



IAG - RAC Insurance

MN-65005

Decision

Acquisition is to be subject to Phase 2 review

16 April 2026

1. Decision

- 1.1. On 3 March 2026, Insurance Australia Group Limited (**IAG**) lodged a notification with the Australian Competition and Consumer Commission (**ACCC**) in respect of IAG's proposal to acquire 100% of the issued share capital in RAC Insurance (**RACI**) from RACI Pty Ltd, a wholly owned subsidiary of the Royal Automobile Club of Western Australia Inc (**RAC**) (the **Acquisition**).
- 1.2. The ACCC has decided under section 51ABZJ(1) of the *Competition and Consumer Act 2010* (Cth) that the Acquisition is to be subject to Phase 2 review (**Phase 2 Notice**).
- 1.3. The ACCC is satisfied that the Acquisition, if put into effect, could, in all the circumstances, have the effect, or be likely to have the effect, of substantially lessening competition in a market.
- 1.4. If the notifying party continues with the Phase 2 review, it must pay the applicable Phase 2 fee by 29 April 2026. If the fee is not paid by the due date, the ACCC is taken to have decided to cease considering the notification.

2. Parties to the Acquisition

The acquirer – Insurance Australia Group Limited (IAG)

- 2.1. IAG is an ASX listed (**ASX: IAG**) general insurance company operating in Australia and New Zealand. IAG provides a range of personal and commercial insurance products under various brands, including NRMA Insurance, Swann Insurance, ROLLiN', Cylo, Lumley Special Vehicles and RACQ.

The target - RAC Insurance Pty Limited (RACI)

- 2.2. RAC is a Western Australia based member-owned organisation (and, effective from 26 June 2026, a company limited by guarantee) that provides roadside products, general insurance products, and other ancillary services to its members. RAC issues general insurance products to customers through its wholly owned subsidiary RACI under the RAC brand.

Overlap and relationship between the parties

- 2.3. IAG and RACI are both active in the underwriting and supply of the following types of insurance in Western Australia:
 - motor insurance (excluding compulsory third party (**CTP**) insurance), including comprehensive car insurance, third party fire and theft, third party property insurance, caravan and trailer insurance, and motorcycle insurance
 - home and contents insurance, including home (building) insurance, contents insurance, combined home (building) and contents insurance and landlord insurance.

2.4. Insurers acquire repair services as inputs to the supply of insurance. For motor insurance, these services include smash repair services, and windscreen repair and replacement services. For home and contents insurance these include building repair services. As such, IAG and RACI also overlap in the acquisition of the following services:

- motor vehicle smash repair services
- windscreen repair and replacement services, and
- building repair services.

3. Basis for Phase 2 Notice

3.1. During Phase 1, the ACCC may decide that a notification of an acquisition is to be subject to Phase 2 review if it is satisfied that the acquisition, if put into effect, could, in all the circumstances, have the effect, or be likely to have the effect, of substantially lessening competition in any market.

3.2. The basis for the ACCC's Phase 2 Notice is explained below, including the nature of the theories of harm that form the basis for the ACCC's satisfaction and the matters the ACCC intends to investigate before making a determination.

3.3. The ACCC has taken into account material received during the course of its Phase 1 assessment, including materials provided by IAG and RACI, and third-party submissions from customers, repairers and industry bodies. The ACCC has also considered materials that were provided by IAG, RACI and third parties during the course of its informal merger assessment in 2025.

3.4. The ACCC invites submissions from interested parties on the matters that the ACCC intends to investigate further as outlined in the boxes below and any other relevant matters. Submissions should be provided by 4 May 2026 via email to mergers@acc.gov.au with the title *Submission re: IAG – RAC Insurance*.

Relevant areas of competition

3.5. The ACCC considers that the relevant areas of competitive overlap for the purposes of its assessment of the competitive effects of the Acquisition are:

- the supply of motor vehicle insurance in Western Australia
- the supply of home and contents insurance in Western Australia, and
- the acquisition of smash repair services in Western Australia.

3.6. The ACCC considers that there are likely to be separate product markets for the supply of (i) motor vehicle insurance and (ii) home and contents insurance. This is because:

- There is no demand-side substitution between motor vehicle insurance and home and contents insurance.

- There is no or minimal supply-side substitution between motor vehicle insurance and home and contents insurance. Home and contents insurance is significantly more capital intensive than motor vehicle insurance. It involves more complex risk assessment, and requires different and more complicated data to set premiums. As such, rivals seeking to expand from supplying motor vehicle insurance to home and contents insurance would incur substantial challenges and costs.
- 3.7. In terms of the geographic dimension of competition, RACI exclusively supplies motor insurance and home and contents insurance in Western Australia. Accordingly, the ACCC has focused its review of the impact of the Acquisition on competition in Western Australia as a separate market, but is also continuing to consider a broader market.
- 3.8. In relation to motor vehicle smash repair services, given likely regional variations in the number of repairers and customers, the ACCC is considering whether it is appropriate to assess the impact of the Acquisition on competition in regional markets.

