2019 half year results

21 May 2019
Tower Limited

Michael Stiassny
Chairman

Richard Harding
Chief Executive Officer

Jeff Wright
Chief Financial Officer

Chairman's update

Tower has returned to profit – transformation progressing well

- Customer-centric focus is transforming Tower, providing an exciting platform for growth and delivering improved results
- Strong growth in underlying profit as overall business improves
- Delivery of leading technology will accelerate transformation trajectory

Uncertainty in Canterbury needs to end

- Progressing customer claims remains a priority
- Existing situation is unsustainable and unacceptable
- Tower is actively pursuing solutions to address this issue

Focus on consumer trust and confidence continues

- Tower's high customer trust is driven by transparent approach to change
- Tower is a New Zealand listed company – independent of any Australian owner – with strong ethical business practices

2019 first half achievements

Richard Harding
Chief Executive Officer

Tower returns to profit

Solid growth drives $23.5m turnaround

- ☑ Solid core NZ growth
- ☑ Strong digital sales continue

Significant improvement in claims ratio

- ☑ Underwriting and pricing improvements delivered
- ☑ Pacific claims returned to historic norms

Other achievements

- ☑ Pacific profit returns to historic levels
- ☑ Major technology upgrade on schedule and will launch in coming weeks
- ☑ Management expense ratio maintained

- ☐ Canterbury progressing well, but new over-cap claims continue

Key metrics	H1 19	H1 18
Gross written premium (GWP)	$169.7m	$161.0m
Growth in GWP	5.4%	10.4%
Growth in GWP in core NZ portfolio [1]	8.9%	16.2%
Increase in risks in core NZ portfolio [1]	9,383	9,613
Claims expenses	$63.3m	$74.4m
Claims expense ratio	44.5%	55.5%
Open Canterbury earthquake claims	132	253
After-tax CEQ provision adjustments	$4.7m	$2.3m
Management expense ratio	38.7%	38.9%
Underlying profit after tax	$19.4m	$7.3m
Reported profit / (loss) after tax	$11.9m	($11.6m)

1. Core NZ portfolio is the NZ business and excludes ANZ & Kiwibank legacy portfolio

More customers choosing Tower

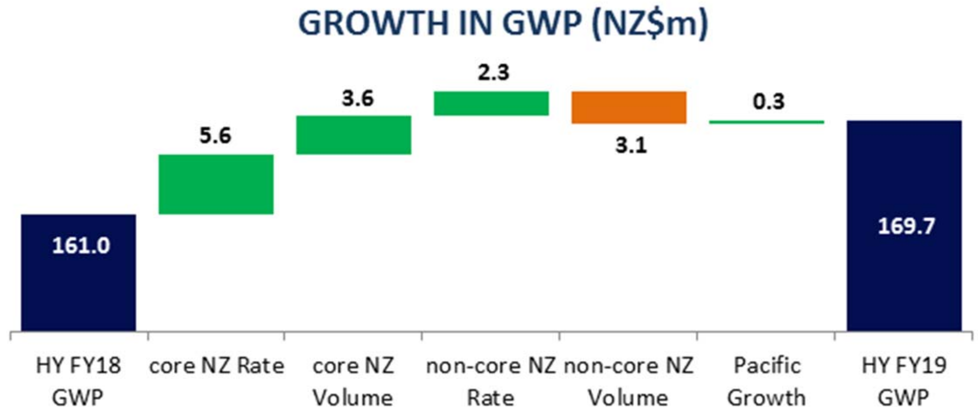
- **8.9% GWP growth in core NZ portfolio**
- **Total GWP has grown 5.4% through higher volumes and improved rating**

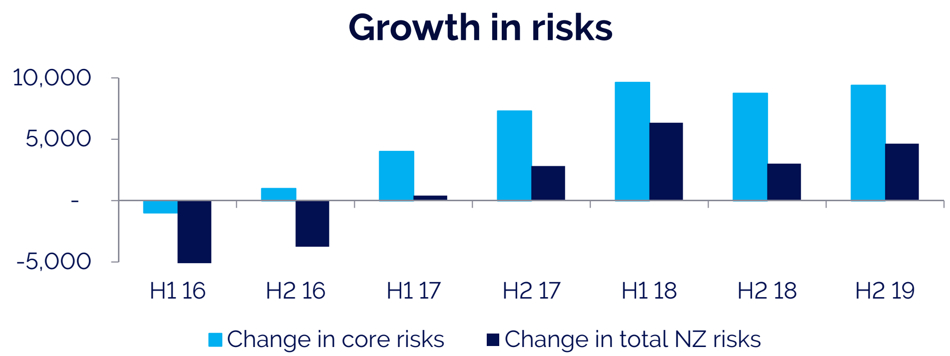
✓ GWP growth across all NZ products, compared to prior half:

- NZ House has grown 7.8%
- NZ Contents is up 2.9%
- NZ Motor has grown 12.3%

✓ Continued strong growth in risk numbers, increasing 9,383 this half

✓ Pacific growth continues in line with expectations, returning to historical norms





Digital sales up to almost 50%

- **GWP from digital channels has grown at compound annual growth rate of 114% over past 3 years**

✓ Digital sales increased to almost 50% of new business for March 2019, up from 39% in March 2018

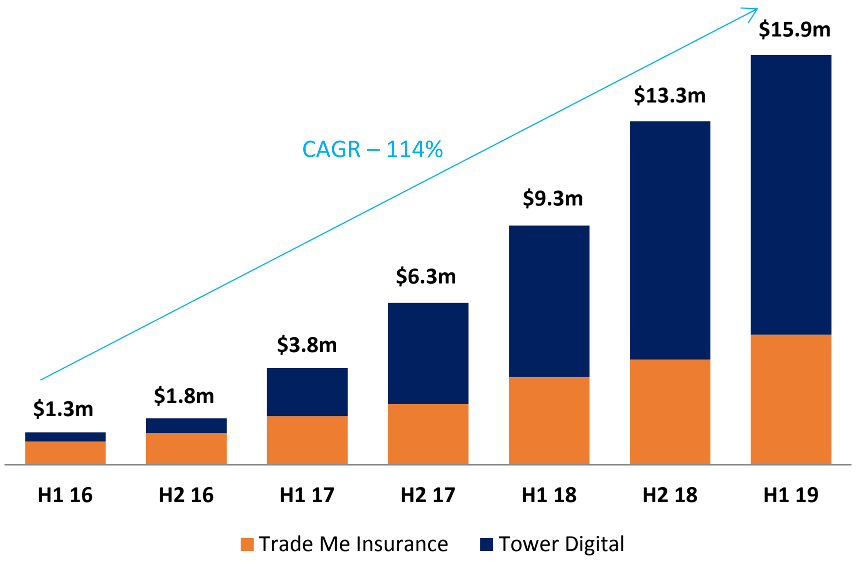
✓ Significant improvement in retention through digital channels, up 2.7 percentage points on prior half

✓ 18% of claims lodged online in March 2019 further evidence of digital transformation

✓ Continued investment in digital capability by shifting to agile operating model

Digital offering is attracting more customers with lower cost to acquire. We continue to target an industry leading goal of 50 - 70% of all transactions online

