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*Case No IV/M.465 - GE
/ CIGI*

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**REGULATION (EEC) No 4064/89
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 29/08/1994

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 29.08.1994

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying party

Dear Sirs,

Subject: Case No.IV/M.465 -GE/CIGI.

Notification of 25.07.1994 pursuant to Council Regulation (EC) No. 4064/89

1. The above mentioned notification concerns the agreement signed on the 18th of July 1994 between CIG Acquisition Corporation Inc, a wholly owned subsidiary of the General Electric Company (GE), and Consolidated International Group, Inc. (CIGI) whereby GE acquires CIGI after reorganization with respect to certain assets and subsidiaries.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of application of Council Regulation No 4064/89 and does not raise serious doubts as to its compatibility with the common market and with the functioning of the EEA Agreement.

I. THE PARTIES AND THE OPERATION

3. GE is a large and diversified industrial corporation. GE is active in the European Insurance sector through Financial Insurance Group Ltd (FIG), its UK based wholly owned subsidiary. CIGI is the U.S. holding company of a number of European, Canadian and Caribbean subsidiaries engaged in general insurance, life assurance and reinsurance.
4. The operation involves the acquisition by GE of the entire issued share capital of CIGI by a merger between CIGI and a newly formed subsidiary of GE. CIGI will have been reorganised prior to the merger so as to remove the reinsurance and most of its non-European business. In the event that less than 98% of CIGI's shareholders approve the merger and reorganisation, the transaction will be restructured as a direct acquisition by the newly formed subsidiary of GE.

II. CONCENTRATION

5. The notified operation constitutes a concentration within the meaning of Article 3(1)b of the Regulation.

III. COMMUNITY DIMENSION

6. The undertakings concerned have a combined aggregate worldwide turnover in excess of 5000 million ECU. Both GE and CIGI have a Community-wide turnover in excess of 250 million ECU, but 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. COMPATIBILITY WITH THE COMMON MARKET

A. THE RELEVANT PRODUCT AND GEOGRAPHICAL MARKETS

7. The principal business of FIG and CIGI is the provision of creditor insurance, also known as payment protection insurance. Creditor insurance is in its most usual form a mixture of life, disability and unemployment cover. It is a protection product without any investment element of the type associated with life assurance.

Consequently policies are most usually short term and for a duration of less than five years. Cover is usually sold alongside or at the same time as the grant of a credit facility to an individual. It may, however, also be sold at a later date or as a stand-alone product. The aim of the product is to protect those credit payments due to the lender in the event that the insured customer dies, becomes sick or unemployed.

8. Traditionally the Commission has distinguished between life insurance, general insurance and reinsurance. Reinsurance constitutes a separate market because of its purpose of spreading risk between insurers. It is more specialised and conducted between insurers and reinsurers on an international basis because of the need to pool risks. The regulatory framework is also less stringent. This gives rise to different conditions of competition compared to life and general insurance.
9. On the demand side, life and general insurance can be divided into as many product markets as there are insurances covering different kinds of risk. Their characteristics, premiums and purposes are distinct and there is typically no substitutability for the consumer between the different risk insured. Nevertheless it can be left open in the present case whether each specific type of life and non-life insurance constitutes a separate product market because, even on the basis of the narrowest definition, the operation does not raise serious doubts as to its compatibility with the common market.
10. Although insurance markets are becoming more open to intra-community competition as a result of current and future measures to facilitate cross-border selling, geographical markets seem at present to be mainly national in view of the established market structures, the need for adequate distribution channels, fiscal constraints in some cases and differing national systems of regulatory supervision.

B. COMPETITIVE ASSESSMENT

11. The only current area of overlap in the businesses of GE group and CIGI is for creditor insurance in the UK, where market shares of both groups are respectively [between 15 and 25%]⁽¹⁾ and [between 15 and 15%]⁽¹⁾. Strong competitors in this segment include General Accident [between 15 and 25%]⁽¹⁾, London & Edinburgh [between 5 and 15%] and Sun Alliance [between 5 and 15%]⁽¹⁾. If market shares were calculated in relation to the wider insurance segments of life, disability and unemployment corresponding to the component risks covered in creditor insurance, these would be very much smaller.
12. Even if considered as a separate product market, creditor insurance is a relatively new product and composite insurers are capable of offering creditor insurance alongside other insurance products and entering the market both quickly and effectively.
13. Given the degree of existing competition and the low barriers to entry, the merged entity will be unable act independently of competitors and consumers. The proposed concentration will therefore not create or strengthen a dominant position as a result of which effective competition will be significantly impeded in the common market or in a substantial part of it.

V. ANCILLARY RESTRAINTS

14. The notifying parties have requested that certain restrictions be considered as ancillary to the concentration.
15. First, there are restrictions relating to the period between the date of the agreement and the completion of the transaction. During that period CIGI will not conduct its business except in the ordinary course and will not enter into transactions inconsistent with the merger. Nor will it solicit or entertain competing bids or disclose information for the purpose of doing so.
16. Secondly, there are restrictions on a variety of former shareholders in CIGI who were principally responsible for its past management. They will:
 - (i) offer consultancy services exclusively to CIGI for six months, if so required.
 - (ii) not solicit specified staff and specified customers of CIGI or its subsidiaries or compete with those subsidiaries in specified territories where the subsidiaries are or shortly will be active for two years.
 - (iii) accept restraints on the disclosure of confidential information about CIGI.
17. Thirdly, there are restrictions with regard to the use of the logo of CIGI (which is unregistered) and the use of the name "Consolidated". First Delaware Financial Group Inc, the holding company of various companies in the former CIGI group, and CIGI assign to each other any right in the logo for use in the other's territory and exchange reciprocal covenants agreeing not to use the name in a competing business outside specified territories for an indefinite period. Similarly, certain named shareholders who were principally responsible for the management of CIGI will not use the logo or the name for an indefinite period. The reciprocal assignments of the logo are in part equivalent to a transfer of rights and in part intended to ensure the full value of the assets transferred.

⁽¹⁾ [...] Deleted business secrets

18. Protection by law of a general term such as "Consolidated", which forms only part of the name of any of the companies concerned and is in common use among insurers, is much more limited. An indefinite restriction on the use of such a name exceeds what is necessary to guarantee the value of the assets transferred and cannot be considered ancillary to the concentration. The parties have accordingly agreed to amend the agreements so that the restrictions as to the use of the name are limited to five years from the date of completion.
19. Fourthly, for tax reasons GE undertakes for 18 months on behalf of itself and its subsidiaries not to make specified changes to the existing share structure of CIGI, to limit their power to cause CIGI to dispose of its assets and not to merge CIGI with any other corporation.
20. These restrictions are necessary to guarantee the transfer to GE of the full value of the assets purchased or are otherwise directly related to and necessary for the successful implementation of the concentration. They can therefore be treated as ancillary to the concentration.

VI. CONCLUSION

21. For the foregoing reasons, the proposed concentration does not raise serious doubts as to its compatibility with the common market and with the functioning of the EEA Agreement.

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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