COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM107Sep22

In the matter between:

Telesure Investment Holdings Proprietary Limited	Primary Acquiring Firm
and	
Renasa Holdings Proprietary Limited; Concourse Holdings Proprietary Limited; and Summit Risk Holdings Proprietary Limited	Primary Target Firms

Panel	:	Imraan Valodia (Presiding Member)
	:	Andiswa Ndoni (Tribunal Member)
	:	Andreas Wessels (Tribunal Member)
Heard on	:	22 December 2022
Order issued on	:	22 December 2022
Reasons issued on	:	23 January 2023

REASONS FOR DECISION

Approval

[1] On 22 December 2022, the Competition Tribunal conditionally approved the large merger in which Telesure Investment Holdings, will acquire all of the issued shares of Renasa Holdings Proprietary Limited, Concourse Holdings Proprietary Limited, and Summit Risk Holdings Proprietary Limited (collectively, the “Target Firms”). Upon implementation of the proposed merger, Telesure Investment Holdings will have sole control over the Target Firms.

Parties to the transaction and their activities

Primary acquiring firm

[2] Telesure Investment Holdings ("TIH") is wholly owned by BHL (SA) Holdings Limited ("BHL SA"), who is in turn, wholly owned by BHL Holdings Limited ("BHL"). BHL is a Guernsey-based holding company that owns several insurance-related entities globally and is controlled by [redacted] and [redacted] Relevant to the proposed merger, is TIH's subsidiaries which include 1 Life Insurance (RF) Limited; Auto & General Insurance Company (RF) Limited; Budget Insurance Company (RF) Limited; Dial Direct Insurance (RF) Limited; First for Women Insurance Company (RF) Limited; Hippo Advisory Services Proprietary Limited; and Hippo Comparative Services Proprietary Limited. TIH, BHL, all firms controlling and controlled by TIH and BHL collectively, are referred to as the "Acquiring Group".

[3] TIH is the holding company for several financial services companies. Its portfolio includes a life insurance company, four non-life insurers, a financial services intermediary, an investment administrator, as well as a price comparison platform.

Primary target firms

[4] Renasa Holdings Proprietary Limited ("Renasa"); Concourse Holdings Proprietary Limited ("Concourse"); and Summit Risk Holdings Proprietary Limited ("Summit") are all private companies incorporated under the laws of South Africa. The shares in the Target Firms are held by a group of common shareholders, which comprise of South African trusts[2] and individuals[3].

[5] Renasa is an investment holding company with a narrow focus on carrying risk through its wholly owned licenced non-life insurance company, Renasa Insurance Company Limited ("RIC"). RIC is a registered non-life insurance provider primarily providing non-life insurance cover through independent intermediaries, brokers, and underwriting management agencies ("UMAs").

---

1 [redacted]

2 The trusts comprise of the Rosemont Trust, the Proton Trust, the Rockmount Trust and the Littlefold Trust.

3 Individual shareholders comprise of Jonathan Burrel Rosenberg, Nichol Victor Beyers, Donald Eriksson, Clinton Trevor McAllister, Mark John Haken, Herman Johannes Scheepers, Christiaan Alsworth-Elvey and Michael Peter Clack.

[6] Concourse (and its subsidiaries) is a diversified group of companies focused on providing certain claims settlement services to Renasa and its intermediaries. Concourse also provides information technology systems necessary to administer insurance policies and claims processes for Renasa and its intermediaries and to various other insurers in the intermediated segment of the South African non-life insurance market.

[7] Summit is an investment holding company with mainly minority interests in various UMAs and brokerage firms, including a reinsurance broker and non-life brokers.

Competition assessment

Horizontal assessment

[8] The Commission considered the activities of the merging parties and found that the proposed transaction presents horizontal overlaps in the provision of non-life insurance products.

[9] The Commission assessed the activities of the merging parties in the national broad market for non-life insurance and considered some of the narrow market segments which included the narrow motor segment, the narrow property segment, and the narrow transport segment.

[10] In the national broad market for non-life insurance, the Commission found that the merging parties will have a post-merger market share of 8%, with an accretion of 2%.

[11] In the narrow markets for non-life insurance (as listed in paragraph 9 above) the Commission found that the merging parties will have a post-merger market share of less than 15% in each of the segments, with low market share accretions.

[12] Competitors and customers of the merging parties raised no concerns with the proposed merger and were of the view that the proposed merger is unlikely to substantially change the structure of the non-life insurance market.

