Anticipated acquisition by Venus Topco Limited of Atlanta Investment Holdings 3 Limited, and acquisition by Tara TopCo Limited of an interest in Venus Topco Limited and Saturn Holdings Limited

Decision on relevant merger situation and substantial lessening of competition

ME 7071/23

The Competition and Markets Authority's decision on relevant merger situation and substantial lessening of competition under section 33(1) of the Enterprise Act 2002 given on 26 March 2024. Full text of the decision published on 14 May 2024.

The Competition and Markets Authority (**CMA**) has excluded from this published version of the decision information which the CMA considers should be excluded having regard to the three considerations set out in section 244 of the Enterprise Act 2002 (specified information: considerations relevant to disclosure). The omissions are indicated by [✂]. Some numbers have been replaced by a range, which are shown in square brackets.

Contents

SUMMARY

OVERVIEW OF THE CMA'S DECISION

1. The Competition and Markets Authority (**CMA**) has found that the anticipated acquisition by:

   (a) Venus Topco Limited (**Venus**) of Atlanta Investment Holdings 3 (**Atlanta**), currently owned by Ardonagh Group Holdings Limited (**Ardonagh**), and

   (b) the acquisition by Ardonagh's indirect parent Tara TopCo Limited (**Tara**) of an interest of approximately 23% in each of Venus and Saturn Holdings Limited (**Saturn**),[i]

   is a relevant merger situation, consisting of two inter-dependent and contemporaneous transactions (the **Merger**). The CMA has found that the Merger does not give rise to a realistic prospect of a substantial lessening of competition (**SLC**).

Who are the businesses and what products/services do they provide?

2. Venus, a subsidiary of Pollen Street Group Limited (**Pollen Street**), is the ultimate parent company of Markerstudy Group Limited and its various subsidiaries (collectively, **Markerstudy**). Markerstudy is a group of companies based in the United Kingdom (**UK**) which is engaged in insurance underwriting and insurance broking. In addition to Venus, Pollen Street also controls Saturn, whose indirect subsidiary Tradex Insurance Holdings Limited (**Tradex**) is engaged in insurance underwriting.

3. Atlanta is an insurance broker, active in insurance distribution services in the UK. Atlanta's indirect parent is Ardonagh, which is itself active across insurance distribution, wholesale and underwriting services. Ardonagh, in turn, is indirectly owned by Tara.

4. Venus (including Markerstudy), Atlanta, Tara (including Ardonagh), and Saturn (including Tradex) are collectively referred to as the **Parties**, and, for statements relating to the future, the **Merged Entity**.

5. The CMA looked in detail at the vertical relationship between the Parties in:

   (a) motorcycle insurance underwriting, being the upstream supply of motorcycle insurance to brokers; and

   (b) motorcycle insurance distribution, being the downstream distribution by brokers of motorcycle insurance to end-customers.

6. The CMA's assessment considered whether the Merged Entity may be able to use its position in motorcycle underwriting to harm rival brokers by reducing or refusing the supply of insurance policies. The CMA also considered whether the Merged Entity may be able to use its position in motorcycle distribution to harm rival underwriters who rely on Atlanta to distribute its products.

Why did the CMA review this merger?

7. The CMA's statutory duty is to seek to promote competition for the benefit of consumers. This includes a duty to investigate mergers that could raise competition concerns in the UK where it has jurisdiction to do so. In this case, the CMA has concluded that the CMA has jurisdiction to review this transaction because the Merger has created a relevant merger situation.

What evidence has the CMA looked at?

8. In assessing this Merger, the CMA considered a wide range of evidence in the round.

9. The CMA received several submissions and responses to information requests from the Parties, and examined a number of the Parties' own internal documents. The CMA gathered information about competitive dynamics and industry trends in motorcycle insurance underwriting and distribution, the importance of scale and relative profits in the supply chain, and the likelihood of entry and expansion.

10. The CMA also spoke to and gathered evidence from other companies and organisations active in the sector to better understand the competitive landscape, obtain views on the impact of the Merger and to understand the interaction between brokers and underwriters.

What did the evidence tell the CMA…

…about the effects on competition of the Merger?

11. The CMA looked at whether the Merger would lead to a SLC in the market for motorcycle insurance underwriting or the market for motorcycle insurance distribution. The CMA assessment focused on the vertical relationship between the Parties, where Venus is active in the upstream supply of motorcycle insurance underwriting, and Atlanta is active in the downstream supply of motorcycle insurance distribution.

Theory of harm 1: Input foreclosure in motorcycle insurance distribution

12. The CMA found that Venus may have some ability to foreclose motorcycle insurance brokers' access to insurance policies but would be unlikely to have the incentive to do so.

13. The CMA believes that the Merged Entity may have some ability to foreclose rival motorcycle brokers' access to insurance policies for the following reasons:

   (a) The CMA found that Venus would have a relatively high share of supply in motorcycle insurance underwriting, with a share potentially as high as [40-50]% by volume and [30-40]% by value in 2022.

   (b) The CMA found that Ageas, Allianz, and Aviva would continue to exert competitive pressure on Venus post-Merger. In addition, Sabre also provides a degree of constraint (albeit more limited relative to the more established underwriters) and that this constraint may grow in the future. While competitors would be able to replace Venus to some degree by adding additional motorcycle underwriting capacity, this could potentially result in price increases for policies.

   (c) The CMA also believes that there is insufficient evidence to conclude that entry will be a material constraint in the market.

14. The CMA considers that the Merged Entity would not have the incentive to engage in a foreclosure strategy. Evidence from the Parties and third parties confirmed that there are significant benefits to motorcycle underwriters distributing insurance via multiple brokers, including having access to a wider customer base. This results from brokers having different areas of expertise, and underwriters' incentive to spread risks across different customer groups.

15. As a result of the above, the CMA did not consider it necessary to assess the effects of an input foreclosure strategy, as absent incentive there would be no realistic prospect of the Merger giving rise to an SLC under this theory of harm.

Theory of harm 2: customer foreclosure in motorcycle insurance underwriting

16. The CMA found that the Merged Entity would not have the ability to foreclose motorcycle insurance underwriters. The CMA found that Atlanta is not a sufficiently important customer for the distribution of motorcycle insurance, and underwriters have other brokers they can switch to. While Atlanta has a share of [20-30%], the reliance of competing underwriters on Atlanta changes year to year, indicating that underwriters can switch their capacity between brokers with relative ease, and there are a range of alternative brokers that underwriters could switch to, including Bennetts, Adrian Flux, Europa, Devitt, One Call, Moto and Principal Insurance.

Therefore, there is no realistic prospect of the Merger giving rise to an SLC on this basis.

What happens next?

17. The Merger will therefore **not be referred** under section 33(1) of the Enterprise Act 2002 (the **Act**).

ASSESSMENT

PARTIES, MERGER AND MERGER RATIONALE

18. Venus, an indirect subsidiary of Pollen Street,[1] is the indirect parent company of Markerstudy.[2] Markerstudy is a group of companies based in the United Kingdom (**UK**) which is engaged in:[3]

    (a) insurance underwriting;[4] and

    (b) insurance distribution / broking.[5][6]

19. The turnover of Pollen Street in 2023 was approximately £[✂] worldwide and £[✂] in the UK, and its equity portfolio generated £[✂] worldwide and £[✂] in the UK.

20. Atlanta, currently owned by Ardonagh, is an insurance broker, active in insurance distribution services in the UK across a number of different insurance risks available to customers through online and direct channels.[7] Ardonagh is itself active across insurance distribution, wholesale and underwriting services.[8]

21. The turnover of Atlanta in 2023 was approximately £[✂] worldwide and £[✂] in the UK.

22. The turnover of Ardonagh in 2023 was approximately £[✂] and approximately £[✂] was allocated to the UK.

23. On 15 September 2023, Venus entered into a share purchase agreement with Nevada Investment Topco Limited (owned by Ardonagh) pursuant to which Venus will acquire the entire share capital of Atlanta (**Transaction 1**).

24. Transaction 1 is inter-dependent on a second transaction by which Tara, via a subsidiary,[9] will acquire an interest of approximately 23% in each of Venus and Saturn (**Transaction 2**). Saturn is a subsidiary of Pollen Street that owns Tradex,

[1] With effect from 24 January 2024, Pollen Street Plc was replaced by Pollen Street Group Limited as the ultimate holding company of the Pollen Street group. Final Merger Notice submitted on 29 January 2024 (**FMN**), paragraph 1.1, paragraph 1.13 and footnote 1.
[2] Venus has no other activities other than as a holding company. FMN, paragraph 3.1.
[3] Markerstudy also carries out some ancillary business activities, such as windscreen services, telematics, and claims management services. FMN, paragraph 1.11.
[4] FMN, paragraph 1.9.
[5] Insurance distribution and broking have the same meaning for the purposes of this decision.
[6] FMN, paragraph 1.10.
[7] FMN, paragraph 1.15.
[8] FMN, paragraph 1.16.
[9] Tara will carry out this acquisition via Ardonah Rocket Investment Holdings Limited, which is held outside of the Ardonagh Group. Tara is also the indirect parent of Ardonagh. The majority shareholders in Ardonagh [✂]. Approximately [✂] of the voting rights in Tara are owned by its management, [✂] and therefore the CMA currently believes these shareholders do not have the ability to exercise influence over Tara. FMN, paragraph 3.10 and footnote 12.

a company with underwriting activities in private motor insurance and certain commercial insurance lines.[10] Transaction 2 is set out in the [✂] and the [✂].[11]

25. Transaction 1 and Transaction 2 are together referred to as the Merger.

26. Venus (including Markerstudy), Atlanta, Tara (including Ardonagh) and Saturn (including Tradex) are referred to together as the Parties,[12] and as the Merged Entity for statements referring to the future.

27. The consideration for the Merger comprises (1) consideration up to a maximum aggregate amount of £820m; (2) the right of Tara (and the Atlanta management) to subscribe at nominal value for the number of [✂] shares as represent an interest of approximately 23% in Venus and Saturn, which are valued at £[✂]; and (3) the £[✂] and £[✂] deferred consideration payments used to fund the acquisition of 23% of Saturn.[13]

Rationale

28. According to the Parties, the strategic rationales for the Merger include: [✂].[14]

The CMA believes that the Parties' internal documents broadly support these rationales,[15] including that [✂],[16] but notes that certain internal documents also discuss [✂].[17]

Procedure

29. The CMA commenced its phase 1 investigation on 31 January 2023. As part of its phase 1 investigation, the CMA gathered a significant volume of evidence from the Parties. The Parties had opportunities to make submissions and comment on the CMA's emerging thinking throughout the phase 1 investigation. For example, on 4 March 2024, the CMA invited the Parties to attend an Issues Meeting, and the Parties submitted their views in writing.

