2019 annual results

20 November 2019
Tower Limited

Michael Stiassny
Chairman

Richard Harding
Chief Executive Officer

Jeff Wright
Chief Financial Officer

Chairman's update

Delivering growth and profitability

- Customer-centric focus is providing an exciting platform for growth and delivering improved results
- Impressive growth in underlying profit demonstrates delivery of strategy
- Trajectory will accelerate as we leverage new technology
- Youi acquisition to deliver further growth and scale benefits, with RBNZ application lodged

Focus on conduct and culture and consumer trust continues

- Tower is firmly focussed on delivering good customer outcomes and publicly advocating for increased transparency across insurance industry
- Tower's strategy is centred on customers and takes advantage of low industry trust by offering something better

Solid capital base and commitment to efficient capital management

- Successful completion of capital raise, delivering solid capital base and enabling growth
- Tower's Board has determined that in FY20, Tower will pay a dividend of 50% to 70% of reported NPAT, where prudent to do so


2019 financial year achievements
Richard Harding
Chief Executive Officer

Three years of improving results and solid growth achieved

Solid growth drives $23.5m improvement

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

Significant improvement in claims ratio

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

Other achievements

- ☑ Pacific profit returns to historic levels
- ☑ Technology transformation launched with positive early signs

Slight uplift in expenses in transition year

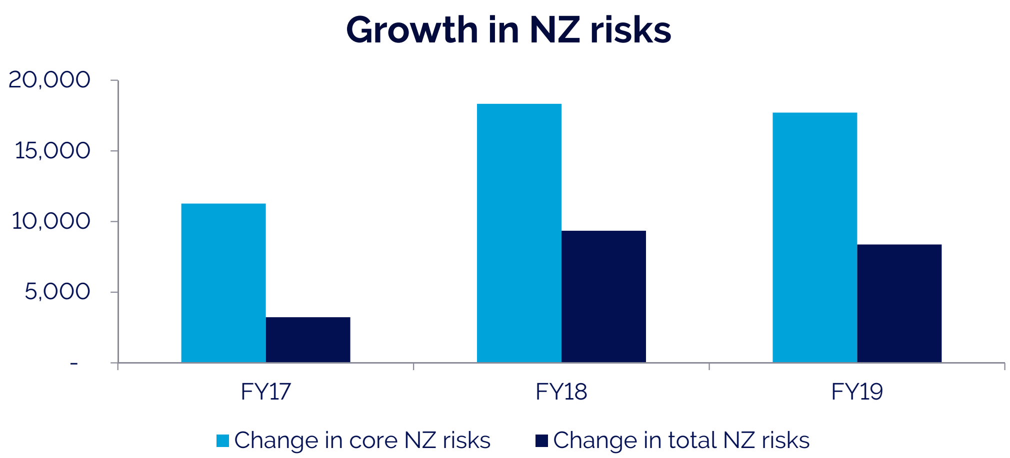
- ☐ Slight uplift in expenses as IT transformation nears conclusion
- ☐ Canterbury continues to progress well, but ongoing new over-cap claims offset positive outcomes

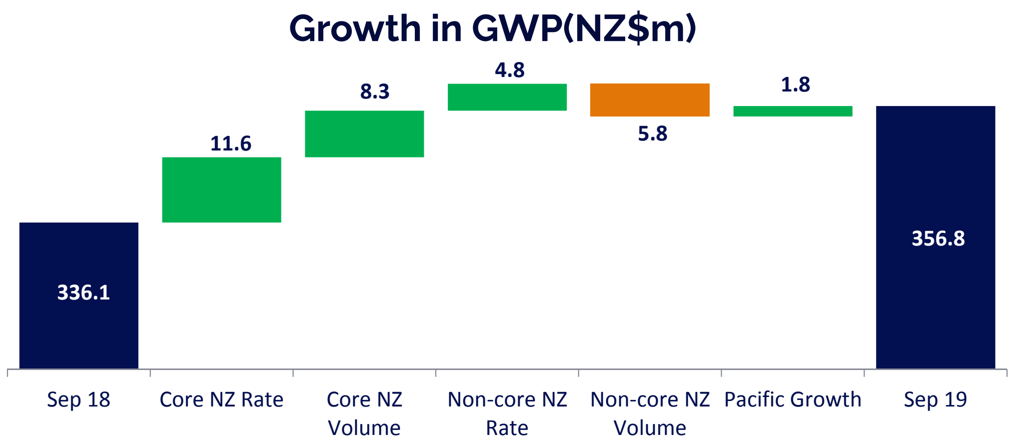
Key metrics	FY19	FY18
Gross written premium (GWP)	$356.8m	$336.1m
Growth in Group GWP	6.1%	7.6%
Growth in GWP in core NZ portfolio [1]	9.1%	11.9%
Increase in risks in core NZ portfolio [1]	17,716	18,192
Claims expenses	$141.6m	$152.2m
Claims expense ratio	48.8%	56.4%
Open Canterbury earthquake claims	109	163
After-tax CEQ provision adjustments	$6.0m	$3.6m
Management expense ratio	40.0%	39.0%
Underlying profit after tax	$27.4m	$13.6m
Reported profit / (loss) after tax	**$16.8m**	**($6.7m)**

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

Customers keep choosing Tower

- **9.1% GWP growth in core NZ portfolio**
- **Total NZ GWP has grown 6.8% through higher volumes and improved rating**





- Solid second half with continued growth in core NZ portfolio risk numbers, increasing 17,716 (4.5%) in 2019
- Strong retention continues across all channels
- Profitable Pacific growth continues in line with expectations, returning to historical norms

- GWP growth across all NZ products:
  - NZ House has grown 7.3%
  - NZ Contents has grown 4.8%
  - NZ Motor has grown 12.1%

