



Our ref: IM-72804

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31 January 2025

Dear Interested Party

Re: ACCC seeking your views: IAG's proposed acquisition of RACQI

The Australian Competition and Consumer Commission (**ACCC**) is seeking your views on the proposed acquisition of RACQ Insurance Limited (**RACQI**) by Insurance Australia Group Limited (**IAG**) (the **Proposed Acquisition**).

IAG and RACQI both provide personal lines general insurance, including home, contents and motor vehicle insurance, and acquire ancillary repair services, including smash repair services, windscreen repair and replacement services, and building repair services.

The ACCC's investigation is focused on the impact of the Proposed Acquisition on competition in Australia. In particular, we are seeking your views on:

- how closely IAG and RACQI compete in the supply of personal lines general insurance and the acquisition of ancillary repair services
- the extent to which alternative suppliers of personal lines of general insurance or acquirers of ancillary repair services will competitively constrain the merged entity
- the likely impact of the Proposed Acquisition on prices and quality of personal lines insurance products
- the likely impact of IAG's increased scale on the acquisition of ancillary repair services, including the impact on prices or terms of supply for suppliers.

Further issues you may wish to address are set out in **Attachment B**.

This matter is public and you can forward this letter to anybody who may be interested.

The legal test the ACCC applies when assessing mergers and acquisitions is in section 50 of the *Competition and Consumer Act 2010*. Section 50 prohibits acquisitions that are likely to have the effect of substantially lessening competition in a market.

Please provide your response by **14 February 2025** via email to mergers@acc.gov.au with the title: *Submission re: IAG - RACQI*. If you require more time to respond, please let us know.

If you would like to arrange a time to discuss the matter with ACCC officers, or have any questions about this letter, please contact mergers@acc.gov.au.

Updates regarding the ACCC's investigation will be available on the ACCC's Public Mergers Register at ([ACCC mergers register](#)).

Confidentiality of submissions

The ACCC will not publish submissions regarding the proposed acquisition. We will not disclose submissions to third parties (except our advisors/consultants) unless compelled by law (for example, under freedom of information legislation or during court proceedings) or in accordance with s155AAA of the CCA. Where the ACCC is required to disclose confidential information, the ACCC will notify you in advance where possible so that you may have an opportunity to be heard. Therefore, if the information provided to the ACCC is of a confidential nature, please indicate as such. Our Informal Merger Review Process Guidelines contain more information on confidentiality.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'SP', written in a cursive style.

Simon Pomery
Acting General Manager
Merger Investigations

Attachment A – Overview of the merger parties and the Proposed Acquisition

IAG

IAG is an ASX-listed (**ASX: IAG**) general insurance company operating in Australia and New Zealand.

In Australia, IAG provides a range of personal and commercial insurance products directly under various owned brands, including NRMA Insurance, Swann Insurance, ROLLiN', Cylo and Lumley Special Vehicles.

Through its joint venture business, Insurance Manufacturers of Australia Pty Limited (**IMA**), IAG also issues personal lines insurance in Victoria distributed by its joint venture partner Royal Automobile Club of Victoria (**RACV**).

IAG also provides intermediated insurance through brokers, authorised financial representatives, institutions and agents under the CGU and WFI brands.

IAG also underwrites insurance products distributed by financial institutions under their own brands, including Bendigo and Adelaide Bank, People's Choice Bank and, since 2023, ANZ Bank.

RACQ

The Royal Automobile Club of Queensland Limited (**RACQ**) is a Queensland based member-owned organisation that provides roadside assistance, insurance, banking and member/community services. The Proposed Acquisition only includes RACQ's insurance business, which is provided through RACQI, and does not include RACQ's membership-based business, which includes its roadside assistance business.

RACQ, through RACQI issues general insurance products, (including home, motor, boat, caravan, motorcycle, RV and others) to customers through its wholly owned subsidiary RACQI.

RACQ also supplies travel insurance products through its wholly owned subsidiary RACQ Operations Pty Ltd under distribution agreements where the products are issued by third-parties.

