



EUROPEAN COMMISSION
DG Competition

*Case M.9056 -
GENERALI CEE / AS*

Only the English text is available and authentic.

**REGULATION (EC) No 139/2004
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 10/12/2018

*In electronic form on the EUR-Lex website under
document number 32018M9056*



Brussels, 10.12.2018
C(2018) 8643 final

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

To the notifying party:

Subject: Case M.9056 – Generali CEE / AS
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004¹ and Article 57 of the Agreement on the European Economic Area²

Dear Sir or Madam,

- (1) On 5 November 2018, the European Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 by which Assicurazioni Generali S.p.A. ("Generali", Italy) acquires sole control, through its wholly-owned subsidiary Generali CEE Holding B.V. ("Generali CEE", the Netherlands), over Adriatic Slovenica, Zavarovalna družba, d.d. ("AS", Slovenia) by way of purchase of shares.

1. THE PARTIES

- (2) **Generali** is the parent company of an international group of companies active in the insurance and financial sector worldwide. Generali primarily operates in Italy, Germany, France, Austria, and Spain. Through its subsidiary **Generali CEE**, it provides life and non-life insurance, as well as related financial services in the Central and Eastern European region.
- (3) **AS** is active in the life and non-life insurance as well as asset management services in Slovenia and Croatia. Outside the EEA, AS is active in the provision of asset management services in Macedonia.

¹ OJ L 24, 29.1.2004, p. 1 (the 'Merger Regulation'). With effect from 1 December 2009, the Treaty on the Functioning of the European Union ('TFEU') has introduced certain changes, such as the replacement of 'Community' by 'Union' and 'common market' by 'internal market'. The terminology of the TFEU will be used throughout this decision.

² OJ L 1, 3.1.1994, p. 3 (the 'EEA Agreement').

- (4) Generali is hereinafter referred to as the "Notifying Party". Generali and AS are collectively referred to as the "Parties".

2. THE CONCENTRATION

- (5) The Parties entered into a Share and Purchase Agreement on 23 May 2018, pursuant to which Generali will acquire, indirectly through Generali CEE, sole control over AS by the purchase of 100% of its shares (the "Transaction").
- (6) The Transaction therefore constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

3. EU DIMENSION

- (7) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million³ (Generali: EUR 68 537 million; AS: EUR [...]). Each of them has an EU-wide turnover in excess of EUR 250 million (Generali: EUR [...]; AS: EUR [...]), but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State.
- (8) The notified operation therefore has an EU dimension pursuant to Article 1(2) of the Merger Regulation.

4. COMPETITIVE ASSESSMENT

- (9) The Parties have overlapping activities in the life and non-life insurance markets in Slovenia and in Croatia. The Transaction however only gives rise to horizontally affected markets in relation to the provision of non-life insurance products in Slovenia.⁴

4.1. Relevant markets

4.1.1. Relevant product market

- (10) In previous decisions,⁵ the Commission considered that three broad categories of insurance products could be distinguished: life insurance, non-life insurance and re-insurance.
- (11) With respect to non-life insurance, the Commission considered the possibility that non-life insurance could be divided into as many different product markets as

³ Turnover calculated in accordance with Article 5 of the Merger Regulation and the Commission Consolidated Jurisdictional Notice (OJ C 95, 16.4.2008, p. 1).

⁴ The Transaction does not give rise to vertically affected markets.

⁵ COMP/M.5384, *BNP Paribas/Fortis*; COMP/M.6957, *IF P&C/TopDanmark*; COMP/M.5083, *Groupama/OTP Garancia*; COMP/M.5031, *ACE/CICA*; COMP/M.4808, *CVC/Charterhouse/PHL/AA/Saga*; COMP/M 4284, *Axa/Winterthur*; COMP/M.4701, *Generali/PPF Insurance Business* and COMP/M.4047, *Aviva/Arik Life*.

there are types of risks to insure.⁶ More specifically, the Commission distinguished the following non-life insurance segments: (i) accident and sickness, (ii) motor vehicle, (iii) property, (iv) liability, (v) marine, aviation and transport ("MAT"), (vi) credit and suretyship and (vii) travel insurance. This possible segmentation is based on the fact that the characteristics and purpose of the different types of insurance are distinct, and that there is typically no substitutability between different types of insurance from a customer's perspective. However, the Commission also noted that there were indications of potential degree of supply-side substitutability between some insurance products.

