



COMPETITION TRIBUNAL OF SOUTH AFRICA

**Case No.115/LM/Dec12
016147**

In the matter between:

**Professional Provident Society
Insurance Company Limited**

Acquiring Firm

And

The PPS Life and Disability Insurance Scheme

Target Firm

Panel : Takalani Madima (Presiding Member)
Anton Roskam (Tribunal Member)
Andiswa Ndoni (Tribunal Member)
Heard on : 20 March 2013
Order issued on : 20 March 2013
Reasons issued on : 08 April 2013

Reasons for Decision

Approval

[1] On 20 March 2013 the Competition Tribunal ("Tribunal") approved the merger between Professional Provident Society Insurance Company Limited ("PPS Insurance"), and The PPS and Life Disability Insurance Scheme ("The Scheme"). The reasons for approving the proposed transaction follow below.

Parties to the transaction

[2] The primary acquiring firm is PPS Insurance which is a long term insurance company registered in terms of the Long Term Insurance Act.¹ PPS Insurance operates as a mutual insurer which provides life, illness and other benefits such as pension and medical scheme benefits to policyholders by way of various types of long-term insurance policies.

[3] The primary target firm is The Scheme, which is jointly controlled by PPS Insurance and Sanlam Life Insurance Company Limited ("Sanlam"). The Scheme provides long term insurance policies in the form of life and disability risk cover and operates as a closed scheme.

Proposed transaction

[4] The proposed transaction involves the substitution of liability between PPS Insurance and Sanlam in terms of which Sanlam's liability to policyholders in respect of The Scheme would be substituted with the liability of PPS Insurance towards policyholders.

The relevant market and the impact on competition

[5] The relevant product market is the market for the provision of long term insurance policies. Registered long term insurers offer individual and/or group policies and the market can further be delineated into narrower markets depending on the type of risk cover as set out in the Long Term Insurance Act.²

[6] There is a horizontal overlap in the activities of the merging parties as they both active in the provision of long term insurance market, offering long term individual insurance policies.

¹ The Long Term Insurance Act 52 of 1958.

² See page 15 of Commission's Report.

[7] The Commission and merging parties submitted the market for long term insurance to be national as insurance policies are sold throughout the country and prices are not differentiated by regions.

Barriers to Entry

[8] During the hearing, the merging parties submitted that barriers to entry in the market are not prohibitive and are similar to those of short term insurance. The minimum capital requirements in terms of solvency requirements of a long term insurer is set by the Financial Services Board ("FSB") to be R10 million. There have been seven entrants in the market, from 2008-2010.³

[9] Post merger, the merged entity will have a market share of less than 2%. It is evident from this, that the merging entities post merger, will face sufficient competition from other competitors in the market.⁴

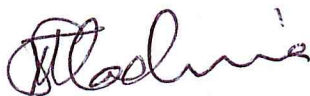
Public Interest

[10] The Merging parties submitted that the proposed transaction will not result in any job losses. Furthermore, the proposed merger raises no clear public interest concerns.⁵

[11] We conclude that that the proposed transaction is unlikely to substantially lessen or prevent competition in any relevant market.

CONCLUSION

[12] We unconditionally approve the merger.



Takalani Madima

08 April 2013
DATE

Anton Roskam and Andiswa Ndoni concurring.

³ See page 3 para 20 of the Transcript.

⁴ See page 19 Of the Commission's Report.

⁵ See page 20 of the Commission's Report.

Tribunal Researcher: **Caroline Sserufusa**

For the merging parties: Paul Cleland of Werksmans Attorneys

For the Commission: Zanele Hadebe