



DETERMINATION OF MERGER NOTIFICATION M/10/001 -

MMC/HIBL

Section 21 of the Competition Act 2002

Proposed acquisition By MMC UK Group Limited of HSBC Insurance Brokers Limited

Dated 08 February 2010

Introduction

1. On 11 January 2010, in accordance with section 18 of the Competition Act 2002 (the "Act"), the Competition Authority (the "Authority") received a notification of a proposed transaction whereby Marsh & McLennan Companies Inc. ("MMC") would acquire, through its subsidiary MMC UK Group Limited, sole control of HSBC Insurance Brokers Limited ("HIBL").

The Undertakings Involved

The Acquirer

2. MMC is a global professional services firm providing services in the areas of risk, strategy and human capital. MMC conducts business through three operating sections: risk and insurance services¹; consulting²; and risk consulting and technology³.
3. In the State, MMC provides risk and insurance services primarily⁴ through its subsidiaries Marsh Inc. ("Marsh") and Guy Carpenter & Company LLC ("Guy Carpenter"). Marsh is active as an insurance broker⁵, intermediary and risk advisor with offices in Dublin, Cork, Galway, Limerick, Belfast and Derry. Guy Carpenter is active as a risk advisor and reinsurance broker. However, it has no physical presence or employees in the State.

The Target

4. HIBL is a wholly owned subsidiary of HSBC Insurance Brokers Holding Limited, which is ultimately owned by HSBC Holdings plc. HIBL is engaged worldwide in insurance broking and risk management and consultancy services.

¹ This includes risk management activities (risk advice, risk transfer and risk control and mitigation solutions) as well as insurance and reinsurance broking and services.

² This includes human resource consulting and related outsourcing and investment services, and specialised management and economic consulting services.

³ This includes risk consulting and related investigative, intelligence, financial, security and technology services.

⁴ Mercer, another subsidiary of MMC, is also active in the State in the distribution of life insurance. HIBL is not active in life insurance in the State.

⁵ Brokers act as intermediaries between (re)insurers and clients. Other types of intermediaries include insurance agents and banks.

5. In the State, HIBL provides non-life insurance and reinsurance brokerage services primarily through its UK offices. HIBL operates a satellite office in Belfast with one employee but has no physical presence in the State. For the financial year ending 31 December 2008, HIBL generated sales in the State of approximately €[...].

Rationale for the Proposed Transaction

6. According to the parties the proposed transaction will enable MMC to provide better and more integrated insurance and reinsurance distribution services to its clients and increase its global presence in high growth areas, such as the Middle East and Asia.

Third Party Submissions

7. No submissions were received.

Analysis

8. In the State there is horizontal overlap in the activities of MMC and HIBL. Marsh and HIBL provide non-life insurance brokerage services and Guy Carpenter and HIBL provide reinsurance brokerage services. According to data published by the Irish Financial Services Regulatory Authority (the "Financial Regulator"), there are over 4000 insurance/reinsurance intermediaries registered in Ireland.⁶

Non-Life Insurance Brokerage

9. The parties submit that the relevant market is that of non-life insurance distribution, which includes both insurance sold to customers directly by insurers (direct sales) and insurance sold via intermediaries (such as brokers).⁷ However, neither Marsh nor HIBL are engaged in the direct sale of non-life insurance.⁸ The geographic market, according to the parties, is national in scope.⁹
10. The parties state that there is very limited overlap between the activities of Marsh and HIBL in non-life insurance brokerage services in the State. The overlap occurs in the following categories of insured risk, as identified by the parties: mergers & acquisitions and management liability (director's and officers' liability), professional indemnity, aviation, and construction.
11. According to the *Financial Regulator – Insurance Statistical Review 2008*¹⁰, the gross premium income in 2008 for non-life insurance, comprised of Irish risk business, was €3.86 billion. In the State, for the financial year ending 31 December 2008, Marsh generated €[...]

