



EUROPEAN COMMISSION  
DG Competition

*Case M.9127 -  
CARLYLE /  
SEDGWICK*

Only the English text is available and authentic.

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

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Article 6(1)(b) NON-OPPOSITION  
Date: 20/12/2018

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## EUROPEAN COMMISSION

Brussels, 20.12.2018  
C(2018) 9200 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.9127 – Carlyle / Sedgwick  
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004<sup>1</sup> and Article 57 of the Agreement on the European Economic Area<sup>2</sup>**

Dear Sir or Madam,

- (1) On 16 November 2018, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which funds managed by affiliates of The Carlyle Group L.P. (“Carlyle”) acquires within the meaning of Article 3(1)(b) of the Merger Regulation sole control of the whole of Sedgwick, Inc. (“Sedgwick”) by way of purchase of shares (“the Transaction”). Carlyle is referred hereinafter as the "Notifying Party" and, together with Sedgwick, the "Parties".

### **1. THE PARTIES**

- (2) Carlyle is a global alternative asset manager, managing funds that invest globally. Carlyle's portfolio of companies includes in particular The Innovation Group Ltd (“Innovation Group”), a company active in third party administration (“TPA”) insurance claims management and loss adjusting services.
- (3) Sedgwick is a global provider of risk management solutions focusing primarily on providing insurance-related services to insurers, self-insured corporations, governmental authorities, etc. Sedgwick provides *inter alia* loss adjusting, TPA

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<sup>1</sup> 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.

<sup>2</sup> OJ L 1, 3.1.1994, p. 3 (the 'EEA Agreement').

insurance claims management, loss consultancy and property reinstatement services.<sup>3</sup>

## **2. THE OPERATION**

- (4) The notified concentration consists of the acquisition of indirect sole control by Carlyle over Sedgwick. Carlyle Partners VII Cayman L.P. and Carlyle Global Financial Services partners III L.P., funds managed by affiliates of Carlyle will indirectly hold an approximately [...] and [...] interest in Sedgwick. The remaining minority shares will be split between Caisse de dépôt et placement du Québec ("CDPQ") and Stone Point Capital LLC., an investment fund, which will not hold, either individually or collectively, any veto right on strategic decisions.
- (5) Therefore, the Transaction qualifies as 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 worldwide turnover of more than EUR 5 000 million<sup>4</sup> (Carlyle: EUR [...] million; Sedgwick EUR [...] million). Each of them has an EU-wide turnover in excess of EUR 250 million (Carlyle EUR [...] million; Sedgwick: [...] million), but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State.
- (7) The Transaction therefore has a Union dimension pursuant to Article 1(3) of the Merger Regulation.

## **4. RELEVANT MARKETS**

- (8) The Transaction gives rise to horizontal overlaps between Sedgwick and Innovation Group (a Carlyle portfolio company) regarding the provision of loss adjusting ("LA") services in the United Kingdom and Germany.<sup>5</sup> While Sedgwick provides LA services for a wide variety of risks, Innovation Group's operations essentially focus on the subsidence risk,<sup>6</sup> which accounts for more than [80-100%] of its LA business.
- (9) The Transaction also leads to a potential vertical link in Ireland and in the UK between the upstream provision of TPA and LA services by Sedgwick and the

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<sup>3</sup> Sedgwick recently acquired sole control over Cunningham Lindsay (see case M.8764 – *Sedgwick/Cunningham Lindsay*).

<sup>4</sup> Turnover calculated in accordance with Article 5 of the Merger Regulation.

<sup>5</sup> The Transaction also gives rise to limited overlaps with respect to the provision of (i) third party administration ("TPA") claims management services in the UK and (ii) business process management and business process outsourcing in Ireland. These overlaps do not give rise to affected markets under any plausible market definitions and therefore will not be further discussed in this decision.

