Decision

Proposed acquisition of AIG Life Limited by Aviva Life & Pensions UK Limited (C-062)

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Jersey Competition Regulatory Authority
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1. Summary

1.1 Aviva Life & Pensions UK Limited (the **Purchaser**) is proposing to acquire the entire issued share capital of AIG Life Limited (the **Target**) from Corebridge Financial Inc. (the **Seller**) (the **Proposed Transaction**).

1.2 The Proposed Transaction was notified to the Jersey Competition Regulatory Authority (**the Authority**) for approval pursuant to Article 21 of the Competition (Jersey) Law 2005 (**the Law**). The Authority has determined the Proposed Transaction will not lead to a substantial lessening of competition in any relevant market in Jersey and hereby approves the Proposed Transaction.

2. The Application

2.1 A notice of application regarding the Proposed Transaction was published by the Authority on 13 November 2023. The 10-day consultation period ended on 24 November 2023. No submissions or comments were received from the Authority's consultation process.

3. The Parties

The Purchaser

3.1 The Purchaser is a company incorporated in England and Wales, with registration number 03253947. The Purchaser is wholly owned by Aviva Plc and so forms part of the Aviva group.

3.2 Aviva plc is a UK-listed company operating in the insurance sector which provides a broad range of insurance (including life and non-life insurance products), savings and investment products and other insurance and investment-related services. Aviva plc serves approximately 18.7 million customers through a number of distribution channels across its core markets in the UK and Channel Islands, Ireland and Canada and operates in a number of smaller non-core jurisdictions.

3.3 Within the Aviva group, the Purchaser operates as a regulated insurance company, providing life, retirement and investment products to customers in its core markets. In Jersey specifically, the Purchaser is licensed by the Jersey Financial Services Commission (**JFSC**) to operate an insurance business and holds a category A permit under the Insurance Business (Jersey) Law 1996.

The Seller

3.4 The Seller, formerly AIG Life & Retirement, is incorporated in the United States (file number 2974174) and is listed on the New York Stock Exchange. The Seller is one of the largest and most established providers of retirement solutions and insurance products in the United States.

The Target

3.5 The Target is a company incorporated in England and Wales, with registration number 06367921. The Target operates in the life insurance sector and is a wholly owned subsidiary of the Seller. The Target underwrites individual protection (**IP**) and group protection (**GP**) products in the UK, which are distributed via brokers and partners. In Jersey, the Target underwrites IP products only.

Reason for the Proposed Transaction

3.6 The Proposed Transaction forms part of the Purchaser's strategy of refocusing its core markets and supports its aim to grow its business in capital-light areas in its core markets. The Proposed Transaction also aligns with the Seller's efforts to streamline its portfolio to focus on its core US products and solutions.

4. Requirement for Authority approval

4.1 Under Article 2(1)(b) of the Law, a merger or acquisition (referred to in this paper as a 'merger') occurs where a person who controls an undertaking acquires direct or indirect control of the whole or part of another undertaking. Article 20(1) of the Law provides that a person must not execute certain mergers or acquisitions except and in accordance with the approval of the Authority.

4.2 The Competition (Mergers and Acquisitions) (Jersey) Order 2010 (**the Order**) defines the mergers and acquisitions that must be approved by the Authority prior to execution. Most relevant to this case is Article 2(a) of the Order, '*Horizontal mergers or acquisitions'*, which provides that a merger or acquisition must be notified to the Authority for approval under the Law if its execution would:

(a) 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

(b) enhance such a share held by an undertaking.

4.3 According to the information provided by the parties, the Purchaser and the Target overlap in respect of the underwriting of life insurance, specifically in the underwriting of IP products for Jersey-based distributors for their end customers. Following the Proposed Transaction, the merged entity will control greater than 25% of the market for the underwriting of IP products for customers in Jersey. On this basis, and with reference to Article 2(a) of the Order, the Proposed Transaction is a horizontal merger and so requires the approval of the Authority prior to its execution.

5. Market definition

Approach

5.1 Under Article 22(4) of the Law, the Authority may refuse to approve a merger if it is satisfied the merger would substantially lessen competition in Jersey or in any part of Jersey.

5.2 To determine if a merger would substantially lessen competition, as an initial step, the Authority will identify the markets which are likely to be affected by the merger since market definition provides a framework within which the competitive effects of a merger can be assessed.

