



Proposed acquisition of the issued
management shares in the core of Hector
Insurance PCC Limited by Marsh Management
Services Guernsey Limited

Case M1428G

Decision

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Guernsey Competition and Regulatory Authority
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Summary

1. Marsh Management Services Guernsey Limited (the “Purchaser”) intends to acquire 100% of the issued shares in the core¹ of Hector Insurance PCC Limited (the “Target”) from Patrick Murrin (the “Seller”). As a result, Hector Insurance PCC Limited will become a wholly owned subsidiary of Marsh Management Services Guernsey Limited. The transaction has been notified to the Guernsey Competition and Regulatory Authority (the “GCRA”) for approval pursuant to section 13 of the Competition (Guernsey) Ordinance 2012 (the “Ordinance”) and Regulation 5 of the Competition (Prescribed Mergers and Acquisitions) (Guernsey) Regulations 2012 (the “Regulations”).
2. The GCRA has determined that the proposed acquisition will not lead to a significant lessening of competition in any relevant market and hereby approves the acquisition.

The Notified Transaction

3. On 16 November 2018, pursuant to Regulation 5 of the Regulations, the GCRA received an application for approval of the purchase of 100% of the issued shares in the core of Hector Insurance PCC Limited by Marsh Management Services Guernsey Limited from Patrick Murrin.
4. The GCRA registered its receipt of the application by posting a notification on its website on 16 November 2018. It invited comments by 5pm on Friday 30 November. No submissions were received.

The Parties

5. The Purchaser is a limited company, incorporated and registered in Guernsey. Its ultimate parent company is Marsh & McLennan Company Inc., which is listed on the New York Stock Exchange. The Purchaser provides insurance management services to its clients.
6. The Target is a licensed insurer and a protected cell company, incorporated and registered in Guernsey.

¹ Under Guernsey law (the Companies (Guernsey) Law 2008), a protected cell company is a single legal entity, comprised of a “core” and any number of “cells”. The shares in the “core” of the PCC (generally) are ordinary (voting) shares. The shares in each cell are non-voting redeemable shares.

7. The insurance management industry in Guernsey makes use of protected cell companies (“PCCs”) to provide insurance solutions to clients in a variety of different ways. Where a “facility company” PCC type arrangement is used, the insurance manager owns the voting shares in the core of the PCC. The non-voting shares in the various cells are owned by the insurance manager’s clients, who carry out licensed insurance activities in the “cell”. The economic benefit of the activity carried on in any particular cell accrues to the client renting the cell. Nevertheless, the voting rights in respect of the PCC (which includes the cells) are held by the insurance manager.
8. The Target provides insurance management services to its clients, all of whom are located outside of Guernsey, through Hector Insurance PCC Limited, a protected cell company in which the Seller owns 100% of the core (voting) shares.

Requirement for GCRA Approval

9. Under Regulation 2(a), (b) of the Regulations, an undertaking is involved in a merger or acquisition if it is acquiring, or being acquired by, another undertaking.
10. On completion of the notified transaction, the Purchaser will acquire 100% of the shares in the Target. Both the Purchaser and the Target are therefore involved in a merger for the purposes of the Regulations.
12. Under section 13(1) of the Ordinance, certain mergers must be notified to, and approved by, the GCRA before they can be put into effect.
13. Regulation 1 of the Regulations provides that mergers must be notified to the GCRA for clearance if:
 - a. The combined Channel Islands turnover of the undertakings involved in the merger exceeds £5 million; and
 - b. Two or more of the undertakings involved in the merger have Guernsey turnover exceeding £2 million.
14. The Target is a single corporate entity and any clients renting cells of the Target have no voting rights in respect of that entity. At the date of completion, the Seller will hold (and will transfer to the Purchaser) 100% of the voting rights in respect of the whole of the Target (core and cells) and so the turnover of the Target includes the Guernsey turnover of both the core and of the cells of the Target.

15. The turnover of an undertaking is generally deemed to arise in the place where its customers are located. However, in the case of an insurance undertaking², turnover is deemed to arise in the place where it receives the gross premiums³.
16. The cells of the Target are insurance undertakings as defined by Guernsey law. The Target is a Guernsey registered company and so the value of the gross written premiums received by its cells constitute Guernsey turnover, notwithstanding the fact that the risks insured through those cells are not based in Guernsey.
17. On that basis, according to the information submitted by the notifying parties:
- a. The combined Channel Islands turnover of the Purchaser and the Target exceeds £5 million in the Channel Islands; and
 - b. The Guernsey turnover of both the Target and the Purchaser exceeds £2 million.
18. On the basis of these facts, pursuant to the Regulations and section 13(1) of the Ordinance, the GCRA's approval is required before the acquisition is executed.

Effect on Competition

19. Pursuant to section 13(2) of the Ordinance, the GCRA must not grant approval of a merger unless it is satisfied that it:
- a. Would not substantially lessen competition within any market in Guernsey for goods and services; and
 - b. Would not be to the prejudice of consumers, the public interest and the economic development and well-being of the Bailiwick.
20. The Target provides insurance management solutions to clients, none of whom are based in Guernsey. The risks underwritten by those clients through the cells of the Target are also situated wholly outside of Guernsey.

² An "insurance undertaking" means an insurance business as defined in the Insurance Business (Bailiwick of Guernsey) Law, 2002 (Regulation 8(1), Turnover Regulations), which defines "insurance business" as the business of accepting risks by effecting or carrying out contracts of insurance, whether directly or through an agent (Insurance Business (Bailiwick of Guernsey) Law 2002, Schedule 5).

³ Regulation 1(2)(a), (c) of the Regulations.

21. Because the activities of the Target take place entirely outside of Guernsey, they have no effect on any relevant market in Guernsey. It follows that the acquisition of the Target will not affect the competitive strength of the Purchaser in Guernsey, either through increasing its share of any relevant market in Guernsey or by creating anti-competitive vertical foreclosure of any market in Guernsey.

22. On that basis, the GCRA is satisfied that the merger:

- a. Would not substantially lessen competition within any market in Guernsey for goods and services; and
- b. Would not be to the prejudice of consumers, the public interest and the economic development and well-being of the Bailiwick.

Third Party Views

23. No third party concerns were raised in respect of the transaction.

Conclusion

24. For the reasons set out above, the GCRA hereby approves the transaction under section 13(2) of the Ordinance.

3 December 2018

By order of the GCRA Board