



Case M1464J

Proposed acquisition of part of the business and assets of Jardine Lloyd Thompson Group Plc

Decision

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Summary

1. Gallagher Holdings (UK) Limited (**Gallagher**) proposes to acquire certain of the business and assets of Jardine Lloyd Thompson Group Plc (**JLT**), including certain of the business and assets of JLT Speciality Limited. The target business includes a number of customers located in Jersey.
2. The transaction has been notified to the Jersey Competition Regulatory Authority (the **Authority**) for approval pursuant to Article 21 of the Competition (Jersey) Law 2005 (the **2005 Law**).
3. The Authority 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 24 May 2019, the Authority received a joint application from Gallagher (the **Purchaser**) and JLT (the **Seller**) for the proposed acquisition by the Purchaser of certain of the business and assets of JLT, which was acquired by Marsh & McLennan Companies Inc (**MMC**), including certain of the business and assets of JLT Speciality Limited (the **Target Business**).
5. The Authority registered the application on its website with a deadline for comments of 10 June 2019. No submissions were received.

The Parties

6. Gallagher is an English company (registered number 05933192) which is a UK holding company in the Gallagher Group of companies. The ultimate parent of Gallagher is Arthur J Gallagher & Co, incorporated in Delaware, USA. Gallagher is the ultimate parent of R A Rossborough (Insurance Brokers) Limited (**Rossborough**), an insurance broker based in Jersey.
7. JLT Speciality Limited is also an English company (registered number 01536540). The ultimate parent of the seller is Marsh & McLellan Companies Inc, incorporated in Delaware, USA.

Jersey: Requirement for JCRA Approval

8. Under Article 2(1)(b) of the 2005 Law, a merger¹ 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 control of the Target Business, and the transaction therefore constitutes a merger as defined in the 2005 Law.
9. 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.
10. Article 2 of the Competition (Mergers and Acquisitions) (Jersey) Order 2010 (the **Order**) provides that if the merger or acquisition would create an undertaking with a share of 25% or more of the supply or purchase of goods or services of any description supplied to or purchased from persons

¹ For brevity, mergers and acquisitions are referred to as 'mergers' in this document.

in Jersey, or enhance the share held by an undertaking, then the merger must be notified to the Authority for approval under Article 20(1) of the 2005 Law.

11. According to information provided by the parties to the transaction, the parties' combined share of supply of the Jersey insurance broking market exceeds 25%. The notified transaction therefore requires the approval of the Authority prior to its execution.

Market Definition

12. Under Article 22(4) of the 2005 Law, the Authority must determine if the merger would substantially lessen competition in Jersey or in any part of Jersey. To this end, the Authority will identify the markets which are likely to be affected by the merger and then assess whether competition in these markets will be substantially lessened².

Views of the Parties

13. As in previous similar cases, the parties propose that the relevant market is 'general insurance distribution services in Jersey'³.
14. The potential overlap between the parties is between the Target Business and Rossborough, as a member of the Gallagher Group, which is an active participant in the general insurance distribution market in Jersey. It covers all classes of business but its area of focus is predominantly retail rather than commercial business.
15. The Target Business has approximately [REDACTED] annual turnover generated predominantly from private client business where customers are based in Jersey, generating approximately [REDACTED] of gross written premiums. This business is predominantly the sale of general insurance products to retail customers, and is substantively similar to that of Rossborough.

CICRA Consideration

16. 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.
17. In this case, the market definition can be left open as, for the reasons set out below, the transaction will not give rise to a substantial lessening of competition on any reasonable basis.

² 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.

³ See, for example, M1008JG. In M1447J and M1451J the market definition was left open

⁴ CICRA Guideline 7 – Market Definition

Effect on Competition

Horizontal effects

18. The parties estimate that the total gross amount of insurance premium generated in Jersey to be £101.01 million (**GWP**). This figure is a significant approximation based on a UK per capita insurance premium of £953⁵.
19. The Jersey Financial Services Commission (**JFSC**) maintains and publishes a register of entities registered to undertake general insurance mediation business in or from within Jersey pursuant to the *Financial Services (Jersey) Law 1998*. As at 23 May 2019, there were 120 such entities.
20. On this basis, the shares of the parties in the general insurance mediation segment are as follows:

	Gallagher Group	Target Business	Combined
Gross written premiums (approx.)	GWP: [REDACTED] Share: 25-30%	GWP: [REDACTED] Share: 0-5%	GWP: [REDACTED] Share: 25-35%
Licences (as at 23 May 2019)	5 out of 120 in issue Share: 4.17%	1 out of 120 in issue Share: 0.84%	Approx. 5%

21. 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.
22. Where the market share of the target business is very small, the merger will result only in a very small incremental increase in combined market share. Under those circumstances, it is very unlikely that the merger will result in a substantial lessening of competition. This is because the target business does not represent a significant competitive constraint on the acquirer.
23. In this case, on the basis of the market definition proposed by the parties, the incremental increase in Gallagher's market share that will be brought about by the merger is very low. Given that there will be a large number of remaining licence holdings in Jersey following this transaction, it is unlikely that any alternative market definition applied would lead to a different conclusion. The likelihood of anti-competitive horizontal effects arising as a result of this transaction is therefore very low.

⁵ www.statista.com & www.statista.com/statistics/793325/non-life-gross-premiums-united-kingdom/

Decision

24. Based on the preceding analysis, the Authority concludes that the acquisition will not substantially lessen competition in Jersey or any part of Jersey.

25. The merger is therefore approved under Article 22(1) of the 2005 Law.

20 June 2019

By Order of the Board of the JCRA