



Case M1447J

Proposed acquisition of Stackhouse Poland Group Limited by Gallagher Holdings (UK) Limited

Decision

Document No: CICRA 06/19

Date: 15 February 2019

Jersey Competition Regulatory Authority
2nd Floor Salisbury House, 1-9 Union Street,
St Helier,
Jersey, JE2 3RF
Tel 01534 514990, Fax 01534 514991 Web:
www.cicra.je

Guernsey Competition & Regulatory Authority
Suite 4, 1st Floor,
La Plaiderie Chambers, La Plaiderie,
St Peter Port,
Guernsey, GY1 1WG
www.cicra.gg

Summary

1. Gallagher Holdings (UK) Limited (**Gallagher**) proposes to acquire all the issued shares in Stackhouse Poland Group Limited (**Stackhouse**) from Synova Capital General Partner 4 Limited (**Synova**) and other shareholders.
2. The transaction has been notified to the Jersey Competition Regulatory Authority (**JCRA**) for approval pursuant to Article 21 of the Competition (Jersey) Law 2005 (the **2005 Law**).
3. The JCRA has determined that the proposed acquisition will not lead to a substantial lessening of competition in any relevant market and hereby approves the notified transaction.

The Notified Transaction

4. On 29 January 2019, the Channel Islands Competition and Regulatory Authorities¹ (**CICRA**) received a joint application from Gallagher and Stackhouse for the proposed acquisition of Stackhouse from Synova General Partner 4 Limited, [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and other minority shareholders together holding less than 6% of the issued share capital.
5. CICRA registered the application on its website with a deadline for comments of 12 February 2019. No submissions were received.

The Parties

6. Gallagher Holdings (UK) Limited is incorporated in Delaware (No 780509) is the ultimate parent of R A Rossborough (Insurance Brokers) Limited (**Rossborough**) in Jersey. Gallagher Holdings (UK) Limited (UK company number 05933192) is the UK holding company which proposes to purchase the entire share capital of Stackhouse. The Gallagher Group had a turnover of USD3.8bn in 2017.
7. Rossborough in Jersey is a general insurance broker which deals across all classes of business with primarily retail but also commercial clients.
8. Stackhouse Poland Group (UK company number 09306147) is an insurance broker in the UK with a turnover of c. £43mn in 2017.

Jersey: Requirement for JCRA Approval

9. Under Article 2(1)(b) of the 2005 Law, a merger² occurs where a person who controls an undertaking acquires direct or indirect control of the whole or part of another undertaking. On completion of the notified transaction, Gallagher will acquire the entire share capital of Stackhouse. The notified transaction therefore constitutes a merger as defined by the 2005 Law.

¹ The JCRA and GCRA co-ordinate their activities with respect to competition law enforcement in the Channel Islands. For the purposes of this document, the JCRA and GCRA are together referred to as CICRA, and all references to CICRA should therefore be read as references to each of the JCRA and GCRA unless the context otherwise requires.

² For brevity, mergers and acquisitions are referred to as 'mergers' in this document.

10. According to Article 20(1) of the 2005 Law, a person must not execute certain mergers or acquisitions except with and in accordance with the approval of the JCRA. Article 4 of the Competition (Mergers and Acquisitions) (Jersey) Order 2010 (the **Order**) provides that if one or more of the parties to the proposed merger has an existing share of 40% or more of the supply or purchase of goods or services of any description supplied to or purchased from persons in Jersey, then the merger must be notified to the JCRA for approval under Article 20(1) of the 2005 Law.
11. According to information provided by the parties to the transaction, Rossborough has more than a 40% share of certain parts of the insurance market in Jersey. The notified transaction therefore requires the approval of the JCRA prior to its execution.

Market Definition

12. Under Article 22(4) of the 2005 Law, the JCRA must determine if the merger would substantially lessen competition in Jersey or in any part of Jersey. To this end, CICRA will identify the markets which are likely to be affected by the merger and then assess whether competition in these markets will be substantially lessened³.

Views of the Parties

13. The parties consider the relevant market to be the insurance mediation market in Jersey. The parties also refer to a previous JCRA decision involving Gallagher (M1008JG) in which they proposed a market of 'general insurance distribution'.

CICRA Consideration

14. The relevant product market is defined primarily by reference to the likely response of consumers and competitors⁴. It will comprise products and/or services which are regarded as interchangeable or substitutable by the consumer, by reason of the product's characteristics, prices and intended use. An undertaking cannot have a significant impact on the prevailing conditions of a market if customers can easily switch to other service providers.
15. As with the previous CICRA decision, in this case the market definition can be left open since as, for the reasons set out below, the Transaction will not give rise to a substantial lessening of competition in Jersey on any reasonable basis.

Effect on Competition

Horizontal effects

16. After defining the relevant market, CICRA estimates the respective market shares of the competitors in that market, both before and after the proposed transaction. These shares can be

³ In many cases, a market may already have been investigated and defined by CICRA or another competition authority. CICRA may take note of market definitions applied by other competition authorities, although these are not precedents. Competition conditions may change over time, changing the market definition. Market definition will always depend on the prevailing facts.

⁴ CICRA Guideline 7 – Market Definition

used as an indication of the overall level of market concentration which will be brought about as a result of the merger.

17. European Guidelines provide that where the combined market share of the merging undertakings does not exceed 25%, the concentration may be presumed not to impede effective competition⁵.
18. The parties estimate that the total value of this market in Jersey to be c.£21.4M. Stackhouse generates £[REDACTED] income from this market (representing [less than 1%]) and Rosborough estimate their share to be approximately 25%. The incremental increase in market share, albeit on a highly estimated basis in terms of the total value of the market, is very low.
19. The Jersey Financial Services Commission (**JFSC**) maintains and publishes a register of entities registered to undertake general insurance mediation business in Jersey pursuant to the Financial Services (Jersey) Law 1998. As at January 2017, there were 118 such entities. The parties together hold 4 of these licences (3.9%).
20. A horizontal merger may impede effective competition in a market by removing competitive constraints on one or more firms, which consequently would have increased market power without resorting to coordinated behaviour (non-coordinated effects). This is more likely in circumstances where, for example, the merging firms have large market shares or consumers' ability to switch supplier is limited.
21. In this case, the incremental increase in market share held by Gallagher is very low and there are a large number of remaining license holders in Jersey following this transaction.

Decision

22. Based on the preceding analysis the JCRA concludes that the acquisition will not substantially lessen competition in Jersey or any part of Jersey.
23. The merger is therefore approved under Article 22(1) of the 2005 Law.

15 February 2019

By Order of the Board of the JCRA

⁵ Article 60 of the 2005 Law provides that so far as possible questions arising in relation to competition must be dealt with in a manner that is consistent with the treatment of corresponding questions arising under EU competition law.