



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case no: LM059Aug21

Sanlam Life Insurance Limited (Primary Acquiring Firm)

and

The Group Risk Business of Alexander Forbes Life Limited (Primary Target Firm)

REASONS FOR DECISION

- [1] On 26 October 2021, the Competition Tribunal unconditionally approved a large merger between Sanlam Life Insurance Limited (“Sanlam Life”) and the group risk business (including its retail life business) of Alexander Forbes Life Limited (“AF Life”).
- [2] Sanlam Life is a wholly-owned subsidiary of Sanlam Limited (“Sanlam”).¹ Sanlam is a diversified financial services group that operates across the African continent and various other countries. Sanlam’s areas of expertise include insurance (life and general), financial planning, retirement, investments and wealth. Sanlam provides a broader range of life insurance policies² than AF Life.
- [3] AF Life is controlled by Alexander Forbes Limited (“Alexander Forbes”). AF Life is comprised of its group risk life policies³ as well as its retail life policies. The merging parties submit that the group risk business accounts for approximately [REDACTED] of the target firm while the retail business accounts for approximately [REDACTED] of the target firm. The group risk business of AF Life provides various insurance products for employers to cover their employees in the event of specific risks occurring, including loss of life or illness, and thereby protect the financial well-being of the employees’ families. The benefits of these products include critical illness, funeral cover, spouse benefit, group education benefits, as well as disability benefits. These products are provided to members of groups (companies) often through their pension funds.
- [4] The transaction involves Sanlam Life acquiring AF Life. Post-merger, the policies, reinsurance and other business contracts related to the group risk and retail life businesses of AF Life will be controlled by Sanlam.

¹ “Sanlam” shall be used to refer to Sanlam and the various firms it controls.

² A life insurance policy is defined as any arrangement under which a person, in return for provision being made for the rendering of a premium to that person, undertakes to meet insurance obligations — (a) on the happening of a life event, health event, disability event or death event; or (b) on or from a fixed determinable date or at the request of the policyholder.

³ Group policies are specific policies which are usually sold to companies to provide benefits to employees.

- [5] The Competition Commission (“Commission”) found horizontal overlaps in the activities of the merger parties in the supply of life insurance policies.⁴ Without concluding on the relevant markets, the Commission assessed the impact of the proposed transaction on the following markets:⁵
- [5.1] The broad national market for the provision of long-term life insurance policies;
 - [5.2] The narrow national market for the provision of group long-term life insurance policies;
 - [5.3] The narrow national market for the provision of individual long-term life insurance policies.
- [6] In the broad national market for the provision of long-term life insurance policies, the Commission estimated that the merged entity would have a combined market share of approximately [REDACTED] after a low accretion of less than 1%.
- [7] In the narrow national market for the provision of group long-term life insurance policies, the Commission found that the merged entity would have a combined market share of approximately [REDACTED] after a low accretion of less than 5%.
- [8] In the narrow national market for the provision of individual long-term life insurance policies, the Commission found that the merged entity would have a combined market share of approximately [REDACTED] after a low accretion of less than 1%.
- [9] In all of the above markets, the Commission found that the merged entity would continue to be constrained by other insurance companies,⁶ and that Sanlam Life’s low market share accretions were unlikely to significantly alter the structure of the market.
- [10] The merging parties submitted that the proposed transaction envisages the transfer of the permanent employees of the group risk business of AF Life to Sanlam in terms of section 197 of the Labour Relations Act No. 66 of 1995. The Commission also found that the group risk business of AF Life has seven employees with fixed term contracts. In this regard, four of them would be transferred to Sanlam, two were appointed to permanent roles within Alexander Forbes and the last would run out their contract at Alexander Forbes.
- [11] The employee representatives of both Sanlam and AF Life confirmed that no employment concerns were raised concerning the proposed transaction. The Commission found that the proposed transaction would have no negative impact on the spread of ownership by historically disadvantaged persons and workers. The merger raised no other public interest concerns.

⁴ The products that are marketed by Sanlam and AF Life are all risk protection products such as life assurance, disability insurance and funeral policies.

⁵ The Commission based its market share calculations on data provided by the Prudential Authority.

⁶ Such as Old Mutual, Hollard, Bidvest Life and Fedgroup Life.

[12] We concluded that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market, or to have a negative impact on the public interest.

Enver Daniels

Mr Enver Daniels
Ms Yasmin Carrim and Mr Andreas Wessels concurring

26 October 2021

Date

Tribunal Case Manager: P Kumbirai
For the Merging Parties: A Norton and A Roets of Nortons Inc
For the Commission: P Bele and G Mutizwa