⁶ Available at: <http://www.financialregulator.ie/industry-sectors/INSURANCE-INTERMEDIARIES/Pages/default.aspx>

⁷ The parties rely on the Commission decision in Case No. COMP/M.5568 – *Volkswagen/Fleet Investments/Leaseplan Corporation JV*, 19 August 2009 and the Competition Authority Determination No. M/04/045 *Willis Group Holdings Limited/Coyle Hamilton Holdings Limited*.

⁸ The Acquirer and Target buy non-life insurance products from insurance writers such as Chartis/AIG, Zurich, ACE and Allianz.

⁹ The parties rely on Commission decisions: Case No. COMP/M.4284 – *Axa/Winterthur*, 28 August 2006, Case No. COMP/M.1307-*Marsh & McLennan/Sedgwick*, 23 October 1998, and Case No. COMP/M.2225-*Fortis/ASR* 13 December 2000.

¹⁰ Published by the Financial Regulator and available at: <http://www.financialregulator.ie/publications/Pages/statistics-research.aspx>

and HIBL generated only €[...] (approximately) in revenue from the provision of non-life insurance brokerage services.

12. The Authority considers that the proposed merger is unlikely to raise any competition concerns in the State, in the provision of non-life insurance brokerage services, for the following reasons:
 - a. The increase in combined market share of the parties for non-life insurance brokerage services post transaction would be negligible,
 - b. The Authority does not believe it necessary to make a finding on the relevant markets. However, even if the Authority considered each category of insured risk where overlap occurs to be a separate market, there would be a negligible market share increase in each category post transaction, and,
 - c. The merged entity would continue to face competition from a number of non-life insurance brokers such as Willis, Aon, Arachas and Glennous, and from direct sales by insurers to customers.

Reinsurance Brokerage

13. The parties submit that the relevant product market is reinsurance distribution that includes direct sales as well as sales through brokers.¹¹ However, neither Guy Carpenter nor HIBL is involved in the direct sale of reinsurance.¹² The geographic market is, according to the parties, worldwide in scope.¹³
14. The Authority does not believe it necessary to make a finding on the relevant markets. The Authority considers that the proposed merger is unlikely to raise any competition concerns in the State, in the provision of reinsurance brokerage services, for the following reasons:
 - a. For the financial year ending 31 December 2008 in the State, Guy Carpenter generated approximately €[...] and HIBL generated approximately €[...] in revenue from the provision of reinsurance brokerage services. The increase in market share by the merged entity post transaction would be negligible.¹⁴
 - b. The merged entity will continue to face competition from a number of reinsurance brokers providing reinsurance brokerage services in the State, namely Aon, Willis and JLT, and,
 - c. The merged entity will continue to face competition from direct sales by reinsurers to insurers, which the parties submit is a material competitive constraint.

¹¹ The parties rely on the Commission Case No. IV/M.1307 – *Marsh & McLennan/Sedgwick*, 23 October 1998.

¹² The Acquirer and Target buy reinsurance products from reinsurance writers such as Munich Re Group and XL RE Europe Limited.

¹³ The parties cite Case No. COMP/M.3035 *Berkshire Hathaway/Converium/Gaum/JV*, 28 February 2003 and Case IV/M.1306 – *Berkshire Hathaway/General Re*, 18 September 1998.

¹⁴ Data supplied by the Financial Regulator (that is currently not in the public domain) provided a breakdown of the reinsurance sector in Ireland by gross written premium. The total market share of the parties post merger, in the state, would be less than 1%.

Ancillary Restraints

15. The proposed transaction imposes non-compete and non-solicitation obligations on the HSBC group for a period of three years from the completion date of the proposed transaction. The Authority considers these restrictions to be directly related and necessary to the implementation of the proposed transaction.

Determination

The Competition Authority, in accordance with section 21(2)(a) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition by MMC, through its subsidiary MMC UK Group Limited, of 100% of the shares of HSBC Insurance Brokers Limited will not be to substantially lessen competition in markets for goods or services in the State, and accordingly, that the acquisition may be put into effect.

For the Competition Authority

Dr. Stanley Wong

Member of the Competition Authority