

COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 89/LM/Aug08

In the matter between:

Channel Life Limited

Acquiring Firm

And

Rentmeester Assurance Limited

Target Firm

Panel : D Lewis (Presiding Member) N Manoim, (Tribunal Member),
and Y Carrim (Tribunal Member)

Heard on : 8 October 2008

Order Issued : 8 October 2008

Reasons Issued: 26 November 2008

Reasons for Decision

Approval

- [1] On 8 October 2008, the Tribunal unconditionally approved the merger between Channel Life limited and Rentmeester Assurance Limited. The reasons for approving the transaction follow.

The parties

- [2] The primary acquiring firm is Channel Life Limited ("Channel Life"), a company incorporated under the laws of the Republic of South Africa. Channel Life is jointly controlled by Sanlam Life Insurance Limited ("Sanlam") with a shareholding of 62.59% and Channel Life Holdings (Pty) Ltd ("Channel Life Holdings") with a shareholding of 34.58%.
- [3] Sanlam is a wholly owned subsidiary of Sanlam Limited ("Sanlam Limited"). No single shareholder controls Sanlam Limited. The shareholders of Sanlam which have got more than 5% are shareholding are the Public Investment Corporation (with a 14.5% shareholding), and Ubuntu Botho Investments (Pty) Ltd (with a 9.8% shareholding). Sanlam controls in excess of fifteen firms.¹

¹ See Channel Life's form CC 4 (2) in the record.

- [4] Channel life Holdings is a wholly owned subsidiary of PSG Financial Services Limited (“PSG Financial Services”), which is ultimately owned by PSG Group Limited (“PSG Group”). No single shareholder controls the PSG Group. The shareholders which hold more than 5% in PSG Group are JF Mouton Family Trust (with a shareholding of 23.1%), Mayfair Speculators (with a shareholding of 10.4%), Titan Nominees (with a shareholding of 7.9%), and Sanlam (with a shareholding of 6.7%). The PSG Group controls more than twelve subsidiaries.
- [5] Channel Life controls various firms.²
- [6] The primary target firm is Rentmeester Assurance Limited (“Rentmeester”), a company incorporated in terms of the laws of the Republic of South Africa. Rentmeester is controlled by Capital Alliance Life Limited (“Capital Alliance Life”), a wholly owned subsidiary of Capital Alliance Holdings Limited (“Capital Alliance Holdings”). Liberty Group (“Liberty”) controls Capital Alliance Holdings. Liberty is controlled by Liberty Holdings Limited (“Liberty Holdings”), which is in turn controlled by the Standard Bank Group Limited (“Standard Bank”).
- [7] Rentmeester controls three firms.³

Description of the transaction

- [8] The proposed transaction constitutes a substitution as contemplated in section 37(2) of the Long Term Insurance Act 52 of 1998, in terms of which all the rights and liabilities of Rentmeester flowing from the life policies are to be substituted with the rights and liabilities of Channel Life (“the Substituted Business”).
- [9] On completion of the transaction, the ownership and control of Substituted Business of Rentmeester will be substituted by ownership and control of Channel Life.

Rationale for the transaction

² The firms controlled by Channel Life include Safrican Insurance Company Limited (“Sfrican”), Solution Service Provider for Alfinanz (Pty) Ltd, Channel Life Group Limited (dormant), Channel Equity (Pty) Ltd (dormant), Channel Benefit Services (Pty) Ltd, Channel Management Services (Pty) Ltd, Channel Management Services (dormant), Kea Insurance Brokers (Pty) Ltd (dormant), Business Venture Investments 1012, and Dynamco Advances (Pty) Ltd.

³ These are Killyman Estates (Pty) Ltd, Sillena Ontwikkelings\Maatskapy (Pty) Ltd, and Big Rock (Pty) Ltd.

[10] The acquiring group through its subsidiaries provides and administers life policies that are similar to those that constitute the Substituted Business and accordingly believes that it can take transfer of the Substituted Business efficiently and with relative ease. The acquiring group also views the transaction as an opportunity to become more competitive in the national assistance policy market.

[11] Rentmeester has effectively ceased to underwrite new Assistance Policies on a voluntary group basis and all but three of the group schemes that make up the Substituted Business are Assistance Policies.⁴ Rentmeester decided to terminate its exposure to claims in terms of the Substituted Business by entering into Reinsurance Arrangement with Channel Life. This arrangement gives Rentmeester back-to-back insurance with Channel Life on the policies making up the Substituted Business, which effectively means that Channel Life bears the risk.

The parties' activities

Primary acquiring firm

Channel Life

[12] Channel Life is a registered long-term insurer and duly authorised to underwrite and distribute various classes of long-term insurance products, which include life policies. It also provides policy administration services in respect of insurance policies (including Assistance Policies).

Safrican

[13] Safrican is a registered long-term insurer that underwrites various classes of long-term insurance policies, which include life policies (including Assistance Policies) and it also provides administration services in respect of insurance policies sold.

Sanlam

⁴ Assistance Policy is defined in the Long Term Insurance Act as a life policy in respect of which the aggregate of the value of the policy benefits, other than annuity, to be provided by the insurer or the amount of the premium in return for which an annuity is to be provided does not exceed an amount of R18 000.00.

- [14] Sanlam is a registered long-term insurer that underwrites various classes of long-term insurance policies, including life policies. Sanlam does not underwrite Assurance Policies.

African Life Limited (“African Life”)

- [15] African Life is a registered long term insurer, which underwrites various classes of long term insurance policies, including life policies (including Assistance Policies) and it also provides administration services in respect of insurance policies sold.

Sanlam Consolidated Insurance Limited (“Sanlam Customised”)

- [16] Sanlam Customised is a registered long- tem insurer, which underwrites various classes of long term insurance policies, including life policies. Sanlam Customised does not underwrite Assistance Insurance.

PSG Group

- [17] PSG Group is a financial services and investment company that offers a range of products including corporate finance, asset management, portfolio management, stock broking, local and offshore investments, investor education, independent financial planning, life insurance, short and long term insurance (only through Channel Life and its subsidiaries), empowerment transactions, private equity investments and retail banking.

The primary target firm

Substituted Business

- [18] The Substituted Business constitutes all life policies which form part of long term insurance, as defined in the Long Term Insurance Act.

Competition analysis

[19] The Commission and the parties submitted that the relevant market is the national market for the provision of long term insurance policies, particularly life policies. The parties' activities overlap in the market as defined above.

[20] The merging firms will have a combined post-merger market share of 12.68% for long term insurance in terms of total policy liability, and 18.77% in terms of total net premiums, with an increase of 1%.⁵ Although the post merger market share is relatively high in terms of total premiums, the increase in the HHI is low. In addition, the merging firms will continue to face competition from players such as Old Mutual (with a 16.91% and 27.15% market share in terms of total premiums and total liabilities respectively), Momentum Group (with a market share of 17.61% and 11.95%), and Liberty Group (with a market share of 10.09% and 12.49%). As a result, we conclude that the merger is unlikely to substantially prevent or lessen competition.

Public Interest

[21] There are no public interest issues.

Conclusion

[22] The merger is approved unconditionally.

N Manoim

Tribunal Member

26 November 2008

DATE

D Lewis and Y Carrim concur in the judgment of N Manoim

Tribunal Researcher : R Kariga

For the merging parties: Cliffe Dekker Hofmeyr Attorneys

For the Commission : K Mahlakoana (Mergers and Acquisitions)

⁵ These market share figures are from the Financial Services Board ("FSB") and are for 2006. The FSB advised the Commission that the market share figures for 2007 would be released in November 2008.