

NON-CONFIDENTIAL



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM218Feb17

In the matter between:

SANLAM LIFE INSURANCE LIMITED

Acquiring Firm

and

BRIGHTROCK HOLDINGS (PTY) LTD

Target Firms

LOMBARD LIFE LIMITED

Panel	: AW Wessels (Presiding Member)
	: Andiswa Ndoni (Tribunal Member)
	: Medi Mokuena (Tribunal Member)
Heard on	: 12 April 2017
Order Issued on	: 12 April 2017
Reasons Issued on	: 24 April 2017

Reasons for Decision

Approval

[1] On 12 April 2017, the Competition Tribunal ("Tribunal") approved the proposed transaction involving Sanlam Life Insurance Limited ("Sanlam Life") and BrightRock Holdings (Pty) Ltd ("BrightRock Holdings") and Lombard Life Limited ("Lombard Life").

[2] The reasons for approving the proposed transaction follow.

Parties to the proposed transaction

Primary acquiring firm

- [3] The primary acquiring firm is Sanlam Life, a firm incorporated in accordance with the laws of the Republic of South Africa. It is wholly-controlled by Sanlam Limited ("Sanlam"), a public company listed on the Johannesburg Securities Exchange Limited and Namibian Stock Exchange. Sanlam is not controlled by any single firm. Sanlam controls a vast number of firms.
- [4] The Sanlam group is a financial services group. Relevant to the competition assessment of the proposed transaction are Sanlam's activities in the provision of long-term life insurance.

Primary target firms

- [5] The primary target firms are (i) BrightRock Holdings; and (ii) Lombard Life. Both these firms are incorporated in accordance with the laws of the Republic of South Africa.
- [6] BrightRock Holdings is not directly or indirectly controlled by any single firm. It directly controls BrightRock (Pty) Ltd ("BrightRock"). Lombard Life is a wholly-owned subsidiary of [REDACTED]. [REDACTED] is not directly or indirectly controlled by any single firm. [REDACTED] has a [REDACTED] shareholding in BrightRock Holdings.
- [7] BrightRock is an exclusive insurance underwriting manager for Lombard Life as it performs binder functions and other services on behalf of Lombard Life.
- [8] Lombard Life is a licensed long-term insurer. It offers individualised life insurance products built around clients' needs, i.e. the products are flexible in that they change when clients' needs change.

Proposed transaction and rationale

- [9] The proposed transaction comprises of two steps which are considered to be interdependent and forming part of a single indivisible transaction. In step one, BrightRock Holdings intends to acquire the entire issued share capital in Lombard Life. In step two, Sanlam Life intends to acquire 53% of the issued share capital of BrightRock Holdings.
- [10] According to the merging parties, the proposed transaction will *inter alia* enable Sanlam to offer innovative needs-matched long-term insurance products.

Impact on competition

- [11] The Competition Commission ("Commission") found that the merging parties' activities overlap horizontally in the provision of long-term individual insurance policies, including *assistance* policies, *disability* policies and *life* policies. These were analysed as three separate relevant product markets in a national geographic market.
- [12] The Commission found that the merging parties will have combined national market shares of less than 20% in each of the three abovementioned relevant product markets, i.e. the provision of long-term *assistance*, *disability* and *life* policies. It furthermore found that the merging parties will be constrained by alternative service providers such as Old Mutual, Discovery Life, Liberty and the MMI Group, amongst others. Based on this, the Commission found that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market.
- [13] The merging parties further at the hearing indicated that their combined national market share will be below 20% in the market for the provision of (all categories of) long-term individual insurance policies.¹

¹ Transcript, page 4.

[14] We conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in any (potential) relevant market.

Public interest

[15] The merging parties confirmed that the proposed transaction will have no negative impact on employment.²

[16] No other public interest concerns arise from the proposed transaction.

Conclusion

[17] In light of the above, we conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market. In addition, no public interest issues arise from the proposed transaction. Accordingly, we approve the proposed transaction unconditionally.



Mr AW Wessels

Ms Andiswa Ndoni and Ms Medi Mokuena concurring

24 April 2017

DATE

Tribunal Case Manager:	Hayley Lyle
For the merging parties:	Lizel Blignaut of ENS Africa
For the Commission:	Zanele Hadebe

² Merger Record, pages 11 and 66.