

*Case No IV/M.498 -
Commercial Union /
Groupe Victoire*

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

Article 6(1)(b) NON-OPPOSITION
Date: 12/09/1994

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 12.09.1994

MERGER PROCEDURE
ARTICLE 6(1)b DECISION

PUBLIC VERSION

To the notifying party

Dear Sirs,

Subject: Case No.IV/M.498 - Commercial Union/Groupe Victoire
Notification of 9.08.1994 pursuant to Council Regulation (EC) No. 4064/89

1. On 9.08.94 Commercial Union plc (CU) notified to the Commission its intended acquisition of a major part of the life assurance activities and the general insurance activities of Groupe Victoire (Victoire), a large French insurance group, from Compagnie de Suez SA (Suez).
2. After examination of the notification, the Commission has concluded that the notified operation 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 and with the functioning of the EEA Agreement.

I. THE PARTIES

3. CU is the holding company of the Commercial Union Group whose principal activities are the transaction of all classes of insurance and life insurance, other than industrial life, in the UK, continental Europe, North America and other territories throughout the world.
4. Victoire operates in most sectors of the insurance market, almost exclusively in France.

5. Suez is a holding company with interests in the banking and financial services sectors and in a range of manufacturing and service enterprises.

II. THE OPERATION

6. CU will acquire substantially all the shares in Compagnie Financière du Groupe Victoire SA (CFGV), the holding company of Victoire. A number of existing group interests will be excluded from the scope of the acquisition by means of a reorganisation prior to implementation. The principal subsidiaries of CFGV are Abeille Vie and Abeille Assurances.
7. Abeille Assurances operates in the non-life sector and has three small wholly-owned non-life insurance subsidiaries, AMIS, Assurop and La Paix Protection Juridique et Fiscale (La Paix). Abeille Assurances also has a reinsurance subsidiary, Victoire [...] Réassurances¹ (Vicaré).
8. Abeille Vie operates in the life insurance sector. Its most significant customer is AFER, the Association Française d'Épargne et de Retraite, a non-profit making association of members which subscribes a group policy on their behalf.
9. Victoire will also retain a controlling, majority holding in Société Foncière Lyonnaise (SFL), a real estate company, and in Société de Gestion et d'Investissement² (SOFRAGI), a listed closed end investment fund, as well as minority holdings in Union Financière de France (UFF) and Compagnie Financière SFAC (SFAC), a holding company with insurance interests in the receivable risks of industrial and trading companies. The acquisition also includes a number of other small companies with negligible operating activities.
10. Through the reorganisation Suez will retain a number of insurance, real estate and financial services business, notably La Hénin Vie, active in the life insurance sector, Société d'Épargne Viagère (SFV) which acts as a co-insurer with Abeille Vie to AFER and Abeille Réassurances, a reinsurance company.

III. CONCENTRATION OF COMMUNITY DIMENSION

11. The notified operation constitutes a concentration within the meaning of Article 3(1)b of the Regulation.
12. The undertakings concerned have a combined aggregate worldwide turnover in excess of 5000 million ECU. Both CU and Victoire 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.

¹ Read "Victoire Abeille Réassurances".

² Read "Société Française de Gestion et d'Investissement".

IV. COMPATIBILITY WITH THE COMMON MARKET

a) Relevant product markets

13. Traditionally the Commission has distinguished between life insurance, general insurance and reinsurance. Reinsurance constitutes a separate market because of its purpose of spreading risk between insurers. It is more specialised and conducted between insurers and reinsurers on an international basis because of the need to pool risks. The regulatory framework is also less stringent. This gives rise to different conditions of competition compared to life and general insurance.
14. On the demand side, life and non-life insurance can be divided into as many product markets as there are insurances covering different kinds of risk. Their characteristics, premiums and purposes are distinct and there is typically no substitutability for the consumer between the different risk insured. Nevertheless it can be left open in the present case whether each specific type of life and non-life insurance constitutes a separate product market because, even on the basis of the narrowest definition, the operation does not raise serious doubts as to its compatibility with the common market.