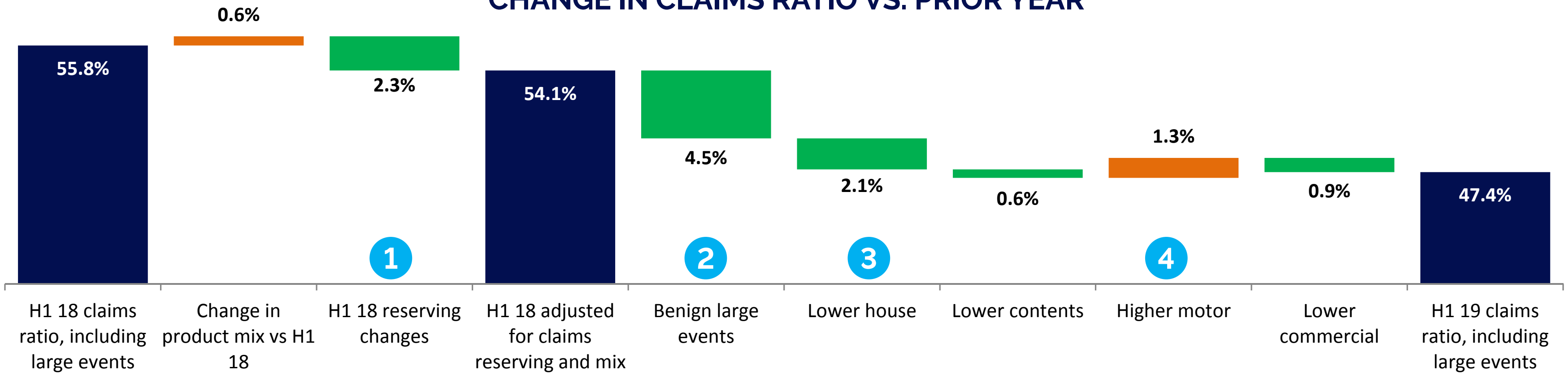
GWP BY HALF THROUGH DIGITAL CHANNELS (NZ$m)



Improved NZ claims ratio

- **Underwriting and pricing initiatives have delivered significant improvements**
- **Targeting core insurance activity to offset inflation**

CHANGE IN CLAIMS RATIO VS. PRIOR YEAR



1. H1 18 results included non-recurring increases to reserves from the prior year (FY17) due to updated reserving methodology.
2. Benign weather environment and no large events in H1 19 has contributed to improved claims ratio.
3. Improvement in NZ House claim ratio a result of continued focus on underwriting, along with benefits from risk based pricing. The impact of large house fires has reduced to more usual levels.
4. Higher NZ Motor claim ratio due to a marginally increased claims frequency. This was driven by higher windscreen claims over the summer period due to traffic volumes and roadworks in certain regions. Ongoing pricing improvements will help to offset inflation.

Note: Pricing changes include increases for higher risk homes, asbestos, higher risk drivers, as well as more granular rating for vehicle categories. Ongoing underwriting improvements include refinements to risk selection criteria and meth contamination policy limits.

Improvements in Pacific

- **Improved pricing, underwriting and risk selection is delivering results**
- **Benign weather across Pacific contributed to improvement**

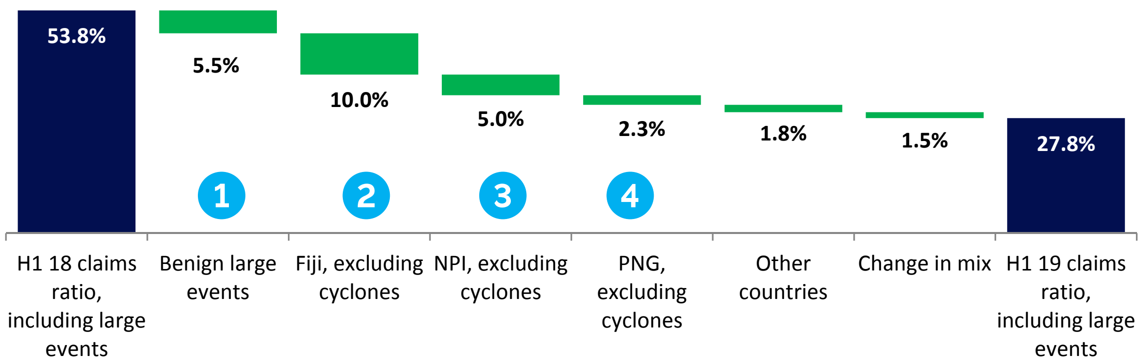
✓ Pacific GWP growth in targeted markets

✓ Key markets of Papua New Guinea and Fiji returning to profitability following completion of remediation and repricing

✓ Strongest growth achieved in Vanuatu, Tonga and the Cook Islands

✓ Significant improvement in claims ratio

CHANGE IN CLAIMS RATIO VS. PRIOR YEAR



1. Benign weather environment and no large events in H1 19 has contributed to improved claims ratio.
2. Cost control initiatives in the Fiji motor book have delivered significant benefits. A better claims experience in house fires has also contributed to a favourable claims ratio.
3. A lower result in Tower's NPI brand was largely due to a better claims experience in the commercial portfolio, with fewer large commercial fires.
4. A favourable result in settlement of outstanding commercial claims has resulted in a lower claims ratio for PNG.

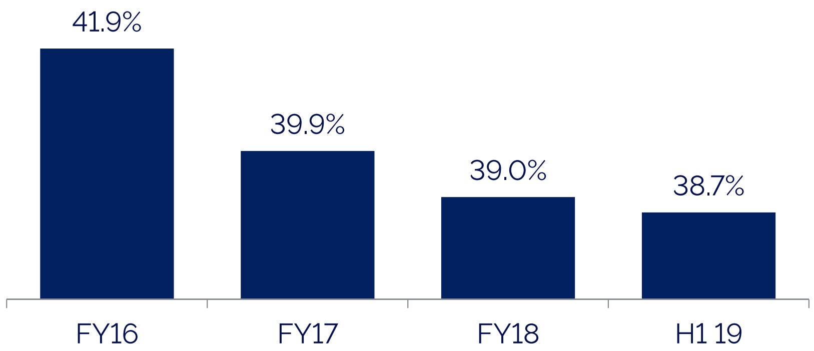
Note: Pricing changes include increases for Fiji Motor, and moving under-priced PNG Commercial Fire to standard rates. Underwriting improvements include the establishment of a centralised Pacific Underwriting team and refined underwriting guidelines for new business and renewals.

Building capability while controlling costs

- **Management expense ratio stable while investment is made in new platform**
- **Additional spend directed towards growth and reducing risk**

- Continued enhancements in lifting workforce capability and capacity
- Implementing new, agile-led, operating model
- Ongoing investment in:
  - Addressing and investing in protection from cyber security risks
  - Acquiring new customers and brand partners
  - Essential IT hardware upgrades
- Management expenses expected to lift slightly in second half as customers are migrated to new platform

GROUP MANAGEMENT EXPENSE RATIO[1]



1. For management reporting Tower includes claims handling expenses in Management Expense Ratio

Continued focus on expenses and digital capability will enable achievement of long term MER target of <35%

Tech upgrade set to launch

TOWER

New business will be on sale on new platform in coming weeks

- Phased delivery and implementation approach underway
- Customers who call Tower will start having access to our new insurance platform, new products and telephone system in the coming weeks
- Ramp-up approach will see new digital interface deployed following initial release of new platform to phone-based teams

Focus turns to delivery of second phase by end of calendar year

- Second phase will include online claims lodgement portal and digital self-service insurance
- Customer migration will commence in second half, with customers moving to new platform on policy renewal
- Legacy systems to be decommissioned after customer migration
- Ongoing focus to reduce risk associated with implementation