- (12) In addition to the above, in its past decisional practice, the Commission considered several alternative segmentations of the non-life insurance market. In particular, the Commission envisaged to further segment the market based on the applicable national insurance classification.⁷ In certain decisions, the Commission also distinguished fire insurance⁸ or legal assistance⁹. A further distinction could also be made between individual and group customers.¹⁰
- (13) The Commission ultimately left open the precise product market definition for non-life insurance products.
- (14) The Notifying Party agrees with the previous assessment of the Commission and provided market share data on the basis of all plausible market definitions, including the regulatory classes determined by the Slovenian Insurance Act.¹¹
- (15) The Commission considers that there is no reason to depart from the past decisional practice and that the product market definition for non-life insurance in Slovenia can be left open for the purpose of the present case since no competition concerns arise under any plausible product market definition.

4.1.2. *Relevant geographic market*

- (16) In previous decisions,¹² the Commission considered that the relevant market for non-insurance products and its sub-segments is likely to be national in scope with the exception of certain insurance risks, including MAT insurance and generally large risk insurance, which the Commission considered to be wider than national in scope.

⁶ COMP/M.5384, *BNP Paribas/Fortis*, COMP/M.4284, *AXA/Winterthur* and COMP/M.7478, *Aviva/Friends Life/Tenet*; COMP/M.6521, *Talanx International/Meiji Yasuda Life Insurance/Warta*; COMP/M.4701 *Generali/PPF Insurance Business*.

⁷ COMP/M.1712, *Generali / INA*; and COMP/M.6649, *Allianz / Insurance Portfolio and Brokerage Services of Gan Eurocourtage*.

⁸ COMP/M.4844, *Fortis/ABN Amro Assets*.

⁹ COMP/M.7233, *Allianz/Going concern of Unipolsai Assicurazioni*.

¹⁰ COMP/M.8257, *NN Group / Delta Lloyd*.

¹¹ Accident insurance (class 1), health insurance (class 2), land motor vehicle insurance, other than rolling stock (class 3), (railway rolling stock insurance (class 4), aircraft insurance (class 5), ship insurance (class 6), goods in transit insurance (class 7), fire and natural forces insurance (class 8), other damage to property insurance (class 9), motor vehicle liability insurance (class 10), aircraft liability insurance (class 11), ship liability insurance (class 12), general liability insurance (class 13), credit insurance (class 14), suretyship insurance (class 15), miscellaneous financial loss insurance (class 16), legal expenses insurance (class 17), and tourist/travel assistance insurance (class 18).

¹² COMP/M.5010, *Berkshire Hathaway/Munich Re/GAUM*; COMP/M.6217, *Baloise Holding/Nateus/Nateus Life*.

- (17) The Notifying Party agrees with the previous assessment of the Commission.
- (18) The Commission considers that there is no reason to depart from the past decisional practice and that the exact geographic market definition for non-life insurance can be left open for the purpose of this case since no competition concerns arise under any plausible geographic market definition.

4.2. Competitive assessment

- (19) Based on the above market definitions, the Transaction gives rise to the following horizontally affected markets/segments in Slovenia: (i) non-life insurance (overall), (ii) accident and health insurance, and one of its potential sub-segment (*i.e.* accident), (iii) motor vehicle insurance and two of its potential sub-segments (*i.e.* land motor vehicle and motor vehicle liability), (iv) travel insurance, (v) three potential sub-segments of MAT insurance (*i.e.* ship, good in transit, and liability for vessels), and (vi) two potential sub-segments of property insurance (*i.e.* miscellaneous financial loss and fire and natural forces) (see Table 1 below).

