



DETERMINATION OF MERGER NOTIFICATION M/07/065 – ROYAL LONDON/RESOLUTION

Section 21 of the Competition Act 2002

Proposed acquisition by The Royal London Mutual Insurance Society Limited of certain subsidiaries, assets and businesses of Resolution plc

Dated 08/01/08

Introduction

1. On 13 December 2007 the Competition Authority (the "Authority"), in accordance with section 18(1)(a) of the Competition Act, 2002 ("the Act") was notified, on a mandatory basis, of a proposed acquisition by The Royal London Mutual Insurance Society Limited ("Royal London") of certain subsidiaries, assets and businesses of Resolution plc ("Resolution") from Impala Holdings Limited ("Impala"), a subsidiary of Pearl Group Limited ("PGL"). The acquired business will be referred to as the Royal London Assets.
2. This transaction is conditional upon the completion of another transaction consisting of the acquisition by Impala, a subsidiary of Pearl, of the entire issued share capital of Resolution¹. The offer for the acquisition of the entire issued share capital of Resolution by PGL was posted on 12 December 2007. At the time of the present notification, such offer had not yet been accepted by Resolution's shareholders.

The Undertakings Involved

The Acquirer

3. Royal London is a mutual life insurance company which is owned by and run for the benefit of its members. Royal London provides life protection, pensions and investment products within the UK. Royal London also provides offshore life insurance investment and trust products to UK and overseas customers through Scottish Life International.
4. In the State, Royal London provides life and investment products written by Scottish Life International.
5. For the financial year ended 31 December 2006, Royal London had a worldwide turnover of approximately €[]² and turnover in the State of €[]³.

¹ See the Competition Authority Decision in M/07/063 at www.tca.ie.

² Based on GBP [] at the exchange rate of 1.46725 being the average exchange rate for the year from 01/01/06 to 31/12/06 using historical exchange rate data from Oanda at <http://www.oanda.com/convert/fxhistory>.

The Target

6. The Royal London Assets broadly correspond to Resolution's Life Division North ("LDN"). The companies and businesses that comprise the Royal London Assets provide life protection products and manage open and closed life funds built up as a result of the provision of these and other products. In essence, the Royal London Assets represent the new business capability and in-force funds of Resolution's life protection business, together with the new business capability and in-force funds of its offshore life insurance business. In particular, the Royal London Assets comprise the following:
- (i) the entire issued share capital of Scottish Provident Limited ("Scottish Provident") and its subsidiaries;
 - (ii) the entire issued capital of Scottish Provident International Life Assurance Limited ("SPILA");
 - (iii) the entire issued share capital of SPILA Services (Isle of Man) Limited;
 - (iv) the entire issued share capital of SPILA Services (Hong Kong) Limited;
 - (v) the protection business of Scottish Mutual Assurance Limited ("Scottish Mutual");
 - (vi) the protection business of Phoenix Life Assurance Limited ("PLAL");
 - (vii) the agreement entered into between Resolution Life Limited ("RLL") and Abbey National plc ("Abbey") under which Abbey provides intermediary services to RLL for the distribution of certain Scottish Provident, Self Assurance, Scottish Mutual, SPILA and Pegasus branded products to independent financial advisers⁴;
 - (viii) the agreement entered into in June 2006 between RLL and Abbey under which Abbey distributes as an intermediary certain Scottish Provident and Scottish Mutual products through its retail branches;
 - (ix) all new business operations (including all employees, and related assets, overhead and other costs) of the companies referred to above, other than with respect to annuities and increments sold to existing Resolution with-profit policyholders;
 - (x) that part of the business, assets and operations of Resolution Management Services Company Limited as described in the *Resolution 2006 Report and Accounts* as Life Division North or LDN (Scottish Provident, Scottish Mutual Assurance, PLAL and

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⁴ This agreement is likely to be no longer effective given that Resolution has agreed to acquire from Abbey (and indeed may have already acquired) the brokerage business under which this service is provided to Resolution.

possibly Scottish Mutual International) which includes the provision of administration services to the businesses described above; and,

- (xi) the right (subject to any applicable third party investment management contracts entered into by the companies referred to above) to provide or procure the provision of all investment management services in respect of the assets described above.
7. The Royal London Assets have a presence in the life insurance sector of the State through the Scottish Mutual and Scottish Provident brands.
 8. LDN's 2006 turnover (see paragraph 6 above) was approximately €[]⁵.
 9. LDN's 2006 turnover in the State was approximately €[]⁶.

Analysis

10. There is horizontal overlap between Royal London and Royal London Assets as both companies provide life insurance and investment products in the State through a network of independent brokers and via direct sales to consumers.
11. However, this overlap does not raise competition concerns due to the existence of a significant number of operators offering life, pension and investment products in the State (i.e. Irish Life, New Ireland, Eagle Star Life, Hibernian Life & Pensions and Ark Life) and the relatively minor presence of the parties in the provision of life insurance and investment products in the State. Royal London's estimated market share in the provision of life insurance products in the State is [0-5%]⁷. The Royal London Asset's estimated market share in the provision of life insurance products in the State (on the basis of a turnover of €[]) is approximately [0-5%]⁸. Post-transaction, this would give the parties an estimated combined market share of [0-5%].
12. As the horizontal overlap between Royal London and the Royal London Assets is not significant and there are no vertical areas of overlap between the parties, the Authority considers that the proposed transaction does not raise competition concerns in the State.

Ancillary Restraints

13. The Authority also reviewed the [] non-compete clause included in the agreement between Impala, PGL and Royal London. The Authority believes that such a clause is directly related and necessary for the implementation of the proposed transaction as it protects the value of

⁵ Currency conversion supplied by the parties based on GBP [].

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⁷ The market share figure is estimated at [0-5%] which is based on the gross annual premium from sales of policies in Ireland in 2006 of €[] as a percentage of the total gross premium income in the life business in Ireland as provided in Table 3 of the Financial Regulator's *Insurance Statistical Review 2006*.

⁸ The market share was estimated to be approximately [0-5%] which is based on the gross annual premium of €[] of sales of policies in Ireland in 2006 as a percentage of the total gross premium income in the life business in Ireland as provided in Table 3 of the Financial Regulator's *Insurance Statistical Review 2006*.

the goodwill transferred in the proposed acquisition and does not go beyond what is necessary to protect the value of this goodwill.

Determination

The Authority, in accordance with section 21(2)(a) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition by The Royal London Mutual Insurance Society Limited of certain subsidiaries, assets and businesses of Resolution plc will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, the acquisition may be put into effect.

For the Competition Authority

Dr. Paul K. Gorecki
Member of the Competition Authority