New platform will drive growth and reduce costs

Financial performance

Jeff Wright
Chief Financial Officer

Financial performance
Consolidated Group

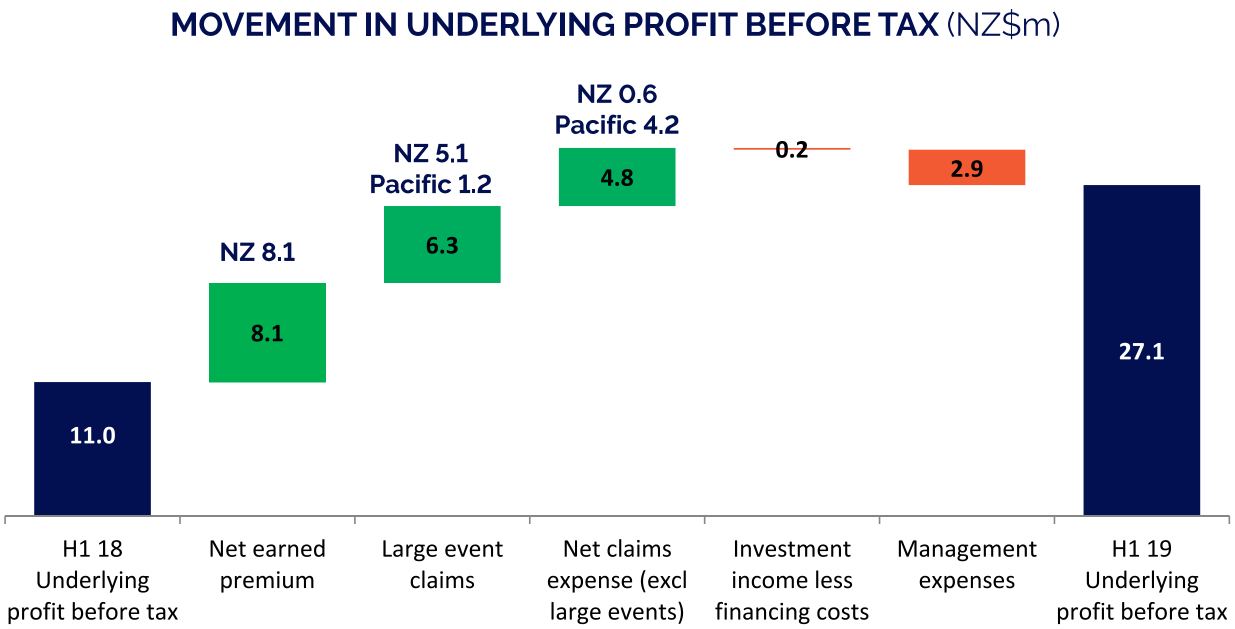
GROUP PROFIT SUMMARY (NZ$m)

$ million	H1 19	H1 18	Change
Gross written premium	169.7	161.0	8.7
Gross earned premium	168.7	159.6	9.1
Reinsurance expense	(26.5)	(25.5)	(1.0)
Net earned premium	**142.2**	**134.1**	**8.1**
Net claims expense	(63.1)	(67.9)	4.8
Large events claims expense	(0.2)	(6.5)	6.3
Management and sales expenses	(55.1)	(52.1)	(2.9)
Underwriting profit	**23.9**	**7.6**	**16.3**
Investment and other revenue	3.4	3.8	(0.4)
Financing costs	(0.2)	(0.4)	0.2
Underlying profit before tax	**27.1**	**11.0**	**16.1**
Income tax expense	(7.7)	(3.7)	(4.0)
Underlying profit after tax	**19.4**	**7.3**	**12.1**
PeakRe settlement	0.0	(16.2)	16.2
Canterbury impact	(4.7)	(2.3)	(2.4)
Foreign tax credits write-off	(1.0)	0.0	(1.0)
Simplification programme opex	(0.4)	0.0	(0.4)
Other non-underlying costs	(1.4)	(0.4)	(1.0)
Reported profit/(loss) after tax	**11.9**	**(11.6)**	**23.5**

- Reported after tax profit of $11.9m, a $23.5m improvement on prior year
- $12.1m improvement in underlying profit after tax
- Strong growth in GWP, of $8.7m, and GEP, of $9.1m, reflects ongoing successful turnaround in New Zealand business
- Claims costs, excluding large events, reduced $4.8 million
- Management and sales expenses controlled
- Canterbury P&L impact of $4.7m after tax

Key ratios	H1 19	H1 18	Change
Reinsurance / gross earned premiums	15.7%	16.0%	0.3%
Claims ratio excluding large events	44.4%	50.6%	6.2%
Claims ratio	44.5%	55.5%	11.0%
Expense ratio	38.7%	38.9%	0.2%
Combined ratio	83.2%	94.4%	11.2%

Movement in **underlying profit before tax**



- Net earned premium higher due to growth in core book and new pricing approach
- No large events in the half, reducing claims expense
- Improvements in pricing and underwriting have contributed to lower claims expenses, excluding large events
- Management expenses increased in line with business growth

Financial performance
New Zealand

NEW ZEALAND PROFIT SUMMARY (NZ$m)

$ million	H1 19	H1 18	Change
Gross written premium	141.6	133.2	8.3
Gross earned premium	139.6	131.5	8.2
Reinsurance expense	(18.1)	(18.0)	(0.1)
Net earned premium	**121.6**	**113.5**	**8.1**
Net claims expense	(57.4)	(58.0)	0.6
Large events claims expense	(0.1)	(5.2)	5.1
Management and sales expenses	(44.5)	(42.8)	(1.8)
Underwriting profit	**19.5**	**7.5**	**12.0**
Investment and other revenue	3.2	2.9	0.2
Underlying profit before tax	**22.6**	**10.4**	**12.2**
Income tax expense	(6.1)	(2.8)	(3.3)
Underlying profit after tax	**16.5**	**7.6**	**8.9**

Key ratios	H1 19	H1 18	Change
Claims ratio excluding large events	47.2%	51.1%	3.9%
Claims ratio	47.4%	55.8%	8.4%
Expense ratio	36.6%	37.7%	1.1%
Combined ratio	84.0%	93.5%	9.5%

- Underlying profit increased by $8.9m on prior year
- 6.3% increase in GWP a result of customer growth, risk-based pricing approach and strong retention
- Underwriting and pricing improvements, and a benign weather environment led to a 8.4% decrease in claims ratio and 9% decrease in net claims expense
- Management expenses contained, resulting in a 1.1% decrease in expense ratio on prior year
- 9.5% reduction in NZ combined operating ratio

Financial performance
Pacific

PACIFIC PROFIT SUMMARY (NZ$m)

$ million	H1 19	H1 18	Change
Gross written premium	28.1	27.8	0.3
Gross earned premium	29.1	28.1	1.0
Reinsurance costs	(8.4)	(7.5)	(0.9)
Net earned premium	**20.7**	**20.7**	**0.0**
Net claims expense	(5.7)	(9.8)	4.2
Large events claims expense	(0.1)	(1.3)	1.2
Management and sales expenses	(9.1)	(8.7)	(0.4)
Underwriting profit	**5.8**	**0.9**	**5.0**
Investment revenue and other revenue	0.5	0.4	0.1
Underlying profit before tax	**6.3**	**1.3**	**5.0**
Income tax expense	(2.1)	(1.0)	(1.1)
Underlying profit after tax	**4.2**	**0.2**	**4.0**

Key ratios	H1 19	H1 18	Change
Claims ratio excluding large events	27.4%	47.6%	20.2%
Claims ratio	27.8%	53.8%	26.0%
Expense ratio	44.0%	42.0%	(2.0%)
Combined ratio	71.8%	95.8%	24.0%

- Underlying profit after tax returns to historic levels, a $4m increase on H1 18
- Continued profitable growth due to improved pricing and risk selection
- Revenue growth was strongest in Vanuatu, Tonga and the Cook Islands
- Significant improvement in net claims expense and claims ratio due to improved pricing and underwriting, a benign weather environment and fewer commercial fires

