



DETERMINATION OF MERGER NOTIFICATION M/21/045 – ILHAWK/ARK LIFE

Section 21 of the Competition Act 2002

Proposed acquisition by ILHAWK Limited of sole control of Ark Life Assurance DAC

Dated: 24 September 2021

Introduction

1. On 18 August 2021, 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 acquisition whereby ILHAWK Limited (“ILHAWK”), a wholly owned subsidiary of Irish Life Group Limited (“ILGL”), would acquire sole control of Ark Life Assurance Company Designated Activity Company (“Ark Life”) (the “Proposed Transaction”).

The Proposed Transaction

2. The Proposed Transaction is to be implemented by way of a share purchase agreement dated 13 July 2021 between ReAssure Limited (the “Seller”), Phoenix Group Holdings plc (“Phoenix Group”), ILHAWK, and ILGL (the “SPA”). Pursuant to the terms of the SPA, ILHAWK will acquire the entire issued share capital and thus sole control of Ark Life from the Seller.

The Undertakings Involved

The Acquirer – ILHAWK

3. ILHAWK is registered under company registration number 699868 with an address at Irish Life Centre, Abbey Street Lower, Dublin. It was established in July 2021 for the purposes of carrying out the Proposed Transaction. ILHAWK is a wholly-owned subsidiary of ILGL, which in turn is an indirect wholly-owned subsidiary of Great-West Lifeco Inc. (“Great-West



Lifeco”), which in turn is part of a larger corporate group, the Power Corporation of Canada¹, a company listed on the Toronto Stock Exchange. Great-West Lifeco, ILGL and all subsidiaries of ILGL are collectively referred to as “Irish Life” in this determination.

4. Great-West Lifeco is an international financial services holding company with interests in life insurance, health insurance, retirement and investment services, asset management, and reinsurance business. Great-West Lifeco has operations in Canada, the United States, Europe and Asia.
5. In the State, Great-West Lifeco operates through ILGL and the following subsidiaries of ILGL:
 - Irish Life Assurance plc (“ILA”), which is a life insurer and provider of group and individual pension schemes in the State. ILA distributes its products through all three life insurance distribution channels (direct, intermediary and tied bancassurance) to both individual and corporate customers;
 - Irish Life Investment Managers Limited (“ILIM”) and Setanta Asset Management Limited (“Setanta”), which are the fund management arms of Irish Life and provide fund management services to Irish Life² and to third parties;
 - Irish Life Health Designated Activity Company, which is a provider of private health insurance to individual and corporate customers in the State;
 - Invesco Limited, which is a provider of consultancy services with respect to pension, risk and investment products to businesses and individuals;
 - Cornmarket Group Financial Services Limited, which is a provider of financial advice and a distributor/broker of financial and insurance products (including life insurance products);
 - Acumen & Trust Designated Activity Company, which is active in corporate pensions consultancy and private wealth management;

¹ For more information, see: <https://www.powercorporation.com/en/>.

² ILIM’s Irish Life clients include: [...]
Setanta’s Irish Life clients include: [...]



- Conexim Advisors Limited, which provides investment solutions to intermediary market service providers, such as financial advisors, accountancy firms and pension trustees;
 - Harvest Financial Services Limited and Harvest Trustees Limited, which provide retirement planning, pension, financial planning and investment services;
 - Clearview Investments & Pensions Limited, which provides advice on investments, pensions, life and illness protection and savings for individuals, businesses and charities; and,
 - APT Wealth Management Limited and APT Workplace Pension Limited, which provide investment as well as pension advisory and administration services.
6. For the financial year ending 31 December 2020, Great-West Lifeco's worldwide turnover was €[...], of which €[...] was generated in the State.

