

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case no: 94/LM/Sep05

In The Large Merger Between:

Sanlam Life Insurance Limited

Acquiring Firm

And

Channel Life Limited

Target Firm

Reasons for Decision

Approval

1. On 18 January 2006 the Competition Tribunal issued a Merger Clearance Certificate approving the transaction between Sanlam Life Insurance Limited and Channel Life Limited. The reasons for this decision follow.

The Transaction

2. The parties to the transaction Sanlam Life Insurance Limited ("Sanlam Life") and Channel Life Ltd ("Channel Life"). Sanlam Life is a wholly owned subsidiary of Sanlam Ltd, ¹ a public company listed on the life assurance sector of the JSE Securities Exchange South Africa. ² Channel Life's shareholding is held as follows: Channel Life Holdings (Pty) Ltd – 48.65%,³ PSG Financial Services Ltd – 40.61% and Channel Life management and a number of members of the public - 10.74%. ⁴

¹ According to the parties, Sanlam Ltd is not controlled by any single firm. Details about Sanlam Ltd's various subsidiaries can be found from page 131-136 of the Merger Record.

² Sanlam Life controls the following firms: Sanlam Customised Insurance Ltd, Sanlam Home Loans (Pty) Ltd, Total Care Strategy Holdings (Pty) Ltd, Sanlam Direct Access (Pty) Ltd, Sanlam Trust Ltd, Encoresa (Pty) Ltd and Cambium Capital Joint venture.

³ Channel Life Holdings is jointly controlled by Arch Equity Life Holdings (26%) and PSG Group Limited (74%).

⁴ Channel Life controls the following companies: Channel Life Equity (Pty) Ltd, Channel Management Services (Pty) Ltd, Alfinanz (Pty) Ltd, Kea Insurance Brokers (Pty) Ltd and Channel Group Limited.

2.1.1. The transaction involves firstly, the acquisition by Sanlam Life of 52% of the issued shares in Channel Life. Sanlam Life will then transfer its 55% stake in Safrican Insurance Company Limited to Channel Life, in consideration for the issue to Sanlam Life of a further 8 million shares in Channel Life (constituting approximately 2.8% of the issued share capital). Post merger Sanlam Life will own and control approximately 54.8% of the issued share capital of Channel Life. Although Channel Life will own and control 55% of the issued share capital of Safrican, ultimately Sanlam Life will control Safrican through its majority shareholding in Channel Life. Channel Life Holding and PSG will retain a non-controlling minority shareholding interest in Channel Life.

3. According to the parties, Sanlam Life wishes to harness the potential that Channel Life's business has to generate good results in areas whether Sanlam Life is under-performing, namely new business growth in the entry-level market segment.

Impact on Competition

4. Both Sanlam Life and Channel Life are registered long-term insurers and offer individual and group insurance products. While the Commission did not conclude on a relevant product market, it did base its assessment on both a narrow market (individual and group based products which may be further segmented into individual investment and insurance products, and lower income and middle and higher income segments) and a broader long-term insurance product market. The markets were geographically defined as national.
5. The Commission found that from a narrow or broad market perspective, Sanlam Life's market share does not increase significantly and that no significant changes in the concentration levels occur. The Commission also found that in the short-term, Sanlam Life will compete with larger established players like Metropolitan Life, Liberty Active, Hollard Life Assurance and Clientele Life and that within the middle to long-term, entry will become easier and more players will attempt to compete in the market. Furthermore, greater product innovation would result in increased competition.
6. Although we agreed with the Commission's conclusion, we were concerned that the market shares submitted by the merging parties and on which the Commission based its assessment, were outdated (July to December 2004). During the hearing held on the 18 January 2006, the Tribunal requested the merging parties to provide it with more updated data. The merging parties subsequently submitted market shares for individual and group products for the period January 2005 to June 2005.⁵
7. The market shares for individual products based on total individual premiums received were:

Firm	Market Share %
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⁵ Correspondence with Tribunal dated 14 February 2006.

	1 July 2004 to 31 December 2004	1 January 2005 to 30 June 2005
Sanlam Life	20	18
Safrican	0	0
Channel Life	1	0
African Life	2	2
Combined	22	20
Others	78	80
Total	100	100

Source: Life Office's Association of South Africa

8. The market shares for group products based on total group premiums received were:

Firm	Market Share %	
	1 July 2004 to 31 December 2004	1 January 2005 to 30 June 2005
Sanlam Life	11	9
Safrican	0	0
Channel Life	1	0
African Life	2	0
Combined	14	10
Others	86	90
Total	100	100

Source: Life Office's Association of South Africa

9. The updated data reveals that the combined market shares of the merging parties in 2005 decreases by 2% for individual products and by 4% for group products. Furthermore the market share accretion post merger is relatively small, namely 2% for individual products and 1% for group products.

10. For these reasons, we are of the view that the merger will not result in a substantial lessening of competition and it is not necessary for us to make a definitive finding on the relevant markets.

Conclusion

11. We have no other concerns and are satisfied that there are no significant public interest issues, which arise, and we accordingly approve this transaction unconditionally.

Y Carrim

9 March 2006

Date

Concurring: N Manoim and T Orleyn

For the merging parties: J Oosthuizen (Sonnenburg Hoffmann Galombik)

For the Commission: L Lamola and S Nunkoo (Mergers and Acquisitions)