



DETERMINATION OF MERGER NOTIFICATION M/08/031-AON/BENFIELD

Section 21 of the Competition Act 2002

Proposed acquisition of sole control by Aon Corporation of Benfield Group Limited

Dated 20/10/2008

Introduction

1. On 6 October 2008 the Competition Authority (the "Authority"), in accordance with section 18(1)(a) of the Competition Act, 2002 ("the Act") was notified, on a mandatory basis, of the proposed acquisition of sole control by Aon Corporation ("Aon") of Benfield Group Limited ("Benfield").
2. The proposed transaction will be effected by means of the acquisition, under the Bermuda Companies Act, of Benfield by Aon Benfield (Bermuda) Ltd., an indirect wholly-owned subsidiary of Aon registered in Bermuda and established for the purpose of acquiring Benfield. It is intended that the new company will be named Aon Benfield Group Limited and will continue as a Bermuda exempted company.

The Undertakings Involved

The Acquirer

3. Aon is a company incorporated in Delaware in the United States and is listed on the New York Stock Exchange. Aon is not controlled by any single party.
4. Aon acts as an advisor for both primary insurance and reinsurance, helping clients manage their risks, as well as negotiating and placing insurance and reinsurance risk with insurance and reinsurance carriers through its global distribution network. Aon also provides consulting services to clients in relation to employee benefits, compensation, management consulting, communications, strategic human resource consulting, financial advisory and litigation services consulting, and human resource outsourcing.
5. In the State, Aon is involved primarily in the provision of primary non-life insurance. It also offers a range of consultancy services in the State, together with management services to captive insurance companies (i.e. in-house insurance companies established by large corporate companies to serve their own primary insurance needs). Aon has limited reinsurance operations in the State.

The Target

6. Benfield is a publicly quoted company incorporated in Bermuda and listed on the London Stock Exchange. No single party controls Benfield.
7. Benfield's main business is reinsurance distribution. In addition to placing primary insurers' risks with reinsurers, Benfield offers ancillary services, including actuarial consulting, catastrophe modelling, and rating agency consultancy. A large part of Benfield's reinsurance distribution services are generated by property catastrophe reinsurance, covering insurers' large potential exposures due to catastrophic events such as hurricanes, floods, earthquakes or man-made disasters, and casualty insurance, for the reinsurance of insurers' liability risk portfolio.
8. The remainder of Benfield's business comprises Benfield Corporate Risk (primary insurance distribution), Benfield Advisory (general corporate finance consulting services), and Paragon (providing consulting services to property and casualty insurers and reinsurers in the US and Bermuda). Benfield also derives limited revenues from licensing its actuarial and catastrophe modelling proprietary software to third parties under its ReMetrics brand.
9. Benfield is active in the State through its wholly-owned subsidiary Benfield Limited, a company incorporated in the United Kingdom. In the State, Benfield is involved in the provision of both primary insurance brokerage services and reinsurance brokerage services.

Analysis

10. There is horizontal overlap between the parties in the State in primary insurance distribution (including both insurance sold directly to customers and insurance sold via intermediaries) and global reinsurance distribution (placed both directly by reinsurers and via intermediaries). However, this horizontal overlap is minimal.
11. With regard to primary insurance activities, the parties' market shares in the State are not significant: Aon's share of supply in the State in 2007 for non-life insurance premiums (placed both directly and through intermediaries) is estimated to be around [5-15] per cent. Benfield's share of the same market was approximately [0-5] per cent.
12. With regard to reinsurance distribution, the parties' activities in the State are limited: in 2007 Aon's revenue amounted to €[...] while Benfield's revenues in the same year amounted to €[...]. Following the proposed transaction, the merged entity will remain subject to vigorous competition on the global reinsurance market from both reinsurance intermediaries and reinsurers (including Guy Carpenter/Marsh, Munich Re, Swiss Re and Willis). Barriers to expansion are low; there are no physical, regulatory, or economic constraints that would prevent a reinsurance broker from increasing substantially its handled premium in a short time period. In addition, over 80 per cent of primary insurance companies who cede risk to reinsurers use both intermediary and direct channels, which means that switching is a common occurrence and easily effected by an insurer client.

13. There is no vertical overlap between the parties in the State. Although Aon is active in other consulting areas, such as employee benefits, compensation, management, communications, strategic human resource, and human resource outsourcing consultancy, it is not engaged in business activities in the State in a product market which is upstream or downstream of those product areas in which Benfield is engaged (i.e. insurance distribution services).
14. For all the reasons set out above, the Authority believes that the proposed transaction will not result in a substantial lessening of competition in the State.

Determination

15. The Authority, in accordance with section 21(2)(a) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition of sole control by Aon Corporation of Benfield Group Limited will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, the acquisition may be put into effect.

For the Competition Authority

Dr. Paul K. Gorecki
Member of the Competition Authority