



Channel Islands Competition Laws

CICRA 6a - Merger Application Form

CICRA Case Reference: M1008/JG

Arthur J Gallagher / Rosborough Insurance Group

**STRICTLY PRIVATE AND CONFIDENTIAL: CONTAINS BUSINESS
SECRETS**

[Pre-notification draft – 19.09.13]

Merger Application Form

1. Preliminary Information

- 1.1** Provide the contact details of all parties, including the business website address where applicable. For corporate undertakings, please state where the company is incorporated. If any of the parties or their parent entities are listed companies, please state the locations of listing.
1. This application relates to the proposed acquisition by Friary Intermediate Limited (**Friary**) of the entire issued share capital of DMWSL 587 Limited (the **Target**) from DMWSL 586 Limited (the **Seller**) (the **Transaction**). The Target is an indirect and intermediate holding company of Giles Holdings Limited (**Giles**), which in turn holds shares in the Rosborough group of companies (**Rosborough Group**). Giles also holds a 48.78% stake in Giles Insurance Brokers Limited (**Giles Insurance**) (the remaining 51.22% is owned by DMWSL 588 Limited, another member of the Target group). The Target is also an indirect and intermediate holding company of Ink Underwriting Agencies Limited (**Ink**). A pre-transaction structure chart for the Target group may be found at appendix 1.
 2. The Seller is ultimately owned by funds advised by Charterhouse Capital Partners LLP (**CCP**) and by the management of Giles via a holding company called Expectrum Limited (**Expectrum**).
 3. The ultimate parent entity of Friary is Arthur J. Gallagher & Co. (**AJG**). A sister company of Friary, OIM Underwriting Limited (**OIM Underwriting**), and two subsidiaries of OIM Underwriting (such subsidiaries, together with OIM Underwriting, being referred to collectively in this application as **OIM**) provide managing general agent services as more particularly described in paragraph 14 of this application.
 4. Friary, OIM Underwriting and its subsidiaries, Expectrum, CCP, the Target, the Seller and Ink are each incorporated in England and Wales; Giles and Giles Insurance are incorporated in Scotland. AJG is incorporated in Delaware, USA, and is listed on the New York Stock Exchange.
 5. The Rosborough Group consists of the following trading companies (as well as various non-trading entities):
 - R A Rosborough (Guernsey) Limited, which is licensed by the Guernsey Financial Services Commission (**GFSC**) and regulated by the Jersey Financial Services Commission (**JFSC**). Registered in Guernsey No. 2873. Registered Office: Rosborough House, Bulwer Avenue, St Sampson, Guernsey GY2 4LF.

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- R A Rosborough (Insurance Brokers) Limited, which is regulated by the JFSC and registered in Jersey No. 1944. Registered Office: 41 La Motte Street, St Helier, Jersey JE4 8NS.
 - Rosborough Insurance (IOM) Limited, which is registered with the Insurance and Pensions Authority in respect of General Business and registered in Isle of Man No. 110231C. Registered Office: Bourne Concourse, Peel Street, Ramsey, Isle of Man IM8 1JJ.
 - Rosborough Healthcare International Limited, which is licensed by the GFSC and regulated by the JFSC. Registered in Guernsey No. 31593. Registered Office: Rosborough House, Bulwer Avenue, St Sampson, Guernsey GY2 4LF.
6. Giles Insurance is regulated by the Financial Conduct Authority and is registered in Scotland (SC108909), with its registered office at Spectrum Building, 7th Floor, 55 Blythswood Street, Glasgow, G2 7AT.
7. Ink is regulated by the Financial Conduct Authority and is registered in England with company number 03110970. Its registered office is Birchin Court, 3rd Floor, 20 Birchin Lane, London EC3V 9DU.
8. OIM Underwriting is regulated by the Financial Conduct Authority and is registered in England with company number 05172311. Its registered office is The Walbrook Building, 25 Walbrook, London EC4N 8AW. (For completeness, please note that two of AJG's other subsidiaries, Arthur J Gallagher (UK) Limited and Heath Lambert Limited, are also authorised and regulated by the Financial Conduct Authority.)
9. The contact details for the above undertakings are as follows:

Friary/AJG

Contact name: Bridget Lambie
Title: Senior Counsel
Address: The Walbrook Building, 25 Walbrook, London, EC4N 8AW
Telephone: 0207 204 8318
Fax: n/a
E-mail: bridget_lambie@ajg.com
Website: <http://www.ajginternational.com>
<http://www.ajg.com>

CCP/Seller/Target

Contact name: Tom Patrick
Title: Partner
Address: 7th Floor, Warwick Court, Paternoster Square, London EC4M 7DX United Kingdom

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Telephone: 020 7334 5300
Fax: 020 7334 5344
E-mail: compliance@charterhouse.co.uk
Website: <http://www.charterhouse.co.uk>

Rosborough Group

Contact name: Clive De La Cour
Title: Managing Director
Address: PO Box 28, 41 La Motte Street, St Helier, Jersey JE4 8NS
Telephone: 01534 500503
Fax: 01534 767806
E-mail: CDeLaCour@rossboroughgroup.co.uk
Website: <http://www.rossborough.co.uk/>

- 1.2** If any party is part of a larger corporate group, provide the contact details for the ultimate parent entity and state where it is incorporated.
10. The ultimate parent entity of Friary is AJG, which is incorporated in the United States of America (Delaware) and which is listed on the New York Stock Exchange.
- 1.3** Provide the contact details for each party's authorised legal representative(s).

Friary/AJG

Contact name: Sara Johns
Title: Managing Associate
Address: Ogier, Ogier House, Esplanade, St Helier, Jersey JE4 9WG
Telephone: 01534 504205
Fax: 01534 504444
E-mail: sara.johns@ogier.com

Seller

Contact name: Helen Ruelle
Title: Partner
Address: Mourant Ozannes, 22 Grenville Street, St Helier, Jersey JE4 8PX
Telephone: 01534 676165
Fax: 01534 676333
E-mail: helen.ruelle@mourantozannes.com

- 1.4** Provide the contact details of the person who should receive the filing fee receipt (and the invoice for a fee for a second detailed review).

11. Sara Johns, Ogier (please see details above).
- 1.5 Indicate whether the application is made under Article 21 of the *Competition (Jersey) Law 2005* and/or regulation 5 of *The Competition (Prescribed Mergers and Acquisitions) (Guernsey) Regulations, 2012*, and explain why the parties are required to seek approval for the merger under that legislation.
12. The application is made under Article 21 of the *Competition (Jersey) Law 2005*, pursuant to the provisions of Article 4 of the *Competition (Mergers and Acquisitions) (Jersey) Order 2010* (the **Order**), which specify that a merger or acquisition is of the type which should be notified when one or more of the parties to the proposed merger or acquisition 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. The Rosborough Group, which is a subsidiary of the Target of the acquisition, estimates that it may have a 40% share of the supply of insurance to the construction industry and allied trades in Jersey. The parties therefore consider that the Transaction is caught by the provisions of Article 4 of the Order and that neither of the exceptions set out at Article 4(a) or (b) of the Order are applicable.
13. In addition, AJG (via its subsidiaries) derived income during the financial year ended 31 December 2012 (the **2012 Year**) from approximately 71 customers in the Channel Islands (and in the six months to June 2013, derived income from approximately 27 such customers). Income for the 2012 Year derived from these Channel Islands customers amounted to only £443,325. AJG has identified that £172,545 of this income is from Jersey clients, £124,925 is from Guernsey clients and £145,855 cannot be tracked back specifically to either Jersey or Guernsey. At least some¹ of this income is derived from the provision of general insurance mediation services to these Channel Islands customers by AJG's subsidiaries from the UK. Although this is regarded by the parties as entirely *de minimis* in the context of the Transaction and in respect of income derived from insurance business generally in the Channel Islands, it nevertheless creates a horizontal overlap with the business carried on by the Rosborough Group in Jersey and, as such, the parties consider that technically the Transaction is also caught by the provisions of Article 2 of the Order.
14. AJG (via its subsidiaries) provides a range of services on a worldwide basis as described in response to question 3.1, most of which are not upstream or downstream of the services provided by the Rosborough Group in Jersey, in the sense that neither AJG nor any of its subsidiaries underwrites general insurance or provides reinsurance. However, OIM is a managing general agent specialising in small and medium enterprise commercial combined and non-standard personal insurance products. As a managing general

¹ Please see paragraph 14 of this application in relation to OIM.

underwriter/agent it does not bear any risk. In return for a fixed commission on the premium income underwritten, OIM offers insurance and manages all the necessary insurance administration functions, such as claims and distributions, on behalf of insurers. OIM operates in the United Kingdom and does not solicit business from the Channel Islands directly. However, by the nature of its role as a managing general agent it may generate income from the Channel Islands via locally regulated brokers in each Island; any such income for the 2012 Year is included in the income figures for the Channel Islands referenced in paragraph 13 above. As such, the services provided by OIM could be regarded as upstream of the general insurance brokerage business undertaken by the Rosborough Group and therefore the Transaction could be caught by Article 3 of the Order. However, as an intermediary OIM neither interacts with end retail clients nor undertakes any insurance business itself (i.e. it is not "on risk").

