EUROPEAN COMMISSION

Brussels, 18.10.2017
C(2017) 7116 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.8617 - Allianz / LV general insurance businesses**
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004[1] and Article 57 of the Agreement on the European Economic Area[2]

Dear Sir or Madam,

1. On 13 September 2017, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which Allianz SE ("Allianz" or "the Notifying Party") (through its affiliate Allianz Holdings plc) acquires within the meaning of Article 3(1)(b) of the Merger Regulation sole control of the UK general non-life insurance businesses ("the Target") of Liverpool Victoria Friendly Society Limited ("LV") by way of purchase of shares.[3] (Allianz and the Target are designated hereinafter as the "Parties").

1. THE PARTIES

(1) Allianz is a global financial services provider headquartered in Munich and listed on the Frankfurt Stock Exchange, providing financial services predominantly in the field of life and non-life insurance and asset management.

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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').

3 Publication in the Official Journal of the European Union No C 312, 20.09.2017, p. 8.

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(2) The Target is the UK non-life (i.e. motor, property, liability, travel and pet) general insurance and legal services businesses of LV, a UK mutual society providing a range of life and non-life insurance products.

2. THE CONCENTRATION

(3) Allianz's acquisition of sole control over the Target (the "Transaction") is laid out in two agreements, *i.e.* an Agreement for the Sale and Purchase of Shares in the Target ("SPA") and a Shareholders' Agreement ("SHA"), both signed on 4 August 2017.

(4) The Transaction is to be implemented through a series of inter-conditional steps, which will ultimately lead to Allianz acquiring sole control over the Target.

(5) The notified operation therefore constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

3. EU DIMENSION

(6) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million[4]. Each of them has an EU-wide turnover in excess of EUR 250 million, but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State. The notified operation therefore has an EU dimension.

4. COMPETITIVE ASSESSMENT

(7) The Transaction leads to limited horizontal overlaps and vertical links in relation to the provision and distribution of non-life insurance and reinsurance in the UK.[5] Only one horizontally affected market (the potential market for the provision of pet insurance in the UK) and, potentially, two vertically affected markets (the provision of pet insurance in the UK in connection with (i) the distribution of non-life insurance (ii) the provision of reinsurance) arise as a result of the Transaction. Only these three markets will be discussed in Sections 4 and 5 below.

4.1. Relevant product markets

(8) In previous cases relating to the insurance sector, the Commission has distinguished the market for the provision of insurance into three broad product

4 Turnover calculated in accordance with Article 5 of the Merger Regulation.

5 The Target is only active in the UK.

categories: life insurance, non-life insurance and reinsurance.[6] The Commission has also considered a separate market for insurance distribution.[7]

4.1.1. Non-life insurance (and in particular pet insurance)

4.1.1.1. Product market definition

(9) Within the market for non-life insurance, the Commission has considered in previous cases that, from a demand side perspective, the market could be further segmented based on the type of risk covered. On this basis, the Commission has previously considered a possible distinction between: (i) motor vehicle, (ii) property, (iii) credit and suretyship, (iv) liability, (v) accident and sickness, (vi) marine, aviation and transport ("MAT") and (vii) and travel insurance.[8] The Commission has also previously observed that, since the conditions for insurance of certain types of risks are quite similar and most large non-life insurers are active in several types of risk coverage, there can be a degree of supply-side substitution between different types of non-life insurance products.[9] Ultimately, the Commission left the precise market definition open.

(10) The Commission has not previously considered a market as narrow as the provision of pet insurance. The Notifying Party explains such a market, should it exist, would comprise cover against the costs of medical treatment required for pets and liability in the event of the policy-holder's pet causing harm to a third party. In view of these characteristics, and of their similarities with other types of personal liability insurance, the Commission considers that the market for the provision of pet insurance, should it exist, may also be considered part of a broader product segment covering more types of risks within the non-life insurance segment.

(11) However, for the purpose of the present decision, the exact product market definition in relation to non-life insurance (or its subsegments, including the narrow hypothetical market for pet insurance) can be left open as the Transaction does not raise serious doubts as to its compatibility with the internal market under the narrowest plausible market definition giving rise to the largest overlap between the Parties.

4.1.1.2. Geographic market definition

(12) In past decisions, the Commission has considered that non-life insurance markets are likely to be national in scope, with a few exceptions, such as large

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6 Case COMP/M.6957 - IF P&C/ TopDanmark; Case COMP/M.6217 Baloise Holding/Nateus/Nateus Life; Case COMP/M.6053 CVC/Apollo/Brit Insurance; and Case COMP/M.4284 AXA/Winterthur.

