EN

*Case No COMP/M.6883 - CANADA LIFE/ IRISH LIFE*

Only the English text is available and authentic.

**REGULATION (EC) No 139/2004**
**MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 31/05/2013

***In electronic form on the EUR-Lex website under document number 32013M6883***

Office for Publications of the European Union
L-2985 Luxembourg

EUROPEAN COMMISSION

Brussels, 31.05.2013
C(2013) 3360 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

MERGER PROCEDURE

**To the notifying party**

Dear Sir/Madam,

**Subject: Case No COMP/M.6883 - Canada Life/ Irish Life
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004**[1]

(1) On 22 April 2013, the European Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 (the "Merger Regulation") whereby Canada Life, ultimately controlled by Power Corporation of Canada (Canada), acquires sole control over Irish Life Group Limited ("Irish Life") currently owned by the Minister for Finance of Ireland. Canada Life and Irish Life are jointly referred to as the "Parties".

## I. THE PARTIES AND THE OPERATION

(2) Canada Life is a provider of individual and group insurance, wealth management, retirement protection and asset management services, active in the United Kingdom and in Ireland.

(3) Irish Life is the largest life insurance company in Ireland wholly owned by the Irish Minister for Finance. Irish Life is active mainly in life and pension insurance, both for individuals and for employers and public sector union members. It is mainly present in Ireland with some very limited activity in the UK.

(4) The proposed transaction consists of the acquisition of the entire issued and to be issued share capital of Irish Life by Canada Life, following which Irish Life will become a 100% subsidiary of Canada Life.

---

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.

(5) Consequently, the proposed transaction constitutes an acquisition of sole control by Canada Life of Irish Life, and therefore a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

## II. EU DIMENSION

(6) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million[2] (Irish Life: EUR 3,723 million; Canada Life: EUR 25,294 million). Each of them has an EU-wide turnover in excess of EUR 250 million (Irish Life: EUR […] million; Canada Life: EUR […] million). Canada Life achieves more than two-thirds of its EU-wide turnover in the UK while Irish Life achieves more than two-thirds of its aggregate EU-wide turnover in Ireland.

(7) Therefore, the proposed transaction has an EU dimension within the meaning of Article 1(2) of the Merger Regulation.

## III. COMPETITIVE ASSESSMENT

(8) The proposed transaction gives rise to a number of horizontal overlaps in the insurance and asset management markets. However, only the life insurance market in Ireland and a number of its sub-segments are affected in the sense of the Merger Regulation.

### A. Product market definition

(9) In previous decisions relating to the insurance sector, the Commission has distinguished between three large categories of insurance: life insurance, non-life insurance and reinsurance.[3]

(10) As regards the life insurance market, the Commission has in the past considered segmenting the market according to the risk covered/service provided into (i) pure risk protection products, (ii) pension products and (iii) investment products.[4] Additionally, the Commission segmented the market according to the category of customers to which the products are addressed, namely between life insurance to individuals and group customers.[5] The Commission has so far left the exact market definition open.

(11) The notifying party submits that the relevant product market is life insurance as a whole.

---

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

3 See Case No COMP/M.2400, Dexia/Artesia decision, 14/06/2001; Case No. COMP/M.2225, Fortis/ASR Decision, 13/12/2000; Case No. COMP/M.1989, Winterthur/Colonial Decision, 09/06/2000; Case No COMP/M.1886, CGU/Norwich Union Decision, 13/04/2000; Case No COMP/M.1910, Meritanordbanken/Unidanmark Decision, 10/04/2000; Case No COMP/M.1816, Churchill Insurance Group/Hig Holdings Decision, 02/02/2000; Case No COMP/M.1777, CGU/Hibernian Decision, 18/01/2000.

4 Case No. COMP/M.4701 Generali/PPF Insurance business. Case No. COMP/M.6521 – Talanx International Meiji Yasuda Life insurance/Warta.

5 Case No. COMP/M.5075 Vienna Insurance Group/EBV para 22; Case No COMP/M.4701 Generali/PPF Insurance Business, para. 20.

### *i. Subdivision according to the risk covered/service provided*

*Pure risk protection products*

(12) Pure protection insurance products are products, where in return for a regular premium the insurer agrees to pay a lump sum on a certain specified event such as death or serious illness. They may include mortgage protection policies; term life insurance (i.e. protection for a defined period, where the policyholder chooses the cash sum required covering their families in the event of death or the expiration of the policy); whole life policies (which pay on death of the insured); and critical illness cover.

*Pension products*

(13) This category encompasses products which allow the accumulation of funds for the purposes of the provision of retirement income and products which provide such retirement income to the beneficiaries. The majority of pension holders in Ireland purchase their pensions through group schemes (i.e. general employee schemes).

(14) Individuals and small groups' pension needs are served by life insurance providers via various distribution channels, while larger group pension funds are usually administered by specialist pension administrators who deal directly with investment managers.

