EUROPEAN COMMISSION
DG Competition

Case M.10102 - VIG / AEGON CEE

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REGULATION (EC) No 139/2004
MERGER PROCEDURE

Article 6(1)(b) NON-OPPOSITION
Date: 12/08/2021

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EUROPEAN COMMISSION

Brussels, 12.08.2021
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PUBLIC VERSION

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 Where possible the information omitted has been replaced by ranges of figures or a general description.

Vienna Insurance Group AG
Wiener Versicherung Gruppe
Schottenring 30
1010 Vienna
Austria

Subject: **Case M.10102 – VIG/AEGON CEE**
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 15 July 2021, the European Commission received notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004,[3] by which Vienna Insurance Group AG Wiener Versicherung Gruppe ('VIG' or the 'Notifying Party', Austria) acquires within the meaning of Article 3(1)(b) of the Merger Regulation sole control of AEGON Hungary Holding B.V., AEGON Hungary Holding II B.V., AEGON Poland/Romania Holding B.V., and AEGON Turkey Holding B.V. (collectively 'AEGON CEE' or the 'Target' and together with

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 OJ L 24, 29.1.2004, p. 1 (the 'Merger Regulation').

VIG, the ‘Parties’)[4]. The concentration is accomplished by way of purchase of shares (the ‘Transaction’).

1. THE PARTIES

(2) VIG is the holding company of Vienna Insurance Group, an international insurance group headquartered in Austria. It conducts its business through subsidiaries and branches in 30 countries, mainly in the Central and Eastern Europe region (‘CEE’). It offers life and non-life insurance services pursuing a multi-brand strategy based on established local brands, as well as local management.

(3) AEGON CEE encompasses the Hungarian, Polish, Romanian and Turkish businesses of the AEGON Group of the Netherlands. It is active in the fields of life and non-life insurance, pension fund business, asset management and related ancillary services.

2. THE OPERATION

(4) The Transaction will be implemented pursuant to a Sale and Purchase Agreement (‘SPA’) signed by VIG and Aegon N.V. on 29 November 2020.

(5) Pursuant to the SPA, VIG will acquire the entire issued share capital of the entities that together form AEGON CEE.

(6) Therefore, VIG will have sole control over AEGON CEE.

3. UNION DIMENSION

(7) The notified operation has a Union dimension pursuant to Article 1(2) of the Merger Regulation, as (i) the undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million (VIG: 10 429 million, AEGON CEE: […]), (ii) each of them has a EU-wide turnover in excess of EUR 250 million (VIG: […], AEGON CEE: […]) and (iii) not each of the undertakings concerned achieves more than two-thirds of its aggregate Union-wide turnover within one and the same Member State.

4. PROCEDURE PURSUANT TO THE HUNGARIAN RULES ON FOREIGN DIRECT INVESTMENT

(8) […]. On 6 April 2021, the Minister denied the application from VIG to proceed with the Transaction (the ‘Veto Decision’).[5] […]. The Commission’s assessment of the competitive impact of the Transaction, as a concentration with a Union dimension, under the Merger Regulation, is without prejudice […] to the Veto Decision. It is also without prejudice to any assessment of the Veto Decision by Hungary under Article 21(4) of the Merger Regulation.

4 Publication in the Official Journal of the European Union No C 293, 23.7.2021, p. 6.

5 [Information on the procedure pursuant to Hungarian rules on foreign direct investment].

5. COMPETITIVE ASSESSMENT

5.1. Analytical framework

(9) Under Articles 2(2) and 2(3) of the Merger Regulation, the Commission must assess whether a proposed concentration would significantly impede effective competition in the internal market or in a substantial part of it, in particular through the creation or strengthening of a dominant position.

(10) A concentration can entail horizontal effects. In this respect, in addition to the creation or strengthening of a dominant position, the Commission Guidelines on the assessment of horizontal mergers under the Merger Regulation[6] ("the Horizontal Merger Guidelines") distinguish between two main ways in which mergers between actual or potential competitors on the same relevant market may significantly impede effective competition,[7] namely (a) by eliminating important competitive constraints on one or more firms, which consequently 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. A merger may also make coordination easier, more stable or more effective for firms, which were coordinating prior to the merger (coordinated effects). Concentrations which, by reason of the limited market share of the undertakings concerned are not liable to impede effective competition may be presumed to be compatible with the internal market. An indication to this effect exists, in particular, where the market share of the undertakings concerned does not exceed 25 % either in the internal market or in a substantial part of it.[8]

(11) Furthermore, a concentration can entail vertical effects. The Commission Guidelines on the assessment of non-horizontal mergers under the Merger Regulation[9] (the "Non- Horizontal Merger Guidelines") also distinguish between two main ways in which non-horizontal mergers may significantly impede effective competition: (a) when they give rise to input and/or customer foreclosure (non-coordinated effects); and (b) when the merger changes the nature of competition in such a way that firms that previously were not coordinating their behaviour, are now more likely to coordinate to raise prices or otherwise harm effective competition (coordinated effects).[10] The Non-Horizontal Merger Guidelines distinguish two types of foreclosure: (a) where the merger is likely to raise the costs of downstream rivals by restricting their access to an important input (input foreclosure) and (b) where the merger is likely to foreclose upstream rivals by restricting their access to a sufficient customer base (customer foreclosure)[11]. According to the Non-Horizontal Merger Guidelines, the Commission is unlikely to find concern in non-horizontal mergers,

6 Commission Guidelines on the assessment of horizontal mergers under the Merger Regulation, OJ C 31, 5 February 2004, paragraphs 5–18.

7 Ibid, paragraph 22.

8 Ibid, paragraph 18.

9 Commission Guidelines on the assessment of non-horizontal mergers under the Merger Regulation, OJ C 265, 18 October 2008, paragraphs 6–25.

10 Ibid, paragraphs 17-19.

11 Ibid, paragraph 30.

where the market share post-merger of the new entity in each of the markets concerned is below 30%.[12]

5.2. Activities of the Parties

(12) The Transaction results in horizontal overlaps in the field of insurance products. More precisely, the Parties overlap in Hungary in the life and non-life insurance sectors and in Romania in the life insurance sector. In each of these, the Transaction gives rise to horizontally affected markets on certain plausible segmentations. These possible markets are assessed in Section 5.4.1.

(13) The Transaction also results in horizontal overlaps in Poland in the life and the non-life insurance sectors. However, the Transaction does not give rise to any horizontally affected markets in Poland on any plausible market definition. Moreover, the market investigation did not give rise to any suggestion that the Transaction would raise serious doubts as to its compatibility with the internal market in any markets in Poland. Therefore, these markets will not be further assessed in this decision.[13]

(14) The Transaction results in minor vertical relationships between the Parties' life and non-life insurance activities on the one hand and their limited activities in the fields of reinsurance, asset management and insurance distribution on the other hand. These vertical links are assessed in Section 5.4.2.

5.3. Market definitions

5.3.1. Product market definitions

(15) In previous decisions, the Commission distinguished between three broad categories of insurance products: (i) life insurance, (ii) non-life insurance and (iii) reinsurance.[14] The Commission also considered the definition of a downstream market for insurance distribution,[15] upstream markets for asset management[16] and pensions' administration,[17] and considered assistance services as distinct from the provision of non-life insurance products.[18] The Transaction leads to horizontally affected markets in relation to life insurance and non-life insurance.

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12 Ibid, paragraph 25.

13 Form CO, Sections 6.5 and 6.6. Replies to Q1 – eQuestionnaire to competitors, question 26 and Q2 – eQuestionnaire to customers, question 27.

14 Case M.9796 – Uniqa/Axa (Insurance, Asset Management and Pensions – Czechia, Poland and Slovakia), para. 7; Case M.9531 – Assicurazioni Generali/Seguradoras Unidas/AdvanceCare, para. 9; Case M.7478 – Aviva/Friends Life/Telenet, para. 23; Case M.6883 – Canada Life/Irish Life, para. 16.

15 Case M.9796 – Uniqa/Axa (Insurance, Asset Management and Pensions – Czechia, Poland and Slovakia), para. 7.

16 Case M.8257 – NN Group/Delta Lloyd, paras. 108-115; Case M.6812 SPFI/Dexia, paras. 30-33.

17 Case M.8257 – NN Group/Delta Lloyd, paras. 78-81.

18 Case M.9531 – Assicurazioni Generali/Seguradoras Unidas/AdvanceCare, para. 9.

5.3.1.1. Life insurance

(A) Commission's decisional practice

(16) As regards the product market definition for life insurance products, from a demand-side perspective the Commission distinguished between the following product categories in its decisional practice: (i) pure risk protection products, (ii) pension products, and (iii) savings/investment products.[19]

(17) In certain decisions, the Commission also distinguished between life insurance for individuals and for group customers.[20] Furthermore, a distinction between unit-linked (and index-linked) life insurance products on the one hand and non-unit-linked (and non-index-linked) life insurance products on the other hand was considered as well.[21]

(18) In some cases, the Commission has considered additional segmentations of the life insurance sector, including based on national insurance classifications or between individual and group customers.[22]

(19) However, from a supply-side perspective, the Commission has recognised that the conditions for the provision of life insurance covering different risk types are quite similar and most large insurance companies are active in several risk types, which suggests that many different types of life insurance could be included in the same relevant product market.[23]

(20) The Commission has ultimately always left open the definition of the relevant product market for life insurance.

