



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 3/11/1997

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

Dear Sirs,

Subject: Case No IV/M.1017 HANNOVER RE/SKANDIA

Notification of 1.10.1997 pursuant to Article 4 of Council Regulation N/ 4064/89

1. On 1.10.1997, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which Hannover Rückversicherung-Aktiengesellschaft, (Hannover Re) controlled by the German insurance group Haftpflichtverband der Deutschen Industrie V.a.G. (HDI) acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of reinsurance business, the aviation and war-on-land insurance portfolios belonging to the Swedish financial group Skandia.
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. The business activities of the undertakings concerned are :
 - for Hannover Re: all forms of reinsurance, insurance
 - for the transferred business: reinsurance, direct insurance in the fields of aviation, space and war-on-land.
4. The acquiring party is already present in all the segments of the businesses being acquired.

II. COMMUNITY DIMENSION

5. HDI and the business being transferred have a combined aggregate world-wide turnover, calculated in accordance with article 5.3(b), in excess of ECU 5,000 million (HDI, ECU 4,990 million; and the business being transferred, ECU [] million). Each of them has a Community-wide turnover, calculated in accordance with article 5.3(b), in excess of ECU 250 million (HDI, ECU 3,457 million; and the business being transferred, ECU [] 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. COMPETITIVE ASSESSMENT

A. Relevant product market

6. The notifying party state that there are relevant product markets for reinsurance, aviation and space direct insurance and war-on-land insurance. Reinsurance is a special form of insurance, the object of which is to distribute the risk factor between insurers. The Commission has established that reinsurance is a market separate from insurance. Further, reinsurance could be divided in two segments, life and non life (see decision in case IV/M.880 Schweizer Re/Uniorias). Aviation insurance and war-on-land insurance are part of the non-life insurance. However, it is not necessary to further delineate the relevant product markets aviation and war-on-land insurance because, in all alternative market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of that area.

B. Relevant geographic market

7. The notifying party state that the relevant geographic markets are world-wide. The Commission has confirmed in the past the world-wide scope of the reinsurance market (see, among others, cases IV/M.498 Commercial Union/Groupe Victoire and IV/M.518 Winterthur/Schweizer Rück). Aviation risk insurance consists of a variety of markets. In some cases the indications are that the market is global; in other cases the market is more likely to be national. War-on-land insurance is mainly sold by international brokers. The customers are large international companies. This indicates the international character of the market. However, it is not necessary to further delineate the relevant geographic markets

¹ Confidential information, deleted for publication.

for aviation and war-on-land insurance, 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.

C. Assessment

8. The major part of the business concerned by the transaction relates to the market for reinsurance. The parties' combined market share of the world-wide market for reinsurance is less than 3 per cent. Since Hannover Re has a very small presence in aviation there will be either no overlap or an insignificant overlap on any possible market definition. War-on-land insurance is a very small part of the transaction. Market shares on this market are insignificant.
9. In view of the market position of the parties to the concentration, it appears that the notified operation will have no impact on competition in the EEA. Consequently, 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. ANCILLARY RESTRICTIONS

10. The Agreement contains a non-competition clause, implying that Skandia shall procure that no member of the Skandia group shall, for a period of []² from completion, []² compete with the transferred business. The need to establish reliable relationships with the transferred portfolio of clients and the lack of specialization of Hannover Re in some of the activities transferred justify the []² period. This clause is necessary to give the purchaser sufficient time to take over the full value of the business transferred. It can thus be regarded as directly related to the concentration and necessary for its implementation.

V. CONCLUSION

11. 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,

² Confidential information, deleted for publication.