

Anticipated acquisition by The Hanover Insurance Group Inc of  
Chaucer Holdings plc

ME/4977/11

The OFT's decision on reference under section 33(1) given on 26 May 2011.  
Full text of decision published 3 June 2011.

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**Please note that the square brackets indicate figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.**

## **PARTIES**

1. **The Hanover Insurance Group, Inc. (Hanover)** is a US insurance company listed on the New York Stock Exchange, principally underwriting property and casualty insurance products and services.
2. **Chaucer Holdings plc (Chaucer)** is a UK-based specialist insurance group, listed on the London Stock Exchange. Chaucer is active in underwriting in the UK, in particular at Lloyd's of London, the world's leading insurance and reinsurance marketplace, and globally. Chaucer had a global 2010 turnover of approximately £860 million, £180 million of which was attributable to the UK.

## **TRANSACTION**

3. Hanover made a cash offer for the entire issued, and to be issued, share capital of Chaucer on 20 April 2011. The consideration payable by Hanover to Chaucer is £313 million. The transaction is conditional on regulatory approval being granted from the FSA and Lloyd's of London in the UK.
4. The transaction has also been notified in the US.

## **JURISDICTION**

5. As a result of this transaction Hanover and Chaucer will cease to be distinct. The UK turnover of Chaucer exceeds £70 million, so the turnover test in section 23(1)(b) of the Enterprise Act 2002 (the Act) is satisfied.
6. The OFT therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.

## **ASSESSMENT**

7. Both parties supply non-life insurance<sup>1</sup> products and services to customers, for example, personal and commercial motor insurance. However, Hanover has no physical or business presence in the UK or the EU and does not generate any revenue in the UK or the EU. Hanover confirmed that it does not offer insurance or reinsurance products outside the USA and that it does not have the regulatory approval to offer these products in any other regulatory jurisdiction, including the UK. On this basis, the OFT considers that the transaction does not raise competition concerns in terms of unilateral effects in the supply of insurance or reinsurance products in the UK.
8. Chaucer is also active in the provision of reinsurance, including to Hanover (along with other third party reinsurers<sup>2</sup>). The OFT considered whether the transaction could raise any vertical issues but considers that neither input nor customer foreclosure concerns could feasibly arise in the UK given that: Hanover is not currently active in the supply of insurance products in the UK; and there is no indication that the merged entity's position in the purchase of reinsurance would be such as to give it the ability to foreclose other reinsurance providers. The OFT therefore does not consider that any material vertical issues arise as a result of the transaction.

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<sup>1</sup> As a result of there being no overlap in the provision of insurance products in the UK, the OFT has not considered it necessary in this case to consider individual candidate product markets.

<sup>2</sup> The parties stated that, in each year since 2004, Chaucer has been one of the reinsurers to whom Hanover has ceded business. Hanover's current reinsurance with Chaucer expires in 2011 and provides coverage for property loss. The aggregate cost of these treaties to Hanover was less than 0.5 per cent of the cost of its overall voluntary reinsurance programme.

9. No third parties expressed any concerns about the transaction.
10. In the absence of any horizontal overlaps or any material vertical issues, the OFT does not believe that it is or may be the case that the merger may be expected to result in a substantial lessening of competition within a market or markets in the United Kingdom.

## **DECISION**

11. This merger will therefore **not be referred** to the Competition Commission under section 33(1) of the Act.

## **END NOTES**

1. With regard to paragraph 3, the parties clarified that the aggregate consideration to be paid to Chaucer shareholders, inclusive of Hanover's cash offer and Chaucer's previously announced dividend is £313 million.