



DETERMINATION OF MERGER NOTIFICATION M/20/013 - PHOENIX / REASSURE

Section 21 of the Competition Act 2002

Proposed acquisition by Phoenix Group Holdings plc of sole control of ReAssure Group plc.

Dated 8 May 2020

Introduction

1. On 27 March 2020, in accordance with section 18(1)(a) of the Competition Act 2002, as amended (the “Act”), the Competition and Consumer Protection Commission (the “Commission”) received a notification of a proposed transaction whereby Phoenix Group Holdings plc (“Phoenix”) would acquire sole control of ReAssure Group plc (“ReAssure”) and certain of its subsidiaries (the “Proposed Transaction”).
2. The Proposed Transaction will be implemented pursuant to two sale and purchase agreements both dated 6 December 2020.¹ The first sale and purchase agreement is between Swiss Re Finance Midco (Jersey) Limited (“Swiss Re Midco”), Swiss Re Ltd and MS&AD Insurance Group Holdings Inc (“MS&AD”) (the “MS&AD SPA”). The second sale and purchase agreement is between Swiss Re Midco, Swiss Re Ltd and Phoenix (the “Phoenix SPA”).
3. Under the terms of the Phoenix SPA, Phoenix will acquire the entire issued share capital and thus sole control of ReAssure. Pursuant to the Proposed Transaction, the Swiss Re group of companies, the ultimate parent of which is Swiss Re Ltd, (together, the “Swiss Re Group”) and MS&AD will acquire minority shareholdings in Phoenix.

¹ The MS&AD SPA dated 6 December 2019 provides for Swiss Re Midco’s purchase of MS&AD’s 25% shareholding in ReAssure. The Phoenix SPA dated 6 December 2019 provides for Swiss Re Midco’s sale of the entire issued share capital in ReAssure to Phoenix.



The Undertakings Involved

The Acquirer - Phoenix

4. Phoenix manages closed book life insurance products and pension funds². It is also involved in open life insurance by selling new pension policies such as workplace pensions, self-invested personal pensions, over 50s protection policies, and bulk purchase annuities. It operates in the United Kingdom ("UK"), Ireland, Germany and Austria. Phoenix is listed on the London Stock Exchange and is a member of the FTSE 100 index.
5. In the State, Phoenix owns PGMS (Ireland) Limited ("PGMSIL"), a management service company incorporated in the State which provides administration services to HLI Danube Limited, which is also located in the State. SMI was formerly owned by Phoenix and was sold by Phoenix to Harcourt Life Ireland DAC in 2015. When Phoenix sold SMI it was agreed that PGMSIL would continue to provide administration services to SMI for a transitional period. Phoenix also manages a closed book of life insurance products in the State under the brand, *Phoenix Ireland*.³
6. In the State, Phoenix also owns Standard Life International DAC ("SL Intl"). SL Intl is incorporated in Ireland and headquartered in Dublin. It sells tax efficient pensions and savings products to customers located in Ireland, the UK, Germany and Austria. Through SL Intl, Phoenix operates a life insurance business in the State under the brand *Standard Life*. *Standard Life* offers a range of open book individual insurance, pensions and savings products to customers located in the State. It does not offer new group or corporate products, but it has a closed book of corporate pension schemes.
7. For the financial year ending 31 December 2019, Phoenix's gross written premium was approximately €[...], of which approximately €[...] turnover was generated in the State.

The Target - ReAssure

8. ReAssure comprises of the closed book business of the Swiss Re Group. It operates exclusively in the acquisition and management of closed book life insurance businesses.

² Closed book funds are life insurance and pension funds which are closed to new business

³ http://www.phoenixireland.com/about_us.html



ReAssure does not write new business, other than as increments on current policies to existing customers on a passive basis. It operates in the UK and Ireland.

9. In the State, ReAssure operates through *Ark Life*. *Ark Life* is a closed book life insurance business. *Ark Life*'s registered office is in Dublin.
10. In 2019, ReAssure acquired a book of policies from Legal & General, but the transfer of the policies under Part VII of the Financial Services & Markets Act 2000 has not yet taken place. All policies in the book were sold in the UK.
11. For the financial year ending 31 December 2019, ReAssure's gross written premium was approximately €[...], of which approximately €[...] turnover was generated in the State.