5.3 When defining a market, the Authority may take note of its own previous decision-making practice and/or market definitions applied by other competition authorities. These previous decisions are not precedents and are not binding, either on the merging parties or on the Authority. Competition conditions may change over time, changing the market definition, and market definition will always depend on the prevailing facts.[1]

Views of the Parties

Product Market

5.4 The parties consider the relevant product market for assessing the competition effects of the Proposed Transaction is the underwriting of IP products for Jersey-based distributors for their end customers. In reaching this conclusion, the parties considered previous decisions of the Competition and Markets Authority (**CMA**) and the EU Commission (the **Commission**):

(1) The CMA has identified distinct markets for insurance underwriting versus insurance distribution. The Target is not active in insurance distribution. Within insurance underwriting, the CMA has identified segments for life insurance, non-life insurance and reinsurance. The parties only overlap in respect of the underwriting of life insurance.

(2) Within life insurance underwriting, the CMA and the Commission have considered a further hypothetical segmentation of life insurance products, with a common distinction between (i) pure protection products; (ii) investment and savings products; and (iii) pension products. The Target only supplies pure protection products.

(3) As the Commission's market investigation indicated in the Aviva/Friends Life/Tenet case, there is no need to further sub-segment pure protection products due to a high degree of supply-side substitutability at an insurance provider level. The Commission has considered,

[1] This approach is consistent with that taken under EU law – see, for example, Joined Cases T-125/97 and T-127/97 [2000] ECR II-01733, paragraphs 81-82. Article 60 of the Law requires the Authority to attempt to ensure that so far as possible questions arising in relation to competition are dealt with in a manner that is consistent with the treatment of corresponding questions arising under European Union law in relation to competition within the European Union.

without concluding upon, a possible further distinction between IP and GP products. The CMA cited this approach, with approval, in its review of Phoenix Group's acquisition of AXA's Sun Life and Embassy businesses. More recently, the Commission received indications that IP and GP may in fact constitute part of the same market due to supply-side substitutability.

Geographic Market

5.5 Previously, the CMA and the Commission, have both decided the market for underwriting was national in scope, with reference to the existence of national distribution channels, national regulatory frameworks and national established brands operating in different jurisdictions. Applying these elements to Jersey, the parties submitted that there was not a geographic distinction between the Jersey and UK IP underwriting market. In particular:

(1) Distribution channels in Jersey are closely analogous to the UK;

(2) There are no material barriers to entry to the Jersey market for firms already active in the UK market; and

(3) Many of the same insurers are operating in Jersey as in the UK.

5.6 On this basis, the parties submit that the relevant geographic market is the UK and Channel Islands.

Authority consideration

5.7 The relevant product market is defined primarily by reference to the likely response of consumers and competitors.[2] 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.

Product Market

5.8 In a previous decision[3], the Authority has considered the provision of IP products as a distinct market. On the basis of the information provided by the parties, there is no reason for a different approach on this occasion.

[2] JCRA Guideline 7 – Market Definition.

[3] islands-insurance-hepburns-insurance-decision.pdf (jcra.je)

Geographic Market

5.9 There are low barriers to entering the IP underwriting market. The principal barrier to entering the Jersey market is the regulatory requirements to register either as an insurer or provider of insurance mediation services with the JFSC. However, for any well-established UK or global insurer, this will not be material barrier. Aside from this, there are few obstacles to entry or expansion as it is not necessary to establish a physical presence in Jersey in order to market or provide services to local clients. Consequently, the parties' submission that the relevant geographic market is the UK and Channel Islands appears reasonable.

5.10 Notwithstanding the above, the precise product and geographic market definition can be left open since, for the reasons set out below, the Proposed Transaction would not lead to a substantial lessening of competition on any plausible basis.

6. Effect on Competition

Approach

6.1 After defining the relevant market, the Authority considers the respective market shares of the competitors in that market, both before and after the proposed transaction. These shares can be used as an indication of the overall level of market concentration which will be brought about as a result of the merger.

6.2 The analysis will consider whether the merger creates or enhances the ability or incentive to exercise market power, either unilaterally or in co-ordination with competitors, and whether other market forces (such as the entry of new competitors or countervailing power of customers) will eliminate this risk. The assessment will also consider any pro-competitive effects or efficiencies that may result from the merger.

6.3 For horizontal mergers, as in this case, the Authority can assess two potential types of anti-competitive effects – uncoordinated effects (i.e. the ability of the merged entity to raise prices unilaterally) and coordinated effects (i.e. the ability of the merged entity to raise prices with either the implicit or explicit co-operation of other competitors).

6.4 When assessing mergers, the Authority will have regard to the guidelines produced by the Commission. It may also consider the substantive merger guidelines applied by the CMA in the UK, as well as those of other competition authorities.