Matters the ACCC intends to investigate in Phase 2

- The appropriate geographic dimensions of competition, including whether the markets for the supply of motor vehicle insurance and home and contents insurance are national or state-based and whether the markets for the acquisition of smash repair services are regional or state-based.

Competitive effects in the retail supply of home and contents insurance in Western Australia

- 3.9. The ACCC is satisfied that the Acquisition could have the effect of substantially lessening competition in the supply of home and contents insurance in Western Australia.
- 3.10. Based on the information currently before the ACCC:
- The Acquisition would result in a material increase in IAG's market share and a material increase in market concentration, combining the leading supplier (RACI) with its largest competitor (IAG).
 - RACI, as a long-standing member-owned insurer, is a vigorous competitor in the supply of home and contents insurance in Western Australia through its high-quality offerings, competitive pricing, and strong brand reputation.
 - RACI offers insurance exclusively in Western Australia. As such, RACI is likely to be exposed to a higher level of geographic concentration risk than national insurers. However, it appears that RACI has successfully managed this risk to date and appears well placed to manage in the medium to long term.
 - While the industry has faced challenges, including increased regulatory costs, increased reinsurance costs and claims cost volatility, information before the ACCC suggests that these challenges appear to have lessened recently and that

RACI is well placed to continue to manage these challenges in the future absent the Acquisition.

- There appear to be impediments to as effective competition by alternative insurers, such that IAG may face materially weaker competition after the Acquisition, with a key impediment being the size and strong reputation of RACI. Market share and switching data show that alternative insurers have struggled to grow and/or maintain market share in Western Australia.

3.11. The ACCC is concerned that the Acquisition could enable IAG to increase the prices and/or reduce the service quality of its existing brand and RACI brand product offerings in the supply of home and contents insurance in Western Australia.

Matters the ACCC intends to investigate in Phase 2

- The various ways and extent to which competition takes place in the supply of home and contents insurance in Western Australia (including price, coverage and other terms of the insurance product offering, customer service, claims handling and renewals).
- The extent to which IAG and RACI compete closely in Western Australia, including in relation to price, coverage and other terms of the insurance product offering, customer service, claims handling and renewals.
- The competitive significance of RACI in Western Australia, and the likely future competitiveness of RACI absent the Acquisition (taking into account RACI's position as a state-based organisation, capital adequacy requirements, and RACI's ability to raise capital).
- The competitive constraint from rival insurers on IAG post-Acquisition in Western Australia.
- The likelihood, timeliness and sufficiency of new entry into or expansion of the supply of home and contents insurance in Western Australia, including the possible impediments to this.
- The impact of the use of different brands (both underwriter and third-party brands) on competition for consumers.
- How regulatory costs, claims cost volatility, reinsurance costs and geographic diversity impact RACI's ability to supply home and contents insurance.
- The extent to which RACI's motor insurance portfolio could mitigate against loss events in RACI's home and contents insurance portfolio.

Competitive effects in the retail supply of motor vehicle insurance in Western Australia

Horizontal effects in the retail supply of motor vehicle insurance

3.12. The ACCC is satisfied that the Acquisition could have the effect of substantially lessening competition in the supply of motor vehicle insurance in Western Australia.

3.13. Based on the information currently before the ACCC:

- The Acquisition would result in a material increase in IAG's market share and a material increase in market concentration, combining the leading supplier (RACI) with its second largest competitor (IAG).
- RACI, as a long-standing member-owned insurer, is a vigorous competitor in the supply of motor vehicle insurance in Western Australia through its high-quality offerings, competitive pricing, and strong brand reputation.
- RACI is likely to continue to compete strongly in the supply of motor vehicle insurance in Western Australia absent the Acquisition.
- The ACCC understands that the attributed cost of reinsurance for the motor insurance portfolio is significantly less than the home and contents insurance portfolio. As such, the impact of reinsurance costs on RACI in respect of motor vehicle insurance is a lesser issue compared to home and contents insurance.
- While the industry has faced challenges, including increased regulatory costs, increased reinsurance costs and claims cost volatility, information before the ACCC suggests that these challenges appear to have lessened recently, and that RACI is well placed to continue to manage these challenges in the future absent the Acquisition.
- There appear to be impediments to as effective competition by alternative insurers, such that IAG may face materially weaker competition after the Acquisition, with key impediments being the size and strong reputation of RACI, and access to smash repairers. As with home and contents insurance, market share and switching data show that alternative insurers have struggled to grow and/or maintain market share in Western Australia in the supply of motor vehicle insurance.

