

***Case No COMP/M.2491 -  
SAMPO / STOREBRAND***

Only the English text is available and authentic.

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

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Article 6(1)(b) NON-OPPOSITION  
Date: 27/07/2001

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## COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 27.07.2001

PUBLIC VERSION

MERGER PROCEDURE  
ARTICLE 6(1)(b) DECISION

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 Where possible the information omitted has been replaced by ranges of figures or a general description.

To the notifying party

Dear Sir/Madam,

**Subject: Case No COMP/M.2491-Sampo/Storebrand  
Notification of 26.06.2001 pursuant to Article 4 of Council Regulation  
No 4064/89<sup>1</sup>**

### I. The notification

1. On 26 June 2001, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89<sup>2</sup> ("the Merger Regulation") by which the Finnish undertaking Sampo Oyj ("Sampo") acquires control of the whole of the Norwegian undertaking Storebrand ASA ("Storebrand") by way of a public bid announced on 11 June 2001. As a result of the transaction, Sampo will also acquire joint control of If P&C Holding AB.
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 EEA Agreement.

### II. The parties and the operation

3. Sampo is a Finnish full-service financial group providing banking, insurance and investment services to its customers principally in Finland. Storebrand and the members of the Storebrand group offer financial services in the areas of life insurance, banking and through If P&C Holding AB ("If P&C")<sup>3</sup>, non-life insurance. If P&C is a Swedish joint venture currently owned 50/50 by Storebrand and a Swedish insurer Försäkringsaktiebolaget Skandia AB ("Skandia"). Storebrand operates mainly within Norway whilst If P&C conduct its operations principally in Sweden and Norway.
4. By the notified operation, Sampo will acquire sole control over Storebrand. Conditional upon the successful completion of the acquisition of Storebrand, Sampo will transfer its property and casualty business to If P&C. As a result, Sampo will hold 67,52% and Skandia 32,48% of the capital and voting rights in If P&C. Pursuant to the Shareholders' Agreement, Sampo and

<sup>1</sup> OJ L 395, 30.12.1989 p. 1; corrigendum OJ L 257 of 21.9.1990, p. 13; Regulation as last amended by Regulation (EC) No 1310/97 (OJ L 180, 9. 7. 1997, p. 1, corrigendum OJ L 40, 13.2.1998, p. 17).

<sup>2</sup> OJ L 395, 30.12.1989 p. 1; corrigendum OJ L 257 of 21.9.1990, p. 13; Regulation as last amended by Regulation (EC) No 1310/97 (OJ L 180, 9. 7. 1997, p. 1, corrigendum OJ L 40, 13.2.1998, p. 17).

<sup>3</sup> Case IV/JV.21 – Skandia / Storebrand / Pohjola, Commission decision of 17.8.1999.

Skandia must nevertheless reach agreement on major decisions concerning the joint venture. Thus, Sampo and Skandia will exercise joint control in If P&C.

### III. Community dimension

5. In 2000, Sampo achieved a world-wide turnover of € 4 339 million. In the same year, the world-wide turnover of Storebrand reached € 2 776 million. The combined aggregate world-wide turnover of the parties in the financial year 2000 thus exceeded € 5 000 million. The aggregate Community-wide turnover of each of the parties was more than € 250 million [...]. The parties do not achieve more than two-thirds of their respective aggregate Community-wide turnover within one and the same Member State. According to Article 1 (2) of the Merger Regulation, the notified operation therefore has a Community dimension. Given that the turnover of Storebrand in Norway equals approximately 26% of the total turnover of the parties in the EEA territory, this case constitutes a co-operation case in accordance with Article 2 (a) of Protocol 24 to the EEA Agreement.

### IV. Concentration

6. Upon completion of the proposed transaction Sampo will have sole control over Storebrand. In addition, as a result of having sole control over Storebrand, Sampo will replace Storebrand as a party in the joint venture If P&C, which it will then jointly control with Skandia. The operation therefore constitutes a concentration within the meaning of Article 3(1) (b) of the Merger Regulation.

