

***Case No COMP/M.1617 -
ROYAL & SUN
ALLIANCE / TRYGG-
HANSA***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 26/08/1999

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

Brussels, 26.08.1999

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EEC) No 4064/89 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying party

Dear Madam/Sir,

Subject: Case No IV/M. 1617 – ROYAL & SUN ALLIANCE / TRYGG HANSA

Notification of 26.07.1999 pursuant to Article 4 of Council Regulation N/ 4064/89

1. On 26.07.1999, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 («ECMR») by which Royal & Sun Alliance («R&SA») acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of Trygg Hansa Forsikrings AB («THF»), via its subsidiary A/S Forsikringsselskabet Codan («Codan»).
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation (EEC) No 4064/89 and does not raise serious doubts as to its compatibility with the common market and with the functioning of the EEA Agreement.

I. THE PARTIES' ACTIVITIES AND THE OPERATION

3. R&SA is a UK based group, active world-wide in general insurance business, life insurance, pension products as well as asset management. Prior to the operation, R&SA is already active in Sweden through its subsidiary Holmia. THF is a subsidiary of Skandinaviska Enskilda Banken AB («SEB») an international banking group based in Sweden. THF is engaged in the marketing of property & casualty products in Denmark, Norway and Sweden.
4. By the notified operation R&SA acquires, via its subsidiary Codan, the entire issued capital in THF. Through this operation R&SA acquires sole control over THF. The concentration is part of an overall project comprising three simultaneous transactions.

Further to the notified acquisition of THF, R&SA agreed to dispose the banking business of the Codan group to SEB. In addition, both Codan and SEB concluded a joint distribution agreement for their life insurance businesses. Unlike the above mentioned acquisition of THF (first transaction), the disposal by R&SA of the banking business of the Codan group to SEB (second transaction) accounts for an acquired turnover below EURO 250 million. Furthermore, the joint distribution of their life insurance businesses by both Codan and SEB (third transaction), does not lead to the creation of a joint venture performing on a lasting basis all the functions of an autonomous economic entity within the meaning of Art. 3 (2) of ECMR. Therefore, only the first transaction falls within the scope of ECMR.

II. COMMUNITY DIMENSION

5. R&SA and THF have a combined aggregate world-wide turnover in excess of EUR 5 000 million (R&SA, EUR 16 353 million; THF, EUR 487 million). Each of them has a Community-wide turnover in excess of EUR 250 million (R&SA, EUR [...] million; THF, EUR [...] 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, and does not constitute a co-operation case under the EEA Agreement, pursuant to Article 57 of that Agreement.

III. COMPETITIVE ASSESSMENT

A. Relevant product markets

6. In most of its decisions concerning insurance companies¹, the Commission distinguishes between life and non-life insurance and takes into consideration the fact that from a consumer's point of view there is typically no substitutability between the different kinds of risks insured, since their characteristics premiums and purposes are distinct. In the present case, the notifying party follows a similar approach, defining however a market for Personal Health and Accident, where insurance products are provided by both life and non-life insurers, because policies are often sold as part of collective life and health and sickness insurance packages. Other insurers suggest insurance products should be further subdivided into private and commercial insurance. However, it is not necessary to delineate further the relevant product markets because, in all alternative market definitions considered, the operation will not lead to the creation or the strengthening of a dominant position as a result of which effective competition would be significantly impeded in the EEA or any substantial part of that area.

B. Relevant geographic markets

7. With the exception of reinsurance and insurance of certain large risks, the geographical dimension of the market in life and non-life insurance business is generally defined on a national basis². However, it is not necessary to delineate further the relevant geographic markets because, even on the basis of the narrowest definition (considering national markets), the operation will not lead to the creation or the strengthening of a dominant position as a result of which effective competition would be significantly impeded in the EEA or any substantial part of that area.

