

Zurich Insurance SA acquired by Canada's Fairfax Financial

'This acquisition represents a key step in expanding our presence in this important market' – Fairfax.

Hanna Ziady | 7 July 2016 08:19



JOHANNESBURG – Swiss-based insurer, Zurich announced on Thursday that its operations in South Africa and Botswana will be acquired by Canada-based Fairfax Financial Holdings Limited for an undisclosed amount.

Fairfax is a financial services holding company listed on the Toronto Stock Exchange, which, through its subsidiaries, engages in property and casualty insurance, as well as life insurance, reinsurance and investment management.

The sale brings to an end months of speculation that Zurich's Swiss parent was **planning to exit South Africa**, after it issued a statement noting that it was re-evaluating whether it was "best placed to host the South African assets".

"At the group's Investor Day in May 2015, Zurich stated that reshaping its geographic footprint would be one of its highest priorities over the next two years as it seeks to build a more sustainable business while also improving overall profitability," Zurich said in a statement on Thursday.

Zurich SA delisted from the JSE in September 2015 and became a wholly owned subsidiary of Zurich Insurance Group, which acquired the remaining 15% free-float it did not already own.

“While South Africa and Botswana remain attractive markets, a comprehensive assessment found that there was limited scope for Zurich to achieve an operating scale that warranted continued investment,” the group said.

“The acquisition is the ideal outcome for our customers, our employees, the group and the insurance markets in South Africa and Botswana,” said Edwyn O’Neill, CEO of Zurich’s business in South Africa.

“Selecting Fairfax as our acquirer allows us to continue to run the business with a strong local focus, while enjoying the backing and guidance of a global sector expert,” O’Neill commented.

In a statement on its website, Fairfax said the acquisition represents an expansion of its commercial insurance presence in Africa and follows its purchase of a 7.15% stake in Africa Re last year.

“Africa is a continent that represents a long-term growth opportunity for Fairfax, but where we have traditionally done little primary commercial insurance business. This acquisition represents a key step in expanding our presence in this important market,” said Prem Watsa, chairman and CEO of Fairfax.

“It [Zurich Insurance Company South Africa] is a high-quality and well-known regional business, with an outstanding management team led by Edwyn O’Neill,” Watsa said, referring to both the SA and Botswana businesses.

The sale, which will be a 100% acquisition, is subject to regulatory and competition commission approval. Fairfax expects it to be concluded by the end of this year.

No job losses expected

In an interview with Moneyweb, O’Neill said that Zurich was approached by a number of “extremely well known” bidders, both locally and internationally. These were ultimately reduced to five players, with Fairfax emerging as the preferred bidder.

Declining to comment on the value of the transaction, O’Neill said it is a “material number”.

The net asset value of the combined SA and Botswana business is in the order of R1.8 billion, but this is “in no way the purchase price”, O’Neill said via phone from Johannesburg.

“We don’t foresee any job losses. This is a transaction at shareholder level. One international shareholder is being replaced by another and there are no operational implications,” O’Neill said.

One practical requirement of the transaction is that Zurich changes its name. No new name has yet been decided on and the transaction first needs to get past the Competition Commission and Financial Services Board (FSB), said O’Neill.

Zurich started engaging with staff and brokers on Wednesday over the transaction. “There is much excitement and continued support from our broker market for this transaction,” he noted. “Staff have equally responded favourably to the transaction. The full executive team has remained intact during the review process and are motivated to make a real difference in the future.”

O’Neill said the transaction was positive for foreign direct investment in South Africa and he expects less insurance premium to flow offshore, based on Fairfax’s decentralised approach.

Fairfax, which is the largest investor in AgriGroupe Investments, made its first investment in South Africa in 2014, when AgriGroupe bought a 60% stake in AFGRI, an agricultural services and foods group.

Fairfax was founded in 1985 by the present Chairman and chief executive officer, Prem Watsa. It has operations across the globe, including in Brazil, Indonesia, Singapore, Hong Kong, Poland, Canada and the United States.