



# Insurance & Antitrust Policy of DG COMP

## Session II: **Vertical** Cooperation

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The views expressed are purely those of the author and may not be regarded as  
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# Outline

- The Insurance Sector in the EU
- Typical Forms of Vertical Co-operation
  - Reinsurer-insurer
  - Insurer-agent / broker
- Regulation 330/2010/EC of 20 April 2010  
(OJ L 102/1, 23.4.2010) and Commission Guidelines on  
Verticals (OJ C 130/1, 19.5.2010)

## **Verticals I** : Distribution channels

- Agents are typically close to the insurance company (German market)
- Brokers are typically independent from insurers (UK London market)
- Direct distribution (including bankassurance)



## V. Distribution channels

Insurers sell their products either directly or through a variety of other distribution channels, of which the most familiar are brokers, agents and bancassurance.

The diversity of distribution channels benefits consumers, whose cultures, needs and preferences vary across markets. It ensures that consumers have better access to insurance products and stimulates competition in the price and quality of products between providers and distributors.

Bancassurance has developed in parallel with the life insurance business over the last decade and is today the main life distribution channel in many European countries. Agents and brokers also play an important role in the distribution of life policies. However, direct sales through employees or distance-selling are less developed in life than in non-life insurance. The distribution of non-life policies in Europe is mainly carried out through intermediaries (agents and to a lesser extent brokers) and direct sales by employees and distance-selling.



### Bancassurance

is the main life distribution channel



### Agents and brokers

are the main non-life  
distribution channel

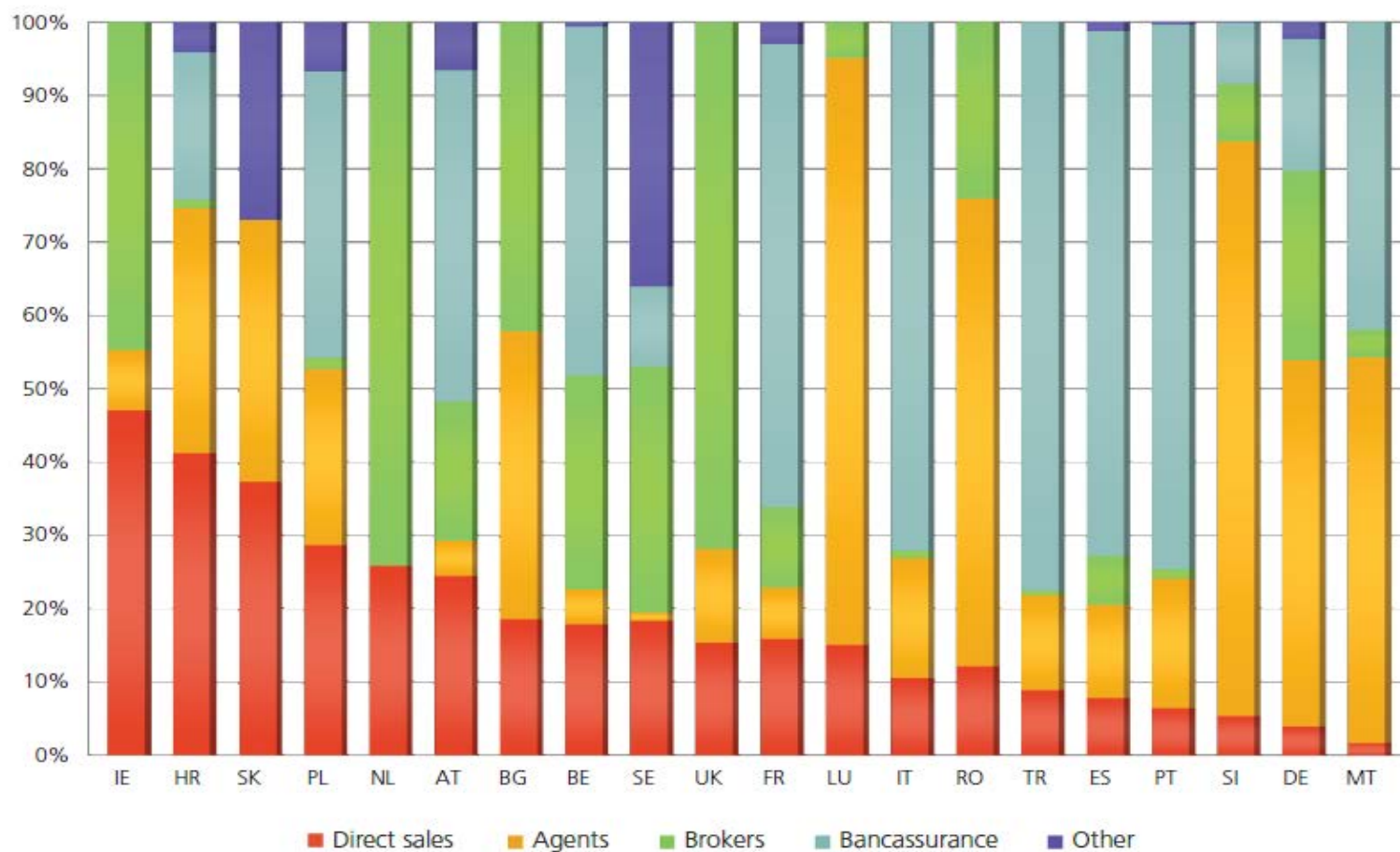
*Source: Insurance Europe – Key Facts August 2014*