Table 1 - The Parties and their main competitors' market shares on the market segments within non-life insurance for which the market shares based on GWP exceeded 20% in 2017 in Slovenia¹³

Affected markets in non-life insurance	Corresponding class under the Slovenian Insurance Act	Market size (M€)	AS	Generali	Combined	Largest competitor, market share	2 nd largest competitor, market share
NON-LIFE INSURANCE	1 to 18	[...]	[10-20]%	[0-5]%	[20-30]%	Triglav, [30-40]%	Vzajemna, [10-20]%
Accident and Health	1 and 2	[...]	[20-30]%	[0-5]%	[20-30]%	Vzajemna, [40-50]%	Triglav, [20-30]%
<i>Accident</i>	1	[...]	[10-20]%	[5-10]%	[20-30]%	Triglav, [20-30]%	Sava, [20-30]%
Motor vehicle	3 and 10	[...]	[10-20]%	[5-10]%	[20-30]%	Triglav, [40-50]%	Sava, [30-40]%
<i>Land motor vehicle</i>	3	[...]	[10-20]%	[5-10]%	[20-30]%	Triglav, [40-50]%	Sava, [30-40]%
<i>Motor vehicle liability</i>	10	[...]	[10-20]%	[5-10]%	[20-30]%	Triglav, [30-40]%	Sava, [30-40]%
Travel	18	[...]	[20-30]%	[5-10]%	[20-30]%	Triglav, [30-40]%	Sava, [30-40]%
MAT	4, 5, 6, 7, 11 and 12	<i>Not affected</i>					
<i>Ship</i>	6	[...]	[40-50]%	[0-5]%	[50-60]%	Triglav, [20-30]%	Sava, [20-30]%
<i>Good in transit</i>	7	[...]	[20-30]%	[0-5]%	[20-30]%	Triglav, [60-70]%	Sava, [10-20]%
<i>Liability for vessels</i>	12	[...]	[40-50]%	[0-5]%	[40-50]%	Triglav, [20-30]%	Sava, [20-30]%
Property	8, 9 and 16	<i>Not affected</i>					
<i>Fire and natural forces</i>	8	[...]	[10-20]%	[10-20]%	[20-30]%	Triglav, [40-50]%	Sava, [20-30]%
<i>Miscellaneous financial loss</i>	16	[...]	[10-20]%	[10-20]%	[20-30]%	Triglav, [30-40]%	Sava, [20-30]%

- (20) The Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market for the following reasons.

¹³ As previously mentioned, non-life insurance products markets/segments could be further segmented into group and individual products. The Parties' combined market shares in the respective sub-segments for individual or group customers would remain, however, very similar to the figures provided in the below table.

- (21) *First*, in the affected markets/segments, the Parties' combined market shares would remain moderate (below [20-30]%) and/or the increment brought about by Generali would be minimal (not exceeding [0-5]%).
- (22) In all cases, post-Transaction, the Parties will continue to face several significant competitors.
- (23) More specifically, on the overall market segment for the provision of non-life insurance products, the Parties would hold a combined market share of [20-30]% in 2017, with a limited increment brought about by Generali ([0-5]%). Post-transaction, the new entity would become the second-largest insurance provider in Slovenia, well behind the market leader, Triglav ([30-40]%). Furthermore, the new entity would be constrained by other major insurers with similar market shares, *i.e.* Vzajemna ([10-20]%) and Sava ([10-20]%), as well as a number of other smaller competitors (e.g. Grawe, SID, Allianz, Wiener, Ergo and Merkur). The vast majority of customers who responded to the market investigation confirmed that, post-Transaction, the number of alternative suppliers would remain sufficient on the overall non-life insurance market segment to prevent any potential anti-competitive effects potentially stemming from the Transaction.¹⁴
- (24) As regards the potential sub-segments of non-life insurance, post-Transaction, to the exception of two MAT sub-segments (*i.e.* ship and liability for vessels insurance), the Parties would have moderate combined market shares (never exceeding [20-30]%) and would remain the third largest insurance provider in Slovenia. In each of these sub-segments, the new entity would face several competitors, including the market leaders, Triglav and Sava, as well as smaller players, some of which being specialised in specific types of non-life insurance (e.g. Ergo who recently entered the travel insurance market in Slovenia). This was confirmed by the vast majority of customers who responded to the market investigation.¹⁵
- (25) On the two MAT sub-segments on which the Parties hold a combined market share [of 40-50]% (*i.e.* ship and liability for vessels insurance), the increment brought about by Generali would be negligible and would in any event not exceed [0-5]%. On these two hypothetical segments, the Transaction would therefore only result in the elimination of a competitor which is at best marginal and would consequently leave the structure of the market essentially unchanged. Moreover, the possibility that these MAT sub-segments might in part be wider than national in scope further acts to attenuate any possible competition concerns since AS' market share would only be diluted. Moreover, most customers consider that, post-Transaction, the number of alternative suppliers would remain sufficient

