COMESA Competition Commission
Kang'ombe House, 5th Floor-West Wing
P.O.Box30742
Lilongwe 3, Malawi
Tel: +265 1 772 466
Email- compcom@comesa.int

Common Market for Eastern and Southern Africa

Case File No. CCC/MER/12/33/2020

Decision[1] of the Seventy-Fifth (75th) Committee Responsible for Initial Determination Regarding the Proposed Acquisition of the Property and Casualty Business and Medical Insurance of Jubilee Holdings Limited by Allianz Africa Holding GmbH

ECONOMIC SECTOR: Insurance

16th April 2021

[1] In the published version of this decision, some information has been omitted pursuant to Rule 73 of the COMESA Competition Rules concerning non-disclosure of business secrets and other confidential information. Where possible, the information omitted has been replaced by ranges of figures or a general description.

Introduction and Relevant Background

1. On 20th January 2021, the COMESA Competition Commission (hereinafter referred to as the "**Commission**") received a notification for approval of a merger involving Allianz Africa Holding GmbH ("**Allianz Africa**") and Jubilee Holdings Limited ("**Jubilee**"), pursuant to Article 24(1) of the COMESA Competition Regulations, 2004 (the "**Regulations**").

2. Pursuant to Article 26 of the Regulations, the Commission is required to assess whether the transaction between the parties would or is likely to have the effect of substantially preventing or lessening competition or would be contrary to public interest in the Common Market.

3. Pursuant to Article 13(4) of the Regulations, there is established a Committee responsible for initial determinations, referred to as the CID. The Commission submitted its assessment report to the CID on 6th April 2021. The decision of the CID is set out below.

The Parties

Allianz Africa (the Acquirer)

4. Allianz Africa is a wholly owned subsidiary of Allianz SE and acts as a holding company for Allianz SE's insurance business in Africa (Allianz SE and its subsidiaries are referred to as the "Acquirer Group"). The Acquirer Group's insurance operations in the Common Market[2] are primarily in Kenya, Madagascar and Egypt through Allianz Insurance Company of Kenya Ltd, Allianz Madagascar Assurances, Allianz Insurance Company-Egypt S.A.E and Allianz Life Assurance Company-Egypt S.A.E, respectively.

5. Further, the Allianz Group also derives turnover in all COMESA Member States (excluding Comoros, Eritrea, and Somalia), through activities conducted by subsidiaries domiciled outside of the Common Market, as presented in Table 1 below.

Table 1 – Allianz Group activities in the Common Market

Legal name and Country	**COMESA Member State where turnover is derived, or assets are held**	**Description of products/services supplied**
Allianz SE (Germany)	Egypt, Uganda, Zambia, Zimbabwe	Reinsurance of various lines of business underwritten in these countries
Euler Hermes S.A. (Belgium)	Kenya, Mauritius	Credit risk insurance
Allianz Risk Transfer AG (Liechtenstein)	Egypt, Burundi, Democratic Republic of Congo, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Swaziland, Tunisia, Uganda, Zambia, Zimbabwe	Reinsurance of specialty and large corporate business underwritten in these countries
Allianz Global Corporate & Specialty SE (Germany)	Egypt, Burundi, Democratic Republic of the Congo, Djibouti, Ethiopia, Kenya, Libya,	Reinsurance of specialty and large corporate business underwritten in these countries

[2] In this decision, COMESA is used synonymously with the term Common Market.

	Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Tunisia, Uganda, Zambia, Zimbabwe	
Allianz Global Investors GmbH (Germany)	Kenya	Investment of assets for third party institutional and retail investors
AWP Health & Life S.A. (France)	Egypt, Burundi, Democratic Republic of the Congo, Djibouti, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Tunisia, Uganda, Zambia, Zimbabwe	Internal life insurance solutions
Allianz Global Corporate & Specialty South Africa Ltd. (South Africa)	Democratic Republic of the Congo, Ethiopia, Kenya, Malawi, Mauritius, Seychelles, Uganda, Zambia, Zimbabwe	Reinsurance of specialty and large corporate business underwritten in these countries
PIMCO Europe Ltd. (UK)	Mauritius, Sudan	Investment of assets for third party institutional and retail investors

Jubilee and the Target Business

6. Jubilee is an insurance holding company with operations in the Common Market through its subsidiaries in Kenya, Uganda, Burundi and Mauritius. It was submitted that Jubilee, along with its single largest minority shareholder, Aga Khan Fund for Economic Development, was selling its property and casualty ("P&C") insurance business, including its medical insurance business, in certain jurisdictions to the Acquirer.

7. The Target Business operates in the following COMESA Member States: Burundi, Kenya, Mauritius, and Uganda.

Jurisdiction of the Commission

8. Article 24(1) of the Regulations requires 'notifiable mergers' to be notified to the Commission. Rule 4 of the Rules on the Determination of Merger Notification Thresholds and Method of Calculation (the "**Merger Notification Thresholds Rules**") provides that:

   Any merger, where both the acquiring firm and the target firm, or either the acquiring firm or the target firm, operate in two or more Member States, shall be notifiable if:

   a) the combined annual turnover or combined value of assets, whichever is higher, in the Common Market of all parties to a merger equals or exceeds COM$ 50 million; and

   b) the annual turnover or value of assets, whichever is higher, in the Common Market of each of at least two of the parties to a merger equals or exceeds COM$ 10 million, unless each of the parties to a merger achieves at least two-thirds of its aggregate turnover or assets in the Common Market within one and the same Member State.

9. The merging parties have operations in more than two Member States. The parties' combined asset value in the Common Market exceeds the threshold of USD 50 million

and they each hold assets of more than USD 10 million in the Common Market. In addition, the merging parties do not achieve more than two-thirds of their respective COMESA-wide asset value within one and the same Member State. The notified transaction is therefore notifiable to the Commission within the meaning of Article 23(5)(a) of the Regulations.

Nature of the Transaction

10. It was submitted that the Proposed Transaction will take place as follows:

    a. In Kenya, the Acquirer will acquire a majority shareholding (with Jubilee remaining a minority shareholder) in Jubilee General Insurance Limited (JGIL), which holds the P&C Business of the Seller in Kenya (excluding its Medical insurance business). This follows a business separation in which the P&C Business of the Seller (excluding its Medical insurance business) was transferred from The Jubilee Insurance Company Limited into JGIL.

    b. In Uganda, the Seller will transfer its Ugandan medical (health) business from Jubilee Insurance Company of Uganda Limited (“JICUL”), to a newly incorporated company, leaving only the Uganda P&C Business under JICUL. The Acquirer will then acquire a majority shareholding in JICUL, with Jubilee remaining a minority shareholder.

    c. In Burundi and Mauritius, the Seller will sell majority of its shareholding in its current operating subsidiaries that carry on its P&C and Medical insurance business, being Jubilee Insurance Company of Burundi S.A (JICB) and Jubilee Insurance (Mauritius) Limited (JIML) to the Acquirer, with Jubilee remaining a minority shareholder.

11. The parties submitted that from the Acquirer’s perspective, the Proposed Transaction would facilitate an immediate at scale entry into the major hubs of the East African market. The Proposed Transaction would also thus support the Acquirer’s ambitions to reshape its footprint and gain market leadership in key markets on the African continent. The parties submitted that from Jubilee’s perspective, the Proposed Transaction has been determined to be the optimal strategy that would enable Jubilee to further develop its information technology infrastructure and human resources by transitioning to the use of big data to become more cost effective and efficient whilst providing the insights needed to enable it to tailor its product offerings to meet customer needs better and enhance risk management. It was submitted that the Acquirer has the skills, international experience and expertise in general insurance and in particular, the use of technology and digitization, that could be deployed to deliver an enhanced range and depth of products and risk management solutions to existing and new customers of the P&C insurance business in East Africa.

