

Brussels, 24 May 2002

## Commission approves the creation of the *inreon* online reinsurance exchange

***The Commission has approved a joint venture called inreon, an online business-to-business (B2B) reinsurance trading platform, which will enable insurers and insurance brokers to obtain bids from reinsurers on big property and catastrophic risks and conclude reinsurance contracts online. Inreon's parent companies, which include world reinsurance giants Swiss Re and Munich Re, notified the deal to seek reassurance that it would not violate competition rules in the European Union. The Commission has concluded that the notified operation does not currently restrict competition within the meaning of Article 81(1) of the EU treaty.***

*inreon* is a B2B electronic trading platform, created by Swiss Re and Munich Re together with consulting company Accenture and Internet Capital Group, a technology company. Participants on the platform can request quotes for coverage of property risks and of catastrophic risks (covering earthquakes, floods and other natural catastrophes). The exchange will provide a more efficient and transparent means for insurers and insurance brokers to request quotes and for reinsurance contracts to be concluded. Additional efficiency gains are expected to arise from the fact that all trading is done on standardised conditions. Currently, the two founding members, Swiss Re and Munich Re, and approximately 12 other reinsurers and some 50 insurers and insurance brokers are participating in the platform.

Online marketplaces are Internet-based electronic forums which emerged in the last few years to allow business-to-business and business-to-consumers (B2C) communications and transactions online. They are becoming increasingly common.

The Commission has already gained extensive experience in the assessment of such electronic marketplaces, whether they include suppliers, distributors, providers or buyers of business services. Such electronic exchanges are generally expected to be pro-competitive as they create more transparency between demand and supply and reduce costs. However, they can also present competition problems if the platform is used to exchange market-sensitive information, for example on prices or output, to shut competitors out of the market or to join buying or selling forces.

After a detailed investigation, the Commission has considered that the notified operation, provides adequate safeguards to ensure that the parent companies and other participants in *inreon* do not have access to confidential information on their competitors. The admission criteria are clear, objective and non-discriminatory and both reinsurers and insurers are free to participate in other (online) exchanges. For participants the exchange will not facilitate joint buying or joint selling, since buyers cannot view the quote requests from other buyers, and sellers cannot view the quotes of their competitors, posted at the same time in response to a quote request.

The agreement was notified to the Commission as the companies sought reassurance that it would not distort competition in the European Union. Because it was not a merger or acquisition, the transaction was examined under Regulation 17 of 1962, which created the procedures to apply article 81 (restrictive practices) and article 82 EC (abuses of dominant position). Under Regulation 17 companies can put in place their cooperation agreements without waiting for the Commission's decision.

## **Background**

The Commission has already examined a number of B2B marketplaces including Covisint, between Ford, DaimlerChrysler and Nissan, among other car manufacturers, to provide the automotive industry with procurement and supply chain management tools ; Volbroker, an online brokerage for foreign exchange options created by a number of big investment banks ; MyAircraft.com between UTC and Honeywell ; and Eutelia, which provide services for the procurement of goods for electricity companies (*for more information see press releases on <http://europa.eu.int/rapid/start/cgi/guesten.ksh>*).

The Commission's approach is also summarised in the paper "Competition issues in e-commerce" (Competition Policy Roundtable, October 2000), issued by the Committee on Competition Law and Policy of the OECD, published in January 2001, and available on <http://www.oecd.org/pdf/M000015000/M00015207.pdf>