investment firm.
- The transaction will be effected in stages and will be completed through a Part VII portfolio transfer. Under the proposal, LV='s With-profits business will be ring-fenced in a separate fund and closed to new business. The capital available for distribution is expected to increase by up to 40% as a result of the transaction and will be used to increase payments to With-profits members as their policies mature. Their long-term interests will continue to be protected by an experienced With-profits Committee. The acquisition is subject to regulatory approval and approval from LV= members.
- It is expected to complete by the end of 2021, subject to the conclusion of the legal process.

DEALS
(CONTINUED)

CINVEN, GIC TO ACQUIRE MILLER FROM WILLIS TOWERS WATSON

- Clifford Chance is advising Cinven, the international private equity firm, and GIC, Singapore's sovereign wealth fund, on the joint acquisition of leading specialist insurance and (re)insurance broker Miller from Willis Towers Watson. Cinven Funds' previous investments in the European insurance sector include Guardian Financial Services in the UK, Eurovita in Italy, and Viridium in Germany.
- The transaction is expected to complete in Q1 2021 and is subject to regulatory approval. Clifford Chance has a longstanding relationship with Cinven and recently advised the private equity firm on its strategic investment in global speciality ingredients distributor Barentz and the IPO of its portfolio company Allegro in Poland. Clifford Chance has previously advised GIC on the acquisition of the Ariane Tower in Paris for €464.9 million from Unibail-Rodamco-Westfield.

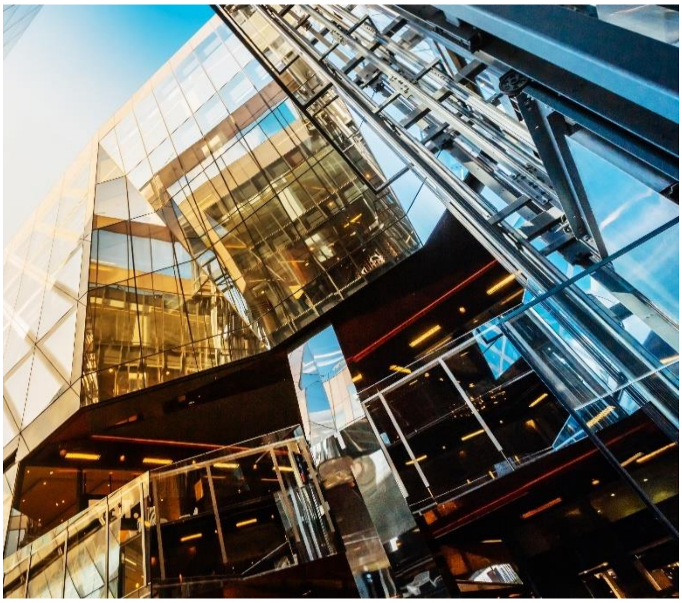
NEW INSURANCE GROUP INIGO RAISES $800M OF CAPITAL FOR LLOYD'S PLATFORM

- Clifford Chance is advising the Inigo group on a new insurance London market venture involving a capital raise of approximately $800m. The funds have been provided by a consortium of global investors comprising funds controlled by J.C. Flowers, Qatar Investment Authority, Caisse de dépôt et placement du Québec, Oak Hill Advisers, Enstar and Inigo's management team. The transaction includes the proposed acquisition, subject to regulatory approval, of StarStone Underwriting Limited from Enstar Group.
- Inigo believes that conditions are ideal to launch a new insurance business at a time when underwriting capacity in Lloyd's is constrained. Inigo has chosen London as its principal base since it regards the overall insurance ecosystem offered by Lloyd's as the best in the world and will support the growth and development of the new firm.
- Clifford Chance advised Inigo on the arrangements with investors, the proposed acquisition and the establishment of their new Lloyd's corporate member vehicle. The firm provided corporate, employment, incentives, property, insurance regulatory advice and support on tax. The team also advised on a series of inter-connected services arrangements.

DEALS
(CONTINUED)

THE ESTABLISHMENT OF THE GROUND-BREAKING LLOYD'S INSURANCE LINKED SECURITIES PLATFORM

- Clifford Chance is advising the Society of Lloyd's on the establishment of the ground-breaking Lloyd's insurance linked securities (ILS) platform, London Bridge Risk PCC Limited, to meet one of the objectives of the Future at Lloyd's strategy.
- It is the first UK ILS structure which has been approved by the PRA for use for multiple, market wide transactions for Lloyd's members and will establish a market standard and efficient mechanism for existing and new investors to participate at Lloyd's for years to come.
- It is an exciting and significant innovation to the Lloyd's market and a significant development for the wider UK ILS market. It demonstrates PRA and FCA support for more innovative use of the UK ILS Regulations, in addition to their continued support for more seamless cat bond structures such as the recent issuance by Sussex Capital UK PCC for Brit, a global specialty insurer.



BLACKSTONE & FAIRFAX BACK KI IN $500M CAPITAL RAISE

- Clifford Chance acted for speciality insurer Brit and its parent Fairfax Financial Holdings Limited ("Fairfax") on a unique joint venture with Blackstone Tactical Opportunities ("Blackstone") with the aim to revolutionise the Lloyd's following market. The parties worked together to raise US$500m from funds managed by Blackstone to invest in Ki, the first of its kind fully digital and algorithmically-driven Lloyd's syndicate.
- Ki is a newly formed follow-only digital business which will underwrite, from 1 January 2021, using an algorithm-driven approach. Ki will substitute work traditionally done by underwriters and automatically quote for business through a digital platform and is an example of using new technology to deliver a more competitive market. It will aim to reduce the amount of time it takes for brokers to place their follow capacity and was developed with support from University College London and built by Google Cloud.

DEALS
(CONTINUED)

INTACT FINANCIAL CORPORATION HAS MADE A £7.2BN OFFER FOR THE UK INSURER RSA

- Clifford Chance is advising Toronto-listed Intact Financial Corporation on its joint bid with Tryg A/S for RSA Insurance Group PLC. Intact is the leading property and casualty insurer in Canada, and Tryg one of the leading non-life insurance companies in the Nordics.
- Pursuant to the transaction, Intact will retain RSA's Canadian, UK and International operations, Tryg A/S ("Tryg"), a Copenhagen-listed insurance group, will retain RSA's Swedish and Norwegian businesses, and Intact and Tryg will co-own RSA's Danish business on a 50/50 economic basis.
- The transaction will be financed by Intact and Tryg. The bid values RSA at c. £7.2bn. Intact will finance its contribution by a combination of equity private placements and a bridge facility (some or all of which may be replaced with alternative sources of financing). Tryg will finance its contribution via a DKK 37 billion rights issue.
- It is expected to complete in the second quarter of 2021.

C L I F F O R D
C H A N C E

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