15. The application is also made under Regulation 5 of the Competition (Prescribed Mergers and Acquisitions) (Guernsey) Regulations, 2012 (the **Regulations**). The parties consider that the Transaction is a prescribed merger for the purposes of the Regulations and the Competition (Guernsey) Ordinance, 2012, by virtue of the turnover tests in Regulation 1 of the Regulations having been met. More specifically, the combined applicable turnover of the undertakings involved arising in the Channel Islands was £13,575,712 in the last business year,² while the Expectrum Group had turnover arising in Guernsey of £4,593,623 for the year ended 31 August 2012 and the AJG group of companies received insurance premiums in Guernsey of £2,725,210 (in respect of Igloo Insurance PCC Limited (**Igloo**) during the 2012 Year) together with the income for Channel Islands customers referred to above, which in respect of Guernsey could range between £124,925 and £270,780 for 2012 (the latter figure being the total of the income for Guernsey and the unattributed Channel Islands income).³

1.6 Indicate whether the parties are making a joint application.

16. The parties are making a joint application.

1.7 What is the expected timescale for exchange of contracts and completion of the merger?

² Please note, however, that the parties' business years differ and are as set out in the remainder of the paragraph

³ The parties draw CICRA's attention to the fact that turnover figures provided at section 1.5 have been calculated in accordance with the Competition (Calculation of Turnover)(Guernsey) Regulations, 2012 (the **Turnover Regulations**) and note that Igloo is classified as an "insurance undertaking" for the purposes of the Turnover Regulations. Furthermore, in accordance with Regulation 4(2) of the Turnover Regulations, a management fee payable by Igloo to its parent company has not been included in the calculation. Please note that where turnover figures for Igloo and AJG are given elsewhere in this application, they have been provided on the basis of standard accounting practices.

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17. A sale and purchase agreement (the **SPA**) was entered into on 4 September 2013. The parties expect that completion of the Transaction will occur within 5 business days of the satisfaction of various conditions precedent, including on obtaining clearance from CICRA.
- 1.8** Indicate whether any of the parties or their parent entities have previously received merger approval in Guernsey or Jersey.
18. Neither of the parties nor their parent entities have previously applied for or received merger approval in Guernsey or Jersey.
- 1.9** List any other competition authorities to whom the merger has been notified.
19. The merger has not been notified to any other competition authorities.
- 1.10** List any other regulatory body, whether in Guernsey or Jersey or elsewhere, that has been notified or will be notified of the merger. Please describe any pre-completion requirements that have been imposed and the expected satisfaction date of any such requirements.
20. The JFSC and the GFSC have been notified of the merger and completion will be conditional upon the receipt of the requisite approvals therefrom. AJG has notified the Financial Conduct Authority in the United Kingdom. The Cayman Islands Monetary Authority has been notified of the acquisition of Rosborough (Cayman Islands) Limited (a sister company to the holding company of the Rosborough Group), in accordance with the Cayman Islands Insurance Law 2012. The parties will also notify the Insurance and Pensions Authority in the Isle of Man. In addition, Ogier has notified, on a confidential basis, the Population Office in Jersey of the pending change of control and it is expected that a new business licence pursuant to the Control of Housing and Work (Jersey) Law, 2012 will be issued following completion of the Transaction.

2. Description of the Merger

- 2.1** Provide an executive summary of the merger, describing the parties involved and their areas of activity, a brief description of the business/es being acquired and their areas of activity, the reasons for the merger and the nature of the transaction (i.e. statutory merger, share or asset acquisition, joint venture, public offer).
21. The Transaction involves the proposed acquisition by Friary, an indirect subsidiary of AJG, of the entire issued share capital of the Target from the Seller. The Target indirectly owns the entire issued share capital of Giles, which in turn is the sole direct and indirect parent of all of the companies in the Rossborough Group. AJG (via its subsidiaries), Giles Insurance and the Rossborough Group are all general insurance brokerage services providers. A further member of the Target group transferring pursuant to the Transaction is Ink, which provides wholesale insurance broking and underwriting services.
22. The Transaction will provide AJG with a broader retail platform within the UK from which to grow, thus fitting well with and accelerating its growth strategy. Giles Insurance has a strong presence in the UK and AJG has been looking to develop its distribution in many areas where Giles Insurance has operations. In the Channel Islands, leaving aside the customers referred to in response to section 1.5, AJG currently has no branch in Jersey and has only a captive insurance operation in Guernsey, so the Transaction would give it an established retail footprint in both islands.
23. One of the key drivers of the Transaction for AJG is the complementary nature of the two businesses. In the UK, the profile of AJG's retail broking is predominantly small commercial customers and very large corporate clients, whereas Giles Insurance has mainly mid-market commercial customers. The Transaction provides a good opportunity for AJG to increase distribution of its existing products through Giles Insurance's distribution platform whilst taking advantage of the opportunity to cross-sell and distribute Giles Insurance's products through AJG.
24. In addition, AJG has identified a number of potential cost savings that the Transaction could potentially bring. Further verification work is required to confirm the likely quantum of these savings and to identify further synergy opportunities.
25. Giles Insurance also has its own managing general agent, Ink, which it is believed would fit well with AJG's own managing general agent business, OIM. Ink has some viable products that OIM does not currently write, which could generate cross-selling opportunities.

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26. CCP is an adviser to certain private equity funds (the **Funds**) and the Transaction will represent an exit from the investment of the Funds in Giles so as to enable a return of value to the Funds.
- 2.2** Indicate whether the merger involves the whole of the parties involved, or whether some divisions or subsidiaries of the parties are not involved in the merger.
27. The Funds have equity investments in a number of portfolio companies; however, the Funds are only disposing of their shareholding in the Target. Similarly, the group structure of AJG is extensive and the shareholding in the Target will only be integrated into a part of that structure. The ownership of the whole of the Rosborough Group is being transferred pursuant to the Transaction.
- 2.3** Provide a diagram showing the structure of the parties involved (including any companies which have ultimate control of the parties to the merger) before and after completion of the merger.
28. Pre-transaction structure charts for the Target and the AJG groups of companies are attached at appendix 1 and 2 respectively. The post-transaction structure chart is attached at appendix 3.
- 2.4** Provide details of any ancillary arrangements between the parties or their parent entities that you believe are directly related and necessary to implement the merger.
29. There is a deed of warranty which supplements the SPA, to which Friary is party along with two members of the Target's management, who are personally giving customary warranties as to the corporate existence and business of the Target group of companies. The liability of the members of management as warrantors is subject to customary limitations. The warranties given in the warranty deed are given subject to the terms of a disclosure letter executed between the management warrantors and Friary.
30. Friary is also party to a deed of restrictive covenant, entered into with Chris Giles (the former chief executive of the Target group of companies). Pursuant to the restrictive covenant, Mr Giles is to resign as a director of each of the Target group companies at completion of the Transaction, and customary restrictions are imposed upon Mr Giles in the 12 month period following completion of the Transaction with respect to the solicitation of customers, suppliers and employees of the Target Group and the use of certain key business names of the Target group.
- 2.5** Provide a copy of the agreement between the parties effecting the merger (if available), and all ancillary agreements.
31. A copy of the signed SPA is attached at appendix 4, together with the deed of warranty.

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- 2.6** Provide copies of all internal and/or external studies, analyses, reports, and surveys prepared by or for any of the parties for the purpose of assessing or analysing the benefits or effects of the merger on markets, market shares, competition, competitors, potential for sales growth or expansion into new markets, and indicate (if not otherwise contained in the document itself) the date of preparation, and the name and title of the principal person who prepared each document. This includes any documents submitted to or prepared for any member/s of the board of directors and/or the shareholders' meeting for the purposes of assessing and analysing the merger.
32. A copy of the report to the board of AJG on the Transaction will be provided under separate confidential cover.
- 2.7** If the proposed transaction is a public bid, provide a copy of the Offer Document and Listing Particulars.
33. n/a
- 2.8** Provide a copy of any press release (including those in specialist or trading journals) announcing the merger and details of any official notifications to stock exchanges.
34. A copy of the official press release from AJG is attached at appendix 5 and the notification to the New York Stock Exchange is attached at appendix 6.

