



COMESA Competition Commission
Kang'ombe House, 5th Floor
P.O. Box 30742
Lilongwe 3, Malawi
Tel: +265 1 772 466
Email- compcom@comesa.int



**Common Market for Eastern
and Southern Africa**

Case File No. CCC/MER/4/25/2022

**Decision¹ of the Eighty-Fifth (85th) Committee Responsible
for Initial Determinations Regarding the Proposed
Acquisition by Allianz SE of certain assets relating to Aetna
Global Benefits (UK) Limited's International Private Medical
Insurance Business**

ECONOMIC SECTOR: Insurance

2 August 2022

¹ In the published version of this decision, some information has been omitted pursuant to Rule 73 of the COMESA Competition Rules concerning non-disclosure of business secrets and other confidential information. Where possible, the information omitted has been replaced by ranges of figures or a general description.

The Committee Responsible for Initial Determinations,

Cognisant of Article 55 of the Treaty establishing the Common Market for Eastern and Southern Africa (the "**COMESA Treaty**");

Having regard to the COMESA Competition Regulations of 2004 (the "**Regulations**"), and in particular Part 4 thereof;

Mindful of the COMESA Competition Rules of 2004, as amended by the COMESA Competition [Amendment] Rules, 2014 (the "**Rules**");

Conscious of the Rules on the Determination of Merger Notification Thresholds and Method of Calculation of 2015;

Recalling the overriding need to establish a Common Market;

Recognising that anti-competitive mergers may constitute an obstacle to the achievement of economic growth, trade liberalization and economic efficiency in the COMESA Member States;

Considering that the continued growth in regionalization of business activities correspondingly increases the likelihood that anti-competitive mergers in one Member State may adversely affect competition in another Member State;

Desirability of the overriding COMESA Treaty objective of strengthening and achieving convergence of COMESA Member States' economies through the attainment of full market integration;

Having regard to the COMESA Merger Assessment Guidelines of 2014;

determines as follows:

Introduction and Relevant Background

1. On 7 June 2022, the COMESA Competition Commission (the "**Commission**") received a notification for approval of the proposed acquisition by Allianz SE ("**Allianz**", together with its controlled affiliates, the "**Acquiring Group**"), of certain assets relating to Aetna Global Benefits (UK) Limited ("**Aetna**", or the "**target undertaking**"), pursuant to Article 24(1) of the Regulations.
2. Pursuant to Article 26 of the Regulations, the Commission is required to assess whether the transaction between the parties would or is likely to have the effect of substantially preventing or lessening competition or would be contrary to public interest in the Common Market.
3. Pursuant to Article 13(4) of the Regulations, there is established a Committee Responsible for Initial Determinations, referred to as the CID. The decision of the CID is set out below.


 2


The Parties

Allianz SE ("Allianz", together with its controlled affiliates, the "Acquiring Group")

4. Allianz is a company registered in accordance with the corporate law of Germany and the European Union. Allianz is listed, *inter alia*, on the Frankfurt Stock Exchange, Germany.
5. The Acquiring Group is a multinational financial services provider primarily active in insurance and asset management. It is an insurer and asset manager with 126 million private and corporate customers in more than 70 countries and provides a broad range of personal and corporate insurance services.
6. The Acquiring Group, through AWP Health & Life SA ("**AWP**"), is active in the provision of international private medical insurance in the Common Market. Within the Common Market, the Acquiring Group operates in all COMESA Member States.

Aetna (the target undertaking)

7. The target undertaking comprises certain assets relating to the Aetna group's IPMI business. The transferring assets are held by Aetna, Aetna Health Insurance Company of Europe DAC, Aetna Insurance Company Ltd and its Singapore Branch, Aetna Life & Casualty (Bermuda) Ltd and Aetna Insurance (Hong Kong) Limited ("**Aetna Group**").
8. Aetna is a private company incorporated in accordance with the laws of England and Wales. It is indirectly controlled by Aetna Inc., a company incorporated in accordance with the laws of the State of Pennsylvania, the United States of America (USA). Aetna Inc. is ultimately controlled by CVS Health Corporation ("**CVS Health**"), a company incorporated in accordance with the laws of the State of Delaware, the USA. CVS Health is listed on the New York Stock Exchange with its shares widely distributed and, as such, CVS Health is not controlled by any one firm.
9. Aetna Group is active in the international private medical insurance business. 
10. Within the Common Market, the Aetna Group is active in all COMESA Member States except Eritrea.



