



FAIR TRADING COMMISSION

Staff Report on Investigation into GraceKennedy Financial Group's Acquisition of Key Insurance Company

February 2020

Case Number: 8140-20

FAIR TRADING COMMISSION

Unit 42A, New Kingston Business Centre | 30 Dominica Drive | Kingston 5 | Jamaica

Telephone: 876.960.0120-4 | Fax: 876.960.0763

ftc@cwjamaica.com | <http://www.jftc.gov.jm>

The GraceKennedy (GK) Financial Group completed its acquisition of 80 percent of Key Insurance Company Limited for \$775 million. The acquisition was executed in two stages with GK Financial Group initially acquiring 15 percent in December 2019 and the remaining 65 per cent in March 2020.

The FTC investigated the acquisition under section 17 of the Fair Competition Act which prohibits agreements which have as their purpose or effect, the substantially lessening of competition in a market. The FTC reviewed the acquisition because GK General Insurance Company Limited, a subsidiary of GK Financial Group, offers general insurance services similar to those offered by the target of the acquisition (Key Insurance Company Limited). The acquisition therefore increased concentration levels in this market and could raise concerns for competition in the market going forward if the increase is significant. For example, an acquisition which results in a highly concentrated market could allow insurance providers to increase the premium charged on their products and/or reduce the variety of insurance products available to policy holders (consumers).

The FTC identified 12 entities licensed to offer general insurance services in Jamaica. The market generated at least \$48,219 million in Gross Premium during 2018. Table 1 shows the distribution of gross premium earnings across entities.

Table 1. Distribution of Gross Premia in 2018

General Insurance Provider	Gross Premia (\$ millions)	Share (%)*
Advantage General Insurance Company	5,817	12
American Home Assurance Company ¹	-	-
AIG Jamaica Insurance Company Limited ²	0	0
British Caribbean Insurance Company Limited	8,821	18
General Accident Insurance Company Limited	8,736	18
Guardian General Insurance Company Limited	7,152	15
GK General Insurance Company Limited	5,485	11
Iron Rock Insurance Company Limited	572	1
JN General Insurance Company Limited	4,876	10
Key Insurance Company Limited	1,792	4
Massy United Insurance Limited ³	0	0
The Insurance Company of the West Indies	4,968	10
TOTAL	48,219	99

Source: Annual Reports of respective providers.
¹missing data.
² Not operational.
³Licensed in November 2018.
* Because of the missing data, the market shares shown in the Table should be interpreted as an upper limit of the market share rather than the actual market share.

As indicated in the Table, GK General Insurance and Key Insurance respectively contributed not more than 11% and 4% of the gross premia generated by the general insurance market during 2018. The acquisition increased market concentration levels by at most 88 points, based on the Hirschman-Herfindahl Index (HHI). To the extent that competition authorities consider increases below 100 HHI points to be insignificant, the FTC determined that the acquisition is unlikely to raise any concern for competition in the general insurance market.

Accordingly, the FTC concludes that the acquisition is unlikely to breach any section of the Fair Competition Act.