30. The CMA also gathered evidence from other market participants, including customers and competitors of the Parties. The CMA has assessed the evidence it has gathered in the round, and the context in which the evidence was produced has been considered when deciding how much weight to give it.

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[10] FMN, paragraph 3.3.
[11] Attachment A.4 and Attachment A.5 to the FMN.
[12] See paragraph 3 which sets out the relationship between Tara and Ardonagh.
[13] FMN, paragraph 1.7.
[14] FMN, paragraph 2.4, 2.5.
[15] See eg Attachment G.003 to the FMN, slide 17; Attachment G.174 to the FMN, slide 4; Attachment G.170 to the FMN, slide 52; Annex H010 to the FMN.
[16] Attachment G.174 to the FMN, slide 34.
[17] Attachment G.003 to the FMN, slide 17.

31. Where necessary, this evidence has been referred to within this Decision.

32. The Merger was considered at a Case Review Meeting.[18]

JURISDICTION

Relevant merger situation

33. A relevant merger situation conferring jurisdiction on the CMA under the Enterprise Act 2002 (the Act) exists where two or more enterprises cease to be distinct and either the turnover or the share of supply test is met.[19]

34. Each of Venus, Saturn, Atlanta, Ardonagh, and Tara is an enterprise within the meaning of section 129 of the Act. As a result of the Merger, Venus and Atlanta will be brought under common ownership while Tara (including Ardonagh) may exert material influence over Venus and Saturn (see paragraphs 40 - 45 below). Accordingly, these enterprises will cease to be distinct for the purposes of sections 23(1)(a) and 26 of the Act.

35. In some circumstances it may be appropriate to treat more than one transaction as a single relevant merger situation.[20] In this case, Transaction 1 and Transaction 2 take place in the context of the same overall commercial transaction. [✂].[21] [✂].[22]

36. In light of the inter-conditional nature of the two transactions, and the inter-related business activities affected by both transactions, as set out above, the CMA believes that Transaction 1 and Transaction 2 should be treated as part of a single relevant merger situation.

37. The UK turnover of both Atlanta and Venus exceeds £70 million in 2023 so the turnover test in section 23(1)(b) of the Act is satisfied.[23]

38. 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.

[18] Mergers: Guidance on the CMA's jurisdiction and procedure, December 2020 (as amended on 4 January 2022), (**CMA2**), from page 65.
[19] CMA2, chapter 4; section 23 of the Act.
[20] CMA2, footnote 18.
[21] [✂].
[22] Attachment A.4 to the FMN, page 68.
[23] Based on its assessment that Tara would acquire material influence over Venus and Saturn, the CMA considers the relevant turnover for the turnover test to be Venus's and Saturn's turnover, as Tara currently exercises *de jure* control over Atlanta and will (through Venus) continue to hold material influence over Atlanta post-Merger. Saturn's turnover in 2023 was £[✂], but the CMA notes that Venus's turnover (approximately £[✂]) alone significantly exceeds the threshold. In the event that Tara did not acquire material influence over Venus and Saturn, Atlanta's turnover would be relevant, as Venus would acquire control over it.

39. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 31 January 2024 and the statutory 40 working day deadline for a decision is therefore 26 March 2024.

Material influence

40. The CMA has considered whether Tara (including Ardonagh) may acquire material influence over Venus and Saturn in the context of Transaction 2. This is because Tara / Ardonagh may subscribe to an approximate 23% interest in Venus and Saturn in the context of Transaction 2.

41. As set out in the CMA's guidance, in addition to the ability materially to influence policy through the voting of shares (eg whether the acquirer has special voting or veto rights over relevant policy or strategic matters sufficient to confer material influence),[24] the CMA's determination of whether a company exerts material influence over another may also, or alternatively, take account of other factors such as whether the acquirer is able materially to influence the policy of the target entity through board representation.[25] The CMA may also have regard to the status and expertise of the acquirer, and its corresponding influence with other shareholders, and may consider whether, given the identity and corporate policy of the target company, the acquirer may be able materially to influence policy formulation through, for example, meetings with other shareholders.[26]

42. The Parties submitted that Tara / Ardonagh will not be entitled to exercise any veto rights in Venus and Saturn beyond those typically ascribed to a [✂].[27]

43. In relation to Venus, the CMA notes, however, that, subject to certain exceptions,[28] Tara / Ardonagh would be able to veto the [✂].[29] In addition, Tara / Ardonagh would have the right to appoint [✂].[30] The CMA also believes that Tara / Ardonagh could influence Venus's policy formulation, given the status and industry expertise of Tara / Ardonagh in insurance underwriting and distribution.

44. In relation to Saturn, the CMA notes that Tara / Ardonagh, so long as Tara has at least [✂], has the ability to appoint [✂].[31] [✂].[32] Similar to Venus, the CMA also believes that Tara / Ardonagh could influence Saturn's policy formulation, given the status and industry expertise of Tara / Ardonagh in insurance underwriting.

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[24] CMA2, paragraph 4.25.
[25] CMA2, paragraph 4.28.
[26] CMA2, paragraphs 4.26 and 4.27.
[27] FMN, paragraph 5.2.
[28] These exceptions include if the [✂].
[29] Parties' response to CMA request for information dated 20 September 2023 (RFI 1 response), question 1.
[30] RFI 1 response, question 1.
[31] Attachment A.5 to the FMN, clauses 3.3 and 3.5.
[32] Attachment A.5 to the FMN, clauses 4.4 and 4.5.

45. For the reasons set out above, the CMA believes that Tara (including Ardonagh) may acquire material influence over Venus and Saturn.

COUNTERFACTUAL

46. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual).[33]

47. The Parties submitted that the relevant counterfactual against which to assess the Merger is the prevailing conditions of competition.[34] 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.

COMPETITIVE ASSESSMENT

Background and nature of competition

Industry supply chain

48. The Parties operate in the non-life or general insurance industry in the UK.[35] For the purposes of this decision and given the nature and extent of the Parties other interrelated activities,[36] the CMA has focussed on the Parties vertical relationships with each other and their competitors in the supply of motorcycle insurance underwriting, and motorcycle insurance distribution.[37]

49. In the UK, there are several levels of the supply chain for the supply of insurance products.

50. Underwriters are active upstream, and write the insurance policies which are ultimately purchased by the end-customer (ie the insured person).[38] The underwriter receives premiums and makes payouts in the event of a claim by the

[33] Merger Assessment Guidelines (**CMA129**), March 2021, paragraph 3.1.
[34] FMN, paragraph 11.1.
[35] Insurance may be life or non-life insurance. Life insurance includes protection related to a single risk, being human life, whereas non-life insurance covers a broad range of risks, such as motor insurance and pet insurance. FMN, paragraph 12.1.
[36] The Merger would result in an additional 19 horizontal overlaps, and 10 vertical relationships in a range of non-life insurance segments. However, the Parties' combined or upstream/downstream market shares are low (with individual or combined market shares below [10-20]%) with a low increment. Following initial scrutiny of these segments with the Parties and third-party market participants, the CMA does not believe that any plausible Merger-related competition concerns could arise from them. The same is true for potential concerns relating to the use of multiple broker brands by the Merged Entity and the Parties' combined purchases of insurance-related software, which were raised by third parties. These additional relationships and practices are therefore not discussed any further in this decision.
[37] Throughout this decision, references to motorcycle insurance are to private motorcycle insurance, as opposed to commercial motorcycle insurance. This is because Venus, Atlanta and Ardonagh do not overlap horizontally or vertically in the supply of commercial motorcycle insurance, which are policies sold for business purposes or to companies.
[38] FMN, paragraph 12.4.

insured person.[39] Underwriters either distribute their products directly through Managing General Agents (**MGAs**), via direct selling routes (ie online or via price comparison websites (**PCWs**), or indirectly via brokers (who may also sell policies via PCWs).[40] In motorcycle insurance, distribution through third-party brokers is the most common route to market.[41]

51. **MGAs** operate downstream from underwriters and may be employed by them as intermediaries or agents that interact with end-customers or brokers.[42] The MGAs may agree with the underwriter that they will have authority to price the underwriter's policies, and they will also usually perform claims handling services on behalf of underwriters.[43]

52. **Brokers** operate downstream from underwriters and MGAs, and they distribute insurance policies and act as the intermediary between the underwriter/MGA and the end-customer.[44] Brokers earn revenue from charging a fee / commission on the premium, and may also sell add-ons such as helmet cover and personal injury cover.[45]

53. Brokers may also contribute to the development of insurance policies (ie broker designed policies). In this case, the broker will decide the characteristics of the target customer group and use the data they hold about those customers to draft a new insurance policy. The broker will then liaise with underwriters to find the underwriting capacity for the policy, following which the broker will distribute the policies to customers, and the underwriter will bear the risk of claims (ie as is the case for other types of policy).[46] The CMA notes that even in cases where brokers are significantly involved in the design of broker designed policies, they are still reliant on underwriters to underwrite the policies.

54. End-customers can access insurance products through a variety of distribution channels, which include online websites and PCWs. For motorcycle insurance, brokers are the only route to market used by the vast majority of underwriters (as opposed to underwriters/MGAs directly supplying their policies), and PCWs are a key channel for product sales.[47] This results in the broker holding the relationship with the end-customer.[48] End-customers may not be aware of the identity of the underwriter until they receive the certificate of insurance.[49]

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[39] FMN, paragraph 12.4.
[40] FMN, paragraph 12.4.
[41] Issues Letter Response, paragraph 30.
[42] FMN, paragraph 12.6.
[43] FMN, paragraph 12.6.
[44] FMN, paragraph 12.7.
[45] FMN, paragraph 12.7.
[46] FMN, paragraph 21.6.
[47] Third-party responses to the CMA's Underwriters Questionnaire.
[48] RBB Economics, Paper on vertical theories of harm submitted on 18 December 2023, (**Vertical theories of harm paper**), page 10; FMN, paragraph 19.24.
[49] FMN, paragraph 19.25; Note of call with a third party.