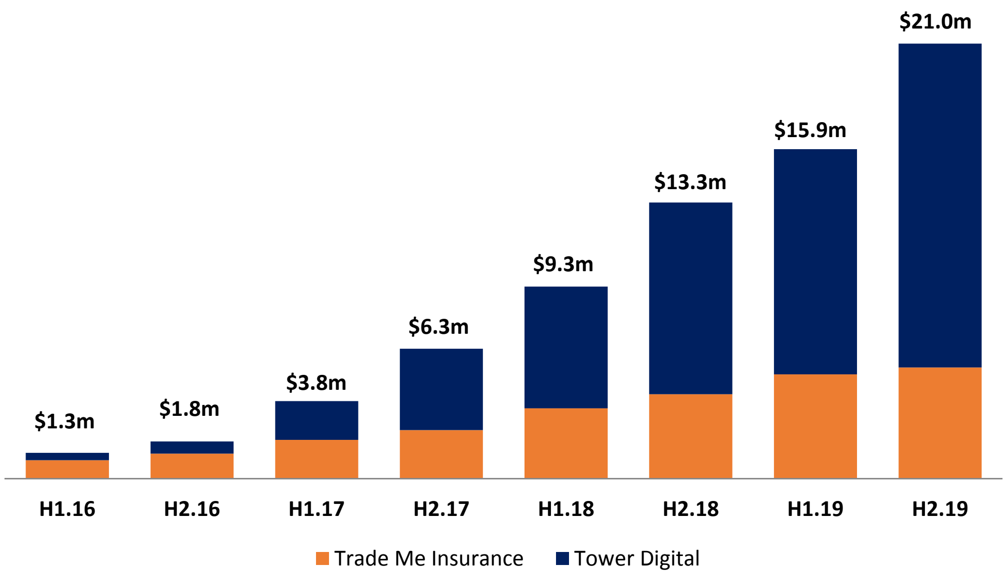
Strong digital sales continue

- **GWP from digital channels remains strong, showing investment in digital is well placed**

- Digital sales continue to increase with over half of all new business sold online in September and October 2019
- Significant improvement in retention through digital channels, up 2.7 percentage points on 2018
- 27% of claims lodged online in September 2019 further evidence of digital transformation
- Continued investment in digital capability with new online claims lodgement portal to launch and ongoing shift to agile operating model

Digital offering is attracting more customers with lower cost to acquire. New IT platform will enable goal of 50 - 70% of all transactions online

GWP by half year through digital channels (NZ$m)



Underwriting excellence

Underwriting excellence driving good customer and business results

- Reduction in claims costs due to reduced frequency and change in mix of book, along with benign weather
- New products provide clarity and simplicity for customers at claims time

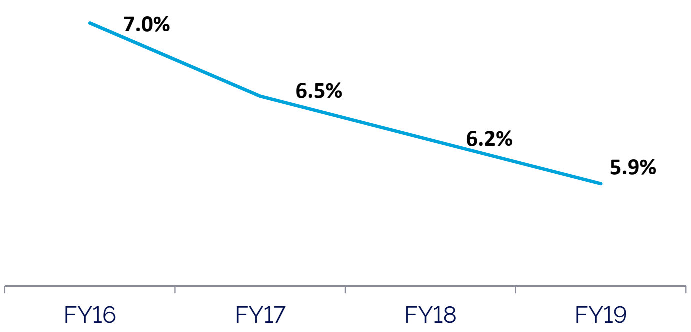
Risk based pricing delivering benefits

- First mover advantage provided 12 month head-start on risk-based pricing approach
- Tower customers now paying fairly for the earthquake risk their property faces
- Work continues to improve pricing approach for other risks, including flood, storm and fire

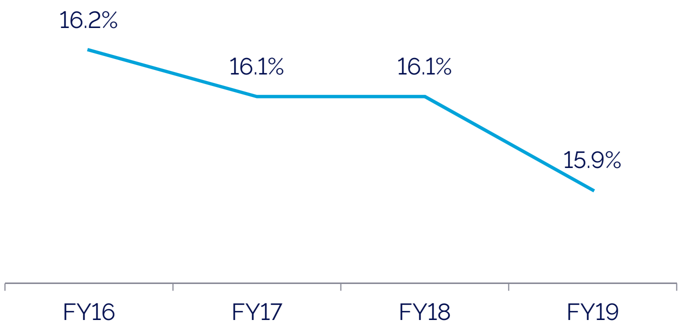
Improved reinsurance ratio

- Reduction in reinsurance ratio to 15.9% in FY19, from 16.1% in FY18 due to improved underwriting and risk based pricing approach
- FY20 reinsurance structure secured on favourable terms

House claim frequency



Reinsurance ratio[1]



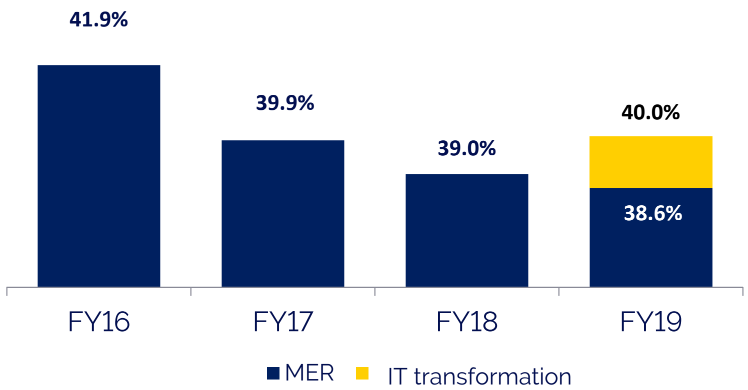
1. FY18 excludes $900k of aggregate top up for additional large event cover (16.4% inclusive)

Building capability while controlling costs

- **Uplift in expenses as IT transformation concludes**
- **Additional spend directed towards growth and reducing risk**

- Uplift in management expenses due to:
  - Investment in customer migration process to ensure maximum retention
  - Investment in customer facing teams to manage customer impact
  - Running dual systems as transition year commences
- Implementing new, agile-led, operating model will drive reduction in expenses in second half of FY20
- Continued investment in:
  - Addressing and investing in protection from cyber security risks
  - Acquiring new customers and brand partners
  - Conduct and culture and compliance

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%

IT transformation concluding

- **New IT platform delivered and launched successfully**

Incremental benefits already being seen

- New business on sale with over 10,000 policies sold through new IT platform since May 2019
- New digital functionality provides unique offering for customers, enabling bundled quotes, digital self service and online claims lodgement
- Total cost to deliver core system upgrade is estimated to be $47.6m

Customer migration underway, to be complete by December 2020

- Customer migration has commenced with customers moving to new platform on policy renewal
- Tailored, transparent and customer-focussed migration approach to minimise risk and customer churn

Benefits achieved progressively over FY20, with full benefits achieved from FY21

- FY20 will be a transition year as customers migrate to new platform and dual systems remain in place
- Legacy systems to be decommissioned after customer migration, with full benefits achieved from FY21
- Post finalisation of the IT transformation this quarter, cap-ex for future years will revert to more normalised levels of between $5m - $7m