The Target – Ark Life

7. Ark Life was established in 1991 and has its registered office in Dublin under company registration number 158762. Until 2012, Ark Life was involved in the underwriting of life insurance products for distribution through the retail banking network of AIB Group plc ("AIB"), pursuant to an arrangement between AIB and the Aviva Group (now trading as Aviva Group Services Ireland Limited). In 2012, this arrangement was terminated with the effect that no new customers were acquired subsequently and Ark Life has been a "Closed Book" since 2012.³
8. A Closed Book is a portfolio of insurance policies that is no longer sold to the public. The Closed Book is administered by a life insurance company as the policy holders in the Closed Book are still paying insurance premiums to the life insurance company. The value of a Closed Book declines over time as payouts are made and regular premium income decreases each year.

³ See the Commission's determination in *M/12/025 AIB/Ark Life*, which provides further background information on this event, the text of which is available at: <https://www.ccpc.ie/business/wp-content/uploads/sites/3/2017/04/M-12-025-AIB-Ark-Life.pdf>.



9. In 2014, Ark Life was sold to Guardian Financial Services Limited (known previously as Guardian Royal Exchange).⁴ In 2016, Ark Life became a subsidiary of ReAssure Group plc (“Reassure”). In 2020, ReAssure, including Ark Life, was acquired by Phoenix Group.⁵
10. Ark Life manages approximately [...] life insurance policies in the State which equates to approximately €[...] worth of assets under management. As a Closed Book, Ark Life does not accept new customers.
11. Ark Life has no business activities outside of the State. Historically Ark Life sold some products into the United Kingdom and so has some such policies in its Closed Book, but these are *de minimis*.⁶
12. For the financial year ending 31 December 2020, Ark Life’s turnover was €[...], all of which was generated in the State.⁷

The Seller – ReAssure Limited

13. The Seller is a private limited company (registered in England and Wales as Company No. 00754167) whose registered office is at Windsor House, Telford Centre, Telford, Shropshire, TF3 4NB, United Kingdom.
14. The Seller is an operating subsidiary of ReAssure.⁸ Prior to the acquisition by Phoenix Group⁹, ReAssure's business was the acquisition and management of Closed Book life insurance and pensions businesses in the United Kingdom. It does not write new business, other than as increments on current policies to existing customers.
15. ReAssure currently has approximately [...] policies on its books, and manages investments of approximately €[...] on behalf of its customers.¹⁰

⁴ For more information, see:

<https://find-and-update.company-information.service.gov.uk/company/NF001723>

⁵ See the Commission’s determination in *M/20/013 Phoenix/Reassure*, the text of which is available at:

<https://www.ccpc.ie/business/wp-content/uploads/sites/3/2020/03/2020.05.08-M-20-013-Phoenix-Reassure-Public.pdf>

⁶ The Commission understands that the GWP in 2020 in relation to the Ark Life UK policies was €[...].

⁷ Gross Written Premium as per International Financial Reporting Standards (“IFRS”) financial statements. This comprises revenues from premiums on insurance contracts as defined by IFRS only.

⁸ For more information, see: <https://www.reassure.co.uk/>.

⁹ *Supra*, note 5.

¹⁰ For more information, see: <https://www.reassure.co.uk/about-us>.



16. For the financial year ending 31 December 2020, ReAssure's turnover was approximately €[...].¹¹

Rationale for the Proposed Transaction

17. The parties state the following in the notification:

"The Proposed Transaction is consistent with Irish Life's commercial objective to grow through acquisitions where there is a strong commercial and cultural fit, and will enable Ark Life customers to benefit from Irish Life's excellent customer service including enhanced digital services."

Third Party Submissions

18. No third-party submissions were received.

Competitive Analysis

Horizontal Overlap

19. There is a horizontal overlap between the activities of ILGL and Ark Life as both Ark Life and ILGL (through its wholly-owned subsidiary ILA) provide life insurance products in the State. However, Ark Life is a Closed Book and no longer competes for new life insurance customers. Ark Life is active in the life insurance sector only to the extent that it may on occasion permit its existing customers to amend the life insurance products they acquired in 2012 or earlier.

Market Definition

20. The Commission has considered the life insurance sector in a number of previous determinations.¹² In its previous determinations, the Commission did not consider it necessary to define the precise relevant product and geographic markets where the target

¹¹ Gross Written Premium as per International Financial Reporting Standards ("IFRS") IFRS financial statements. This comprises revenues from premiums on insurance contracts as defined by IFRS only.

