

Completed acquisition by Crawford & Company Adjusters (UK) Limited of GAB Robins Holdings UK Limited

ME/6503/14

The CMA's decision on reference under section 22(1) of the Enterprise Act 2002 given on 17 March 2015. Full text of the decision published on 8 April 2015.

Please note that [X] indicates figures or text which have been deleted or replaced in ranges at the request of the parties for reasons of commercial confidentiality.

SUMMARY

1. On 1 December 2014, Crawford & Company Adjusters (UK) Limited (**Crawford**) acquired GAB Robins Holdings UK LTD (**GAB**) (the **Merger**). Crawford and GAB are together referred to as the **Parties**.
2. The Competition and Markets Authority (**CMA**) considers that the Parties have ceased to be distinct and that the share of supply test is met. The four-month period for a decision has not yet expired. The CMA therefore considers that a relevant merger situation has been created.
3. The Parties overlap in the supply of claims management and loss-adjusting services in the UK. The CMA considers that it is likely that separate frames of reference exist for claims management and loss-adjusting services that are provided for property, casualty, motor and aviation claims. The CMA has therefore assessed the impact of the Merger in these claim segments in the UK.
4. Overall, the CMA has found that the Parties' have relatively low shares of supply, there is limited evidence of close competition between the Parties pre-Merger, numerous other competitors will remain in the market, and customers did not raise any material concerns.
5. As a result of these constraints, the CMA does not believe that it is or may be the case that the Merger has resulted, or may be expected to result, in a

substantial lessening of competition within any market or markets in the UK for goods or services.

6. The Merger will therefore **not be referred** under section 22(1) of the Enterprise Act 2002 (the **Act**).

ASSESSMENT

Parties

7. Crawford is a claims management company that provides outsourced claims management and loss-adjusting services to insurance companies, brokers, reinsurers, and self-insured corporations worldwide. Crawford also provides certain services direct to policyholders. Crawford's turnover in the financial year ended 31 October 2013 was around £744.1 million worldwide and around £[~~744.1~~] million in the UK.¹
8. GAB provides outsourced claims management and loss-adjusting services to the general insurance sector, predominately in the UK. It also has a 59% shareholding in GAB Robins Aviation. Following the Merger, the owners of the residual 41% of GAB Robins Aviation will retain their current shareholding. GAB's turnover in the financial year ended 31 December 2013 was around £69 million worldwide and around £[~~69~~] million in the UK.²

Transaction

9. Crawford has acquired the entire issued share capital of GAB and a 59% shareholding in GAB Robins Aviation.

Jurisdiction

10. As a result of the Merger, the enterprises of Crawford and GAB have ceased to be distinct.
11. The Parties overlap in the supply of claims management and loss-adjusting services in the UK. Based on evidence from the Parties and third parties, the CMA has estimated that the Parties have a combined share of supply of between [30–40]% and [40–50]% (with an increment of between [10–20]% and [20–30]%) in the supply of claims management and loss-adjusting

¹ Crawford's audited turnover for 2014 is not yet available.

² GAB's audited turnover for 2014 is not yet available.

services for property claims. The CMA therefore considers that the share of supply test in section 23 of the Act is met.

12. The Merger completed on 1 December 2014 and the CMA was informed about it on the same day. The four-month deadline for a decision under section 24 of the Act is 1 April 2015.
13. The CMA therefore believes that it is or may be the case that a relevant merger situation has been created.
14. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 5 February 2015 and the statutory 40 working day deadline for a decision is therefore 1 April 2015.

Counterfactual

15. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual). For completed mergers, the CMA generally adopts the pre-merger conditions of competition as the counterfactual against which to assess the impact of the merger. However, the CMA will assess the merger against an alternative counterfactual where, based on the evidence available to it, it considers that, in the absence of the merger, the prospect of these conditions continuing is not realistic, or there is a realistic prospect of a counterfactual that is more competitive than these conditions as between the merging parties.³
16. In this case, there is no evidence supporting a different counterfactual and the Parties and third parties have not put forward arguments in this respect. Therefore, the CMA considers the pre-Merger conditions of competition to be the relevant counterfactual against which to assess the Merger.