IT and digital underpins the future

IT transformation will drive growth and continued shift to digital delivery

- Improved, simpler products and real-time, granular pricing capability will drive growth
- Increased digital capability will enable increased sales online and targeting of offers to customers at a lower cost to acquire.
- Introduction of new and improved commercial products, including a new small business offering
- Rapid response to customer trends and input will result in increased speed to delivery and increased innovation

IT transformation enables transition to new operating model and productivity improvements

- Ongoing transition to agile-led operating model enables digital workforce, faster delivery of strategy and lower expense base
- Enables 50 - 70% of all transactions to be conducted online, which along with increased automation and integration will deliver step-change in productivity
- Clear and improved product offering, along with automated fraud detection capability will reduce claims costs

Financial performance

Jeff Wright
Chief Financial Officer

Financial performance
Consolidated Group

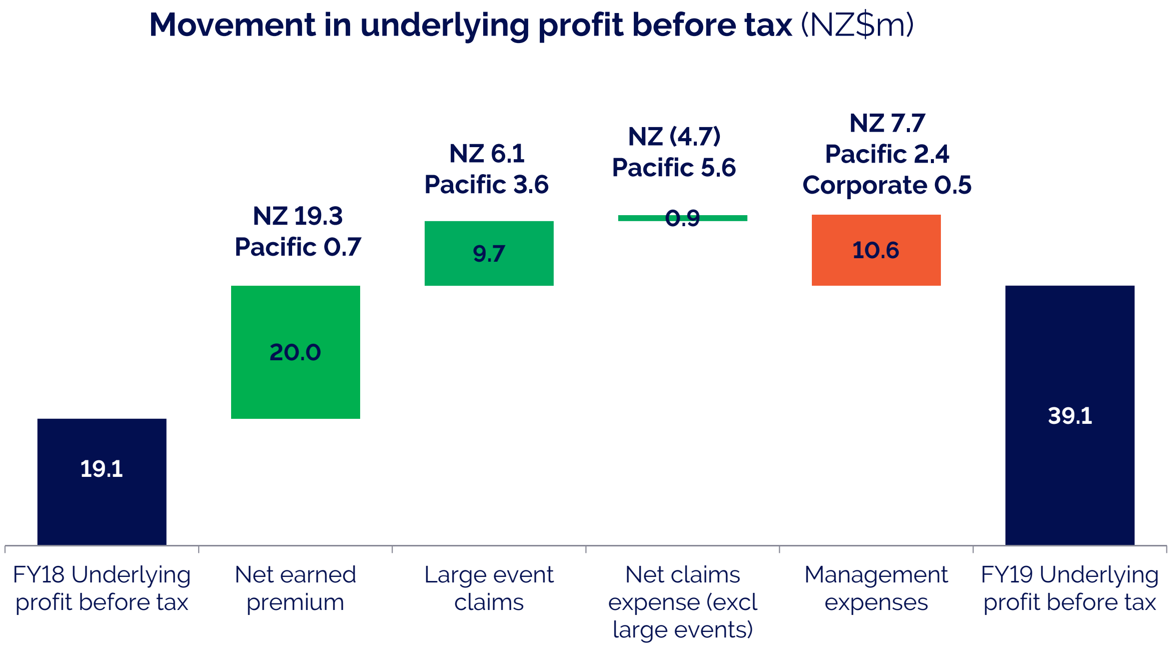
Group profit summary (NZ$m)

$ million	FY 19	FY 18	Change
Gross written premium	356.8	336.1	20.7
Gross earned premium	345.0	323.1	21.9
Reinsurance expense	(55.0)	(53.1)	(1.9)
Net earned premium	**290.0**	**270.0**	**20.0**
Net claims expense	(140.3)	(141.2)	0.9
Large events claims expense	(1.3)	(11.0)	9.7
Management and sales expenses	(116.0)	(105.4)	(10.6)
Underwriting profit	**32.4**	**12.4**	**20.0**
Investment and other revenue	7.0	7.2	(0.2)
Financing costs	(0.3)	(0.6)	0.3
Underlying profit before tax	**39.1**	**19.1**	**20.0**
Income tax expense	(11.6)	(5.5)	(6.1)
Underlying profit after tax	**27.4**	**13.6**	**13.9**
PeakRe settlement	0.0	(16.2)	16.2
Canterbury impact	(6.0)	(3.6)	(2.4)
Foreign tax credits write-off	(1.6)	(1.2)	(0.4)
Simplification programme opex	(1.0)	0.0	(1.0)
Other non-underlying costs	(2.1)	0.7	(2.8)
Reported profit/(loss) after tax	**16.8**	**(6.7)**	**23.5**

- Reported after tax profit of $16.8m, a $23.5m improvement on prior year
- $13.9m improvement in underlying profit after tax to $27.4m
- Strong improvement in GWP of $20.7m, and GEP of $21.9m, reflects continued growth
- Claims ratio, excluding large events, improved 3.9%
- Increase in expenses due to finalisation of IT transformation and requirement to run dual systems during transition year
- 109 open Canterbury Earthquake claims remain as at 30 September 2019
- Canterbury impact of $1.3m after tax in second half due to ongoing receipt of over-caps, with full year impact of $6m after tax

Key ratios	FY 19	FY 18	Change
Reinsurance / gross earned premiums	15.9%	16.4%	0.5%
Claims ratio excluding large events	48.4%	52.3%	3.9%
Claims ratio	48.8%	56.4%	7.6%
Expense ratio	40.0%	39.0%	(1.0%)
Combined ratio	88.8%	95.4%	6.6%

Movement in **underlying profit before tax**



- Net earned premium higher due to growth in core book and new pricing approach
- Growth in risk count has driven growth in claims expenses for NZ, while benign weather alongside a remediation in Fiji and PNG have improved claims ratio in the Pacific
- Only one large event in New Zealand during 2019, reducing claims expense
- Completion of IT transformation contributed to increase in management expenses

Financial performance
New Zealand

New Zealand profit summary (NZ$m)

$ million	FY 19	FY 18	Change
Gross written premium	296.6	277.7	18.9
Gross earned premium	285.7	266.8	18.9
Reinsurance expense	(37.8)	(38.2)	0.4
Net earned premium	**247.9**	**228.6**	**19.3**
Net claims expense	(128.3)	(123.6)	(4.7)
Large events claims expense	(1.1)	(7.2)	6.1
Management and sales expenses	(94.0)	(86.4)	(7.7)
Underwriting profit	**24.4**	**11.4**	**13.0**
Investment and other revenue	5.8	5.4	0.4
Underlying profit before tax	**30.3**	**16.9**	**13.4**
Income tax expense	(8.2)	(4.0)	(4.1)
Underlying profit after tax	**22.1**	**12.8**	**9.3**