Canterbury earthquakes update

- **Continued progress with 65 claims closed in first half**

- Outstanding claims reduced from 163 to 132
- Open litigated claims settling favourably
- Considerable reduction in new litigated claims
- Non-litigated claims continue to settle in line with expectations
- Higher than expected over-cap claims received from EQC has resulted in strengthening of provisions, resulting in $4.7m after-tax P&L impact
- In addition to the increase in provision for higher level of future over-cap claims, Tower will be taking action to address this issue
- Additional uncertainty managed through solvency capital held by Tower

MOVEMENT IN PROPERTIES

$ million	Mar-19	Sep-18	Mar-18
Case estimates	29.7	37.4	48.0
IBNR/IBNER[1]	20.3	21.4	22.0
Risk margin	9.0	9.0	10.8
Additional risk margin	5.0	5.0	10.0
Actuarial provisions	34.3	35.4	42.8
Gross outstanding claims	**64.0**	**72.9**	**90.8**
Ratio of provisions to case estimates[2]	115%	95%	89%

Notes:
1. IBNR ("Incurred but not reported") / IBNER ("Incurred but not enough reported") includes claims handling expenses
2. Ratio of IBNR / IBNER plus risk margin to case estimates

Future outlook

Richard Harding
Chief Executive Officer

Challenging the market to grow

- Digital challenger positioning enables achievement of medium-term targets

Medium-term operating targets:

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

2019 second half priorities

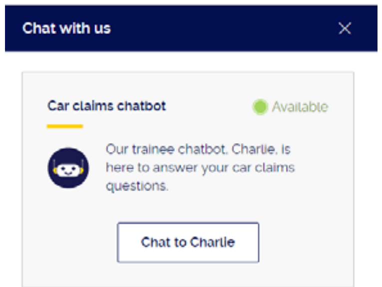
TOWER

1. Drive digital transformation

2. Keep driving growth

3. Improve profitability

4. Continue controlling expenses



Uplifted FY19 financial outlook

- **Solid growth expected to continue**
- **Claims ratio expected to stabilise**

- Strong business performance and benign weather environment in first half leads Tower to uplift its one-off guidance for underlying NPAT, which is now expected to be in excess of $26m* in FY19
- Key assumptions include:
  - A $5m allowance for large events
  - Loss ratios return to more normalised levels in second half
  - A minor uplift in management expenses as transformation activity culminates
- In respect to the 2019 financial year, and as previously advised, no dividend will be paid in the first half of the financial year. The Board's intention is to pay between 50% and 70% of second half 2019 NPAT, where prudent to do so.

*Some previously disclosed costs relating to Tower's technology upgrade, such as training and migration, are unable to be capitalised. Tower estimates that $3-$5m before tax will be included as non-underlying expenses in the second half of the 2019 financial year.

Appendices

Reconciliation between **underlying profit after tax** and **reported profit after tax**

$ million	H1 19 underlying profit	Non-underlying items (1)	Claims handling expenses (2)	Other items (3)	H1 19 reported profit
Gross written premium	169.7				169.7
Gross earned premium	168.7				168.7
Reinsurance expense	(26.5)				(26.5)
Net earned premium	**142.2**	**0.0**	**0.0**	**0.0**	**142.2**
Net claims expense	(63.3)	(9.7)	(9.6)		(82.6)
Management and sales expenses	(55.1)	(0.6)	9.6	(2.2)	(48.3)
Underwriting profit	**23.9**	**(10.4)**	**0.0**	**(2.2)**	**11.4**
Investment and other revenue	3.4	0.9		2.2	6.5
Financing costs	(0.2)				(0.2)
Underlying profit before tax	27.1	(9.4)	0.0	0.0	17.6
Income tax expense	(7.7)	1.9			(5.7)
Underlying profit after tax	**19.4**	**(7.5)**	**0.0**	**0.0**	
Canterbury impact	(4.7)	4.7			
Foreign tax credits write-off	(1.0)	1.0			
Simplification programme opex	(0.4)	0.4			
Other non-underlying costs	(1.4)	1.4			
Reported profit/(loss) after tax	**11.9**	**0.0**	**0.0**	**0.0**	**11.9**

Underlying and reported profit:

- "Underlying profit" does not have a standardised meaning under Generally Accepted Accounting Practice (GAAP). Consequently it may not be comparable to similar measures presented by other reporting entities and is not subject to audit or independent review.
- Tower uses underlying profit as an internal reporting measure as management believes it provides a better measure of Tower's underlying performance than reported profit, as it excludes large or non-recurring items that may obscure trends in Tower's underlying performance, and is useful to investors as it makes it easier to compare the Tower's financial performance between periods.
- Tower has applied a consistent approach to measuring underlying profit in the current and comparative periods.
- "Reported profit after tax" is calculated and presented in accordance with GAAP and is taken from Tower Limited's unaudited interim financial statements for the half-year ended 31 March 2019.

Notes on reconciling items:

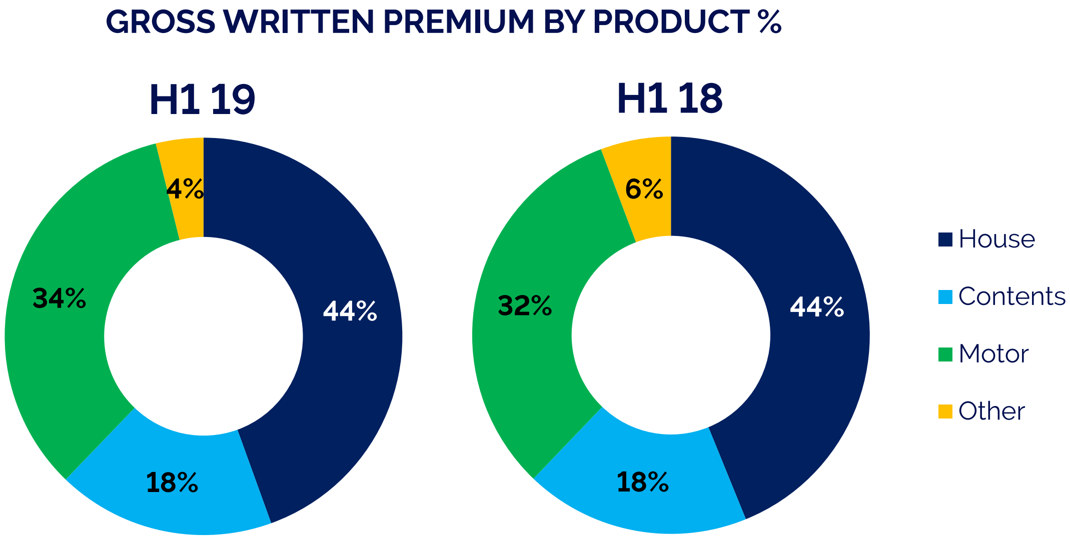
1. Non-underlying items are shown separately in Tower's management reporting, yet included within other lines (depending on the nature of the item) in the financial statements.
2. In Tower's management reporting, indirect claims handling expenses are reported within 'management and sales expenses'. In the financial statements, indirect claims handling expenses are reclassified to 'net claims expense'.
3. Certain items of revenue are netted off 'management and sales expenses' in Tower's management reporting, and are reclassified to 'other revenue' in the financial statements. This primarily relates to commission received by Tower.

