COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No.: LM082Sep21

In the matter between:

Old Mutual Insure Ltd	**Primary Acquiring Firm**
And	
ONE Financial Services Holdings (Pty) Ltd	**Primary Target Firm**

Panel:	E Daniels (Presiding Member) I Valodia (Tribunal Member) T Vilakazi (Tribunal Member)
Heard on:	09 December 2021
Order Issued on:	09 December 2021

ORDER

Further to the recommendation of the Competition Commission in terms of section 14A(1)(b) of the Competition Act, 1998 ("the Act") the Competition Tribunal orders that–

1. the merger between the abovementioned parties be approved in terms of section 16(2)(a) of the Act; and

2. a Merger Clearance Certificate be issued in terms of Competition Tribunal Rule 35(5)(a).

Enver Daniels

Presiding Member
Mr Enver Daniels

09 December 2021
Date

Concurring: Prof. Imraan Valodia and Dr. Thando Vilakazi

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SOUTH AFRICA

Merger Clearance Certificate

Date: 9 December 2021

To: Webber Wentzel Attorneys

(Name and file number of merger:)
Case number: LM082Sep21

Old Mutual Insure Ltd And One Financial Services Holdings (Pty) Ltd

You applied to the Competition Commission on 15 September 2021 for merger approval in accordance with Chapter 3 of the Competition Act.

Your merger was referred to the Competition Tribunal in terms of section 14A of the Act, or was the subject of a Request for Consideration by the Tribunal in terms of section 16(1) of the Act.

After reviewing all relevant information, and the recommendation or decision of the Competition Commission, the Competition Tribunal approves the merger in terms of section 16(2) of the Act, for the reasons set out in the Reasons for Decision.

This approval is subject to:

- [x] no conditions.
- [ ] the conditions listed on the attached sheet.

The Competition Tribunal has the authority in terms of section 16(3) of the Competition Act to revoke this approval if

a) it was granted on the basis of incorrect information for which a party to the merger was responsible.
b) the approval was obtained by deceit.
c) a firm concerned has breached an obligation attached to this approval.

The registrar, Competition Tribunal:

Tebogo Mputle

Notice CT 10

About this Notice

This notice is issued in terms of section 16 of the Competition Act.

You may appeal against this decision to the Competition Appeal Court within 20 business days.

Contacting the Tribunal

The Competition Tribunal
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Pretoria 0132
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competitiontribunal
SOUTH AFRICA

COMPETITION TRIBUNAL OF SOUTH AFRICA

Case no: LM082SEP21

Old Mutual Insure Limited	Primary Acquiring Firm
And	
ONE Financial Services Holdings Proprietary Limited	Primary Target Firm
Heard on: 09 December 2021	
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REASONS FOR DECISION

[1] On 9 December 2021, the Competition Tribunal unconditionally approved a large merger whereby Old Mutual Insure Limited ("OMI") intends to acquire sole control over ONE Financial Services Holdings Proprietary Limited ("ONE").

[2] The acquiring firm OMI, is a public company incorporated in accordance with the company laws of the Republic of South Africa. OMI is ultimately controlled[1] by Old Mutual Limited, a JSE[2] listed entity which is not controlled by any firm/s (OMI and all firms controlled by Old Mutual will collectively be referred to as the "Old Mutual Group").[3] OMI's relevant subsidiaries include: Elite Risk Acceptance (Pty) Ltd; Merx Underwriting Managers (Pty) Ltd; and Mutual & Federal Risk Financing Ltd ("MFRF").

[3] ONE is a private company incorporated in accordance with the company laws of the Republic of South Africa. Pre-merger, ONE is majority held[4] by One Suit Investment Holdings Proprietary Limited and also held[5] by SWJ van Rensburg. ONE and its subsidiaries[6] will collectively be referred to as the "ONE Group".