<sup>6</sup> Subsidence occurs when shifts in the ground cause movements in a building's foundations, causing damage to the building.

downstream insurance brokerage activities of PIB Ltd ("PIB", another portfolio company of Carlyle).<sup>7</sup>

#### 4.1. Product market definition

##### 4.1.1. Loss adjusting ("LA")

- (10) LA services involve the provision of inspection services related to claims processing, which typically consists of sending an inspector to the site of the loss to assess whether the insurer is obligated to pay the insured (or to pay a third party on behalf of the insured), to quantify the insurer's exposure, and to determine whether the insurer can recover payment from a third party. Most field inspections are performed by third party loss adjusters (such as Sedgwick and Innovation Group), but may be performed by an insurer or self-insured corporation using in-house claims inspectors. Claims that require field inspection range from small scale commercial or homeowner claims to large and complex industrial losses stemming from catastrophes and natural disasters.
- (11) In previous cases,<sup>8</sup> the Commission considered that LA services may belong to a separate product market from other insurance-related services. In *Sedgwick/Cunningham Lindsey*,<sup>9</sup> the Commission also envisaged to further segment LA services (i) depending on the type of claims, distinguishing property<sup>10</sup> and casualty<sup>11</sup> LA services and, within property, between commercial and personal property LA, and (ii) distinguishing between in-house and external LA services. Conversely, the Commission did not consider a sub-segmentation of LA services by type of risks and, thus, did not assess whether the subsidence risk forms a distinct market segment within property LA (or within personal and commercial property LA). The exact scope of the product market definition was ultimately left open.
- (12) The Notifying Party agrees with the previous assessment of the Commission and submits that the exact product market definition for LA services can be left open since the Transaction does not raise serious doubts under any plausible product market definitions envisaged in the Commission's past decisional practice.
- (13) The Notifying Party also submits that subsidence LA is an integral part of property LA and does not constitute a distinct product market. It is argued that a sub-segmentation of property LA by type of risks (such as subsidence) is not reflective of market reality notably on the grounds that (i) the major players

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<sup>7</sup> There are also potential supply relationships in the UK between (i) the provision of TPA claim management services by Sedgwick and (ii) the activities of two other Carlyle portfolio companies, namely NARS (a provider of car repair and maintenance services) and Bardon (an insurance distributor). These potential vertical links do not give rise to affected markets, under any plausible market definitions, and therefore will not be further assessed in this decision.

<sup>8</sup> See M.6752 – *CVC/Cunningham Lindsey Group* and M.8764 - *Sedgwick/Cunningham Lindsey*.

<sup>9</sup> See M.8764 - *Sedgwick/Cunningham Lindsey*.

<sup>10</sup> Property LA services relate to property insurance, which is a policy that provides financial reimbursement to the owner or renter of a structure and its content, in the event of damage or theft. Property insurance can be written for both personal property (e.g. homeowners and renters) and commercial property (e.g. factories). The property segment comprises a range of different types of risks, such as fire, theft, accidental damage, subsidence, and escape of water.

<sup>11</sup> Casualty LA services related to casualty insurance, which is mainly liability coverage of an individual or organisation for negligent acts or omissions property and casualty.

provide an integrated offer of services across different types of risks and (ii) the claims management process is largely the same across the spectrum of risks (requiring the same assets, skills and processes regardless of the risk). The Notifying Party acknowledges that, for certain risks, there may be a certain degree of expert specialisation to assess the damage but claims that experts can easily be cross-trained or re-trained for distinct risks depending on the LA needs.

- (14) The results of the market investigation were not conclusive as to whether subsidence LA services constitute a distinct product market. For instance, several competitors consider subsidence as an integral part of property LA but the remaining respondents took the opposite view indicating that subsidence is a separate business line due notably to the need for experts (such as Chartered Surveyors or engineers).<sup>12</sup> Although most competitors consider that subsidence is not a distinguishing feature when competing for LA contracts<sup>13</sup> and most customers source subsidence and property LA services from the same supplier,<sup>14</sup> the market investigation revealed the existence of specific tenders and panels<sup>15</sup> for subsidence LA<sup>16</sup>, as well as the existence of LA providers specialised in subsidence (such as Maule and Innovation Group).
- (15) As regards the distinction between personal and commercial subsidence LA services, market participants indicated that this segmentation is not relevant and that the requirements to be active in subsidence LA are the same for both commercial and personal subsidence LA<sup>17</sup>. For instance, one respondent indicated that *"The technical aspects of subsidence are the same in both personal and commercial"*, although he recognised that *"commercial is more complex"*.
- (16) For the purpose of this decision, and based on the above, the Commission considers the provision of subsidence LA services should not be segmented further between commercial and personal property subsidence. The Commission also concludes that the precise product market definition for property LA services can be left open as to: (i) whether a distinction should be made between personal and commercial property LA; (ii) whether subsidence LA is a part of LA services or a separate sub-segment; and (iii) whether the relevant market should comprise also in-house LA services. This is because the Transaction does not raise serious doubts as to its compatibility with the internal market regardless of the exact product market definition.

