



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, AMI and Lumley (New Zealand). For further information, please visit www.iag.com.au.

Media

Amanda Wallace
Mobile. +61 (0)422 379 964
Email. amanda.wallace@iag.com.au

Tim Potter
Mobile. +61 (0)411 010 781
Email. tim.potter@iag.com.au

Investor Relations

Mark Ley
Mobile. +61 (0)411 139 134
Email. mark.ley@iag.com.au

Nigel Menezes
Mobile. +61 (0)411 012 690
Email. nigel.menezes@iag.com.au

Insurance Australia Group Limited

ABN 60 090 739 923
Level 13, Tower Two, 201 Sussex
Street Sydney NSW 2000 Australia
Telephone. +61 (0)2 9292 9222

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

³ Excludes the run-off CTP portfolio



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use only



Strategic Alliance with RACQ

28 November 2024



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In addition, there are particular risks and uncertainties associated with implementation of IAG's strategy and related targets, ambitions and goals. As the strategy and related targets, ambitions and goals span a number of years, they are subject to assumptions and dependencies which have greater levels of uncertainty than guidance given for FY25. IAG's ability to execute its strategy and realise its targets, ambitions and goals will depend upon its ability to respond and adjust its business plans (as and when developed) to any changes in such assumptions and dependencies, including disruptions or events that are beyond IAG's control.

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References to currency are to Australian dollars, unless otherwise specified. Prevailing exchange rates have been used to convert local currency amounts into Australian dollars, where appropriate.

Further information, including IAG's business structure, portfolio and partnerships is available on IAG's website at <https://www.iag.com.au/about-us/what-we-do>.

Exclusive Strategic Alliance with RACQ



Transaction Overview

- IAG and RACQ have entered into an exclusive long-term partnership, which includes:
 - Transfer of the RACQ Insurance (“RACQI”) entity and existing portfolio to IAG
 - 25 years exclusive access to RACQ’s network for distribution of RACQ branded general insurance products
 - Commitment from both parties to continue to invest in RACQ’s member experience and delivery of leading insurance products and services
- The transaction is expected to complete in the third quarter of 2025 and is subject to customary closing conditions, including ACCC clearance

Compelling 25-year Strategic Alliance

- RACQ is one of Queensland’s most trusted brands
- Complements IAG’s proud history with motoring clubs
- Accelerates IAG’s Australian Retail Strategy
- Provides IAG the opportunity to offer leading products and services to RACQ’s ~1.7m members
- IAG to maintain its existing brands in Queensland

Financial Details

- IAG’s consideration for 90% of the shares of RACQ Insurance and the entry into a strategic alliance for \$855* million comprises:
 - payment for the shares equivalent to the expected net tangible asset value at time of completion ~\$522m*; and
 - upfront payment of ~\$333m* for entry into an exclusive 25-year distribution agreement
- Ongoing market-standard commissions to RACQ for the distribution of general insurance products
- IAG has an option, exercisable 2 years after completion, to acquire the remaining 10% equity stake on consistent terms
- RACQI FY24 GWP of \$1.3bn excluding the run-off CTP portfolio
- EPS accretive for IAG shareholders expected in the first full-year
- Funded from surplus capital, with IAG’s pro forma capital position to remain within the CET1 target range
- Consistent with the ‘through the cycle’ 15% insurance margin and 14-15% ROE targets

*Subject to customary completion adjustments

Overview of RACQ and RACQI



Largest club in Queensland

~1.7m

RACQ Group members

119 years of operation

~60%

of members with 10+ year membership

RACQ Strategic Vision

“To be a trusted partner for our members, providing solutions to live and move safely, securely and sustainably”

FY24 GWP¹

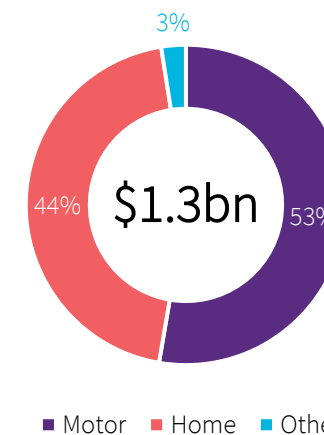
\$1.3bn

Queensland position

#2

motor and home insurance³

FY24 GWP Split by Product¹



NPS Score²

68

RepTrak score

#1

Queensland Insurance reputation

¹ Excluding CTP. ² YTD December 2023. ³ Market share of home and contents insurance and comprehensive and third party motor insurance purchases in a three month period in QLD as at Jun-2023.