New Zealand revenue

NZ GWP ($m)	H1 19	H1 18	Change
Core	112.5	103.3	8.9%
Non-core	29.1	30.0	-2.9%
Total NZ business	**141.6**	**133.2**	**6.3%**

Risk counts (000s)	H1 19	H1 18	Change
Core	400.4	382.3	4.7%
Non-core	86.6	97.1	-10.8%
Total NZ business	**487.0**	**479.3**	**1.6%**

NZ GWP ($m)	H1 19	H1 18	Change
House	63.0	58.4	7.8%
Contents	25.1	24.4	2.9%
Motor	48.0	42.8	12.3%
Other	5.5	7.6	-28.2%
Total NZ business	**141.6**	**133.2**	**6.3%**

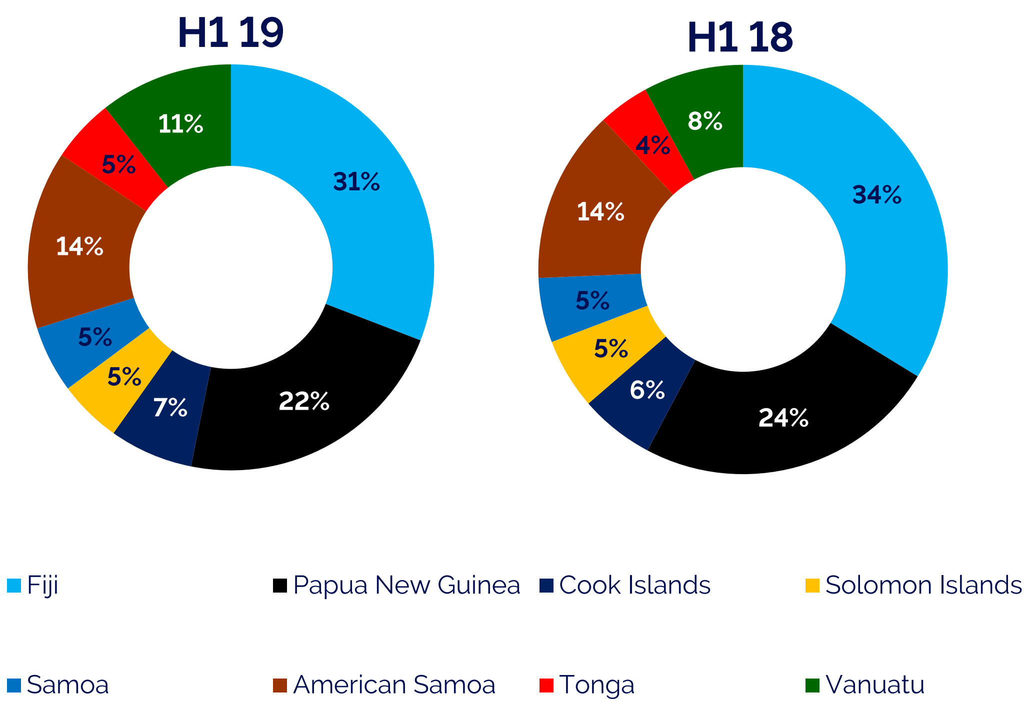


Notes:
1. Tower's 'core' portfolio refers to the NZ business excluding the ANZ Bank and Kiwibank portfolios. The 'non-core' segment refers to the ANZ Bank and Kiwibank portfolios.
2. The term 'risks' refers to an item of property insured, such as a house, motor vehicle, or the contents at a specified address. This is distinguishable from 'policies', as one policy might cover several risks, for example, a commercial motor vehicle policy that covers multiple motor vehicles.

Pacific revenue by country

GROSS WRITTEN PREMIUM (NZ$m)

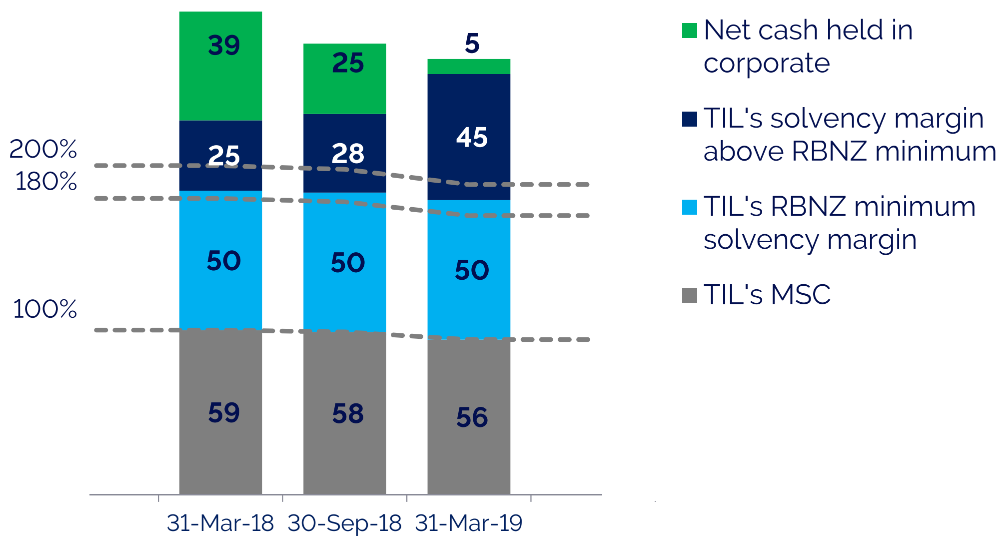
Country	H1 19	H1 18
Fiji	8.7	9.4
Papua New Guinea	6.3	6.7
Cook Islands	1.9	1.6
Solomon Islands	1.4	1.6
Samoa	1.5	1.4
American Samoa	4.0	3.8
Tonga	1.4	1.1
Vanuatu	3.0	2.2
Total	**28.1**	**27.8**



Improved solvency position

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

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



- ✓ Tower Insurance Limited (TIL) has $95m of solvency margin, which is equivalent to 271% of minimum solvency capital
- ✓ TIL's solvency margin has increased by $17m since 30 September 2018, and is now $45m above RBNZ minimum requirements
- ✓ At 31 March 2019, Tower Limited also held $5m in net cash in its corporate entities
- ✓ Tower Limited has negotiated a new cash advance facility, maturing in March 2023, and will utilise this facility to fund remaining IT investment
- ✓ Tower's strong capital base supports growth while providing a buffer against legacy risks

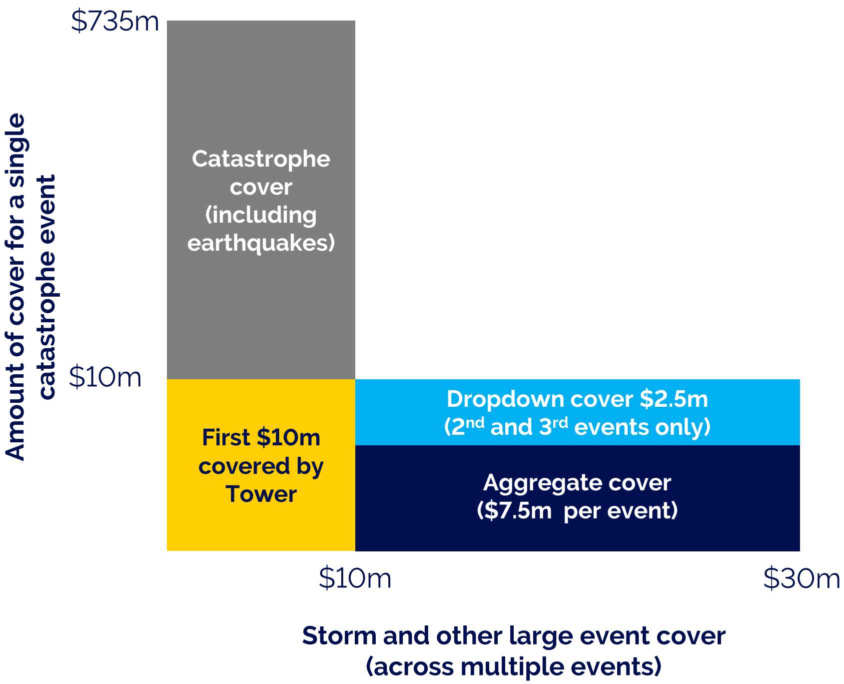
Balance sheet
Tower Group

$ million	31 March 2019	30 September 2018	Movement $	Movement %
Cash & call deposits	67.0	102.0	(35.0)	(34.3%)
Investment assets	220.5	198.2	22.3	11.2%
Deferred acquisition costs	22.9	22.6	0.3	1.2%
Intangible assets	61.9	45.0	16.8	37.4%
Other operational assets	299.7	318.3	(18.6)	(5.9%)
Total assets	**672.0**	**686.2**	**(14.3)**	**(2.1%)**
Policy liabilities & insurance provisions	309.9	324.5	(14.6)	(4.5%)
Other operational liabilities	76.4	86.9	(10.6)	(12.1%)
Total liabilities	**386.3**	**411.4**	**(25.1)**	**(6.1%)**
Total equity	**285.7**	**274.8**	**10.9**	**4.0%**

