



19 February 2019

Market Information
NZX Limited
Level 1, NZX Centre
11 Cable Street
Wellington
New Zealand

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

TOWER LIMITED – ANNUAL MEETING ADDRESS

Attached is a copy of the address and presentation to Tower's annual meeting of shareholders, held today at 2.30pm.

ENDS

David Callanan
Company Secretary
Tower Limited
ARBN 088 481 234 Incorporated in New Zealand

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ADDRESSES TO THE TOWER LIMITED SHAREHOLDER MEETING

19 FEBRUARY 2019

MICHAEL STIASSNY

Good afternoon ladies and gentlemen.

My name is Michael Stiasny. As it's now 2.30pm, as Chairman of Tower Limited I am pleased to declare open Tower's 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.

With me today are your directors, Warren Lee, Steve Smith, Graham Stuart, Wendy Thorpe, Marcus Nagel, along with our Chief Executive Officer, Richard Harding and Chief Financial Officer, Jeff Wright. Also in attendance today, seated in the front row, is the Tower Executive Leadership Team and our Auditors.

As you may know, Marcus is here representing our largest shareholder, Bain, and I'd like to welcome Marcus to our Board and thank Bain for their support of both our business and our transformation agenda.

Today's agenda is on the screen behind me.



We will provide you with an update on last year's performance, our strategy and the work we have underway to keep transforming Tower, as well as the progress we've made in 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 along the corridor towards the lifts.
- If you are feeling unwell, please advise one of our Tower team who will assist you



- Finally, we hope that you will join us for refreshments at the conclusion of the meeting.

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

Formalities

Apologies

Are there any apologies?

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, 594 shareholders, holding a total of 123,849,058 shares, have appointed proxies (including proxies instructed to abstain). The appointed proxies are represented by 10 proxy holders.

In my capacity as Chairman of the meeting and in my own name I hold proxies for 518 shareholders, representing 122,564,653 shares.

I intend to vote all undirected proxies I have received in favour of resolutions 1, 2, 3 and 4.



Annual Report and Notice of Meeting

The annual report was made available on Tower's website on 24 December 2018. 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.

2019 sees Tower celebrate 150 years of insuring New Zealanders. Naturally, over the course of those years, the company has changed considerably.

Just over two years ago, Tower embarked on its latest – and arguably most difficult – transformation to reposition itself as a contemporary, challenger brand underpinned by a customer-focused, digital-first strategy to successfully compete in the 21st century insurance market place.

Richard and his team have created, and are now driving, an ambitious plan to have New Zealanders and Pacific Islanders see Tower in a new light, and set the bar for how insurance “should” be.

In the past few years, we have talked a lot about how the implementation of new technology will accelerate growth. Today, the significant uplift in customers using our digital channels to engage with and purchase Tower products is proof that our confidence in user-friendly technology is well placed.



And it is pleasing to have the support of our largest investor, Bain, who support our transformation strategy and are bringing their significant experience to benefit our business.

However, just as important – perhaps even more so – is the trust customers place in Tower. Our customers tell us this is driven by our open and transparent approach: They like our plain English policies which they can understand, and they appreciated our honesty when launching our new risk-based pricing.

Interestingly, recent research we conducted shows that 70% of people think risk-based pricing is fair.

We led the way on risk-based pricing because we believe it IS fairer. But we also realised that it was going to be really tough for a handful of customers, so we did the right thing – we communicated openly and spent time and effort explaining our rationale. In the process, we also ignited a much needed national conversation around risk management.

In a nutshell, we treated people how we would like to be treated and it resonates, not because we feel good but because it makes good business sense. Genuine customer focus engenders trust and loyalty which makes a strong foundation for any business.

Our customers' trust is gold, particularly at a time when trust and confidence in financial services and banking institutions is at an all-time low. In the wake of the FMA and RBNZ report on life insurer conduct and



culture, the Australian banking Royal Commission and a seemingly constant stream of debatable business practice revelations, our approach sets us apart.