[4] The Old Mutual Group is a diversified African financial services group that offers a broad spectrum of financial solutions to retail and corporate customers across key markets. OMI is a licensed non-life or short-term insurer providing non-life

[1] OMI is a wholly owned subsidiary of Mutual & Federal Investments Proprietary Limited, which is in turn a wholly owned subsidiary of Old Mutual Emerging Markets Proprietary Limited (Old Mutual Emerging Markets), which is in turn wholly owned by Old Mutual Group Holdings (SA) Proprietary Limited, which is ultimately controlled by Old Mutual Limited.
[2] Johannesburg Stock Exchange.
[3] The top five shareholders of Old Mutual are: Public Investment Corporation (as to 15.13%); Allan Gray (as to 11.73%); Prudential Portfolio Managers (as to 5.05%); BlackRock Investment Mgt – Index (as to 4.06%); and Vanguard Group (as to 3.59%) (Competition Commission Large Merger Report LM082Sep21, p14).
[4] As to 95%.
[5] As to 5%.
[6] ONE controls the following firms: One Financial Services Holdings Proprietary Limited; One Web Systems Proprietary Limited; One Insurance Underwriting Managers Proprietary Limited; One Strategic Investments Proprietary Limited; Stilus Proprietary Limited; Truck Assist SA Proprietary Limited; Premier Claim Services Proprietary Limited; Watch Prop Proprietary Limited; North Point Estate Management Services Proprietary Limited; One Assist Services Proprietary Limited; Permanent Trust (Management) Proprietary Limited; General and Professional Liability Acceptances Proprietary Limited; and One Automotive Proprietary Limited.

insurance services to personal, commercial and corporate clients in South Africa, Botswana, Namibia, Nigeria and Zimbabwe. OMI's business is structured into the business units: OMI Retail, OMI Specialty Insurance and iWYZE. Through other subsidiaries, OMI also offers a broad range of domestic and export trade credit insurance, insurance administration services, underwriting claims and claims recovery functions, as well as personalised and tailored short-term insurance solutions.

[5] The ONE Group was first established as a motor underwriting management agency, specialising in transport insurance. The Group has since expanded its offering and now provides a wide range of niche and traditional insurance solutions and services across most classes of business, primarily as an underwriting management agency ("UMA") for MFRF under a cell agreement.[7] The ONE Group does not have its own short-term or non-life insurance licence but operates this business in terms of the MFRF cell arrangement. The ONE Group also has a cell arrangement and binder agreement in place with ABSA and Santam.

SLPC Assessment

[6] When considering the merging parties' activities, the Competition Commission ("Commission") found that the proposed transaction results in horizontal overlaps in the provision of short-term or non-life insurance products as well as reinsurance services. Relying on submissions by the merging parties and their competitors in the short-term insurance market,[8] the Commission estimated the merging parties' market shares in the following markets (segmented into corporate/commercial clients and personal lines):

6.1. The national broad market for the provision of short-term insurance products;
6.2. The national narrow market for the provision of short-term property insurance products;
6.3. The national narrow market for the provision of short-term transport insurance products;
6.4. The national narrow market for the provision of short-term motor insurance products;
6.5. The national narrow market for the provision of short-term accident and health insurance products;
6.6. The national market for the provision of short-term guarantee insurance products;
6.7. The national market for the provision of short-term liability insurance products;
6.8. The national market for the provision of short-term engineering insurance products; and
6.9. The national market for the provision of short-term miscellaneous insurance products.

[7] For the national broad market for the provision of short-term insurance products, the Commission found that the merged entity will have an estimated market share of 10.4% with an accretion of 1.1%.[9] For the national narrow market for the provision of short-term property insurance products, the Commission found that the merged entity will have an estimated market share of 18% with an

[7] A cell captive arrangement is where a company (participant) chooses to self-insure itself by owning a class of shares (to form a cell) in a special purpose vehicle insurance company.
[8] For this reason the Commission also says that these figures are likely to be overestimations.
[9] In the narrow corporate segment, the respective figures were 31% and 4.7%. In the narrow personal segment, the respective figures were 16.1% and 0.1%.

