

***Case No COMP/M.1816 -
CHURCHILL
INSURANCE GROUP /
NIG HOLDINGS***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 02/02/2000

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 02.02.2000

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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. 1816 - Churchill Insurance Group/NIG Holdings

Notification of 21.12.1999 pursuant to Article 4 of Council Regulation No 4064/89

1. On 21 December 1999, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89¹ by which Churchill Insurance Group Ltd ("Churchill") takes sole control of National Insurance and Guarantee Corporation ("NIG") by way of purchase of shares.
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 AND THE OPERATION

3. Churchill is a subsidiary of Winterthur UK holdings Limited, which is the UK holding company for the Winterthur Group, a global insurance group, headquartered in Switzerland and operating in 30 countries around the world. The Winterthur Group is part of the Swiss based global financial services group Credit Suisse Group (CS Group). NIG is an insurance company which conducts general insurance business and is also the holding company for all the Skandia group's non-life subsidiaries in the United Kingdom. NIG writes motor and household insurance and a variety of specialist commercial lines.

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.

4. Under a sale and purchase agreement signed 10 December 1999 Churchill will acquire 100% of NIG's shares.

II. CONCENTRATION

5. The transaction constitutes an acquisition of sole control by Churchill of NIG 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 (CS Group 28,276 million EURO; NIG: 503 million EURO). Each of them has a Community-wide turnover in excess of ECU 250 million (CS Group, EURO 10,458 million; and NIG, EURO 273 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. The market in which the parties to the concentration operate is the general insurance market, in particular personal lines business (particularly motor and household). NIG also has some small commercial lines business (ie generally small rather than large commercial business).
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 market is the United Kingdom. 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

10. The parties estimate that the new entity will write a total of 1.4 million private motor policies On the basis of a national market for private motor insurance, that would

² M.1719-Delta Lloyd Verzekeringsgroep/Nuts Ohra, M.1499-Swiss Life/Lloyd Continental, M.1498-Aegon/TransAmerica, M.1453-AXA/GRE and M.1777-CGU/Hibernian.

give them a market share of 7.1% and number five in the segment's ranking. On household insurance, where the market leader in the UK is Royal & Sun Alliance, the new entity will reach a market share between 5% and 6% (on the basis once again of a national market for this type of insurance). NIG also writes small commercial risks with market shares around 1%. The CS Group does not write these commercial risks in the UK.

11. NIG is active in extended warranty insurance related to vehicles and white and brown domestic goods sector. NIG (gross written premiums Euro 233.5 millions in this segment) has a 60% market share. However, no member of the CS Group writes this type of insurance and none of the parties are engaged in business activities in the United Kingdom which are either upstream or downstream of the extended warranty market.
12. 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.

V. ANCILLARY RESTRAINTS

13. Under Clause 9 of the Agreement and for a period of three years, no member of the Skandia Group, under certain limitations: a) will compete with the type of insurance business carried out by any member of the NIG group in the United Kingdom, b) will solicit the service of employees who occupy senior or managerial positions of the acquired group. These obligations are intended to guarantee the acquirer the full value of the assets transferred and the confidential know-how of NIG's business following its acquisition. The geographic scope of these restrictions is limited to the United Kingdom. The Commission considers the clause directly related and necessary to the implementation of the concentration.

VI. CONCLUSION

14. 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,