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COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No.: 017442

In the matter between

Hollard Insurance Company Limited	Acquiring Firm
And	
Etana Insurance Company Limited	Target Firm

Panel	:	Andreas Wessels (Presiding Member) Andiswa Ndoni (Tribunal Member) Mondo Mazwai (Tribunal Member)
Heard on	:	25 September 2013
Order issued on	:	25 September 2013
Reasons issued on	:	03 October 2013

Decision

Approval

[1] On 25 September 2013, the Competition Tribunal ("Tribunal") unconditionally approved the merger between Hollard Insurance Company Limited ("Hollard") and Etana Insurance Company Limited ("Etana").

[2] The reasons for approving the proposed transaction follow.

Parties to transaction

[3] The primary acquiring firm is Hollard. It is controlled by Hollard Holdings (Pty) Ltd. Hollard is a short-term insurance company registered in South Africa. Hollard provides various insurance solutions across three classes i.e. (i) personal lines; (ii) commercial lines; and (iii) corporate lines. Within these broad categories it operates various product lines such as motor insurance, engineering insurance and property insurance amongst others.

[4] The primary target firm is Etana. It is controlled by Etana Holdings (Pty) Ltd. Etana offers a complete range of short-term insurance products to businesses, purely through brokers, as opposed to selling directly to consumers. It operates across various classes of insurance which can be categorised into three main classes, namely (i) personal lines; (ii) commercial lines; and (iii) corporate lines. It operates across various product lines, namely (i) motor insurance; (ii) liability insurance; (iii) engineering insurance; (iv) property insurance; (v) transportation insurance; (vi) accident and health insurance; and (vii) guarantee insurance. Its products are offered through specialist divisions. In addition Etana operates as a reinsurer and co-insurer in limited instances.

[5] Pre-merger Hollard hols 40% of the issued share capital of Etana.

Proposed transaction and rationale

[6] In terms of the proposed transaction Hollard will, through a series of inter-related and cross-conditional steps, acquire the entire issued ordinary share capital of Etana (also see paragraph 5 above). As a result Hollard will have sole control over Etana after the merger.

[7] Hollard wishes to expand its presence in the short-term commercial insurance market.

[8] Etana through the proposed transaction seeks to create a more compelling proposition for brokers and end consumers.

Impact on competition

[9] The proposed transaction has both horizontal and vertical aspects.

[10] The vertical aspect, however, is limited. Etana is a customer of Hollard for certain support services. These vertical solutions are provided through Hollard's in-house service departments and this position will not change post-merger. We conclude that it is unlikely that the proposed merger will lead to either input or customer foreclosure and we do not deal with this issue in any further detail in these reasons.

[11] Horizontally the activities of the merging parties overlap in the market for the provision of short-term insurance solutions. However, there is no need for us in this case to take a definitive view on the exact scope of the relevant product market(s). On a more narrow approach than the overall short-term insurance solutions market the market could be delineated by way of insurance classes, i.e. personal, commercial and corporate insurance services, and even more narrowly per insurance product category (see paragraph 4 above). Post-merger the merged entity will have a national market share of less than 10% in a broad short-term insurance market, as well as in each of the above-mentioned three insurance classes/segments if considered as potential separate product markets. In potential narrower product markets defined in terms of insurance product the merged entity's post-merger national market shares remain below 20% in each product segment. Various other established market players are active in the short-term insurance market such as Santam, Mutual and Federal, Outsurance, Guardrisk and ABSA. The larger of these players such as Santam and Mutual and Federal provide a broad range of insurance products.

[12] Based on the above considerations we conclude that the proposed transaction is unlikely to substantially prevent or limit competition in any relevant market.

Public interest

[13] The merging parties confirmed that the proposed transaction will have no adverse effect on employment[1] and the proposed transaction raises no other public interest concerns.

CONCLUSION

[14] We approve the proposed transaction unconditionally.

Andreas Wessels	03 October 2013 **DATE**

Andiswa Ndoni and Mondo Mazwai concurring

Tribunal researcher:	Caroline Sserufusa
For the merging parties:	Justin Balkin of Edward Nathan Sonnenbergs Inc
For the Commission:	Takalani Ramavhoya

[1] See merger record pages 22, 110 and 140.