



IAG and RACQ enter long-term strategic alliance

IAG and RACQ have today announced they will enter a 25-year exclusive strategic alliance to provide RACQ general insurance products and services for RACQ members and Queenslanders.

Under the strategic alliance, IAG will acquire 90% of RACQ's existing insurance underwriting business, with an option to acquire the remaining 10% in two years on consistent terms. The consideration of \$855 million¹ comprises net tangible asset value and entry into the exclusive 25-year distribution agreement.

RACQ Chief Executive Officer David Carter said, "RACQ is pleased to partner with IAG, a leading general insurance company in Australia, to help our 1.7 million members live and move safely, securely and sustainably into the future.

"IAG has made a major commitment to Queensland and RACQ and brings a deep understanding of member-focused organisations. I am delighted to announce the beginning of our long-term strategic partnership today.

"The partnership with IAG contributes to our goal of building a truly resilient state, leaving no Queenslanders behind. And we will invest together to ensure RACQ members, employees and all Queenslanders continue to have access to leading insurance products serviced locally, to keep them safe in the long term," Mr Carter said.

IAG Managing Director and CEO Nick Hawkins said the new alliance with RACQ builds on IAG's ability to provide leading insurance products to Queenslanders.

"IAG has a well-established presence in Queensland through our trusted insurance brands, and we are excited to now help protect and serve RACQ's members.

"The transaction is a true partnership between IAG and RACQ. It builds on our proven track record of working collaboratively with leading member motoring organisations that share our values.

"RACQ will maintain brand and customer relationships, while leveraging IAG's scale and financial strength, best-in-class technology for claims, policies and pricing, customer orientated claims experience and underwriting expertise," Mr Hawkins said.

IAG CEO of Retail Insurance Australia Julie Batch said: "IAG will provide Queenslanders with the confidence to feel safe and well protected through our commitment to community resilience and climate action, nation-wide supply chain and global long-term reinsurance relationships.

"We look forward to welcoming all RACQ people and members into this exciting new partnership," she said.

¹ Subject to customary completion adjustments

IAG will fund the transaction from surplus capital. The transaction is expected to be EPS accretive in the first full year of ownership and consistent with IAG's investment targets of a 15% insurance margin and ROE of between 14% and 15% on a 'through the cycle' basis.

Transaction details

Key terms of the agreement:

- IAG's consideration for 90% of the shares of RACQ Insurance and the entry into a strategic alliance for \$855 million² comprises:
 - payment for the shares equivalent to the expected net tangible asset value at time of completion of ~\$522m²; and
 - upfront payment of ~\$333m² for entry into an exclusive 25-year distribution agreement.
- IAG has an option to acquire the remaining 10% from two years after completion on consistent terms. RACQ can choose to receive cash or equity in IAG as consideration upon exercise of the option.
- On completion, the RACQ portfolio³ is expected to add ~\$1.3 billion to IAG's Gross Written Premiums.
- In Queensland, there will be no change to IAG's existing insurance business and brands, or RACQ's brand, as a result of the alliance.
- The consideration will be funded from surplus capital.
- The transaction is expected to be EPS accretive in the first full year of ownership.
- IAG expects to incur customary one-off transaction and integration costs of ~\$70m over two years, which includes capitalised software integration costs.
- Synergies, predominantly by adopting IAG's reinsurance strategy for the RACQ portfolio, are expected to exceed \$50m per annum.
- The transaction is subject to conditions including Australian Competition and Consumer Commission clearance and approval under the *Financial Sector (Shareholdings) Act 1998*.
- Subject to regulatory approvals and other conditions, the transaction is expected to complete in the third quarter of 2025.

This release has been authorised by the IAG Continuous Disclosure Committee.

About IAG

IAG is the parent company of a general insurance group with operations in Australia and New Zealand. IAG's main businesses underwrite over \$16 billion of insurance premium per annum under many leading brands, including: NRMA Insurance, RACV (under a distribution agreement with RACV), CGU and WFI (Australia); and NZI, State, AML and Lumley (New Zealand). For further information, please visit www.iag.com.au.

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² Subject to customary completion adjustments. NTA at 30 June 2024 was ~\$640 million.

³ Excludes the run-off CTP portfolio