

PETALING JAYA: Prudential UK is believed to have submitted an application to Bank Negara to commence talks on the potential acquisition of local general insurance company, Pacific & Orient Bhd (P&O).

However, the details of the potential merger and acquisition (M&A) exercise between the two parties were still unclear.

This has added fuel to recent market talk that P&O had emerged on the radar of potential buyers.

According to Kenanga Research, the owner was contemplating a divestment in P&O in a deal that could reap proceeds that were well above P&O's implied stock market valuations.

Chan Thye Seng, the managing director and chief executive officer of P&O, holds a 51.4% stake in the company.

When contacted, P&O declined to comment on the matter.

When contacted, a spokesperson from Prudential Malaysia said it did not comment on market speculation.

"Having undergone a massive change in business direction over the last two years, P&O has engineered a major turnaround in profitability," said Kenanga in a recent report.

P&O returned to the black in the previous financial year ended Sept 30, 2009, with a net profit of RM14.9mil compared with a net loss of RM32.6mil the year before.

But, for the first six months of the current financial year, P&O slipped back into the red with a net loss of RM1.4mil compared with a net loss of RM6.1mil in the previous corresponding period.

As at March 30, 2010, its net asset

Prudential UK eyes P&O takeover

Details of M&A still remain unclear



Raised lettering in the brickwork of the former Prudential Assurance building casts shadows in the City of London. The company is believed to have submitted an application to Bank Negara to potentially take over P&O. — Reuters

per share was RM1.34.

P&O's main focus is on two core areas – financial services and information technology (IT).

"Consistent with this strategy, the group has branched out to build and develop businesses that support and contribute to the growth of these core areas, especially IT.

"In terms of its 30 years in general insurance, its businesses have achieved good organic growth as the company cultivates deep relationships with customers, agents and motorcycle shop

owners.

"P&O Insurance has made significant progress in the last two years by restructuring its business focus," the research house said.

Going forward, Kenanga expects P&O to record a premium growth of 20% and 15% in the current and next financial years.

Bank Negara liberalised the insurance sector in April last year in its effort to strengthen the resilience and competitiveness of the insurance and takaful industries.

Foreign equity participation in insurance companies and takaful

operators has increased up to 70%.

However, a higher foreign equity limit would be considered on a case-by-case basis for players who can facilitate the consolidation and rationalisation of the insurance industry.

To date, post-liberalisation, two listed companies with general insurance business, namely Jerneh Asia Bhd and PacificMas Bhd, had been given the nod by Bank Negara to commence negotiations on the potential disposal of their respective insurance units.

Analysts say Prudential-P&O merger may offer mutual synergies

By TEE LIN SAY
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PETALING JAYA: The potential merger between Pacific & Orient Insurance Co Bhd (P&O Insurance) and Prudential Holdings Ltd is likely to result in mutual synergies, analysts said.

While P&O Insurance would be able to leverage on Prudential's strong name to sell its products, Prudential in turn, may leverage on P&O Insurance's distribution network and niche client base.

"P&O Insurance has a large client base. No doubt, its client base is from the lower income segment, but there are ways to bundle and cross sell," said Yeonzon Yeow, who is research

head at Kenanga Research.

In a note, Kenanga said P&O Insurance's client base, good balance sheet and niche customers were a good fit for foreign insurers that were looking for entry into the Malaysian market or to expand their market share.

Besides foreign insurers, local banks might also be keen to acquire general insurers as part of their strategy to grow their fee-based income, it said. At this juncture, the deal is at an initial stage with P&O Insurance seeking Bank Negara's approval to commence talks with Prudential for a stake sale to the latter.

Sources said that Chan Thy Seng, managing director and CEO of Pacific & Orient Bhd (P&O) had been plan-

ning to exit the insurance business for some time.

P&O's main focus is in financial services and information technology. P&O Insurance is a 100% owned subsidiary of P&O, in which Chan holds a 51.4% stake.

P&O Insurance is strong in the general insurance segment where it holds top position for third party and motorcycle insurance. It has a market share of 19.1% and 41.9% respectively in these two segments.

"Prudential wants to diversify its income stream and is looking to expand into Asia. Earlier this year, they were looking to acquire American International Group's Asian unit, AIA, but that plan failed to materialise as they could not get

shareholder approval.

"Nonetheless, it is obvious that Prudential is looking to increase its market share and is on an expansion mode," said a banking analyst.

On the operational side, P&O has scaled up its premium sales without increasing its management and agency team. Its financial year ended Sept 30, 2009 (FY09) ratio of claims to the corresponding premiums was around 60% but it was paid on a bigger portfolio.

"We expect the claims ratio to drop by 3% to 57% in FY10 to FY11 as its risk management is robust against a larger and more diversified portfolio," said Kenanga, cautioning that the claims ratio for motorcycles was rather high.

Allianz Malaysia names new chief executive officer

KUALA LUMPUR: Allianz Malaysia Bhd has appointed Jens Reisch (pic) chief executive officer, effective today.

Reisch has also been appointed the new CEO of Allianz Life Insurance Malaysia Bhd, the company said in a

statement yesterday.