### V. Relevant product and geographic markets

#### a) *Relevant product market(s)*

7. Sampo and Storebrand are both active in banking and financial services. As the Commission has consistently held, the banking services typically supplied by a universal bank are to be divided for merger control purposes basically into three areas: retail banking, corporate banking with non-banks and money market and securities business.<sup>4</sup>
8. Sampo and Storebrand also have activities in life insurance. 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<sup>5</sup>.
9. In addition, both Sampo and Storebrand have activities in several non-life insurance markets. For Storebrand, these activities are mainly provided through If P&C. Non-life insurance from the demand side, can be divided into as many product markets as there are types of insurance covering different kinds of risks. Their characteristics, premiums and purposes are distinct and there is typically no substitutability for the consumer between the different risks insured.<sup>6</sup> On the other hand, the supply-side analysis shows that the conditions required in insuring different

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<sup>4</sup> See Case No IV/M.342 - Fortis/CGER, point 19; Case No IV/M.621 - BLG/BAWAG, point 13; Case NO IV/M.628 - Generale Bank/Crédit Lyonnais Nederland Bank.

<sup>5</sup> See Cases IV/M.812 - Allianz/Vereinte, Commission decision of 11.11.1996; IV/M.862 - Axa/UAP, Commission decision of 20.12.1996.

<sup>6</sup> See, for example, Cases IV/M.759 - Sun Alliance/Royal Insurance, Commission decision of 18.6.1996; IV/M.812 - Allianz/Vereinte, Commission decision of 11.11.1996; IV/M.862 - Axa/UAP, Commission decision of 20.12.1996; and COMP/M.2225 - Fortis /ASR, Commission decision of 13.12.2000.

types of risks are very similar. This suggests that many different types of non-life insurance should be included in the same product market definition.<sup>7</sup>

10. In the present case, the notifying party suggest to divide the non-life insurance market in the following way, while submitting that the relevant product markets may be broader: Sweden - Accident & health, Commercial & real estate, Marine, aviation & transport (“MAT”) and Transport liability<sup>8</sup>. Finland - Motor vehicle liability, Land vehicles, Fire and other damages to property and General liability.
11. During the course of the Commission’s investigation it has been suggested by third parties that the non-life insurance products should be further subdivided into private and commercial insurance. In addition, it appears that the MAT insurance category may be further divided depending on the means of transport and the size of the risk (large commercial risks as opposed to insurance coverage sought by private vehicle owners).
12. For the purpose of the present case, however, it is not necessary to define conclusively the relevant product market(s), since on no alternative market definition considered would the concentration create or strengthen a dominant position as a result of which effective competition would be significantly impeded in the EEA or in any substantial part of that area.

b) *Relevant geographic market(s)*

13. With regard to retail banking, the Commission in the past has consistently decided that the competitive conditions in the individual Member States are still national due to a number of factors such as language differences, customer preferences for local suppliers, the significance of the network of branches and transaction costs.<sup>9</sup> Certain banking services to large corporate customers as well as certain money market and securities operations are required and supplied on at least a Community-wide basis.<sup>10</sup>
14. As far as life insurance for private households are concerned, the relevant markets seem at present to be mainly national, in view of the established market structures, the need for adequate distribution channels, fiscal constraints and differing national regulatory systems.<sup>11</sup>
15. With respect to non-life insurance, the notifying party submits that the relevant geographic markets for the individual products are either national or at least EEA-wide in scope depending on the specific customer group. In addition, the notifying party considers that the marine, aviation & transport insurance segment is at least an EEA-wide market. This view has been supported by the Commission’s market investigation, which indicates that the relevant geographic market for MAT insurance is wider than national for large corporate customers and large risk insurance.
16. The Commission has in previous cases found that the geographical reference markets for non-life insurance markets are national as a result of national distribution channels, the established market structures, fiscal constraints and differing regulatory systems<sup>12</sup> whereas the markets for reinsurance and the insurance of certain large risks are global<sup>13</sup>.

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<sup>7</sup> See footnote 2 above.