Tower's job – day in and day out – is to continue to earn and keep that trust and we can't afford to be complacent.

Tower is distinctly different from other insurers, both in terms of being New Zealand's only listed and based general insurer, and the way we operate and conduct business:

- We sell insurance directly to customers here in New Zealand
- We sell online, and provide all the information our customers need to make an informed choice
- Our frontline employees are rewarded for achieving customer experience targets, not just sales
- We don't pay big agency commissions and take people on overseas trips to sell insurance
- And lastly, our strategy is centred on our customers – it's all about delivering on our promise to set things right for them, and Richard will update you on this shortly.

I think it's also important to mention here that while we have made significant progress in Canterbury, it has been a long road for customers, insurers and the community and we have long maintained that the current system is broken.



So, while it is disappointing to have reported a loss of \$6.7 million, due to the impacts of the well signalled Peak Re settlement, severe weather and Canterbury earthquake provisions, the fundamentals of the underlying business are solid.

Tower's FY18 results demonstrate a continuation and expansion of the positive trends we've spoken about over the past two years and as a shareholder, you should have confidence that the transformation of the business is delivering continued growth, reduced claims costs and steady management expenses.

Tower is now in a stronger capital position and Tower's Board and management team remain strongly committed to paying dividends and to the efficient management of capital.

In FY16, we made the prudent decision to suspend payment of dividends as we managed the effects of the Canterbury Earthquake legacy.

This was only ever intended to be a short-term measure. The Board has signalled its intent to recommence dividends at the end of FY19. Where prudent to do so, the Board will pay a dividend of 50% - 70% of NPAT.

Over the past year, Richard and his team have remained totally dedicated to advancing our transformation strategy and ensuring the positive trends seen in our underlying business results continue to gain momentum.

As a shareholder, it's great to know that Tower's future is in the hands of people who can be trusted, are committed and who have the skills to complete the digital transformation.



In closing, I'd like to acknowledge and thank them for their work. I'll now hand over to Richard, who will take you through the results and our plans for the business, before we take questions.

RICHARD HARDING

Thank you Michael and good afternoon everyone.

The 2018 Financial Year saw us continue to deliver against our strategy to transform Tower. Our focus was clearly on simplifying and improving all aspects of our business to differentiate ourselves, drive growth and reduce costs.

It was pleasing to see positive results in the core business, despite experiencing a number of distractions throughout the year.

The 2018 financial year saw us continue to drive our transformation with a focus on our customers, operating excellently, pricing risk accurately and commencing our major technology upgrade.

It was pleasing to see these efforts being noticed by customers, with more people choosing to insure with us.

Our continued focus on customers grew GWP in the core New Zealand portfolio by 11.9% and an additional 18,000 risks added to the book. This saw total GWP reach \$336 million across New Zealand and the Pacific.

Throughout the year we invested to drive long-term sustainability, building capability to enable growth. We achieved this while reducing our expense ratio almost 1%, to 39%.



Encouraging trends in policy and premium growth and expense reduction was achieved against the backdrop of an unprecedented number of natural events which have affected the underlying result.

With claims costs increasing from \$132 million to \$152 million, it is clear that this had the largest impact on our underlying results. Weather in the Pacific had the most significant impact, along with some prior year development in New Zealand and other costs. Importantly, each of these factors is well understood and pricing and underwriting responses either already implemented or in train and we are already seeing improved results in the current year.

Our reported loss of \$6.7 million was a slight improvement on the prior year. This was a result of storm activity, higher claims costs, the resolution of the Peak Re dispute as well as some increase in ultimate incurred claims for Canterbury.

In particular, achieving settlement with Peak Re has resulted in a \$16.2 million after-tax impact on profit, while severe and unprecedented storm activity resulted in an \$11 million before-tax impact to our underlying profit, \$3.6m higher than 2017.