b) Geographical reference markets

15. Insurance markets are becoming more open to intra-community competition, particularly for industrial and commercial policies, as a result of current and future measures to facilitate cross-border selling. Nevertheless, geographical reference markets seem at present to be mainly national in view of the established market structures, the need for adequate distribution channels, fiscal constraints in some cases and differing national systems of regulatory supervision. Given the need to pool risks on an international basis and the conduct of reinsurance business on a worldwide basis, the geographical reference market for reinsurance is global.

c) Competitive assessment

16. The proposed operation does not give rise to any affected markets. The only geographic area in which the operation produces any significant overlap is France.

i) Life insurance

17. Taking the French life insurance market as a whole, the combined market share of the parties after the concentration will be approximately [...] ³ based on 1993 premium income. Considering individual and group policies separately, the respective total market shares are approximately [...] ⁴. Abeille Vie is particularly strong in the product area of unit-linked savings/pensions business [...] ⁵. Abeille Vie's market share is only [...] ⁶. After the concentration CU/Victoire will remain

³ Deleted business secret. Between 0 and 10%.

⁴ Deleted business secret. Both in range of 0 to 10%.

⁵ Deleted business secret.

⁶ Deleted business secret. Between 10 and 20%.

the sixth largest player in the life insurance market in France after CNP, Prédica, UAP, AGF and GAN.

ii) Non-life insurance

18. Taking the non-life market as a whole the combined market share of the parties based on 1993 premium income is less than [...] ⁷. The aggregate market share for the various segments into which the overall non-life market may be divided, i.e. property damage sub-divided by individual, corporate and agricultural, health and accident, motor, transport, civil liability and others, is always less than 6%. After the concentration CU/Victoire will be the eighth largest player in the French non-life insurance market behind companies such as UAP, Groupama, AGF and AXA.

iii) Reinsurance

19. CU will acquire the Vicaré reinsurance company. Over two-thirds of Vicaré's 1993 premium income was derived from Abeille Réassurances. The addition to CU's reinsurance activities is negligible in market share terms.
20. The proposed concentration will not therefore create or strengthen a dominant position as a result of which effective competition will be significantly impeded in the common market or in a substantial part of it.

V. ANCILLARY RESTRAINTS

21. The notifying parties have requested that certain restrictions be considered as ancillary to the concentration.
22. CU and Suez have agreed that the continuing Suez group will cease all use of the words 'Abeille' and 'Victoire' and the corresponding trademarks and logos, subject to certain residual rights in favour of Suez companies and former members of the Victoire Group.
23. Abeille Vie will [...] ⁸ by UFF in order to allow it sufficient time to develop products for perceived niche clientele. UFF is majority owned by Banque Indosuez, a wholly owned subsidiary of Suez, although Victoire will retain an 11 per cent interest in UFF. [...] ⁹ could be considered as part of the goodwill attached to the purchase of Abeille Vie by CU.
24. These restrictions are necessary to guarantee the transfer to CU of the full value of the assets purchased or are otherwise directly related to and necessary for the successful implementation of the concentration. They can therefore be treated as ancillary to the concentration.
25. The parties have also put in place various other arrangements intended to facilitate the implementation of the concentration. These are that Banque Indosuez will

⁷ Deleted business secret. Between 0 and 10%.

⁸ Deleted business secret.

⁹ Deleted business secret.

continue to provide custody services in respect of securities held for Victoire and will subsequently remain one of the major counterparties of Victoire in certain transactions and will continue to manage the fund generated by the sale of certain Abeille Vie products; Victoire will continue to distribute specific consumer credit products created by Banque Sofino, another Suez subsidiary; and AMIS, a subsidiary of Abeille Assurances, will sell health products through Banque Sofinco. These arrangements last for different periods.

26. Although they are linked to the concentration, none of these arrangements confers exclusivity on any party to it or creates any other form of restriction of competition. They are thus not ancillary restraints falling within the meaning of Article 8(2) of the Regulation.

VI. CONCLUSION

27. For the foregoing reasons, the proposed concentration does not raise serious doubts as to its compatibility with the common market and with the functioning of the EEA Agreement.

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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 No. 4064/89.

For the Commission