7 Case COMP/M.6957 - IF P&C/ TopDanmark; Case COMP/M.6053 CVC/Apollo/Brit Insurance; Case COMP/M.4284 AXA/Winterthur; and Case COMP/M.3395 Sampo/If Skadeförsäkring.

8 Case COMP/M.4284 AXA/Winterthur; Case COMP/M.4701 Generali/PPF Insurance Business.

9 Case COMP/M.6957 - IF P&C/ TopDanmark; Case COMP/M.6053 CVC/Apollo/Brit Insurance; and Case COMP/M.4284 AXA/Winterthur.

commercial risks, for which the geographic scope is likely to be wider than national.[10] Ultimately, the Commission left the precise market definition open.

(13) The Notifying Party does not propose any alternative geographic market definition.

(14) In any event, for the purpose of the present decision, the exact geographic market definition can be left open as the Transaction does not raise serious doubts under any plausible market definition.

4.1.2. Reinsurance

4.1.2.1. Product market definition

(15) Reinsurance consists in providing insurance cover to another insurer for some or all of the liabilities assumed under its insurance policies, in order to transfer risk from the insurer to the reinsurer.[11]

(16) In its past decisional practice, the Commission has considered a separate market for reinsurance (distinguished from the markets for the provision of life and non-life insurance), but has left the question as to whether the reinsurance market should be further segmented between life and non-life reinsurance open.[12]

(17) The Notifying Party does not propose any alternative product market definition.

(18) In any event, for the purpose of the present decision, the exact product market definition for reinsurance, in particular whether there can be a market for reinsurance or pet insurance, or a broader market including at least reinsurance of personal liability insurance can be left open as the Transaction does not raise serious doubts under the narrowest plausible market definition giving rise to the largest overlap between the Parties.

4.1.2.2. Geographic market definition

(19) The Commission has previously considered the market for reinsurance to be global in scope, due to the need to pool risks on a worldwide basis.[13]

(20) The Notifying Party does not propose any alternative geographic market definition.

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[10] Case COMP/M.4284 AXA/Winterthur; Case COMP/M.5010 Berkshire Hathaway / Munich RE / GAUM.

[11] Case COMP/M.6521 - Talanx International /Meiji Yasuda Life InsuranceE / Warta.

[12] Case COMP/M.5925 MetLife / Alico / Delam; Case COMP/M.5083, Groupama / OTP Garancia; Case COMP/M.6053 CVC / Apollo / Brit Insurance.

[13] Case COMP/M.5925 MetLife / Alico / Delam; Case COMP/M.5083, Groupama / OTP Garancia; Case COMP/M.4059 Swiss Re / GE Insurance Solutions; Case COMP/M.6053 CVC / Apollo / Brit Insurance.

(21) The Commission considers that there are no elements that would point to a different geographic scope than worldwide, in line with its findings in previous decisions.

4.1.3. Insurance distribution

4.1.3.1. Product market definition

(22) In previous cases, the Commission has considered the existence of a downstream market for insurance distribution.[14] The Commission has previously analysed whether the market for insurance distribution comprises only outward distribution channels or whether it should also be considered to include the sales force and office networks of the insurer (i.e. direct sales). This question was ultimately left open.[15] The Commission has also considered whether a distinction could be made between the market for the distribution of life and non-life insurance products,[16] but ultimately left the market definition open in this respect.

(23) The Notifying Party does not propose an alternative product market definition.

(24) In any event, the for the purpose of the present decision, the exact product market definition for insurance distribution can be left open as the Transaction does not raise serious doubts under any plausible market definition.

4.1.3.2. Geographic market definition

(25) The Commission has previously recognised the national nature of insurance distribution channels. [17] It however ultimately left the exact definition open with respect to the question in particular as to whether the relevant geographic market could be wider than national.

(26) The Notifying Party does not propose any alternative geographic market definition.

(27) In any event, the for the purpose of the present decision, the exact geographic market definition (national or wider) for insurance distribution can be left open as the Transaction does not raise serious doubts under any alternative market definition.