accretion of 1.3%.[10] For the national narrow market for the provision of short-term transport insurance products, the Commission found that the merged entity will have an estimated market share of 28% with an accretion of 7%.[11] For the national narrow market for the provision of short-term motor insurance products, the Commission found that the merged entity will have an estimated market share of 16% with an accretion of 3%.[12] For the national narrow market for the provision of short-term accidents and health insurance products, the Commission found that the merged entity will have an estimated market share of 7% with an accretion of 1%.[13] For the national narrow market for the provision of short-term guarantee insurance products, the Commission found that the merged entity will have an estimated market share of 37% with an accretion of 1%.[14] For the national narrow market for the provision of short-term liability insurance products, the Commission found that the merged entity will have an estimated market share of 11% with an accretion of 2%.[15] For the national narrow market for the provision of short-term engineering insurance products, the Commission found that the merged entity will have an estimated market share of 21% with an accretion of 2%.[16] For the national narrow market for the provision of short-term miscellaneous insurance products, the Commission found that the merged entity will have an estimated market share of 42.2% with an accretion of 0.2%.[17]

[8] In all of the above markets the Commission concluded that, considering the relatively low market share accretions and the competition the merged entity will continue to face from a number of reputable players in the market;[18] the proposed transaction is unlikely to substantially prevent or lessen competition in the abovementioned markets.

[9] The Commission took reference to information provided in the South African Insurance Industry Survey 2020, conducted by KPMG, for information regarding the national market for the provision of reinsurance products. The Commission came to the view that it is likely that the merging parties are small competitors in this market because Munich Reinsurance Company of Africa Limited and Hannover Reinsurance Group are said to continue to dominate the local life and non-life reinsurance industries; and, prevalent in the market, there are specialised reinsurance companies such as Africa Reinsurance, General Reinsurance, Munich and Swiss Re, amongst others. As such, the Commission was of the view that the proposed transaction is unlikely to substantially prevent or lessen competition in the reinsurance market.

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[10] In the narrow corporate segment, the respective figures were 23% and 3%. In the narrow personal segment, the respective figures were 19.1% and 0.1%.
[11] In the narrow corporate segment, the respective figures were 35% and 9%. In the narrow personal segment the respective figures were 1% and 1%.
[12] In the narrow corporate segment the respective figures were 30% and 9%. In the narrow personal segment the respective figures were less than 16% and 0.1%.
[13] In the narrow corporate segment the respective figures were 26% and 5%. In the narrow personal segment the respective figures were less than 1% and 1%.
[14] In the narrow corporate segment the respective figures were 82% and 2.2%. The merged parties are not active in the narrow personal segment.
[15] In the narrow corporate segment the respective figures were 12% and 2%. In the narrow personal segment, the merged entity will have an estimated market share of less than 1% whereas the Old Mutual Group is not active in this segment.
[16] In the narrow corporate segment the respective figures were 23% and 2%. The merged parties are not active in the narrow personal segment.
[17] In the narrow corporate segment the respective figures were 59.2% and 0.2%. In the narrow personal segment, the merged entity will have an estimated market share of less than 0.03% whereas the Old Mutual Group is not active in this segment.
[18] Such as Santam, Hollard, Guardrisk, Discovery, Absa Insurance, Standard Insurance, Lombard Insurance, King Price, MiWay, OUTsurance, amongst others.

[10] The Commission identified vertical overlaps and assessed the potential for foreclosure in the markets for cell arrangements; reinsurance arrangements; and administration and 1Web.

[11] The Commission assessed the merged entity's likely ability to foreclose downstream rivals' access cell captive arrangements. The Commission's investigation revealed that there are probably only four real competitors in the cell captive insurance market – Guardrisk, Old Mutual Risk Finance, Hollard Special Risks and Centriq. The Commission found that Guardrisk is the biggest player in the cell captive market with an estimated market share of [redacted]%; whereas the next incumbent Centriq estimates that it has a market share of [redacted]% in the cell captive insurance market. The Commission also noted that almost all insurance companies with a licence offer cell captive arrangements. Thus the Commission found no input foreclosure concerns.

[12] Assessing the likelihood of customer foreclosure in the market for cell captive arrangements, the Commission considered the ONE Group's cell arrangement and binder agreement with ABSA and Santam. The cell arrangement and binder agreement with ABSA is in run-off and therefore no new policies are being issued under this cell arrangement. It is in place in order to provide services and settle claims in respect of existing policy holders. The binder agreement with Santam is in terms of a cell arrangement previously in place with Santam; there is no activity within the Santam cell as this business went into run-off 10 years ago. The ONE Group merely issued a guarantee to compensate Santam for any losses that may be reported in respect of the cell arrangement. Santam did not raise any concerns with the proposed transaction. Considering the above, the Commission was of the view that the proposed transaction is unlikely to substantially result in customer foreclosure.

