ADDRESSES TO THE TOWER LIMITED ANNUAL SHAREHOLDER MEETING

30 MARCH 2017

Chairman's address

Good morning ladies and gentlemen.

My name is Michael Stiassny. I am Chairman of Tower Limited.
As it's 10.00am, I am pleased to declare open the 2017 Annual Meeting of shareholders.

On behalf of my fellow Directors, welcome to our shareholders and guests here at the Ellerslie Event Centre as well as those who have joined us via webcast. This is your meeting and we appreciate you making the effort to be here.

Today's agenda is on the screen behind me. In a departure from our usual Annual Meeting format, I will begin today's meeting by providing you with an update regarding the two takeover proposals we have received.

Our Chief Executive Officer, Richard Harding will take you through last year's operating performance and the progress that has been made in the business in more recent months.

Following Richard's presentation, we will move to the formal resolutions set out in the Notice of Meeting.

Shareholders are welcome to ask general questions following the presentations and to ask specific questions on the resolutions to be considered as each is put forward.

I remind any media present that, while you are welcome, this is a meeting for shareholders. Richard and I will be happy to talk to you after the meeting.

Before we start the presentations, there are a few housekeeping matters to cover off.

- If you have a cell phone, please switch it off.
- If we need to evacuate this room for any reason, there are exits through the doors to my right and also the entrance you came through.
- In the event of an emergency, please listen to the instructions from the Ellerslie staff.
- Bathroom facilities are located out the door you came through heading back towards the lifts.
- If you are feeling unwell, please advise one of our Tower staff who will assist you.

Finally, we hope that you will join us for refreshments next door, to the left, at the conclusion of the meeting.

With me today are your directors, Steve Smith, David Hancock, Graham Stuart, Warren Lee, and Chief Executive Officer, Richard Harding. Also in attendance today, seated in the front row, is the Tower Executive Leadership Team and our Auditors.

Let's now move on to the formal part of the meeting.

Formalities

Quorum

The Company's constitution specifies a quorum of 25 shareholders. As you can see, and as confirmed by Computershare, this requirement has been met.

Proxies

In addition to those attending in person today, 932 shareholders, holding a total of 100,458,418 shares, have appointed proxies (including proxies instructed to abstain). The appointed proxies are represented by 11 proxy holders.

In my capacity as Chairman of the meeting and in my own name I hold proxies for 859 shareholders, representing 65,905,400 shares.

I intend to vote all undirected proxies I have received in favour of resolutions 1, 2 and 3.

Annual Report and Notice of Meeting

The annual report was made available on Tower's website on 23 December 2016. Spare hard copies of the annual report are available in the registration area.

I propose that we take the Annual Report and Notice of Meeting as read.

Your Board has long held the view that the market has been struggling to fairly and accurately value Tower. The share price decrease, attributable to the legacy of the Canterbury earthquakes and the issues created by EQC overcap assessments, has been particularly vexing.

When announcing the FY2016 annual results, the Board noted it had made two decisions to enable Tower to accelerate performance improvement and in so doing, maximise value for shareholders.

The first decision was to move ahead with plans for a new core insurance IT platform. And the second was to work towards creating a separate company dedicated to Canterbury claims' resolutions.

Under separation, two entities – New Tower and RunOff Co – would have been created, each with a very clear and distinct mandate and strategy. New Tower would have been unencumbered, and able to realise its true potential, while RunOff Co would have managed the legacy liabilities relating to Canterbury.

The Board also made the decision to suspend the full year dividend as this capital was required to support structural separation. This was a short term measure, with the dividend expected to resume once separation is complete.

Since we announced the separation proposal, two offers to acquire 100 per cent of Tower shares have been received.

On the 9th of February, Tower announced it had entered into a binding Scheme Implementation Agreement with Fairfax Financial Holdings. This agreement would see Fairfax acquire 100% of Tower shares at $1.17 per share. Supported by two of Tower's major shareholders, Salt Funds Management and ACC who collectively hold 18.1% of Tower shares, this proposal was unanimously approved by the Board, in the absence of a superior offer.

Tower then received a non-binding indicative proposal from Suncorp Group– via its wholly-owned subsidiary, Vero Insurance New Zealand– to acquire all Tower shares at an indicative cash price of $1.30 per share. Subsequently, Vero acquired additional shares in Tower at $1.40 per share, increasing its holding to 19.99%.

Both Fairfax's binding scheme at $1.17, a 48% premium to the then share price of $0.79, and the subsequent non-binding indicative proposal from Suncorp validate the board's view that the market has significantly undervalued Tower, as well as the value of the opportunity the Tower business represents to other industry players

While assessing these proposals, the Board's singular consideration is to deliver a recommendation based on maximising value for you, our shareholders.