Background

Activities of claims management companies

17. Claims management involves the handling of an insurance claim. This can be either handled in-house by the insurance company or outsourced to third parties such as Crawford and GAB.

³ [Merger Assessment Guidelines](#) (OFT1254/CC2), September 2010, from paragraph 4.3.5. The [Merger Assessment Guidelines](#) have been adopted by the CMA (see [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2), January 2014, Annex D).

18. Upon notification of a claim, a claim handler investigates the claim, determines liability and evaluates the damage. There may be a stage of negotiation over sums payable before settlement and closure of the claim.
19. Claims managers and loss adjusters may also provide services directly to policyholders. These services typically include surveying and property reinstatement services, which involve establishing what repair work needs to be completed, and then managing these repairs.
20. Claims managers and loss adjusters manage outsourced claims and may be responsible for the entire 'end-to-end' procedure of a claim, or may be involved with only certain aspects of the claim, such as the investigation and evaluation of a claim (loss-adjusting). The extent to which a claims manager is involved in a claim depends on the extent of the authority delegated to them by the customer, the insurer, reinsurer, broker or self-insuring corporation.
21. The European Commission (the **Commission**) has previously considered the work of claims managers and loss adjusters in CVC/Cunningham Lindsey Group.⁴ The Commission considered four separate markets for claims management activities, but did not conclude on whether these were separate markets. The four segments considered were:
 - loss adjustment services (determining liability and evaluating the cost to the insurer);
 - claims management services (handling a claim from start to finish, typically covering all activities from first notification of loss through to settlement and payment);
 - loss consultancy services (consulting on how to prevent future losses); and
 - property reinstatement services (providing repair or replacement for lost/damaged property after a claim).

Frame of reference

22. The CMA considers that market definition provides a framework for assessing the competitive effects of a merger and involves an element of judgement. The boundaries of the market do not determine the outcome of the analysis of the competitive effects of the merger, as it is recognised that there can be constraints on merger parties from outside the relevant market, segmentation

⁴ COMP/M.6752 - [CVC/Cunningham Lindsey Group](#).

within the relevant market, or other ways in which some constraints are more important than others. The CMA will take these factors into account in its competitive assessment.⁵

23. In this case, the CMA notes that there is very little (if any) demand-side substitution among the different services that the Parties supply. That is, customers will not switch between those different services as a result of a price increase or decreased quality in one of those services as the services offered are specific to a certain type of loss.
24. In relation to supply-side substitution, the CMA considers narrow relevant markets may be aggregated when:
 - (a) firms have the ability and incentive to quickly switch assets used in different demand-side markets to another demand-side market; and
 - (b) the same firms compete to provide these different demand-side products and the conditions of competition are the same for each product.⁶

Product scope

25. The Parties overlap in the supply of outsourced insurance claims management services. The CMA considered whether an overlap exists for insurance claims relating to life insurance and general insurance, and specific segments within these types of insurance.
26. In relation to life insurance, neither party is active in the supply of outsourced claims management services. Therefore, the CMA has not considered this segment further.
27. In relation to general insurance, the Parties overlap in the provision of outsourced insurance claims management services in a number of sub-segments, including:
 - property (which relates to damage caused to buildings, contents and other personal property);
 - casualty (also known as liability, which relates to claims arising from negligent acts or omissions by a person or organisation);

⁵ [Merger Assessment Guidelines](#), paragraph 5.2.2.

⁶ [Merger Assessment Guidelines](#), paragraph 5.2.17.

- motor (which relates to claims made under motor insurance policies); and
- aviation (which relates to claims made after accidents and/or damage to aircraft and can include some casualty claims that occur in airports).⁷

