



# ASX Release

15 May 2025

## IAG enters strategic alliance with The Royal Automobile Club of Western Australia

### Supporting WA

- Trusted RAC brand continues
- Benefits for 1.3m members
- Employment security & opportunity
- Local partners & suppliers continue
- Ongoing investment in WA

### RAC transaction financials

- Additional ~\$1.5bn GWP
- \$100m pre-tax annual synergies
- Consistent with 15% insurance margin
- Mid-single digit EPS accretive
- Funded from organic capital generation

### Financial update

- RAC & RACQ combined increase GWP by ~\$3bn, insurance profit by ~\$300m with double-digit EPS accretion
- Upgrade to Group ROE target to 15%
- YTD perils \$250m favourable

IAG today announced it will enter a strategic alliance<sup>1</sup> with The Royal Automobile Club of Western Australia (RAC) to provide general insurance products and services for RAC members and Western Australians.

The transaction includes IAG's purchase of the RAC Insurance (RACI) business and a 20-year exclusive distribution agreement for RAC branded home, motor and niche insurance products. The consideration comprises \$400 million for 100% acquisition of RACI and \$950 million for a distribution and brand licensing agreement.

RAC Group CEO Rob Slocombe said: "RAC is pleased to partner with IAG, a leading Australian general insurance company, in a long-term partnership that will strengthen the value we deliver to our 1.3 million members across Western Australia.

"IAG brings national scale, global reinsurance capability and industry-leading technology to support RAC members, along with a deep understanding of member focused organisations.

"The partnership will contribute to our organisation's purpose, vision and mission of being the driving force for a better Western Australia, providing a safer, sustainable and connected future. The partnership will support RAC to deliver for our members, employees, and all Western Australians through continued access to innovative insurance products and services provided locally under the RAC brand, to safeguard their future for years to come," Mr Slocombe said.

IAG Managing Director and CEO Nick Hawkins said the new alliance with RAC builds on IAG's successful track record of partnering with leading member motoring organisations which share its purpose and values.

"We're excited to partner with RAC to help protect and serve more Western Australians. RAC is a highly trusted institution with a quality insurance business and strong member relationships. This partnership lays a solid foundation for continued commitment to Western Australia, the nation's top performing economy.

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<sup>1</sup> Subject to regulatory approval

"Our alliance with RAC will draw on our proven track record with successful motoring club partnerships and help us keep more Western Australians safe through competitive, accessible and high-value insurance products and services.

"RAC and its members will benefit from our financial stability, advanced technology platforms, global reinsurance arrangements, and customer-centric claims processes. Together, we will continue to invest in initiatives that support local communities and provide value to RAC, its members, and Western Australia," Mr Hawkins said.

IAG CEO Retail Insurance Australia Julie Batch said: "We look forward to welcoming all RAC members and RACI employees, as we work together to provide Western Australians with high quality service and innovative insurance solutions for the future.

"Our partnership with RAC will help to increase our geographical diversification and provide the opportunity to offer leading products and services to RAC's 1.3 million members," Ms Batch said.

### Transaction summary

The transaction will be funded from IAG's existing surplus capital, debt and strong, stable organic capital generation. It is expected to be earnings per share (EPS) accretive in the first full year, and mid-single digit EPS accretive on a full synergy run-rate basis. The transaction is consistent with IAG's 'through the cycle' 15% insurance margin target and contributes to an upgrade in the ROE target to 15%.

Key terms of the transaction include:

- IAG to purchase the RACI entity and existing portfolio.
- 20-year exclusive access to RAC's network for distribution of RAC branded home, motor and niche insurance products.
- Commitment from both parties to continue to invest in RAC member experience and deliver leading insurance products and services.
- Total consideration of \$1,350 million<sup>2</sup> comprising
  - \$400 million for IAG's acquisition of 100% of the RACI shares equivalent to the expected net tangible asset value at time of completion and
  - upfront payment of \$950 million for entry into an exclusive 20-year distribution and brand licensing agreement
- On completion, the RACI portfolio is expected to add ~\$1.5 billion to IAG's Gross Written Premium (GWP).
- In Western Australia, there will be no change to IAG's existing insurance business and brands, or RAC's brand as a result of the alliance.
- The transaction is expected to result in ~\$100 million pre-tax annual synergies comprised of reinsurance, operating efficiencies and other benefits.
- IAG expects to incur customary one-off transaction costs of ~\$20 million and annual integration costs of between \$15 million and \$25 million over the next three years.
- Expected to be EPS accretive to IAG shareholders in the first full year, and mid-single digit EPS accretive on a full synergy run-rate basis.
- Consistent with IAG's 'through the cycle' 15% insurance margin target and contributes to an upgrade in the ROE target to 15%.

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<sup>2</sup> Subject to customary completion adjustments

- The transaction will be funded from existing surplus capital, debt and strong, stable organic capital generation.
- 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 first half of calendar year 2026.

In combination with the RACQ strategic alliance announced on 28 November 2024, subject to regulatory approvals, the transactions are expected to add approximately \$3 billion in GWP, approximately \$2 billion in NEP, increase insurance profit by at least \$300 million and deliver double-digit EPS accretion on a full synergy run-rate basis. This, in addition to the positive financial outlook on the existing franchise, results in an improved ROE target of 15% on a 'through the cycle' basis.