55. In relation to motorcycle insurance, Venus, Atlanta and Ardonagh operate at the following levels of the supply chain:

(a) Venus, through Markerstudy, provides private motorcycle insurance underwriting services as an MGA.[50] Until [✂], the ultimate underwriter that supplied Venus was [✂].[51] Going forward, the ultimate underwriter for Venus [✂].[52]

(b) Atlanta and Ardonagh are brokers which provide private motorcycle insurance distribution services.[53]

56. Vertical relationships arise between Venus, Atlanta and Ardonagh with regard to motorcycle insurance because Venus's MGA (Markerstudy) and underwriting ([✂])[54] businesses sit upstream from Atlanta and Ardonagh's distribution activities. The CMA notes that Ardonagh's share in motorcycle insurance distribution is very small ([0-5]%), and that its incentive to participate in a foreclosure strategy may differ from that of Venus and Atlanta due to Ardonagh's parent, Tara, holding a share of approximately 23% in Venus and Atlanta post-Merger. As the inclusion or exclusion of Ardonagh would not have a material impact on the CMA's assessment, Ardonagh is not treated as part of the Merged Entity for the purposes of the competitive assessment below.

Nature of competition

57. Brokers compete for end-customers who seek policy quotes on broker websites or via PCWs either at policy renewal, or when they decide to take out a new policy.[55] Many brokers operate panels of underwriters, with underwriters competing to be appointed to broker panels. Panels allow for multiple underwriters to submit bids, with the bid submitted by the underwriter accounting for individual risk factors associated with the end-customer. Brokers typically pick the lowest priced quote from the panel.[56] Normally several competing bids are submitted, however not all of the panel members submit bids for each end-customer.[57]

58. The Parties submit that customers may consider other factors such as brand recognition, terms and service, but end-customer decisions will ultimately be

[50] FMN, paragraph 1.9.
[51] Vertical theories of harm paper, page 20.
[52] FMN, footnote 9.
[53] Atlanta's motorcycle insurance broker brands include Carole Nash and Swinton Insurance and Ardonagh's motorcycle insurance broker brands include Towergate Insurance Brokers and Ethos Broking. FMN, paragraph 15.61 and Attachment I.10 to the FMN.
[54] While Tradex is owned by Saturn, a sister company to Venus, both are currently controlled by Pollen Street and will be post-Merger. The CMA therefore considers Venus and Saturn (and Tradex) to constitute part of the same ownership group under Pollen Street.
[55] Vertical theories of harm paper, page 11.
[56] Vertical theories of harm paper, page 11. FMN, paragraph 19.31.
[57] FMN, paragraph 19.33

driven by price.[58] In line with the Parties' submissions,[59] third-party submissions indicate that price is a key parameter of competition and end-customers are highly price sensitive.[60] Third parties submitted that other parameters which brokers compete on include quality of service, type and availability of cover, policy terms, product add-ons, and brand quality / recognition.[61]

Market definition

59. Where the CMA makes an SLC finding, this must be 'within any market or markets in the United Kingdom for goods or services'. An SLC can affect the whole or part of a market or markets. Within that context, the assessment of the relevant market(s) is an analytical tool that forms part of the analysis of the competitive effects of the merger and should not be viewed as a separate exercise.[62]

60. Market definition involves identifying the most significant competitive alternatives available to customers of the merger parties and includes the sources of competition to the merger parties that are the immediate determinants of the effects of the merger.[63]

61. While market definition can be an important part of the overall merger assessment process, the CMA's experience is that in most mergers, the evidence gathered as part of the competitive assessment, which will assess the potentially significant constraints on the merger parties' behaviour, captures the competitive dynamics more fully than formal market definition.[64]

Product market

Motorcycle insurance underwriting

Parties' submissions

62. The Parties submitted that motorcycle insurance underwriting forms part of a broader market which includes all motor insurance underwriting, as expertise and data requirements do not differ significantly between motor risks.[65] The Parties submitted that:

[58] Parties' response to CMA request for information dated 4 October 2023 (**RFI 2 response**), question 7.
[59] FMN, paragraph 12.9.
[60] Third-party responses to the CMA's Brokers Questionnaire.
[61] Third-party responses to the CMA's Broker Questionnaire.
[62] CMA129, paragraph 9.1.
[63] CMA129, paragraph 9.2.
[64] CMA129, paragraph 9.2.
[65] FMN, paragraphs 13.10-13.11; Vertical theories of harm paper, page 9; Response to Phase 1 Issues Letter (**Issues Letter Response**), 5 March 2024, page 1.

(a) the majority of the major motorcycle insurance underwriters (eg Allianz, Aviva, Ageas, etc) are also active across other private motor risks;[66]

(b) the fact that motorcycle has a different risk profile is not relevant to supply-side substitutability as underwriters are able to price that risk differently;[67]

(c) providers of other motor insurance underwriting (eg car) that do not currently choose to provide motorcycle (or van) insurance could do so at short notice and without incurring any significant sunk costs.[68] Costs are common across private motor risks, and as such it follows that scale in motorcycle is not required to be competitive;[69] and

(d) Sabre and Premier are examples of recent successful entry by motor underwriters into motorcycle insurance.[70]

63. The Parties also referenced a previous OFT case,[71] in which the OFT considered whether the market for motor insurance underwriting should be segmented further between motorcycle and car insurance underwriting. In its decision, the OFT stated that, overall, the evidence available indicated that supply-side substitution between underwriters of car and motorcycle motor insurance and multi-seat motor insurance, as well as supply-side substitution between underwriters of different types of multi-seat vehicle insurance, might be feasible.[72] However, the OFT did not conclude on the issue and assessed the supply of minibuses, coaches and buses and motor insurance individually.[73]

Third-party evidence

64. Contrary to the Parties' submissions, multiple underwriters told the CMA that specialist expert knowledge and historic data for claims costs, which cannot be provided by third parties, is needed to operate in motorcycle insurance.[74] A number of underwriters also noted that motorcycle insurance is particularly volatile and has a different risk profile to other motor segments because of the higher risk of theft and injury to riders and passengers.[75] Some third parties also said that the

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[66] Vertical theories of harm paper, page 9.
[67] Issues Letter Response, Annex 2, page 12.
[68] Vertical theories of harm paper, page 9.
[69] Issues Letter Response, page 2.
[70] Issues Letter Response, page 2.
[71] FMN, paragraph 13.3.
[72] ME/1987/05 Completed acquisition by QBE International Holdings (UK) plc of MBP Holdings Ltd, OFT decision (2005), **("QBE International/MBP Holdings")**, paragraph 10.
[73] QBE International/MBP Holdings Ltd, paragraph 10.
[74] Third-party responses to CMA's Underwriters Questionnaire. See also Note of call with a third party.
[75] Third-party response to the CMA's Underwriter Questionnaire, Third-party response to the CMA's Non-motorcycle Questionnaire; see also Notes of calls with third parties.

motorcycle insurance market is small with low average premiums, making it difficult to accrue sufficient scale to be profitable, which may disincentivise entry.[76]

65. Underwriters also submitted that there are far fewer motorcycle insurance underwriters in comparison to other motor segments.[77]

CMA assessment

66. The boundaries of the relevant product market are generally determined by reference to demand-side substitution alone.[78] In the absence of demand-side substitutability, the CMA may consider supply-side factors and may aggregate several narrow relevant markets into one broader market in certain circumstances. These include where firms routinely use their existing production assets to supply a range of different products that are not demand-side substitutes, and where the same firms compete to supply these different products and the conditions of competition between the firms are the same for each product.[79]

67. As regards the Parties' submissions on entry, the CMA considers that the nature and extent of entry it has observed does not support a broader market definition for all motor insurance, as the evidence suggests that entry is infrequent and that underwriters do not routinely switch their capacity between car/van and motorcycle insurance.[80] The CMA considers that underwriters in other motor segments are not able simply to price risk differently in motorcycle given the different risk profile, as they need access to specific data to underwrite motorcycle policies, which they cannot obtain from third parties. The CMA has nonetheless taken potential entry into account in its assessment, as further discussed at paragraphs 113 - 122.

68. The CMA also found that the shares of supply of underwriters active in motorcycle insurance and other motor segments were quite different across segments, and that some underwriters appear to have exited motorcycle underwriting but not other motor segments (eg AXA),[81] indicating that the conditions of competition differ between motor segments.

69. In light of the evidence set out above, including the differences in information and risk between motorcycle and other motor markets, and the differences in the conditions of competition between these markets, the CMA considers that the

[76] Third-party responses to the CMA's Underwriters Questionnaires.
[77] Notes of calls with third parties.
[78] When assessing market definition, the CMA considers both supply-side and demand-side substitution. In this instance, the CMA has identified that there is no demand-side substitution from brokers and end-customers for motorcycle insurance and other types of motor insurance and has therefore focussed on supply side factors.
[79] CMA129, paragraph 9.8.
[80] CMA129, paragraph 9.10.
[81] The CMA understands based on publicly available information that AXA exited the supply of motorcycle insurance underwriting in March 2024. See Insurance Age, Axa pulls the plug on motorbike business - Insurance Age, 5 February 2024.

appropriate market definition is the underwriting of motorcycle insurance for private customers (**motorcycle insurance underwriting**).

Motorcycle distribution

70. Consistent with a recent CMA case, the Parties submitted that the relevant market definition is private motorcycle insurance distribution by brokers.[82] The CMA previously found that at the distribution level, motorcycle insurance constituted a distinct market from other types of private motor insurance.[83] The CMA also found that further segmentation (eg by customer type, or type of cover and add-ons) was not appropriate.[84]

71. Third-party evidence also supports a distinct market for motorcycle insurance distribution, and indicates that from the supply-side, it would be difficult for a broker active in private car or van motor insurance to expand into motorcycle distribution.[85]

72. The CMA did not find demand-side substitution in motorcycle distribution. Evidence received by the CMA on supply-side factors, such as the composition of competitors and their shares,[86] is consistent with a market definition for the distribution of motorcycle insurance to private customers by brokers (**motorcycle insurance distribution**).

