

***Case No COMP/M.3395 -
SAMPO / IF
SKADEFÖRSÄKRING***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 28/04/2004

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 28.04.2004

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

**Subject: Case No COMP/M.3395 – Sampo / If Skadeförsäkring
Notification of 24.03.2004 pursuant to Article 4 of Council Regulation
No 4064/89¹**

1. On 24.03.2004, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89² as last amended by Regulation (EC) No 1310/97³ by which the Finnish undertaking Sampo Oyj ('Sampo') acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of the Swedish If Skadeförsäkring Holding AB ('If') by way of increasing their share holding from approximately 38% to 90%.

I. THE PARTIES

2. Sampo offers investment, savings (including life insurance) and banking services to retail, corporate and institutional customers principally in Finland. It was established in 2001 when Leonia Oyj, a Finnish state-owned banking group merged into Sampo Insurance Company Plc. Later on in 2001 also a private investment bank, Mandatum Pankki Oyj joined the group.

¹ 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).

² OJ L 395, 30.12.1989 p. 1; corrigendum: OJ L 257, 21.9.1990, p. 13.

³ OJ L 180, 9. 7. 1997, p. 1; corrigendum OJ L 40, 13.2.1998, p. 17.

3. If provides non-life insurance products mainly to customers in Sweden, Norway, Finland, Denmark and the Baltic Countries. The company is presently under the joint control of Sampo, Försäkringsaktiebolaget Skandia ('Skandia', Sweden), Livförsäkringsaktiebolaget Skandia (publ) ('Skandia Liv', Sweden) Storebrand ASA ('Storebrand', Norway) and Keskinäinen työeläkevakuutusyhtiö Varma ('Varma' Finland).

II. THE OPERATION

4. The concentration is a transaction whereby Sampo will purchase all the shares in If currently owned by Skandia (19.36 %), Skandia Liv (10.06 %) and Storebrand (22.47 %). The Sale and Purchase Agreement to this effect was entered into on 11 February 2004.
5. Following the closing of the notified transaction Sampo would become the owner of 89.94% of the share capital and 89.54% of the voting rights in If. Varma will maintain its holding of the outstanding share capital and voting rights (some 10%). As Sampo, Skandia, Storebrand and Varma have agreed to terminate the existing Shareholders' Agreement and as the new Shareholders' Agreement entered into between Sampo and Varma on 12 February 2004 does not contain any provisions conferring joint control, If will come under the sole control of Sampo.

III. COMMUNITY DIMENSION

6. In 2003 the world-wide turnover of Sampo was approximately €2,35 billion and of If € 4,26 billion. The combined aggregate world-wide turnover of the parties therefore exceeded € 5 billion. The aggregate Community-wide turnover 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. The concentration therefore has a Community dimension. The case also constitutes a co-operation case in accordance with Article 2 (a) of Protocol 24 to the EEA Agreement.

V. COMPETITIVE ASSESSMENT

A) Relevant product markets

(i) Horizontal Relationships

7. If provides non-life insurance services and Sampo life insurance and banking services. The Commission has in previous decisions considered banking services separately from non-life and life insurance markets⁴.
8. In previous decisions the Commission has also distinguished between life and non-life insurances⁵ and has held that these form separate product markets. Life and non-life insurances could further be divided into as many product markets as there are different

⁴ Case No COMP/M.2676 – Sampo/Varma Sampo/If Holding/JV

⁵ Case No COMP/M.2676 – Sampo/Varma Sampo/If Holding/JV
Case No COMP/M.759 – Sun Alliance/Royal Insurance para 6-7

kinds of risks to be covered given that their characteristic, purpose and premiums are distinct and that there is typically no substitutability between these products from the customer's perspective. However, the parties submit that due to the very similar conditions for insuring different types of risks and the use of the same distribution channels, all non-life insurance products should be considered to belong to the same product market. They propose a similar approach regarding life insurances. With respect to life insurances, the parties also wish to point out that all life insurance companies can provide all different life insurance products to all kinds of customers, especially in Finland where the life insurance market is very small. It should therefore not be possible for a company to operate only in one insurance category.

9. Following the Commission decision allowing the transfer of Sampo's non-life insurance business to If⁶, Sampo currently only provides life insurance services, whereas If only provides non-life insurance services. The parties therefore submit that there is no horizontal overlap between their activities.

(ii) Vertical Relationships

10. There are possible vertical relationships between the parties' activities in insurance policy management and claims handling, reinsurance and the distribution of insurances. However, Sampo and If submit that they do not provide policy management or claims handling services to third parties, and they do not underwrite any assumed reinsurance in the open market, and they do not have any market share in such a market.
11. Regarding insurance distribution, the parties submit that they currently distribute, to a very minor extent, each other's non-life and life insurance policies.
12. According to the parties the relevant market for either non-life or life insurance distribution comprises all *outward* distribution channels, for example agents, brokers and other intermediaries, such as banks. They consider that insurance companies own sales forces and office networks should be excluded as they form an inherent and inseparable part of the insurance companies' normal business. Outward distributors also provide the insured end customer with additional services. Even if certain outward distribution channels would to some extent be substitutable with the insurance companies' own sales force, the parties submit that competing insurance companies do not themselves consider each other as true alternative distribution channels.
13. As competition issues could not arise in any alternative market definition considered, it is not necessary to exactly define the relevant product markets in the present case.