### **FY25 natural perils and GWP update**

IAG's natural perils costs to the end of April 2025 were estimated to be approximately \$900 million, around \$250 million lower than the year-to-date expectation. This includes over 10,000 claims received following ex-Tropical Cyclone Alfred, with an estimated net cost of approximately \$50 million.

IAG maintains its FY25 perils expectation of \$1,283 million which is the basis of its FY25 guidance. If the current perils favourability (~\$250 million) continues for the remainder of FY25, the reported insurance profit guidance will increase to '\$1,650 million to \$1,850 million', from '\$1,400 million to \$1,600 million'. Similarly, the reported insurance margin range guidance will increase to 'towards the top end of the 16% to 18% range', from 'towards the top end of the 13.5% to 15.5% range'.

In relation to growth, for the 10 months to 30 April 2025, GWP growth was around 5% which included 8.5% growth in Retail Insurance Australia's direct business. Consistent with IAG's 13 February update, this reflects the softening economy in New Zealand which has resulted in the division's GWP being broadly flat in A\$ terms (up 1.3% in NZ\$).

### **Investor teleconference**

IAG's CEO Nick Hawkins, CFO William McDonnell, and CEO Retail Insurance Australia Julie Batch will discuss the RAC transaction on a teleconference on Thursday, 15 May 2025 starting at 9:30am Sydney time / 7:30am Perth time.

The teleconference details are:

Sydney – 9007 3187

Australia – 1800 809 971

New Zealand – 0800 453 055

Conference ID: 10047372

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](http://www.iag.com.au).

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For the better



# IAG enters strategic alliance with RAC

15 May 2025

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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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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>.



Nick Hawkins  
Managing Director and  
Chief Executive Officer





# Acknowledgement of Country

IAG acknowledges Traditional Owners of Country throughout Australia and recognises the continuing connection to lands, waters and communities.

We pay our respect to Aboriginal and Torres Strait Islander cultures and to Elders past and present.



