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*Case No IV/M.344 -
CODAN / HAFNIA*

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 28.05.1993

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Brussels, 28/05/1993

MERGER PROCEDURE
ARTICLE 6(1)b DECISION

PUBLIC VERSION

Registered with advice of delivery

To the notifying party

Dear Sirs,

Re: Case N° IV/M. 344 - Codan/Hafnia
Notification of 23.04.1993 pursuant to Council regulation (EEC) N° 4064/89

1. The above operation concerns the acquisition by Forsikringsselskabet Codan A/S (CODAN) of all the shares in Forsikringsselskabet Hafnia A/S and Hafnia Bank A/S with subsidiaries (HAFNIA), previously wholly owned by Hafnia Holding af 1992 A/S (Hafnia Holding).
2. After examination of the notified operation, the Commission has concluded that it falls within the scope of application of Council Regulation No. 4064/89 and does not raise serious doubts as to its compatibility with the Common market.

I. THE PARTIES

3. Hafnia Holding is the parent company of Hafnia. After finalization of the notified operation Hafnia Holding will no longer have any insurance or banking activities in Denmark. The insurance businesses of Hafnia Holding in the UK and Sweden (through Skandia) as well as its banking activities in Switzerland are excluded from the proposed operation.

4. Hafnia is one of the largest insurance companies in Denmark, with activities in all segments of the life and non-life insurance markets in Denmark. Hafnia is no longer active on the market for reinsurance and its share of the Danish banking market is negligible.
5. Codan is a Danish subsidiary of Sun Alliance Plc., which is a large UK general insurance company with underwriting activities throughout the world. Codan is active on all major segments of the Danish non-life and life insurance markets.

II. CONCENTRATION WITH A COMMUNITY DIMENSION

6. The acquisition by Codan of the entire share capital of Hafnia constitutes a concentration within the meaning of Art. 3(1)b of Regulation (EEC) N° 4064/89, hereinafter referred to as the Regulation. The enterprises concerned have a combined aggregate worldwide turnover in excess of 5 000 million ECU. Both Codan and Hafnia have a Community-wide turnover in excess of 250 million ECU but 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.

III. COMPATIBILITY WITH THE COMMON MARKET

A. The relevant product and geographic markets

7. It is suggested that there exist as many product markets as there are insurances for different kinds of risk, since their characteristics, premiums and purposes are quite distinct from the consumers viewpoint. Consequently they are not to any great extent substitutable for one another. Thus, life insurance and each type of non-life insurance seem to constitute separate product markets. Reinsurance constitutes another market because of its purpose of spreading the risks between insurers. The product markets affected by the operation are within the life, and non-life, insurance sectors. Again, although insurance markets may become more open to intra-Community competition in the foreseeable future, geographic markets seem at present to be mostly national in view of differences in distribution channels, consumer preferences and public regulation. This seems to apply in particular to private insurance. Following the operation the new entity would however achieve market shares exceeding 25 per cent only in five relatively minor segments of the Danish market for commercial non-life insurance. The new entity would face competition from other companies with equal or higher market shares in the seven largest segments of the non-life market (including both private and commercial insurances) as well as in the overall non-life and life insurance markets.

A precise definition of the relevant market does not have to be adopted since even on the narrowest possible market definition the operation does not raise serious doubts about its compatibility with the Common Market.

B. Competition assessment

8. Following the operation the new entity will hold about one fifth ($\pm 18\%$) of the Danish non-life insurance market and even less ($\pm 12\%$) of the life insurance market. Its major competitor Baltica will hold a similar share of the overall non-life market and higher shares of certain segments thereof. Baltica will also hold higher shares of the life insurance market. Some smaller companies will have equal or higher market shares on certain segments of the market.
9. The second non-life insurance coordination Directive (88/357/EEC) creates a common market throughout the Community for so-called large risks. Large risks are defined to include, inter alia marine and transport, aviation and credit and guarantee. Insurance companies covering large risks in another Member State do not therefore need to be authorized in that Member State. As regards the classes of insurance mentioned above the Directive is as of 01.01.1993 applicable in all Member States and has been implemented in Denmark by Law No. 304 of 16.05.1990.
10. The new entity will have the highest market shares of all companies active in some transport-related segments of the market for commercial non-life insurance in Denmark (marine & transport 39%, aviation 56% and "other commercial" 38%). However in contrast to other segments of the insurance market, the commercial non-life segments are open to international competition. On a world or Community-wide market the combined market share of the parties to the concentration would amount to less than 5 %. The reasons for the more international character of the market for transport insurance is apart from the EC liberalization measures above, to be found in the nature of the service to be insured, historical practice and the very close connection between this market and the market for reinsurance, due to the large risks involved.

The customers of these kinds of insurance are relatively large companies and often active in several countries. They therefore have the possibility of placing their insurance policies in the country most favorable to them and insurance companies established in other Member States are able to make offers to Danish companies without establishing themselves in Denmark. The customers have stated that they could place their insurance policies with other companies established outside of Denmark.

11. The new entity will also have high market shares in two niche segments of the Danish market for commercial non-life insurance.

As regards one of those segments, personal disability (54%) there is no overlap since Codan has not previously been active in this segment.

On the Danish market there are important competitors such as Baltica, Topdanmark and the large Swiss general insurance company Zürich, which although not very strong in the Danish market at the moment, enjoys the financial power of a world-wide insurance company. Thus, for the above reasons and due to the EC measures applicable to the liberalization of the insurance markets in the member states, it is likely that the market behavior of the new entity will be controlled to an appreciable extent by their competitors.

12. The other segment, credit and guarantee, is a highly specialized market on which very few insurance companies have chosen to participate despite the absence of any significant barriers of entry. The new entity will have 33% market share, which in itself is not indicative of market dominance. There is one small insurance company in Denmark (Dansk Kaution) which is specialized in this kind of insurance and which holds a slightly higher market share than the combined new entity.

There are also two particular characteristics of the Danish insurance market which might counterbalance the new entity's market strength. Firstly the contract periods in general are limited to one year due, inter alia, to conditions imposed by consumer organizations. Secondly there is currently a trend in Denmark towards an increasing use of independent brokers, who act on behalf of clients to obtain favorable conditions from the insurance companies. The impact of independent brokers can be expected to be strongest on the markets covered by EC liberalization measures.

13. In conclusion although there are some limited horizontal overlaps between the activities of Codan and Hafnia in the transport, and credit and guarantee segments in Denmark, it is not expected that the concentration will create or strengthen a dominant position as a result of which effective competition would be significantly impeded in the Common market.

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

For the Commission