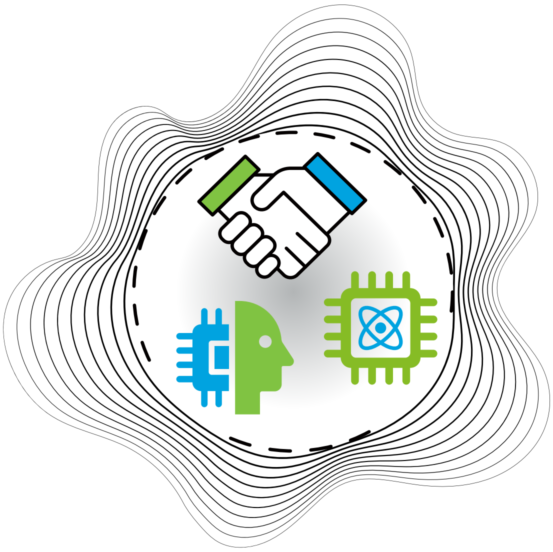
2025 Insurance M&A Outlook

Expectations for Australia

With inflation moderating in much of the world, global insurance M&A activity remained largely stable in 2024. Some trends, like consolidation in the distribution market, are playing out across multiple regions. Others, such as an imbalance between buyers and sellers, reflect nuances that are particular to a country.

Against that backdrop, what will insurance deal-making look like in 2025? Deloitte's teams are looking at insurance M&A in several markets. Some insurance M&A trends we are seeing in Australia are:



1 A focus on digital and insurtech

Digital technology can make claims management and risk analysis more responsive and efficient, especially in the wake of advancements like Generative AI. But many insurers will have to invest in data infrastructure, governance, and talent development to use Artificial Intelligence (AI) to its greatest effect while addressing privacy and cybersecurity concerns. Timeliness is important because of the early-mover advantage. Recognising this, insurers in 2025 are likely to prioritise M&A targeting digital transformation in order to hasten the adoption of AI, automation, and insurtech capabilities.

2 Divestments of the insurance arms of motoring associations

In 2024, IAG acquired 90% of the Royal Automobile Club of Queensland (RACQ) insurance underwriting business and entered into an exclusive, 25-year agreement to provide RACQ general insurance products and services[1]. Allianz Australia soon followed suit with the acquisition of the general insurance business of the Royal Automobile Association of South Australia and a 20-year exclusive distribution agreement for the association's general Insurance product lines[2]. Look for this trend to continue into 2025 as motoring associations seek to mitigate their exposure to underwriting risk and find willing buyers among large, dedicated general insurers.

3 ESG and climate resilience integration

Hotter, drier weather in Australia is raising the likelihood of bushfires, droughts, and other natural disasters. At the same time, insurers face growing scrutiny over their climate risk management and pricing transparency. These conditions underline the need for balanced strategies to ensure affordability and sustainability, which is why we expect 2025 M&A strategies to prioritise portfolios aligned with ESG objectives and climate risk mitigation. Acquisitions of this nature can shore up insurers' climate-focused reinsurance programs while boosting resilience to natural catastrophes and regulatory demands.

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ENDNOTE

[1] "IAG and RACQ enter long-term strategic alliance," IAG, November 28, 2024, https://www.iag.com.au/newsroom/company/iag-and-racq-enter-long-term-strategic-alliance.

[2] "Allianz Australia enters strategic partnership with the Royal Automobile Association of South Australia," Allianz, December 2, 2024, https://www.allianz.com.au/about-us/media-hub/allianz-australia-enters-strategic-partnership-with-royal-automobile-association.html.

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