3. Details of the Parties

- 3.1 Specify the industries, in Guernsey and/or Jersey and abroad, in which the parties to the merger, or, if different, their corporate groups, are active.
35. AJG is one of the world's largest insurance brokerage and risk management services firms. The group provides a full range of retail and wholesale property / casualty brokerage and alternative risk transfer services globally, as well as employee benefit brokerage, consulting and actuarial services. The group also offers claims and information management, risk control consulting and appraisal services to clients around the world. AJG's primary trading subsidiary in the UK is Heath Lambert Ltd, which is authorised and regulated by the FCA. As regards OIM, a summary of its activities is provided in response to question 1.5.
36. In Guernsey, AJG (via its subsidiary interests) owns the management shares in Igloo which it acquired in September 2012 as part of its acquisition of Acumus Ltd. Igloo is a protected cell company which is a captive insurer. In summary, shares in each cell are "owned" by a housing association in the UK and the relevant cell issues insurance to that housing association. Accordingly, AJG has no economic interest in the cells which receive the insurance premiums, and does not therefore receive the benefit of any insurance premiums paid but Acumus Limited, a member of the AJG group receives a management fee for claims handling work. Accordingly, Igloo does not issue insurance to clients in Guernsey itself and exclusively supplies the housing association sector.
37. As noted above, during the 2012 Year AJG (via its subsidiaries) derived income from approximately 71 customers in the Channel Islands (and in the six months to June 2013, derived income from approximately 27 customers) to which it provides general insurance mediation / managing agent services from the UK. Income earned for the 2012 Year derived from Channel Islands customers amounted to approximately £443,325. AJG has identified that £172,545 of this income is from Jersey clients, £124,925 is from Guernsey clients and £145,855 cannot be tracked back specifically to either Jersey or Guernsey.
38. Giles Insurance and the Rossborough Group are general insurance brokerage services providers. The Rossborough Group is active in Jersey and Guernsey (and the Isle of Man), distributing a wide range of general insurance products to its clients which include individual consumers, businesses, high net worth individuals and trust companies. Giles Insurance markets its products and services to UK customers but also has a limited revenue stream deriving from Jersey and Guernsey, being a mixture of referrals from Rossborough and unsolicited direct approaches: in some cases the customer is located in Jersey or Guernsey while the risk being insured resides in the UK; alternatively, some clients may have a business in

the UK but an additional risk located in the Channel Islands requiring insurance cover.

39. Ink is based in the UK and has three main underwriting divisions: managing general agents, distribution and reinsurance. As managing general agents, Ink provides underwriting services to a variety of retail insurance brokers including, but not limited to, the Rosborough Group and Giles Insurance, as well as some major international firms. The distribution division act as registered Lloyd's brokers, providing access for unregistered retail brokers to the Lloyd's insurance market. In a handful of cases, Ink provides these underwriting and broking services directly to clients in the Channel Islands. The reinsurance division act as reinsurance brokers, placing primary insurer's risks on the international reinsurance market.

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3.2 Provide the turnover for each party involved in the merger and, if different, their corporate groups, (i) worldwide, (ii) in Guernsey and (iii) in Jersey, for the last financial year for which such information is available and for any available interim period in the current year.

40. Rosborough Group had turnover as follows:

Location	Year ended 31 August 2012	Six months to 31 February 2013
Worldwide (Channel Islands and Isle of Man combined)	£11,935,000	£6,100,000
Guernsey	£5,388,000	£2,700,000
Jersey	£5,798,000	£2,950,000

41. Giles Insurance had turnover as follows:

Location	Year ended 31 August 2012	Year ended 31 August 2013 (unaudited)
Worldwide	£59,290,000	£61,188,000
Guernsey	£12,623	£52,780
Jersey	£15,554	£13,298

42. Ink had turnover as follows:

Location	Year ended 31 August 2012	Year ended 31 August 2013 (unaudited)
Worldwide	£13,309,000	£14,711,000
Guernsey	£36,000	£17,000
Jersey	£94,000	£43,000

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43. The Expectrum Group had overall worldwide turnover of £88,657,000 for the year ended 31 August 2012 and £44,306,000 in the first six months of the financial year ending 31 August 2013.
44. The Seller had worldwide investment income of £2,835,000 for the year ended 31 August 2012 and £306,000 in the first six months of the financial year ending 31 August 2013.
45. The Target had worldwide investment income of £612,000 for the year ended 31 August 2012 and £306,000 in the first six months of the financial year ending 31 August 2013.
46. AJG had turnover as follows: ⁴

Location	Year ended 31 December 2012	First six months of 2013
Worldwide	£1,626,642,169 ⁵	£938,020,621 ⁶
Guernsey	£2,850,135 to £2,871,065	£36,837 to £106,274
Jersey	£172,545 to £318,400	£4,354 to £73,791

47. Friary had worldwide dividend income of £77,889,000 for the year ended 31 December 2011, no income during the year ended 31 December 2012 and no income in the first six months of 2013.

⁴ The worldwide turnover figure is taken from AJG published information and represents total revenue. It does not, therefore, include Igloo premium, see footnote 1. The figures for Guernsey and Jersey are given as ranges due to fact that AJG cannot specifically attribute some of its income derived from the Channel Islands to a particular island.

⁵ US\$2,520,300,000 converted at rate of 1 USD = 0.645416 GBP as at 29/08/13

⁶ US\$1,453,600,000 converted at rate of 1 USD = 0.645416 GBP as at 29/08/13

3.3 Provide copies of the most recent annual reports, or (if no annual reports are available) the most recent audited financial statements, of the parties to the merger and, if different, their corporate groups.

- A copy of the annual report for AJG for the year ended 31 December 2012 is attached at appendix 7.
- A copy of the annual report and financial statements for Friary Intermediate Limited for the year ended 31 December 2011 is attached at appendix 8.
- A copy of the audited consolidated financial statements for Expectrum for the year ended 31 August 2012 is attached at appendix 9.
- A copy of the audited financial statements for the Seller (DMWSL 586 Limited) for the year ended 31 August 2012 is attached at appendix 10.
- A copy of the audited financial statements for the Target (DMWSL 587 Limited) for the year ended 31 August 2012 is attached at appendix 11.
- A copy of the audited financial statements of each of the trading entities in the Rossborough Group for the year ended 31 August 2012 is attached at appendix 12.
- A copy of the audited financial statements of Giles Insurance for the year ended 31 August 2012 is attached at appendix 13.
- A copy of the audited financial statements of Ink for the year ended 31 August 2012 is attached at appendix 14.
- A copy of the audited financial statements of OIM Underwriting for the year ended [31 December 2012] is attached at appendix 15.

4. Effects on Competition

4.1 Specify each category of good or service produced, supplied, distributed or otherwise sold in Guernsey and/or Jersey during the previous two years by each party involved in the merger and provide each party's sales in Guernsey and/or Jersey for each category listed.

48. AJG, through its Guernsey-incorporated subsidiary, Igloo, supplied protected cell insurance from Guernsey to clients in the United Kingdom and received insurance premiums in Guernsey for the 2012 Year of £2,725,210.

49. In addition, AJG had the income referred to in section 1.5 and section 3.1 above from the distribution of general insurance and/or managing agent services. Those sales can be further broken down into sub-categories:

Casualty insurance (commission) ⁷	2013 (first six months)	2012	2011
Jersey	£15	£14	£13
Guernsey	£710	£2,914	
Undetermined	£458	£14,486	£20,634
Combined	£1,183	£17,414	£20,647

Construction insurance (commission)	2013 (first six months)	2012	2011
Jersey		-£5,064 ⁸	£3,056
Guernsey	£35,794	£79,774	£56,704
Undetermined			£143
Combined	£35,794	£74,710	£59,903

⁷ This product category is made up of personal accident, specialist terrorism and hostage insurance and agricultural (farmers' insurance) insurance.

⁸ Where income amounts are showing as negative, this may be due to the underlying policy having been cancelled and income amounts being refunded during the relevant period.