¹⁴ See responses to question 10 of Q2 – questionnaire to customers. For instance, one customer noted that "*Main competitors should still remain strong enough to keep pressure on the prices. Also smaller insurers which are branch offices of large global insurance companies (VIG, Allianz, Ergo) will be competing on most insurance lines*" (response to question 11.1 of Q2 – questionnaire to customers).

¹⁵ See responses to questions 17 (accident and sickness), 24 (motor vehicles), 38 (property), and 45 (travel) of Q2 – questionnaire to customers.

with respect to the market segment for the supply of MAT insurance and its potential sub-segments.¹⁶

- (26) *Second*, the market investigation largely confirmed the Notifying Party's submission that customers would face no major difficulties to switch to other insurance providers in Slovenia. Indeed, the results of the market investigation revealed that customers have the ability to select alternative insurance providers and that switching is relatively easy in all market segments of the non-life insurance market.¹⁷ Customers may change insurance providers at no additional cost not only at the end of the contract, but also before that date, generally upon a reasonable notice period. If insurance contracts are concluded for a longer period, they can also be terminated upon notice before their term at no (or reasonable) cost. Therefore, since there are no meaningful capacity constraints on the supply-side, customers can easily switch to a different insurance company in response to increased premiums or reduced services by their existing insurer.
- (27) *Third*, the market investigation also confirmed the Parties' claim that there are no significant barriers to entry into the non-life insurance market segment in Slovenia (and its potential sub-segments). The only regulatory requirement for an undertaking to provide non-life insurance of a particular kind in Slovenia is to submit a notification (for undertaking based in the EU) or obtain an authorisation (for undertaking not based in the EU) from the regulator, the Insurance Supervision Agency. The market investigation revealed that one provider of non-life insurance, with currently no operations in Slovenia, is planning to enter the Slovenian market within the next 2 years.
- (28) *Finally*, the market investigation revealed no substantiated competition concerns from customers or competitors in connection with either an overall market segment for non-life insurance or any of its possible sub-segments in Slovenia.¹⁸
- (29) In view of the above, the Commission concludes that the Transaction does not raise serious doubts as to its compatibility with the internal market in the Slovenian market segment for the supply of non-life insurance and any of its potential sub-segments.

¹⁶ See responses to question 31 of Q2 – questionnaire to customers.

¹⁷ See responses to questions 9 (non-life), 16 (accident and sickness), 23 (motor vehicles), 30 (MAT), 37 (property), and 44 (travel) of Q2 – questionnaire to customers.

¹⁸ See responses to questions 7 (non-life), 11 (accident and sickness), 15 (motor vehicles), 19 (MAT), 23 (property), 26 (travel), and 27 to 99 of Q1 – questionnaire to competitors and (i) questions 11 (non-life), 18 (accident and sickness), 25 (motor vehicles), 32 (MAT), 33 (property), 46 (travel), and 47 to 49 of Q2 – questionnaire to customers. For instance, one customer noted that "*finally (they) will have another A rate insurance company with good product portfolio*" (see response to question 47.1 of Q2 – questionnaire to customers).

5. CONCLUSION

- (30) For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation and Article 57 of the EEA Agreement.

For the Commission

(Signed)

Margrethe VESTAGER

Member of the Commission