

## COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 58/LM/Jun07

In the matter between

**Metropolitan Holdings Ltd**

**Acquiring Firm**

And

**HTG Life Ltd**

**Target Firm**

---

Panel : N Manoim (Presiding Member), L Reyburn (Tribunal Member) and M Mokuena (Tribunal Member)

Heard on : 11 June 2007

Decided on : 11 June 2007

Reasons Issued : 05 September 2007

---

### REASONS

---

#### **Approval.**

[1]. On 11 June 2007 the Competition Tribunal issued a Merger Clearance Certificate approving the merger between Metropolitan Holdings Ltd ("Metropolitan") and HTG Life Ltd ("HTG") unconditionally. The reasons appear below.

#### **Parties.**

[2]. The acquiring firm is Metropolitan Holdings Ltd ("Metropolitan") a publicly listed company.<sup>1</sup> Metropolitan is not controlled by any single shareholder.

[3]. The target firm is HTG Life Ltd ("HTG Life"). HTG is controlled by Doves Group (Pty) Ltd ("Doves Group").<sup>2</sup> Doves Group is controlled by NUMSA Investment Company (Pty) Ltd ("NIC").<sup>3</sup>

#### **Transaction.**

[4]. The transaction involves the acquisition by Metropolitan of the entire issued share

---

<sup>1</sup> The merging parties have submitted in the filing that Metropolitan largest institutional shareholders are: Kagiso Trust Investment Property Ltd 19.7%, Metropolitan employee share trust 6.6%, Public Investment Corporation 8.7% and Sanlam 4.2%.

<sup>2</sup> Doves Group is controlled by Numsa Investment Company (Pty)Ltd

<sup>3</sup> NIC is controlled by National Manufacturing Workers Investment Trust and the National Union of Metal Workers of South Africa.

capital in and claims against HTG Life from Doves Group. The parties have submitted in their filing that Metropolitan and NIC will create a separate joint venture company to be known as Union Money (“UM”)<sup>4</sup> which will be owned in equal shares between Metropolitan Card Operations (Pty) Ltd (“MCO”), a wholly owned subsidiary of Metropolitan and NIC.

### **Rationale for the Transaction.**

[5]. From the acquiring firm’s perspective the rationale is to gain access to the lower income markets (through NUMSA’s membership base) and to market its products directly to NUMSA members with the support of the trade union itself. The proposed transaction will also allow the acquiring firm to use its proven managerial expertise to maximise the potential growth of HTG Life, enhance operational efficiency and extract optimal synergies between itself and HTG Life.

[6]. From the target firm’s perspective the transaction will enable its low income workers to have access to better targeted financial products and life insurance products designed and priced to meet their specific needs.

### **Activities of the Parties.**

[7]. Metropolitan is involved in life insurance, employee benefits/retirement fund services, medical aid and managed healthcare, asset management, unit trusts, property services and banking services. HTG Life is a registered long term insurer that conducts business of providing policy benefits under assistance and life insurance policies.

### **Relevant Market.**

[8]. The Commission has defined the relevant market as being the market for the provision of long term insurance that can further be segmented into assistance policies and life policies where the overlap of the merging parties occurs.

### **Competition Analysis**

[9]. In its analysis of the proposed transaction the Commission found that the proposed transaction will result in both horizontal and vertical effects. According to the Commission there is an overlap in the activities of the merging parties in the provision of assistance and life policies. In the specific markets for assistance policies and life policies the combined market shares are 5% for assistance business and 6% for life business. As can be seen from the market shares above, the merging parties post merger market shares in both markets is relatively low , we therefore agree with the Commission’s conclusion that since

---

<sup>4</sup> UM will provide brokerage services and will exclusively market certain of Metropolitan’s and HTG Life’s long term insurance products as a preferred supplier of such long term insurance products to members of NUMSA.

the market shares are low, the proposed transaction is unlikely to substantially prevent or lessen competition. The vertical effects will be created when Metropolitan and NIC form a joint venture. According to the Commission, Metropolitan as a provider of financial services will be able to market its products directly to NUMSA members through their marketing channels. The Commission's investigation has revealed that the merging parties, after the merger, will continue to face a number of strong and effective competitors notably Old Mutual, Sanlam Life Assurance, Liberty Active, Alan Gray, Standard General, RMB Structured Life, AVBOB and Capital Alliance amongst others. We therefore agree with the Commission that the proposed transaction is unlikely to result in customer foreclosure as the market is characterised by many firms with variety of products.

**Public Interest.**

[10]. There are no public interest issues.

**Conclusion.**

[11]. Based on the above the transaction will not result in a substantial lessening or prevention of competition in the identified markets and is accordingly approved unconditionally.

---

**N.Manoim**  
Tribunal Member

**05 September 2007**

**Date**

**L Reyburn and M Mokuena concurring**

**Tribunal Researcher : J Ngobeni**

**For the merging parties : Jocelyn Katz (Edward Nathan Sonnenburg)**

**For the Commission : Lindiwe Khumalo (Mergers and Acquisitions)**