<sup>8</sup> Transport liability can be regarded as a sub-segment of MAT insurance.

<sup>9</sup> See Case No IV/M.342 - Fortis/CGER, point 23; Case No IV/M.391 - BAI/Banca Popolare di Lecco, point 9; Case IV/M.621 - BHF/CCF/Charterhouse, points 6 and 9.

<sup>10</sup> See Case No IV/M.596 - Mitsubishi Bank/Bank of Tokyo, point 9 *et seq.*; Case No IV/M.319 - BHF/CCF/Charterhouse, points 9 and 14; Case No IV/M.597 - Swiss Bank Corporation/S.G. Warburg, point 13 *et seq.*

<sup>11</sup> See Cases IV/M.759 - Sun Alliance/Royal Insurance or IV/M.862 - Axa/UAP.

<sup>12</sup> See, for example, Cases IV/M.759 – Sun Alliance/Royal Insurance, Commission decision of 18.6.1996 and COMP/M.2225 – Fortis /ASR, Commission decision of 13.12.2000.

<sup>13</sup> See, for example, Case IV/M.862 – Axa/UAP, Commission decision of 20.12.1996.

17. It is, however, not necessary to decide upon the scope of the relevant geographical market<sup>14</sup> for the purpose of the present case, because on the basis of the assessment set out below, there are no indications that the operation would give rise to competition problems regardless of how the market is defined.

## **VI. Competitive assessment**

### ***Dominance***

18. Although both parties are active in banking services they operate in different geographic areas (Sampo mainly operates in Finland, Storebrand in Norway). Consequently, the operation does not create any overlap with regard to most relevant markets, which can be regarded as national in scope (see also above). For those markets, which can be considered to have a wider geographic scope (e.g. certain corporate banking services and money market operations) the combined position of the parties on an EEA and global level is insignificant and does not raise any competition concerns. With respect to life insurance services, which are offered and sold at a national level (see above), the parties do not have any geographically overlapping activities in the EEA.<sup>15</sup>
19. The only markets for which the activities of Sampo and Storebrand overlap are for activities in some non-life insurance segments. Storebrand's non-life insurance activities are mainly provided through If P&C and only to some limited extent outside this joint venture in Norway and Sweden. Sampo is mainly active in Finland and, to some extent, also in Sweden. However, Sampo is not active in Norway. As a result, the proposed transaction only leads to overlaps in the non-life insurance activities of Sampo and Storebrand (including If P&C) in Sweden and Finland. The impact of the proposed operation on these markets is assessed below.

#### *a) National markets*

20. The only countries in which the activities of Sampo and Storebrand lead to greater than 15% market shares in non-life insurance products are in Sweden and Finland.

##### (i) Sweden

21. As regards the overlaps created in Sweden, the proposed operation is largely of complementary nature since Sampo has only a small presence in Sweden. In Sweden the combined market share of Sampo and If P&C in the market for Accident & Health insurance is [ $<15\%$ ], in the market for Commercial & Real Estate insurance [ $20-30\%$ ], in the market for MAT insurance [ $30-40\%$ ], in the market for Transport Liability [ $60-70\%$ ]<sup>16</sup> and in the total market of non-life insurance [ $20-30\%$ ].
22. Four major operators account for the bulk of the non-life insurance market in Sweden: Länsförsäkringar with a market share of 26.3%, Folksam with 21.8%, If P&C having [ $20-30\%$ ] and Trygg Hansa with a [ $10-20\%$ ] market share. If P&C is the third largest player in the overall non-life insurance market in Sweden. The market share addition deriving from the concentration – except for MAT insurance – is rather small and as a consequence the existing overall market structure in Sweden will not be substantially modified by the notified concentration.
23. Although If P&C will become a market leader in the MAT insurance segment in Sweden with an estimated market share of [ $30-40\%$ ] after the concentration, the company will continue to face

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<sup>14</sup> The market investigation in the present case did not support regional markets, like a Nordic market. However, this question can be left open since it does not influence the outcome of the competitive assessment.

