



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM011Apr24

In the matter between:

Sanlam Life Insurance Limited

Primary Acquiring Firm

and

Assupol Holdings Limited

Primary Target Firm

Panel:	A Kessery (Presiding Member) Imraan Valodia (Tribunal Member) Geoff Budlender (Tribunal Member)
Heard on:	22 August 2024
Order issued on:	22 August 2024
Reasons issued on:	19 September 2024

REASONS FOR DECISION

Introduction

- [1] On 22 August 2024, the Competition Tribunal (“Tribunal”) conditionally approved a large merger wherein Sanlam Life Insurance Limited (“Sanlam Life”) intends to acquire 100% shares of Assupol Holdings Limited (“Assupol”). Post-merger, Sanlam Life will exercise sole control over Assupol.

Parties to the transaction and their activities

Primary Acquiring Firm

- [2] Sanlam Life is wholly owned by Sanlam Limited (“Sanlam Limited”) and is listed on the Johannesburg Stock Exchange, A2X and the Namibian Stock

Exchange. Sanlam Limited and Sanlam Life (directly or indirectly) hold interests in several firms in South Africa. Sanlam Limited, Sanlam Life and their subsidiaries are collectively referred to as “Sanlam”.

- [3] Sanlam is a financial services group and its portfolio includes retail mass, retail affluent, Sanlam Corporate, Sanlam Emerging Markets, Sanlam Investment Group, Santam and financial solutions. Sanlam operates in Africa, India, Malaysia and several other countries.

Primary Target Firm

- [4] Assupol is a holding company listed on the Cape Town Stock Exchange. Although Assupol’s shares are widely held, one of its shareholders, K2022679730 (South Africa) Proprietary Limited (“Budvest”). Budvest currently controls 46.1% of Assupol’s issued share capital. Assupol and its subsidiaries are collectively called the “Assupol Group”.
- [5] Assupol wholly owns Assupol Life Limited (“Assupol Life”) and Assupol Investment Holdings (Pty) Ltd (“Assupol Investment”).
- [6] Assupol Life is a registered life insurer and authorised financial services provider, offering funeral and life cover, retirement products, savings and group funeral cover. Assupol Investment is the holding company for Assupol Group’s strategic investments. Assupol’s products are distributed directly (face-to-face, online and via call centres) and through agents or brokers.

Proposed transaction and rationale

Transaction

- [7] In terms of the proposed transaction, Sanlam Life intends to acquire up to 100% of the shares in Assupol in terms of a scheme of arrangements or a

standby general offer as set out in an Implementation Agreement. Post-merger, Sanlam Life will acquire sole control over Assupol.

Rationale

- [8] The retail mass segment is Sanlam's strategic priority. Assupol is a strong strategic fit within Sanlam that will enhance and contribute to Sanlam's existing scale in the retail mass segment. According to Assupol, the transaction will enable it to continue providing comprehensive insurance solutions and exceptional value to its clients.
- [9] The proposed transaction is attractive to both merging parties as they would be able to *inter alia* offer customers a broader product offering and wider product set, expand distribution capacity, and create synergies that will benefit all stakeholders, including policyholders.

Competition Assessment

- [10] Sanlam and Assupol offer long-term insurance products throughout South Africa and the prices of their products are determined on a national basis.
- [11] The Commission assessed the competitive effects of the proposed transaction in the broad market being the national market for the provision of long-term insurance products; as well as the following narrow markets: i) the national market for the provision of long-term funeral insurance products; ii) the national market for the provision of long-term life insurance products; iii) the national market for the provision of long-term savings and investments products; and iv) the national market for the provision of long-term retirement insurance products.
- [12] The Commission found that there is a horizontal relationship between the activities of the merging parties, in that both Sanlam and Assupol provide funeral, life, savings and investments, and retirement long-term insurance products.

- [13] In the national market for the provision of long-term insurance products, the Commission found that post-merger, the merged entity will have a market share of between 15% and 20%, with a market share accretion of less than 2%. There are other players that are active in this market, including Old Mutual Limited (“Old Mutual”), Liberty Group Limited (“Liberty”), Hollard Group (“Hollard”), Momentum Metropolitan Holdings Limited (“MMI”), Discovery Group (“Discovery”) and Guardrisk Life Limited (“Guardrisk”).
- [14] In the national market for the provision of long-term funeral insurance products, the Commission found that post-merger, the merged entity will have a market share of between 25% and 30%, with a market share accretion of less than 11%. There are other players that are active in the market, including Old Mutual, MMI, Liberty, OUTsurance Holdings Limited, Hollard, AVBOB Mutual Assurance Society (“AVBOB”), Clientele Limited, King Price Life Insurance Limited and 1Life Insurance Limited.
- [15] In the national markets for the provision of long-term life insurance products, long-term savings and investment products, and long-term retirement insurance products, the market share estimates for life and retirement insurance products are included within the saving and investments category. The Commission found that post-merger, the merged entity will have a market share of approximately 25% to 30%, with a market share accretion of less than 2%. Several other firms provide equivalent products or services, including Old Mutual, Hollard, Liberty, Alexander Forbes Limited, Discovery, Allan Gray (Pty) Ltd, Ninety-One Limited, PPS Group, PSG Wealth Retirement Fund and banks. Assupol also has a minimal presence in the long-term insurance market.
- [16] Based on the above, we are of the view that the proposed transaction is unlikely to substantially prevent or lessen competition in any market in South Africa.

