

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: William E. Kovacic, Chairman
Pamela Jones Harbour
Jon Leibowitz
J. Thomas Rosch

_____)	
In the Matter of)	
)	
CCC Holdings Inc.,)	
a corporation,)	
)	
and)	Docket No. 9334
)	
Aurora Equity Partners III L.P.,)	
a limited partnership.)	
_____)	

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that Respondents CCC Holdings Inc. (“CCC Holdings”) and Aurora Equity Partners III L.P. (“Aurora”) have entered into a merger agreement which, if consummated, would violate Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, and Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint, stating its charges as follows:

SUMMARY

1. The proposed \$1.4 billion merger between Respondents, the parent entities of CCC Information Systems Inc. (“CCC”) and Mitchell International, Inc. (“Mitchell”), would leave only two significant providers of U.S. partial loss estimation systems (“estimatics”) and U.S. total loss valuation systems (“TLV systems”). With only three independent firms in these two markets, this merger is a merger-to-duopoly and likely would allow the merged firm unilaterally, or the remaining two firms together, to exercise market power in various possible ways, including, among others, increasing prices and reducing product quality and services to estimatics and TLV systems customers.

2. Estimatics are electronic systems consisting of software and a database of U.S. passenger automobile parts, part pricing, and repair times. Estimatics are used to provide the initial estimate to repair automobiles damaged in accidents.

3. For automobiles where the cost of repair reaches a certain threshold, which usually falls between 65% to 75% of the value of the automobile, state regulations mandate that the adjuster or estimator declare the vehicle a total loss. Once a vehicle is declared a total loss, the claim is turned over to the insurance company to determine the value of a total loss claim. TLV systems are electronic systems consisting of software and databases that provide local market comparable values that are updated frequently and are acceptable under insurance regulations in all states. TLV systems work in conjunction with estimatics and other workflow systems helping streamline the claims process, improving efficiency, and decreasing time to settlement.

4. The three independent providers of estimatics and TLV systems are CCC, Mitchell, and Audatex North America, Inc. (“Audatex”). With the merger, a combined CCC-Mitchell would have far more than half of the sales in both the estimatics and the TLV systems markets. Audatex would be the remaining independent supplier in both markets. A merger-to-duopoly would eliminate significant head-to-head competition between CCC and Mitchell, substantially increase concentration, and facilitate coordination with Audatex, whether through price coordination, customer allocation, or innovation. Insurance companies and repair shops would be harmed, as would ultimately American automobile owners. This increase in concentration alone leads to the presumption of anticompetitive effects, whether accomplished through the unilateral exercise of market power, or by facilitating coordination between the merged company and Audatex.

PARTIES AND JURISDICTION

CCC Holdings, Inc.

5. Respondent CCC Holdings is a privately held corporation, existing and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business at 222 Merchandise Mart Plaza, Suite 900, Chicago, Illinois 60654.

6. CCC Holdings wholly owns CCC, which has its office and principal place of business at 222 Merchandise Mart Plaza, Suite 900, Chicago, Illinois 60654. CCC develops, markets, and supplies a variety of automobile claims products and services, which enable customers in the automobile claims industry, including automobile insurance companies, collision repair facilities, independent appraisers, and automobile dealers, to manage the automobile claim and vehicle restoration process. These products include business solutions such as estimatics and TLV systems, as well as workflow and performance management products to help evaluate and settle automobile damage claims.

7. CCC Holdings is, and at all relevant times has been, engaged in “commerce” as defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. § 12, and is an entity whose

business is in or affects “commerce” as defined in Section 4 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 44.

Aurora Equity Partners III L.P.

8. Respondent Aurora Equity Partners III L.P. (“Aurora”) is a limited partnership, existing and doing business at 10877 Wilshire Boulevard, Suite 2100, Los Angeles, California 90025.

9. Aurora is the ultimate parent entity of Mitchell, a Delaware company with its office and principal place of business at 9889 Willow Creek Road, San Diego, California 92131. Mitchell provides information, workflow, and performance management solutions to the automotive repair and property and casualty industries. Products and services such as estimatics and TLV systems include parts, labor, and vehicle valuation databases and associated products, as well as databases containing information used by the insurance industry in calculating auto glass and auto injury claims.

10. Aurora is, and at all relevant times has been, engaged in “commerce” as defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. § 12, and is an entity whose business is in or affects “commerce” as defined in Section 4 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 44.

THE MERGER

11. Pursuant to an agreement announced on April 11, 2008, CCC Holdings and Aurora intend to merge. This merger is regarded by both parties as a merger of equals that would result in no majority owner post-transaction. Thus, the board seats would be equally divided between CCC Holdings and Aurora. The transaction is valued at \$1.4 billion and will create an entity with annual sales exceeding \$450 million.

RELEVANT PRODUCT MARKETS

12. The relevant product markets in which to assess the effects of the transaction are:

- a. U.S. partial loss estimating systems (“estimatics”); and
- b. U.S. total loss valuation systems (“TLV systems”).

13. Estimatics are used to generate automobile repair cost estimates for the insurance industry and include: (1) a database containing data on parts and labor times associated with makes, years, and models of passenger vehicles driven in the United States; and (2) application software that accesses the database and calculates repair costs based on inputted damage information.

14. TLV systems are used by the insurance industry to calculate the replacement value of passenger vehicles and include: (1) a database containing vehicle sales information from various sources broken down into hundreds of local regions; and (2) application software that accesses the database and calculates the value.

GEOGRAPHIC MARKET

15. The relevant geographic market in which to analyze the effects of the proposed acquisition is worldwide.

MARKET STRUCTURE

16. There are only three competitors in the estimatics and TLV systems markets – CCC, Mitchell, and Audatex – and this merger would leave only two independent firms controlling both markets. These markets are already highly concentrated and would become substantially more so if the proposed transaction is consummated.