B) Relevant geographic markets

14. Sampo offers insurance services to customers principally in Finland but also in Eastern Europe. If is active particularly in Denmark, Finland, Sweden and Norway, with a lesser degree of activity in France, Germany, the Netherlands and the UK as well as in Eastern Europe. The Commission has previously considered the markets for both non-life insurances and life insurances to be principally national in scope, although there may exist some differences in the geographical scope of different types of non-life insurances. As far as life insurance for private households are concerned, the relevant

⁶ Case No COMP/M.2676 – Sampo/Varma Sampo/If Holding/JV

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 systems⁷. With respect to non-life insurance, the Commission has in previous cases found that non-life insurance markets are national as a result of national distribution channels, the established market structures, fiscal constraints and differing regulatory systems⁸ whereas the markets for reinsurance and the insurance of certain large risks would be global⁹.

15. The parties therefore submit that the markets for life insurances, non-life insurances and their distribution would be national in scope. However, as competition issues could not arise in any alternative market definition considered, it is not necessary to exactly define the relevant geographic market in the present case.

C) Assessment

16. This transaction constitutes a change from joint to sole control over If. As indicated already above, there is no horizontal overlap between the parties' current activities. However, the vertical relationships between the parties in insurance distribution in Finland have been analysed. If currently distributes Sampo's life insurances, whereas Sampo distributes If's non-life insurances. These reciprocal arrangements for the distribution of policies were made between the parties when Sampo transferred its non-life business to If.

(i) Life insurance distribution

17. According to the statistics of the Finnish Insurance Supervision Authority, Sampo has a market share of approximately 17,6 % in the Finnish life insurance market. Sampo does not offer life insurances in any other country within the EEA. The parties have confirmed that the position of If in the downstream market of life insurance distribution in Finland would reflect a market share of [0-5]%. This vertical relationship does therefore not constitute a vertically affected market.

(ii) Non-life insurance distribution

18. The total non-life market share of If would amount to approximately 34.6% in Finland. In some non-life insurance policies, such as marine, aviation and railway insurances its market share is estimated to be higher. If's main competitors in Finland are Pohjola, with an estimated total market share of 20,6 % and Tapiola 15,5 %. Recently a new viable and powerful competitor, Nordea Non-life Insurance has entered the market. Sampo does not distribute any other company's non-life insurances than If's. The parties submit that the market share of Sampo in the downstream distribution market of non-life insurance products in Finland is insignificant, representing approximately [less than 1]% of the market. In spite of Sampo's low market share in non-life insurance distribution, this vertical relationship constitutes an affected market.

(iii) Conclusion on the vertical relationships

⁷ See Cases IV/M.759 - Sun Alliance/Royal Insurance or IV/M.862 - Axa/UAP.

⁸ 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.

⁹ See, for example, Case IV/M.862 – Axa/UAP, Commission decision of 20.12.1996.

19. The proposed concentration cannot be considered to lead to any material changes in the market place. Sampo is already currently a jointly controlling parent in If. The Commission's investigation in the previous case¹⁰ already covered the (horizontal) effects on competition resulting from the combination of Sampo and If and the transaction was not considered to raise any competition concerns.
20. More specifically, the proposed concentration does not change anything in respect of the distribution of the insurances either. Vertical integration does not seem to be an important issue in the insurance distribution and the current distribution arrangements between the parties are based on the structural connections between Sampo and If. Even if the vertical relationship between the parties in the distribution of non-life insurances in Finland constitutes an affected market, it is highly unlikely that the concentration will have any impact on competition in the market.
21. Neither Sampo or If are considered to compete with true "distribution operators", such as brokers or agents, and other insurance companies do not see them as a potential distribution channels. It should also be noted that in general all insurance companies have their own sales force and office networks, and that for example in Finland 60 % of the value of insurances is estimated to be sold through the companies directly. There are no significant costs involved in the entry to the insurance distribution market. According to the parties, practically any retail chain may start to distribute non-life insurances by entering into a cooperation agreement with an insurance company.
22. In view of the foregoing, it can be concluded that the proposed operation would not, in any of the markets considered, raise foreclosure or other vertical competition concerns as a result of which effective competition would be significantly impeded in the EEA or any substantial part of that area.

VI. CONCLUSION

23. 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

Mario MONTI
Member of the Commission

¹⁰ Case No COMP/M.2676 – Sampo/Varma Sampo/If Holding/JV