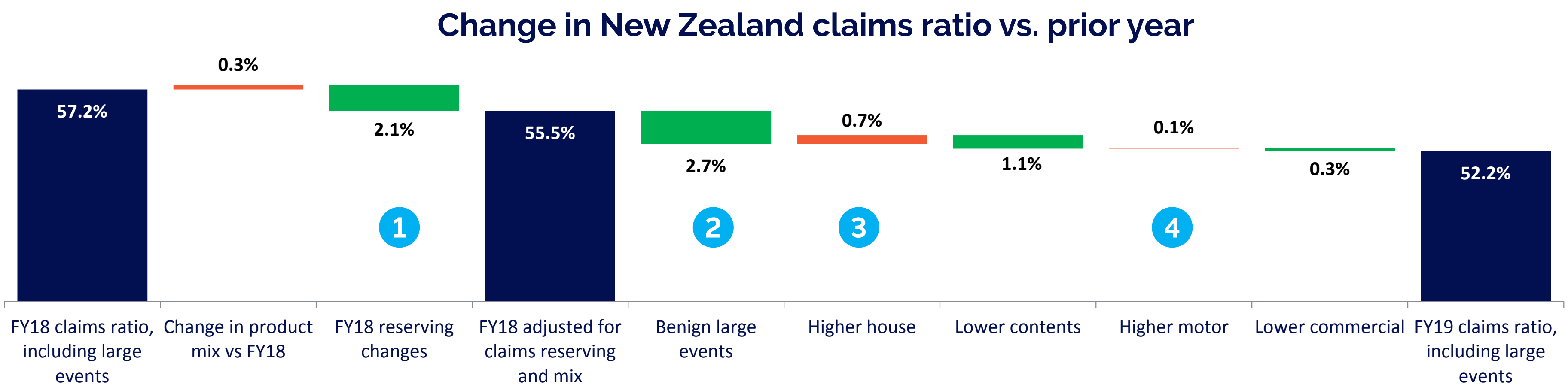
Key ratios	FY 19	FY 18	Change
Claims ratio excluding large events	51.8%	54.1%	2.3%
Claims ratio	52.2%	57.2%	5.0%
Expense ratio	37.9%	37.8%	(0.2%)
Combined ratio	90.1%	95.0%	4.9%

1. Excludes non-underlying items including Canterbury earthquakes and Corporate revenue and expenses

- Underlying profit increased by $9.3m on prior year to $22.1m
- 6.8% increase in GWP a result of customer growth, risk-based pricing approach and strong retention
- Underwriting and pricing improvements, supported by benign weather drove a 5% reduction in claims ratio while the growth in net claims expense is a result of increased risks
- 4.9% reduction in NZ combined operating ratio

Improved NZ claims ratio

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



1. FY18 results included non-recurring increases to reserves from the prior year (FY17) due to updated reserving methodology
2. Benign weather environment in FY19 has contributed to improved claims ratio. The only large event during the year was the Christchurch Gas Explosion
3. Despite benefits from risk based pricing and benign weather lowering the frequency of house claims in 2019, a higher frequency of large house fires in the second half of FY19 has increased the overall claims ratio in comparison to the previous year
4. Marginally higher NZ Motor claim ratio due to a minor elevation of 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.

Financial performance
Pacific

Pacific profit summary (NZ$m)

$ million	FY 19	FY 18	Change
Gross written premium	60.2	58.4	1.8
Gross earned premium	59.3	56.3	3.0
Reinsurance costs	(17.2)	(14.8)	(2.4)
Net earned premium	**42.2**	**41.4**	**0.7**
Net claims expense	(12.0)	(17.6)	5.6
Large events claims expense	(0.2)	(3.8)	3.6
Management and sales expenses	(18.8)	(16.4)	(2.4)
Underwriting profit	**11.1**	**3.5**	**7.6**
Investment revenue and other revenue	1.1	0.7	0.3
Underlying profit before tax	**12.1**	**4.2**	**7.9**
Income tax expense	(4.4)	(2.0)	(2.4)
Underlying profit after tax	**7.7**	**2.2**	**5.5**

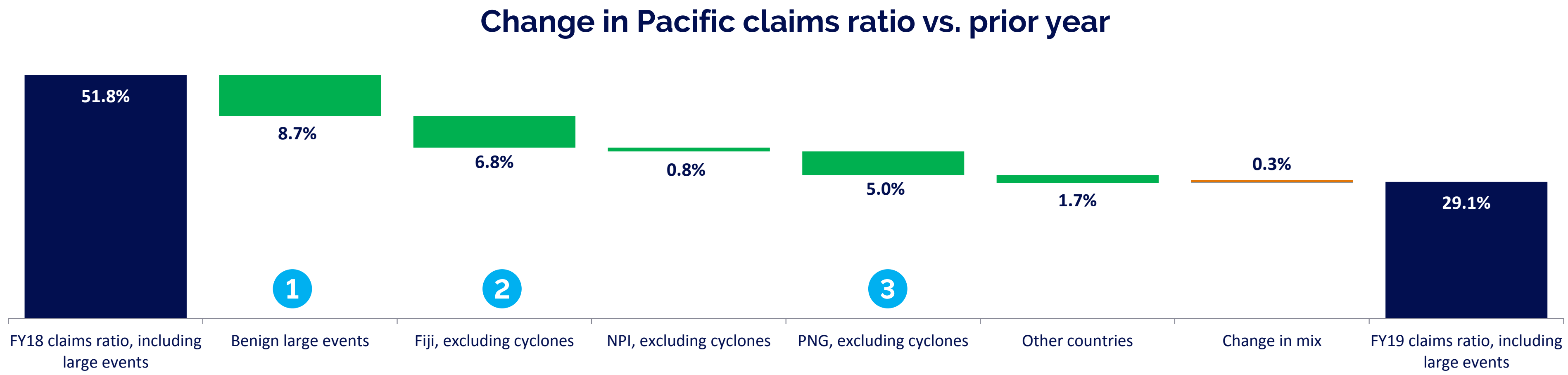
Key ratios	FY 19	FY 18	Change
Claims ratio excluding large events	28.5%	42.6%	14.1%
Claims ratio	29.1%	51.8%	22.7%
Expense ratio	44.7%	39.7%	(5.0%)
Combined ratio	73.8%	91.5%	17.7%