[13] The Commission assessed input foreclosure concerns in the market for reinsurance arrangements. It had already concluded that the merging parties are small players in this market. Indeed, [redacted][9] Given the international nature of this market, the Commission was of the view that it is unlikely that the merged entity will have the ability or incentive to engage in an input foreclosure strategy. Further, the ONE Group customer, when contacted by the Commission, did not raise any concerns with the proposed transaction.

[14] The Commission noted that in the broad market for short-term or non-life insurance, the merging parties are not significant players; therefore it is unlikely that they are significant consumers of reinsurance products. There are a number of significant consumers such as Guardrisk and Santam. These large customers tend to place their businesses in the international markets due to the lack of capacity in the South African market. This was confirmed by [redacted] which indicated that [redacted] In light of the above, the Commission concluded that the proposed transaction is unlikely to result in any customer foreclosure concerns in the reinsurance market.

[15] The Commission noted that the ONE Group's use of an integrated cloud-based technology system, 1Web, developed in-house, enables the integration of all data, administration, and financial functions, providing instant and pro-active underwriting management. [redacted][20] The Commission

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[19] Namely, [redacted]

[20] Namely, [redacted]

engaged them both and both customers had no concerns with the proposed transaction.

[16] [redacted] This customer also identified as companies providing alternatives to 1Web: Cardinal 360, Websure, Genesis, Nimbus, Policy Dock.

[17] [redacted] This customer identified Sigma, Cardinal, Quest, and Synaptics as providing alternatives to 1Web.

[18] Considering a lack of concerns from 1Web's current customers, the Commission was of the view that the proposed transaction is unlikely to result in any foreclosure concerns.

[19] The merging parties' competitors[21] and customers[22] did not raise concerns with the proposed transaction. One competitor submitted that since Old Mutual is already a minority shareholder in ONE this transaction does not remove a competitor (as it already exclusively writes business under the OMI license as an underwriting manager). The Financial Sector Conduct Authority and the Prudential Authority also submitted that the proposed transaction was approved by them on 29 July 2021, and they do not have concerns with the transaction.

[20] Taken as a whole, the Commission came to the conclusion that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market.

Public Interest Assessment

[21] The merging parties submitted that "*the proposed transaction will not have any effect on employment. In particular, there will be no retrenchments as a result of the proposed transaction*".[23] The employees of the merging parties are not represented by any trade unions. The employee representatives (Sungeetha Sewpersad represents the employees of the Old Mutual Group and Petro Johnson represents the employees of the ONE Group), both confirmed that their respective companies' employees were informed of the proposed transaction and no concerns were raised. Considering the above, the Commission was of the view that the proposed transaction is unlikely to have a negative effect on employment.

[22] Regarding the advancement of the spread of ownership, the merging parties submitted that the Old Mutual Group's percentage ownership currently held by historically disadvantaged persons ("HDPs") by measure of voting rights in the hands of black people is 35.41% (on a modified flow-through basis). The economic interests in the hands of black people is 25.79% (on a modified flow -

[21] Guardrisk, Hollard, Santam, OUTsurance, Centriq, and Compass
[22] Hestony Transport, Western Insurance, Bidvest Insurance, and Mobility Insurance
[23] Merging Parties 'Form CC4(1)' merger record, p7.

through basis). The ONE Group does not currently have any ownership held by HDPs. The Commission came to the view that the proposed transaction will not negatively affect the promotion of a greater spread of ownership, in particular for HDPs and workers in firms in the market.

[23] We conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market. Furthermore, there is no negative effect on the public interest.

Signed by:Enver Daniels
Signed at:2021-12-09 17:53:02 +02:00
Reason:Witnessing Enver Daniels

Enver Daniels

09 December 2021

Mr Enver Daniels **Date**
Prof Imraan Valodia and Dr Thando Vilakazi concurring

Tribunal Case Manager:	Mpumelelo Tshabalala
For the Merging Parties:	Andriza Liebenberg and Burton Phillips of Webber Wentzel attorneys
For the Commission:	Billy Mabatamela, Ratshidaho Maphwanya, Tamara Paremoer