Relevant Markets

Relevant Product Market

12. Paragraph 7 of the Commission's Guidelines on Market Definition states that a *"relevant product market comprises all those products and/or services which are regarded as interchangeable or substitutable by the consumer/customer, by reason of the products' characteristics, their prices and their intended use"*.

13. The activities of the merging parties in the Common Market overlap in relation to the provision of property and casualty insurance services. Property and casualty insurers typically provide coverage on assets (e.g., house, car, etc.) and also liability insurance for accidents, injuries, and damage to other people or their belongings. The Commission has previously found that life insurance cover is different from general/ P&C insurance cover since life insurance is paid upon the death of a person while general insurance covers for loss or damage of property, hence the intended uses of the two are different. Accordingly, the assessment has focussed on the general insurance segment only.

14. Within the general insurance market, from the customer's perspective, the distinguishing features of the various types of insurance products (motor insurance, medical insurance, home insurance) forms a strong base for segmenting the markets into narrower markets. In ***Sampo/Varma/If Holding/JV***, it was observed that general insurance can be divided into several distinct markets as the products cover different kinds of risks which are reflected in their distinct characteristics, premiums and purposes[3].

15. It is noted that from a supply side, most large providers of general insurance typically provide a range of insurance products, as evidenced by the activities of the merging parties themselves. This points towards a potential degree of supply-side substitutability. This notwithstanding, the Commission considered that, from a demand side perspective, the purpose of the different types of general insurance are clearly distinct, and the absence of demand side substitutability would limit the effects of any supply side substitution. For instance, in a situation where premiums for motor vehicles were to increase by a small but significant non-transitory percentage compared to home insurance premiums, while providers of home insurance could in principle transition to providing motor insurance coverage, their ability to do so in practice will be affected by demand for motor insurance which is unlikely to be dependent, *ceteris paribus*, on premiums for home insurance cover.

16. In view of the foregoing, the CID resolved to segment the market based on the type of risk covered, distinguishing notably the following main segments:

    i. medical insurance;

    ii. motor insurance;

    iii. and general non-motor insurance.

[3] Case COMP/M.2676 Sampo/ Varma/ If Holding/ JV, paragraph 12. See also Case M.9056 - GENERALI CEE / AS, paragraph 11.

Relevant Geographic Market

17. The Commission's Guidelines on Market Definition define the relevant geographic market as follows:

> *"The relevant geographic market comprises the area in which the undertakings concerned are involved in the supply and demand of products or services, in which the conditions of competition are sufficiently homogeneous and which can be distinguished from neighbouring areas because the conditions of competition are appreciably different in those areas".*

18. Insurance companies tend to operate within the confines of the national law of a particular country by virtue of the licences they are given. In the case of general insurance and from a demand perspective, it is unlikely that an individual would be able or willing to substitute purchase of a policy from their place of residence to another country in response to a small but significant change in the price of the insurance in their place of residence. Though there is an emergence of medical insurance schemes capable of providing coverage across a number of territories, these are more expensive and may not be viewed as reasonable substitutes to local insurance schemes from a demand perspective.

19. Therefore, the CID considered the geographic scope for the identified product markets as national in scope. The parties' activities in the provision of general insurance services only overlap in one geographic market, being Kenya. In view of the national character of the products markets and the fact that the transaction would not affect market structures in Member States where only one party was operational pre-merger, the CID focussed its assessment on the geographic area of overlap, i.e. Kenya.

20. In Kenya, the target business is limited to motor and non-motor general insurance services and does not include medical insurance services. In view of the foregoing, the relevant markets are construed as:

    a. **provision of motor insurance services in Kenya; and**

    b. **provision of non-motor general insurance services in Kenya.**

Competitive Assessment

21. The CID noted that in the broad market for general insurance in Kenya, the target is market leader with an estimated share of 9.4%[4]. The Acquirer is among the players estimated to have less than 4% of market share. Post-merger, the merged entity will be strengthening its position as leader on the market. However, the market will remain fragmented and there exist other strong competitors including CIC General (8.1%), APA Insurance (7.1%), UAP Old Mutual (7.1%), and Britam General (6.3%).