Having been with Allianz since 1983, Reisch has gained wide-ranging insurance experience from diverse assignments starting from operations and training to sales and marketing covering life insurance

and general insurance.

He has vast experience in managing the insurance business for the Asia-Pacific region and in 2003, was appointed as chief executive officer of PT Asuransi Allianz Life Indonesia. — Bernama

al-in-principle to OSK Indochina Securities Ltd (OSKISL), an indirect subsidiary of OSKH, to act as a securities underwriter in Cambodia.

OSKISL is a wholly-owned subsidiary of OSK Indochina Bank Ltd, which is in turn, wholly-owned by OSK Investment Bank Bhd (OSKIB). OSKIB is wholly-owned by OSKH.

As a securities underwriter, OSKISL is permitted to advise on public offerings, to carry on underwriting, securities dealing, securities brokerage and investment advisory activities in Cambodia. — Bernama

KL up 5 notches in ICCA rankings

PETALING JAYA: Kuala Lumpur jumped five notches to 22nd position in the latest International Congress and Convention Association (ICCA) city rankings, placing it among the five leading meeting destinations in Asia-Pacific.

Malaysia Exhibition and Convention Bureau (MyCEB) said in a statement that in the country rankings, Malaysia moved up one spot from 32nd in 2008 to 31st last year. Malaysia hosted 96 international conventions in 2009, of which 72 were in Kuala Lumpur.



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Nod for Prudential-Pacific & Orient talks

KUALA LUMPUR: Bank Negara has given the nod for Prudential Holdings Ltd to begin talks to buy a stake in insurer Pacific & Orient, according to a source with direct knowledge of the deal.

Prudential Holdings, a subsidiary of Prudential PLC, is the latest foreign insurer keen to enter Malaysia's growing insurance market.

"Pacific & Orient received the approval by fax yesterday (Wednesday) morning, but there have been no discussions about a

price yet," the source said, asking not to be identified as the approval had not been made public.

Pacific & Orient declined to comment while Prudential's Malaysian officials were not immediately available.

Pacific & Orient had said earlier this month that it asked Bank Negara for approval to begin preliminary talks for the potential divestment of an equity interest in Pacific & Orient to Prudential.

The news follows Malaysia's Hong

Leong Financial Group announcement in June that it would merge its non-life insurance business with Japan's Mitsui Sumitomo Insurance Co and sell a stake in its life business in deals worth about US\$480mil.

Analysts had said Prudential might be changing its approach to penetrating the Asian market after its failed bid for AIG's Asian unit.

Prudential now holds a composite licence in Malaysia that covers both the life and general insurance businesses. - Reuters

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Tuesday August 3, 2010

P&O awaits Bank Negara approval

PETALING JAYA: Pacific & Orient Insurance Co Bhd (P&O) is seeking Bank Negara approval to begin discussions with Prudential Holdings Ltd for a stake sale to the latter.

"On July 29, P&O had written to Bank Negara to seek approval to begin preliminary discussions for the potential divestment of an equity interest in P&O to Prudential.

"Approval remains pending and discussions will only commence once approval has been obtained," P&O told Bursa Malaysia yesterday.

Last week, *StarBizWeek* reported that Prudential was believed to have submitted an application to Bank Negara to commence talks on the potential acquisition of P&O.

When contacted, P&O declined to comment on the matter while a spokesman from Prudential Malaysia said "it did not comment on market speculation".

P&O's main focus is in financial services and information technology.

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P&O to start talks on stakes sale

By LEE KIAN SEONG

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KUALA LUMPUR: Bank Negara has approved Pacific & Orient Bhd (P&O) starting preliminary negotiations with Prudential Holdings Ltd on the proposed divestment of an equity interest in its wholly-owned subsidiary, Pacific & Orient Insurance Bhd (P&O Insurance) to the latter.

In a filing with Bursa Malaysia, P&O said Bank Negara had granted the approval to the company via its letter dated Aug 11.

However, the detail about the proposed divestment is still unclear. The potential portion of stakes that Prudential is interested in P&O Insurance and the transaction value of the acquisition are the areas that interest the investors.

There was rumours saying that P&O managing director and chief executive officer Chan Thye Seng had been planning to exit the insurance business for some time.

The merger and acquisition between both companies seems possible as analysts believe that Bank Negara is expecting the consolidation of local insurance industry.

Market talk that Prudential was interested to acquire P&O Insurance had started about two weeks ago. This had pushed the company share price to its highest point of RM1.24 this year on Aug 12. It closed at RM1.20 yesterday, down 4 sen.

When contacted, a Prudential spokesperson said it was premature now to comment further on the matter as the approval for preliminary talks had just been given.

An analyst said that the merger would enable Prudential to leverage on P&O Insurance's distribution network and niche client base while P&O Insurance could leverage on Prudential's strong name to sell its products.

Kenanga Research said previously that P&O Insurance's client base, good balance sheet and niche customers were a good fit for foreign insurers that were looking for entry into the Malaysian market or to expand their market share.

P&O : [\[Stock Watch\]](#) [\[News\]](#)

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