European

## Life distribution channels (% of GWP) — 2012

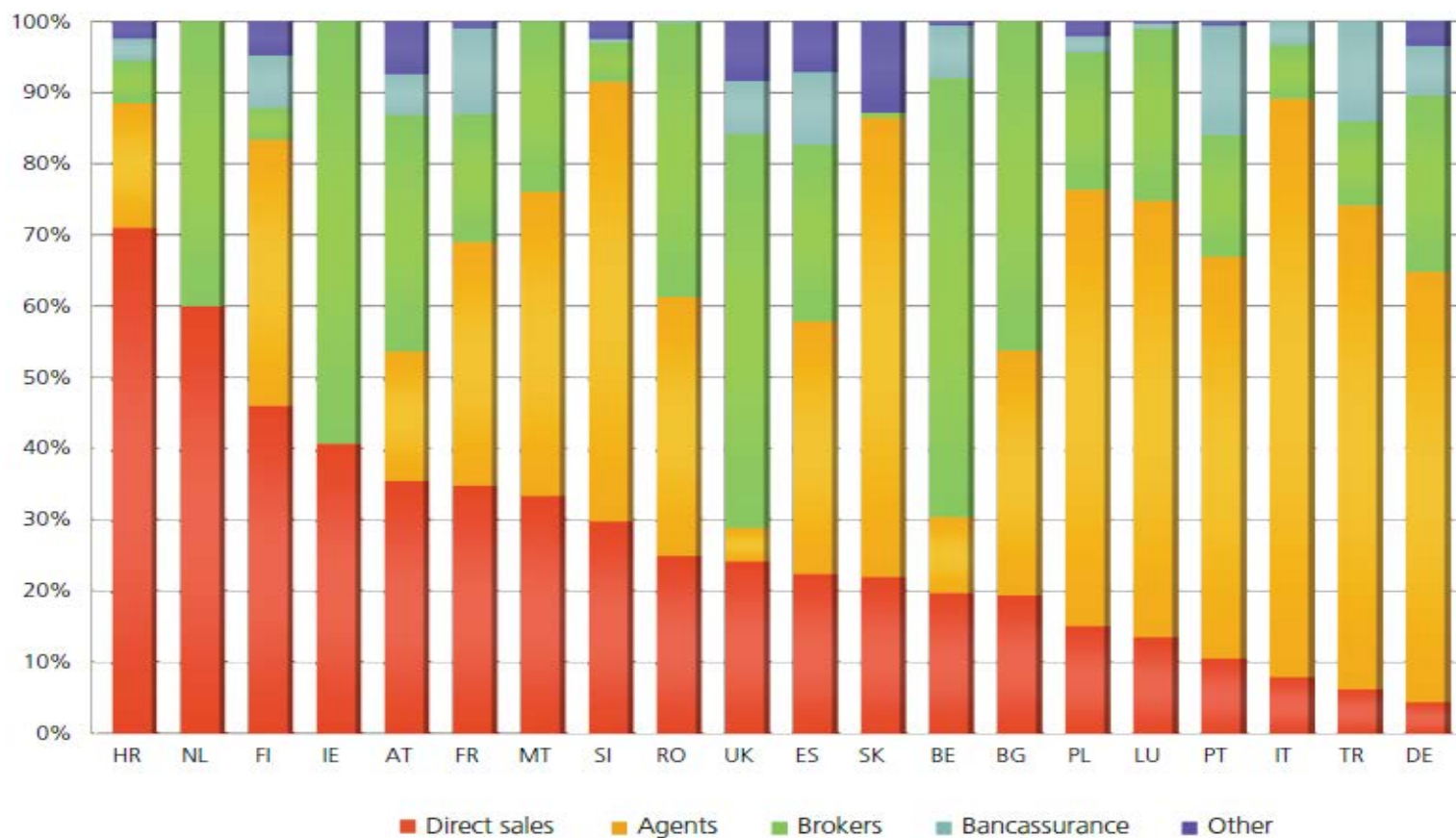
See p30 for notes



Source: Insurance Europe – Key Facts August 2014

## Non-life distribution channels (% of GWP) — 2012

See p30 for notes



Source: Insurance Europe – Key Facts August 2014

# DG COMP approach to vertical restraints

DG COMP pursues an effects based economic approach: where competition between producers is strong, restraints on their distributors usually do not harm consumers (exceptions exist: resale price maintenance).

Regulation 330/2010/EC of 20 April 2010  
(OJ L 102/1, 23.4.2010) and

Commission Guidelines on Verticals (OJ C 130/1,  
19.5.2010)

# Example1: Insurance agents in Germany

*Commission investigation into vertical agreements in Germany. The issue: high proportion of insurance products in Germany were (and still are) sold through tied agents – restrictive of competition ?*

*No, because empirical investigation showed:*

- Sufficient competition from other distribution channels, including electronic commerce*
- Market entry from abroad was taking place*
- Only few foreign insurers considered the network of tied agents a significant barrier to entry*



## Example2: Contingent commissions

In Europe (2013): Allianz Hungaria Case at European Court of Justice (per se restrictive)

<http://curia.europa.eu/juris/liste.jsf?num=C-32/11>