(B) Notifying Party's submissions

(21) The Notifying Party submits that the relevant product market would encompass all life insurance products (pure risk protection products, pension products and savings/investment products), as well as retail savings and investment products offered by other financial service providers on the basis that: (i) there is a high degree of supply-side substitutability between life insurance products of different types, and (ii) from a demand-side perspective, life insurance savings and investment products compete with other retail savings and investment products (such as investment funds, bonds, equities, savings accounts and deposits) offered by non-insurance companies. However, the Notifying Party considers that ultimately the precise definition of the relevant product markets with regard to life insurance products can be left open in the present case as the Transaction does not raise

[19] Case M.9796 – Uniqa/Axa (Insurance, Asset Management and Pensions – Czechia, Poland and Slovakia), para. 8; Case M.7478 – Aviva/Friends Life/Telenet, para. 13 and further cases cited therein.

[20] Case M.9796 – Uniqa/Axa (Insurance, Asset Management and Pensions – Czechia, Poland and Slovakia), para. 8; Case M.8837 – Blackstone/Thomson Reuters F&R Business, para. 29.

[21] Case M.9796 – Uniqa/Axa (Insurance, Asset Management and Pensions – Czechia, Poland and Slovakia), paras. 15 and 54; Case M.5075 – Vienna Insurance Group/EBV, paras. 36 and 103.

[22] Case M.1712 – Generali/INA, paras. 9 *et seq.* and Case M.2768 - Generali/Banca Intesa/JV, paras 11-19.

[23] Case M.7478 Aviva/Friends Life/Tenet, paragraphs 15-22 and Case M.4844 – Fortis/ABN Amro Assets, para. 71; Case M.4284 – AXA/Winterthur, paras. 9 to 10.

competition concerns even on the basis of the Commission's market definition practice related to the life insurance sector.[24]

(C) Commission's assessment

(22) The market investigation indicated that life insurance products are characterised by a high degree of supply-side substitutability. In particular, all responding competitors active in Hungary that expressed a view and the majority of responding competitors active in Romania indicated that competition primarily takes place at the overall level of life insurance, since most insurers offer policies covering all life risks (and categories).[25] The majority of responding competitors in Hungary and Romania also submitted that insurers providing one type of life insurance in a given country are generally capable of entering and competing to provide other types of life insurance in that country. For example, one insurer explained that: "*[t]he matter of either obtaining an authorization for or a new life class of insurance or creating a new life product is not complicated nor does it represent a barrier, bureaucratic, technical or otherwise for any company having already a relevant level of experience in the life insurance sector*".[26] Most responding competitors active in Hungary and all responding competitors active in Romania that expressed a view further indicated that insurance companies that provide life insurance to individual customers are also able to provide life insurance to group customers (and vice versa) without significant investments.[27]

(23) In the same vein, the majority of customers in Hungary and Romania that expressed a view indicated that competition primarily takes place at the overall level of life insurance, as most insurers offer policies covering all life risks (and categories).[28] Additionally, most customers in Hungary and Romania that expressed a view considered that insurance companies that provide insurance to individual customers are also credible as competitors supplying life insurance to group customers (and vice versa).[29]

(24) In any event, the Commission considers that, for the purposes of the present decision, the exact scope of the product market definition for the supply of life insurance products can be left open, since the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible product market definition.

5.3.1.2. Non-life insurance

(A) Commission's decisional practice

(25) In the past, the Commission generally considered that, from a demand-side perspective, the characteristics and purposes of the different types of non-life insurance are distinct, and that there is typically no substitutability between different

[24] Form CO, paragraphs 149 – 182.

[25] Replies to Q1 - eQuestionnaire – Competitors, questions 5 and 18.

[26] Replies to Q1 - eQuestionnaire – Competitors, questions 7 and 20.

[27] Replies to Q1 - eQuestionnaire – Competitors, questions 6 and 19.

[28] Replies to Q2 - eQuestionnaire – Customers, questions 6 and 20.

[29] Replies to Q2 - eQuestionnaire – Customers, questions 7 and 21.

types of insurance for the customer.[30] In some cases, the Commission considered that non-life insurance could be divided into as many different product markets as there are types of risks to insure.[31]

(26) The Commission's precedents typically consider a distinction between the following non-life insurance segments: (i) accident and sickness, (ii) motor vehicle, (iii) property, (iv) liability, (v) marine, aviation and transport (MAT), (vi) credit and suretyship, and (vii) travel insurance.[32]

(27) In some cases, the Commission also considered additional segmentations of the non-life insurance sector, including based on national insurance classifications or between individual and group customers.[33]

(28) However, the Commission also observed that from a supply-side perspective there exists a degree of substitutability between various types of non-life insurance products, since the conditions for the supply of non-life insurance for certain types of risks are quite similar and most large non-life insurers are active in several types of risk coverage.[34]

(29) The Commission has ultimately always left open the definition of the relevant product market for non-life insurance.

(B) Notifying Party's submissions

(30) The Notifying Party submits that the relevant product market is the market for non-life insurance, without further segmentation, in view of the high degree of supply-side substitutability between different non-life insurance products. However, it also observes that the definition of the relevant product markets of non-life insurance can be left open in the present case as the Transaction does not raise competition concerns irrespective of the precise product market definition.[35]

(C) Commission's assessment

(31) The market investigation indicated that non-life insurance products are characterised by a high degree of supply-side substitutability. Competitors of the Parties in Hungary and Romania that responded to the market investigation overwhelmingly believe that competition primarily takes place at the overall level of non-life insurance, since most insurers offer policies covering all non-life risks.[36] Most competitors active in Hungary and Romania that expressed a view indicated that insurers providing one type of non-life insurance are generally capable of entering

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30 Case M.9432 – Allianz Holdings/Legal and General Insurance, para. 8.

31 Case M.9796 – Uniqa/Axa (Insurance, Asset Management and Pensions – Czechia, Poland and Slovakia), para. 9.

32 Case M.9796 – Uniqa/Axa (Insurance, Asset Management and Pensions – Czechia, Poland and Slovakia), para. 9.

33 Case M.9796 – Uniqa/Axa (Insurance, Asset Management and Pensions – Czechia, Poland and Slovakia), paras. 8-9, Case M.7478 – Aviva/Friends Life/Telenet, para. 13 and further cases cited.

34 Case M.9432 – Allianz Holdings/Legal and General Insurance, para. 8. Case M.8257 – NN Group/Delta Lloyd, paras. 72. and 305.

35 Form CO, paragraphs 192-195.

36 Replies to Q1 - eQuestionnaire – Competitors, question 11.

and competing to provide other types of non-life insurance.[37] Most competitors explained that non-life insurance companies providing insurance to individuals are also able to provide it to group customers (and vice versa) without significant investments. For example, one competitor in Hungary explained that: "*[w]e are not aware of any structural market barriers that would avoid the companies that offer insurance policies to group customers supply retail client (or vice versa). These markets are highly integrated*".[38]

(32) Similarly, customers' responses to the market investigation pointed to a high degree of supply-side substitutability for non-life insurance products. Most customers in Hungary and Romania that expressed a view indicated that they can buy policies covering all types of non-life risks from most insurers and consequently that competition primarily takes place at the overall level of non-life insurance.[39] All customers that expressed a view considered that insurers who provide non-life insurance to individuals are also credible as competitors for supplying non-life insurance to group customers and vice versa.[40]

(33) In any event, the Commission considers that, for the purposes of the present decision, the exact scope of the product market definition for the supply of non-life insurance products can be left open, since the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible product market definition.

5.3.1.3. Reinsurance

(34) The Commission held in previous decisions that 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. 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 open the question of whether the reinsurance market should be further segmented between life and non-life reinsurance.[41]

(35) The Notifying Party submits that the relevant product market for reinsurance can be left open in the present case as the Transaction does not raise competition concerns irrespective of the precise product market definition.[42]

(36) The Commission considers that, for the purposes of the present decision, the exact scope of the product market definition for the supply of reinsurance can be left open, since the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible product market definition.

5.3.1.4. Insurance distribution

(37) In previous cases, the Commission has analysed whether the market for insurance distribution comprises only outward distribution channels or whether it should also

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37 Replies to Q1 - eQuestionnaire – Competitors, question 13.
38 Replies to Q1 - eQuestionnaire – Competitors, question 12-12.1.
39 Replies to Q2 - eQuestionnaire – Customers, question 13.
40 Replies to Q2 – eQuestionnaire - Customers, question 14.
41 Case M.8257 – NN Group/Delta Lloyd, paras. 103 to 107.
42 Form CO, paragraphs 198-200.

be considered to include the sales force and office networks of the insurer (that is to say direct sales). This question was ultimately left open. The Commission has also considered whether a distinction could be made between the markets for the distribution of life and non-life insurance products, as well as whether there was a potential separate market for insurance broking, but ultimately left open the relevant product market definitions.[43]

(38) The Notifying Party submits that the relevant product market for insurance distribution can be left open in the present case, as the Transaction does not raise competition concerns irrespective of the precise product market definition.[44]

(39) The Commission considers that, for the purposes of the present decision, the exact scope of the product market definition for the supply of insurance distribution can be left open, since the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible product market definition.

