



11 March 2019

Market Information
NZX Limited
Level 2, NZX Centre
11 Cable Street
Wellington
New Zealand

Company Announcements Office
Australian Securities Exchange Limited
Exchange Centre
Level 6, 20 Bridge Street
Sydney NSW 2000
Australia

Tower rating reaffirmed as A- (Excellent)

Global insurance company ratings specialist A.M. Best Company has reaffirmed Tower Insurance Limited's (TIL) financial strength rating as A- (Excellent), with a stable outlook, reflecting Tower's strong balance sheet, continued adequate performance and solid reinsurance approach.

The company's issuer credit rating was also affirmed as "a-". In its announcement, A.M. Best Company noted that the rating reflects TIL's balance sheet being very strong along with the company's adequate operating performance, neutral business profile and appropriate enterprise risk management.

Tower Chairman Michael Stiasny welcomed the confirmation from A.M. Best.

"A.M. Best's announcement confirms our view that the transformation of Kiwi insurer Tower is delivering results and that the business is strong and performing well."

A copy of the A.M. Best Company's news release is attached.

ENDS

Richard Harding
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AM Best Affirms Credit Ratings of TOWER Insurance Limited and TOWER Limited

Related Companies

For information about each company, including the Best's Credit Reports, group members (where applicable) and news stories, click on the company name. An additional purchase may be required.

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AMB#	Company Name
089186	TOWER Insurance Limited
091883	TOWER Limited

FOR IMMEDIATE RELEASE

SINGAPORE - MARCH 08, 2019

AM Best has affirmed the Financial Strength Rating of A- (Excellent) and the Long-Term Issuer Credit Rating (Long-Term ICR) of "a-" of TOWER Insurance Limited (TIL) (New Zealand). Concurrently, AM Best has affirmed the Long-Term ICR of "bbb-" of TIL's ultimate parent, TOWER Limited (TL) (New Zealand). The outlook of these Credit Ratings (ratings) remains stable.

The ratings reflect TIL's balance sheet strength, which AM Best categorizes as very strong, as well as its adequate operating performance, neutral business profile and appropriate enterprise risk management.

TIL's balance sheet strength is underpinned by its risk-adjusted capitalization, which AM Best expects to remain at the very strong level over the medium term, as measured by Best's Capital Adequacy Ratio (BCAR). AM Best also views TIL as having strong financial flexibility as a result of its ownership by TL, a listed company with the ability to access capital markets and raise external debt. TL injected NZD 35 million of capital into TIL in fiscal-year 2017, in order to bolster its regulatory solvency position. Other positive balance sheet considerations include the company's conservative investment strategy and prudent reinsurance arrangements. A partially offsetting balance sheet factor remains the company's exposure to the Canterbury Earthquakes that occurred in 2010 and 2011, which have since led to a series of reserve strengthening actions. As of September 2018, TIL held total net provisions of NZD 62 million for these events. Prospective capital adequacy could, however, be impacted negatively by further unfavorable development of these provisions, new claim notifications or lower-than-expected Earthquake Commission recoverables.

TIL has reported operating losses in each of the past four years (fiscal-years 2015-2018), driven by adverse development on its Canterbury earthquake claims. In addition, an NZD 22 million write-off of reinsurance recoverables and several weather-related events in New Zealand and the Pacific Islands have hampered technical results over the past two years. However, TIL's combined ratio has exhibited a

gradual improvement over recent years, and AM Best expects the company to report positive technical and overall earnings from fiscal-year 2019 onward. This expected improvement is taken into account in the assessment of TIL's operating performance as adequate.

AM Best views TIL's business profile as neutral. The company is a medium-sized insurer that operates predominantly in New Zealand, with some operations based in the Pacific Islands. TIL has a market share of 4% in New Zealand's general insurance market. TIL's core product offerings are home and motor insurance, with a significant portion of the company's business sourced from direct marketing and partnerships.

TL is a non-operating holding company, and the level and the Long-Term ICR outlook reflect standard notching from the ratings of TIL, which is its lead insurance subsidiary.

Ratings are communicated to rated entities prior to publication. Unless stated otherwise, the ratings were not amended subsequent to that communication.

This press release relates to Credit Ratings that have been published on AM Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see AM Best's Recent Rating Activity web page. For additional information regarding the use and limitations of Credit Rating opinions, please view Understanding Best's Credit Ratings. For information on the proper media use of Best's Credit Ratings and AM Best press releases, please view Guide for Media - Proper Use of Best's Credit Ratings and AM Best Rating Action Press Releases.

AM Best is a global rating agency and information provider with a unique focus on the insurance industry.



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