

***Case No COMP/M.2676 -  
SAMPO / VARMA  
SAMPO / IF HOLDING /  
JV***

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: 18/12/2001

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 18/12/2001

**SG (2001) D/292916**

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

Dear Sir/Madam,

**Subject: Case No COMP/M.2676 – SAMPO/VARMA SAMPO/IF HOLDING/JV  
Notification of 19/11/2001 pursuant to Article 4 of Council Regulation  
No 4064/89<sup>1</sup>**

## **I. THE OPERATION**

1. On 19 November 2001, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89<sup>2</sup> by which the undertakings Sampo plc (“Sampo”; SF), Varma Sampo Mutual Pension Insurance Company (“Varma Sampo”; SF), Försäkringsbolaget Skandia AB (“Skandia”; S) and Storebrand ASA (“Storebrand”; N) acquire within the meaning of Article 3(1)(b) of the

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<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).

Council Regulation joint control of the undertaking If Skadeförsäkring Holding AB (“If P&C Holding”; S) by way of purchase of shares.

2. By letter of 27 November 2001, a reasoned request for a derogation from the obligation, imposed by Article 7.1. of Council Regulation No. 4064/89<sup>3</sup> (“the Merger Regulation”), was lodged to the Commission's services by Sampo and If P&C Holding. By decision According to Article 7 (4) of the Regulation of 30 November 2001 the Commission decided to grant a derogation from suspension for certain acts of implementation.
3. 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**

4. Sampo is a Finnish full-service financial group providing banking, insurance and investment services to its customers principally in Finland.
5. 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>4</sup>, non-life insurance.
6. If P&C is a Swedish joint venture currently owned 50/50 by Storebrand and the Swedish insurer Försäkringsaktiebolaget Skandia AB (“Skandia”). Storebrand operates mainly within Norway whilst If P&C conduct its operations principally in Sweden and Norway.
7. Varma Sampo is a Finish mutual employment pension insurance company providing statutory employment pension insurances that are legally required to be provided by employers to their employees as well as by private entrepreneurs. Approximately 97% of Varma Sampo’s shares are held by the policyholders and insured persons, the remaining 3% is owned by Sampo.

## **III. THE CONCENTRATION**

8. According to the three main agreements (Shareholders Agreement, Subscription Agreement, Variation Agreement<sup>5</sup>) concluded between the parties on the 8

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<sup>3</sup> OJ L 395, 30.12.1989 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.

<sup>4</sup> Case IV/JV.21 – Skandia / Storebrand / Pohjola, Commission decision of 17.8.1999.

<sup>5</sup> According to an Agreement signed between Sampo, Storebrand and Skandia on 20 May 2001 Sampo had originally intended to take over Storebrand (Case Comp7M.2491-Sampo/Storebrand). The decision of 27 July 2001 clearing this transaction also covered the transfer of Sampo’s property and casualty insurance businesses to If P&C. The Sampo/Storebrand transaction was aborted in September 2001. The present agreements implement part of the original deal as far as it relates to the restructuring of If P&C.

November 2001 Sampo and Varma Sampo will both acquire shareholdings in If P&C of 38.05% and 10.06% respectively, corresponding to 39.54% and 10.46% of the voting rights. Together with the existing shareholders Skandia and Storebrand (each holding 25% of the voting rights) they will take strategic business decisions concerning If P&C, which require the approval of all shareholders in the General Meeting of Shareholders or the approval of the majority of Board of Directors (five members), at least one of whom has been appointed by each shareholder. Thus, Sampo, Varma Sampo, Skandia and Storebrand will exercise joint control in If P&C. The notified transaction therefore constitutes a concentration according to Article 3 (1) b of the Regulation.

#### **IV. COMMUNITY DIMENSION**

9. The notified transaction has Community dimension: The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion<sup>6</sup>. Sampo, Varma Sampo, Skandia and If P&C Holding have a Community-wide turnover in excess of EUR 250 million. The parties do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State. Given that Skandia, Storebrand and If P&C Holding have a turnover exceeding 250 million EUR in Norway, the notified operation constitutes a cooperation case under Protocol 24 Article 2 par. 1 lit. b) to the EEA Agreement.