Supply side substitution

Segmentation by insurance line

28. The CMA considered whether outsourced claims should be segmented by the insurance line, namely: property; casualty; motor; and aviation.
29. The Parties submitted that a single market exists across general insurance claims due to the ease of demand- and supply-side substitutability and that numerous competitors provide services across all insurance lines and the ease of using existing resources across all lines. The Parties also noted that there is no common definition for each line of insurance with many claims being capable of being categorised under multiple lines.
30. The CMA considered whether claims management companies have the ability and incentive to respond to a small but significant and non-transitory increase in price (**SSNIP**) on one insurance line by switching resources from other insurance lines.
31. The Parties informed the CMA that they have specialised staff dealing with different insurance lines. For example, staff dealing with property claims may have construction-related professional qualifications and may be chartered surveyors. These skills may be less necessary for desk-based jobs although experience of dealing with motor insurance claims is preferred for desktop claims handlers for motor claims. The CMA notes that both GAB and Crawford have dedicated parts of their business dealing with aviation, casualty and property lines. It is therefore not clear that claims managers and loss adjusters are able to quickly switch staff working on one type of insurance line to another.
32. The CMA has limited information on comparative margins across the different insurance lines. [X]. GAB reported a margin of [X]% on aviation claims management work in 2013, whilst its overall margin, including all work, was [X]%.⁸ The difference in margins could suggest that in the event of a price

⁷ There is a wide range of claims in this area and these do not solely involve large aviation disasters. Third parties have informed the CMA that claims management work for this segment consists of loss adjusting alone (ie the investigation and evaluation of loss).

⁸ Source: The Parties Notification of 13 January 2015.

increase claims managers and loss adjusters may not have the incentive to switch resources to a lower margin line of insurance.

33. The CMA notes that the Parties do not face the same competitors and conditions of competition across the range of insurance lines. The Parties submitted that they face significant competitors such as [X] and [X] in particular insurance lines (motor insurance and aviation, respectively), that are weaker competitors in other insurance lines, if they are competing at all.
34. There are a limited number of multi-line adjusters, such as Cunningham Lindsey and Davies, which the Parties face across all insurance lines. The CMA considers that the fact that the Parties do not face the same competitors and conditions of competition across all insurance lines suggests supply-side substitution may not occur.
35. On the basis of the evidence above, it is not clear that (i) firms have the ability and incentive to respond to a SSNIP in one insurance line by switching resources to compete in that segment; and (ii) the same firms compete to provide these insurance lines or that the conditions of competition are the same for each insurance line.
36. Therefore, the CMA considers there to be a separate frame of reference for each general insurance line namely: property; casualty; motor; and aviation.

Segmentation by activity carried out by claims manager

37. From the information provided by the Parties it is apparent that most of Crawford's and GAB's revenues are derived from managing property claims.⁹ The CMA has therefore focused on how property claims are managed.
38. As noted above, the Commission has previously considered that the claims management market could be segmented into loss-adjusting, claims management services, loss consultancy services and property reinstatement services, but did not reach a conclusion as to whether these were separate product markets.¹⁰
39. Based on the information available, the CMA has considered whether further segmentation of the property claim frame of reference by loss-adjusting services, wider claims management services, and reinstatement services is appropriate.

⁹ The CMA's analysis shows that some [X]% of Crawford's revenue in the UK originates from outsourced property management claims while for GAB the comparable figure is [X]%.
¹⁰ See footnote 2 above.

40. On the basis of the evidence available to the CMA, it appears that the ability of claims managers and loss adjusters to switch resources, particularly staffing resources, from one activity to another is limited. Loss adjusters and surveyors have specific skills and technical expertise, such as qualifications and accreditations from the Chartered Institute of Loss Adjusters and the Chartered Insurance Institute, whilst staff working on desktop processing of claims and other claims management activities are more likely to have less technical expertise. This is likely to limit the ability of claims managers and loss adjusters to switch resources between activities and prevent supply-side substitution.
41. The CMA next considered whether claims managers and loss adjusters face the same competitors across the different activities. It appears that there are a number of competitors that are active across all activities, for example Cunningham Lindsey and Davies, whilst there are other competitors that provide loss-adjusting services but not certain claims management services (for example, the handling of high volume claims), such as QuestGates.
42. However, the CMA notes that whilst the activities tendered for differ in the extent to which they could be considered as claims management work or loss-adjusting work, a range of competitors, including those discussed above, compete across all work that is on offer. The CMA considers that whilst it is likely that competitors are differentiated by their ability to carry out the entire range of claims management activities, all appear to compete for this work. The CMA also notes that in half of the tender documents it has seen for claims management/loss-adjusting work, customers are willing to accept bids from consortia or allow their customers to subcontract services that they cannot provide.
43. In addition, the definition of whether certain activities are considered loss-adjusting or claims management activities is sometimes ambiguous. For example, desktop handling and valuation of routine, low value claims could be classified as loss-adjusting or claims management activity. For practical purposes, a clear delineation between activities is often not necessary for a claims manager/loss adjuster and its customer. The range of activities carried out by loss adjusters and claims managers is a continuum, with specialist outsourced loss-adjusting activities at one end, and full outsourced claims handling (for example, the operation of a white labelled claims handling centre) at the other end.
44. The CMA notes that claims managers may not have the ability to switch resources to alternative activities, but notes that broadly the same set of competitors compete across all work activities, or could do so by subcontracting elements of its work. Given the practical difficulties in