Creeping mergers assessment

- [17] Since 2019, Sanlam has notified eight transactions involving various markets such as linked investment services, insurance, healthcare advisory services,

asset management, will services, estate administration, trust services, and personal loans.

- [18] Only two of the eight transactions relate to the long-term insurance market. In both these cases, the merged entities' market shares were estimated to be less than 17%, with market share accretions of less than 0.5%.
- [19] The Commission noted that although Sanlam has been on an acquisition path in the past five years, its market share concerning the provision of long-term insurance products has remained below the 35% threshold for dominance as set out in the Competition Act.
- [20] The Commission also noted the proposed transaction does not appear to increase concentration given the small market share of Assupol as well as the number of insurance providers in the relevant markets.
- [21] The Commission nevertheless noted that Sanlam is likely to increase its market share through more acquisitions and this may lead to Sanlam acquiring a dominant market position.
- [22] The Commission has indicated that it will remain vigilant in its assessment of further acquisitions by Sanlam.
- [23] Based on the above assessment of creeping mergers, it does not appear that the present transaction raises creeping merger concerns.

Third-Party Concerns

- [24] The merging parties' competitor expressed a concern that the proposed transaction would result in a dominant market player. According to the competitor, Assupol offers the lowest interest rates for life annuities across all the different Living Standards Measurement ("LSM") categories. The competitor alleges that merging Assupol with Sanlam would reduce client choices and harm competition in the low-income market. Smaller insurers

would be unable to compete with the rates offered by the merged entity. The competitor proposed that a condition be imposed which would require the merging parties to operate separately for at least five years and to put in place Chinese walls between the client bases of Assupol and Sanlam not allowing market access between each other.

[25] One of Sanlam's customers raised a general concern regarding the increasing size of companies through acquisitions and other corporate actions. The customer alleges that these companies are getting bigger and benefit from economies of scale, reducing choice and fair comparisons for the public. The customer also expressed concern that there was no guarantee that Sanlam would continue to provide the competitive products which Assupol offered in the funeral market.

[26] Given the presence of many alternatives targeting low to middle LSM customers, it is not necessary to conclude whether the relevant market ought to be classified according to LSM categories as suggested by the competitor.

[27] Further, in light of the post-merger market shares, the low market share accretion, and that Assupol appears to be relatively small in comparison to other long-term insurance providers, as well as the fact that the merging parties will continue to face competition from other players in the market, we agree with the Commission's view that the merger is unlikely to raise the above competition concerns, as alleged by the competitor and the customer.

Conclusion on competition assessment

[28] Based on the above, we are satisfied that the proposed merger is unlikely to substantially prevent or lessen competition in any relevant market.

Public interest assessment

Employment

- [29] The Commission noted that Sanlam had effected ■ retrenchments between 1 April 2023 and 30 April 2024. The Commission assessed whether these pre-merger retrenchments were merger-specific and found that they were not related to the proposed transaction. The retrenchments were due to operational reasons in terms of section 189 of Labour Relations Act No.66 of 1995.
- [30] In respect of the proposed transaction, the merging parties submitted that there would be no merger-specific job losses and agreed to a three-year moratorium on merger-specific retrenchments.
- [31] Given the above, we agree with the Commission's finding that the proposed transaction is unlikely to have a negative impact on employment.

Spread of ownership

- [32] The Commission is of the view that the proposed transaction is unlikely to have a negative impact on the promotion of a greater spread of ownership.
- [33] According to the merging parties, Sanlam wholly controls Sanlam Life, which also has an HDP shareholding of 49.30%, while Assupol has a 37.9% HDP shareholding. It is anticipated that post-merger, the HDP shareholding will increase by 11.4%.
- [34] We have no reason to disagree with the Commission's assessment.
- [35] In respect of public interest, we are satisfied that the merger will not have any negative effect on the factors set out in section 12A(3) of the Competition Act.

Conclusion

[36] For the reasons set out above, we conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market and does not raise any significant public interest concerns.

[37] We therefore approve the proposed transaction subject to the conditions attached as **Annexure “A”**.

Signed by: Anisa Kessery
Signed at: 2024-09-19 15:48:48 +02:00
Reason: Witnessing Anisa Kessery

Anisa Kessery

19 September 2024

Adv. Anisa Kessery

Date

Adv. Geoff Budlender SC and Prof. Imraan Valodia concurring

Tribunal case manager:

Moleboheng Mhlati

For the merging parties:

For the Acquiring Firm, Heather Irvine and Disebo Leokaoke of Bowmans Gilfillan; and

For the Target Firm, Robert Wilson and Duduetsang Mogapi of Webber Wentzel.

For the Commission:

Zanele Hadebe and Ratshi Maphwanya