Geographic market

73. The Parties submitted that the geographic market for motorcycle insurance underwriting and motorcycle insurance distribution is national in scope.[87]

74. In the private motor insurance underwriting sector, the CMA has previously found that the geographic market is unlikely to be narrower than national.[88] In motorcycle insurance distribution, the CMA has previously found that there was no demand-side substitutability between the UK and other countries due to the legal requirement that the insurance policy covers the country of registration of the motorcycle, and that there is a different competitor set in the UK in comparison to other jurisdictions.[89]

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[82] FMN, paragraph 13.30.
[83] ME/6882/20 Completed acquisition by Ardonagh Group Limited/Bennetts Motorcycling Services Limited, CMA Decision (2020) (**"Ardonagh/Bennetts"**), paragraph 83.
[84] Ardonagh/Bennetts, paragraph 110.
[85] Third-party responses to the CMA's Brokers Questionnaire.
[86] Annex 5 to the FMN.
[87] FMN, paragraph 13.41.
[88] Private motor insurance market investigation, 24 September 2014, Final report, paragraph 4.22.
[89] Ardonagh/Bennetts, paragraphs 114 and 177.

75. The Parties' submissions and the evidence to date do not indicate that,[90] from a geographic standpoint, the markets should be wider than national. The CMA is therefore assessing the impact of the Merger on motorcycle insurance underwriting and motorcycle insurance distribution on a national basis.

Theories of harm

76. 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 of a merger and whether or not it could lead to an SLC relative to the counterfactual.[91]

77. In its investigation of this Merger, the CMA has considered the following theories of harm:

    (a) input foreclosure arising from Venus's supply of motorcycle insurance underwriting to Atlanta's competitors in motorcycle insurance distribution; and

    (b) customer foreclosure of Venus's competitors in motorcycle insurance underwriting arising from Atlanta's motorcycle insurance distribution activities.

78. Each of these theories of harm is considered below.

Theory of Harm 1: Input foreclosure in motorcycle insurance distribution

79. The concern with an input foreclosure theory of harm is that the merged entity may use its control of an important input to harm its downstream rivals' competitiveness, for example by refusing to supply the input (total foreclosure) or by increasing the price or worsening the quality of the input supplied to them (partial foreclosure). This might then harm overall competition in the downstream market, to the detriment of customers. This may occur irrespective of whether the parties to a merger have a pre-existing commercial relationship.[92]

80. In assessing this concern, the CMA considers whether the following three cumulative conditions are satisfied:

    (a) would the merged entity have the **ability** to use its control of inputs to harm the competitiveness of its downstream rivals?

    (b) would it have the **incentive** to actually do so, ie would it be profitable?

[90] FMN, paragraphs 13.39-13.40.
[91] CMA129, paragraph 2.11.
[92] CMA129, paragraph 7.9.

(c) would the **effect** of foreclosure of these rivals substantially lessen overall competition?[93]

81. The CMA assessed whether it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC as a result of input foreclosure in motorcycle insurance distribution. The CMA has considered these cumulative conditions below.

Ability

82. In line with its guidance, when assessing the ability of the merged entity to foreclose rivals, the CMA considers foreclosure mechanisms, market power in the upstream market, and the importance of the input. In relation to the importance of the input, the CMA understands that underwriting is an essential input in motorcycle insurance distribution given that the role of the broker is to on-sell insurance policies for underwriters/MGAs,[94] so this is not discussed further in this section.

Foreclosure mechanisms

83. The CMA may consider a wide range of mechanisms through which the merged entity could potentially harm its rivals when supplying inputs. These may include, for example, refusing or restricting supply, or increasing prices. The CMA's focus will be on understanding if collectively these types of strategies would allow the merged entity to foreclose its rivals, not on predicting the precise actions the merged entity would take.[95]

84. As set out in the 'Background' section, Venus provides motorcycle insurance underwriting services via Markerstudy, an MGA which up until [✂] acquired motorcycle underwriting services from [✂].

85. The Parties submitted that Venus (ie Markerstudy) is an MGA and therefore it is not the decision maker regarding policy price and distribution channels. It is the underwriter, [✂],[96] that ultimately determines the price and distribution strategy for the policies [✂].[97]

86. The CMA considers that post-Merger Tradex (controlled by Saturn, a subsidiary of Pollen Street) on the one hand, and Markerstudy and Atlanta (controlled by Venus, a subsidiary of Pollen Street) on the other hand, will all ultimately be under the control of Pollen Street. Given Pollen Street's control over Tradex and Venus

[93] CMA129, paragraph 7.9-7.10.
[94] FMN, paragraph 12.7.
[95] CMA129, paragraph 7.13.
[96] Markerstudy's underwriter for motorcycle capacity in 2024 is intended to be [✂], subject to regulatory approval, which would be replacing [✂]. FMN, paragraphs 19.3 and 19.76.
[97] FMN, paragraph 19.76; Issues Letter Response, Annex 2, page 16 and Annex 4.1.

(including each of Markerstudy and Atlanta), the CMA considers that any internal pricing processes would not prevent the Merged Entity from changing its pricing strategy, including by amending the composition of Tradex's [✂].[98] As such, the CMA considers that the Merged Entity would be able to determine its policy, prices, and distribution strategy in motorcycle insurance underwriting, as well as distribution.

87. The CMA believes that there are a range of foreclosure mechanisms available to the Merged Entity which could potentially be used to harm Atlanta's rivals, including total and partial foreclosure. These could take the form of (1) refusing to supply third-party brokers with underwriting services; (2) increasing underwriting prices for third-party brokers or (3) reducing the capacity available for one or more third-party brokers. The CMA is aware that Venus has previously taken action that could potentially result in foreclosure post-Merger,[99] including terminating contracts with brokers ([✂]) and [✂] capacity for all [✂] 2023.[100] Venus has also considered offering [✂],[101] [✂], which indicates that Venus is able to price discriminate.[102]

Venus's market power in the supply of motorcycle insurance underwriting services

88. Foreclosure of brokers in motorcycle insurance distribution can occur only if the Merged Entity has a significant position upstream in motorcycle insurance underwriting. If in response to actions taken by the Merged Entity to harm its downstream rivals, brokers are able to easily switch to alternative underwriters, then rival brokers are less likely to suffer harm.

89. In this section the CMA first sets out the Parties' submissions, before setting out evidence on (1) shares of supply; (2) foreclosure targets; (3) the ability of brokers to switch to alternatives; (4) the impact of Venus's temporary [✂]; and (5) the constraint from entry.

Parties' submissions

90. The Parties submitted their shares of supply are low and below the threshold at which concerns would arise.[103] According to the Parties:

[98] The CMA has not seen any evidence to suggest that Tara, which will own a minority interest in each of Venus and Saturn, would be able to prevent such changes to Tradex's internal pricing policy, but notes that given its share of 23% of both businesses, there is no reason why Tara would be any more or less likely than Pollen Street to object to a profitable foreclosure strategy.
[99] The CMA accepts that Venus may have engaged in these behaviours in the past for legitimate business reasons and without the aim of foreclosing affected brokers, but nonetheless considers them relevant in so far as they demonstrate Venus's ability to engage in conduct that could foreclose Atlanta's rivals.
[100] Parties' response to CMA request for information dated 24 November 2023 (**RFI 4 response**), question 10.
[101] [✂]. Parties' response to CMA request for information dated 21 December 2023 (**RFI 5 response**), question 9 and 10; and, RFI 4 response, question 3.
[102] RFI 5 response, question 9.
[103] Vertical theories of harm paper, page 13; FMN, paragraphs 19.15 and 19.17.

(a) value shares should be relied on as they most meaningfully reflect how underwriters allocate capacity and give appropriate weight to non-standard policies.[104]

(b) 2023 shares should be used instead of 2022 shares, as the Parties have provided share data for [✂] 2023 which excludes the period after [✂] 2023 when Venus temporarily [✂], and as such provides a more accurate estimate of Venus's position.[105]

(c) share estimates should exclude broker designed polices as the underlying data is owned by the broker. These policies account for around [✂]% of Markerstudy's sales by value.[106]

(d) share estimates should include vertically integrated underwriters as it would be straightforward for these suppliers to distribute policies via third-party brokers.[107]

91. The Parties further submitted that switching is easy on the basis that:

(a) brokers typically have a number of underwriters on their panel.[108]

(b) when [✂], and [✂], each broker was able to switch underwriters.[109]

(c) with regard to broker designed policies, brokers would react to foreclosure attempts by directing consumers to alternative underwriters as broker designed policies are straightforward to switch. [110]

92. The Parties also submitted that motorcycle underwriting rivals impose significant competitive constraints on Venus, because:

(a) Ageas and Allianz are significant competitors with spare capacity which they can use if Venus became unavailable.[111]

(b) the cumulative effect of the competitive constraint of other motorcycle underwriters is significant for Venus.[112] As an example, [✂], demonstrating that small underwriters can compete successfully.[113]

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[104] Issues Letter Response, page 3.
[105] Issues Letter Response Annex 2, page 19.
[106] FMN, paragraph 19.22.
[107] Issues Letter Response, page 3.
[108] FMN, paragraph 19.33.
[109] Vertical theories of harm paper, page 28.
[110] FMN, paragraph 19.22; Issues Letter Response, page 4.
[111] Vertical theories of harm paper, paragraph 3.1.3.2.
[112] Issues Letter Response, page 4.
[113] Issues Letter Response, page 20.

(c) capacity can be reallocated into the motorcycle market from other motor markets by underwriters in response to demand.[114]

(d) large motor insurers would be well placed to enter motorcycle insurance underwriting.[115] The Parties submit no expertise is needed to set prices effectively for motorcycle insurance claims as data on accident frequency is publicly available, as is claims history data from reinsurance brokers.[116] The Parties submit entry would take 3 to 12 months for a car or van underwriter to enter the motorcycle underwriting market, and there is evidence of actual entry by Sabre and Premier.[117]

93. The Parties submitted that if foreclosure were attempted there would be a limited impact on competitors, given that:

(a) even if brokers would be forced to switch from Venus, this would not result in a price increase of these brokers' motorcycle insurance policies. The Parties submit price differences are explained by differentiation rather than differences in underlying price levels.[118]

(b) Venus would not have the ability to foreclose more than approximately 70% of brokers (eg Hastings, [✂], Adrian Flux), and the remaining approximately 30% of brokers can easily switch to alternative underwriters.[119]

94. Finally, in relation to the higher prices experienced by brokers in the period after Venus's [✂], the Parties further submit that higher premiums in 2023 Q4 were due to external factors including:[120]

(a) claims inflation in motorcycle insurance that materialised in 2023, with a lag compared to general inflation appearing in the macro-environment in 2022.[121]

(b) ordinary seasonality in motorcycle premiums, as prices typically decrease in the first two quarters of a year and increase in the final two.[122]

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[114] Issues Letter Response, page 7.
[115] Vertical theories of harm paper, page 23; Issues Letter Response, page 5.
[116] Issues Letter Response, page 9.
[117] Issues Letter Response, page 22.
[118] RFI 4RFI 4 response, question 5.
[119] Issues Letter Response, page 5; The CMA considers that the proportion of the market that could be impacted relates to the 'effect' limb rather than the 'ability' limb of the CMA's vertical framework, so this is not discussed further in this section.
[120] Issues Letter Response, row 7.
[121] The Parties submit this lag was due to factors such as (i) the length of insurance policies (typically for 12 months and claims made months after the policy lapses); (ii) elongated parts supply and repair timeframes; and (iii) bodily injury claims take longer than other claim types to process.
[122] The Parties submit that this is driven by different policy volumes and customer profiles seeking to insure motorcycles in fair weather relative to more difficult conditions.