Given the likelihood of a protracted process, the Board may look to raise capital to ensure a prudent level of capitalisation and solvency to protect the ongoing business from contingencies during this period.

We will continue to update you on developments as they occur and we hope to be in a position to provide further details in the near future. In the meantime, shareholders do not yet need to take any action in response to either of these offers.

I will be happy to answer questions you may have about the proposals at the end of the results presentation to the extent that available information, confidentiality and commercial sensitivity permits.

I cannot stress enough that irrespective of the current uncertainty regarding Tower's future ownership, the management team's focus is expressly on driving the business forward, delivering to the strategy and maintaining the positive momentum that has started to build.

Our core New Zealand business remains in good shape and our Pacific business has huge potential which is yet to be fully exploited.

Importantly, there was a marked improvement in three core metrics in the second half:

- We saw a return to policy growth in the core New Zealand book;
- We delivered a reduction in management expenses; and
- We reduced claims costs.

And, while we acknowledge there is some way to go, these positive trends are continuing in the current financial year.

This progress is testament to the efforts of the Tower team who strive every day to build this business and assist our customers. They are a great team and on behalf of my fellow directors, I thank them for their efforts.

Thank you also to our customers, business partners and you – our shareholders – for your continued support of Tower.

I will now hand over to Richard to go over the 2016 performance and to update you on Tower's more recent progress.

Chief Executive Officer's address

Good morning everyone.

2016 saw Tower undertake a significant amount of work to support our ambition to become a high performing general insurer.

After defining our strategy in 2015, our new leadership team has been guiding our business and our people to achieve the first phase of our strategy.

These positive results have been delivered against a backdrop of increasing costs across the industry and the continued uncertainty of Canterbury.

At last year's meeting, I talked about three priorities that we needed to focus on:

- Delivering a high performance service culture
- Operational excellence, and
- Accurate pricing of risk.

I am pleased to say that focusing on these aspects of the business over the course of the 2016 Financial Year delivered tangible results and benefits.

Firstly, in terms of delivering a high-performance customer service culture:

- A focus on retention lifted retention rates by over 2.6 percentage points and allowed us to return to positive policy growth in the core New Zealand book for the first time since 2013.
- We advanced this with the launch of online quote to buy functionality for our core Tower branded products and the development of an end to end customer experience. I will talk more about our online capability shortly

Operational excellence is all about ensuring we have the right cost base that will enable us to improve margins and increase our competitiveness in the market.

We made inroads addressing operational excellence in Financial Year 16 on the back of initiatives that continue today:

- Operating at a 42% management expense ratio is not sustainable in a competitive market. A focus on expenses and targeting non personnel costs resulted in a $5 million reduction in underlying management expenses in Financial Year 16.
- We made a decision that our IT systems were a key constraint on our business and without addressing this issue we would not be able to achieve the significant shift in costs that we are seeking to make. As a result, we impaired the current IT assets with a view to replacing them in the short term. We are exploring moving to the EIS platform.
- Our other key focus is our claims expenses. One of the first things I did when I joined Tower was elevate claims to the Executive level given its importance. The team then established initiatives to address escalating claims costs. Pleasingly, claims costs bucked the trend and reduced in the second half and we have seen that continue in the last six months

Accurate pricing of risk is at the core of what an insurance company does and is a real passion of mine. An insurance company assesses risk and puts a price in the market to remove that risk for our customers. The journey towards underwriting excellence began in 2016, and that work continues today.

- We've repriced our portfolios, some of which had not been repriced in a number of years

- We launched new simple and easy products that we believe will differentiate us in the market
- We updated legacy product wordings to reduce exposure to moral hazards and fraud

Culture and capability initiatives were also added into the mix during the year. In order to be a high performing general insurer we are growing a culture that encourages our people to challenge the status quo and ensures they have the capability to deliver on our strategy. In order to effect change we need strong leadership.

Over the course of the year we introduced insurance capability to our executive team and launched leadership programmes to develop our people.

It was a full-on 12 months for the team at Tower and the momentum continues. We still have a lot to do to refocus Tower on its core.

Turning to the financial results.

Tower reported a loss of $21.5 million in Financial Year 16.

This reflects a $25.3 million impact from additional provisions for Canterbury and a $14.1 million impact from intangible asset impairment.

The intangible asset impairment arose as a result of the realisation that our current IT environment is not fit for purpose and will not enable us to achieve our long term strategic goals.

The underlying profit was $20.1 million, compared to $30.3 million in Financial Year 15. This drop was driven primarily by increased claims costs and lower investment income.

Gross Written Premium was slightly down year on year. Pacific Gross Written Premium fell $1.2 million due to a tightening position on risk in Papua New Guinea and the Solomons. New Zealand Gross Written Premium fell by $1.2 million with the continued run off of the ANZ portfolio offset by growth in the core Tower book.