¹² See, for example: M/18/002 Aviva/Friends First; M/11/014 Royal London/Royal Liver; M/07/065 Royal London/Resolution; M/07/063 Pearl/Resolution; M/06/041 Resolution/Abbey National; M/18/002 Aviva/Friends First; M/18/032 Phoenix/SLAL; M/18/035 Irish Life/Invesco; M/20/013 Phoenix/ReAssure; and, M/20/014 Monument/Graycastle.



was a Closed Book of life insurance products, as it was found that Closed Book life insurance products do not compete for new customers.¹³

21. The European Commission has also issued a number of merger decisions relating to the life insurance sector.¹⁴ In these merger decisions, the European Commission left the precise product market definition open where these proposed transactions did not give rise to serious doubts as to its compatibility with the internal market in any market segment.
22. The Commission defines markets to the extent necessary depending on the particular circumstance of a given case. For the purposes of assessing whether the Proposed Transaction might result in a substantial lessening of competition, the Commission has analysed its impact in respect of the narrowest relevant product market (i.e. the provision of Closed Book life insurance products), with reference to the broader relevant product market for the provision of all life insurance products.
23. This approach is considered appropriate in this instance because industry reports do not provide any market share data on Closed Books, and as a result there is very little information available regarding the size and value of Closed Books in the State.

Geographic market

24. The Commission does not need to form a definitive view with respect to the relevant geographic market in this instance since its conclusion on the competitive impact of the Proposed Transaction will be unaffected whether the relevant geographic market is defined narrowly (i.e. the State) or more broadly (i.e. the State and the United Kingdom).
25. For the purposes of assessing whether the Proposed Transaction might result in a substantial lessening of competition, the Commission has analysed its impact by reference to the

¹³ Supra, note 5.

¹⁴ See, for example: *M.7478 Aviva/Friends Life/Tenet*, the text of which is available at the following link: https://ec.europa.eu/competition/mergers/cases/decisions/m7478_20150313_20310_4203319_EN.pdf; and, *M.6883 Canada Life/Irish Life*, the text of which is available at the following link: https://ec.europa.eu/competition/mergers/cases/decisions/m6883_20130531_20310_3157339_EN.pdf.



narrowest potential geographic market (i.e. the State). This is consistent with the Commission's approach in its previous determinations.¹⁵

Competitive Assessment

26. The life insurance sector in the State is mature and relatively stable. Life insurance products are typically priced on the basis of annual premiums or commissions. Life insurance products are sold directly, via brokers or via bancassurance.
27. Closed Books are life insurance products which are not marketed to the public and life insurance companies do not accept new life insurance customers into Closed Books.
28. Ark Life no longer competes in the provision of insurance products for new customers, and could only be regarded as 'active' to the extent that it may on occasion permit existing life insurance policy holders to amend the life insurance products they acquired in 2012 or earlier. Therefore, a change in ownership of Ark Life would have minimal impact on competition in the provision of life insurance.
29. Table 1 below shows the sales of new insurance policies by life insurance companies, and their respective market shares in the State for 2020:

Table 1: Estimated market shares of providers of life insurance products in the State in 2020

Company name	Annual Premium Equivalent ("APE") ¹⁶ 2020 in €	Estimated market share %
Irish Life Assurance plc	€[...]	40-50%
Zurich Insurance plc	€[...]	20-30%

¹⁵ See, for example: *M/18/032 Phoenix/Standard Life Assurance*, the text of which is available at the following link: https://www.ccpic.ie/business/wp-content/uploads/sites/3/2018/05/M_18_032-Phoenix-Standard-Life-Assurance_Public-2.pdf.

¹⁶ Annual Premium Equivalent (APE) is a standardised measure of the volume of new life insurance business written on an annual basis.