<sup>15</sup> Within the EEA Sampo exclusively operates in Finland, whereas Storebrand's activities are confined to Norway and Sweden.

<sup>16</sup> See footnote 8 above.

significant competition from the other large Swedish insurance companies, in particular from Assuransföreningen, which the parties estimate to have a market share of 30.4% in Sweden. In addition, the parties face competition from large international insurance companies that are already present in the Swedish non-life insurance market, such as Zurich. All these companies are able to provide a competitive constraint on the business and they are also likely to be able to expand their coverage and presence in the markets concerned in Sweden.

24. According to the parties, the overall Transport Liability insurance market can be further subdivided into two different customer groups, which are large international companies insuring transportation of goods or other assets of very high value and small national companies. While competition for the former takes place at least at an EEA-wide level (see further below paragraph 30 ff.) competition for the latter takes place on a national level.
25. The total value of the small customer segment in Sweden is approximately € 11.5 million (year 2000). This customer segment according to If P&C represents approximately [10-20]% of their total business volume in Transport liability. The combined market share of the parties in this segment is estimated at [20-30]%. Consequently, the increment arising from the proposed operation will be small. In addition, there are several other important competitors active in the Swedish market such as Trygg Hansa and Folksam. Market entry barriers are according to the parties, rather low. The market investigation did not reveal any competition concerns in this market segment.
26. On the overall market for Transport liability insurance the parties combined market shares is estimated at [60-70]% in Sweden. However, it has to be noted that the increment through the operation will be rather small and, more importantly, [a large share] of If P&C's business in this market can be attributed to one large Swedish customer, [...], which is a multinational corporation. If If P&C were to lose this customer, the market share would drop significantly.

(ii) Finland

27. In Finland the combined market share of Sampo and If P&C in the market for Fire and other Damage to Property insurance is [30-40]%, in the market for General Liability insurance [30-40]% and in the total market of non-life insurance [30-40]%. If P&C did not initiate operations in Motor vehicle liability and Land vehicle insurance until 2001 through the recently acquired Swedish company Volvia. The market shares of Volvia in both Motor vehicle liability and Land vehicle insurance markets have been [<1%] in past two financial years.
28. Sampo has a strong position in the Finnish non-life insurance market. However, the present transaction does not significantly reinforce its position since If P&C has only minor activities in Finland and therefore the increase in market share as a result of the operation is minor ([<5%] irrespective of segmentation). In all of the insurance segments mentioned above, there are also a number of other important market players with market shares between 10% and 26%, such as Pohjola and Tapiola. In addition, Nordea recently entered the Finnish market by making the insurance products of Trygg-Baltica, the Danish insurance company in the Nordea Group, available for Finnish customers.
29. The Commission has examined the shares of the notifying party by taking each affected non-life product separately notwithstanding the possibility that the product markets may in fact be broader. The investigation concluded that the concentration would not raise serious doubts with regard to the creation or strengthening of a dominant position of Sampo/If P&C in Sweden or Finland.

(iii) Impact on EEA and/or global markets

30. The parties' market share on the MAT market on an EEA-wide or global market would be [ $<10\%$ ]. As regards the sub-segment of marine insurance the parties' combined position would according to the information received by the Commission not exceed  $15\%$  [ ].<sup>17</sup> In addition, there are number of international players active in the global MAT insurance market, such as for example Allianz AG, AXA/UAP or Zürich.
31. As regards Transport liability for large clients the total value of the EEA market in 2000 amounted to € 6 000 million. This is the business If P&C is focussing on: approximately [the major part...] $\%$  of its overall sales in Transport liability in 2000 came from large clients. The sales of If P&C in 2000 amounted to [...] representing [ $<5\%$ ] of the EEA market, while Sampo's sales in 2000 generated from the same market segment amounted to [ $<5\%$ ]. At a global level, the parties' combined market position will be even less important.
32. In view of the above considerations, the proposed operation will not raise serious doubts with regard to the creation or strengthening of a dominant position of the merged Sampo/Storebrand on any non-life insurance market irrespective of the market definitions chosen.

