

## **Consolidation in the European Insurance Industry: Do Mergers and Acquisitions Create Value for Shareholders?**

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During the 1990s, financial markets in Europe were deregulated as part of the European Union's (EU's) objective of creating a single market for financial services. Deregulation led to an unprecedented wave of mergers and acquisitions (M&As). From 1990 to 2002 there were 2,595 M&As involving European insurers of which 1,669 resulted in a change in control. This paper investigates whether M&As in the European insurance market create value for shareholders by studying the stock price impact of M&A transactions on target and acquiring firms. The analysis shows that European M&As created small negative cumulative average abnormal returns (CAARs) for acquirers (generally less than 1%). Targets, however, realized substantial positive CAARs, in the range of 12% to 15%. Breaking down the transactions into cross-border and domestic (within-country) transactions, we find that cross-border transactions were value-neutral for acquirers, whereas within-border transactions led to significant value loss (approximately 2%) for acquirers. For targets, both cross-border and within-border transactions led to substantial value-creation. Given that cross-border transactions are value-neutral for acquirers and value-creating for targets, these transactions seem to lead to clear economic gains. However, the gains for targets in within-border transactions are somewhat offset by losses sustained by acquirers.