1. Excludes non-underlying items including Canterbury earthquakes and Corporate revenue and expenses

- Underlying profit after tax returns to historic levels, a $5.5m increase on prior year
- Continued profitable growth due to improved pricing and risk selection
- Revenue growth was strongest in Vanuatu (28.5%), Tonga (16.4%) and Cook Islands (8.2%)
- Key markets of Papua New Guinea and Fiji deliver strong profitability with growth in Fiji (2.4%) and PNG (-2.7%) affected by remedial action undertaken, and nationalisation of Compulsory Third Party insurance and workers compensation in Fiji
- Significant improvement in net claims expense and claims ratio due to improved pricing and underwriting, a benign weather environment and fewer commercial fires

Improvements in Pacific

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



1. Benign weather environment and no large events in FY19 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. Improvement in portfolio a result of remediation and improved claims management, delivering a lower claims ratio in PNG

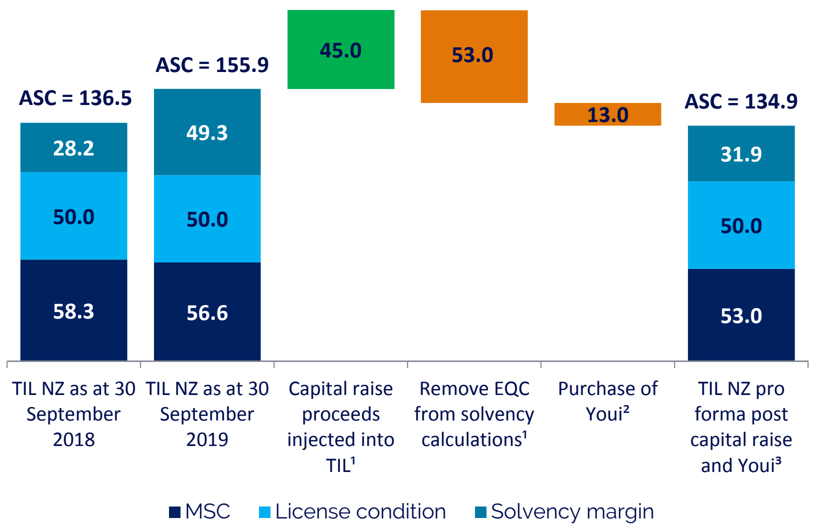
Note: Pricing changes include increases for Fiji Motor, and moving under-priced PNG Commercial Fire to standard rates. Underwriting improvements include the establishment of a centralised Pacific Underwriting team and refined underwriting guidelines for new business and renewals.

Solid solvency position

- **Strong capital position has been maintained and increased**
- **Continued focus on governance, risk, conduct and culture**

- As at 30 September 2019, Tower Insurance Limited (TIL) had $99.3m of solvency margin, which was equivalent to 275% of minimum solvency capital
- $21.1m increase in solvency margin from 30 September 2018, and is $49.3m above RBNZ minimum requirements
- Subsequent to our year end position, our solvency position will change. The agreement with RBNZ to remove EQC recoveries outstanding from our solvency calculation and TIL's acquisition of Youi (pending RBNZ approval) will reduce solvency margin
- Tower Limited has drawn down $15m in FY19 on a new cash advance facility, maturing in March 2023, to fund the completion of IT investment
- Tower Insurance continues giving active consideration to simplifying its corporate structure to make Tower Insurance the listed parent or, if not feasible, ensuring that Tower Insurance Limited will have a majority of directors independent of the listed parent company
- Tower Insurance continues to be confident in the recovery of the EQC receivable (refer to page 29 for further detail), and Tower Insurance's Board and management remain firmly committed to its collection to the maximum extent possible

Tower Insurance Limited solvency position, adjusted for certain events after 30 September 2019 ($m)



1. Occurred 31 October 2019
2. Purchase of Youi portfolio is subject to regulatory approval
3. Reflects pro forma impact of capital raise, removal of EQC receivable from solvency calculations, purchase of Youi portfolio and a reduction in MSC recognising the additional risk margin of $5m that was applied at 31 October 2019
4. ASC = Actual Solvency Capital, MSC = Minimum Solvency Capital

The Youi acquisition

- **Tower Insurance purchasing Youi's ~34,000 in-force New Zealand policies**
- **Formal application lodged with RBNZ, completion expected soon**

Delivers growth

- Provides immediate access to customers and GWP growth, solidifies Tower's challenger position in the market, and offers significant retention and cross-sell opportunity with customer-focused offering
- Youi portfolio is well underwritten, with a risk-based approach to pricing and in line with Tower's underwriting excellence approach
- Youi will contribute approximately $2m to Underlying NPAT ($4m pre-amortisation of goodwill) reflecting the pro rata inclusion of 9 months of its full year

Realising scale to deliver shareholder value

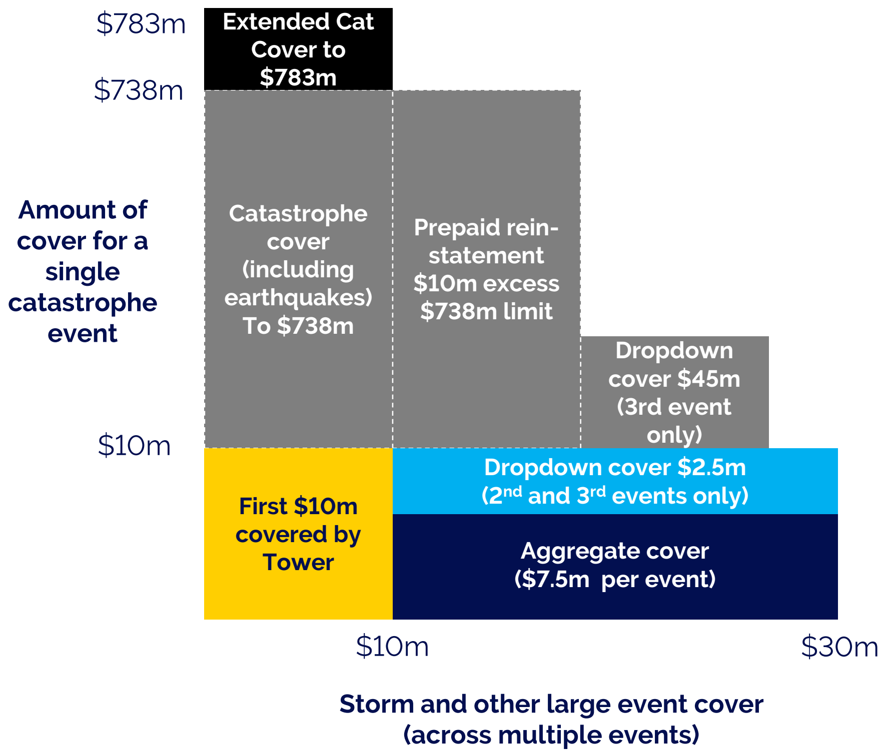
- Planning for integration of the portfolio is now well advanced and will leverage our investment in new technology systems
- Drives shareholder value through realisation of scale benefits, with intention to incorporate the portfolio into Tower's existing reinsurance cover, and management expenses at marginal cost
- Investment will be amortised over a period that matches benefits received from the acquisition
- Expected contribution to Tower over the first 12 months continues to be in line with indication provided to the market in September

