



CASE M1475J

PROPOSED ACQUISITION OF LEGAL AND GENERAL
INSURANCE LIMITED BY ALLIANZ HOLDINGS
LIMITED

DECISION (NON-CONFIDENTIAL)

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SUMMARY

1. Allianz Holdings Limited (**Allianz**) proposes to acquire all the issued shares in Legal and General Insurance Limited (**L&G Insurance**), which operates in Jersey, from Legal and General Group Plc (**L&G Group**).
2. The transaction has been notified to the Jersey Competition Regulatory Authority (the **Authority**) for approval pursuant to Article 21 of the Competition (Jersey) Law 2005 (the **2005 Law**).
3. The Authority has determined that the proposed acquisition will not lead to a substantial lessening of competition in any relevant market and hereby approves the notified transaction.

THE NOTIFIED TRANSACTION

4. On 3 September 2019, the Channel Islands Competition and Regulatory Authority¹ (**CICRA**) received a joint application from Allianz (the **Purchaser**) and L&G Insurance (the **Target**) for the proposed acquisition by the Purchaser of the entire share capital of the Target.
5. CICRA registered the application on its website with a deadline for comments of 17 September 2019. No submissions were received.
6. The transaction has also been notified for approval to the European Commission.

THE PARTIES

7. Allianz Holdings is part of the Allianz Group. The parent company is Allianz SE, which is headquartered in Munich, Germany and listed on the Frankfurt Stock Exchange and the OTC Markets Group. The Allianz Group is a global financial services provider active predominantly in relation to life and non-life insurance and asset management. The Allianz Group offers a broad range of insurance products to both corporate and retail clients.
8. The Target is the general insurance business of the Legal and General Group. It offers household, landlord, pet and accident sickness and unemployment insurance to consumers. The Target is active in the UK and Channel Islands.

JERSEY: REQUIREMENT FOR JCRA APPROVAL

9. Under Article 2(1)(b) of the 2005 Law, a merger² occurs where a person who controls an undertaking acquires direct or indirect control of the whole or part of another undertaking. On completion of the notified transaction, Allianz will acquire 100% of the shares in L&G Insurance. The notification transaction therefore constitutes a merger as defined by the 2005 Law.

¹ The JCRA and GCRA co-ordinate their activities with respect to competition law enforcement in the Channel Islands. For the purposes of this document, the JCRA and GCRA are together referred to as CICRA, and all references to CICRA should therefore be read as references to each of the JCRA and GCRA unless the context otherwise requires.

² For brevity, mergers and acquisitions are referred to as 'mergers' in this document.

10. According to Article 20(1) of the 2005 Law, a person must not execute certain mergers or acquisitions except with and in accordance with the approval of the JCRA. Article 2 of the Competition (Mergers and Acquisitions) (Jersey) Order 2010 (the **Order**) provides that if the merger or acquisition would create an undertaking with a share of 25% or more of the supply or purchase of goods or services of any description supplied to or purchased from persons in Jersey, or enhance such a share held by an undertaking, then the merger must be notified to the Authority for approval under Article 20(1) of the Law.
11. According to information provided by the parties to the transaction, the parties' combined share of supply of pet insurance exceeds 25%. The notified transaction therefore requires the approval of the JCRA prior to its execution.

MARKET DEFINITION

12. Under Article 22(4) of the 2005 Law, the Authority must determine if the merger would substantially lessen competition in Jersey or in any part of Jersey. To this end, the Authority will identify the markets which are likely to be affected by the merger and then assess whether competition in these markets will be substantially lessened³.

VIEWS OF THE PARTIES

13. The European Commission has previously distinguished the market for the supply and provision of insurance into three broad categories: life insurance, non-life insurance and reinsurance. On a conservative basis, the parties consider in this notification a potential sub-segmentation of the non-life insurance market – the supply of pet insurance.

CICRA CONSIDERATION

14. The relevant product market is defined primarily by reference to the likely response of consumers and competitors⁴. It will comprise products and/or services which are regarded as interchangeable or substitutable by the consumer, by reason of the product's characteristics, prices and intended use. An undertaking cannot have a significant impact on the prevailing conditions of a market if customers can easily switch to other service providers.
15. The market definition proposed by the parties is in line with those previously considered by the European Commission, including whether there is a narrow market for pet insurance⁵. The Authority considers the Commission consideration to be a reasonable frame of reference within which to assess this transaction. However, reaching a definitive conclusion on the scope of the relevant market is not necessary because the Authority concludes that on the balance of

³ In many cases, a market may already have been investigated and defined by CICRA or another competition authority. CICRA may take note of market definitions applied by other competition authorities, although these are not precedents. Competition conditions may change over time, changing the market definition. Market definition will always depend on the prevailing facts.

⁴ CICRA Guideline 7 – Market Definition

⁵ See Case No COMP/M8617 – Allianz / LV General Insurance Business 2017

probabilities, the transaction will not give rise to a substantial lessening of competition on any reasonable basis.

EFFECT ON COMPETITION

Horizontal effects

16. After determining the appropriate frame of reference within which to assess the transaction, the Authority estimates the respective positions of competitors within that frame of reference, both before and after the proposed transaction. This can be used as an indication of the overall level of concentration which will be brought about as a result of the merger.
17. As a result of the transaction, the Purchaser's share of pet insurance by number of policies and value in Jersey will increase by [less than 1%].

Party	Policy Holders	Value
Purchaser	[Redacted]	[Redacted]
Target	[Redacted]	[Redacted]
<i>Increase</i>	<i>[Less than 1%]</i>	<i>[Less than 1%]</i>

18. There is no publically available data by which to estimate the total size of the pet insurance segment for Jersey, however there are a number of large competitors active in Jersey, such as RSA (More Than), Animal Friends, Direct Line, E&L and Cardiff Pinnacle.
19. From the information provided it has not been possible to calculate the total value of the market and therefore the relative size of the parties in this market. However, the incremental increase in the Purchaser's share of pet insurance in Jersey that will be brought about by this transaction is low and there are a number of competitor suppliers of pet insurance in Jersey. The likelihood of anti-competitive horizontal effects arising as a result of this transaction is therefore low.

Vertical effects

20. Vertical mergers are mergers where one party has a 'vertical' relationship with the other (for example, as a supplier to or customer of that party). The focus of control of these types of merger focuses on the ability and incentive to foreclose an actual or potential rival's access to inputs as a result of the merger and whether such a strategy would have a significant detrimental effect on competition either up or downstream.
21. The transaction gives rise to a number of potential vertical links:
 - (i) The purchaser's activities in the upstream segment for the supply of reinsurance and the parties activities in the downstream segment for the supply of insurance; and
 - (ii) The parties' activities in the upstream segment for the supply of insurance and the Purchaser's activities as a distributor of third party insurance downstream.

22. European Guidelines⁶ state that competition concerns are unlikely to arise in respect of non-horizontal mergers where the market share post-merger of the new entity in each of the markets concerned is below 30%.
23. On the basis of the information provided, the Authority concludes that the market share of the parties is not likely to exceed 30% on any reasonable basis. The transaction is therefore unlikely to lead to a substantial lessening of competition on the grounds of anti-competitive vertical foreclosure.

DECISION

24. Based on the preceding analysis, the JCRA concludes that the acquisition will not substantially lessen competition in Jersey or any part of Jersey. The merger is therefore approved under Article 22(1) of the 2005 Law.

24 September 2019

By Order of the Board of the JCRA

⁶ Guidelines on the assessment of non-horizontal mergers under Council Regulation on the control of concentrations between undertakings (2008/C 265/07)