



# Leading light

Half year results to 31 March 2015

26 May 2015



TOWER



## Michael Stiasny

Chairman

“Deliver attractive shareholder returns by being the leading light in New Zealand and Pacific general insurance.”



# Delivering **shareholder returns**



**General Insurance strategy** underpinning attractive returns in New Zealand and Pacific Rim

**Significant investment in digital and direct platforms** to leverage growth opportunities

Further progress on Canterbury claims supported by **reserve strengthening and extended reinsurance cover**

First half **dividend 8.5 cps, up 30.8%**

**On market buy back of up to \$34 million** to begin following results

TOWER has further surplus **capital to support shareholder returns and growth**



# David Hancock

Chief Executive Officer

+ What we are covering today

+ Performance highlights

+ General insurance  
and operations

+ Financial performance  
and risk management

+ Strategy and outlook





# Performance highlights



<b>General Insurance Underlying profit up</b> strongly supported by premium rate increases, solid Pacific growth and a benign claims environment	<b>Additional provisions for Canterbury earthquake claims</b> to reflect higher costs; further significant progress on claims resolution
<b>Significant investment</b> in digital and direct distribution platforms to build contemporary service capabilities and growth options	<b>Build on alliance portfolio</b> and drive policy growth through digital platforms, including Trade Me
<b>Pacific growth continues</b> , strong revenue and earnings growth, investment in online presence and broadened capabilities	<b>Strong capital management</b> – new reinsurance protection, further capital returns, increased dividends and strong solvency

# Financial highlights



General Insurance	HY15	HY14	Movement %
Gross Written Premium (GWP) (\$m)	145.9	139.2	4.9%
Underlying underwriting profit (\$m)	19.8	13.5	46.1%
Underlying NPAT <sup>1</sup> (\$m)	17.9	13.1	36.4%
New Zealand underlying NPAT (\$m)	12.8	9.8	30.1%
Pacific underlying NPAT <sup>2</sup> (\$m)	5.1	2.7	86.9%
Underlying claims ratio (%)	44.5%	50.4%	
Underlying combined ratio (%)	84.2%	88.3%	
Group			
Underlying net profit after tax (\$m)	17.5	13.8	27.2%
Reported net profit after tax (\$m)	(4.9)	13.1	
Underlying EPS <sup>3</sup> (c)	10.0	5.0	102.6%
DPS (c)	8.5	6.5	30.8%

- + TOWER Group underlying profit of \$17.5m, up 27.2%
- + Canterbury provisions increased \$22.6m after tax
- + Reported loss after tax \$4.9m
- + General Insurance underlying profit up 36.4% to \$17.9 million
- + NZ underlying profit up 30.1%
  - benign claims environment with GWP growth and cost control
- + Pacific underlying profit up 86.9%
  - strong policy and premium growth and reduced loss ratios
- + Half year dividend 8.5 cents per share, up 30.8%

1. Underlying NPAT excludes Canterbury impacts and discontinued businesses

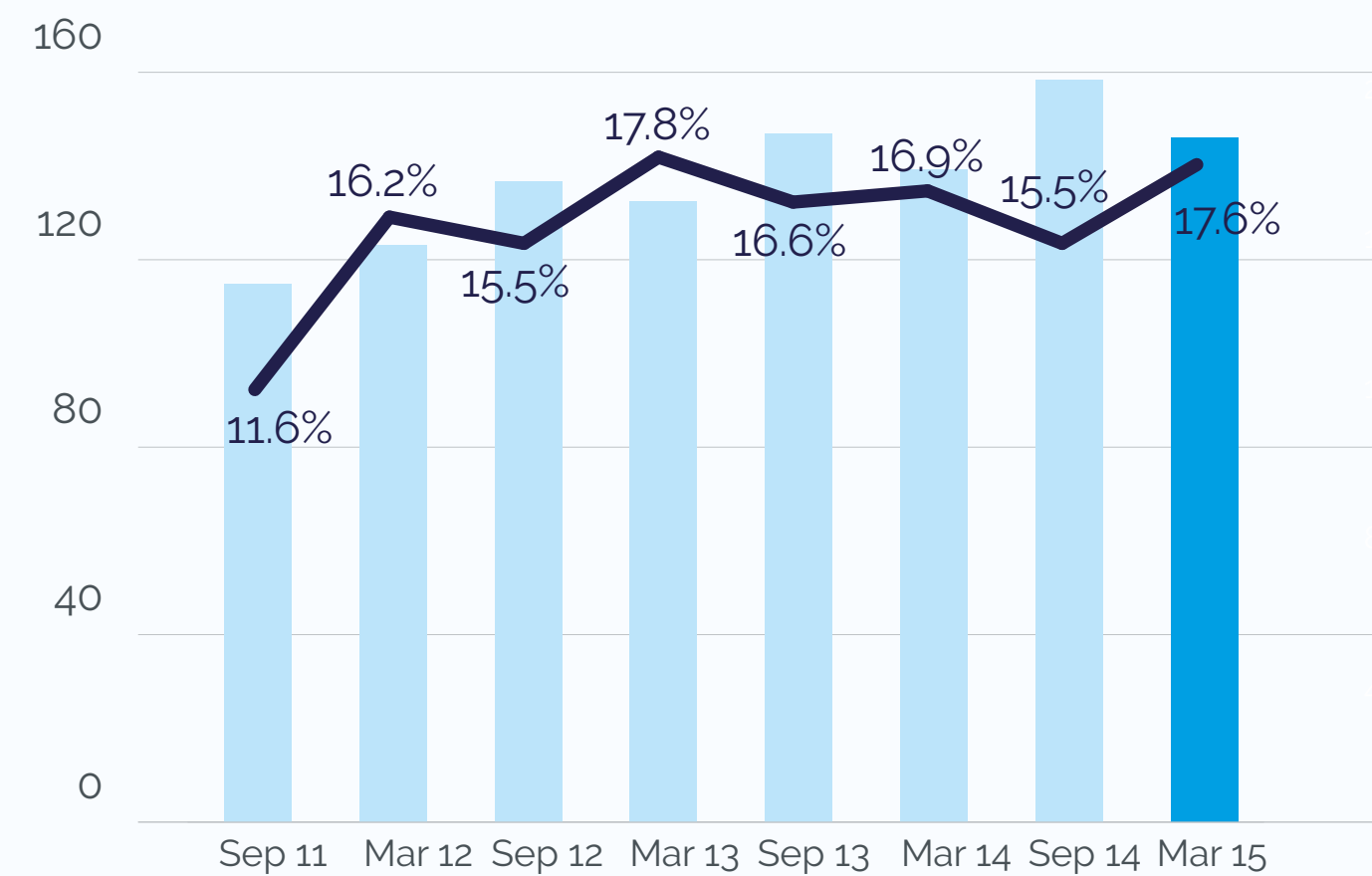
2. HY14 includes \$0.5m Australia NPAT

3. Profit attributable to shareholders from ongoing operations only and excludes Canterbury impacts

# Performance indicators

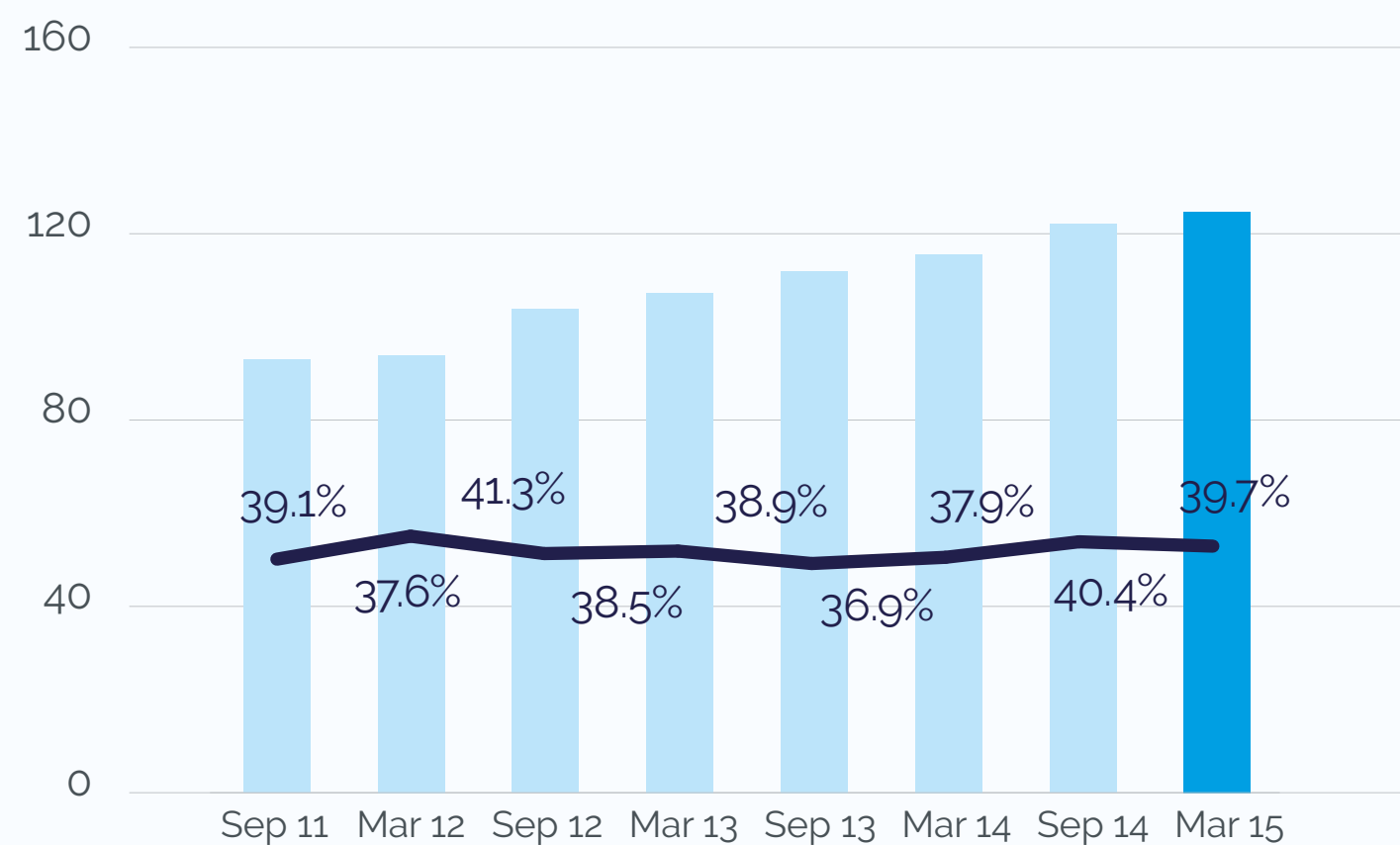
GROSS WRITTEN PREMIUM

● Gross written premium (\$m)  
● Reinsurance ratio (% of GWP)



