CAK DECISION ON THE PROPOSED ACQUISITION OF 66.67% SHAREHOLDING OF AIG KENYA INSURANCE COMPANY LIMITED BY NCBA GROUP PLC

1. The Competition Authority of Kenya has approved the proposed acquisition of 66.67% of the issued share capital of AIG Kenya Insurance Company Limited by NCBA Group Plc unconditionally.

2. This approval has been granted based on the finding that the transaction is unlikely to negatively impact competition in the market for general insurance and bancassurance intermediaries, and banking services, or elicit negative public interest concerns, the two key considerations during merger analysis.

3. **NCBA Group PLC (NCBA)** is a public limited liability company incorporated in Kenya and licensed by the Central Bank of Kenya (CBK) as a non-operating holding company and whose shares are listed on the Nairobi Securities Exchange (NSE). It is a financial institution offering banking and bancassurance services in Kenya. It has subsidiaries in Kenya, Tanzania, Uganda, Rwanda, Cote de Ivoire and Ghana.

4. **AIG Kenya Insurance Company Limited (AIG Kenya)** is a company incorporated in Kenya. Its shareholders are AIG MEA Limited (66.67%) based in Dubai, United Arab Emirates and NCBA Group (33.33%). It does not control, directly or indirectly, any undertaking in Kenya. AIG Kenya's main activity is provision of insurance services.

5. The proposed transaction involves the acquisition of the remaining 66.67% shareholding in AIG Kenya by NCBA Group PLC.

6. The transaction therefore, qualified as a merger within the meaning of sections 2 and 41 of the Competition Act CAP 504 of the Laws of Kenya. The Act stipulates that a merger, or takeover, may occur when an undertaking directly or indirectly acquires control over another business within Kenya. This may happen through, among others, purchase/lease of shares, exchange of shares or vertical integration.

7. Further, merging parties whose combined turnover or assets, whichever is higher, is

over Ksh. 1 Billion are required to seek approval from the Authority prior to implementing the proposed transaction. The transaction between NCBA Group PLC and AIG Kenya met this threshold for mandatory notification and full analysis as provided in the Competition (General) Rules, 2019.

8. During merger analysis, and in order to determine the impact that a transaction will have on competition, the Authority identifies the **relevant product market** as well as the **relevant geographic market.**

9. The **relevant product market** comprises products/services that are interchangeable or substitutable by the consumer due to their characteristics, prices and/or intended use. Based on this criterion, the relevant product market for the proposed transaction is the market for **general insurance and bancassurance intermediaries, and banking services.**

10. Determination of the **relevant geographic market** involves interrogating the area in which merging parties undertake the business and in which competition conditions are sufficiently similar. With regard to the proposed transaction, the parties provide their products and services nationwide. Therefore, the relevant geographic market is **national**.

11. According to data from the Insurance Regulatory Authority (IRA), the general insurance market had 33 players as of the FY 2022/2023. These were catergorized as; longterm insurers (20), composite insurers (8), and reinsurers (5). In the insurance intermediary market, the players were: insurance agents (13,508), reinsurance brokers (25), insurance brokers (19), medical insurance providers (44), and bancassurance intermediaries (21).

12. In FY 2021/2022, the general insurance market had 35 players. AIG Kenya had a market share of 2.15%. Its major competitors for general insurance and their market shares were Old Mutual (8.77%), CIC General (7.6%), APA (7.07%), Britam (6.57%) and others (58.36%).

13. The structure of the Kenyan banking industry in 2022 comprised of 38 commercial banks, one (1) mortgage finance company, one (1) mortgage refinance company, 14 microfinance banks, 10 representative offices of foreign banks, 72 foreign exchange bureaus, 19 money remittance providers, 3 credit reference bureaus, and 32 digital credit providers.

14. Kenya's commercial banks are classified as large tier group (9 banks) which control 75.14% market share, medium tier group (8 banks) which control 16.29% market share, and small tier group (22 banks) which control 8.57% of the market.

15. The current market shares based on the market size index are shown below:

Bank Name	% Market Share
Large Tier (9 banks)	
KCB Bank Kenya Ltd	14.20
Equity Bank Kenya Ltd	12.67
NCBA Bank Kenya PLC	10.01
Co-operative Bank of Kenya Ltd	9.24
Absa Bank Kenya Plc	6.69
Standard Chartered Bank (K) Ltd	5.81
Stanbic Bank Kenya Ltd	5.74
Diamond Trust Bank Kenya Limited	5.63
I & M Bank Limited	5.15
Medium Tier (8 banks)	16.29
Small Tier (22 banks)	8.57
Total	**100**

16. One criterion of assessing a merger's impact on competition is the post-merger market share of the undertakings involved in the transaction. With regard to the proposed merger, post-merger, the merged entity's market share will not change since AIG Kenya and NCBA Group PLC are not in similar business.

17. Therefore, the proposed transaction will not affect the structure and concentration of the market for general insurance and bancassurance intermediaries, and banking services. Additionally, the merged entity will face competition from the other banks controlling 90% of the market share. Consequently, the proposed transaction **is unlikely to lead to a substantial lessening of competition in the market for general insurance and bancassurance intermediaries, and banking services in Kenya.**

18. During merger analysis, the Authority also considers the impact that a proposed transaction will have on public interest. Public interest in this case refers to various economically inclined concepts that, when considered, protect the welfare of the public.

In the Competition Act, some of the public interest considerations are;

a) extent to which a proposed merger would impact employment opportunities;

b) impact on competitiveness of SMEs;

c) impact on particular industries/sectors; and

d) impact on the ability of national industries to compete in international markets.

19. As per the parties' submissions, this transaction will not elicit negative public interest concerns. Specifically, there will be no employment loss and all the current 1,600 employees of AIG Kenya will be retained under the current terms.

20. Premised on the above, the Authority approved the proposed acquisition of the remaining 66.67% of the issued share capital of AIG Kenya Insurance Company Limited by NCBA Group Plc unconditionally.

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