# Agenda



Transaction overview and strategic rationale

Nick Hawkins

RACI portfolio and integration plan

Julie Batch

Financial impacts and capital

William McDonnell

Conclusion

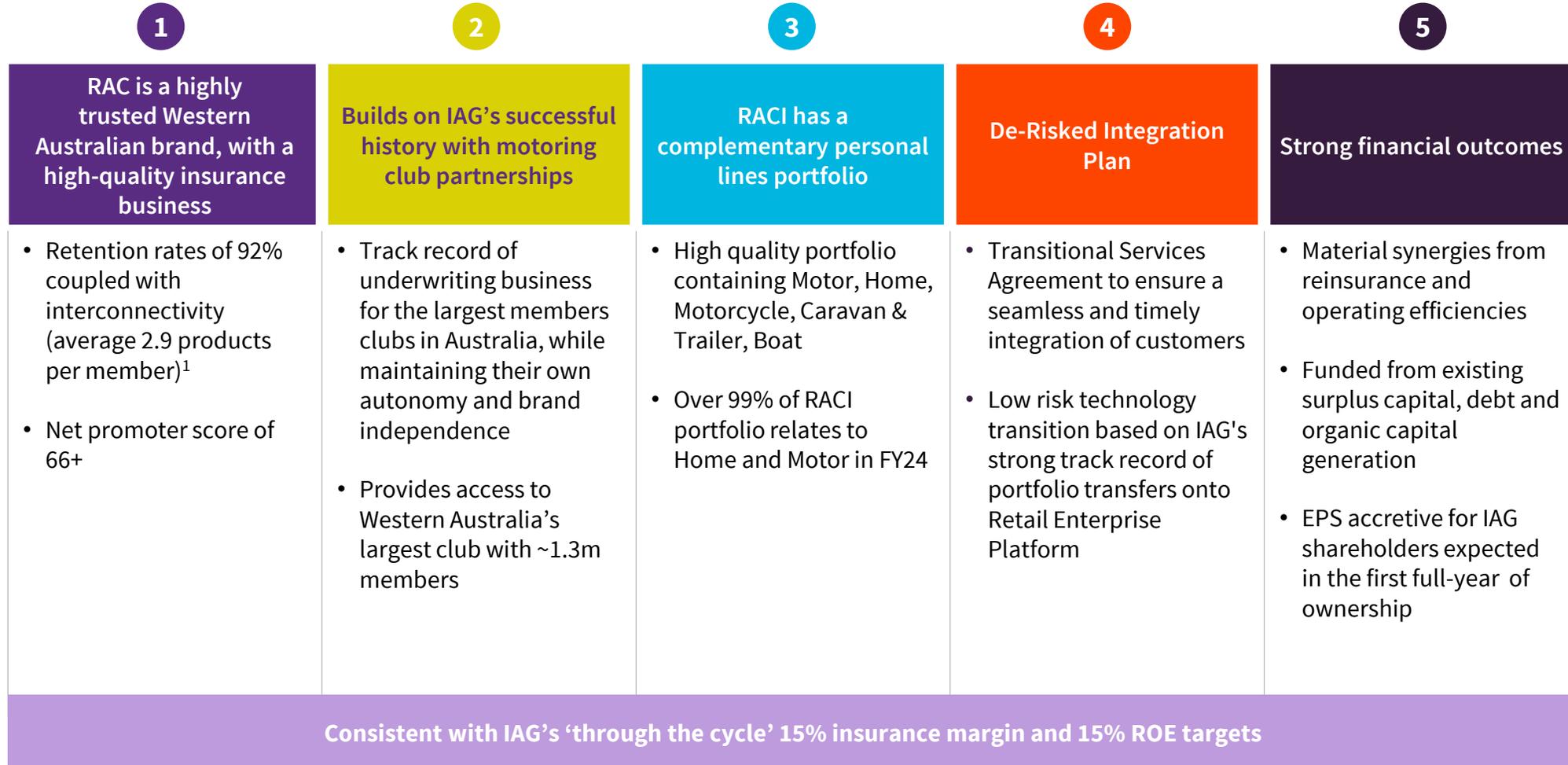
Nick Hawkins

# Exclusive strategic alliance with RAC



<b>Transaction Overview</b>	<ul style="list-style-type: none"><li>• IAG today announced it will enter a strategic partnership with The Royal Automobile Club of Western Australia (“RAC”) which includes:<ul style="list-style-type: none"><li>— Sale of the RAC Insurance (“RACI”) entity and existing underwriting insurance business to IAG</li><li>— 20-year exclusive access to RAC’s network for distribution of RAC branded home, motor and niche insurance products in WA</li><li>— Commitment from both parties to continue to invest in RAC’s member experience and deliver leading insurance products and services</li></ul></li><li>• The transaction is expected to complete in the first half of calendar year 2026 and is subject to customary closing and regulatory conditions, including ACCC approval</li></ul>
<b>Compelling 20-year Strategic Alliance</b>	<ul style="list-style-type: none"><li>• RAC is one of Western Australia’s most trusted brands and complements IAG’s proud history of partnering with motoring clubs</li><li>• Provides IAG the opportunity to offer leading products and services as well as an enhanced member experience to RAC’s ~1.3 million members in WA, supported by RACI’s talented people</li><li>• Accelerates IAG’s Australian retail strategy, increases geographical diversification, with IAG to maintain its existing brands in Western Australia</li></ul>
<b>Financial Details</b>	<ul style="list-style-type: none"><li>• IAG’s total consideration of \$1,350 million<sup>1</sup> comprises:<ul style="list-style-type: none"><li>— \$400 million for 100% of RACI shares equivalent to the expected net tangible asset value at time of completion</li><li>— upfront payment of \$950 million for entry into an exclusive 20-year distribution and brand licensing agreement</li></ul></li><li>• IAG estimated FY25 RACI GWP of ~\$1.5 billion</li><li>• IAG estimated NPAT of ~\$150 million<sup>2</sup> based on HY25 normalised PBT of \$110 million</li><li>• Expected to result in ~\$100 million pre-tax annual run-rate synergies comprised of reinsurance, operating efficiencies and other benefits</li><li>• Expected to be EPS accretive to IAG shareholders in the first full-year, and mid-single digit EPS accretive on a full synergy run-rate basis</li><li>• Funded from existing surplus capital, debt and strong, stable organic capital generation</li><li>• Consistent with IAG’s ‘through the cycle’ 15% insurance margin and contributes to an upgrade in the ROE target to 15%</li></ul>
<b>Combined with RACQ<sup>3</sup></b>	<ul style="list-style-type: none"><li>• Additional ~\$3 billion GWP, ~\$2 billion NEP</li><li>• Additional ~\$300 million Insurance Profit on a full synergy run-rate basis</li><li>• Expected to deliver double-digit EPS accretion</li></ul>

