

DEPARTMENT OF ECONOMIC DEVELOPMENT

NO. 1356

17 OCTOBER 2019

COMPETITION COMMISSION

NOTIFICATION TO APPROVE WITH CONDITIONS THE TRANSACTION INVOLVING:

MMC TREASURY HOLDINGS (UK) LIMITED

AND

JARDINE LLOYD THOMPSON GROUP PLC

CASE NUMBER: 2018DEC0033

The Competition Commission hereby gives notice, in terms of Rule 38 (3)(c) of the Rules for the Conduct of Proceedings in the Competition Commission, that it has approved the transaction involving the above-mentioned firms subject to conditions as set out below:

1. On 19 December 2018 the Competition Commission received notification of an intermediate merger in terms of which MMC Treasury Holdings (UK) Ltd ("MMC Treasury") intends to acquire the entire issued share capital of Jardine Lloyd Thompson Group PLC ("JLT").
2. MMC Treasury is a wholly owned subsidiary of Marsh & McLennan Companies Inc. ("MMC"). MMC is a global professional services firm that offers client advice and solutions in areas of risk, strategy and people. In South Africa, MMC's activities consist of short-term (or non-life) insurance broking, short-term reinsurance broking and employee benefits related services. In this regard, MMC offers short-term insurance broking to commercial and corporate customers.
3. JLT is not controlled by any single or group of firms and as at the date of the filing, its largest shareholders were JMH Investments Ltd (40.16%) and MFS Investment Management (7.01%). Similar to MMC, JLT also offers short-term insurance broking, short-term reinsurance broking and employee benefits related services.

4. The Commission considered the activities of the merging parties and found that they overlap in the provision of short-term insurance broking, short-term reinsurance broking and employee benefits related services. In particular, the Commission found that both merging parties offer short-term insurance broking services to corporate and commercial customers. With regard to employee benefits-related services, the merging parties offer employee benefits consulting services and healthcare insurance consulting services.
5. In defining the relevant markets, the Commission relied on domestic case law and concluded on the markets for (i) short-term commercial insurance broking, (ii) short-term corporate insurance broking, (iii) short-term reinsurance distribution, (iv) employee benefits consulting services, and (v) healthcare insurance consulting services.
6. Regarding the geographic market, the Commission found that the merging parties compete on a national basis for the provision of the broking services across the abovementioned product markets. The Commission also found that even though there are some international firms, (e.g. JLT has its head offices in England) brokers require offices in South Africa (domestic footprint) to offer customer services. To this end, the Commission considered the proposed transaction in the national markets for (i) short-term commercial insurance broking, (ii) short-term corporate insurance broking, (iii) short-term reinsurance distribution, (iv) employee benefits consulting services, and (v) healthcare insurance consulting services.
7. The Commission's competitiveness assessment revealed that the merged entity is likely to hold less than 5% and less than 30% market shares in the national markets for short-term commercial and corporate insurance broking, respectively. The Commission also found that the merged entity's customers have some level of countervailing power in the aforementioned markets. In particular, corporate and commercial customers are able to timeously switch brokers without incurring costs.
8. Regarding the market for short-term reinsurance distribution, the Commission found that the merged entity will hold less than 35% market share, with minimal accretion. In this

regard, the Commission took the view that the percentage market share accretion is insignificant and as such will not provide the merged entity with the ability to exercise market power. The investigation also revealed that insurers (customers to reinsurance broking services) have vast knowledge of insurance and are, therefore, likely to possess some level of countervailing power.

9. Lastly, the investigation revealed that the merged entity will hold less than 10% market share in the broad national market for employee benefits-related services. In the national markets for employee benefits consulting services and retirement consulting services, the merged entity is also likely to hold less than 2% and less than 20% market shares, respectively. Regarding healthcare consulting services, the Commission did not find any reliable source of data to estimate market shares. However, the Commission found that the merged entity will continue facing competition from alternatives such as NMG, ASI, Alexander Forbes and Towers and Watson.
10. On the basis of the above, the Commission concluded that the proposed transaction is unlikely to substantially prevent or lessen competition in any of the relevant markets.
11. Notwithstanding the above, the Commission noted that Mercer Africa Ltd, a subsidiary of MMC holds a non-controlling interest in Alexander Forbes Group Holdings Ltd ("Alexander Forbes"), a competing firm. In this regard, the Commission found that MMC can appoint directors at Alexander Forbes. The Commission has imposed a condition which will ensure that there are no common directors between MMC Treasury and Alexander Forbes in future.
12. The Commission also considered public interest and found that the proposed transaction is likely to result in retrenchments in the merged entity. The Commission further found that some of these employees are unskilled employees with only a matric or lower level qualification. In this regard, the Commission requested that the merging parties retain these employees. The merging parties agreed to a merger condition which would ensure that these unskilled employees are not retrenched for at least two (2) years. The Commission set a limit on the number of skilled employees to be retrenched as a result of the proposed

transaction. To this end, the Commission imposed a condition which will ensure that the merging parties do not retrench more than the identified skilled employees.

13. In light of the above, the Commission approves the proposed transaction subject to the attached conditions.