

***Case No COMP/M.5031 -
ACE / CICA***

Only the English text is available and authentic.

**REGULATION (EC) No 139/2004
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 11/03/2008

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 11-III-2008
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In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying party:

Dear Sirs,

**Subject: Case No COMP/M.5031 - ACE / CICA
Notification of 8.02.2008. pursuant to Article 4 of Council Regulation
No 139/2004¹**

1. On 8 February 2008, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 (the Merger Regulation) by which the undertaking ACE Limited ("ACE", Cayman Islands) acquires within the meaning of Article 3(1)(b) of the Merger Regulation the whole of the undertaking Combined Insurance Company of America ("CICA", USA) by way of purchase of shares.
2. After examination of the notification, the Commission has concluded that the operation falls within the scope of the Merger Regulation and does not raise serious doubts as to its compatibility with the common market and the EEA agreement.

(1) THE PARTIES

3. **ACE**, a Bermuda-based holding company incorporated with limited liability under the Cayman Islands company law, is a global property and casualty insurance and reinsurance organization. In Europe it offers a broad range of non-life insurance products including, *inter alia*, property, casualty, and accident and health, to corporations and individual consumers. ACE also provides life and non-life reinsurance services in Europe.
4. **CICA** is a USA based provider of life insurance, accident and health insurance products primarily to individuals in the US, EU, Canada and Asia Pacific. Within the EEA, CICA provides insurance services (almost exclusively accident and health insurance) in Austria, Germany, Ireland, Portugal, Spain and the United Kingdom

¹ OJ L 24, 29.1.2004 p. 1.

II. THE OPERATION

5. CICA is currently fully owned by the Aon Corporation ("Aon"). Through a Stock Purchase Agreement ("SPA") signed between Aon and ACE on 14 December 2007, Aon has agreed to sell to ACE and ACE has agreed to buy from Aon all the issued and outstanding capital stock of CICA².
6. Therefore, the proposed concentration constitutes an acquisition of sole control of CICA by ACE and the notified operation constitutes a concentration within the meaning of Article 3(4) of the Merger Regulation.

III. COMMUNITY DIMENSION

7. The transaction has a Community dimension pursuant to Article 1(2) of the Merger Regulation. The parties have a combined aggregate worldwide turnover of more than €5,000 million (ACE € 9,418 million, CICA € 1,380 million) and each of them has a Community-wide turnover in excess of € 250 million (ACE € [...], CICA € [...]). None of the parties achieves more than two thirds of its Community-wide turnover in the same Member State.
8. Based on the above, the notified operation constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

IV. THE RELEVANT MARKETS

A. Relevant product markets

9. In Europe both ACE and CICA are active in the life and non-life insurance sector. Moreover, ACE also provides life and non-life reinsurance services in Europe.
10. In previous decisions, the Commission has distinguished between the provision of insurance products into life insurance, non-life insurance and reinsurance³.
11. The Commission suggested as well that the above mentioned markets can be further divided into as many product markets as there are different kinds of risks covered.
12. Accordingly, in recent cases, the Commission has reviewed data on a number of "hypothetical" non-life insurance markets, such as the accident and health (A&H)

² With the exception of Sterling Life Insurance Company, active only in the US, which will be sold by AON, through a separate transaction to the Munich Re Group.

³ Cases No COMP/M.4844, *Fortis/ABN Amro Assets*, of 3/10/2007; COMP M.4713 *AVIVA/ Hamilton* of 27/09/2007; COMP/M.4284, *AXA/Winterthur*, of 28/06/ 2006; COMP/M.4059 *Swiss Re/General Electric Insurance Solutions* of 24/04/2006; M.2676 *Sampo/Vama/IF Holding/JV* decision of 18/12/2001; COMP/M.2400, *Dexia/Artesia* of 14/06/2001; COMP/M.1453, *AXA/GRE*, of 8/4/1999; COMP/M.2343, *Toro Assicurazioni/Lloyd Italo*, decision of 15/03/2001; COMP/M.2225, *Fortis/ASR* of 13/12/2000; COMP/M.1886, *CGU/Norwich Union* decision of 13/04/2000; COMP/M.1712, *Generali/INA* decision of 12/01/2000; COMP/M.759-*Sun Alliance/Royal Insurance* of 18/06/1996; and COMP/M.862- *AXA/UAP* of 20/12/1996.

insurance, workers' compensation, and insurance against fire and other damage to property⁴. The Commission did not need to reach a definitive view on the issue.

13. Moreover, the Commission has also reviewed data on certain "hypothetical" life insurance markets, comprising individual protection, group protection, personal pensions, group pensions, and savings⁵, again without reaching a definitive view on the issue.
14. With respect to life insurance, the Commission has in recent cases distinguished between group life insurance products and individual life insurance.⁶
15. According to the notifying party, the distinction between group and individual insurance policies is not meaningful insofar as the underlying products essentially cover the same basic risks either for an individual on his or her own or for an individual as an employee of a company. The distinction relates mainly to how underwriters choose to market their products. Therefore, nothing prevents insurance companies from moving into the other distribution avenues.
16. As regards reinsurance, the Commission has left open whether reinsurance constitutes a single relevant product market or whether it might be further sub-divided into life and non-life segments. It has also reviewed share data according to class of risk (e.g., liability, motor, property, etc.)⁷.
17. The exact product market definitions can be left open as no competition concerns arise in any alternative product market definition.

