



DETERMINATION OF MERGER NOTIFICATION M/17/010 - LIBERTY/IRONSHORE

Section 21 of the Competition Act 2002

Proposed acquisition by Liberty Mutual Insurance Company of sole control of Ironshore, Inc.

Dated 28 March 2017

Introduction

1. On 22 February 2017, in accordance with section 18(1)(a) of the Competition Act 2002, as amended (“the Act”), the Competition and Consumer Protection Commission (the “Commission”) received a notification of a proposed transaction whereby Liberty Mutual Insurance Company would acquire sole control of Ironshore, Inc. (“Ironshore”).
2. Liberty Mutual Insurance Company is a wholly-owned subsidiary of Liberty Mutual Holding Company, Inc., the parent corporation of the Liberty Mutual Insurance group of companies (“Liberty”).
3. The proposed transaction is to be implemented pursuant to a stock purchase agreement (the “Agreement”) dated 5 December 2016. The Agreement has been entered into between [...] and Liberty Mutual Group Inc., and [...].

The Undertakings Involved

Liberty

4. Liberty, headquartered in the United States, is a global insurance provider which carries out most of its business activities through the following three business units:
 - **Global Consumer Markets** which is organised into three operating regions: U.S. consumer markets, international consumer markets east and international consumer markets west. U.S. consumer markets sells automobile, homeowners and other types of property and casualty insurance in the United States. Each of international consumer markets east and international consumer markets west sell automobile, property, casualty, health and life insurance worldwide. International consumer markets west covers Liberty’s business activities in the State;
 - **Commercial Insurance** which offers a range of property, casualty, group benefits and life insurance through independent brokers, benefit consultants, captive agents and bank partners throughout the United States; and



- **Global Specialty** which comprises products and services offered worldwide for (a) specialty markets, (b) inland marine and specialty commercial insurance, and (c) surety bonds.
5. In the State, Liberty (through Liberty Insurance DAC¹, Liberty Mutual Insurance Europe Limited (which is registered in the UK)² and Liberty Managing Agency Limited (which is registered in the UK)³) provides the following insurance products: motor, property, Irish League of Credit Union Fidelity Bond Cover, employer's liability, public liability, reinsurance, casualty, energy, environmental, financial institutions, fine art and specie, kidnap and ransom, marine cargo, war and terrorism, property, surety, aviation and construction and marine liability insurance.
 6. For the year ending 31 December 2015, Liberty's worldwide turnover was approximately €[...], of which approximately €[...] was generated in the State.

Ironshore

7. Ironshore, a Cayman Islands-registered corporation which is active worldwide, provides broker-sourced specialty, property and casualty insurance. Ironshore does not currently sell any insurance products directly to consumers. All of Ironshore's insurance business is sold through licensed insurance brokers. Insurance brokers act as intermediaries between the customer and the insurance company.⁴
8. In the State, Ironshore Europe DAC, a wholly-owned subsidiary of Ironshore which is registered in the State, provides the following insurance products: casualty, property, residual value and trade credit insurance.
9. For the year ending 31 December 2015, Ironshore's worldwide turnover was approximately €[...], of which approximately €[...] was generated in the State.

Rationale for the Proposed Transaction

10. The parties state in the notification:

"Ironshore is a complement to Liberty's existing business, providing additional scale, expertise, innovation and market relationships to Liberty's Global Speciality business."

Third Party Submissions

11. No submission was received.

Competitive Analysis

¹ This is part of Liberty's Global Consumer Markets business unit.

² This is part of Liberty's Global Specialty business unit.

³ This is part of Liberty's Global Specialty business unit.

⁴ Paragraphs 4.72-4.78 of the report of the Commission's predecessor, the Competition Authority, "*Competition Issues in the Non-Life Insurance Market*", provide a detailed description of the reasons why customers purchase insurance through brokers. This can be accessed at <http://ccpc.ie/sites/default/files/documents/insurance%20report%20vol2.pdf>.