3.14. The ACCC is concerned that the Acquisition could enable IAG to increase the prices and/or reduce the service quality of its existing brand and RACI brand product offerings in the supply of motor vehicle insurance in Western Australia.

Vertical effects in the retail supply of motor vehicle insurance

3.15. The ACCC is satisfied that the Acquisition could have the effect of substantially lessening competition in the supply of motor vehicle insurance in Western Australia and/or certain regions of Western Australia. This could occur through IAG requiring partial or full exclusivity from smash repairers, effectively restricting rival insurers' access to repairers and/or raising their costs of acquiring repair services or lowering their quality of service.

- 3.16. The Acquisition could increase IAG's bargaining power vis-à-vis repairers. This could enable IAG to demand smash repairers work only for IAG, prioritise its customers' repair claims or maintain spare capacity to enable its customers' repairs to be undertaken promptly. The effect of this conduct could be that competing insurers are foreclosed or partially foreclosed from accessing quality and timely smash repairs, and/or incur higher costs in acquiring smash repairs. Competing insurers may become less effective competitors, enabling IAG to increase premiums or otherwise worsen its product offering.

Matters the ACCC intends to investigate in Phase 2

Horizontal effects

- The various ways and extent to which competition takes place in the supply motor vehicle insurance in Western Australia (including price, coverage and other terms of the insurance product offering, service quality, claims handling and renewals).
- The extent to which IAG and RACI compete closely in Western Australia including in relation to price, coverage and other terms of the insurance product offering, customer service, claims handling and renewals.
- The competitive significance of RACI in Western Australia, and the likely future competitiveness of RACI absent the Acquisition (taking into account RACI's position as a state-based organisation, capital adequacy requirements, and RACI's ability to raise capital).
- The competitive constraint from rival insurers on IAG post-Acquisition in Western Australia.
- The likelihood, timeliness and sufficiency of new entry into or expansion of the supply of motor insurance in Western Australia, including the possible impediments to this.
- The impact of the use of different brands (both underwriter and third-party brands) on competition for consumers.
- How regulatory costs, claims cost volatility, reinsurance costs and geographic diversity impact RACI's ability to supply motor vehicle insurance.

Vertical effects

- Whether there are regions in Western Australia where smash repair services are limited or capacity constrained.
- The degree to which contractual arrangements with smash repairers provide for exclusivity or priority access.
- The extent to which smash repairers in practice prioritise work from larger insurers.
- The extent to which IAG would be in an enhanced position to foreclose or frustrate competing insurers' access to repairers post-Acquisition.
- The likely effect of any foreclosure strategies, including the extent to which rival insurers would become less vigorous competitors in the supply of home and contents insurance and motor insurance.

Competitive effects in the acquisition of motor vehicle smash repair services

3.17. The ACCC is satisfied that the Acquisition could have the effect or likely effect of substantially lessening competition in the acquisition of motor vehicle smash repair services in Western Australia and/or certain regions of Western Australia.

3.18. Based on the information currently before the ACCC:

- Purchases of smash repair services by insurers likely represent a significant proportion of smash repairer revenue.
- The Acquisition would result in IAG gaining a significant market share in the supply of motor vehicle insurance in Western Australia, meaning that it would be a significant purchaser of smash repair services.
- The Acquisition would also remove the competitive constraint that RACI imposes on IAG in the acquisition of smash repair services.

3.19. As such, the Acquisition could result in IAG gaining monopsony power in the acquisition of smash repair services in Western Australia and/or certain regions in Western Australia.

3.20. The ACCC is concerned that the Acquisition could enable IAG to reduce prices and quality of smash repairs in Western Australia and/or certain regions in Western Australia. Given the fixed relationship between repairs and insurance contracts, a monopsony effect in the smash repairer market could also have the effect of amplifying the market power of IAG in the market for motor insurance itself. The ACCC is also concerned about the medium or long-term impacts of monopsony power being exercised in the smash repair market.

Matters the ACCC intends to investigate in Phase 2

- Whether smash repairers differ by size, quality, and efficiency in Western Australia and/or certain regions in Western Australia.
- The extent to which repair-cost models of insurers influence the prices paid to smash repairers.
- The effect of lower repair prices on exit, entry, and investment decisions of smash repairers in Western Australia and/or certain regions in Western Australia.

Decision made by a division of the Commission constituted by a direction issued pursuant to section 19 of the *Competition and Consumer Act 2010* (Cth)