COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA

Case no: 20/LM/Mar06

In The Large Merger Between:

Swiss Reinsurance Company **Acquiring Firm**

And

GE Insurance Solutions Corporation and its subsidiaries **Target Firm**

Reasons for Decision

Approval

1. On 11 May 2006 the Competition Tribunal issued a Merger Clearance Certificate approving the transaction between Swiss Reinsurance Company and GE Insurance Solutions Corporation and its subsidiaries. The reasons for this decision follow.

The Transaction

ii. In terms of the proposed transaction, Swiss Reinsurance Company ("Swiss Re") intends to acquire, either directly or via one of its wholly-owned subsidiaries, the shares of GE Insurance Solutions Corporation ("GE Insurance").[1]

3. According to the parties, the transaction will *inter alia* enable Swiss Re to enhance its overall insurance and reinsurance portfolios, thereby allowing achievement of greater diversification, including, geographic diversification and strong direct distribution presence.

Competition analysis

4. Both parties are globally active in the supply of reinsurance and of direct insurance. However, in South Africa, the parties' activities overlap only in respect of reinsurance.[2]

1 GE Insurance is a holding company for approximately 50 subsidiaries, which are controlled by General Electric Company ("General Electric"). General Electric will retain one of GE Insurance's subsidiaries, which operates the US life and health business. This subsidiary will accordingly be transferred out of GE Insurance prior to the acquisition by Swiss Re and will not form part of the proposed transaction. Page 35 of the Merger record. This is an international transaction and at the time of our approval had already been notified and approved in the EU, Israel, US, Turkey and South Korea.

2 According to the parties, "reinsurance" contracts are contracts of insurance made between an insurance company (A) and a reinsurer (B) under which A transfers risk arising from its insurance portfolio to B. Under a reinsurance contract B agrees to indemnify A in respect of defined losses incurred by A under

5. Reinsurance involves both life reinsurance and non-life reinsurance.[3] Since GE Insurance is not active in life reinsurance in South Africa, the only issue for consideration is the overlap arising from the merging parties' involvement in non-life reinsurance.[4] While the parties opted for a narrow product market definition i.e. the market for the writing of non-life reinsurance policies, the Commission instead analysed both the broad market for reinsurance and the narrow sub markets for life reinsurance and non-life reinsurance.

6. The Commission and the parties agree that the relevant geographic market is global, due to the fact that customers can source reinsurance within international markets and are not confined to national borders.[5] The market share data provided by the Commission is tabulated below:

Firm	Reinsurance market		Life reinsurance		Non-life reinsurance	
	Global	RSA	Global	RSA	Global	RSA
Swiss Re	8.1%	35%	10.6%	35.35%	7.1%	37.7%
GE Insurance	1.7%	< 1%	1.8%	-	1.7%	< 1%
Post merger	9.8%	36%	12.4%	35.35%	8.8%	38%

7. From the table above, it is clear that the accretion in market share is relatively insignificant due to GE Insurance's small presence both globally and in the South African market. The Commission's investigation revealed that customers for reinsurance are generally direct insurers or brokers of reinsurance and are well-resourced, knowledgeable and sophisticated purchasers. Both the Commission and the parties agree that switching from one reinsurance supplier to another is relatively easy.

8. We do not make a definitive finding on the relevant market, as we are of the view that regardless of how the market is defined, the merger does not raise any significant competition concerns.

Conclusion

9. There are no public interest issues, which arise and we accordingly approve the transaction without conditions.

A's portfolio of insurance contracts (e.g. a specified share of losses or specified losses in excess of a threshold amount. An insurance company will use reinsurance as one of the principal means of managing its portfolio of risks. Reinsurance is an important means whereby the insurance industry as a whole spreads risks and makes available additional capacity to underwrite risks in favour of end consumers. Pages 36-40 of the merger record.

3 In South Africa, these are known as long-term and short-term policies respectively.

4 According to the parties, GE Insurance has no <u>direct</u> sales of its non-life reinsurance products in SA and its South African business is written by international third-party brokers.

5 The merging parties further submit that international broking firms mediate reinsurance on a world wide scale, and that any reinsurance company or other provider of reinsurance can provide products in South Africa without the need for physical presence as in the case of GE Insurance.

May 2006

N Manoim **Date**

Concurring: U Bhoola and Y Carrim

For the merging parties: K de Kock and A Norton (Webber Wentzel Bowens)
For the Commission: L Lamola and S Nunkoo (Mergers and Acquisitions)