

**COMPETITIVE IMPACT STATEMENT**

**SUBMITTED BY**

**THE ALLSTATE CORPORATION**

**TO**

**THE WISCONSIN OFFICE OF THE COMMISSIONER OF INSURANCE**

**June 15, 2011**

## COMPETITIVE IMPACT STATEMENT

### SUMMARY

The market shares involved in this transaction are so low that they would qualify for a Form E exemption from filing, and could not possibly have any anti-competitive effect on any market in Wisconsin.

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Wisconsin does not have a statute that establishes any competitive standards for an insurance acquisition. For this reason, we have used the methodology and data of Item V of the NAIC Insurance Holding Company System Model Act, the "Form E statute." The Form E competitive analysis in NAIC §3.1 is the most widely-accepted screen for competitive issues in an insurance acquisition.

### MARKET AND MARKET SHARE

#### Supporting Data Provided

Exhibit A shows the direct written premium and market share data for the companies involved as required by Item V.

The source of the data is A.M. Best Company, Best Database Services. We have used December 31, 2010 data, which is the latest available data derived from annual statements.

### ANALYSIS

#### This Transaction Would be Exempt from a Form E Filing Requirement

The NAIC Form E Model Act, §3.1B(2)(e), provides three exemptions from making a Form E filing when the combined market shares of the buyer and target are either very low, or the market share increase would be nominal.<sup>1</sup>

These three exemptions are based on established competitive economic evidence that shows that small market shares, or small market-share increases, could not possibly lessen com-

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<sup>1</sup> The exemptions of §3.1B(2)(e) apply when

- "(i) In no market would the combined market share of the involved insurers exceed five percent (5%) of the total market,
- "(ii) There would be no increase in any market share, or
- "(iii) In no market would
  - (I) The combined market share of the involved insurers exceeds twelve percent (12%) of the total market, and
  - (II) The market share increase by more than two percent (2%) of the total market."

petition. As a result, they require no further competitive analysis.

Here, the combined auto lines of Allstate make up 3.6% of the Wisconsin auto market, and the combined auto lines of the target are 0.4%. These market shares fall into the NAIC §3.1B(2)(e)(i) exemption. As an alternative, using the HHI analysis of the *Merger Guidelines*, adopted by the federal antitrust agencies, the HHI increase here would be far less than even 1 ( $0.4 \times 0.4 = 0.16$ ), an increase so extremely small that the federal antitrust agencies would consider it absolutely irrelevant to competition.

This miniscule increase could not possibly harm competition in Wisconsin.

### CONCLUSION

For these reasons, the market data demonstrates that the proposed transaction will not substantially lessen competition or tend to create a monopoly in any line of business in the State of Wisconsin.

EXHIBIT A

State	Allstate DWP	Bridge DWP	Total Industry DWP	Allstate Market Share	Bridge Market Share	Allstate and + Bridge Market Share
Wisconsin	86,739,000	8,831,000	2,437,213,000	3.6%	0.4%	3.9%

Source: A.M. Best Company, December 31, 2010