Reinsurance structure overview

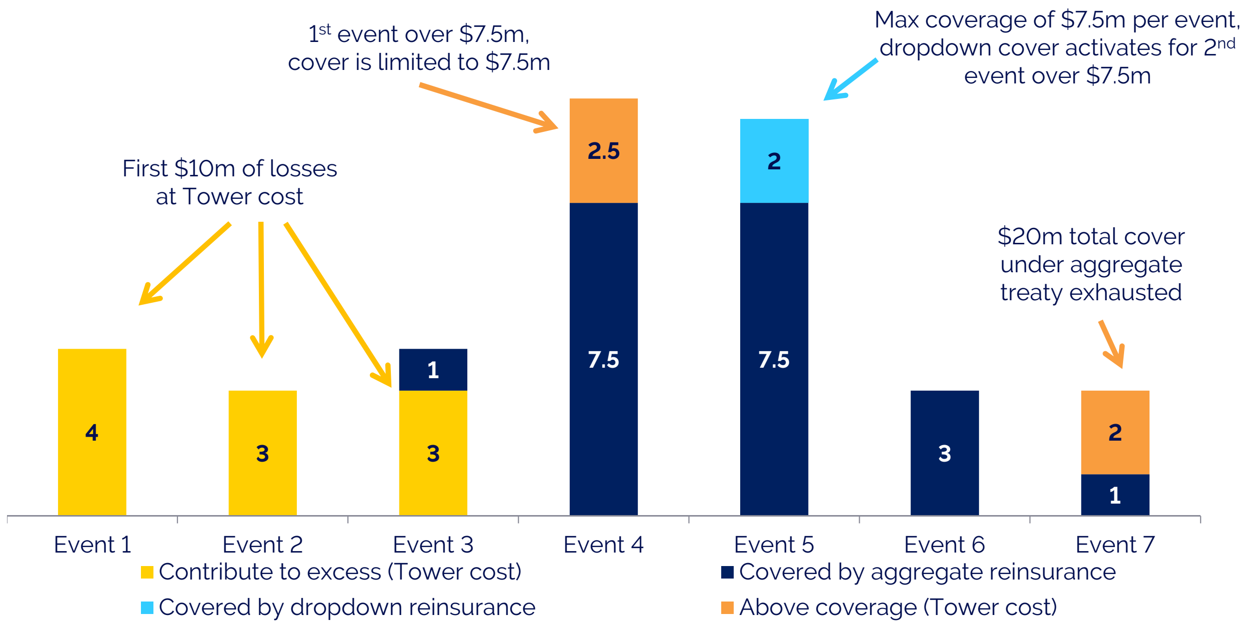
Our reinsurance structure reduces volatility from large events

High-level reinsurance structure overview



Aggregate cover overview for FY19

- Minimum event size of $1m to qualify, max of $7.5m per event
- $20m cover once $10m excess filled
- No coverage for earthquake in New Zealand
- Drop-down cover for 2nd and 3rd event over $7.5m to bridge gap between aggregate cover and catastrophe cover (including earthquake)



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MICHAEL STIASSNY

SLIDE 2: CHAIRMAN'S UPDATE

Good morning and thank you for making the time to join us this morning.

With me in Auckland is our Chief Executive Officer, Richard Harding and our Chief Financial Officer, Jeff Wright who will take you through the half year results and answer your questions.

I am pleased to open today's call with the news that our transformation strategy has seen Tower return to profit.

Richard joined Tower four years ago and in that time, he and his team have been relentless in stabilising and transforming this iconic Kiwi insurer.

We have long held the view that Tower is undervalued. Today's results are the culmination of significant work to remove legacy issues, refocus and grow the business and implement core insurance fundamentals. Our goal has been to recreate a profitable company that delivers shareholder value and we are succeeding.

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

The company is being repositioned as a contemporary, challenger brand underpinned by a customer-focused, digital-first strategy to successfully compete in the 21st century insurance market place.

With the number of customers using our digital channels to engage with and purchase Tower products growing exponentially, we have proof that our confidence in user-friendly technology is well placed. And, with the upcoming launch of our new technology platform, Tower will have the final building block in place to accelerate growth.

Significant progress is being made on the Canterbury portfolio, however you will note additional provisioning. Despite litigated and non-litigated claims settling in line with expectations, seven years on and we continue to receive over-cap claims from EQC.

The latest relate to the reopening of closed claims due to reassessment of the original scope of works, or the need to remediate poor workmanship and faulty repairs.

We have worked constructively with the Government – and will continue to do so – to push for EQC reforms that we are confident will produce better, fairer results for New Zealanders. However, we now believe the time has come to take a different tack.

It is not our role – nor our shareholders' responsibility – to resolve and pay for situations arising from EQC's past incompetence, and the negligence of its repair providers.

So while Tower will continue to treat customers fairly, we will now seek to recoup any costs incurred from settling over-cap claims from EQC where past incompetence and negligence has contributed to the claim going over-cap.

The status quo is unacceptable and while the quantum has reduced, we want to be in a position to provide shareholders with clarity.

One of the most gratifying aspects of today's result is that it's representative of the trust and confidence our customers place in us. That's no small ask at a time when financial services have hit a reputational all-time low, particularly on the back of the findings of the Australian banking Royal Commission.

Being Kiwi – and independent of the big Australian brands – also helps.

However, Tower's transformation which is centred on making things easier and better for customers is the real reason. It's quite simple – treating people fairly, openly and honestly engenders trust and loyalty and makes a strong foundation for any business.

That's the strength of the Tower brand, and it will continue to propel the business forward.

On behalf of the Board I'd like to thank Richard and the management team for their sustained efforts to deliver a strategy that has seen Tower return to profitability.

I'll now hand over to Richard and Jeff, who will take you through the results and outlook before we take questions.

RICHARD HARDING

SLIDE 3: 2019 FIRST HALF ACHIEVEMENTS TITLE SLIDE

Thank you Michael and good morning everyone.

SLIDE 4: TOWER RETURNS TO PROFIT

The first half of the 2019 Financial Year has seen Tower return to profit.

I am pleased to let you know our strategy to fix and grow the business is paying off. Today we have reported a half year profit of $11.9 million after tax, a $23.5 million improvement on the same period last year.

Underlying profit after tax increased $12.1 million, to $19.4 million, a result of our relentless focus on improving all aspects of our business, underwriting excellence and driving growth.

This result is the culmination of four years' work to turn Tower around by fixing the foundations and challenging industry norms.

These results demonstrate the inherent strength of the business and the future potential that exists in the Tower brand.

Our determination to deliver something better to customers has been noticed and we are growing at above market averages. Gross Written Premium in the core New Zealand portfolio increased by 8.9%, and total GWP reached $170 million across New Zealand and the Pacific.

Continued implementation of risk-based pricing along with improved underwriting and a benign weather environment has significantly reduced claims costs. Over the last half, our claims ratio has reduced to 44.5%, an 11 point reduction from 55.5% in the first half of 2018.