Jurisdiction of the Commission

11. Article 24(1) of the Regulations requires 'notifiable mergers' to be notified to the Commission within 30 days of parties arriving at a decision to merge. Only mergers that satisfy the prescribed thresholds pursuant to Articles 23(4) and 23(5) of the Regulations are regarded as notifiable mergers. The merger notification thresholds are prescribed under Rule 4 of the Rules on the Determination of Merger Notification Thresholds and Method of Calculation (the "**Merger Notification Thresholds Rules**") which provides that:

Any merger, where both the acquiring firm and the target firm, or either the acquiring firm or the target firm, operate in two or more Member States, shall be notifiable if:

- a) *the combined annual turnover or combined value of assets, whichever is higher, in the Common Market of all parties to a merger equals or exceeds USD 50 million; and*
 - b) *the annual turnover or value of assets, whichever is higher, in the Common Market of each of at least two of the parties to a merger equals or exceeds USD 10 million, unless each of the parties to a merger achieves at least two-thirds of its aggregate turnover or assets in the Common Market within one and the same Member State.*
12. The merging parties have operations in more than two COMESA Member States. The parties' combined annual turnover in the Common Market exceeds the threshold of USD 50 million and they each derive turnover of more than USD 10 million in the Common Market. In addition, the merging parties do not achieve more than two-thirds of their respective COMESA-wide turnover within one and the same Member State. The notified transaction is therefore notifiable to the Commission within the meaning of Article 23(5)(a) of the Regulations.

Details of the Merger

13. The notified transaction involves the acquisition by Allianz, through its wholly owned subsidiary Allianz Partners SAS ("**Allianz Partners**") and AWP, a wholly owned subsidiary of Allianz Partners, of certain assets relating to Aetna's IMPI business.

Competition Assessment

Relevant Product Market

14. The CID observed that the activities of the merging parties in the Common Market overlap in relation to the provision of international private medical

 4

insurance services which was considered as a subset of the provision of insurance services.

Provision of insurance services

15. The CID noted that insurance services entail the provision by a company of guarantee for compensation for specified loss, damage, illness, or death in return for payment of a specified premium. Provision of insurance services can be distinguished based on three broad categories namely, life insurance, non-life/general insurance, and reinsurance services based on the intended purpose, characteristics, and prices.
16. The CID recalled that in **Allianz Africa/Jubilee**², it identified distinct markets for life insurance and general insurance due to the difference in the nature services and the intended purpose under each category. The CID noted that while the former entails a contract that offers financial compensation in case of death or disability, the latter relates to coverage of risk and financial compensation on any loss other than death. In that transaction, the CID observed that life insurance is paid upon the death of a person and may be seen as an investment in favour of the beneficiaries of the deceased policy holder while general insurance covers for loss or damage of property and includes motor insurance, home insurance and medical insurance. On this basis, the CID noted that life and general insurance can be distinguished given that the intended purpose under these two general categories are different.
17. With regards to demand substitution, the CID noted that a person looking for a life insurance cover is not likely to substitute a product under the general insurance category such as motor insurance, home insurance or medical insurance given that in the unfortunate event of death, the person's beneficiaries may not be compensated by using a motor, home or medical insurance policy. However, the CID acknowledged that from a supply perspective an insurance company can provide both life and non-life insurance services.
18. The CID further observed that reinsurance entails an insurance company assuming the risk of another insurance company's portfolio. The CID therefore considered that reinsurance can be distinguished from life and non-life insurance given that the customers that demand each of the categories will have different needs. Further, it is likely that there will be a significant difference in the premiums that would apply in reinsurance as opposed to life or non-life insurance.
19. Given the foregoing and in line with its decisional practice³, the CID considered life insurance and general insurance services markets as distinct markets. The

² See Case File No. CCC/MER/12/33/2020, para 13, decision dated 16th April 2021.

³ *Ibid.*



CID further considered that given both parties are active in the medical insurance segment which falls under the general insurance category, its assessment should be limited to this category of insurance as follows.

Provision of general insurance services

20. Most general insurance service providers offer a range of insurance products which, *inter alia*, include medical insurance, motor insurance, and home insurance. On this basis, the CID noted that supply side substitutability within general insurance is likely to exist implying that a broad market for provision of general insurance services can be construed.
21. The CID, however, noted that from a demand-side perspective, the sub-segments within the general insurance market are not likely to be substitutable on the grounds of product characteristics, applicable premiums, and intended purposes which were considered distinct, and which would limit substitution. For instance, assuming a small but significant increase in the premiums for a medical insurance cover, a customer is not likely to shift their demand to a motor vehicle insurance cover being provided at a lower premium since that customer's purpose for seeking medical insurance cover is to get compensation in case of sickness. The CID, therefore, noted that there is no strong probability for demand substitution within the general insurance market making each category a distinct market.
22. The CID recalled that both parties are active in the international private medical insurance business as such it considered that the relevant market fell within the medical insurance services.
23. Based on the foregoing, and without prejudice to the CID's approach in similar future cases, the CID determined the relevant product market as the provision of medical insurance services.

