MTAA RESPONSE TO:

IAG's Draft Section 87B Undertaking in Respect of the Proposed Acquisition of RAC Insurance

6 August 2026

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MOTOR TRADES ASSOCIATION OF AUSTRALIA

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Introduction

The Motor Trades Association of Australia (MTAA) writes to provide its response to the draft section 87B undertaking provided by Insurance Australia Group Limited (IAG) to the ACCC on 28 July 2026 (the Undertaking), in respect of IAG's proposed acquisition of 100% of the issued share capital in RAC Insurance Pty Ltd (RACI).

MTAA opposes the proposed acquisition and urges the ACCC not to accept the Undertaking as a basis for allowing it to proceed.

This response supplements MTAA's submission of 22 July 2026 on IAG's remedy offer, as well as our earlier submissions in September 2025 and February 2025 concerning related insurance acquisitions. MTAA has reviewed the full text of the Undertaking, including its four schedules and the accompanying Annexure A summary, and compared it with the original remedy offer dated 1 July 2026.

MTAA acknowledges that the Undertaking is a more detailed and legally precise instrument than the original remedy offer. However, our fundamental position remains unchanged: the acquisition should not proceed. The likely competitive harm is structural and permanent. No behavioural undertaking, however carefully drafted, can replicate the independent competitive constraint that RACI currently provides in Western Australia.

If the ACCC is nevertheless minded to approve the acquisition subject to conditions, MTAA submits that the Undertaking in its current form is inadequate. Although the compliance architecture and procedural safeguards have been expanded, the substantive commitments have not materially broadened. The Undertaking does not address the principal mechanisms through which insurer market power is exercised over motor vehicle repair businesses and, by extension, affects consumers, competition and repair quality.

1. What the Undertaking adds

MTAA acknowledges that the Undertaking introduces several features not present in the original 1 July 2026 remedy offer, including

> **Enhanced Distribution Agreement protections**. The Undertaking identifies specific Distribution Agreement clauses that are locked in as "Restricted DA Terms" (clauses 8.4, 8.5, 8.6, 32.1, 32.2, 32.5, Schedules 3 and 4), which cannot be amended without ACCC approval following review by the Approved Independent Auditor. The original remedy offer described this protection in general terms only. The addition of a specific obligation on IAG to "use reasonable endeavours" to maintain competitiveness and a new requirement for IAG to consult with RACWA in good faith in advance of material pricing changes are noted.

- **RACWA's right to appoint an alternative insurer.** We understand that this is a new addition not present in the original remedy offer. RACWA may appoint an alternative insurer if RAC-branded products fail competitiveness reviews in two or more consecutive assessments and IAG fails to implement a remediation plan, or if a third-party adjudicator determines a breach of the most favoured nation obligation that IAG fails to remedy within three months.
- **Expanded termination rights.** The original remedy offer described a single termination right. The Undertaking includes four categories: competitiveness failure, adjudicator breach finding, material and enduring adverse reputational impact, and material and intentional breach causing significant damage.
- **MVIRI Code compliance.** The Undertaking includes an express commitment to comply with the Motor Vehicle Insurance and Repair Industry Code of Conduct in Western Australia during the term. This was absent from the original remedy offer and appears to be adopted as a result of MTAA's advocacy.
- **Compliance Officer.** The Undertaking requires IAG to appoint a dedicated compliance officer before the Control Date, who must provide a personal undertaking (Schedule 4), report breaches to the ACCC and the Approved Independent Auditor within 10 business days, and provide written compliance reports on request.
- **Comprehensive independent audit regime.** The Undertaking transforms a single-line reference to annual audits into a detailed governance framework spanning over 20 clauses, including ACCC-approved auditor appointment, two-year terms, an approved audit plan, an establishment audit within six months, annual audits, full auditor access to IAG facilities and documents, and a prohibition on IAG interference.
- **Detailed complaints handling process.** Schedule 3 prescribes the full process for receiving, investigating, resolving and reporting complaints by smash repair service providers, including two-business-day acknowledgement, quarterly compliance reports, annual review, and provision of all complaints to the Approved Independent Auditor within five business days.
- **Change of control, review and no derogation provisions**. The Undertaking ensures any acquirer of IAG must give an equivalent section 87B undertaking, preserves the ACCC's enforcement powers, and provides for review and negotiation in good faith if circumstances change.

