



DETERMINATION OF MERGER NOTIFICATION M/18/064 – COVER-MORE (ZURICH) / BLUE INSURANCE

Section 21 of the Competition Act 2002

Proposed acquisition by Cover-More Australia Pty Limited of sole control of Blue Insurance Limited

Dated 17 September 2018

Introduction

1. On 8 August 2018, 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 Cover-More Australia Pty Limited (“Cover-More”) would acquire sole control of Blue Insurance Limited (“Blue Insurance”) and its subsidiary, Blue Insurances Australia Pty Limited (the “Proposed Transaction”).

The Proposed Transaction

2. The Proposed Transaction is pursuant to a Share Purchase Agreement (“SPA”) dated 20 July 2018, which contains a Put and Call Option Agreement (“Option Agreement”).

The Undertakings Involved

The Acquirer - Cover-More

3. Cover-More is an Australian incorporated company and a subsidiary of Cover-More Group. In 2017, Cover-More Group was acquired by, and became part of, Zurich Group. Zurich Insurance Group Limited (“Zurich Ltd”), an international insurance organisation based in Switzerland, is the ultimate controlling entity within Zurich Group. Zurich Ltd, through its worldwide subsidiaries, is a multi-line insurer that serves its customers in global and local markets.



4. Cover-More Group is Zurich Group's global specialist provider of integrated travel insurance, medical assistance and employee assistance.¹ Cover-More Group operates in 14 countries, including Australia, the UK, India, and the U.S.
5. In the State, Zurich Group owns the following businesses:
 - Zurich Insurance plc ("ZIP") is regulated by the Central Bank of Ireland ("CBI") and is Zurich Group's primary non-life insurance carrier throughout Europe. ZIP carries out its European operations through 12 branches in the European Economic Area ("EEA"). ZIP conducts business in the State primarily via its domestic Irish division, known as General Insurance Ireland. General Insurance Ireland provides insurance cover in the following product categories: motor insurance; home insurance; travel insurance; and farm and business insurance. ZIP underwrites all of the insurance policies which it provides.
 - Zurich Life Assurance plc is a provider of pension, savings and investment products in the State.
 - Wrightway Underwriting Limited ("Wrightway") is an underwriting agent and is regulated by the CBI.² Wrightway is wholly owned by ZIP. Wrightway provides underwriting agency services in the State to its broker network in the following product channels: private and light commercial motor vehicles; haulage; contractor all risks; carrier's liability; home and commercial property; and liability, employers and public liability. Wrightway acts as an underwriting agent on behalf of insurance companies and does not underwrite its own insurance.
 - Cover-More Group does not have a presence in the State but has incidental activities in the State in relation to the online sale of travel insurance and car

¹ Cover-More provides its travel insurance policyholders with access to a global network of emergency medical professionals and a travel assistance team. Medical assistance services include assistance with medical treatment and payment of hospital bills, travel assistance includes help with lost or stolen passports and travel documents. Employee assistance programmes cover a range of services aimed at improving the wellbeing of employees such as advice on financial planning and programmes aimed at improving employees' physical and mental health.

² See <http://registers.centralbank.ie/FirmDataPage.aspx?firmReferenceNumber=C11611>



hire excess insurance through UK insurance intermediaries with passporting rights under the EU Insurance Mediation Directive.³

6. For the financial year ending 31 December 2017, Zurich Group's worldwide turnover was approximately €63.96 billion, of which approximately €[...] was generated in the State.

The Target - Blue Insurance

7. Blue Insurance is an Irish-owned insurance undertaking established in July 2001. Blue Insurance is active in car, home, travel, gadget, car hire excess, pet, wedding, motor breakdown and bicycle insurance. Blue Insurance trades in the State, the United Kingdom and, through its subsidiary, in Australia.
8. Blue Insurance is an insurance intermediary and does not underwrite any of the policies it sells to customers. Blue Insurance has marketing and distribution agreements with a panel of underwriters for each product segment (see Table 3). These underwriters authorise Blue Insurance to market their insurance products through Blue Insurance's websites and call centres. Blue Insurance receives a commission on sales.
9. For the financial year ending 31 December 2017, Blue Insurance's worldwide turnover was approximately €[...] million, of which approximately €[...] million was generated in the State.