14 See COMP/M.4284 AXA/Winterthur, COMP/M.6957 IF P&C/Topdanmark.

15 See COMP/M.6957 IF P&C/Topdanmark, COMP/M.6053 CVC/Apollo/Brit Insurance.

16 See COMP/M.6957 - IF P&C / TOPDANMARK.

17 See COMP/M.6957 IF P&C/Topdanmark, COMP/M.6053 CVC/Apollo/Brit Insurance.

4.2. Competitive assessment

4.2.1. Horizontal assessment

(28) Based on the considerations on market definition above, under the narrowest plausible market definition, the Transaction gives rise to only one horizontally affected market, namely the hypothetical market for the provision of pet insurance in the UK. Under any other plausible market definition, no affected markets would arise.

Notifying Party's view

(29) The Notifying Party claims that, in a possible market for the provision of pet insurance in the UK, the Transaction does not raise competition concerns, as the Parties' combined share is nearly identical to Allianz's market share pre-Transaction given that the Target only represents a *de minimis* part of the UK pet insurance market. As a result, according to the Notifying Party, the Transaction will not bring about any meaningful change to the structure of the pet insurance market pre-Transaction.

Commission's assessment

(30) In a potential market confined to the provision of pet insurance in the UK, the combined market share of the Parties reaches [40-50]%, with an increment brought by the Target of [0-5]%.

(31) The Commission considers that, although the Parties' combined market shares are significant; the increment brought by the Target is negligible. Hence, the Parties' combined market position will be determined for its near entirety by Allianz's position in the market pre-Transaction ([40-50]%). In this respect, the Commission agrees with the Notifying Party's claim that the Transaction will not bring any significant change to the current structure of the market. This is further demonstrated by the HHI delta brought about by the Transaction, which only amounts to 29, well below the 150 threshold.[18]

(32) Furthermore, post-Transaction Allianz will continue to face virtually unchanged competition in the UK pet insurance market, notably from RSA Insurance ([30-40]%) as well as from Direct Line Group ([5-10]%) and E&L Insurance ([0-5]%).

(33) Based on the above considerations, the Commission concludes that the Transaction does not raise serious doubts as to its compatibility with the internal market in relation a possible market for pet insurance in the UK.

[18] Guidelines on the assessment of horizontal mergers under the Council Regulation on the control of concentrations between undertakings (the "Horizontal Merger Guidelines"), paragraph 20.

4.2.2. Vertical relationships

(34) The Transaction also leads to two potential vertically affected markets, namely:

(a) the provision of pet insurance in the UK (upstream) and the distribution of non-life insurance in the UK (downstream)

(b) the provision of reinsurance (upstream) and the provision of pet insurance in the UK (downstream).

(35) In this respect, the Notifying Party argues that, for the purpose of assessing the vertical links between the Parties' insurance activities and Allianz's activities as a reinsurer and distributor, it is excessively narrow to confine the relevant insurance market to the supply of pet insurance, given that the activities of reinsurers and insurance distributors (brokers) are not generally limited to pet insurance only, but comprise a much wider portfolio of products. In this respect, the Notifying Party claims that, to assess the vertical links, it would be more appropriate to consider the general UK non-life insurance market or, on at a narrower level, the UK market comprising insurance cover for personal financial loss, which includes personal liability insurance as well as pet insurance. Under any such alternative market definition, no vertically affected markets would arise.

(36) The Commission considers that the approach suggested by the Notifying Party could be plausible in this case. However, it does not consider it necessary to reach a conclusion on this point, as no competition concerns will arise as a result of the Transaction even if a particularly narrow market for the provision of pet insurance in the UK is considered for the purposes of assessing the relevant vertical links.

4.2.2.1. Vertical link between the provision of pet insurance in the UK and the distribution of non- life insurance in the UK

Notifying Party's view

(37) As explained above, both Parties are active on the upstream market for the provision of pet insurance in the UK (Allianz has a [40-50]% market share while the Target has a [0-5]% market share). Both Parties are also active on the market for the distribution of non-life insurance in the UK (Allianz has a market share of [0-5]% and the Target has a market share of [0-5]%).

(38) The Notifying Party argues that there is no possibility of the competitive position of any distributor of non-life insurance being harmed in a scenario where the distribution of the Target's pet insurance is diverted to Allianz's own distributors following the implementation of the Transaction. The Notifying Party explains that this would not represent a material loss of business to any current distributor of LV pet insurance[19], given that [details on Target's activities].

[19] Only Allianz (and not the Target) is engaged in the provision of "outward-only" insurance distribution, through its owned brokers, Home & Legacy and ABSL.

Commission's assessment

(39) The Commission considers that post-Transaction, Allianz would not have the ability to foreclose its downstream or upstream rivals.