Our Pacific business has returned to historical norms, with a return to solid growth, improved underwriting and a benign weather environment delivering better results.

Today's result includes a $4.7 million after-tax expense for increased Canterbury provisions, principally due to EQC over-cap claims.

While making necessary and significant investment in our business we've also maintained our expense ratio at 38.7%.

This investment will accelerate our growth and the first phase of our major technology upgrade will launch in the coming weeks.

This is an exciting milestone for Tower and while projects of this nature contain risk and complexity, we are managing this with robust governance controls.

Our business has turned around and our transformation is progressing well. These results demonstrate the long held belief of the Tower Board and management team, that Tower offers an exciting platform for growth.

As I mentioned earlier, this is the result of four years of work where we've significantly reduced legacy risks, fixed the business and built a solid, future-focussed platform.

The next phase of our transformation strategy is to leverage and grow the business. We are ready to create an exciting proposition that delivers growth and realises Tower's full potential.

SLIDE 5: MORE CUSTOMERS CHOOSING TOWER

In a market dominated by overseas-owned and controlled insurers we are starting to offer customers a genuinely different, better, Kiwi alternative, and this focus is driving solid growth in our core book.

The growth we have achieved is significant, adding over 9,000 risks to our core New Zealand portfolio, in stark contrast to 2016 where we were losing customers.

This positive momentum has driven continued growth with GWP in the core portfolio growing 8.9% and total GWP growing 5.4%.

Core GWP is growing above industry averages, with GWP in:

- NZ House growing 7.8%, with the majority being attributable to rating
- NZ Contents growing 2.9% split between rating and volume, and
- NZ Motor growing 12.3%, with the majority being attributable to volume

This is being achieved through a combination of factors, including:

- a new, fairer risk-based approach to pricing and simpler policy documents
- constant refinement of underwriting criteria enabling more granular assessment, and

- attracting new, profitable customers with improved and targeted offerings.

The growth we have achieved is the result of offering customers simpler insurance at a fair price. Through this approach we are starting to realise the potential that exists in the Tower brand.

Growth in the Pacific has returned to historical levels and following a number of years of remediation we are now well placed to grow sustainably in the region.

Over the coming twelve months we see a positive growth and pricing environment in New Zealand and the Pacific, which will lead to further improved profitability.

SLIDE 6: STRONG DIGITAL SALES CONTINUE

In 2016 we began our digital transformation journey and since then I have consistently said that digital will drive the future growth of Tower.

We have continued to place significant effort into attracting new customers and improving this channel's performance.

Our efforts to become a digital insurer continue to pay dividends, with 48% of all new business coming through our digital channels in March. This compares to less than 10% during 2016.

In the last twelve months we have delivered significant growth, with GWP through digital channels reaching $15.9 million in the first half, a compound annual growth rate of 114% since we started in 2016. This is thanks to continuous improvement of our digital channels.

Our recently improved digital claims lodgement process and innovations like our claims chatbot, Charlie, has resulted in 18% of claims being lodged online in March 2019, with additional increases since. This is further proof that our investment in digital channels is well made.

Digital remains one of the most crucial, foundations of our business moving forward.

It enables differentiation, agility, innovation and growth, and the launch of our new platform in the coming weeks will accelerate our progress.

SLIDE 7: IMPROVED NZ CLAIMS RATIO

New Zealand claims expenses have decreased significantly in the first half of the financial year with a number of underwriting and pricing initiatives helping to offset inflation.

As you can see on this slide, there are four key things that have contributed to this positive result.

Last year we informed you of an adjustment relating to the 2017 financial year which increased our base claims ratio, this was a one-off issue for FY 2018.

While in prior years, we've borne the brunt of severe weather, this year we've benefited from improved weather conditions with no large events to date. This has resulted in a 4.5% decrease in our claims ratio.

Our new, simpler products and fairer, risk-based pricing approach have contributed to a reduction in NZ House and Contents claim frequency.

Following a period in 2017 and 2018 of a higher number of large house fires, trends have returned to more historic levels.

Good weather also means more people out exploring New Zealand and as a result, in our motor portfolio, we have seen an increase in claims frequency.

As anyone driving around New Zealand, especially those in Auckland, can attest, it sometimes feels like there are more orange traffic cones than Kiwis. The large number of roadworks currently underway along with the increased traffic on the road has caused more windscreen damage which is the main driver of increased motor claims frequency.

While our result is pleasing and we have delivered significant improvements, we remain focussed on refining our products and pricing approach to ensure we continue addressing claims costs.

SLIDE 8: IMPROVEMENTS IN PACIFIC

Our Pacific business remains strong and we continue to believe that there is unrealised potential here.

Having been impacted by a number of severe weather events over the past few years, contributions from our Pacific business have now returned to historic levels.

Vanuatu, Tonga, Samoa, American Samoa and the Cook Islands have returned to growth thanks to additional underwriting, pricing and marketing support for our local teams.

Remediation of the Papua New Guinea portfolio to reduce risk and exposure is now complete and this portfolio is returning to profitability.

Continued repricing of the Fiji motor book has led to improved profitability. Although slightly softer growth than we have previously seen, this was an important step to ensure future growth remains sustainable.

Improvements in claims costs have been delivered through targeted underwriting and pricing initiatives across our key markets, and, combined with a benign weather environment, have resulted in a 26 point decrease in our Pacific claims ratio.

Our recently launched operation centre in the Pacific has helped bring greater discipline and consistency across the region ensuring we grow within our risk appetite.

We remain confident that there is strong growth potential in our Pacific markets and that it will make a significant contribution to Tower in the coming years.

SLIDE 9: BUILDING CAPABILITY WHILE CONTROLLING COSTS

I'm pleased to report that we have maintained our expense ratio at 38.7%, while continuing to significantly invest.

We are investing in the business to drive long term value, and as we've outlined previously, a major component of this is new technology.

Expenses remain steady as we continue to grow the business, as well as backfilling project roles, and working to mitigate any risks associated with the implementation of our new technology platform.

While we anticipate a slight uplift in the second half due to the increased focus on the migration of our customers onto the new platform, once fully operational, our expenses will reduce significantly.

SLIDE 10: TECH UPGRADE SET TO LAUNCH

Just over twelve months ago we announced our commitment to invest in a new technology platform that will deliver a step change in results.

We have been working at pace to deliver against aggressive timeframes and at our recent Annual Shareholder Meeting I advised of the phased implementation approach we are undertaking.

With the launch of the first phase to occur in the first half of the 2019 calendar year, this approach was designed to minimise business risk and mitigate any potential negative impacts on our customers.

I am pleased to let you know that we will deliver phase one in the next few weeks, which will see us selling new business on our new system.

The development and build of this phase is complete and we are in the final stages of testing. We will be deploying the system through our phone channels first, followed closely by our digital channels.

Completion of phase one will enable us to sell our new simplified products to customers and is the core foundation piece of this programme.

Delivery of Phase 2 components will occur in the second half of the 2019 calendar year and includes:

1. Rationalisation of our products
2. Commencing the 12 months migration of our existing 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 our customers to our new platform and our new products over a 12 month period.

Moving hundreds of thousands of customers to a core set of just 12 products 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 a number of additional components will be delivered before the end of the 2019 calendar year.

Costs for the programme are developing in line with previously advised amounts and at this stage, there are no material changes to the estimated total cost.

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 over the 2020 financial year, with a step change expected as we finalise customer migration and decommission existing legacy systems.

I will now hand over to Jeff who will take you through our financial results in more detail.

JEFF WRIGHT

SLIDE 11: FINANCIAL PERFORMANCE TITLE SLIDE

Thank you Richard and good morning everyone

SLIDE 12: FINANCIAL PERFORMANCE CONSOLIDATED GROUP

Looking at the consolidated results, we can see that continued growth, improved claims costs and the removal of legacy issues in prior years has enabled Tower to return to profit.