The legacy of the Canterbury earthquakes saw a \$5 million increase in provisions, resulting in a \$3.6 million after tax impact. However, pleasingly, we made strong progress through the remaining Canterbury earthquake claims during FY18, with outstanding claims reducing by almost 50%, from 323 to 163.



Another focus during the year was the replacement of our core technology system. We are well progressed with this and I will update you further shortly.

There are positive signals in our results that show our business has turned the corner and this positive momentum should not be overshadowed by short-term increases to claims costs and the removal of legacy risks.

If you look back over the past two years, it is clear that we have built solid foundations, and we are now creating an exciting customer proposition that is delivering growth.

In 2017, Tower's Board determined that additional capital of \$70.8 million was required to address the inherent uncertainty faced by the business, to repay the BNZ facility, and enable ongoing reinvestment in Tower. We also committed to addressing legacy risks arising from the Canterbury earthquakes.

Since then, in addition to the continued strong rate of finalisation of outstanding claims, Tower settled the Peak Re dispute, receiving \$22 million of the \$43.75 million claimed, resulting in a write-off of the residual amount plus associated costs of \$16.2 million after-tax.

Despite the impact of this write-off, Tower Insurance remains in a strong capital position.

As at September 2018, Tower Insurance Limited held \$136 million of actual solvency capital - \$78 million above, or 234% of, RBNZ minimum



solvency capital, and \$28m above RBNZ minimum solvency capital and \$50m licence condition.

Since September, Tower Insurance Limited's solvency margin has improved by \$13 million, with a solvency ratio of 256% at 31 January 2019 and corporate cash reducing to \$10 million due to expenditure on IT investment.

Over the past two years I've spoken about the significant opportunity that exists in the Tower business and while it's good that we have delivered improving results, we now want to kick this progress up a gear and fully realise the opportunity.

With the recent capital raise I spoke to you about accelerating our transformation, by removing the legacy risks and investing in the business to create a company that delivers value for you.

What we're creating here at Tower is a company that challenges the norms of the traditional insurance market and uses this differentiation and challenger positioning to drive substantial growth.

There is a huge amount of room in the New Zealand insurance market for a company to shake things up and give customers what they want. We know this because we've been speaking to customers in detail to understand what they think about insurance.

Our customers told us that the majority of people across New Zealand are dissatisfied with insurers. They put us all in the same basket, the "too hard" one – and this is where our opportunity lies.



Customers buy a promise from insurers – to set things right when they go wrong, and traditionally insurers have made it a complex process for people to make a claim and fulfil that promise.

From complex policy wording and terms, confusing pricing and discount structures, and creating an employee culture that looks for ways to decline claims.

Tower believes that customers deserve better, and our refreshed strategy is centred on that belief.

We're going to deliver customer value by turning industry norms on their head. It means we'll be unpopular with the big guys, who send all their profits overseas and take direction from people headquartered in other countries, not here in New Zealand.

Our belief that customers deserve better is going to drive industry wide change and deliver growth for Tower. We'll achieve this by creating products, systems and processes that enable amazing claims experiences.

We'll continue to refine our underwriting and operations and are replacing our core IT platform which will enable us to reach our challenger brand aspiration faster.

You have already seen and heard great evidence of this:

- Our stunningly simple policies have won plain English awards, so customers can now easily understand what they're covered for



- We implemented a fairer way to price insurance – so you pay fairly for the specific level of risk your property faces
- We've entered into a major new national partnership with Paralympics New Zealand – aligning ourselves with an organisation that we aspire to be like, high performance, empathetic, and proud to be Kiwi
- And internally we've seen significant shifts in our culture and engagement – our people are passionate about doing things differently and that is delivering these good outcomes

And this is just the start.

This time next year, Tower will be radically different because our priorities over the coming twelve months all drive us forward in a way that's significantly better than the norm.

We will grow the business and deliver shareholder value by challenging the traditional insurance industry, and we believe that delivering against our strategy will enable us to achieve our medium-term operating targets.