#### 4.1.2. *Third Party Administration ("TPA") claims management*

- (17) Claim management services involve the administration of insurance claims. TPA claims management service providers replicate all or part of an insurer's internal claims management process, including first notification of loss, initial analysis of

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<sup>12</sup> See replies to question 6 of questionnaire Q2 to competitors.

<sup>13</sup> See replies to question 9 of questionnaire Q2 to competitors.

<sup>14</sup> See notably replies to question Q8 of questionnaire Q1 to customers.

<sup>15</sup> A panels is a business arrangement whereby a customer, generally an insurer, enters into contracts with a fixed number of suppliers to perform certain LA work that it has decided to outsource to third party service providers (see M.8764 – *Sedgwick/Cunningham Lindsey*, para. 30).

<sup>16</sup> See replies to question 22 of questionnaire Q2 to competitors and replies to question 13 of questionnaire Q1 to customers.

<sup>17</sup> See replies to question 7 of questionnaire Q2 to competitors.

claim and distribution to appropriate personnel for processing, negotiation and settlement, payment, providing management information and data, and recovery.

- (18) In previous cases,<sup>18</sup> the Commission found that TPA claim management services belong to a separate product market. The Commission also envisaged to further segment this market (i) depending on the type of claims, distinguishing property, casualty and motor claims management services, and within property, between commercial and personal property claims management, and (ii) distinguishing between in-house and external claims management. The Commission ultimately left the exact product market definition open.
- (19) The Notifying Party agrees with the previous assessment of the Commission.
- (20) For the purpose of this Decision, the Commission considers that the exact delineation of the market for the provision of TPA claims management services can be left open along the lines described above since no serious doubts as to the compatibility of the Transaction with the internal market arise under any plausible product market definition.

#### *4.1.3. Insurance distribution*

- (21) In previous cases,<sup>19</sup> the Commission considered the existence of a downstream market for insurance distribution. The Commission 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. The Commission also considered whether a distinction could be made between the market for the distribution of life and non-life insurance products, but ultimately left the market definition open in this respect.
- (22) The Notifying Party does not propose an alternative product market definition.
- (23) For the purpose of this Decision, the exact product market definition for insurance distribution can be left open along the lines described above as the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible market definition.

## **4.2. Geographic market definition**

### *4.2.1. LA and TPA claims management*

- (24) In terms of geographic scope, in previous cases the Commission found that the markets for LA services and TPA claim management services (and their potential sub-segments) could be national or possibly limited to the UK/Ireland cluster.<sup>20</sup> The Commission ultimately left the exact geographic scope of the market open, and in particular whether (i) the UK and Ireland should be considered together or separately and (ii) whether Northern Ireland should belong to the same geographic market as the UK or as Ireland.

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<sup>18</sup> See M.6752 – CVC/Cunningham Lindsey and M.8764 – Sedgwick/Cunningham Lindsey.

<sup>19</sup> See M.8617 – Allianz/LV General Insurance Businesses, M.6957 – IF P&C/Topdanmark and M.6053 – CVC/Apollo/Brit Insurance.

<sup>20</sup> See M.6752 – CVC/Cunningham Lindsey Group and M.8764 – Sedgwick/Cunningham Lindsey.

- (25) The Notifying Party submits that, although there are no material legal or regulatory barriers to cross-border activity, national legal requirements (e.g. expert accreditation/qualification) and knowledge of local insurance law are key requirements. The Notifying Party also considers that providers of LA and TPA services typically need to have employees at national level who can liaise locally with customer and undertake site visits when field inspections are necessary. In any event, the Notifying Party submits that the geographic scope of the market can be left open.
- (26) For the purpose of this Decision, the Commission considers that the exact geographic scope of the markets for LA and TPA claim management services (and their potential sub-segments) can be left open along the lines described above since no serious doubts as to the compatibility of the Transaction with the internal market arise under any plausible geographic market definition.

#### 4.2.2. *Insurance distribution*

- (27) The Commission has previously recognised the national nature of insurance distribution channels.<sup>21</sup> 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.
- (28) The Notifying Party does not propose any alternative geographic market definition.
- (29) For the purpose of this Decision, the exact geographic market definition (national or wider) for insurance distribution can be left open along the lines described above as the Transaction does not raise serious doubts under any alternative market definition.