12. There is a horizontal overlap between the activities of Liberty and Ironshore in the State with respect to: (a) the provision of property insurance, and (b) the provision of casualty insurance.⁵
13. The European Commission has, in previous decisions, distinguished between three broad categories of insurance: life assurance, non-life insurance and reinsurance.⁶ Property insurance and casualty insurance are two types of non-life insurance. Property insurance is designed to insure against all risk of direct physical loss or damage to property. While Liberty provides property insurance to both commercial and private individual customers in the State, Ironshore provides property insurance only to commercial customers in the State. Thus, there is a horizontal overlap between Liberty and Ironshore in the State with respect to the provision of property insurance to commercial customers in the State.
14. The parties state in the notification that casualty insurance is a subset of the broader category of liability insurance which is only provided to commercial customers. It includes professional indemnity, financial crime and general liability insurance. There is a horizontal overlap between Liberty and Ironshore with respect to the provision of casualty insurance to commercial customers in the State.
15. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. The narrowest potential product markets affected by the proposed transaction are: (a) the provision of property insurance to commercial customers in the State, and (b) the provision of casualty insurance to commercial customers in the State. The Commission, however, does not need to come to a definitive view on the precise relevant product market in this instance since its conclusion on the competitive impact of the proposed transaction will be unaffected whether the precise relevant product market is narrow (e.g., separate potential markets for the provision of property insurance to commercial customers and for the provision of casualty insurance to commercial customers) or broader (e.g., the potential market for the provision of all types of non-life insurance products to commercial customers). In order to determine, however, whether the proposed transaction might result in a substantial lessening of competition, the Commission has analysed its impact by reference to the narrowest potential relevant product markets, namely: (a) the provision of property insurance to commercial customers, and (b) the provision of casualty insurance to commercial customers.
16. Insurance products are usually provided on a national basis.⁷ The Commission does not need to come to a definitive view on the precise relevant geographic market in this instance since its conclusion on the competitive impact of the proposed transaction will be unaffected whether the precise relevant geographic market is national or broader than the State. In order to determine, however, whether the proposed transaction might result in a substantial lessening of competition, the Commission has analysed its

⁵ [...], Liberty does not provide political risk insurance to customers located in the State. Thus, there is no horizontal overlap between Liberty and Ironshore with respect to the provision of political risk insurance to customers located in the State.

⁶ See, for example, paragraph 10 of Case No COMP/M.8010 *Irish Life/Aviva Health/Glohealth*.

⁷ See paragraphs 6.33-6.40 of the report of the Commission's predecessor, the Competition Authority, "*Competition Issues in the Non-Life Insurance Market*", for a detailed discussion of geographic market considerations. This can be accessed at http://ccpc.ie/sites/default/files/documents/Insurance_Report_Vol_1.pdf.



impact by reference to the narrowest possible relevant geographic market, i.e., the State.

The Provision of Property Insurance to Commercial Customers in the State

17. Liberty and Ironshore generated turnover of approximately €[...] and €[...], respectively, from the provision of property insurance to commercial customers in the State in 2015. According to data provided in the Insurance Ireland⁸ Factfile 2015, the total size of the commercial property insurance sector in the State in 2015 was €369.9 million. Based on these figures, in 2015⁹, Liberty had a market share of approximately [0-5]% in respect of the provision of property insurance to commercial customers in the State, while Ironshore had a market share of approximately [0-5]%. These figures indicate that the proposed transaction is likely to increase Liberty's existing market share by only [0-5]% and that Liberty's market share for the provision of property insurance to commercial customers in the State will be less than [0-5]% post-transaction.
18. There are a number of significant providers of property insurance to commercial customers currently active in the State which will act as a competitive constraint on Liberty post-transaction. These include Allianz PLC ("Allianz"), RSA Insurance Ireland DAC, Aviva Insurance Limited, F.B.D. Insurance PLC ("FBD") and Zurich Insurance PLC ("Zurich"). The Commission therefore considers that the horizontal overlap that exists between Liberty and Ironshore with respect to the provision of property insurance to commercial customers in the State raises no competition concerns.

The Provision of Casualty Insurance to Commercial Customers in the State

19. The parties state in the notification that it is not possible to source or estimate market share data with respect to the provision of casualty insurance to commercial customers in the State.¹⁰ Casualty insurance is part of the broader category of liability insurance. There are a number of significant providers of liability insurance to commercial customers which are currently active in the State. These include AIG Europe Limited ("AIG"), IPB Insurance Company Limited by Guarantee ("IPB Insurance"), Allianz, FBD and Zurich.¹¹ All five of these providers of liability insurance are also currently active in the provision of casualty insurance to commercial customers in the State.
20. Liberty and Ironshore generated turnover of approximately €[...] and €[...], respectively, from the provision of casualty insurance to commercial customers in the State in 2015. Ironshore generated [...] turnover from the provision of casualty insurance to commercial customers in the State in 2015. Thus, the increase in Liberty's existing market share for the provision of casualty insurance to commercial customers in the State following implementation of the proposed transaction is likely to be minimal. As

⁸ Insurance Ireland (Member Association) Company Limited by Guarantee, which trades as Insurance Ireland, represents the interests of 95% of the insurance industry in the State. More information can be found at <http://www.insuranceireland.eu/>.