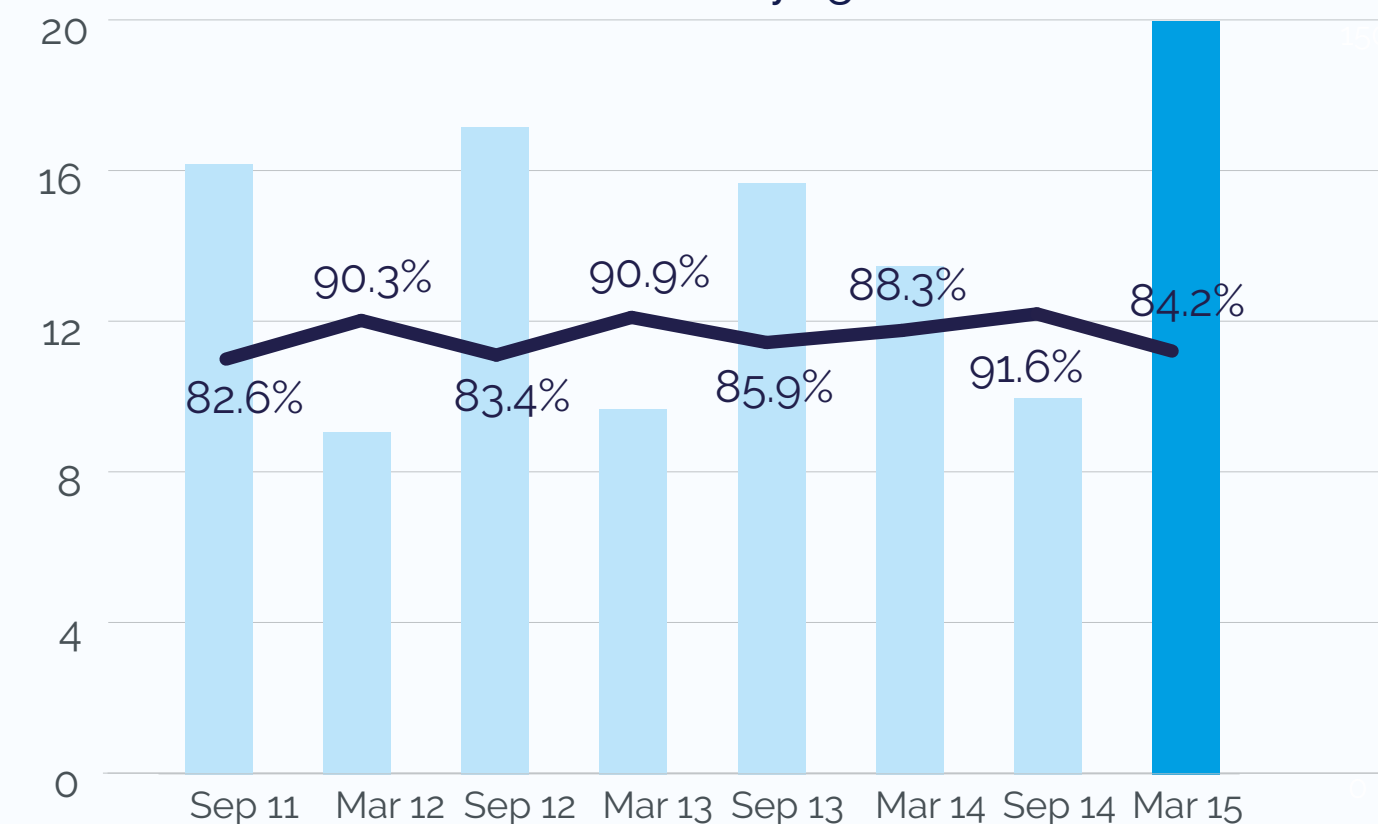
NET EARNED PREMIUM

● Net earned premium (\$m)  
● Underlying expense ratio (%)



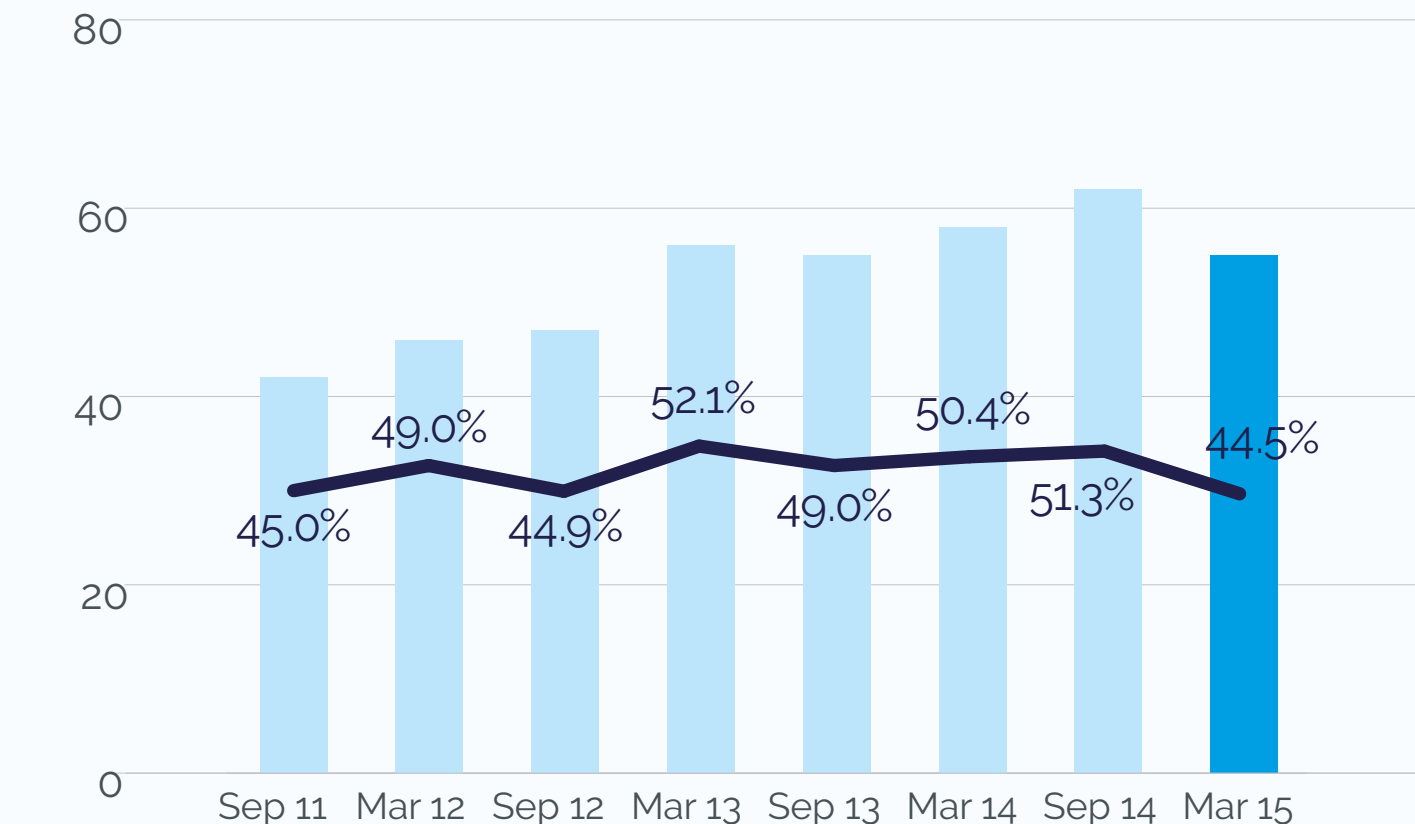
UNDERWRITING PROFIT

● Underwriting profit (excluding Canterbury, Australia and FX) (\$m)  
● Underlying combined ratio (%)



CLAIMS

● Claims excluding Canterbury (\$m)  
● Claims ratio excluding Canterbury and Australia revaluation (%)



- + GWP and NEP continue to grow driven by Pacific policy growth and premium increases in New Zealand
- + Reinsurance cost increased in the half due to deliberate strategy to manage risk for better returns
- + Claims ratio improved – absence of large claim events
- + Underlying combined and claims ratios improved supported by better weather

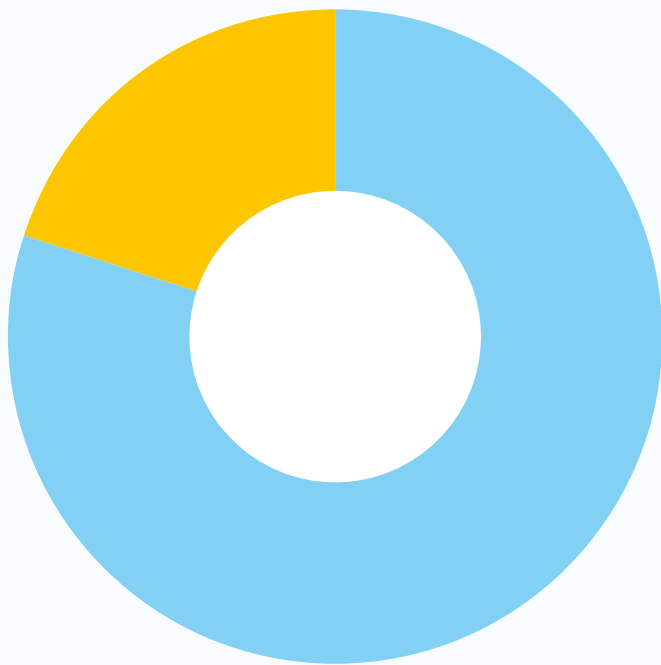
# A New Zealand and Pacific **insurer**



HY15:

