



# DETERMINATION OF MERGER NOTIFICATION M/15/005 - AIG / AVONDHU

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## Section 21 of the Competition Act 2002

### Proposed acquisition by American International Group Inc., through AIG Europe Holdings Limited, of Avondhu Limited, the parent company of Laya Healthcare Limited and Laya Services Limited

Dated 13 March 2015

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#### Introduction

1. On 4 February 2015, in accordance with section 18(1) of the Competition Act 2002, as amended<sup>1</sup> (“the Act”), the Competition and Consumer Protection Commission (“the Commission”) received a notification of a proposed transaction whereby American International Group Inc. (“AIG” or “the Acquirer”), through a wholly-owned indirect subsidiary, AIG Europe Holdings Limited<sup>2</sup>, would acquire the entire issued share capital of Avondhu Limited and thus sole control of its subsidiaries, Laya Healthcare Limited (“Laya Healthcare”) and Laya Services Limited (“Laya Services”), collectively “the Target”.

#### The Undertakings Involved

##### *The Acquirer – AIG*

2. AIG is a leading international insurance organisation serving customers in over 130 countries worldwide. In the State, AIG conducts its business through AIG Europe Limited<sup>3</sup>, which is incorporated as a limited liability company in England and Wales and which operates an Irish branch having its registered place of business at 30 North Wall Quay, International Financial Services Centre, Dublin 1.
3. AIG is active in the State in motor, property, travel and personal accident insurance products for individuals<sup>4</sup>, as well as a range of commercial insurance offerings to companies and public and private sector organisations<sup>5</sup>.

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<sup>1</sup> It should be noted that the Competition and Consumer Protection Act 2014 made a number of important amendments to the merger review regime set out in the Competition Act 2002.

<sup>2</sup> American International Group Inc. is the ultimate parent of AIG Property Casualty International LLC and AIG Property Casualty Europe Financing Limited, both of whom are the shareholders of AIG Europe Holdings Limited.

<sup>3</sup> AIG Europe Limited is a direct subsidiary of AIG Europe Holdings Limited and operates a number of European branches.

<sup>4</sup> [http://www.aig.ie/individuals\\_3192\\_411262.html](http://www.aig.ie/individuals_3192_411262.html).

<sup>5</sup> [http://www.aig.ie/business\\_3192\\_411268.html](http://www.aig.ie/business_3192_411268.html).



4. In the financial year ending 31 December 2013, AIG generated worldwide turnover of €[51.7] billion of which approximately €[...] was generated in the State.

#### **The Targets**

5. Avondhu Limited is a company registered in Jersey<sup>6</sup>, holding 100% of the share capital of Laya Healthcare, which in turns holds a 100% shareholding in Laya Services. Both Laya Healthcare and Laya Services are single member private companies limited by shares, having their registered offices at Eastgate Business Park, Little Island, Co. Cork.
6. Laya Healthcare provides a range of insurance products in the State including private medical insurance, dental insurance, life insurance and travel insurance. It also provides a range of occupational health services (including medical case management) which can be purchased by customers on a standalone basis and which are provided by Laya Healthcare at 12 client locations in the State. For the financial year ended 31 December 2013, Laya Healthcare achieved a turnover (both worldwide and in the State) of approximately €39.3 million<sup>7</sup>.
7. Laya Services was established for the principal purpose of providing property and equipment leasing services to Laya Healthcare. However, the letting of property ceased in 2009 and Laya Services no longer holds any assets used by Laya Healthcare. The value of the assets held by Laya Services has been written down to nil in its accounts. Laya Services had no turnover in the financial year ended 31 December 2013.

#### **The Vendors**

8. At present, 70% of the issued share capital in Avondhu Limited is owned by Quinn Financial Services Holdings Limited and the remaining 30% is held by four named individuals (who are managers in Laya Healthcare).

#### **Rationale for the Proposed Acquisition**

9. The notification states:  
*“The [Acquirer] sees the proposed acquisition as an opportunity to develop the existing footprint of the parties and to enhance the breadth and diversity of products which it can offer to its customers.”*
10. The AIG website states<sup>8</sup>:  
*“The acquisition of Laya Healthcare is an opportunity to work with business leaders who know how to achieve value and growth in a highly regulated healthcare market. Building on Laya Healthcare’s success serving customers in Ireland is an important step in expanding AIG’s Health and Consumer strategies.”*

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<sup>6</sup> With its registered office at 13-14 Esplanade, St. Helier, Jersey.