¹ f.i. case No IV/M.759 - Sun Alliance/Royal Insurance

² see f.i. case No IV/M.1453 - AXA/GRE

C. Assessment

8. The acquisition of sole control over THF by R&SA leads to horizontal overlaps in Sweden, Denmark and Norway. However the parties' market shares are not significant in Norway (less than 5%). Through Codan, R&SA is a major player in the insurance sector in Denmark. Nevertheless, the overlaps concerning Building, Fire and Casualty, Householder and Homeowner, as well as motor insurance remain limited. In none of the Danish markets for property and casualty insurance has THF a market share exceeding [<5]%.³
9. R&SA is active in Sweden through Codan's subsidiary Holmia. The notifying party mentions three markets in this Member State, where the overlapping activities of THF and R&SA (through Holmia) would lead to a combined market share of 15% or more: Householder and Homeowner insurance, Motor insurance and Personal Health and Accident. The table below summarises the respective positions of the parties and of their main competitors, in the three markets mentioned above³.

	Householder & Homeholder	Motor	Personal Health & Accident
R&SA (Holmia)	[below 5]%	[<5]%	[5-15]%
THF	[10-20]%	[15-25]%	[5-15]%
Combined market share	[10-20]%	[20-30]%	[15-25]%
Läsförsäkringar-Wasa	[25-35]%	[20-30]%	[5-15]%
Folksam	27.2%	[15-25]%	[25-35]%
Skandia	14.7%	[15-25]%	[25-35]%

10. As regards Householder/Homeholder insurance and Motor insurance, the operation produces limited overlaps. Four major operators account for the bulk of the non-life insurance market in Sweden: Läsförsäkringar-Wasa (overall market share: [20-30]%), Folksam ([15-25]%), Skandia ([15-25]%) and THF ([10-20]%). This overall structure will not be substantially modified by the concentration. The impact of the market shares addition between THF and Holmia (overall market share: [<5]%) will remain limited. Even if THF, which ranks fourth among these majors, would be able to outplace one or the other of its competitors on the markets mentioned above, the respective positions of the four majors will remain roughly comparable as the table shows. After the concentration, competition will be slightly reduced by the fact that R&SA (through Holmia) will no longer be active as a competitor to these major suppliers, however the three largest suppliers will further be able to compete with the parties. In any event, a number of smaller competitors are likely to exercise further competitive pressure on the markets for non-life insurance mentioned above, among them Volvia (market share: [5-15]%), Dial ([<5]%), Akksam ([y5]%), SOFAB (less than 1%) in Motor insurance, or SOFAB (less than 3%) and SalusAnsvar (less than 4%) in House & Home insurance⁴.
11. With respect to Personal Health and Accident, where policies are provided by both life and non-life insurers, it can be observed that after the operation SEB will remain active on the market through its life insurance business. SEB will have a market share of [5-15]%, only resulting of its activity as a life-insurer. Since R&SA and SEB have concluded an agreement for the joint distribution of their life insurance products, the latter cannot be considered as a fully fledged competitor, although it will remain active as a separate entity. Even if this agreement remains subject to a separate examination under Art. 81 of the

³ estimated by the parties, for 1998

⁴ source : Svensk Försäkring Arsbook 1998

Treaty, it has to be taken into account as a fact for the purpose of the present assessment. However, even if it is assumed that R&SA and THF as life- and non life insurers on one hand, and SEB as a life-insurer on the other hand would co-ordinate their market strategy in a comparable way to that of an integrated group, their added market shares, [15-25] plus [5-15] would not be stronger than those of Folksam or Skandia ([25-35]% and [25-35]% respectively). Therefore, the operation does not lead to the creation of a joint dominant position of R&SA and SEB.

12. Alternatively, even if the segment for non-life insurance products were to be considered as a separate market within the sector of Personal Health and Accident, the operation would neither lead to the creation nor to the strengthening of a dominant position. The combined market share of THF and Holmia resulting from the operation would amount to approximately [20-30]%, and the parties would become the second largest player on this segment. Nevertheless Folksam would remain market leader (with [35-45]%), in particular on the segment for Group Accident. Moreover, other players would be active on the life segment, such as SPP (market share: [5-15]%), Handelsbanken ([5-15]%) or Föreningssparbanken (5-15%)⁵.
13. Therefore, the proposed concentration does not create or strengthen a dominant position as a result of which effective competition would be significantly impeded in the EEA or any substantial part of that area.

IV. CONCLUSION

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

For the Commission,
Signed by K. Van Miert (Member of the
Commission)

⁵ source : annual report of insurance company