

GE takes one-off hit for insurance business, studying breakup

January 16 2018



Industrial giant General Electric is considering breaking up into separate operating units, the company's chief announced

Troubled General Electric said Tuesday it would book a one-off charge of \$6.2 billion in the fourth quarter of 2017 linked to its insurance

businesses, and is studying a possible breakup of its remaining units.

Chief executive John Flannery said the company is looking at all options, but cited examples of other units that already have been spun off as independent companies.

"I believe there could be different structures that can achieve all of those objectives and that we need to examine those," he said during a call with analysts, repeating that "there are no sacred cows."

Flannery, who replaced Jeff Immelt at the helm of the company last summer, has faced tough challenges, and announced thousands of layoffs as he has tried to right the ship.

"I would categorize it as an examination of options and it's a kind of thing that could result in many, many different permutations including separately traded assets really in any one of our units if that's what made sense."

He noted that GE already spun off consumer finance arm Synchrony and reduced investment in oil services company Baker Hughes, "and that's something we'd consider for other parts of the company whether that's power aviation or healthcare."

"But the real core approach here is to make sure that these businesses can flourish in the decades ahead and that they have the right capital structures and investment resources to do that," he said.

Insurance hit

The review of the legacy insurance business was part of the overhaul, and last year, the GE Capital unit initiated "a comprehensive review" of the group's insurance reserves, which led to the \$6.2 billion charge for

the final three months of 2017, the group said in a statement.

In addition, GE capital will inject \$15 billion into the unit, North American Life and Health, from 2018 to 2024.

Flannery said the result "is deeply disappointing," but will "help restore GE Capital ratios to appropriate level."

"We have been taking ongoing actions to make GE Capital smaller and more focused while maintaining its key capabilities to support financing for GE Industrial products," Flannery said.

The company saw its share price fall nearly three percent following the announcement, to \$18.22 in mid-morning trading, continuing a steady downward trend over the past year.

Flannery in November unveiled the first steps of his plan to shore up the 125-year-old maker of jet engines and power turbines including shedding about \$20 billion in assets over the next two years.

The shift favors the conglomerate's strongest divisions: aviation, energy and health, including medical equipment and services.

S&P Global Ratings said the latest announcement would not impact the company's A-rated debt.

© 2018 AFP

Citation: GE takes one-off hit for insurance business, studying breakup (2018, January 16)
retrieved 3 May 2024 from <https://phys.org/news/2018-01-ge-one-off-bn-linked.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is

provided for information purposes only.