MTAA recognises these additions. They demonstrate that IAG and its advisers have engaged with the compliance architecture needed for a behavioural remedy. However, compliance architecture is not a substitute for the substantive protections that are missing. We therefore continue to strongly oppose the acquisition.

2. What the Undertaking does not address

The Undertaking does not address the majority of the concerns MTAA raised in its 22 July 2026 submission. The following issues remain unresolved:

Duration

The Undertaking retains a five-year term. MTAA's position, as set out in our 22 July 2026 submission, is that five years is wholly inadequate. The competitive harm from the acquisition is structural and permanent. The 20-year exclusive Distribution Agreement would lock IAG's position behind the RAC brand for two decades. The behavioural constraints would expire after one-quarter of that period, leaving IAG free to exercise its market power without any transaction-specific restrictions for the remaining 15 years.

If the ACCC accepts a behavioural remedy, the duration should match the 20-year Distribution Agreement term. At a minimum, it should operate for no less than 10 years, with a mandatory review and renewal mechanism.

The mismatch between the Undertaking's term and the Distribution Agreement's term is compounded by the fact that most termination rights in the Undertaking are exercisable only from eight years after the Commencement Date – three years beyond the Undertaking's own expiry. These rights exist within the Distribution Agreement but cannot be reinforced by the Undertaking's compliance and audit framework after year five, reducing their practical effectiveness.

Repair pricing and rates

The Undertaking is entirely silent on repair pricing. This is the primary mechanism through which insurer market power affects repairer viability. MTAA's 22 July 2026 submission called for IAG to commit that repair rates offered to WA smash repairers would not fall below current levels in real terms during the undertaking period, and for a transparent benchmarking mechanism for repair rates comparable to the product benchmarking proposed for insurance premiums.

The variance between what IAG is willing to authorise for a repair and the repairer's quoted cost is a practical, measurable indicator of how dominant insurers exercise market power to suppress repair costs. MTAA proposed that where this variance exceeds 10 per cent, it should be recorded and reported through a repair cost variance register. The Undertaking does not include any such mechanism.

Payment terms

The Undertaking does not address payment timeframes. MTAA's 22 July 2026 submission called for IAG to pay agreed repair costs within 30 days of settlement of the insurance claim or receipt of the final repair invoice, consistent with clause 8.1 of the MVIRI Code of Conduct. Extended payment delays effectively require small repair businesses to finance the insurer's claims costs – a material imposition on businesses that typically have limited working capital and that already face significant power imbalances in their relationship with large insurers.

Consumer choice and steering

The Undertaking contains no provisions requiring IAG to inform policyholders of their right to choose their own repairer at the point of claim. MTAA's 22 July 2026 submission provided evidence that IAG's online claims portal presents repairer options primarily by location, without clearly informing consumers that they may request an alternative repairer, including manufacturer-approved repairers not displayed in the portal. In a market where IAG would control 55 to 65 per cent of motor insurance, the volume of claims processed through its portal would give it significant influence over the distribution of repair work across the entire WA market.

Network access and termination protections

The Undertaking does not address the terms on which repairers are admitted to or removed from IAG's preferred repairer networks. MTAA's 22 July 2026 submission called for transparent criteria for admission and removal, notice periods, reasons in writing, and a right of review. Without these protections, IAG retains unilateral discretion over network composition – a powerful lever for directing work to preferred operators and excluding independent businesses.

Professional autonomy

The Undertaking does not protect repairer professional judgment on repair methods and parts selection. MTAA's 22 July 2026 submission called for a commitment that IAG would respect repairer judgment where the repairer is following manufacturer specifications and industry standards, and would not direct repairers to use non-genuine parts or substandard repair methods to reduce costs unless the consumer has provided informed consent.

This is not an abstract concern. MTAA's June 2026 member survey found that 87 per cent of respondents had experienced unfair trading practices, with the most common forms including insurers dictating the cost of repairs, altering repairer estimates without adequate justification, and using assessment and pricing practices that displace repairers' professional judgment while shifting costs onto small businesses.[1]

Independence of the complaints process

Schedule 3 of the Undertaking establishes a Repair Service Complaints Handling Process that is designed, administered and managed by IAG. The Complaints Manager is an IAG appointee. The annual review of the process is conducted by IAG's own senior management. While complaints are copied to the Approved Independent Auditor within five business days, the investigation, assessment, and resolution of complaints remain entirely within IAG's control.