A Compelling Strategic Alliance with RACQ



1	2	3	4	5	6
<p>Attractive Queensland economy</p> <ul style="list-style-type: none"> Queensland’s economy remains strong and is set to continue to outperform Strong population growth and increasing dwelling construction and building approval rates expected to continue 	<p>Builds on IAG’s successful history with motoring club partnerships</p> <ul style="list-style-type: none"> Track record of underwriting business for the largest members clubs in Australia, while maintaining their own autonomy and brand independence Complementary cultures focussed on member outcomes 	<p>RACQ is a highly trusted Queensland brand</p> <ul style="list-style-type: none"> Provides access to Queensland’s largest club with ~1.7m members Strong retention rates across the book with net promoter score of 68+ 	<p>RACQI has a complementary personal lines portfolio</p> <ul style="list-style-type: none"> Complementary portfolio containing Home, Motor, Pet and Pleasure Craft ~97% of RACQI portfolio relates to Home and Motor in FY24 	<p>De-risked integration plan</p> <ul style="list-style-type: none"> Transfer to IAG’s Enterprise Platform to reduce risk and support growth Transitional Services Agreement to support a seamless and timely integration of customers 	<p>Strong financial outcomes</p> <ul style="list-style-type: none"> Material synergies from reinsurance and cost efficiencies Funded from surplus capital EPS accretive in first full year

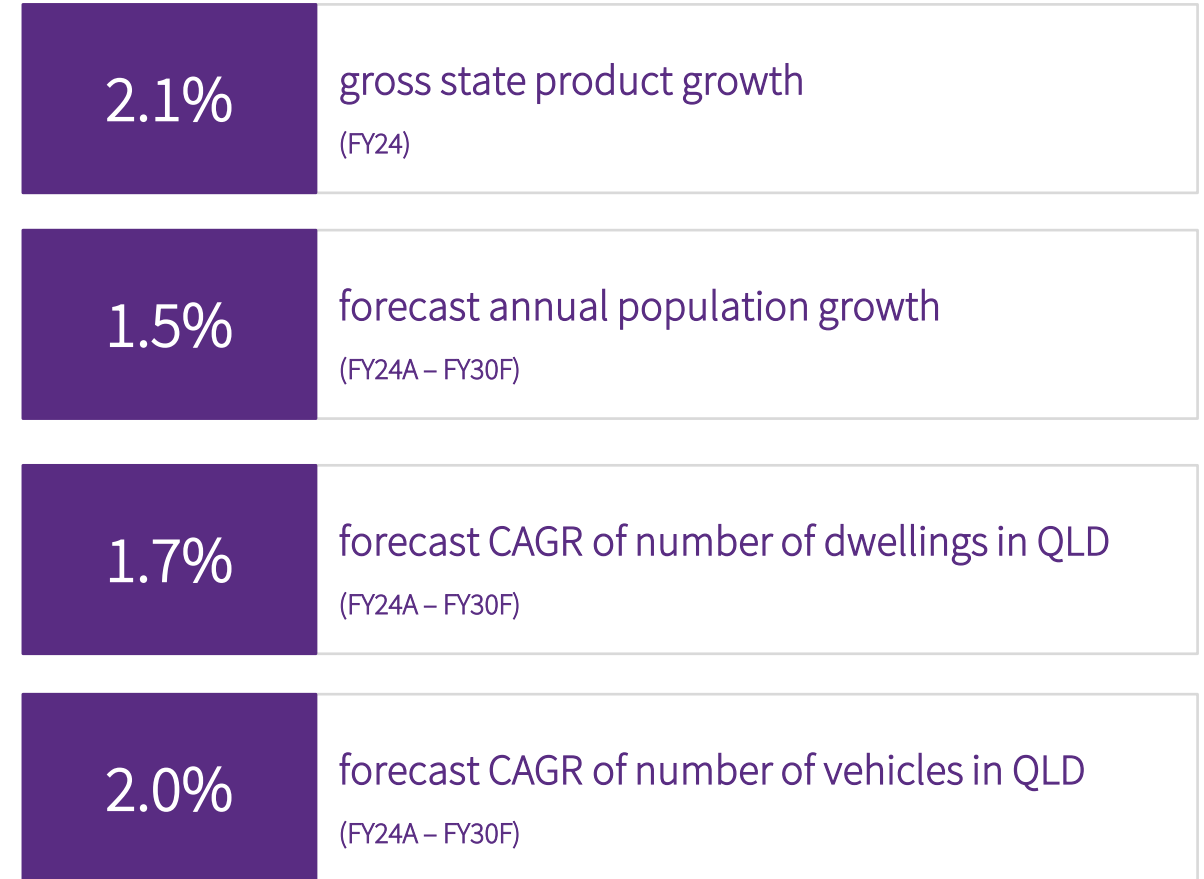
Consistent with IAG’s ‘through the cycle’ 15% insurance margin and 14-15% ROE targets