Rationale for the Proposed Transaction

10. The parties state the following in the notification:

[...]

Third Party Submissions

11. No submission was received. The Commission did, however, contact the CBI, the institution responsible for regulating the financial services sector, as part of its

³ The sale of insurance products in the EU is regulated by Directive 2002/92/EC, also known as the Insurance Mediation Directive ("IMD"). The IMD only applies to brokers and other insurance intermediaries. It obliges them to register in their home country and meet certain minimum requirements. See <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02002L0092-20160223&from=EN>



assessment. The CBI did not raise any competition concerns with respect to the Proposed Transaction.

Competitive Analysis

Horizontal overlap

12. Table 1 below contains a comparative list of the products currently provided by Zurich Group and by Blue Insurance in the State, with the areas of overlap highlighted in grey:

Table 1: Insurance products offered by the parties in the State⁴

Insurance Product	Zurich Group (ZIP/Cover-More Group)	Blue Insurance
Travel	Yes / Yes	Yes
Home	Yes / No	Yes
Motor	Yes / No	Yes
Car hire excess	No / Yes	Yes
Gadget	Yes / No	Yes
Motor breakdown	No / No	Yes
Pet	No / No	Yes
Wedding	No / No	Yes
Personal accident	Yes / No	No
Bicycle	No / No	Yes
Casualty	Yes / No	No

⁴ Shaded area depicts overlapping activities between the parties



Marine	Yes / No	No
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Source: Information provided by the parties.

13. As illustrated in Table 1, there is a horizontal overlap between the activities of Zurich Group and Blue Insurance in the State in relation to the provision of five insurance products: travel insurance, home insurance, motor insurance, gadget insurance and car hire excess insurance. The parties' gross written premium in each of these insurance categories and the estimated market size are presented in Table 2 below. It shows that the implementation of the Proposed Transaction will lead only to a minimal increase in the parties' market share in any of the potential markets in the State where the parties' business activities overlap.

Table 2: Parties' gross written premium in each overlapping product segment in the State

Insurance Product	(ZIP/Cover-More) (€m)	Blue Insurance (€m)	Size of Market Segment 2017 (€m)
Travel	[...]	[...]	[...]
Home	[...]	[...]	[...]
Motor	[...]	[...]	[...]
Car hire excess	[...]	[...]	N/A
Gadget	[...]	[...]	[...]

Source: Preliminary aggregated statistics for 2017 released by Insurance Ireland to its members.⁵

Provision of Travel Insurance

14. Cover-More Group sells single trip travel insurance, multi-trip insurance and long-stay or backpacker insurance, as well as extra options which include cover for adventure

⁵ [...]



sports, golf and skiing. These products are sold directly to individual customers via Cover-More Group's online platform⁶ and also via travel agents. Sales are also made to corporate customers.

15. Blue Insurance distributes travel insurance policies, and receives commission on sales. Blue Insurance currently writes three lines of travel insurance products: holiday travel insurance; backpacker insurance; and business travel insurance. Blue Insurance's travel insurance policies are predominantly underwritten by [...].
16. According to preliminary aggregated statistics for 2017 released by Insurance Ireland to its members, ZIP estimates that the overall value of gross written premiums for the travel insurance segment in the State in 2017 was approximately €[...] million.⁷ ZIP estimates that its overall share of the travel insurance segment in the State in 2017 (in terms of gross written premiums) of €[...] was approximately [...]. Cover-More Group sold travel insurance in the State worth gross written premiums of approximately €[...] in 2017.
17. Blue Insurance distributed gross written premiums with a value of €[...], which was equivalent to approximately a [...]% share of the travel insurance sector in the State in 2017.
18. Therefore, following the Proposed Transaction, the maximum increment that could occur would be [...]% in the travel insurance segment in the State. Furthermore, following the Proposed Transaction, ZIP will continue to face strong competition from domestic and international insurers selling directly to customers such as Ace Travel ([...]), AIG ([...]) and RSA ([...]), as well as from brokers and other intermediaries.
19. In light of the above, the Commission considers that there are no horizontal competition concerns with respect to the provision of travel insurance.