5.3.1.5. Asset management

(40) In previous cases, the Commission has considered the possibility of there being a relevant product market for asset management, which would include the creation and management of mutual funds for retail clients and tailor-made funds for corporate and institutional customers, and portfolio management for private investors, pension funds and institutions. The Commission further considered the possible existence of separate relevant product markets for each of the types of products mentioned above. In previous cases, the Commission has judged that asset management services for private individuals should be considered to be distinct from other asset management services (as they often form part of retail banking). With regard to the other potential narrower markets within asset management (such as a market for custody services), the Commission has, however, always left the market definition open.[45]

(41) The Notifying Party submits that the relevant product market for asset management can be left open in the present case, as the Transaction does not raise competition concerns irrespective of the precise product market definition.[46]

(42) The Commission considers that, for the purposes of the present decision, the exact scope of the product market definition for the provision of asset management services can be left open, since the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible product market definition.

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43 Case M.6957 – IF P&C/Topdanmark, paras. 22 to 29. Case M.1307 – Marsh & McLennan/Sedgwick, para. 19. With regard to insurance broking in particular, the Commission has considered that it is appropriate to define separate relevant product markets for the supply of commercial risk brokerage (i) by type of underlying risk, and (ii) at least for certain risk types, by customer type (namely for sales to large multinational customers) – Case M.9829 – Aon/Willis Towers Watson, Sections 6.14 and 6.15. [decision to be published]

44 Form CO, paragraphs 201-203.

45 Case M.8257 – NN Group/Delta Lloyd, paras. 108 to 111.

46 Form CO, paragraphs 211-214.

5.3.2. *Geographic market definitions*

5.3.2.1. Life insurance

(43) The Commission has considered that the sector for life insurance products and its segments are likely to be national in scope, as a result of national distribution channels, established market structures, fiscal constraints and specific regulatory systems among Member States.[47]

(44) The Notifying Party submits that the relevant geographic market for life insurance can be left open in the present case as the Transaction does not raise competition concerns irrespective of the precise geographic market definition.[48]

(45) The Commission's investigation did not indicate any reason to depart from its previous approach in the present case.

5.3.2.2. Non-life insurance

(46) The Commission has considered that the sector for non-life insurance products and its segments are likely to be national in scope.[49] For certain non-life insurance products, including MAT insurance and generally large risk insurance, the Commission considered the market is likely to be wider than national in scope.[50]

(47) The Notifying Party submits that the relevant geographic market for non-life can be left open in the present case as the Transaction does not raise competition concerns irrespective of the precise geographic market definition.[51]

(48) The Commission's investigation did not indicate any reason to depart from its previous approach in the present case.

5.3.2.3. Reinsurance

(49) The Commission has consistently held in its decisional practice that the relevant geographic market for reinsurance is worldwide in scope due to the need to pool risks on a global basis.[52]

(50) The Notifying Party submits that the relevant geographic market for reinsurance can be left open in the present case as the Transaction does not raise competition concerns irrespective of the precise geographic market definition.[53]

(51) The Commission's investigation did not indicate any reason to depart from its previous approach in the present case.

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[47] Case M.9796 – Uniqa/Axa (Insurance, Asset Management and Pensions – Czechia, Poland and Slovakia), para. 10.

[48] Form CO, paragraphs 183-184.

[49] Case M.9796 – Uniqa/Axa (Insurance, Asset Management and Pensions – Czechia, Poland and Slovakia), para. 10.

[50] Case M.9796 – Uniqa/Axa (Insurance, Asset Management and Pensions – Czechia, Poland and Slovakia), para. 10; Case M.9056 – Generali CEE/AS, para. 16 and further cases cited.

[51] Form CO, paragraphs 196-197.

[52] Case M.8257 – NN Group/Delta Lloyd, paras. 105 to 107.

[53] Form CO, paragraphs 201-203.

5.3.2.4. Insurance distribution

(52) The Commission has previously considered insurance distribution to be national in scope but ultimately left the exact definition of the relevant geographic market open.[54] For certain segments, in particular if they related to brokerage services in relation to large commercial or specialty risks, the Commission has considered such segments to be EEA-wide or worldwide in scope.[55]

(53) The Notifying Party submits that the relevant geographic market for insurance distribution can be left open in the present case as the Transaction does not raise competition concerns irrespective of the precise geographic market definition.[56]

(54) The Commission's investigation did not indicate any reason to depart from its previous approach in the present case. In any event, the Commission considers that, for the purposes of the present decision, the exact scope of the geographic market definition for the provision of insurance distribution can be left open between EEA-wide and worldwide, since the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible geographic market definition.

5.3.2.5. Asset management

(55) The Commission has previously considered asset management to be national or EEA-wide in scope but ultimately left the exact definition of the relevant geographic market open.[57]

(56) The Notifying Party submits that the relevant geographic market for asset management can be left open in the present case as the Transaction does not raise competition concerns irrespective of the precise geographic market definition.[58]

(57) The Commission's investigation did not indicate any reason to depart from its previous approach in the present case. In any event, the Commission considers that, for the purposes of the present decision, the exact scope of the geographic market definition can be left open between national or EEA-wide, since the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible geographic market definition.

5.4. Competitive Assessment

5.4.1. Horizontal Overlaps

5.4.1.1. Life insurance in Hungary

(A) Market structure

(58) The Notifying Party estimates that the Parties' combined market share in life insurance in Hungary is [10-20]% ([10-20]% for VIG, [5-10]% for AEGON CEE in

54 Case M.8617 – Allianz/LV General Insurance Business, para. 25.
55 Case M.9196 – Marsh & McLennan/Jardine Lloyd Thompson Group, paras. 41 and 49 to 51.
56 Form CO, paragraphs 201-203.
57 Case M.8257 – NN Group/Delta Lloyd, paras. 112 to 115.
58 Form CO, paragraphs 201-203.

2020).[59] Therefore, the possible overall market for life insurance in Hungary is not a horizontally affected market. However, on certain plausible segmentations of the life insurance market the Transaction gives rise to a horizontally affected market.

(59) Table 1 below presents the Notifying Party's estimates of the Parties' market shares for the possible overall market for life insurance in Hungary, as well as for the plausible market segmentations in which an affected market arises. The Parties' largest competitors active in these segments are also identified. For the avoidance of doubt, other than life insurance in Hungary overall, which is presented for context, the below Table does not present any plausible market segmentations which are not horizontally affected (either because the Parties' market shares are less than 20% or because there is no overlap).

(60) The market share estimates in the following Table are presented on three alternative bases: (i) following the Commission's traditional segmentation of the relevant product market, as described in Section 5.3.1.1 above, (ii) following the national insurance classification adopted by the Hungarian National Bank ('HNB'), the Hungarian insurance regulator which collects and publishes market data from insurance companies in Hungary in its annual HNB Timeseries, and, for completeness, (iii) following the alternative segmentation adopted by the Association of Hungarian Insurance Companies Magyar Biztosítók Szövetsége ('MABISZ'), which publishes market data annually in its Hungarian Insurers' Yearbook.

Table 1: Market share estimates for life insurance in Hungary and its horizontally affected plausible segments (2020, value)[60]

Type of segmentation	Affected segment	VIG %	AEGON CEE %	Combined %	Largest competitors
European Commission's segmentations	***Life insurance (overall) – not affected***	***[10-20]%***	***[5-10]%***	***[10-20]%***	Talanx/Magyar Posta, NN Group, Groupama, Generali, Allianz, Uniqa, MetLife, Signal Iduna
	Life insurance provided to group customers	[10-20]%	[10-20]%	[30-40]%	Talanx/Magyar Posta, NN Group, Generali, Allianz
	Pure risk protection products provided to group customers	[10-20]%	[10-20]%	[30-40]%	Talanx/Magyar Posta, NN Group, Generali, Allianz
	Pension products	[5-10]%	[10-20]%	[20-30]%	As previous
	Savings/investment products	[10-20]%	[5-10]%	[20-30]%	As previous
	Unit/Index-linked life insurance	[10-20]%	[5-10]%	[20-30]%	As previous
HNB segmentation	Assurance on death	[0-5]%	[10-20]%	[20-30]%	As previous
	Unit-linked or index linked	[10-20]%	[5-10]%	[20-30]%	As previous
	Retirement insurance in accordance with Personal Income Tax	[10-20]%	[10-20]%	[20-30]%	As previous

59 Form CO, Table 7A(2).

60 Market share estimates presented in this decision are on a value basis (gross written premiums). Except where specifically stated, market shares on a volume basis do not materially differ and the competitive assessment and conclusions would be the same on this basis. The market shares exclude AEGON CEE's legacy 'CSEB' portfolio of life insurance policies, which is a portfolio of policies concluded between 1964-1991 when AEGON CEE was the national insurance company of the Hungarian State. This is a closed portfolio of products and the policies cannot be transferred to other insurers. As such, they do not affect the competitive landscape and the Commission considers that it is appropriate to exclude them from the analysis. In any event, the only account for [0-5]% of AEGON Hungary CEE's total life insurance gross written premiums and so the value based market shares would not differ materially.

