



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM002Apr16

In the matter between:

FIRSTRAND LIFE ASSURANCE LIMITED

Primary Acquiring Firm

and

**MMI GROUP LIMITED IN RESPECT OF
PART OF ITS LONG-TERM INSURANCE POLICY BOOK**

Primary Target Firm

Panel	: Andreas Wessels (Presiding Member)
	: Medi Mokuena (Tribunal Member)
	: Imraan Valodia (Tribunal Member)
Heard on	: 18 May 2016
Order Issued on	: 18 May 2016
Reasons Issued on	: 01 June 2016

Reasons for Decision

Approval

- [1] On 18 May 2016, the Competition Tribunal ("Tribunal") approved the proposed transaction between FirstRand Life Assurance Limited and MMI Group Limited in respect of part of its long-term insurance policy book.
- [2] The reasons for approving the proposed transaction follow.

Parties to proposed transaction

Primary acquiring firm

- [3] The primary acquiring firm is FirstRand Life Assurance Limited ("FirstRand Life"), a company incorporated in terms of the laws of the Republic of South Africa.
- [4] FirstRand Life is a registered long-term insurance provider. It was established to provide long-term insurance products and obtained its long-term insurance licence during March 2015.
- [5] FirstRand Life is a wholly-owned subsidiary of FirstRand Insurance Holdings Proprietary Limited which, in turn, is a wholly-owned subsidiary of FirstRand Limited, a company listed on the Johannesburg Securities Exchange ("JSE"). FirstRand Limited controls a number of firms.
- [6] FirstRand Limited and its subsidiaries will be collectively referred to as the "FirstRand Group".

Primary target firm

- [7] The primary target firm is part of the long-term insurance policy book of MMI Group Limited ("Target Business").
- [8] The Target Business comprises individual long-term insurance policies that are currently underwritten by MMI Group Limited ("MMI Group").

Proposed transaction and rationale

- [9] FirstRand Life intends to acquire all policies underwritten by the MMI Group on behalf of the FirstRand Group. The long-term insurance products of the MMI Group that will be acquired by FirstRand Life include:
 - (i) Accidental Death;
 - (ii) Ashburton Corporate Endowment;
 - (iii) Ashburton Individual Endowment;
 - (iv) Ashburton Living Annuity;
 - (v) Cover for Life;
 - (vi) Credit Life;
 - (vii) Funeral;

- (viii) Hospital Cash; and
- (ix) Lifestyle Protector.

[10] FirstRand no longer requires MMI to be the insurer of the Target Business and therefore has agreed with MMI to acquire the Target Business.

Impact on competition

[11] The Competition Commission (“Commission”) found a horizontal overlap between the activities of the merging parties in the provision of the long-term insurance. More specifically, the Commission found that the activities of the merging parties overlap in the national market for the provision of long-term individual insurance policies.

[12] At a product level, FirstRand Life has been writing endowment, living annuity, funeral and risk and health insurance policies since July 2015. In their *Competitiveness Report* the merging parties furthermore indicated that the majority of the categories of long-term insurance policies that form part of the Target Business are closed for new business. This means that no new long-term insurance policies are issued in these categories.¹

[13] The Commission found that the merged entity will have a post-merger market share of less than 5% in the national market for the provision of long-term individual insurance policies. The Commission also found that the merged entity will continue to face competition from competitors such as Old Mutual Life Assurance Company South Africa Limited, Liberty Group Limited, Investec Assurance Limited and other players in this market.

[14] Given the above the Commission concluded that the proposed transaction is unlikely to substantially prevent or lessen competition in the national market for the provision of long-term individual insurance policies.

[15] We concur with the Commission’s conclusion. However, there is no need for us to take a definite view on the exact scope of the relevant product market(s), i.e. whether the product market is the market for long-term individual insurance policies (as defined by the Commission) or potential narrower product markets for the provision of different types of long-term individual insurance policies. This does not alter our

¹ Merger Record, page 47.

ultimate decision since the merged entity remains a relatively small player regardless of how the product market is delineated.

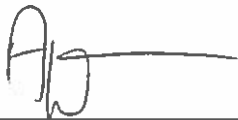
Public interest

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

[17] The proposed transaction further raises no other public interest concerns.

Conclusion

[18] 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. Andreas Wessels

01 June 2016
DATE

Ms Medi Mokuena and Prof Imraan Valodia concurring

Tribunal Researcher: Busisiwe Masina

For the merging parties: Werner Rysbergen of Webber Wentzel

For the Commission: Nolubabalo Myoli

² Merger Record *inter alia* page 09.