

***Case No COMP/M.2225 -
FORTIS / ASR***

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

Article 6(1)(b) NON-OPPOSITION
Date: 13/12/2000

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 13/12/2000
SG(2000) D/109231

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying party

Dear Sirs,

Subject: Case No IV/M. 2225- FORTIS /ASR

Notification of 10.11.2000 pursuant to Article 4 of Council Regulation Nr. 4064/89.

1. On 10.11.2000, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which the Belgian/Dutch Fortis group ("Fortis") acquires control of the whole of the Dutch insurance company ASR Verzekeringsgroep N.V. ("ASR") by way of public bid published 15.11.2000 for the purchase of all shares and depositary receipts of shares not yet in its possession.
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. The international financial services group FORTIS is jointly controlled by the two parent companies FORTIS (B) and FORTIS (NL). The main activities of Fortis are insurance, banking, investments and other financial services. Its operations are principally based in Belgium and the Netherlands, with a presence in other Member States. ASR is a Dutch insurance company also, to a minor extent, active in banking.
4. Following the successful outcome of the public offer, ASR will be the holding company for all ASR and AMEV Nederland insurance companies in the Netherlands. The shares in ASR will be directly held by Fortis Insurance N.V., which is the holding

company controlling most of the insurance interests held by the FORTIS group (other than the banking and insurance activities). The group companies of ASR (Stad Rotterdam Verzekeringen, De Amersfoortse Verzekeringen, Europeesche Verzekeringen, Woudsend Verzekeringen, Basic-life and ASR Bank), and the FORTIS companies involved (AMEV, AMEV Ardanta and Falcon Leven) will continue to operate under their own names.

II. COMMUNITY DIMENSION

5. The Fortis group and ASR have a combined aggregate world-wide turnover in excess of €5,000 million (Fortis, €36.342,5 million; and ASR, €2.132,6 million). Each of them has a Community-wide turnover in excess of €250 million (Fortis, €29.804,3 million and ASR, €2.132,6 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. CONCENTRATION

6. Upon completion of the transaction the Fortis group will have sole control over ASR, which will be merged with Fortis subsidiary AMEV Nederland. The operation therefore constitutes a concentration within the meaning of article 3(1)b of the Council Regulation 4064/89, of 21 December 1989.

IV. COMPETITIVE ASSESSMENT

A. Relevant product market(s)

7. The activities of the Parties to the concentration overlap in the field of insurance and to a smaller extent, in the field of retail banking in the Netherlands.

BANKING

8. The Commission has consistently held that the services typically supplied by a universal bank may be divided into the following areas: retail banking, corporate banking and financial market services.¹ In particular, the distinction between retail and corporate banking is relevant for the purposes of assessing market conditions (see Case M.1029 MERITA/NORDBANKEN).²
9. By retail banking is meant banking services to households which consist, for example, of deposits, lending, credit cards and funds and other forms of asset management. By corporate banking is meant banking services to corporate clients which consist, for example, of deposits, lending, international payments, letters of credit and advice concerning mergers and acquisitions. With respect to financial markets the following activities may constitute distinct service markets: trading in equities, bonds, and derivatives, foreign exchange and money markets (i.e. treasury bills and commercial paper from banks and companies).

¹ See, for example, Case IV/M.342 - Fortis/CGER and Case IV/M.873 - Bank Austria/Creditanstalt.

² Case IV/M.873 - Bank Austria/Creditanstalt.

10. The parties' activities overlap in the banking segments of ordinary savings accounts (immediately callable) and mortgage loans only. For the purpose of the present case it is, however, not necessary to define conclusively 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.

INSURANCE

11. In the insurance sector a distinction is made between both life and non-life insurance and reinsurance. Reinsurance is a separate market because of its purpose of spreading risks between insurers. Life and non-life insurance can be divided into as many product markets as there are different kinds of risks covered. Their characteristics, premiums and purposes are distinct and there is typically no substitutability for the consumer between the different risks insured (see case IV/M. 812 - Allianz/Vereinte or case IV/M.862 - Axa/UAP). For the purpose of the present case it is, however, not necessary to define conclusively the relevant product markets as, even on the narrowest market definition, the concentration does not create or strengthen a dominant position.

