

***Case No COMP/M.6485 -
EULER HERMES/
MAPFRE/ MAPFRE CC***

Only the English text is available and authentic.

**REGULATION (EC) No 139/2004
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 20/09/2012

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EUROPEAN COMMISSION

Brussels, 20/09/2012
C(2012)6689

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

To the notifying parties:

**Subject: Case No COMP/M.6485 - EULER HERMES/ MAPFRE/ MAPFRE CC
Commission decision pursuant to Article 6(1)(b) of Council Regulation
No 139/2004¹**

Dear Sir/Madam,

1. On 16 August 2012 the European Commission received the notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which Euler Hermes SA ("EULER HERMES", France) and Mapfre, S.A. ("MAPFRE", Spain) create a Joint Venture ("the JV"), within the meaning of Article 3(4) of the Merger Regulation².
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of the Merger Regulation and does not raise serious doubts as to its compatibility with the internal market and the EEA Agreement.

I. THE PARTIES

3. EULER HERMES is an international French business group, operating in 54 countries worldwide, mainly active in the commercialisation of credit insurance products (including delcredere insurance and bonding products), allowing companies to be

¹ OJ L 24, 29.1.2004, p. 1 ("the Merger Regulation"). With effect from 1 December 2009, the Treaty on the Functioning of the European Union ("TFEU") has introduced certain changes, such as the replacement of "Community" by "Union" and "common market" by "internal market". The terminology of the TFEU will be used throughout this decision.

² Publication in the Official Journal of the European Union No C 255, 24/08/2012, p.10.

secured by an insurance coverage for the payment of trade receivables. It is ultimately controlled by the Allianz Group ("ALLIANZ", Germany), a group active in the insurance, banking and asset management sectors in more than 70 countries around the world, with the largest of its operations being in Europe.

4. MAPFRE is an international Spanish insurance and reinsurance business group.

II. THE OPERATION

5. According to a Framework Agreement signed on 22 May 2012, MAPFRE and EULER HERMES will contribute to the JV their respective delcredere businesses in Spain, Chile, Colombia and Mexico. [...].
6. Each of the two notifying parties will hold 50% of the shares in the JV [...]. Therefore the JV is jointly controlled by EULER HERMES and MAPFRE.
7. The notifying parties submit that the JV will operate autonomously on the market on a lasting basis developing its own business, since (i) it is the result of the contribution of the pre-existing and well established delcredere insurance businesses of the notifying parties in Spain and Latin America; (ii) these businesses operate in their respective geographic areas on an autonomous basis and have access to sufficient management, personnel, infrastructure and budgetary resources to further develop their activities; the JV therefore is an undertaking that was already performing all the functions of an autonomous economic entity, it will continue to do so in the future and it is not taking over only specific functions for its parents; (iii) the JV will have only limited commercial relationships with its parents on arm's length basis and it will not be dependent on them.
8. Therefore, EULER HERMES and MAPFRE will acquire joint control over the JV and the notified transaction represents a concentration within the meaning of Article 3(1)(b) and 3(4) of the Merger Regulation.

III. EU DIMENSION

9. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million³ (EULER HERMES: EUR [...] million, MAPFRE: EUR [...], JV: EUR [...] million). At least two of them have an EU-wide turnover in excess of EUR 250 million (EULER HERMES: EUR [...] million, MAPFRE: EUR [...] million, JV: EUR [...] million), but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State.
10. Therefore, the transaction has a Union dimension pursuant to Article 1(2) of the Merger Regulation.

³ Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Consolidated Jurisdictional Notice (OJ C95, 16.04.2008, p1).

IV. COMPETITIVE ASSESSMENT

1. Market definition

11. According to the notifying parties, the JV will be active only in the provision of delcredere insurance in Spain and some countries in Latin America.
12. In past decisions the Commission consistently distinguished between three large categories of insurance services: life insurance, non-life insurance and reinsurance.⁴ It also consistently considered that life and non-life insurance can be sub-divided into as many potential product markets as different types of risks covered. Therefore, each category – sub-divided in accordance with the type of risk insured - would constitute a separate product market from the consumer's perspective since they would correspond to different types of insurance not substitutable given their respective characteristics, premiums and purposes.
13. Credit insurance was consistently identified as a segment of the non-life insurance branch.⁵ Within credit insurance, the Commission identified five sub-segments, based on their characteristics: (i) "Delcredere" insurance; (ii) Capital goods insurance; (iii) Consumer credit insurance; (iv) Fidelity insurance and (v) Guarantee insurance.⁶
14. Delcredere insurance protects policy-holders against the risk of the clients' insolvency, either in the domestic market (where they operate) or in foreign countries (in the case of exports). The Commission considered⁷ that delcredere policies differ from other credit insurance products in function of their specific characteristics as well as the requirements that must be met by the entities offering them. In particular (i) the risk of losses and profit margins are in general higher in delcredere insurance than in other segments; (ii) different (and more complex) statistical information is required to accurately evaluate the risks to be covered (and hence to set appropriate premiums); and (iii) the interpretation of the statistical information needs specialist and complex data-processing systems in order to be processed.
15. The notifying parties note that the Commission defined the geographic scope of the delcredere market as national,⁸ since the provision of such services requires companies to set up a local presence in order to both commercialise the products and handle policies and necessitate a good knowledge of the local business community. Thus, even though multinational customers conclude global policies at EU/international level, their