Relevant Geographic Market

24. In line with its previous decisional practice⁴, the CID has generally considered the geographic scope for the provision of life insurance, medical insurance, motor insurance, and home insurance services as national. Insurance services tend to be regulated under the relevant national laws of a country where the services are provided. Hence, different operation requirements are likely to apply in different Member States⁵.

⁴ See Case File No. CCC/MER/12/33/2020, para 16, decision dated 16th April 2021.

⁵ For instance, the insurance sector is regulated: in Kenya - through the Insurance Regulatory Authority, in Zambia - through the Pensions and Insurance Authority, in Ethiopia - through the National Bank of Ethiopia, in Egypt - through the Financial Regulatory Authority, in Malawi - Reserve Bank of Malawi/Registrar of Financial Institutions, in Burundi - Insurance Regulation and Control Agency.



25. The CID observed that while the geographic scope for large/multinational corporate medical insurance customers is likely to be wider than national, the service providers are required to distribute their products in the Common Market through local partners which hold the distribution licenses within these territories. The CID noted that this would limit the geographic market to national.
26. The CID noted that from a demand perspective, customers tend to search for medical insurance categories through providers present within their locality. Further, customers prefer medical insurance schemes which are widely accepted in their countries of residence as this tends to give convenience to the customer in accessing such services. The CID further noted that convenience in lodging insurance claims may be a limiting factor to the scope of the market. Thus, it is likely that clients would prefer to lodge claims within their country of residence as opposed to lodging a claim beyond their country which may be time consuming and costly to a client. As such, if a small but significant non-transitory increase in price is considered, it is not likely that customers would switch from seeking medical insurance services locally to beyond national.
27. For the purposes of the assessment of the proposed transaction only, and without prejudice to future cases, the CID identified the relevant markets as the national markets for the provision of medical insurance services in Burundi, Comoros, the DRC, Djibouti, Egypt, Eswatini, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Somalia, Sudan, Tunisia, Uganda, Zambia, and Zimbabwe.

Market Shares and Concentration

28. The CID noted the parties' estimated market shares and the market shares for their top competitors for the provision of international private medical insurance services in [REDACTED] as follows:

Table 1: Estimated market shares of the merging parties' and their top competitors in the provision of international private medical insurance services

Member State	Company Name	Pre-merger	Post-merger
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]

	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]

29. The CID observed that the market shares for the target undertaking in the provision of private medical insurance in [REDACTED] were insignificant to raise competition concerns. The CID further observed that the proposed merger is not likely to change the existing market structure significantly within the Common Market. The CID also observed that the transaction was taking place outside of the Common Market, hence it was unlikely to raise competition concerns therein.
30. The CID also noted that the merged entity will continue to face competition from several well-established global players in the relevant markets that are active throughout the Common Market, such as BUPA, AXA, Generali, Cigna and other local insurers.
31. In view of the above, the CID concluded that a change in the market structure for the provision of medical insurance services in the Common Market will be minimal given the assets which are subject to the acquisition reside outside of the Common Market. Therefore, competition will continue to thrive in view of the presence of other significant competitors active in the relevant markets.

Third-Party Views

32. The CID noted that submissions received from the national competition authorities of Eswatini, Kenya, Malawi, Mauritius, Seychelles and Zambia highlighted that the transaction was not likely to raise competition and public interest concerns. This is consistent with the CID's assessment, as presented above.

Determination

33. Based on the foregoing reasons, the CID determined that the merger is not likely to substantially prevent or lessen competition in the Common Market or a substantial part of it, nor be contrary to public interest. The CID further determined that the transaction is unlikely to negatively affect trade between Member States.



[Handwritten signature or mark]

34. The CID, therefore, approved this transaction. This decision is adopted in accordance with Article 26 of the Regulations.

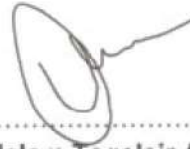
Dated this 2nd day of August 2022



.....
Commissioner Brian Muletambo Lingela (Chairperson)



.....
Commissioner Lloyds Vincent Nkhoma



.....
Commissioner Islam Tagelsir Ahmed Alhasan