MTAA's 22 July 2026 submission identified this as a fundamental governance deficit. A complaints process operated by the dominant market participant against whom complaints are directed does not provide the independence necessary for effective enforcement. Repairers who depend on IAG for a substantial share of their work are unlikely to use a complaints process that IAG itself administers, given the well-documented risk of commercial retaliation through reduced work allocation.

MTAA reiterates its call for complaints handling and monitoring functions to be administered by an independent body, not appointed by or reporting to IAG. Repairers should have access to a dispute resolution mechanism that does not depend on IAG's goodwill, and the ACCC should receive complaints directly from repairers.

[1] Motor Trades Association of Australia, *MTAA Response to the Unfair Trading Practices Protections for Small Businesses Consultation* (submission, 13 July 2026), Available at: https://cdn.prod.website-files.com/67c3f89f42075a88c8c04929/6a5428f1744d94c6ab18f557_MTAA%20submission_Unfair%20trading%20practice.pdf

Repair supply chain reporting

The Undertaking does not require IAG to report on repair supply chain metrics. MTAA's 22 July 2026 submission called for annual reporting on the number of active repairer relationships, average repair rates, average payment timeframes, repairer network entry and exit rates, and complaints received. Without transparent and consistent disclosure, it will remain difficult for the ACCC, industry and policymakers to assess whether the Undertaking's protections are working in practice.

Scope of the complaints process

The Repair Service Complaints Handling Process is limited to complaints about breaches of clause 6.2 of the Undertaking – that is, exclusivity, penalisation, unreasonable restrictions, and materially less favourable prioritisation terms. This is an extremely narrow scope. It does not cover complaints about repair pricing, payment delays, insurer interference with repair methods, consumer steering, network access decisions, or any of the other practical mechanisms through which market power affects repair businesses. The complaints process therefore addresses only a subset of the symptoms of market power, while leaving the primary causes of dispute uncovered.

3. Competitiveness benchmarking: A monitoring mechanism, not a competitive constraint

MTAA reiterates its concern, set out in our 22 July 2026 submission, that the competitiveness and benchmarking provisions of the Distribution Agreement are a monitoring mechanism, not a competitive constraint. They do not replicate the competitive pressure that RACI, as an independently owned insurer with its own commercial incentives, currently places on the WA market.

After the acquisition, IAG would itself be the dominant insurer in WA, issuing products under multiple brands. The benchmark would be measured against a market that IAG substantially controls. The obligation to use "reasonable endeavours" to maintain competitiveness is a subjective standard that provides limited assurance. The ACCC's own Notice of Competition Concerns noted that RACI has delivered strong operating performance relative to IAG while providing a level of service to consumers and the repair industry that IAG has not matched. This competitive pressure cannot be replicated by a benchmarking exercise administered by the acquirer.

4. Repair service facilities commitment

The Undertaking's prohibition on IAG owning or controlling repair service facilities in WA is welcome in principle. MTAA notes that the Undertaking introduces a formal ACCC notice and approval process for the carve-out (clauses 6.8–6.12), which is an improvement on the original remedy offer's general description. However, the specific criteria for the carve-out remain confidential (clauses 6.8 and 6.9 are redacted, which prevents MTAA and other stakeholders from assessing whether the carve-out is appropriately constrained.

MTAA reiterates that IAG's market power over the repair sector is exercised primarily through contractual terms, work allocation decisions, and pricing leverage - not through direct ownership of repair facilities. The facilities commitment addresses a secondary concern while leaving the primary mechanisms of market power untouched.

5. The ACCC's own framework and powers

MTAA draws the ACCC's attention to its own published guidance, which states a strong preference for structural remedies in merger assessments. Structural remedies permanently change market structure and are generally more straightforward to administer, monitor and enforce. The Undertaking is entirely behavioural. It contains no structural component.

Under the new mandatory merger regime, the ACCC has broad power to determine the nature, form and scope of conditions and is not confined to accepting or rejecting what the parties have offered. MTAA urges the ACCC to use this power to require protections proportionate to the scale of the competition concern it has identified.

6. Broader context: Cumulative insurance market consolidation

The ACCC should not assess this Undertaking in isolation. In 2025, IAG's acquisition of RACQ Insurance in Queensland and Allianz's acquisition of RAA Insurance in South Australia were both approved. If the IAG-RACI acquisition proceeds, three long-standing member-based insurance businesses will have been acquired, or substantially acquired, by major national insurers within approximately one year.

