

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case no: 03/LM/Jan05

In The Large Merger Between:

Sanlam Limited

And

Safrican Insurance Company and Newshel 503 (Pty) Ltd

Reasons for Decision

Approval

On 10 March 2005 the Competition Tribunal issued a Merger Clearance Certificate approving the transaction between Sanlam Ltd and African Insurance Company and Newshel 503 (Pty). The reasons for this decision follow.

The Transaction

The parties to the transaction are Sanlam Life Insurance Limited ("Sanlam Life"), Sanlam Independent Financial Services Limited ("IFS"), Thebe Investment Corporation (Pty) Ltd ("Thebe"), African Insurance Company Limited ("African") and Newshel 503 (Pty) Ltd (to be named Thebe Community Financial Services ("TCFS"). Sanlam Life and IFS are wholly owned subsidiaries of Sanlam Limited ("Sanlam"). Thebe¹ controls African and TCFS.

The merger transaction involves the restructuring of certain of the financial services entities within the Thebe Group and thereby introduces Sanlam (through Sanlam Life and IFS) as a strategic partner. According to the parties, two indivisible transactions are contemplated. Firstly, Sanlam Life is acquiring 55% of the issued share capital of African. Secondly, IFS is subscribing for 30% of the issued share capital of TCFS.²

¹ Thebe's shareholding is held by Batho-Batho Trust (74%), Sanlam Life (8,67%), Investec Employee Benefits Limited (8,67%) and Old Mutual Life Assurance Company Limited (8,67%).

² Through the first transaction, Sanlam Life wishes to enter the entry-level segment of the long term insurance market, and has identified Thebe as a strategic partner for this purpose. For Thebe, the transaction enables it to obtain the funding and support in order to expand its current financial services proposition. The second leg of the transaction will give IFS minority shareholding in TCFS, which will similarly enable TCFS to obtain the necessary funding, back-office support and the relevant skills and expertise from IFS.

Impact on Competition

The Sanlam Group has five operational clusters involved in life insurance (through Sanlam Life), short term insurance, investment, banking and independent financial services (through IFS). Sanlam Life is a registered long-term insurer, which covers individual products³ and group products.⁴ IFS is an investment holding company and has minority in a number of entities.⁵ Safrican is also a registered long-term insurer offering long term insurance products to individuals⁶ and to groups.⁷ Thebe is a broad-based black empowerment investment holding company.

With regard to the first transaction, the Commission found an overlap in the activities of the merging parties in respect of the provision of group and individual life insurance policies. The Commission however, defined a broad market for the provision of long term insurance based on the fact that an insurer, which is issued with a license to render long-term insurance, has a choice to either provide group cover and/or individual cover. Therefore, according to the Commission, from a supply side substitution point of view, an insurer which is rendering group cover can render individual cover and visa versa.⁸

In the second transaction, the Commission identified the following relevant markets:

1. the provision of administration, consultancy and brokerage services; and
2. the provision of electronic money transfer services.

The Commission based their finding on the following:

1. Sanlam Life and Total Care Strategy (Pty) Ltd (subsidiaries of Sanlam) as well as Simeka Employee Benefit Holdings (Pty) Ltd (which IFS has a minority shareholding in) operate as administrators, consultants and brokers to groups. Thebe Employee Benefits, a wholly owned subsidiary of Thebe, also operates in this market.
2. Multi-Data (Pty) Ltd, a wholly owned subsidiary of Sanlam Life and Thebe Investment Trasactiv, a wholly owned subsidiary of Thebe both provide electronic money transfer services.

³ These are assurance and investment products offered to individuals. The assurance products include life, disability, sinking fund, fund and health policies and the investment products include endowment policies and annuities.

⁴ These are assurance and investment products offered to retirement funds and other groups, including insurance policies issued to retirement funds as an integrated product (i.e. as a packaged solution). Additional services and products offered by Sanlam Life can be found from page 686 of the record.

⁵ A list of these entities and their activities can be found on pages 689-691.

⁶ Being funeral policies and credit life policies.

⁷ Being funeral policies (assistance policies) and life policies offered to companies, retirement funds and other groups.

⁸ At page 4 of the Commission's report.

According to the Commission, the increment in market shares in all the above markets will be less than 1% and therefore does not raise any competition concerns. Furthermore, the Commission is of the view that in all the relevant markets identified, the merged entity faces competition from other players with larger market shares.

We do not find it necessary to make a definitive finding on the relevant markets, as we are of the view that the merger will not result in a substantial lessening of competition. We have no other concerns and are satisfied that there are no significant public interest issues, which arise, and we accordingly approve this transaction unconditionally.

N Manoim

19 April 2005
Date

Concurring: Y Carrim and L Reyburn.

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| For the Acquiring firm: I Gaigher (Jowell Glyn & Marais) |
| For the Target firm: J.Katz (Webber Wentzel Bowens) |
| For the Commission: M Mohlala and E Mtantato (Mergers and Acquisitions) |