

***Case No COMP/M.4059 -  
SWISS RE / GE  
INSURANCE  
SOLUTIONS***

Only the English text is available and authentic.

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

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Article 6(1)(b) NON-OPPOSITION  
Date: 24/04/2006

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 24.04.2006

SG-Greffe(2006) D/202169

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 Sir/Madam,

**Subject: Case No COMP/M.4059 – Swiss Re / General Electric Insurance Solutions  
Notification of 15.03.2006 pursuant to Article 4 of Council Regulation  
No 139/2004<sup>1</sup>**

1. On 15.03.2006, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 (“Merger Regulation”) by which the undertaking Swiss Reinsurance Company (“Swiss Re”, Switzerland) acquires within the meaning of Article 3(1)(b) of the Council Regulation sole control of a substantial part of the direct insurance and reinsurance businesses of General Electric Company (“GE IS”, USA) by way of purchase of shares and assets.
2. After examination of the notification, the Commission has concluded that the operation falls within the scope of Merger Regulation and does not raise serious doubts as to its compatibility with the common market and the EEA agreement.

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<sup>1</sup> OJ L 24, 29.1.2004 p. 1.

## **I. THE PARTIES**

3. Swiss Re is active in the supply of traditional reinsurance services, both life and non-life (general) reinsurance. It also provides, to a lesser extent, direct non-life insurance services, via various subsidiaries. Furthermore Swiss Re is active in the direct life insurance sector in the UK, the Netherlands and the USA.
4. GE IS is active in the supply of traditional reinsurance services – both life and non-life (general) – throughout the world. It also supplies direct non-life insurance in the USA and, to a lesser extent, in Europe and Canada. It does not supply direct life insurance.

## **II. THE OPERATION AND CONCENTRATION**

5. Pursuant to the transaction agreement Swiss Re will acquire the shares of GE Insurance Solutions Corporation, which is a holding company for over 50 subsidiaries as well as assets of certain operations. After completion of the transaction Swiss Re will be the sole owner of GE IS and Swiss Re will have sole control over the business of GE IS and the transaction therefore constitutes a concentration according to Article 3 (1) (b) of the Merger Regulation.

## **III. COMMUNITY DIMENSION**

6. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion (Swiss Re: 20,996 million Euro; GE IS: [...] million Euro)<sup>2</sup>. Each of them have a Community-wide turnover in excess of EUR 250 million (Swiss Re: [...] million Euro; GE IS: [...] million Euro), but they do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension.

## **IV. COMPETITIVE ASSESSMENT**

7. The concentration leads to an affected market for aviation reinsurance on a worldwide basis ([10-20]%).

### **Reinsurance**

#### *Product market*

8. The parties submit that the product market for the provision of reinsurance should be regarded as a single relevant product market covering the provision of reinsurance for all classes of risk. A reinsurer covering risks of a particular class may readily and quickly switch capital and resources from that class of cover to a different class of cover. In addition there are a large number of reinsurers active in the market, supplying reinsurance in respect of a wide range of classes of risk.
9. In its previous decisions the Commission has decided that the market for reinsurance is a market separate from direct insurance because of its purpose of spreading risks between insurers and due to a different regulatory framework<sup>3</sup>. The Commission also

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<sup>2</sup> Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Notice on the calculation of turnover (OJ C66, 2.3.1998, p25).

<sup>3</sup> See Case IV/M.1306 – Berkshire Hathaway / General Re, para 6.

considered whether reinsurance could be further divided into separate markets for the coverage of life and non-life risks<sup>4</sup>. Furthermore it considered sub-markets for the coverage of different classes of non-life risks (e.g. property, liability, motor and marine) although a final market definition was left open<sup>5</sup>.

10. In the present case it can be left open whether the product market for reinsurance has to be further divided into subcategories as no competition concerns arise even under the narrowest product market definition considered.

#### *Geographic market*

11. The parties submit that reinsurance is a global business, with most of the top 35 reinsurers writing risks across a range of geographical regions. In previous decisions the Commission has confirmed that the market for reinsurance is global due to the need to pool risks on a worldwide basis<sup>6</sup>. As there is no indication that the geographic market is different in the present case, a global market for reinsurance is considered.

#### *Competitive assessment*

12. On a worldwide market for reinsurance (life and non-life) the combined market share of the parties amounted to [0-10]% in 2004 (Swiss Re [0-10]%; GE IS [0-10]%). In the EEA the combined market share would be [0-10]% (Swiss Re [0-10]%; GE IS [0-10]%). The main competitors on this product market are Munich Re, Berkshire Hathaway Group, Hannover Re and Lloyd's of London.
13. On a worldwide market for life reinsurance the combined market share of the parties would be [10-20]% in 2004 (Swiss Re [10-20]%; GE IS [0-10]%) and on a worldwide market for non-life reinsurance the combined market share would be [0-10]% in 2004 (Swiss Re [0-10]%; GE IS [0-10]%). On an EEA wide market the combined market shares would be [0-10]% (Swiss Re [0-10]%; GE IS [0-10]%) on the market for life reinsurance and [0-10]% on the market for non-life insurance (Swiss Re [0-10]%; GE IS [0-10]%).
14. If worldwide markets for reinsurance according to classes of risks were defined, the parties would have a combined market share of less than 15% in any of the following submarkets: Accident ([0-10]%), Health ([0-10]%), Liability ([5-15]%), Motor ([0-10]%), Property ([5-15]%), Marine ([5-15]%).
15. With regard to the segment aerospace reinsurance the parties estimate that the combined market share would amount to [10-20]% (Swiss Re [0-10]%; GE IS [10-20]%) on a worldwide basis and [10-20]% (Swiss Re [0-10]%; GE IS [10-20]%) on an EEA-wide level. The parties face competition from competitors active on a worldwide basis with substantial market shares, i.e. Berkshire Hathaway ([10-20]%), Munich Re ([10-20]%), Allianz ([0-10]%), AIG ([0-10]%), ACE ([0-10]%) and Hannover Re ([0-10]%).