# A compelling strategic alliance with RAC

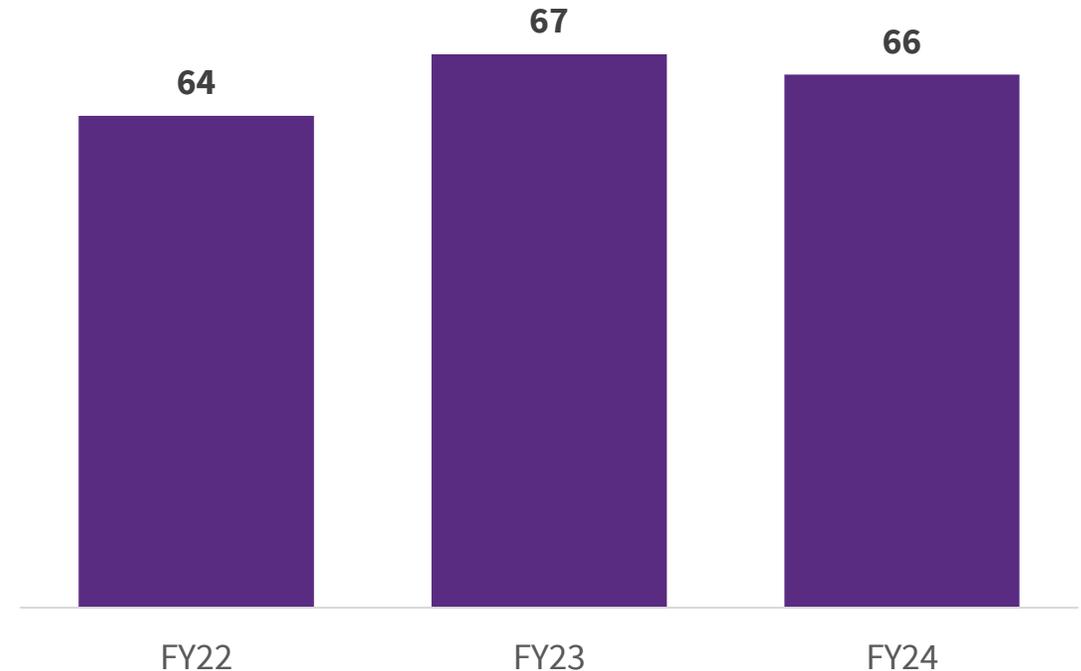


Note: <sup>1</sup>Based on the primary policyholder.

# 1 RAC is a highly trusted Western Australian brand, with a quality insurance business

- Strong member engagement demonstrated by member retention (92%) with an average of 2.9 products per member<sup>1</sup>
- Net promoter score of 66<sup>2</sup> with a long-standing presence in Western Australia since 1905 and selling insurance since 1947
- RAC's brand strength is reinforced through its material investment towards social impact and community initiatives aimed at making WA a better place, and its extensive physical presence across the state
- Underwrites 1.45 million home and motor policies across WA, with an estimated FY25 GWP of ~\$1.5 billion
- IAG estimates the insurance business to achieve NPAT of ~\$150 million<sup>3</sup> based on HY25 normalised PBT of \$110 million
- Operated by talented and experienced insurance professionals

Aggregated NPS<sup>2</sup>



Note: <sup>1</sup> Based on the primary policyholder. <sup>2</sup> RAC management data. Aggregated NPS accounts for all components of RAC including roadside assistance, home and motor insurance claims, and other key products (e.g. parks and resorts). <sup>3</sup> Represents HY25 normalised PBT on an annualised post tax basis

