



UNIVERSITI TEKNOLOGI MARA

**THE IMPACT OF
ACQUISITION EXERCISE BY MAYBAN FORTIS
TOWARDS MNI HOLDINGS**

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NOVEMBER 2006

CHAPTER 1

INTRODUCTION

1.1 Background of Study

Mayban Fortis Holdings Berhad (Mayban Fortis) was incorporated on 3rd July 2001, as a result of strategic alliance between Maybank and Fortis Insurance National N.V. Fortis Insurance National N.V has 30 % equity participation in Mayban Fortis¹.

Mayban Fortis Holding Berhad (Mayban Fortis) is the insurance arm of the Maybank Group – the joint venture between Maybank (70% ownership) and Fortis (30% ownership). Mayban Fortis has acquired 74.24% stake in Malaysian National Insurance Holdings (MNIH) effectively 13th December 2005.

The reason for acquisition by Mayban Fortis towards MNI Holdings:

- To strengthen the Maybank Insurance Group's (MIG) local insurance position. Currently, the group is having small market share in which the group is concentrating in bancaassurance / bancatakaful. By acquiring MNI Holdings, it allows the group to have larger insurance market share in less time spent with reduce risk of competition reaction.
- By Merger and Acquisition, it provides Mayban Fortis opportunities to exploit the organization's core competence in the new area. Maybank Group could expand their current core competence i.e. in bank and financial sector to be extended to insurance and takaful sector. It could also provide cost efficiency by cutting out duplication or by gaining scale advantage.

¹ Source Creating a National Insurance Champion, Issue 2, November 2005, pp 2

- Mayban Fortis wants to keep up with the changing environment in insurance industry. For the few decades, merger and acquisition become the norms in financial institution especially in insurance industry. By Merger and Acquisition, it will speed up the process and allows Mayban Fortis to enter the new market area. This enable Mayban Fortis to expand or acquire the new channels of distribution from currently by having large portion of business which come from bancassurance and direct marketing to expand to agency, broking businesses, direct corporate and also to have the advantage of current good relationship between MNI Holdings and government agencies.
- Another reason is expectation of the key stakeholders to see the Maybank Group growth through acquisition. By M & A, the group will enjoy continuing positive growth without having the hassle to develop the existing insurance entities.

Fortis is the largest provider for integrated financial services for private customers , businesses, institutional investors and the public sector in the Benelux countries, with total assets of EUR571 billion.²

As the consequence, the enlarged entity will be positioned as a leading multi channel insurer in Malaysia, ranking no .3 in life (no 1 in new businesses), no.2 in non-life and no 1 in Takaful. Market share would be in the area of 26% in life (new business), 8% in non-life and 53% in Takaful insurance.

This transaction may strengthen Mayban Fortis's position to participate in the insurance industry and is a major step for Mayban Fortis towards realizing the group's ambition to be the market leader in the insurance and takaful business

Upon completion of acquisition, Mayban Fortis wants to consolidate its insurance business which currently having five entities namely Mayban Life Assurance Berhad

² Source Creating a National Insurance Champion, Issue 2, November 2005, pp 2

(MLA), Mayban General Assurance Berhad (MGAB), Mayban Takaful Berhad (MTB), Malaysia National Insurance Berhad (MNI) and Takaful Nasional Sdn Berhad (TN), to be finalized as two major composite insurance companies which operating conventional composite (operating conventional general and life insurance business) and Takaful composite (operating Takaful general and family insurance business).

With this strategic partnership, transfer of technology and experience between Maybank Group and Fortis, Mayban Insurance Group has garnered a significant share of the bancassurance business, by offering life, general insurance as well as the syariah compliant takaful products to its valued customers through its three subsidiaries namely Mayban Life Assurance Berhad, Mayban General Assurance Berhad and Mayban Takaful Berhad.

- **Mayban Life Assurance Berhad** offers customized products to specific needs of customers from all walks of life. MLA provides Financial planning beyond saving –children’s education, retirement, protection and investment schemes that benefit customers and their loved ones.
- **Mayban General Assurance Berhad** products are distributed through direct mail, via internet as well as through Maybank Group outlets nationwide. MGAB offers general insurance products such as motor, fire, personnel accident (PA) and Small Medium Enterprise (SME) plans to complement the life business. MGAB is No.1 operating profitability through efficient risk management and ranked 2nd for PA and Fire Products.
- **Mayban Takaful Berhad** is the newest family members in Mayban Fortis, with a paid up capital of RM100 million. It offers both life and general takaful products to cater to different needs of customers.

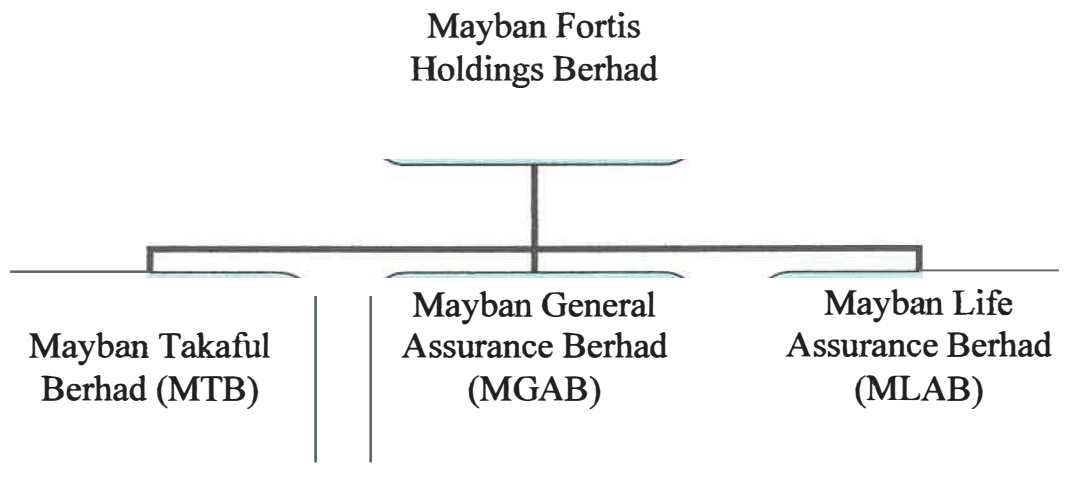
CHAPTER 2

LITERATURE REVIEW

2.1 Mayban Fortis Holdings Berhad

- The Mayban Insurance Groups' philosophy is "Partners in Creative Solution" in tandem with their mission, to be the premier insurance company through strategic network. The exclusive link Maybank Group enables them to be the leader in the bancassurance industry, and to operate in the most cost efficient environment with shared infrastructure and services within the Maybank Group. With this operational efficiency, Maybank Insurance Group is able to maintain competitiveness in the market, consistent service quality and long term relationship with the valued customers of Maybank Group⁴.

Figure 2.1: Organization Chart of Mayban Fortis Holdings Berhad



⁴ Creating a National Insurance Champion, Issue 2, November 2005, pp 2