Shares of supply

95. The CMA believes that 2022 rather than 2023 data better reflects the competitive landscape in the supply of underwriting of motorcycle insurance. This is because Venus temporarily [✂] the market in [✂] 2023 to facilitate the change in carrier from [✂] to [✂],[123] resulting in a one-off change to underwriters and brokers positions that are not reflective of ordinary competitive conditions. The CMA also notes the Parties' submissions that estimates for 2023 excluding the fourth quarter should be considered. However, the CMA considers that shares of supply based on actual data from third parties, which are available for the full calendar year only, are more reliable than shares for three quarters submitted by the Parties that rely on estimated values for competitors.[124]

96. As regards the use of value or volume shares, the CMA accepts that underwriters determine their underwriting capacity in value terms.[125] Relying on value shares alone, however, may not provide a clear illustration of relative competitive conditions. Some underwriters specialise in higher risk, higher value policies, while others focus on lower risk, lower value policies. As such, value shares may overstate the constraint from suppliers offering higher value policies and understate the constraint from suppliers offering lower value policies. Venus focusses on the [✂] within which it is also [✂].[126] Venus' share by value is lower than its share by volume and this may reflect, [✂]. Ultimately, the CMA does not believe that the use of one set of metrics over another would have a material impact on the CMA's conclusions in this case, and the CMA has therefore cautiously taken both measures into account for the purposes of its assessment.

97. The evidence collected by the CMA does not support the Parties' submissions that broker designed policies should be treated differently in the shares of supply or in the wider assessment. The CMA has found no evidence that it is easier to switch underwriters for broker designed policies.[127] Brokers either told the CMA that the switching process for a broker designed policy is at best the same as for conventional policies or that it is more difficult given the types of risks covered.[128] A few underwriters explained that in fact it can be more difficult for a broker to find new underwriters for broker designed policies (eg due to the need for underwriters to review / agree to support the risks and assumptions these policies entail, which

[123] FMN, paragraph 19.38.
[124] Although there are some differences, the CMA notes that the Parties' estimated shares of supply for Q1-3 2023 are broadly similar to the figures relied on by the CMA. See Issues Letter Response, Annex 1, page 17.
[125] Issues Letter Response, page 3.
[126] RFI 4 response, page 3.
[127] Vertical theories of harm paper, Figure 4.
[128] Third-party response to the CMA Brokers Questionnaires. Only one small broker told the CMA that a broker designed policy may make it easier for a broker to find new underwriters, while another provided a mixed view, noting that switching is dependent on a new insurer being comfortable to give a level of control to the broker. Third-party responses to the CMA's Brokers Questionnaire.

may not be possible due to pricing and expertise differences between underwriters).[129]

Table 1: Shares of supply for motorcycle insurance underwriting in the UK[130]

	2022		2023	
	Volume (%)	Value (%)	Volume (%)	Value (%)
Venus	[30-40%]	[20-30%]	[20-30%]	[10-20%]
Atlanta	-	-	-	-
Combined	**[30-40%]**	**[20-30%]**	**[20-30%]**	**[10-20%]**
Ageas	[10-20%]	[10-20%)	[20-30%]	[10-20%]
(Allianz) LV=	[10-20%]	[10-20%]	[10-20%]	[10-20%]
Aviva	[5-10%]	[5-10%]	[10-20%]	[5-10%]
Alwyn	[5-10%]	[10-20%]	[5-10%]	[10-20%]
Hastings	[5-10%]	[10-20%]	[10-20%]	[10-20%]
Sabre	[5-10%]	[10-20%]	[0-5%]	[5-10%]
ERS	[0-5%]	[0-5%]	[0-5%]	[0-5%]
Trinity	[0-5%]	[0-5%]	[0-5%]	[0-5%]
KGM	[0-5%]	[0-5%]	[0-5%]	[0-5%]
Total	**100%**	**100%**	**100%**	**100%**

Source: dataset consolidated from Parties estimates and third-party estimates.

98. Table 1 sets out the shares of supply for motorcycle insurance underwriting in the UK and shows that in 2022:

(a) Venus was the largest supplier of motorcycle insurance underwriting services with a relatively high share of supply by volume of [30-40]% and by value of [20-30]%;

(b) Venus was followed by Ageas and Allianz each with a substantial share of [10-20]% by volume and value;

(c) while Alwyn, Hastings and Sabre had a share by value of [10-20]%, their share by volume was [5-10]%; and

(d) the other suppliers (ie Aviva, Trinity, ERS and KGM) had a share between [0-5]% and [5-10]%.[131]

99. However, the CMA considers that the shares above may understate Venus's market power upstream because they include underwriters such as the vertically

[129] Third-party responses to the CMA's Underwriters Questionnaire.
[130] The CMA understands AXA exited the market in March 2024. To account for this the volume and value of AXA's business has been allocated to the remaining underwriters in proportion to their shares.
[131] Broker designed policies have been included in the underwriter shares. The Merged Entity's ability to foreclose these policies is explained in paragraph 97.

integrated Hastings, who the CMA understands are not active in the supply of insurance policies to third-party brokers (ie the targets of a foreclosure strategy).[132] If these third parties are excluded, Venus' shares increase to [40-50%] by volume and [30-40%] by value. At the same time, the shares of competitors such as Ageas ([10-20%] by volume and value), Allianz ([10-20%] by volume and value) and Aviva ([5-10%] by volume and value) also increase. The CMA also notes that these shares may still understate Venus's (and other underwriters') position, as Alwyn principally uses Lexham to distribute its motorcycle insurance policies. On this basis, the CMA considers Venus's shares to be relatively high.

Foreclosure targets

100. If Venus were to engage in a foreclosure strategy, that strategy could affect both the brokers that Venus currently supplies and, more indirectly and in the longer term, other brokers whose business Venus could compete for. In such a scenario, other underwriters may face fewer constraints when competing for those brokers' business in future. The CMA has, however, focused its evidence gathering on those brokers currently supplied by Venus as there is substantially more information available to the CMA about competition with Venus to serve those brokers.

Brokers ability to switch to alternative underwriters

101. The shares of supply show that Venus is the largest supplier of motorcycle insurance underwriting. The CMA believes that this conclusion is broadly supported by internal documents and third-party evidence. Venus appears to recognise this significant position, with an internal document noting [✂] market share in motorcycle underwriting.[133] Multiple third parties referred to Venus as being an important underwriter in motorcycle insurance underwriting in qualitative terms.[134]

102. The CMA considered the ability of brokers to switch to rival underwriters. Underwriters and brokers told the CMA that Ageas, Allianz and Aviva have strong brands with extensive market experience, good risk coverage, and they manage claims well.[135] A Venus internal document also suggests that Venus has identified

[132] FMN, paragraph 19.50; The reason for excluding vertically integrated players is that they do not represent a genuine alternative to potential targets of foreclosure so their inclusion in shares would overstate the constraint imposed by this group.
[133] Attachment I.32 to the FMN, page 2.
[134] Third-party responses to the CMA's Underwriters Questionnaire; Third-party responses to the CMA's Brokers Questionnaire.
[135] Third-party responses to the CMA's Brokers Questionnaire; Third-party response to the CMA's Underwriters Questionnaire.

these firms as [✂].[136] The CMA notes that these competitors have substantial shares of supply.

103. Evidence suggests that Sabre also exercises a degree of competitive constraint on Venus, albeit a more limited constraint than the firms identified above. Sabre entered motorcycle underwriting in late 2021 and as a result of partnerships with brokers MCE and Bennetts,[137] was able to grow its share and presence quickly, as evidenced by the share data in Table 1.[138] However, third-party evidence also indicates that although it has new policies coming to market, there are limitations to Sabre's competitive offer, with several brokers noting that it is a relatively new entrant, with limited experience and low policy numbers.[139]

104. Based on third-party evidence, which is consistent with their limited shares of supply, the CMA considers that Alwyn, KGM, ERS, and Trinity Lane provide a limited competitive constraint on Venus.[140] The CMA also considers that Alwyn's constraint on Venus is diminished given it principally uses Lexham to distribute its motorcycle insurance policies, and as such may not typically compete with Venus to supply other brokers.[141]

105. The CMA also received feedback that some underwriters would have the ability or interest to expand capacity in motorcycle insurance underwriting in the future should Venus engage in a foreclosure strategy.[142]

106. In relation to the ease of switching, the CMA considers having multiple underwriters on a panel does make switching to those underwriters easier, although the number of underwriters on a given panel overstates the level of constraint they exert. For example, despite Atlanta having as many as [✂] underwriters on its panel, Atlanta only receives bids from [✂] or fewer underwriters for approximately [✂]% of its policies.[143]

Impact of Venus's temporary [✂]

107. The CMA considered Venus's temporary [✂] from the market in [✂] 2023 to assess the constraint it faces from rival underwriters. The CMA found that brokers

[136] Annex G.001 to the FMN, slide 21.
[137] See Insurance Age, Sabre reveals Bennetts partnership and promises flexi insurance broker push, 22 March 2022 and Sabre Insurance, Sabre Insurance in new deal with broker MCE Insurance Ltd, 25 February 2022.
[138] FMN, paragraph 22.2.
[139] Third-party responses to the CMA's Brokers Questionnaire.
[140] Third-party responses to the CMA's Brokers Questionnaire.
[141] Third-party response to the CMA's Underwriters Questionnaire.
[142] Third-party response to the CMA's Underwriters Questionnaire. Note of call with a third party.
[143] CMA analysis of the Parties' response to the CMA request for information dated 10 January 2024 (**RFI 6**), question 10; The CMA notes the Parties' submission that not all underwriters on a panel return quotes for every quote requested. This is because underwriters have different quote acceptance rules and do not always respond to the same risk profiles. Vertical theories of harm paper, Section 4.2.

sourced additional capacity elsewhere but doing so was challenging and there was a rise in prices during that period.

