

MEDIA RELEASE



11 December 2025

ACCC opposes IAG's proposed acquisition of RAC WA's insurance arm

The ACCC has decided to oppose Insurance Australia Group Limited (ASX: IAG)'s proposed acquisition of RAC Insurance Pty Limited (RACI) from the Royal Automobile Club of Western Australia Inc.

Following a detailed investigation, the ACCC has concluded that the proposed acquisition would likely result in a substantial lessening of competition in the supply of motor vehicle insurance and the supply of home and contents insurance in Western Australia.

RACI is the market leader in both motor vehicle insurance and home and contents insurance in Western Australia. It competes strongly through its well-recognised RAC WA brand, competitive pricing and high quality service, including customers' claims experiences.

IAG is one of the two largest personal insurers in Australia and is also a strong performer in Western Australia. It has a well-known brand in NRMA, strong IT capabilities, and considerable financial resources.

The proposed acquisition would combine these two large insurers, leaving IAG with overall market shares of approximately 55 to 65 per cent in motor vehicle insurance and approximately 50 to 60 per cent in home and contents insurance in Western Australia.

"We concluded that the proposed acquisition would eliminate the significant competition between IAG and RACI, and reduce the competitive pressure they each place on rival insurance brands," ACCC Chair Gina Cass-Gottlieb said.

"We concluded that the acquisition would be likely to allow IAG, after acquiring RACI, to increase premiums and reduce the quality of its suite of insurance products, with likely flow-on effects to the offerings of other insurers."

The ACCC carefully considered the level of competition provided by other insurance suppliers in Western Australia, including established insurers Suncorp, Allianz, and QBE, and mid-tier insurers Auto & General, Youi, and Hollard.

The ACCC found that although alternative insurers compete in Western Australia, they would be unlikely to prevent the significant loss of competition that would likely result from the proposed acquisition.

"Given the historical difficulties rivals have had growing their share in Western Australia, the ACCC is concerned that IAG would face insufficient competitive constraints post-acquisition," Ms Cass-Gottlieb said.

The ACCC also closely examined the level of competition RACI would provide in the alternative scenario where it is not acquired by IAG.

In particular, the ACCC considered the challenges faced by the insurance industry, and how these challenges may affect RACI, including the growth in the number of extreme weather events over time and rising reinsurance, claims, and regulatory costs.

"Our investigation found that RACI remains a strong and profitable competitor and is adequately positioned to manage these challenges. We have concluded that if IAG doesn't acquire RACI, RACI would have the capability to continue to compete effectively in Western Australia in the future," Ms Cass-Gottlieb said.

The ACCC also considered whether the proposed acquisition would allow IAG to restrict competing insurers' access to repair services, but found limited evidence to suggest IAG would have the ability or incentive to engage in such conduct.

Further information can be found on the ACCC's public register: [IAG Limited – RAC Insurance Pty Limited | ACCC](#).

Background

IAG is an ASX-listed general insurance company operating in Australia and New Zealand providing a range of personal and commercial insurance products in Australia directly under its owned brands, including NRMA, Swann Insurance, ROLLiN', Cylo and Lumley Special Vehicles. In Victoria, IAG has a joint venture with RACV where IAG underwrites RACV-branded home and contents and motor vehicle insurance, and RACV manages distribution and member engagement. In Western Australia, IAG primarily supplies home and motor vehicle insurance under the NRMA brand, having transitioned its customers away from the SGIO brand starting in 2022 (after acquiring the SGIO brand in 1998).

In addition, IAG 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, including Bendigo and Adelaide Bank, People's Choice Bank and, since 2023, ANZ Bank.

The Royal Automobile Club of Western Australia (RAC) is a Western Australian based member-owned mutual association that provides roadside assistance, general insurance products, and other ancillary services to its members. RACI underwrites motor insurance and home and contents insurance for RAC.

RAC distributes other personal lines of general insurance underwritten by third party insurers. Namely, RAC distributes travel insurance underwritten by Tokio Marine & Nichido Fire Insurance Co. Ltd. RAC also has arrangements in place for the supply of health insurance underwritten by HCF, life insurance underwritten by NobleOak Life Limited and pet insurance underwritten by RACQ Insurance (RACQI).

The Proposed Acquisition does not involve the acquisition by IAG of RAC's roadside assistance business or its other operations including RAC's auto servicing and repair services, finance, retirement living, home security, batteries, tyres, travel and tourism operations.

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