



**BEFORE THE
COMPETITION COMMISSION OF PAKISTAN**

IN THE MATTER OF

FIRST PHASE REVIEW

**ACQUISITION OF SHAREHOLDING OF EAST WEST LIFE
ASSURANCE COMPANY LIMITED BY ARMY WELFARE TRUST**

CASE: 812/Merger-CCP/16

Commission

Mr. Shahzad Ansar
Member

Mr. Ikram Ul Haque Qureshi
Member



ORDER

I Background

1 On 17th May 2016, Army Welfare Trust ("AWT") (the "Acquirer") through their authorized representative submitted a pre-merger application (the "Application"), notifying and seeking the approval of the Competition Commission of Pakistan (the "Commission") for the acquisition of paid up and issued share capital of East West Life Assurance Company Limited ("EWLA") (the "Target"). The Application was submitted along with the necessary information and applicable processing fee in accordance with the provisions of the Competition Act, 2010 (the "Act") and the Competition (Merger Control) Regulations, 2007 (the "Merger Regulations"). The Commission's review of the proposed transaction is as under:

II Merger Parties

Acquirer

2 AWT, a society was registered in 1971 under the Societies Registration Act, 1860 with a mandate to generate funds by undertaking commercially viable activities. It has a diversified portfolio of business units spread all over Pakistan. Total assets of AWT as on 30th September 2015 amounted to over PKR 100 Billion with a reported revenue figure of over PKR 100 Billion along with a profit of over PKR 10 Billion.

Target

3 EWLA is a member of the Insurance Association of Pakistan (IAP) and their shares are publicly traded at the Pakistan Stock Exchange. The company was established in 1992 at Quetta and is engaged in Life and Accidental & Health insurance business. Total assets of EWLA as on 31st December 2015 stand at PKR 100 Billion while its total revenue stood at PKR 100 Billion in the above mentioned period. However, in the same period EWLA incurred a loss of PKR 10 Billion.

III Transaction

4 The proposed transaction entails the acquisition by the Acquirer of 100% shareholding in EWLA giving it effective control over the entity. The value of the transaction is deemed to be approximately PKR 100 Billion.

5 The transaction meets the notification thresholds as prescribed in Regulation 4(2)(a), (b) & (d) of the Merger Regulations, with the combined assets of the parties being more than PKR 1 Billion and combined turnover being more than PKR 1 Billion. The percentage of voting shares to be acquired exceeds 10% of the total shareholding of the Target.

IV Relevant Market:

6 The relevant Product market in this case is the Insurance market which has further two segments of Life Insurance (Assurance) and Non-Life Insurance (General Insurance). There are a number of insurance companies currently operating in the relevant market.



HA 91

7 The Relevant Geographic market is Pakistan.


V Findings of the Phase I investigation on the competition assessment


The competition assessment in Phase I have resulted in the following finding:

- 8 The proposed transaction would result in acquisition of _____ shareholding of EWLA by AWT. Post-transaction, the Acquirers will achieve effective controlling interest.
- 9 The proposed transaction is for the purpose of gaining access into the Assurance market and consolidating resources to enhance the level of service in the sector.
- 10 The relevant market has a number of participants. EWLA currently holds _____ while leading companies include EFU Life _____ followed by Jubilee Life _____, and Adamjee Life _____. Although the acquirer has nil market share in the "Assurance" market, it has presence in the "General Insurance" segment through its subsidiary Askari General Insurance which has a market share of _____.
- 11 Post-transaction, there will be no significant change in the market dynamics of the relevant market in Pakistan as no competitor will be affected by the intended acquisition.
- 12 The proposed transaction relates to a conglomerate merger and 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

- 13 In conclusion, there is no evidence that suggests a substantial lessening of competition by the creation 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.
- 14 It is so ordered.


(Shahzad Ansar)
Member


(Ikram Ul Haque Qureshi)
Member