Vertical assessment

[13] The Commission found that the Target Firms provide various services to each other and thus evaluated whether the proposed merger would raise foreclosure concerns. Three vertical overlaps were assessed:

13.1. UMAs, whereby Renasa conducts its insurance business through Summit. Summit controls three UMAs and holds non-controlling interests in a small number of niche insurance intermediaries who operate in the intermediary segment of the non-life insurance market and act as UMAs or brokers for Renasa;

13.2. The provision of IT claims support, where Concourse IT provides a suite of IT services designed specifically for the intermediated non-life insurance market and develops and maintains systems for Renasa; and

13.3. Brokerage, as Summit holds a non-controlling interest in Medi-pet[4] and K2012007030[5]. Renasa's business is focused on the distribution of non-life insurance products through the indirect intermediary channel.

[14] As the abovementioned relationships are pre-existing and between the Target Firms, the Commission found that these vertical overlaps are unlikely to raise any anti-competitive effects as the Target Firms will continue these arrangements post-merger and that the merging parties are relatively small players in the market for non-life insurance. Furthermore, the Acquiring Group has a different model to that of the Target Firms and is not reliant on the services offered by the Target Firms. As such, it is unlikely that the Acquiring Group would exercise exclusive use over the Target Firms' services.

[15] The Commission was thus of the view that the proposed merger is unlikely to result in substantial anti-competitive foreclosure effects.

[16] In light of the above, we are of the view that the proposed merger is unlikely to substantially prevent or lessen competition.

Public interest

Employment

---

[4] Medi-pet is an insurance broker responsible for sourcing and retaining clients.

[5] K2012007030 is an intermediate holding company of brokers operating in the non-life insurance market. K2012007030 has facilities with most insurance companies and offers a total package on a broad range of products underwritten by many different carriers.

[17] The merging parties provided an unequivocal statement that the proposed merger will not result in any merger specific retrenchments or job losses.

[18] The employee representatives of the Target Firms confirmed that the respective employees of their companies were informed of the proposed transaction and no concerns were raised.

Effect on greater spread of ownership

[19] The merging parties do not have any shareholding which is held by historically disadvantaged persons ("HDPs") or workers.

[20] The merging parties submitted that TIH applied to the Department of Trade, Industry and Competition ("dtic") for the approval of an Equity Equivalent Investment Programme ("EEIP") with transformation objectives in accordance with Statement 103 of the ("Broad-Based Black Economic Empowerment") B-BBEE Codes of Good Practice, issued in terms of the B-BBEE Act. Further and subject to its approval by the dtic, TIH's implementation of the EEIP will be considered the equivalent of or in lieu of a direct HDP shareholding in TIH. TIH's participation in the EEIP would result in it achieving a level 2-B-BBEE status, with full recognition from an ownership perspective. As such, the merging parties submitted that the proposed merger will have a positive effect on the promotion of a greater spread of ownership since the Target Firms will form part of, and receive the benefit of TIH's participation in the EEIP.

[21] The Commission was concerned that the proposed merger does not promote a greater spread of ownership to HDPs or workers and requested the merging parties to put forward a remedy to address this concern. The merging parties submitted that the proposed EEIP be made a condition to the approval of the proposed transaction. The Commission found the proposed remedy to be unsuitable due to the uncertainty of enforceability.[6]

[22] The Commission then requested the merger parties to consider setting aside a R5 million (five million Rands) commitment in the form of a development fund that will provide education funding for historically disadvantaged learners ("HDLs") at historically

[6] EEIP is dependent on an indeterminate future event, the approval of the dtic, [redacted]

disadvantaged tertiary institutions ("HDTIs"), to which the merging parties agreed.[7] The Commission found that this commitment will ultimately result in a positive public interest outcome as it will contribute to the development of HDLs and may indirectly contribute toward transformation and equity.

[23] The Tribunal probed the parties to comment on the requirement that HDLs must attend an HDTI to benefit from the development fund. In response, the Commission outlined that they have found education funding distribution in South Africa is skewed with the majority of private funding going to non-HDTIs. The condition intends to provide more opportunity to HDLs attending HDTIs to access private tertiary funding.

[24] The proposed transaction raises no other public interest concerns.

Conclusion

[25] We concluded that the proposed merger is unlikely to substantially prevent or lessen competition in any relevant market. The proposed merger has been approved subject to the abovementioned public interest condition intended to address potential public interest concerns. The imposed conditions are annexed hereto as **Annexure "A"**.

Signed by:Imraan Valodia
Signed at:2023-01-23 13:08:26 +02:00
Reason:Witnessing Imraan Valodia

Prof Imraan Valodia	**23 January 2023** **Date**

Mr Andreas Wessels and Ms Andiswa Ndoni concurring.

Case Managers	:	Leila Raffee
For the Merging Parties	:	Burton Phillips and Kgomotso Mmutle of Webber Wentzel; Rosalind Lake and Alessia Michel of Norton Rose Fulbright
For the Commission	:	Thabelo Masithulela and Horisani Mhlari

[7] This fund is in addition to any pre-existing investment already planned to be made by TIH and the [redacted] set aside for purposes of the EEIP.