Our plan is already driving change and transforming the business. Our four key priorities for the coming year will see us keep growing and continue to position ourselves differently.

The key to accelerating our transformation and delivering a differentiated customer offering is a new IT platform that enables the simplification of our products and processes.



Completion of our technology upgrade and our digital transformation will accelerate our growth opportunities, improve customer experience, and combined with our push to move 50 - 70% of all transactions online, will deliver significant cost savings and productivity gains.

Our new platform and the culture we're building at Tower will allow us to keep challenging those industry norms.

We believe that customers deserve better and we have refined our customer proposition to start offering customers a genuinely better choice for insurance.

We will build on the past five consecutive halves of growth by continuing to price more fairly, delivering amazing claims experiences and improving efficiency and profitability.

In the Pacific, our new operations centre will support local teams through improved product, pricing and underwriting capability to ensure we grow and reduce claims leakage.

What we're building will be unique and will continue to attract more customers to Tower and drive strong growth.

Managing risk is at the very heart of what we do. How we manage that risk, through pricing and underwriting, is an important measure of the performance of our business and links directly through to profitability.

One of the most important things we will do this coming year is to start the 12 month migration of customers from our existing platforms onto our new, single core platform.



Customers will benefit from new, simpler policies and amazing claims experiences and this will lead to improved profitability.

Ongoing investment in our business has driven strong growth and we will continue investing in initiatives that improve performance.

A focus on automation and grassroots innovation will improve efficiency by removing duplication and repetitious tasks, allowing our teams to focus on adding value.

We are committed to driving culture change across the business. We are creating a team of people who are passionate about doing things differently and have customer focus built into their DNA.

As Michael mentioned earlier, we cannot be complacent when it comes to conduct and we recognise the importance of this in all aspects of our business. Pleasingly, a recent employee survey showed that good conduct is well understood and practiced here at Tower, but there is always more to do and we remain focussed on this.

The importance of engaging and empowering our workforce cannot be understated and will be vital to our success.

Our refreshed strategy is already driving positive results and while only four months into this financial year, we are pleased that momentum is continuing.

Our ongoing push to differentiate ourselves has seen positive momentum in GWP, with core New Zealand GWP up 7.9 per cent, a result of customer growth and pricing improvements.



We continue to enhance our underwriting and pricing which has improved both the mix of business and our claims ratio. Improvements are offsetting inflation and our total claims ratio excluding large events has reduced to 43.8%, down from 52.3% in the 2018 financial year. However, it should be noted we are only four months into the year and an uplift in claims can occur during severe winters.

In the Pacific, we continue to see growth in core markets and claims costs reducing, with the Pacific's contribution now returning to historic levels.

Management expenses remain in line with our expectations, and our focus on controlling operational costs continues.

In Canterbury, we continue to make progress closing claims, with claim numbers reducing from 163 to 138. Following a period of weaker than expected performance in Canterbury claims in the second half of 2018, results for the first few months of 2019 are more in line with expectations.

There is no change to Tower's FY19 guidance of underlying NPAT in excess of \$22m.

While we have been fortunate to suffer no large weather events so far this year, there always remains a risk of weather causing significant adverse impacts to our customers in the remainder of the year.

Therefore, our guidance continues to assume we will fully utilise the \$10 million excess on our aggregate reinsurance cover.



These results demonstrate that the strategy, plan and team we have in place is delivering and the future looks bright.

The key enabler for our strategy is a technology platform that allows us to deliver something genuinely better to customers. This new technology will accelerate our momentum and deliver a step change in results.

I am pleased to let you know that we have now completed over 70 per cent of our technology build, with development and build of phase one of the new platform complete.

This progress includes development of our new business platform, the digital interface and a new telephone and customer communications system.

We are currently undertaking system integration testing which is, so far, indicating positive outcomes and we remain confident that phase 1, including new business will be on sale on the new platform towards the end of the first half of this calendar year.