1 Attractive Queensland Economy

- **Queensland is an attractive growth area in Australia in which IAG currently is underweight**
- **Queensland economy has grown above pre-pandemic levels and continues to recover strongly post the COVID-19 pandemic**
- **Growing population in Queensland driving demand for registered motor vehicles and continuing to drive property prices across Queensland**
- **IAG has been a material contributor to the shape and design of the Federal Government Cyclone Pool and supported its introduction. This underpins IAG's commitment to and support of risk transfer mechanisms that help Queenslanders and Australians**

Sources: Australian Bureau of Statistics, Deloitte Access Economics. Figures shown to June year end.

Queensland Market Key Statistics



2 Builds on IAG's Successful History of Motoring Club Partnerships



~1.7m members

~2.5m members

~2.3m members

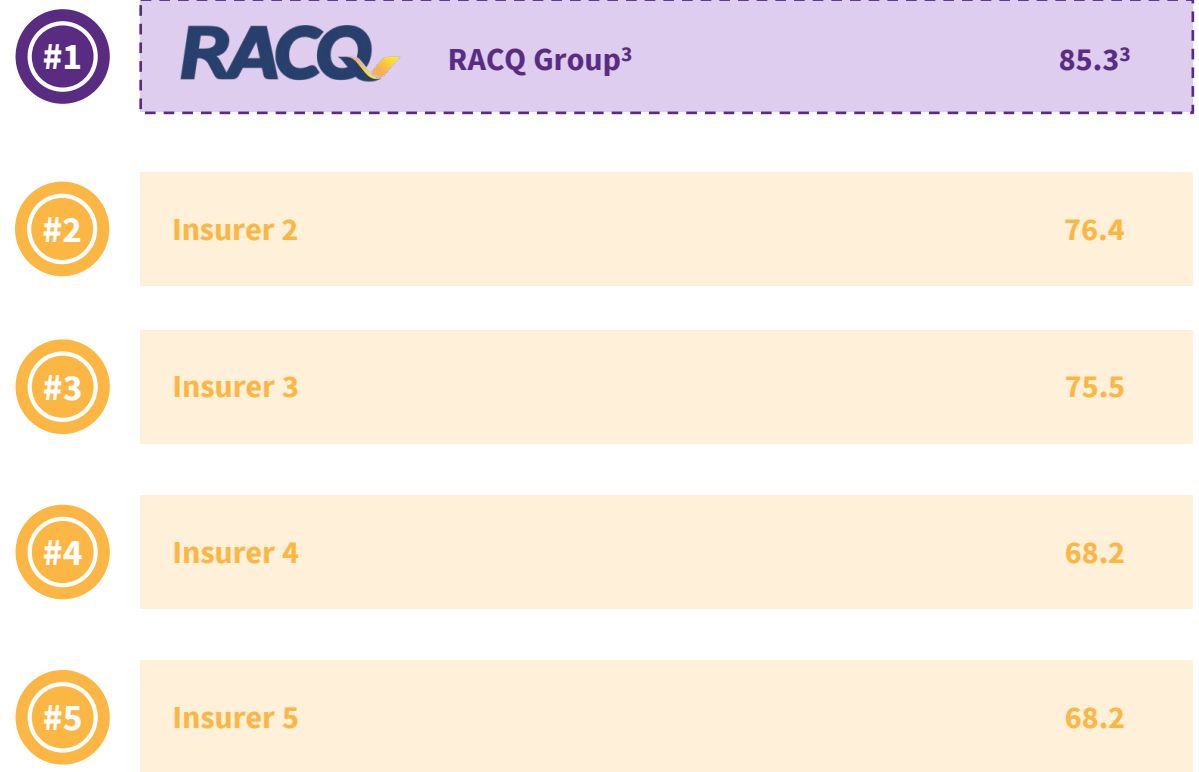
- ✓ High member penetration across all states
- ✓ Market leading customer loyalty and engagement program that rewards loyalty and gives customers control of identification, consent and payment
- ✓ Focus on digital and local presence, including support for vulnerable customers, to elevate customer experience

