ING To Divide In Half

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ING Groep N.V. intends to split its banking and insurance operations, divest itself of the insurance operations, and find a new home for its ING Direct USA Internet banking unit.

To separate from the insurance operations and the heavily promoted U.S. Internet banking business, ING “will explore all options, including initial public offerings, sales or combinations thereof,” ING Chief Executive Officer Jan Hommen says in a statement about the proposed changes.

ING, Amsterdam, has received two rounds of financial support from the Dutch government since the current economic crisis began.

The company came up with the current restructuring plan over the past 6 months, partly to implement a “Back to Basics” streamlining program, and partly to find a way to “eliminate double leverage” and pay back the Dutch State, ING says.

ING also came up with the plan to satisfy European Commission fair competition requirements, Hommen says.

“Negotiations with the European Commission on the restructuring plan have acted as a catalyst to accelerate the strategic decision to completely separate banking and insurance operations,” Hommen says.

Originally, combining banking and insurance services helped provide capital efficiency and earnings stability, but today, “the widespread demand for greater simplicity, reliability and transparency has made a split the optimal course of action,” Hommen says.

ING managers will be seeking ING shareholder approval for the restructuring plan Nov. 25, at an extraordinary general shareholders meeting in Amsterdam, the company says.

Hommen says ING will try to carry out the restructuring plan in a way that supports the interests of customers, employees, and “providers of capital.”

While the insurance divestiture is under way, the ING insurance business will focus on the life and retirement services businesses in markets such as the United States, the Benelux region, Central Europe and Latin America, ING says.

To get European Commission approval for the restructuring plan, ING must divest ING Direct USA by the end of 2013, the company notes.

“ING regards the operation as a very strong franchise,” the company says.

While the ING Direct USA divestiture is in progress, “ING will ensure that it continues to grow the value of the business and offer a superior customer experience,” the company says.

Once the restructuring is completed, the 2013 balance sheet for the operations that are still under the ING umbrella will be only about 45% as big as the balance sheet for the same operations in September 2008, ING estimates.

But, if the operations grow as expected, the balance sheet for those retained operations may be just 30% smaller than they were in September 2008, ING says.

In the United States, ING has been focusing on selling retirement services, life insurance and rollover annuities.

The company also has been active in the reinsurance market, and it recently announced plans to sell ING Re's U.S. and Canadian group life, accident and health reinsurance business to Reinsurance Group of America Inc., Chesterfield, Mo.