## 5. COMPETITIVE ASSESSMENT

### 5.1. Horizontal assessment

- (30) Based on the above market definitions, the overlaps between the Parties' activities rise to horizontally affected markets only in the UK in the following markets/segments: (i) LA, (ii) property LA, (iii) personal property LA, (iv) commercial property LA, (v) subsidence LA.

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<sup>21</sup> See M.8617 – *Allianz/LV General Insurance Businesses*, M.6957 – *IF P&C/Topdanmark* and M.6053 – *CVC/Apollo/Brit Insurance*.

**Table 1: Market shares in the horizontally affected markets/segments**

Company	LA	Property LA	Personal property LA	Commercial property LA	Subsidence LA
Sedgwick	[20-30]%	[30-40]%	[30-40]%	[20-30]%	[30-40]%
Innovation Group (Carlyle)	[0-5]%	[0-5]%	[5-10]%	[0-5]%	[20-30]%
<b>Combined</b>	<b>[20-30]%</b>	<b>[30-40]%</b>	<b>[40-50]%</b>	<b>[20-30]%</b>	<b>[60-70]%</b>
<b>HHI increment</b>	<b>[...]</b>	<b>[...]</b>	<b>[...]</b>	<b>[...]</b>	<b>[...]</b>
Crawford/Broadspire	[20-30]%	[20-30]%	[20-30]%	[30-40]%	[20-30]%
Charles Taylor	[10-20]%	[5-10]%	[...]	[5-10]%	[...]
Davies	[5-10]%	[5-10]%	[10-20]%	[...]	[0-5]%
McLarens	[5-10]%	[5-10]%	[0-5]%	[5-10]%	[...]
QuestGates	[0-5]%	[...]	[0-5]%	[5-10]%	[...]
<b>Total market size (GBP million)</b>	<b>358.5</b>	<b>243.5</b>	<b>89</b>	<b>154.5</b>	<b>22</b>

*Source: Form CO*

- (31) The Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market for the following reasons.<sup>22</sup>
- (32) *First*, in most of the affected markets/segments, the Parties' combined market shares are moderate and the increment brought by the Transaction is limited. More specifically, in the UK markets/segments for (i) LA, (ii) property LA and (iii) commercial property LA, the Parties' combined market shares are below or close to [30-40]%, and the increment brought by Innovation Group is modest (maximum [0-5]%). In the markets/segments for personal property and subsidence LA services, the Parties have a more significant combined market shares (respectively [40-50]% and [60-70]%) but, as explained below, they will continue to face significant competitive constraints post-Transaction. Moreover, the Commission notes that the Parties' market share would be lower if LA services procured in-house were included.
- (33) *Second*, the market investigation confirmed that several credible competitors are active in each affected markets/segments post-Transaction, including in personal property LA and subsidence LA.<sup>23</sup> This is notably illustrated by the fact that, in all the affected markets/segments (apart from the subsidence LA segment), most customers and competitors do not even include Innovation Group in the top 5 LA service providers.<sup>24</sup> Moreover, the vast majority of customers indicated that there

<sup>22</sup> The competitive assessment of the market for LA in the UK remains the same irrespective of whether or not the Republic of Ireland or Northern Ireland should be considered as part of the same geographic market as the rest of the UK because (i) the Parties' LA activities do not overlap in the Republic of Ireland; (ii) Innovation Group does not have any LA customers that are resident in Northern Ireland and (iii) Sedgwick's Northern Ireland sales account for a small percentage of its UK sales, hence the market shares would remain similar even if Northern Ireland was excluded from the UK geographic market.

<sup>23</sup> See replies to question 10 of questionnaire Q2 to competitors and replies to questions 4 and 16 of questionnaire Q1 to customers.