108. Evidence shows that alternative underwriters increased their underwriting capacity to cover approximately [✂]% of the volume which Venus had [✂] from the market. However, the majority of brokers submitted that Venus's [✂] caused significant disruption to the market.[144] Brokers told the CMA that there was a substantial reduction in product offerings for end-customers and increased policy premiums, both of which resulted in loss of revenues for brokers.[145] More specifically, one broker explained that while underwriters did expand capacity, in doing so they increased the price of their policies in an attempt to curtail the growth and added risk that they experienced.[146] Brokers also submitted that locating additional capacity from other underwriters was challenging due to underwriters' solvency requirements and capacity levels.[147]

109. As well as considering brokers' submissions, the CMA analysed the data submitted by the Parties on price increases faced by Atlanta in both car and motorcycle insurance markets during the period before and after Venus's [✂] from [✂]. In doing so, the CMA accounted for the seasonality in prices by comparing price changes in 2023 with price changes in the same months in 2022. The CMA found that prices in both car and motorcycle insurance from October to December 2023 were on average approximately 40% higher than in October to December 2022. This could be interpreted as being supportive of the Parties' arguments that common inflation factors unrelated to Venus's [✂] drove higher premiums in that period. However, the CMA also found that the pattern of price increases in car and motorcycle insurance are different – in car insurance price increases follow a gradual upward trajectory over the 12-month period examined, which is not the case for motorcycle insurance where prices increased more slowly than for car insurance in the first part of the year, with a step change in price increases after Venus's [✂].

110. The CMA has been cautious in interpreting this evidence given the complexities of analysing price changes, in particular due to the various factors that could drive changes in prices over a given period of time. However, the CMA notes that the step change observed in motorcycle insurance prices is consistent with the qualitative evidence from third parties which indicated that Venus's [✂] was one among several factors in these price increases.[148] The increase in price is also consistent with [✂].

[144] Third-party responses to the CMA's Brokers Questionnaire.
[145] Third-party responses to the CMA's Broker Questionnaire.
[146] Note of a call with a third party.
[147] Third-party responses the CMA's Brokers Questionnaire; Note of call with a third party.
[148] A number of brokers identified the increase in prices due to factors such as inflation as being separate from the increase in prices due to Venus's [✂]. One broker, for instance, noted that the increase in prices for motorcycle in the

111. The CMA considered the extent to which these price increases were helpful in understanding the price response in a foreclosure scenario and concluded that their relevance may be limited for two reasons:

(a) in a foreclosure scenario, Venus would continue to operate through Atlanta, and would therefore continue to supply its policies to end-customers, thus exerting some competitive pressure on rival underwriters (in contrast with the exit scenario); and

(b) the CMA considers that these short-term price effects may not necessarily be indicative of price changes over the long-term, as underwriters have more time to increase their capacity and assess the risk profile of new customers.[149]

112. On balance, the CMA believes that the price effects resulting from Venus' temporary [✂] in 2023, while being different from the price effects in a potential foreclosure scenario, are supportive of Venus having some market power to foreclose rival brokers. The CMA considers that third-party evidence supports this view, with a significant majority of brokers raising concerns in relation to input foreclosure of Atlanta's rivals post-Merger.[150] All responding underwriters confirmed that an underwriter reducing capacity would either result in a loss of the broker's competitiveness, or at least create the risk of price increases.[151]

Entry

113. As set out above in the context of market definition, the Parties made a number of submissions noting that it would be relatively straightforward for underwriters to enter motorcycle insurance where they are active in car or van insurance. The CMA has considered entry as part of its competitive assessment, considering whether entry would be timely, likely and sufficient to reduce Venus's market power upstream.[152]

114. Third parties submitted it would take between 3 to 12 months for a car or van underwriter not active in motorcycle insurance to enter the motorcycle underwriting

initial part of last year was broadly comparable for motorcycle and car insurance but the increase in prices of motorcycle insurance was much higher (both in standalone terms and in comparison to car insurance) in the latter part of last year. Submissions to the CMA from third parties.

[149] The CMA understands based on third-party submissions that the increase in volumes for other underwriters after Venus's [✂] led them to use up their budgeted capacity earlier than expected at the time of setting capacity budgets (which typically happens annually). One broker noted to the CMA that this unexpected increase in volume led some underwriters to increase prices to reduce supply in the short-term. As such, underwriters are expected to have more flexibility in adjusting capacity and prices in the long-term. Note of call with a third party.

[150] Third-party responses to the CMA's Brokers Questionnaire.

[151] Third-party responses to the CMA's Underwriters Questionnaire.

[152] CMA129, paragraph 3.10

market.[153] However, one third party noted that it would take significantly longer to grow volumes and establish a presence.[154]

115. Third parties stated that there are various barriers to entering motorcycle insurance underwriting, including that it is a difficult market to enter and succeed in given the importance of securing access to data and having expert knowledge.[155] One third party submitted that there are no data sets that would allow a new underwriter to confidently enter the motorcycle market, including from brokers.[156]

116. Third parties also told the CMA there has been limited appetite for new entrants into motorcycle underwriting, due to the small scale of the market.[157] A wide majority of underwriters were not able to list any potential entrants in motorcycle insurance underwriting.[158] Some brokers explained that the premiums are generally low, meaning that an underwriter has to build up a decent sized book before it is resilient against large losses.[159] Most underwriters submitted that scale is important in the motorcycle insurance industry, as higher profits reduce volatility and access to more data leads to more accurate pricing.[160]

117. In this regard, the CMA notes that AXA and MCE have recently exited motorcycle insurance underwriting.[161] On the other hand, as outlined at paragraph 103, the CMA recognises that Sabre entered motorcycle insurance underwriting in late 2021.

118. The Parties also submitted that broker designed policies provide a route through which brokers can sponsor entry into underwriting.[162] The CMA considers this may be possible but notes third-party feedback that underwriters would need to have the appetite to underwrite the particular risk on offer,[163] and that while brokers can help new underwriters enter the market, this requires a significant amount of work for brokers.[164]

119. While third parties have corroborated the Parties' submissions that timely entry of some form is possible, at least one underwriter has suggested that timely effective entry may take significantly longer than 3 to 12 months.

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[153] Third-party responses to the CMA's Underwriters Questionnaire.
[154] Third-party response to the CMA's Underwriters Questionnaire.
[155] Third-party responses to the CMA's Underwriters Questionnaire.
[156] Note of a call with a third party.
[157] Third-party response to the CMA's Brokers Questionnaire; Third-party responses to the CMA's Underwriters Questionnaire.
[158] Third-party responses to the CMA's Underwriters Questionnaire.
[159] Third-party responses to the CMA's Brokers Questionnaire.
[160] Third-party responses to the CMA's Underwriters Questionnaire.
[161] FMN, paragraph 19.52.
[162] FMN, paragraph 19.44.
[163] Third-party responses to the CMA's Underwriters questionnaire; Third-party responses to the CMA's Brokers questionnaire.
[164] Note of call with a third party.

120. As regards likeliness, the CMA notes that motorcycle insurance underwriting generates significantly less revenue than car or van insurance underwriting;[165] underwriters would need to have in-house expertise or be willing to rely on a broker partner to develop a sufficient understanding of the market to price policies effectively; and that there have been major recent exits, ie by AXA and MCE.

121. As regards effectiveness, the CMA has only seen limited evidence that a new entrant would be able to quickly expand and supply policies to effectively constrain Venus. As set out above at paragraph 103, the example of Sabre's entry suggests that even a well-funded underwriter with a broker partnership may not be able to impose a significant constraint on Venus, at least initially. In addition, the CMA notes that Premier has entered recently on a limited scale, obtaining a share of [0-5]% by value.

122. Having considered the evidence in the round, the CMA believes that there is insufficient evidence that entry in the motorcycle insurance underwriting market would be timely enough, likely enough, and sufficient enough for it to be taken into account as part of its assessment.

Conclusion on ability

123. The CMA believes that there are mechanisms that the Merged Entity could use to attempt to foreclose rival brokers such as terminating contracts, increasing policy prices or restricting underwriting capacity for specific brokers.

124. Based on shares of supply, internal documents and third-party evidence, the CMA considers that Ageas, Allianz, and Aviva would continue to exert competitive pressure on Venus post-Merger. In addition, the CMA considers that Sabre also provides a degree of constraint (albeit more limited relative to the more established underwriters) and that this constraint may grow in the future. The CMA also notes that other underwriters were able to expand their capacity when Venus temporarily [✂] in 2023.

125. However, the evidence also shows that Venus' shares of supply upstream are relatively high and the other underwriters who compete with Venus in supplying independent brokers are smaller. Furthermore, Venus' temporary [✂] in 2023 may have had some impact on price increases, which suggests Venus has some market power to foreclose rival brokers. This would be consistent with the concerns raised by rival brokers in relation to input foreclosure.

[165] Based on estimates provided by the Parties and third parties, the supply of motorcycle insurance underwriting generated approximately [90-100]% less revenue than car insurance underwriting in 2022, and approximately [80-90]% less revenue than van insurance underwriting in 2022.

126. The CMA also did not consider that there was sufficient evidence of entry reducing the Merged Entity's market power.

127. Based on the above, on balance the CMA believes that the Merged Entity may have some ability to foreclose competitors in motorcycle insurance distribution.

Incentive

Parties' submissions

128. The Parties submitted that there is no incentive to foreclose rival brokers for the following reasons:

(a) [✂].[166]

(b) Underwriters benefit from spreading their risk exposure across different brokers, as it expands their customer reach (ie from inexperienced to more experienced riders). [✂].[167]

(c) The Merged Entity would have no economic incentive to engage in input foreclosure because the gains it could expect to make downstream through Atlanta's business would be very limited. More specifically, the Parties submitted that:[168]

(i) Evidence shows that when brokers switch underwriters, they can expect to keep approximately [✂]% of GWP that they otherwise would have kept, because they hold the end-customer relationships (not underwriters) – so only approximately [✂]% of their customers would be diverted away as a result of foreclosure. Brokers would easily be able to switch to alternative underwriters as necessary to remain price competitive (as happened when Venus [✂] in 2023).