<sup>7</sup> While 2014 turnover figures for Laya Healthcare have not yet been approved and certain [...] with underwriters remain to be determined, it is estimated that turnover will be approximately €[...].

<sup>8</sup> <http://phx.corporate-ir.net/phoenix.zhtml?c=76115&p=irol-newsArticle&ID=2009077>



### Third Party Submissions

11. No submission was received.

### Competitive Analysis

12. Both AIG and Laya Healthcare are active in the insurance industry in the State, where:
- AIG provides motor, home, personal accident and travel insurance to individual customers, as well as commercial insurance products for businesses<sup>9</sup>, which includes added services such as medical case management<sup>10</sup>.
  - Laya Healthcare primarily provides health insurance to private individuals and a range of corporate healthcare schemes. It also provides travel insurance and, more recently, life insurance. In addition, Laya Healthcare provides a range of occupational health services<sup>11</sup> (including medical case management) which can be purchased by customers on a standalone basis and which are provided by Laya Healthcare at 12 locations in the State.
13. Table 1 below contains a comparative list of the products currently provided by AIG and by Laya Healthcare in the State:

**Table 1: Comparative list of the products offered by AIG and by Laya Healthcare in the State**

Product	Covered by AIG?	Covered by Laya?
Health Insurance	No	Yes
Dental Insurance	No	Yes
Life Insurance	No	Yes
Car Insurance	Yes	No
Car Hire Excess	Yes	No
Travel Insurance	Yes	Yes
House Insurance	Yes	No
Cancer Cover	Yes	No
Personal Accident	Yes	No
Pupil Protector	Yes	No
Identity Guard	Yes	No
Casualty	Yes	No
Crisis Management	Yes	No
Kidnap & Ransom	Yes	No

<sup>9</sup> Products include casualty, crisis management, kidnap and ransom, energy, environmental, financial lines, mergers and acquisitions, marine, property, alternative risk, speciality solutions and rapidcover.

<sup>10</sup> The purpose of medical case management is to facilitate the rehabilitation/recovery of employees who have been absent from work due to illness/accident and to expedite their return to employment.

<sup>11</sup> The occupational health services offered by Laya Healthcare include Sickness/Absence Management Services, Pre-Employment Screening, Health Surveillance & Ergonomics, Pregnancy Risk Assessments, Vaccinations and Education & Training. It also offers "Health@Work" services designed to help employers achieve their goal – whether reducing absenteeism, increasing productivity, or maximising employee engagement.



Energy	Yes	No
Environmental	Yes	No
Financial Lines	Yes	No
Mergers and Acquisitions	Yes	No
Marine	Yes	No
Property	Yes	No
Alternative Risk	Yes	No
Speciality Solutions	Yes	No
Rapidcover	Yes	No
Medical Case Management Services	Yes	Yes

14. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. In the present case, it is not necessary for the Commission to define precise relevant markets. Without defining a precise relevant market in this particular case<sup>12</sup>, the activities of the parties overlap in two specific segments, namely, the provision of travel insurance and the provision of medical case management services.

#### *Travel Insurance*

15. While Table 1 shows that there is horizontal overlap between the parties in the travel insurance segment there are some differences with respect to the sales proposition of both parties.
16. Laya Healthcare markets travel insurance policies of ACE European Group Limited<sup>13</sup> (“ACE”) to its customers pursuant to a marketing agreement and receives a commission on sales. Laya Healthcare offers holiday travel insurance, backpacker insurance and business travel insurance to private individuals (and families) only and does not sell travel insurance products to corporate clients<sup>14</sup>. Laya Healthcare does not underwrite any travel insurance policies that are offered by financial institutions as free ‘add-ons’ i.e. ‘no additional charge’ (NAC) programmes<sup>15</sup> provided by financial institutions as part of their financial services offerings.
17. AIG sells single trip travel insurance, multi-trip insurance and long stay or backpacker insurance, as well as extra options which include cover for business travel, golf, skiing, volcanic ash and natural catastrophes. These products are sold directly to individual

<sup>12</sup> The European Commission has previously taken the view that product markets in the insurance sector can be divided into the following categories: life insurance, non-life insurance and reinsurance. It has further accepted that life and non-life insurance can be sub-divided into as many product markets as there are different kind of risks covered and that the relevant geographic markets for life and non-life insurance are national. See [Case No. IV/M.1627 - CU Italia / Banca Delle Marche / JV](#). The European Commission has in the past also considered a distinction between the following segments of non-life insurance: (i) accident and sickness; (ii) motor vehicle; (iii) property; (iv) Marine, aviation and transport; (v) liability; (vi) credit and suretyship; and (vii) travel. See [Case No. COMP/M.6957 - IF P&C / TOPDANMARK](#).