Type of segmentation	Affected segment	VIG %	AEGON CEE %	Combined %	Largest competitors
	Retirement insurance in accordance with Personal Income Tax - sub-class: of which index-linked or unit-linked	[10-20]%	[5-10]%	[20-30]%	NN Group, Generali, Allianz, Groupama
	Retirement insurance in accordance with Personal Income Tax - sub-class: of which not index-linked or unit-linked	[0-5]%	[30-40]%	[30-40]%	Talanx/Magyar Posta, NN Group, Generali, Uniqa
	Group life insurance [61]	[10-20]%	[20-30]%	[30-40]%	As previous
Mabisz segmentation *[62]*	Risk	[5-10]%	[10-20]%	[20-30]%	As previous
	Unit-linked	[10-20]%	[5-10]%	[20-30]%	As previous

Source: Notifying Party's estimates in Form CO and response to RFI 6.

(B) The Notifying Party's views

(61) The Notifying Party submits that the Transaction does not give rise to horizontal non-coordinated concerns.

(62) First, the Notifying Party argues that the merged entity will be a moderately sized competitor. It points out that in life insurance overall in Hungary, the merged entity's market share remains less than 20%. The merged entity will only be the second largest competitor in the market for life insurance in Hungary. The largest competitor will continue to be Talax/Magyar Posta ([10-20]%). The merged entity will continue to face competition from Talax/Magyar Posta as well as a number of effective competitors for life insurance in Hungary.[63]

(63) Second, it argues that VIG and AEGON CEE are not particularly close competitors, for life insurance overall or under any plausible segmentation, since the Parties do not compete more closely with each other than with other market participants. In the segment for life insurance provided to group customers in particular, where their combined market shares are highest, they do not compete particularly closely as they distribute their products through different channels (VIG distributes its products through […], whereas AEGON CEE distributes its products via […]).[64]

61 The HNB's classification "group life insurance" excludes credit coverage from the classification (there is a separate classification for "group life insurance with credit coverage"). This explains why the Parties' market share for group life insurance is higher under the HNB's classification than under the Commission's approach. Moreover, data from competitors which are active in Hungary via branch offices are not taken into account in the HNB's data (which thus excludes important players such as MetLife from the total market size), meaning that the Parties' shares are overestimated. In any event, the merged entity will continue to face competition from at least eight competitors in 'group life insurance' under the HNB's classification. As explained in more detail in paragraph (68) below, there is strong supply side substitutability and competitors are very well placed to enter or expand into this segment, especially those with a stronger presence in 'group life insurance in credit coverage' such as Talanx/Magyar Posta, NN Group, Groupama, Generali and Allianz. In that segment, the merged entity's share would only be [10-20]%.

62 The Notifying Party's estimates based on MABISZ segmentations relate to the 2019 year, on the basis that MABISZ's Hungarian Insurers' Yearbook 2021 (which reports data for 2020) is not yet available and so these are the most recent available market share estimates. (Response to RFI 6 Section 6).

63 Form CO, paragraphs 12-13.

64 Form CO, paragraph 8

(64) Third, the Notifying Party further argues that the overall market for life insurance in Hungary should not be further segmented due to the high degree of supply-side substitutability between the different types of products within the life insurance sector. In particular, it notes that the main life insurance competitors are active across all segments of life insurance. Therefore, the merged entity will continue to be constrained by a sufficient number of competitors across all segments of life insurance. Moreover, as these competitors are major insurance groups, they are well placed to expand and constrain the merged entity across all product segments.[65]

(C) Commission's assessment

(65) The Transaction gives rise to certain horizontally affected plausible life insurance markets in Hungary, with the Parties having market shares generally in the range of 20-30% but in some cases up to [30-40]%, as illustrated in Table 1 above.[66] Nevertheless, the Commission considers that the Transaction is unlikely to give rise to serious doubts as to its compatibility with the internal market for life insurance and its sub-segments in Hungary for the following reasons.

(66) First, the merged entity will be a moderately sized competitor and will continue to face sufficient competitive pressure in the possible market for life insurance and its relevant segmentations in Hungary. In life insurance, VIG and AEGON CEE will together be the second largest player ([10-20]%).[67] The market investigation indicated that the Parties' market share estimates appear accurate and a competitor indicated that the merged entity "*will not dominate the market in any major product segments*".[68] This is because the merged entity will continue to face competition from market leader Talanx/Magyar Posta ([10-20]%), NN Group ([10-20]%), Groupama ([5-10]%), Generali ([5-10]%), Allianz ([5-10]%) and several smaller players. Both customers and competitors active in Hungary that responded to the market investigation indicated that these are strong life insurers, with competitors rating NN Group and Generali as particularly strong, and customers identifying NN Group, Groupama and Allianz as particularly strong competitors.[69] All competitors and customers that expressed a view indicated that the insurers active in this market are an effective competitive constraint on the Parties, and that there will remain enough competitive pressure in the Hungarian life insurance market and in each of

65 Form CO, paragraphs 504.

66 For completeness, while value shares are generally comparable with volume shares, on a volume basis the merged entity's share under the HNB's classification for 'life insurance with credit coverage to the extent it is index-linked or unit linked' would be [60-70]%, while it would be only [10-20]% on a value basis. However, this volume share is almost exclusively due to VIG ([60-70]%), […]. Even if shares were only considered on a volume basis the Transaction would not give rise to serious doubts in this segment as: (i) there is strong supply-side substitutability across asset classes as described in paragraph (68), (ii) the increment from Aegon CEE is low ([0-5]%) and so the competitive landscape would not change significantly, (iii) the merged entity will continue to be constrained by rivals – were VIG post-Transaction to increase its prices, this would remove its differentiation from competitors who would be well placed to erode its volume basis market share.

67 The Commission notes that a concentration giving rise to combined market shares of less than 25% may be presumed to be compatible with the internal market pursuant to paragraph 18 of the Horizontal Merger Guidelines.

68 Replies to Q1 - eQuestionnaire – Competitors, question 8.3.1.

69 Replies to Q1 – eQuestionnaire – Competitors, question 8 and replies to Q2 – eQuestionnaire – Customers, question 9.

its segments after the Transaction.[70] For example, one customer explained that there will be: "*[s]till enough big players on the market, we beli[e]ve a fierce competition will remain"*.[71] A competitor indicated this remains true across all relevant life insurance products as: "*[a]ll the major ones [i.e. competitors] are competing in vario[u]s segments*".[72]

(67) Second, the Parties are not particularly close competitors. The majority of competitors that expressed a view, and all customers that expressed a view, indicated that while VIG and AEGON CEE do compete in life insurance and its segments in Hungary, there are other insurers who also compete as strongly/closely with them in life insurance overall and in each of its segments.[73] For example, one customer explained that in its view "*VIG is more focusing on corporate clients while Aegon is more on individual clients".[74]*

(68) Third, the merged entity will face constraints across all segments of life insurance in Hungary due to a high degree of supply-side substitutability and the fact that the major life insurers are already active across most (if not all) products – as also evident from paragraphs (22) and (66) and Table 1 above. Regarding the possibility of entry, one competitor explained that "*any licensed insurance company can provide other types of life insurance",* and the market investigation did not indicate any challenges for a life insurance provider to enter new life insurance segments in Hungary.[75] In any event, life insurers appear already to be active across most life insurance segments – one insurer explained that the major insurance companies "*are present almost everywhere in Hungary. The competition is strong. These companies are able to sell insurance products in all types.*"[76] Customers supported this, noting for example that "*[f]or the insurance products we purchase, they are offered by most insurers"*.[77] The ease of expansion in a segment where an insurer is already present was highlighted by one competitor, which explained "*[i]nsurers can flexibly change their life product portfolio in line with their business*",[78] indicating that they could expand to constrain the merged entity in any relevant market segments.

(69) Finally, respondents to the market investigation indicated that the Transaction would not have a negative impact in the market for life insurance (or its plausible segmentations) in Hungary. All customers that expressed a view indicated that the Transaction would have either a positive or a neutral impact on the competitive landscape for life insurance and its segments in Hungary, explaining that "*there are still enough [insurers with an] offer on the market which maintains competition"*.[79] Similarly, all competitors that expressed a view indicated that the Transaction will

[70] Replies to Q1 – eQuestionnaire – Competitors, question 8.3 and replies to Q2 – eQuestionnaire – Customers, question 9.3.

[71] Replies to Q2 – eQuestionnaire – Customers, question 9.3.1.

[72] Replies to Q1 – eQuestionnaire – Competitors, question 8.1.

[73] Replies to Q1 – eQuestionnaire – Competitors, question 9 and replies to Q2 – eQuestionnaire – Customers, question 10

[74] Replies to Q2 – eQuestionnaire – Customers, question 10.1

[75] Replies to Q1 – eQuestionnaire – Copmetitors, question 7.1.

[76] Replies to Q1 - eQuestionnaire – Competitors, question 8.1.

[77] Replies to Q2 – eQuestionnaire – customers, question 6.1.