(15) According to the Irish tax regime, the pension products in Ireland are incentivised by various tax reliefs, which is not the case for pure risk protection or investment products.

*Savings and investment products*

(16) Products in this category provide a wealth accumulation service to consumers. They include tracker funds (where the investment return over a specified period is based on the performance of one or more stock market indexes), guaranteed funds (providing a guaranteed return over a specified period), managed funds (pooled funds investing in a mix of assets such as equities, securities and properties), personal investment plans, personal equity plans, etc. In general, the products within this category differ according to the mechanism used to generate returns.

### *ii. Subdivision according to the nature of the customer: individual v group*

(17) Pure risk protection products and pension products can be offered on both individual and group basis whereas investment-based life insurance products are not sold on a group basis in Ireland.

The market investigation has shown that the prices, sales conditions and the regulatory regime applicable to pure risk protection and pension products for individuals and those applicable to pure risk protection and pensions products sold on a group basis are different.

### *iii. Conclusion*

(18) The question whether the life insurance market shall be segmented taking into account the different risks covered and/or the nature of the customer can be left open in this case in view that the transaction does not give rise to serious doubts as to its compatibility with the internal market in any market segment.

**B. Geographic market**

(19) The Commission in its previous decisions has considered the geographic market for life insurance to be national in scope due to the following elements: (i) existence of national distribution channels (ii) different regulatory framework and fiscal regimes, (iii) different established brands. However, the exact geographic market definition has been left open.[6]

(20) The notifying party considers that the geographic market for life insurance and its sub-segments may be wider than national. In particular, because from a supply-side perspective, once a life insurance undertaking has been authorised to establish a business in one Member State it is then possible to run businesses throughout the EEA.

(21) The market investigation confirmed that the scope of the product market in relation to life-insurance can be limited to Ireland. On the demand side, it is to be noted that Irish customers search for life insurance providers in Ireland. On the supply side, brokers in Ireland do not distribute insurance products other than Irish and the insurance providers confirm that competition takes place at national level.

**C. Competitive assessment**

(22) The parties' activities overlap in the provision of life insurance and asset management services in Ireland. No affected market arises in the provision of asset management services, irrespective of the market definition.

(23) As regards life insurance the proposed transaction would give rise to several horizontally affected market segments where the Parties' combined market shares range from [20-30]% in individual savings to [40-50]% in group pension products.

6 See Cases No. COMP/M.5075 *Vienna Insurance Group/EBV*; COMP/M.5057 *Aviva/UBI Vita;* Case No COMP/M.6521 *Talanx International / Meiji Yasuda Life Insurance / Warta.*

**Table 1. Summary of Market Share Information (2012) – IRELAND.**

| Category | Life insurance – overall | Risk/Protection based products | | Pensions products | | Savings and Investment products |
|---|---|---|---|---|---|---|
| | | Individual | Group | Individual | Group | |
| **Irish Life** | [20-30]% | [30-40]% | [30-40]% | [20-30]% | [30-40]% | [20-30]% |
| **Canada Life** | [5-10]% | [0-5]% | [0-5]% | [5-10]% | [5-10]% | [0-5]% |
| ***Combined*** | ***[30-40]%*** | ***[30-40]%*** | ***[30-40]%*** | ***[30-40]%*** | ***[40-50]%*** | ***[20-30]%*** |
| **Aviva** | [10-20]% | [5-10]% | [5-10]% | [10-20]% | [5-10]% | [10-20]% |
| ***Friends First*** | [5-10]% | [5-10]% | [20-30]% | [5-10]% | [0-5] % | [0-5]% |
| **New Ireland** | [20-30]% | [20-30]% | [5-10]% | [20-30]% | [10-20]% | [40-50]% |
| **Zurich** | [10-20]% | [10-20]% | [20-30]% | [10-20]% | [10-20]% | [10-20]% |
| **Standard Life** | [5-10]% | n.a. | n.a. | [10-20]% | [0-5]% | [5-10]% |
| **Generali** | [0-5]% | n.a. | [5-10]% | n.a. | n.a. | n.a. |
| **MetLife** | [0-5]% | n.a. | n.a. | n.a. | [0-5]% | n.a. |
| **Others** | [0-5]% | [5-10]% | [0-5]% | [0-5]% | [0-5]% | [0-5]% |

*Source: Form CO.*

### *i. Life insurance in Ireland*

(24) Despite the combined market shares of the Parties close to [30-40]%, the increment is rather limited ([5-10]%) and the combined entity will still face a number of competitors, namely New Ireland (second biggest insurance provider in Ireland with a market share of [20-30]%), Zurich (a market participant with strong international presence having a market share of [10-20]%) and Aviva (a leading provider in Europe holding [10-20]% of Irish life insurance market).

(25) In addition, the notifying party argues that as a result of the strong price competition the market shares of the insurance providers fluctuate and that switching of insurance providers is common in Ireland[7]. The market investigation has shown that switching is indeed relatively easy and that due to various factors, including strong price competition, it occurs regularly.

