

Anticipated Acquisition by Aviva plc of AIG Life Limited

Decision on relevant merger situation and substantial lessening of competition

ME 7080/23

Please note that [X] indicates figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.

SUMMARY

1. On 23 September 2023, Aviva plc (**Aviva**) agreed to acquire AIG Life Limited (**AIG Life UK** or **AIG**) (the **Merger**). Aviva and AIG are together referred to as the **Parties**. For statements referring to the future, Aviva and AIG are together referred to as the **Merged Entity**.
2. The Competition and Markets Authority (**CMA**) believes that it is or may be the case that each of Aviva and AIG is an enterprise; that these enterprises will cease to be distinct as a result of the Merger; and that the turnover test is met. Accordingly, arrangements are in progress or contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
3. Aviva and AIG both offer underwriting of Life Insurance, Critical Illness Cover and Income Protection insurance (together, **protection products**). Life Insurance provides financial support to a policyholder's beneficiaries in the event of that policyholder's death. Critical Illness Cover provides financial support to a policyholder if they are diagnosed with particular illnesses. Income Protection insurance supports a policyholder if they are unable to work due to accident, sickness or injury by paying a fixed monthly amount covering a portion of a policyholder's pre-tax salary. All three of these products can be purchased by individuals (**individual protection products**) or as schemes by employers, for their and their employees' benefit (**group protection products**).

4. The CMA considered whether the Merger may give rise to a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects by reducing the number of suppliers in the markets for the underwriting of individual protection products and group protection products in the UK. As part of its assessment, the CMA also considered whether any competition concerns could arise if these markets were segmented further into the three main protection product policy types.
5. The CMA found that the Parties compete relatively closely with each other to provide both individual and group protection products, and that in both markets the Merged Entity would become the largest supplier. As regards individual protection products, the CMA found that the Parties' offerings are somewhat differentiated and that Aviva competes more closely with other insurance underwriters, such as Legal & General and Royal London, than with AIG Life UK. As regards group protection products, the CMA found that the Aviva competes more closely with other insurance underwriters, such as Canada Life, Legal & General and Unum, than with AIG Life UK. As for AIG Life UK, all main competing insurance underwriters, including Aviva, appear to compete with AIG Life UK closely.
6. The CMA believes that in both the individual and group protection markets the Merged Entity will continue to face sufficient competitive constraint from several alternative providers. In both markets (and across all policy types), the Merged Entity will face strong constraints, in particular from other large insurance providers such as Legal & General and Zurich (in both markets), Vitality Life, Royal London and LV= (in individual protection products) and Unum and Canada Life (in group protection products).
7. The CMA's conclusion on its competitive assessment is the same overall as it is for each of the relevant segments (ie Life Insurance, Critical Illness Cover and Income Protection insurance) considered on an individual basis, for both individual protection products and group protection products.
8. As a result, the CMA believes that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the underwriting of (i) individual protection products; and (ii) group protection products in the UK.
9. The Merger will therefore **not** be referred under section 33(1) of the Enterprise Act 2002 (the **Act**).

ASSESSMENT

1. PARTIES

1. Aviva is a UK-listed company operating in the insurance sector. It provides a range of insurance (including life and non-Life Insurance), savings and investment products, and other insurance and investment-related services. The turnover of Aviva (expressed in gross written premiums) in the financial year ending 31 December 2022 was £18,919 million worldwide, of which £[<] was in the UK.¹
2. AIG Life UK is a UK-incorporated company also operating in the insurance sector. It underwrites individual protection and group protection products in the UK. It is a wholly-owned subsidiary of Corebridge Financial, Inc. (**Corebridge**), a US-listed provider of Life Insurance and retirement products and services. The turnover of AIG Life UK (expressed in gross written premiums) in the financial year ending 31 December 2022 was £659 million in the UK and worldwide.²

2. MERGER AND MERGER RATIONALE

3. On 23 September 2023, pursuant to a transaction agreement, Aviva, acting through its wholly-owned subsidiary Aviva Life & Pensions UK Limited (**UKLAP**), agreed to acquire the entire issued share capital of AIG Life UK for a total consideration of £460 million.³
4. The Parties informed the CMA that the Merger is also the subject of review by: (i) the competition authority in Jersey; and (ii) the UK's Prudential Regulation Authority.⁴
5. The Parties submitted that the main strategic rationale for the Merger is:⁵
 - (a) the Merger is part of Aviva's strategy to refocus on its core markets, following several disposals of non-core business in recent years.
 - (b) AIG Life UK's business is complementary to and will enhance Aviva's offering to UK customers by creating a more efficient platform from which to service existing and new customers, and will provide access to AIG Life UK's distribution partners.

¹ Final Merger Notice submitted by the Parties to the CMA on 6 February 2024 (**Merger Notice**), paragraphs 3.1, 6.1 & 6.3.

² Merger Notice, paragraphs 3.5, 6.7 & 6.9, and page 27 of [AIG Life Limited's registered company accounts](#).

³ Merger Notice, paragraphs 2.1 & 2.2.

⁴ Merger Notice, paragraph 2.6. The Jersey competition authority approved the Merger on 19 December 2023. The UK's Prudential Regulation Authority approved the Merger on 18 January 2024.

⁵ Merger Notice, paragraphs 2.3 – 2.5.

- (c) from Corebridge’s perspective, the sale of AIG Life UK would streamline its portfolio and focus its core and retirement products and solutions in the US, in order to deliver enhanced value to its stakeholders.

3. PROCEDURE

6. The CMA’s mergers intelligence function identified the Merger as warranting an investigation.⁶

4. JURISDICTION

7. Each of Aviva (including its acquiring entity UKLAP) and AIG is an enterprise within the meaning of section 129 of the Act. As a result of the Merger, Aviva via its wholly owned subsidiary UKLAP will acquire the entire issued share capital of AIG Life UK. This will result in Aviva acquiring control of AIG Life UK. Accordingly, Aviva will cease to be distinct from AIG Life UK.
8. The UK turnover of AIG exceeds £70 million in financial year 2022, therefore the CMA considers the turnover test in section 23(1)(b) of the Act is satisfied.
9. The CMA therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
10. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 9 February 2024 and the statutory 40 working day deadline for a decision is therefore 8 April 2024.

5. COUNTERFACTUAL

11. The CMA assesses a merger’s impact relative to the situation that would prevail absent the merger (ie the counterfactual).⁷
12. In an anticipated merger, the counterfactual may consist of the prevailing conditions of competition, or conditions of competition that involve stronger or weaker competition between the parties to a merger than under the prevailing conditions of competition.⁸ In determining the appropriate counterfactual, the CMA will generally focus on potential changes to the prevailing conditions of competition

⁶ [Mergers: Guidance on the CMA’s jurisdiction and procedure \(CMA2\)](#), January 2021 (as amended on 4 January 2022), paragraphs 6.4–6.6.

⁷ [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 3.1.

