



THE PROPOSED ACQUISITION OF SHARES COMPRISING 24.1% OF ICEA LION INSURANCE HOLDINGS LIMITED BY EASTERN AFRICA HOLDINGS LIMITED

1. The Competition Authority of Kenya has approved the proposed acquisition of shares, with veto rights, comprising 24.1% of ICEA Lion Insurance Holdings Limited by Eastern Africa Holdings Limited unconditionally.
2. Eastern Africa Holdings Limited (EAHL), the acquirer, is incorporated in United Kingdom and is fully-owned by Leapfrog Strategic African Investments (LSAI).
3. LSAI is a private equity fund and does not have any investments in Kenya. EAHL has no operations or subsidiaries in Kenya therefore has no turnover nor assets in Kenya.
4. ICEA Lion Insurance Holdings Limited, the target, is incorporated in Kenya and owned 100% by First Chartered Securities Limited (FCS). The target directly controls ICEA Lion Life, ICEA Lion General, ICEA Lion Asset Management, and ITSL Trust Company Limited.
5. ICEA Lion Insurance Holdings, through its principal subsidiaries, is involved in providing insurance (life and general) as well as asset & fund management services.
6. The proposed transaction involves the acquisition of 24.1% of the issued shares with veto rights over certain decisions in ICEA Lion Insurance Holdings Limited by EAHL. This would lead to acquisition of indirect control and, therefore, the transaction qualified as a merger within the meaning of Section 2 and 41 of the Competition Act No. 12 of 2010.
7. The parties' combined and relevant turnover for the preceding year was **over Sh1 billion**. The transaction therefore met the threshold for mandatory notification and full merger analysis as provided in the **Competition (General) Rules, 2019**.
8. As indicated, the acquirer does not have any operations in Kenya while the target provides insurance services and asset and fund management services. Therefore, for purposes of analyzing the proposed transaction, the relevant product market was determined as the **market for asset and fund management services and insurance products life and non-life**



9. The target undertakes its activities across Kenya and therefore the relevant geographic market was determined as national.
10. Insurance firms offer products under two main categories; personal insurance and business insurance, thereby delineating the market by the type of customer. However, the market can be more clearly defined by product and grouped into two categories: life insurance and non-life insurance.
11. Additionally, fund management services involve advising clients on asset classes which are available for investment. It also involves formulating and implementation investment policies as well as investing client's assets and funds in accordance with the requirements of the Retirement Benefit Authority and fund/scheme investment policy of a fund/scheme.
12. Data from the Insurance Regulatory Authority (IRA) shows that there were 53 registered insurance companies in Kenya as at the end of December, 2018. 28 of them were in general insurance, 16 were long-term insurers, while 9 were composite insurers, offering both life and non-life insurance.
13. The IRA report indicated that the top ten players in the general insurance market, and their market shares based on gross written premiums, were: Jubilee (8.60%); CIC General (7.91%); APA (7.50%); UAP (7.18%); Britam General (6.31%); GA Insurance (4.69%); Resolution Insurance (4.47%); AAR Insurance Kenya (4.40%); ICEA Lion (4.36%); and Heritage (4.21%).
14. Post-merger, the merged entity's combined market share in the market for general insurance market will not change from the current 4.36%. The proposed transaction is therefore unlikely to raise competition concern since the market share is low. Further, the merged entity will face competition from the other players in the market.
15. From the foregoing, the proposed transaction is unlikely to substantially lessen or prevent competition in the market for general insurance in Kenya.
16. In the market for life insurance market, IRA data indicates that there are 16 active players, with the top ten companies in this segment, as categorized by market share based on gross written premiums, are: Britam Life (23.59%); Jubilee (14.48%); ICEA Lion (13.86%); CIC General (6.95%); Pioneer Assurance (6.37%); Kenindia (6.35%); Sanlam Life (5.17%); Liberty Life (5.16%); Madison (3.88%); and UAP Life (2.56%).



17. Post-merger, the merged entity's combined market share in the market for general insurance market will be 13.86%, which is the current market share of the target. The proposed transaction is therefore unlikely to raise competition concern in the market for life insurance since the market share is low and the merged entity will face competition from the other players in the market.
18. According to data from the RBA, there are 26 players in the market for assets and fund management. The major players in the market for assets and fund management in Kenya and their market shares are as follows: Sanlam (21%); GenAfrica Asset Manager (17%); Stanlib (11%); Old Mutual (13%); British American (8%); and ICEA Lion (4%).
19. Post-merger, the merged entity's combined market share in the market for asset and fund management will be 4% which is the market share of the target. Therefore, the proposed transaction is unlikely to raise competition concern since the market share is low and the merged entity will face competition from the other players in the market.
20. From the foregoing, the proposed transaction is unlikely to substantially lessen or prevent competition in the market for asset and fund management in Kenya.
21. The Authority also assessed countervailing/buyer power in the market given that insurance companies also rely on insurance agents and brokers to secure and retain customers/policy holders.
22. The parties submitted a list of the major insurance brokers who are their customers. They include Minet, Alexander Forbes, Wisdom Insurance Agency, Liberty, Eagle Africa, among others. These companies have the capacity to exert competitive pressure on the merged entity
23. During merger analysis, the Authority also considers the impact that a proposed transaction will have on public interest. The public interest concerns considerations include;
 - i. extent to which a proposed merger would impact employment opportunities;
 - ii. impact on competitiveness of small and medium enterprises (SMEs);
 - iii. impact on particular industries/sectors; and
 - iv. impact on the ability of national industries to compete in international markets.
24. The parties indicated that the proposed merger will not result in loss of employment. Further, the parties indicated that they expect that the merged entity will be better placed to compete in international markets by leveraging on the acquirer's parent company's global experience.



25. Premised on the above reasoning, the Authority approved the proposed acquisition of shares comprising 24.1% of ICEA Lion Insurance Holdings Limited by Eastern Africa Holdings Limited unconditionally.