3 RACQ is a Highly Trusted Queensland Brand

- Net promoter score of 68¹
- Strong member services culture driving engagement
- Retention rates of ~80% in the motor book and ~85% in the home book²
- #1 RepTrak brand in Queensland for general insurers
- High member loyalty, with ~60% holding membership with RACQ Group for 10 years or more

RACQ Group's Reputation Leads Queensland Insurers

RepTrak Q2'24 Benchmark Scores



¹YTD December 2023. ²FY21-25F average. Weighted average based on active covers for GWP / policy, and the previous years' new business and renewed policies for Retention Rate (i.e. FY23 retention rate is based on FY23 renewal units divided by FY22 new and renewal units). ³ Relative standing of the RACQ Group Brand as measured against RepTrak's respective benchmarks.

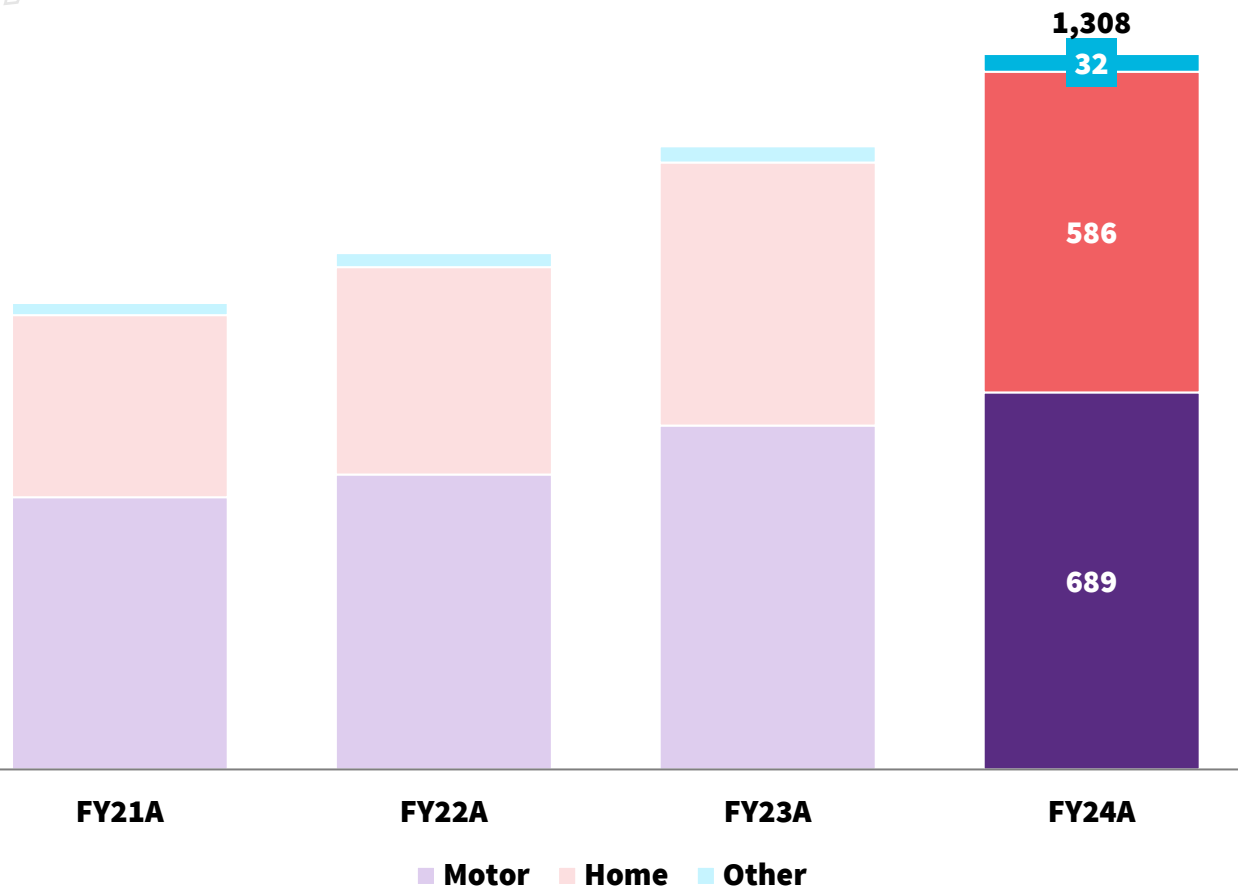
4 RACQI has a Complementary Personal Lines Portfolio