Thanks to the success achieved to date, we have extended our scope so that a number of our key partners can also take advantage of this technology.

Over the past two months, we have reviewed the progress made and reassessed our delivery timeframe, making the prudent decision to minimise the risk associated with concurrently delivering multiple phases of work at the same time.



Previously, we had planned to deliver both phase 1 and phase 2 in the first half of the calendar year to achieve efficiencies and realise benefits faster. As I just mentioned, Phase 1 will still go live in the first half, although slightly later than originally planned.

Delivery of Phase 2 components has now been pushed out to the second half of the 2019 calendar year. Delivery of phase 2 includes:

1. Rationalisation of our products
2. Commencing the 12 months migration of our customers to the new platform
3. Launching a customer self-service portal, allowing customers to manage their insurance online, just like you do with online banking; and
4. Implementing streamlined claims management modules

The most significant impact will be migrating all of our customers to our new platform and our new products.

Moving hundreds of thousands of customers currently on over 400 products, to a core set of just 12 will deliver significant benefits to our customers and efficiencies in our business.

A migration of this size can pose risk if not properly managed. Therefore, through our phased delivery approach we will increase the focus on managing and retaining our customers through the change to minimise this risk.



Delivery of the programme through this phased approach, as well as the additional components in the extended scope will be achieved before the end of the 2019 calendar year.

Total costs are currently estimated to be \$45 million. This is a 17% increase on the Board's approved investment of \$38.5 million, including contingency. However, it is important to note that we have reduced risk, increased testing and will be delivering an extended scope.

We continue to tightly manage the programme through robust governance controls, with a focus on managing delivery risk and cost trade-off. We expect benefits to start being realised in the first half of FY20, with a step change expected as we finalise customer migration and decommission existing legacy systems.

You can be confident that we are focussed on delivering this technology upgrade and it will lead to the transformation of Tower. The work we are doing will deliver you significant long-term value.

Before I hand back to Michael, I want to thank the Tower executive and wider team. There has been a lot of effort and a relentless focus on working together to drive change and transform this business.

Thank you.

MICHAEL STIASSNY

Thank you, Richard.



Are there any questions or comments anyone would like to make in regard to the presentation, the Annual Report or the Financial Statements?

If you wish to speak, please raise your hand, and a microphone will be brought to you.

We would appreciate it if you could please introduce yourself when you begin your remarks.

I remind you that this is a shareholders' meeting, and only shareholders and proxy holders may speak. Also, a reminder that this meeting is being webcast, so an audience outside of this room will hear you too.

Are there any questions or comments?

If there are no further questions, I now propose that we move to the next item of business, which is the first resolution before the meeting.

All voting will be by poll to be conducted at the end of the meeting, once all resolutions have been moved and discussed.

RESOLUTION 1 - Appointment and remuneration of auditor

Section 207T of the Companies Act provides that a company's auditor is automatically re-appointed unless there is a resolution or other reason for the auditor not to be re-appointed. The Company wishes



PricewaterhouseCoopers to continue as the company's auditor and PricewaterhouseCoopers has indicated its willingness to do so.

Section 207S of the Companies Act provides that the fees and expenses of the auditors are to be fixed in such manner as the company determines at the Annual Meeting. The Board proposes that, consistent with past practice, the auditor's fees be fixed by the directors.

I therefore:

- Record that the auditors, PricewaterhouseCoopers, are re-appointed as auditors; and
- Move that the directors be authorised to fix the auditor's remuneration for the coming year.

Is there any discussion?

RESOLUTION 2 - Re-elect Warren Lee as a director

I now move to the re-election and the election of directors.

The next resolution concerns the re-election of Warren Lee. Warren retires by rotation and is also offering himself for re-election.

I invite Warren to address this meeting.

Thank you, Warren. I will now move that Warren be re-elected as a director of Tower Limited.

Is there any discussion?