The legacy from the Canterbury earthquakes remains a difficult and complex situation.

The ongoing claims development situation is being faced by all insurers. Unfortunately, as the only listed pure New Zealand General Insurer, it is most visible with us. We are the canary in the coal mine.

Six years on, insurers still do not have clarity on the number and value of claims that remain. Re-provisioning for Canterbury has become the norm for all as evidenced by Southern Response, MAS and IAG announcements in 2016. More recently, in the first quarter of 2017, Vero also increased their EQ provisions.

This slide makes the situation abundantly clear.

The chart on the left shows that gross claims costs increased by $78 million over the year to reach $870 million. This resulted in a net impact on Tower of $35.1 million pre-tax, or $25.3 million post tax.

The continued cost escalation was primarily driven by the EQC and litigation claims.

This is further emphasised by the chart on the right where you see Tower received 297 completely new claims in the 2016 year. The team did a great job in closing 534 claims, though they continue to swim against the tide with the continual arrival of new overcap claims from EQC.

These issues with the EQC continue to confront the entire industry and add to the complexity of an already challenging situation. Tower is part of the insurance industry task force that is working with government and the EQC to review data, identify how many overcap or new claims are coming down the line and ultimately, seek to resolve these issues.

The business continues to perform in line with expectations as we approach the half way point of Financial Year 17 and I am pleased that the momentum we started to build in 2016 has continued into the new financial year.

Gross Written Premium has grown slightly year on year as a result of our digital, TradeMe and Air New Zealand Airpoints programmes.

The claims initiatives that I talked about earlier continue to gain traction and we are seeing continued reduction in our underlying BAU claims expenses.

Our focus on management expenses has continued and we expect to deliver lower management expenses in the half year.

We have successfully launched and delivered a number of important operational projects since the full year;

- Our new simple and easy products were launched in October offering an innovative package style product to the New Zealand market.
- In late November we launched a revamped TradeMe platform to address performance and stability issues. We have seen significant growth in this channel as a result.
- We launched the digital quote to buy functionality for house and contents in December so we now have our full suite of products online. Sales performance is exceeding expectations.
- In November, we signed a partnership with Air New Zealand Airpoints. This was an important win for us and shows the confidence that market-leading brands have in our business and the transformation we are embarking on. The Airpoints partnership provides Tower with an attractive consumer demographic that fits nicely with our other partnerships.
- We've been amazed at the positive response we've had, with over 15,000 customers registering in the first month.

I have already talked about the Canterbury Earthquakes. It remains a complex and difficult situation for all insurers, claims costs continue to develop as a result of additional overcap claims from EQC and growth in the level of litigation and customer disputes. Our appointed actuary, Deloitte, is due to provide an updated actuarial report for our half year results.

It has been a very active period for us in terms of weather and seismic activity.

- On November 14 a magnitude 7.8 earthquake occurred in the Kaikoura region. This had a devastating impact on the local community and our thoughts remain with them through the recovery.
- To help get these communities back on their feet faster, insurers signed an MOU with the EQC to manage under-cap claims on EQC's behalf. This means we can help our customers immediately and can manage the claims process end to end, from day one.
- To date, we've received around 2,700 under-cap claims that we will be managing on behalf of the EQC.
- We have received a further 270 Tower claims that we believe will end up being over-cap.
- Of the 3,000 total claims received, 590 have already been settled and closed.
- It is important to note that Kaikoura is very different to the Canterbury situation

- The policy structure has changed, we now have sum insured policies which caps the liability for insurers.
- And signing the MOU with the EQC ensures we retain full visibility of our liabilities.

- These changes make it highly unlikely that we will see a repeat of the outcomes experienced in Christchurch that have resulted in 6 years of escalating costs. We remain confident that the maximum claims cost will be $7.2 million after tax
- We have also seen the Port Hills Fires and the recent "Tasman Tempest" storm which struck Auckland and the upper North Island a few weeks ago.
- We expect the Port Hills Fires to cost around $1.2 - 2m and the Auckland storms to cost around $3.5 – 4.5m
- Combined, these two events are expected to fill our aggregate reinsurance excesses, resulting in a pre-tax impact of $5m
- Reaching our storm aggregate means we are well protected against further events for the remainder of the year

Insurance exists to help customers and communities recover from events like these. Insurance allows our customers and the community to be confident that they won't be left out of pocket if something happens to them, or what they hold dear.

The work we are doing sets us up well for the future and will continue to give our customers the confidence that when things do go wrong, they can rely on us to set them right.

Shareholders can also be confident that the benefits delivered through our approach that focuses on driving improvements to turn Tower into a high performing insurer will create significant value for them.

Before I hand over to Michael, I want to thank my executive team and the entire team at Tower for the effort they have put in over the past 18 months and the continuous improvement we have seen as a result.

Ends