RACQI GWP¹ (\$m)

FY21 – 24 CAGR

Portfolio Composition



Total: 15%
Other: 14%
Home: 21%
Motor: 11%

- Motor**
- Largely consists of Comprehensive² Motor products (~95%), with the remainder predominantly Third Party Property³
 - Retention rate of ~80%
- Home**
- Building⁴ contributes ~60% FY24 GWP, with Contents & SPE and Honey contributing ~20% each
 - Retention rate of ~85% (ex. Honey)
- Other**
- Consists of Pet and Pleasure Craft

¹ Excludes CTP portfolio which is in run-off. ² Comprehensive includes Automotive, Bike & Buggy, Trailer & Caravan & Veteran Vintage. ³ Third Party Property includes Fire & Theft and Property. ⁴ Building includes Building, Mortgagee and Strata.

5 De-Risked Integration Plan



Pre-Completion Transactional, Operational and Financial Activity

(9-12 months)

- Regulatory and government engagement
- Develop detailed Day 1 system integration, including technology and financial operations
- Establish working plan for Transitional Services Agreement
- Transition RACQI employees

Post-completion

(0-24 months post-completion)

- Roll-out IAG's Enterprise Platform to RACQ, reducing risk of technology integration
- Integration between RACQ CRM and IAG
- Roll off from TSA and commence standalone entity for regulatory and operational purposes

Outcomes

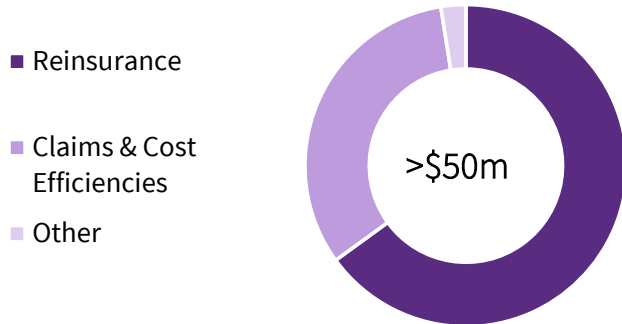
- ✓ Strategic alliance working plan and structures established
- ✓ Complete transition to Enterprise Platform, with pricing on Earnix
- ✓ TSA agreed and detailed schedules developed
- ✓ Complete licenses consolidation
- ✓ Members notified of Strategic Alliance commencement
- ✓ Approval from The Australian Competition and Consumer Commission (ACCC) and Commonwealth Treasurer (FSSA Approval)