MTAA is already receiving reports from industry stakeholders that the effects of Allianz's acquisition of the RAA insurance business are becoming apparent in South Australia, including reduced consumer choice, the effective concealment of consumers' right to choose their own repairer, and increased aggression in engagement with local collision repairers. This pattern is consistent with MTAA's longstanding concern that multinational insurers, once they acquire the trust and market position of a regional motoring club brand, use that position to exert greater leverage over small repair businesses.

If this acquisition proceeds, RACT in Tasmania would be the only remaining member-owned motoring club in Australia retaining its own general insurance underwriting business. These are not transactions that can be reversed.

7. What MTAA considers an adequate response

MTAA's position remains as set out in our 22 July 2026 submission:

- The acquisition should be rejected.
- If the ACCC approves the acquisition with conditions, a structural remedy - such as partial divestiture of IAG's existing WA insurance business or brands - is the second-best outcome.

Notwithstanding our opposition to the proposed acquisition and our strong preference for a structural solution should it proceed, if the ACCC is minded to consider a behavioural remedy, we believe the following minimum elements would be necessary to mitigate the likely harm arising from the acquisition.

These elements should not be regarded as exhaustive. We would welcome the opportunity to engage further with the ACCC on additional safeguards that may be required to ensure any behavioural remedy is effective, independently enforceable and capable of delivering meaningful protection for repairers and consumers over the long term.

1. Duration of at least 20 years, matching the Distribution Agreement term, or at minimum 10 years with a mandatory review and renewal mechanism.
2. Independent complaints handling and monitoring, not administered by IAG. Repairers should have access to the ACCC directly and to an independent dispute resolution mechanism.
3. Repair pricing protection. Repair rates should not fall below current levels in real terms. A transparent benchmarking mechanism for repair rates, comparable to the product benchmarking, should be established.
4. Repair cost variance monitoring. A register recording instances where IAG's authorised repair amount differs from the repairer's quote by 10 per cent or more, with annual reporting to the ACCC.
5. Payment terms. Agreed repair invoices should be paid within 30 days, consistent with the MVIRI Code.
6. Consumer choice disclosure. IAG should clearly inform policyholders of their right to choose their own repairer, including manufacturer-approved repairers, at the point of claim.
7. Network access and termination protections. Transparent, published criteria for admission to and removal from preferred repairer networks, with notice periods, written reasons, and a right of review.
8. Professional autonomy protections. IAG should respect repairer judgment where the repairer follows manufacturer specifications and industry standards.
9. Annual repair supply chain reporting. IAG should report to the ACCC annually on active repairer relationships, average repair rates, average payment timeframes, network entry and exit rates, and complaints received.

10. Mandatory MVIRI Code compliance nationally. IAG should commit to full compliance with the MVIRI Code throughout Australia, including with any revised or mandatory national version of the Code.
11. Internal remedy custodian. IAG should appoint a dedicated senior employee responsible for overseeing compliance with the undertaking, with direct reporting access to IAG's executive leadership and not assessed against claims cost reduction targets.

8. Conclusion

The draft section 87B Undertaking is a more detailed instrument than the 1 July 2026 remedy offer. It adds compliance architecture – an independent auditor, a compliance officer, procedural safeguards, and a detailed complaints handling process. These are improvements in governance rigour.

However, the substantive scope of the commitments has not materially broadened. The Undertaking continues to focus on two areas – insurance product competitiveness and smash repairer exclusivity/facility ownership – while remaining silent on the broader range of insurer-repairer conduct issues that MTAA and its member associations have consistently identified as the primary mechanisms through which insurer market power is exercised. Repair pricing, payment terms, consumer steering, network access, professional autonomy, and repair supply chain transparency are all absent.

The five-year duration remains fundamentally mismatched with the 20-year Distribution Agreement. The complaints process remains IAG-administered. The competitive benchmarking remains self-assessed by the dominant market participant.

The repair businesses that service WA motorists are predominantly small, family-owned enterprises. They cannot absorb the consequences of an insurer exercising substantially increased market power over their rates, terms, professional judgment and ability to serve other customers. They deserve a remedy that recognises this reality and provides both practical protection and the transparency needed to assess whether those protections are working.

These deficiencies are not merely matters of drafting or administration. They reflect the inherent limitations of attempting to address a permanent structural reduction in competition through time-limited behavioural commitments. MTAA therefore maintains that the Undertaking should not be accepted as a sufficient basis for approving the acquisition.

MTAA would welcome the opportunity to discuss these matters further with the ACCC case team.

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