Improved reinsurance outcomes

- **Increased protection on favourable terms**
- **Reinvesting savings to reduce exposure and volatility**

- Increased catastrophe cover from $738m to $783m, providing additional certainty
- Increased catastrophic event coverage from two events to three
- Added additional dropdown cover to minimise any potential impacts
- Tower's exposure to catastrophe limited to $10m per event
- Tower's exposure to storm and other events capped at $10m, up to a limit of $30m
- Continued improvement in reinsurance ratio expected

High-level reinsurance structure overview



Future outlook

Richard Harding
Chief Executive Officer

Challenging the market to grow

- Digital challenger positioning enables achievement of medium-term targets

Setting up for 2021

FY19

- Complete IT upgrade development
- Keep driving growth
- Deliver underwriting and pricing improvements
- Control expenses and invest in growth

Work complete

FY20

- Migrate customers to new system
- Keep driving growth
- Start deriving benefits from IT upgrade
- Conduct and culture improvements

FY21

- Decommission legacy systems and derive full benefits
- Keep driving growth
- SME and usage based insurance
- Drive Pacific growth and expansion

FY20 financial outlook

- **Solid growth and profitability expected to continue**

- FY20 is a year of transition, as Tower migrates its portfolio to a new IT platform and a suite of simpler products
- Guidance for underlying NPAT in FY20 is $27m - $30m, based on the following assumptions:
  - General insurance market conditions remain positive for growth and pricing, allowing GWP growth consistent with FY19, in addition to growth generated by the acquisition of the Youi portfolio
  - Return to long run average large event costs of $8m per annum pre-tax, compared with FY19 $1.3m pre-tax.
  - Youi will contribute approximately $2m to Underlying NPAT ($4m pre-amortisation of goodwill) reflecting the pro rata inclusion of 9 months of its full year
- FY20 guidance includes a heightened level of management expenses of $5m - $7m pre-tax due to the transition to the new IT platform, including:
  - Additional costs of operating an additional IT platform in parallel during the period of transitioning of policies to the new EIS platform and subsequent decommissioning of the old platform
  - Additional resources to ensure effective transitioning of policies to the new EIS platform and to handle the more manual processes on the old platform
- In addition to other productivity gains, the Board expect these costs to be removed from Tower's expense base in the year after migration is completed and, by early FY21, Tower will be operating at or near its target MER of less than 35%
- Tower's Board has determined that in FY20, Tower will pay a dividend of 50% to 70% of reported NPAT, where prudent to do so

Appendices

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

$ million	FY 19 underlying profit	Non-underlying items (1)	Claims handling expenses (2)	Corporate costs (3)	Other items (4)	FY 19 reported profit
Gross written premium	356.8					356.8
Gross earned premium	345.0					345.0
Reinsurance expense	(55.0)					(55.0)
Net earned premium	**290.0**	**0.0**	**0.0**	**0.0**	**0.0**	**290.0**
Net claims expense	(141.6)	(12.6)	(21.4)			(175.7)
Management and sales expenses	(116.0)	(2.3)	21.4	3.5	(4.4)	(97.9)
Underwriting profit	**32.4**	**(15.0)**	**0.0**	**3.5**	**(4.4)**	**16.5**
Corporate management expenses	-			(3.5)		(3.5)
Investment and other revenue	7.0	1.9			4.4	13.3
Financing costs	(0.3)					(0.3)
Underlying profit before tax	39.1					
Income tax expense	(11.6)	2.5				(9.2)
Underlying profit after tax	**27.4**					
Canterbury impact	(6.0)	6.0				
Foreign tax credits write-off	(1.6)	1.6				
Simplification programme opex	(1.0)	1.0				
Other non-underlying costs	(2.1)	2.1				
Reported profit after tax	**16.8**	**0.0**	**0.0**	**0.0**	**0.0**	**16.8**

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 audited financial statements for the year ended 30 September 2019.

Notes on reconciling items:

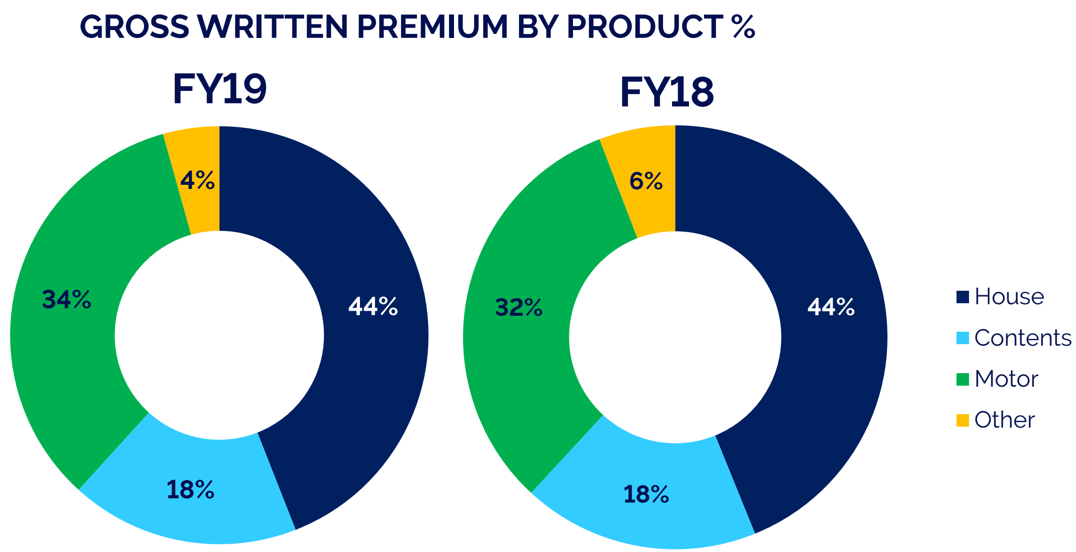
1. Non-underlying items are shown separately in Tower's management reporting, yet included within other lines (depending on the nature of the item) in the financial statements.
2. In Tower's management reporting, indirect claims handling expenses are reported within 'management and sales expenses'. In the financial statements, indirect claims handling expenses are reclassified to 'net claims expense'.
3. Corporate costs are included in management expenses for Tower's management reporting, however are excluded from underwriting profit for statutory reporting.
4. 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)	FY19	FY18	Change
Core	239.0	219.1	9.1%
Non-core	57.6	58.6	-1.7%
Total NZ business	**296.6**	**277.7**	**6.8%**