Views of the Parties

6.5 The parties submit that the Purchaser and the Target overlap in the underwriting of IP products for Jersey-based distributors for their end customers. In the absence of market share data for Jersey specifically, the parties estimate the merged entity will have a combined share of supply in Jersey post-transaction in excess of 25%, based on UK figures.[4]

Table 1: Historic share of supply of IP products (UK, FY2022)[5]

The Purchaser	**15 – 20%**
The Target	**10 – 15%**
Combined	***25 – 30%***
Legal & General	20 – 25%
Royal London	10 – 15%
Vitality Life	5 – 10%
Zurich	5 – 10%
LV=	5 – 10%
Scottish Widows	5 – 10%
Other	10 – 15%

6.6 Each of these providers, plus a range of smaller (albeit well-established) providers, are authorised to underwrite IP products in Jersey and will continue to exert a competitive constraint on the merged entity post-transaction.

6.7 In addition, the parties note:

(1) There is no material differentiation between the nature of the IP products supplied by the parties and those of their competitors, such that the parties do not compete more closely with each other than with other providers;

(2) Shopping around between providers is straightforward plus independent financial advisers play a significant role in helping customers to find protection products to suit their needs, at competitive prices; and

[4] The parties' combined share per Table 1 is based on the sum of each of Aviva and AIG Life Limited's historic shares in FY2022. Aviva management assumes a significantly lower post-Transaction share of [REDACTED] in the UK.
[5] Independent data from the Association of British Insurers

(3) The UK insurance sector has a long history of entry, exit and re-entry by domestic and global insurers, underscoring the absence of any material barriers to entry.[6]

6.8 Consequently, the parties considered the Proposed Transaction does not give rise to a realistic prospect of substantially lessening competition.

Authority consideration

6.9 The Authority concludes the Proposed Transaction will not substantially lessen competition in Jersey or any part of Jersey. The Authority's rationale is set out below.

Market Shares

6.10 Market shares and concentration levels provide useful first indications of the market structure and of the competitive importance of both the merging parties and their competitors. The independent data submitted by the parties estimates the merged entity will have a combined share of supply of 25-30% of the market post-transaction. This is marginally above 25% market share, which is the concentration that may be presumed not to lead to a significant lessening of competition under European Guidelines.

Horizontal Effects

6.11 Both parties are active in the underwriting of IP products for Jersey-based distributors for their end customers. Noting there are no vertical effects associated with the Proposed Transaction, the Authority has considered the horizontal effects of Proposed Transaction and their likely impact on competition. There are two main ways in which horizontal mergers may substantially lessen competition, in particular by creating or strengthening a dominant position:

(a) By eliminating competitive constraints on one or more firms, which would have increased market power without resorting to coordinated behaviour (non-coordinated effects); and

(b) By changing the nature of competition in such a way that firms that previously were not coordinating their behaviour, are now significantly more likely to coordinate, and raise prices or otherwise harm effective competition (coordinated effects).

Non-coordinated effects

6.12 A number of factors may influence whether significant non-coordinated effects are likely to result from a mergers. First, where the merging parties have large market shares. The larger the addition of market share, the more like it is that the merger will lead to a significant increase in

[6] Case No. COMP/M.7478 - Aviva/Friends Life/Tenet

market power. As set out in Table 1 the combined market share is 25-30%, which is marginally above the "safe harbour" threshold of 25%.

6.13 Another factor is the extent to which the merging firms are close competitors, as the level of substitutability between the parties may have an impact on the ability to, for example, raise prices. Customers typically compare IP products on the basis of i) premiums, ii) policy terms and iii) insurers' brand and financial strength. However, there is no material difference between the nature of the products supplied by the Purchaser and the Target, and those of their competitors.

6.14 Lastly, there is a large number of well-established UK and global IP providers supplying the Jersey market who not only offer similar products but are competitive in terms of pricing, service levels and reputation.

Coordinated effects

6.15 A merger may change the nature of competition in such a way that firms that previously were not co-ordinating their behaviour are now significantly more likely to co-ordinate and raise prices or otherwise harm competition. For example, this may occur if the merger makes collusion easier, more stable or more effective. However, no factors which suggest this may occur are present in relation to the Proposed Transaction. For example, post-transaction there will still be a number of competitors, of different sizes, across the market.

Barriers to entry

6.16 In addition to these points, barriers to entering the IP underwriting market are relatively low. The principal barrier to entering the Jersey market is the regulatory requirements to register either as an insurer or provider of insurance mediation services with the JFSC. However, for any well-established UK or global insurer, this will not be material barrier.

7. Decision

7.1 On this basis, the Authority concludes the Proposed Transaction will not substantially lessen competition in Jersey or any part of Jersey; and are therefore approved under Article 22(4) of the Law.

08 December 2023 **By Order of the Jersey Competition Regulatory Authority**