⁸ [CMA129](#), paragraph 3.2.

only where there are reasons to believe that those changes would make a material difference to its competitive assessment.⁹

13. In this case, the CMA has not received submissions (or other evidence) suggesting that the Merger should be assessed against an alternative counterfactual. Therefore, the CMA believes the prevailing conditions of competition to be the relevant counterfactual.

6. MARKET DEFINITION

14. Market definition involves identifying the most significant competitive alternatives available to customers of the merger firms and includes the sources of competition to the merger firms that are the immediate determinants of the effects of the merger.¹⁰ The boundaries of the market do not determine the outcome of the analysis of the competitive effects of the merger, as it is recognised that there can be constraints on merging parties from outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others.¹¹ The CMA will take these factors into account in its competitive assessment.
15. In this context and as part of its analysis of the competitive effects of the Merger, the CMA has considered the product and geographic markets.
16. Aviva and AIG Life UK both supply Life Insurance underwriting, in particular the underwriting of protection products. Protection products form part of the insurance sector, and include:
 - (a) **Life Insurance**, which provides financial support to policyholder's beneficiaries in the event of that policyholder's death. Life Insurance is generally divided into 'term' or 'whole of life' policies. The former has a fixed duration, whereas the latter provides lifetime coverage.¹²
 - (b) **Critical Illness Cover (or CIC)** which provides financial support to policyholders if they are diagnosed with particular illnesses, generally in the form of a tax-free lump sum.¹³
 - (c) **Income Protection**, which supports a policyholder if they are unable to work due to accident, sickness or injury by paying a fixed monthly amount covering a portion of a policyholder's pre-tax salary.¹⁴

⁹ [CMA129](#), paragraph 3.9.

¹⁰ [CMA129](#), March 2021, paragraph 9.2.

¹¹ [CMA129](#), March 2021, paragraph 9.4.

¹² Merger Notice, paragraph 12.5(i).

¹³ Merger Notice, paragraph 12.5(iii).

¹⁴ Merger Notice, paragraph 12.5(ii).

17. All three protection products, outlined in paragraph 16 above, can be purchased by individuals (individual protection products) or as schemes by employers, for their and their employees' benefit (group protection products).¹⁵
18. The majority of individual protection products and some group protection products are distributed via **intermediaries**. Intermediaries typically include brokers and agents. The main intermediaries in the individual and group protection markets are:
- (a) For individual protection products, the main intermediaries are either independent financial advisors (**IFA**), which consider and recommend all types of retail investment and insurance products, or single-tie partnerships, who are intermediaries who exclusively distribute certain protection products from one insurer. Customers of individual protection products can also purchase products from insurance underwriters through price comparisons websites (**PCW**).¹⁶
 - (b) For group protection products, the main intermediaries are either employee benefits consultants (**EBCs**), which typically cater for larger clients with more complex requirements, or corporate independent financial advisers (**CIFAs**), which often cater to smaller and medium-sized enterprises.
19. Both IFAs and CIFAs tend to conduct commercial business with a selected group of insurance underwriters, otherwise referred to as a 'panel'. Insurance underwriters can operate on several IFAs and CIFAs panels, which requires agreeing to the commercial terms that the IFA or CIFA sets.¹⁷ For group protection products, EBCs typically run tender processes to solicit quotes from all or most insurance providers on behalf of their corporate clients.¹⁸

6.1 Product market

20. Product market definition starts with the relevant products of the merger firms. In identifying what other significant competitive alternatives should be included in the relevant market, the CMA will pay particular regard to demand-side factors (the behaviour of customers).

6.1.1 Parties' submissions

21. The Parties submitted that protection products could be segmented between individual and group protection products. According to the Parties:

¹⁵ Merger Notice, paragraph 1.4.

¹⁶ Aviva owns Sesame Bankhall Group (**SBG**), which is an intermediary which distributes individual protection products. This relationship is discussed further at paragraph 37.

¹⁷ Note of a call with Third Party, January 2024.

¹⁸ Merger Notice, paragraph 15.116.

- (a) On the demand side, the Parties submitted that their offerings differ in respect of individual and group protection products, according to the customer's needs. For example, for group protection, the products are designed to meet the needs of all businesses with three or more employees. Whereas, for individual protection, consideration is given to the specific needs or characteristics of the individual customer.¹⁹
- (b) On the supply side, the Parties submitted that there is supply side substitution on the basis that insurers providing protection products to individual customers are also able to provide Life Insurance to group customers (and vice versa) without significant investments.

22. Moreover, the Parties submitted that it would not be appropriate to segment the market for underwriting of protection products into the three policy types described in paragraph 16 above. According to the Parties:

- (a) On the demand side, the rationale for purchasing each protection product is very similar, particularly for customers purchasing CIC and Income Protection products. A customer, in case they suffer illness or accidental injury leading to a loss of earnings, typically will purchase Income Protection and CIC together. Furthermore, these products are seen as complementary to Life Insurance cover.²⁰
- (b) On the supply side, most providers supply all of these three policy types together.²¹

23. Finally, the Parties submitted that it would not be appropriate to segment the market by industry sector or customer group as neither Aviva or AIG Life UK use industry sectors to organise their protection businesses, and do not target any distinct customer groups either in group or individual protection products.²²

24. In relation to group protection products, the Parties further submitted that the underwriting market of group protection products should not be further segmented by scheme size (ie small and medium enterprises (**SMEs**), mid-market and large corporates),²³ as (i) there is no material differentiations in the Parties' (and competitors') offering of group protection products by scheme size,²⁴ and (ii) the large majority of insurance underwriters are active across all scheme sizes.²⁵

¹⁹ Merger Notice, paragraph 13.10.

²⁰ Merger Notice, paragraph 13.6, Parties' response to the CMA's First Request for Information, 13 December 2023.

²¹ Merger Notice, paragraph 13.5.

²² Merger Notice, paragraph 13.10.

²³ Based on Aviva's classification, SMEs cover schemes from 0 to 250 lives, mid-market covers schemes from 251 to 999 lives and large corporates cover schemes over 1000 lives.

²⁴ Response to RFI 2 question 2, paragraph 2.9.

²⁵ Response to RFI 3 question 8, paragraph 8.2.

6.1.2 CMA's assessment

25. Evidence from insurance underwriters and intermediaries was consistent that a common way to classify the protection market was between individual protection products and group protection products. In addition:
- (a) On the demand side, the CMA has seen significant evidence to indicate that there is no demand side substitution between individual and group protection products. In short, individual protection products are available to individual customers, whilst group protection products are purchased by employers on behalf of their employees. This is also supported by the Parties' internal documents, which often categorise their protection products by those sold to individuals and those to groups.²⁶
 - (b) On the supply side, the CMA has seen that some insurance underwriters provide both individual and group protection policies.²⁷ However, as noted in the Merger Assessment Guidelines (**MAGs**), the boundaries of the relevant product market are generally determined by reference to demand-side factors.²⁸
26. Therefore, the CMA considers that protection products should be segmented into the supply of individual protection products and group protection products because of differences in market structure and other factors that lead to a different competitive assessment for each.
27. The CMA also assessed whether the market for the supply of protection products should be split by policy type (ie into Life Insurance, CIC and Income Protection):
- (a) On the demand side, as submitted by the Parties and further evidenced by third parties, Life Insurance policies are fundamentally different from CIC and Income Protection policies and satisfy different customer needs.²⁹ Life Insurance policies pay out upon the death of the policyholder, with the proceeds being paid to the policyholder's beneficiaries.³⁰ CIC and Income Protection policies both provide cover the event that a policyholder suffers illness or accidental injury leading to incapacity or loss of earning and are paid to the policyholder. Some evidence indicated that CIC and Income Protection policies could be seen as a complement to Life Insurance, as they are often purchased together, with a number of underwriters offering combined life and CIC policies.

