

The Leading light

Welcome from Chief Executive Officer Richard Harding

Welcome to the latest edition of The Leading Light, TOWER's investor newsletter, and my first as Chief Executive Officer.

Since arriving at TOWER, one of my key priorities has been to meet as many investors as possible, to listen and to discuss the future of our business.

It was a pleasure to see the Annual Shareholder Meeting (ASM) so well attended, with investors taking an active interest in the company's performance and our future plans.

At the ASM, I spoke about the need for TOWER to draw a line under its transition journey. Much has been written about TOWER's move to become a general insurer; and this is who we are now.

Our mission now is to create a **high performing** general insurance company.

That transformation is predicated on TOWER growing and retaining its customers. To date, we haven't done this as well as we need to, and that must change.

The TOWER team understand this and are committed to delivering results that reflect a high performing business.

We have three key priorities now in play:

- Delivering a high performance **customer service** culture;
- Focusing on **operational excellence** (in particular, product rationalisation and reducing our cost base); and
- Accurately **pricing risk**.

These factors are being targeted to contribute to a stronger financial performance and commensurate shareholder returns.

Delivering a high performance customer service culture and achieving operational excellence are not mutually exclusive goals: one cannot succeed without the other.

We have a willing and very able customer service team who demonstrate the right attitude on a daily basis, but they need the right products, processes and tools to deliver stellar service. That means fewer products, better IT platforms and quicker processing times.

We are making headway with product rationalisation and each step will incrementally improve our performance, both from a customer and shareholder perspective. However, as I noted in my ASM presentation, this is complex work and, with 350 different policy versions and 150 different on-sale products across three different IT platforms, it will take time to complete.

The full rationalisation will realise a raft of benefits including reduced call times, staff training, auditing and claims leakage all of which result in significant cost reduction.



Richard Harding
Chief Executive Officer

Our third priority – accurately pricing risk – is seeing TOWER develop more tailored insurance products based on specific customer behaviour, reducing the inherent cross subsidisation that occurs between low- and higher-risk customers. Accurate pricing of risk has a number of significant benefits for the business; most notably it rewards and therefore, encourages, better behaviour. This results in fewer claims, less losses and improved margins (profits).

In closing, you will note in this newsletter on page 3 that we have recently appointed a number of talented new executives to the Executive Leadership Team.

Each member has the specific skills and experience required to successfully meet the specific challenges we face.

I believe we now have a formidable team in place and I look forward to reporting our progress.

Richard Harding

Currency election forms for **dividends**

In the past, TOWER paid dividends to shareholders in the currency of the stock exchange on which their shares are listed. After requests from shareholders, TOWER has chosen to pay all future dividends by domicile (i.e. in the currency of the country in which the shareholder resides).

Many shareholders prefer this approach as it is administratively simpler to receive dividends in the currency they use on a daily basis, rather than receiving dividends in Australian dollars when they live in New Zealand, and vice versa.

On 18 March 2016, Computershare, TOWER's share registrar, sent currency election forms to those shareholders who are currently paid dividends in the currency of the stock exchange on which their shares are listed, rather than the currency of the country in which they live.

The currency election forms allow shareholders to do nothing if they wish to continue receiving dividends in the same currency as they did previously, or to elect for dividends to be paid in the alternative currency (either Australian or New Zealand dollars), and to provide a different bank account number.

If you have received this form and have questions, please contact Computershare Investor Services Limited at:

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Private Bag 92119, Auckland 1142
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Phone +64 9 488 8777
Email enquiry@computershare.co.nz

Cyclone Winston and its impacts in Fiji

As advised to the market on 3 March 2016, TOWER's current estimate is that the net of tax cost of potential losses related to Cyclone Winston will be between NZ\$4.0 million and NZ\$7.0 million. Based on latest assessments on the ground in Fiji and internal analysis, this range remains accurate.

TOWER's main catastrophe reinsurance cover has an excess of NZ\$10.0 million, and therefore the anticipated losses will fall within the excess amount.

In addition, TOWER's aggregate cover, which protects from multiple event losses during a financial year, has an excess of NZ\$5.0 million. The claims arising from Cyclone Winston will contribute to this excess.

