Insurance Industry Attracts Activists

August 15, 2023

While activists have long been powerful players in a range of industries, the insurance industry has not historically been a frequent target for activist intervention. However, as life insurers have struggled with a low interest rate environment and property and casualty (re)insurers have been beset by weather-related disasters and social inflation, activists have taken a closer look at the insurance industry. Further, insurance groups with both property and casualty and life and retirement businesses have sometimes traded at a discount relative to more focused companies, which has attracted interest from activists. As a result, activist campaigns involving insurers have increased each year from 2019 to 2022, with 23 activist campaigns in 2022. The trend has continued in 2023, with 15 more campaigns in the first five months of the year.

SPOTLIGHT ON RECENT INSURANCE INDUSTRY ACTIVISM

SiriusPoint Ltd.

In August 2023, SiriusPoint Ltd. entered into a standstill agreement with activist investor Daniel Loeb, principal of Third Point LLC, who agreed not to increase his stake in the company beyond 9.5% and not to take any action to control, change or influence SiriusPoint's management, business, capitalization or corporate structure. The agreement came roughly three years after the combination of Third Point Reinsurance Ltd. with Sirius International Insurance Group Ltd. (the merger that created SiriusPoint), and just a few months after Loeb announced an intention to take SiriusPoint private.

Chubb Ltd.

Despite being responsible for limited direct greenhouse gas emissions, the insurance industry has not been immune to environmental activism campaigns. Starting in 2021, Chubb Ltd. has been the subject of a campaign by climate activist As You Sow. As You Sow charged Chubb with doing too little to address the climate footprint of its underwriting, insuring and investing activities, creating significant climate-related risk for shareholders. At Chubb's 2022 annual meeting, the activist won majority shareholder support for a shareholder resolution requesting that Chubb report on how it intends to reduce emissions. Chubb had protested that it did not know how to “reasonably measure” emissions from insureds (i.e., Scope 3 emissions), but, in early 2023, Chubb updated its underwriting standards for oil and gas extraction to focus more on climate and conservation. Unsatisfied, As You Sow launched another, similar proxy campaign at Chubb’s 2023 annual meeting. This time, however, As You Sow failed to win a majority of the votes amid a rising trend of “anti-ESG” backlash.

Principal Financial

In early 2021, Principal Financial Group, Inc. was pressured by Elliott Investment Management L.P. to sell underperforming parts of its business. In February 2021, Principal and Elliott signed a cooperation agreement granting Elliott multiple board seats and requiring Principal to conduct a strategic review. In June 2021, Principal finished the review, concluding that it should focus on higher-growth businesses including retirement, global asset management, and U.S. benefits and protection. Principal also concluded that it should discontinue its U.S. retail fixed annuities and consumer life insurance businesses. In early 2022, Principal sold its annuities and consumer life divisions to Talcott Resolution Life Insurance Company.

Argo Group

Argo Group International Holdings, Ltd., a Bermuda-based specialty insurer, has been the subject of a series of campaigns by activist investors seeking to cause Argo to reduce expenses and maximize shareholder returns. In May 2019, Voce Capital Management gave a presentation detailing what it viewed as Argo’s substandard returns to shareholders and excessive expenses. Voce’s presentation led to an investigation of Argo by the U.S. Securities and Exchange Commission, which resulted in both Argo and its then-CEO paying fines to the SEC for failing to disclose perquisites. Voce then waged a proxy contest to elect a slate of directors. In January 2020, Argo and Voce signed a cooperation agreement giving Voce a board seat. In August 2022, a Voce principal was appointed to the Argo board, where he served on the Strategic Review Committee. In late 2022, Capital Returns Management, LLC launched its own proxy contest—one of the first contests to use the SEC-mandated universal proxy card—alleging “underperformance and poor decision-making” by Argo’s board. CRM ultimately withdrew its proxy shortly before Argo’s annual meeting after the proxy advisor firms recommended Argo’s slate, in part because Argo’s board had already incorporated Voce’s views into its announced strategic plan. In February 2023, Argo announced that Brookfield Reinsurance had agreed to acquire it in an all-cash transaction for $1.1 billion.

Prudential plc

In early 2020, Third Point called for Prudential plc, the British insurer, to divest its U.S. business, Jackson National. Third Point argued that Jackson, which provides variable, fixed index and fixed annuities, was small relative to Prudential's total business, but its complexity caused Prudential to be undervalued as a whole. After sustained pressure, in March 2020 Prudential announced that it was exploring options to separate Jackson. In June 2020, Prudential sold a stake in Jackson to Athene and, in September 2021, Prudential completed a spin-off of Jackson.

European Insurers

A range of European insurers have been pressured by activists in recent years, including UK-based Aviva plc, which was the subject of campaigns by ShareSoc and Cevian Capital Partners in May 2021 and June 2021 demanding a return of capital to shareholders and a clawback of certain directors' pay; Finland-based Sampo Group, which divested its stake in Nordea Bank in 2022 after a campaign from Elliott Advisors (UK), Ltd.; and Netherlands-based NN Group N.V., which sold its asset management unit, NN Investment Partners, to Goldman Sachs in 2021 after a campaign by Elliott Advisors (UK) that began in 2020.

THE IMPACT OF UNIVERSAL PROXY

The universal proxy rules, which were adopted by the SEC in late 2021, apply to all shareholder meetings involving contested director elections held on or after September 1, 2022. These rules allow shareholders to mix and match director nominees from the company's and the dissident's slates of directors on the proxy card, as if shareholders attended the meeting in person. This has put a brighter spotlight on specific directors challenged by activists. For example, when CRM nominated two new candidates to Argo's board, it directly opposed two sitting directors, labeling the remaining five management nominees as "acceptable." While CRM ultimately withdrew its nominees before the vote occurred, activists may have greater success in having at least some of their director nominees elected under the universal proxy rules. For more on the universal proxy rules, *see* our prior frequently asked questions here and our 2023 Proxy Season in Review here.

TAKE TIME TO PREPARE

While activists may have different goals and it may not always be possible to predict which companies they will target, companies can prepare by considering the themes activists would likely focus on, ensuring that they maintain a robust program of shareholder engagement, and reviewing their bylaws and other constituent documents for possible changes including those appropriate in light of the universal proxy rules. Please do not hesitate to reach out if you wish to discuss further.

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