²⁶ For example: Aviva's Internal Document, '[><]', date unknown, pages 1 and 2; and AIG's Internal Document, '[><]' Feb 2023, pages 15 and 16.

²⁷ Response to competitor questionnaire, questions 3 and 4.

²⁸ [CMA129](#), paragraph 9.8.

²⁹ Merger Notice, footnote 39.

³⁰ Response to RFI 1 question 10, paragraph 10.2.

- (b) Evidence was mixed on the extent of demand-side substitution between CIC and Income Protection products. Third parties and the Parties explained that the underlying rationale for purchasing CIC and Income Protection policies is very similar.^{31,32} A customer may purchase an Income Protection policy to have protection in case they suffer illness or accidental injury. Similarly, a CIC policy could be purchased to protect from the financial impact of serious illness. On the other hand, some evidence suggested CIC and Income Protection are distinct products,³³ with a point of difference being that for CIC only certain illnesses are covered and payment is by way of a lump-sum, rather than ongoing replacement of income, as is the case with Income Protection.³⁴
- (c) On the supply side, the CMA has seen evidence to indicate that there is a significant degree of substitution across policy types. In the internal documents that the CMA has seen, these products are consistently analysed or discussed together.³⁵ For example, one Aviva internal document discussing market updates, discusses each together.³⁶ Furthermore, almost all of insurance underwriters that responded to the CMA supply each of Life Insurance, CIC and Income Protection products.³⁷

28. The CMA considers the overall evidence on whether to segment the individual and group protection markets by policy type is mixed and in particular, the extent of demand-side substitution is unclear. For the reasons set out below in the Competitive Assessment, the CMA's conclusion is the same whether the market segments are considered separately or together. Therefore, the CMA considered that, given its overall conclusion would not change irrespective of whether the markets are split by policy type or considered together in this investigation, it would be appropriate to leave this aspect of market definition open.
29. Finally, in relation to the segmentation of group protection products by scheme size, the CMA found that whilst one competing insurance underwriter suggested that larger companies require more complex products than smaller entities³⁸, the majority of competitors who responded to the CMA did not indicate any material difference between the products purchased by SMEs versus products purchased by larger corporates.³⁹ The large majority of (and all the major) insurance

³¹ Merger Notice, paragraph 13.6.

³² Response to the CMA questionnaire from a number of third-parties, February 2024, question 10 and 13, and question 7.

³³ Note of a call with a third-party, December 2023.

³⁴ Merger Notice, paragraph 13.6.

³⁵ Aviva, Internal Document , Attachment E4 to the Merger Notice, '[><]', 23 June 2023, page 8, Aviva, Internal Document , Attachment E24 to the Merger Notice, '[><]', undated, page 2, and Aviva, Internal Document , Attachment E48 to the Merger Notice, '[><]', 1 October 2023, page 4.

³⁶ Attachment E48 to the Merger Notice, '[><]', 1 October 2023, page 4.

³⁷ Response to the CMA questionnaire from a number of third-parties, February 2024.

³⁸ Note of a call with a third-party, December 2023.

³⁹ For group protection products only.

underwriters are active across all scheme sizes. As a result, the CMA considers that the group protection market should not be segmented by scheme size.

6.2 Geographic market

6.2.1 Parties' submissions

30. The Parties submitted that the geographic market for the underwriting of protection products (segmented either by individual or group protection products) is national in scope.⁴⁰

6.2.2 CMA's assessment

31. The CMA has considered whether or not these markets are national in scope. The CMA notes that both Parties and their competitors can comprise multinational corporates which supply both UK and international customers. However, the UK has a specific regulatory regime for insurance underwriters (such as the Parties), which are authorised by the Prudential Regulation Authority to provide insurance activities to UK customers.⁴¹ Therefore, the CMA considers that the market should be the UK.

6.3 Conclusion on market definition

32. The CMA has assessed the impact of the Merger on:

- (a) the underwriting of individual protection products in the UK (whether segmented by Life Insurance, CIC and Income Protection or considered together); and
- (b) the underwriting of group protection products in the UK (whether segmented by Life Insurance, CIC and Income Protection or considered together).⁴²

7. COMPETITIVE ASSESSMENT

7.1 Theories of Harm considered

33. The CMA assesses the potential competitive effects of mergers by reference to theories of harm. Theories of harm provide a framework for assessing the effects

⁴⁰ Merger Notice, paragraphs 13.14-13.15.

⁴¹ [List of UK insurers - January 2024 \(bankofengland.co.uk\)](https://www.bankofengland.co.uk/list-of-uk-insurers-january-2024)

⁴² Both individual protection and group protection products are assessed whether the markets for Life Insurance, CIC and Income Protection insurance are considered together or separately.

of a merger and whether or not it could lead to an SLC relative to the counterfactual.⁴³

34. In its investigation of this Merger, the CMA has focused on the following theories of harm:
- (a) horizontal unilateral effects in the underwriting of individual protection products in the UK (whether segmented by Life Insurance, CIC and Income Protection or considered together); and
 - (b) horizontal unilateral effects in the underwriting of group protection products in the UK (whether segmented by Life Insurance, CIC and Income Protection or considered together).
35. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged entity profitably to raise prices or to degrade quality on its own and without needing to coordinate with its rivals.⁴⁴ Horizontal unilateral effects are more likely when the parties to a merger are close competitors.⁴⁵
36. Each of these theories of harm is considered below. For each theory of harm,⁴⁶ the CMA considered that following evidence:
- (a) the Parties' submissions;
 - (b) shares;
 - (c) internal documents; and
 - (d) third-party evidence.
37. At an early stage in its investigation, the CMA also considered the vertical relationship between Aviva's insurance distribution activities through SBG and the Parties' activities in the underwriting of individual protection products (as mentioned in footnote 16). On the basis of the evidence gathered, the CMA considered that there are no plausible competition concerns in respect of this vertical relationship for the following reasons:
- (a) as further explained below (at paragraphs 44 to 49), the Parties' shares are below [20-30]% in the underwriting of individual protection products; and
 - (b) SBG's share is estimated to account for only [10-20]% of the total individual protection distribution market in 2022, and it currently distributes the

⁴³ [CMA129](#), paragraph 2.11.

⁴⁴ [CMA129](#), paragraph 4.1.

⁴⁵ [CMA129](#), paragraph 4.8.

