# CAK DECISION ON THE PROPOSED ACQUISITION OF 51% SHAREHOLDING IN MONARCH INSURANCE COMPANY LIMITED BY ONDOBA LIMITED, KENYORO LIMITED AND EQUICO THIRTEEN LIMITED

1. The Competition Authority of Kenya has approved the proposed acquisition of 51% shareholding in Monarch Insurance Company Limited by a consortium of three firms, Ondoba Limited, Kenyoro Limited and Equico Thirteen Limited, unconditionally.
2. This approval has been granted on the finding that the transaction is unlikely to negatively impact competition in the market of provision of insurance services, nor elicit negative public interest concerns. These are the key considerations during merger analysis.
3. Ondoba Limited (Ondoba), **the 1st acquiring undertaking,** is a new holding company incorporated for the sole purpose of investing in the financial sector. Kenyoro Limited (Kenyoro), **the 2nd acquiring undertaking,** is a limited liability company incorporated in Kenya. Kenyoro undertakes investment activities in the financial sector. Equico Thirteen Limited (Equico), **the 3rd acquiring undertaking,** is a limited liability company incorporated in Kenya. It invests in the financial services sector, including the insurance industry.
4. Monarch Insurance Company Limited (Monarch), **the target undertaking,** is a limited liability company incorporated in Kenya. It provides composite insurance products, including general insurance, motor solutions, and life insurance.
5. The proposed transaction involves acquisition of 51% of the total issued share capital and voting rights in Monarch by Equico, Ondoba, and Kenyoro. The transaction therefore, qualified as a merger within the meaning of section 2 and 41 of the Competition Act Cap. 504. 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, vertical integration.
6. Further, 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 a proposed merger. The transaction between Ondoba/Kenyoro/Equico and Monarch met this threshold for mandatory notification and full analysis under the Competition (General) Rules, 2019.
7. According to the parties, the rationale for the transaction is business growth and expansion by enhancing operational efficiencies and executing a strategy driven by partnerships from the new shareholders.

8. For completeness, the Authority previously considered and unconditionally approved a transaction involving the target in July 2021. The transaction involved the acquisition of 51% of the ordinary shares in Monarch by Holmarcom Africa Financial Services.

9. 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.**

10. 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 **provision of insurance services.**

11. 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**.

12. The acquirers are directly involved in investment activities in the financial and insurance sectors. On the other hand, Monarch is involved in the provision of general, life, and motor insurance products in Kenya. In light of the foregoing, the relevant product market was determined to be the **market for the provision of insurance services.**

13. The insurance services market in Kenya can be grouped into two: life insurance and non-life (general) insurance. Non-life insurance comprises eleven (11) distinct insurance classes; aviation, public liability, engineering, fire domestic, fire industrial, marine, motor private, motor commercial, theft, workman's compensation, medical, and miscellaneous. On the other hand, life insurance which is long-term in nature, entails terminal cover and maturity benefits.

14. According to the Insurance Regulatory Authority (IRA), the industry in Kenya is segmented as follows; insurance and reinsurance companies; intermediaries (insurance brokers, medical insurance providers, insurance agents, and bancassurance agents); and other service providers (insurance investigators, motor assessors, insurance surveyors, loss adjusters, claims settling agents and risk managers).

15. With regard to market structure and concentration, the IRA recognizes fifty-eight (58) licensed insurance companies in Kenya as of 3rd January 2024. Out of these, thirty-five (35) firms provide general insurance while twenty-three (23) offer long-term (life) insurance service, including the target.

16. The general insurance products offered by Monarch include travel insurance, personal accident insurance, motor vehicle insurance, home insurance, medical insurance, property insurance, liability plans, and marine cover.

17. The market shares of the top players in the general insurance segment is as shown below:

| Insurance Entity | Approximated Market Share (%) |
|---|---|
| APA Insurance Company | 9.0% |
| Old Mutual General Insurance | 8.7% |
| CIC General | 8.4% |
| Britam General Insurance | 8.2% |
| GA Insurance Company | 8.1% |
| Jubilee Health Insurance | 6.2% |
| Others (including Monarch) | 51.4% |
| **TOTAL** | 100.00% |

18. 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 be 0.05%.

19. The proposed transaction will not affect the structure and concentration of the market for provision of insurance services**.** Additionally, the merged entity will face competition from the other players controlling a significant market share. Therefore, the proposed transaction **is unlikely to lead to a substantial lessening of competition in the market for provision of insurance services in Kenya.**

20. 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. These include;

    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.

21. As per the parties' submissions, this transaction will not elicit negative public interest concerns. Specifically, there will be no employment loss since the proposed transaction entails investment in Monarch without altering its management functions.

22. Premised on the foregoing, the Authority approved the proposed acquisition of 51% of the issued share capital of Monarch Insurance Company Limited by Ondoba Limited, Kenyoro Limited, and Equico Thirteen Limited, unconditionally.

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