(40) Indeed, as regards potential input foreclosure (*i.e.* the merged entity's pet insurance arm restricting access to its products for its competitors on the downstream distribution market post-merger), the Commission notes that pet insurance appears to be included in distribution agreements together with other non-life insurance products (these would include, e.g. insurance for property, marine, aviation and transport, motor vehicle, liability, travel etc.).[20] Therefore pet insurance could not be seen as a key input for the merged entity's competitors on the market for the distribution of non-life insurance. In addition, the increment brought about by the Target is very small (less than [0-5]%), both on the market for pet insurance and on the market for the distribution of non-life insurance. Therefore there are no competitive concerns related to input foreclosure issues.

(41) Concerning possible customer foreclosure (*i.e.* the merged entity's non-life insurance distribution arm only distributing its own pet insurance products, in order to deprive other pet insurance providers of sufficient distribution capability), the Commission notes the very limited market presence of the Parties on the market for the distribution of non-life insurance and the presence of larger distributors. Thus in this case there would be sufficient alternative distributors for competing pet insurance providers to turn to. Therefore there are no competitive concerns related to customer foreclosure issues.

4.2.2.2. Vertical link between the provision of reinsurance and the provision of pet insurance

Notifying Party's view

(42) The Notifying Party submits that no competition concerns will arise from the vertical relationship between Parties' activities on the markets for the provision of pet insurance in the UK and reinsurance for the following reasons.

(43) First, according to the Notifying Party, only Allianz (and not the Target) is active in the provision of reinsurance, [details on Allianz's activities] and that therefore any competitive effects arising from the link between Allianz's activities as a reinsurer and the Parties' combined activities in the downstream market for the provision of pet insurance will not be affected by the Transaction. In this regard, the Notifying Party also notes that (i) the vertical relationship between Allianz's reinsurance activities and its activities as a pet insurer already exists pre-Transaction and that (ii) the very small increment brought by the Target to Allianz's existing share in the market for the provision of pet insurance will not have any practical impact on this pre-existing relationship.

(44) Furthermore, the Notifying Party submits that there is no prospect of the competitive position of any operator on the global reinsurance market being

[20] In addition, there appear to be no specialised brokers for pet insurance.

harmed in a hypothetical scenario where the provision of reinsurance for the Target's limited pet insurance portfolio is diverted to Allianz's own reinsurance business following the implementation of the Transaction. Moreover, the Notifying Party notes that this would not represent a loss of business to any current provider of reinsurance to LV, given that [details on Target's activities].

Commission's assessment

(45) First, the Commission considers, in agreement with the Notifying Party's claim, that this vertical link is pre-existing as Allianz is active both upstream in the market for reinsurance with a share of [0-5]% and downstream in the market for the provision of pet insurance in the UK ([40-50]%), while the Target is only active downstream ([0-5]%). As such, the Transaction does not bring about any change in the structure of the market, other than a negligible increment in the downstream market for the provision of pet insurance in the UK.

(46) Furthermore, the Commission considers that post-Transaction, Allianz would not have the ability to foreclose its downstream or upstream rivals.

(47) Indeed, as regards potential input foreclosure (i.e. the merged entity only reinsuring its own pet insurance products), the Commission notes that Allianz's current very limited market share in reinsurance would make it difficult for it to foreclose its competitors on the pet insurance market. In addition, the Commission notes the presence of much larger competitors than Allianz on the global reinsurance market to which Allianz's rivals in the downstream market for pet insurance could turn to. Finally the Commission notes that [details on Target's activities] which is an indication that reinsurance may not be an important service for pet insurance providers.

(48) As for customer foreclosure (i.e. the merged entity's pet insurance arm only using Allianz's reinsurance services), the Commission notes that reinsurance involves the pooling of a very wide range of risks on a worldwide basis.[21] Therefore there are sufficient alternative insurers for the reinsurance companies to supply. Therefore under this scenario the merged entity would not restrict the access of its competitors' in the reinsurance market to a significant customer base.

(49) Therefore there are no competitive concerns related to input foreclosure nor customer foreclosure issues.

Conclusion

(50) In view of the above and of all the evidence available to the Commission, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market with respect to the vertical link between (i) the provision of pet insurance in the UK and the distribution of non-life insurance in the UK and (ii) the provision of reinsurance and the provision of pet insurance in the UK.

21 Furthermore, reinsurers do not appear to specialise in pet insurance.

5. CONCLUSION

(51) 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)
Julian KING
Member of the Commission