⁴⁶ For Theory of Harm 2, the CMA also considered the Parties' bidding data.

individual protection products of more than [10-20] different insurance underwriters, with the Parties' combined products accounting for less than [20-30]% of this.⁴⁷

- (c) Neither intermediaries nor competitors raised concerns in relation to this vertical relationship in the evidence provided to the CMA.

Therefore, this vertical relationship is not discussed further in this Decision.

7.2 Theory of Harm 1: Horizontal unilateral effects in the underwriting of individual protection products in the UK

38. The CMA assessed whether it is or may be the case that the Merger may be expected to result in an SLC as a result of horizontal unilateral effects in the underwriting of individual protection products in the UK.

7.2.1 Parties' submissions

39. The Parties submitted that they are not close competitors and do not compete more closely with each other than with other competitors in the underwriting of individual protection products. These would continue to exert significant competitive constraints on the Parties following the Merger.
40. The Parties submitted that they monitor a broad range of individual protection providers, including Legal & General, Royal London, Vitality Life, LV=, Zurich, Guardian, Scottish Widows and Aegon (now Royal London). Aviva competes most closely with Legal & General and Royal London and does not compete with AIG Life UK any more than it does with other individual protection providers.⁴⁸
41. The Parties also submitted that, although the Parties compete with each other, there are complementary aspects in their product offering:
- (a) Part of the rationale of the Merger is to widen Aviva's existing product offering by providing access to AIG Life UK's partnerships and intermediaries who focus on high-net-worth customers.⁴⁹
- (b) The Parties' data shows that AIG Life UK mostly focuses on Life Insurance policies, whilst Aviva has a larger presence in Critical Illness and Income Protection policies. Indeed, Life Insurance policies account for [40-50]% of Aviva sales and [80-90]% of AIG Life UK sales in 2023.⁵⁰

⁴⁷ Merger Notice, paragraph 1.8.

⁴⁸ Merger Notice, paragraph 15.37.

⁴⁹ Merger Notice, paragraph 2.4.

⁵⁰ CMA analysis based on Annexes 2 and 3 of the Parties response to CMA's RFI 3, 25 January 2024 '240205 RFI 3 Annex 2 (Confidential)' and '240205 RFI 3 Annex 3 (Confidential)'.

- (c) The Parties' submissions show that, compared to Aviva, AIG Life UK has broader eligibility criteria in terms of the age of applicants. By way of example, Aviva's Life Insurance product is available to all customers aged between 18 and 77 years old, whilst AIG Life UK's Life Insurance is available to all customers aged between 17 and 86 years old.⁵¹
- (d) As a result, AIG Life UK has a larger customer base of elderly customers than Aviva, whereby customers above 60 years of age account for [20-30]% of AIG Life UK's sales and only [0-10]% of Aviva's sales in 2023.⁵²

42. In relation to competitive constraints, the Parties submitted the Merged Entity would face significant competitive constraints, for the following reasons:

- (a) The Parties submitted that Legal & General is currently the market leader. The Merger combines Aviva, the number two provider in this market and AIG Life UK, the number four provider in this market. A broad range of other strong, well-known insurance providers will continue to compete in the market post-Merger, including, among others, Royal London, Vitality Life, Zurich, LV= and Scottish Widows.⁵³
- (b) Shares submitted by the Parties indicate that there would be at least three competing insurance underwriters with shares above 10% (Legal & General, Royal London and Vitality) and two competing insurance underwriters with shares between 5-10% (Zurich and LV=) in 2023, following the Merger.⁵⁴
- (c) The underwriting market of individual protection products is heavily intermediated, with [90-100]% of Aviva's sales and [90-100]% of AIG Life UK's sales being distributed via intermediaries.⁵⁵ These intermediaries actively promote competition as they regularly review the market and would facilitate customer switching if a provider were to worsen its terms.⁵⁶

43. The CMA notes that, in relation to the Parties' claim that intermediaries would act as a material constraint on the Parties, whilst the CMA acknowledges that the vast majority of individual protection products sales are distributed via intermediaries, this in itself would not be sufficient to prove that intermediaries would materially constrain the Parties following the Merger.^{57,58}

⁵¹ Merger Notice, paragraph 15.62.

⁵² CMA analysis based on Annexes 2 and 3 of the Parties response to the CMA's RFI, 25 January 2024 '240205 RFI 3 Annex 2 (Confidential)' and '240205 RFI 3 Annex 3 (Confidential)'.

⁵³ Merger Notice, paragraph 1.6.

⁵⁴ Annex 'Case ME708023 - RFI 2 - Annex 3 (Amended Annex 5) (Confidential)'.

⁵⁵ Merger Notice, paragraph 15.16.

⁵⁶ Merger Notice, paragraph 15.31.

⁵⁷ Merger Notice, paragraph 15.32.

⁵⁸ As outlined in the MAGs, buyer power is unlikely to prevent an SLC that would otherwise arise from the elimination of competition between the merger firms because a customer's buyer power depends on the availability of good alternatives they can switch to.

7.2.2 Shares

44. The Parties submitted that the Merger would create the largest insurance underwriter of individual protection products in the UK.⁵⁹ However, the Parties also explained that their combined share is moderate, and that they would still face strong competitive constraints following the Merger from a range of insurers, including Legal & General, Royal London, Vitality, Zurich, LV= and Scottish Widows (amongst others).⁶⁰
45. The CMA gathered data from the Parties and competitors to accurately estimate the Parties' shares of new business won in annual premium equivalent ('APE') terms in the underwriting of individual protection products in the UK.^{61,62} These shares are consistent with the Parties' submissions, and are shown in Table 1 below.

Table 1: Shares, individual protection, 2022

Insurance underwriters	APE - £	APE - %
Aviva	[X]	[10-20]%
AIG Life UK	[X]	[10-20]%
Combined	[X]	[20-30]%
Legal & General	[X]	[20-30]%
Vitality Life	[X]	[5-10]%
Royal London	[X]	[5-10]%
Zurich	[X]	[5-10]%
Scottish Widows	[X]	[5-10]%
LV=	[X]	[5-10]%
Phoenix SunLife	[X]	[0-5]%
Scottish Friendly	[X]	[0-5]%
Guardian	[X]	[0-5]%
HSBC Life	[X]	[0-1]%
Aegon	[X]	[0-5]%
Exeter Friendly	[X]	[0-5]%
Others	[X]	[0-5]%
Total	[X]	100.0%

Source: CMA analysis using the Parties' and third-party sales data

46. The Parties will have a combined share of [20-30]%, with an increment of [10-20]% in 2023 in the UK, which is aligned with the Parties' submissions. Legal & General would remain the Parties' largest competitor, with a share above 20%, followed by Vitality Life, Zurich, Royal London and LV=, with shares between 5% and 10%.⁶³

⁵⁹ Merger Notice, paragraphs 15.8.

⁶⁰ Merger Notice, paragraphs 15.8.

⁶¹ New business won refers to new policies written during a given year. The Parties submitted that new business won is the relevant measure to estimate Parties' shares as it measures competition between providers for the writing of new policies in any given year. The CMA understands that switching is not prevalent in individual protection, so shares based on the existing (or in-force) business would not accurately capture the current competitive dynamics in the market.