We have achieved solid growth this half of $8.7 million in gross written premium and a $8.1 million increase in net earned premium. Claims costs have reduced $11.1 million with underlying profit after tax improving by $12.1 million.

Adjustments to Canterbury provisions has resulted in an $4.7 million after-tax impact to our reported profit.

Overall, this has resulted in a reported profit of $11.9 million after tax, a significant improvement, up $23.5 million on the same period last year.

In addition to the strong reported results, our combined ratio has decreased to 83.2%, 11.2 points lower than the same period last year.

SLIDE 13: MOVEMENT IN UNDERLYING PROFIT

Slide 13 details the key drivers of the increase in underlying profit before tax from the first half of 2019, to the first half of 2019.

The strong growth is reflected in the $8.1m increase in net earned premiums, a combination of growth in our core and our risk-based pricing approach.

Risk based pricing has resulted in the growth of our portfolio in Auckland while also reducing our exposure to high-risk areas by an annualised figure of 16%.

Premiums are now at the point in Wellington where the unfair cross-subsidisation will be largely removed over the next 12 months as we roll out changes following the EQC deductible change.

Our fairer approach to pricing has also allowed us to grow our total house sum insured exposure by 17% in the low risk areas like Auckland and Taranaki

It is clear this strategy is working and will continue to deliver growth and reinsurance efficiency in future.

On this slide you can also see the improvement in both large event claims and BAU claims costs.

Pricing and underwriting initiatives contributed to a $4.8 million before-tax improvement in net claims expenses, while benign weather resulted in a $6.3 million before-tax improvement in large event claims costs.

A small increase in management expenses is attributable to ongoing investment and increased marketing activity to acquire new customers.

So as you can see, this is a strong result, delivered by an ongoing focus on our strategy.

SLIDE 14: FINANCIAL PERFORMANCE NEW ZEALAND

The majority of growth in Tower's GWP occurred in our NZ markets, with $8.3 million growth achieved in gross written premium.

A change in mix and more efficient reinsurance is seeing more gross earned premium flow through to net earned premium, with an $8.1 million improvement in NEP.

Improvements in claims costs also contributed to our solid results, with a total reduction of $5.7 million in claims expenses compared to the same period last year.

We are pleased that our investment in the business is resulting in growth and underwriting and pricing initiatives are delivering improvements in our combined operating ratio, decreasing to 84% for the half.

As Richard mentioned earlier, we expect a small increase in management expenses in the second half as we migrate our customers to the new core technology platform.

SLIDE 15: FINANCIAL PERFORMANCE PACIFIC

We are satisfied to see contributions from our Pacific business return to historic levels.

Growth in Pacific was mixed, with good growth in Vanuatu, Tonga and the Cook Islands, which was offset by the continued deliberate shedding of higher risk commercial lines in Papua New Guinea and remediation of the Fiji motor portfolio.

Overall, Pacific gross written premium was almost flat at $28.1 million, but quality of business has improved.

A benign weather environment and less commercial fires across the islands have resulted in a significant improvement in claims costs. Total claims costs across the Pacific reduced $5.4 million.

The slight increase in management expenses is primarily due to the continued investment in the Pacific operations centre.

While the overall result for the Pacific is a return to historic norms, we are confident that there remains opportunity in the Pacific business and that it will continue to contribute significantly to group profit.

SLIDE 16: CANTERBURY EARTHQUAKES UPDATE

In most respects, the CEQ portfolio is performing well and in line with expectations, with the exception of new over-cap claims from the EQC.

Open litigated claims are settling favourably and there has been a considerable reduction in new litigated claims. Our non-litigated claims are also settling in line with expectations.

In the past six months we have closed 65 claims, while receiving 24 completely new over-cap claims from the EQC.

While we continue to make progress closing claims in Canterbury, as Michael has said, the continued receipt of over-cap claims from the EQC is frustrating and has hampered our efforts to close out claims once and for all.

As a result of new over-cap claims from the EQC, we have increased provisions for the potential receipt of further over-caps. As you can see, the further increases to provisions, relative to case estimates now sits at 115%.

Tower provisions to the 75th percentile for all claims which for CEQ, increases to just above the 80th percentile with the $5m additional risk margin.

We manage additional uncertainty through the level of solvency capital, which you can see on slide 25. As at 31 March 2019, Tower Insurance held $45 million above MSC and the $50 million licence condition, which the Board notes, leaves Tower well positioned to manage uncertainty.

Thank you and I will now hand over to Richard who will provide an update on our strategic plan.

RICHARD HARDING

SLIDE 17: FUTURE OUTLOOK TITLE SLIDE

SLIDE 18: CHALLENGING THE MARKET TO GROW

Over the past four years we have fixed the business and turned Tower around, despite the distractions of takeovers, legacy issues and unprecedented weather events.

We now have a strong and stable base to work from and are moving to implement our strategy that leverages our technology and allows us to truly challenge the market.

We now have the clear air necessary to create a company that challenges the traditional insurance industry norms, and uses this differentiation and challenger positioning to drive substantial growth.

Our customers have told us that New Zealand insurers are complacent and that they think we're all the same. Too hard to deal with and playing on an un-level playing field.

We believe that people deserve better.

Our strategy is built on this belief and we are now creating a company that sets the bar for how insurance should be.

But, it's the right thing to do and it is going to drive industry wide change and deliver growth for Tower.

TOWER

Our belief that people deserve better means we need to create stunningly simple products, new systems and simpler processes that enable amazing claims experiences.

We're going to turn industry norms on their head,

- We're getting rid of big words and complex policies
- We're simplifying pricing and discounts, making it even fairer, and
- And we're creating an employee culture that always pushes for better and is there to help set things right when they go wrong.

We will set the bar for how insurance should be.

And you have already seen and heard great evidence of this:

- Our 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 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.

SLIDE 19: 2019 SECOND HALF PRIORITIES

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.

Our first priority is to complete our IT and digital transformation.

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.

Secondly, we will continue driving growth and our belief that people deserve better will build on the past six consecutive halves of growth. We will continue to price more fairly, deliver amazing claims experiences and improve 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 sustainably and reduce claims leakage.

Third, we will ramp up underwriting and pricing improvements to drive profitability. One of the most important things we will do 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, which will lead to improved profitability.

And lastly, we will continue to control expenses and invest in growth. A focus on automation and grassroots innovation will improve efficiency by removing duplication and repetitive tasks, allowing our teams to focus on adding value.

Successful delivery against these priorities will build on the already strong growth seen in the underlying business.

SLIDE 20: UPLIFTED FY19 FINANCIAL OUTLOOK

As you can see, the work we are doing sets us up well for the future and the delivery of our new IT platform will accelerate our momentum into a digital-challenger.

Tower is confident in the strength of its strategy and the performance of its underlying business and following pleasing performance in the first half, has increased its one-off guidance for FY19, to an underlying NPAT in excess of $26 million.

This includes the following assumptions:

- A $5m allowance for severe weather and large events in the second half
- Loss ratios will return to more normalised levels in the second half as we enter the winter storm period
- A minor uplift in management expenses as our transformation activity culminates.

In respect to the 2019 financial year, and as previously advised, no dividend will be paid in the first half of the financial year. The Board's intention is to pay between 50% and 70% of second half 2019 NPAT, where prudent to do so.

Today's reported profit demonstrates the strength and opportunity that exists in the Tower business. You can be confident that our strategic plan will create a challenger brand that delivers you significant long-term value.

Before I ask for questions, I want to thank the Tower Board for their continued support and the Tower team for the effort they have put in and the continuous improvement we have seen as a result.

Thank you.

ENDS