QBE given ok to take-over Mistui

The QBE has been given the green light to acquire Mitsui Sumitomo Insurance Limited, after the Independent Consumer and Competition Commission was satisfied that the proposed move would not substantially lessen competition in the general insurance industry in PNG.

The acquisition will increase QBE’s market share to an estimated 30%, an increase of 10% to further establish the company as the biggest insurance organization in PNG.

The acquisition does not include Mitsui’s shares in the Pacific Re-Insurance Limited, a company of which QBE has 31% ownership; although there is provision for QBE to acquire those shares.

As required by law, QBE made an application for the acquisition to the ICCC under Section 81 of the ICCC Act for its assessment and decision whether or not to approve the acquisition.

“Initially, the ICCC was concerned the take-over was going to lessen competition in the industry due to one less player in the market and the possibility of high market concentration, a major consideration in determining whether the competition law is likely to be breached,” ICCC Commissioner and CEO Dr Billy Manoka said.

QBE stated that even though their share of the market would increase as a result, their ability to continue expanding would be restricted as they also have tough competition.

The ICCC did its own assessment of the market concentration projected after the acquisition and concluded that even though market concentration would increase it would be at a moderate level.

Dr Manoka said that given there are moderate barriers to entry into the market in PNG, the acquisition does not guarantee that QBE would exercise its market power to raise prices and reduce services, as the market is wide open for entry of new players from within the country and overseas which would act as a constraint.

History also shows that QBE has had two major acquisitions before but this did not of itself lessen competition in the industry.
QBE is probably the oldest insurance company in PNG, having had its presence known in PNG as early as 1899 and provides services such as property, motor vehicle, marine, workers’ compensation and employers’ liability.

The company said in its application that the acquisition will increase the potential of diversifying their products and enable it to serve the interest of users of various products which it may not have been able to provide before the acquisition.

There are at least 10 other insurance companies in PNG providing similar services.

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