B. Relevant geographic markets

BANKING

12. The Commission has stated in previous cases³ that with regard to retail banking the relevant geographic market is to be considered national in scope due to the competitive conditions which in individual Member States are still different despite the increasing trend towards internationalisation, and due also to the importance of a network of branches. There are, however, indications that the present situation may change in the longer term with the introduction of the single currency and new technologies, e.g. internet and telephone banking. Investment banking and the financial markets have normally an international dimension.
13. However, whether the markets are considered to be national, European or global need not be finally decided in the present case because, on the basis of the assessment set out below, 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.

INSURANCE

14. The markets for life and non-life insurance are national as a result of national distribution channels, the established market structures, fiscal constraints and differing regulatory systems (see case M. 759 - Sun Alliance/Royal Insurance). The markets for reinsurance are world wide in view of the need to pool risks on an international basis and the conduct of reinsurance business (see case M. 862 - Axa/UAP).

C. Assessment

BANKING

³ For example, Case IV/M.873 - Bank Austria/Creditanstalt and Case IV/M.319 - BHF/CCF/Charterhouse.

15. In the Netherlands the new entity will hold less than 15 % of any market segment where their activities overlap: in the segment of ordinary savings accounts: 7,9% (Fortis: 7,5 % and ASR: 0,4%) and in the segment of mortgage loans 9,8 % (Fortis 6,8% and ASR: 3%). In any case, the combined entity will be much smaller than other market players such as ABN AMRO, Rabobank or ING.
16. As a consequence, the operation will not create or strengthen a dominant position in the retail banking market in the Netherlands.

INSURANCE

17. The Parties' activities in insurance overlap in life insurance as well as non-life insurance. The notifying Party identifies the following segments where overlaps exist: Total life, broken down in the segments: Life-individual, life-group, unit linked, and Non-Life, broken down in the segments: Motor, Fire, Transport, Health, and other.
18. In none of the segments of the Life insurance market, the combined market share of the Parties would exceed 15%. In Total Life, shares are 11,6% (Fortis: 7,2 % and ASR: 4,4%), in Life-individual, 12,4% (Fortis; 4,6 and ASR: 7,8), in Life-group: 8,7% (Fortis: 7,5 and ASR: 1,2), in unit- linked 12,2% (Fortis: 9,5% and ASR: 2,7%). In all of these segments, there are a number of other market players with market shares in a 5-15% range.
19. In the Non-life insurance market, where the combined share is 11% (Fortis: 5% and ASR: 6%), only in one segment the Parties' combined market share exceeds 15%, i.e. in the segment of Transport insurance. Here the combined share is 16% (Fortis: 10 and ASR: 6%). In the other segments, shares are: Motor: 12% (Fortis: 6% and ASR: 6%), Fire: 12 % (Fortis: 8% and ASR 4%), Health: 9% (Fortis: 2% and ASR: 7%) and other: 11% (Fortis: 6 and ASR 5%). In all of these segments, there are a number of other market players with market shares in a 5-15% range.

Transport Insurance

20. In the segment of Transport insurance, the new entity will be the largest actor in the Dutch market with a share of 16%. However, it is followed by four strong competitors with each around 7% market share, i.e. ING, AEGON and Delta Lloyd and the Nederlandse Luchtvaartpool.

Further, there are four competitors each with between 4 and 6 % shares, five with each around 3 % share and a number of smaller competitors, the total being about 40 competitors. This leaves a sufficient number of viable competitors on the Dutch market for Transport Insurance.

21. Under these circumstances it cannot be concluded that in the segment of Transport Insurance, the concentration creates or strengthens a dominant position as a result of which effective competition would be significantly impeded.

V. CONCLUSION

22. In view of the above, the concentration would not create or strengthen a dominant position as a result of which effective competition would be significantly impeded in the common market or in a substantial part thereof. 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) N° 4064/89.

For the Commission,

*(signed: Mario MONTI
Member of the Commission)*