<sup>24</sup> See replies to question 10 of questionnaire Q2 to competitors and replies to question 16 of questionnaire Q1 to customers.



will remain sufficient alternative sources of supply in the UK market for LA services and its potential sub-segments post-Transaction.<sup>25</sup>

- (34) More specifically, regarding the subsidence LA segment, although the competitive landscape appears from the above table rather consolidated, with only one competitor having a sizeable market share (*i.e.* Crawford), several players have been identified as credible alternative suppliers, including Crawford, but also McLarens, Davis, Questgate, Woodgate, Maule, *etc.*<sup>26</sup>
- (35) This is notably due to the fact that players with limited operations in a specific market segment, such as subsidence LA, can easily expand their activities in the said segment<sup>27</sup> and, thus, exert a meaningful competitive constraint on the market.
- (36) The market investigation identified the main barrier to expansion in a given segment in the need to recruit additional staff and experts.<sup>28</sup> In this respect, the Commission found that the UK labour legislation enhances the ability of small LA players to quickly scale-up their capacity to meet customer demand, for example when concluding a large contract with a new customer. In particular, the TUPE Regulations<sup>29</sup> provide that, when a customer switches to a new service provider (or decides to bring the services back in-house), the relevant employees working on the concerned service may be transferred with the services to become employed by the new service provider.
- (37) The Parties provided several examples of such transfers of employees under the TUPE Regulations. For instance, in 2011, RBS Insurance decided to outsource its subsidence claims, which resulted in the transfer to Innovation Group of 25-30 people that had been previously doing LA subsidence in-house at RBS. Similarly in 2016, 113 employees were transferred from [...] to Sedgwick, following [...] decision to outsource its entire property and casualty claims and in 2018, 16 employees have been transferred back from Sedgwick to [...] as a result of [...] decision to partially bring the services back in-house. A competitor also specifically referred to a case of TUPE transfer of employees in the subsidence LA segment.<sup>30</sup>
- (38) *Third*, the market investigation confirmed to a large extent the Notifying Party's claim that Sedgwick and Innovation Group are not close competitors. Sedgwick is a large, multi-risk integrated LA provider, with a broad LA practice covering property but also agriculture, casualty, personal motor and travel, whereas Innovation Group is a specialised player focussing primarily on the subsidence risk (which accounts for more than [80-100%] of its LA business). According to most market participants, in all the affected markets/segments, including subsidence LA, Sedgwick's closest competitor is Crawford, another multi-risk LA

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<sup>25</sup> See replies to question 23 of questionnaire Q1 to customers.

<sup>26</sup> See replies to question 10 of questionnaire Q2 to competitors and replies to questions 4 and 16 of questionnaire Q1 to customers.

<sup>27</sup> See replies to questions 4 and 5 of questionnaire Q2 to competitors.

<sup>28</sup> See replies to questions 4 and 5 of questionnaire Q2 to competitors.

<sup>29</sup> Transfer of Undertakings (Protection of Employment) Regulations 2006 as amended by the Collective Redundancies and Transfer of Undertakings (Protection of Employment) (Amendment) Regulations 2014 ("TUPE").

<sup>30</sup> See replies to question 6.1 of questionnaire Q2 to competitors.

provider. Regarding Innovation Group, the results are more mixed, with both Sedgwick and Crawford being mentioned as close competitors to Innovation Group.<sup>31</sup>

- (39) *Fourth*, LA services are mainly provided to large insurance companies, which are sophisticated customers with significant countervailing buyer power and the possibility to discipline attempts to increase prices. The Commission found that the customer-base is rather consolidated, with a limited number of large customers representing a high proportion of the UK demand for LA services.<sup>32</sup> These large insurance companies generally award LA services in two ways: either (i) they organise a tender or request for quotes to build a panel of approved LA providers,<sup>33</sup> or (ii) they directly nominate a LA provider.<sup>34</sup>
- (40) The market investigation confirmed the Parties' claim that the membership to a panel does not provide a guarantee of work. Customers can decide on the allocation of work among panel members and can even decide to work with LA service providers outside of the panel,<sup>35</sup> creating thus additional competition for the panel members. The market investigation also revealed that prices differ between panel members and can evolve over time (both decrease and increase, depending on who initiates the negotiation and whether additional services are provided by the LA provider).<sup>36</sup> It follows that LA providers compete not only for (i) a position on the panel but also for (ii) the allocation of work within the panel. This enables customers to push down prices when the panel membership is negotiated but also afterwards by reallocating work among panel members or by using external LA providers. These competitive dynamics tend to confirm that the Parties' ability to raise prices post-Transaction would be rather limited.
- (41) The Commission also notes that customers indicated that the size of loss adjusters is irrelevant to become a panel member if the LA has the necessary expertise sought by the insurer.<sup>37</sup> This corroborates the Parties' statement that even small LA providers exert competitive pressure on the Parties.
- (42) *Fifth*, the market investigation confirmed the Parties' claims that customers can easily and swiftly switch LA providers due to (i) the use of panels of service providers, which allows customers to easily re-allocate panel work and/or add additional providers, and (ii) the transfer of relevant employees under the UK's TUPE Regulations (see above paragraphs 35-36 and 38-40). Therefore, customers have a large degree of freedom to decide which company they want to appoint for specific LA claims.