**\$145.9m**

GWP

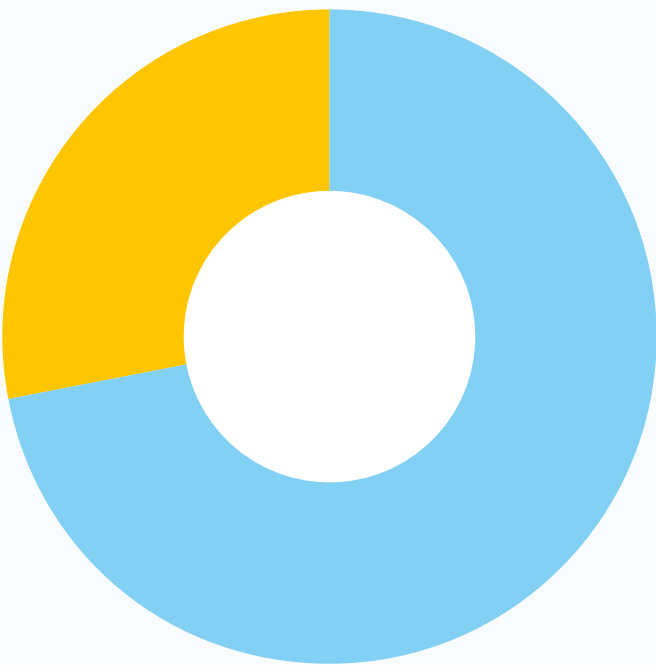


● New Zealand 80%  
● Pacific Islands 20%

HY15:

**\$17.9m**

UNDERLYING NPAT<sup>1</sup>

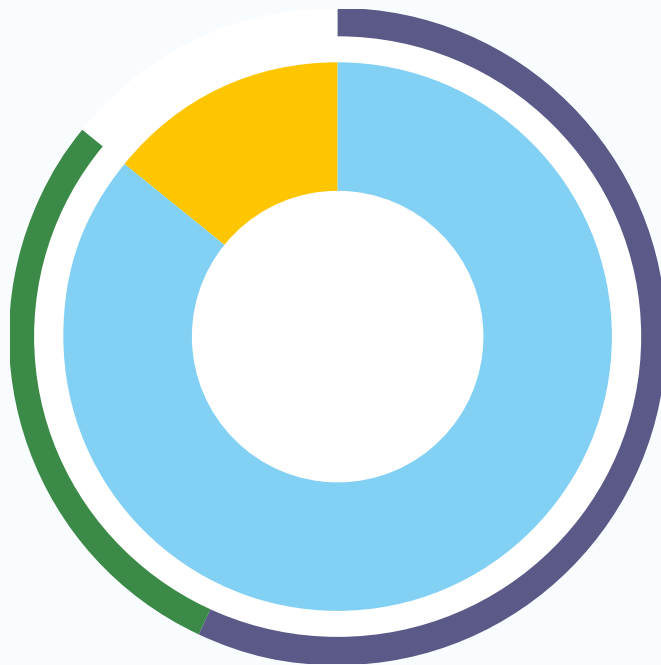


● New Zealand 72%  
● Pacific Islands 28%

As at 31 March 2015:

**487,718**

Inforce policies

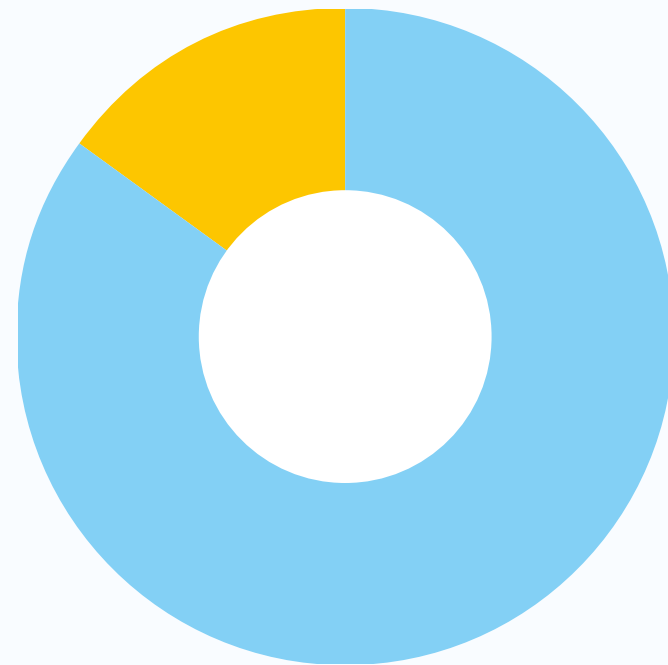


● New Zealand 86%  
● Pacific Islands 14%  
● New Zealand - Direct 66%  
● New Zealand - Alliances 34%

As at 31 March 2015:

**270,515**

Clients<sup>2</sup>



● New Zealand 85%  
● Pacific Islands 15%

1. Excludes impact of the Canterbury earthquakes and the discontinuation of previous businesses.  
2. One customer can be comprised of multiple policies



A middle-aged man with short, light-colored hair, wearing a light pink button-down shirt, is seated in a blue office chair. He is gesturing with his right hand while speaking. A name tag on his shirt reads "David Hancock". The background is a blurred office environment with computer monitors and desks.

**David Hancock**  
Chief Executive Officer

- + Performance highlights
- + **General insurance and operations**
- + Financial performance and risk management
- + Strategy and outlook



# Strategic priorities



## + Focus for HY15:

- alliances and digital platforms
- transforming customer interactions
- growth in Pacific Rim markets
- unlocking brand potential
- Canterbury progress



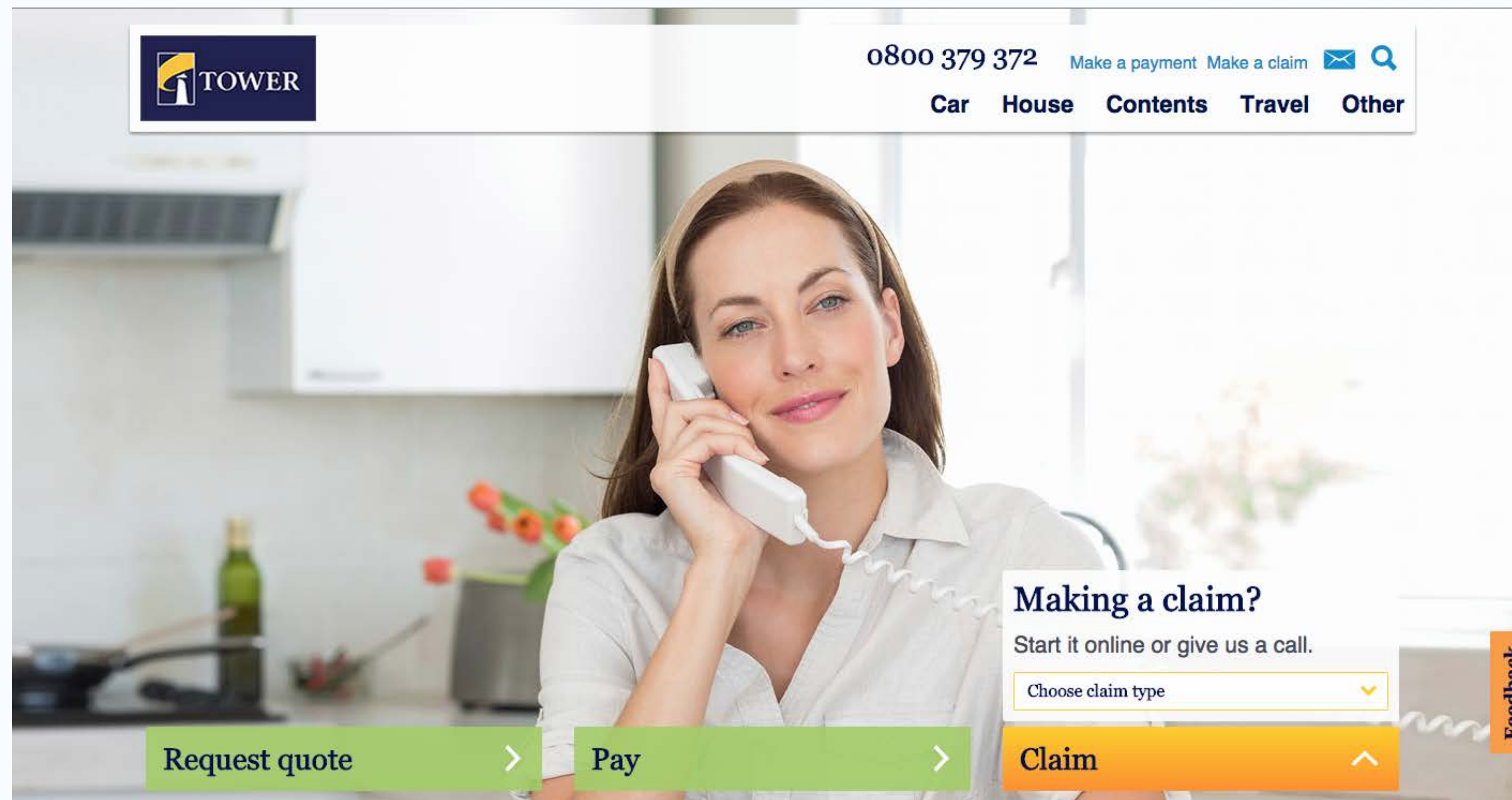
# Alliance distribution channel

**New**  
markets and  
customers

- + Alliance partners bring new business through new marketing channels
- + Strong partnerships with major banks, planner networks and specialist brokers
- + Significant investment in digital capabilities and customer service to support alliance opportunities