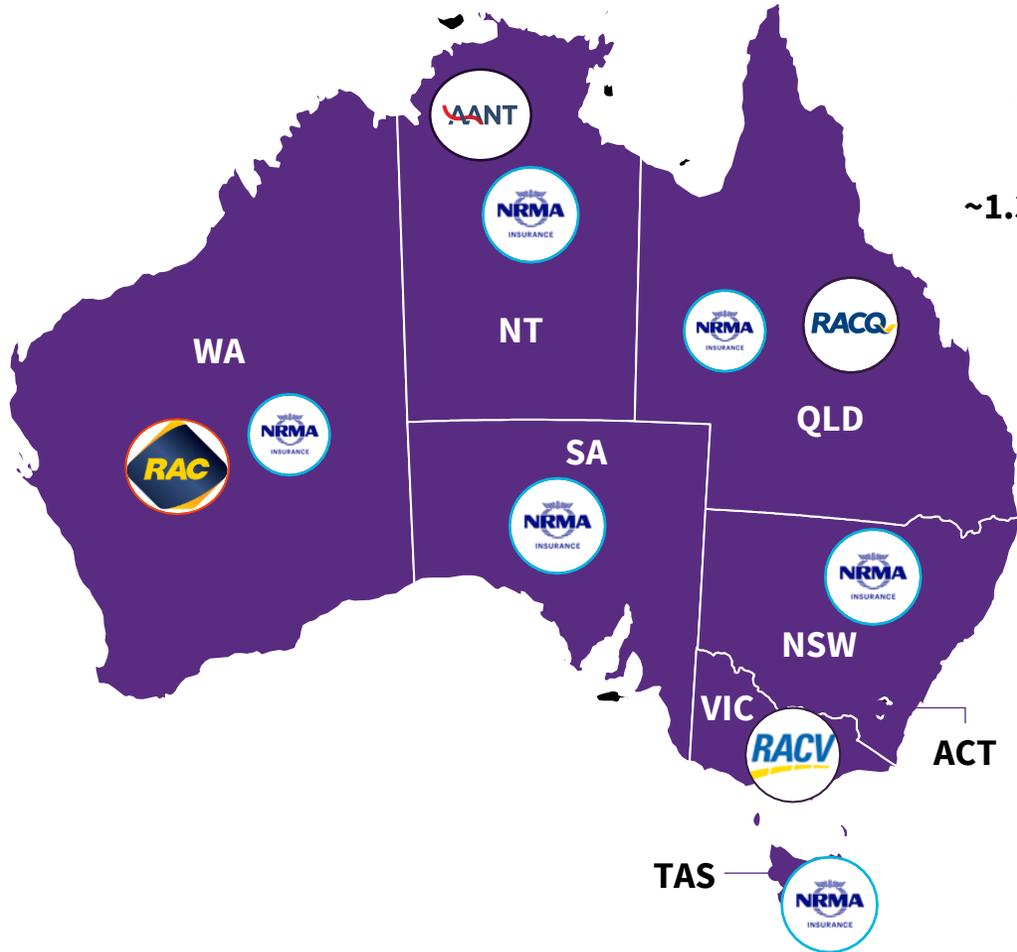


Julie Batch  
CEO, Retail Insurance  
Australia

RACI portfolio and integration plan



## 2 Builds on IAG's successful history of motoring club partnerships



~1.3m members



~1.7m members



~3.3m members



~2.3m members



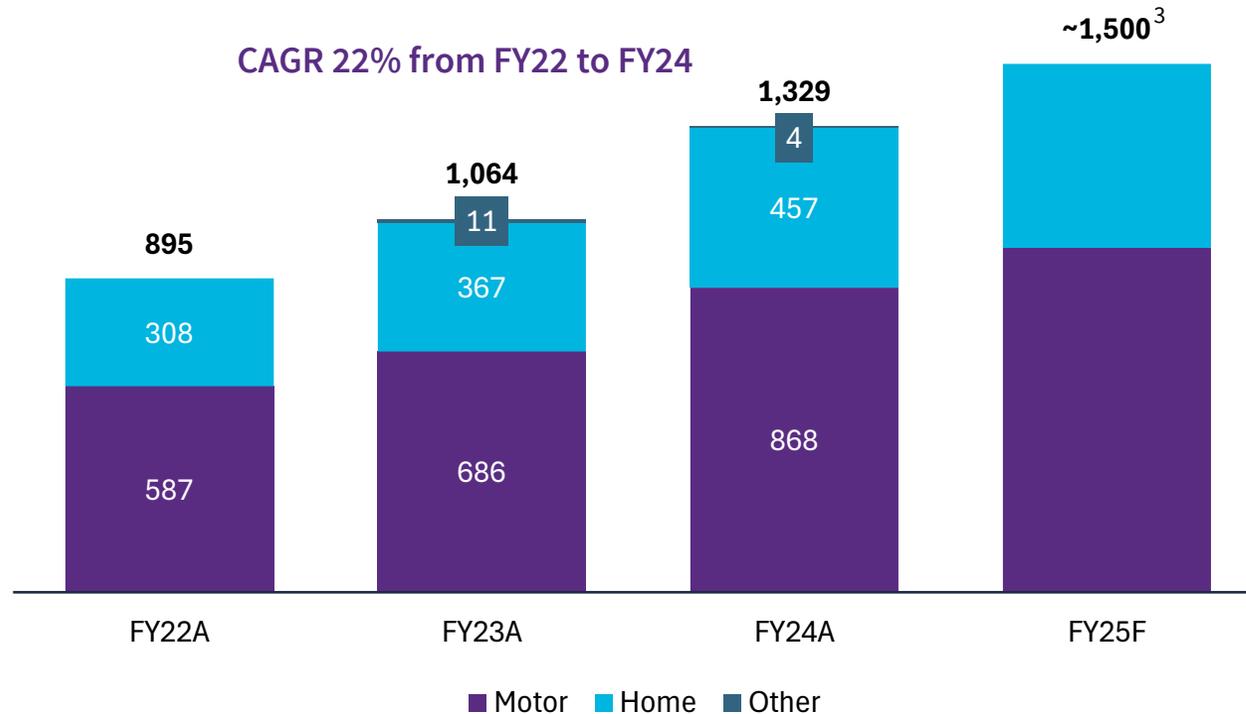
~20k members

- IAG heritage built on 100 years of supporting mutual motoring members
- IAG brings national scale, global reinsurance capability and industry-leading technology to support RAC members
- IAG is committed to making Western Australian communities safer through continued investment and support, particularly during times of need
- IAG's partnership with RAC includes continued provision of high-quality services to RAC members, competitive pricing and ongoing investment in WA
- In entering this partnership, IAG is making a commitment to retaining a significant local presence including RACI's talented employees in WA, ensuring RAC members have access to local expertise, market-leading contact centres, and continuing to invest in RAC's technological initiatives

### 3 RACI has a complementary personal lines portfolio



#### RACI GWP (\$m)



#### Portfolio Composition

##### Motor

- Largely consists of Comprehensive Motor products, with the remainder Third Party Property<sup>1</sup>
- Retention rate of ~80%<sup>2</sup>

##### Home

- Largely consists of 'Home and Contents' policies, with Building only and Contents only policies accounting for a much smaller portion
- Retention rate of ~89%<sup>2</sup>

<sup>1</sup> Third Party Property includes Property Damage and Fire & Theft. <sup>2</sup>RAC Management data <sup>3</sup>IAG estimated

## 4 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
- Prepare for transition of RACI employees

### Post-completion

#### (0-24 months post-completion)

- Roll-out IAG's Enterprise Platform to RAC, de-risking technology integration
- Integration between RAC CRM and IAG
- Roll off from TSA and commence standalone operating entity

