



**THE PROPOSED ACQUISITION OF 56% OF THE ISSUED SHARES OF  
AGRICULTURE AND CLIMATE RISK ENTERPRISE LIMITED (ACRE AFRICA) BY  
ZEP RE (PTA INSURANCE COMPANY)**

1. The Competition Authority of Kenya has approved the acquisition of 56% of the issued shares of Agriculture and Climate Risk Enterprise Limited (ACRE) by ZEP RE unconditionally.
2. ZEP RE, the acquiring undertaking, is a regional institution under the auspices of COMESA. Its primary function is to promote trade and sub-regional economic development through reinsurance business and sectorial development initiatives.
3. ZEP RE's shareholding structure is diversified across different bodies and jurisdictions that currently comprises six (6) country Governments, twelve (12) private companies, twelve (12) national insurance/reinsurance companies and three (3) regional bodies.
4. ACRE, the target undertaking, is a limited liability company incorporated in Switzerland. In Kenya, the business is registered as an insurance surveyor under the brand name ACRE Africa. It is also registered as an insurance agent in Rwanda and Tanzania. Additionally, ACRE has commercial interests in Uganda, Ghana, Malawi, Senegal, and Mozambique. The firm also provides management solutions, conducts research into new index methodologies, and provides technical support to risk carriers and insurance distribution channels.
5. The proposed transaction is an acquisition of 56% of ACRE's issued share capital by ZEP RE, effectively resulting in the acquisition of control of the target by the acquiring undertaking. **The transaction therefore qualified as a merger within the meaning of Section 2 and 41 of the Competition Act No. 12 of 2010.**



6. The parties' combined and relevant assets (which was the higher value as compared to turnover) for the preceding year was **over Sh1 billion**. The transaction therefore met the threshold for mandatory notification and full merger analysis as provided for in the **Competition (General) Rules, 2019**.
7. Based on the merging parties' commercial activities, the relevant product market for the purposes of analyzing the proposed transaction was determined as the **market for reinsurance and insurance surveyors**.
8. The parties' products and services are available nationally and, therefore, the relevant geographic market is **national**.
9. Reinsurance is a business model whereby insurers transfer portions of their portfolios to other parties through contractual agreements with the objective of reducing their exposure which, if substantial, can lead to a catastrophic loss. Reinsurance enables underwrites to take up more policies without significantly exposing their businesses.
10. Insurance surveyors undertake commercial and personal surveys as well as prepare customer evaluation reports for underwriters. In addition, surveyors also advise insurers on modalities of enhancing their products and services while reducing their exposure.
11. The insurance surveyors market in Kenya has about thirty-three (33) players and is highly fragmented. The major market players are ACRE, Alcordia Limited, Continental Adjusters Kenya Limited, Cunningham Lindsey Kenya Limited, General Adjusters Kenya Limited, Global Risk Management & Insurance Surveyors, Independent Adjusters Kenya Limited, Insight Yard Surveyors Limited, Integrity Loss Assessors & Adjusters Co. Ltd and Linchtec Consult, among others.
12. Post-merger, the market share of the merged entity will not change since the undertakings' commercial activities do not overlap. Therefore, the transaction will not change the structure and concentration of the market for insurance surveyors.
13. Additionally, the acquirer has a market share of 2.7%, which is considerably low. Based on the foregoing it is the Authority's view that the transaction will not occasion vertical competition concerns. In addition, the merged entity will face competition from the other players in the market.



14. During merger analysis, the Authority also considers the impact that a proposed transaction will have on public interest. The public interest concerns considered include;
- i. extent to which a proposed merger will impact employment opportunities;
  - ii. impact of the proposed merger on competitiveness of small and medium enterprises (SMEs);
  - iii. impact of the proposed merger on particular industries/sectors; and
  - iv. impact of the proposed merger on the ability of national industries to compete in international markets.
15. The parties indicated that the proposed transaction would not result in job losses as the target will continue to operate its Kenyan business. Additionally, the parties also contended that the transaction will positively impact SMEs by enabling the target acquire the scale and capacity to provide adequate insurance cover to smallholder farmers.
16. **Based on the foregoing, the Authority approved the proposed acquisition of 56% of the issued share capital of Agriculture and Climate Risk Enterprise Limited (ACRE) by ZEP RE unconditionally.**