#### **V. COMPATIBILITY WITH THE COMMON MARKET**

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

10. Sampo, Skandia and Storebrand are active in banking and financial services. Varma Sampo is not engaged in the general banking business but provides a limited amount of loans exclusively to its customer companies. 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>7</sup>
11. Sampo, Skandia and Storebrand also have activities in life insurance. Varma Sampo is not operating in the life insurance markets. Life insurance can be divided into as many product markets as there are different kinds of risks covered. Their

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<sup>6</sup> Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Notice on the calculation of turnover (OJ C66, 2.3.1998, p25). To the extent that figures include turnover for the period before 1.1.1999, they are calculated on the basis of average ECU exchange rates and translated into EUR on a one-for-one basis.

<sup>7</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.

characteristics, premiums and purposes are distinct and there is typically no substitutability for the consumer between the different risks insured<sup>8</sup>.

12. Sampo and If P&C have overlapping activities in non-life insurance.<sup>9</sup> In past decisions the Commission has held that non-life insurance from the demand side can be divided into as many product markets as there are insurances covering different kinds of risks since their characteristics, premiums and purposes are distinct and there is typically no substitutability for the consumer for the risks insured (see for instance case Comp/M.759-Sun Alliance/Royal Insurance or Cop/M.862-AXA/UAP). The Commission has found on the contrary that from a supply-side perspective the conditions for insurance of different risk types are quite similar and most large insurance companies are active in several risk types. This suggests that many different types of non-life insurance should be included in the same product market definition.
13. 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>10</sup>. Finland –Fire and other damages to property, General Liability, Motor Vehicle Liability and Land Vehicles.
14. It cannot be excluded that the above-mentioned 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).<sup>11</sup> 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.
15. 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)*

16. 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>12</sup>

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<sup>8</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>9</sup> Varma Sampo is not active in non-life insurance.

<sup>10</sup> Transport liability can be regarded as a sub-segment of MAT insurance.

<sup>11</sup> See decision in Case Comp/M.2491-Sampo/Storebrand, par. 11.

<sup>12</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.

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>13</sup>

17. As far as life insurance for private households is 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>14</sup>
18. The Commission has in previous cases found that the geographical reference markets for most non-life insurance markets are national as a result of national distribution channels, the established market structures, fiscal constraints and differing regulatory systems<sup>15</sup> whereas the markets for reinsurance and the insurance of certain large risks are global<sup>16</sup>.
19. 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 MAT and transport liability segments are an EEA-wide market. The Commission's market investigation has indicated that the relevant geographic markets for transport liability and MAT insurance and could at least be wider than national for large corporate customers and large risk insurance respectively.
20. It is, however, not necessary to decide upon the scope of the relevant geographical market<sup>17</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. ASSESSMENT

### *Dominance*

21. If P&C is active only in non-life insurance business, mainly in the Nordic countries Finland and Sweden. Sampo is active in non-life insurance across Europe, but with a strong focus on Finland. Varma Sampo is not active in non-life insurance. The proposed transaction only leads to overlaps in the non-life insurance activities of Sampo and If P&C in Sweden and Finland. The impact of the proposed operation on these markets is assessed below.

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<sup>13</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>14</sup> See Cases IV/M.759 - Sun Alliance/Royal Insurance or IV/M.862 - Axa/UAP.

<sup>15</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>16</sup> See, for example, Case IV/M.862 – Axa/UAP, Commission decision of 20.12.1996.

<sup>17</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.

*a) National markets*

22. The only countries in which the activities of Sampo and If P&C lead to greater than 15% market shares in non-life insurance products are in Sweden and Finland.