⁹ The level of turnover generated and the number of insurance providers in the market have not significantly changed since 2015 to materially change the market shares of the parties in the provision of property insurance to commercial customers in the State.

¹⁰ The parties informed the Commission that neither the Central Bank of Ireland nor Insurance Ireland report statistics for the provision of casualty insurance to commercial customers in the State.

¹¹ The parties provided the following segment share estimates in the provision of liability insurance to commercial customers in the State in 2015: AIG (16%), IPB Insurance (13%), Allianz (13%), FBD (12%) and Zurich (9%). The parties' estimates are based on turnover data provided in the following two data sources: (1) the Central Bank of Ireland Insurance Statistics 2015, and (2) the Insurance Ireland Factfile 2015.



noted above, there are a number of significant providers of casualty insurance to commercial customers currently active in the State which will act as a competitive constraint on Liberty post-transaction. The Commission therefore considers that the horizontal overlap that exists between Liberty and Ironshore with respect to the provision of casualty insurance to commercial customers in the State raises no competition concerns.

21. The proposed transaction does not raise any vertical competition concerns.
22. There is a potential vertical relationship between the parties in the State in relation to the provision of reinsurance. Liberty is active in the provision of reinsurance in the State. Ironshore does not, however, purchase reinsurance from Liberty. Furthermore, according to data provided in the Central Bank of Ireland Insurance Statistics 2015, the total size of the reinsurance sector in the State in 2015 was €1,700 million. Based on this figure, Liberty had a market share of less than [0-5]% in the provision of reinsurance in the State in 2015. The Commission therefore considers that the proposed transaction will not raise any vertical foreclosure concerns with respect to the provision of reinsurance in the State.
23. There is also a potential vertical relationship between the parties in the State in relation to the distribution of insurance through brokers. Liberty owns Hughes Insurance Services Limited (“Hughes”), an insurance broker currently active in Northern Ireland. Hughes generated [...] in the State in 2016. Even if Liberty, post-transaction, was to stop selling Ironshore’s insurance products through insurance brokers in the State (as is currently the case) and instead sell Ironshore’s insurance products solely through Hughes in the State, the Commission considers that the proposed transaction will not provide Liberty with the ability to foreclose insurance brokers in the State. Ironshore generates [...] turnover in the State (€[...] in 2015) and there are a large number of insurance providers currently active in the State that will compete with Liberty post-transaction.
24. In light of the above, the Commission considers that the proposed transaction will not substantially lessen competition in any market for goods or services in the State.

Ancillary Restraints

25. In the notification, the parties provided a copy of the Agreement which contains a number of restrictive obligations on [...] relating to the non-solicitation of employees. The parties state in the notification that the non-solicitation obligations are directly related and necessary to protect the value of the goodwill and know-how being transferred to Liberty.
26. None of these restrictive obligations exceeds the maximum duration acceptable to the Commission.¹² The Commission considers these restrictions to be directly related to and necessary for the implementation of the proposed transaction.

¹² In this respect, the Commission follows the approach adopted by the EU Commission in paragraphs 20 and 26 of its “Commission Notice on restrictions directly related and necessary to concentrations” (2005). For more information see [http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52005XC0305\(02\)&from=EN](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52005XC0305(02)&from=EN)



Coimisiún um
Iomaíocht agus
Cosaint Tomhaltóirí

Competition and
Consumer Protection
Commission



Determination

The Competition and Consumer Protection Commission, in accordance with section 21(2)(a) of the Competition Act 2002, has determined that, in its opinion, the result of the proposed transaction whereby Liberty Mutual Insurance Company would acquire sole control of Ironshore, Inc. will not be to substantially lessen competition in any market for goods or services in the State, and, accordingly, that the acquisition may be put into effect.

For the Competition and Consumer Protection Commission

Patrick Kenny
Member
Competition and Consumer Protection Commission