RESOLUTION 3 - Re-elect Graham Stuart as a director

I now move to the re-election and the election of directors.

The next resolution concerns the re-election of Graham Stuart. Graham retires by rotation and is also offering himself for re-election.

I invite Graham to address this meeting.

Thank you, Graham. I will now move that Graham be re-elected as a director of Tower Limited.

Is there any discussion?

RESOLUTION 4 - Elect Marcus Nagel as a director

The next resolution concerns the election of Marcus Nagel. The Directors put forward Marcus Nagel for election on the basis described in the explanatory notes in the notice of meeting. I now invite Marcus to address this meeting.

Thank you, Marcus. I will now move that Marcus be elected as a director of Tower Limited.

Is there any discussion?

We will now undertake a formal vote on the resolutions. If you wish to vote you will have either the Voting/Proxy Form sent to you with the



notice of meeting, or a voting form given to you by Computershare when you entered the meeting.

When you cast your vote please tick one box, either for, against, or to abstain alongside each resolution. In all cases, please ensure that you sign the form once your vote has been cast.

If you are here as a proxy on behalf of a shareholder you will need to cast that shareholder's votes in order for them to be counted.

If you do not have a voting form please go to the registration desk at the entrance to this room to ask for help.

So, if you haven't already done so, please cast your votes. I will then ask Computershare to collect the voting papers. The votes will then be counted under the scrutiny of our auditor.

Right, let's move on. The final item on our agenda is General Business:

Are there any matters of General Business? Or any further questions?

The Directors will also be happy to answer questions from shareholders while refreshments are served at the end of the meeting. Any person wishing to speak should move to the microphone nearest to them and please introduce yourself.

Thank you.



That brings us to the conclusion of our business today and it remains for me first, to thank you for your participation in today's meeting, and secondly to invite you to join the Board, Executive Leadership Team and Auditors for refreshments next door.

I declare the meeting closed. Thank you.



Annual shareholder meeting

Full Year Results to 30 September 2018
19 February 2019

Meeting agenda



- **Chairman's address**
- **CEO's address and performance overview**
- **Questions**
- **Board resolutions**
- **General business**

Chairman's update



Transformation of iconic NZ brand is driving growth

- **Strategic focus on customers is delivering strong growth**
- **Implementation of leading technology will accelerate growth**
- **Reported FY18 result reflects impacts of Peak Re settlement, severe weather and Canterbury Earthquake provisions**
- **Tower's Board has signalled its intent to recommence dividends at the end of FY19. Where prudent to do so, Tower's Board will pay a dividend of 50% - 70% of NPAT**

Consumer trust and confidence has never been more important

- **FMA, RBNZ and Australian banking Royal Commission have shone a spotlight on financial services conduct**
- **Tower's high customer trust is driven by an ethical and transparent approach to change**
- **Tower is proudly Kiwi, 150 years old, listed on the New Zealand stock exchange, strong ethical business practices and is independent from any Australian owner**



CEO address, performance overview and outlook

Performance to September 2018



Strong growth achieved

- ✓ **Significant NZ growth**
- ✓ **Strong digital sales continue**
- ✓ **Pacific remediation has positioned us for future growth**
- ✓ **Moved to risk-based pricing for all New Zealanders**

Increases to claims costs

- **Pacific claims ratio significantly impacted by severe weather**
- **FY18 claims ratio impacted by development of prior year claims**
- **NZ claims ratio impacted by industry wide inflation**
- ✓ **Reinsurance secured on favourable terms to reduce impacts**

Other achievements

- ✓ **Management expense ratio reduced**
- ✓ **Major technology upgrade progressing well**
- ✓ **Continued resolution of Canterbury Earthquake claims**