(26) As regards entry barriers, the notifying party argues that these are relatively low. In particular brand recognition is not a key determinant competitive factor in the life insurance market and access to an effective distribution network is easy due to the existence of independent brokers who are required by law to hold appointments with at least five insurance providers. This has been confirmed by the market investigation and it is illustrated by the fact that at least two companies (MetLife and Generali) have entered the market in the last three years.

[7] In […] applications received by Irish Life for […] were received from customers […] and this rose to […]within the […] channel.

(27) Based on the above, the transaction will not give rise to competition concerns in the Irish overall life insurance market.

### *ii. Pure risk protection products in Ireland (individual and group products)*

(28) In individual protection products the combined market share of the Parties reaches [30-40]%, and the increment remains rather limited amounting to [0-5]%. Following the transaction, the combined entity will continue to face competition from the following significant players: New Ireland ([20-30]%), Zurich ([10-20]%), Aviva ([5-10]%) and Friends First ([5-10]%).

(29) According to the notifying party customers are highly price sensitive, which is demonstrated by frequent customer switching. This has been confirmed by the market investigation. In group protection products the increment arising from the transaction is de minimis, reaching [0-5]% only. In addition, the notifying party points to the contestable nature of the market evidenced by recent entrant Generali which rapidly gained a considerable market share since its entry into this segment in 2010 as well as by the significant increase of Zurich's market share (from [5-10]% in 2009 to [20-30]% in 2012).

(30) Against this background it can be concluded that the transaction will not give rise to competition concerns in these segments.

### *iii. Pension products in Ireland (individual and group products)*

(31) In the market segment for individual pension products the Parties' combined market share will amount to [30-40]% with an increment of [5-10]%. The notifying party submits that the market is competitive as there are several strong players with market shares above 10% and switching is easy and does not entail losing the associated tax benefits. The notifying party further emphasises that non-life insurance providers and brokers are able to offer pension products thus widening consumer choice and making the segment more competitive. The parties' arguments have been confirmed by the market investigation.

(32) The increment brought by the present transaction in relation to group pension products amounts to [5-10]%. Even though the Parties' combined market share is [40-50]%, there will be a sufficient number of strong competitors post-merger with market shares of 10% or more which will continue to constrain the new entity, namely New Ireland ([10-20]%) Zurich ([10-20]%) and Aviva ([5-10]%).

(33) The market seems to be dynamic and market shares contestable. This is illustrated by the fact that Irish Life's market share decreased from [40-50]% in 2009 to [40-50] in 2012 while New Ireland's share grew from [10-20]% to [10-20]% during the same period. This is due to the fact that in group products switching of a single large employer from one supplier to another can have a significant impact. In addition, entry barriers appear to be low and small players seem to be able to successfully challenge the incumbents: indeed, the new entrant MetLife, who entered the market in 2010 gained [0-5]% market share in 2012.

(34) Moreover, in this segment there is a special subset of brokers, the Employee Benefit Consultants ("EBCs"), which add to the competitiveness of the market. The EBCs are specialised in dealing with corporate customers, typically much larger in scale than ordinary brokers, supplying across all group products (as well as various non-insurance

services) which make them particularly attractive for corporate customers. The EBCs can administer employers' pension schemes, collect contributions and subcontract the asset management to a third party, thus substituting the life insurance provider completely. As a result the EBCs exercise significant competitive pressure on the life insurance providers, in particular in the segment for group pension products.

(35) Finally, the market investigation has confirmed that there is a wide choice of pension insurance providers and that obtaining an independent advice does not pose a problem. As regards group pension products, usually bought by large employers – the customers often organise tenders or another way of market testing to obtain the best offer; they also regularly review the competitiveness of the services obtained (in particular benefit for rates paid)

(36) Against this background the transaction will not give rise to competition concerns in this segment.

#### *iv. Saving and investment products in Ireland*

(37) In saving and investment products the combined entity will have a market share of [20-30]%, the increment being [0-5]%. The combined entity will continue to face competition from the market leader, New Ireland, holding a market share of [40-50]% and a number of other strong players such as Aviva ([10-20]%), Zurich ([10-20]%) and Standard Life ([5-10]%).

(38) In this segment Irish Life's market share has declined from [20-30] % in 2009 to [20-30] % in 2012. During the same period the market share of the market leader, New Ireland, increased from [30-40] % to [40-50] % while Aviva's market share decreased from [20-30] to [10-20] %. This proves that switching is common in this segment indicating that competition in the market is dynamic.

(39) The market investigation has shown in particular that penalty clauses apply for an initial period after which switching is easy and indeed a common practice. The market investigation proved that there is a competitive pressure to improve allocation rates and reduce charges and that customers do actually switch in search for better saving and investment products.

(40) Against this background the transaction will not give rise to competition concerns in this segment.

## IV. CONCLUSION

(41) 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.

*For the Commission*
*(signed)*
*Joaquín ALMUNIA*
*Vice-President*