ACQUISITIONS (INSURANCE): THE AXA / GRE CASE

Subject: Acquisitions
Undertakings (by parties)

Industry: Insurance

Parties: AXA
Guardian Royal Exchange

Source: Commission Statement IP/99/218, dated 9th April 1999

(Note. The Commission's statement does not quantify the market shares involved in this acquisition but points to the problems which, but for the parties' undertakings, would have been created in Luxembourg.)

The Commission has given its approval to a concentration by which the French insurer AXA acquires control over the United Kingdom insurance company Guardian Royal Exchange (GRE). The concentration concerns life and non-life insurance and will have a limited impact on the markets concerned (mainly, United Kingdom, France and Germany), except in Luxembourg where doubts, reinforced by subsequent investigation, arose over the pre-existing direct links between GRE and the leading non-life insurer (Le Foyer Assurances). To avoid any risk of the creation of a dominant position, AXA offered, during the first phase of the Commission's investigation, commitments which clearly resolve the Commission's competition concerns. The French AXA group is one of the leading insurers in Europe. GRE is a British insurance company active in life and non-life insurance. The parties have overlapping activities in United-Kingdom, where AXA's subsidiary (Sun Life and Provincial Holdings, which launched the take-over bid for GRE) is present in life and non-life insurance, and in Germany, where the parties are both active in life and non-life insurance. However, the concentration will not confer on AXA a dominant position on those markets. In France where AXA is an important insurer, GRE's market shares are limited, in particular in construction insurance. Accordingly, the operation will not substantially change the structure of the markets concerned.

In Luxembourg, the concentration will create a significant structural link between the first and third largest companies in non-life insurance. Taken together, the market shares of the two parties reach a critical level on several markets in the non-life insurance sector, which is distinguished by a small number of competitors, each with a significant market share (essentially Le Foyer, la Luxembourgeoise and AXA). On the basis originally notified, it could not be excluded that the operation would create or strengthen a dominant position in Luxembourg. To remove this risk, the parties have undertaken to modify the structural links between AXA and Le Foyer, or to take suitable disinvestment measures, such that the same number of major firm remain offering effective competition as independent suppliers on the non-life insurance markets. The Commission accordingly decided to authorise the operation. □

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