<sup>13</sup> ACE also markets its travel insurance directly to consumers on its website: <http://www.aceinsure.ie/>.

<sup>14</sup> At specified times of the year it may offer online discounts on travel insurance to members of its corporate private health insurance schemes. However, Laya Healthcare estimates that sales made in this way represent no more than [0-10]% of all sales made in its travel insurance business.

<sup>15</sup> Financial institutions sell financial products such as credit cards to customers for a fee and as part of that fee, the financial institution may offer travel insurance to the customer at no additional charge.



customers via an online platform ([www.aig.ie](http://www.aig.ie)). Sales are also made to corporate customers and, in 2013, sales to corporate customers constituted approximately [20-30]% of the total gross premiums which it wrote in its travel insurance business in the State. AIG currently underwrites the travel insurance policies which are offered by Bank of Ireland in the context of the latter's NAC Programmes.

18. Insurance Ireland<sup>16</sup>, a trade association of insurers based in the State, publishes annual key facts and figures on the insurance industry. The annual publication, 'Factfile', uses the traditional differentiation between Life and Non-Life Insurance Markets. In the Non-Life Insurance Market, it groups Personal Accident (PA) and Travel Insurance together as one specific class of insurance.
19. According to figures contained in Factfile 2013<sup>17</sup>, the total gross premiums written by its members in the combined travel/personal accident (PA) insurance sector in the State in 2013 amounted to €81 million. Taking into account that Laya Healthcare and AIG wrote gross travel insurance premiums in the State in 2013 of approximately €[...] and €[...] respectively, they had an estimated share of less than [0-10]% and [0-10]% respectively of the combined travel/personal accident (PA) insurance sector.
20. There are a significant number of insurance companies offering travel insurance in competition with AIG and Laya Healthcare in the State, including Blue Insurance and Multitrip.com<sup>18</sup>, GetCover, 123.ie, AA, Vhi, Aviva and Allianz. Two of the largest banks in the State, AIB and Bank of Ireland, also offer travel insurance and the two Irish airlines, Aer Lingus and Ryanair, sell travel insurance as part of their online booking facilities. Grocery retailer, SuperValu<sup>19</sup>, has recently starting selling travel insurance. There are comparison websites<sup>20</sup> active in the sector to make shopping around for travel insurance easier.
21. In light of the relatively small market shares of the parties, as set out above, the incremental increase post-transaction will be minimal and the merged entity will be faced with competition from a large number of competitors selling travel insurance in the State.

#### *Medical case management services*

22. The purpose of medical case management is to facilitate the rehabilitation/recovery of employees who have been absent from work due to illness/accident and to expedite their return to employment. A case manager is typically assigned to the employee and they work proactively to solicit and coordinate treatment by, for example, arranging accelerated diagnostics, second opinions and specialist treatment.

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<sup>16</sup> <http://www.insuranceireland.eu/>

<sup>17</sup> [http://www.insuranceireland.eu/media/documents/fact\\_file/Factfile2013.pdf](http://www.insuranceireland.eu/media/documents/fact_file/Factfile2013.pdf)

<sup>18</sup> Blue Insurance also trades as Multitrip.com and together they have won numerous annual travel and tourism awards for the best travel insurance providers in the State: <http://www.multitrip.com/IE/AboutUs/>.

<sup>19</sup> Also on behalf of ACE: <http://www.supervaluttravelinsurance.ie/>.