[78] Replies to Q1 – eQuestionnaire – Competitors, question 7.1.

[79] See replies to Q2 - eQuestionnaire – Customers, question 18

have a neutral impact on the competitive landscape for life insurance and its segments in Hungary.[80]

(D) Conclusion

(70) In light of the foregoing, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market as a result of horizontal non-coordinated effects for the overall life insurance market in Hungary, or any of its plausible segmentations.

5.4.1.2. Non-life insurance in Hungary

(A) Market structure

(71) The Notifying Party estimates that the Parties' combined market share in non-life insurance in Hungary is [20-30]% ([5-10]% for VIG, [10-20]% for AEGON CEE). Therefore, the Transaction will give rise to a horizontally affected possible market for non-life insurance (overall) in Hungary. In addition, the Transaction gives rise to further horizontally affected possible markets on certain plausible segmentations of non-life insurance in Hungary.

(72) Table 2 below presents the Notifying Party's estimates of the Parties' market shares for the possible overall market for non-life insurance in Hungary, as well as for the plausible market segmentations in which an affected market arises. The Parties' largest competitors active in these segments are also identified. The below Table does not present market share estimates for those market segmentations which are not horizontally affected by the Transaction (either because the Parties' market shares are less than 20% or because there is no overlap).

(73) The market share estimates in the following Table are presented on three alternative bases: (i) following the Commission's traditional segmentation of the relevant product market, as described in Section 5.3.1.2 above, (ii) following the national insurance classification adopted by the Hungarian National Bank ('HNB'), the Hungarian insurance regulator which collects and publishes market data from insurance companies in Hungary in its annual HNB Timeseries, and, for completeness, (iii) following the alternative segmentation adopted by the Association of Hungarian Insurance Companies Magyar Biztosítók Szövetsége ('MABISZ'), which publishes market data annually in its Hungarian Insurers' Yearbook.

80 See replies to Q1 - eQuestionnaire – Competitors, question 10.

Table 2: Market share estimates for non-life insurance in Hungary and its horizontally affected plausible segments (2020, value)

Type of segmentation	Affected segment	VIG %	AEGON CEE %	Combined %	Largest competitors
European Commission's segmentations	***Non-life insurance (overall) – affected***	***[5-10]%***	***[10-20]%***	***[20-30]%***	***Allianz, Generali, Groupama, KBC, Uniqa, Waberer***
	Accident and Sickness	[20-30]%	[0-5]%	[20-30]%	Allianz, Generali, Groupama, Uniqa
	Accident (only)	[10-20]%	[5-10]%	[20-30]%	As previous
	Property	[5-10]%	[20-30]%	[20-30]%	As previous
	Travel	[10-20]%	[10-20]%	[20-30]%	As previous
	Marine, aviation and transport[81]	[5-10]%	[10-20]%	[20-30]%	Allianz, Generali, Uniqa
HNB segmentation	Fire and damage to property of individuals	[0-5]%	[30-40]%	[30-40]%	Allianz, Generali, Groupama, Uniqa
	Fire and damage to property of individuals - sub-class: of which fire and damage to property with credit coverage	[0-5]%	[20-30]%	[20-30]%	As previous
	Fire and damage to property of institutions	[0-5]%	[10-20]%	[20-30]%	As previous
	Fire and damage to property of Small and Medium Sized Undertakings	[10-20]%	[20-30]%	[30-40]%	As previous
	Goods in transit and freighter insurance	[0-5]%	[10-20]%	[20-30]%	As previous
	Traveller's insurance	[10-20]%	[10-20]%	[20-30]%	As previous
	Accident	[10-20]%	[10-20]%	[20-30]%	As previous
	Assistance	[0-5]%	[80-90]%	[80-90]%[82]	Allianz, Groupama
	Extended warranty	[10-20]%	[10-20]%	[20-30]%	Allianz, Generali, Chubb, Mapfre
Mabisz segmentation[83]	Retail building and property insurance	[0-5]%	[30-40]%	[30-40]%	Allianz, Generali, Groupama, Uniqa
	Contractor consolidated property insurance	[10-20]%	[5-10]%	[20-30]%	As previous

Source: Notifying Party's estimates in Form CO and response to RFI 6.

(B) The Notifying Party's views

(74) The Notifying Party submits that the Transaction does not give rise to horizontal non-coordinated concerns.

(75) First, the Notifying Party argues that the merged entity will be a moderately sized competitor. It points out that in non-life insurance overall in Hungary, the merged

81 The national level market share estimate for marine, aviation and transport insurance is included here for completeness, though the relevant geographic market is likely wider than national as indicated in Section 5.3.2.2. On an EEA-wide geographic market, however, the Parties' market share would be less than 20%.

82 In relation to assistance insurance, as explained in paragraph (77), the Parties consider that these figures are heavily overestimated and that VIG is not really active in this segment. The Commission's investigation supported the claim that the Parties' market shares in assistance insurance are heavily overestimated - see paragraph (83) below.

83 The Notifying Party's estimates based on MABISZ segmentations relate to the 2019 year, on the basis that MABISZ's Hungarian Insurers' Yearbook 2021 is not yet available and so these are the most recent available market share estimates. (Response to RFI 6 Section 6).

entity's market share remains around [20-30]%. The merged entity will only be the second largest competitor in this market. The largest competitor will continue to be Allianz ([20-30]%). The merged entity will continue to face competition from Allianz, as well as a number of effective competitors.[84]

(76) Second, it argues that VIG and AEGON CEE are not particularly close competitors, since the Parties focus on different customer segments. [Confidential information regarding the Parties' sales strategies and customer focus.].[85]

(77) Third, the Notifying Party submits that it has significantly overestimated the Parties' combined market shares for assistance insurance ([80-90]%, with a [0-5]% increment). The Parties offer assistance insurance as an ancillary product to the main insurance product bought by a customer (for example as an add-on to car insurance). This overestimation is because the vast majority of competitors do not report their assistance insurance turnover separately from the main product to the Hungarian National Bank. AEGON CEE, however, does report assistance insurance turnover separately, meaning its share is heavily inflated. [Confidential information regarding VIG's sales strategy regarding assistance insurance.].[86]

(78) Fourth, the Notifying Party further argues that the overall market for non-life insurance in Hungary should not be further segmented due to the high degree of supply-side substitutability between the different types of products within the non-life insurance sector. In particular, it notes that the main non-life insurance competitors are active across all segments of non-life insurance. Therefore, the merged entity will continue to be constrained by a sufficient number of competitors across all segments of non-life insurance. Moreover, as these competitors are major insurance groups, they are well placed to expand and constrain the merged entity across all product segments.[87]

(C) Commission's assessment

(79) The Transaction gives rise to certain horizontally affected plausible non-life insurance markets in Hungary. The Parties have combined market shares generally in the range of 20-30% but in some cases up to [30-40]%, as illustrated in Table 2 above. The only exception is assistance insurance, where AEGON CEE's market share is estimated at [80-90]% and there is a minimal increment from VIG of [0-5]%, but AEGON CEE's market share is significantly overestimated as described below. The Commission considers that the Transaction is unlikely to give rise to serious doubts as to its compatibility with the internal market for non-life insurance and its sub-segments in Hungary for the following reasons.

(80) First, the merged entity will be a moderately sized competitor and will continue to face sufficient competitive pressure in the market for non-life insurance and its relevant segmentations in Hungary. In non-life insurance, VIG and AEGON CEE

84 Form CO, paragraphs 15-17.
85 Form CO, paragraphs 660, 667.
86 Form CO, footnote 297 and paragraph 632. RFI 4 paragraph 11-12.
87 Form CO, paragraph 661.

will together be the second largest player ([20-30]%).[88] The merged entity will face competition from market leader Allianz ([20-30]%), Generali ([10-20]%), Groupama ([10-20]%), Uniqa ([5-10]%) and several smaller players. The market investigation indicated that the Parties' estimates are accurate, with the exception of travel assistance (as described in paragraph (83) below). Both customers and competitors active in Hungary indicated that the aforementioned insurers are strong competitors to the merged entity, with both customers and competitors identifying Allianz as the strongest player, closely followed by the others.[89] All customers that expressed a view and the vast majority of competitors that expressed a view considered that these insurers will be an effective competitive constraint on VIG and AEGON CEE post-Transaction across all segments, and that there will remain sufficient competitive pressure in the Hungarian non-life insurance market (and its segments).[90] One competitor explained that the Hungarian non-life insurance market "*has a lot of players [and] is competitive".* This was echoed by another insurer, which explained "*[t]he multiplicity of market participants and the wide range of products ensure competition in the [non-life] insurance market*".[91] One customer noted that "*[l]arge international players are present on the Hungarian market. They create competition*", which was supported by a competitor's comments that "*[w]e consider the competition quite strong, where large internationals […] are present, but also local companies […] this environment [is] a competitive one, regardless of the Transaction".*[92] Customers and competitors considered that sufficient competitors are present across all relevant segments of non-life insurance. For example, one customer explained that the main competitors "*are credible in all insurance segments*".[93]

(81) Second, the Parties are not particularly close competitors. While some respondents noted that VIG and AEGON CEE are both particularly strong players in relation to property and casualty insurance, generally, the view was that they are not particularly close competitors to each other. The majority of competitors that expressed a view and all customers that expressed a view indicated that while VIG and AEGON CEE do compete in non-life insurance and its segments in Hungary, there are other insurers who also compete as strongly/closely with them in non-life insurance overall and in each of its segments.[94] For example, one competitor noted that "*competition [between the Parties] is the same as among other participants in the insurance market".*[95] A customer also supported […] that the Parties' focus is

88 The Commission notes that a concentration giving rise to combined market shares of less than 25% may be presumed to be compatible with the internal market pursuant to paragraph 18 of the Horizontal Merger Guidelines.