### Objectives

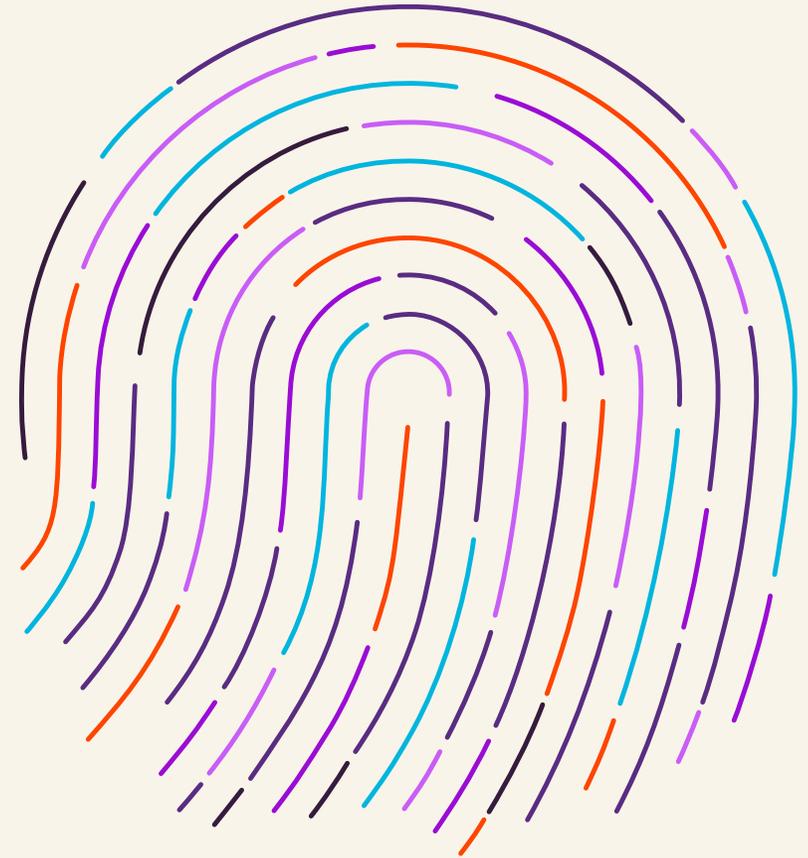
- ✓ Approval from the Australian Competition and Consumer Commission (ACCC) and Commonwealth Treasurer (FSSA Approval)
- ✓ Strategic alliance working plan and structures established
- ✓ Detailed TSA schedules developed
- ✓ Members notified of Strategic Alliance commencement

- ✓ Complete transition to Enterprise Platform
- ✓ Complete licenses consolidation



# William McDonnell Chief Financial Officer

Financial impacts and capital



## 5 Strong financial outcomes

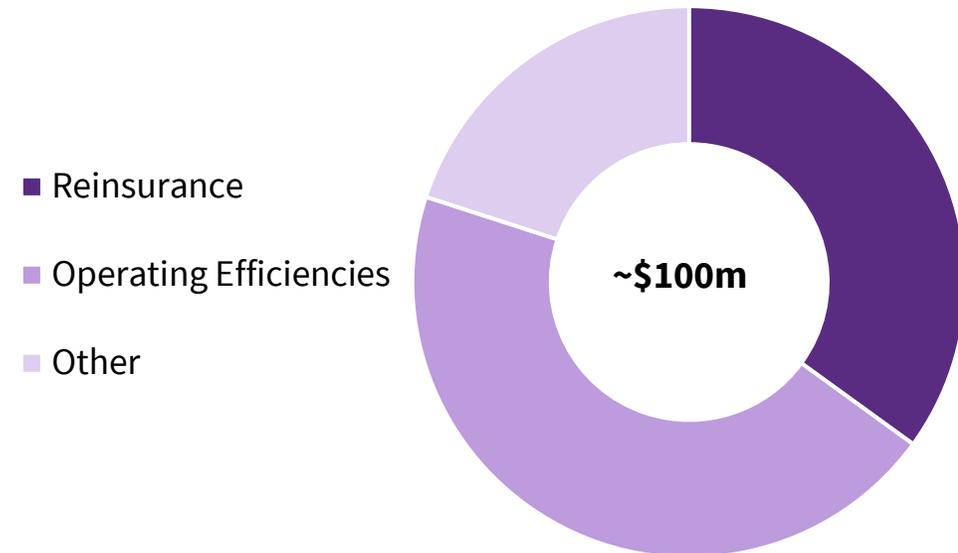
### Financial Outcomes

- Upfront cash consideration of \$1,350 million<sup>1</sup> based on:
  - payment for the shares equivalent to the expected net tangible asset value at time of completion \$400 million; and
  - upfront payment of \$950 million for entry into an exclusive 20-year distribution and brand licensing agreement
- IAG expects to recognise an intangible asset of ~\$950 million that will be amortised over the 20-year term of the distribution agreement
- Expected to be EPS accretive in the first full-year of ownership, and mid single-digit EPS accretive on a full synergy run-rate basis
- Annual run-rate synergies expected to be ~\$100 million pre-tax
- Total transaction costs of ~\$20 million and annual integration costs of between \$15 million and \$25 million over the next three years
- Financial outcomes consistent with IAG's 'through the cycle' 15% insurance margin target and contributes to an upgrade in the ROE target to 15%

<sup>1</sup>Subject to customary completion adjustments.