Risk counts (000s)	FY19	FY18	Change
Core	408.7	391.0	4.5%
Non-core	82.0	91.3	-10.2%
Total NZ business	**490.7**	**482.3**	**1.7%**

NZ GWP ($m)	FY19	FY18	Change
House	130.7	121.8	7.3%
Contents	52.4	50.0	4.8%
Motor	100.6	89.7	12.1%
Other	12.9	16.1	-20.1%
Total NZ business	**296.6**	**277.7**	**6.8%**



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.

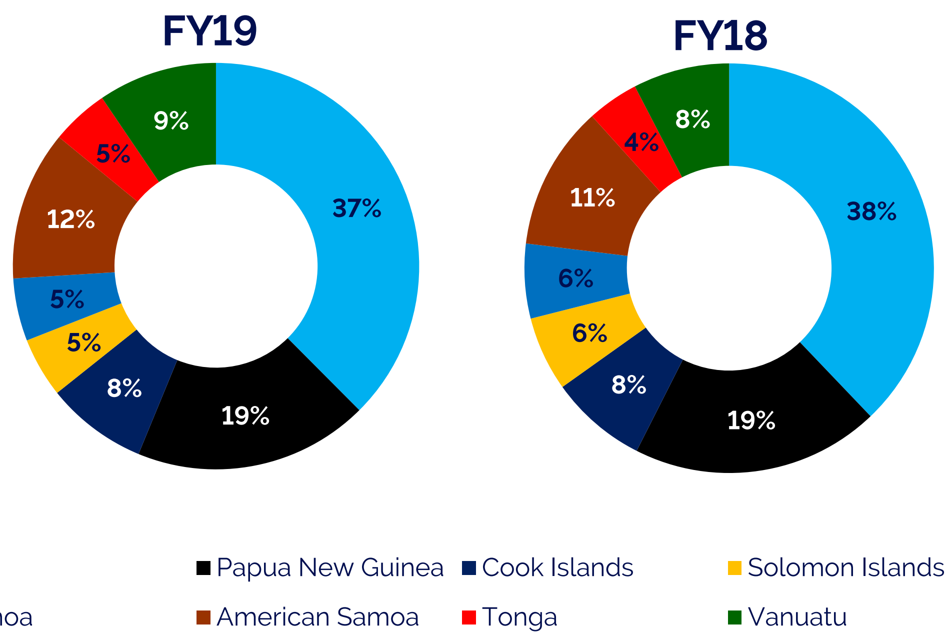
Pacific revenue by country

GROSS WRITTEN PREMIUM (NZ$m)

Country	FY19	FY18	Change
Fiji	22.7	22.1	2.4%
Papua New Guinea	11.1	11.5	-2.7%
Cook Islands	4.9	4.5	8.2%
Solomon Islands	2.9	3.4	-16.4%
Samoa	3.0	3.4	-12.5%
American Samoa	7.2	6.7	7.9%
Tonga	2.8	2.4	16.4%
Vanuatu	5.7	4.4	28.5%
Total	**60.2**	**58.4**	**3.1%**

Fiji normalised	FY19	FY18	Change
Fiji (excl WC)	23.0	21.0	9.3%
Fiji WC	(0.3)	1.1	-127.5%
Total	**22.7**	**22.1**	**2.4%**

Total Pacific (excl WC)	**60.5**	**57.3**	**5.6%**



- Nationalisation of Workers Compensation in Fiji dampened our GWP growth in FY19
- PNG has focused on profitability in FY19 through remediation of its portfolio, NPAT up 622% on FY18

Canterbury earthquakes update

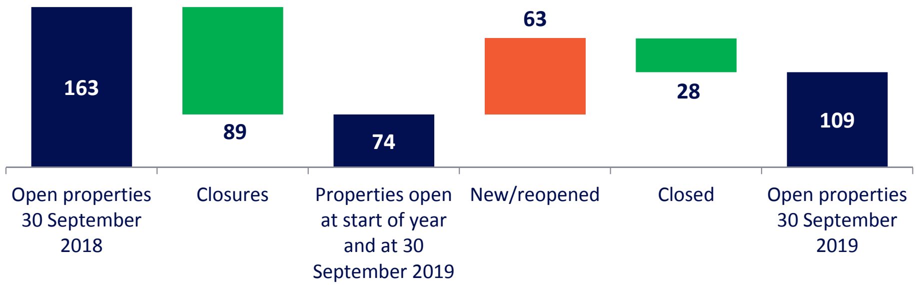
- **Continued progress with 117 claims closed in 2019**
- **95 open claims remain as at 31 October 2019**

- Tower continues to receive higher than expected new over-cap claims from the EQC as a result of past performance, poor workmanship and faulty repairs
- While the number of Canterbury earthquake claims continues to reduce steadily, new over-cap claims from the EQC continue to be a source of upward pressure on valuation
- Additional uncertainty managed through solvency capital held by Tower

Update on EQC receivable

- Tower currently holds a receivable from the EQC with a book value of $69.9m as at 30 September 2019. $16.9m of this receivable is payable to reinsurers, resulting in a net asset of $53m
- Tower continues to be confident in the recovery of this receivable, and Tower's Board and management remain firmly committed to collection of the EQC receivable to the maximum extent possible
- Tower is currently engaged with EQC in an alternative dispute resolution process in regards to the Buildings recovery, however, it is more likely that the dispute will proceed to litigation, which may cause the timing of the recovery to be delayed and may not result in full recovery of the receivable