89 Replies to Q1 - eQuestionnaire – Competitors, question 15 and replies to Q2 – eQuestionnaire – customers, question 16

90 Replies to Q1 - eQuestionnaire – Competitors, question 15.3 and replies to Q2 – eQuestionnaire – customers, question 16.3.

91 Replies to Q1 - eQuestionnaire – Competitors, question 15.3.1.

92 Replies to Q1 - eQuestionnaire – Competitors, question 15.3.1 and replies to Q2 – eQuestionnaire – customers, question 16.3.1.

93 Replies to Q2 – eQuestionnaire – customers, question 16.1.

94 Replies to Q1 - eQuestionnaire – Competitors, question 16 and replies to Q2 – eQuestionnaire – customers, question 17.

95 Replies to Q1 - eQuestionnaire – Competitors, question 16.1.

differentiated, explaining that "*VIG is strong in corporate non-life while Aegon is not that much*".[96]

(82) Third, the merged entity will face constraints across all segments of non-life insurance in Hungary due to a high degree of supply-side substitutability and the fact that the major non-life insurers are already active across most (if not all) products – as also evident from paragraphs (31), (32) and (80) and Table 2 above. Regarding the possibility of entry, one competitor explained that "*[t]he market is also fairly open to cross border service providers and newcomers too*".[97] In any event, competitors responding to the market investigation indicated that the main non-life insurance competitors are already active across all relevant segments. One competitor explained that "*Most market players are universal companies, offering products in most/all non-life classes […]. Product-specialized insurance companies are very rare and play a niche role*". Another noted that "*[t]he product range of companies operating in the non-life field is very wide and there is competition in all fields*".[98] This view was also shared by customers.[99] The Commission's investigation did not give any reason to consider that rivals would face challenges to expand their existing presence in particular in non-life insurance segments – quite the contrary, given that respondents considered that sufficient competitive pressure will remain across all segments after the Transaction.[100]

(83) Fourth, regarding assistance insurance, the Notifying Party's market share estimates appear to be significantly overestimated. All competitors responding to the market investigation indicated that they report their gross written premiums for assistance insurance policies to the Hungarian National Bank alongside the 'main' policy (such as motor or travel insurance), to which the assistance insurance policies are ancillary. They do not report assistance insurance separately.[101] Therefore, it is clear that AEGON CEE's market share estimates are overstated, as AEGON CEE does report these figures separately. Six major insurers responding to the market investigation indicated that they provide assistance insurance services, and the market investigation did not give rise to any indication that the Transaction would result concentration for this product segment. Customers were split evenly between those who procure assistance insurance as an ancillary product together with the 'main' insurance policy, and those who procure assistance insurance as a standalone policy from a different insurer than that which sells their 'main' policy.[102] Post-Transaction, customers will therefore continue to have access to assistance insurance policies both from their 'main' insurer and others, as well as importantly from a number of competitors besides the merged entity.

(84) Finally, respondents to the market investigation indicated that the Transaction would not have a negative impact in the market for non-life insurance (or its plausible segmentations) in Hungary. All customers that expressed a view indicated that the Transaction would have either a positive or a neutral impact on the competitive

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96 Replies to Q2 – eQuestionnaire – customers, question 16.2.

97 Replies to Q1 - eQuestionnaire – Competitors, question 17.1.

98 Replies to Q1 - eQuestionnaire – Competitors, question 11.1.

99 Replies to Q2 – eQuestionnaire – customers, question 16.1.

100 Replies to Q1 - eQuestionnaire – Competitors, question 15.3 and replies to Q2 – eQuestionnaire – customers, question 16.3.

101 Replies to Q1 - eQuestionnaire – Competitors, question 14.

102 Replies to Q2 – eQuestionnaire - customers, question 15.

landscape for non-life insurance and its segments in Hungary; for example, one explained that "*there is still enough competition*".[103] As regards competitors, one insurer considered that the Transaction may have a negative impact on competition. However, this was a minority view as the vast majority of competitors that expressed a view indicated that the Transaction will have a neutral impact on the competitive landscape for non-life insurance and its segments in Hungary.[104]

(D) Conclusion

(85) In light of the foregoing, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market as a result of horizontal non-coordinated effects for the overall non-life insurance market in Hungary, or any of its plausible segmentations.

5.4.1.3. Life insurance in Romania

(A) Market structure

(86) The Notifying Party estimates that the Parties' combined market share in life insurance in Romania is [20-30]% ([10-20]% for VIG, [5-10]% for AEGON CEE). Therefore, the Transaction will give rise to a horizontally affected possible market for life insurance (overall) in Romania. In addition, the Transaction gives rise to further horizontally affected markets on certain plausible segmentations of life insurance in Romania.

(87) The Table 3 below presents the Notifying Party's estimates of the Parties' market shares for the overall market for life insurance in Romania, as well as for the plausible market segmentations in which an affected market arises. The Parties' largest competitors active in these segments are also identified. The below Table does not present market share estimates for those market segmentations which are not horizontally affected by the Transaction (either because the Parties' market shares are less than 20% or because there is no overlap).

(88) The market share estimates in the following Table are presented on two alternative bases: (i) following the Commission's traditional segmentation of the relevant product market, as described in Section 5.3.1.1 above, and (ii) following the national insurance classification adopted by the Romanian Financial Supervision Authority ('ASF'), the Romanian insurance regulator which collects and publishes market data from insurance companies in Romania in its annual report on the Development of the Insurance Market.

103 Replies to Q2 – eQuestionnaire – Customers, question 18 and 18.1.

104 Replies to Q1 - eQuestionnaire – Competitors, question 17 and 17.1.

Table 3: Market share estimates for life insurance in Romania and its horizontally affected plausible segments (2020, value)

Type of segmentation	Affected segment	VIG %	AEGON CEE %	Combined %	Largest competitors
European Commission's segmentations	***Life insurance (overall) – affected***	***[10-20]%***	***[5-10]%***	***[20-30]%***	***NN Group, Metropolitan Life, BRD, Allianz, Generali, Signal Iduna***
	Life insurance – individual customers	[10-20]%	[5-10]%	[20-30]%	As above
	Savings/investment products	[20-30]%	[10-20]%	[30-40]%	As above
	Non-unit/index-linked life insurance	[10-20]%	[5-10]%	[20-30]%	As above
ASF segmentation	C1 – Traditional life insurance	[20-30]%	[5-10]%	[20-30]%	As above

Source: Notifying Party's estimates in Form CO and response to RFI 6.

(B) The Notifying Party's views

(89) The Notifying Party submits that the Transaction does not give rise to horizontal non-coordinated concerns.

(90) First, the Notifying Party argues that the merged entity will be a moderately sized competitor. It points out that in life insurance overall in Romania the merged entity's market share remains around [20-30]%. The merged entity will only be the second largest competitor behind NN Group ([30-40]%). The merged entity will continue to face competition from NN Group, as well as a number of effective competitors in all markets.[105]

(91) Second, it argues that VIG and AEGON CEE are not particularly close competitors, since the Parties do not compete more closely with each other than with other market participants. In particular, in relation to savings and investment products, the segment where their combined market shares are highest ([30-40]% in 2020), the Parties' focus is different. [Confidential information regarding the Parties' product focus.].[106]

(92) Third, the Notifying Party further argues that the overall market should not be further segmented due to the high degree of supply-side substitutability between the different types of products within the life insurance sector. In particular, it notes that the main life insurance competitors are active across all segments of life insurance. Therefore, the merged entity will continue to be constrained by a sufficient number of competitors across all segments of life insurance. Moreover, as these competitors are major insurance groups, they are well placed to expand and constrain the merged entity across all product segments.[107]

[105] Form CO, paragraphs 19-21.

[106] Form CO, paragraph 732.

[107] Form CO, paragraph 771.

(C) Commission's assessment

(93) The Transaction gives rise to certain horizontally affected plausible life insurance markets in Romania, with the Parties having market shares in the range of 20-30%, as illustrated in Table 3 above. The Commission considers that the Transaction is unlikely to give rise to serious doubts as to its compatibility with the internal market for life insurance and its sub-segments in Romania for the following reasons.