New Ireland Assurance Company plc	€[...]	10-20%
Aviva Group	€[...]	10-20%
Standard Life International DAC	€[...]	0-5%
Royal London Insurance DAC	€[...]	0-5%
Other	€[...]	0-5%
Total	€[...]	100%

Source: Milliman Ireland Market share – Life insurance (pure protection, savings and investments, and pension products)¹⁷

30. As Ark Life is not active in the provision of new life insurance policies, it has a 0-5% share of new sales of life insurance in 2020.¹⁸ In terms of all existing life insurance products, the parties estimate that Ark Life's share is less than 0-5% of all existing life insurance products in the State.¹⁹

31. In its previous determination in *M/20/013 Phoenix/Reassure*,²⁰ the Commission considered 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 outlined previously, industry reports do not provide any market share data on Closed Books. In respect of the provision of new life insurance policies, a number of large and well-resourced providers of life insurance in the State such as Aviva Group Ireland plc, New Ireland Assurance Company Designated Activity Company, Standard Life International Designated Activity Company, and Zurich Insurance plc, will continue to compete with ILGL and its subsidiaries post-transaction in the market for life insurance products in the State.

¹⁷ For more information, please see: <https://ie.milliman.com/en-gb/>

¹⁸ The parties have limited data on which to base an estimate of Ark Life's share of all life insurance policies written historically in the State because industry reports do not provide any market share data on Closed Books, as outlined previously.

¹⁹ Market share estimated by value under an 'assets under management' metric

²⁰ *Supra*, note 5.



32. In light of the above, the Commission considers that the Proposed Transaction does not raise horizontal competition concerns in relation to the provision of life insurance products and Closed Book life insurance products in the State.

Vertical Relationship

33. Irish Life supplies Ark Life with certain services, including third-party policy administration services (provided by Irish Life Financial Services Limited) and asset management services (provided by ILIM).

34. The Commission considers that the vertical overlap is unlikely to raise any competition concerns for the following reasons:

- I. In terms of input foreclosure, it is unlikely that Irish Life would be able to restrict access downstream in respect of the services it currently supplies to Ark Life, as post-Transaction, there would be a number of alternative companies providing third-party policy administration services (such as Aon Solutions Ireland Limited, Mercer (Ireland) Limited, Willis Tower Watson Insurances (Ireland) Limited, etc.) and asset management services (such as Fidelity Investments (Ireland) Limited, BlackRock Asset Management Ireland Limited, Northern Trust Ireland Limited, etc.);
- II. In terms of customer foreclosure, there is no incentive and/or ability for the parties to foreclose customers from Irish Life's competitors, i.e., providers of third party policy administrations services and asset management services following implementation of the Proposed Transaction. This is because (a) Ark Life has an estimated share of less than 0-5%, and therefore does not hold a significant presence, in the supply of existing life insurance products in the State and (b) Competitors of Irish Life, will continue to have access to customers (including life insurance customers) post-transaction.

35. In light of the above, the Commission considers that the Proposed Transaction does not raise any vertical competition concerns in the State.

Conclusion on competitive analysis

36. 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

37. The parties state in the notification that Clause 13 of the SPA contains certain ancillary restraints in relation to the Proposed Transaction. The parties submit that these restrictions are directly related and necessary to the Proposed Transaction.

38. The Commission notes that Clause 13.1 of the SPA limits the Seller's ability to solicit [...] for a maximum duration of two years from the date of closing of the Proposed Transaction. The duration of the restrictions contained in Clause 13.1 of the SPA do not exceed the maximum duration acceptable to the Commission.²¹ The Commission considers the non-solicitation obligations contained in Clause 13.1 of the SPA to be directly related to and necessary for the implementation of the Proposed Transaction insofar as they relate to the State.

²¹ In this respect, the Commission follows the approach adopted by the European Commission in paragraphs 20 and 26 of its Notice on restrictions directly related and necessary to concentrations (2005) OJ C56/03 (the "European Commission Notice"). For more information, see [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52005XC0305\(02\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52005XC0305(02)&from=EN).



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 ILHAWK Limited, a wholly owned subsidiary of Irish Life Group Limited, would acquire sole control of Ark Life Assurance Company Designated Activity Company, 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