EN

Case No IV/M.433 -
ERC / NRG VICTORY

Only the English text is available and authentic.

REGULATION (EEC)No 4064/89
MERGER PROCEDURE

Article 6(1)(b) NON-OPPOSITION
Date: 27.05.1994

Also available in the CELEX database
Document No 394M0433

Office for Official Publications of the European Communities
L-2985 Luxembourg

COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 27.5.1994

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

Registered with advice of delivery

To the notifying party

Dear Sirs,

Subject : Case No IV/M.433 - ERC/NRG VICTORY
Notification of 20.04.1994 pursuant to Article 4 of Council Regulation No 4064/89

I. THE OPERATION

1. The above operation concerns the acquisition by Employers Reassurance Limited (ERAL) of part of NRG Victory Reinsurance Limited (Victory). ERAL will acquire Victory's UK based life, health and disability reinsurance business. ERAL will also acquire certain assets and employees of NRG Victory Management Service Limited (Victory Services), which provides management and administrative services to Victory. Besides, ERAL will acquire from Victory Service NRG Victory Life & Health Services Limited (Victory Life & Health) which conducts a life and health disability consultancy service in association with Victory's UK long-term reinsurance business. Under the sale and purchase agreement, the life reinsurance business of Victory's Singapore branch is to be acquired by Nordisk Reinsurance Company (Nordisk).

Rue de la Loi 200 - B-1049 Brussels - Belgium
Telephone: exchange (+32-2)299.11.11
Telex: COMEU B 21877 - Telegraphic address: COMEUR Brussels

2. After examination of the notification the Commission has concluded that the proposed operation falls within the scope of Council regulation No 4064/89 and does not rise serious doubts as to the compatibility with the common market and the EEA agreement.

II. **THE PARTIES**

3. ERAL's principal activity is the transaction of long term-term reinsurance business including reinsurance of life, annuity and permanent health business. ERAL is a wholly owned subsidiary of Employers Re Corporation (UK) Limited, a company ultimately owned by General Electric Company (GE). GE is a large and diversified US-based company.

   Nordisk - also ultimately owned by GE - is a Danish company active in the field of reinsurance.

4. Victory is active in all branches of reinsurance business; Both Victory and Victory Services are subsidiaries of NRG Victory Holdings Limited, a holding company incorporated in England which is a wholly-owned subsidiary of NRG Holding. The ultimate parent company of NRG Holding is the Duch banking and insurance conglomerate, Internationale-Nederlanden Groep NV.

III. **COMMUNITY/EEA DIMENSION**

5. The concentration has a Community dimension. The GE group on its own has worldwide turnover in excess of ECU 5,000 million; a community-wide turnover in excess of ECU 250 million; and GE does not achieve more than two-thirds of its community-wide turnover in any Member State. The community-wide turnover of the acquired business calculated in accordance with Art. 5.3(b) of the Merger Regulation also exceeds ECU 250 million.

6. The operation is not an EEA "cooperation" case. The combined turnover of the undertakings concerned in the territory of the EFTA States does not equal 25% or more of their total turnover in the EEA territory. Only GE has turnover exceeding ECU 250 million in the territory of the EFTA States.

IV. **COMPATIBILITY WITH THE COMMON MARKET AND WITH THE FUNCTIONING OF THE EEA AGREEMENT**

7. The business of reinsurance represents a specialist form of insurance. The purpose of reinsurance is to spread the risks between insurers. The reinsurer accepts either the whole or part of the risk insured by another insurer and thereby provides the primary insurer with the ability to increase the amount of insurance underwritten, and to diversify risk over time and geographic area. Thus, the reinsurance product is traded between industry specialists; it is written only with other insurance companies, no premium income is derived from reinsurance sales to the public, and no channels for retail distribution are therefore required. Accordingly, the reinsurance business must be considered distinct from direct insurance.

8. The sector involved is the life (including health and disability) reinsurance business. The acquisition also includes Victory's business of reinsurance of UK single premium guaranteed bonds (SPGB). SPGB's are of three types, namely guaranteed income bonds, guaranteed growth bonds and guaranteed equity bonds. All three types are investments of one to five year duration but differ regarding the way of repayment. Each type of bond includes a small life insurance element (usually the repayment of 101% of the premium upon death during the term of the bond.)

9. According to the notifying party, reinsurance in general (or more narrowly life including health and disability) should be regarded as the relevant product market. As to the SPGB business, it is argued that reinsurance of these products should be regarded as part of the overall reinsurance or life reinsurance market.

10. However, the question of product market definition can be left open here since even a very narrow product market definition will not give rise to competition problems.

11. According to ERAL reinsurance is a worldwide market, and figures provided by the company makes it probable that reinsurance is an international business. In this context the parties emphasize, that since no products are sold to the public but traded between industry specialists, the controls by national authorities over the conduct of pure reinsurance tend to be much less extensive than in direct insurance.

12. As to the SPGB's the market for these products are UK based because they are driven by the UK tax régime. However the market for reinsurance of these products appears to be a wider one, according to the parties; many non-UK based reinsurers as well as UK-licensed pure reinsurers are currently active in this area, including for example Cologne Re, Frankona and Gerling (each of Germany) and Woolwich Life (a UK-based direct writer of life insurance).

13. In view of the above mentioned factors, the geographic scope of reinsurance must be considered as international or even worldwide in scope.

14. According to the figures provided by the notifying party, the GE group's share of the worldwide reinsurance business (both life and non-life) after the acquisition will not exceed [ ][(1)]. Considering life reinsurance (life, health and disability) only, the share of the GE Group after the acquisition will not exceed [ ][(1)] on a worldwide basis. It is not likely that a further distinction of this reinsurance business into separate markets for life, health and disability would give rise to any competition problems considering that the markets are international or worldwide in scope.

15. The SPGB premiums written by GE and the acquired business are included in the above mentioned figures. Considering the SPGB business separately GE's and Victory's combined shares in 1993 do not exceed [ ][(1)]. The parties shares have fluctuated over the past three years and have declined because guaranteed income and growth bonds have become less attractive in the last years as UK interest rates have declined. Moreover, according to the parties, there is a significant likelihood that the SPGB-business will cease because of changes to the UK tax system.

(1) Business secret : less than 5%.
(2) Business secret : less than 5%.
(3) Business secret : less than 15%.

16. There are a large number of financially strong competitors (both pure reinsures and direct insurers) in the global reinsurance market, of which both Munich Re and Swiss Re write significantly larger volumes of reinsurance than the GE group. Furthermore, the customers of reinsurance are generally specialists from large insurance companies who are able to take care of their own interests.

17. In conclusion, in view of the above, the proposed concentration does not raise serious doubts as to its compatibility with the common market.

V. **ANCILLARY RESTRAINT**

18. NRG agrees on its behalf and on behalf of its present or future subsidiaries not to compete with the acquired business or to solicit former customers of the vendor in connection with the acquired business for a period of three years from completion. As this provision is aimed to guarantee the transfer to the acquirer of the full value of the assets transferred it shall be considered as directly related and necessary to the concentration.

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 functioning of the EEA agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation No 4064/89.

For the Commission,