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Energy insurance (commission)⁹	2013 (first six months)	2012	2011
Jersey			
Guernsey			
Undetermined		£1,161	
Combined		£1,161	

Financial risks insurance (commission)¹⁰	2013 (first six months)	2012	2011
Jersey		£8,637	
Guernsey		£3,750	
Undetermined	£60,224	£80,617	£79,393
Combined	£60,224	£93,004	£79,393

Fine art and specie insurance (commission)¹¹	2013 (first six months)	2012	2011
Jersey	£5,060	£10,595	£9,806
Guernsey	-£321*	-£4,713*	£18,499
Undetermined	£7,239	£12,780	£18,719
Combined	£11,978	£18,662	£47,024

⁹ This product sector is primarily reinsurance of risks held by an energy sector captive, and would insure oil rigs and related equipment.

¹⁰ This product sector is made up of professional indemnity insurance, directors and officers insurance, commercial crimes insurance.

¹¹ This product category is made up of insurance of art and other valuable non-art items (for example gold, stamps/other collectibles).

Marine insurance (commission)	2013 (first six months)	2012	2011
Jersey			
Guernsey	£220	£594	£625
Undetermined	£542	-£957*	£1,187
Combined	£762	-£364*	£1,812

Other insurance (commission)¹²	2013 (first six months)	2012	2011
Jersey		£10,000	£12,000
Guernsey	£434	£41,845	£17,063
Undetermined	£57	£37,631	£1,027
Combined	£491	£89,476	£30,000

Property insurance (commission)¹³	2013 (first six months)	2012	2011
Jersey	-£721	£148,363	£118,772
Guernsey		£761	£719
Undetermined	£917	£137	£151
Combined	£196	£149,262	£119,642

¹² This product sector is made up of a retail office insurance and global risk management insurance (business interruption and liability insurance, fire, business contents etc).

¹³ This product sector is made up of commercial property insurance, such as hotels, housing authority projects, commercial landlord insurance products.

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50. Rosborough Group distributed general insurance to clients in both Jersey and Guernsey.¹⁴ Its sales revenue (commission) in Jersey was:

- £2,950,000 in the first six months of 2013 (gross written premium, £10,510,000);
- £5,798,000 in 2012 (gross written premium, £20,740,000); and
- £5,734,000 in 2011 (gross written premium, £20,349,000).

51. In Guernsey, Rosborough had sales revenue as follows¹⁵:

- £2,700,000 in the first six months of 2013 (gross written premium, £14,981,000);
- £5,388,000 in 2012 (gross written premium, £29,816,000); and
- £5,655,000 in 2011 (gross written premium, £29,451,000).

52. Those sales can be further broken down into sub-categories:

Motor insurance (commission)	2013 (first six months)	2012	2011
Jersey	£553,000	£1,050,000	£968,000
Guernsey	£313,000	£608,000	£553,000
Combined	£866,000	£1,659,000	£1,522,000
Motor insurance (gross written premium)			
Jersey	£2,662,000	£5,037,000	£5,086,000
Guernsey	£1,514,000	£2,904,000	£2,888,000
Combined	£4,177,000	£7,941,000	£7,975,000

Home and personal property insurance (commission)	2013 (first six months)	2012	2011

¹⁴ Sales figures provided for the Rosborough Group in this section are provided to the nearest thousand: owing to the fact that there was a change in computer systems recording commission data after the acquisition by Giles, it has not been possible to provide exact figures

¹⁵ Guernsey sales figures include those of Rosborough Healthcare International Limited

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Jersey	£434,000	£910,000	£863,000
Guernsey	£294,000	£588,000	£564,000
Combined	£728,000	£1,498,000	£1,427,000
Home and personal property insurance (gross written premium)			
Jersey	£1,574,000	£3,239,000	£3,193,000
Guernsey	£992,000	£2,003,000	£1,979,000
Combined	£2,566,000	£5,242,000	£5,172,000

Travel insurance (commission)	2013 (first six months)	2012	2011
Jersey	£39,000	£75,000	£84,000
Guernsey	£31,000	£56,000	£59,000
Combined	£71,000	£131,000	£143,000
Travel insurance (gross written premium)			
Jersey	£151,000	£285,000	£321,000
Guernsey	£116,000	£203,000	£216,000
Combined	£267,000	£489,000	£538,000

Marine insurance (commission)	2013 (first six months)	2012	2011
Jersey	£9,000	£18,900	£18,000
Guernsey	£108,000	£207,000	£200,000
Combined	£117,000	£225,900	£218,000

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Marine insurance (gross written premium)			
Jersey	£57,000	£110,000	£105,000
Guernsey	£530,000	£1,024,000	£1,012,000
Combined	£587,000	£1,134,000	£1,110,000

Commercial/business insurance (commission)	2013 (first six months)	2012	2011
Jersey	£1,090,000	£2,040,000	£1,940,000
Guernsey	£699,000	£1,360,000	£1,300,000
Combined	£1,789,000	£3,400,000	£3,240,000
Commercial/business insurance (gross written premium)			
Jersey	£5,620,000	£10,790,000	£10,270,000
Guernsey	£2,930,000	£5,710,000	£5,650,000
Combined	£8,550,000	£16,500,000	£15,920,000

Healthcare insurance (private medical and dental) (commission)	2013 (first six months)	2012	2011
Jersey	£146,000	£332,000	£296,000
Guernsey	£516,000	£1,115,000	£748,000
Combined	£662,000	£1,447,000	£1,044,000
Healthcare insurance (private medical and dental) (gross written premium)			

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Jersey	£1,215,000	£3,072,000	£3,169,000
Guernsey	£5,212,000	£11,180,000	£9,161,000
Combined	£6,427,000	£14,252,000	£12,330,000

Other lines (commission)	2013 (first six months)	2012	2011
Jersey	£329,000	£607,000	£605,000
Guernsey	£187,000	£362,000	£370,000
Combined	£517,000	£970,000	£975,000
Other lines (gross written premium)			
Jersey	£427,000	£788,000	£749,000
Guernsey	£235,000	£452,000	£446,000
Combined	£663,000	£1,240,000	£1,195,000

53. Giles Insurance distributed general insurance on a limited basis to clients in both Jersey and Guernsey. Its sales revenue (commission) in Jersey was:

- £7,293 in the first six months of 2013 (gross written premium, £25,676);
- £17,048 in 2012 (gross written premium, £69,844); and
- £20,419 in 2011 (gross written premium, £83,668).

54. In Guernsey, Giles Insurance had sales revenue as follows:

- £2,036 in the first six months of 2013 (gross written premium, £5,961);
- £13,583 in 2012 (gross written premium, £64,788); and
- £14,495 in 2011 (gross written premium, £53,253).

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55. A more detailed breakdown of Giles Insurance's sales revenues in Jersey and Guernsey by applicable sub-category, together with policy counts, is attached at appendix 16.
56. In its capacity as managing general agent, Ink provided underwriting services to Jersey and Guernsey customers. The sales revenue for Ink deriving from customers in Jersey and Guernsey, and showing the revenues attributable to Rosborough and Giles, is set out at appendix 17.

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- 4.2 With reference to *CICRA Guideline 7 - Market Definition*, explain what you consider to be the economic market(s) for the purpose of assessing the competition effects of the merger, giving reasons. Markets should be defined in terms of (i) product; and (ii) geography.

General insurance distribution

57. The parties note that there is a JCRA precedent decision in the area of general insurance distribution, namely *Decision M713/11: Proposed Acquisition of Reed Insurance Associates Limited by M.J. Touzel (Insurance Brokers) Limited (Reed/M.J. Touzel)*.

Relevant product market

58. In the JCRA's decision in *Reed/M.J. Touzel*, it was accepted that there were distinctions between life insurance, general/non-life insurance and reinsurance, consistent with the prevailing view in the European authorities.¹⁶ The JCRA also accepted the applicants' submissions that there are distinct and non-substitutable products within general insurance i.e.:
- (a) Motor vehicle insurance;
 - (b) Home and personal property insurance;
 - (c) Travel insurance;
 - (d) Marine insurance;
 - (e) Commercial/business insurance; and
 - (f) Private medical insurance.
59. The parties note that, in addition to the sub-categories listed above, Rosborough also provides dental insurance (which, along with private medical insurance, falls into a broader category of "healthcare insurance"), and a range of niche insurance lines to private clients and trust companies and others, including among others kidnap and ransom insurance and excess protection insurance.
60. The parties consider that the correct product market definition is general insurance distribution services, without the need for further sub-categorisation, on the basis that there is little distinction from the supply-side perspective between the sale of different types of general insurance, which may easily be substituted. This position is supported by the OFT's decision in *Marsh and McLennan/HSBC Insurance Brokers Limited*.¹⁷ It is respectfully submitted that it is not necessary to consider the various

¹⁶ E.g. Case COMP/M.5925 – *Metlife/ Alico / Delam*, paragraph 9.