⁶² APE is calculated as the sum of regular premiums plus 10% of single premiums written in a given year. The Parties submitted that this is an industry standard term used to measure premiums paid to insurers for policies on a comparable basis, accounting for variations caused by single lump-sum premiums.

⁶³ The CMA has also estimated the Parties and their competitors' shares of new business won based on the number of policies sold. The results are broadly aligned with the value shares (based on APE).

47. The Parties submitted that their combined share would be much lower than the estimate presented in Table 1 above, at around [10-20]%, as a result of the Parties losing [x<] % of AIG Life UK’s new business following the Merger. This is because AIG Life UK will not exist as an independent [x<].⁶⁴
48. The CMA also considered the Parties’ new business shares by policy type and found that these are broadly consistent with the Parties’ submissions.⁶⁵ As shown in Table 2 below, the Parties’ shares are consistently below [20-30]% across policy types.

Table 2 – Shares by policy type, individual protection, 2022

Insurance underwriter	APE (£)	APE (%)
Life Insurance		
Aviva	£[x<]	[10-20]%
AIG Life UK	£[x<]	[10-20]%
Combined	£[x<]	[20-30]%
Total	[x<]	100.0%
Critical Illness		
Aviva	£[x<]	[20-30]%
AIG Life UK	£[x<]	[0-5]%
Combined	£[x<]	[20-30]%
Total	[x<]	100.0%
Income Protection		
Aviva	£[x<]	[20-30]%
AIG Life UK	£[x<]	[0-5]%
Combined	£[x<]	[20-30]%
Total	[x<]	100.0%

Source: CMA analysis using the Parties’ and third-party sales data

49. The CMA considers that shares provided by the Parties reflect the Parties’ actual position in the market, given that the underlying data is accurate and that these products are reasonably homogenous between suppliers. Further, the CMA notes that, while shares do fluctuate, they do not change significantly over time. Therefore, the CMA considers shares in this market as a useful indicator of competition, showing the Parties as two main suppliers alongside a group of other strong insurance underwriters.

7.2.3 Internal documents

50. The Parties’ internal documents show that (i) the Parties monitor each other, along with other insurance underwriters, and (ii) Aviva competes more closely with insurance underwriters such as Legal & General and Royal London, than AIG Life UK, while AIG competes with a number of underwriters. In particular:

⁶⁴ Merger Notice, paragraph 15.11.

⁶⁵ For consistency with third parties’ submissions, the CMA aggregated the shares provided by the Parties in the segment ‘Life Insurance + Critical Illness’ with the shares provided in the segment ‘Critical Illness’. Due to data limitation, the Parties’ shares in 2023 covered until the third quarter.

- (a) In the Aviva and AIG Life UK internal documents that the CMA has seen,⁶⁶ the Parties monitor the product offerings of a wide range of competing insurance underwriters, including Legal & General, Royal London, Vitality Life, Zurich, LV=, Scottish Widows and Aegon (now Royal London), amongst others.
- (b) In some documents, Aviva focuses on a smaller set of competitors, which include [redacted]. For example, one document⁶⁷ shows that, on many parameters,⁶⁸ Aviva is comparing itself against [redacted] as leading providers, whilst AIG Life UK is only noted as leading in one parameter.
- (c) Furthermore, the CMA has seen evidence suggesting that Aviva considers AIG Life UK's offering as less competitive relative to the other market participants. For example, in one Aviva document, which amongst other things evaluates competitor offerings, Aviva considers that AIG Life UK's offering is [redacted].⁶⁹
- (d) In some documents, AIG Life UK compares its offering against all the main insurance underwriters, such as [redacted].⁷⁰

51. In general, the CMA notes that in their internal documents the Parties typically monitor each of the Parties' performance alongside several other competing insurance underwriters (including each other). Furthermore, the CMA has not seen any internal documents where either Party specifically focuses on the other, further to their general monitoring of the wider competitive set.

52. Therefore, the CMA considers that the Parties' internal documents show that they compete relatively closely with each other, as two of the larger providers of individual protection products. However, internal documents also show the Parties compete as closely, if not more strongly, with other insurance underwriters. This is particularly true for [redacted], which appear to compete most closely with Aviva, and would hence continue to exert significant competitive constraints on the Merged Entity. As for AIG Life UK, all main competing insurance underwriters, including Aviva, appear to compete with AIG Life UK closely, and hence would continue to exert significant competitive constraints following the Merger.

53. Finally, further to paragraph 28 above, the CMA notes that, in the internal documents the CMA has received, it has seen no evidence that the monitoring or analysis of competitors differs when considering offerings by policy type.

⁶⁶ For example, Aviva, Internal Document, Attachment E.2 to the Merger Notice, '[redacted]', June 2023, page 2. AIG, Internal Document, Attachment F.171 to the Merger Notice, '[redacted]', February 2023, slides 15-17.

⁶⁷ Aviva, Internal Document, Attachment E35 to the Merger Notice, '[redacted]', September 2022, page 3.

⁶⁸ These parameters include [redacted].

⁶⁹ Aviva Internal Document, Annex E.47 to the Merger Notice, '[redacted]', undated, Page 1

⁷⁰ AIG, Internal Document, Attachment F.171 to the Merger Notice, '[redacted]', February 2023, slides 15-17.

7.2.4 Third-party evidence

54. Evidence from third parties collected by the CMA suggests that the Parties are both strong providers and compete with each other, but also highlighted points of differentiation in their product offering. When asked about the Parties' product offering:
- (a) Several competitors either ranked AIG Life UK's strength as low (relative to the other insurance underwriters just referenced), or did not list AIG Life UK amongst the competitors they considered to be alternatives to Aviva.⁷¹
 - (b) One competitor described Aviva as having a 'well established brand with [a] wide product range' and 'competitive pricing',⁷² whilst AIG Life UK was described as an insurance underwriter with 'competitive pricing, particularly in business protection and higher net worth [customers]'.⁷³
 - (c) Several customers cited AIG Life UK's wider coverage for customers with underlying medical conditions. For example, one customer said, "Aviva would only cover clients whose BMI sits within a very limited range, whereas AIG would offer a policy to a client with either a higher or lower BMI level."⁷⁴
55. The majority of third parties suggested that there would be enough choice of insurance underwriters in the market and considered there to be sufficient alternatives. In particular:
- (a) Almost all competitors considered the Parties to be competitors in the underwriting of individual protection products. However, and consistent with the evidence described above, third parties note that the Parties also compete with several other insurance underwriters, such as Legal & General, Royal London, Zurich and the Exeter.⁷⁵
 - (b) Evidence provided to the CMA by intermediaries shows that the majority of intermediaries distribute individual protection policies from five or more insurance underwriters. One told the CMA that the majority of their business is placed with the 'top 5' insurers (Aviva, Legal & General, Royal London, AIG Life UK and Zurich) but that they have 12 providers on their panel and see a further four providers (LV=, Vitality Life, Guardian and Scottish Widows) as significant players.⁷⁶ Similarly, another intermediary stated that it has terms of business with all the major insurance underwriters, with their

⁷¹ Response to the CMA questionnaire from a number of third-parties, February 2024, Question 9.

