



MERGER DECISION NO 14: 2022

Notice in Terms of Section 53(4) (a) (ii) of the Competition Act of 2018

DECISION ON THE ASSESSMENT OF THE PROPOSED ACQUISITION OF 100% OF THE ISSUED SHARE CAPITAL OF LUXIANT SERVICES (PTY) LTD BY QUALITY SERVICES (PTY) LTD

Introduction of the Merging Parties

The Acquiring Enterprise, Quality Services, is trading as Chartered Insurance Brokers. Quality Services operates solely as an insurance broker, which largely caters for clients in the teaching fraternity being members of Botswana Teachers Union, as well as organised groups in Botswana. Quality Services has two main offices in Gaborone and Francistown, but the services of the Acquiring Enterprise can be accessed through its representatives located in Gumare, Maun, Palapye, Kanye, Tsabong, Selibe-Phikwe, Goodhope, Ghanzi and Kasane. The insurance products administered by Quality Services are: short term, credit life, funeral, and legal expenses insurance.

The Target Enterprise, Luxiant Services, is trading as Exclusive Insurance Solutions. The Target Enterprise is a licensed insurance broker engaged in the provision of insurance brokerage and risk advisory services. The insurance products offered by Luxiant Services are: Motor insurance, Household insurance, Buildings Insurance, Corporate Assets Insurance, Property, Plant and Equipment Insurance, Workmen's Compensation, Office Contents, Public Liability, Professional Indemnity, Fidelity Guarantee, Business All Risk, Contractor All Risk, Erection All Risk, Group Life, Disability Management, Group Funeral Schemes, Credit Life, Retirement Annuity Services, Individual Life, Pure Endowment and Mortgage Protector. Luxiant Services currently has physical presence in Gaborone, Palapye and Francistown and its services can be accessed across Botswana through mobile sales consultants and insurance representatives.

Relevant Markets

The Merging Parties are companies duly incorporated in accordance with the Laws of Botswana. The assessment of the proposed merger has revealed that the Merging Parties are active in the market for the provision of insurance brokerage in Botswana, which is a regulated sector. As such, the services offered by the parties to the merger are reasonably exchangeable. However, the insurance brokerage market in Botswana is highly fragmented with a multitude of players that would impose competitive constraints to the merged entity post implementation. Moreover, insurers are also at liberty to bypass insurance brokers and insure directly with the underwriters. This provides an alternative for insurers as well as an additional competition edge on insurance brokers including the merged enterprise.

Competitive Analysis and Public Interest

In the assessment of Substantial Lessening of Competition, The investigation has revealed a product overlap in the activities of the Merging Parties. However, the proposed transaction will not significantly adjust the level of competition in the market under consideration in Botswana. The Authority therefore does not expect the proposed transaction to give rise to any Substantial Lessening of Competition; restrict trade or the provision of services; or to endanger the continuity of supplies in the relevant market in Botswana. Additionally, over 50 other players are available to discipline the competitive behaviour of the merged entity post-merger.

The approval of the proposed transaction will not result in an acquisition of a dominant position by the merged entity or by any enterprise in the market under consideration or any other market in Botswana. Furthermore, the overall ability to switch between service providers, in the event of poor service or excessive prices can be done with speed and at least investment and switching cost. Generally, there appears to be sufficient countervailing power in the market under consideration in Botswana. In terms of Public Interest Considerations, the proposed merger will not have any negative effects on public interest issues in Botswana. In particular, there will be no job losses because of the proposed merger.

The Determination

The Authority determined through the analysis of the facts of the merger that the structure of the relevant market will not significantly change upon the implementation of the proposed merger and the proposed transaction is not likely to result in any adverse effects on competition, nor endanger the continuity of the supply of services in the relevant market in Botswana. Furthermore, the proposed merger will not have any negative effect on public interest matters in Botswana as per the provisions of section 52(2) of the Competition Act.

Pursuant to the provision of section 53 of the Act, the Authority has unconditionally approved the proposed acquisition of 100% of the issued share capital of Luxiant Services (Pty) Ltd by Quality Services (Pty) Ltd.

However, as stated under section 61 of the Act, this approval does not override or negate any other mandatory statutory approvals or processes that any of the parties to this merger must comply with under the Laws of Botswana.

Dated at Gaborone on this 27th day of April 2022.

Tebelelo Pule, Chief Executive Officer, Competition and Consumer Authority, P/Bag 00101, Gaborone, Plot 28, Matsitama Road, Tel: 3934278 Fax: 3121013