¹⁷ ME/4424/10 – *Anticipated acquisition by Marsh and McLennan Companies Inc. of HSBC Insurance Brokers*, 25 March 2010

possible sub-categories based on different types of risk as this will not affect the competition analysis for the Transaction; however, the parties have provided information for the subcategories outlined in response to question 4.1 out of an abundance of caution.

61. It should also be noted that, due to the high level of demand-side substitutability as between direct sales from insurance companies and sales by insurance brokers from the consumer's perspective, the parties submit that it would not be correct to distinguish between the two methods of distribution i.e. between direct sales by primary insurers and those via intermediaries.

Relevant geographic market

62. The parties adopt the conclusion of the JCRA in Reed/M.J. Touzel, namely that the relevant geographic market is the Bailiwick of Jersey, with a separate relevant geographic market in the Bailiwick of Guernsey. This is supported by the requirements to register with the JFSC in order to carry on general insurance mediation pursuant to the Financial Services (Jersey) Law 1998 or to receive authorization to carry on insurance business pursuant to the Insurance Business (Jersey) Law 1996. There are parallel requirements under the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002 and the Insurance Business (Bailiwick of Guernsey) Law, 2002, respectively. These regulatory requirements mean that each of the bailiwicks forms a distinct geographic area in which general insurance distribution takes place, and both of which are in turn separate and distinct from the UK mainland.

Underwriting and management services

Relevant product market

63. As noted elsewhere in this application, both parties have affiliates or subsidiaries which are managing general agents. Managing general agents are agents of insurance companies or syndicates with delegated authority to underwrite insurance business which is placed with them by retail (i.e. customer-facing) insurance brokers. Managing general agents will typically present a "book" of business to an insurer of a certain class of risk, which may be relatively niche e.g. window cleaners, and the insurer will then delegate their capacity and authority based on the agent's knowledge and on the profitability of the particular class of business they control. The insurer will usually give the agent better rates and wider policy conditions, which can in turn be offered to general retail insurance brokers. A retail broker such as Rosborough or Giles would approach a managing general agent, rather than an insurance company or other provider on a direct basis, because they will be afforded access to policies containing and on terms which are more advantageous than would otherwise be available via other channels. In addition, there are some larger composite insurers that will not

service smaller brokers because it is not cost efficient; smaller brokers also may find managing general agents easier to engage with and navigate than the larger brokers and insurers.

64. The parties draw the attention of the authority to the EC merger decision in *Berkshire Hathaway/Converium/Gaum/JV*¹⁸, which concluded that there was a single product market for underwriting and management services to insurers/reinsurers as distinct from the provision of insurance/reinsurance itself, although the role of managing general agents in the insurance supply chain was not specifically considered.
65. The parties note that the services provided by managing general agents have a dual demand aspect, in that they provide a service both to insurers and to retail brokers. From an insurer's perspective, they are able to delegate underwriting responsibility and capacity to their managing general agents, relieving them of various business expenses, which means that the services provided can be viewed as a sophisticated outsourcing arrangement. This factor, along with the agents' perceived expertise and ability to present a book comprising a single class of risk, means that managing general agent services are not readily substitutable for an insurer's own in-house capability.
66. From the perspective of the retail broker, the parties submit that the services provided by managing general agents would also not appear to be readily substitutable on the demand-side because those services allow retail brokers to access preferential rates and terms i.e. access to a set of products that would not ordinarily be available by direct application to insurance providers. Indeed, they may also permit brokers to offer a wider range of insurance products and permit access to a wider range of insurers.
67. In relation to the question of whether the market in underwriting and management services ought to be further segmented, it is the parties' contention that this would not appear to be appropriate. Although some managing general agents may have particular expertise and specialisms in certain classes of risk, the majority of agents including both OIM and Ink cover a wide range of classes in respect of which the services provided are the same. This supports the conclusion that there is a high degree of supply-side substitutability between those classes of risk.
68. In summary, for the reasons stated elsewhere in this application, although the parties do not believe that the very limited scope of their underwriting and management services provided to Channel Islands' customers/intermediaries is material for the purposes of CICRA's consideration of this application, the parties nevertheless consider that, technically, the second

¹⁸ Case COMP/M.3035 – *Berkshire Hathaway/Converium/Gaum/JV*, Decision 28/02/2003, paras. 15-21

relevant product market for this application is the market for the provision of underwriting and management services.

Relevant geographic market

69. The parties note the conclusion of the Commission in *Berkshire Hathaway* that the relevant geographic market for the provision of underwriting and management services to insurers/reinsurers seems to be at least EEA-wide and probably worldwide, although the exact definition was left open in that decision.¹⁹ As retail brokers in the Channel Islands use the services of managing general agents based in the mainland UK, it seems likely that the narrowest geographic market definition that could apply would be one of the British Isles. The vast majority of Ink's client brokers and risks insured are located in the United Kingdom (including Northern Ireland), as well as the Channel Islands and Isle of Man. A very small proportion of Ink's larger clients have an overseas exposure. In any event, it is submitted that the exact geographic market definition can be left open as competition concerns are not raised by the Transaction in relation to this product market.

Captive or protected cell insurance

70. As AJG does not supply any captive/cell insurance to customers in the Channel Islands, the parties do not consider that the protected cell insurance market is a relevant market as such for the purposes of this application. The parties have provided the following information so as to provide an explanation of AJG's insurance activities in Guernsey and in order to demonstrate that there is no horizontal overlap or element of verticality between captive/cell insurance on the one hand and Rosborough's activities on the other. As such, the parties have not addressed this market further in the remainder of this application although conglomerate effects will be considered in section 4.19 below.
71. Captive or protected cell insurance is a related and neighbouring market to the distribution of general insurance, as it is effectively a form of self-insurance provided by the setting up of an insurance "cell" or fund into which premia are paid and out of which claims may be settled and which is individual to a particular consumer/customer. The cell meets day-to-day losses up to an agreed cap which is supplemented by specialist additional insurance/reinsurance for exceptional losses.
72. The parties submit that protected cell insurance forms a distinct market from "ordinary" forms of general insurance because, aside from its functional differences, it is only likely to be suitable for undertakings with significant financial resources or high net worth individuals, meaning that there is only limited supply-side substitutability. Moreover, its marketing and administration require specialist expertise, such that it is not an

¹⁹ *Ibid.*, at para. 23

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insurance product which is widely or commonly marketed. On the demand-side, there is only limited substitutability due to the unique characteristics of this form of self-insurance and the fact that its primary appeal is a greatly reduced level of premium in niche areas.

73. AJG supplies cell insurance from Guernsey through its subsidiary, Igloo, to clients in the United Kingdom but does not supply to clients in Guernsey itself; it exclusively supplies the housing association sector. The relevant geographic market would therefore appear to be the United Kingdom.

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- 4.3** For each of the market(s) identified in 4.2, identify the areas of overlap between the parties to the merger, as appropriate.

General insurance distribution

74. The parties to the merger overlap in the market for general distribution of insurance in the relevant geographic markets of Jersey and Guernsey as Rossborough and Giles currently supply general insurance in both islands, and AJG's general insurance broking subsidiaries also supply some customers in each island. The parties submit that this overlap does not cause competition concerns for a number of reasons.
75. First, the increment from the addition of AJG's current business to that of Rossborough and Giles would appear to be a small one on the face of the turnover figures provided by AJG and the limited number of clients involved. Secondly, the parties are not close competitors as AJG does not actively compete on the Guernsey and Jersey markets and focuses on more high-value classes of risk than Rossborough does. Thirdly, there will remain several major players in each of the local markets with a physical operation in the islands who will remain to provide direct competition, while consumers will retain the ability to seek insurance cover from a variety of UK sources, including directly from insurers themselves.
76. As discussed in section 4.4 below, competition is fierce in this market, with consumers able to place their insurance with a number of different providers, including locally established brokers, incidental providers such as banks etc., brokers in the UK and also directly with insurers. The customary use of quotations which may be compared by clients, as well as the rise of internet comparison sites, means that the market is characterised by relative pricing transparency and a strong degree of countervailing buyer power. There is therefore little risk that the Transaction would lead to any, or any increased, risk of unilateral anti-competitive behaviour by the merged entity. Furthermore, the same factors mean that it is highly unlikely that the Transaction could give rise to an increased likelihood of co-ordinated effects as between the merged entity and its competitors, in particular due to the diverse sources of competition.

