



**BEFORE THE
COMPETITION COMMISSION OF PAKISTAN**

IN THE MATTER OF

FIRST PHASE REVIEW

**ACQUISITION OF AT LEAST SHARES OF ALLIED
WORLD ASSURANCE COMPANY HOLDINGS AG BY
FAIRFAX FINANCIAL HOLDINGS LIMITED THROUGH ITS
SUBSIDIARY**

CASE: 873/Merger-CCP/17

Commission

Ms. Vadiyya Khalil
Chairperson

Mr. Ikram Ul Haque Qureshi
Member



ORDER

I Background

- 1 On 28 February, 2017, Fairfax Financial Holdings Limited ("Fairfax", the "Applicant" or the "Acquirer") through their legal advisor, submitted a pre-merger application (the "Application") to the Competition Commission of Pakistan (the "Commission"), for the intended acquisition of at least [redacted] shares of Allied World Assurance Company Holdings AG ("Allied World Assurance" or the "Target") by Fairfax through the incorporation of a new subsidiary (Bid Sub). The Application was submitted along with the necessary information and processing fee, pursuant to Section 11(3) of the Competition Act 2010 (the "Act") read with Regulation 6 of the Competition (Merger Control) Regulations 2016 (the "Merger Regulations").

The case is examined as under:

II Merger Parties

Acquirer

- 2 Fairfax is a public holding company incorporated in Canada. It is involved in property and casualty insurance, reinsurance and investment management. The company has no direct presence in Pakistan however, through its subsidiary Brit Syndicates Limited (United Kingdom) it generated approximately US\$ [redacted] [PKR [redacted]] (@ 1USD= PKR 105.34 as on December 2015) in gross written premium from Pakistan.
- 3 The Total Assets of the undertaking as on 31 December 2015, were USD [redacted] (PKR [redacted]) while its Turnover remained at USD [redacted] million (PKR [redacted]) for the same period.

Target

- 4 Allied World Assurance is a Swiss-based holding company which through its subsidiaries is engaged in property, casualty and specialty insurance and reinsurance business worldwide. The company has no direct presence in Pakistan however, through its subsidiaries the Company approximately generated US\$ [redacted] (PKR [redacted]) in gross written premiums from Pakistan in the financial year 2015.
- 5 The Total Assets of the undertaking as on 31 December 2015, were USD [redacted] (PKR [redacted]) while its Turnover remained at USD [redacted] million (PKR [redacted]) for the same period.

III Transaction

- 6 The proposed transaction involves a cross border merger. The ultimate Acquirer in the proposed transaction is Fairfax which will acquire at least [redacted] shares of the Target. The Acquirer and the Target have executed the Agreement and Plan of Merger dated 18 December, under which the Acquirer will incorporate Bid Sub which will commence an exchange offer to acquire the outstanding ordinary shares



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of the Target. The value of the proposed transaction is USD [PKR 7,000,000,000] (@1USD= 106.45 PKR)].

- 7 The transaction meets the notification thresholds prescribed in Regulation 4(2)(a), (b), (c) & (d) of the Merger Regulations, with the Acquirer's assets valuing more than PKR 300 million and its turnover being more than PKR 500 million. The transaction value also exceeds PKR 100 million and the percentage of shares to be acquired exceeds 10% of the total shareholding of the Target.

IV Relevant Market:

- 8 The Merger Parties provides non-life/general insurance and reinsurance services, indirectly through their subsidiaries in Pakistan. Therefore the product market in this case is defined as "Non-Life/General Insurance and reinsurance market". Insurance contracts that do not come under the ambit of life insurance are called non-life/general insurance. The different forms of Non-Life/General insurance are fire, marine, motor, accident and other forms of miscellaneous non-life insurance. The Target has a market share of 10% and the Acquirer has a market share of 5% in the overall non-life/general insurance market, indirectly through their respective subsidiaries operating in Pakistan.
- 9 The other segment of the relevant product market is non-life /general reinsurance market. The Securities and Exchange Commission of Pakistan requires all insurance companies to have a reinsurer registered for conducting business in Pakistan. However, as the reinsurer company can be from anywhere around the world data for reinsurance is not readily available.
- 10 The Relevant Geographic market is Pakistan.

V Findings of the Phase I investigation on the competition assessment

- 11 The competition assessment in Phase I has resulted in the following findings:
- The proposed transaction involves acquisition of at least 10% shares of the Target by the Acquirer through the incorporation of Bid Sub. The Acquirer and the Target both are engaged in provision of non-life /general insurance and reinsurance business thus creating a horizontal relationship between the two.
 - The Acquirer and the Target do not have direct physical presence in Pakistan. However they are represented in the geographic market through the gross written premium generated by their respective subsidiaries in Pakistan.
 - The Acquirer has a market share of 5% in the non-life/general insurance market through its subsidiary while the Target has a market share of 10% through its subsidiaries in the above mentioned market in Pakistan.
- The relevant product market is a highly competitive market with a large number of participants. Post-merger the combined market share of the Merger parties in the non-life/general insurance market will be 15% indirectly, which would be much below the presumption of a dominant position i.e. 40% as prescribed under Section 2(1) (e) of the Act.



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- e. The transaction is not likely to result in the creation or strengthening of a dominant position in the relevant market. The intended merger does not meet the presumption of dominance as determined under Section (2) (1) (e) read with Section 3 of the Act.

VI Conclusion

12 In conclusion, there is no evidence that suggests a substantial lessening of competition by creating or strengthening of a dominant position in the relevant market. The proposed transaction is hereby authorized under Section 31(1) (d) (i) of the Act.

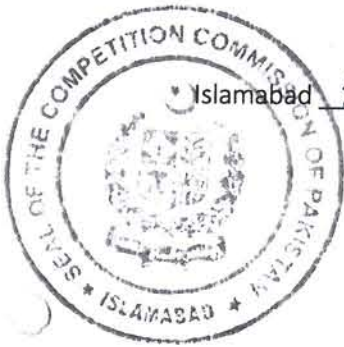
13 It is so ordered.



Vadiyya Khalil
(Chairperson)



Ikram Ul Haque Qureshi
(Member)



Islamabad 8th May, 2017