⁴ Inter alia IV/M.759 *SUN ALLIANCE/ROYAL INSURANCE*, IV/M.862 *AXA/UAP*, IV/M.985 *CREDIT SUISSE/WINTERTHUR*, IV/M.812 *ALLIANZ/VEREINTE*, IV/M.1082 *ALLIANZ/AGF*, COMP/M.4284 *AXA/WINTERTHUR*, COMP/M.4713 *AVIVA/HAMILTON*, COMP/M.5083 *GROUPAMA/OTP GARANCIA* and COMP/M.5925 *METLIFE/ALICO/DELAM*.

⁵ See in this regard, inter alia, COMP/M.2676 *SAMPO/VAMA/IF HOLDING/JV*, COMP/M.2400 *DEXIA/ARTESIA*, COMP/M.2343 *TORO ASSICURAZIONI/LLOYD ITALICO*, COMP/M.2225 *FORTIS/ASR*, COMP/M.1886 *CGU/NORWICH UNION*, COMP/M.1712 *GENERALI/INA*, COMP/M.5083 *GROUPAMA/OTP GARANCIA* and COMP/M.5925 *METLIFE/ALICO/DELAM*.

⁶ Inter alia IV/M.1101 *HERMES/SAMPO/FGB-FCIC*, IV/M.1082 *ALLIANZ/AGF*, COMP/M.2602 *GERLING/NCM*, COMP/M.3786 *BPI/EULER HERMES/COSEC*, COMP/M.4701 *GENERALI/PPF INSURANCE BUSINESS*, COMP/M.5083 *GROUPAMA/OTP GARANCIA* and COMP/M.5925 *METLIFE/ALICO/DELAM*.

⁷ See, for example, IV/M.1082 *ALLIANZ/AGF*, paragraph 20.

⁸ See, in this regard, COMP/M.2602 *GERLING/NCM*, paragraphs 17-27.

subsidiaries conclude additional sub-policies with subsidiaries or branches of their credit insurer in each country.

16. The notifying parties agree with these segmentations and definitions and provided data for a national (Spain) delcredere insurance segment.
17. Outside the JV no other company of the EULER HERMES (including ALLIANZ) and/or MAPFRE groups provides delcredere insurance in Spain or in the Latin American countries concerned. Therefore the only transaction-specific overlap occurs in the Spanish delcredere insurance segment.
18. However, both ALLIANZ and MAPFRE are large insurance groups active in a number of non-life insurance segments in Spain and in other EEA countries. In the case at hand it is not necessary to further elaborate on the relevant product and geographic market definition on any of these markets since, absent any overlaps between the JV's activities on the one hand and ALLIANZ and MAPFRE on the other, no competition concerns arise irrespective of the market definition.

2. Assessment

19. For delcredere insurance, the JV will have post-transaction a market share of [10-20]% (ex-MAPFRE [5-10]%, ex-EULER HERMES [0-5]%) in Spain. For a wider market of credit insurance the post-transaction market share of the JV would be [10-20]% (ex-MAPFRE [10-20]%, ex-EULER HERMES [0-5]%). This market share would be much lower in a wider non-life insurance market segmentation.
20. For this reason, the concentration is not likely to lead to a significant impediment of effective competition in those markets.
21. Furthermore, cooperative effects in the meaning of Article 2(4) of the Merger Regulation as a result of the proposed transaction are unlikely.
22. Neither ALLIANZ nor MAPRE will be active in the same market as the JV. In addition, although their activities in Spain overlap in a number of market segmentations,⁹ they do not retain significant activities in markets which are up- or downstream from that of the joint venture or in a neighbouring market closely related. Indeed, the only markets where the ALLIANZ and MAPRE retain significant combined market shares (above [20-30]%) in Spain are insurance for vehicle, multirisk, decennial construction, responsibility, transport and other damages. Outside Spain, the notifying parties submit that the activities of MAPFRE are *de minimis* and in any case always around [0-5]% or lower.
23. The notifying parties also argue that they do not have any other agreement in any other insurance segment and that they do not plan to reach any. In any case, the scope of the JV is very limited (less than 0.5% of their respective overall worldwide insurance businesses) and the delcredere insurance business does not have synergies of any kind with any of the other insurance markets where the notifying parties are present.

⁹ Various segments of vehicles, multi-risk, decennial construction, other damages, responsibility, transport, home and accidents insurance segments.

24. Consequently, it can be concluded that there are no added incentives between the notifying parties to cooperate in any other insurance market or segment outside the scope of JV. In view of this, any coordination between ALLIANZ and MAPFRE which would restrict competition within the meaning of Article 101(1) of the TFEU is unlikely.

V. CONCLUSION

25. For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation.

For the Commission
(signed)
Joaquín ALMUNIA
Vice-President