(i) Sweden

23. 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 [less than 10 %], 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>18</sup> and in the total market of non-life insurance [15-25 %].
24. Four major operators account for the bulk of the non-life insurance market in Sweden: Länsförsäkringar with a market share of [20-30 %], Folksam with [15-25 %], If P&C having [15-25 %] 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 combined market shares give rise to no concern in accident and health, commercial & real estate and or on an overall market for non-life insurance.
25. The situation in MAT insurance and transport liability merits closer examination. Although If P&C will become a market leader in MAT insurance in Sweden with an estimated combined market share of [30-40 %] after the concentration, the company will continue to face significant competition from the other large Swedish insurance companies, in particular from Assuransföreningen, which the parties estimate to have a market share of [25-35 %] 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 Zürich. 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.
26. On the overall market for Transport liability insurance the parties combined market shares is estimated at [60-70 %] in Sweden. The increment through the operation will be relatively small and will not, in any event, be as great as it seems at first sight. Sampo does not actively provide Transport liability insurance in Sweden except via the recently acquired Swedish company Atlantica. Sampo however is currently planning to run down this business completely. Moreover, [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, its market share would drop significantly. It has to be noted that contracts in transport liability are usually short term and are awarded as the result of a competitive bidding process, where If P&C will face competition from other large providers such as Trygg Hansa and Folksam.

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<sup>18</sup> See footnote 8 above.

27. The combined market share of the parties in the small customers segment<sup>19</sup> of Transport liability is estimated at [20-30 %]. 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 the parties' total business volume in Transport liability. Consequently, the increment arising from the proposed operation will be very 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.

(ii) Finland

28. In Finland the combined market share of Sampo and If P&C in the market for Fire and other Damage to Property insurance is [25-35 %], 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 under [5 %] in past two financial years.

29. 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 (less than [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.

30. 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

31. The parties' market share on the MAT market on an EEA-wide or global market would be less than 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>20</sup> In addition, there are number of international

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<sup>19</sup> The large customer segment will be discussed below.

<sup>20</sup> As regards aviation insurance (large risks) the parties do not have overlapping activities.



players active in the global MAT insurance market, such as for example Allianz AG, AXA/UAP or Zürich.

32. 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 [75-85 %] of its overall sales in Transport liability in 2000 came from large clients. The sales of If P&C in 2000 amounted to € [10-20] million representing [less than 5 %] of the EEA market, while Sampo's sales in 2000 generated from the same market segment amounted to [less than 5 %]. The largest competitors in the customer group of large international companies are TT-Club, Allianz, Gerling, Zurich and the AXA group. The market is very fragmented: the parties estimate market leader's share AXA to be around 5%. At a global level, the parties' combined market position will be even less important.
33. 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 on any non-life insurance market irrespective of the market definitions chosen.

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

34. Although Sampo, Skandia and Storebrand are active in banking services they operate in different geographic areas (Sampo mainly operates in Finland, Storebrand in Norway, Skandia in Sweden).<sup>21</sup> 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>22</sup>
35. As a result of the concentration Sampo and Varma Sampo will join Storebrand and Skandia as controlling shareholders in the joint venture If P&C. Sampo, Storebrand and Skandia are each 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, Storebrand almost exclusively in Norway and Skandia is

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<sup>21</sup> Varma Sampo is not active in universal banking but provides a limited amount of loans exclusively to its employment insurance customer companies in Finland Varma Sampo invests the premium payment funds collected by its customers. In re-lending the customer company lends back a part of the paid premiums from the employment insurance company. Since Varma Sampo does not have any customers outside its employment insurance customers it can thus be assumed that it is not active on the open market for corporate loans.

<sup>22</sup> Within the EEA Sampo exclusively operates in Finland, whereas Storebrand's activities are confined to Norway and Sweden.

active in banking in Sweden and Norway and in life insurance business in Finland, Norway and Sweden.

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>23</sup>. In consequence, the only neighbouring product and geographical market where Sampo and Skandia are both active is the Finnish life insurance market.
37. In life insurance, Sampo and Skandia have overlapping activities of any appreciable extent only in Finland. The combined market share of Sampo and Skandia on the overall Finnish life-insurance market is [20-30 %]. The combination of Sampo's and Skandia's activities would not lead to any substantial change in Sampo's current position as the second largest life insurance provider on the Finnish life insurance market. Merita will clearly remain a market leader with a [40-50 %] market share. Moreover, there are other strong competitors in this market, such as Aurum with a [10-20 %] market share and Suomi-yhtiöt with a [10-20 %] 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.
38. 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 Sampo, Storebrand and Skandia on any of the markets where they both are active or on any closely related markets.

## VII. CONCLUSION

39. 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

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<sup>23</sup> See further Case IV/JV.21 – Skandia / Storebrand / Pohjola.