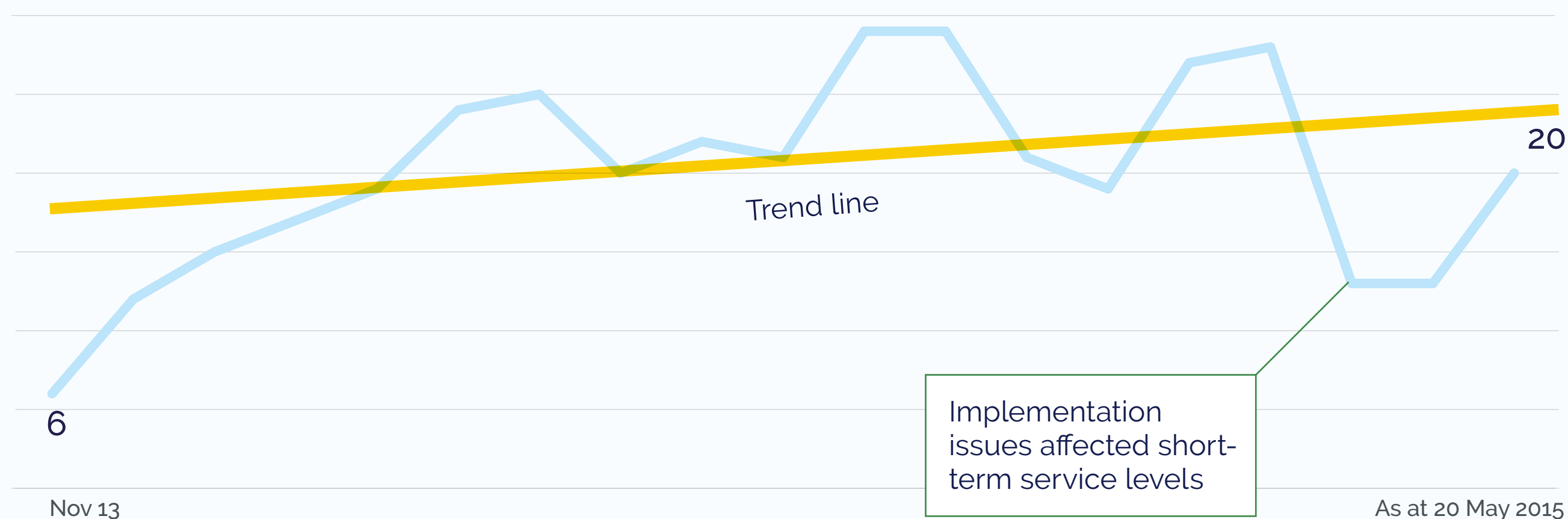
# Transforming our customer interactions



- + **Reconfiguration of sales and services teams**
  - aligning people structures to our customers
  - creating efficiencies and improved customer experience
- + **Digital platform to transform the customer experience**
  - a world-class integrated sales, self service and claims lodgement platform
  - transform the way we do business
  - a scalable platform for new alliance partners
- + **Acceleration of core platform upgrade**
  - completion now expected mid 2016
  - positive feedback from customers
  - significant cost savings when legacy system decommissioned



# Transforming our customer interactions



- + Net Promoter Score (NPS) monitors the quality of our service, interactions and customer satisfaction
  - NPS can be a volatile measure
  - NPS supports sales and reduces lapse rates
- + Positive trend over 18 months reflects focus on customer service
- + During HY15 sales and service teams were combined to transform service and efficiency
  - Implementation issues affected short-term service levels and NPS
  - However, measures to improve service performance including increased staff numbers and training have seen NPS recover
- + Targeting NPS of 35 by 2015 financial year-end

## Methodology

Customers are asked: "On a scale of 0 to 10, how likely would you be to recommend TOWER to family, friends or colleagues?"

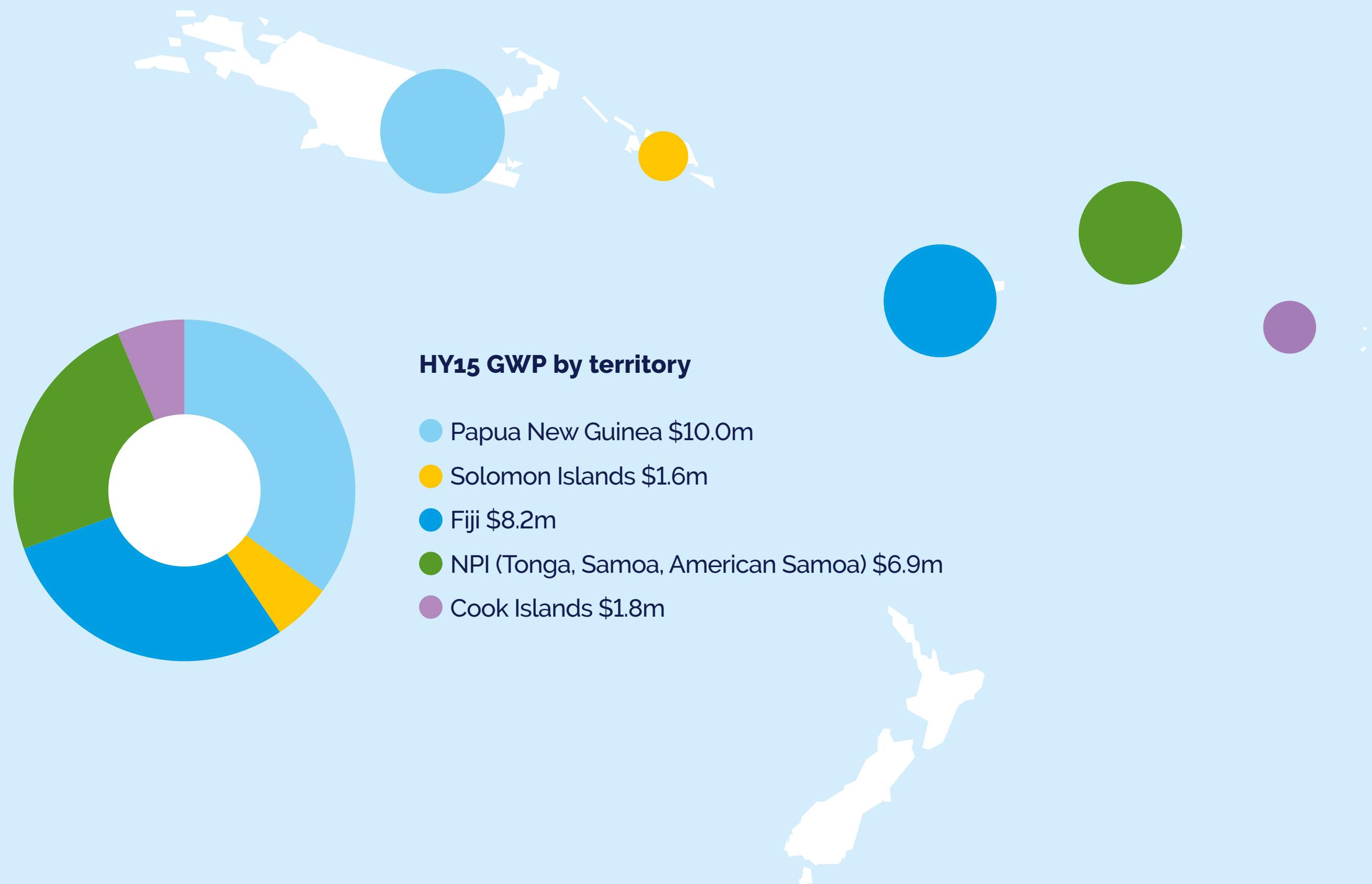
Scores are classified as follows



Promoters (Green icon)  $-$  Detractors (Black icon)  $=$  Net Promoter Score (NPS) (Blue circle)



# Leadership in Pacific Rim markets



- + A leading insurer in the Pacific with 100 year history – attractive margins and growth
- + Underlying NPAT up 86.9% to \$5.1m
- + Pacific highlights
  - GWP growth of 14% (NZ\$)
  - strong policy growth 7.7%
  - loss ratio 28.3% down from 42.3%
  - currency supported NZ\$ earnings
- + Fiji, PNG and NPI strong
- + NPS at 47, high staff engagement and customer service



# Investing for growth in the Pacific Rim



- + Long operating history and strong brands in the region
- + Upgrade underway of core insurance platform across the Pacific
- + New websites launched in Fiji, Papua New Guinea and the Solomon Islands
- + New alliance partnerships implemented in Papua New Guinea with early sales promising
- + New product launches in Tonga and Samoa through new and existing business partners
- + Preparation for Vanuatu launch
- + Scoping of further new markets





# Unlocking brand potential **through innovation**



- + **A trusted New Zealand and Pacific insurer**
  - Revised brand strategy to be launched shortly
  - Text messages sent to customers regarding Cyclone Pam, example of TOWER looking out for its customers
- + **Recognised innovator**
  - Launch of full replacement for fire benefit in October 2014
  - SmartDriver awarded; new version of app launched May 2015
- + **Successful business-as-usual campaigns**
  - Win a year's free insurance drives inbound call inquiries
  - Full replacement for fire campaign resulted in significant improvement in awareness and trust for TOWER
- + **Fully responsive website launched in May**
  - Easier for customers to get information about TOWER





# Canterbury progress



CLAIMS SETTLED  
AND CLOSED

94%

As at 30 April 2015

ON TRACK  
TO EXCEED

95%

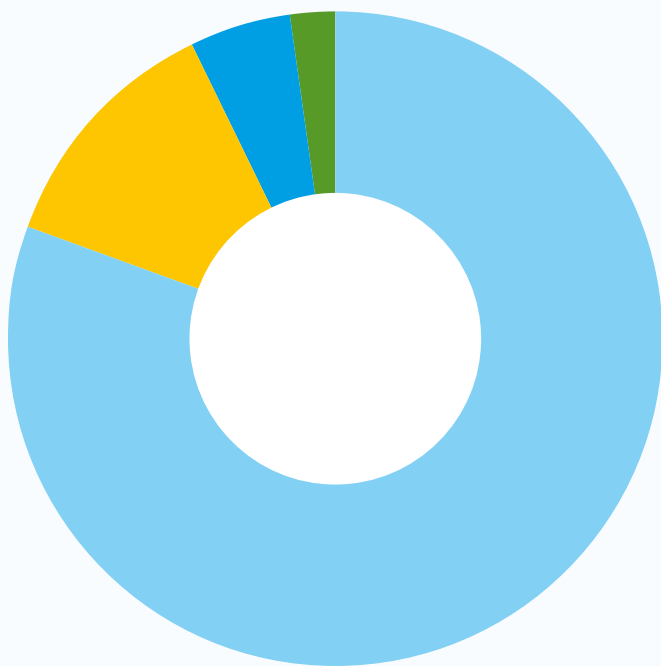
SETTLEMENT AND CLOSURE  
OF EARTHQUAKE CLAIMS BY  
THE END OF 2015

OUTSTANDING  
PROPERTIES

914

As at 30 April 2015

- + The resolution of Canterbury claims remains a key operational priority
- + Dedicated team committed to providing certainty for customers and shareholders
- + New claims declining: 328 new claims received in HY15, significantly less than in HY14
- + TOWER has settled and closed 94% (by volume) and 84% (by value) of all Canterbury earthquake claims
  - Well ahead of industry average
  - On track to exceed 95% settlement and closure of earthquake claims by end of calendar year 2015



