

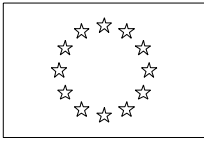
***Case No IV/M.1129 -
COMMERCIAL
UNION /
BERLINISCHE
LEBENSVERSICHER
UNG AG***

Only the English text is available and authentic.

**REGULATION (EEC) No 4064/89
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 30/06/1998

*Also available in the CELEX database
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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 30.06.1998

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying party

Dear Sirs,

**Subject: Case No IV/M. 1129 - Commercial Union/Berlinische
Notification of 28, May 1998 pursuant to Article 4 of Commission
Regulation No. 4064/1998**

1. On 28 May 1998 the Commission received a notification of a proposed concentration by which the undertaking Commercial Union plc ("Commercial Union") takes over the undertaking Berlinische Lebensversicherung AG ("Berlinische") by acquisition of all the shares in the target company. The operation constitutes a concentration in the meaning of Article 3 (1) b of the Regulation, leading to sole control of the whole of the target company.

I. THE PARTIES INVOLVED AND THE OPERATION

2. Commercial Union operates a world-wide group of companies in the insurance sector in all classes of life- and non-life insurance with the exception of industrial life-insurance, on a global scale. The company is further active in the financial services business. Berlinische is a German company active in the life-insurance sector which also distributes a very small proportion of non-life insurance products supplied by other insurance companies. The company's activities are limited to Germany.
3. Commercial Union purchases a total of 94.57 % shares in the target company from the main shareholders Munich Re and Allianz, which currently hold 64.57 % and 30 % respectively. The remaining 5.43 % are widely spread. Operation completed, Commercial Union further intends to make a public offer for the remaining 5.43 % of shares.

II. COMMUNITY DIMENSION

4. Commercial Union and Berlinische have a combined aggregate world-wide turnover, calculated in accordance with Article 5 (3) (b) of the Regulation in excess of ECU 5,000 million (Commercial Union: ECU 13,314 million; Berlinische: ECU 422.8 million). Each of them has a Community-wide turnover of more than ECU 250 million (Commercial Union: ECU 9,642 million; Berlinische: ECU 422.8 million), but they do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same member State. The notified operation therefore has a Community dimension. It does not constitute a co-operation case under the EEA Agreement pursuant to Article 57 of that Agreement.

III. COMPATIBILITY WITH THE COMMON MARKET

A. Relevant product market

5. The relevant market concerned by the concentration falls within the area of life-insurance. According to the practice of the Commission, insurance can be subdivided into as many product markets as there are insurances covering different kinds of risks. Their characteristics, premiums and purposes are distinct and there is typically no substitutability for the consumer between the different risks insured (see for example case No IV/M.812-Allianz/Vereinte or No IV/M.813-Allianz/Hermes).
6. However, for the purposes of the present decision the relevant product market can be left open because, even with the narrowest definition of markets, effective competition would not be significantly impeded in the EEA or any substantial part of that area.

B. Relevant geographical market

7. According to the Commission's understanding, the life insurance-market in view of the established market structures, the need for adequate distribution channels, fiscal constraints and differing national systems is still national (see for example case No IV/M.1043-B.A.T./Zürich).
8. However, for the purposes of the present decision the relevant geographic market can be left open because, in all alternative geographic market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of that area.

IV. ASSESSMENT

9. The only relevant market where the parties have identified overlapping activities is the life-insurance market in Germany. But even this overlap will have only a marginal impact on the present market situation, given the fact that Commercial Union has only very small activities in the German life business through its recently acquired affiliate General Accident (GA, see case No IV/M. 1142).

10. With every alternative calculation, combined market shares after the concentration in the overall German life-insurance market would remain below 1% of all premiums received. Even if it were necessary further to subdivide life-insurance into protection, investment and pension products, added shares will not exceed 2%. Therefore, there will not be any significant overlap that could create or strengthen a dominant position in a German life-insurance market.
11. In addition, the German life-insurance market is highly fragmented. The five main life-insurers are Allianz and its subsidiaries with between 15-16%, Munich Re with approximately 11%, AMB with nearly 8% and R+V and Deutscher Herold with about 4% of shares each. Berlinische and Commercial Union are ranked 25th according to their present amount of market shares. The same picture can be drawn regarding the total size of the German life-insurance market which according to Datamonitor amounts to 48,862 MECU compared to the combined gross premiums written by the parties which amount to 913 MECU (1996). With the present take-over, Commercial Union intends to develop a platform from which to build its presence in the life insurance business in Germany, the largest European insurance market, where it has only a minimal presence so far. The parties still indicate that they may increase their ranking by at best one position as a result of the concentration.
12. It follows from the foregoing, in particular from the insignificant nature of combined market shares, that the concentration will not create or strengthen a dominant position of the parties in the Common Market or any substantial part of it.

V. CONCLUSION

13. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the Common market. This decision is adopted in application of Article 6 (1) (b) of Council Regulation (EEC) No 4064/89.

For the Commission,