



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM171Nov15

In the matter between:

African Rainbow Capital Proprietary Limited

Sanlam Life Insurance Limited

Primary Acquiring Firms

and

Indwe Broker Holdings Proprietary Limited

Primary Target Firm

Panel	: Norman Manoim (Presiding Member)
	: Andiswa Ndoni (Tribunal Member)
	: Anton Roskam (Tribunal Member)
Heard on	: 15 December 2015
Order Issued on	: 15 December 2015
Reasons Issued on	: 21 January 2016

Reasons for Decision

Approval

- [1] On 15 December 2015, the Competition Tribunal ("Tribunal") unconditionally approved the merger between the acquiring firms African Rainbow Capital Proprietary Limited ("ARC") and Sanlam Life Insurance Limited ("Sanlam Life") and the target firm Indwe Broker Holdings Proprietary Limited ("Indwe").
- [2] The reasons for approving the proposed transaction follow.

Parties to transaction

Primary acquiring firm

- [3] The primary acquiring firms are ARC and Sanlam Life. ARC is a wholly owned subsidiary of Ubuntu-Botho Investments (Pty) Ltd ("UBI") while Sanlam Life is wholly owned by Sanlam Limited.
- [4] Sanlam Life is a registered long-term insurer which provides comprehensive financial services products to the entry-level, middle-income and affluent markets as well as professional and business-owner markets. Sanlam Life is also active in the provision of short-term insurance brokerage through its control over Glacier Financial Holdings (Pty) Ltd ("Glacier") and Associated Insurance Brokers (Cape) 2006 (Pty) Ltd ("AIB"). ARC is an investment- holding company with no other operational activities.

Primary target firm

- [5] The primary target firm, Indwe is a wholly owned subsidiary of Santam Limited. Indwe itself is a holding company which does not conduct its own operational activities but instead owns several subsidiaries, one of which is a short term-insurance broker and a licenced financial services provider. Hereinafter Indwe and its subsidiaries will be referred to as the Indwe Group.

Proposed transaction and rationale

- [6] Prior to the implementation of the proposed transaction Sanlam Life, through various shareholdings, indirectly exercised sole control over Indwe. The proposed transaction involves a change of control whereby the Indwe Group would move from being indirectly controlled by Sanlam Life to being jointly, and directly, controlled by Sanlam Life and ARC with 51% of the shareholding in Indwe being held by ARC and Sanlam Life holding 25% of the shareholding. The proposed transaction in effect would result in a dilution of Sanlam Life's control over Indwe.
- [7] The Acquiring Group submitted that the proposed transaction was intended to grow a new black owned financial services company in South Africa. Indwe submitted that the proposed transaction would provide its business with appropriate distribution and expansion opportunities in South Africa and Africa and therefore enhance its profile.

Impact on competition

- [8] The Competition Commission ("the Commission") in its investigation found that the proposed transaction resulted in a horizontal overlap as Sanlam Life, through Glacier and AIB, and Indwe are active in the short-term brokerage market. The Commission also identified a vertical overlap as Sanlam Life is active in the provision of short-term insurance and the Indwe Group is active in short-term insurance brokerage.
- [9] In its investigation of the horizontal overlap, the Commission established that there are a number of financial service providers authorized to render services on short-term insurance products within South Africa. The Commission considered that the proposed transaction was unlikely to prevent or lessen competition due to the prevalence of alternatives in the market.
- [10] In its evaluation of the identified vertical overlap the Commission evaluated whether the proposed transaction would lead to customer or input foreclosure. It came to the conclusion that it would lead to neither as there were viable alternatives in the market to ensure that a foreclosure strategy would be unsuccessful.
- [11] Although we concur with the Commission's conclusion, i.e. that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market we do not agree with the Commission's approach in evaluating the transaction as it has no regard to the pre-merger facts. Prior to the merger Sanlam Life had indirect control over the whole of Indwe. The effect of the proposed transaction is to dilute to some extent Sanlam Life's control and equity through the introduction of ARC as a shareholder. The overlaps that Sanlam Life has post-merger are thus irrelevant to the analysis as it had these pre-merger.

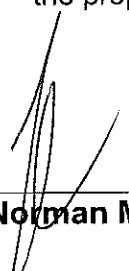
Public interest

- [12] The merging parties confirmed that the proposed transaction will not result in an adverse impact on employment.¹ The proposed transaction further raises no other public interest concerns.

¹ *Inter alia* merger record page 12.

Conclusion

[13] 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 transactions. Accordingly, we approve the proposed transaction unconditionally.



Mr Norman Manoim

21 January 2016
DATE

Ms Andiswa Ndoni and Mr Anton Roskam concurring

Tribunal Researcher:	Aneesa Ravat
For the merging parties:	Kesiah Frank of Glyn Marais
For the Commission:	Reabetswe Molotsi and Seema Nunkoo and Xolela Nokele