

***Case No COMP/M.1777 -
CGU / HIBERNIAN***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 18/01/2000

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 18.01.2000

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 Sirs,

Subject: Case No COMP. 1777- CGU/HIBERNIAN

Notification of 9.12.1999 pursuant to Article 4 of Council Regulation No 4064/89

1. On 9 December 1999, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89¹ by which CGU plc. takes sole control of Hibernian Group plc. by way of recommended cash offer by CGU for all the issued and to be issued ordinary shares in Hibernian not already owned by it (the group already held 28% of the issued ordinary shares of Hibernian).
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.

¹ OJ L 395, 30.12.89 p. 1; corrected version OJ L 257 of 21.9.1990, p. 13; as last amended by Regulation (EC) No 1310/97, OJ L 180, 9.7.1997, p. 1, corrigendum in OJ L 40, 13.2.1998, p. 17.

I. THE PARTIES AND THE OPERATION

3. CGU provides all classes of insurance and life assurance, in the UK, Continental Europe, North America, Asia, Australia and other countries throughout the world. CGU provides also other related financial services. Hibernian provides the same products almost entirely in Ireland and, to a minor extent, in Continental Europe.
4. On 19 November 1999 CGU launched a cash offer for all issued and to be issued ordinary shares in Hibernian not already owned by de CGU Group (the CGU Group already held 28% of the issued ordinary shares of Hibernian). The offer has been unanimously recommended by the Independent Directors of Hibernian.

II. CONCENTRATION

5. The transaction constitutes an acquisition of sole control by CGU of Hibernian within the meaning of Article 3 of the Merger Regulation.

III. COMMUNITY DIMENSION

6. The combined aggregate world-wide turnover of the undertakings concerned exceeded 5,000 million EURO in the last financial year (CGU: 21,800 million EURO; Hibernian: 397 million EURO). Each of them has a Community-wide turnover in excess of ECU 250 million (CGU, EURO 17,100 million; and Hibernian, EURO 387 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.

IV. COMPATIBILITY WITH THE COMMON MARKET

A. Relevant product markets

7. Following the practice of the Commission assessing cases in the insurance sector ², there are three major market segments: general insurance, life insurance and reinsurance. According to the parties, within the general insurance segment, arguably there is a distinct product market for each separate category of risk. The parties submit that within the general insurance sector the main risk categories should be grouped under two main headings, personal and commercial. Life insurance should be subdivided into three categories: life assurance policies, investment policies and pensions. Other insurance markets would include marine, aviation and goods in transit insurance. Reinsurance includes treaty reinsurance, which involves reinsurance

² M.1719- Delta Lloyd Verzekeringsgroep/Nuts Ohra, M.1499 - Swiss Life/Lloyd Continental, M.1498 – Aegon/TransAmerica, M.1453 AXA/GRE and others

of a portfolio of business, covering a number of risks and facultative reinsurance, which involves reinsurance on an individual policy basis.

8. However, in the present case it is not necessary to conclusively define the relevant product markets because, even on the narrowest market definition, the 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.

B. Relevant geographic markets

9. The notifying party states that the relevant geographic markets are national (insurance to individuals and retail banking related services), and global (re-insurance, marine, aviation and goods in transit insurance).
10. However, in the present case it is not necessary to conclusively define the relevant product markets because, even on the narrowest market definition, the 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.

C. Competitive assessment

11. Although CGU's principal operations are in the UK and to a lesser extent in a range of other Member States including Ireland, Hibernian is essentially only active in Ireland, having sold its UK general insurance business in 1998. According to the parties the affected markets, followed by market shares, will be, commercial motor vehicle [between 20% and 25%], property insurance, both household and commercial [between 20% and 25% and between 25% and 30%], employers liability [between 15% and 20%] and fidelity guarantee [between 40% and 50%].
12. Fidelity guarantee, that is insurance against loss through behaviour of employees such dishonesty, constitutes a sub-segment of pecuniary loss insurance, a small and somewhat unusual niche market in Ireland. The parties estimate total gross premiums written on this market per annum at around EUR 14 m. [Both parties derive a large percentage of their premium income on this market from a single source]. Any market player could offer this service and the proposed merger will not alter Hibernian's existing position.
13. There are strong competitors present in all segments of the Irish general insurance business including Allianz, AXA, Royal & Sun and Eagle Star (Allied Zurich). There are also a number of strong companies, in particular brokers and financial institutions, active in the distribution channels on the Irish market.
14. 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.

VI. CONCLUSION

15. 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 EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EEC) No 4064/89.

For the Commission