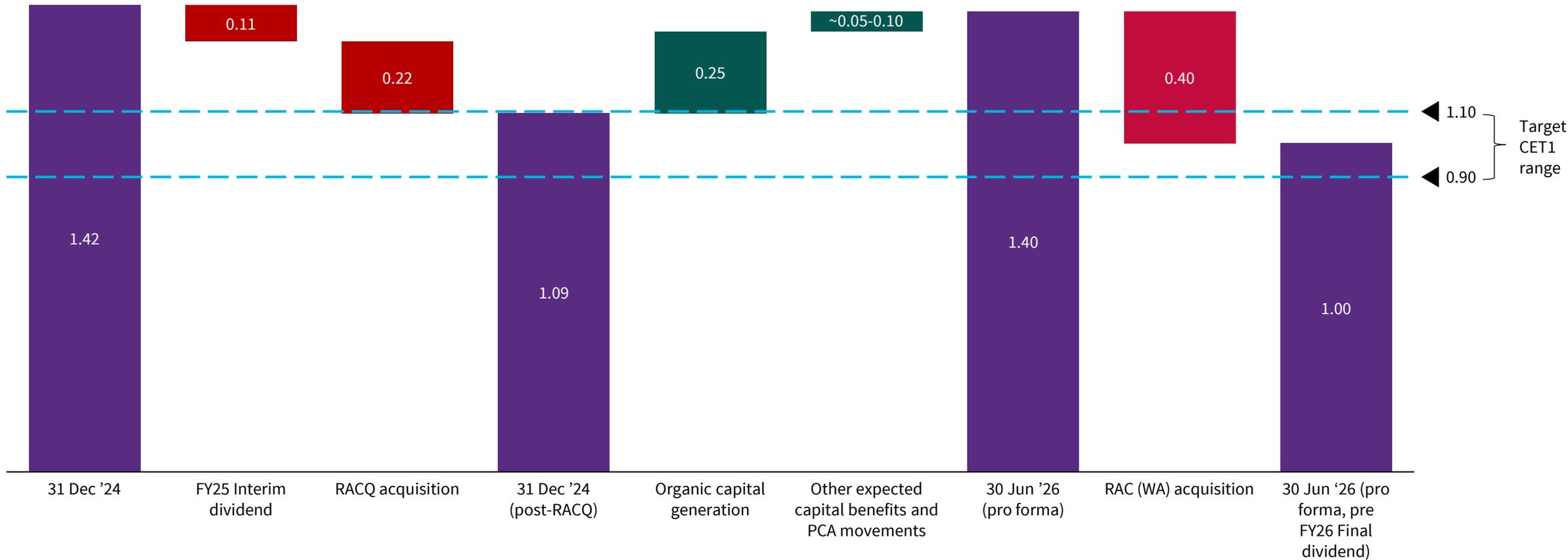
### Synergies

#### Annual Run-rate Synergies (Pre-tax)



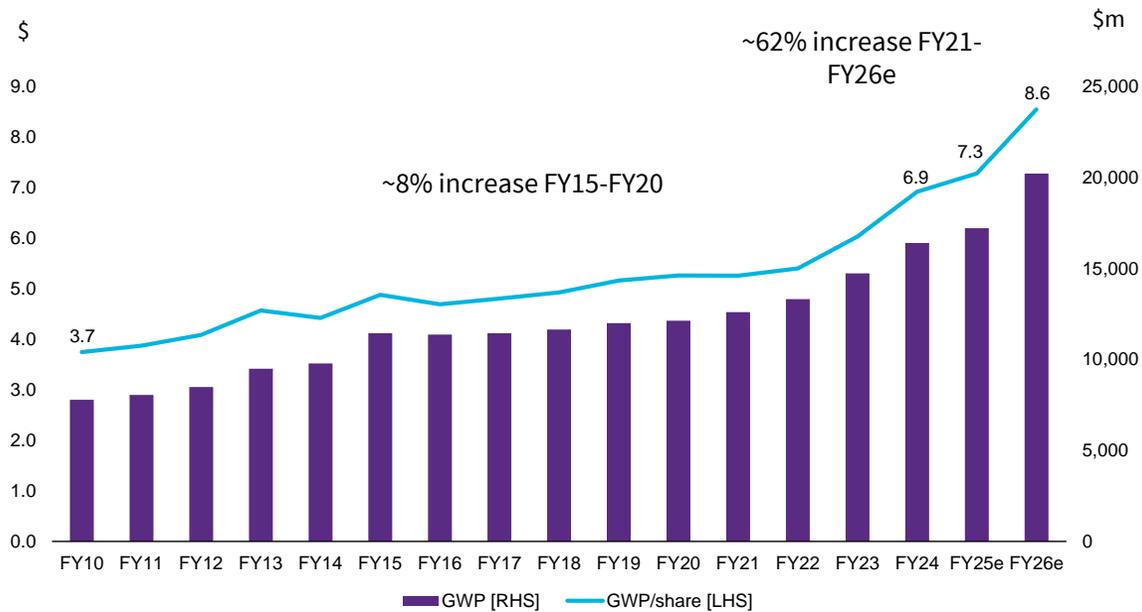
# Positive organic capital generation with strong downside protections