Canterbury progress (all claims)

- Cash settled 85%
- Work completed 9%
- Pre-construction 3%
- In construction 1%



## Brett Wilson

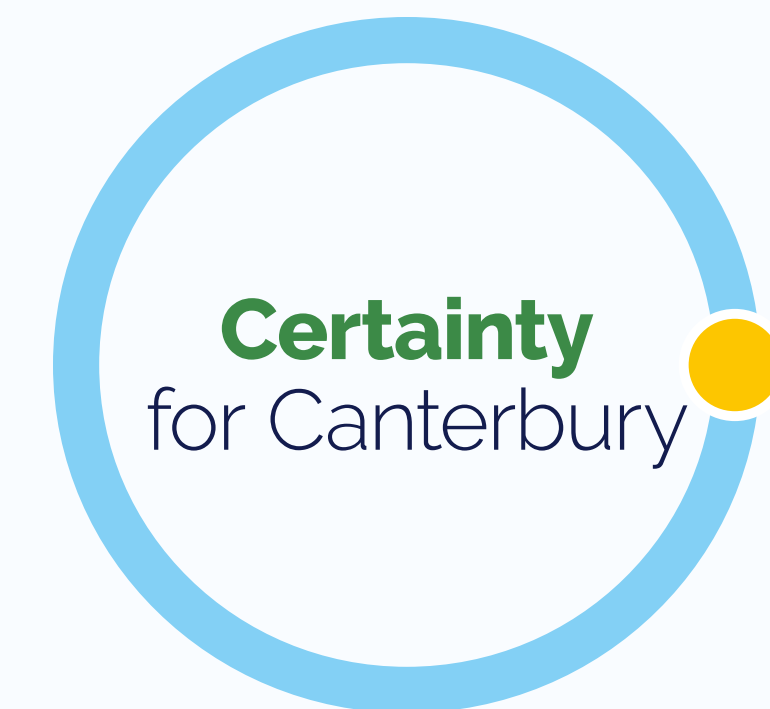
Chief Financial Officer

- + Performance highlights
- + General insurance and operations
- + Financial performance and risk management
- + Strategy and outlook





# Provisions for **Canterbury**



## Background

- + Four separate events make up the Canterbury earthquakes
- + Reinsurance cover for each event increased from \$290 million in September 2010; to \$325 million in February 2011 and June 2011; to \$500 million in December 2011
- + Reinsurance cover now at \$682 million
  - February 2011 event caused the greatest damage, with claims exceeding its original reinsurance limit
  - Claims associated with the other earthquake events remain within reinsurance limits
- + Deloitte undertakes quarterly actuarial reviews of the Canterbury earthquake claims provision

## Provision increase

- + Most recent actuarial review projected that costs attributed to TOWER would be \$35.5 million (before tax) higher than previously estimated due to:
  - Increased allocation of claims into February 2011 event
  - Increased costs associated with multi-unit dwelling claims
  - Industry-wide increase in repair and rebuild costs and time delays affecting outstanding claims

## Earthquake allocation

(\$m)	Feb 11 event		Total Canterbury	
	Mar15	Sep14	Mar15	Sep14
Customer Claims	404.3	368.8	748.3	706.9
Reinsurance recoveries <sup>1</sup>	335.2	331.1	662.6	652.6
<b>Net expense to TOWER</b>	<b>69.1</b>	<b>37.7</b>	<b>85.7</b>	<b>54.3</b>
Net provision increase	31.4		31.4	
Tax benefit	(8.8)		(8.8)	
<b>Net impact on HY15 P&amp;L</b>	<b>22.6</b>		<b>22.6</b>	

1. Includes reinsurance benefit from Adverse Development Cover



# TOWER Group

## Profit summary



\$ million	HY15	HY14	Movement \$	Movement %
General Insurance	17.9	13.1	4.8	36.4%
Life <sup>1</sup>	-	3.7	(3.7)	(100.0%)
Business unit net profit after tax	17.9	16.8	1.1	6.5%
Corporate financing costs and investment income	0.7	(1.6)	2.3	(147.0%)
Corporate expenses	(1.1)	(1.4)	0.4	(24.3%)
<b>Profit excluding the impact of discount rate and abnormal items</b>	<b>17.5</b>	<b>13.8</b>	<b>3.7</b>	<b>27.2%</b>
Profit on disposal of subsidiaries	0.2	-	0.2	na
Impact of Canterbury earthquakes	(22.6)	-	(22.6)	na
Net impact of abnormal items	-	(0.7)	0.7	(100.0%)
<b>Reported net profit after tax<sup>2</sup></b>	<b>(4.9)</b>	<b>13.1</b>	<b>(17.9)</b>	<b>(137.3%)</b>

- + General insurance underlying profit up strongly
- + Underlying EPS of 10.0 cps for the half year; starting to reflect the new operating structure
- + Reduced large claim events
- + Provisions for Canterbury claim costs increased \$22.6 million after-tax

1. Life includes profits from significant part of life business sold in FY13, and the remaining TLNZ sold in FY14

2. A number of items are classified as discontinued operations in the Group financial statements



# Underlying performance

## General Insurance



\$ million	HY15	HY14	Movement \$	Movement %
Gross earned premiums	150.4	139.1	11.3	8.2
Reinsurance	(25.7)	(23.5)	(2.2)	9.4
<b>Net premiums</b>	<b>124.7</b>	<b>115.6</b>	<b>9.1</b>	<b>7.9</b>
Net incurred claims	(55.5)	(53.4)	(2.1)	3.9
Large claim events <sup>1</sup>	-	(4.8)	4.8	(100.0)
Management and sales expenses	(49.5)	(43.9)	(5.5)	12.6
<b>Underwriting profit</b>	<b>19.8</b>	<b>13.5</b>	<b>6.2</b>	<b>46.1</b>
Investment revenue	6.3	5.7	0.6	10.4
<b>Underlying Profit before tax</b>	<b>26.0</b>	<b>19.2</b>	<b>6.8</b>	<b>35.5</b>
Income tax expense	(8.2)	(6.1)	(2.1)	33.6
<b>Underlying Profit after tax</b>	<b>17.9</b>	<b>13.1</b>	<b>4.8</b>	<b>36.4</b>
Impact of Canterbury earthquakes <sup>2</sup>	(22.6)	(0.1)	(22.5)	
Revaluation of Australia liabilities and FX loss <sup>3</sup>	-	(1.2)	1.2	
<b>Profit (loss) after tax</b>	<b>(4.7)</b>	<b>11.8</b>	<b>(16.5)</b>	

- + Reinsurance costs stabilised allowing for net premium growth
- + No large claim events
- + We continue to invest for future growth, particularly in IT, people and performance
- + Strong investment returns
- + Gross earned premiums have grown strongly

1. Large claim events are those greater than \$1m. 2014 large claim events were due to the storms within New Zealand.

2. In the Group financial statements the impacts of the Canterbury earthquakes are accounted for as part of Claims expense and the tax impact thereon, and include both an increase in the provision for claims and actual claims expense, plus an amount associated with reinsurance.

3. In the Group financial statements the revaluation and FX impact of Australia liabilities are accounted for as part of (loss)/profit from discontinued operations.



# Strong Balance sheet



\$ million	HY15	HY14	Movement \$m
Cash & call deposits	152.3	286.6	(134.3)
Investment assets	215.7	809.6	(593.9)
Deferred acquisition costs	19.9	18.4	1.5
Intangible assets	42.7	32.3	10.4
Other operational assets/(liabilities) <sup>1</sup>	296.6	398.4	(101.8)
<b>Total assets</b>	<b>727.2</b>	<b>1,545.4</b>	<b>(818.2)</b>
Policy liabilities & insurance provisions	(357.7)	(1,077.0)	719.3
External debt	-	(83.2)	83.2
Other operational (liabilities)/assets <sup>1</sup>	(63.1)	(57.5)	(5.6)
<b>Total liabilities</b>	<b>(420.8)</b>	<b>(1,217.7)</b>	<b>796.9</b>
<b>Total equity</b>	<b>306.4</b>	<b>327.6</b>	<b>(21.2)</b>

