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*Case No IV/M.286 -
Zürich / MMI*

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

Article 6(1)(b) NON-OPPOSITION
Date: 02/04/1993

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PUBLIC VERSION

MERGER PROCEDURE
Article 6(1)b decision

To the Notifying Party

Dear Sirs,

Subject: Case No. IV/M.286 - Zürich/MMI
Notification of 01.03.1993 pursuant to Council Regulation (EEC) No. 4064/89

1. On 1 March 1993, Zürich Insurance Company ("Zürich") notified an agreement concerning the acquisition of those assets of municipal mutual insurance Limited ("MMI") relating to the writing of direct contracts of non-life insurance in the United Kingdom.
2. After examination of the notification, the commission has concluded that the notified operation falls within the scope of the council Regulation No. 4064/89 and does not raise serious doubts as to its compatibility with the common market.

I. THE PARTIES

3. Zürich is a large swiss general insurance company with underwriting activities throughout the world, but relatively minor activities in the UK.

MMI is a UK mutual company in the general insurance sector whose main activity is in the provision of insurance to governmental organisations and their employees in the UK.

II THE CONCENTRATION

4. Zürich and MMI have signed a Sale and Purchase Agreement by which Zürich acquires those assets of MMI relating to the writing of direct contracts of non-life insurance in the United Kingdom. The classes of insurance concerned are motor ' property, general liability, pecuniary loss and accident. Zürich is acquiring only part of MMI; the latter will continue to exist as a separate

company, will continue to meet claims arising from policies written before the current agreement and will retain interests in, inter alia, life and health insurance.

5. Zürich, which alone will provide the necessary finance, is acquiring from MMI:
 - the goodwill and business information in the relevant parts of MMI's business
 - the freehold of Mace premises in Bournemouth, and the leasehold of other premises, from which to conduct the business acquired
 - the benefit of the contracts of employment of certain staff
 - intellectual and other property of municipal mutual Computing Holding Limited ("MMCH"), a wholly-owned computer services subsidiary of mace.

III COMMUNITY DIMENSION

6. The enterprises Concerned have, a combined aggregate worldwide turnover calculated in accordance with Article 5 (3) (b) of the Merger Regulation in excess of 5,000 million ECU. Both Zürich and MMI have a Community-wide turnover in excess of 250 million ECU but do not achieve more than two-thirds of this turnover in one and the same member State. Thus the operation has a community dimension.

IV COMPATIBILITY WITH THE COMMON MARKET

Relevant product and geographic markets

7. It is suggested that there exist as many product markets as there are insurances for different kinds of risk, since their characteristics, premiums and purposes are quite distinct from the consumer's viewpoint. Again, although insurance markets may become more open to intra-community competition in the foreseeable future, geographic markets seem at present to be national in view of differences in distribution channels, consumer preferences and public regulation. in view of the generally small market shares of both MACE and Zürich under the narrowest possible market definition (that is, single insurance products in the UK) and the absence of any significant geographic overlap between the two companies, exact market definitions may be left open since no dominant position is created or reinforced (see below).

Assessment

8. As mentioned above, Zürich is acquiring only those assets of MACE which involve motor, property, general liability, pecuniary loss and accident insurance in the United Kingdom. MACE,s shares in each of these markets in the UK was less than 5% in 1991, except for a share in the general liability market of about 10%. These market shares have declined during 1992 because of the attrition of MACE,s business due to financial difficulties. In none of these UK markets did Zürich have a shale of more than 2% in 1991.
9. Within the property insurance sector, Zürich is requiring assets from MACE relating to the insurance of newly-built domestic properties against structural defects. This is a highly specialised ,niche,, market, which MACE entered in 1989, and in which it has a share of about 10%. Its major competitor, the, National House Building council, has a market share approaching 90%.

10. There is no significant horizontal overlap between Zürich and MACE. Furthermore, the existence of competition from financially strong enterprises in the united Kingdom (Commercial union, Royal, General Accident, and so on) would limit any possible conglomerate effects of the combination of Zürich's financial resources with MACE,s activities.

V CONCLUSION

11. Therefore, the concentration will not create or strengthen a dominant position as a result of which effective competition will be significantly impeded in the common market or in a substantial part of it.

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For the above reasons, the commission has decided not to oppose the notified concentration and to declare it compatible with the common market. This decision is adopted in application of Article 6(1)(b) of Council Regulation No. 4064/89.

For the Commission