B. Relevant geographic markets

18. In past decisions⁸, whilst recognising that life and non-life insurance markets are becoming more open to intra-Community competition, the Commission has held that they are still generally national in scope due to the national distribution channels, the established market structures, fiscal constraints and differing regulatory systems.
19. As regards reinsurance, the Commission has previously found that the scope of the relevant geographic market is global⁹.
20. The exact geographic market definitions can be left open as the proposed transaction does not lead to competition concerns on any alternative geographic market definition.

⁴ See, *AXA/Winterthur*, para. 14; *Fortis/ABN Amro Assets*, paras. 72 and 180; and *AVIVA/Hamilton*, para.15.

⁵ See, Case No. COMP/M.4047 *AVIVA/Ark Life*, of 20/01/2006, paras. 11 and 18.

⁶ See, *AXA/Winterthur*, paras. 11 and 12, *Fortis/ABN Amro Assets* para.72.

⁷ See, e.g., *Swiss Re/Ge Insurance Solutions*.

⁸ See, for example, Cases No COMP/M.759 - *Sun Alliance/Royal Insurance*, COMP/M.2225 - *Fortis/ASR.*, COMP/M.4713 *Aviva/Hamilton*

⁹ See, e.g., *Swiss Re/GE Insurance Solutions*.

V. COMPETITIVE ASSESSMENT

A. Horizontal overlaps

Non-life Insurance

21. ACE and CICA's activities overlap in non-life insurance in Germany, Ireland, Portugal, Spain and the United Kingdom. In all of these countries, on the basis of premiums written, their combined market shares are minimal, ranging from [<1] % to [0-5] %.
22. In the "hypothetical" accident & health ("A&H") insurance segment of the non-life insurance market, ACE and CICA's activities overlap in Germany, Ireland, Spain and the United Kingdom. Their combined market shares on this hypothetical product market, on the basis of premiums written, range from [0-5] % to [5-10] % (in Ireland).
23. When considering a further "hypothetical" distinction of the A&H insurance segment into (i) group A&H insurance and (ii) individual A&H insurance, ACE and CICA have a combined market share exceeding 15% on the sub-segment of individual A&H insurance in Ireland. On the basis of net premiums written their combined share amounts to [15-25] % (CICA [15-25] %, ACE [<1] %).
24. However, the increment due to this transaction is only [<1] %. Therefore the increase in market share is not significant and the probability to impede competition on the individual A&H insurance market is low.¹⁰
25. The post-transaction HHI would be [3500-4500] with a delta of only [20-30]. The post-transaction HHI is above 2,000 but with a delta of less than 150, therefore the concentration level falls well within the safe harbours identified in the Commission's Horizontal Merger Guidelines.¹¹
26. Moreover, there are sufficient alternative suppliers in a fully competitive market. The biggest individual A&H provider is VHI (Voluntary Health Insurance), a state-owned health insurance provider that will remain by far the largest supplier with an estimated market share of [...] %. Other suppliers of individual A&H insurance in Ireland and their respective market shares are: Quinn Group ([10-15] %), Irish Life ([0-5] %), FDB ([0-5] %), AXA ([0-5] %), Cardiff Pinnacle ([0-5] %), Friends First ([0-5] %) and VIVAS health ([0-5] %).
27. Therefore, the proposed transaction will not significantly change the structure of A&H insurance (especially the hypothetical individual A&H insurance segment) in Ireland and will not raise any competition concern.

Life Insurance

28. According to the notifying party, the only country in which both ACE and CICA are active in life insurance is the United Kingdom. CICA's market share for 2006

¹⁰ Para. 27, *Guidelines on assessment of horizontal mergers under the Council Regulation on the control of concentrations between undertakings*, O.J. C 31/03, 5.2.2004. p. 7.

¹¹ Para. 20, *Ibid.*

represented less than [0-5]% of life insurance premiums in the United Kingdom. ACE started providing life insurance in the United Kingdom in late 2007¹².

29. Therefore, the proposed transaction does not give rise to an affected market in life insurance.

B. Vertical overlaps

30. According to the notifying party ACE's (via its subsidiary ACE Tempest Re), worldwide market share in reinsurance would amount to [0-5]%. Even if the reinsurance market was further segmented into life and non-life insurance (or according to the class of risk insured), ACE would have a worldwide share below 25% in both life reinsurances and non-life reinsurances.

VI. CONCLUSION

31. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EC) No 139/2004.

For the Commission

(signed)

Neelie KROES
Member of the Commission

¹² If ACE's 2007 sales are applied to the overall 2006 data, ACE sales would also account for less than 0.01% of life insurance in the United Kingdom.