1. A number of assets or liabilities of disposed groups classified as held for sale in the financial statements.

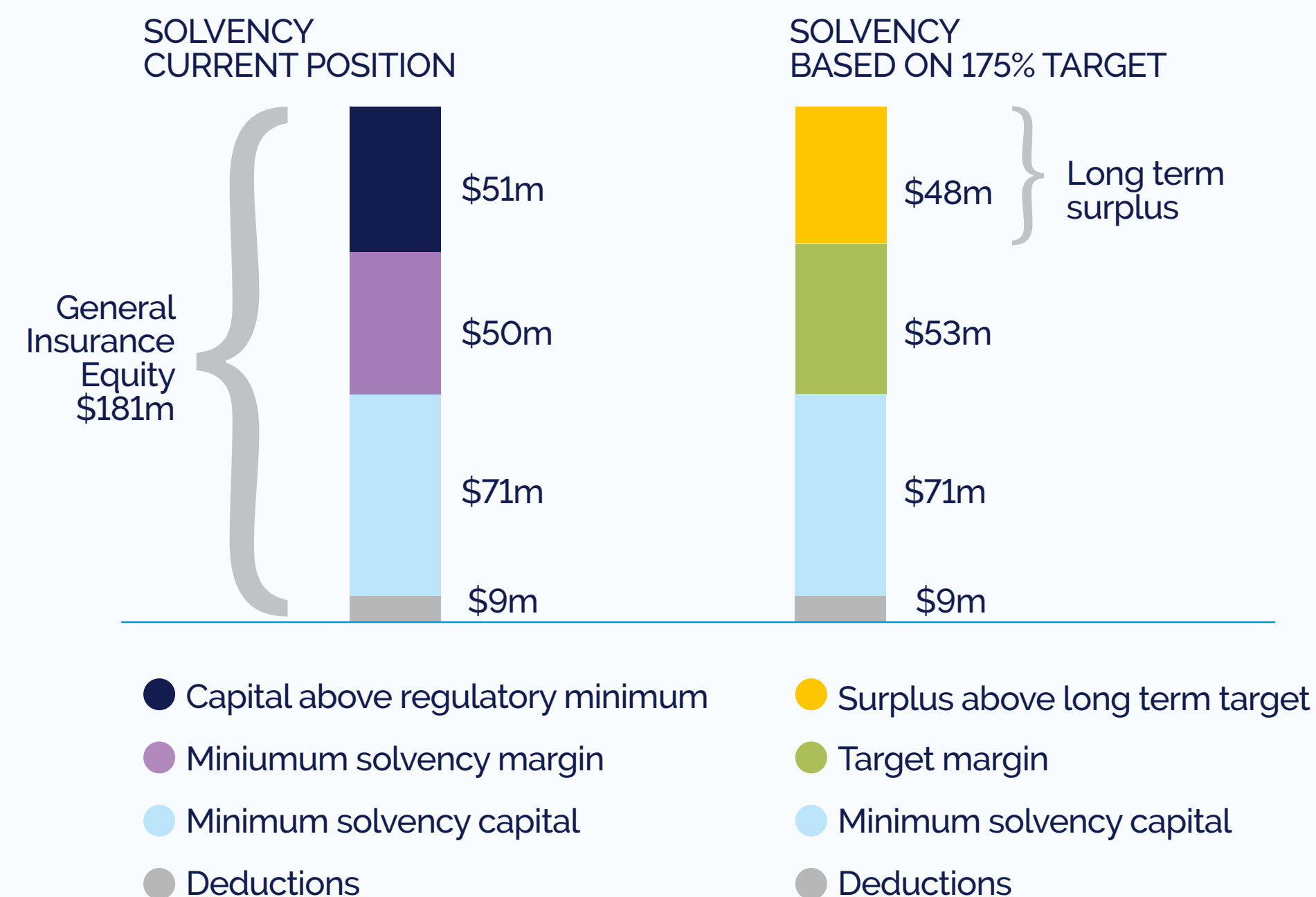
- + Simplification of corporate structure to realise value for shareholders and focus on general insurance
- + Debt free with strong cash balances
- + Balance sheet strength provides ability to manage risk, invest for growth and maximise returns to shareholders
- + Increased reinsurance cover protects balance sheet



# Capital and solvency – General Insurance



- + TOWER holds significant capital above solvency minimums required by the Reserve Bank of New Zealand. As part of its risk management programme TOWER has arranged Adverse Development Cover for Canterbury to reduce uncertainty in relation to the February 2011 event.
- + TOWER has a long term target of retaining within its licensed General Insurance entity 175% of the minimum solvency capital (MSC) required under the Insurance (Prudential Supervision) Act 2010.



GENERAL INSURANCE CURRENTLY HOLDS:

**\$51m** or **\$48m**

Current solvency position  
above regulatory minimum

Surplus above target based  
on long term policy

PLUS CORPORATE CURRENTLY HOLDS:

**\$63m**

Cash held at Corporate level. Before proposed on-market buy back of up to \$34 million and interim dividend payout of \$14.9 million.





# Capital management for **shareholder returns**

Maximise  
**shareholder  
returns**

## Achievements

- + Total Shareholder Return remained attractive in first half
- + TOWER remains highly solvent with capital above minimum requirements at the business and corporate level
- + First Half 2015 Dividend 8.5 cps, up 30.8%
- + Increase in provisions increases certainty around Canterbury

## Moving **forward**

- + Capital management remains a priority and shareholder returns a key strategic outcome
- + Continue to utilise reinsurance to manage risk and protect capital for the benefit of shareholders
- + On-market share buyback to return further capital of up to \$34 million to shareholders
- + Full year dividend pay-out ratio to be maintained at 90-100% of underlying NPAT





**David Hancock**  
Chief Executive Officer

- + Performance highlights
- + General insurance and operations
- + Financial performance and risk management
- + **Strategy and outlook**



# Strategic **scorecard**



## Staff engagement and **efficiency**

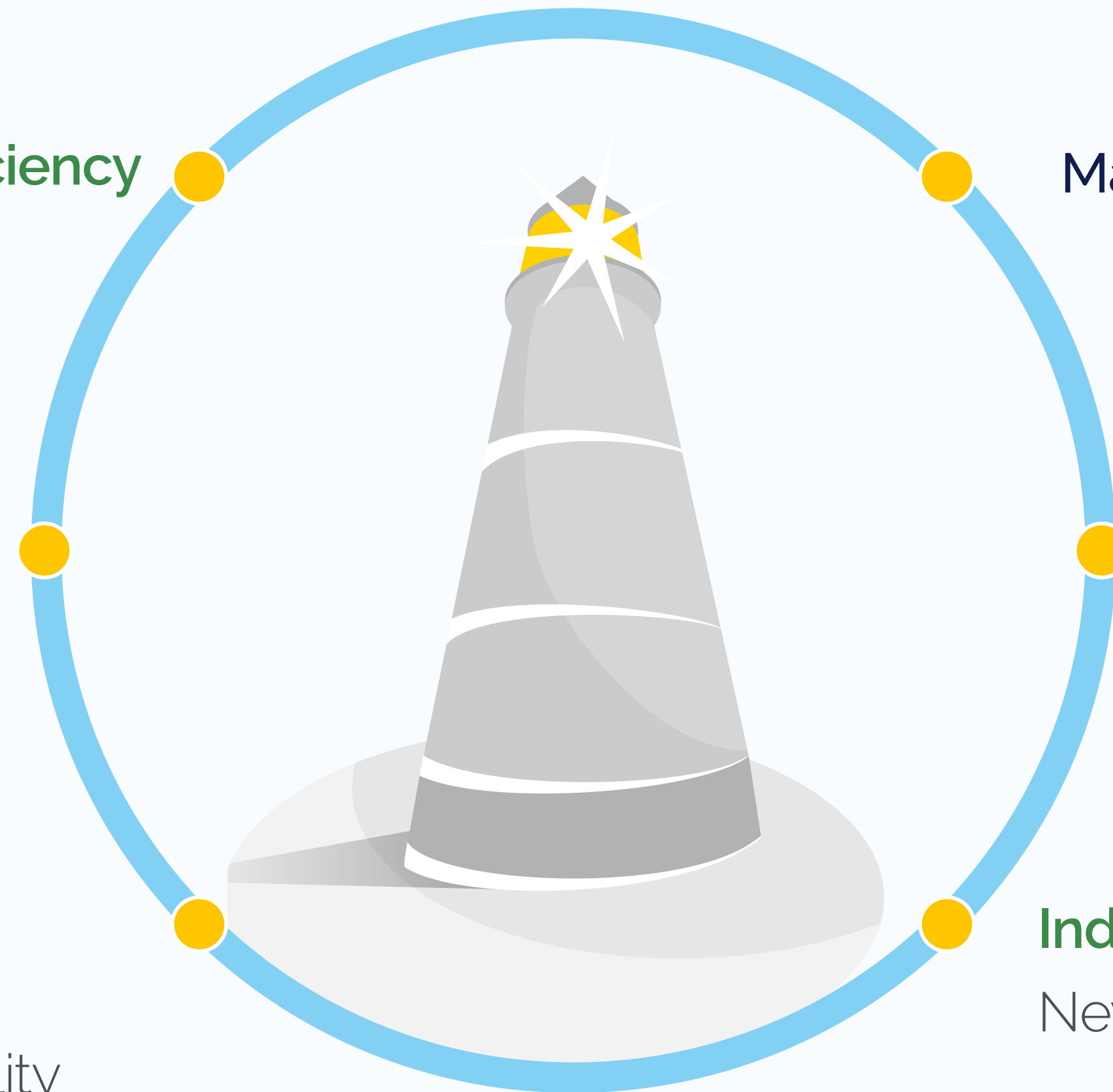
Significant investment in systems and training

## Leadership in **Pacific markets**

Pacific NPAT up 86.9%

## Customer focus to unlock **brand potential**

Investment in digital capability and training



## Management of **risk and capital**

Increased reinsurance, dividends up 30.8% and \$34 million capital return

## Financial **performance**

General Insurance  
Underlying NPAT up 36%

## **Industry consolidation** opportunity

New alliance opportunities



# Strategic **priorities**



Strategic theme	Forward <b>actions</b>
<b>Unlocking brand potential</b>	Investment in staff, systems and processes Service and sales culture: NPS 35 by FY15 Product innovation and next phase of brand campaign Extend online presence
<b>Alliance growth opportunity</b>	Significantly enhanced operational capability Offer trusted alternative to the majors Differentiate our offer through innovation New initiatives via digital platforms
<b>Leadership in Pacific markets</b>	Grow in attractive established Pacific Rim markets Consolidate and grow our new alliances in the region Prepare to enter new regions



# Outlook

Maximise  
**shareholder  
returns**

## Industry

- + Reinsurance cost growth and premium growth easing but industry margins stable
- + New competition. Increased media spending
- + Improved weather however previous large claim events increased industry costs
- + Regulatory environment provides challenges and increased industry costs
- + Canterbury rebuild cost increases and time delays lifting industry costs
- + Strong preference for digital channels in place of traditional channels
- + Industry consolidation providing opportunities for shareholder value to be recognised and enhanced

## TOWER

- + Grow New Zealand GWP, focus on customer service and cost control
- + Pursue further growth in exciting Pacific Rim markets
- + Enhance operating platform and digital capabilities to support growth
- + Achieve 95% completion on Canterbury rebuild by end of 2015
- + Maintain strong solvency, pay healthy dividends and where possible return surplus capital
- + Buyback of up to \$34 million to begin after results announced



An elderly couple is sitting on a beige couch, smiling warmly at the camera. The woman, on the left, has short grey hair and is wearing a light blue button-down shirt and white trousers. The man, on the right, has short grey hair and is wearing a white short-sleeved shirt with thin vertical stripes and blue jeans. They are both barefoot. The background is a bright, slightly blurred indoor space with a white door and a staircase. In the foreground, there are out-of-focus green leaves and pink flowers. On the left side of the image, there is a decorative graphic consisting of a dark blue curved shape at the top, a yellow circle in the middle, and a light blue curved shape at the bottom. In the bottom right corner, there is a dark blue rectangular box containing a logo and the word 'TOWER'.