ANTICOMPETITIVE EFFECTS

17. The proposed acquisition may substantially lessen competition in the relevant markets by, among other things:

- a. decreasing the number of significant competitors from three to two in the relevant markets;
- b. increasing the likelihood of, or facilitating, successful anticompetitive competitor coordination in the relevant markets, and actual or tacit collusion among the remaining two firms;
- c. decreasing or eliminating innovation competition in the relevant markets; and
- d. allowing the new entity unilaterally to exercise market power in the relevant markets.

ENTRY

18. Entry into the estimatics or TLV systems markets would not be timely, likely, or sufficient to prevent or defeat the anticompetitive effects of the proposed merger.

19. Entry would take more than two years and is difficult, costly, and risky because of the time and cost of building a credible and sufficient database covering the vast majority of automobiles on U.S. roads, creating the software, and gaining the trust and acceptance of customers who demand highly accurate repair information.

VIOLATIONS

COUNT I – ILLEGAL MERGER

20. The allegations of Paragraphs 1 through 19 above are incorporated by reference as though fully set forth.

21. The merger of CCC Holdings and Aurora, if consummated, would substantially lessen competition in the relevant markets in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45.

COUNT II – ILLEGAL MERGER AGREEMENT

22. The allegations of Paragraphs 1 through 19 above are incorporated by reference as though fully set forth.

23. Respondents CCC Holdings and Aurora, through the merger agreement described in paragraph 11 above, have engaged in unfair methods of competition in or affecting commerce in violation of Section 5 of the FTC Act, 15 U.S.C. § 45.

NOTICE

Notice is hereby given to the respondents that the thirty-first day of March, 2009, at 10:00 a.m. is hereby fixed as the time and Federal Trade Commission offices, 600 Pennsylvania Avenue, NW, Room 532, Washington, D.C. 20580, as the place when and where a hearing will be had before an Administrative Law Judge of the Federal Trade Commission, on the charges set forth in this complaint, at which time and place you will have the right under the Federal Trade Commission and Clayton Acts to appear and show cause why an order should not be entered requiring you to cease and desist from the violations of law charged in the complaint.

You are notified that the opportunity is afforded you to file with the Commission an answer to this complaint on or before the twentieth (20th) day after service of it upon you. An answer in which the allegations of the complaint are contested shall contain a concise statement of the facts constituting each ground of defense; and specific admission, denial, or explanation of each fact alleged in the complaint or, if you are without knowledge thereof, a statement to that effect. Allegations of the complaint not thus answered shall be deemed to have been admitted.

If you elect not to contest the allegations of fact set forth in the complaint, the answer shall consist of a statement that you admit all of the material facts to be true. Such an answer shall constitute a waiver of hearings as to the facts alleged in the complaint and, together with the complaint, will provide a record basis on which the Administrative Law Judge shall file an initial decision containing appropriate findings and conclusions and an appropriate order disposing of the proceeding. In such answer, you may, however, reserve the right to submit proposed findings and conclusions under § 3.46 of the Commission's Rules of Practice for

Adjudicative Proceedings and the right to appeal the initial decision to the Commission under § 3.52 of said Rules.

Failure to answer within the time above provided shall be deemed to constitute a waiver of your right to appear and to contest the allegations of the complaint and shall authorize the Administrative Law Judge, without further notice to you, to find the facts to be as alleged in the complaint and to enter an initial decision containing such findings, appropriate conclusions, and order.

The Administrative Law Judge will schedule an initial prehearing scheduling conference to be held not later than 14 days after the last answer is filed by any party named as a respondent in the complaint. Unless otherwise directed by the Administrative Law Judge, the scheduling conference and further proceedings will take place at the Federal Trade Commission, 600 Pennsylvania Avenue, N.W., Room 532, Washington, DC 20580. Rule 3.21(a) requires a meeting of the parties' counsel as early as practicable before the prehearing scheduling conference, and Rule 3.31(b) obligates counsel for each party, within five days of receiving a respondent's answer, to make certain initial disclosures without awaiting a formal discovery request.

NOTICE OF CONTEMPLATED RELIEF

Should the Commission conclude from the record developed in any adjudicative proceedings in this matter that the merger of CCC Holdings and Aurora challenged in this proceeding violates Section 7 of the Clayton Act, as amended, or Section 5 of the Federal Trade Commission Act, as amended, the Commission may order such relief against respondents as is supported by the record and is necessary and appropriate, including, but not limited to:

1. If the merger is consummated, divestiture or reconstitution of all associated and necessary assets, in a manner that restores two or more distinct and separate, viable and independent businesses in the relevant markets, with the ability to offer such products and services as CCC Holdings and Aurora were offering and planning to offer prior to the merger.
2. A prohibition against any transaction between CCC Holdings and Aurora that combines their estimatics or TLV systems businesses in the relevant market, except as may be approved by the Commission.
3. A requirement that, for a period of time, CCC Holdings and Aurora provide prior notice to the Commission of acquisitions, mergers, consolidations, or any other combinations of their estimatics or TLV systems businesses in the relevant markets with any other company providing estimatics or TLV systems in the relevant markets.
4. A requirement to file periodic compliance reports with the Commission.

5. Any other relief appropriate to correct or remedy the anticompetitive effects of the transaction or to ensure the creation of one or more viable, competitive independent entities to compete against CCC Holdings-Aurora in the relevant markets.

IN WITNESS WHEREOF, the Federal Trade Commission has caused this complaint to be signed by its Secretary and its official seal to be hereto affixed, at Washington, D.C. this twenty-fifth day of November, 2008.

By the Commission, Commissioner Rosch recused.

Donald S. Clark
Secretary

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