assessing the boundaries of activities carried out by claims management companies/loss adjusters, the CMA has not concluded on whether a separate frame of reference exists segmented by the type of activity carried out. However, in its competitive assessment the CMA considers whether there are any specific activities where the Parties face a weaker competitive constraint compared to the constraint that it faces in the wider frame of reference.

Conclusion on product scope

45. For the reasons set out above, the CMA has considered the impact of the Merger in relation to the following product frames of reference:
- Property claims, split by loss-adjusting services, wider claims management services, and property instatement services.
 - Motor claims.
 - Casualty claims.
 - Aviation claims.
46. However, it was not necessary for the CMA to reach a definitive conclusion on the product frame of reference, since, as set out below, no competition concerns arise on any plausible basis.

Geographic scope

Geographic scope for claims management services excluding aviation

47. The Parties submitted that the appropriate geographic scope for the services in question is national. The Parties argued that whilst Crawford is a global business, GAB's business is almost exclusively based in the UK and therefore adopted a national scope on a cautious basis.
48. In CVC/Cunningham Lindsey Group, the Commission considered that the market for claims management services was likely to be national in scope due to the need for site visits, the need for local knowledge and language abilities and the national management of claims management firms. However, the Commission did not conclude on the question of the geographic market.
49. Customers have identified the need for a representative of a claims management company (the loss adjuster), to visit the scene of a claim as an important factor in choosing a claims manager. A physical presence is required for a claims manager to fulfil many functions such as the investigation, and evaluation, of a claim.

50. The CMA notes that outsourced claims managers and loss adjusters tend to have a wide network of regional offices. For example, Crawford currently has offices in Belfast, Bristol, Glasgow, Hull and London, (among others),¹¹ whilst GAB currently has offices in Birmingham, Brighton, Glasgow and London, (among others).¹² Third parties told the CMA that staff of claims management companies, particularly loss adjusters, involved in loss-adjusting, tend to work from home and were required to travel to the site of a claim in order to work.
51. Third parties submitted that they would use claims managers not based in the UK, if those suppliers were able to meet their requirements. One third party stated that due to new technology, claims managers and loss adjusters could be based anywhere, particularly in relation to back office functions.

Geographic frame of reference for aviation claims management services

52. The Parties submitted that the geographic frame of reference for aviation claims was global given the fact that planes fly across borders and continents.
53. Customers requiring claims management services for aviation claims have the same requirements for their claims manager/loss adjuster to be able to visit the scene of a loss as those discussed above.
54. The CMA notes that claims managers and loss adjusters active in providing aviation claims services appear to have a global network of loss adjusters.¹³
55. Comments from third parties suggested that customers require their loss adjusters for aviation claims to be able to reach any international location quickly and the location of a claims manager is unimportant and that they source aviation claims services internationally.

Conclusion on geographic frame of reference

56. For the reasons set out above, the CMA considers the geographic frame of reference in relation to property, casualty and motor claims management services to be the UK and that the aviation loss-adjusting market is likely to be wider than the UK. However, it has not been necessary for the CMA to conclude on the geographic frame of reference, for any of the product frames of reference, since, as set out below, no competition concerns arise on any plausible basis.

¹¹ See [Crawford's website](#).

¹² See [GAB's UK Directory](#).

¹³ See for example [Crawford's list of technical service adjusters](#); [GAB's list of global contacts](#); and [Charles Taylor's list of locations for aviation loss adjusting](#).