# Thank you

Questions





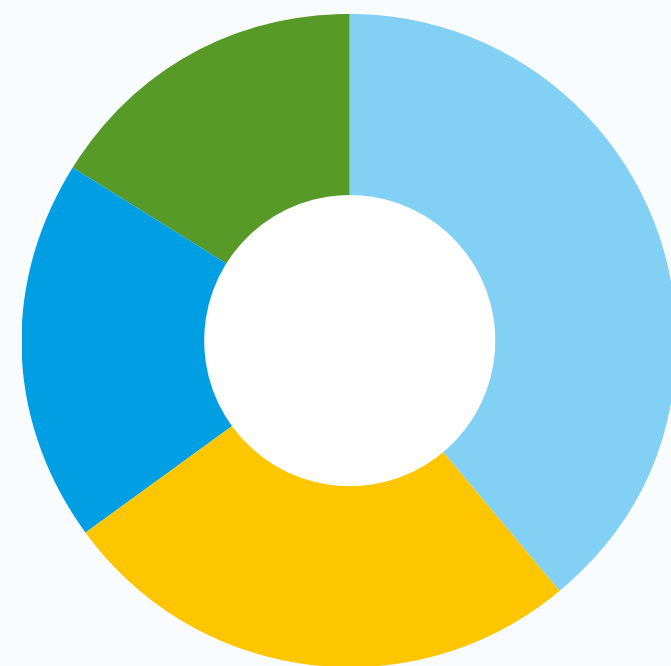
# Appendix

- + NZ Performance
- + General insurance
- + Balance Sheet detail
- + TOWER history



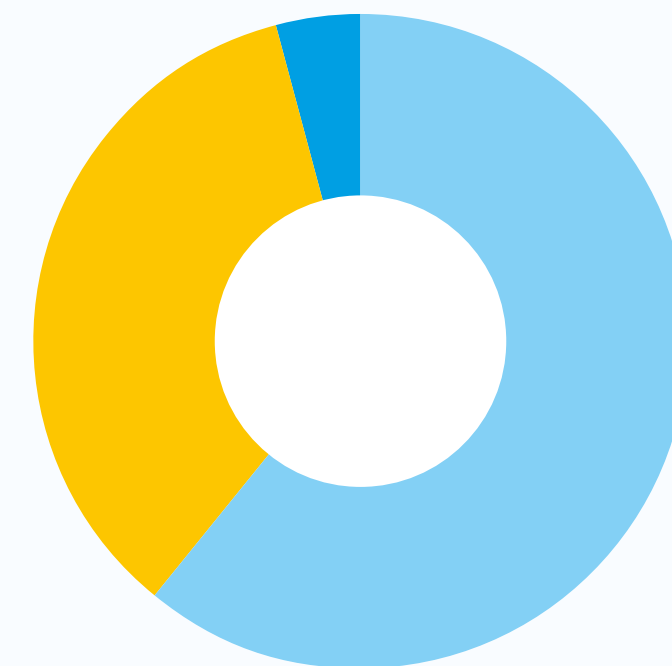
# New Zealand **performance**

HY15 CLOSING INFORCE  
GWP BY PRODUCT



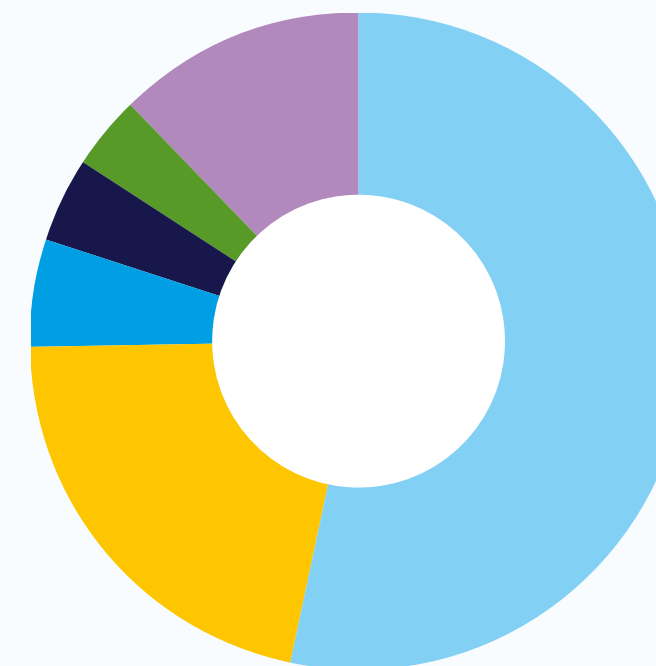
- Home 39%
- Motor 26%
- Contents 19%
- Other 16%

HY15 CLOSING INFORCE  
GWP BY CHANNEL



- Direct 61%
- Finance 35%
- Fintel 4%

NEW ZEALAND TOTAL  
GWP MARKET SHARE 2015



- IAG / Lumley 47.2%
- Vero / AA 24.3%
- QBE (NZ) 6.1%
- TOWER 4.7%
- FMG 3.9%
- Other 13.9%

TOWER'S SHARE IN  
PERSONAL LINES

- House 10.8%
- Contents 9.8%
- Motor 6.3%



# Underlying performance **General Insurance**

\$ million	Mar15	Sep14	Mar14	Sep13	Mar13	Sep12	Mar12	Sep11	Mar11
Gross earned premiums	150.4	146.0	139.1	136.4	130.8	125.0	113.9	106.2	102.1
Reinsurance	(25.7)	(24.5)	(23.5)	(24.4)	(23.5)	(21.2)	(20.0)	(13.3)	(10.2)
<b>Net premiums</b>	<b>124.7</b>	<b>121.5</b>	<b>115.6</b>	<b>112.0</b>	<b>107.3</b>	<b>103.8</b>	<b>93.9</b>	<b>92.9</b>	<b>91.9</b>
Net incurred claims <sup>1</sup>	(55.5)	(52.7)	(53.4)	(48.7)	(52.6)	(46.4)	(44.9)	(41.7)	(44.6)
Large claim events <sup>2</sup>	-	(9.6)	(4.8)	(6.2)	(3.3)	(0.2)	(1.1)	-	-
Management and sales expenses	(49.5)	(49.0)	(43.9)	(41.3)	(41.7)	(40.0)	(38.8)	(35.0)	(35.9)
<b>Underwriting profit</b>	<b>19.8</b>	<b>10.2</b>	<b>13.5</b>	<b>15.7</b>	<b>9.7</b>	<b>17.2</b>	<b>9.1</b>	<b>16.2</b>	<b>11.4</b>
Investment revenue	6.3	5.8	5.7	3.9	4.2	7.9	4.5	7.5	4.0
<b>Underlying Profit before tax</b>	<b>26</b>	<b>16.0</b>	<b>19.2</b>	<b>19.6</b>	<b>13.9</b>	<b>25.1</b>	<b>13.6</b>	<b>23.7</b>	<b>15.4</b>
Income tax expense	(8.2)	(4.0)	(6.1)	(6.5)	(8.0)	(6.9)	(5.0)	(9.0)	(5.4)
<b>Underlying Profit (loss) after tax before impact of Canterbury earthquakes and revaluation of Australian liabilities</b>	<b>17.9</b>	<b>12.0</b>	<b>13.1</b>	<b>13.1</b>	<b>5.9</b>	<b>18.3</b>	<b>8.6</b>	<b>14.7</b>	<b>10.0</b>
Impact of Canterbury earthquakes <sup>3</sup>	(22.6)	-	(0.1)	(0.5)	(14.7)	(10.4)	-3.2	(16.8)	(5.4)
Revaluation of Australia liabilities and FX loss <sup>3</sup>	-	0.5	(1.2)	(1.1)	(6.0)	-	-	-	-
<b>Profit (loss) after tax<sup>4</sup></b>	<b>(4.7)</b>	<b>12.5</b>	<b>11.8</b>	<b>11.5</b>	<b>(14.8)</b>	<b>7.8</b>	<b>5.4</b>	<b>(2.1)</b>	<b>4.6</b>

Underlying ratios	Mar15	Sep14	Mar14	Sep13	Mar13	Sep12	Mar12	Sep11	Mar11
Combined ratio	84.2%	91.6%	88.3%	85.9%	91.0%	83.4%	90.3%	82.6%	87.6%
Claims ratio	44.5%	51.3%	50.4%	49.0%	52.1%	44.9%	49.0%	45.0%	48.5%
Expense ratio	39.7%	40.4%	37.9%	36.9%	38.9%	38.5%	41.3%	37.6%	39.1%
Net incurred claims <sup>1</sup>	(55.5)	(52.7)	(53.4)	(48.7)	(52.6)	(46.4)	(44.9)	(41.7)	(44.6)