***Article 2(4) aspects : co-ordination of competitive behaviour***

33. As a result of the concentration Sampo will replace Storebrand in the joint venture If P&C with Skandia. Sampo and Skandia are both active in banking and life insurance markets which can be considered neighbouring and closely related markets to the non-life insurance markets where If P&C is active. In the Nordic countries Sampo is engaged in these activities only in Finland whereas Skandia is active in banking in Sweden and Norway and in life insurance business in Finland, Norway and Sweden.
34. In consequence, the only neighbouring product and geographical market where Sampo and Skandia are both active is the Finnish life insurance market.
35. The combined market share of Sampo and Skandia on the overall Finish life-insurance market is [ $20-30\%$ ]. This would rank the parent companies as the second largest player in the Finnish life insurance market, a position that Sampo already currently holds. Merita would clearly remain a market leader with a  $42.3\%$  market share. Moreover, there are other strong competitors in this market, such as Aurum with a  $11.4\%$  market share and Suomi-yhtiöt with a  $11\%$  share. In view of the market shares of the parent companies and the conditions of existing competition in the Finnish life insurance market, it appears that the parent companies do not have sufficient market power to eliminate competition in respect of a substantial part of the Finnish life-insurance market. Therefore, there appears to be no likelihood of co-ordination of competitive behaviour of the parties in the market concerned.
36. With regard to banking business, Storebrand and Skandia are both currently active in the banking market in Norway. However, since Sampo is active in banking only in Finland, the concentration will not change the previous situation<sup>18</sup>.
37. For the above reasons, irrespective of the market definitions chosen, the Commission's investigation has given no indication that the current transaction will have as its object or effect the co-ordination of the competitive behaviour of Skandia and the merged entity on any of the markets where they both are active or on any closely related markets.

**VII. Action by the Norwegian authorities under Article 7(3) of Protocol 24 of the EEA Agreement**

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<sup>17</sup> As regards aviation insurance (large risks) the parties do not have overlapping activities.

<sup>18</sup> See further Case IV/JV.21 – Skandia / Storebrand / Pohjola.

38. In the context of the proposed concentration it has been brought to the attention of the Commission that the Norwegian Government may intend to apply provisions of national law, which could have the effect to prevent the proposed operation. Although no formal decision has yet been taken by the Norwegian authorities the Commission will closely monitor the compatibility with Article 7 of Protocol 24 to the EEA Agreement<sup>19</sup> of the application of any national measures to the present operation.
39. Article 7(1) of Protocol 24 of the EEA Agreement provides that, “notwithstanding the sole competence of the EC Commission to deal with concentrations of a Community dimension, EFTA States may take appropriate measures to protect legitimate interests other than those taken into consideration according to the [Merger] Regulation”. Article 7(2) expressly enumerates three such legitimate interests, including prudential rules. By virtue of Article 7(3), any other public interest must be communicated to the EC Commission and shall be recognised by the Commission after an assessment of its compatibility with the general principles and provisions provided for in the EEA Agreement, before the measures may be taken. As regards the legitimate interests expressly listed, such as prudential rules, the Commission takes the view that these should be subject to a uniform interpretation, guided, where possible, by Community law in the field. Where there is doubt as to whether a public interest invoked by a State falls within one of the three categories listed in Article 7(2), the State concerned should communicate the public interest concerned to the Commission. Additional public interests, not listed in Article 7(2), that motivate proposed national measures should also be communicated to the Commission for assessment of their compatibility with the Article 7 of Protocol 24 of the EEA Agreement.<sup>20</sup>

### **VIII. Conclusion**

40. 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  
Mario MONTI  
Member of the Commission

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<sup>19</sup> As can be seen below, Article 7 of Protocol 24 of the EEA Agreement is broadly equivalent to Article 21(3) of the Merger Regulation and the Commission takes the view that it should be interpreted in the same way.

<sup>20</sup> See also Case M. 1616-Antonio de Sommer Champalimaud/Banco Santander Hispano Central, S.A.