In United States: high damage claims against broker Marsh & McLennan (2004)

<http://www.insurancejournal.com/magazines/features/2004/10/25/48447.htm>

## Verticals II – Re-insurance

- What is a "subscription procedure" ?

⇒ broker-led re or coinsurance

⇒ typically aligned terms and conditions

Alignment of insurance conditions among coinsurers or reinsurer-insurer is to a certain extent necessary. Competition harm arises only exceptionally, for instance if reinsurers inflate premiums during the quote stage of the subscription process by means of "Best Terms and Conditions Clauses" (BTC)

# BTC Clause

Reinsurers may request "same terms as most favoured reinsurers" when they submit a quote to a broker (happened in London market and at Lloyd's in UK) – since 2006 prohibited through self-regulation (BIPAR principles)

Commission 2014 market survey on co-insurance confirmed that BTC no longer used in practice in UK markets but COMP must remain vigilant



## For more information ...

Study on Co(re)insurance in Europe (2014)

[http://ec.europa.eu/competition/sectors/financial\\_services/KD0414707ENN.pdf](http://ec.europa.eu/competition/sectors/financial_services/KD0414707ENN.pdf)

Commission Sector Inquiry into Business Insurance (2007)

▪ [http://ec.europa.eu/competition/sectors/financial\\_services/inquiries/business.html](http://ec.europa.eu/competition/sectors/financial_services/inquiries/business.html)