MOVEMENT IN PROPERTIES



$ million	Sep-19	Mar-19	Sep-18
Case estimates	20.8	29.7	37.5
IBNR/IBNER[1]	18.0	20.3	21.4
Risk margin	7.8	9.0	9.0
Additional risk margin	5.0	5.0	5.0
Actuarial provisions	30.8	34.3	35.4
Gross outstanding claims	**51.6**	**64.0**	**72.9**
Ratio of provisions to case estimates[2]	148%	115%	95%

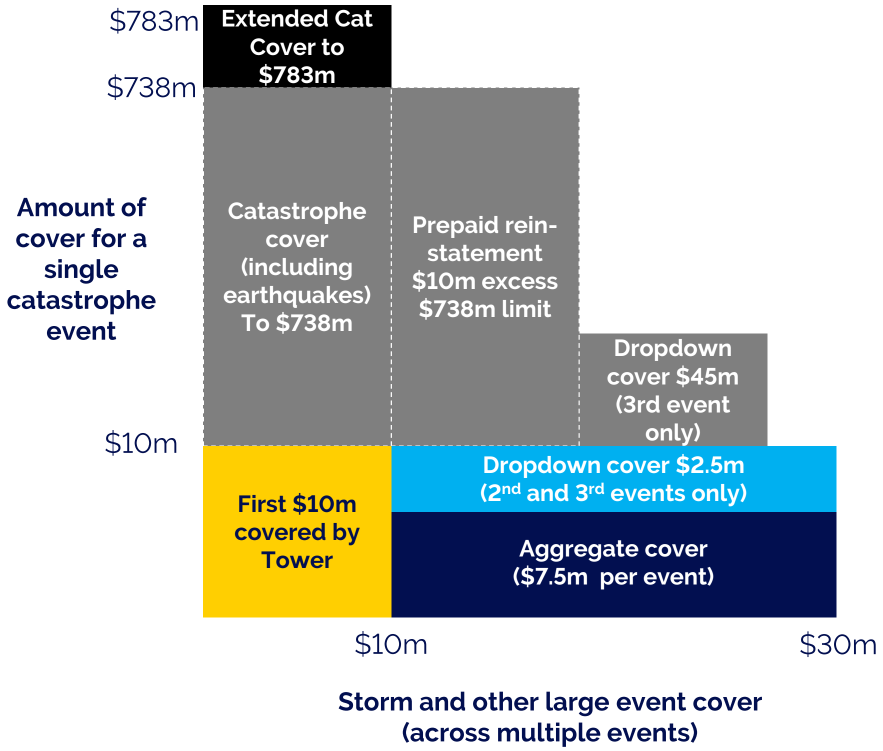
Notes:
1. IBNR ("Incurred but not reported") / IBNER ("Incurred but not enough reported") includes claims handling expenses
2. Ratio of IBNR / IBNER plus risk margin to case estimates

Balance sheet
Tower Group

$ million	30 September 2019	30 September 2018	Movement $	Movement %
Cash & call deposits	67.0	102.0	(35.0)	(34.3%)
Investment assets	229.2	198.2	30.9	15.6%
Deferred acquisition costs	23.7	22.6	1.1	5.1%
Intangible assets	74.2	45.0	29.2	64.8%
Other operational assets	309.4	318.3	(9.0)	(2.8%)
Total assets	**703.5**	**686.2**	**17.3**	**2.5%**
Policy liabilities & insurance provisions	311.9	324.5	(12.6)	(3.9%)
External debt	15.0	0.0	15.0	100.0%
Other operational liabilities	83.9	86.9	(3.0)	(3.5%)
Total liabilities	**410.8**	**411.4**	**(0.6)**	**(0.1%)**
Total equity	**292.7**	**274.8**	**17.9**	**6.5%**

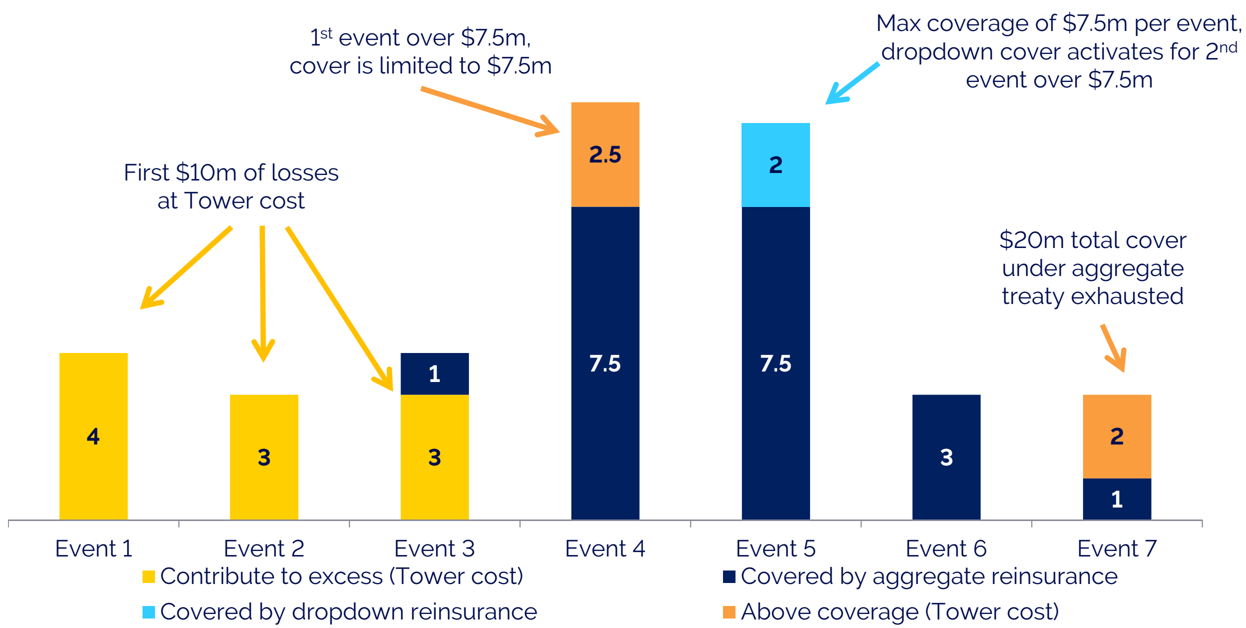
Reinsurance structure overview

High-level reinsurance structure overview



Aggregate cover overview for FY20

- 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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