1. Net incurred claims includes \$1.8m of suspected arson fires in Cook Islands in the March 2014 period.

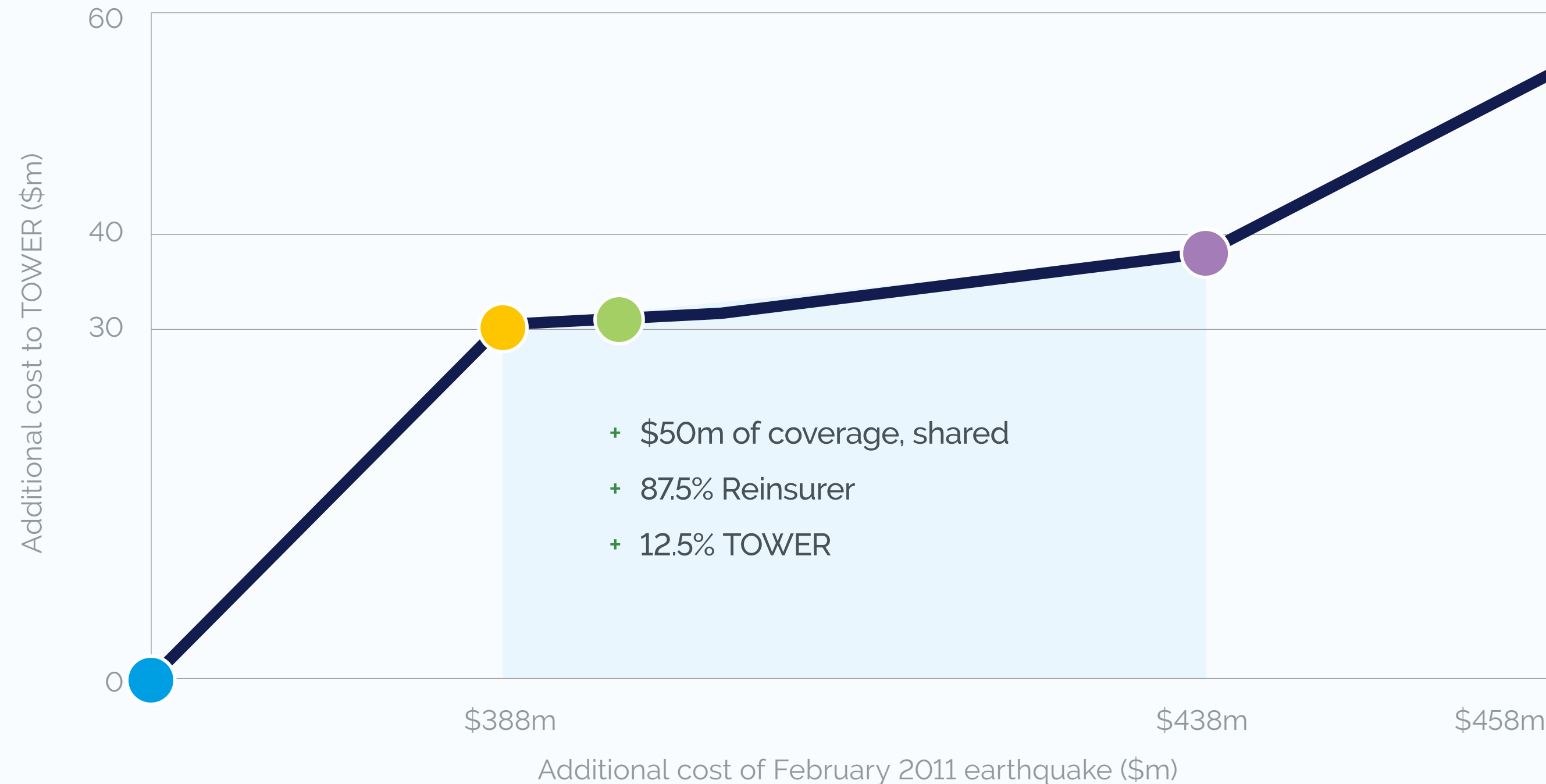
2. Claims events > \$1m

3. The impacts of the Canterbury earthquakes and the discontinuation of the Australian business are classified differently in the Group financial statements

4. Excludes profit for the part year and loss on sale of TLNZ



# Adverse Development Cover **reduces uncertainty**



- + TOWER arranged an Adverse Development Cover (ADC) for Canterbury in respect of February 2011 event
- + Cover against continued cost increases witnessed by the industry
- + September provision level of \$358 million for the February event used as base level of cover
  - first \$30m of additional losses continue to be borne by TOWER
  - subsequent \$50m of losses to be shared with reinsurer (87.5% to reinsurer, 12.5% to TOWER)

## FEBRUARY 2011

- \$358m – provision as at 30 September
- \$388m – level that ADC enters coverage
- \$393m – provision level as at 31 March
- \$438m – end of ADC coverage





# Reported profit

## General Insurance

\$ million	Mar15	Sep14	Mar14	Sep13	Mar13	Sep12	Mar12
Gross earned premiums	150.4	146.0	139.1	136.3	130.8	125.0	113.9
Reinsurance	(25.7)	(24.5)	(23.5)	(24.4)	(23.5)	(21.2)	(20.0)
Catastrophe reinsurance reinstatement	-	(0.2)	-	(0.7)	-	-	-
Net premiums	124.7	121.3	115.6	111.2	107.3	103.8	93.9
Net incurred claims	(55.5)	(52.7)	(53.4)	(49.8)	(58.6)	(46.4)	(44.9)
Large claim events <sup>1</sup>	-	(9.6)	(4.8)	(6.2)	(3.3)	(0.2)	(1.1)
Impact of Canterbury Earthquakes	(31.4)	0.1	(0.1)	-	(20.4)	(14.5)	(4.4)
Management and sales expenses <sup>2</sup>	(49.5)	(49.1)	(45.8)	(41.3)	(41.7)	(40.0)	(38.8)
Underwriting profit	(11.6)	10.1	11.5	13.9	(16.6)	2.7	4.7
Investment Income	6.3	5.7	5.7	3.9	4.2	7.9	4.5
<b>Profit before tax</b>	<b>(5.3)</b>	<b>15.8</b>	<b>17.2</b>	<b>17.8</b>	<b>(12.4)</b>	<b>10.6</b>	<b>9.2</b>
Income tax expense	0.6	(3.3)	(5.4)	(6.2)	(2.5)	(2.8)	(3.8)
<b>Profit/(Loss) after tax<sup>3</sup></b>	<b>(4.7)</b>	<b>12.5</b>	<b>11.8</b>	<b>11.5</b>	<b>(14.8)</b>	<b>7.8</b>	<b>5.4</b>

1. Claims events > \$1m

2. Management and sales expenses includes \$1.9 million of foreign exchange losses relating to release of Australian liabilities in the March 2014 period.

3. Excludes profit for the part year and loss on sale of TLNZ

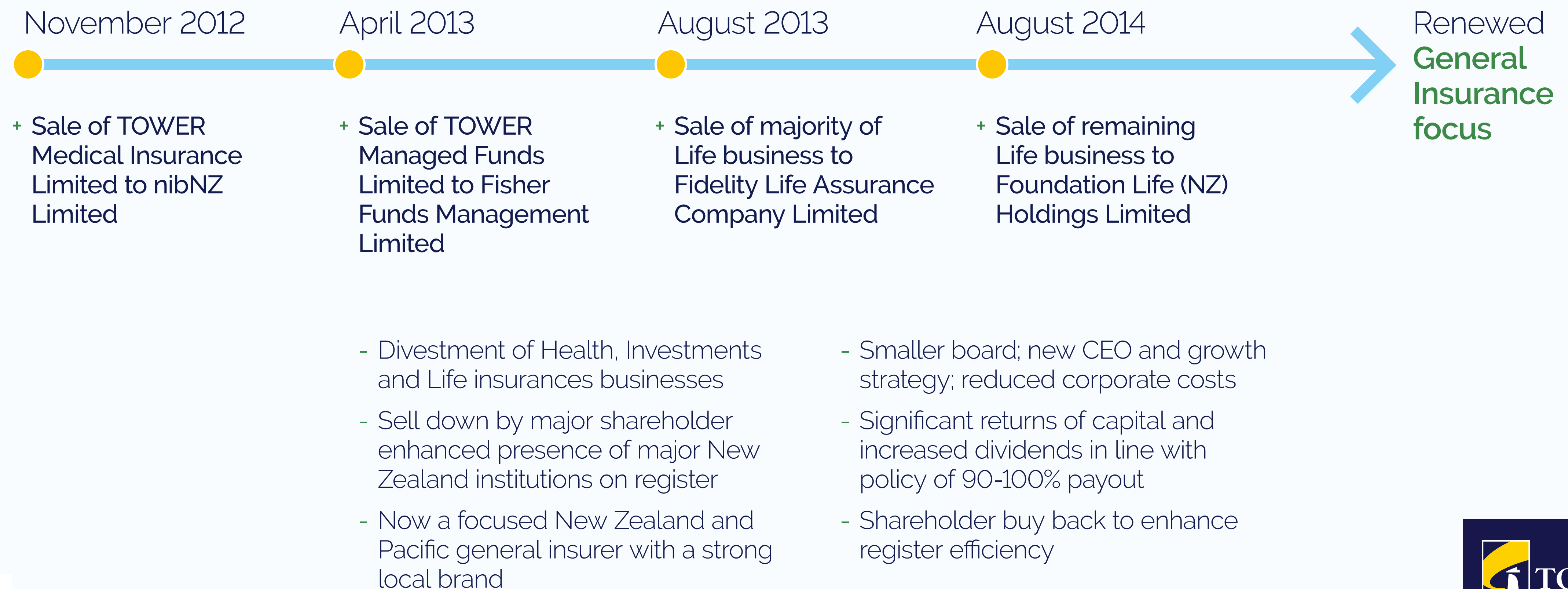


# Group balance sheet

\$ millions	As at 30 March 2015		
	General Insurance	Corporate	Total Group
Cash & call deposits	89.6	62.7	152.3
Total investment assets	215.7	-	215.7
Deferred acquisition costs	19.9	-	19.9
Intangible assets	-	42.7	42.7
Other operational assets/(liabilities)	271.5	25.0	296.6
<b>Total assets</b>	<b>596.8</b>	<b>130.5</b>	<b>727.2</b>
Policy liabilities & insurance provisions	(357.7)	-	(357.7)
Other operational (liabilities)/assets	(57.7)	(5.4)	(63.1)
Total liabilities	(415.5)	(5.4)	(420.8)
<b>Total equity</b>	<b>181.3</b>	<b>125.1</b>	<b>306.4</b>



# New operating model Implemented over two years





# Leading light

This presentation has been prepared by TOWER Limited to provide shareholders with information on TOWER's business. This document is part of, and should be read in conjunction with an oral briefing to be given by TOWER. A copy of this webcast of the briefing is available at <http://www.tower.co.nz/investor-centre/>

It contains summary information about TOWER as at 31 March 2015, which is general in nature, and does not purport to contain all information a prospective investor should consider when evaluating an investment. It is not an offer or invitation to buy TOWER shares.

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