Underwriting and management services

77. The parties also overlap in relation to the market for insurance underwriting and management services (which is at least as wide as the British Isles), in that OIM and Ink both provide managing general agent services, in which role they act as intermediaries in the supply of insurance to retail brokers, and also directly to some insureds in the Channel Islands in the case of Ink. Again, the parties submit that there is little risk of co-ordinated or non-co-ordinated effects as a result of the Transaction: although the parties have not sought to conclude as to the precise relevant geographic area, it seems that the market is at least as wide as the British Isles, if not wider, and there

will remain numerous other competitors to OIM and Ink post-merger, both in terms of other managing general agents (as an indicator, the website for the UK's Managing General Agents' Association lists over 70 full members – see <http://www.mgaa.co.uk/>) and also insurers who may be approached directly acting as a constraint on anti-competitive behaviour.

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- 4.4** For each of the market(s) identified in 4.2, specify market shares in Guernsey and/or Jersey (as relevant), before and after the merger, for each competitor (including the merging parties). Explain how you have calculated market shares and provide supporting evidence (*e.g.* turnover of the parties in the relevant market compared to turnover in Guernsey/Jersey as a whole).

General insurance distribution

78. Rossborough considers that an attempt to provide an indication of its overall share of each of the Jersey and Guernsey general insurance distribution markets would be statistically unreliable and would not be particularly meaningful given the wide variation between and within the classes of risk which Rossborough insures. There is a lack of publicly available and/or reliable data in relation to the total number of policies which are sold in or into Jersey and Guernsey and there is no information available to Rossborough in relation to industry-wide total premia or commissions for the two islands. This, along with the lack of any comparative industry statistics, means that Rossborough is also unable to calculate market shares for its competitors.
79. In relation to certain of the sub-categories referred to in the Reed decision, Rossborough has attempted to estimate the pre-Transaction market shares in respect of itself based on the number of policies held in August 2013 as against totals which are estimated on the basis of publicly available information as indicated below. In the marine and travel insurance sub-categories it has unfortunately not been possible to estimate the size of the market or, as a result, Rossborough's share of it.
80. Rossborough would like to caveat the estimates provided by stating that they should not be relied upon and are no more than "best guesses". In relation to commercial insurance, by way of example, Rossborough is not in a position to establish the size of the specific segment in respect of insurance for trusts/trust companies, which means that the overall figures for commercial insurance may be unreliable. The parties anticipate that by providing accurate information about the number of policies held, in addition to the premium and commission information given above, CICRA should be in a position to establish reliable market shares as part of its market investigation process.
81. The parties would also like to direct CICRA's attention (a) to the policy count and revenue figures provided by Giles Insurance in respect of its Channel Islands activities at appendix 16, and (b) the estimated customer numbers and revenue figures provided by AJG in respect of its subsidiaries' Channel Islands customers in response to questions 1.5 and 4.1. It is submitted that the number of policies/customers is *de minimis* in the overall context and does not materially alter the position set out below.

Guernsey market share estimates

82. In relation to the relevant sub-categories in the Reed decision, Rosborough's estimates are as follows:

Sub-category	No. of policies held	Estimated total policies in market	Market share	Source for total
Motor	12,110	60,000-80,000	15-20%	Figures from States of Guernsey statistics
Household and personal property	2,950	20,000-30,000	10-15%	Figures from States of Guernsey statistics
Travel	1,579	n/a	n/a	n/a
Marine	1,683 ²⁰	n/a	n/a	n/a
Commercial/business	6,969	28,000-35,000	20-25%	Yellow pages, various business directories, States of Guernsey
Healthcare	860 (of which 210 under corporate policies)	1,900-2,500	35-45%	Best guess, based on the Managing Director's local knowledge

Jersey market share estimates

83. In relation to the relevant sub-categories in the Reed decision, Rosborough's estimates are as follows:

Sub-category	No. of policies held	Estimated total policies in market	Market share	Source for total
Motor	20,270	65,000-75,000	27-31%	States of Jersey confirm statistics

²⁰ R A Rosborough (Guernsey) Limited provides marine insurance to Guernsey, Jersey and some UK and foreign risks

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				average of 1.5 cars/vans per household
Household and personal property	3,250	34,000-39,000	8-10%	Based on States of Jersey statistics
Travel	2,202	n/a	n/a	n/a
Commercial/business	5,948	30,000-35,000	17-20%	Yellow pages, various business directories, States of Jersey
Healthcare	550 (of which 200 under corporate policies)	1,600-2,200	25-35%	Best guess, based on the Managing Director's local knowledge

Underwriting and management services

84. Ink and OIM are unable to provide estimates of their market shares or that of their competitors due to a lack of publicly available data. However, Ink has provided an analysis of its worldwide income by class of risk for its top 20 products with policy counts as at March 2013. This has been included at appendix 18.

- 4.5** Provide a description of how competition works in the market(s) identified in 4.2 above. For example, do businesses compete on price, service, quality or innovation? What are the customary terms with suppliers and customers?

General Insurance Distribution

85. The insurance distribution market is one characterised by countervailing buyer power and fierce competition by and between suppliers in all areas i.e. price, policy features and/or service. The majority of insurance contracts are for a fixed and short-term duration, usually a one year term. At the end of the policy term, the insurer or intermediary will offer the client the opportunity to renew the policy. It is common for purchasers of insurance on first purchase or at the time of renewal to create an informal tendering process by obtaining premium quotes from a number of different providers, many of whom may be willing to undercut a specified figure in order to obtain the client's business. This process has been made easier and more accessible to consumers by the rise of third-party comparison websites such as comparethemarket.com or moneysupermarket.com, which allow an individual to enter their details once and review different quotes from a number of listed insurers.
86. General insurance is distributed via a variety of different channels within Jersey and Guernsey, including via dedicated intermediaries (insurance brokers) with a local presence, by retail banks and financial institutions, and incidentally by commercial undertakings e.g. travel agents, shipping and removal companies, car dealerships and dentists. Direct sales from insurers in the UK play an important competitive role in the Jersey and Guernsey marketplaces, as they may provide lower quotes than locally established providers due to the elimination of commissions and through lower base costs due to economies of scale. These direct sales may be provided via call centres or proprietary websites, or via third-party comparison sites as mentioned earlier. Locally established brokers such as Rosborough therefore have to differentiate themselves by providing higher levels of service and knowledge of the local market.

Underwriting and management services

87. Managing general agents compete for capacity from insurers by both approaching providers with a proposal on an unsolicited basis but also through tenders issued by the insurers themselves. The method used will depend on the type of product and degree of specialism involved, as well as on the size of the market. The wider the available market, the more likely a tender will be.
88. From the downstream perspective, managing general agents will market themselves to retail brokers via a variety of techniques, including the use of websites, e-shots, visits, conferences etc. Typically, a managing general

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agent will try to distinguish itself by the range and type of products that they offer, the degree of specialism that they hold in a particular area, and on the level of service they provide.

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- 4.6** Provide the contact details for each of the parties' top five competitors (whether located in Guernsey and/or Jersey or abroad) in the market(s) identified in 4.2.

General insurance distribution

89. The contact details for competitors set out below are common to Rossborough and Giles and relate to the general insurance distribution market. Giles has adopted Rossborough's competitors on the grounds that these are likely to be the largest players in the Guernsey and Jersey markets, and that Giles does not have specific knowledge of those marketplaces itself due to its UK-customer focus.

Guernsey market

Islands Insurance (NFU)

Contact name: Mr Peter Rowe
Address: Lancaster Court, Forest Lane, St Peter Port, Guernsey
GY1 1WJ
Telephone: 01481 710731
E-mail: n/a

Heritage

Contact name: Mr Karl Bradley
Address: PO Box 225, Heritage Hall, Le Marchant Street, St Peter
Port, Guernsey, GY1 4HY
Telephone: 01481 704685
E-mail: n/a

Channel Insurance

Contact name: Mr Bob Marquis
Address: PO Box 664, 4 South Esplanade, St Peter Port,
Guernsey. CI. GY1 3PZ
Telephone: 01481 726971
E-mail: n/a

Network Direct

Contact name: Mr Oliver Goater
Address: PO Box 117, Dewhurst House, Weighbridge, St Peter
Port, Guernsey GY1 4ED
Telephone: 01481 701400
E-mail: n/a

Oracle Financial Services

Contact name: Mr Paul Cotterill
Address: 26 Gategny Esplanade, St Peter Port, Guernsey GY1
1WR
Telephone: 01481 727347
E-mail: n/a

Jersey market

Islands Insurance (NFU)

Contact name: Mr Doug Newlands (Managing Director)
Address: Kingsgate House, 55 The Esplanade, St Helier, Jersey,
JE1 4HQ
Telephone: 01534 835383
E-mail: n/a

CCV

Contact name: Mr Andy Sibbald
Address: P.O.Box 85, Union House, Union Street, St Helier,
Jersey, Channel Islands JE4 9PB
Telephone: 01534 702777
E-mail: n/a

Hepburns

Contact name: Mr Paul MacDonald
Address: 6/7 Mulcaster Street, St Helier, Jersey JE4 0QJ
Telephone: 01534 515151
E-mail: n/a

Vantage

Contact name: Mr Richard Packman
Address: PO Box 420, St Helier, Jersey, JE4 0WQ
Telephone: 01534 758875
E-mail: richard.packman@vantage.je

Cherry Godfrey

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Contact name: Mr Tim Wiseman
Address: 5 Charles Street, St. Helier, Jersey JE2 4SF
Telephone: 01534 711666
E-mail: n/a

90. As AJG and its subsidiaries do not actively compete in Guernsey or Jersey (please see comments at section 1.5), they have no specific knowledge of their likely competitors in those marketplaces.