(ii) Some of these end-customers would move to non-affected brokers – Hastings,[ii] [✂], Adrian Flux - so only around [✂]% of the approximately [✂]% would go to Atlanta.

(iii) While there are issues with using margins for the purpose of a foreclosure analysis, taking margins at face value indicates that diversion of [✂]% is well below that required for foreclosure to be profitable. The critical diversion ratios are [✂]%-[✂]% (i.e., far above [✂]%).

[166] Annex 2, Issues Letter Response, paragraph 114.
[167] Vertical theories of harm paper, Section 3.2.3.
[168] Issues Letter Response, row 10.

(d) If the Merged Entity attempted to foreclose brokers in motorcycle insurance distribution, brokers would retaliate and cease distributing Venus's policies in non-motorcycle segments where Venus's GWP is much larger (eg [✂], for whom Venus's non-motorcycle business accounted for approximately [✂]% or more of the total GWP distributed through those brokers).[169]

CMA assessment

129. For the incentive assessment, the CMA has considered the business strategy of the Parties; gains that the Merged Entity could make in downstream sales; losses of upstream sales that the Merged Entity may face; relative profit margins in motorcycle underwriting and distribution; and other costs and benefits.[170]

Business strategy of the Merged Entity

130. Based on the Parties' internal documents, the CMA found mixed evidence on incentives to implement foreclosure strategies. In particular:

(a) A number of internal documents prepared by the Parties in the context of the Merger discussed [✂],[171] albeit not specifically in relation to motorcycle insurance which is relatively small compared to other insurance segments.

(b) One internal document prepared by Venus [✂].[172]

131. The CMA considers that there is limited internal document evidence to suggest what the Merged Entity's strategy would be regarding supplying third-party brokers.

Gains in motorcycle distribution

132. The CMA considered Atlanta's position in motorcycle insurance distribution and how well it would be placed to recapture any diverted revenues from foreclosed rivals. As set out in Table 2 below, Atlanta has a share of supply of [10-20]% by value and [20-30]% by volume.[173] Although Atlanta is the largest distributor by volume in the market, other brokers such as Adrian Flux, Bennetts and Hastings have a substantial presence, followed by smaller competitors such as Devitt, Europa and One Call.

[169] Issues Letter Response, Annex 1, slide 32.
[170] CMA129, paragraph 7.19.
[171] Attachments G.171 and G.003 to the FMN.
[172] Attachment G.001 to the FMN.
[173] The CMA has updated Atlanta's shares with the latest data provided by the Parties, which excludes the Parties' activity in the Republic of Ireland. As a result of this, Atlanta's value shares decrease from [20-30]% to [10-20]%.

Table 2– Shares of supply in motorcycle insurance distribution (UK)

	2022		2023	
	Volume (%)	**Value (%)**	**Volume (%)**	**Value (%)**
Atlanta	[20-30%]	[10-20%]	[20-30%]	[10-20%]
Ardonagh [174]	[0-5%]	[0-5%]	[0-5%]	[0-5%]
Adrian Flux	[20-30%]	[20-30%]	[20-30%]	[20-30%]
Bennetts	[10-20%]	[10-20%]	[10-20%]	[10-20%]
Hastings	[5-10%]	[5-10%]	[10-20%]	[10-20%]
Devitt	[5-10%]	[5-10%]	[5-10%]	[5-10%]
Lexham	[5-10%]	[10-20%]	[5-10%]	[10-20%]
Europa	[5-10%]	[0-5%]	[5-10%]	[5-10%]
One Call Insurance	[0-5%]	[0-5%]	[0-5%]	[0-5%]
Be Moto	[0-5%]	[0-5%]	[0-5%]	[0-5%]
Somerset Bridge	[0-5%]	[0-5%]	[0-5%]	[0-5%]
MCE	[0-5%]	[5-10%]	[0-5%]	[0-5%]
Total	**100%**	**100%**	**100%**	**100%**

Source: Dataset consolidated from the Parties' estimates and third-party data.

133. Third-party evidence received by the CMA identified Atlanta as a significant distributor, and competitors – in particular, Bennetts, Adrian Flux and Hastings – were also identified as significant distributors in motorcycle insurance.[175]

134. In terms of closeness of competition, third-party evidence shows that Adrian Flux, Hastings, Bennetts, Europa, Devitt and One Call compete strongly with Atlanta.[176] Of these distribution rivals, Hastings is vertically integrated, [✂]. This means that if the Merged Entity foreclosed Adrian Flux, Europa, Devitt and One Call:

(a) Atlanta may be well positioned to capture some end-customers who divert from Adrian Flux, Europa, Devitt and One Call; but

(b) Atlanta may lose some of the diverting customers to Hastings and [✂], as those brokers would also be well-positioned to capture diverting customers, including due to their lack of reliance on Venus for underwriting.

135. In relation to the Parties' estimate of only [✂]% of customers switching based on the examples of (1) [✂]; and (2) [✂][177] the CMA considers that:

(a) [✂] was the underwriter for a small value of Atlanta's distribution (valued at approximately £[✂] and accounting for approximately [✂]% of Atlanta's business in each of 2021 and 2022). This may not be informative of the effect

[174] As set out at paragraph 56, the CMA has not treated Ardonagh as part of the Merged Entity for the purposes of its assessment.
[175] Third-party responses to the CMA's Brokers Questionnaire; Third-party responses to the CMA's Underwriters Questionnaire.
[176] Third-party responses to the CMA's Brokers Questionnaire.
[177] Vertical theories of harm paper, section 3.1.3

of losing a more significant underwriter. The CMA therefore placed limited weight on this evidence.

(b) Based on the Parties' submissions, [✂].[178] While not all foreclosed brokers may have similar relationships with underwriters to rely on, the CMA found this argument to be supportive of alternative underwriters being available to rival brokers within a reasonable timeframe.

136. Finally, the CMA notes that third-party evidence recognised the strength of Atlanta's brands as an important factor in winning end-customers.[179] However, third-party evidence also shows that Atlanta would continue to be constrained by other providers (eg Bennetts and Hastings) which also received strong third-party feedback on brand recognition.[180]

137. Overall, the CMA believes that, while Atlanta is a significant distributor of motorcycle insurance underwriting, the gains from foreclosure would be restrained by the competitive constraints it faces from a number of established players who would be either unaffected by foreclosure (Hastings) or be affected indirectly in the longer term ([✂]).

Losses in motorcycle underwriting

138. The CMA notes that while Venus is the largest underwriter in motorcycle insurance (see paragraphs 98 and 99) it also faces competitive constraints from established underwriters such as Ageas, Allianz and Aviva and to a lesser extent Sabre. The CMA also notes that Venus currently distributes a large share of its policies through brokers other than Atlanta [✂].[181] By attempting to foreclose these brokers, Venus may risk losing business without recapturing downstream gains if (i) brokers switch policies to an alternative underwriter (eg Ageas, Allianz, Aviva or Sabre); or if (ii) end-customers switch to alternative brokers downstream (eg Hastings) instead of Atlanta.

139. Third-party evidence received by the CMA indicates that Venus is able to price discriminate and confirmed that an underwriter could raise prices only for specific brokers.[182] This would suggest that the Merged Entity has some ability to minimise its losses by targeting foreclosure to brokers from which it can expect more diversion to itself. However, the CMA found that while different brokers had different levels of exposure to Venus, even those with the highest exposure still had the option of switching to other underwriters. For instance, one broker who relied on Venus's underwriting for the majority of its distribution business in 2022

[178] RFI 5 response, question 9.
[179] Third-party responses to the CMA's Brokers Questionnaire.
[180] Third-party responses to the CMA's Brokers Questionnaire.
[181] RFI 4 response, Annex 12.
[182] Note of call with a third party.

was able to reduce its dependence on Venus by approximately a third in 2023 and, at the same time, expand its business with rival underwriters.[183]

140. Third-party evidence also highlighted that distributing through multiple brokers allows underwriters to (i) access a wider customer base (as different brokers have expertise and insight about particular customer groups);[184] and (ii) spread risks across different types of customer groups (as it may be challenging if underwriters relied on single brokers, who specialise in specific customer segments).[185]

141. While vertically integrated models may be feasible (as is evidenced by Hastings), third-party evidence indicated that there may be additional risks in implementing a vertically integrated model such as the need for close alignment between the existing footprint and strategies of the broker and the underwriter.[186]

142. The CMA considers that a foreclosure strategy would jeopardise the benefits of distributing through multiple brokers. The Merged Entity may stand to lose access to a wide customer base and may not be able to spread risks across different customer types.[187] Moreover, the availability of alternative underwriters that brokers can switch to means that the Merged Entity may not be able to minimise its upstream losses.

Relative profit margins

143. Input foreclosure is more likely to be profitable if margins are relatively large downstream, where the merged entity may gain sales, compared to those upstream, where they may lose them.[188]

144. The CMA understands that there is significant volatility in underwriting profitability as underwriters carry the risk of large claims arising, which makes their costs (and in turn, profits) susceptible to these claims.[189] In addition, brokers' profitability is different for new customers compared to renewal customers. These complexities make comparisons between underwriters' and brokers' profit margins challenging.

145. Accordingly, the CMA considers that the analysis of relative profit margins is not informative for establishing whether the Merged Entity would have incentives to foreclose.

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[183] CMA analysis of third-party responses to the CMA's Brokers Questionnaire.
[184] Submissions to the CMA from third parties.
[185] Submissions to the CMA from third parties.
[186] Submission to the CMA from third party.
[187] Submissions to the CMA from third parties.
[188] CMA129, paragraph 7.19(d).
[189] A large majority of underwriters and brokers who provided a view to the CMA confirmed the volatility of underwriting profits or noted the uncertainty in estimating underwriting profitability. Third-party responses to the CMA's Underwriters Questionnaire; Third-party responses to the CMA's Brokers Questionnaire.

Other costs and benefits

146. The CMA notes the Parties' submission that the Merged Entity may face retaliation from brokers in other segments, where the Parties' exposure to those brokers is greater, if it decided to pursue a foreclosure strategy. However, the CMA has not received evidence that rival brokers would have the ability and incentive to retaliate against the Merged Entity in other segments.[190]

147. As such, the CMA does not consider that the available evidence is sufficient to conclude that there is a credible retaliation strategy from brokers.