[4] Source: Submissions by the Competition Authority of Kenya.

22. The table below presents the estimated market shares of the merging parties and their main competitors in the narrower markets identified by the CID.

Table 2 - Merging Parties' Estimated Market Shares in the Markets for Motor Insurance and Non-Motor General Insurance in Kenya for the year 2019

Relevant Market	**Merging Party**	**Estimated Market Share (%)**
Motor Insurance	CIC General Insurance Company	9.2
	Directline Assurance	7.2
	Geminia Insurance Company	6.6
	APA Insurance	6.4
	Britam General Insurance Company	5.3
	Jubilee General Insurance Limited	***4.4***
	Allianz Insurance Company of Kenya Limited	***0.71***
Non-Motor General Insurance	Britam General Insurance	9.4
	ICEA LION General Insurance	9.2
	GA Insurance Company	7.8
	CIC General Insurance Company	6.5
	APA Insurance	6.3
	Jubilee General Insurance Limited	***5.3***
	Allianz Insurance Company of Kenya Limited	***1.18***

23. The CID observed that the merging parties have relatively lower market shares in the narrower relevant markets identified. In particular, the combined market share of the merging parties would be less than 6% in the market for motor insurance and less than 7% in the market for non-motor general insurance. The markets will remain characterised by the presence of other strong competing providers.

24. The main barrier to entry into the relevant markets is the regulatory requirements. Specific barriers in Kenya include the fact that there are a number of active competitors in the market and as such, a new entrant would need to spend a significant number of resources in establishing its market presence.

25. Given the regulatory requirements for participants in the relevant markets, it is estimated that it would take around three (3) years for a potential entrant to obtain the requisite approvals, investment and/or financing to engage in the relevant markets. In the last three years, it appears that there was only one new entrant in the insurance market in Kenya, being KUSSCO Mutual Assurance Limited, which was licensed in 2019. However, as per the annual industry report published by the IRA for 2019, it is only licensed to underwrite long-term insurance business which is a different market segment from the relevant market in the Proposed Transaction. In view of the characteristics of the Kenyan market, the CID considered that entry into the relevant markets by new players is unlikely to occur in a manner that is timely or sufficient to constitute a significant competitive constraint on existing players.

26. The CID noted that while the target is the market leader in the general insurance market, it faces strong competition in the narrower market segments. The Acquirer's market position is relatively insignificant, and it is thus unlikely that the transaction will result in the strengthening of a dominant position on the relevant markets. Further, the markets are characterised by the presence of alternative insurers.

27. Further, in view of the absence of foreclosure concerns, it was concluded that the transaction will not frustrate trade between Member States.

Third-Party Views

28. Submissions were received from the Competition Authority of Kenya, the Competition Commission (Mauritius), and the Egyptian Competition Authority. The submissions received from Mauritius and Egypt did not identify any competition and public interest concerns, as there was no overlap in the parties' activities pre-merger. In Kenya, despite the overlap in the general insurance market, the CAK's submissions confirmed the assessment by the Commission relating to the presence of other competitors in the market and the low market position of the Acquirer pre-merger, such that market share accretion would not be of significant concern.

Conclusion

29. Based on the foregoing reasons, the CID determined that the merger is not likely to substantially prevent or lessen competition in the Common Market or a substantial part of it, nor be contrary to the public interest. The CID further determined that the transaction is unlikely to negatively affect trade between Member States.

30. The CID therefore approved this transaction. This decision is adopted in accordance with Article 26 of the Regulations.

Dated this 16th of April 2021

…………………………………………

Commissioner Brian M. Lingela (Chairperson)

………………………………

Commissioner Justice Charlotte Wezi Malonda

………………………………

Commissioner Ellen Ruparanganda