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<sup>4</sup> See Cases IV/M.1306 – Berkshire Hathaway / General Re, para 6.

<sup>5</sup> See Cases IV/M.1150 Schweizer Rück / NCM para 7, IV/M. 1017 Hannover Re / Skania, para 6 and IV/M.880 Schweizer Re / Unioras, para 7.

<sup>6</sup> See Case IV/M.1306 – Berkshire Hathaway / General Re, para 8.

16. Therefore, the transaction does not raise serious doubts as to its compatibility with the common market or a substantial part of it.

### **Direct insurance**

#### *Product market*

17. In previous decisions, the Commission has distinguished between the provision of life insurances and non-life insurances. Within the life and the non-life insurance business, the Commission has held that these segments could be divided into as many product markets as there are different kinds of risks covered (e.g. accident, liability, property, motor, marine and aerospace which could be further subdivided<sup>7</sup> into airline, airports, general aviation, hull, war/terrorism, satellite/space) since from a demand-side perspective no insurance of a specific risk is substitutable for the customer with the insurance of another type of risk<sup>8</sup>. It was, moreover, suggested that it might be necessary to divide non-life insurance products into private and commercial insurances<sup>9</sup>.
18. For the non-life insurance segment, the Commission has, however, also acknowledged that a sufficient degree of supply-side substitutability might exist between some of the individual non-life insurances. The exact market definition was left open<sup>10</sup>.
19. In the present case the parties' activities are only overlapping with regard to the provision of non-life insurances. However, the exact product market definition as regards the provision of non-life insurances can be left open since no competition problems arise under any product market definition considered.

#### *Geographic market*

20. In past decisions, the Commission has mostly defined the markets as national as far as life and non-life insurance products for private customers were involved. With respect to non-life insurance products for business customers, the possibility of a geographic scope wider than national was considered<sup>11</sup>, in particular for the insurance of very large risks, as they occur for example in the field of aerospace where the market was considered to be at least EEA wide<sup>12</sup>. There is no indication that the geographic market is different in the present case. The possible market for aerospace insurance and its possible submarkets are considered to be at least EEA-wide.

#### *Competitive Assessment*

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<sup>7</sup> See Case M.3035 Berkshire Hathaway/Converium/Gaum/JV, para 28.

<sup>8</sup> See Case M.3772 – Aviva / RAC, para. 9.

<sup>9</sup> See Case M.2676 - Sampo / Varma Sampo / IF Holding / JV, para. 14.

<sup>10</sup> See Case M.2676 - Sampo / Varma Sampo / IF Holding / JV, para. 12 - 15; M.3446 – UNIQA / Mannheimer, para. 10.

<sup>11</sup> See Case M. 2676 – Sampo / Varma Sampo / IF Holding / JV, para. 19.

<sup>12</sup> See Case M.3035 – Berkshire Hathaway / Converium / Gaum JV, para. 29-32.

21. The combined market shares of the parties on the non-life segment of the direct insurance sector with and without direct aerospace insurance are well below 15% at the world, EEA and national level.
22. The combined market shares of the parties on the direct insurance markets for liability and marine are also below 15% at the world, EEA and national level. The transaction only leads to overlaps in the direct insurance markets for liability and marine in the UK and Spain, for liability in France and Italy, and for marine in Germany, Netherlands and Norway. On any of these markets for direct insurance for liability and marine the combined market share of the parties remains below 1% respectively.
23. Furthermore the parties' activities overlap on the market for direct aerospace insurance. On a worldwide and an EEA-wide market for direct aerospace insurance the combined market share of the parties would be respectively [0-10]% and [0-10]%. Main competitors of the parties are Lloyd's, GAUM, AIG, La Réunion Aérienne, Allianz and AXA. In any submarket of direct aerospace insurance considered, i.e. airline, airports, general aviation, hull, war/terrorism, satellite/space the combined market shares of the parties remain below 15% on an EEA-wide level and not more than 5% on a worldwide level or the parties' activities do not overlap<sup>13</sup>.
24. For the sake of completeness even on a national level the combined market shares of the parties in the market for direct aerospace insurance remain below 15% in any Member State except for Greece and Ireland. In Greece Swiss Re has a market share of [15-25]%, but the parties' activities do not overlap as GE IS is not active in this country. As regards Ireland the combined market share of the parties is [15-25]% (Swiss Re [0-10]%; GE IS [10-20]%).
25. Therefore, in any of the direct insurance markets or any submarkets considered the transaction does not lead to serious doubts as to its compatibility with the common market or a substantial part of it.

## V. CONCLUSION

26. 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  
Janez Potocnik (*signed*)  
Member of the Commission

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<sup>13</sup> Swiss Re is not active in relation to general aviation and war/terrorism; GE IS is not active in relation to space.