Competitive assessment

Horizontal unilateral effects

57. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged firm profitably to raise prices or degrade quality on its own and without needing to coordinate with its rivals.¹⁴ Horizontal unilateral effects are more likely when the merger parties are close competitors. In this case, the CMA has assessed whether it is or may be the case that the Merger has resulted, or may be expected to result, in a substantial lessening of competition as a result of unilateral horizontal effects in relation to each of the frames of reference identified above.

Property claims

Market shares

58. On the basis of information provided by the Parties and third parties, the CMA estimated that the Parties have a combined share of supply of between [30–40] and [40–50] % in relation to property claims. Insufficient data was available to allow the CMA to establish share of supply estimates split by activity for loss-adjusting, claims management work, and property reinstatement work.
59. Nevertheless, the CMA has considered the competitors that the Parties face and assessed their ability to exert a competitive constraint across each line of activity. Table 1 below provides a non-exhaustive list of some of the competitors that the Parties face.

¹⁴ [Merger Assessment Guidelines](#), from paragraph 5.4.1.

Table 1: competitors in loss-adjusting/claims management for property claims

Loss-adjusting	Claims management	Property reinstatement
Cunningham Lindsey Davies VRS QuestGates Woodgate and Clark Stream AED adjusting Lucas Claims Charles Taylor Quadra Specialist providers for high net worth and specialist claims (for example, Criterion)	Cunningham Lindsey Davies VRS 100+ third party administrators	Cunningham Lindsey Davies VRS QuestGates Various maintenance companies such as SBS, Servicemaster, and Belfor

Bidding data

Bidding data from the Parties

60. Both Crawford and GAB provided bidding data that identified the competitors faced in tenders for claims management and loss-adjusting work. GAB provided bidding data from January 2013 to November 2014 and Crawford from April 2013 to November 2014. Over this period, Crawford bid for [REDACTED] contracts and GAB bid for [REDACTED].¹⁵
61. Crawford competed for [REDACTED] contracts relating to property claims and GAB for [REDACTED]. GAB stated that all the contracts it competed for included elements of all stages of claims management work: investigation, evaluation, negotiation and settlement. Crawford stated that it bid for work that required investigation in all instances and that the majority of the work had elements of evaluation and settlement.¹⁶
62. On the basis of this information, it appears that the Parties competed against each other on [REDACTED] occasions. This represented [REDACTED]% of the times that Crawford tendered for work and [REDACTED]% of the time that GAB tendered for work. GAB competed against [REDACTED] more frequently than it competed against Crawford for property claims ([REDACTED] times) whilst Crawford faced [REDACTED] times.[REDACTED].

¹⁵ It should be noted that there are some inconsistencies in the data provided. There are instances where GAB has stated that it faced Crawford in a tender process but these instances do not appear to be listed in the Crawford bidding data set. There are a number of instances also where Crawford states that it is bidding against 'various' or 'unknown' competitors, that could, in theory, be GAB.

¹⁶ However, the Parties have provided strong caveats to this data stating that categorising work this way is not standard practice.

63. On the other [redacted] occasions, the Parties won three times and a range of other competitors were successful including [redacted], [redacted] and [redacted].
64. The CMA notes that the Parties also faced [redacted] on each occasion where they faced each other. A range of competitors also competed in individual tender processes, with an average of at least four firms competing in each tender process.

Bidding data from customers

65. The CMA also collected data from the Parties' customers to establish who had competed to supply these customers with claims management and loss-adjusting services for property claims.
66. Third party customers provided information on [redacted] property tender processes. [redacted]. Both Parties faced other competitors such as [redacted] in these tender processes.

Information on insurer's panels

67. The CMA also considered evidence relating to insurer's panels that the Parties sit on. Many insurers tender for a panel of claims managers/loss adjusters to provide them with services. These panel members tend to have preferred status with their customers, although the CMA has been told that often no guarantees of work are made. The panel therefore provides another competitive constraint on claims managers, as customers have a choice of panel members to allocate work between.
68. The CMA gathered evidence from the Parties and customers relating to the panels of 12 insurers (22 panels in total). Sixteen of these panels relate to property claims, across eight insurers. These eight insurers account for some 48% of the market for property insurance.
69. Both Parties are present on only two of these 16 panels, with Cunningham Lindsey and VRS also sitting on these panels. No third party concerns were raised arising from the Parties' position on insurers' panels.