Provision of Home Insurance

⁶ See <https://www.covermore.com/>

⁷ [...]



20. In addition to direct sales, ZIP's home insurance products are sold through brokers and by way of specific partnerships. Intermediaries act as underwriting agents on behalf of ZIP to sell its products. In return for their service they receive a commission.
21. Blue Insurance distributes home insurance policies on behalf of Surestone Insurance DAC, CoverCentre Insurance Limited, Patrona Underwriting Limited, Zurich Insurance and KennCo Underwriting Limited. Blue Insurance receives a commission on sales. Blue Insurance's home insurance policies are predominantly ([...])% underwritten by [...].
22. According to preliminary aggregated statistics for 2017 released by Insurance Ireland to its members, ZIP estimates that the value of gross written premiums in the home insurance sector sold by Insurance Ireland members in the State amounted to approximately €[...] million. ZIP estimates its overall share of the home insurance sector (based on gross written premiums of €[...] million) to be approximately [...] % in 2017.
23. Cover-More Group does not participate in any respect in the home insurance market in the State.
24. Blue Insurance estimates that it distributed approximately €[...] of gross written premium home insurance policies in 2017 giving it a market share of [...]%. Therefore, any increment on any relevant home insurance market will be *de minimis* following the Proposed Transaction.
25. Following the Proposed Transaction, the parties will continue to face strong competition from other insurers who offer home insurance in the State such as Aviva Insurance Ireland DAC, AXA Insurance DAC, AIG Europe Limited, Allianz Plc, Royal & Sun Alliance Limited (trading as 123.ie) and FBD Insurance Plc.
26. In light of the above, the Commission considers that the Proposed Transaction does not raise horizontal competition concerns in respect of the provision of home insurance.

Provision of Motor Insurance

27. In addition to direct sales, ZIP's motor insurance products are sold through brokers and by way of specific partnerships. These brokers receive a commission from ZIP on the sale of motor insurance products.



28. Blue Insurance distributes motor insurance policies on behalf of Footprint Underwriting DAC, Bump Insurance Limited, KennCo Underwriting Limited, Patrona Underwriting Limited, Wrightway and Liberty Insurance DAC, and receives a commission on sales. Wrightway acted as insurance agent to Blue Insurance in relation to [...]% of Blue Insurance's motor insurance policies (gross written premium) in 2017.
29. According to preliminary aggregated statistics for 2017 released by Insurance Ireland to its members, ZIP estimates that the total value of gross written premiums by Insurance Ireland members for the motor insurance segment in the State was approximately €[...] billion. Based on gross written premiums of €[...] million, ZIP estimates that its overall share of the motor insurance segment in 2017 was [...]%.
30. ZIP will continue to face strong competition from insurers selling directly to customers such as Axa Insurance DAC ([...]%), Aviva Insurance Ireland DAC ([...]%) and Allianz Plc ([...]%) as well as from brokers and other intermediaries following the Proposed Transaction.⁸
31. Cover-More does not participate in any respect in the motor insurance market in the State.
32. Blue Insurance distributed motor insurance policies with a value of €[...] million in 2017 equating to a share of the motor insurance segment of less than [...]%.
33. Therefore, any increment in the motor insurance segment will be *de minimis* following the Proposed Transaction.
34. In light of the above, the Commission considers that the Proposed Transaction does not raise horizontal competition concerns with respect to the provision of motor insurance in the State.

Provision of Gadget insurance

35. Gadget insurance provides cover against the loss, theft or breakage of electronic devices such as smartphones, laptops and tablets.

