



17 August 2017

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TOWER FINANCIAL STRENGTH RATING REAFFIRMED

Global insurance company ratings specialist A.M. Best Company has reaffirmed Tower Insurance Limited's financial strength rating as A-.

In its announcement, A.M. Best Company has updated Tower's under review rating from developing to negative implications, following the NZ Commerce Commission's decision to decline Vero's proposal to purchase Tower. The company's issuer credit rating also remains under review.

A.M. Best's rating reflects Tower's balance sheet position relative to the current rating status and is offset partially by management considering a capital raise to strengthen the group's consolidated capital position.

"The Tower Board is pleased that AM best has maintained Tower's A- rating, and as previously indicated, is considering conducting a capital raise to accelerate the transformation of the underlying business and ensure the long term sustainability of Tower," said Tower Chairman, Michael Stiasny.

"Tower retains an adequate and stable capital base and continues to improve the underlying business," he said.

A copy of the A.M. Best Company's news release is attached.

ENDS

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A.M. Best Revises Under Review Status to Negative for Credit Ratings of TOWER Insurance Limited and TOWER Limited

SINGAPORE, August 16, 2017 —A.M. Best has revised the implications of the under review status to negative from developing for the Financial Strength Rating of A- (Excellent) and the Long-Term Issuer Credit Rating (Long-Term ICR) of “a-” of **TOWER Insurance Limited** (TIL) (New Zealand). Concurrently, A.M. Best has revised the implication of the under review status to negative from developing for the Long-Term ICR of “bbb-” of TIL’s ultimate parent, **TOWER Limited** (TL) (New Zealand).

The revision of the under review status to negative implications comes after the Commerce Commission of New Zealand announced that it has declined to grant clearance to **Vero Insurance New Zealand Limited** to acquire up to 100% of the shares in TL. The negative implications status reflects TL’s relatively weak balance sheet strength for its current rating levels. A.M. Best’s concern, however, is offset partially by management considering a capital raise to strengthen the group’s consolidated capital position.

The ratings will remain under review with negative implications pending further discussions between A.M. Best and TL’s management team related to its capital-raising initiatives.

Downward rating pressure could result if TL fails to improve its consolidated capital position to a level more supportive of the current ratings.

Ratings are communicated to rated entities prior to publication. Unless stated otherwise, the ratings were not amended subsequent to that communication.



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