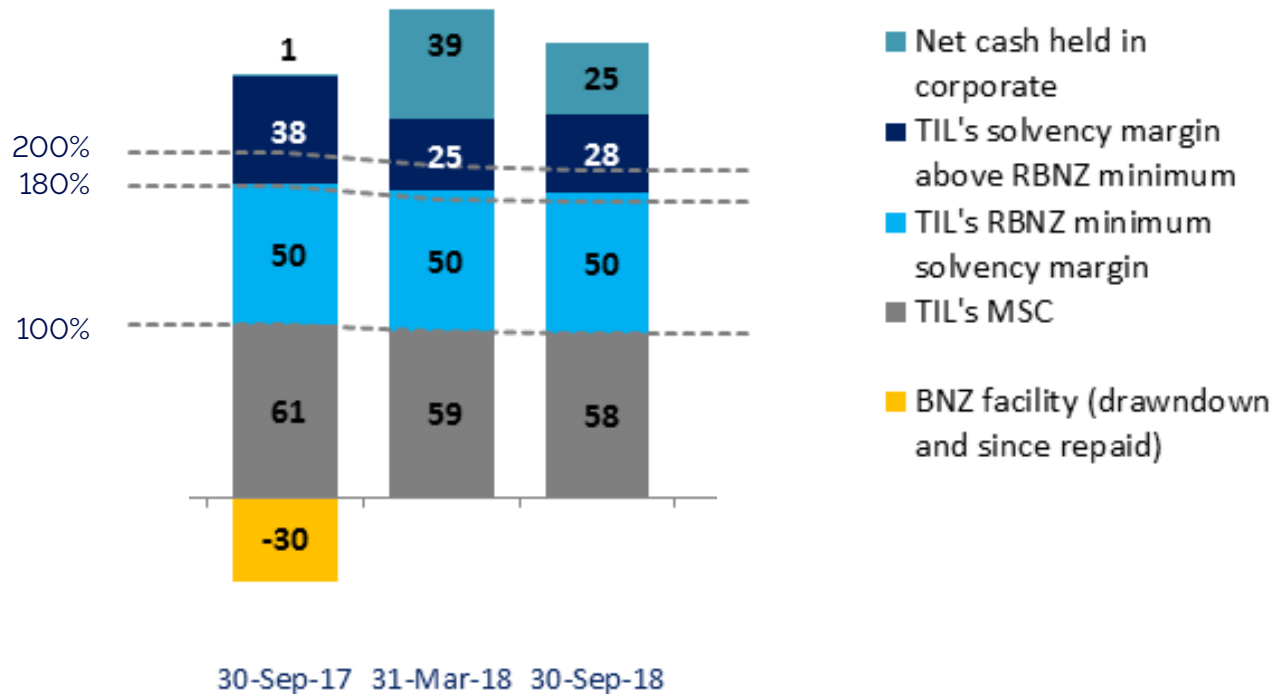
Key metrics	FY18	FY17
Gross written premium (GWP)	\$336m	\$312m
Growth in GWP	7.6%	3.0%
Growth in GWP in core ¹ NZ portfolio	119%	6.0%
Increase in risks ² in core NZ portfolio	18,192	11,410
Claims expenses	\$152m	\$132m
Claims expense ratio	56.4%	51.2%
Open Canterbury earthquake claims	163	323
Management expense ratio	39.0%	39.9%
Underlying profit after tax	\$13.6m	\$18.0m
Reported loss after tax	\$6.7m	\$8.0m

1. Following the end to Tower's distribution relationship with Kiwibank on 4 April 2018, the 'core' portfolio now refers to the NZ business excluding the ANZ Bank and Kiwibank portfolios. The FY17 comparative has been restated to be consistent with this approach.
2. In prior years Tower has reported volumes using policy numbers as the relevant metric. Tower has changed to using risk numbers as the key metric in FY18 to align with internal management reporting and to better illustrate risk exposures, e.g., where one policy might cover several risks.