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<sup>31</sup> See replies to question 12 of questionnaire Q2 to competitors and question 18 to questionnaire Q1 to customers.

<sup>32</sup> See replies to question 17 of questionnaire Q2 to competitors.

<sup>33</sup> As previously explained, a panel is a business arrangement whereby a customer, generally an insurer, enters into contracts with a fixed number of suppliers to perform certain LA work that it has decided to outsource to third party service providers (see M.8764 – *Sedgwick/Cunningham Lindsey*, para. 30).

<sup>34</sup> See replies to question 19 of questionnaire Q2 to competitors and questions 6 and 10 of questionnaire Q1 to customers.

<sup>35</sup> See replies to questions 26 of questionnaire Q2 to competitors and questions 14 and 15 of questionnaire Q1 to customers.

<sup>36</sup> See replies to questions 23 to 25 of questionnaire Q2 to competitors and question 15 of questionnaire Q1 to customers.

<sup>37</sup> See replies to questions 11 and 12 of questionnaire Q1 to customers.

- (43) *Finally*, the Commission notes that most customers and competitors consider that the Transaction will have a limited or no impact on the UK LA markets and its potential sub-segments. For instance, some customers indicated that the Transaction is unlikely to have any adverse effects on competition since there are "enough providers" on the market and "the parties' activities appear complementary".<sup>38</sup>
- (44) Based on the above considerations, the Commission concludes that the Transaction does not raise serious doubts as to its compatibility with the internal market regarding the provision of LA services (and potential sub-segments) in the UK.

## 5.2. Vertical relationships

- (45) As previously indicated, PIB (a Carlyle portfolio company) is an insurance broker operating mostly in the UK, but also in Ireland through its subsidiary Citynet.
- (46) The Notifying Party claims that there is no direct vertical relationship between the provision of TPA and LA services by Sedgwick (upstream) and the provision of insurance brokerage by PIB (downstream). It is argued that PIB is a mere intermediary between insurers and TPA/ LA providers and that insurers have the ultimate control over which TPA/LA providers they do business with. However, the Parties also acknowledged that, in some cases, in Ireland, PIB may recommend TPA/LA suppliers to insurers and may also appoint them on behalf of the insurers (subject to the insurer's prior authorisation).<sup>39</sup> Therefore, the Commission considers that a direct vertical relationship between the Target and PIB cannot be excluded.<sup>40</sup>
- (47) The above vertical relationship gives rise to affected markets since Sedgwick's market shares exceed 30% in some upstream TPA and LA markets/segments in Ireland and in the UK. However, in the downstream insurance distribution markets (and potential sub-segments), PIB's market shares are negligible, *i.e.* below [0-5]%, under any plausible market definition, both in the UK and Ireland.
- (48) In light of PIB's *de minimis* share in the downstream markets/segments, the Commission considers that the Transaction does not raise any risks of input or customer foreclosure. First, the implementation of an input foreclosure strategy, where the Target would only offer its services to insurance companies that buy PIB's broker services, excluding thus [90-100]% of Sedgwick's potential customers, would not be profitable and would be unrealistic. Second, the demand that could be potentially be foreclosed is marginal.
- (49) In view of the foregoing, the Commission concludes that the notified concentration does not raise serious doubts as to its compatibility with the internal market in relation to the vertical link between the provision of TPA and LA

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<sup>38</sup> See replies to questions 27 to 29 of questionnaire Q2 to competitors and replies to question 22 to 24 of questionnaire Q1 to customers.

<sup>39</sup> See Form CO, para. 287.

<sup>40</sup> The Parties indicated in the UK, PIB does not provide similar recommendations, or appoint TPA or LA suppliers on behalf of its customers (see Form CO, footnote 127). Therefore, a direct vertical relationship between the Target and PIB is more hypothetical.

services (upstream) and the insurance distribution (downstream) in Ireland and in the UK.

**6. CONCLUSION**

- (50) 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)*  
*Margrethe VESTAGER*  
*Member of the Commission*