The Vendor - Swiss Re Group

12. Swiss Re Group's principal business comprises the supply of traditional reinsurance services, both life and non-life (general) insurance and reinsurance on a worldwide basis. It operates through three business units: its core reinsurance business unit; and two business units which provide, to a lesser extent, direct corporate (i.e. non-life) insurance and direct non-life and life insurance (individual and group) via various subsidiaries or branches in the European Economic Area and North America.

The Vendor - MS&AD

13. MS&AD is a Japanese insurance group active in global insurance and financial services. It operates through five business divisions: (i) domestic (Japanese) non-life insurance business; (ii) domestic (Japanese) life insurance business; (iii) international business; (iv) financial services; and (v) risk-related services. MS&AD is active across Asia, Europe and the Americas.
14. In the State, MS&AD has the following companies: Old Amlin Company 12 Limited which is a non-trading insurance service company and Leadenhall Remote Risk Insurance Linked Investments Fund ICAV and Leadenhall Nat Cat Focus Insurance Linked Investments Fund ICAV which are insurance linked investment funds.



Rationale for the Proposed Transaction

15. The Parties state the following in the notification:

“The Proposed Transaction allows Swiss Re to divest its closed book business and will enable Phoenix to improve long-term cash generation, balance sheet strength and financial resilience.”

Third Party Submissions

16. No submission was received.

Competitive Analysis

Horizontal Overlap

17. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. There is a horizontal overlap between the activities of Phoenix and ReAssure in the State with respect to the supply of life insurance products.

18. Specifically, the Parties are both active in the supply of closed book life insurance products. Closed book life insurance products do not compete for new customers. Accordingly, Phoenix does not compete with ReAssure for new customers. Therefore, in this instance, it is not necessary for the Commission to define the precise relevant product and geographic markets.

19. Furthermore, Phoenix faces competition in acquiring closed book insurance products both from life insurance companies and other financial institutions. In its decision ME/3428/07 Pearl/Resolution, the predecessor to the UK’s Competition & Markets Authority, the Office of Fair Trading, noted that there was a wide range of potential purchasers of closed book life insurance products (such as other insurance companies, banks, hedge funds and private equity firms).⁴

20. The parties have indicated that life insurance companies active in the State are likely to have products on their book that are now closed to new customers and that are no longer actively promoted. As such, the parties estimate that the top five providers of

⁴ <https://assets.publishing.service.gov.uk/media/555de3aa40f0b669c40000c5/Pearl.pdf>, paragraphs 21 to 22.



closed life insurance products in the State may be the major players such as Irish Life, New Ireland, Aviva Friends First, Zurich and Royal London.

21. The parties estimate that following implementation of the Proposed Transaction, on a national market for the provision of closed book life insurance products their combined market share would be *de minimis*.
22. In light of the above, the Commission considers that the Proposed Transaction does not raise horizontal competition concerns in relation to the provision of closed book life insurance products in the State.

Vertical Relationship

23. The parties have stated in the notification that there is no vertical relationship between Phoenix and ReAssure. The Commission has not identified any vertical relationship between Phoenix and ReAssure in the State. On this basis, the Commission considers that the Proposed Transaction does not raise any vertical competition concerns in the State.

Conclusion

24. In light of the above, the Commission considers that the Proposed Transaction will not substantially lessen competition in any market for goods or services in the State.

Ancillary Restraints

25. Clause 12 of the Phoenix SPA contains non-compete obligations on Swiss Re Midco in relation to the acquisition of any closed book businesses or portfolios in the life insurance and pensions sector in the UK for a period of two years following the completion of the Proposed Transaction. However, as noted by the parties in the notification, the restrictions relate only to the United Kingdom. The ancillary restraints are therefore not addressed in this Determination.



Determination

The Competition and Consumer Protection Commission, in accordance with section 21(2)(a) of the Competition Act 2002, as amended, has determined that, in its opinion, the result of the proposed acquisition whereby Phoenix Group Holdings plc would acquire sole control of ReAssure Group plc and certain of its subsidiaries, 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

Brian McHugh
Member
Competition and Consumer Protection Commission