⁷² Response to the CMA questionnaire from a third-party, February 2024, Question 8.

⁷³ Response to the CMA questionnaire from a third-party, February 2024, Question 8.

⁷⁴ Note of a call with a third party, January 2024.

⁷⁵ Response to the CMA questionnaire from a number of third-parties, February 2024, Question 9.

⁷⁶ Note of call with a third-party, January 2024.

preferred panel including Aviva, Legal & General, AIG Life UK, Royal London and Scottish Widows.⁷⁷

- (c) Both intermediaries and competitors considered that the underwriting market for individual protection products would still have a number of alternative choices following the Merger. For instance, some intermediaries mentioned that there would be ‘sufficient insurers/underwriters for all individual protection products’.⁷⁸ This was echoed by a competing insurance underwriter which mentioned that ‘Aviva will compete hard to maintain the market share that AIG Life UK currently hold’.⁷⁹
- (d) Furthermore, a competing insurance underwriter stated that ‘there would still be a good number of reputable providers for customers to choose from’.⁸⁰ A intermediary also noted that there is ‘a suitable alternative within the current selection’.⁸¹

56. Finally, the CMA notes that some intermediaries expressed concerns that AIG Life UK offers unique features in its underwriting approach that benefit customers, which might be lost as a result of the Merger.⁸² Indeed, a few customers viewed Aviva as a legacy player, with AIG Life UK seen as offering more innovative solutions to its customers.⁸³ For example, one customer described AIG Life UK as one of the most innovative providers in the market, with an underwriting process that results in quick decisions. Aviva was seen as having a less flexible underwriting process.⁸⁴

57. The CMA gathered further evidence to assess this concern, which showed that these features are not unique to AIG Life UK, as they are either already offered by Aviva and/or there are competing insurance underwriters that provide a similar product offering.^{85,86} Moreover, to the extent AIG Life UK currently offers unique features which are valued by customers, the Parties would have an incentive to continue to offer those following the Merger.

58. Overall, while third-party evidence shows that the Parties compete with each other, this is alongside several other strong insurance underwriters. To the extent that AIG Life UK offers features that are not currently offered by Aviva, the CMA

⁷⁷ Response to the CMA questionnaire from a third-party, February 2024, Question 5.

⁷⁸ Response to the CMA questionnaire from a third-party, February 2024, Question 12.

⁷⁹ Response to the CMA questionnaire from a third-party, February 2024, Question 15.

⁸⁰ Response to the CMA questionnaire from a third-party, February 2024, Question 15.

⁸¹ Response to the CMA questionnaire from a third-party, February 2024, Question 12.

⁸² These features relate to (i) AIG Life UK having a faster underwriting process (with a smaller percentage of customers requiring a doctor report), (ii) AIG Life UK offering reviewable exclusions on its policies, and (iii) AIG life UK’s offering better terms of customers with certain underlying conditions (such as high body mass index (BMI)).

⁸³ Response to the CMA questionnaire from a number of third-parties, February 2024.

⁸⁴ Response to the CMA questionnaire from a third-party, February 2024, Question 13.

⁸⁵ Parties’ response to the CMA’s RFI 3, 26 February 2024, ‘240228 - Response to Request for Information dated 26 February 2024 and “240205 RFI 3 Annex 1 (Confidential)”’.

⁸⁶ One intermediary mentioned that Vitality in particular is an innovative player and has ambitions to grow.

considers that these features are offered by other competitors in the market and that they complement Aviva's current offering.

59. Finally, further to paragraph 28 above, the CMA notes that third parties have not highlighted any material difference in the product offering of insurance underwriters by policy type, nor they suggested that the Merger would materially affect the choice available for one (or more) policy type, over the others.⁸⁷ For instance, one insurance underwriter stated that 'we do not believe that the impact [of the Merger] would vary significantly by policy type'.⁸⁸ Therefore the CMA considers that there is no material difference in closeness of competition or competitive constraints in the underwriting market of individual protection products by policy type.

7.2.5 Conclusion on Theory of Harm 1

60. The CMA considers that, whilst the Merger would create the largest insurance underwriter of individual protection products in the UK, the Parties would have a share in the underwriting of individual protection products in the UK below [20-30]% (both when the market is considered together and when it is split by policy type), and would continue to face significant constraints from a number of competing insurance underwriters.
61. The majority of customers and competitors who responded to the CMA believed that the Merger would not impact the competitiveness of the market and that a sufficient choice of insurance underwriters would remain available to customers.
62. For the reasons set out above, the CMA has found that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in the underwriting of individual protection products in the UK.

7.3 Theory of Harm 2: Horizontal unilateral effects in the underwriting of group protection products in the UK

63. The CMA assessed whether it is or may be the case that the Merger may be expected to result in an SLC as a result of horizontal unilateral effects in the underwriting of group protection products in the UK.

7.3.1 Parties' submissions

64. Similar to the underwriting of individual protection products, the Parties submitted that they are not close competitors and do not compete more closely with each other than with other competitors in the underwriting of group protection products

⁸⁷ Response to the CMA questionnaire from a number of third-parties, February 2024.

⁸⁸ Response to the CMA questionnaire, from a third-party, February 2024, Question 15.

which would continue to exert significant competitive constraints on the Parties following the Merger.⁸⁹

65. The Parties submitted that they regularly monitor and assess themselves against a broad range of group protection providers. Aviva competes, and perceives itself as competing, most closely with [X].⁹⁰ As for AIG Life UK, while it monitors Aviva's competitive performance in its internal documents, it does it alongside the largest providers of group protection products in the UK (including [X]).⁹¹
66. Moreover, Parties' submissions suggest that there are points of differentiation in their product offerings of group protection products:
- (a) Part of the rationale for the Merger is that AIG Life UK's product offering complements Aviva's, in particular by providing Aviva with better access to intermediaries who focus on SMEs.⁹²
 - (b) AIG Life UK mostly focuses on Life Insurance policies, whilst Aviva has a larger presence in Critical Illness and Income Protection policies. Based on the Parties' data, Life Insurance policies accounted for [50-60]% of Aviva sales and [80-90]% of AIG Life UK sales in 2023.⁹³
 - (c) AIG Life UK has a larger presence in the SMEs segment, whilst Aviva has a larger presence in the Large Corporates segment. Parties' data show that AIG Life UK's in-force sales in the SMEs segment account for [30-40]% its total sales in 2022 (compared to [20-30]% of Aviva), whilst Aviva's sales in the Large Corporates segment accounts for [50-60]% of its total sales (compared to [40-50]% of AIG Life UK).
67. The Parties also submitted that they would continue to face significant competitive constraints following the Merger, for the following reasons:
- (a) Unum is the current market leader, closely followed by Legal & General and Canada Life. The Merger combines Aviva, the number four provider in this market, and AIG Life UK, the number six provider in this market.⁹⁴
 - (b) Unlike the underwriting of individual protection products, customer switching is common for group protection products since policies regularly come up for renewal and incumbents participate in the majority of tenders.⁹⁵ As such, the

⁸⁹ Merger Notice, paragraphs 15.122 to 15.123.