Conclusion on incentive

148. Overall, the CMA considers that the Merged Entity would not have an incentive to foreclose rival brokers. The Merged Entity would risk losing the benefits of a broad distribution strategy, which allows underwriters to access different customer groups and diversify risks. The Merged Entity may also lose downstream sales to rivals that cannot be foreclosed and it may not be able to minimise underwriting losses as some brokers may switch to alternative underwriters. While the data on margins does not provide a definitive view of relative profitability, it does not point to the presence of incentives.

Effect

149. As the CMA considers that the Merged Entity would not have the incentive to engage in an input foreclosure strategy, it was not necessary for the CMA to assess whether an input foreclosure strategy would substantially lessen overall competition.

Theory of Harm 2: Customer foreclosure in motorcycle insurance underwriting

150. The concern with a customer foreclosure theory of harm is that the merged entity may use its control of a downstream firm to switch purchases from upstream rivals to itself, and thereby restrict its competitors' access to customers. While a loss of sales by competitors is not problematic in and of itself, and a firm using its own inputs can result in efficiencies, this may be a concern if it would result in these rival suppliers becoming less effective competitors for other customers. The merged entity would then face less competition in the upstream market, resulting in higher prices and lower quality.

151. In assessing this concern, the CMA considers whether the following three cumulative conditions are satisfied:

[190] Annex 1, Parties' response to the Issues Letter, slide 32.

(a) would the merged entity have the **ability** to use its control of downstream purchasing to harm the competitiveness of its upstream rivals by restricting their access to customers?

(b) would it have the **incentive** to actually do so, ie would it be profitable?

(c) would the **effect** of foreclosure of these rivals substantially lessen overall competition?[191]

152. The CMA has considered these cumulative conditions below.

Ability

Parties' submissions

153. The Parties submitted that Atlanta cannot foreclose a significant part of the supply of motorcycle underwriting because:

(a) [✂] are not members of Atlanta's panel and therefore do not rely on Atlanta as a route to market;[192]

(b) Hastings is a vertically integrated provider and therefore does not rely on Atlanta as a broker;[193] and

(c) each of Atlanta's underwriters is a panel member of several other brokers, and in the event that Atlanta stopped acting as a broker, these underwriters could use their spare capacity to supply other brokers.[194]

154. The Parties further submitted that the Merged Entity's ability to engage in successful customer foreclosure would be constrained by the threat of new entry by motorcycle insurance brokers. The Parties submitted that Moto entered the market in 2015 and appears to have multiple underwriters on its panel.[195]

CMA Assessment

155. To assess the Merged Entity's ability to foreclose underwriting rivals by denying their access to Atlanta as a customer, the CMA has considered evidence from the Parties and third parties. In particular, the CMA has considered the:

(a) importance of scale upstream to underwriting competitors; and

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[191] CMA129, paragraph 7.23–7.25.
[192] Vertical theories of harm paper, Section 4.1.1.
[193] Vertical theories of harm paper, Section 4.1.1.
[194] Vertical theories of harm paper, Section 4.1.2; Issues Letter Response, page 22.
[195] Vertical theories of harm paper, Section 4.1.2

(b) relative size of Atlanta as a customer to underwriting competitors.

156. The CMA considers that the Merged Entity could reduce the volume of policies it distributes for rival underwriters, deteriorate the quality of policies (eg in terms of risk quality)[196] or refuse to distribute policies for rival underwriters entirely.

Importance of scale

157. Underwriters who provided a view on the importance of scale confirmed its importance in motorcycle underwriting.[197] Some explained that it was because it helped manage profit volatility resulting from large claims,[198] while others highlighted the importance of having access to data (eg on historical claims and risk characteristics) that allows for more effective pricing.[199] The remaining responses referred to both of these factors.[200] In addition, some underwriters noted that scale was an important factor in building or maintaining profitability in motorcycle underwriting.[201]

158. The evidence the CMA received is mixed both on the level of scale required for an underwriter to be effective, and on the impact of losing business with a broker.

159. The available evidence shows that the relationship between scale and competitiveness is nuanced:

(a) one underwriter submitted that a minimum level of scale is needed to be an effective competitor, but that increasing scale beyond this point may not increase competitiveness;[202] and

(b) Sabre is an underwriter that recently entered the market and has grown in a relatively short time-frame, and is able to exercise at least some level of constraint on Venus, as set out in paragraph 103 above.

160. Underwriters also provided a view on the consequences of losing scale. Of the underwriters that sell material numbers of policies through third-party brokers, the majority who responded to the CMA indicated that losing business from a major broker would either (i) leave them susceptible to being impacted by large claims; or (ii) would require increases in prices to cover costs or manage expense ratios.[203]

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196 For instance, according to the Parties, [✂]. RFI 5 response.
197 Third-party responses to the CMA's Underwriters Questionnaire.
198 Third-party responses to the CMA's Underwriters Questionnaire.
199 Third-party responses to the CMA's Underwriters Questionnaire.
200 Third-party responses to the CMA's Underwriters Questionnaire.
201 Notes of calls with third parties.
202 Note of a call with a third party.
203 Third-party responses to the CMA's Underwriters Questionnaire. The CMA notes that some underwriters with close relationships with particular brokers indicated that their underwriting business would be unviable unless a replacement source of broking were found. Third-party responses to the CMA's Underwriters Questionnaire.

161. Contrary to the Parties' submissions, the CMA has not seen any evidence that scale in non-motorcycle insurance (eg car insurance) allows motorcycle underwriters to better manage volatility in underwriting profitability or in gaining data that allows them to price more effectively. The CMA considers that the evidence on barriers to entry, including for those already active in car and van insurance (see paragraphs 113 - 122), is supportive of this view.

162. The CMA considers that while scale is important, it cannot be considered in isolation. The importance of scale needs to be considered in relation to the size of Atlanta as a customer and in the context of alternative routes to market for each underwriter that could be a target of customer foreclosure.

Size of Atlanta as a customer

163. Underwriters generally considered Atlanta to be an important broker, with just over half of underwriters telling the CMA that Atlanta is one of the larger brokers with strong brand awareness and significant volumes.[204] Some underwriters told the CMA that losing access to Atlanta could impact an underwriter's ability to absorb claims and their overall business, however some of these underwriters also expressed an overall neutral view of the merger.[205]

164. The CMA considers these views in the wider context of (a) the relative dependence of underwriters on Atlanta and (b) the full range of alternative sales opportunities available to underwriters.

165. To assess underwriters' relative dependence on Atlanta, the CMA assessed whether Atlanta accounts for a high share of any of Venus's underwriting rivals' business. This is because the Merger may only have a significant impact on rivals' volumes if Atlanta is an important customer to Venus' underwriting rivals.[206]

166. As already set out in paragraphs 132 and 133, Atlanta is a significant broker and accounts for [20-30]% of the distribution market. In 2022 Atlanta accounted for a substantial proportion of business for three underwriters. However, the CMA found there are year on year changes in the proportion of underwriters' business accounted for by Atlanta. In particular, these changes show Atlanta becoming relatively less important over time for some underwriters (as their business with Atlanta has grown less than their business with other brokers).[207]

[204] Third-party responses to the CMA's Underwriters Questionnaire.
[205] Third-party responses to the CMA's Underwriters Questionnaire.
[206] CMA129, paragraph 7.26(a).
[207] Third-Party responses to the CMA's Underwriters Questionnaire. Atlanta's relative share fell by between [0-5%] and [0-10%] when year on-year changes are calculated between 2022 and 2023 for some underwriters. This fall is relative meaning that Atlanta's competitors have outgrown Atlanta, even though Atlanta's sales have grown in absolute terms for some underwriters.

167. The evidence available to the CMA also shows that underwriter rivals have a range of alternative brokers that they could use as a route to market to compensate for any lost sales from Atlanta. In particular:

(a) underwriters consider there are a range of alternative strong brokers, including Bennetts, Adrian Flux, Europa, Devitt, One Call, Moto and Principal Insurance.[208] Further, most underwriters are already on the panels of most key brokers, and therefore would only need to expand within those existing panels.[209]

(b) the majority of the distribution market is accounted for by brokers that are competitors of Atlanta ([70-80%]). The proportion of the market not supplied by Atlanta is large enough to provide sufficient opportunities for Venus' rivals to win business with Atlanta's rivals.[210]

168. The CMA considers that there are enough alternative routes to market currently available to underwriters if they lost Atlanta as a customer, and they could reach the required level of scale by winning business from Atlanta's rivals.[211]

Conclusion on ability

169. For the reasons set out above, the CMA believes that the Merged Entity would not have the ability to engage in customer foreclosure. While there are three underwriters that depend on Atlanta to varying degrees, each of these underwriters has adequate alternative routes to market to compensate for any lost sales with Atlanta. Furthermore, the existing relationships underwriters have with most key brokers would make it easier to expand their business with them. Accordingly, the CMA believes that the Merger does not give rise to a realistic prospect of an SLC as a result of customer foreclosure in motorcycle insurance underwriting in the UK.

Incentive & Effect

170. As the CMA considers that the Merged Entity would not have the ability to engage in a customer foreclosure strategy, it was not necessary for the CMA to assess whether (a) the Merged Entity would have the incentive to adopt a foreclosure strategy in relation to motorcycle insurance underwriting in the UK and (b) the Merger would result in an effect on competition.

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[208] Third-party responses to the CMA's Underwriters Questionnaire.
[209] FMN, Table 19.3.
[210] CMA analysis of dataset consolidated form Parties estimates, and from third-party estimates on a value basis.
[211] The CMA does not consider it is necessary to conclude on the impact of broker entry as a route to market, however the majority of brokers submitted entry would be challenging based on (a) a lack of trust from PCWs and end-customers (b) difficulties integrating with PCWs, and (c) low margins. Third-party responses to the CMA's Brokers Questionnaire.

ENTRY AND EXPANSION

171. The CMA has considered entry as part of its competitive assessment above and found that new entry is unlikely in each of motorcycle insurance underwriting and distribution. Because the Merger will not result in an SLC under either theory of harm considered, the CMA has not carried out a separate assessment of whether entry or expansion could function as a countervailing constraint against a potential SLC.

DECISION

172. 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.

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

Sorcha O'Carroll
Senior Director, Mergers
Competition and Markets Authority
26 March 2024

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[i] References to Tara acquiring a 23% interest in Venus and Saturn, refer to Tara, via Ardonagh Rocket Investments Holding Limited, and the Atlanta management, acquiring a 23% interest in Venus and Saturn.
[ii] References to Hastings include Advantage Insurance Company Limited, the underwriter, and Hastings Insurance Services Limited, the distributor.