(94) First, the merged entity will be a moderately sized competitor and will continue to face sufficient competitive pressure in the market for life insurance and its relevant segmentations in Romania. In life insurance, VIG and AEGON CEE will together be the second largest player ([20-30]%).[108] The market investigation indicated that the Parties' market share estimates appear accurate and the increment is limited as AEGON CEE is considered to be a small player.[109] Moreover, the merged entity will continue to face competition from market leader NN Group ([30-40]%), Metropolitan Life ([10-20]%), BRD ([5-10]%), Allianz ([5-10]%), Signal Iduna ([5-10]%) and several smaller players. Both customers and competitors active in Romania that responded to the market investigation indicated that these are strong life insurers and supported the view that NN Group, Allianz and Metropolitan Life are the strongest competitors (with customers also rating Generali highly).[110] All competitors and most customers that expressed a view indicated that these insurers are an effective competitive constraint on the Parties, and that there will remain enough competitive pressure in the Romanian life insurance market and in each of its segments after the Transaction. One insurer elaborated that the penetration of life insurance is relatively low in Romania and so there is considerable room for growth and competition in the market, while pointing out that post-Transaction "*there are also other very strong competitors on the market*".[111]

(95) Second, the Parties are not particularly close competitors. The majority of competitors that expressed a view indicated that the Parties do not compete closely, with the remainder of competitors and all customers that expressed a view stating that while VIG and AEGON CEE do compete in life insurance and its segments in Romania, there are other insurers who also compete as strongly/closely with them in life insurance overall and in each of its segments.[112] For example, one competitor explained that in its view "*other important players are active (NN, BRD, Groupama, Allianz, Generali) with relatively similar product design and features*".[113]

(96) Third, the merged entity will face constraints across all segments of life insurance in Romania due to a high degree of supply-side substitutability and the fact that the major life insurers are already active across most (if not all) products – as also

[108] The Commission notes that a concentration giving rise to combined market shares of less than 25% may be presumed to be compatible with the internal market pursuant to paragraph 18 of the Horizontal Merger Guidelines.

[109] Replies to Q1 - eQuestionnaire – Competitors, question 21 and replies to Q2 – eQuestionnaire – customers, question 22.

[110] Replies to Q1 - eQuestionnaire – Competitors, question 21 and replies to Q2 – eQuestionnaire – customers, question 22.

[111] Replies to Q1 - eQuestionnaire – Competitors, questions 21.3 and 21.3.1 and replies to Q2 – eQuestionnaire – customers, questions 22.3 and 22.3.1.

[112] Replies to Q1 - eQuestionnaire – Competitors, question 22 and replies to Q2 – eQuestionnaire – customers, question 23.

[113] Replies to Q1 - eQuestionnaire – Competitors, question 22.1.

evident from paragraphs (22), (23) and (94) and Table 3 above. Regarding the possibility of entry in new segments, one competitor explained that "*In general, life and composite insurers with significant activity have the ability to expand to different insurance classes*". Another added that "*[i]t is possible for one insurer to expand its range of life products offered by including products addressing different client segments. This type of expanding the business was visible in the past in the Romanian market*".[114] In any event, life insurers appear already to be active across most life insurance segments – one insurer explained that "*most life and composite insurers are offering an extended range of insurance products/ classes*", with another adding: "*major players cover all insurance risks*".[115] Customers supported this, noting for example that "*[f]or the insurance products we purchase, they are offered by most insurers*".[116] Moreover, the market investigation did not indicate any challenges for a life insurance provider to expand in life insurance segments where it is already active in Romania – quite the contrary, given that respondents considered that sufficient competitive pressure will remain across all segments.[117]

(97) Finally, the market investigation indicated that the Transaction would be unlikely to have a negative impact in the market for life insurance (or its plausible segmentations) in Romania. One customer did indicate that the Transaction might have a negative impact on the market, while acknowledging that NN Group, and not the merged entity, would remain the largest insurer.[118] However, another customer explained that "*the Transaction is with a relatively small life insurance company in Romania (Aegon) [so] we are not foreseeing important effects in [the] life insurance market*". This absence of concerns was supported by competitors – all competitors that expressed a view considered that the Transaction would have a neutral impact on the market. They explained that "*there are other strong players in the market able to exercise competitive pressure on the merged entity".* Another competitor added that "*Aegon has had a marginal presence/success on Romanian market, therefore we consider the Transaction will have a limited impact on this market*", a view that was echoed by other insurers. *"*[119]

(D) Conclusion

(98) In light of the foregoing, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market as a result of horizontal non-coordinated effects for the overall life insurance market in Romania or any its plausible segmentations.

5.4.1.4. Overall conclusion on horizontally affected markets

(99) In conclusion, for the reasons set out above, in paragraphs (58) to (98), the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market as a result of horizontal non-coordinated

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[114] Replies to Q1 - eQuestionnaire – competitors, question 20.1

[115] Replies to Q1 - eQuestionnaire – competitors, question 18.1.

[116] Replies to Q2 - eQuestionnaire – Customers, question 20.1.

[117] Replies to Q1 - eQuestionnaire – Competitors, question 15.3 and replies to Q2 – eQuestionnaire – customers, question 16.3.

[118] Replies to Q2 – eQuestionnaire – customers, question 24.

[119] Replies to Q1 - eQuestionnaire – Competitors, question 23 and 23.1.

effects concerning the markets for life and non-life insurance in Hungary and life insurance in Romania.

5.4.2. *Vertical Overlaps*

5.4.2.1. Reinsurance worldwide (upstream), insurance production in Hungary, Romania, Bulgaria, Slovakia, Latvia (downstream)

(100) Both Parties are active on the upstream market for reinsurance and provide reinsurance to external clients for life and non-life risks. The Transaction thus gives rise to a vertically affected link between VIG and AEGON CEE's worldwide reinsurance activities and the Parties' activities in life and non-life insurance (and their relevant sub-segments) in Hungary, Romania, Bulgaria, Czechia, Slovakia and Latvia.

(101) Upstream, the Notifying Party estimates that the Parties' combined market share in the supply of reinsurance is around [0-5]% at worldwide level.[120] Even if the relevant product market were segmented between reinsurance for life insurance and reinsurance for non-life insurance, the Parties' combined market share would be less than [0-5]% (on either basis) worldwide.[121]

(102) Downstream, for the production of insurance, the Notifying Party estimates that the Parties' market shares exceed 30% on certain plausible life and non-life insurance markets in Hungary[122] and Romania[123] as well as Bulgaria, Czechia, Slovakia and Latvia.[124] However, in each case the Parties' market shares would be no higher than [30-40]%, with two very limited exceptions in Hungary.[125]

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[120] Section 3 of the response to RFI 6.

[121] Reply to RFI 8 question 1.

[122] In Hungary, there would be no vertically affected market for the provision of life insurance (overall) or non-life insurance (overall). However, if these product markets are further segmented the Notifying Party estimates that the Parties' market shares in Hungary would be [30-40]% for group life insurance and for group pure risk protection life insurance in 2020 (Table 5(1) and Table 5(2) of the response to RFI 6). Similarly, for property insurance, under certain HNB and MABISZ segmentations the Parties' market shares would be [30-40]% and would be [80-90]% in relation to assistance insurance (Table 7B(20) and Table 7B(29) of the Form CO. Estimates relate to 2020 for HNB and 2019 for MABISZ (as 2020 data is not yet available).

[123] In Romania, the Parties' market shares are less than 30% in life and non-life insurance, but on a narrower basis the Parties' market shares would be [30-40]% in savings and investment life insurance in 2020 (Table 7C(8) of the Form CO).

[124] VIG's market share in the provision of life insurance was [30-40]% in Bulgaria, [30-40]% in Czechia and [30-40]% in Slovakia. In non-life insurance, VIG's market share was [30-40]% in Latvia. These estimates relate to the 2019 year, but the Notifying Party submits that they would not be significantly different on the basis of the available figures for Q1-Q3 of 2020, except for life insurance in Bulgaria where VIG's market share would be lower, at [20-30]%. (Form CO, paragraph 320)

[125] The first exception is for assistance insurance in Hungary ([80-90]%), however, as detailed in paragraph (83) above, this estimate significantly overstates the Parties' market shares and does not accurately reflect the fact that assistance insurance is generally offered together with other insurance products. The second exception is for the HNB's classification of 'other retirement insurance' in Hungary, where AEGON CEE has a [70-80]% share. This relates to a segment of retirement insurance policies which do not allow customers to benefit from a tax allowance (the vast majority do); this segment is accordingly less popular with customers and small (Response to RFI 8, question 2). Established suppliers providing retirement insurance with tax benefits can easily enter this segment. In any event, there are no reinsurers that exclusively provide their upstream services for 'other retirement insurance' in Hungary, i.e. without also providing such services for 'retirement insurance' more broadly (where the Parties' shares are only [20-

(103) The Notifying Party submits that notwithstanding the Parties' downstream shares the Transaction does not give rise to any risk of customer foreclosure of the Parties' rival providers of reinsurance, given the Parties' negligible combined market share of the worldwide reinsurance market.[126]

(104) The Commission assesses below the risk that the merged entity would seek to engage in customer foreclosure of insurance production with a view to foreclosing competing reinsurers upstream. For completeness, the Commission considers that input foreclosure is implausible given the Parties' combined upstream market shares of [0-5]% in reinsurance worldwide.

