

Hollard's Imperial deal cracks nod

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Insurer Hollard's R2.3bn bid for Imperial's Regent group of companies advanced in December after the African leg of the deal (excluding SA) obtained the required regulatory approvals, Imperial said on Tuesday, 17 January 2017.



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The logistics group said it sold the non-South African operations of the Regent Group - based in Botswana, Zambia and Lesotho - to Hollard International for R697m. The deal became unconditional after the Botswana competition regulator approved that country's leg of the deal; and the Central Bank of Lesotho endorsed it.

The lion's share of the deal, the disposal of the rest of general insurer Regent Insurance and life insurer Regent Life, is subject to Competition Tribunal approval after the Competition Commission declined to approve it in October, saying it would decrease competition.

Hollard is expected to contest the commission's findings at the tribunal during the weeks of 23 January and 3 April.

Warwick Bloom, the acquiring insurer's spokesman, did not respond to questions.

Hollard offers short-term and long-term insurance products, similar to the Regent Group. The commission says the bid would lessen competition and allow the merged entity to corner the short-term motor insurance credit life cover.

The second phase of the acquisition deal includes the motor warranty provider SA Warranties and the body-repair insurer Paintech Maintenance.

The commission red-flagged Hollard's involvement in MotoVantage, a motor warranty joint venture with FirstRand. MotoVantage is poised to buy SA Warranties and Paintech.

There was also the spectre of large job losses and possible exchange of sensitive information. The regulator found the merging parties' remedies for the anticompetitive deficiencies unworkable, it said.

JP Morgan Cazenove analyst Necessity Ngorima said in October that the transaction had been drawn out longer than the market expected.

"Imperial announced the decision to sell its 100% interest in Regent, its highly cash generative insurance business, in May 2015," she said. "Management examined its business clusters and decided that Regent's short-term and life insurance did not fit in with Imperial's core business."

Ngorima said the deal would allow income from vehicle- insurance and value-added products to continue flowing to Imperial. The Regent Group contributed R3bn to Imperial's revenue during its 2016 financial year. "The proceeds of the sale were [planned] to reduce debt and fund the expansion of Imperial's core business."

Source: Business Day

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