Insurance market looking to safeguard its future

Regulatory, commercial and Government pressures leading to increased activity in the Spanish and Portuguese sectors

The ongoing downturn as well as regulatory and Government intervention is prompting significant change in the Spanish and Portuguese insurance markets, leading many companies to look to raise new funds, and to streamline and refocus operations.

Insurance companies have already begun to respond to Solvency II, an EC directive that will be implemented by the end of 2012, but are also reacting to falling revenues and increased claims.

Solvency II introduces revised EU-wide capital requirements and risk management standards. For some lawyers, such a development has been the catalyst for consolidation among smaller players in the sector and restructuring among the larger.

In Portugal, an added factor has been the enforced restructuring of many of the country's major financial institutions, including now the planned divestiture of the insurance arm of State-owned Caixa Geral de Depósitos (CGD), Caixa Seguros e Saúde; a requirement under the terms of the EU, ECB and IMF €78bn financial assistance package. Most of Lisbon's major firms have acted for CGD in the past and no public announcement has been made confirming the advisers on the planned deal.

Lawyers note however that the Portuguese insurance market has clearly felt the impact of the downturn – the worst in three decades – as revenues have declined from the two largest segments of the non-life assurance market, namely worker's compensation and motor insurance.

Much of the restructuring in the market may be going on quietly, and most of the leading firms in Lisbon have dedicated expertise, but among the most notable deals has been the sale by CNP Assurances of shares in Global Companhia de Seguros and Global Vida Companhia de Seguros de Vida, advised by Cuatrecasas Gonçalves Pereira. Also relevant was the local impact of the merger of Zurich – Companhia de Seguros and the Irish company Zurich Insurance, a deal that saw Sérvulo acting.

In Spain, the market has experienced the same drivers, only more so. The restructuring of the country's savings bank sector (cajas) has seen many restructure or sell-off their insurance operations.

Lawyers again point to the impact of lower premium revenues and an intensification of competition given consumers' higher sensitivity to price changes, increased claims and higher withdrawals from life policyholders.

Firms including Garrigues, Uría Menéndez, Ashurst and Cuatrecasas Gonçalves Pereira have already picked up substantial insurance-related work from the caja mergers.

Notable among them was the €556.8m sale by Caixa Catalunya, Spain's fifth largest savings bank, of half its insurance business to leading Spanish insurer Mapfre. Under the deal, Caixa Catalunya and Mapfre agreed to jointly develop the savings bank's insurance and pension business with Mapfre acquiring half of Caixa Catalunya's Iberian insurance services subsidiaries. The first of a number of bancassurance deals undertaken by Mapfre.

The deal came as Caixa Catalunya negotiated a three-way €4.2bn merger with Caixa Tarragona and Caixa Manresa, on which Garrigues again advised.

The sale is the largest M&A transaction carried out in Spain in recent months and the third largest transaction in the Spanish bancassurance sector, after Criteria's earlier acquisition of Adeslas and Zurich's purchase of 50 percent of Banco Sabadell's insurance business.

The team at Gómez-Acebo & Pombo has also featured prominently this year, advising Allianz in its acquisition of 60 percent of Europensiones, Eurovida y Popular Gestión, which has been restructured into a new entity called Allianz-Popular, for €1,05bn.

Such developments are good for the long-term health of the industry.

A lack of capital markets activity had prompted many investors to look to the insurance sector, which had become overly large, say some. A clean out is good for everyone.