⁹⁰ Merger Notice, paragraph 15.122.

⁹¹ Merger Notice, paragraph 15.139.

⁹² Merger Notice, paragraph 2.4.

⁹³ CMA analysis based on Annexes 3 and 4 of RFI 2 'Case ME708023 - RFI 2 - Annex 4 (Amended Annex 20) (Confidential)' and 'Case ME708023 - RFI 2 - Annex 3 (Amended Annex 5) (Confidential)'.

⁹⁴ Merger Notice, paragraph 1.6.

⁹⁵ Merger Notice, paragraphs 15.116 and 15.117.

Parties submitted that they would also lose approx. [X]% of AIG Life UK's in-force business following the Merger.

- (c) The underwriting market of individualⁱ protection products is entirely intermediated,⁹⁶ which actively promotes competition as intermediaries regularly review the market and would facilitate customer switching if a provider were to worsen its terms.⁹⁷ The Parties' data shows that the top 10 intermediaries account for [80-90]% of Aviva's sales and [60-70]% of AIG Life UK's sales in 2023.⁹⁸

68. As discussed in more detail at paragraph 43 above, whilst the CMA acknowledges that the group protection market is entirely intermediated, the CMA has not seen sufficient evidence to suggest that intermediaries would exert a strong constraint on the Merged Entity.

7.3.2 Shares

69. The Parties submitted that whilst the Merger would create the largest insurance underwriter of group protection policies in the UK their combined share is moderate, and that post-Merger they would continue to face strong competitive constraints from a number of insurance underwriters, including Canada Life, Unum, Legal & General, Zurich and MetLife (amongst others).⁹⁹ The CMA gathered data from the Parties as well as the Parties' competitors to accurately estimate the Parties' shares of new business won in APE terms in the underwriting of group protection products in the UK.¹⁰⁰ The reconstructed shares are shown in Table 3 below.

Table 3 – Shares, group protection, 2022¹⁰¹

Insurance underwriter	APE - £	APE - %
Aviva	[X]	[10-20]%
AIG Life UK	[X]	[10-20]%
Combined	[X]	[20-30]%
Unum	[X]	[10-20]%
Legal & General	[X]	[10-20]%
Canada Life	[X]	[10-20]%
Zurich	[X]	[10-20]%
MetLife	[X]	[5-10]%
Generali UK	[X]	[0-5]%
Others	[X]	[0-5]%
Total	[X]	100.0%

⁹⁶ Merger Notice, paragraph 15.9.

⁹⁷ Merger Notice, paragraph 15.115.

⁹⁸ Merger Notice, Table 15.9.

⁹⁹ Merger Notice, paragraph 15.90.

¹⁰⁰ The CMA also gathered data on the shares based on existing (or in force) business based on APE terms. These are aligned with the Parties' submissions on the shares based on new business won.

¹⁰¹ Shares could not be reconstructed for 2023 due to the lack of a market size estimate for the entire 2023 calendar year.

Source: CMA analysis using the Parties and third-party sales data

70. The CMA’s reconstructed market shares are aligned with the Parties’ estimates. Overall, the Parties would have a combined share of [20-30]%, with an increment of [10-20]% in 2022 in the UK. Table 3 shows that 4 large competitors (Unum, Legal & General, Canada Life and Zurich) would remain in the market.
71. The CMA also considered the Parties’ new business shares by policy type and found that these are broadly consistent with the Parties’ submissions. As shown in Table 4 below, the Parties’ shares are consistently below [20-30]% across policy types.

Table 4 Shares by policy type, group protection, 2022¹⁰²

Insurance underwriter	APE (£)	APE (%)
Life Insurance		
Aviva	[<]	[10-20]%
AIG Life UK	[<]	[10-20]%
Combined	[<]	[20-30]%
Total	[<]	100%
Critical Illness		
Aviva	[<]	[10-20]%
AIG Life UK	[<]	[0-5]%
Combined	[<]	[20-30]%
Total	[<]	100%
Income Protection		
Aviva	[<]	[20-30]%
AIG Life UK	[<]	[0-5]%
Combined	[<]	[20-30]%
Total	[<]	100%

Source: CMA analysis using the Parties and third-party sales data

72. In addition, the Parties provided shares based on the existing (or in-force) business,^{103,104} shares based on the number of schemes sold, and shares of existing (or in-force business) split by scheme size (SMEs, mid-market, large corporates).¹⁰⁵
73. The CMA notes that the Parties’ shares under these different cuts are all below [20-30]%, with the exception of the Parties’ shares based on the number of

¹⁰² Shares could not be reconstructed for 2023 due to the lack of a market size estimate for the entire 2023 calendar year.

¹⁰³ The Parties submitted that in-force business is not an accurate measure to estimate the Parties and their competitors’ shares as it reflects the historic performance of insurance underwriters, as opposed to the current and future performance.

¹⁰⁴ The Parties have not submitted shares based on their existing business of individual protection products, as these are not normally produced in the normal course of business.

¹⁰⁵ Shares by scheme size are not provided for individual protection products, as individual protection policies are sold on an individual basis only, as opposed to in schemes.

policies sold, where the Parties' combined share is c. [30-40]%. This is due to the larger number of smaller policies sold by AIG Life UK, compared to Aviva.¹⁰⁶

74. Overall, the CMA considers that the shares submitted by the Parties suggest that the Parties are two strong insurance underwriters, whose combined share in APE terms is below [20-30]% according to a number of different measures. As noted in paragraph 49 above, the CMA considers shares in this market as a useful indicator of competition in this market, showing the Parties as two main suppliers alongside a group of a number of strong insurance underwriters.

7.3.3 Parties' bidding data

75. The Parties also submitted a bidding data analysis based on Aviva's data, which covers (i) Aviva's new business won from competing insurance underwriters; and (ii) Aviva's existing (or in-force) business lost to competing insurance underwriters.^{107,108}

76. This analysis shows that:

- (a) Aviva has either won business from AIG Life UK or lost business to AIG Life UK [X] the Parties' shares.¹⁰⁹
- (b) Other competitors provide a stronger competitive constraint to Aviva than AIG Life UK. For instance, a higher proportion of Aviva's existing business was lost to [X], than AIG Life UK. Similarly, a higher proportion new business was won by Aviva from [X].¹¹⁰

77. The CMA considers that the analysis suggests that the competing insurance underwriters compete more closely with Aviva than AIG Life UK. However, the CMA considers this analysis is not comprehensive as it does not include AIG Life UK's bidding and it covers only [50-60]% of Aviva's existing business lost to competing insurance underwriters and [60-70]% of Aviva's new business won from competing insurance underwriters.¹¹¹ The CMA therefore has used the analysis in conjunction with other evidence.

