

Reprimand for acquiring a qualifying holding in Codan A/S without prior approval

1. Reprimand

The Danish Financial Supervisory Authority hereby issues a reprimand to Royal International Insurance Holdings Limited for the violation of section 61(1) of the Danish Financial Business Act by having acquired a qualifying holding in Codan A/S without the prior approval of the Danish Financial Supervisory Authority.

2. Statement of facts

On the 18th of January 2018, the Danish Financial Supervisory Authority (hereinafter DFSA) received an application from Codan A/S on behalf of Royal International Insurance Holdings Limited (hereinafter RIIH) for approval of the acquisition of 100 percent of the share capital and the voting rights in Codan A/S. It appears from the application that the acquisition of the qualifying holding occurred on the 12th of December 2017.

The DFSA requested on the 22nd of February 2018 RIIH for a statement of information on why the acquisition was completed without the prior approval of the DFSA, cf. section 61(1) of the Danish Business Act. RIIH's statement of information was received on the 12th of March 2018.

It follows from the statement of information that the acquisition is a matter of an internal transaction as part of a simplification of the Royal & Sun Alliance Insurance Group (hereinafter RSAIG) structure in preparation for Brexit. It is stated that there is no change in ownership with respect to the ultimate owner, which remains Royal & Sun Alliance Insurance Group plc, a holding company under English supervision, and known to the DFSA.

It follows furthermore from the information statement that Codan A/S and RIIH had the understanding that only a notification to the DFSA about the change in the corporate structure was required since the only change in practice was, that the direct parent company of Codan A/S would be a different RSAIG company. The ultimate controlling shareholder is the same together with the fact that RIIH is already an approved indirect controller of Codan A/S, and the change has no impact on Codan A/S nor Codan Forsikring A/S from a governance perspective. Codan A/S had a meeting with the DFSA on the 18th of January 2018 in regards to the application, and to explain on above acquisition without prior approval.

3. Legal basis

The reprimand refers to the following rules in the Danish Financial Business Act:

Section 5(3):

“Qualifying holding” shall mean a direct or indirect holding in an undertaking which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that financial undertaking, the financial holding company or the insurance holding company.

Section 61:

“(1) Any natural or legal person, or natural or legal persons acting in understanding with each other, planning directly or indirectly to acquire a qualifying holding, cf. section 5(3), in a financial undertaking,

a financial holding company or an insurance holding company, shall apply to the Danish FSA in advance for approval of the acquisition planned. The same shall apply to an increase in the qualifying holding which, after the acquisition, results in the interest equaling or exceeding a limit of 20%, 33% or 50% respectively of the share capital or voting rights, or results in the financial undertaking, the financial holding company or the insurance holding company becoming a subsidiary undertaking. “

4. Consultation on draft reprimand

A draft reprimand was sent to RIIH on the 19th of July 2018 with a deadline for comments on the 2nd of August 2018.

RIIH sent its comments on the 1st of August 2018. The comment is a factual correction, that concerns RSAIG is a holding company and not an insurance company.

5. The DFSA's review of the case

On the 12th of December 2017 RIIH acquired 100 percent of the share capital and the voting rights in Codan A/S. The acquisition was completed without the prior approval of the DFSA.

The DFSA considers that at the time of acquisition, the DFSA should have approved a proposed acquisition, cf. section 61(1) of the Danish Financial Business Act. It is of no relevance, whether the acquisition is a matter of an internal transaction or an external transaction. Furthermore, it is of no relevance for the assessment of the case, that Codan A/S and RIIH were of the understanding that only a notification to the DFSA about the change in the corporate structure was required.

On the basis of the above, there has been an infringement of the rules for acquiring a qualifying holding, cf. section 61(1) of the Danish Financial Business Act, and therefore the company receives a reprimand.

6. Publication

It follows from section 354 e of the Danish Financial Business Act that the DFSA shall publish on its website reprimands on the violation of section 61(1) of the Danish Financial Business Act, as well as the name of the undertaking.