

Abstract

The impact of acquisitions on participating firms' efficiency within major European insurance markets

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M&A have been occurring for more than one hundred years, and they are considered a boost for performance and rapid growth. However, nearly 50% of insurance M&A transactions between 1990 and 2014 failed to create value (Tischhauser et al., 2016). Therefore, it is critical to measure the performance of an acquisition event accurately and to understand the motives behind it. The aim of this research is to determine whether acquisition events in the European insurance market have improved acquirer performance and to identify which motives have driven these acquisition events.

This thesis is divided into two parts. The first discusses the most important issues related to M&A, provides the theory behind frontier efficiency methodologies and presents an overview of the European insurance market. In the second part, the researcher applies an efficiency study methodology developed by Farrell (1957) as well as the innovative NSBM approach proposed by Tone and Tsutsui (2009), which consists of two stages. In the first stage, significant changes in efficiency between non-acquirer and acquirer were investigated. In the second stage, the main motives for these significant changes in efficiency were analysed.

The empirical results revealed that acquisitions in the European life and non-life sectors, respectively, had different impacts on efficiency. Whereas acquisition in the life sector led to a deterioration in efficiency, acquisition in the non-life sector was found to yield an increase in efficiency. Furthermore, differences in motives for M&A were identified between the life and non-life markets. Whereas acquirers in the life sector were mainly driven by value-decreasing motives (e.g. free cash flow hypothesis), acquirers in the non-life sector were mainly driven by value-increasing motives (e.g. operational synergy). However, because the data sample was relatively small, these results from the European insurance market must be interpreted with caution.

Overall, the study approach provides retrospective analyses of performance measurement following acquisition events in the European insurance market. Using the information gained from these analyses, it may be possible to improve the performance of future acquisition transactions in the European insurance market and to develop and implement countermeasures against value-decreasing motives.

Keywords: *acquisition event, performance measurement, motives behind an acquisition, efficiency study methodology, European life and non-life market, two-stage model, network slacks-based measure (NSBM)*