⁸ Source: Insurance Ireland Fact File 2016: <https://www.insuranceireland.eu/media/Factfile%202016-Final.pdf>



36. In addition to direct sales, ZIP's gadget insurance products are sold through brokers and by way of specific partnerships. Intermediaries act as underwriting agents on behalf of ZIP to sell its products. In return for their service they receive a commission.
37. Blue Insurance acts as a distributor of gadget policies for Bastion Insurance Services Limited and Supercover Insurance Limited and receives a commission on sales.
38. The parties do not currently have any reliable or accurate figures available to them in relation to the gadget insurance segment in the State. In December 2017, the CBI published a research paper in relation to the area of gadget insurance.⁹ In this paper the CBI estimated that 12% of the adult population in the State possessed gadget insurance equating to 440,000 customers. Assuming that each customer has one policy at an average annual premium of €120 (i.e. a monthly premium of €10), this would equate to a total annual market with gross written premium value of approximately €52.8 million. Based on the estimated figure for the total market value as calculated based on the CBI paper above, ZIP's gross written premiums equate to an estimated market share of [...]% of the Irish gadget insurance segment.
39. Cover-More does not participate in any respect in the gadget insurance market in the State.
40. Blue Insurance estimates that it sold gross written premiums of a value of €[...] million which equated to a [...] % market share, , of the overall segment for gadget insurance in 2017 (when calculated using only Blue Insurance's commission as an intermediary).
41. The parties state that there is a strong competitive constraint currently exercised by competing providers of gadget insurance and also the competitive constraint posed by potential competitors due to the ease with which other underwriters and intermediaries could expand into the segment. Relevant competitors who currently

⁹ Central Bank of Ireland, Consumer Experience of Purchasing Gadget Insurance, December 2017.
<https://www.centralbank.ie/docs/default-source/publications/consumer-protection-research/consumer-experience-of-purchasing-gadget-insurance---december-2017.pdf?sfvrsn=4>



offer gadget insurance in Ireland include: [Mobilephoneinsurancedirect.ie](https://www.mobilephoneinsurancedirect.ie/)¹⁰, [Vodafone](https://n.vodafone.ie/insurance.html)¹¹, [Carphone Warehouse](https://www.carphonewarehouse.ie/tkh-insurance)¹² and [Protect Your Bubble Ireland](https://ie.protectyourbubble.com/)¹³.

42. In light of the above, the Commission considers that the Proposed Transaction does not raise horizontal competition concerns with respect to the provision of gadget insurance in the State.

Provision of car hire excess insurance

43. Car hire excess insurance provides cover for any amount a consumer may become liable for over and above the car hire company's own policy in relation to damage to a rented car. ZIP does not provide car hire excess insurance but Cover-More and Blue Insurance both distribute car hire excess policies in the State.
44. The parties do not currently have any reliable or accurate figures available to them in relation to the car hire excess insurance segment in the State.
45. Cover-More Group sold car hire excess insurance policies in the State worth gross premiums of approximately €[...] in 2017.
46. Blue Insurance sold car hire excess insurance policies in the State worth gross written premiums of €[...] in 2017.
47. The parties state that the provision of car hire excess insurance remains dominated by the car hire companies selling foreign insurance policies to Irish citizens for the rental of cars in the country in which the rental vehicle is being collected. Therefore, as the locus of competition in car hire excess insurance is outside the State, the Proposed Transaction is unlikely to have a substantial effect on competition in the provision of car hire excess insurance in the State.

Provision of other types of insurance

¹⁰ <https://www.mobilephoneinsurancedirect.ie/>

¹¹ <https://n.vodafone.ie/insurance.html>

¹² <https://www.carphonewarehouse.ie/tkh-insurance>

¹³ <https://ie.protectyourbubble.com/>



48. While Blue Insurance is active in pet, wedding, motor breakdown and bicycle insurance, neither ZIP nor Cover-More Group are active in these segments in the State.

Vertical Relationship

Table 3: Blue Insurance’s supplier relationships with insurance underwriters

Travel	Home	Motor	Gadget	Car hire excess
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49. As illustrated by Table 3 above, there is a vertical relationship between ZIP and Blue Insurance in relation to the distribution of home insurance and motor insurance products. The Commission considers that the Proposed Transaction will not result in vertical competition concerns for the following reasons:

Input foreclosure

50. Input foreclosure arises where, post-transaction, ZIP would be likely to restrict access to its products to Blue Insurance’s competitors, thereby raising its downstream rivals’ costs.
51. In this instance, input foreclosure is unlikely because, following the Proposed Transaction, there will remain a significant number of insurers who will compete with ZIP in the provision of insurance products in each of the product segments where an



overlap occurs. Therefore, Blue Insurance's competitors, i.e., underwriting agents/brokers, will continue to have access to insurance products.