Constraint from self-supply

70. The Parties submitted that their customers also act as a considerable constraint given their ability to manage claims in-house. The CMA has considered the constraint provided by in-house claims management, and notes that these arguments also apply for outsourced property, casualty and

motor claims. Responses from customers suggested that their ability to take work in-house will vary depending on the nature of the activity.

71. The majority of customers stated that claims management was a 'core activity' of insurers and something that they preferred to do in-house. All third party customers responding to the CMA stated that they primarily outsourced certain aspects such as loss-adjusting. Eight out of nine customers that responded to the CMA's market testing specifically cited a lack of in-house expertise as a reason for outsourcing loss adjusting work and stated that this was a function that would be unlikely to be taken in-house.
72. Submissions from the Parties, competitors and customers suggested that there is a trend for insurers to complete work in-house where possible and that the available outsourced work was decreasing. Customers also cited new technology as a possible way of managing more claims in-house in the future (possibly through end customers being able to self-report claims more easily).
73. The CMA therefore considers that self-supply may act as a constraint, particularly in relation to claims management. However, customers have less scope to take loss-adjusting work in-house and do not appear to have the appetite to do so.

Internal documents relating to property claims

74. The Parties provided a number of internal documents relating to property claims. In relation to loss-adjusting, particularly subsidence services, Crawford identified [redacted], whilst identifying threats from [redacted].
75. The Parties also identified [redacted] and [redacted] as strong competitors in property claims, whilst [redacted] and [redacted] were described as 'third players' in the property claims market.
76. More generally, and across all lines of claims, Crawford identified [redacted] as a strong competitor and identified [redacted] as having 'aggressive' expansion plans.

Third party comments on property claims

77. None of the twelve third parties that responded to the CMA's market testing identified any material concerns arising from the Merger.

CMA conclusions on property claims

78. On the basis of the above evidence, the CMA does not consider that it is or may be the case that the Merger may be expected to result in a substantial lessening of competition in relation to property claims management.

Motor claims

Market shares

79. The Parties are relatively small players in managing outsourced motor claims. In 2013, the Parties managed a combined [X] motor insurance claims with a combined turnover of £[X] million, which constitutes approximately [X]% of the Parties' combined volume of claims and approximately [X]% of the Parties' combined turnover.
80. The CMA has estimated that approximately 743,000 motor insurance claims were outsourced in 2013. On this basis, the Parties have an estimated combined share of approximately [5–15]%.
81. The CMA notes that there appear to be numerous claims managers active in this segment, including large players, such as WNS, which specialise in motor insurance claims management.¹⁷ Third parties confirmed that the Parties compete against other multi-line adjusters in this segment, including Davies, VRS, and Cunningham Lindsey.

Bidding data

82. In the period under review, Crawford only bid for [X] motor insurance [X] and GAB bid for [X]. Crawford and GAB did not bid against one another in any of these processes. Crawford submitted that it was competing against [X], whilst GAB submitted that it was not aware who it was bidding against.

Panel information

83. The CMA has gathered evidence from the Parties and customers relating to 12 insurers' panels. The Parties only sit on one panel that relates to motor insurance.¹⁸

Third party comments

84. None of the third parties that responded to the CMA's market testing identified any material concerns arising from the Merger.

¹⁷ See [WNS's website](#).

¹⁸ [X].

CMA conclusions on motor claims

85. On the basis of the above evidence, the CMA does not consider that it is or may be the case that the Merger may be expected to result in a substantial lessening of competition in relation to motor insurance claims management/loss-adjusting services.

Casualty claims

Market shares

86. The Parties estimated that in 2013 they managed a combined [X] casualty claims with a combined revenue of £[X] million. On this basis, the Parties would have an estimated share of supply of approximately [5–15]%

Bidding data

87. GAB provided bidding data from January 2013 to November 2014 and Crawford from April 2013 to November 2014. The Parties' bidding data shows that both Crawford and GAB appear to be active in bidding for work relating to casualty claims. Crawford bid for [X] contracts relating to casualty claims and GAB bid for [X] contracts over this period. The Parties bid against each other [X] times.
88. Two third party customers provided tender information on [X] casualty tenders. Of these [X] processes, the Parties faced each other [X]. [X] Crawford won a place on a panel alongside three other claims managers. GAB did not win a place on this panel.
89. The available bidding data suggests that the Parties have competed for the same contracts on only a limited number of occasions and they competed against a number of other players, notably, Cunningham Lindsey, who would be expected to continue to exert a competitive constraint post-Merger.

