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<i>to</i>	Jan S. de Villiers Werksmans Attorneys	<i>fax</i>	011 535 8790
	Legal Services Competition Commission		44283
<i>ref</i>	02/LM/Jan11	<i>date</i>	15 April 2011
<i>from</i>	Tebogo Mputle	<i>pages</i>	4 (including this page)
<i>re</i>	Reasons		

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Attached please find the Tribunal's reasons for the decision in the above matter.

Regards

Tebogo Mputle

CC: Grashum Mutizwa - 44322



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No:02/LM/Jan11

In the matter between:

Main Street 796 Ltd

Acquiring Firm

And

FirstRand STI Ltd

Target Firm

Panel : N Manoim (Presiding Member),
Y Carrim (Tribunal Member)
And M Mokuena (Tribunal Member)
Heard on : 16 February 2011
Order issued on : 16 February 2011
Reasons issued on : 15 April 2011

Reasons for Decision

Approval

[1] On 16 February 2011 the Competition Tribunal approved the merger between Main Street 796 Ltd, to be renamed Rand Merchant Insurance Holdings Ltd ("RMI") and FirstRand STI Ltd. The reasons follow below.

The Transaction

[2] The proposed transaction is a restructuring in which Rand Merchant Insurance Holdings Ltd ("RMBH") is separating the insurance businesses in the group from the banking assets. The restructuring involves RMBH transferring the insurance assets to Rand Merchant

Insurance Holdings ("RMI"), which will become a separate company independent from RMBH. RMBH will retain the banking assets only. Once the restructuring has been completed, there will thus be two separate listed companies, with the same shareholders, the one group focusing on banking and the other solely on insurance.

The Rationale

- [3] From RMI's perspective it will enable RMI to gain control of OUTsurance's cash flows allowing the shareholders greater access to the short term insurer. The transaction will further enhance RMI's current insurance brands.
- [4] From FirstRand's perspective the sale of OUTsurance Group is an opportunity to sell that business at a premium as well as an opportunity to restructure the existing distribution agreement between OUTsurance Group and FNB so that FirstRand's profit share from referred homeowner insurance business will increase from 50% to 90%.

The parties and their activities

- [5] The primary acquiring firm is RMI. RMI is currently a wholly owned subsidiary of RBMH, a public company whose shares are listed on the JSE. Currently RBMH has a shareholding of 45% in the target, FirstRand STI.
- [6] The primary target firm, FirstRand STI Holdings, is currently 45% controlled by RBMH and 45% by FirstRand.
- [7] RBMH is active in the financial services industry and offers a variety of financial services including short term and long term insurance services through RMB Structures Insurance and RMB Structured Life respectively.
- [8] FirstRand STI Ltd is an investment holding company that also has interests in insurance-based financial services. It owns OUTsurance, Momentum STI and OUTsurance Life which offer short and long term insurance.

The relevant market and the impact on competition

- [9] The product markets that overlap as a result of the transaction are the short and long term insurance markets in South Africa.
- [10] RMI which already has a short term insurance business in its stable, RMB SI, will post the transaction add OUTsurance and Momentum STI to its short term insurance businesses. However, according to the Commission, RMB SI's activities do not directly overlap with the target firm's activities as they serve different markets within the short term insurance sector. RMB SI is categorized as a "niche insurer" that does


not sell to the general public and operates on a different business model. Nevertheless even if they are considered as competitors there are numerous other companies such as Santam, Mutual and Federal, Hollard and Clientele, to name but a few, that compete in the short term insurance market.

[11] With regard to long term insurance the overlap occurs in RMB Structured Life and MMI Holdings on the RMI side and OUTsurance Life from the FirstRand STI Ltd side. The Commission found the market accretion to be very small, less than 1%, giving RMI a market share of approximately 23% after the transaction.

[12] In light of the above, we find that the transaction would not substantially prevent or lessen competition the relevant markets.

CONCLUSION

[13] There are no significant public interest issues and we accordingly approve the transaction.



Name of presiding member

15 April 2011
DATE

Name and Name concurring.

Tribunal Researcher: Rietsie Badenhorst

For the merging parties: Werksmans incorporating Jan S. De Villiers

For the Commission: Grashum Mutizwa

* * * Communication Result Report (15. Apr. 2011 13:00) * * *

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Date/Time: 15. Apr. 2011 12:54

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