6 Strong Financial Outcomes

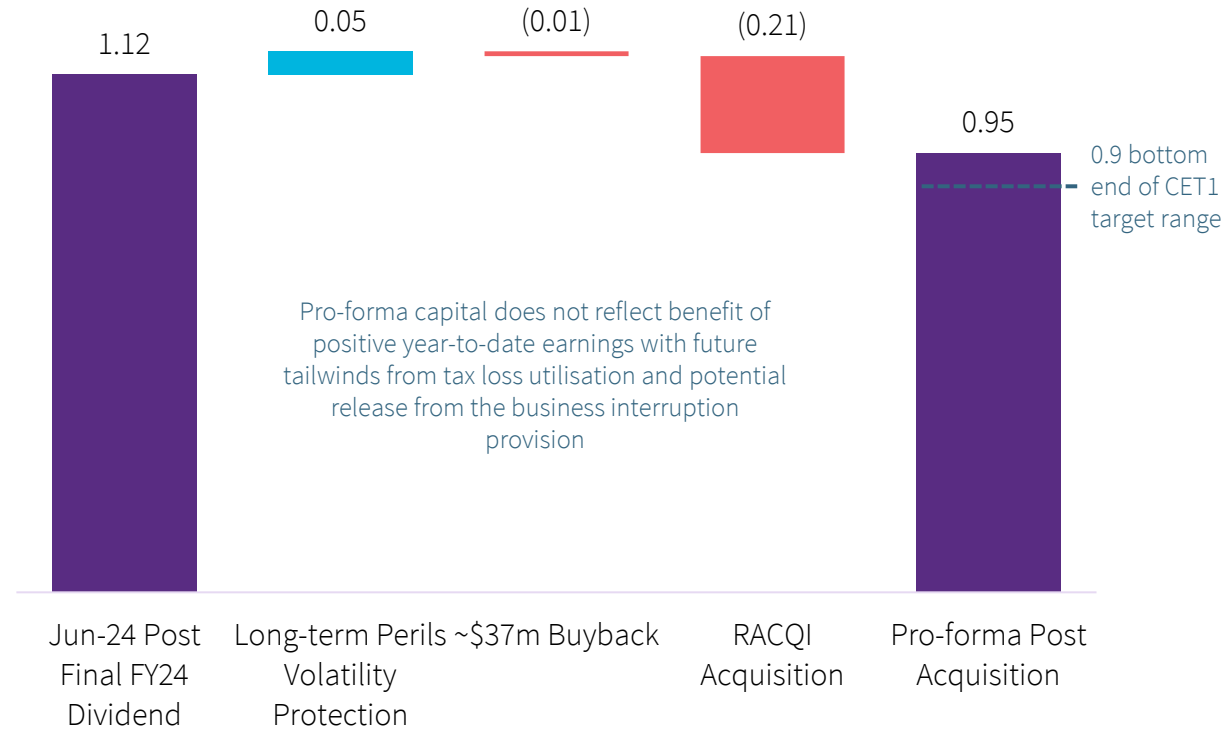
Financial Outcomes

- Annual run rate synergy benefit expected to exceed \$50m per annum, largely by adopting IAG’s reinsurance strategy
- Reinsurance synergies expected to be realised in first full year
- EPS accretion expected in the first full-year
- Consistent with ‘through the cycle’ 15% insurance margin and 14-15% ROE targets
- Total transaction and integration costs of ~\$70m over 2 years includes capitalised software integration costs

Annual Run Rate Synergies



Pro-forma CET1 Multiple



In Summary: A Compelling Strategic Alliance with RACQ



- 1 Entry into an exclusive long-term partnership with RACQ
- 2 Greater exposure to an attractive Queensland economy
- 3 Builds on IAG's successful history with motor club partnerships
- 4 Access to RACQ's highly trusted brand and ~1.7m members
- 5 Reduced risk associated with the integration and transition plan, with benefits to be realised from IAG's Enterprise Platform
- 6 Complementary personal lines portfolio with positive growth dynamics
- 7 Strong financial outcomes – funded by internal resources with meaningful reinsurance synergy opportunity
- 8 EPS accretion expected in the first full year, consistent with IAG's 'through the cycle' insurance margin and ROE targets

Investor Relations

Mark Ley
Mobile. +61 (0)411 139 134
Email. mark.ley@iag.com.au

Nigel Menezes
Mobile. +61 (0)411 012 690
Email. nigel.menezes@iag.com.au

Media

Amanda Wallace
Mobile. +61 (0)422 379 964
Email. amanda.wallace@iag.com.au

Insurance Australia Group Limited

ABN 60 090 739 923
Level 13, Tower Two, 201 Sussex Street
Sydney NSW 2000 Australia
Ph: +61 (0)2 9292 9222