Panel information

90. The CMA has gathered information on the panels of 12 insurers. The information provided shows that between them the Parties sit on three panels (with two panels relating to one insurer).
91. However, neither of the Parties sit on the same panel. [X].[X].

Internal documents

92. Crawford provided internal documents which show that the casualty claims market is competitive and frequently changing. Crawford identified its key competitors in this segment as being [REDACTED], and the threat of [REDACTED]. [REDACTED] enhanced activity from existing competitors and the threat of new entry in this segment.

Third party comments

93. No third party raised concerns in relation to the management and adjusting of casualty related claims.

CMA conclusion on casualty claims

94. On the basis of the above evidence, the CMA does not consider that it is or may be the case that the Merger may be expected to result in a substantial lessening of competition in relation to claims management/loss-adjusting for casualty related claims.

Aviation claims

Market shares

95. The CMA notes that in this line of insurance, claims management companies tend to only provide loss-adjusting services.
96. Based on information from the Parties and third parties, the CMA has estimated that the Parties' combined share of supply in relation to aviation claims is approximately [20–30]%, with an increment of [0–10]%. Post-Merger, the merged firm will remain the smallest player in the aviation claims management market.

Bidding data

97. No bidding data for aviation claims was available. Third parties told the CMA that loss-adjusting services for aviation claims were generally procured on a case-by-case basis.

Panel information

98. Third parties told the CMA that work is allocated on a case-by-case basis and that panels do not exist. In general, insurers stated that they choose between McLarens, Charles Taylor and GAB, and to a lesser extent Crawford.

99. One insurer stated that for one 'bundle' of aviation claims they have a panel and in the past have tended to use either Crawford or GAB. However, the CMA understands that, as a result of the Merger, future work will be allocated between Crawford and another firm. This insurer stated that switching costs and barriers to moving to another claims manager were not significant.

Constraint from customers taking work in-house

100. Customers informed the CMA that claims management work for aviation claims is already undertaken in-house and that the loss-adjusting services that the Parties provide is something that cannot be done in-house.

Internal documents

101. Crawford provided two internal documents relating to the aviation claims management market. Crawford identifies its competitors in this segment as [redacted], [redacted] and [redacted] [redacted].
102. Crawford's analysis of its competitors showed [redacted] and [redacted] providing a wider range of services compared to either [redacted]. It also showed [redacted] as offering the narrowest range of services.

Third party comments

103. None of the third parties that responded to the CMA's market testing identified any material concerns arising from the Merger and one customer stated that the Merger would provide a stronger competitive constraint on the largest two players in the market, McLarens and Charles Taylor.

CMA conclusion on aviation claims

104. On the basis of the above evidence, the CMA does not consider that it is or may be the case that the Merger may be expected to result in a substantial lessening of competition in relation to aviation claims.

Barriers to entry and expansion

105. Entry, or expansion of existing firms, can mitigate the initial effect of a merger on competition, and in some cases may mean that there is no substantial lessening of competition. In assessing whether entry or expansion might

prevent a substantial lessening of competition, the CMA considers whether such entry or expansion would be timely, likely and sufficient.¹⁹

106. However, the CMA has not had to conclude on barriers to entry or expansion in this case as the Merger does not give rise to competition concerns on any basis.

Third party views

107. The CMA contacted customers and competitors of the Parties. None of the customers that responded to the CMA raised any material competition concerns relating to the Merger.

Decision

108. Consequently, the CMA does not believe that it is or may be the case that the Merger has resulted, or may be expected to result, in a substantial lessening of competition within any market or markets in the United Kingdom for goods or services.

109. The Merger will therefore **not be referred** under section 22(1) of the Act.

Jonathan Parker
Director of Mergers
Competition and Markets Authority
17 March 2015

¹⁹ [Merger Assessment Guidelines](#), from paragraph 5.8.1.