

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case No: 62/LM/Aug02

In the large merger between:

Capital Alliance Life Limited

and

Saambou Life Assurers Limited

Reasons for Decision

Approval

On 9 October 2002 we unconditionally approved the merger between Capital Alliance Life Limited (“CAL”) Saambou Life Assurers Limited (“Saambou Life”). The reasons for our decision follow.

The transaction

The transaction constitutes an acquisition of the entire issued share capital of Saambou life.

The primary acquiring firm is CAL, a wholly owned subsidiary of Capital Alliance Holdings Limited (“CAH”).

The primary target firm is Saambou Life, a wholly owned subsidiary of Saambou Holdings Limited (“Saambou Holdings”).

The transaction forms part of the restructuring of the Saambou Group, necessitated by the recent failure of Saambou Bank and the consequent negative impact thereof on the brand name.

Evaluating the merger

The relevant market

Both parties are registered long-term insurers. While both parties offer individual life insurance products, CAL also offers group life insurance and retirement fund products and Saambou Life is involved in the funeral assistance business.

The relevant market is therefore the market for the provision of individual life insurance products, while its geographic domain is national.

Effect on competition

The relevant market is not concentrated; in fact according to the Financial Services Board's database the market saw 17 new entrants during the past three years. Furthermore, the parties' combined post merger market share is estimated at a relatively insignificant 1.56%. Thus, the transaction is unlikely to substantially lessen or restrict competition in the relevant market.

However, we note that Investec, which is also active in the relevant market, is a significant shareholder of Capital Alliance Holdings Ltd, since it holds shares in CAH both directly and indirectly via a jointly held empowerment company. The market share of the merged entity is, accordingly understated, although even after including Investec's share, we find that the transaction does not substantially lessen competition.¹

Public interest Issues

Prior to the merger Saambou Life employed 22 fixed term contract workers, which contracts will be honoured by CAL. The transaction does not raise any public interest issues.

For the above reasons, we agree with the Commission's recommendation that the transaction be unconditionally approved.

¹ Investec Employee Benefits Ltd enjoys a market share of 13.43%, and the present transaction may be deemed to indirectly increase Investec's market share by 1.56% to 14.99%.

N. Manoim

29 October 2002

Date

Concurring: D. Lewis, M. Holden

For the merging parties: Jowell Glynn & Marais

For the Commission: L. Mtanga, Legal Services Division, Competition
Commission