



## **DETERMINATION OF MERGER NOTIFICATION M/13/022 - Berkshire/Hartford**

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### **Section 21 of the Competition Act 2002**

#### **Proposed acquisition by Berkshire Hathaway Inc of sole control of Hartford Life International Limited**

**Dated 13 August 2013**

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### **Introduction**

1. On 25 July 2013, in accordance with section 18 of the Competition Act 2002 (“the Act”), the Competition Authority (“the Authority”) received a notification of a proposed acquisition whereby Columbia Insurance Company, a subsidiary of Berkshire Hathaway Inc. (“Berkshire”), would acquire sole control of Hartford Life International Limited (“Hartford Life International”).

### **The Undertakings Involved**

#### ***Berkshire***

2. Berkshire is a US company which is engaged, through its subsidiaries, in diverse business activities, including property and casualty<sup>1</sup> insurance and reinsurance, utilities and energy, freight rail transportation, finance, manufacturing, retailing and services.
3. Berkshire provides insurance and reinsurance of property and casualty risks, both in the United States and worldwide. In addition, Berkshire also provides life, accident and health reinsurance worldwide.
4. In the State, Berkshire’s primary activity is reinsurance which it provides to customers via the following entities:
  - General Re, which provides property and casualty reinsurance and life and health reinsurance;
  - Berkshire Hathaway Reinsurance Group, which provides property and casualty reinsurance;
  - Berkshire Hathaway Life Insurance Company of Nebraska which provides life and health reinsurance; and
  - Berkshire Hathaway Reinsurance (Ireland) Limited.
5. Furthermore, Berkshire (via its subsidiary National Indemnity Company) recently entered into a contract to reinsure 50% of VHI’s health insurance business on a quota share basis. Berkshire also

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<sup>1</sup> Casualty insurance, sometimes referred to as liability insurance, is insurance not directly concerned with life insurance, health insurance, or property insurance. It is mainly liability insurance of an individual or company for negligent acts or omissions.

provides a small amount of direct insurance in the State through Berkshire Hathaway International Insurance Limited.

6. The parties informed the Authority that Berkshire does not provide any direct life insurance/life annuity insurance in the State.
7. Apart from its insurance and reinsurance business activities, Berkshire is also active in the State through various subsidiaries, including Heinz, NetJets, Fruit of the Loom, and International Metal Working Companies.
8. For the year ending 31 December 2012, Berkshire's worldwide turnover was €123,134 million. Berkshire's turnover in the State for the same period was €[...].

### **Hartford**

9. Hartford Life International is a wholly owned, indirect subsidiary of The Hartford Financial Services Group, Inc. Hartford Life International is the holding company of Hartford Life Limited, an Irish incorporated entity based in County Dublin. Prior to completion of the proposed transaction, three current subsidiaries of Hartford Life International, namely The Hartford International Asset Management Company Limited, Hartford Life Limited, and Thesis S.A., will be divested and thus will not be transferred to Berkshire. Post-proposed transaction, Hartford Life Limited will be the sole subsidiary and asset of Hartford Life International.
10. Hartford Life Limited was established in 2004 and is the variable annuity (investment and retirement products) business of The Hartford Financial Services Group, Inc in the United Kingdom.<sup>2</sup>
11. Hartford Life Limited sold variable annuities to customers in the United Kingdom from 2005 to 2009 but is now closed to new business. It currently focuses on supporting and managing an existing (closed) book of variable annuities for a customer base in the United Kingdom.
12. Hartford Life Limited does not offer life assurance products (i.e., annuities) in the State. It does, however, operate from within the State.
13. For the year ending 31 December 2012, Hartford Life International's worldwide turnover was approximately €[...]. Hartford Life International generated no turnover in the State for the same period because it does not have customers resident in the State.

### **Rationale for the Proposed Acquisition**

14. The parties state in the notification:

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<sup>2</sup> The parties informed the Authority that "annuities are used for various purposes, including as a component of retirement plans, and can be structured to provide payments at specified intervals for the lives of the beneficiaries. A variable annuity is a contract between a beneficiary and an insurance company, under which the insurer agrees to make periodic payments to the beneficiary. A variable annuity offers a range of investment options. The value of the beneficiary's investment as a variable annuity owner will vary depending on the performance of the investment options."

“Through the proposed purchase of Hartford Life International, Berkshire Hathaway proposes to generate a return for its shareholders through the ‘run-off’ of the target’s existing portfolio. The proposed divestment of Hartford Life International is part of a plan by The Hartford Financial Services Group to divest or discontinue businesses as it focuses on core property-casualty units, group benefits and mutual funds.”

### **Third Party Submissions**

15. No submission was received.

### **Competitive Analysis**

16. As noted above, Hartford Life Limited sold variable annuity products to customers in the United Kingdom from 2005 to 2009 but is now closed for new business. Hartford Life Limited is now only active in managing the assets involved. Hartford Life Limited is not involved (and has never been involved) in the sale of variable annuity products in the State. Thus, there is no horizontal overlap between Berkshire and Hartford Life International in the State.
17. There is a theoretical vertical overlap as Berkshire provides reinsurance in the State and Hartford Life Limited purchases reinsurance. However, Hartford Life Limited’s reinsurance requirements are currently provided by another company in The Hartford Financial Services Group, Inc. Post-transaction, Hartford Life Limited’s reinsurance requirements will be provided by Berkshire. The proposed transaction does not raise any vertical foreclosure concerns in the State.
18. In light of the above, the Authority considers that the proposed transaction will not raise any competition concerns in the State.

## **DETERMINATION**

The Competition Authority, in accordance with section 21(2)(a) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition whereby Columbia Insurance Company, a subsidiary of Berkshire Hathaway Inc., would acquire sole control of Hartford Life International Limited will not be to substantially lessen competition in markets for goods or services in the State, and, accordingly, that the acquisition may be put into effect.

**For the Competition Authority**

**Stephen Calkins**

**Member of the Competition Authority**

**Director, Mergers Division**