Underwriting and management services

91. Ink has set out contact details for its top five competitors at appendix 19.
92. As noted in response to question 1.5, OIM operates in the UK and does not solicit business from the Channel Islands. OIM has no specific knowledge as regards its competitors for any Channel Islands generated income.

- 4.7** Provide the contact details for each of the parties' top five suppliers (whether located in Guernsey and/or Jersey or abroad) in the market(s) identified in 4.2.

General insurance distribution

93. Giles has set out its contact details for its top five suppliers, both by gross written premium and by income, for the Guernsey and Jersey markets at appendix 20.
94. AJG does not actively operate or market in the Channel Islands and therefore does not have any directly relevant suppliers in this market. AJG does not consider that its top five suppliers (worldwide) are relevant to this application.
95. Rosborough Group has set out its top five suppliers below.

Guernsey market

Insurance Corporation of the Channel Islands

Contact name: Mr Glyn Smith
Address: PO Box 160, Dixcart House, Sir William Place, St Peter Port, Guernsey, GY1 4EY
Telephone: 01481 707551
E-mail: glyn.smith@insurancecorporation.com

Axa Insurance

Contact name: Mr Gary Gates
Address: 5 Old Broad Street, London EC2N 1AD
Telephone: 0118 955 0045
E-mail: gary.gates@axa-insurance.co.uk

Axa PPP Healthcare

Contact name: Andrew Nicol
Address: 5 Old Broad Street, London EC2N 1AD
Telephone: 01892 596023
E-mail: Andrew.nicol@axa-ppp.co.uk

Simply Health

Contact name: Trevor Gaze
Address: Hambleden House, Waterloo Court, Andover, Hampshire, SP10 1LQ

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Telephone: 0845 075 0064
E-mail: trevor.gaze@simplyhealth.co.uk

R K Harrison Insurance Brokers Limited

Contact name: Chris Allen
Address: 155 Fenchurch Street, London, EC3M 6AL
Telephone: 0207 456 9362
E-mail: chris.allen@rkhis.com

Jersey market

Insurance Corporation of the Channel Islands

Contact name: Mr Glyn Smith
Address: PO Box 160, Dixcart House, Sir William Place, St Peter Port, Guernsey, GY1 4EY
Telephone: 01481 707551
E-mail: glyn.smith@insurancecorporation.com

Axa Insurance

Contact name: Mr Gary Gates
Address: 5 Old Broad Street, London EC2N 1AD
Telephone: 0118 955 0045
E-mail: gary.gates@axa-insurance.co.uk

Aviva Insurance

Contact name: Lisa Pattison
Address: St Helens, 1 Undershaft, London EC3P 3DQ
Telephone: 02380 358007
E-mail: lisa.pattison@aviva.co.uk

AIG Europe Limited UK

Contact name: Ann Owen
Address: 58 Fenchurch Street, London, United Kingdom, EC3M 4AB
Telephone: 0207 954 8595
E-mail: ann.owen@aig.com

Chubb Insurance Company of Europe

Contact name: Michael Smith
Address: 106 Fenchurch Street, London, EC3M 5NB
Telephone: 0207 956 5103
E-mail: michaelsmith@chubb.com

Underwriting and management services

96. Ink has set out contact details for its top five suppliers at appendix 19.
97. OIM operates in the UK and has no directly relevant suppliers in the Channel Islands. It does not consider that its top 5 suppliers in the UK or elsewhere are relevant to this application.

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- 4.8** Provide the contact details for each of the parties' top five customers (whether located in Guernsey and/or Jersey or abroad) in the market(s) identified in 4.2.

General insurance distribution

98. Giles has set out its contact details for its top five clients, both by gross written premium and by income, for the Guernsey and Jersey markets at appendix 20.
99. Rosborough Group has set out its top five clients below.

Guernsey market

Ogier

Contact name: Mark Syvret
Address: Ogier House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA
Telephone: n/a
E-mail: mark.syvret@ogier.com

Carey Olsen Group Services Limited

Contact name: Simon Nash
Address: P.O. Box 98, Carey House, Les Banques, St Peter Port, Guernsey, GY1 4BZ
Telephone: n/a
E-mail: simon.nash@careyolsen.com

CQS (Global Services) Limited

Contact name: Michala Wright
Address: 1st Floor, 2 Hill Street, St Helier, Jersey, JE2 4UA
Telephone: 01534 513003
E-mail: michala.wright@cqsglobalservices.com

UBS AG Jersey

Contact name: Carol Graham
Address: 24 Union Street, St Helier, JE2 3RF
Telephone: 01534 701085
E-mail: carol.graham@ubs.com

Medical Specialist Group

Contact name: Ali Gill
Address: Alexandra House, Les Frieteaux, St Martin's, Guernsey,
GY1 3EX
Telephone: 01481 238565
E-mail: alisong@msg.gg

Jersey market

Maples Group

Contact name: Marney Stone
Address: 11th Floor, 200 Aldersgate Street, London, EC1A 4HD
Telephone: n/a
E-mail: marney.stone@maplesandcalder.com

Ogier

Contact name: Mark Syvret
Address: Ogier House, The Esplanade, St Helier, Jersey, JE4 9WG,
Channel Islands
Telephone: 01534 504000
E-mail: mark.syvret@ogier.com

States of Jersey

Contact name: Martin McCarthy
Address: PO Box 140, Cyril le Marquand House, St Helier, Jersey,
JE4 8QT
Telephone: 01534 440288
E-mail: m.mccarthy@gov.je

Sandpiper Topco Limited

Contact name: Jane Ronge
Address: 3 L'ave Le Bas, Longueville, St Saviour, Jersey, JE2 7SS
Telephone: 01534 508403
E-mail: janeronge@sandpiperco.com

Seymours Limited

Contact name: Ian Gray
Address: 1 Wharf Street, St Helier, JE4 0ZX

Telephone: 01534 751602
E-mail: n/a

100. The top five customers for AJG and its subsidiaries in the Channel Islands as taken from the Channel Island 2012 Year income referred to in paragraph 1.5 and 3.1 above are listed in appendix 21. These five customers account for £277,553 (approximately 63%) of the 2012 Year income and relate to commercial property and professional indemnity insurance/D&O (i.e. outside of the *Reed/M.J Touzel* relevant product market).²¹

Underwriting and management services

101. Ink has set out contact details for its top five clients at appendix 19.
102. As noted in response to question 1.5, the AJG Channel Islands income referred to in paragraph 13 of this application may include some income generated by OIM by reason of the nature of its role as a managing general agent. However, given that in the 2012 Year AJG only had an estimated 71 Channel Islands customers in total and that in the first 6 months of 2013 this figure dropped to approximately 27 customers, AJG regards this as de minimis in the context of the application.

²¹ Please note paragraph 102 of this application, however; these customers may include customers of OIM.

- 4.9 Provide the contact details for any trade association or other industry organisation in Guernsey and/or Jersey concerned with the market(s) identified in 4.2.

General insurance distribution

103. RA Rosborough (Insurance Brokers) Limited has "Chartered Insurance Broker" status awarded to it by the Chartered Insurance Institute (<http://www.cii.co.uk/>), which is the main trade association in the United Kingdom for the insurance industry.

Contact name: n/a
Address: n/a
Telephone: n/a
E-mail: charteredfirm@cii.co.uk

Underwriting and management services

104. Although not directly relevant, both OIM Underwriting and Ink are members of the Managing General Agents' Association (<http://www.mgaa.co.uk/>) in the UK, for which the contact details are as follows:

Contact name: Jane Comerford
Address: Managing General Agents' Association, IUA, London
Underwriting Centre, 3 Minster Court, Mincing Lane,
London EC3R 7DD
Telephone: 0207 617 4450
E-mail: info@mgaa.co.uk

- 4.10 Provide details of any joint ownership, agreements or joint ventures among the competitors identified in 4.4.