RACQI has certain third-party distribution arrangements, under which products underwritten by RACQI are distributed under different brands, including Honey Insurance and RACWA (pet insurance only).

Areas of overlap

IAG and RACQI overlap in the supply of personal lines general insurance, including home insurance and motor insurance.

They also provide or acquire some ancillary motor services including repair services, smash repairs windscreen repairs and replacements services and building repair services.

The Proposed Acquisition

IAG proposes to acquire 90% of the shares in RACQI from RACQ at completion of the Proposed Transaction and has an option to acquire the additional 10% from two years after completion of the Proposed Transaction.

Attachment B – List of questions

1. To better understand your views, describe your business or organisation and explain your interest in the Proposed Acquisition, including any commercial relationship(s) with IAG or RACQ.

Relevant markets

2. The ACCC is considering which markets are most relevant to assess the competition effects of the Proposed Acquisition. The ACCC is considering whether the relevant markets are:
 - (a) personal lines general insurance or separate markets for each of home, contents and motor insurance
 - (b) national or Queensland markets for personal lines general insurance or each of home, contents and motor insurance.
 - (c) national or Queensland markets for each of smash repairs, windscreen repairs and replacements, and building repairs.

The ACCC seeks your views on which markets set out above are most relevant to assess the Proposed Acquisition, and also whether the ACCC should consider other markets (or differently defined markets) as part of its analysis.

In particular, the ACCC seeks your views on whether Queensland should be considered as a separate geographic market for the supply of home, contents and motor insurance.

Personal lines general insurance

3. Describe how closely IAG and RACQI compete with one another in the supply of personal lines general insurance, particularly home, contents and motor vehicle insurance. Please also indicate whether you consider that IAG and RACQI are each other's closest competitors for any lines of insurance.
4. Describe the current nature and level of competition between IAG and RACQI and other providers of personal lines general insurance in Australia. If possible, indicate:
 - (a) the key competitors to IAG and RACQI, particularly for home, contents and motor insurance
 - (b) estimated market shares (broken down by insurance line if possible)
 - (c) whether IAG and/or RACQI (including through their various brands) have a reputation for being particularly low priced, innovative or aggressive competitors
 - (d) the extent to which products provided by other insurers are substitutable for products provided by IAG and RACQI
 - (e) whether competitors have the ability to expand their insurance offering, particularly by moving into insuring different risk types or asset classes; and
5. Explain the extent to which competing suppliers of personal lines of general insurance (including home, contents and motor insurance) would be able to deter the merged IAG/RACQI from increasing prices, reducing its product range, or diminishing the quality of its products.
6. Please comment on the role that insurance brokers and other intermediaries play in the industry. In particular, discuss whether the threat of these intermediaries directing consumers towards a different insurer's product could prevent the merged entity from imposing a significant increase in premiums.

Entry and expansion

7. Identify any recent or upcoming examples of entry or exit in the supply of personal lines of general insurance in Australia.
8. Outline the barriers to entering the supply of personal lines of general insurance in Australia. In your response, you may wish to comment on:
 - (a) capital costs and length of time necessary for entry
 - (b) economies of scale
 - (c) branding
 - (d) the ease with which customers can switch insurance providers
 - (e) any regulatory barriers
 - (f) any other barriers to entry.
9. Discuss how readily a supplier of other types of insurance could expand into the supply of personal lines of general insurance in Australia.

Ancillary repair services

10. Describe how closely IAG and RACQI compete with one another, and other companies, in the acquisition of ancillary repair services, including smash repairs, including smash repairs, windscreen repairs and replacements, and building repairs.
11. Would the merged entity be likely to have the ability and incentive to reduce the prices or otherwise degrade the terms on which it acquires ancillary repair services. Please explain why you consider that the merged entity would (or would not) have such an ability or incentive, including whether competition from other insurers would be sufficiently strong to prevent the merged entity from doing so.

Other information and competition issues

12. Provide any additional information or comments that you consider relevant to the ACCC's consideration of the Proposed Acquisition.