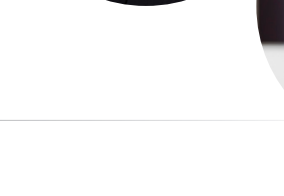
TOWER confirms its Board and brings further general insurance expertise to its **Executive Leadership Team**

At TOWER's Annual Shareholder Meeting held on 11 February 2016, directors David Hancock and Steve Smith retired by rotation and were successfully re-elected. Warren Lee, who was appointed an independent non-executive director to fulfil a casual vacancy in May 2015, was successfully elected to the Board.

What's **next?**

Interim reporting

The half year results will be released in May and the half year report will be released in June. The results and report will include TOWER Limited Interim Financial Statements.



From top: Richard Harding, Glenys Talivai, Brett Wilson, David Callanan, Tony Antonucci, Michelle James, Glenn Wade, Faye Luxton

Introducing the TOWER Executive Leadership Team

To further strengthen our ability to deliver as a high performance general insurer, a number of new appointments have been made to the TOWER Executive Leadership Team.

■ Chief Risk Officer – David Callanan

David Callanan joined TOWER in February from RACQ Insurance in Queensland, Australia where he held the position of Chief Risk Officer (CRO).

Having also held senior risk and compliance roles at PwC (formerly known as PricewaterhouseCoopers) and Sunsuper Superannuation Fund, David has wide ranging financial services experience from which to draw.

David's appointment comes at a time when TOWER is keenly focused on transforming its approach to managing risk, and building an efficient and effective governance model, as part of its high performance mandate. David assumes leadership of TOWER's risk, governance, compliance, legal and internal audit functions with a shared imperative to support and advise the business while providing assurance to Management and the Board.

The Board and Management recognise that an effective system of risk management plays a critical role in the setting and achievement of TOWER's objectives. The CRO role is a newly created position at TOWER. Natural disasters, regulatory requirements, competition, technology, innovation and disruption in the insurance industry highlight the importance of such a role: in such an environment, we believe a sound framework for risk management will only succeed if supported by a culture that fosters effective risk management. The CRO and supporting functions are responsible for ensuring the fundamental corporate frameworks across the organisation support TOWER's, vision, strategy and long-term goals while also embedding and nurturing an effective risk culture.

■ General Manager, Customer Acquisition and Retention, and the Pacific Islands – Michelle James

Fresh from Spark Digital – where as Director Transformation she was responsible for successfully delivering a substantial organisational people and technology change programme – Michelle James joined TOWER in March.

Michelle has long term experience in driving both service and culture transformation initiatives, specialising in the creation of high performing team culture. Prior to her role with Spark Digital, Michelle was Manager Organisation Transformation at Auckland Council. She has also held executive and senior roles at Telstra Corporation in Australia and Telecom New Zealand.

Given TOWER's priority focus on the development of a high performance customer service culture, Michelle's expertise and experience will add significant value.

■ General Manager, Product and Marketing – Tony Antonucci

In April, Tony Antonucci joined TOWER from Brisbane-based insurer, Auto & General where he is currently General Manager Products and Underwriting – Home.

Auto & General – which offers car, home, contents and travel insurance products in Australia – has enjoyed rapid growth since its formation in 2000. Tony has played an integral part in that growth having worked across sales, client services, claims, acquisition and underwriting divisions over the past nine years.

Tony oversaw a number of major product development and rationalisation initiatives and was also instrumental in the creation of Auto & General's digital platform. These skills are of significant benefit to TOWER as the business sharpens its focus on operational excellence.

■ Chief Information Officer – Glenn Vade

Prior to joining TOWER, Glenn Vade held senior IT and CIO positions across the insurance industry focused on navigating the challenges of innovation and continual process improvement. These roles included Head of Technology for Wealth Admin Systems at AMP and as the Head of Technology for Wealth Protection to enable the AMP-AXA merger in Melbourne. Glenn has now been appointed Chief Information Officer.

Glenn has already been responsible for leading significant work to reduce the level of complexity and risk within TOWER's existing IT infrastructure and systems. This vital work – which underpins TOWER's commitment to product rationalisation and cost reduction – will continue under his proven leadership.

Contact us

We would like to hear from you if you have feedback on our newsletter, suggestions for future news items or would like to be added to our mailing list. Please contact Investor Relations on +64 9 369 2000 or e-mail: investor.relations@tower.co.nz

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