105. n/a

- 4.11 Discuss the extent to which imports provide actual or potential competition in the market(s) identified in 4.2. (Cover factors such as transport costs, tariffs, quotas, standards, government regulations etc).

106. In relation to the market for general insurance distribution, please see comments above in relation to direct sales from the UK at section 4.5.

107. Imports are not relevant to the market for insurance underwriting and management services, which is geographically at least as wide as the British Isles.

- 4.12** Describe the barriers to entry or expansion that exist for the market(s) identified in 4.2, including, but not limited to, the capital expenditure required, permits or approvals required, planning restraints, health and safety restraints, availability of raw materials, R&D requirements, the necessary intellectual property or expertise, advertising/promotional requirements, and where possible, an estimate of the time required and resources needed to overcome these factors, including an estimate of the extent to which costs are recoverable.

General insurance distribution

108. The principal barrier to entry in the Jersey and Guernsey insurance distribution markets is the regulatory requirement to register either as an insurer or as a provider of insurance mediation services with the JFSC or GFSC to the extent that insurance/mediation business is being carried on, in or from within Jersey or Guernsey for the purposes of the relevant legislation.
109. Aside from this, there are few obstacles to entry or expansion as it is not necessary to establish a physical presence in Jersey or Guernsey in order to market or provide services to local clients. Insurers based in the UK are therefore able to expand their market share in Jersey with relative ease utilising their existing direct and indirect distribution channels which include UK-based or overseas call centres and proprietary websites, as well as via third-party comparison websites. Such insurers are able to leverage their advertising in the national media without specifically targeting the Jersey market. Similarly, financial and commercial institutions with local distribution networks e.g. supermarkets, banks, car dealerships and travel agents, may all use their existing brands to launch the provision of general insurance mediation services as new entrants.
110. In terms of establishing a brokerage/intermediary company with a local presence, the non-regulatory barriers to entry are the same as those associated with establishing any new professional services business i.e. establishing premises, recruiting and/or training suitable staff, complying with employment laws, and attracting custom through advertising in local media.

Underwriting and management services

111. The biggest obstacle to entry or expansion is the obtaining of capacity from insurers. It is necessary to demonstrate to the insurer's satisfaction that a firm has good data, a strong business case and high underwriting skills before they will delegate authority to the managing general agent. In addition, there are regulatory requirements which must be satisfied in order to operate.

- 4.13 Identify separately any competitors that have entered, significantly expanded in, or exited the market(s) identified in 4.2 in the past three years.

General insurance distribution

112. Reed Insurance Associates Limited was acquired by M.J. Touzel (Insurance Brokers) Limited, trading as Islands Insurance in late 2011. There have been no other significant market changes in the last three years.

Underwriting and management services

113. There has been no real significant movement over the last few years, although within the industry there are changes of personnel and strategy that cause variations in fortune from year to year. In general, there has been a growth of managing general agents as larger insurers have cut back on risk appetite.

- 4.14 Identify any firms, currently not in the market(s) identified in 4.2, that could reasonably enter such markets.

General insurance distribution

114. Due to the low barriers to entry and importance of direct sales from the UK, it is particularly likely that new comparison websites may be created which provide competition to the existing distribution channels and that those insurers who currently operate in the UK may begin to market their products and services in Jersey and Guernsey directly.

Underwriting and management services

115. The parties are not currently aware of any potential new entrants.

- 4.15 Provide an assessment of any effects the merger may have within any part of Guernsey or Jersey (identifying any particular parishes/local areas affected), if different than those already described.

116. n/a

- 4.16 Describe any efficiencies and/or customer benefits that the parties expect the merger to bring and provide copies of any documents describing or quantifying efficiencies, cost savings or other benefits, and indicate (if not otherwise contained in the document itself) the date of preparation.

117. Please see response at section 2.1 above.

- 4.17 Identify any product(s) (including raw material(s) or service(s)) for which the combined purchases of the parties will account for more than 10% of the total sales in Guernsey or Jersey of that product or service.

118. n/a

- 4.18** Are there any markets in which one or more of the undertakings concerned is engaged in business activities which are upstream or downstream of a product market in which any of the other parties or undertakings are engaged, regardless of whether there is an existing customer/ supplier relationship?
119. Ink, which is part of the Target group, provides "wholesale" insurance broking and underwriting services, which are upstream of the "retail" insurance distribution services of the Rossborough Group, Giles and AJG subsidiaries provided to Jersey and Guernsey customers. Ink provides its services to the Rossborough Group and to other Channel Islands insurance brokers, as well as to other brokers in the UK (including but not limited to Giles). OIM also provides underwriting and management services as a managing general agent.
120. However, as AJG is keen to increase its revenues from all sources and may have different contacts to those of the Rossborough Group, there is unlikely to be any risk that the merged entity would narrow its services or the business it seeks to undertake and obtain from the Channel Islands. Rather, there would be synergies between OIM and the Rossborough Group in that OIM should be able to provide the Rossborough Group with further opportunities to access new insurance underwriters. The merged entity will continue to process unsolicited business from other locally regulated brokers in the Channel Islands, both via Ink and OIM. This, in combination with the fact that there will continue to be numerous other managing general agents active on the market, as well insurers providing insurance directly to retail brokers, means that there is therefore little risk of input foreclosure arising to the competitors of Rossborough in Jersey and Guernsey.
- 4.19** Provide a brief assessment of any other features that should be taken into account in considering the effect of the merger.
121. Protected cell insurance, currently marketed by AJG's subsidiary in Guernsey, and general insurance products, distributed by Rossborough and to a very limited extent by Giles in Guernsey and Jersey, could be viewed as potentially neighbouring and complementary products which form part of an overall range of products and services provided by insurance brokers. However, the parties submit that there is no risk of conglomerate effects because the merged entity would have little or no incentive or ability to foreclose markets by bundling or tying protected cell insurance with other products. Equally, there are a very small number of clients within Rossborough likely to fit the criteria for a PCC insurance solution. These products are more suited to large corporate insurance buyers.
- 4.20** Identify any trade websites or other sources of information, not previously identified, which to your knowledge may contain information relevant to the assessment of the merger.

122. The Association of British Insurers (<https://www.abi.org.uk/>) or Datamonitor.com (<http://www.datamonitor.com/>) may be useful sources of information in relation to statistics and trends within the UK insurance market generally. As mentioned above, the Managing General Agents' Association may also be of relevance (<http://www.mgaa.co.uk/>).

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5. Public interest considerations (mergers notifiable in Guernsey only)

5.1 For mergers that are notifiable in Guernsey, provide an explanation of why the parties consider that the merger will not be to the prejudice of: consumers, or any class or description thereof; the economic development and well-being of the Bailiwick of Guernsey; and the public interest.

123. The Transaction will help provide a foundation for the provision of additional insurance products to the consumer, providing more choice over product and pricing. It is intended to develop the consumer base locally rather than divert business away from Guernsey.

6. Calculation of fees (mergers notifiable in Jersey only)

6.1 For mergers that are notifiable in Jersey, provide details of how you calculated the merger's fair market value for the purpose of determining the appropriate filing fee.

124. The consideration payable under the SPA is above the £10,000,000 threshold.

Declaration

I declare that:

- The information given herein and in any appendices and attachments hereto is, to the best of my knowledge and belief, accurate and complete, and any opinions expressed herein are sincere.
- All estimates are identified as such and are the best estimates of the underlying facts.
- Photocopies of any documents submitted with this Merger Application Form are exact duplicates of the original documents.
- I have read and am aware of the provisions of Sections 13, 16, 17 and 48 of *The Competition (Guernsey) Ordinance, 2012* and/or Articles 20, 21, 22 and 25 of the *Competition (Jersey) Law 2005* (as applicable).
- I have the authority to sign this declaration on behalf of all parties to the proposed merger or acquisition.²²
- The initial fee required for conducting a first detailed review of the merger has been paid or is submitted with this Merger Application Form.

First

Second (if necessary)

Signed:

Signed:

Name: (block letters)

Name: (block letters)

Company:

Company:

Position: (block letters)

Position: (block letters)

Date:

Date:

For and on behalf of:

For and on behalf of:

²² If necessary, attach signed Power(s) of Attorney or similar written authorisation, showing authority to sign on behalf of the notifying parties.