<sup>20</sup> <http://www.comparetravelinsuranceireland.com/> and <http://www.uchoose.ie/compare-travel-insurance>



23. The parties do not believe that medical case management can be defined as a distinct product market but rather that it forms part of the broader sector for the provision of occupational health services
24. While both parties are active in medical case management services, the parties are of the view that there is no “meaningful overlap” between their activities in relation to this activity because of the differing nature of the medical case management services offered by each party:
- a. Laya Healthcare provides sickness/absence management services as part of its extensive range of on-site occupational health services, offered throughout the State. Each of the services is provided and charged for separately and customers can elect to purchase medical case management on a standalone basis;
  - b. AIG does not offer medical case management services as a standalone product but rather as a value-add service to corporate clients. The service is offered as a component part of employer’s liability insurance for instance. Payment for this service is typically covered by the terms and conditions of the relevant liability insurance policy. The sole potential expense incurred by a customer of AIG in relation to medical case management is where there is an excess on the policy. Any medical case management costs incurred after the excess has been reached are incurred by AIG under the indemnity cover of the policy. This differs from Laya Healthcare, where the practice is to charge a fee to the client for each review undertaken by an occupational health advisor or physician.
25. Irrespective of whether the medical case management services provided are overlapping (and the Commission believes that despite the differences outlined these products are similar in nature and are aimed at similar customers) these types of occupational health services are also provided by a number of other insurers, including Vhi, the largest medical health insurer in the State. Apart from other health insurers in the State, such as Aviva, GloHealth and HSF Healthplan, there are also a number of companies (non-insurance)<sup>21</sup> that provide occupational health services, such as Medmark, Medwise, Partnerhealth, EHA and Healthforce. Occupational health services are also provided by any number of local occupational health physicians and clinics. There are no reliable figures regarding turnover and market shares for the medical case management services segment because it forms part of the broader market for occupational health services, in which Laya Healthcare estimates that its share in the State does not exceed [0-10]%. While it is not possible to estimate AIG’s ‘market share’ of a medical case management services market, if such a market existed, the Commission does not believe that the market should be so narrowly defined and that any such ‘market share’ figure for AIG would not assist the Commission’s analysis of the likely competitive effect of the proposed transaction. However, the Commission notes the above differentiation between medical case management services offered by Laya Healthcare, on the one hand and AIG, on the other. It also notes that there are no apparent switching costs which would impede a customer from moving from one

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<sup>21</sup> [Medmark](#), [Medwise](#), [Partnerhealth](#), [EHA](#) and [Healthforce](#)



service provider to another and there are a large and varied (in size) number of competitors whose presence will constrain the merged entity post transaction as far as medical case management services are concerned.

26. In addition to the horizontal overlaps discussed above, the Commission considered the possibility of vertical overlaps and found that the proposed transaction does not raise any vertical competition concerns.
27. In light of the above, the Commission considers that the proposed acquisition will not substantially lessen competition in any market for goods or services in the State.

### **Ancillary Restraints<sup>22</sup>**

28. The proposed transaction contains covenants restricting the Vendors from being engaged in the business of “affecting and carrying out” health, life and/or travel insurance contracts in the State, for a period of eighteen (18) months following completion of the proposed transaction.
29. The Vendors are also restricted from offering employment to existing employees, and/or from soliciting the custom of customers and/or suppliers of the Avondhu Group<sup>23</sup>, for a period of eighteen (18) months following completion of the proposed transaction.
30. The parties submit that the non-competition and non-solicitation obligations placed upon the vendors for a period of eighteen (18) months from the completion of the proposed transaction are reasonable in light of the fact that both goodwill and know-how will be transferring.
31. The Commission considers these restrictions to be directly related and necessary to the implementation of the proposed transaction.

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<sup>22</sup> Although the parties indicated in the Merger Notification Form that ancillary restraints were not applicable, upon analysing the proposed transaction, which is recorded in a written agreement for the sale and purchase between the parties of the entire issued share capital of Avondhu Limited, the Commission found that the particular agreement included a clause headed ‘7. *Post-Completion*’ which contained certain covenants restricting the Vendors. The Commission therefore wrote to the parties asking them to address the specific issue, seeking clarity as to whether they considered the covenants to be directly related and necessary to the implementation of the proposed transaction. The parties then requested the Commission to consider the particular restraints as directly related and necessary to the implementation of the proposed transaction.

<sup>23</sup> Consisting of Avondhu Limited and its subsidiaries, Laya Healthcare and Laya Services.



## Determination

The Competition and Consumer Protection Commission, 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 American International Group Inc., through a wholly-owned indirect subsidiary, AIG Europe Holdings Limited, of the entire issued share capital of Avondhu Limited and thus sole control of its subsidiaries, Laya Healthcare Limited and Laya Services Limited, will not be to substantially lessen competition in any market for goods or services in the State, and accordingly, that the acquisition may be put into effect.

For the Competition and Consumer Protection Commission

**Gerald FitzGerald**  
**Member**  
**Competition and Consumer Protection Commission**