A robust solvency position

- Strong capital position has been maintained
- Funding in place to support continuing investment

TOWER INSURANCE LIMITED SOLVENCY POSITION PLUS CORPORATE CASH (\$m)



- ✓ Capital raise successfully completed with over 88% of shareholders taking up rights
- ✓ At 30 September 2018, \$78m of solvency margin was held in Tower Insurance Limited (TIL); \$28m above RBNZ requirements and equivalent to 234% of minimum solvency capital
- ✓ Since 30 September 2018, TIL's solvency margin has improved by \$13m, with a solvency ratio of 256% at 31 January 2019
- ✓ Net corporate cash has reduced to \$10m due to expenditure on IT investment
- ✓ Strong capital base supports growth while providing a buffer against legacy risks. Remaining IT investment to be funded from debt where appropriate.

Strategy to challenge the market



- Digital challenger positioning enables us to achieve medium-term targets



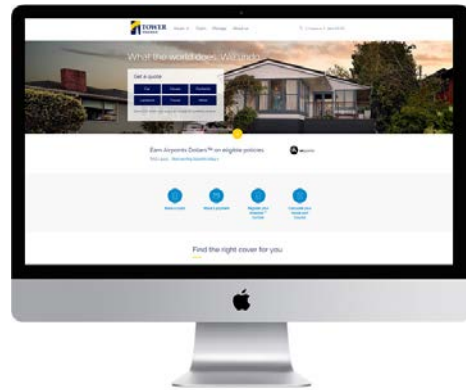
Medium-term operating targets:

- GWP growth of 8-10%
- Combined Operating Ratio < 85%
- Return on equity of 14 – 16%

FY19 priorities



1. Drive digital transformation



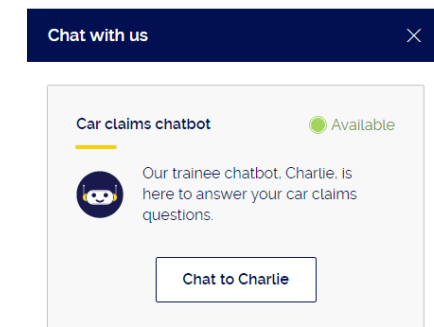
2. Keep driving growth



3. Improve profitability



4. Continue controlling expenses



Trading update to 31 January 2019



- While only four months into the financial year, we are pleased that momentum is continuing
- **Continued momentum in GWP, with core NZ GWP up 7.9%**
- **Continued underwriting and pricing enhancements driving improved mix and addressing inflation, with claims ratio excluding large events reducing to 43.8%, from 52.3% in FY18**
- **Pacific contribution returning to historic levels**
- **Maintained a steady management expense ratio**
- **Continued progress closing Canterbury Earthquake claims**
- **No change to Tower's FY19 guidance of underlying NPAT in excess of \$22m, noting that this guidance continues to assume the \$10m aggregate reinsurance excess for large events will be fully utilised**

Update on major tech upgrade



- Focused on delivering IT transformation and achievement of benefits
- New platform will drive growth and reduce costs

Development and build of phase 1 complete, testing has commenced

- **70% of technology build complete, with development and build of phase 1 now achieved, which includes:**
 - **New business platform**
 - **Digital interface**
 - **New telephony and customer communication system**
- **Phase 1 system integration testing underway, with new business to be live from first half of 2019 calendar year**

Phased delivery approach

- **Review of implementation approach undertaken with decision made to reduce risk associated with concurrent delivery of multiple phases**
- **Phase 2 will now be delivered in second half of 2019 calendar year, with total programme costs estimated at \$45m**
 - **This is a 17% increase on the Board's approved investment of \$38.5m (including contingency)**
 - **Programme delivery has been de-risked through phased implementation approach and increased testing**
 - **Scope of programme extended to incorporate partner business, based on success achieved to date**

Questions





Board resolutions

Board resolutions



Resolution 1

- **Appointment and remuneration of auditor**

Resolution 2

- **Re-elect Warren Lee as a director**

Resolution 3

- **Re-elect Graham Stuart as a director**

Resolution 4

- **Elect Marcus Nagel as a director**



General business

Disclaimer



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