Indicative pro-forma CET1 ratio

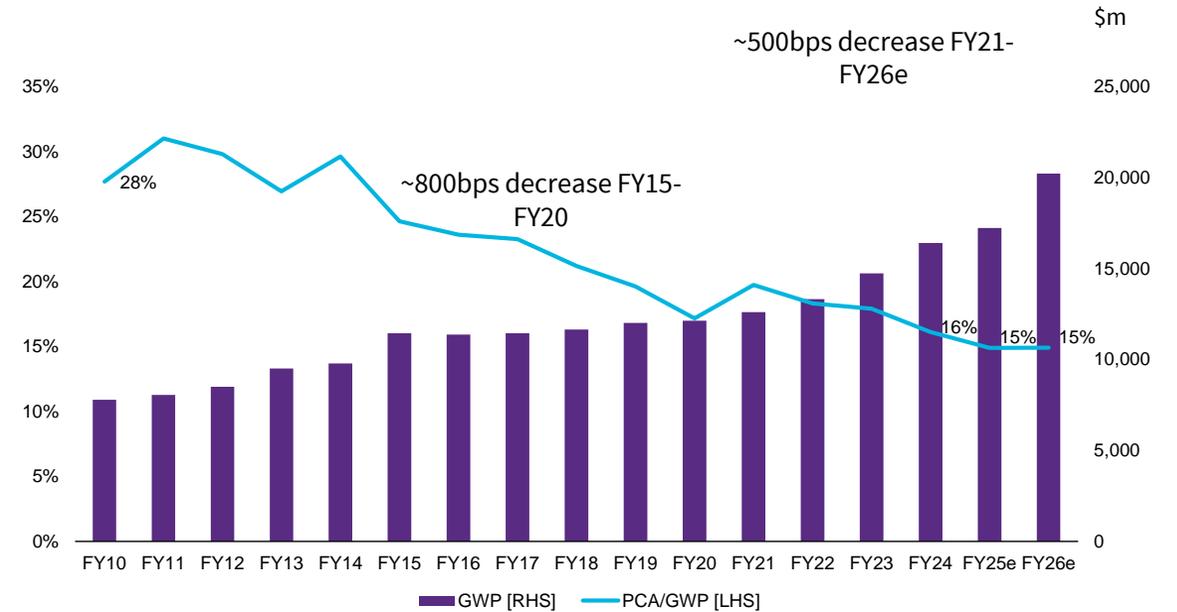


# Significant growth over the last 5 years with demonstrated capital efficiency

## Gross Written Premium per shares on issue



## Capital efficiency





# Nick Hawkins

## Managing Director and Chief Executive Officer

Conclusion



# Supporting ~10m customers with leading brands across Australia & New Zealand



Retail – GWP ~\$14.5bn

Direct		Partner	
Australia	New Zealand	Australia	New Zealand
 	 	 	 
		 	 
		 	

Organic and inorganic growth enabled by Retail Enterprise Platform

Intermediated – GWP ~\$6.5bn

Australia	New Zealand
 	

Efficiency improvement accelerated by Commercial Enterprise Platform

Efficient capital platform and innovative reinsurance partnerships reducing volatility

IAG enters strategic alliance with RAC

RAC and RACQ subject to customary closing and regulatory conditions.

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# Appendices



# RACI summary P&L

## Normalised Income Statement

A\$m	FY22	FY23	FY24	HY25 <sup>1</sup>
<b>Gross written premium</b>	<b>894.6</b>	<b>1,064.3</b>	<b>1,329.3</b>	<b>720.7</b>
<b>Net earned premium</b>	<b>762.0</b>	<b>878.3</b>	<b>1,070.1</b>	<b>628.2</b>
<b>Underwriting result</b>	<b>59.1</b>	<b>60.6</b>	<b>103.7</b>	<b>99.1</b>
Investment income on policy holder funds	(3.0)	7.3	19.1	12.5
<b>Insurance profit/(loss)</b>	<b>56.1</b>	<b>67.9</b>	<b>122.8</b>	<b>111.7</b>
Investment income on shareholder funds	(18.0)	8.5	11.5	7.7
Other income/exp.	0.9	1.0	1.2	0.6
Brand fee	(6.9)	(7.1)	(10.1)	(9.6)
<b>Normalised PBT</b>	<b>32.1</b>	<b>70.4</b>	<b>125.4</b>	<b>110.4</b>
Perimeter Adjustments <sup>2</sup>	0.9	(1.5)	(2.3)	
Normalisation Adjustments <sup>3</sup>	1.9	(9.8)	(6.3)	
<b>Reported PBT</b>	<b>34.9</b>	<b>59.1<sup>4</sup></b>	<b>116.8</b>	
<b>Key ratios</b>				
<i>Net loss ratio</i>	78.9%	80.1%	79.8%	74.5%
<i>Insurance margin</i>	7.4 %	7.7 %	11.5%	17.8%
<i>Combined ratio</i>	92.2%	93.1%	90.3%	84.2%
<i>Normalised PBT margin</i>	4.2%	8.0%	11.7%	17.6%

Source: RACI Management Financial Statements

<sup>1</sup> Figures as at 31-Dec-2024. <sup>2</sup> Perimeter adjustments relate to the removal of the pet, health and life products on which RACI earns a commissions but does not underwrite (+\$2.2m in FY24). Additionally, RACI's run-off agency businesses (Ubicar, Clover, Argyle and Viz Agency) have been removed (-\$4.5m in FY24). <sup>3</sup> Relate to the removal of one-off items such as asset write offs (+\$0.3m in FY24), non-recurring items such as remediation costs (-\$6.6m in FY24) and changes in accounting policy such as AASB 17 (nil in FY24). <sup>4</sup> Based on FY23 Audited Financials. Note that this is different from the re-stated FY23 figures presented in the FY24 Audited Report.