(105) The Commission observes that downstream the merged entity's shares remain moderate ([30-40]%) and that in each plausible national market a number of credible insurance providers will remain. Moreover, providers of reinsurance will continue to be able to turn not just to customers in Hungary, Romania, Bulgaria, Czechia, Slovakia and Latvia, but also worldwide. As such, the merged entity is unlikely to have the ability to engage in customer foreclosure. Its negligible base of sales upstream (less than [0-5]% market share of reinsurance worldwide on any plausible definition) means that the merged entity is also unlikely to have the incentive to engage in such a strategy. All insurers responding to the Commission's market investigation that expressed a view considered that the Transaction would have a neutral impact on the market for reinsurance.[127]

(106) For the above reasons, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market as regards the vertical links between the upstream market for reinsurance worldwide and the downstream markets for insurance production in Hungary, Romania, Bulgaria, Czechia, Slovakia or Latvia.

5.4.2.2. Asset management in Hungary and the EEA (upstream), insurance production in Hungary (downstream)

(107) AEGON CEE is active in the provision of asset management services in Hungary. VIG is not active in Hungary, but is active in other Member States.[128] The Transaction gives rise to a vertically affected link between the Parties' asset management activities in Hungary or the EEA and their life and non-life insurance activities.

(108) Upstream, for the provision of asset management, the Notifying Party estimates that AEGON CEE's market share is [5-10]% in Hungary. It is the fourth largest asset manager in Hungary after OTP group ([20-30]%), ERSTE ([10-20]%) and K&H ([10-20]%), while also facing competition from a number of similarly sized rivals (MKB-Pannonia, Hold Alapkezelő and Allianz all have market shares of [5-10]%).

30]%) or for other product types. The same is also true for assistance insurance (Response to RFI 8 questions 2-3, to the best of the Parties' knowledge). Therefore, customer foreclosure in these segments is implausible as the merged entity would lack the ability to engage in such a strategy.

126 Form CO, paragraphs 323-324.

127 See replies to Q1 - eQuestionnaire – Competitors, questions 24-27.

128 VIG currently has minor activities in asset management, primarily in Bulgaria. It is not active in Poland or Romania (i.e. where AEGON CEE is active in insurance production downstream) and so no other national vertically affected markets arise (Response to RFI 8, question 5). [Confidential information regarding VIG's asset management business].

Its market share would be [10-20]% on a narrower market of asset management services for institutional customers in Hungary, and [5-10]% or less on all other plausible segmentations. In the EEA, both VIG and AEGON CEE would hold a market share of less than [0-5]% on any plausible segmentation.[129]

(109) Downstream, for the production of insurance, the Notifying Party estimates that the Parties' market shares exceed 30% on certain plausible life and non-life insurance markets in Hungary,[130] Romania,[131] Bulgaria, Czechia, Slovakia and Latvia.[132] However, in each case the merged entity's market shares would be no higher than [30-40]%, with two limited exceptions.[133]

(110) The Notifying Party submits that the Transaction does not give rise to any risk of a customer foreclosure strategy targeted against rival asset managers, given the Parties' moderate combined market shares in the downstream markets for life and non-life insurance and the presence of a number of alternative insurance providers that asset managers can sell to.[134]

(111) The Commission assesses below the risk that the merged entity would seek to engage in customer foreclosure of insurance production with a view to foreclosing competing asset managers upstream. For completeness, the Commission considers that input foreclosure is implausible given the Parties' combined upstream market shares of [5-10]-[10-20]% in asset management in Hungary and less than [0-5]% in the EEA.

(112) The Commission observes that, regarding the link in Hungary specifically, in the upstream production of insurance the merged entity's shares remain moderate on the narrowest plausible segmentations ([30-40]%) and on the wider downstream markets for life and non-life insurance its market shares are only [10-20]-[20-30]%. Post-Transaction, a number of significant insurers will remain both in the overall markets and in each plausible segmentation, meaning that asset managers will continue to have a broad and sufficient customer base of Hungarian insurers to turn to even if the merged entity were to attempt a foreclosure strategy. Likewise, as regards the vertical link at EEA-level, notwithstanding the merged entity's national market shares in insurance a number of large international insurers will remain across the EEA post-Transaction for asset managers to sell to. Upstream, the Parties have a very limited presence in asset management. Therefore, it is unlikely that the merged entity would have the ability or incentive to engage in such a strategy in Hungary or at EEA-level. In addition, all insurers responding to the Commission's market

[129] Section 4 of the response to RFI 6. Estimates relate to 2020.

[130] As described in footnote 122 above for Hungary.

[131] As described in footnote 123 above for Romania.

[132] As described in footnote 124 above for these countries.

[133] These exceptions are assistance insurance in Hungary ([80-90]%) and 'other retirement insurance' in Hungary under the HNB's classification, as described in footnote 125. There are no asset managers used by VIG or AEGON CEE that only distribute either assistance insurance or 'other retirement insurance' products in Hungary (Response to RFI 8 questions 2-3, to the best of the Parties' knowledge), and the Parties' market shares on broader relevant insurance markets are considerably lower. Therefore, input foreclosure is implausible as the merged entity would lack the ability to engage in such a strategy.

[134] Form CO, paragraph 367.

investigation that expressed a view considered that the Transaction would have a neutral impact on the market for asset management.[135]

(113) For the above reasons, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market as regards the vertical links between the upstream markets for asset management in Hungary or the EEA and the downstream markets for insurance production in Hungary, Romania, Bulgaria, Czechia, Slovakia or Latvia.

5.4.2.3. Insurance production in Hungary (upstream), insurance distribution in Hungary (downstream)

(114) VIG distributes insurance products in Hungary for third parties and on its own behalf. AEGON CEE distributes insurance products on its own behalf (only) in Hungary.[136] The Transaction gives rise to a vertically affected link between the Parties' life and non-life insurance activities in Hungary and their insurance distribution activities in Hungary.

(115) Upstream, for the production of insurance, the Notifying Party estimates that the Parties' market shares exceed 30% on certain plausible life and non-life insurance markets in Hungary.[137] However, in each case the Parties' market shares would be no higher than [30-40]%, with two very limited exceptions.[138]

(116) Downstream, the Notifying Party estimates that VIG's market share in the distribution of insurance products for third parties (i.e. outward channel only) would be [5-10]% or less. It would also be [5-10]% or less on any plausible (narrower) market definition.[139] If both outward and direct distribution were considered, the Parties' combined market share would be less than [10-20]% on any plausible definition in Hungary […]. At EEA-level, the Parties' market shares would be less than [0-5]% on all plausible definitions.[140]

(117) The Notifying Party submits that the Transaction does not give rise to any risk of an input foreclosure targeted against rival insurance distribution providers, given the Parties' moderate combined market shares in upstream markets for life and non-life insurance in Hungary.[141]

135 See replies to Q1 - eQuestionnaire – Competitors, question 24.

136 AEGON CEE distributes third parties' insurance products in Poland and VIG distributes (only) its own insurance products in Poland. However, this vertical link with the Parties' activities in the production of insurance in Poland is not vertically affected on any plausible market definition and so is not discussed further in this decision.

137 See footnote 122 above, which outlines the segments in Hungary on which the Parties' combined market shares are 30% or higher.

138 With the exception of assistance insurance in Hungary ([80-90]%) and 'other retirement insurance' under the HNB's classification, as described in footnote 125. There are no insurance distributors used by VIG or AEGON CEE that only distribute either assistance insurance or 'other retirement insurance' products in Hungary (Response to RFI 8 questions 2-3, to the best of the Parties' knowledge), and the Parties' market shares on broader markets are considerably lower. Therefore, input foreclosure is implausible as the merged entity would lack the ability to engage in such a strategy.

139 Form CO, paragraph 332.

140 Response to RFI 8 question 6.

141 Form CO, paragraphs 336-337.

(118) The Commission assesses below the risk that the merged entity would seek to engage in input foreclosure of insurance production with a view to foreclosing competing distributors downstream. For completeness, the Commission considers that customer foreclosure is implausible given that VIG only has a market share of less than [5-10]% in the (outward) provision of insurance distribution services to third parties in Hungary and that AEGON CEE is not active in this market.

(119) The Commission observes that in the upstream production of insurance the merged entity's shares remain moderate ([30-40]%) and that in each plausible Hungarian market a number of credible insurance providers will remain. In Hungary, the vast majority of insurance products are sold to consumers via intermediated channels: less than 2% of life insurance is sold directly by insurers to consumers and less than 16% of non-life insurance is sold directly. [Confidential information regarding the Parties' distribution strategies].[142] In view of this and the Parties' small market shares in the market for insurance distribution, it is unlikely that the merged entity would have the ability or incentive to internalise its distribution of insurance (i.e. switch to exclusively or predominantly direct sales) with a view to foreclosing rival insurance distributors as such a strategy would put at risk the majority of its insurance production sales. In addition, all insurers responding to the Commission's market investigation that expressed a view considered that the Transaction would have a neutral impact on the market for insurance distribution in Hungary.[143]

(120) For the above reasons, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market as regards the vertical links between the upstream markets for insurance production in Hungary and the downstream markets for insurance distribution in Hungary (or the EEA).

6. CONCLUSION

(121) 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
Executive Vice-President

[142] Form CO, paragraphs 784-787 and 822-826.
[143] See replies to Q1 - eQuestionnaire – Competitors, question 24.