Customer foreclosure

52. Customer foreclosure occurs where the downstream firm exclusively purchases inputs from the upstream divisions of the combined firms post-merger.
53. In this instance, customer foreclosure is unlikely because Blue Insurance only distributes ZIP products in two product segments: home insurance and motor insurance. Blue Insurance also distributes home insurance and motor insurance on behalf of a number of insurance companies and the increment brought about by the Proposed Transaction in these product segments is very small. Even if Blue Insurance stopped selling products for other insurance companies, these insurance companies will continue to have access to a number of underwriting agents and broker/intermediaries who will distribute their products to downstream customers.

Potential sharing of competitors' commercially sensitive information

54. Blue Insurance acts as an intermediary on behalf of a number of insurers including ZIP and its competitors and has access to information on Relay. The Commission assessed whether the Proposed Transaction will result in ZIP accessing competitors' commercially sensitive information (including premium quotes and actual premiums) via Blue Insurance.
55. The parties have informed the Commission that Blue Insurance does not, and would not, pass on any commercially sensitive information to any other underwriter including ZIP. Blue Insurance's obligations under the General Data Protection Regulation ("GDPR")¹⁴ and the Data Protection Act 2018¹⁵ would prevent it from providing personal data to other underwriters. Blue Insurance is only permitted to provide such information to the specific underwriter that accepts the risk. To share such information in another manner would be in breach of Blue Insurance's obligations under GDPR and the Data Protection Act 2018.

¹⁴ <https://eur-lex.europa.eu/legalcontent/EN/TXT/PDF/?uri=CELEX:32016R0679&from=EN>

¹⁵ <http://www.irishstatutebook.ie/eli/2018/act/7/enacted/en/html>



56. In addition, Blue Insurance is subject to binding confidentiality obligations in respect of all its material agreements with its underwriters and with Relay. Any purported passing of information by Blue Insurance to ZIP would not be permissible in the context of these obligations.
57. As a regulated entity, Blue Insurance is subject to the CBI's Consumer Protection Code 2012 ("CPC").¹⁶ Among the obligations of the CPC are obligations to act "*honestly, fairly and professionally in the best interests of its customers and the integrity of the market*", to "*seek to avoid conflicts of interests*" and to "*have and employ the necessary procedures, system and control checks, including compliance checks... necessary for compliance with the Code*". The provision of commercially sensitive information by Blue Insurance to ZIP would result in contravention of all of these requirements. Contravention of the CPC would expose Blue Insurance and its directors and senior management to the risk of administrative sanctions by the CBI.
58. In 2016, following an investigation by the Commission, a number of insurers including ZIP, entered into Agreements and Undertakings with the Commission which impose clearly defined restrictions on these insurers in relation to access to the commercially sensitive information of competing insurers via intermediary software systems such as Relay.¹⁷ The Commission monitors compliance with the Agreements and Undertakings given by the insurance companies in 2016 on an ongoing basis.
59. For the reasons outlined above, the Commission is satisfied that there are significant safeguards in place to ensure that the Proposed Transaction will not result in ZIP accessing competitors' commercially sensitive information (including premium quotes and actual premiums) via Blue Insurance.

¹⁶ <https://www.centralbank.ie/docs/default-source/regulation/industry-market-sectors/brokers-retail-intermediaries/supervision-process/consumer-protection-code-2012.pdf?sfvrsn=4>

¹⁷ <https://www.cpc.ie/business/enforcement/civil-competition-enforcement/closed-investigations/relay-investigation/>



Conclusion

60. 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

61. No ancillary restraints have been notified.



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 Cover-More Australia Pty Limited would acquire sole control of Blue Insurance Limited, will not be to substantially lessen competition in any market for goods or services in the State, and, accordingly, that the proposed acquisition may be put into effect.

For the Competition and Consumer Protection Commission

Brian McHugh
Member
Competition and Consumer Protection Commission