¹⁰⁶ The CMA considers that difference between the Parties' shares based on APE and based on volume is indicative of the Parties' product differentiation discussed in paragraph 66 above, whereby Aviva focuses on group protection products for large corporates and AIG Life UK focuses on group protection products for SMEs. However, the CMA has taken both measures into account in its assessment and it does not believe that the use of one set of metrics over another would have a material impact on the CMA's conclusions in the case.

¹⁰⁷ Merger Notice, paragraphs 16.1-16.8.

¹⁰⁸ The Parties explained that AIG Life UK's bidding data contains provider information on a small number of opportunities ([0-5]% of the opportunities, representing c.[5-10]% of the premium value bid for).

¹⁰⁹ Merger Notice, paragraph 16.4.

¹¹⁰ Merger Notice, paragraph 16.4.

¹¹¹ Response to RFI 2 question 11, Table 2 and Table 3.

7.3.4 Internal documents

78. The CMA reviewed the Parties' internal documents, which show that (i) the Parties monitor each other, along with other insurance underwriters; and (ii) whilst AIG considers Aviva to be among its close competitors, Aviva mostly competes with other insurance underwriters, such as Canada Life, Legal & General and Unum, and does not consider AIG Life UK to be one of its closest competitors. For example:

- (a) One of Aviva's documents monitoring competitors shows that it monitors its performance against the four other providers of group protection products ([redacted]).¹¹² This document shows Aviva being a leading provider in many parameters together with [redacted], while AIG Life UK is not monitored.
- (b) AIG Life UK's group protection competitor overview shows that it monitors its performance against six other providers of group protection products ([redacted]).¹¹³
- (c) Another of AIG Life UK's documents consistently identifies [redacted] as the strongest competitor for adviser satisfaction, followed by [redacted].¹¹⁴

79. This evidence suggests that – although the Parties compete relatively closely with each other - they also compete with a number of other insurance underwriters.

7.3.5 Third-party evidence

80. Third party evidence suggests that whilst the Parties compete with each other there are points of differentiation in their product offering:

- (a) Almost all competitors considered the Parties to be close competitors in the underwriting of group protection products.
- (b) Most of these respondents also considered other insurance underwriters to be as close to the Parties as the Parties are to each other. These include Unum, Canada Life, Legal & General and Zurich.¹¹⁵
- (c) Competitor responses highlighted AIG Life UK's focus on the SMEs segment, and Aviva's wide range of products and presence across the large corporates segment.¹¹⁶ One competitor described Aviva as having a 'strong brand' with 'success in the Large segment', whilst describing AIG Life UK as an

¹¹² Aviva, Internal Document, Attachment E.47 to the Merger Notice, '[redacted]', page 2.

¹¹³ AIG, Internal Document, Attachment F.171 to the Merger Notice, '[redacted]', February 2023 page 18 and 19.

¹¹⁴ AIG, Internal Document, Attachment F.5 to the Merger Notice, "[redacted]", December 2022.

¹¹⁵ Response to the CMA questionnaire from a number of third-parties, February 2024, Question 8 and Question 9.

¹¹⁶ Response to the CMA questionnaire from a number of third-parties, February 2024, Question 8.

insurance underwriter with a strong focus on Life Insurance policies and the SME segment.¹¹⁷

81. In relation to competitive constraints, the large majority of third parties suggested that there would be enough choice of insurance underwriters in the market, following the Merger.¹¹⁸ For example, one intermediary suggested that the market is ‘very competitive’ and another that following the Merger there will be ‘multiple insurers and providers available in the Group Protection space’.¹¹⁹ This is also supported by evidence collected by the CMA, which shows that most intermediaries have seven or more insurance underwriters on their panel.¹²⁰ Similarly, for example, one competitor mentioned that given the number of competing insurance underwriters, intermediaries would still be able to ‘secure the right level of competition to secure good client outcomes’.¹²¹
82. Only one customer and one competitor expressed concerns that the Merger would reduce the number of suitable alternatives of group protection insurance underwriters.¹²² However, both of these concerns related to a general concern on consolidation rather than on the specifics of the parties involved in the Merger. As explained above, most customers and competitors expressed a neutral view on the Merger and considered that sufficient remaining suppliers would remain.
83. Finally, further to paragraph 28 above, the CMA notes that third parties have not highlighted any material difference in the product offering of insurance underwriters by policy type, nor they suggested that the Merger would materially affect the choice available for one (or more) policy type, over the others.¹²³ For instance, one competing insurance underwriter mentioned that there are ‘no material differences by policy type. At product-level, the main differentiation is through value-adding services, which get offered alongside protection policies’.¹²⁴ Therefore, as explained in paragraph 59 above, this suggests that there is no material difference in closeness of competition or competitive constraints in the underwriting market of individual protection products by policy type.

7.3.6 Conclusion on Theory of Harm 2

84. The CMA considers that, although the Merger would create the largest insurance underwriter of group protection products in the UK, the Parties would have a post-Merger share below [20-30]% (both when the market is considered together and

¹¹⁷ Response to the CMA questionnaire from a third-party, February 2024, Question 8.

¹¹⁸ Response to the CMA questionnaire from a third-party, February 2024, Question 15.

¹¹⁹ Response to the CMA questionnaire from a third-party, February 2024.

¹²⁰ Response to the CMA questionnaire from a number of third-parties, February 2024.

¹²¹ Response to the CMA questionnaire from a third-party, February 2024.

¹²² Response to the CMA questionnaire from a number of third-parties, February 2024.

¹²³ Response to the CMA questionnaire from a number of third-parties, February 2024.

¹²⁴ Response to the CMA questionnaire, from a third-party, February 2024, Question 7

when it is split by policy type) and would continue to face significant competitive constraints from several insurance underwriters.

85. The vast majority of customers and competitors who responded to the CMA believed that the Merger would not impact the competitiveness of the market and that a sufficient choice of insurance underwriters would remain available to customers.
86. For the reasons set out above, the CMA has found that the Merger does not give rise to a realistic prospect of an SLC, as a result of horizontal unilateral effects in the underwriting of group protection products in the UK.

8. BARRIERS TO ENTRY OR EXPANSION

87. Entry, or expansion of existing firms, can mitigate the initial effect of a merger on competition, and in some cases may mean that there is no SLC. The CMA will consider entry and/or expansion plans of rivals who do so in direct response to the merger as a countervailing measure that could prevent an SLC. In assessing whether entry or expansion might prevent an SLC, the CMA considers whether such entry or expansion would be timely, likely and sufficient.¹²⁵
88. As the CMA has concluded that the Merger does not give rise to competition concerns, it is not necessary to consider countervailing factors in this decision.

¹²⁵ [CMA129](#), paragraph 8.31.

DECISION

89. Consequently, the CMA does not believe that it is or may be the case that the Merger may be expected to result in an SLC within a market or markets in the United Kingdom.

90. The Merger will therefore not be referred under section 33(1) of the Act.

Kasia Bojarojc
Director, Mergers
Competition and Markets Authority
28 March 2024

ⁱ This should read 'group'.